Hexagon Annual Report 1998

ANNUAL GENERAL MEETING AND OPPORTUNITIES

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Annual General Meeting The Annual General Meeting will be held on Monday, 3 May 1999, at 5 PM Norra Latin in Stockholm, Drottninggatan 71 B.

Right of attendance To be entitled to participate and vote in the Annual General Meeting, shareholders must:

- be entered in the register of shareholders,
- have given prior notification of their intention to attend.

Entry of the shareholder names in the register maintained by Värdepapperscentralen VPC AB (VPC) must have taken place no later than 23 April 1999. Shareholders who have permitted their shares to be registered with a nominee must temporarily register the shares in their own name. Such registration must be in effect by 23 April 1999 at the latest.

Notification Notification of intention to participate in the Annual General Meeting must be submitted to the company, addressed to Hexagon AB (publ),

Kronobryggan, S-261 31 Landskrona, Sweden, no later than 12 noon on Thursday, 29 April 1999. Notification may also be made by telephone, at tel. +46 (0)418 44 92 00.

Dividend For fiscal year 1998, the Board proposes a dividend of SEK 5.00 per share (previous year SEK 5.00). Thursday, 6 May 1999 is proposed as the day on which the dividend will be recorded. If the Annual General Meeting decides to adopt the Board's proposal, it is anticipated that dividend will be distributed on 14 May 1999.

Change of address Private individuals who are registered as domiciled in Sweden do not need to notify VPC of change of address. Shareholders who have changed their address, name or account number should notify the financial intermediary handling their account as soon as possible. A shareholder who has registered his/her shares with a nominee should notify the nominee of any changes of name, address, or account number without delay. A special notification form can be obtained at banks.

Opportunities for obtaining

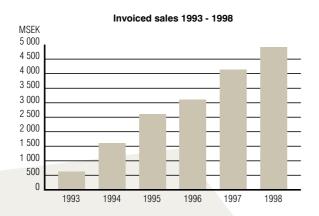
information During the coming year, Hexagon will be issuing the following financial information:

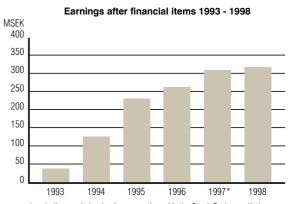
Interim Report Jan.-Mar 1999:
On 3 May 1999
Half-year Report Jan.-June 1999:
On 3 August 1999
Interim Report Jan.-Sept. 1999:
On 1 November 1999
Report on 1999 Operations:
In February 2000
Annual Report for 1999:
In April 2000

The annual report, report on operations and interim reports are sent directly to shareholders who have placed an order. These reports can be requisitioned by other parties from:
Hexagon AB,
Kronobryggan,
S-261 31 Landskrona, Sweden,
Telephone +46 (0)418-44 92 00.

Information is also available on the Internet: www.hexagon.se

Trends 1993-1998





*excluding capital gains in connection with the Stock Exchange listing of Svedbergs

Hexagon in brief 1998

- Earnings after financial items rose by 3 per cent to MSEK 313
 (304 excluding capital gains which arose in 1997 in connection with the Stock Exchange listing of Svedbergs)
- → Invoiced sales rose by 17 per cent to MSEK 4946 (4218)
- Eight acquisitions were completed in Hexagon's subsidiaries, with a total turnover on a whole year basis of MSEK 825
 One company with an annual turnover of MSEK 180 was disposed of

	1998	1997*
Invoiced sales (MSEK)	4 946	4 218
Earnings after financial items (MSEK)	313	304
Net income after tax (MSEK)	205	204
Earnings per share after standard tax (SEK)	15.12	14.80
Earnings per share after full tax (SEK)	13.83	13.80
Return on shareholders' equity (%)	17	20
Return on capital employed (%)	17	18
Cash flow per share (SEK)	24.60	22.78
Visible equity-total assets ratio (%)	42	43
Share price at date of closing (SEK)	167	218
Dividend per share (SEK)**	5.00	5.00

^{*} Excluding capital gains of MSEK 84 which arose in connection with the Stock Exchange listing of Svedbergs

^{**}Dividend in accordance with the proposal of the Board of Directors

Letter from the Group President

The Hexagon Group's invoiced sales for 1998 amounted to MSEK 4 946 (4 218). Earnings after financial items amounted to MSEK 313 (304 excluding the capital gains which arose in connection with the Stock Exchange listing of Svedbergs).

Exchange listing of Svedbergs).

Despite a general slowdown in the economy during the second half of the year, the earnings outcome was the best in the Group's history.

Our business concept Hexagon's business concept is to acquire and long-term develop medium-sized industrial companies. In short, it may be said that operations follow two leading lights: acquisition and company development, or to put it another way, growth and profitability.

Acquisitions take place on the one hand in the Parent Company and are aimed at companies with a turnover of the order of MSEK 500 to 1 500, and on the other hand in the subsidiaries. In the latter case, the purpose of acquisitions is to create growth with clear synergy effects in relation to the subsidiaries' existing operations. After acquisition, it is Hexagon's task to create the conditions which afford the acquired companies' growth and earnings potential the optimum possibilities.

Acquisitions After a public offer, SwePart AB was integrated in the Hexagon Group as of January 1997. At the turn of 1997/1998, Hexagon was once again in a financial and organisational position to complete a major acquisition. However, during the greater part of 1998, the price level on the type of company which the Parent Company gives priority to was extremely high. For this reason, the focus during 1998 was turned on the acquisition activities of the subsidiaries. During the year, these have completed eight acquisitions of smaller companies with a total turnover of approx. MSEK 825. The acquisitions are part of a natural element in the subsidiaries' growth strategies and all show clear synergy effects with existing operations.

Corporate development During the year, great emphasis has been placed on rendering the internal operations of the Group more efficient. Over the last three to four years, most of the subsidiaries have enjoyed substantial growth in both earnings and in volume and have reached a level where it was natural to implement structural and organisational changes. Their purpose was to create a new platform for further growth.

 Within Industrial Components and Systems, AKA has established a permanent organisation with sales offices in the Baltic States and Russia. While at present unstable, these markets constitute an extremely interesting growth potential area in the long term. All three companies within this division are developing steadily into information and knowledge companies. The companies' product and customer knowledge are increasingly becoming the actual basis of operations, and the development of knowledge and skills has been placed centre stage.

Within Niche Manufacturing, a number of measures have been implemented of a structural nature. During the year, Gislaved Gummi acquired a polymer company in Sri Lanka. With this acquisition, Gislaved Gummi took a decisive step towards internationalisation. The acquisition ensured cost-effective production capacity for the two product areas of highest priority gaskets for plate heat exchangers and wheels for trucks and other applications.

In addition, as a result of the acquisition Gislaved became established on the key Asian market, which is of major importance for the company's long term growth plans.

- → Johnson Metall, hitherto working in the product areas bronze and brass, has added a new product area pre-processed steel. This has been put into effect in that Nybro Stålprodukter and Centrostål were incorporated into the Johnson Group. In connection with this move, the Group changed name to Johnson Stål & Metall, and a new group management has been appointed. The new Group is expected to report a turnover of about SEK I billion and has obtained resources for further expansion.
- During the year, Moteco has trebled its resources as regards R&D in order to meet the requirements which the "third generation" of mobile telephones will place. This company has also begun establishment abroad, by the starting of a wholly owned producing subsidiary in China. Both the drive in research and development and the corporate establishment in China are key moves in the development of these operations.
- SwePart has been reorganised and now encompasses two business areas: Trans-

mission and Tools. EBP also belongs to this latter area, the company being wholly geared to the after-sales market of vehicle body parts and is in a position to benefit from the tools competence in the Group as a whole.

Over the last three years, Hexagon has progressively built up a "supplier Group" to provide the food and pharmaceuticals industries in the Nordic region with ingredients, raw materials and packages. At the end of 1998, the three companies - Lundbergs, Fredrikssons and Bech & Kjeldahl were merged in a newly-formed Group - Norfoods AB. Operations have now reached a critical mass of slightly less than SEK 1 billion in invoiced sales and have generated the organisational and market preconditions for increased profitability and establishment in all of the Nordic countries.

Hexagon's internal work to develop operations is geared to improvements in growth and profitability. As a guiding principle, our aim is to organise all work in accordance with the principle of constant improvement, where all members of the workforce take part positively in the formulation of objectives and action within their respective fields of operation. This methodology is strikingly similar to the sports world. The sprinter knows his/her performance times over one hundred metres. S/he sets up a training programme. Every time s/he runs, the time is taken. When the target has been reached the level of ambition is raised a few tenths of a second and the process begins again.

Within almost every area, we are trying to progressively introduce this work methodology.

In order to provide support for this operational method, most of the subsidiaries have introduced so-called balanced scorecards as a key part of their control system.

Hexagon's ownership structure

It is perhaps not a common occurrence that the CEO comments on ownership changes in the company's annual report. But in 1998 Melker Schörling acquired Konverta AB which owns all series A shares in Hexagon.

As principle owner, Konverta has stood for a long-term and industrially oriented ownership strategy with Torbjörn Ek and others at the forefront. Now that Torbjörn, having reached the age of 65, has decided to retire as Chairman of the Board, I would like to take this opportunity to thank him for superb cooperation in the years that have passed. I would also like to welcome Melker Schörling as principle owner. With a wide ranging industrial background, Melker Schörling will be able to make a substantial input in the phase which Hexagon is currently passing through. It is with great expectations and stimulation that I look forward to our future cooperation.

The future The work involved in finely tuning existing operations as regards earnings and profitability will continue unabated.

In all probability, occasions for future large-scale acquisitions in the Parent Company will present themselves in the times ahead. A number of objects have been identified and the Group is well-equipped for further expansion.

During the year, Hexagon's subsidiaries have progressively developed towards satisfying all of the requirements that are placed for Stock Exchange listing. This gives freedom of action, in both financial and structural terms, to adapt the Group to those opportunities which the next millennium will bring.

In the short perspective, the first half of 1999 will, in all likelihood, be characterised by a certain slowdown in the economy for the Swedish engineering industry. However, it is my confirmed opinion that we should be forward thinking at this stage so as to meet the next upturn of the economy with strengthened positions.

Landskrona, Sweden, February 1999

Börje Andersson President and CEO

Business concept, structure, objectives and strategies

In January 1993, an extraordinary general meeting was held, having been preceded by a major change in ownership. A new Board of Directors and management took over. At that point in time, the company had a turnover of MSEK 387 and earnings of MSEK 4. Operations encompassed 15-odd smaller companies with no cohesive structure.

During 1993, the existing operations were restructured, the company changed its name to Hexagon AB and a new financial and organisational platform was built up. The ambition was to create a growth-oriented long-term industrial ownership environment for medium-sized industrial companies. Ever since 1994, when the company established a firm footing in its new guise, operations have been guided by a business concept formulated in relatively simple terms:

"Hexagon's business concept is to acquire and long-term develop mediumsized industrial and technology trading companies".

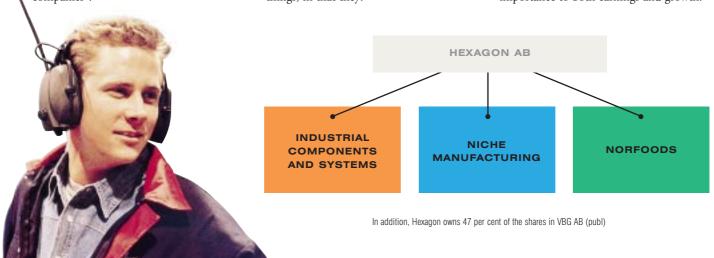


The Hexagon Group today During the six years that have passed since work on converting the business concept into practical action, the Hexagon Group has progressively evolved. Today, the Group consists of eight direct-reporting companies with a total level of invoiced sales of SEK 4.9 billion and earnings in 1998 of MSEK 313.

The subsidiaries show striking similarities and are characterised, among other things, in that they:

- are medium-sized industrial and technology trading companies with invoiced sales of the order of MSEK 250 - 1000
- are niche oriented and operate in markets with exclusively industrial customers
- have, or are on the way to having, leading positions within their respective market niches and a high level of ambition as far as internationalisation is concerned
- conduct their product and production technology development within the framework of modern, but applied, technology

Corporate structure The companies are grouped into three fields of operation. Those companies which are included in each respective field of operation share, in addition to that denoted above, further common features which are of essential importance to both earnings and growth.



Picture top right: Gustaf Fagerberg's Filters at Örtofta Sugar Factory. Picture centre: Moteco's R&D unit in Lund. Picture bottom: Lundberg's New Warehouse in Malmö.

THE GROUP'S THREE BUSINESS AREAS

Industrial Components and Systems

The Industrial Components and Systems Division comprises three companies, AKA Industriprodukter AB, Dacke Hydraulik AB and The Gustaf Fagerberg Group.

The companies are very similar in character. They provide industrial companies with components and systems within industrial supplies, industrial hydraulics and flow technology. A considerable proportion of invoicing consists of customised system solutions which include in-house products, accounting for roughly 25 per cent of total invoicing.

The major market is the Nordic region and, to some extent, Germany. In recent years, sales offices have been set up in Russia, the Baltic states and Poland. These markets are of interest in the long term, but have not yet achieved any major scope.

In terms of organisation, the companies are of similar structure, with result units in corporate form which are geographically or functionally defined. The companies often have leading market positions within their respective market segments.

In 1998, this Division turned over MSEK 1 986 (1 837) with an earnings result of MSEK 100.7 (105.9). Return on capital employed amounted to 18.9 per cent. At the beginning of 1999, the Division had a workforce of 1,092, of which 490 outside Sweden.

Niche Manufacturing

This business area comprises four companies: Gislaved Gummi AB, Johnson Stål & Metall AB, Moteco AB and SwePart AB. All of the companies are almost exclusively niche-oriented, with considerable market shares within their respective segments. Product development often takes place in close cooperation with customers and their products may be defined as qualified OEM products. Gislaved's wheels and gaskets for plate heat exchangers, Johnson's bronze, brass and steel products, Moteco's







antennas for mobile telephones, and SwePart's tools and transmission products are all cases in point. Within this field of operations, considerable emphasis is placed on developing production technology and efficient organisation forms.

Sales to end customers take place mostly outside Sweden, where Northern Europe and the United States are the dominant regions. In recent years, the level of internationalisation has increased, among other things by establishment in China, Sri Lanka and the United States.

In 1998, the Group turned over MSEK 2 183 (1 877) with an earnings outcome of MSEK 186.9 (195.1). Return on capital employed amounted to 21.6 per cent. At the beginning of 1999, Niche Manufacturing had a workforce of 2,283, of which 540 abroad.

Norfoods

During the period between 1995 and 1998, Hexagon has progressively built up a supplier group which supplies the Nordic food and pharmaceuticals industries with ingredients and raw materials, as well as packages of glass, plastic and aluminium. As of 1 January 1999, a CEO for Norfoods AB has been appointed, and operations are conducted in three subsidiaries: AB R Lundberg, Bech & Kjeldahl A/S and LG Fredriksson International AB. For their customers, Norfoods provide a complete concept comprising purchase on the world market, product control, warehousing and logistics, including EDI, as well as considerable product and environmental knowledge.

During 1997 and 1998, extensive efforts have been implemented to create the basis for this concept which can begin to be fully operational during 1999.

In 1998, Norfoods turned over slightly more than MSEK 698 (430), with an earnings outcome of MSEK 6.5 (5.9). Return on capital employed amounted to 10.4 per cent. In terms of both organisation and operations, a platform is now in place which makes for a progressive improvement of profitability. Norfoods has a workforce of 87, of which 15 abroad.

HEXAGON'S OBJECTIVES

Hexagon's overriding objective for operations is to create the preconditions for a favourable and stable development of the Hexagon share by growth and improvements in profitability.

GROWTH OBJECTIVE

The Group's growth objective is to increase earnings by 15 per cent per year.

Over the last four years, 1995-1998, earnings have risen by an average of 25 per cent, excluding the capital gains of MSEK 84 which arose in connection with the Stock Exchange listing of Svedbergs in 1997.

PROFITABILITY OBJECTIVE

The profitability objective is, throughout one business cycle, to reach a return of a minimum of 15 per cent on shareholders' equity.

Over the last four years, return has on average amounted to 22 per cent. This is also calculated excluding the above mentioned capital gains.

EQUITY RATIO OBJECTIVE

Equity ratio in the Group shall not be less than 35 per cent.

Over the last four years, the equity ratio has stood at an average of 43 per cent.

DIVIDEND POLICY

The objective is that 25-35 per cent of annual post-tax profit is to be distributed in the form of dividend to the shareholders.

Over the last four years, 33 per cent of annual profit has on average been paid in dividend to the owners.

HEXAGON'S STRATEGY

To achieve the objectives which have been set up for operations, Hexagon works according to a strategy which comprises areas in which specific sub-strategies have been developed:

- acquisition of major companies in the Parent Company
- acquisition of complementary companies in the subsidiaries
- organic growth and improvements in profitability
- development of management

Acquisition of major companies in the Parent Company Hexagon operates according to a forward-thinking acquisition strategy and, over the last five years, has completed a large number of acquisitions.



Gasket for plate heat exchanger from Gislaved Gummi.

On acquisition, it is vital that the management and commercial culture of the acquired company are of such a nature that the company can be incorporated rapidly and smoothly into the Hexagon Group.

MARKET NICHE

Operations are to be conducted in a clearly defined market niche which is characterised in that the niche is too small for the really large commercial actors, but too large for the small.

MARKET POSITION

Operations are to have the potential to reach a market-leading position in its niche in an international perspective. Depending on the nature and size of the niche, the degree of internationalisation varies.

CUSTOMER STRUCTURE

If the niche consists of a small number of customers, their stability and international expansion capabilities should be carefully evaluated.

PRODUCTS

The products, regardless of whether they are manufactured in-house or are purchased from outside, should be of such a nature that they are strategic OEM products of decisive importance for the function and/or quality of the end product. If the cost of the supplied product or subsystem is low in relation to the whole, this is generally an advantage. A high level of inhouse know-how as regards product development is a goal to be sought for.

PRODUCTION TECHNOLOGY

Production, regardless of whether its takes place in-house or consists of a logistics system, should be knowledge-intensive. Knowledge and production equipment must be capable of being combined and developed in a way which affords advantages over competitors.

DISTRIBUTION

Distribution systems and logistics should be uncomplicated and distribution costs to the customer should be slight or cost-neutral.

A sense of timing in acquisition has proved to be of crucial importance for the long-term attainment of earnings and profitability objectives for the Group. Because of Hexagon's high standards, the number of acquisitions made varies from time to time. As of January 1997, SwePart was integrated in the Hexagon Group after a public offer which was made during the preceding Autumn. At the end of 1997, the financial capacity of the Group was recouped, among other things by the adoption of a so-called syndicated loan. During the greater part of 1998, price levels were extremely high as regards companies which may come into consideration for acquisition in the Parent Company, for which reason the acquisition activities have been concentrated to the subsidiaries.

The Parent Company gives priority to the acquisition of companies in the turnover range of between MSEK 500 and MSEK 1 500. In addition to the above-mentioned criteria, the Group strives to ensure that the companies' operations are characterised by the six criteria described alongside.

When acquisition has taken place, Hexagon has long-term and industrial development ambitions, which requires stability and methodical work. Hexagon has, as a general quality objective, to develop its companies so as to satisfy the requirements which are placed for Stock Exchange listing, even though the business concept does not specifically state any exit policy. Regardless of if and when Stock Exchange listing takes place, this orientation of the Hexagon Group provides freedom of action to change and adapt its structure in a natural way.

The workshop at Nybro Stålprodukter within Johnson Stål & Metall

Acquisitions in the subsidiaries

All of Hexagon's eight subsidiaries have commercial development plans which include the acquisition of complementary operations. This is a key component of the companies' business plans as regards markets, products and technology development. On acquisition in the subsidiary companies, demands are always placed on clear coordination and synergy gains.

During 1998, the Group's acquisition activities have been concentrated to the subsidiaries and eight acquisitions of this type took place. All business areas have been affected. Annual turnover in the acquired companies is roughly MSEK 825.

Organic growth and improvements to profitability Even though acquisition is a very important part of the subsidiaries' growth strategies, all companies have also well-established plans for their organic growth.

Within the framework of Hexagon's concept for continuous improvement which in the long term is to encompass all



members of the Group workforce, a methodical project was launched during 1998 for improving earnings and profitability. Questions such as marketing, pricing policy, purchases, productivity, service efficiency, level of overheads and tied up capital are

the subject matter of such activities in the project.

As support for this, during 1998 the subsidiaries have generally introduced so-called objective cards as control and follow-up instruments.

Development of management In recent years, Hexagon's subsidiaries have undergone major changes. Most companies have more than doubled their turnover, and in many cases earnings have increased even quicker. Among other things, this trend has entailed an increased level of internationalisation, new organisation forms, new products etc. This naturally places high demands on management at all levels. The ability to develop and adapt management is becoming an increasingly important parameter for successful business.

For this reason, during 1998 Hexagon started an internal management development programme as one phase in securing the supply of management material for the future.

STRUCTURE AND MANAGEMENT SYSTEM

Hexagon's companies share commercial preconditions which are very similar. Concentration takes place to markets with exclusively industrial customers. The companies are medium-sized and their daily commercial transactions have striking similarities, which may be schematically illustrated by the diagram below.

HOMOGENEOUS CORPORATE STRUCTURE

Single branch Small companies Industrial customers International Applied technology

Goods/Systems

Several branches Large companies

Consumers Domestic

High-tech

Services

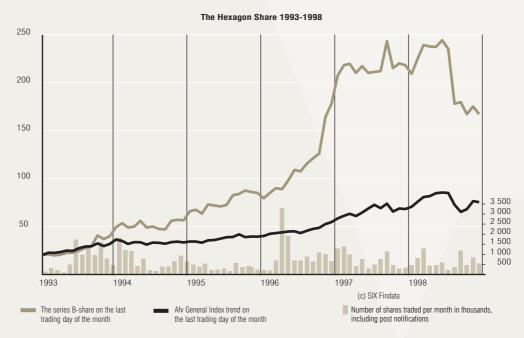
HEXAGON'S POSITION

The unitary structure provides the Group management with an overview. From this point of departure, Hexagon's management can concentrate on matters of strategy as far as the subsidiaries are concerned and ensure that the subsidiaries receive management resources which are adapted to the individual company's singular needs and strategy. The system assumes that specific market and product competence exists within the subsidiaries. Another important precondition is that the subsidiaries are sufficiently attractive from various aspects in order, together with Hexagon's ownership environment, to be able to attract first-class management material.

Within given strategic frameworks, with clear and time-related objectives, the management of the subsidiaries works with a high degree of independence in decentralised forms, where the striving for growth and improvement to profitability are key concepts.



The Hexagon share



OWNER RELATIONSHIPS

According to information from VPC, the number of shareholders at 31 December 1998 was 8,177.

The ten major owners are:	А	В	Percentage of share capital	Percentage of votes
Melker Schörling with company	840 000	804 542	11.1 %	41.2 %
Skrindan - Maths O Sundkvist		1 865 000	12.6 %	8.3 %
Robur Aktiefonder		1 085 000	7.3 %	4.9 %
KF/Nordico AB		997 100	6.7 %	4.5 %
6e AP-fonden		909 500	6.1 %	4.1 %
SEB Aktiefonder		537 700	3.6 %	2.4 %
Handelsbanken Fonder		521 788	3.5 %	2.3 %
Skandia and Skandia Fonder		295 257	2.0 %	1.3 %
Simon Bonnier		291 000	2.0 %	1.3 %
Metalworkers' Union		273 457	1.8 %	1.2 %
	840 000	7 580 344	56.7 %	71.5 %

DEVELOPMENT OF SHARE CAPITAL

Capital	Number	Changes in number	Issues	Year
Stock '000	of shares	of shares		
42 000	840 000			1985
42 340	846 800	6 800	Selective issue	1986
54 840	1 096 800	250 000	Selective issue	1987
54 840	5 484 000	4 387 200	Split 5:1	1988
55 099	5 509 885	25 885	New issue convertibles,	1988
			new subscription to warrants	
55 515	5 551 483	41 598	New issue convertibles,	1989
			new subscription to warrants	
58 766	5 876 610	325 127	New issue convertibles,	1990
			new subscription to warrants	
60 833	6 083 276	206 666	New issue convertibles	1991
121 666	12 166 552	6 083 276	New issue with preferential rights	1993
135 750	13 575 000	1 408 448	Selective issue	1994
147 932	14 793 182	1 218 182	Selective issue	1996

KEY RATIOS

SEK/share	1998	1997	1996	1995	1994	1993
Share price	167	218	178	84	56	40
Visible shareholders' equity	92	82	67	54	42	36
Earnings per share						
After standard tax	15.12	14.80	13.40	12.69	6.81	3.33
		*(18.85)				
After full tax	13.83	13.80	12.72	12.86	6.96	4.85
		*(19.09)				
Dividend	**5.00	5.00	4.00	3.50	2.00	1.00
Dividend yield per cent	3.0	2.3	2.2	4.2	3.6	2.5
Dividend pay out ratio per cent	36	26	32	27	29	21
P/E ratio	12.1	15.8	14.0	6.5	8.0	8.2

^{*} The figures in brackets are including capital gains in connection with the Stock Exchange listing of Svedbergs.

SHAREHOLDER STRUCTURE

Shares held	Number of owners	Number of shares	Share percentage
•			
1 – 500	6 548	991 866	6.7 %
501 – 1 000	876	742 683	5.0 %
1 001 – 2 000	403	647 015	4.4 %
2 001 - 5 000	182	614 413	4.2 %
5 001 - 10 000	63	497 132	3.4 %
10 001 – 20 000	38	565 673	3.8 %
20 001 - 50 000	39	1 256 975	8.5 %
50 001 - 100 000	11	813 866	5.5 %
100 001 -	17	8 663 559	58.6 %
	8 177	14 793 182	100.0 %

Shareholders' equity and number of shares Hexagon's shareholders' equity totals MSEK 147.9 distributed between 840,000 series A shares and 13,953,182 series B shares. In total, there are 14,793,182 shares in the company.

The series A share carries ten votes and the series B share one vote.

Market valuation The Hexagon share price fell by 23 per cent during 1998. To be compared with the Carnegie Small Cap Index (CSX) (-13 per cent) and with the General Index (+9 per cent) in the same period. The market valuation at the end of the year was MSEK 2,470 (3,225).

Liquidity in the share A total of 7,617,176 shares changed hands at Stockholm Stock Exchange (8,538,815) including post-reported transactions to a total value of MSEK 1,552 (1,856). Per day, an average of 30,500 (34,300) shares changed hands. One trading unit is 100 shares.

Shareholder structure On 31 December 1998, the number of shareholders was 8,177, compared with 8,856 on 31 December 1997. The proportion of foreign holding amounted at the turn of the year to 4 per cent (10). Institutional ownership was 41 per cent (40) of the total number of shares and 27 per cent (26) of the votes.

Dividend policy Group earnings growth and equity ratio will be critical for future dividends. The general basis of Board recommendations regarding dividend is that 25-35 per cent of the year's post-tax profits is to be allocated for dividend to the shareholders. The Board will recommend at the AGM that a dividend of SEK 5.00 (5.00) per share be approved, which corresponds to MSEK 74.0 (74.0). The dividend constitutes 36 per cent (26) of the profit per share after full tax and 5.1 per cent (5.5) of the Group's adjusted shareholders' equity.

The Parent Company's unrestricted funds as at 31 December 1998 amounted to MSEK 524.4 once the year's proposed dividend of MSEK 74.0 has been deducted.

The dividend approved at the AGM will be paid out via VPC to those share-holders who, on the day of record, are entered in the company's stock register.

Dividend is expected to be paid by VPC on 14 May 1999, provided that the Board's proposal is accepted at the Annual General Meeting that 6 May 1999 is to be the record day.

^{**} Provided that the Annual General Meeting approves the Board's proposal.

Six-year review

MSEK	1998	1997	1996	1995	1994	1993
Income statement						
Total income	4 946	4 218	3 148	2 609	1 558	701
Operating earnings	333	325	273	241	131	34
Earnings after financial items	313	388	255	238	129	31
Of which non-recurring items	-	84	-	12	- 11	- 4
Earnings after tax	205	282	174	175	94	32
Balance sheet						
Current assets	1 826	1 577	1 441	951	853	560
Fixed assets	1 468	1 300	1 215	554	489	289
Noninterest-bearing liabilities	969	895	792	541	492	232
Interest-bearing liabilities	958	751	861	236	277	177
Minority interest	9	12	7	0	2	
Shareholders' equity	1 358	1 219	996	728	571	439
Balance sheet total	3 294	2 877	2 656	1 505	1 342	849
Key ratios	1998	1997	1996	1995	1994	1993
Growth in earnings per year (%)	17	34	21	67	122	81
Return on capital employed (%)	17	18	25	29	20	10
Return on shareholders' equity (%)	17	20	23	26	17	7
Visible equity ratio (%)	42	43	38	48	43	52
Percentage risk-bearing capital (%)	47	49	43	54	47	57
Times interest earned	6.6	8.7	8.6	10.7	7,3	4.1
Net indebtedness (%)	0.55	0.43	0.57	0.05	0.11	- 0.07
Cash flow (MSEK)	364	337	265	245	136	51
Investments (MSEK)	223	191	126	109	67	22
	15.12	14.80	13.40	12.69	6.81	3.33
Earnings per share after standard tax (SEK)	10.12			40.00	6.96	4.85
	13.83	13.80	12.72	12.86	0.50	
Earnings per share after full tax (SEK)		13.80 22.78	12.72 19.40	18.05	10.00	7.70
Earnings per share after full tax (SEK) Cash flow per share (SEK)	13.83					7.70 36
Earnings per share after standard tax (SEK) Earnings per share after full tax (SEK) Cash flow per share (SEK) Visible shareholders' equity (SEK) Market value year ending (SEK)	13.83 24.60	22.78	19.40	18.05	10.00	36
Earnings per share after full tax (SEK) Cash flow per share (SEK) Visible shareholders' equity (SEK)	13.83 24.60 92	22.78 82	19.40 67	18.05 54	10.00 42	

DEFINITIONS

Growth in earnings per year Change in total earnings compared with previous year

Capital employed Balance sheet total less noninterest-bearing liabilities.

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

Return on shareholders' equity

Earnings after financial items less 28% standard tax as a percentage of average shareholders' equity.

Visible equity ratio Shareholders' equity including minority interest as a percentage of the balance sheet total.

Percentage risk-bearing capital

Shareholders' equity plus deferred taxes and minority interest as a percentage of the balance sheet total.

Times interest earned Earnings after financial items plus financial expenses divided by financial expenses.

Net indebtedness Interest-bearing liabilities minus liquid assets divided by shareholders' equity.

Cash flow Cash flow prior to changes in operating capital and investments.

Investments Investments in fixed assets excluding that supplied by corporate acquisitions.

Earnings per share after standard

tax Reported pre-tax earnings with a deduction for 28 per cent standard tax divided by average number of shares.

Earnings per share after full tax

Year's earnings divided by average number of shares.

Cash flow per share Cash flow divided by number of shares at year ending.

Visible shareholders' equity per share Accounted shareholders' equity divided by number of shares at year-ending.

Market value Last close on the Stock Exchange.

Profit margin used in calculating capital employed Earnings after financial items plus interest expenses as a percentage of annual invoiced sales.

Direct return Return as a percentage of market value of the share

Dividend proportion Dividend divided by earnings per share after full tax.



Capital turnover rate Year's invoicing divided by average shareholders' equity, or alternatively average capital employed.

Safety margin Earnings after financial items divided by the contribution margin ratio as a percentage of invoiced sales. In 1998, the contribution margin was 32.2% (34.1).

Profit margin Earnings after financial items as a percentage of annual invoiced sales.

P/E number Market value at yearending divided by earnings per share after full tax.

Group's adjusted shareholders' equity Visible shareholders' equity including excess value in listed shares on closing day of accounts.

Cash flow concepts are defined as prescribed by the Swedish Society of Financial Analysts.

Corporate growth

Growth and continuous improvement of factors which affect earnings and profitability trends are driving forces for the Group's work. By focusing on these factors, work in establishing and further developing an earnings-oriented corporate culture is facilitated.

Since 1994, the Hexagon Group's invoiced sales have risen from MSEK 1,558 to MSEK 4,946, which implies an average growth of 33.5 per cent per year. During the same period, earnings have risen from MSEK 129 to MSEK 313, which corresponds to an average annual increase of 24.8 per cent. To all essentials, this expansion has been financed by internally generated funds. Only a limited proportion of the capital requirement has been covered by bonus issues. The Group's financial strength is clearly apparent if one considers that, despite the powerful expansion, the equity ratio of the Group as at 31 December 1998 was 42 per cent.

Growth per year:

	Invoicing growth	Earnings growth	Growth in earnings per
1995	67%	84%	85%
1996	21%	7%	0%
1997	34%	19%	8%
1998	17%	3%	0%

Acquisitions The growth of the Hexagon Group has principally taken place in two ways:

- The Parent Company's acquisition activities which have been and are geared to the acquisition of medium-sized companies
- The organic growth of the acquired subsidiaries including those complementary acquisitions which have taken place within the framework of the subsidiaries' growth plans

Because of the high price level during 1998 for companies of the type and size to which the Parent Company's acquisition activities are geared, the focus has been turned instead on the subsidiary companies as far as acquisitions are concerned over the last year.

Eight acquisitions were completed by the subsidiaries during 1998, with a total annual turnover of roughly MSEK 825. The acquisitions are of a strategic nature and strengthen the subsidiaries' positions in markets, production and distribution. They are all expected to make a favourable earnings contribution already during 1999. All acquisitions have taken place within the framework of the subsidiaries' long-term commercial development plans.

AKA Industriprodukter made two acquisitions in Finland during the year. Both of the companies supply new products and were able to be coordinated with existing operations, for which reason considerable cost savings will be achieved. Imporex Control Oy, an agency company with a turnover of MSEK 17, was acquired in May. In October, JW Trading was acquired, with a turnover amounting to MSEK 50.

After the end of the financial year, on 4 January 1999, **Dacke Hydraulik** acquired Östermo Mekaniska Verkstad AB. This company will be fused with Vaggeryds Mekaniska AB.

During May, Gustaf Fagerberg acquired Teck Instrument AS in Tranby, Norway. Teck manufactures and imports equipment and instruments for temperature and pressure measurement. The company had a turnover of approx. MSEK 50 during 1997. Teck is Norway's largest company within its field and complements Pentronic AB. The acquisition is of strategic importance and entails that Fagerberg will be the largest company within the Nordic region in temperature measurement for industrial use.

In July 1998, Gislaved Gummi made a public bid for Elastomeric Engineering Company Ltd (EEC) in Sri Lanka. The company is a polymer company located in the capital Colombo and has manufactured products for Gislaved Gummi for several years. As a result of this acquisition, Gislaved Gummi has ensured a cost-effective production capacity and become established on the Asian market. The acquisition will be of major importance for growth and earnings development within Gislaved's two high priority product areas: gaskets for

plate heat exchangers and wheels for internal materials handling. As at 31 December 1998, owners with a holding of 95.6 per cent in EEC had accepted the offer. Furthermore, Gislaved has acquired operations in Axjo Plastic AB which have been integrated in the company's profile division.

During the year, **Johnson Metall** was internally strengthened by two companies:

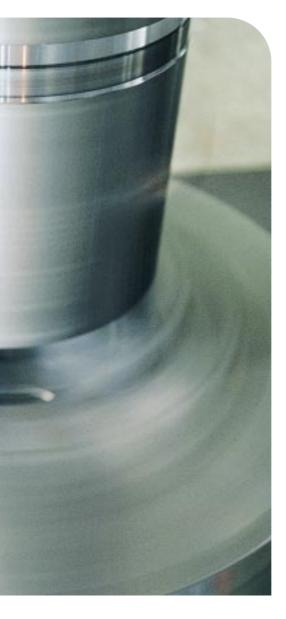


Nordic Brass AB, which was acquired in 1998 and SwePart Material AB with the component companies: Nybro Stålprodukter AB and Centrostål AB. After this change, the company encompasses niche manufacturing of qualified OEM products in bronze, brass and steel. The Group subsequently changed its name to Johnson Stål & Metall AB and new

Group management has been appointed. In 1998, the "new" Group had a pro forma invoicing of MSEK 1,041.

Moteco works in a branch which enjoys a very high level of organic growth. Acquisitions are not a matter of the same urgency as in other companies in this field of operations.

However, it might be mentioned that,



International was acquired and in 1998 Bech & Kjeldahl A/S from Denmark.

During the year, operations have been given a fixed organisation framework by the formation of Norfoods AB as an operative holding company. As a result, Norfoods AB takes over the duties previously held by the Parent Company Hexagon and will build further on the concept with a high priority task to benefit from a number of coordination advantages and increase profitability.

Capacity-increasing investments during 1998 Gislaved Gummi has invested in four new presses for producing gaskets for plate heat exchangers. Moreover, a new extruder line for profile manufacture has been installed.

During the year, Moteco has implemented investments in Sweden and China with the result that annual capacity has been increased to 40 million antennas. A total of MSEK 34 was invested during 1998.

SwePart has increased its ownership holding in the earlier affiliated company EBP i Olofström AB to 80 per cent of the capital. This company has commenced an extensive expansion of capacity which is expected to raise turnover by more than 60 per cent when the plant is ready to come on stream at the end of 1999. Investments of MSEK 45 comprised a new paint shop and increased press capacity.

New markets and international expansion AKA has continued expansion in Eastern Europe. One company has been established in Russia and the sales team has been increased. The company

has also built up a retail network in the Ukraine. Despite the generally weak economic climate, the efforts in these countries have reached expectations. Furthermore, the subsidiary company EIE Maskin has built up retail channels in the United States and Asia for its special products.

During the year, Gustaf Fagerberg launched new, in-house developed valves in Denmark and Sweden and also established a sales company in the Netherlands. The company has also built up a retail network in Poland, Austria and Switzerland.

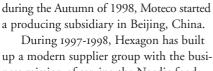
By the acquisition of EEC, Gislaved Gummi has increased its efforts on new markets by benefiting from the company's geographic position and low costs. A first step in this direction was taken during the Autumn when Gislaved signed an exclusivity agreement for homogeneous truck wheels with Continental for Western Europe.

During the year, Moteco has completed its factory in China which, in a first expansion phase, has a capacity to manufacture 5 million antennas a year. This has opened up new avenues for delivering to mobile telephone manufacturers in Asia.

During the year, SwePart has increased the drive on the key Russian market and become a considerable supplier of press tools to several Russian automobile manufacturers.

After the acquisition of Bech & Kjeldahl, Norfoods has obtained the retailer responsibility in Denmark for one of Europe's leading starch and glucose producers. The company already represents the same producer in Sweden.

From Moteco's R&D unit in Lund



ness mission of serving the Nordic food and pharmaceuticals industries with raw materials, ingredients and packages. The base was AB R Lundberg which was acquired in 1994. In 1997, LG Fredriksson



Management development and build-up of competence

Supply and development of management talent Subsidiaries in the Group must be capable of running their own company development under their own steam. They should not need to rely on Parent or sister companies to mobilise the necessary strength and skills for their growth and profitability development

The ability to attract competence and further develop it is therefore of decisive importance. During 1998, work commenced with a view to developing new models and methods for the supply of management talent, as well as forms for developing the Group's present management team.

A qualified development programme the Hexagon Executive Programme - has among other things been created for this purpose. Several of the subsidiaries moreover conduct their own management development programmes.

Board work in the subsidiaries

The Boards of Directors in the subsidiaries play a key role in the companies' develop-



ment and are a vital link in the decentralised control system of the Group. The emphasis in Board work is on future-related issues with particular attention being paid to growth and profitability. In the composition of the Boards of Directors, great importance is attached to giving each directly reporting company a Board of Directors whose competence and experience suit the specific needs and situation of each individual company. External Board members play an important in this regard.

Economic control as support for continuous improvement The work on continuous improvement has been further deepened during the year. The objective is that all members of the workforce in the Group will, in the long term, be engaged in and work towards individual or Group-related improvement targets.

During 1998, an extensive programme was completed targeting the Directors of Finance in the subsidiaries, with a view to producing company-adapted and clear









control instruments, among other things including so-called balanced scorecards.

Development of purchasing work

During 1998 an overview was held of the purchasing work in all subsidiaries. Improvement targets were set up and the purchasing area was highlighted as a strategic issue. This has resulted in many of the subsidiaries introducing changes in organisation. A development programme targeting those responsible for purchasing in the producing companies and for the corporate heads of the technology trading side was completed during the year. This work will be further extended during 1999.

New organisational form and more flexible working hours An active change and development work is continuously being conducted within the companies, with a view to increasing efficiency, co-determination by personnel and benefiting from the competence of the workforce

Together with the employees and their union organisation, the management of the subsidiaries have, among other things, formulated new functional organisation structures with extensive decentralisation, often in combination with flexible working hours. In connection with this, considerable potential has been released in the companies. This work has been successful within many of the companies in the Group for several years and this work continued during 1998.

A large number of the Group's subsidiaries conducted their own training of personnel in 1998, aimed at making possible a greater assumption of responsibility by broadening and deepening workforce skills.



Four Companies Environmentally Certificated During 1998

During 1998, four subsidiaries in the Group have received their environmental certification in compliance with ISO 14001. This is one effect of a process which began with Hexagon's Board of Directors deciding in 1996 that all operations in the Hexagon Group are to be environmentally certificated in compliance with ISO 14001 and/or be EMAS registered at the latest by the end of the year 2000. As a result of this decision, the Group demonstrated its willingness and responsibility to conduct environmental work in a methodical and goal-oriented manner. The companies certificated during 1998 are Gustaf Fagerberg AB, Gislaved Gummi AB, CA-Verken AB within the Dacke Group and Tjust Mekaniska Verkstads AB within SwePart. In the remaining subsidiaries, work is continuing on introducing an environmental management system with a view to being able to meet the established target.

In addition to the ongoing work in the subsidiaries, the environmental coordinators /managers of the subsidiaries meet a number of times a year for a more systematic exchange of experiences and for further training.

The status of certification work in our subsidiaries at the beginning of 1998 may be briefly described as follows:

AKA INDUSTRI-PRODUKTER AB

The companies in the Group have very similar operations and consequently AKA VVS in Sweden was selected as the pilot company. At present, the company is well to the forefront in the process and a transfer of knowledge to the remaining companies in the Group has been begun.



DACKE HYDRAULIK AB

Work in introducing the environmental management system ISO 14001 is underway in all subsidiaries. During 1998, CA-Verken obtained its certificate. The operations of the Dacke Group are trading companies or "light mechanical engineering workshops" with relatively slight impact on the environment.

GUSTAF FAGERBERG HOLDING AB

The largest company in the Fagerberg Group – Gustaf Fagerberg AB – has been certificated during the year as the Hexagon Group's first company holding an ISO 14001 certificate. The other companies within the Fagerberg Group will follow during 1999 and 2000.

GISLAVED GUMMI AB

Gislaved Gummi received the ISO 14001 certificate in December 1998. An in-house developed computer based environmental management system was of great assistance in this work. The subsidiary company Stellana plans to use the same system to gain certification during the year 2000.

JOHNSON STÅL & METALL AB

Within Johnson Metall AB, certification of the Örebro plant is planned for the first half of 1999. The subsidiaries have commenced this work during 1999. One major energy-saving project is underway at the Örebro plant in cooperation with, among others, NUTEK (The Swedish National Board for Industrial and Technical Development). Within Johnson Metall Bearing Components A/S, the certification work will begin in 1999. In Nordic Brass AB, environmental issues have held a central position for many years. At present, two environmental investments are being completed, one in a cooling tower which renders the company independent of sea water for cooling purposes, and one in a plant for treating spent dipping bath solution. Environmental certification is planned for the year 2001 (the company was acquired in 1998). AB Nybro Stålprodukter plans to gain certification during the Autumn of 1999 and AB Centrostål during the year 2000.

MOTECO AB

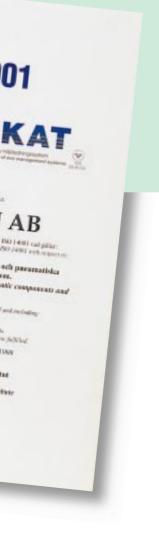
During the year, the company has revised the core of the quality system into a process-oriented system. In connection with this work, activities are being implemented in the company's process descriptions in compliance with the requirements of SS-EN ISO 14001. An environmental study has been carried out and the company's environmental aspects have been identified and improvement targets have been laid down. The company is working towards certification during 1999.

SWEPART AB

All transmission and tools companies in the Group have made great strides in their work towards environmental certification. The Group's first certificated company was Tjust Mekaniska Verkstads AB which received its certificate during December 1998.

NORFOODS AB

During 1998, AB R Lundberg completed an environmental study and also internal environmental training. Work on formulating environmental policy and suitable targets has commenced. The company's process is employed as a pilot project within Norfoods, where LG Fredriksson have also started up their process. The newly-acquired Bech & Kjeldahl will begin work during 1999. AB R Lundberg will receive the certificate towards the end of 1999.





Financial Exposure

In terms of finance, Hexagon's operations involve risks such as currency translation risks, interest risks, credit risks and borrowing risks. As a result of the international expansion of the Group, with an increasing number of companies located outside Sweden, the handling of these risks will be of growing importance. In Hexagon's financing policy, the Group has laid down general guidelines for meeting financial risks.

Translation risks Currency translation risks are the risk that fluctuations in rates of exchange negatively affect earnings and shareholders' equity.

These fluctuations affect Group earnings and shareholders' equity in different ways:

• Group earnings – when incomes from sales and expenditure for production are in different currencies (transaction exposure)

Roughly 60 per cent of the total direct invoicing of the Hexagon Group goes to customers in Sweden. Country distribution of sales is as follows (MSEK):

0 1	0.007
Sweden	2 897
Finland	615
Denmark	404
Norway	375
Germany	186
United Kingdom	53
France	37
Netherlands	25
Rest of Europe	148
North America	137
Latin America	6
Asia	60
Australia	3
Total	4 946

Of the total invoicing, only 3 per cent or MSEK 157 is directly exposed to other currencies.



The distribution per currency is as follows (MSEK):

DEM	63
USD	35
FRF	16
DKK	8
CAD	8
ITL	5
Others	22
Total	157

Of the Group companies purchases, via imports, of a total of MSEK 1,730, some MSEK 660 relates to purchases in the country's own currency. The remaining MSEK 1,070 is purchases in other currency.

The distribution of these currencies is as follows (MSEK):

DEM	376
USD	224
GBP	167
ITL	39
FRF	29
SEK	27
NLG	21
Others	187
Total	1,070

The predominant proportion of goods purchases in foreign currency is hedged or regulated vis-à-vis customers by currency clauses in contracts and price lists.

Invoicing in overseas subsidiaries amounts to MSEK 1,481 (1,185) or 30 per cent (28) of the Group's total sales. Earnings after financial items in the overseas subsidiaries amounts to MSEK 75 (68), which corresponds to 24 per cent (22) of Hexagon's Group earnings. The earnings are generated in Finland at MSEK 38 (35), Norway MSEK 21 (16), Denmark MSEK 12 (6), Germany MSEK 8 (8), Sri Lanka MSEK 3, Poland MSEK 1 (7) and the United States MSEK -8 (-5).

Fluctuations in rates of exchange during the year have only marginally affected earnings outcome for the Group when the overseas subsidiaries' earnings are translated into Swedish kronor.

• Group shareholders' equity - when the net assets of the overseas subsidiaries are translated into Swedish kronor (translation exposure)

The Group's policy lays down that the effects of exchange rate fluctuations on shareholders' equity are to be reduced by taking loans in the currency of the net assets.

The net assets, the shareholders' equity of overseas subsidiaries, amounts to MSEK 377 translated into Swedish kronor. Loans in foreign currency to balance these assets amount at 31 December 1998 to MSEK 212.

Group borrowing and unutilised overdraft are distributed in these currencies (MSEK):

SEK	413
FIM	200
DKK	108
NOK	46
DEM	22
CHF	30
USD	42
LKR	11
CNY	1
Total	873

Interest risks The term interest risks signifies the risk of negative influence on Group earnings by changes in market interest rates. The Group's interest risks are handled by the Parent Company. Interest risks arise essentially as a consequence of Group borrowing. The Group's interest binding on loans is an average of 14 months.

Standardised derivate instruments are employed to control interest exposure, for example by extending or shortening the average interest binding period without changing the basic loan.

Group interest bearing liabilities:

	1998	1997
Pension liabilities	83	68
Long term loans	679	508
Short term loans	132	109
Overdraft facilities	62	54
Other liabilities	2	12
	958	751

Average interest for the Group's long term and short term loans, as well as overdraft facilities, was 5.02 per cent in December 1998 (5.87).

Credit risks Credit risks are related to the credit rating of the counterparty and may be reduced by an assessment of the solvency of the customers. The routines of the subsidiaries in this respect are an active part of the sales process. The Group's accounts receivable amounted at 31

December 1998 to MSEK 694 (641). The average credit period for accounts receivable was 39 days (39).

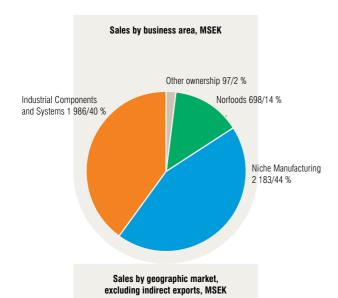
Liquidity which is currently not needed in the industrial operations is placed short term in bank deposits.

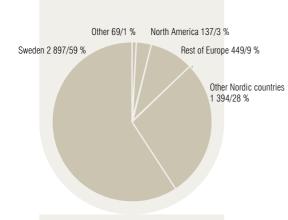
Borrowing risk/solvency Relates to the risk that Hexagon cannot meet the requirements of outside capital.

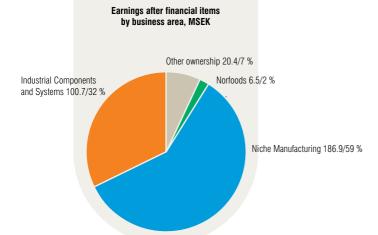
In order to ensure these needs, not only a strong financial position is needed in the Group, but also active measures to ensure access to external credits.

In December 1997, Hexagon signed a five-year syndicated loan of MUSD 150. During 1998, this loan has principally been employed to settle old credits. On 31 December 1998, MUSD 82.2, corresponding to approx. MSEK 663, was unutilised of the original loan ceiling. This, together with existing liquidity and unutilised overdraft facilities, means that solvency is approx. SEK 1.1 billion in Hexagon, which is approximately 33 per cent of the Balance Sheet total. Hexagon's objective is to have liquidity including pledged credits which corresponds to at least 15 per cent of the Balance Sheet total.





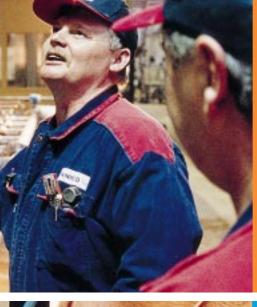












INDUSTRIAL COMPONENTS AND SYSTEMS 24-29



NICHE MANUFACTURING 30-37



NORFOODS 38-40





This business area includes three companies: AKA Industriprodukter AB, Dacke Hydraulik AB and Gustaf Fagerberg Holding AB.

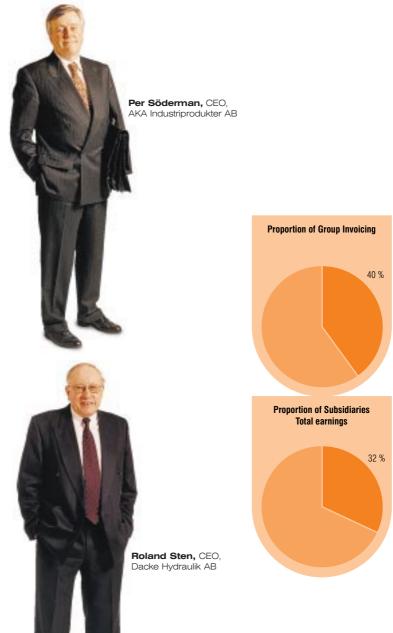
The companies may be described as engineering-oriented technology trading companies. The product areas are principally precision engineering (AKA), hydraulics (Dacke) and flow technology (Gustaf Fagerberg).

Operations in the companies involved show considerable similarities as regards concentration to customer-adapted system solutions and technical sales, as well as problem resolution skills.

The companies possess a wealth of product knowledge and a high degree of competence as system designers and constructors in their respective regions. Roughly 75 per cent of total invoicing consists of licensed products and roughly 25 per cent of in-house production. Of the total invoiced sales, roughly 60 per cent is calculated as being in the form of the delivery of complete systems. Operations embrace a high degree of technical support to customers. The market principally consists of the Nordic countries, Germany and Poland.

Amounts in MSEK	1998	1997	1996	1995	1994
Invoiced sales	1 986	1 837	1 737	1 764	1 429
Earnings after financial items	100.7	105.9	104.3	108.1	70.1
Balance sheet total	1 039	933	838	837	780
Return on capital employed (%)	18.9	21.7	23.3	26.4	21.2
Total workforce	1 092	1 016	955	925	837
-					

The above table is pro forma



In recent years, the Baltic States and Russia have also become markets, through own sales offices in these countries. At present, the market in these latter countries suffers from some degree of instability, but in the long term will probably be attractive growth markets.

The companies have agency agreements with a series of leading manufacturers in their respective product areas, primarily in Germany, the United Kingdom, the United States, Italy and Japan.

The different market segments are often fragmented, for which reason acquisition of companies with complementary operations is a natural method of growth. During 1998 and early in 1999, acquisitions were made in all three companies.

Staffan Englund, CEO, Gustaf Fagerberg Holding AB

Trend diagram of inflow of orders 1996-1998 in a comparable structure

1996

The majority of invoiced sales is to the Nordic countries. In these markets, many of the product segments are characterised by limited organic growth. Nevertheless, the growth potential by complementary acquisitions is assessed as being good. A broadening of the product range is also seen as affording possibilities for expansion.

Within Fagerberg, in-house products and systems have gained in importance in recent years and, in the area of temperature measurement, growth and earnings trends have been very healthy. During 1998, a first step towards becoming market leaders in the Nordic countries was taken within temperature measurement by the acquisition of Teck Instrument A/S in Norway.

A new unit - Roto-Sieve Filter AB has been created within the filtering business, this company partly manufacturing inhouse products and partly marketing licensed products within its business area.

In Germany, the subsidiary GEFA has established a sales company in the Netherlands and built up the retail units in Poland, Austria and Switzerland. The company markets a range of valves and throttles under own brand names, as well as delivering complete systems.

AKA Industriprodukter has continued its establishment on the Eastern European market. Two sales offices have been set up in Russia, one in Moscow and one in St. Petersburg. In the Ukraine, a retail network has been built up. In the Baltic States, AKA is established in Estonia and Latvia and plans to open a sales company in Lithuania during 1999.

The customers on these markets principally consist of international companies and their cooperation partners, as well as of public sector utilities as regards investments in infrastructure.

Within the Dacke Group, a number of export drives have given results and the Group's direct exports are on the increase. New agencies have been adopted and within the manufacturing section of the Group, a complementary acquisition has been completed, with access as of January 1999.

1998

In the Industrial Components and Systems Division, a certain eastward expansion is taking place, parallel with a gradually increasing proportion of in-house produced/developed products and systems. A certain concentration to selected product areas is planned by disinvestments, at the same time as complementary acquisitions strengthen and broaden the range within the selected product areas.



The workshop at CA-verken, within Dacke Hydraulik.

AKA Industriprodukter AE

AKA Industriprodukter is a technology trading group operating in the Nordic countries, the Baltic States, and Russia. The company imports, warehouses and sells high quality technical components in the market areas of HEVAC, hydraulics, flow technology, mechanical transmission and vehicle service equipment. By means of a wealth of product knowledge, the company gives its customers a value added in product sales. AKA sells products imported principally from Europe and the United States.

As one phase in the company's long-term growth strategy, during 1998 AKA acquired three operations in Finland: Teolisuus Metro (Chesterton mechanical seals) which was integrated with IP-Produkter at the beginning of the year. Imporex Control was acquired on 1 April and complements Tecalemit's operations in flow technology. In mid-November, JW Trading was acquired, complementing IP-Produkter's HEVAC operations.

	Amounts in MSEK	1998	1997	1996	1995	1994
•	Invoiced sales	901	866	828	860	724
	Earnings after financial items	34.4	37.4	34.0	52.7	41.7
	Balance sheet total	414.4	414.0	378.3	391.3	372.8
	Total workforce	414	385	383	362	339
_	The above table is pro forma					

Invoiced sales and earnings

Invoiced sales rose to MSEK 901 (866) and earnings amounted to MSEK 34.4 (37.4). The increase in invoiced sales partly derives from the expansion in Russia and as a result of the above-mentioned acquisitions. The efforts in the Baltic States and Russia are of a long-term nature and as yet have a somewhat negative effect on earnings.

Disposal of AKA's refrigeration

operations Early in March 1999, the refrigeration operations, which during 1998 had been regrouped under the Parent Company AKA Tempcold AB were disposed of. Operations had a turnover of MSEK 314 and pre-tax earnings amounted to MSEK 15. The sale was put into effect for strategic reasons to be able to focus on expansion in Eastern Europe and within the present product areas. The new AKA Industriprodukter will have a turnover of over MSEK 600. Operations excluding refrigeration will be described below.

Growt meas take pla

Products Within the *HEVAC* product area, AKA markets, among other things, pumps, pressure tanks, fittings and water meters to wholesalers in Denmark, Finland and Sweden.

The *Flow Technology* product area markets principally filters, pumps and valves to the processing and pharmaceuticals industries.

The products in *Mechanical Transmission* are marketed in Finland, Norway and Sweden. The customers are most generally manufacturing industries.

The Hydraulics, Vehicle Service Equipment and products in the Environmental area consist of components to hydraulic systems and compressed air supply, automobile lifts and washing systems for vehicles, as well as high pressure cleaning units. The products are principally sold in Finland, but vehicle service equipment has been developed into the most important product area in marketing in Russia and the Baltic States.

Organisation AKA has subsidiaries and sales offices in Finland and Sweden, the Baltic States, and, as of the beginning of 1999, its own subsidiary in Russia (St. Petersburg) and sales office in Moscow.

Market The HEVAC components are distributed via wholesalers to installation firms.

The process industry and manufacturing industry constitute key customer groups for both hydraulics and flow technology components.

The main target group for the vehicle service equipment area is motor vehicle importers and car dealers in Finland, Russia and the Baltic States.

Compressed air systems and environmental products are primarily targeted at the engineering industry and automobile service stations.

Competitors In the business areas, competition is local and extremely product-specific, with small-scale niche oriented actors.

Growth and improvement measures AKA's growth will largely take place by:

- launching complementary products
- acquiring companies with clear synergy effects in the market and product area
- new markets for existing products

The increased efforts of recent years in the former Eastern bloc countries have largely met expectations. Operations on this market will continue and should be seen as a long-term drive. It is primarily equipment to motor vehicle service stations that are sold, but the demand for AKA's products in hydraulics as well as in washing and the environment have gradually increased.

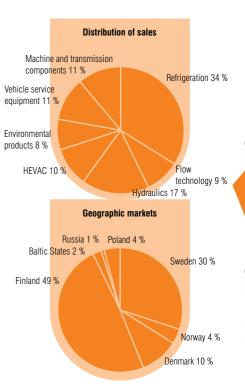
Several new products were launched in 1998, in particular in flow technology.

During the year, the previously mentioned three acquisitions were also completed, whose total effect on turnover on an annual basis is approx. MSEK 75.

Prospects for 1999

The general economic climate will probably deteriorate during 1999.

Nevertheless, it should be possible for AKA to achieve an earnings outcome on the same level as that for 1998.



Dacke Hydraulik AB

Dacke Hydraulik is one of the leading Nordic companies within the hydraulics industry. The company develops and markets products within hydraulics and central lubrication for marine, industrial and mobile applications.

The range of products manufactured by the company itself accounts for 50 per cent of sales. In addition, the company is licensed to sell branded products and the maintenance of equipment.

The company has an extensive product range which makes for optimum system design and construction.

Östermo Mekaniska Verkstad in Vaggeryd was acquired in January 1999. The company produces hydraulic cylinders and fork units for trucks and will be integrated with Vaggeryds Hydraulik. This acquisition entails improved competition possibilities by the more efficient use of joint resources.

_	Amounts in MSEK	1998	1997	1996	1995	1994
	Invoiced sales	531	483	450	419	268
	Earnings after financial items	47.2	47.1	47.9	46.0	24.0
	Balance sheet total	284.7	268.1	229.3	206.9	175.7
_	Total workforce	338	322	288	279	220
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Invoiced sales and earnings

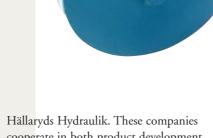
Invoiced sales rose to MSEK 531 (483). This increase is principally a result of the whole year effect of the acquisition the previous year of INAB as well as healthy growth in the Norwegian subsidiary Hydronic a.s. Earnings amounted to MSEK 47.2 (47.1).

Products the company's own products consist of customised hydraulic cylinders and hydraulic systems.

The subsidiaries represent several well-known European and North American manufacturers, including Hawe, Danfoss, Vickers, ATOS, Lincoln and Enerpac.

Organisation Operations are conducted in nine operative subsidiaries which are located in 19 towns in Sweden and three in Norway.

Hydraulic cylinders are manufactured by CA-Verken, Vaggeryds Hydraulik and



Hällaryds Hydraulik. These companies cooperate in both product development and by the optimisation of each other's production resources.

The remaining companies: Terling, Hydraul Syd, Hydraulik Leverantören, Sweden Hydro Tools, INAB and Hydronic are engineering companies with a high level of competence in their field of operations. A large proportion of licensed products is refined by integration into system designs.

Market The customer base is wide and encompasses more than 3,000 customers with volumes ranging from approx. 3 per cent of turnover and downwards. Direct exports and invoicing in overseas subsidiaries make up approx. 18 per cent. In total the overseas proportion including indirect exports amounts to approx. 45 per cent.

Customers are to be found within almost all types of operations. During the year, deliveries to offshore customers have increased. The market share within the company's niches is roughly 30 per cent.

Competitors consist of a few mediumsized companies and a number of small companies with niche-oriented production, licences and maintenance operations.

Growth The hydraulics sector is generally characterised by a low level of growth. As a result, the company's growth will take place through acquisitions and a geographic expansion, as well as by increased niche orientation.

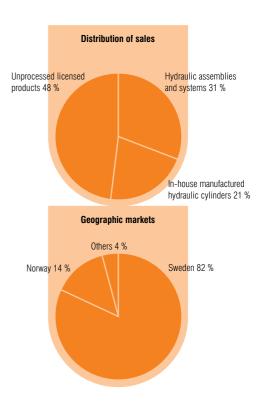
The strategy will continue in the future to be a development of competence and skills in order to achieve the most optimum system solutions.

The export drives made by the com-

pany's manufacturing subsidiaries in recent years are now beginning to pay off.

Prospects for 1999

The volumes for 1999 are assessed as remaining unchanged compared with 1998. The acquisition of Östermo Mekaniska, as well as complementation of Terling's agency programme should however lead to an increase in invoiced sales. Because of the general economic trend, earnings for 1999 are expected to be on a par with the earnings for 1998.



Gustaf Fagerberg Holding AE

The Fagerberg Group is one of the leading Nordic companies in automatic control engineering, with components and systems for flow control in the processing industry. The company develops, manufactures and markets products for control, filtration and flow metering, as well as for industrial weighing and temperature measurement.

Agency licences and distribution operations account for 60 per cent of the business. Fagerberg represents many world-leading companies in their business areas. The remaining portion of operations are in-house manufactured products.

During the year, Norway's largest producer of temperature indicators, Teck Instruments AS, was acquired. As a result, the Group attained a leading position in Scandinavia in the area of temperature measurement.

Amounts in MSEK	1998	1997	1996	1995	1994
Invoiced sales	554	487	459	484	435
Earnings after financial items	32.0	34.4	35.4	22.3	17.3
Balance sheet total	339.6	250.2	230.0	238.8	231.1
Total workforce	341	297	284	284	278

Invoiced sales and earnings

During 1998, invoiced sales rose to MSEK 554 (487), as a result of the increased level of sales in Norway and in all manufacturing companies within the specialist companies business area. Earnings after financial items fell to MSEK 32.0 (34.4), primarily because of tighter margins.

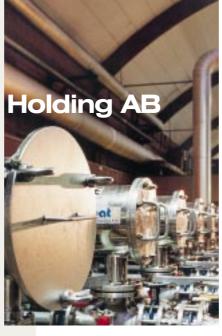
Products The Fagerberg Group is active within four product areas:

- Industrial fittings, such as valves, actuators, rupture disks and pressure valves
- Measurement equipment for flow metering, pressure and temperature
- Filters for liquid filtration, such as bag filters, magnetic filters, cartridge filters and a unique self-cleaning filter
- Weighing and metering systems

Organisation

Operations are conducted in eight whollyowned subsidiaries and are divided into two business areas:

 Trade and flow engineering Under the names Gustaf Fagerberg/



Fagerberg, there are four companies in Denmark, Finland, Norway and Sweden.

The companies are geared to agency and distribution operations of components for controlling flows within the processing industry.

Specialist companies

Companies which have their own development, manufacture and marketing of components and equipment which, for the greater part, are employed within the processing industry and complement the product range of the trading companies.

Pentronic AB is a market leader in Sweden in temperature indicators for temperature measurement, with every potential to expand on the Northern European market. Teck Instrument AS enjoys the same position in Norway.

Roto-Sieve Filter AB develops and manufactures filters and sieves for the entire European market.

GEFA Processtechnik GmbH in Dortmund, Germany, markets in-house manufactured valves and auxiliary components, principally to the German processing industry.

Market The Swedish market accounts for roughly 45 per cent of the Fagerberg Group's invoiced sales. Sales within the Nordic countries consist to 75 per cent of licensed products.

The subsidiaries have their own sales organisations, with sales essentially to endcustomers in the processing industry and to OEM manufacturers.

The end-customers principally consist of Nordic and Central European companies within the paper and cellulose industry, as well as the chemicals, petrochemicals, power, heating, food and pharmaceuticals industries, and also to steel mills.

Competitors are generally local distributors of competing makes in those countries where Fagerberg has its own company. To some degree, competition also consists of the subsidiaries of major manufacturing corporations, primarily within the area of measurement instruments.

Fagerberg is often the Nordic market leader with market shares of 20 per cent and above.

Growth and improvement

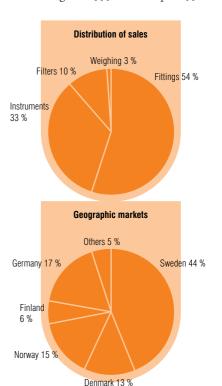
measures The Fagerberg Group's objective is to grow by 15 per cent per year in earnings over one business cycle, to reach a turnover of MSEK 800 during the year 2000.

Acquisition of complementary operations is included as an integral part of the company's growth strategy.

Special focus is turned on the temperature segment.

Prospects for 1999 A general slowing down of the economy during 1999 will, in all likelihood, spread to the processing industry. As a result, 1999 is not assessed as involving any major organic growth. Further efforts will be made on the acquisition side, to achieve the long-term growth

Earnings for 1999 should equal 1998.





Niche Manufacturing

GISLAVED GUMMI AB	
JOHNSON STÅL & METALL AB	
MOTECO AB	

SWEPART AB



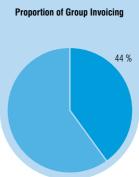
The Division comprises four engineeringoriented companies: Gislaved Gummi AB, Johnson Stål & Metall AB, Moteco AB and SwePart AB. The companies' products are sold exclusively to industrial custom who mostly act on the global market. In recent years, this has entailed an increasing degree of internationalisation of the companies in this field of operations. The international efforts will be intensified in the coming few years. The companies already have high market shares within their respective product segments (niches) and focusing continues on further developing the market position of each respective company within a larger geographic market.

In an international comparison, Swedish industry has been successful in productivity and efficiency improvements. New organisational forms with far-reaching decentralisation have released considerable potential. This work has been successful within the Group's companies for several years and this work continued during 1998. An active transition and development work programme is conducted continuously within the companies, with a view to increasing effi-

Rolf Andersson, CEO Johnson Metall AB

Amounts in MSEK	1998	1997	1996	1995	1994	
Invoiced sales	2 183	1 877	1 719	1 730	1 322	
Earnings after financial items	186.9	195.1	188.7	217.6	127.6	
Balance sheet total	1 608	1 368	1 235	1 255	1 062	
Return on capital employed (%)	21.6	23.0	23.8	30.8	22.2	
Total workforce	2 283	1 839	1 733	1 713	1 536	

The above table is pro forma



Proportion of Total ea	Subsidiaries arnings
	59 %

Torbjörn Wistrand, CEO, Moteco AB

ciency, co-determination by the workforce and to benefit from their skills. This has greatly contributed in maintaining or strengthening the Group's competitiveness.

During the year, the product and process development rate has increased. The customers' requirements on increased commitment from subcontract suppliers within these areas is clearly manifest. As a result, resource reinforcement is now underway in order to meet future demands on, for instance, systems suppliers, outsourcing and partnership between customer and supplier. The Group's niche manufacturing companies are well-equipped to meet these demands.

Bengt-Tore Allert, CEO, Tidamek AB and SwePart Transmission AB

Inflow of orders, Niche Manufacturing



Trend diagram for inflow of orders 1996-1998 in a comparable structure.

During 1998, the niche manufacturing companies have undergone major changes. The companies have been upgraded in terms of both structure and organisation. Considerable investments have been made in both machinery and in development, all to improve future competitiveness.

Gislaved Gummi AB has carried through capacity-increasing investments within the product area of wheels and also acquired a polymer company in Sri Lanka. As a result of this acquisition, Gislaved is now established on the Asian market, at the same time as cost-effective production capacity for the company's high priority production areas has been ensured.

The metal-processing companies Johnson Metall AB, Nordic Brass AB and SwePart Material AB (Nybro Stålprodukter AB and Centrostål) have been merged to form a new company: Johnson Stål & Metall AB. The intention with this merger is to concentrate the companies under one management. As a result of the new structure and its concerted level of competence, it is assessed that the rate of



growth will increase in both existing product areas and in closely-related areas.

Moteco, which manufactures and sells antennas for mobile telephones, has established a producing subsidiary during the year in China. Parallel with this, considerable efforts have been made in production engineering and the development of workforce skills.

The SwePart Group was restructured during 1998 under new management and has concentrated its operations to the transmission and tools sectors.



Top: The foundry at Johnson Metall AB (Örebro). Above: Profiles from Gislaved Gummi.

Gislaved Gummi is a qualified producer of polymer products.

The company develops, manufacturers and markets its products within four product areas: gaskets for plate heat exchangers, wheels for internal materials handling, profiles and compounds.

The company's strategy during the 90s has been to focus on niche products within the polymer sector. This route has proved to be highly successful.

In order to be able to expand internationally and gain access to low cost production capacity, Elastomeric Engineering Company Ltd (EEC) in Sri Lanka was acquired during the second half of 1998.

The strategy of focusing on niche sectors remains in place. To be able to broaden and expand, the company is actively seeking new product areas. The efforts in international expansion will be intensified.

Amounts in MSEK	1998	1997	1996	1995	1994
Invoiced sales	403	344	305	293	201
Earnings after financial items	41.0	37.2	41.3	49.3	24.1
Balance sheet total	402.7	231.0	199.9	180.3	116.4
Total workforce	616	337	318	320	240

Invoiced sales and earnings

Invoiced sales rose to MSEK 403 (344). A healthy position of market demand and the acquisition of EEC have together given a favourable volume development.

Earnings after financial items rose to MSEK 41.0 (37.2).

Organisation and products Within the product area of gaskets for plate heat exchangers, in which the company holds a world-wide market leading position, demand has continued to be healthy. The market continues to grow at the expense of more traditional types of heat exchangers - tube heat exchangers.

For the *profiles* product area, where the company enjoys a strong position in the Nordic countries, it has been possible to discern an increase in volume principally because of the introduction of new products during the second half of the year.

The *rubber compounds* product area, where the company is also strong in the

Nordic countries, has shown a rapid growth of volume during the year, resulting from continued growth in existing customers and new customers with attractive volumes.

The production of gaskets, profiles and rubber compounds takes place at the plant in Gislaved, as well as gaskets at the plant in Sri Lanka.

Wheels for internal materials handling is concentrated at Laxå, where the subsidiary Stellana AB produces and markets the products for the global market. In terms of volume, this product area has developed favourably. Continued focusing and concentration in this area have been implemented and one minor operation has been disposed of.

The largest turnover is to be found in the areas of polyurethane wheels for electric trucks and polyamide wheels for fork lift trucks. In this latter area, Stellana is a global market leader and strengthened this position further during the year. Sales of wheels for electric trucks have developed favourably during the year.

With Northern Europe as the base, the export drive continues in respect, above all, of the remaining European market.

Market Gislaved Gummi is responsible for gaskets for plate heat exchangers on a global scale and Stellana for wheels as well as for other EEC products outside Asia.

Sales are directed essentially to OEM customers via the company's own sales organisation. Most major customers consist of large international corporations.

Overseas sales amount to 45 per cent, and including indirect overseas sales, to 80 - 90 per cent.

Competitors within all product areas essentially consist of well-established international companies.

Growth and improvement

measures The focus is on developing and strengthening operations within the global product areas - wheels for internal materials handling and gaskets for heat exchangers by:

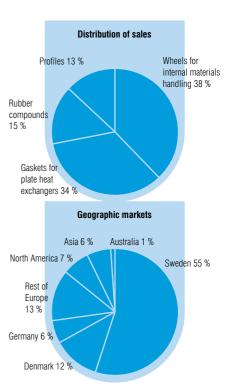
- Increased market focusing,
- Utilisation of the companies' powerful resources in polymer material know-how,
- Flow orientation of the organisation for creating cost efficiency,
- Strengthening existing product areas by seeking cooperation partners internationally or by acquisition.

By the acquisition of EEC, the Group has taken a step towards greater internationalisation at the same time as low cost production has been added.

In the Spring of 1998, Axjo's rubber operations were acquired. This acquisition was an assets transaction in which machinery, staff, stock and order book were transferred to Gislaved Gummi. The acquisition has boosted volume by roughly MSEK 10 on an annual basis.

During 1998, Stellana's operations in Denmark were transferred to Laxå, which will entail more efficient operations.

Prospects for 1999 Demand will be slacker during 1999 as a result of a general downturn in the economy. The company will focus on cost efficiency measures and market operations in order to be well-equipped for a strong increase in volume when the economic climate finally improves.



Johnson Stål & Metall AB

During 1998, work progressed in creating a new organisation for the Hexagon Group's operations in bronze, brass and steel under the name Johnson Stål & Metall AB. The purpose of the merger is to create a robust platform for further national and international expansion within both the current fields of operation and by acquisitions in neighbouring product areas where the competence of the company Group can be made great use of.

The new organisation comprises Johnson Metall AB, Johnson Metall Bearing Components A/S, Nordic Brass AB, Nybro Stålprodukter AB and Centrostål AB.

The judicial structure was finalised on 31 December 1998 and a new CEO has been appointed.

Amounts in MSEK	1998	1997	1996	1995	1994
Invoiced sales	919	717	702	720	546
Earnings after financial items	78.6	67.6	71.4	92.0	61.6
Balance sheet total	589.0	449.5	418.9	434.3	374.9
Total workforce	731	645	658	639	578

The above table is pro forma

Invoiced sales and earnings

Invoiced sales rose during the year to MSEK 919 (717) and earnings after financial items to MSEK 78.6 (67.6).

Sale of bronze products has increased during the year, which resulted in a favourable earnings development within this product area. In the brass products, not only cage rings and rods, but also profiles and ingots, developments were poorer, partly as a result of weaker demand in the United States and Europe and partly as a result of falling prices and a modified price structure in respect of the LME noted metals compared with 1997. On the steel side, despite major fluctuations in the inflow of orders, it was possible to improve earnings in relation to last year.

Organisation and products

Johnson Metall AB is the largest Nordic producer of plane bearings, blanks, tubing and machine parts made of bronze. Cast and processed bronze products constitute 2/3 of invoiced sales. The company has producing units in Sweden (Örebro) and in Finland and also sales companies in Denmark and Norway.



Johnson Metall Bearing Components A/S is a leading supplier of processed brass products (cage rings) to the ball bearing industry in Western Europe and the United States, with production units in Norway and the United States.

Nordic Brass AB was acquired in 1998 and is one of the Nordic region's leading manufacturers of the following brass products: rods for processing and forging, profiles and ingots for remelting and casting. The company also conducts some trading operations of copper profiles and holed brass rod products. Rods and profiles make up 80 per cent of invoiced sales, while the remaining 20 per cent is brass ingots for remelting, essentially for casting of water mixers. The company conducts production operations in Sweden (Västerås).

AB Nybro Stålprodukter refines raw materials with products such as polished plate for tools, fittings and machine construction, gas cut steel blanks and gear racks. The company conducts sales in the Nordic region and has a production unit in Nybro and sales companies in Värnamo, Malmö and in Moss (Norway).

AB Centrostål conducts imports of steel products to Sweden, principally tool, construction and commercial steel, with products such as free form forging and rolled rings, drop forging and hot pressed parts, rod steel, bright polished materials, castings, strip steel and plate. The company is located in Malmö, with sales offices in Borås and Kungsör.

Production within Johnson Metall AB and Johnson Metall Bearing Components A/S takes place in complete production plants with a capacity for the entire production chain, from smelting, casting and

heavy-duty processing to final production with CNC machines and robots. Nordic Brass AB uses scrap raw materials and conducts production in its own foundry, press plant and drawing plant, to such products as brass rods and ingots. AB Nybro Stål-produkter has extensive equipment for figure coring, heat treating, plane milling, edge processing, plane grinding, as well as CNC machines for larger parts.

Market Johnson Metall AB's customers principally consist of largely the entire engineering industry in the Nordic region. The number of customers is slightly more than 5,000. Products are most generally delivered direct to the end customer from each respective production unit. The company also has a large range of standard products. Competition primarily comes from a few local small-scale foundries and from imports, principally from Germany, of standard blanks of bronze, and from customers' own finished processing work.



Growth and improvement measures As a result of the resistation, the focus on growth is in principally by increased internation

measures As a result of the new organisation, the focus on growth is increased, principally by increased internationalisation, new customers and product development. This is expected to have an effect in terms of both volume and earnings during the coming years.

with some 50 other small scale firms with

Prospects for 1999 The business climate for bronze products is assessed for 1999 as being poorer than for 1998.

Volumes of brass cage rings are expected to increase in relation to 1998, partly because customers in the latter part of 1998 made smaller purchases in order to reduce their stocks, and partly because of expected restructuring measures at customers. For other brass products, it is assessed that volumes will be on the same level as in 1998. A major investment within Nordic Brass AB will give favourable effects on productivity, flexibility, lead times and quality.

Earnings for the Group for 1999 are expected to be somewhat lower than for 1998.



A key competition edge is the efficient recycling and re-use of the swarf which is formed in production. This may constitute as much as 50 per cent of the total material consumption.

Johnson Metall Bearing Components A/S' cage rings are sold either ready processed or as blanks. Customers consist of the major ball bearing manufacturers in Europe and the United States and the products are delivered direct to the end customer. The most important competitors for cage rings are the ball bearing manufacturers' own production units. An increasing trend towards outsourcing opens up possibilities for the company's cost effective production method.

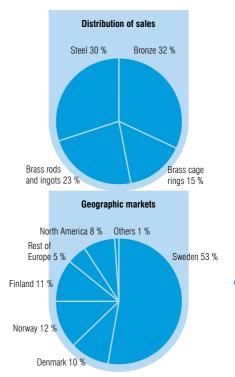
Nordic Brass AB has roughly 300 active customers. Of these, the 25 largest account for more than 90 per cent of the sales volume. The typical customer is most generally a subcontract supplier of components to larger systems, such as vehicles, telecommunications, electric power supply, valves and connections to low pressure media, water mixer and products for decorative purposes. The Swedish market accounts for 55 per cent of invoiced sales, while the Danish and Finnish markets each account for a good 20 per cent. The volume on the Danish market has almost doubled during the year. Sales in Finland, the Baltic States and Poland take place via the company's own sales representative in Helsinki. In Denmark and Norway, sales take place via agents.

In addition to imports via wholesalers, competitors in the Nordic region are principally Boliden, Gusum and Raufoss in Norway.

AB Nybro Stålprodukter's customers are essentially a large number of small and

medium-sized engineering companies. In particular machine constructors and machine manufacturers are major user of pre-processed steel. The Group's five major customers account for approx. 16 per cent of invoiced sales. There are customers throughout the entire Nordic region, but are largely concentrated to southern Sweden. The major proportion of products goes direct to customers or via the company's own sales firm/distributors. After further refining, the customers export large parts of the company' products. Competitors consist of a few actors, including Uddeholm among others.

AB Centrostål's customers may be divided into warehouses and end users, where end users essentially purchase forgings and castings. Roughly 35 per cent is sold to wholesalers. The Swedish steel works are natural competitors, but Centrostål has elected to deal in niche products which are manufactured on a small scale by the Swedish steel companies. In addition, the company competes



Moteco AB

Moteco develops, markets and manufactures antennas and antenna systems for mobile telephones. In this field, the company is one of the leading actors in the world The customers are leading mobile telephone manufacturers.

Moteco has the ambition to become established as main supplier to a number of major mobile telephone manufacturers. During 1998, this has resulted in a further manufacturer appointing the company as its supplier.

During the year, mass production of telescopic protractible antennas and dual band antennas for telephones searching several systems was begun. Also within the SAR field (Specific Absorption Rate), considerable development inputs were made with favourable results. The company has been granted patents and has patent applications within these areas

Progress within Moteco's R&D centre at Ideon research park in Lund has continued and this unit now boasts one of the world's leading laboratories in the sector. The newly started operations abroad have developed well. In the United States, outreach customer operations are conducted, together with support activities and, in China, full production and delivery take place to customers in the region. Major investments have been made in automated production in Ruda, where third generation assembly robots have been installed and made operational.

	Amounts in MSEK	1998	1997	1996	1995	1994
	Invoiced sales	252	189	128	105	80
	Earnings after financial items	40.0	58.2	49.3	43.2	22.2
	Balance sheet total	157.8	123.4	101.9	77.3	48.1
	Total workforce	275	197	97	68	56
_						

Invoiced sales and earnings As a result of yet another year of increased production volume, invoiced sales rose to MSEK 252 (189). Earnings after financial items however fell to MSEK 40.0 (58.2) because of depressed prices, production mobilisation of many new products and increased costs for continued development inputs in conjunction with the internationalisation of the company.

Products The company has a blanket product programme for all types of mobile telephones, relating to antenna function.



Organisation Moteco's research, concept and prototype development take place in Lund, Sweden, while product evolution and production engineering development take place at the Ruda unit.

Marketing operations in Europe and Asia are managed from Sweden, while the company in the United States is actively engaged in that market.

Manufacturing is concentrated to the production unit in Ruda, Sweden and in Beijing, China.

Market The company's operations are extremely export-geared and more than 90 per cent of production reaches end users on overseas markets.

Sales take place almost exclusively to major manufacturers of mobile telephones such as Ericsson, Motorola, Philips, Siemens and others. Ericsson is the largest single customer. Antennas for digital mobile telephones predominate. However, as a result of the company's blanket product programme, deliveries can be made to all mobile telephone systems with varying demands on performance.

Competitors consist principally of Galtronics, Allgon, Centurion, Nippon Antennas and Sigma.

Growth and development At present, the major market regions in mobile telephony are Europe, America and East Asia. Moteco's position is strongest in Europe. As a result of the company's establishment in China and the United States, preconditions for growth have increased considerably in Asia and the United States. Here potential is enormous, not least in Asia.

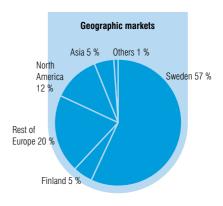
The mobile telephone market will also show a high level of growth in the future. In addition to large volumes, this trend will entail regular changes of model with steadily shorter production cycles. In order to meet this trend, Moteco has concentrated intensively on developing flexible production technology with automated production, assembly and inspection. During 1998, Moteco greatly increased capacity in wave length expansion and in product development to meet future demands on the performance of the antenna function.

Prospects for 1999

Growth in mobile telephony shows no sign of abating. Competition between mobile telephone manufacturers is increasing and entailing a price war for both products and services in the sector.

Also during 1999, Moteco will be concentrating intensively on product and skills development, as well as on efficient production engineering in order to be in the right position on the eve of "the third generation of mobile telephones".

For 1999, invoiced sales are likely to increase and earnings equal 1998.





organised in two product groups - Transmission and Tools.

The Transmission Group has developed well during 1998, largely because of favourable developments within the heavy-duty vehicle industry which constitutes a large part of the customer base.

The Tools Group has developed more slowly, principally during the first half of the year.

Towards the end of the year however, several new contracts were signed with the German automotive industry. SwePart Plast AB was disposed of during 1998.

Amounts in MSEK	1998	1997	1996	1995	1994
Invoiced sales	609	627	584	612	496
Earnings after financial items	43.0	46.0	40.8	47.3	33.8
Balance sheet total	458.7	564.0	514.8	562.8	523.0
Total workforce	661	660	660	704	662
The above table is pro forma					

Invoiced sales and earnings

Invoiced sales amounted to MSEK 609 (627) and earnings after financial items amounted to MSEK 43.0 (46.0).

SwePart Plast was sold in May and the earlier affiliated company EBP i Olofström AB was consolidated as of 1 January 1998. In a comparable structure, invoiced sales amounted to MSEK 609 (612).

The Transmission Group saw favourable development during the year, both as regards invoiced sales and earnings, essentially because of a favourable market situation for the automotive industry.

The Tools Group saw a sluggish introduction to 1998, because demand for the Group's products was somewhat poorer than expected. The situation gradually improved but the levels of the previous year were not achieved.

Product groups and products The

Transmission Group manufactures rotating and linear transmission components for the machine industry, worm gears and screw jacks, gear wheels and gear racks, drive shafts, power take-off units and steering systems for trucks, as well as body parts for the automotive industry. The products are both standardised and customised.

Trends are pointing towards increasingly customised products. Within this niche, SwePart holds a strong position as a result of its own development resources and flexible production apparatus.

The Transmission Group is one of the largest actors in Sweden in this area.

On the tools side, the company is a high quality supplier of precision mechanics, with products such as press, mould and punching tools, jigs and fixtures, and original body parts. The company has the resources to assist the customer from idea in the development stage up to design and production of the finished product. The Tools Group is Sweden's largest actor in this field.

Organisation In recent years, developments have moved towards the company's customers placing increasing demands on larger and fewer suppliers. During 1998, structural work in SwePart was therefore implemented with a view to streamlining and strengthening operations in both the Transmission and Tools areas. As a result, the company will be better equipped to meet customers' requirements and the company's long-term competitiveness will be sharper.

The Transmission Group consists of Tidamek AB, SwePart Transmission AB and Swedrive AB.

The Tools Group comprises Högmans Industri Verktyg AB, SwePart Verktyg AB, Tjust Mekaniska Verkstads AB and EBP i Olofström AB.

Market In the area of transmission, the largest customers are truck and fork lift truck manufacturers, as well as the Swedish exporting engineering industry.

Competitors in the transmission sector are principally Benzler (Sweden), SEW and Flender (Germany), and also Bonfigioli and Hurth (Italy).

The major customers on the tools side are the Swedish plate processing engineering industry, the automotive, rubber and plastics industries, and also press foundries and the Russian automotive industry.

The major competitors on the tools side are Volvo Olofström and also a number of German, Spanish and Portuguese manufacturers.

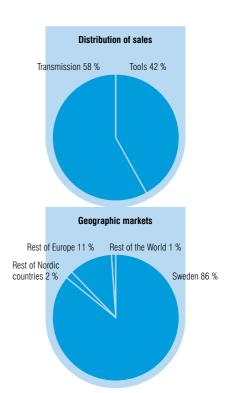
Growth and improvement

measures Within the Transmission Group, investments have been made during 1998 with a view to cutting production costs. The organisation has been changed and process-oriented.

In the Tools Group, several interesting orders were won as subcontract suppliers to the German automotive industry. The input in this sector will continue.

Work on increased system-thinking is conducted with commitment throughout the entire SwePart Group, as well as indepth customer cooperation in product development questions.

Prospects for 1999 The general economic slowdown for the exporting engineering industry will affect SwePart AB. The inflow of orders showed a negative trend towards the end of 1998, for which reason earnings outcome for 1999 is assessed as being somewhat lower than for the preceding year.





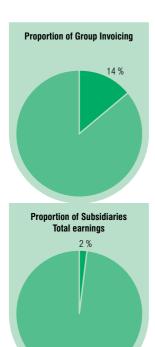
1998	1997	1996	1995	1994
698	430	331	324	237
6.5	5.9	7.7	9.9	6.2
318	181	93	87	81
10.4	10.2	20.0	29.1	22.1
87	56	42	35	25
	698 6.5 318 10.4	698 430 6.5 5.9 318 181 10.4 10.2	698 430 331 6.5 5.9 7.7 318 181 93 10.4 10.2 20.0	698 430 331 324 6.5 5.9 7.7 9.9 318 181 93 87 10.4 10.2 20.0 29.1

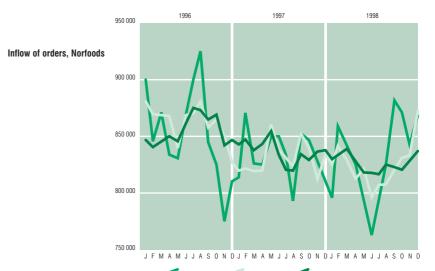
The above table is pro forma

Norfoods

In recent years, the food industry has undergone sweeping changes. An increasing number of the actors in this business area operate with the entire Nordic region as a market. Subcontract suppliers have hitherto been relatively small and specialised as regards ingredients and raw materials. However, the actors in this business area are tending to become steadily larger, with large-scale production units. These structural changes create new conditions in the supplier stage. At the same time, the food industry employs an increasing number of different raw materials and ingredients, which must be procured from many different parts of the world.

The creation of Norfoods is to be seen against the background of these structural changes. Norfood's business concept is to meet, on a Nordic basis, the needs of the food and pharmaceuticals industries in respect of raw materials, ingredients and packages.





Trend diagram of inflow of orders 1996-1998 in a comparable structure.

6 month trend



Anders Brantberg, CEO, Norfoods

The Group has been built up by the acquisition of AB R Lundberg (1994), LG Fredriksson AB (1997) and Bech & Kjeldahl (1998). As a result of the formation of Norfoods, all operations are now coordinated. To customers, a concept is offered in which the Group's purchasing experience, agencies and logistics, as well as product/environmental skills are placed at their disposal in a concerted package. In order to facilitate the daily handling routines, considerable efforts have been made within the EDI/IT area.

In 1998, Norfoods had a pro forma invoiced sales figure of approx. MSEK 850 and, as a result, is the largest Nordic actor in this niche.

Work in the future will closely focus on two items:

- Within a few years, Norfoods is to be established, probably by acquisitions, in Norway and Finland as well.
- Together with the geographic expansion, the concept is to be further developed so as to optimise the customers' benefits, so that profitability will increase. In this context, synergy effects within the Group in respect of purchases, warehousing, administration etc., are naturally of major importance.

Invoiced sales and earnings

Invoiced sales rose to MSEK 698 (430). In a comparable structure, invoiced sales rose by MSEK 35. Earnings rose to MSEK 6.5 (5.9).

Products The company conducts its operations within three business areas:

- The product area *Ingredients* sells refined products principally to the food industry. The products are, among others, starch, starch derivates, thickeners, proteins, organic acids and preservative-, emulsifying agents and stabilising agents.
- The Raw Materials product area sells principally almonds, cocoa powder, rice, juice and cordial concentrates, frozen foods and preserved foods.
- The *Packages* product area sells, among other things, glass packages (bottles and jars), plastic packages and closure arrangements (caps and lids).

Organisation The Company Group conducts its present operations in Malmö and Copenhagen. In Malmö, there are the subsidiaries R Lundberg and LG Fredriksson, while Bech & Kjeldahl are located at Herlev outside Copenhagen. Distribution of the Company's goods is effected from new warehouse premises in Malmö and from stores in Jutland.

Market The market is principally Sweden and Denmark. Other markets account for

6 per cent of the total. The products are sold to 70 per cent to industrial customers. The remaining fraction is evenly distributed between large-scale catering units and retail trade wholesales. The Company's suppliers are to be found virtually all over the world, with the exception of the Nordic region.

Sales take place through the Group's own salesmen, with responsibilities for their own goods categories. They handle the entire chain from purchases to sale, with their own earnings outcome responsibility. Approximately a third of sales go direct from principal client to customers.

Norfoods is a market leader in Sweden and Denmark for many of its goods within the business areas Ingredients and Raw Materials.

Competitors primarily consist of a number of small and medium-sized actors, among whom mention might be made of Bodén & Lindeberg, Cantifood and Engelhardt. On the packaging side, the competition substantially consists of Nordic companies with their own production, as well as importers.

Growth and improvement

measures Growth will take place partly through continued organic growth and partly by increased focusing on acquisitions in other Nordic countries.

At the same time, the Company will deepen the ongoing cooperation with key major suppliers in order to reach larger markets in the Nordic region and to achieve synergy effects between the member companies. On the materials side, synergy effects are also expected to be achieved. Simpler production may also supplement operations to a limited extent.

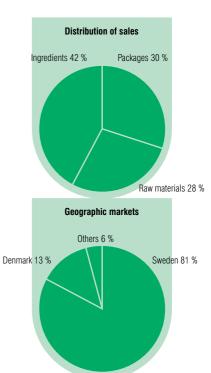
Prospects for 1999

The investments which were made in recent years will increase the Company's market shares in 1999, and the ambition is

to become established in at least one additional Nordic country.

Expansion in volume is expected to continued to just under SEK one billion and earnings will improve in relation to 1998.





SpooJoN 40 Jou

Other Ownership Holdings

In addition to the wholly owned companies in the Hexagon Group's three fields of operation, VBG AB (publ) is also included. Hexagon's ownership proportion amounted at 31 December 1998 to 47.1 per cent of the capital and 41.0 per cent of the votes.

Robust Ståldörrar RSD AB develops, manufactures and markets fire safety and lift doors. The company improved its earnings after financial items to MSEK 0.2 (-3.0) with invoiced sales of MSEK 97 (89).



VBG AB

VBG AB in Vänersborg is the parent company in an engineering group which develops, manufacturers and markets equipment for heavy-duty vehicles

Invoiced sales and earnings

Invoiced sales rose to MSEK 607 (540). Earnings after financial items amounted to MSEK 50.4 (42.3)

Products Operations are split into two business areas:

- The predominant area is *heavy-duty* vehicle equipment, consisting of trailer couplings, curb rings, slip protection (Onspot), load platform posts (Armaton) and other accessories for lorries.
- Machine parts is the other business area where the main products are shaft couplings and ring springs which are delivered to machine manufacturers and high-tech companies. In April 1997, VBG acquired the German competitors Ringfeder and thereby became a world leader in the field of trailer couplings. The acquisition also included the business area machine parts.

Organisation The VBG Group consists of the holding company VBG AB and three factory units, located in Sweden (Vänersborg), Germany (Krefeld) and in the United Kingdom (Lowton, near Manchester). In Vänersborg, VBG's trailer couplings with peripheral equipment the Onspot automatic slip protection and Armaton load platform posts are developed and manufactured.

Ringfeder's trailer couplings and machine parts are developed and manufac-

tured in Krefeld, while the completely new plant in Lowton develops and manufactures curb rings for tractor vehicles for semitrailers.

The Group also includes three whollyowned sales companies, located in the United States, Norway and Denmark.

The VBG Group has a workforce of 422 (366) of whom 142 (131) in Sweden.

Market The products are sold globally under the trademarks VBG (coupling equipment and curb rings), Onspot, Armaton and Ringfeder (trailer couplings, machine parts). The key markets for trailer couplings are the Nordic countries, Germany, the Netherlands and Australia. Slip protection and load platform posts are sold principally in the Nordic countries, Germany, France and Japan. The major markets for curb rings are the United Kingdom, France and the Nordic countries. For machine parts, the United States, Japan and Germany are the foremost markets.

Competitors Within the product range of equipment for heavy-duty vehicles, the major competitors are to be found in Germany and the United States. Reliability and user-friendliness and overall economy are key competitive edges. Within the product range of machine parts, the major competitors are in Germany, Italy and the United States.







Torbjörn Ek

Maths O Sundqvist

Börje Andersson

Torbjörn Ek, Chairman.

Born 1934, Board Member since 1993.
Commissions include: Chairman of Arriba Intressenter AB, Bilmetro AB, Bim Kemi AB, Terrum B.V., Texet AB (publ) and Upec AB. Board Member of Nära Kroppen AB, Oriflame Ltd, Prevas AB (publ), Svedbergs i Dalstorp AB (publ), Swedish-American Foundation, Telge Företagsinvest AB, and also member of IVA. Shareholding in Hexagon: 106 970 series B shares.

Maths O Sundqvist, Vice-Chairman. Born 1950, Board Member since 1991. Commissions include: Board Member of Fischer Partners Fondkommission AB and Wasa Livförsäkring. Shareholding in Hexagon: 1,865,000 series B shares.

Börje Andersson, President and CEO. Born 1950, Board Member since 1993. Commissions include: Vice-Chairman of VBG Produkter AB (publ), Board Member of Dacke Hydraulik AB, Moteco AB, Norfoods and Svedbergs i Dalstorp AB (publ).

Shareholding in Hexagon: 110,000 series B shares, synthetic warrants: 40,000.

Simon Bonnier Born 1929, Board Member since 1990.

Commissions include: Board Member of AB Bonnierföretagen, Måldata AB Frili, and Norfoods. Shareholding in Hexagon: 281,000 series B shares.

Christer R Christensson Born 1941, Board Member since 1993.

Commissions include: President of AXERA Förvaltning AB, Board Member of Essen International AB, Gustaf Fagerberg Holding AB, Hinc Asset Management AB and Fastighets AB Storheden (publ). Shareholding in Hexagon: 73,760 series B shares nominee-registered.

Håkan Johansson Born 1955, Board Member since 1998 Partner in EQT Partners AB. Shareholding in Hexagon: 1,000 series B shares. **Hans Nergårdh** Born 1934, Board Member since 1993.

Commissions include: Chairman of Gislaved Gummi AB, Johnson Metall AB, Persona Consulting AB, Schneidler-Företagen AB, and Anders Diös AB. Board Member of ABECE Industrier AB, FPG AMFK Kreditdelegationen, Fylkinvest AB, Kami Forskningsstiftelse, and Nordbanken Stockholm

Shareholding in Hexagon: 10,800 series B shares.

Sven Ohlsson Born 1944, Board Member since 1993.

Commissions include: Chairman of Dacke Hydraulik AB, Board Member of Esselte AB (publ) and Munters AB (publ).

Shareholding in Hexagon: 25,000 series B shares.

Erik Paulsson Born 1942, Board Member since 1993

Commissions include: President of Wihlborgs Fastigheter AB (publ), Chairman of BPA AB (publ), Board Member of Sälenstjärnan AB (publ), PEAB AB (publ) and Folkebolagen AB (publ). Shareholding in Hexagon: 0



Simon Bonnier

Group management and auditors

Börje Andersson

Employed in Hexagon since 1993. Born 1950. President and CEO.
Shareholding in Hexagon as above.
Synthetic warrants as above.

Per-Olof Borggren

Employed in Hexagon since 1993. Born 1950. Head of Corporate Finance.
Shareholding in Hexagon: 18,400 series B shares. Synthetic warrants: 20,000.

Claes Lindkvist

Employed in Hexagon since 1994. Born 1958, Head of Corporate Development & Investor Relations. Shareholding in Hexagon: 1,500 series B shares. Synthetic warrants: 20,000.

Torbjörn Wistrand

Employed in Hexagon since 1997. Born 1948. Head of Commercial Development. Shareholding in Hexagon: 1,500 series B shares. Synthetic warrants: 5,000.

AUDITORS

Gunnar Widhagen

Born 1938, Authorized Public Accountant, Ernst & Young AB Auditor since 1989.

Peter Pankko

Born 1954, Authorized Public Accountant, SET Revisionsbyrå AB Auditor since 1994

Deputy auditors

Peter Lander

Born 1949, Authorized Public Accountant, Ernst & Young AB Deputy Auditor since 1992.

Gilbert Larsson

Born 1943, Authorized Public Accountant, SET Revisionsbyrå AB Deputy Auditor since 1994. From the left

Börje Andersson, Per-Olof Borggren, Claes Lindkvist, Torbjörn Wistrand



Erik Paulsson



The past year

REPORT OF THE DIRECTORS

The Board of Directors and President of Hexagon AB (publ), company registration number 556190-4771, hereby submit the Annual Report and Consolidated Financial Statements for the fiscal year 1998.

Operations The Hexagon Group has a structure with three business areas: Industrial Components and Systems, Niche Manufacturing and Norfoods.

The subsidiaries in the Group's business areas are medium-sized industrial companies with good market positions in their respective niches. A high proportion of invoiced is overseas-related, either by direct exports or sales to export-geared customers.

Corporate acquisitions and

Divestitures During 1998, the Group has acquired eight operations with a total annual turnover of approx. MSEK 825. In all cases, the acquisitions are of a strategic nature and strengthen the subsidiaries' positions within market, production and distribution. The acquisitions took place in the following chronological order:

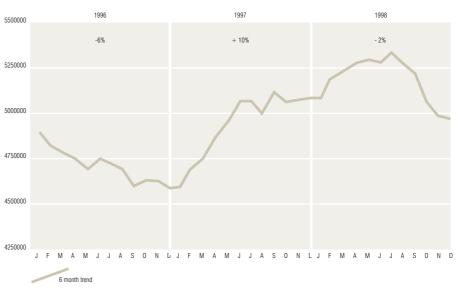
- In May 1998, Gislaved Gummi acquired the sealant production operations from Axjo Plastic AB. These operations turn over approx. MSEK 10 and have been integrated into Gislaved Gummi's operations.
- ← In the same month, Outokumpu Copper Brass Rod AB was acquired, which has subsequently changed its name to Nordic Brass AB. The company, which is located in Västerås, is one of two dominant manufacturers in the Nordic Region of brass rod profiles and ingots, with a turnover of MSEK 329 for 1998.
- During May, Gustaf Fagerberg
 Holding acquired the Norwegian Teck
 Instrument AS. Teck Instrument manufactures and imports equipment and instruments for temperature and pressure measurement. During 1998, Teck Instrument reported a turnover of approx. MSEK 50.
- AKA Industriprodukter acquired, in May, Imporex Control Oy with a turnover of MSEK 17. Imporex is an agency company with similar operations to AKA's subsidiary Tecalemit and has been coordinated with that company.

- In July, Norfoods acquired the Danish firm Bech & Kjeldahl A/S. Turnover in Bech & Kjeldahl is approx. MSEK 285.
- AB R Lundberg has acquired an operation which supplies raw materials to the food industry with an annual turnover of approx. MSEK 20.
- Gislaved Gummi has acquired 96 per cent of the shares in Elastomeric Engineering Company Ltd (EEC) in Sri Lanka. The company has a turnover of approx. MSEK 60 and is operative within the same product areas as Gislaved Gummi. The remaining outstanding shares are subject to redemption.
- In November, AKA Industriprodukter's subsidiary IP-Produkter acquired the Finnish technology trading company JW-Trading Oy, which complements IP-Produkter's operations within the HEVAC area. The company has a turnover of a good MSEK 50 on a whole year basis.

Disposal of SwePart Plast AB has been put into effect to employees within the Group. The decision on disposal was approved by the Annual General Meeting of Hexagon. This disposal took place in May 1998.

Group inflow of orders, invoiced sales and earnings Hexagon monitors the inflow of orders trend in a comparable structure and in seasonally adjusted whole year rate, based on the outcome of the latest six months. During the first half of 1998, the inflow of order rate increased. However, during the second half of the year, the slowdown in the industrial economy made itself felt and the inflow of orders turned downwards. On a whole year basis, the order inflow rate was MSEK 4,960 in December 1998, compared with MSEK 5,060 a year earlier, a fall by about 2 per cent. A reduced inflow of orders is primarily noticeable within

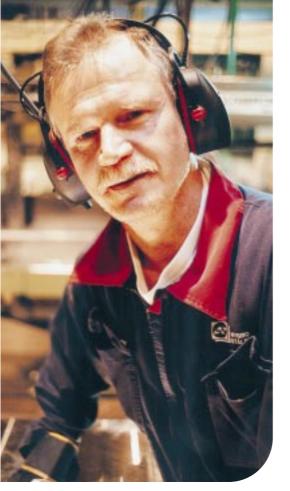
Inflow of orders



The diagram shows the inflow of orders. Values are seasonally adjusted and upwardly computed to whole year rate, and also based at any time on the outcome of the last six months. The inflow of orders is shown in a comparable structure, with values for all companies now members of the Group throughout the entire period of time.



*including capital gains of MSEK 84 in respect of Svedbergs



Invoiced sales and earnings after financial items by business area.*

MSEK	Invoiced sales		Ear	nings
	1998	1997	1998	1997
Industrial Components and Systems	1 986	1 837	100.7	105.9
Niche Manufacturing	2 183	1 877	186.9	195.1
Norfoods	698	430	6.5	5.9
Other operations	97	89	20.4	23.7
Capital gains, Svedbergs	-	-	-	83.8
Group adjustments and Parent Company	-18	-15	-1.9	-26.5
The Group	4 946	4 218	312.6	387.9

*The table has been recomputed in respect of earnings compared with earlier presentations. Depreciations of Goodwill at Group level have now been distributed by business areas, with MSEK 12.9 (12.9) for Industrial Components and Systems, MSEK 15.6 (13.8) for Niche Manufacturing, MSEK 1.8 (3.0) for Norfoods and MSEK 0.3 (0.3) for other companies. Earnings differences between the years relating to Group adjustments and Parent Company refer, to the greater part, to the effect of the outcome for synthetic options. Quarterly earnings compilation, see Note 20.

Johnson Stål & Metall. Moteco, with customers in the telecommunications industry, has increased the inflow of orders by 39 per cent.

The inflow of orders in the Group rose during 1998 by 14 per cent from MSEK 4,307 to MSEK 4,910. The increase is principally the result of corporate acquisitions. In a comparable Group structure, the inflow of orders rose by 1 per cent.

During 1998, Group invoiced sales amounted to MSEK 4,946 (4,218) an increase of 17 per cent. In a comparable structure, invoiced sales rose by 4 per cent, from MSEK 4,740 to MSEK 4,946. Of the Group's invoiced sales, the Swedish companies account for 70 per cent, companies in the Nordic countries for 26 per cent and other countries for 4 per cent. Direct export from Swedish companies as well as invoiced sales in foreign companies constitute 43 per cent (38) of the Group's total invoiced sales. A large proportion of the remaining invoiced sales of the Swedish companies goes to customers who are geared to exports, for which reason indirect exports are calculated at amounting to approx. 20 per cent. The total overseasrelated invoiced sales thus amount to approx. 63 per cent (58).

Group earnings after financial items amounted to MSEK 312.6 (387.9). The figures for the previous year include a

capital gains item on the sale of shares in Svedbergs of MSEK 83.8. Excluding this capital gains item, earnings rose by 3 per cent, from MSEK 304.1 to MSEK 312.6. The profit margin amounted to 6.3 per cent (7.2). The figures for the preceding year are excluding the above-mentioned capital gains item. Earnings have been favourably influenced because of the accounting effects of the programme of synthetic options (warrants) by MSEK 10.9 (-8.9). The effect of the programme is accounted continuously during the year and based on the latest price for the Hexagon share on Stockholm Stock Exchange.

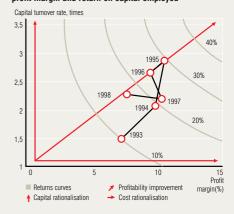
Exchange rate fluctuations have only marginally affected comparability over the years, for both invoiced sales, inflow of orders and earnings.

Group profitability Return on average shareholders' equity was 17 per cent (20) after the earnings had been charged with standard tax (28 per cent). If the capital gains item in Svedbergs is included in the figures for the previous year, the return was 25 per cent in 1997. Capital turnover rate was 3.8 (3.8).

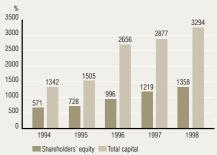
The return on average capital employed amounted to 17 per cent (18 per cent). If the capital gains item in Svedbergs is included in the figures for the previous year, the return was 23 per cent. The profit margin for calculating return on capital employed was 7.4 per cent (10.4) (8.4 excluding the capital gains). Capital turnover rate was 2.3 (2.2).

Over the last six years, the profit margin and capital turnover rate for capital employed has developed as follows:

The relationship between capital turnover rate, profit margin and return on capital employed



The Group's balance structure



Cash flow and investments (excluding shares)



MSK

Invoiced sales

	1998	1997
Industrial Components and Systems		
AKA	901	894
Dacke Hydraulik	531	507
Gustaf Fagerberg	554	521
	1 986	1 922
Niche Manufacturing		
Gislaved Gummi	403	363
Johnson Stål & Metall	919	918
Moteco	252	189
SwePart	609	612
	2 183	2 082
Norfoods		
Norfoods	698	663
	AKA Dacke Hydraulik Gustaf Fagerberg Niche Manufacturing Gislaved Gummi Johnson Stål & Metall Moteco SwePart Norfoods	Industrial Components and Systems

Pro forma in a comparable structure

Year	Profit margin	Capital turnover rate
1993	6.7%	1.5
1994	9.7%	2.1
1995	10.1%	2.9
1996	9.2%	2.6
1997	10.4%	2.2
1998	7.4%	2.3

Profitability calculations are made on an average capital.

The Group's financial position

The Group's Balance Sheet total amounted to MSEK 3,294 (2,877).

The equity-total assets ratio amounted at 31 December 1998 to 42 per cent (43).

The goal for the Group is that equity ratio should not fall below 35 per cent. The visible shareholders' equity was MSEK 1,358 (1,219). Including surplus value in market listed shares, adjusted shareholders' equity amounted to MSEK 1,450 (1,339).

Group goodwill amounted at 31 December 1998 to MSEK 384 (317), which corresponds to 12 per cent (11) of Balance Sheet total and 28 per cent (26) of visible shareholders' equity.

Goodwill refers to the following operations (MSEK):

AKA Industriprodukter	150
Dacke Hydraulik	16
Gustaf Fagerberg	19
Gislaved Gummi	32
Johnson Stål & Metall	49
SwePart	61
Norfoods	56
Others	1

384

Liquid assets, including unutilised overdraft facilities, amounted to MSEK 452 (331). Net debt in the Group was MSEK 748 (525) and net indebtedness degree amounted to 0.55 times (0.43). Times interest earned was 6.6 times (8.7). Four-year pledged credit in the form of syndicated loan is available of approx. MSEK 663, which is to ensure a considerable proportion of the Group's long-term capital requirements for future expansion.

Group Investments The Group's investments in fixed assets amounted to MSEK 223 (191). In addition, shares in subsidiaries have been acquired at MSEK 247 (271), as well as acquisition of shares in affiliates at MSEK 9 (45). Depreciations during 1998 were MSEK 181 (162).

The major proportion of investments relates to production equipment and computer hardware intended to increase capacity. The largest investments were made in Niche Manufacturing. Gislaved Gummi has invested in presses, Moteco in injection moulding tools and automated production lines, and the companies within SwePart have made several major capacity-increasing production investments.

Group Cash Flow Cash flow before changes in operating capital and investments, amounted to MSEK 364 (338). After investments in fixed assets, net cash flow amounted to MSEK 141 (147).

Volume sensitivity Hexagon's safety margin was 20 per cent (21). The safety margin describes how much invoicing may

fall before the pre-tax earnings are zero. This reasoning is based on the fact that direct, movable costs are adapted to volume and that the price levels are kept up, and also that the indirect capacity costs are fixed. In greater volume losses, the indirect costs are obviously also adapted to the volume. The safety margin is a relatively coarse measurement but still gives an idea of how volume-sensitive the company is. For the Group as a whole, the volume sensitivity level is normal for the type of operations conducted.

The companies' invoicing as based on recurring and regular transactions and largely follow the business climate trends of the Swedish engineering industry.

The Subsidiaries Invoiced sales within *Industrial Components and Systems* amounted during 1998 to MSEK 1,986 (1,837). Earnings after financial items amounted to MSEK 100.7 (105.9). In a comparable structure, invoiced sales rose by 3 per cent from MSEK 1,922 to MSEK 1,986.

Weaker demand during the second half of the year, taken together with a certain depression of prices have negatively affected earnings. The inflow of orders rose by 6 per cent from MSEK 1,862 to MSEK 1,970. In a comparable structure, inflow of orders rose by 1 per cent to MSEK 1,970 (1,950).

Investments in fixed assets amounted to MSEK 57 (33).

Moteco's laboratory in Lund.



AKA Industriprodukter increased invoiced sales to MSEK 901 (866). Earnings fell to MSEK 34.4 (37.4). In general, AKA's products have had a slightly poorer year in 1998. In particular the market for refrigerants has lost ground in earnings. Because of the economic crisis in Russia, this market has developed weakly. Operations in Poland have also been negatively affected.

Dacke Hydraulik's invoiced sales rose by 10 per cent to MSEK 531 (483). The increase is explained partly by the acquisition which was made during the middle of 1997 and partly by substantially increased invoiced sales in Norway. Earnings after financial items amounted to MSEK 47.2 (47.1).

Invoiced sales in Gustaf Fagerberg rose by 14 per cent to MSEK 554 (487), an increase which is principally explained by a higher level of turnover in the specialist companies operating with in-house products, as well as by acquisitions. The invoiced sales of the trading operations remained largely unchanged. Earnings fell somewhat to MSEK 32.0 (34.4) which is explained by lower margins within the Swedish Gustaf Fagerberg AB.

Invoiced sales within *Niche Manu-facturing* rose to MSEK 2,183 (1,877) and earnings after financial items fell to MSEK 186.9 (195.1). In a comparable structure, invoiced sales rose by 5 per cent from MSEK 2,082 to MSEK 2,183. Investments amounted to MSEK 156 (138). Inflow of orders for this business area remained, in a comparable structure, largely unchanged at MSEK 2,153 (2,157).

Gislaved Gummi increased invoiced sales by 17 per cent to MSEK 403 (344). Earnings after financial items rose to MSEK 41.0 (37.2) principally because the major investments and restructuring implemented during 1997 have given favourable earnings effects. Growth has been particularly good within the product areas of gaskets for heat exchangers and rubber compounds. The degree of efficiency in the production of wheels has improved considerably after remedial measures were adopted.

The acquisition of Elastomeric Engineering Company (EEC) in Sri Lanka strengthens Gislaved within the area of heat exchanger gaskets and in the area of wheels, and is a key step in the internationalisation of operations.



Johnson Stål & Metall has acquired from Hexagon AB SwePart Material AB, effective as of 1 January 1998 and Nordic Brass AB effective as of 1 May 1998. Invoiced sales amounted to MSEK 919 (717) and earnings after financial items amounted to MSEK 78.6 (67.6). The increase in earnings is principally explained by the good earnings outcome of bronze operations. The brass operations, which sell cage rings to the ball bearing industry, with the main proportion of operations in Norway, were afflicted during the summer by industrial action, with reduced earnings as a result. From a high level of activity, the steel operations have clearly felt the effects of the slowdown in the economy towards the end of the year. However, earnings have improved for both Nybro Stålprodukter and Centrostål.

Moteco increased the inflow of orders by 39 per cent compared with 1997 and invoiced sales rose by 33 per cent. As a consequence of ongoing long-term inputs, above all in China and the United States, as well as within R&D, earnings were down somewhat on the corresponding period in 1997 and amounted to MSEK 40.0 (58.2). However, these efforts are assessed as having favourable earnings effects in the long term and are important from the market strategy point of view. Earnings

have also been negatively influenced by poorer gross margins principally as a result of depressed prices and costs in connection with the readjustment of production. Operations in China began production during the third quarter of 1998 and are expected to produce 5 million antennas during 1999.

SweParts invoiced sales fell to MSEK 609 (627) principally because of the sale of SwePart Plast early in 1998. During the year, the previous affiliated company EBP i Olofström AB was consolidated. Earnings amounted to MSEK 43.0 (46.0). The two product areas Tools and Transmission show different outcomes in 1998. Lower demand for heavy duty press tools has affected invoiced sales and earnings negatively within the Tools Group, where SwePart Verktyg and Tjust show poorer outgoing invoicing and earnings. The Transmission companies all showed good

Return on capital employed by business area in per cent (proforma)

1998	1997
18.9	21.7
21.6	23.0
10.4	10.2
	18.9

invoiced sales growth and report improvements in earnings.

The business area *Norfoods* includes the operative units AB R Lundberg, LG Fredriksson International AB and, since July 1998, the Danish firm Bech & Kjeldahl A/S. Invoiced sales amounted to MSEK 698 (430). In a comparable structure, invoiced sales rose to MSEK 698 (663). Earnings after financial items rose to MSEK 6.5 (5.9).

Other ownership holdings in Hexagon are Robust Ståldörrar RSD AB and the affiliate VBG AB (publ) (47%). Robust has improved its earnings after financial items to MSEK 0.2 (-3.0). Invoiced sales amounted to MSEK 97 (89). VBG contributes to Hexagon's earnings in accordance with the capital share method at MSEK 19.8 (15.8)

The Parent Company The earnings of the Parent Company after financial items amounted to MSEK 318.8 (351.1). Hexagon's programme with synthetic options (warrants) has favourably affected earnings by MSEK 10.9 (-8.9) which in turn is related to the trend of the Hexagon share. Equity ratio i the Parent Company was 53 per cent (61). Visible shareholders' equity, including capital proportion of untaxed reserves amounted to MSEK 1.187 (991). Liquid assets, including unutilised overdraft facilities, amounted to MSEK 220 (143). During the period, the Parent Company has acquired shares for MSEK 75 (332) of which MSEK 17 (68) relates to shares acquired from subsidiaries and MSEK 9 (45) relates to shares in affiliates.

The work of the Board of

Directors During 1998 The Board of Directors of Hexagon has held six minuted meetings. At these meetings, the Board dealt with those fixed items which were on the agenda for each respective meeting, such as business situation, budget, annual accounts and interim reports. In addition, overriding issues were dealt with relating to company acquisitions, and other investment objects, long-term strategies as well as structural and organisational changes.

The Board has appointed a nomination and remuneration committee consisting of Katja Elväng, Simon Bonnier and Christer R Christensson, whose task has been to scrutinise the salaries and benefits



for Hexagon's President and CEO and other leading positions of authority in the Group. The committee has moreover been entrusted with the duty of proposing members of the Board of Directors for the Annual General Meeting in joint consultation with the major owners.

Risks in connection with the new millennium Since 1997, Hexagon has had the computer risks involved in the new millennium on the agenda at Board meetings in both the Parent Company and the subsidiaries. In all subsidiaries, there are contingency plans and operative responsible officials have been appointed for carrying out the established package of measures. Hardly any of Hexagon's products include functions which are affected by the turn of the millennium.

A review was held of the Companies' computerised systems in administration and production. Most suppliers have been contacted to identify and remedy potential risks as far as is possible.

Within a majority of the subsidiaries, both hardware and software have been replaced or will be replaced during 1999.

Costs and investments which are referable to this problem structure during 1998 were approx. MSEK 7. The corresponding figure for 1999 is expected to be MSEK 11.

With the available information as a basis, the assessment that any possible negative effects of the millennium bug problem should not have any major influence on Group earnings or financial position or the Group's ability to provide the share market with the correct information.

Events after the end of the fiscal year In January 1999, Dacke Hydraulik acquired Östermo Mekaniska AB in Vaggeryd. The company is to be integrated with Vaggeryds Hydraulik already a member of the Dacke Group. Östermo Mekaniska, with a turnover of MSEK 40, manufactures

On 4 March, AKA's refrigeration operations, AKA Tempcold (head office in Bromma), were disposed of. The company's turnover was MSEK 314 during 1998.

hydraulic cylinders and fork units for trucks.

Expected future trends Hexagon will continue to expand by strategic acquisitions, complementary acquisitions in the subsidiaries and by organic growth.

However, the economic climate for export-dependent engineering companies has deteriorated during the latter part of 1998. Earnings forecast for 1999 will be given at the AGM.

Proposed allocation of profits

The unrestricted shareholders' equity of the Group amounts to TSEK 701,230. No allocations to restricted reserves are required in the Group.

The following profits are at the disposal of the Annual General Meeting

Profits brought forward from previous year

342 239 TSEK

net earnings for the year

256 119 TSEK

598 358 TSEK

The Board of Directors and the President propose that these profits be allocated such:

that a dividend of 5 SEK per share
 be paid to the shareholders
 73 965 TSEK

 that the remaining profits be carried forward in a new Balance Sheet

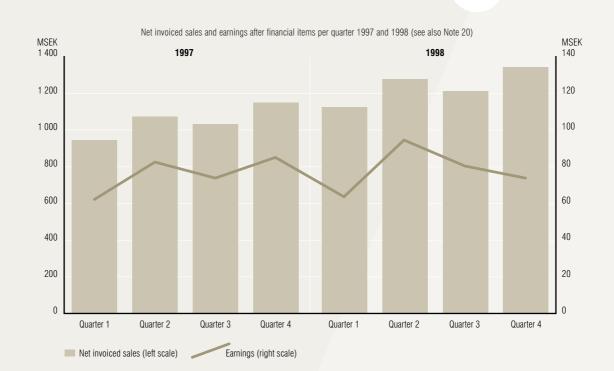
524 393 TSEK

598 358 TSEK

Hexagon in figures

CONSOLIDATED INCOME STATEMENT

(TSEK)		Note	1998	1997
Net turnover		1	4 946 410	4 218 039
Expenses for products sold		4,5	- 3 829 776	- 3 218 569
Gross earnings			1 116 634	999 470
Sales expenses		4,5	- 459 474	- 400 833
Administration costs		4,5	- 309 731	- 279 871
R & D costs		4,5	- 36 193	- 19 841
Other operating incomes			25 976	10 740
Other operating expenses		5	- 24 645	- 11 339
Share of earnings in affiliates		10	20 420	27 063
Operating earnings			332 987	325 389
Earnings from financial investments	Capital gains, Svedbergs shares	6	-	83 850
	Earnings from share in Group companies	6	- 422	13 454
	Earnings from other securities	6	19 145	2 211
	Other interest incomes	6	9 739	11 114
	Other financial incomes	6	7 367	2 294
	Interest expense	6	- 47 707	- 48 587
	Other financial costs	6	- 8 518	- 1 865
Pre-tax earnings			312 591	387 860
Tax on earnings for the year		7	- 106 198	- 105 014
Minority shares in year's earnings			- 1 874	- 507
Net income			204 519	282 339



CONSOLIDATED BALANCE SHEET

(TSEK)		Note	1998	1997
ASSETS				
Fixed assets				
Intangible assets	Balanced expenses for R & D work	8	882	1 203
	Patents and Trademarks	8	3 324	4 627
	Goodwill	8	383 889	317 007
Total intangible assets			388 095	322 837
Material fixed assets	Buildings	8	317 327	314 295
	Land and other real estate	8	35 671	28 555
	Machines and other technical installations	8	401 606	341 792
	Equipment, tools and installations	8	130 675	97 402
	Ongoing new installations and advances to suppl	liers 8	27 637	49 349
Total material fixed assets			912 916	831 393
Financial fixed assets	Shares in affiliated companies	11	143 456	121 000
	Other long-term securities holdings	12	16 204	19 499
	Other long-term receivables		7 490	5 052
Total financial fixed assets			167 150	145 551
Total fixed assets			1 468 161	1 299 781
Current assets				
Inventories	Raw materials and requisites		171 863	122 757
	Goods under production		107 541	75 052
	Finished goods and commodities		571 417	455 758
Total inventories			850 821	653 567
Short-term receivables	Accounts receivable		694 181	640 842
	Receivables from affiliates		341	544
	Other receivables		24 651	24 433
	Prepaid expenses and accrued incomes	13	46 344	32 218
Total short-term receivables			765 517	698 037
Short-term investments			15 276	6 028
Cash and bank balances			194 599	219 596
Total current assets			1 826 213	1 577 228
Total assets			3 294 374	2 877 009

(TSEK)		Note	1998	1997
SHAREHOLDERS' EQUITY AND LIABILI	TIES			
Shareholders' equity		14		
Restricted shareholders' equity	Share capital		147 932	147 932
	Restricted reserves		508 416	498 423
Total restricted shareholders' equity			656 348	646 355
Unrestricted shareholders' equity	Profit/loss carried forward		496 711	290 253
	Net income		204 519	282 339
Total unrestricted shareholders' equity			701 230	572 592
Total shareholders' equity			1 357 578	1 218 947
Allocations	Allocations for pensions		83 298	68 298
	Allocations for taxes		185 282	167 599
	Other allocations	16	3 454	5 33
Total allocations			272 034	241 228
Minority interest			9 267	11 890
Long-term liabilities	Overdraft facility	17	61 945	53 62
	Loans	17	679 167	508 17
	Other long-term liabilities		6 262	18 31
Total long-term liabilities			747 374	580 117
Short-term liabilities	Loans	17	131 933	108 813
	Advances from customers		14 677	5 05
	Accounts payable		398 149	363 61
	Tax liability		9 740	31 08
	Other liabilities		116 261	93 02
	Accrued costs and prepaid incomes	13	237 361	223 22
Total short-term liabilities			908 121	824 82 ⁻
Total shareholders' equity and liabilitie	es s		3 294 374	2 877 00
MEMORANDUM ITEMS		19		
Securities pledged			175 202	890 65 ⁻
Contingent liabilities			14 752	15 428

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(TSEK)		1998	199
Cash flow from normal operations	Net invoiced sales	4 946 410	4 218 03
	Operating expenses	-4 633 843	-3 919 71
	Operating earnings	312 567	298 32
	Adjustment for items in operating earnings not affecting cash flow		
	Depreciations	180 581	161 95
	Allocations	4 307	4 81
	Capital gains on disposal of fixed assets	- 2 212	
	Interest received	9 634	11 63
	Dividend received	4 001	2 90
	Interest paid	- 46 042	- 49 37
	Other financial incomes/expenses	- 1 099	- 7
	Tax paid	- 98 029	- 92 15
	Cash flow from normal operations		
	before change in working capital	363 708	338 04 ⁻
	Change in inventories and ongoing work	- 72 960	- 38 85
	Change in current receivables	798	- 102 48
	Change in current liabilities	- 74 291	42 223
	Cash flow from changes in working capital	- 146 453	- 99 118
	Cash flow from normal operations	217 255	238 923
Cash flow from investment operations	Net assets in acquired subsidiaries	- 221 549	- 127 065
	Net assets in subsidiaries disposed of	65 220	6 10
	Investments in intangible fixed assets	- 3 599	- 52 547
	Investments in material fixed assets	- 203 328	- 148 692
	Investments in financial fixed assets	- 13 748	- 42 182
	Sale of material fixed assets	10 282	48 47
	Sale of financial fixed assets	22 048	139 94
	Dividend	1 193	2 000
	Cash flow from investment operations	- 343 481	- 173 970
Cash flow from financial operations	Borrowing	184 472	
	Amortisation	-	- 75 093
	Dividend to shareholders	- 73 995	- 59 173
	Cash flow from financial operations	110 477	- 134 26
	Year's cash flow	- 15 749	- 69 31
	Liquid funds at 1 January	225 624	294 937
	Liquid funds at 31 December	209 875	225 624
	1		

PARENT COMPANY INCOME STATEMENT

(TSEK)		Note	1998	1997
Net Turnover		2	10 012	9 840
Operating expense	Administration costs	4,5	- 29 546	- 27 415
	Cost of synthetic warrants	4	10 919	- 8 940
	Total operating expense		- 18 627	- 36 355
Operating income			- 8 615	- 26 515
Earnings from financial investments	Earnings from shares in Group companies	6	352 932	245 481
	Earnings from shares in affiliates	6	3 851	151 977
	Earnings from other securities	6	1 775	18
	Other interest incomes	6	22 416	7 841
	Other financial incomes	6	-	377
	Interest expenses	6	- 40 986	- 28 042
	Other financial costs	6	- 12 548	-
Earnings before allocations and taxes			318 825	351 137
Allocations	Change in capital-based reserve		2 789	2 789
	Change in period based reserve		- 30 110	- 33 313
	Difference between book depreciation			
	and scheduled depreciation		322	294
	Shareholders' contribution rendered		-	- 500
	Total allocations		- 26 999	- 30 730
Pre-tax earnings			291 826	320 407
Tax on earnings		7	- 35 707	- 38 026
Net income			256 119	282 381

PARENT COMPANY BALANCE SHEET

(TSEK)		Note	1998	1997
ASSETS				
Fixed assets				
Intangible fixed assets	Patents and Trademarks	8	2 600	3 900
Material fixed assets	Equipment	8	555	934
Financial fixed assets	Shares in Group companies	9	1 391 100	1 147 055
	Receivables from Group companies		381 342	2 265
	Shares in affiliates	11	88 225	79 269
	Other long-term securities holdings	12	-	18
Total financial fixed assets			1 860 667	1 228 607
Total fixed assets			1 863 822	1 233 441
Current assets				
Short-term receivables	Accounts receivable		43	49
	Receivables from Group companies		283 543	282 801
	Other receivables		359	4
	Prepaid expenses and accrued incomes	13	7 548	406
Total short-term receivables			291 493	283 260
Cash and bank balances			85 498	108 072
Total current assets			376 991	391 332
Total assets			2 240 813	1 624 773

(TSEK)		Note	1998	19
SHAREHOLDERS' EQUITY AND LIABII	LITIES			
Shareholders' equity		14		
Restricted shareholders' equity	Share capital		147 932	147 9
	Share premium fund		127 543	127 5
	Premium reserve		220 381	220 3
Total restricted shareholders' equity			495 856	495 8
Unrestricted shareholders' equity	Profit/Loss carried forward		342 239	138 8
	Net income		256 119	282 3
Total unrestricted shareholders' equity			598 358	421 2
Total shareholders' equity			1 094 214	917 1
Untaxed reserves	Unscheduled depreciation		18	3
	Capital-based reserve		5 579	8 3
	Period-based reserve	15	123 473	93
Total untaxed reserves			129 070	102
Allocations	Allocations for pensions		1 079	1
Total allocations			1 079	1
Long-term liabilities	Loans		577 607	283
	Other long-term liabilities		3 692	15
Total long-term liabilities			581 299	298 8
Current liabilities	Loans		65 005	53
	Liabilities to suppliers		2 496	
	Liabilities to Group companies		338 619	213
	Tax liability		15 401	24
	Other liabilities		1 908	1
	Accrued expenses and prepaid incomes	13	11 722	11
Total current liabilities			435 151	305
Total shareholders' equity and liabilit	ies		2 240 813	1 624
MEMORANDUM ITEMS		19		
Securities pledged			98	577
Contingent liabilities			40 611	80

PARENT COMPANY STATEMENT OF CHANGES IN FINANCIAL POSITION

Cash flow from normal operations	Net turnover Operating expense Operating income	10 012 - 18 627	9 84 - 36 35
	Operating income	- 18 627	- 36 35
	•		- 50 55
		- 8 615	- 26 51
	Adjustment for items in operating income not affecting cash flow		
	Depreciations	1 691	2 20
	Allocations	- 41	1 12
	Capital gains on sale of fixed assets	- 43	
	Interest received	21 349	7 84
	Dividend received	3 851	2 90
	Interest paid	- 40 461	- 29 20
	Other financial incomes/expenses	- 13 218	1 27
	Tax paid	- 44 645	- 36 45
	Cash flow from normal operations		
	before change in working capital	- 80 132	- 76 82
	Change in current receivables	- 7 166	- 108 68
	Change in current liabilities	137 971	164 44
	Cash flow from changes in working capital	130 805	55 76
	Cash flow from normal operations	50 673	- 21 06
Cash flow from investment operations	Investments in material fixed assets	- 60	- 35
	Investments in financial fixed assets	- 453 990	- 331 19
	Sale of material fixed assets	91	
	Sale of financial fixed assets	312 241	254 38
	Group contributions received	204 977	203 03
	Group contributions made	-5 040	- 1 82
	Dividend	147 502	19 04
	Shareholders' contribution rendered	- 487 412	-50
	Cash flow from investment operations	- 281 691	142 58
Cash flow from financial operations	Borrowing	282 409	
	Amortisation	-	- 47 34
	Dividend to shareholders	- 73 965	- 59 17
	Cash flow from financial operations	208 444	- 106 51
	Year's cash flow	- 22 574	15 00
	Liquid funds at 1 January	108 072	93 07
	Liquid funds at 31 December	85 498	108 072

Comments and notes

All amounts are shown in SEK thousands unless otherwise indicated. The amounts shown in brackets are the comparable figures for 1997.

Accounting principles

The financial statements of all Group companies were prepared using the same accounting concepts. The Group's principles for classification and categorisation into items has been modified in connection with the entry into force of the new Annual Reports Act on 1 January 1996, applicable as of 1 January 1997. In this event, the figures for the previous year have been re-computed. Hexagon complies with the recommendations issued by the Swedish Financial Accounting Standards Council.

The Hexagon Group preferably applies operational leasing. Financial leasing occurs only on a modest scale and relates primarily to motor cars.

Consolidated financial statements

The consolidated financial statements 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 purchase method is employed in preparing the consolidated financial statements. This method implies that the Parent Company's acquisition value for shares in subsidiaries is eliminated against the shareholders' equity existing in the subsidiaries at the time of acquisition. Shareholders' equity in acquired subsidiaries is calculated by assigning a market value to the assets and liabilities existing at the time of acquisition. Deferred tax is accounted for at 28 per cent in the case of acquisitions made after 1 January 1993. In cases where the acquisition value of shares in subsidiaries exceeds the value of shareholders' equity arrived at as shown above, the difference is entered as a goodwill item in the consolidated balance sheet. Goodwill is written off in the Group over ten to twenty years on the basis of expected earnings capability.

Acquired companies are included in earnings from the date of acquisition. Divested companies are included up until the time of sale. Provision is made for deferred taxes concerning items of income and expenditure that are included in the financial statements and also computed for income tax purposes, but at different times (timing differences).

Accordingly, in the consolidated financial statements there are no allocations in the income statement or untaxed reserves in the balance sheet. The tax component of the allocations made in individual subsidiaries is entered in the consolidated income statement as a tax expense calculated at 28 per cent. Consequently, in the consolidated balance sheet, 28 per cent of the subsidiaries' untaxed reserves is entered as deferred taxes while the remainder is recorded in shareholders' equity.

In converting the financial statements of foreign subsidiaries, the current method is employed. This means that their balance sheets are recalculated

according to the exchange rates as of the day of closing, and that their income statements are recalculated using average exchange rates. Conversion differences that arise are applied to shareholders' equity in the Group.

Affiliated companies

As of 1991, Hexagon has employed the equity method to account for affiliated companies. The term Affiliated companies signifies those companies in which Hexagon does not exercise majority control but where its long-term operating interest represents between 20 per cent and 50 per cent of the shareholding. The share of net income in affiliates is included in the consolidated income statement among financial items. The affiliates' taxes are reported among other tax expenses in the Group. In the consolidated balance sheet, the holdings in affiliates are entered at acquisition value after adjustment for dividends and share in net profit or loss after the date of acquisition. Undistributed share in earnings is reported as restricted reserves in the Group's shareholders' equity.

Receivables and liabilities

Provision for loss risks is assessed on a case-to-case basis.

Receivables and liabilities in foreign currencies are converted at the year-end exchange rate. The difference between acquisition value and year-end value is taken up as income. In cases where transactions are secured under forward cover, the forward rate is used.

Inventories

Inventories are valued as follows using the first in, first out (FIFO) method. Market terms and conditions are employed in trade between Group companies. Necessary write-downs are made for obsolescence and intercompany profits.

Raw materials and purchased manufactures, finished and semi-finished, are valued at the lower of acquisition or market value.

Finished and semi-finished goods are valued at the lower of production cost (including a reasonable part of production overheads) and market value.

Scheduled depreciation

Scheduled depreciation is based on the acquisition value and estimated economic life of the fixed assets. Group goodwill amounting to MSEK 17.6 was written off in 1989-1990 directly against unrestricted shareholders' equity. Annual depreciation on goodwill that was previously written off directly is estimated at MSEK 1.7. From 1991 onwards, goodwill is depreciated according to schedule. Depreciation times for various asset categories are:

Intangible assets	5 years
Goodwill	10-20 years
Machinery and equipment	3-10 years
Buildings	20-33 years
Land improvements	20 years

Note 1 NET TURNOVER AND EARNINGS AFTER FINANCIAL ITEMS BY BUSINESS BRANCH AND GEOGRAPHIC MARKET

In the Group are divided net turnover and earnings after financial items by business branch as follows:

	Net turnover		Earnings after financial items	
	1998	1997	1998	1997
Industrial Components and Systems	1 986 256	1 837 425	100 669	105 908
Niche Manufacturing	2 182 863	1 877 289	186 937	195 141
Norfoods	698 221	429 786	6 457	5 925
Other companies	97 493	88 816	20 434	23 702
Capital gains Svedbergs	-	-	-	83 850
Group adjustments and Parent Company	- 18 423	- 15 277	- 1 906	- 26 666
Total	4 946 410	4 218 039	312 591	387 860

In the Group, the subsidiaries' net turnover and earnings after financial items are distributed as follows:

	Net	Net turnover		financial items
	1998	1997	1998	1997
Northern Europe	4 767 467	4 039 505	311 083	384 029
Germany	104 697	99 265	7 860	8 338
United States	51 541	79 269	- 8 003	- 4 507
Asia	22 705	-	1 651	-
Total	4 946 410	4 218 039	312 591	387 860

Note 2 PURCHASE AND SALES BETWEEN GROUP COMPANIES

Of the Parent Company's net turnover 99% (98) is internal.

Note 3 AVERAGE WORKFORCE

Men 6 2 777 2 783 Men 10 6 82 111 85 33 8 144	Women 4 781 785 Women 1 0 10 162 29 16	Total 10 3 558 3 568 Total 11 6 92 273	Men 6 2 289 2 295 Men 10 7 76	Women 2 704 706 Women 1 2	Total 8 2 993 3 001 Total
2 777 2 783 Men 10 6 82 111 85 33 8 144	785 Women 1 0 10 162 29	3 558 3 568 Total 11 6 92	2 289 2 295 Men 10 7	704 706 Women	2 993 3 001 Total
2 783 Men 10 6 82 111 85 33 8 144	785 Women 1 0 10 162 29	3 568 Total 11 6 92	2 295 Men 10 7	706 Women 1 2	3 001 Total 11
10 6 82 111 85 33 8 144	Women 1 0 10 162 29	Total 11 6 92	Men 10 7	Women 1 2	Total
10 6 82 111 85 33 8 144	1 0 10 162 29	11 6 92	10 7	1 2	11
10 6 82 111 85 33 8 144	1 0 10 162 29	11 6 92	10 7	1 2	11
6 82 111 85 33 8 144	0 10 162 29	6 92	7	2	
82 111 85 33 8 144	10 162 29	92			9
111 85 33 8 144	162 29		76		
85 33 8 144	29	2/3	400	9	85
33 8 144			109	143	252
8 144	16	114	88	31	119
144		49	92	50	142
	4	12	9	3	12
	11	155	142	10	152
112	136	248	72	116	188
	1		7		7
23	4	27	9	2	11
6	4	10	6	2	8
86	17	103	53	15	68
45	7	52	41	7	48
6	0	6	7	0	7
6	1	7	2	1	3
	30				75
					95
					0
					126
					68
					96
					37
					55
					17
					20
					111
					0
					44
					138
					209
					12
30	3	33		6	35
64	26	90	72	23	95
5	2	7	3	2	5
236	62	298	213	57	270
1	0	1	0	0	0
2	8	10	0	0	0
4	1			1	3
					179
					26
					0
					70
					93
	7 23 6 86 45 6 6 61 100 60 104 56 87 35 44 20 18 90 77 37 132 186 19 30 64 5 236 1 2	7 1 23 4 6 4 86 17 45 7 6 0 6 1 61 30 100 6 60 12 104 21 56 11 87 12 35 2 44 4 20 0 18 2 90 25 77 11 37 9 132 19 186 24 19 2 30 3 64 26 5 2 236 62 1 0 2 8 4 1 187 35 26 6 6 225 14 47 24	7 1 8 23 4 27 6 4 10 86 17 103 45 7 52 6 0 6 6 1 7 7 61 30 91 100 6 106 60 12 72 104 21 125 56 11 67 87 12 99 35 2 37 44 4 4 48 20 0 20 18 2 20 90 25 115 77 11 88 37 9 46 132 19 151 186 24 210 19 2 21 30 3 33 64 26 90 5 2 7 236 62 298 1 0 1 2 8 10 4 1 5 187 35 222 26 6 32 225 14 239 47 24 71	7 1 8 7 23 4 27 9 6 4 10 6 86 17 103 53 45 7 52 41 6 0 6 7 6 1 7 2 61 30 91 52 100 6 106 90 60 12 72 0 104 21 125 101 56 11 67 57 87 12 99 82 35 2 37 35 44 4 48 51 20 0 20 17 18 2 20 18 90 25 115 86 77 11 88 0 37 9 46 36 132 19 151 119 186 24 210 184 19 2	7 1 8 7 0 23 4 27 9 2 6 4 10 6 2 86 17 103 53 15 45 7 52 41 7 6 0 6 7 0 0 6 1 7 2 1 1 7 2 1 1 61 30 91 52 23 100 6 106 90 5 60 12 72 0 0 0 0 104 21 125 101 25 56 11 67 57 11 87 12 99 82 14 35 2 37 35 2 2 44 48 51 4 4 48 51 4 4 48 51 4 4 20 0 20 17 0 18 2 20 18 2 2 5 7 11 88 0 0

2 783 785 3 568

3 001

706

2 295

Total

Note 4 PERSONNEL COSTS, PENSIONS AND OTHER EMOLUMENTS

Board and CEO Other wo				
Wages and emoluments (of which premium and bo	1998 nus)	1997	1998	1997
Parent Company Subsidiaries in Sweden	3 071 27 928	3 050 28 498	4 802 586 245	4 527 496 734
Total	30 999	31 548	591 047	501 261
Belgium	_	_	180	-
Denmark	3 808	5 588	34 395	32 550
Estonia	-	-	603	712
Finland	5 663	5 174	75 241	67 652
France	-	-	520	-
China	308	-	229	-
Latvia	-	-	375	147
Norway	5 443	5 424	61 230	50 135
Poland	99	-	3 821	3 320
Sri Lanka	263	-	2 333	-
Germany	1 335	1 177	22 823	22 427
USA	382	1 283	21 273	23 007
Total	48 300	50 194	814 070	701 211
	(3 026)	(6 066)	(10 422)	(10 258)

The above figures do not include synthetic warrants (see below)

	Total workford (of which pension cost		
Payroll charges	1998	1997	
Parent Company	5 460	5 665	
	(2 232)	(2 693)	
Subsidiaries	305 000	263 352	
	(48 401)	(41 880)	
Total	310 460	269 017	
	(50 633)	(44 573)	

Pension costs for CEOs in the Group amounted to MSEK 7.7 (7.2) Paid or indebted pension undertakings to CEOs in the Group were MSEK 10.7 (10.3)

Emoluments to executives	SEK
Total Board fee decided by the Annual General Meeting	700 000
- of which to the Chairman	120 000
- of which to the Deputy Chairman	100 000
- of which to each one of the five remaining Members	80 000
(The President of Hexagon AB receives no Director's emoluments)	

The Chairman of the Board works under contract for Hexagon AB. Reimbursement for this is TSEK 250 per year including social security charges. This amount is invoiced from Torbjörn Ek Förvaltnings AB.

Four Directors in Hexagon AB received fees for Board assignments in subsidiaries and fees for working in the election and emoluments committee. A total of TSEK 335 (295) was paid.

The President, Mr Börje Andersson, has received a salary plus bonus of a total of TSEK 2 371 (2 420). In addition, he enjoys the benefit of a company car.

The President and other executives are covered by a general pension scheme (ITP) or other pension schemes at the same cost.

Also, the President has an additional premium corresponding to one basic amount. Total pension cost for the President is TSEK 553 (762).

If the company gives notice of termination, the President is entitled to severance pay corresponding to two years' salary. Other executives are subject to periods of notice of 12 to 18 months on the company's part.

Synthetic warrants

Since 1994, Hexagon has had a programme of synthetic warrants. The first programme expired on 1 September 1997.

On 7 November 1996 Hexagon's Board decided to issue a further scheme for synthetic warrants. The scheme comprises 292 000 warrants of which 257 000 have been allocated to the managing directors of directly reporting subsidiaries and Group management in blocks of 5 000 - 40 000. The price for warrants was originally set at 12 crowns after an evaluation by D Carnegie AB and Swedbank. The maturity is four years counting from 7 November 1996 and the redemption price is SEK 178.

During this period, the value of the warrants is computed using a given formula. The debt, which has changed at the rate of the change in value in accordance with the above formula, was TSEK 3,594 (15,273). Changes in the market value, including costs for redemption are reported as expenses in the income statement at TSEK 10 919 (-8 940).

The arrangement of the scheme and its principles are fully in line with the pronouncement issued by the Swedish Securities Council of 1 July 1994 dealing with synthetic warrants

Note 5 SCHEDULED DEPRECIATION

Depreciations of intangible and material fixed assets are included in the items of the Income Statement as follows

	G	roup	Parent Company	
Year's schedule depreciations	1998	1997	1998	1997
Cost for goods sold	110 241	102 349	-	-
Sales costs	42 795	41 249	-	-
Administration costs	21 776	16 981	1 691	2 203
R & D costs	1 420	1 056	-	-
Other operating costs	4 349	320	-	-
Total	180 581	161 955	1 691	2 203

Note 6 EARNINGS FROM FINANCIAL INVESTMENTS

		Group		Parent Company	
	1998	1997	1998	1997	
Earnings from participations in Group companies:					
Dividend	-	-	147 502	17 040	
Group contribution received	-	-	204 977	203 038	
Capital gains	166	16 291	6 901	25 404	
Capital loss	- 588	- 2 837	- 448	- 1	
Write down of shares in subsidiaries	-	-	- 6 000	-	
Total	- 422	13 454	352 932	245 481	
Earnings from participations in affiliates					
Dividend	-	-	3 851	4 909	
Capital gains Svedbergs shares	-	83 850	-	147 068	
Total	-	83 850	3 851	151 977	
Earnings from other securities:					
Dividend	1 193	34	-	18	
Capital gains	17 952	2 439	1 998	-	
Capital loss	-	- 262	- 223	-	
Total	19 145	2 211	1 775	18	
Other interest incomes:					
Interest incomes Group companies	-	-	20 352	4 706	
Other interest incomes	9 739	11 114	2 064	3 135	
Total	9 739	11 114	22 416	7 841	
Other financial incomes:					
Exchange rate gains	7 193	2 081	-	377	
Others	174	213	-	-	
Total	7 367	2 294	-	377	
Interest expense:					
Interest expenses Group companies	-	-	12 482	4 497	
Other interest expense	47 707	48 587	28 504	23 545	
Total	47 707	48 587	40 986	28 042	
Other financial expenses:					
Exchange rate losses	5 302	1 389	9 332	-	
Others	3 216	476	3 216	-	
Total	8 518	1 865	12 548	-	

Note 7 TAXES

	Group		Parent Company	
	1998	1997	1998	1997
Paid tax	76 685	90 654	35 707	38 026
Deferred tax	22 708	4 103	-	-
Share of affiliate's tax	6 805	10 257	-	-
Total	106 198	105 014	35 707	38 026

There is an unutilised loss deduction of TSEK 46 684, which may be set off against capital gains in the sale of shares. Deferred tax liability relating to this is booked at TSEK 2 500 and is referable to Hexagon Förvaltning AB.

Note 8 INTANGIBLE FIXED ASSETS

Intangible fixe	ed assets
-----------------	-----------

Throughout the control of the contro	Brought forward costs for research and development work	Patents and Trademarks	Goodwill
Initial acquisition value	1 299	12 373	393 245
Exchange rate change	-	88	3 020
Purchase	1 481	851	107 633
Sale/obsolescence	- 481	- 20	- 4 631
Reclassification	-	-	- 32
Outgoing acquisition value	2 299	13 292	499 235
Initial depreciations	- 96	- 7 746	- 75 080
Exchange rate change	-	- 59	- 70
Purchase	- 1 237	-	-
Year's depreciations	- 180	- 2 183	- 43 091
Sale/obsolescence	96	20	2 894
Reclassification	-	-	1
Outgoing depreciations	- 1 417	- 9 968	- 115 346
Book value	882	3 324	383 889

Tangible fixed assets

	Buildings	Land and real estate	Machinery and other technical plants	Equipment tools and installations	Ongoing new development and advances
Initial acquisition value	450 059	31 102	844 785	312 935	49 349
Exchange rate change	2 967	157	2 175	4 201	-
Purchase	38 758	9 627	236 053	77 538	25 990
Sale/obsolescence	- 40 233	- 2 549	- 122 787	- 26 563	- 925
Reclassification	18 941	1	- 3 470	33 029	- 46 777
Outgoing acquisition value	470 492	38 338	956 756	401 140	27 637
Initial depreciations	- 146 804	- 2 546	- 492 930	- 215 533	-
Exchange rate change	- 1 350	- 65	- 595	- 4 988	-
Purchase	- 37	-	- 72 292	- 8 175	-
Year's depreciations	- 17 468	- 255	- 76 911	- 40 493	_
Sale/obsolescence	11 501	196	68 934	17 230	-
Reclassification	993	3	18 644	- 18 506	-
Outgoing depreciations	- 153 165	- 2 667	- 555 150	- 270 465	-
Book value	317 327	35 671	401 606	130 675	27 637

Taxation value for Swedish properties is TSEK 141 329 (137 786) relating to buildings and TSEK 19 115 (24 873) relating to land.

Parent Company	Patents and Trademarks	Equipment
Initial acquisition value Purchase Sale/obsolescence	8 500 - -	2 625 60 - 358
Outgoing acquisition value	8 500	2 327
Initial depreciations Year's depreciations Sale/obsolescence	4 600 1 300	1 691 391 - 310
Outgoing depreciations	5 900	1 772
Book value	2 600	555

Note 9 PARTICIPATIONS IN GROUP COMPANIES

Parent	Compa	n
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		· · · · · · · · · · · · · · · · · · ·	
	1998	1997	
Initial acquisition value	1 147 055	913 983	
Additional capital	487 412	100	
Write down	- 6 000	-	
Year's purchases	48 497	218 869	
Year's internal purchases	17 445	67 558	
Year's sales	-	- 6 900	
Year's internal sales	- 303 309	- 46 555	
	1 391 100	1 147 055	

		_		Value	Value
	Org No.	Reg.	Participations	1998	1997
Subsidiaries of Hexagon AB					
All of the following companies are owned to 100 of	%				
AKA Tempcold AB	556255-3585	Stockholm	10 000	86 026	216 583
AKA Industriprodukter AB	556068-1602	Stockholm	160 000	147 829	-
Dacke Hydraulik AB	556207-5357	Sävsjö	2 000	45 000	45 000
Gustaf Fagerberg Holding AB	556040-9087	Göteborg	100 000	83 936	39 936
Gislaved Gummi AB	556112-2382	Gislaved	2 000	106 028	49 028
Moteco AB	556103-0502	Kalmar	20 000	52 037	25 037
Johnson Metall Holding AB	556099-2967	Örebro	3 000	278 295	360
Johnson Metall AB	556062-0196	Örebro	100 000	-	90 449
SwePart Material AB	556248-6034	Landskrona	100 000	-	93 558
SwePart AB	556046-3407	Landskrona	8 662 500	310 166	334 993
NFDS- Nordic Food and Drink Suppliers AB	556083-1124	Landskrona	1 000	71 577	100
AB R Lundberg	556021-5526	Malmö	20 000	-	36 718
LG Fredriksson International AB	556059-0498	Malmö	10 000	-	26 087
Robust Ståldörrar RSD AB	556072-5995	Filipstad	4 000	1 000	1 000
Hexagon Förvaltning AB	556016-3049	Landskrona	200 000	206 599	185 599
Other companies essentially dormant			-	2 607	2 607
				1 391 100	1 147 055

Note 10 SHARE IN EARNINGS OF AFFILIATES

Note 11 CAPITAL SHARES IN AFFILIATES

	1998	1997
VBG AB (publ)	19 846	15 776
Svedbergs i Dalstorp AB (publ)	-	11 005
Precisionstål AB	574	282
Gilex AB	-	-
	20 420	27 063
Тах	- 6 805	- 10 257
Total	13 615	16 806

	U	uroup		company
	1998	1997	1998	1997
VBG AB (publ)	142 109	119 958	88 225	79 269
Precisionstål AB	1 147	842	-	-
Gilex AB	200	200	-	-
Total	143 456	121 000	88 225	79 269

Not 11 CONTD

	Org No.	Reg. Office	Shares	Share capital	No. Capital company's own	Votes share
VBG AB (publ)	556069-0751	Vänersborg	1 611 789	47.1 %	116 561	41.0 %
Precisionstål AB	556096-9940	Stockholm	1 250	25.0 %	1 147	25.0 %
Gilex AB	556025-2529	Gislaved	2 000	20.0 %	787	20.0 %

Note 12 OTHER LONG-TERM SECURITIES HOLDINGS

	Group		Parent Compai	
	1998	1997	1998	1997
Svedbergs i Dalstorp AB (600 000 shares, capital 11.3 %, votes 7.4 %)	12 501	16 564	-	-
Kiint Oy Honkakoli	2 219	2 004	-	-
Others	1 484	931	-	18
	16 204	19 499	-	18

Note 13 ACCRUAL ITEMS

	G	iroup	Parent Company		
	1998	1997	1998	1997	
Prepaid expenses and					
accrued incomes					
Accrued commission	1 914	1 421	-	-	
Accrued interest incomes	150	838	-	30	
Prepaid rents	6 592	7 712	84	-	
Other items	37 688	22 247	7 464	376	
Total	46 344	32 218	7 548	406	
Accrued expenses and pro	epaid income	es			
Accrued personnel-					
related costs	177 371	171 830	2 342	2 531	
Accrued interest costs	3 461	3 262	2 519	2 020	
Other items	56 529	48 137	6 861	6 753	
Total	237 361	223 229	11 722	11 304	

Note 14 SHAREHOLDERS' EQUITY

Change of shareholders' equity in the Group

	Share capital	Restricted reserves	Capital-share- reserve	Unrestricted reserves	Year's income	Total
Amounts at 1 January	147 932	449 718	48 705	290 253	282 339	1 218 947
Transferred earnings 1997				282 339	- 282 339	
Dividend				- 73 965		- 73 965
Translation difference				8 077		8 077
Displacement between restricted						
and unrestricted shareholders' equity		- 817	10 810	- 9 993		
Year's income					204 519	204 519
Amounts at 31 December	147 932	448 901	59 515	496 711	204 519	1 357 578
Change of shareholders' equity in the Parent Con	npany					
	Share	Premium	Reserve	Profit carried	Year's	
	capital	fund	fund	forward	income	Total
Amounts at 1 January	147 932	127 543	220 381	138 863	282 381	917 100
To be carried forward				282 381	- 282 381	
Dividend				- 73 965		- 73 965
Group contribution made				- 5 040		- 5 040
Net profit					256 119	256 119
Amounts at 31 December	147 932	127 543	220 381	342 239	256 119	1 094 214

The number of shares in the Parent Company at year-end was 14 793 182 with a nominal value of SEK 10 apiece, of which 840 000 series A shares. Each series A share carried 10 votes and each series B share one vote. All shares carry the same entitlement to a share in the company's assets and profits.

Note 15 PERIOD-BASED RESERVES (PARENT COMPANY) Note 16 REMAINING ALLOCATIONS

	1998	1997
Allocated taxation 1995	8 600	8 600
Allocated taxation 1996	15 000	15 000
Allocated taxation 1997	36 450	36 450
Allocated taxation 1998	33 313	33 313
Allocated taxation 1999	30 110	-
Total	123 473	93 363

	Gr	oup	Parent Company		
	1998	1997	1998	1997	
Guarantee risks Other items	3 454 -	4 131 1 200	-	-	
Total	3 454	5 331	-	-	

Note 17 OTHER FINANCIAL INFORMATION

The Group's total limit on overdrafts is TSEK 304 391 (161 166), of which TSEK 61 945 (53 624) is utilised. The Parent Company's limit is TSEK 135 000 (35 000). Interest-bearing debts amount to TSEK 957 874 (751 173), of which TSEK 134 670 (119 102) are short-term.

Of the Group's loans:

TSEK 131 933 mature within one year from the closing day of accounts.

TSEK 649 534 between one and five years from the closing day of accounts.

TSEK 29 633 later than five years from the closing day of accounts.

Note 18 RENTED ASSETS

The information includes undiscounted contract undertakings. Leasing/rents which have been paid during 1998 are TSEK 67 167.

82 952

 Leasing/which fall due for payment:

 1999
 62 554

 2000
 54 967

 2001
 54 106

2002 and later

Note 19 MEMORANDUM ITEMS

	(Group	Parent Company	
Securities pledged	1998	1997	1998	1997
Property mortgages	29 656	105 201	-	-
Floating charges	117 006	197 232	-	-
Blocked bank account	2 815	2 641	98	98
Diverse pledges	25 725	12 340	-	-
Net assets in Group companies	-	573 237	-	-
Shares in subsidiaries	-	-	-	577 576
Total	175 202	890 651	98	577 674
Securities pledged are in favour of credit institutes in connect	ion with loans and overdrafts.			
Contingent liabilities				
Guarantee in favour of Group companies	-	-	40 243	78 403
Other contingent liabilities	14 752	15 428	368	1 626
Total	14 752	15 428	40 611	80 029

Note 20 EARNINGS AFTER FINANCIAL ITEMS BY QUARTER

Earnings after financial items by quarter		1	997			19	198	
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
Industrial Components and Systems	16.9	26.8	35.5	26.7	18.0	32.0	29.5	21.2
Niche Manufacturing	40.6	55.9	42.2	56.4	47.2	50.7	37.7	51.3
Norfoods	0.9	0.5	1.3	3.2	0.9	1.3	1.5	2.8
Other companies	5.6	6.3	9.0	2.8	6.2	5.2	5,5	3.5
Capital gains on introduction of Svedbergs	-	-	83.8	-	-	-	-	-
Group adjustments and Parent Company	- 1.6	- 7.1	- 14.2	- 3.6	- 9.4	5.4	6.3	- 4.2
Group	62.4	82.4	157.6	85.5	62.9	94.6	80.5	74.6

The above table shows the quarterly earnings outcome recomputed in accordance with the new principal that goodwill at Group level is distributed by business area. For 1997, MSEK 30.0 has been distributed and the corresponding figure for 1998 is MSEK 30.6.

Landskrona, 5 March 1999

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Torbjörn Ek Chairman	Simon Bonnier	Christer R Christensson
Håkan Johansson	Hans Nergårdh	Sven Ohlsson
Erik Paulsson	Maths O Sundqvist Deputy Chairman	Börje Andersson President and CEO

Our Auditors' Report was issued on 15 March 1999

Gunnar Widhagen Peter Pankko
Authorized Public Accountant Accountant

AUDITORS' REPORT

To the Annual General Meeting of Hexagon AB (publ) Organisation Number 556190-4771

We have examined the Annual Report, the Consolidated Accounts and the accounts, as well as administration by the Board of Directors and the Chief Executive Officer of Hexagon AB for 1998. It is the Board of Directors and the Chief Executive Officer who hold the responsibility for the accounts and administration. Our responsibility is to issue a statement of opinion on the Annual Report, the Consolidated Accounts and the administration on the basis of our audit.

The audit has been conducted in accordance with accepted accounting standards. This implies that we have planned and completed the audit in order, to a reasonable degree, to ensure that the Annual Report and the Consolidated Accounts 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 Accounts. We 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, or has otherwise acted contrary to the provisions of the Companies Act, the Annual Reports Act or the Articles of Association. We are of the opinion that our audit gives us reasonable grounds for our pronouncements below.

The Annual Report and the Consolidated Accounts have been prepared in compliance with the Annual Reports Act, for which reason, we recommend

that the Income Statement and Balance Sheet for the Parent Company and the Group be adopted, and that the profits in the Parent Company be disposed of in accordance with the proposal in the Directors' Report.

The Members of the Board and the Chief Executive Officer have not implemented any measure, or been guilty of any negligence which, in our opinion could occasion any liability for damages to the Company, for which reason, we recommend

that the Members of the Board of Directors and the Chief Executive Officer be discharged of liability for the fiscal year.

Landskrona, 15 March 1999

Gunnar Widhagen Authorized Public Accountant Peter Pankko Authorized Public Accountant

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