

Hexagon
Annual report
1999

The world's tallest water column, 120-150 metres tall, in the form of a champagne spray, was beamed up at Skeppsbron in Stockholm's Old Town to celebrate the New Millennium. Hydraulics from Hydraulik Leverantören within Dacke Hydraulik generated the power in the jet.

1999 in brief

Pre-tax earnings amounted to MSEK 179 (313)

Invoiced sales fell to MSEK 4,667 (4,946)

Extensive cost and staff cutbacks have been implemented parallel with concerted inputs

The Board of Directors proposes a dividend of SEK 5 per share (5)

	1999	1998
Invoiced sales (MSEK)	**4 667**	4 946
Earnings after financial items (MSEK)	**179**	313
Net income after tax (MSEK)	**127**	205
Earnings per share after full tax (SEK)	**8.61**	13.83
Return on shareholders' equity after full tax (%)	**9**	16
Return on capital employed (%)	**10**	17
Cash flow per share (SEK)	**16.29**	24.60
Visible equity-total assets ratio (%)	**47**	42
Share price at date of closing (SEK)	**134**	167
Dividend per share (SEK)*	**5.00**	5.00

* Dividend in accordance with the proposal of the Board of Directors

contents

annual general meeting

Annual General Meeting The Annual General Meeting will be held on Thursday, 4 May 2000, at 5 PM at Radisson SAS Park Avenue Hotel, Kungsportsavenyn 36-38, Gothenburg.

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 VPC must have taken place no later than 20 April 2000. 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 20 April 2000 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 Friday, 28 April 2000.

Notification may also be made by telephone, at tel. +46 (0)418 44 92 00, fax +46 (0)418 44 92 08 or by e-mail, inga.joensson@hexagon.se. When notifying, shareholders should state their name, civil registration/organisation number, address and telephone number.

Dividend For fiscal year 1999, the Board proposes a dividend of SEK 5.00 per share (previous year SEK 5.00). Tuesday, 9 May 2000 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 12 May 2000.

Change of address Private individuals who are registered as domiciled in Sweden do not need to notify VPC of change of address. Other shareholders who have changed their address, and shareholders who have changed 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 from Hexagon

For the year 2000, Hexagon will be issuing the following financial information:

4 May	*Interim report 1st quarter*
1 August	*Half-year Report*
1 November	*Nine-month Report*
February 2001	*Report on Operations 2000*
April 2001	*Annual Report for 2000*

These reports can be requisitioned from Hexagon AB, Kronobryggan, S-261 31 Landskrona, Sweden

Telephone:	+46 (0)418-44 92 00
Fax:	+46 (0)418-44 92 08
E-mail:	postmaster@hexagon.se
Website:	www.hexagon.se

Those interested who have previously placed an order for obtaining information regularly from the company will have these reports sent to them direct.

Head of Corporate Development and Investor Relations:
Claes Lindkvist, telephone +46 (0)418-44 92 05
claes.lindkvist@hexagon.se

Letter from the Group President

After six years of unbroken powerful growth in both earnings and invoiced sales, 1999 was something of an interlude. Earnings amounted to MSEK 179.0 (312.6) and invoiced sales amounted to MSEK 4,667 (4,946).

At the end of 1998, the inflow of orders turned downwards for the Group as a result of the general recession for the engineering industry. The economic curve continued to point downwards during the spring of 1999 and the decline was both deeper and more prolonged than most financial experts had expected. Unfortunately, this had an impact on the Group's invoiced sales and earnings. I am however happy to be able to ascertain that the subsidiaries did not lose market shares.

During the year, considerable staff and cost cutbacks have been implemented within the business area Industrial Components and Systems. This applies principally within AKA and Fagerberg. For Dacke Hydraulik, the inflow of orders turned upwards at the end of the year, while AKA and Fagerberg are not expected to note an increase in demand until the beginning of this year.

AKA, Dacke and Fagerberg have acquired five minor and complementary operations with a total turnover of approximately MSEK 100. In March 1999, the refrigeration operations in AKA were disposed of in order to focus on the remaining product areas of the company. The refrigeration operations turned over roughly MSEK 300 and this sale gave a capital gains of MSEK 24 and released capital of MSEK 152.

Within all three companies in this business area, projects were run during 1999 aimed at developing concepts for meeting customers' increasing needs for out-sourcing as regards service, cooperation and technical development. It is my firm belief that this is a major future market potential area.

The Group's four companies within Niche Manufacturing suffered from difficult economic conditions during 1999. The recession was particularly notable for Johnson Industries. However, for this business area I can also ascertain that market positions have been retained and that the inflow of orders began to turn upwards during the end of the year.

Gislaved Gummi reported a slightly improved earnings outcome compared with the previous year. The company's factory in Sri Lanka has been reorganised with favourable results, and the new plants at Stellana in Laxå for the production of special wheels have reached a satisfactory degree of efficiency.

Within the brass and bronze operations, Johnson Industries felt the effects of a deep recession which was occasioned by the economic climate. The steel operations also suffered from difficult economic conditions. However, during the year a commercial opportunity was created within the brass operations which has every potential to lead to considerably greater volumes and markedly improved profitability. In the bronze and steel operations, the trough of the depression has now been passed and the inflow of orders has begun to turn upwards.

During the year, Moteco, which develops and manufactures antennas for the mobile telephone industry, was thoroughly reorganised and a new CEO appointed. During the year, the company has suffered from serious problems in production and at times suffered from a very high level of internal rejects in connection with the transfer to a higher degree of automation and more regular model changes. However, I am in a position to note that these problems have not affected the company's customers and that Moteco has retained its position as Ericsson's main supplier of antennas.

The company's efforts in China are developing well and operational establishment in Malaysia is moving ahead according to plan. During 1999, considerable amounts were invested in research and development and the company is well equipped to take up the opportunities within the so-called Bluetooth area.

Within SwePart, both the Tools Group and the Transmission Group have undergone organisational changes. The inflow of orders rose steeply during the second half of the year. EBP, which manufactures body parts for the after sales market has developed favourably. At present, the SwePart Group has its highest stock of orders and inflow of orders ever.

Norfoods, which was started up in the beginning of the year, has undergone a number of structural and organisational changes. Among other things, the loss-making operations in Poland were disposed of. Staff reductions have been implemented and two of the companies now share common premises. However, earnings have declined somewhat in relation to the



previous year, but a solid platform for the coming years has been built up.

To sum up, it can be said that 1999 was characterised by difficult external conditions, with a tangible recession for the majority of the Group companies.

Internally, this has been an eventful year, and has been marked by efficiency inputs where we were unfortunately obliged to release a number of staff in certain of our subsidiaries.

For natural reasons of succession, a change of CEO has taken place in Dacke Hydraulik and Johnson Industries.

On this point, it might be mentioned that a new CEO was also appointed in Gislaved Gummi at the end of 1998 for the same reasons.

Norfoods management took up their posts as of 1 January and a new CEO was appointed to Moteco in November. In connection with these management changes, a number of organisational changes have also been put into effect.

As a result of the measures implemented and the improvements made, the Group is well equipped to meet the surging inflow of orders in the beginning of this year.

Group structure The Hexagon Group has an express ambition to develop its companies so as to meet those requirements which are set out for stock exchange listing. Regardless of if and when such stock exchange listing is to take place, this policy gives the Group freedom of action to change and adapt its structure in natural way. During the coming years, the Group will, in all likelihood, encompass fewer but larger units with the objective of increasing their degree of internationalisation in well-defined niches and taking market-leading positions.

The future Much of the internal work which was conducted within the Group in 1999 has laid a firm foundation for the future. Out-sourcing and modern IT-based market and distribution systems create exciting opportunities for growth for the companies within Industrial Components and Systems.

In Niche Manufacturing, Gislaved has created a powerful combination of polymer-technology material skills and efficient production plants in Gislaved, Laxå and Sri Lanka.

Johnson Industries is moving towards a major breakthrough with an out-sourcing concept and will be developed into a specialist company within the area of friction.

Despite the difficult and sweeping reorganisation, Moteco has laid a solid foundation in 1999 for growth within the dynamic Bluetooth sector.

SwePart and Norfoods have also advanced their positions through new commercial concepts.

In addition, five of the Group's eight subsidiaries have had new managements since the end of 1998 who have been recruited to meet the challenges which are now facing each individual company. Against this background, I can feel nothing but confident about the future of both the subsidiaries and the Hexagon Group.

Finally After 15 years as President and CEO, of which the last seven years in stock exchange listed form, of that organisation which has progressively grown into today's Hexagon Group, I have decided to move on to meet new challenges. The Group is at the beginning of a new era in its development, which means the time is ripe for a change of CEO.

On this point, I would like to warmly thank my closest colleagues, the Board of Directors, the Heads of the subsidiaries and the other staff members of the Group for an unbelievably rewarding cooperation. These have been fantastic years! To have built up, together with you, an industrial Group from practically nothing to today's level has been a great privilege for me.

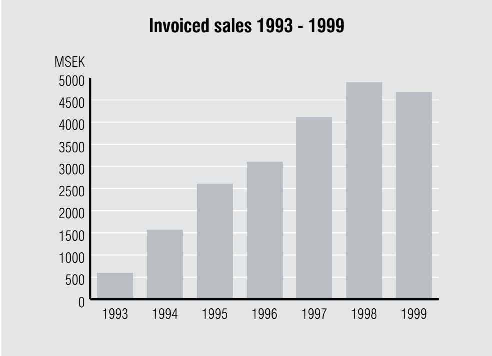
Finally, I would like to wish Hexagon and my successor the very best of luck in meeting the challenges of the new Millennium.

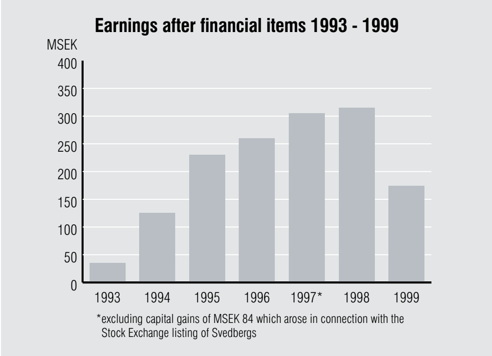
Landskrona, Sweden, February 2000

Börje Andersson
President and CEO

The Hexagon Group

Yesterday – today – tomorrow





History The Hexagon Group in its present form was founded in 1992 in connection with a consortium of principally private individuals acquiring a major share holding in the Stock Exchange listed Eken Industri & Handel AB. At that time, invoiced sales in Eken amounted to MSEK 387 with an earnings outcome of MSEK 4.0. During 1993, the company changed its name to Hexagon AB, a new issue was made and a new Board of Directors and management took over.

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

From the autumn of 1993 and until today's date, the parent company has acquired seven medium-sized industrial companies. These have in turn – as a phase in each respective company's growth strategy – carried out a score of twenty acquisitions of minor companies. During the same period, some fifteen operative commitments have been disposed of.

Parallel with an active acquisition policy, great emphasis is placed on the subsidiaries' commercial development. During this period, the majority of the subsidiaries have multiplied both invoiced sales and earnings several times over.

Development in respect of the Group's invoiced sales and earnings is apparent from the diagrams above.

1999 was characterised by an economic downturn for many of Hexagon's subsidiaries at the same time as three fields of operation were disposed of, which explains the decline in invoiced sales. The decline in earnings is partly conditioned by the economic climate but has also been affected by a fundamental restructuring of the subsidiary Moteco.

The Group has progressively changed in a direction in line with an objective which sets out that the Group's subsidiaries:

- are medium-sized industrial and technology trading companies with invoiced sales of the order of MSEK 250 - 1,000
- 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, regionally or globally
- conduct their product and production technology development within the framework of applied, technology

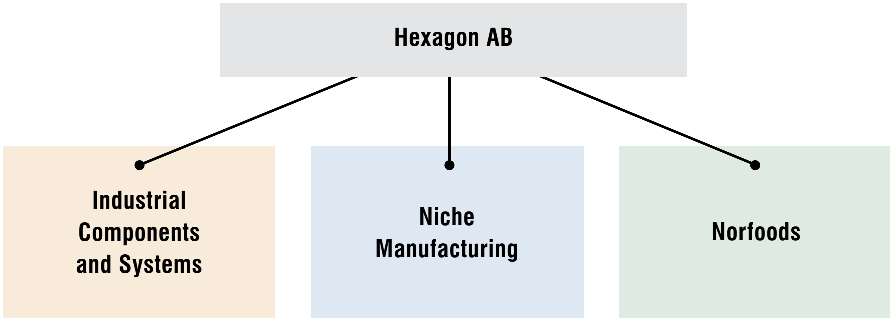
The Hexagon Group today The Group consists of eight directly reporting subsidiaries which all satisfy the above criteria.

The companies are grouped in three fields of operation: Industrial Components and Systems, Niche Manufacturing and Norfoods.

Industrial Components and Systems This field of operation comprises three companies; AKA Industriprodukter AB, Dacke Hydraulik AB and Gustaf Fagerberg AB, all three companies being engineering-oriented technology trading companies with in-house supplementary manufacturing. The companies often work with customer-specific problem solution packages and system design. Service in various forms has increased in importance in recent years.

The product areas are principally hydraulics, flow technology, temperature technology, mechanical maintenance products, as well as transmission equipment. In most of these product areas, the companies hold market leading positions in Sweden or the Nordic region. The majority of sales goes to the Nordic countries. Other markets are to be found in Germany, the Baltic States and Russia.

In 1999, this field of operations turned over slightly more than SEK 1.7 billion with an earnings outcome of MSEK 53.5 (100.7).



Niche Manufacturing This field of operation comprises four companies: Gislaved Gummi AB, Johnson Industries AB, Moteco AB and SwePart AB. All of the companies deal exclusively with industrial customers and generally enjoy strong market positions.

The products include gaskets for plate heat exchangers and special wheels (Gislaved), sliding bearings, cage rings and pre-processed special steel (Johnson), tools and transmission products (SwePart) and antennas for wireless communication, principally for mobile telephones (Moteco). The products are developed in-house or in close cooperation with customers.

In 1999, this field of operation turned over close on SEK 2.1 billion with an earnings outcome of MSEK 102.2 (186.9).

Norfoods On 1 January 1999, Norfoods was launched with the mission of coordinating the three corporate units includes: AB R Lundberg, LG Fredrikssons Int AB and Bech & Kjeldahl A/S (Denmark).

These companies market a long series of products within ingredients, raw materials and packages.

The predominant customer category consists of the Nordic food industry. In this branch of industry, subcontract suppliers have hitherto been relatively small in size and narrow within the above-mentioned product areas. At present, the food sector is undergoing structural changes which will lead to fewer and larger units. This places other and higher demands on subcontract suppliers.

The formation of Norfoods should be seen against the background of these structural changes. Norfoods' business concept is, on a Nordic basis, to develop a complete concept for meeting the demands which the food industry, and to some degree the pharmaceuticals industry, will place on suppliers in these product areas.

1999 was characterised by internal restructuring work to lay the foundations for achieving Norfoods' long-term strategy. Turnover amounted to slightly over MSEK 800, with an earnings outcome of MSEK 4.0 (6.5).

The Hexagon Group tomorrow Within Industrial Components and Systems, many customers are increasingly beginning to highlight out-sourcing of complete functions. Within all three companies, activities are at present in progress to meet these opportunities. With out-sourcing, the market potential will increase and create possibilities for service-oriented commercial concepts.

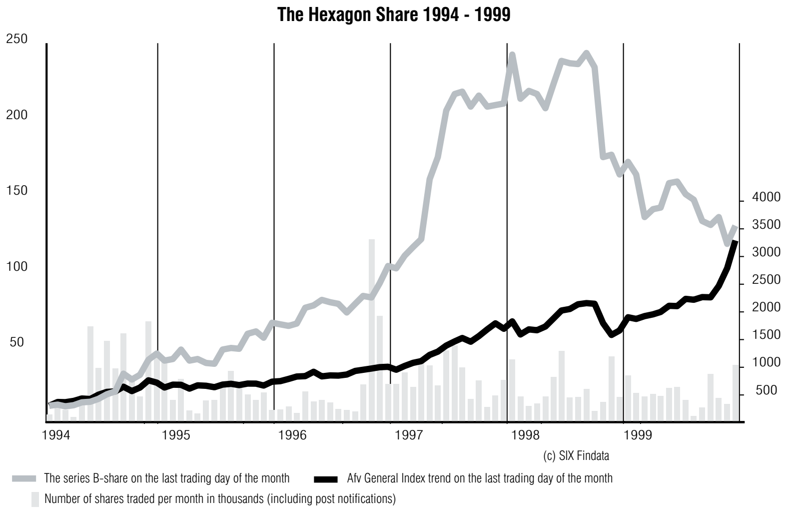
During the year, new distribution forms have been considered and AKA expects to bring an Internet-based e-commerce system on stream during the autumn of 2000, which is assessed as making distribution of components and spare parts more efficient to a substantial degree.

In Niche Manufacturing, the concentration on product and process development will continue. The growing trend towards out-sourcing affords new opportunities for the companies within this business area as well. Both Gislaved and Johnson, as well as SwePart, have interesting projects in this connection.

Within Moteco, a considerable level of skill has been developed in antenna technology. As wireless communication is expanding in an increasing number of areas, not least with the so-called Bluetooth technology, new and extremely expansive markets are opening up which Moteco will be concentrating on intensively.

At the beginning of the new Millennium, the Hexagon Group has a strong Balance Sheet which, together with the subsidiaries' positions, gives great freedom of action to adapt the structure of the group to the demands and possibilities which the coming years will bring with them.

The Hexagon Share



OWNER RELATIONSHIPS

According to information from VPC, the number of shareholders at 31 December 1999 was 6,987.

The ten major owners are:	A	B	Percentage of share capital	Percentage of votes
Melker Schörling with company	840 000	1 353 242	14.8 %	43.6 %
Maths O Sundqvist privately and with company		1 865 000	12.6 %	8.3 %
6:e AP-Fonden		1 538 000	10.4 %	6.9 %
Robur Aktiefonder		1 067 600	7.2 %	4.8 %
KF/Nordico		518 000	3.5 %	2.3 %
Skandia and Skandia Fonder		478 557	3.2 %	2.2 %
Simon Bonnier		291 000	2.0 %	1.3 %
SEB Aktiefonder		274 500	1.9 %	1.2 %
Metallarbetarförbundet		261 157	1.8 %	1.2 %
Förenade Liv		211 700	1.4 %	0.9 %
	840 000	7 858 756	58.8 %	72.7 %

DEVELOPMENT OF SHARE CAPITAL

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

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 20 per cent during 1999 compared with the General Index which rose by 66 per cent during the same period. The market valuation at the end of the year was MSEK 1,982 (2,470).

Liquidity in the share A total of 6,114,554 shares (7,617,176) changed hands at Stockholm Stock Exchange including post-reported transactions to a total value of MSEK 875 (1,552). Per day, an average of 24,300 (30,500) shares changed hands. One trading unit is 100 shares.

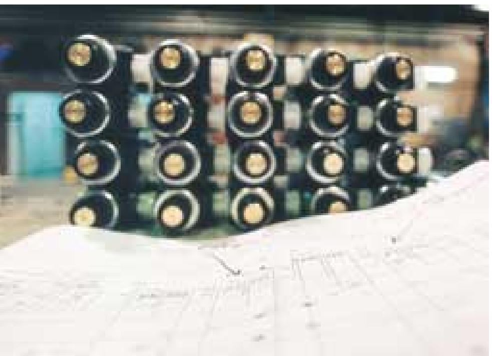
Shareholder structure On 31 December 1999, the number of shareholders was 6,987, compared with 8,177 on 31 December 1998. The proportion of foreign holding amounted at the turn of the year to 6 per cent (4). Institutional ownership was 38 per cent (41) of the total number of shares and 25 per cent (27) of the votes.

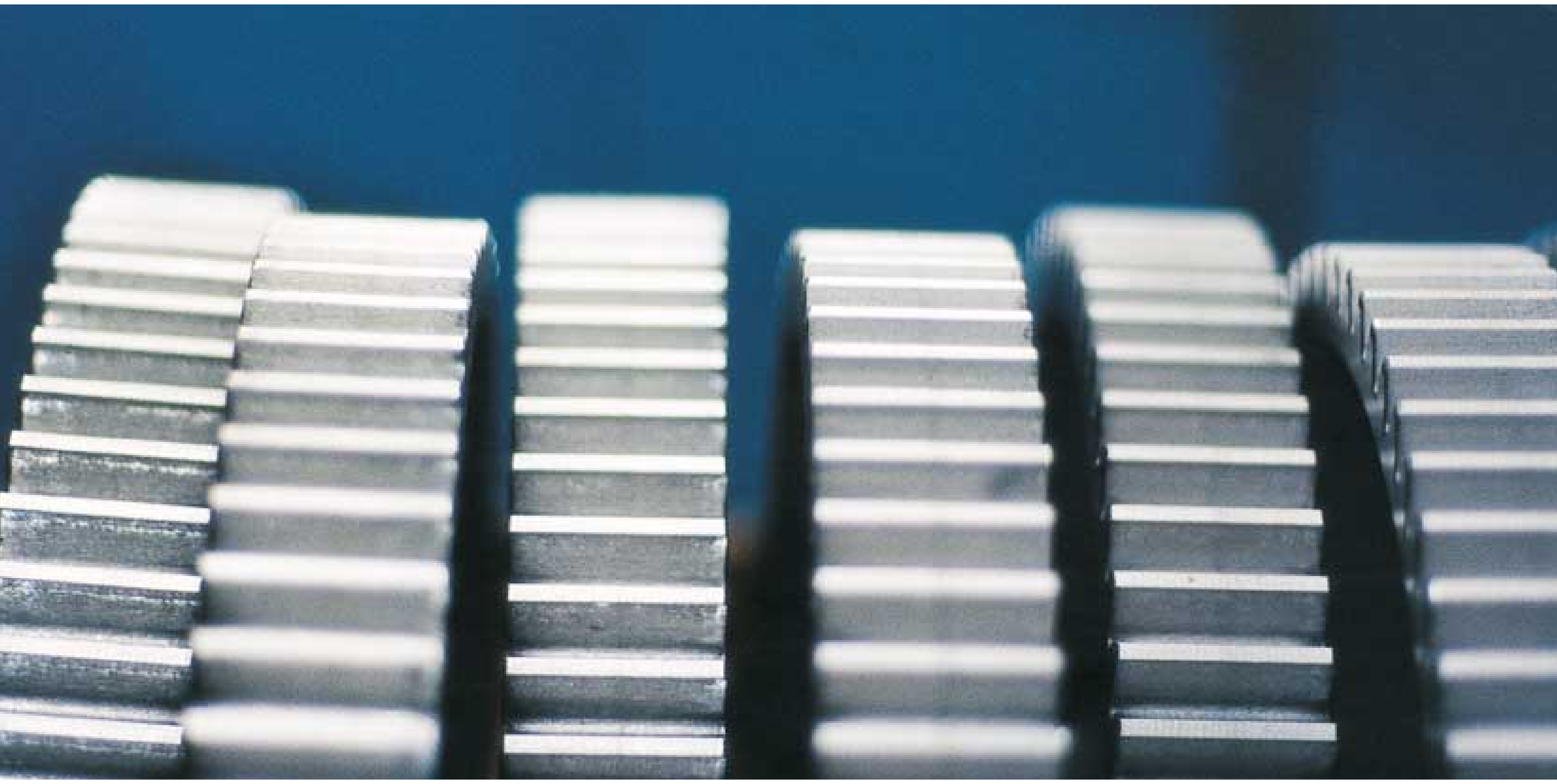
Dividend policy The Group's earnings growth and equity ratio will be critical for future dividends. The general basis of Board recommendations regarding dividend is that 25-35 per cent of the year's post-tax profits is to be allocated for dividend to the shareholders. The Board will recommend at the Annual General Meeting that a dividend of SEK 5.00 (5.00) per share be approved, which corresponds to MSEK 74.0 (74.0). The dividend constitutes 58 per cent (36) of the profit per share after full tax and 5.0 per cent (5.1) of the Group's adjusted shareholders' equity.

The Parent Company's unrestricted funds as at 31 December 1999 amounted to MSEK 558.3 once the year's proposed dividend of MSEK 74.0 has been deducted.

The dividend approved at the Annual General Meeting will be paid out via VPC to those shareholders who, on the day of record, are entered in the company's stock register.

The dividend is expected to be paid out by VPC on 12 May 2000, provided that the Board's proposal is accepted at the Annual General Meeting that 9 May 2000 is to be the record day.





KEY RATIOS

SEK/share	1999	1998	1997	1996	1995	1994	1993
Share price	134	167	218	178	84	56	40
Visible shareholders' equity	95	92	82	67	54	42	36
Profit per share after full tax	8.61	13.83	13.80*	12.72	12.86	6.96	4.85
Dividend	5.00**	5.00	5.00	4.00	3.50	2.00	1.00
Direct yield per cent	3.7	3.0	2.3	2.2	4.2	3.6	2.5
Dividend pay out ratio per cent	58	36	26	32	27	29	21
P/E ratio	15.6	12.1	15.8	14.0	6.5	8.0	8.2

* In 1997, a capital gains item arose on the Stock Exchange listing of shares in Svedbergs corresponding to SEK 5.29 per share.

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

SHAREHOLDER STRUCTURE

Shares held	Number of owners	Number of shares	Share percentage
1 – 500	5 379	834 561	5.6 %
501 – 1 000	855	733 220	5.0 %
1 001 – 2 000	395	635 349	4.3 %
2 001 – 5 000	199	681 222	4.6 %
5 001 – 10 000	65	536 071	3.6 %
10 001 – 20 000	36	520 190	3.5 %
20 001 – 50 000	29	895 438	6.1 %
50 001 – 100 000	11	746 072	5.0 %
100 001 –	18	9 211 059	62.3 %
	6 987	14 793 182	100.0 %

Seven-year review

MSEK	**1999**	1998	1997	1996	1995	1994	1993
Income statement							
Total income	4 667	4 946	4 218	3 148	2 609	1 558	701
Operating earnings	209	333	325	273	241	131	34
Earnings after financial items	179	313	388	255	238	129	31
Of which non-recurring items	-	-	84	-	12	- 11	- 4
Earnings after tax	127	205	282	174	175	94	32
Balance sheet							
Current assets	1 570	1 826	1 577	1 441	951	853	560
Fixed assets	1 450	1 468	1 300	1 215	554	489	289
Noninterest-bearing liabilities and allocations	852	969	895	792	541	492	232
Interest-bearing liabilities and allocations	759	958	751	861	236	277	177
Minority interest	10	9	12	7	0	2	1
Shareholders' equity	1 399	1 358	1 219	996	728	571	439
Balance sheet total	3 020	3 294	2 877	2 656	1 505	1 342	849

Key ratios

Key ratios	**1999**	1998	1997	1996	1995	1994	1993
Growth in earnings per year (%)	- 6	17	34	21	67	122	81
Return on capital employed (%)	10	17	18*	25	29	20	10
Return on shareholders' equity (%)	9	16	18*	22	27	19	9
Visible equity ratio (%)	47	42	43	38	48	43	52
Percentage risk-bearing capital (%)	51	47	49	43	54	47	57
Times interest earned	4.5	6.6	8.7	8.6	10.7	7.3	4.1
Net indebtedness (%)	0.47	0.55	0.43	0.57	0.05	0.11	- 0.07
Cash flow (MSEK)	241	364	337	265	245	136	51
Investments (MSEK)	213	210	188	126	109	67	22
Earnings per share after full tax (SEK)	8.61	13.83	13.80*	12.72	12.86	6.96	4.85
Cash flow per share (SEK)	16.29	24.60	22.78	19.40	18.05	10.00	7.70
Visible shareholders' equity per share (SEK)	95	92	82	67	54	42	36
Market value year ending (SEK)	134	167	218	178	84	56	40
Average number of shares ('000)	14 793	14 793	14 793	13 676	13 575	13 575	6 590
Average number of employees	3 656	3 568	3 001	2 315	1 983	1 304	515

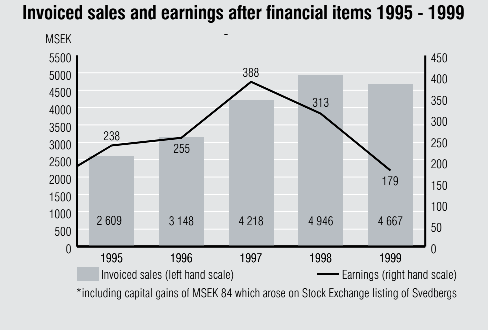
*Excluding capital gains in connection with the listing of shares in Svedbergs.

The past year

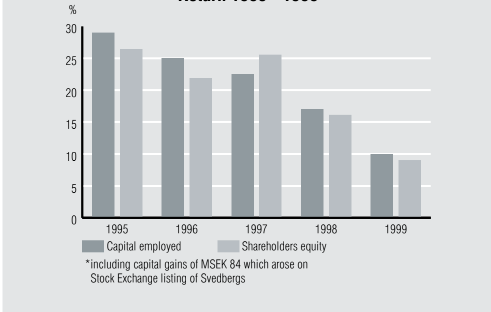
Report of the Directors

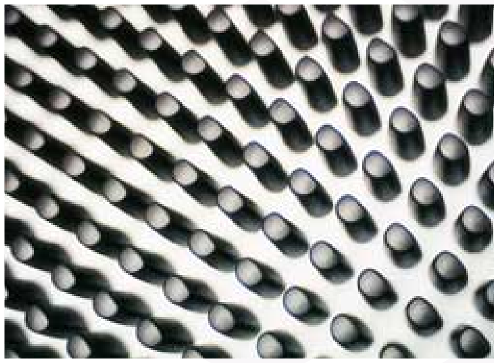
The Board of Directors and President of Hexagon AB (publ), company registration number 556190-4771, herewith submit the Annual Report and Consolidated Financial Statements for the fiscal year 1999.

Invoiced sales and earnings after financial items 1995 - 1999



Return 1995 - 1999





Operations Hexagon has a structure with three fields of operation: Industrial Components and Systems, Niche Manufacturing and Norfoods.

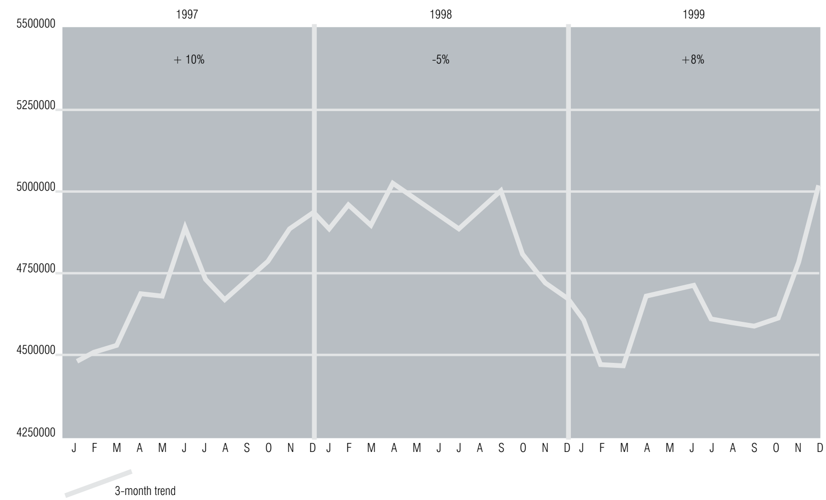
Acquisitions and disinvestments During 1999, six minor complementary acquisitions were made by Hexagon's subsidiaries with a total annual turnover of approx. MSEK 120. The acquisitions took place in the following chronological order

- In January, Dacke Hydraulik acquired Östermo Mekaniska AB in Vaggeryd. Operations, which turn over MSEK 40, have been coordinated with Dacke's other local company, Vaggeryds Hydraulik. Both companies manufacture hydraulic cylinders and the acquisition of Östermo involves coordination advantages.
- In February, EIE Maskin, which is a subsidiary of AKA Industriprodukter, acquired Precisions-Produkter AB. The company has a turnover of approx. MSEK 15 and the acquisition strengthens EIE's position in linear transmissions.
- In June, Gustaf Fagerberg acquired the operations in the Danish control and instrument company Mobro Instrumentering, whose turnover amounts to approx. MSEK 25. In the same month, Nybro Stålprodukter, within Johnson Industries, acquired C-B Agentur AB in Karlskoga. Turnover amounts to approx. MSEK 25.
- In August, IP-Produkter, within the AKA Group, acquired two minor trading companies in Finland, Filtercon and O-Teckno, with a total turnover of MSEK 15.

Hexagon has disposed of three operational units during 1999

- In March, AKA Industriprodukter's refrigeration operations were disposed of. Turnover during 1998 amounted to MSEK 314. The reason for this disinvestment was to streamline AKA's operations, with greater focus on efforts within AKA's top priority product areas. The capital gains amounted to MSEK 24.4. The purchase price and repayment of loans released a total of MSEK 152.
- In May, Robust Ståldörrar RSD AB was disposed of, as well as the property where the operations are conducted. This disinvestment entailed a capital loss of MSEK 3.0.
- In December, Bech & Kjeldahl's Polish subsidiary was disposed of.

Inflow of orders



Invoiced sales and earnings after financial items by business area

	Invoiced sales		Earnings	
MSEK	1999	1998	1999	1998
Industrial Components and Systems	1 722	1 986	53.5	100.7
Niche Manufacturing	2 094	2 183	102.2	186.9
Norfoods	837	698	4.0	6.5
Other operations	38	97	24.0	20.4
Capital gains	-	-	16.8	17.6
Group adjustments and Parent Company	- 24	-18	-21.5	-19.5
The Group	4 667	4 946	179.0	312.6

(Quarterly earnings compilation, see Note 20)

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 three months. During the second half of 1998, the slowdown in the industrial economy made itself felt and the inflow of orders turned steeply downwards. The deterioration in the inflow of orders continued during the first quarter of 1999. During the second and third quarters, the inflow of order rate has improved somewhat and rose considerably during the fourth quarter of 1999, as is apparent from the above diagram. The inflow of order rate was, in December 1999, on a whole year basis, MSEK 5,000 (4,650) an increase by 8 per cent.

The inflow of orders in 1999 fell by 3 per cent and amounted to MSEK 4,766 (4,910). In a comparable Group structure, the inflow of orders fell by 4 per cent.

Group invoiced sales amounted to MSEK 4,667 (4,946) a decrease of 6 per cent. The figures are not entirely comparable because of changes in the Group structure. In a comparable structure, invoiced sales fell by 6 per cent.

Invoiced sales by business area

	Invoiced sales	
MSEK	1999	1998
Industrial Components and Systems		
AKA	662	901
Dacke Hydraulik	533	531
Gustaf Fagerberg	527	554
	1 722	1 986
Niche Manufacturing		
Gislaved Gummi	415	403
Johnson Industries	900	919
Moteco	216	252
SwePart	563	609
	2 094	2 183
Norfoods		
Norfoods	837	698

Of the Group's invoiced sales, the Swedish companies account for 70 per cent (70), companies in the Nordic countries for 25 per cent (26) and other countries for 5 per cent (4). Direct export from Swedish companies as well as invoiced sales in foreign companies constitute 42 per cent (43) 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 overseas-related invoiced sales thus amount to approx. 62 per cent (63).

Group earnings after financial items amounted to MSEK 179.0 (312.6). The profit margin amounted to 3.8 per cent (6.3). The earnings have been favourably influenced because of the accounting effects of the programme of synthetic warrants by MSEK 3.0 (10.9).

Group profitability Return on average shareholders' equity was 9 per cent (16) after the earnings had been charged with full tax. The objective for the Group is that return in one business cycle should be at least 15 per cent. Capital turnover rate was 3.4 times (3.8).

The return on average capital employed amounted to 10 per cent (17) The profit margin for calculating return on capital employed was 4.9 per cent (7.4). Capital turnover rate was 2.1 times (2.3).

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

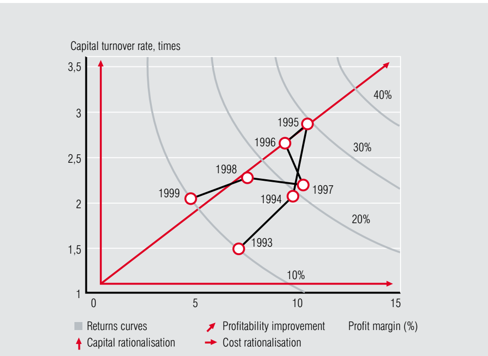
Year	Profit margin	Capital turnover rate
1993	6.7 %	1.5
1994	9.7 %	2.1
1995	10.1 %	2.9
1996	9.2 %	2.6
1997	10.4 %	2.2
1998	7.4 %	2.3
1999	4.9 %	2.1

Profitability calculations are made on an average capital.

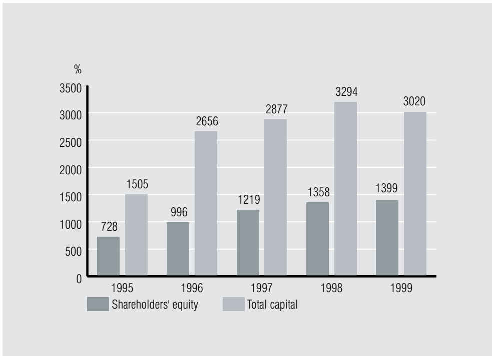
The Group's financial position The Group's Balance sheet total amounted to MSEK 3,020 (3,294). The decline is largely attributable to the disposal of AKA Kyla in March 1999. The equity-total assets ratio amounted at 31 December 1999 to 47 per cent (42). The goal for the Group is that equity ratio should not fall below 35 per cent. The visible shareholders' equity was MSEK 1,399 (1,358). Including surplus value in market listed shares, adjusted shareholders' equity amounted to MSEK 1,479 (1,450).

Group goodwill amounted at 31 December 1999 to MSEK 321 (384), which corresponds to 11 per cent (12) of Balance sheet total and 23 per cent (28) of visible shareholders' equity.

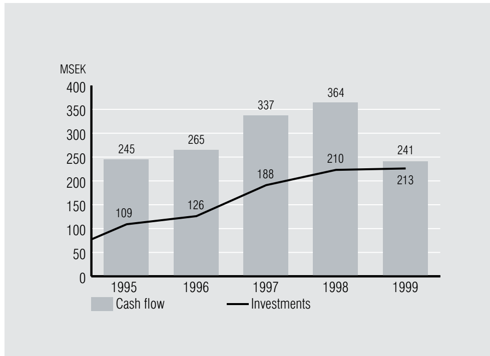
The relationship between capital turnover rate, profit margin and return on capital employed



The Group´s balance structure 1995 - 1999



Cash flow and investments (excluding shares) **1995 - 1999**



Goodwill refers to the following operations (MSEK):

AKA Industriprodukter	105
Dacke Hydraulik	22
Gustaf Fagerberg	23
Gislaved Gummi	19
Johnson Industries	46
SwePart	54
Norfoods	51
Others	1
	321

Liquid assets, including unutilised overdraft facilities, amounted to MSEK 322 (452). Net debt in the Group was MSEK 652 (748) and net indebtedness degree amounted to 0.47 times (0.55).

Times interest earned was 4.5 times (6.6). Three-year pledged credit in the form of syndicated loan is available of approx. MSEK 841 (663), which is to ensure a considerable proportion of the Group's assessed long-term capital requirements.

The Group's fiscal costs amounted to MSEK 50.1 (106.2), which corresponds to 28.0 per cent (34.0) of pre-tax earnings. As at 31 December 1999, the Group had unutilised deficit deductions of approx. MSEK 983.

According to a notification received from SPP (The Swedish Staff Pensions Society), the society has allocated MSEK 90 of its surplus funds to the companies of the Hexagon Group. The allocation has not affected the year's earnings results.

Group Investments The Group's investments in fixed assets amounted to MSEK 213 (210) and sales of fixed assets took place at MSEK 43 (10). In addition, shares in subsidiaries have been acquired at MSEK 31 (247), as well as acquisition of shares in affiliates at MSEK 7 (9). Depreciations during 1999 were MSEK 190 (181).

The major proportion of investments relates to production equipment intended to increase capacity in Niche Manufacturing companies. EBP within SwePart has built a new paint plant for primer painting of components to the automotive industry. Moteco has invested in the automation of production lines. Sales of fixed assets largely relate to real estate.

Group Cash Flow Cash flow from current operations before changes in operating capital amounted to MSEK 241.0 (363.7) which corresponds to SEK 16.29 per share (24.60) The decline is principally explained by the deterioration in earnings outcome.

The cash flow effect from operating capital changes greatly improved to MSEK 100.5 (-146.5), which entailed that the operative cash flow amounted to MSEK 171.9 (17.5). Amortisation of loans was made at MSEK 121.2. Last year, borrowing rose by MSEK 184.5. The return remained unchanged at 74.0 between 1998 and 1999.

The year's cash flow thus amounted to MSEK -102.9 (-15.7).

Volume sensitivity Hexagon's safety margin was 12 per cent (20). 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.

With some exception, the economic climate in the Swedish engineering industry is reflected in the Hexagon Group's companies.

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

	1999	1998
Industrial Components and Systems	12.0	19.4
Niche Manufacturing	11.8	21.6
Norfoods	6.0	10.4

The Subsidiaries Invoiced sales within *Industrial Components and Systems* amounted during 1999 to MSEK 1,722 (1,986), a decline of 13 per cent. In a comparable structure, invoiced sales fell by 7 per cent.

The inflow of orders was sluggish during the year and, in a comparable structure, was 7 per cent lower than for last year. Earnings after financial items fell to MSEK 53.5 (100.7) because of the lower volumes.

Earnings outcome has progressively improved during the year as cost cuts which were made gained effect. Investments in fixed assets amounted to MSEK 30 (44)

AKA Industriprodukter's invoiced sales fell during 1999 to MSEK 662 (901). As good as all of this decline is attributable to the sale of the refrigeration operations early in the year. However, the market has been sluggish throughout the year and both the inflow of orders and invoiced sales were a good 4 per cent lower in a comparable structure compared with 1998. Earnings have declined and amounted to MSEK 15.5 (34.4), the figure for last year including the refrigeration operations. In a comparable structure, earnings fell to MSEK 15.5 (19.6)

Invoiced sales in Dacke Hydraulik amounted to MSEK 533 (531). Dacke has also felt the effects of weaker demand during the year, and invoiced sales in a comparable structure fell by 6 per cent compared with 1998. During January 1999, Östermo Mekaniska was acquired and the addition from this company explains why invoiced sales were on a par with the previous year. The inflow of orders, which improved dramatically during the fourth quarter, were, in a comparable structure, 2 per cent lower than during the previous year. Earnings fell to MSEK 26.2 (47.2) as a result of lower volumes and, to some degree, narrower margins.

Gustaf Fagerberg's invoiced sales fell by 5 per cent to MSEK 527 (554) a decline which, however, is larger (10 per cent) in a comparable structure. 1999 was a year which was characterised by weak demand and few major investment projects, and this has negatively affected Fagerberg's operations. In a comparable structure, the inflow of orders has declined by 14 per cent. Earnings fell to MSEK 20.4 (32.0).

Invoiced sales within *Niche Manufacturing* fell during 1999 by 4 per cent to MSEK 2,094 (2,183). In a comparable structure, the decline was 8 per cent. The inflow of orders remained largely unchanged at MSEK 2,144 (2,153), but in a comparable structure is 5 per cent lower.

Earnings after financial items fell to MSEK 102.2 (186.9). Investments in fixed assets amounted to MSEK 174 (156).

For Gislaved Gummi, 1999 was a year when not only inflow of orders but also invoiced sales and earnings rose somewhat despite the fact that demand was weak during the greater part of the year, which entailed that the inflow of orders fell by 3 per cent in a comparable structure and invoiced sales by 4 per cent. The increase in earnings is explained principally by the acquisition of EEC in Sri Lanka, which was carried out in July 1998. Invoiced sales amounted to MSEK 415 (403) and earnings after financial items amounted to MSEK 42.9 (41.0).

Johnson Industries (formerly Johnson Stål & Metall) is the single operational unit which has been affected most negatively by the weak economic climate. However, the inflow of orders has progressively improved during the fourth quarter after having fallen for almost a year. In a comparable structure, the inflow of orders fell by 14 per cent and invoiced sales by 15 per cent. The acquisition of Nordic Brass in May 1998 however entailed that invoiced sales in reported figures remained largely unchanged and amounted to MSEK 900 (919). Earnings declined to MSEK 36.2 (74.0) because of the weak economic climate and as a result, lower volumes together with pressure on prices from OEM customers. Cost-adaptation measures have been implemented in several companies.

Moteco's invoiced sales fell to MSEK 216 (252), a decline of 14 per cent. The inflow of orders fell by 20 per cent. Earnings declined to MSEK 0.6 (40.0) as a result of lower volumes than planned, an unfavourable product mix, pressure on prices and problems with automation investments, which, among other things, entailed higher staff costs than planned. As at the last day of December, the total workforce has, however, been reduced by 21 per cent compared with the situation at the beginning of 1999, divided into a considerable reduction in Sweden at the same time as the number of employees has increased in China. Operations in China, which today have more than 100 employees, are developing well and showing a favourable result. During the year, key order volumes were taken with the company's main customer and two delivery agreements with considerable future potential have been signed with new customers in China for the year 2000. A new CEO took up his post during the third quarter.

In a comparable structure, SwePart increased invoiced sales by 3 per cent to MSEK 563 (547) and the inflow of orders rose by 16 per cent. Because SwePart Plast was a member of the Group up to and including 15 May 1998, SwePart reports a decline in invoiced sales, MSEK 563 (609). During the year, the inflow of orders has developed favourably, from a weak introduction, the fourth quarter was 66 per cent better than during 1998. In recent months, SwePart Verktyg has been awarded several considerable orders to the white goods and automotive industries in Sweden, the United Kingdom and Germany and has thereby made a breakthrough in several key export markets. Earnings after financial items amounted to MSEK 33.4 (43.0). The decline in earnings is explained by higher production overheads which, to some degree, arose in connection with expansion investments and product mix changes.

Norfoods' invoiced sales rose to MSEK 837 (698). The increase derives entirely from the acquisition of Bech & Kjeldahl in Denmark which was carried out in July 1998. In a comparable structure, the invoiced sales remained largely unchanged while the inflow of orders rose by 7 per cent during 1999. Earnings declined to MSEK 4.0 (6.5), which is explained by Bech & Kjeldahl's operations in Poland which have now been phased out. In addition, earnings have been charged with a stock depreciation in Denmark.

The affiliate VBG is included in *Other companies* and contributes to Hexagon's earnings in accordance with the capital share method of MSEK 25.6 (19.8)

Research and development has been conducted during the year in the subsidiaries, with the emphasis on product development and, to some extent, product technology development. The costs amount to MSEK 23.7 (27.2).

The Parent Company The earnings of the Parent Company after financial items amounted to MSEK 141.3 (318.8). Hexagon's programme with synthetic warrants has favourably affected earnings in accounting terms by MSEK 3.0 (10.9) which in turn is related to the trend of the Hexagon share. Equity ratio in the Parent Company was 56 per cent (53). Visible shareholders' equity, including capital proportion of untaxed reserves amounted to MSEK 1,226 (1,187). Liquid assets, including unutilised overdraft facilities, amounted to MSEK 172 (220). During the period, the Parent Company has acquired shares for MSEK 120 (75) of which MSEK 7 (9) relates to shares in affiliates.

Total workforce The weakened inflow of orders towards of 1998 occasioned an extensive rationalisation programme, among other things entailing a reduction of the total workforce. In a comparable structure, the reduction was at most in September 1999, when the total workforce declined in number by 336 (-9 per cent) compared with 31 December 1998, and by 368 (-9 per cent) compared with 30 September 1998. During the fourth quarter, the total workforce has increased in number somewhat as a result of the improved inflow of orders and the fact that the personnel strength in Moteco's factory in China has doubled.

In a comparable structure, the total workforce was 226 fewer (-6 per cent) at 31 December 1999 than one year earlier and amounted to 3,742. The average number of employees was 3,656 (3,568). All companies have decruited, but the greater part of the reduction took place in Gislaved Gummi in Sri Lanka and in Moteco in Sweden.

The work of the Board of Directors The Board of Directors decides on the Group's overriding strategy, major acquisitions and disinvestments. Otherwise, the Board of Directors is responsible for the Group's organisation and administration in compliance with the provisions of the Swedish Companies Act.

During 1999, a new working arrangement and instruction was adopted by The Board. This governs, among other things, the number of Board meetings during a financial year, invitations to attend, matters which are to be submitted to the Board, agendas, financial reports and the duties of the Chairman. The Board consists of six members and meets at least five times a year. The auditors participate in the annual accounts meeting of the Board. The Board held seven meetings in 1999, including constitutory meeting.

The new Millennium The new Millennium caused no difficulties in the Group companies. The preparations which had been put into effect proved to be sufficient. In many of the subsidiaries, both hardware and software have been replaced. This work has not only entailed that questions relating to the new Millennium have been solved but also that a thorough review of the computer systems was made for benefit of the future. The costs and investments which are referable to the y2k problem amounted to MSEK 12 (7).

Environmental effects The Group conducts operations which are subject to permit under the regulations of the Environmental Code in six Swedish subsidiaries. Operations affect the external environmental essentially through the subsidiaries Gislaved Gummi AB, Stellana AB, Nordic Brass AB, Johnson Metall AB, EBP i Olofström AB and SwePart Transmission AB.

The companies conduct the manufacture of rubber goods by vulcanisation, the manufacture of plastic products, the manufacture of bars, profiles and ingots of brass, casting and processing of bronze, pressing and painting of sheet metal products and cutting.

The effects on the environment are by noise pollution, as well as emissions into the air and waterways.

During 1999, eight further subsidiaries in Hexagon have been awarded environmental certification in compliance with ISO 14001. The objective is that all operations will be environmentally certificated in compliance with ISO 14001 and/or be EMAS registered at the end of the year 2000.

Events after the end of the fiscal year The rising inflow of order trend during the end of 1999 has continued in January.

In February 2000, Moteco formed a new business area which develops and markets antennas and applications skills and verification for wireless applications, principally Bluetooth. In addition, Moteco has established a subsidiary in Malaysia for the manufacture of terminal antennas.

Expected future trends The economic climate for operations in Hexagon is expected to be better during 2000 than conditions were during 1999.

Proposed allocation of profits

The unrestricted shareholders' equity of the Group amounts to TSEK 730,316. No allocations to restricted reserves are required in the Group. The following profits in the Parent Company are at the disposal of the Annual General Meeting:

Profits brought forward from previous year	513,590 TSEK
Net earnings for the year	118,644 TSEK
Total	632,234 TSEK

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

That a dividend of SEK 5 per share be paid to the shareholders	73,965 TSEK
That the remaining profits be carried forward in a new Balance sheet	558,269 TSEK
Total	632,234 TSEK

Financial instruments and exposure

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 considerable international trade, principally by the import of finished goods and input goods in production, and with several companies outside Sweden, the handling of financial exposure is of importance to the Group's earnings and position. In Hexagon's financing policy, the Group has laid down general guidelines for financial exposure. Coordination of the financial risk management takes place via the Group's internal bank.

Organisation/distribution of responsibility Hexagon's operative subsidiaries are wholly responsible for their local financial exposure. For coordination and to achieve economies of scale, an internal bank was set up during 1999. The actions of the subsidiaries and the internal bank in matters relating to finance are regulated in a joint Group finance policy which has been approved by the Board.

Financial instruments Hedging measures are put into effect principally by the intermediary of loans in foreign currency or via the forward purchase/sale of foreign currency. Standardised derivate instruments are employed by the internal bank for controlling interest exposure.

Currency risks The term currency risks signifies the risk that fluctuations in rates of exchange negatively affect earnings and shareholders' equity. Exchange rate fluctuations affect the Group's earnings and shareholders' equity in different ways. The finance policy defines two categories of currency risks: transaction risks and translation risks.

Transaction exposure Roughly 59 per cent of the total direct invoicing of the Hexagon Group goes to customers in Sweden. The distribution per country of sales is as follows:

MSEK	
Sweden	2 759
Finland	596
Denmark	364
Norway	323
Germany	206
United Kingdom	48
France	28
Netherlands	46
Rest of Europe	116
North America	103
Latin America	3
Asia	66
Australia	9
	4 667

On the domestic market, invoicing principally takes place in local currency. Of the total invoicing, only 4 per cent or MSEK 200 is directly exposed to other currencies.

The distribution per currency is as follows:

MSEK	
Euro	118
USD	50
DKK	7
CAD	7
Others	18
	200

Of the Group companies' purchases, via imports, of a total of MSEK 1,677, some MSEK 362 relates to purchases in the country's own currency. The remaining MSEK 1,315 is purchases in other currency.

The distribution of these currencies is as follows:

MSEK	
Euro	608
USD	286
GBP	147
SEK	72
Others	202
	1 315

The predominant proportion of sales in other currency than domestic currency is hedged via forward contracts. Goods purchases in foreign currency are hedged via forward contracts and, to a great extent, via currency clauses in commercial contracts. The finance policy requires a hedging for an average of 50 per cent of the volume for a coming 12 month period. Where the rate of exchange effect is governed by currency clauses in agreements and price lists, the degree of hedging is adapted.

For the next calendar year, the subsidiaries have forecast the transaction exposure for Hexagon's key currencies as follows:

Net imports MSEK	
Euro	439
USD	135
GBP	105

At 31 December 1999, net MSEK 44 for an average validity of approx. 3 months has been hedged by forward contracts.

Invoicing in overseas subsidiaries amounts to MSEK 1,418 (1,481) or 30 per cent (30) of the Group's total sales. Earnings after financial items in the overseas subsidiaries amounts to MSEK 38 (75), which corresponds to 21 per cent (24) of Hexagon's Group earnings. The earnings are generated in Finland at MSEK 29 (38), Norway MSEK 3 (21), Denmark MSEK -5 (12), Germany MSEK 8 (8), Sri Lanka MSEK 6 (3), Poland MSEK -2 (1), the United States MSEK -9 (-8) and China MSEK 8 (0).

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.

Translation exposure The Group's finance policy lays down that the effects of exchange rate fluctuations on shareholders' equity are to be reduced by hedging by taking loans or forward contracts in the currency of the net assets. The net assets, i.e. the shareholders' equity of overseas subsidiaries plus goodwill in foreign currency, amounts to MSEK 375 translated into Swedish kronor. Loans in foreign currency and the value of forward contracts to balance these assets amount at 31 December 1999 to MSEK 216.

The distribution by currency is as follows:

Currency MSEK		Hedging %
Euro	165	91%
NOK	62	52%
DKK	51	67%
Sri Lanka Rupee	83	0%
Others	14	0%

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 11 months (14).

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

Group interest bearing liabilities:

	1999	1998
Pension liabilities	83	83
Long-term loans	493	679
Short-term loans	135	132
Overdraft facilities	45	62
Other liabilities	3	2
	759	**958**

The Group's loans are divided among the following currencies:

MSEK	
SEK	366
Euro	183
DKK	36
USD	29
NOK	7
Others	7
	628

Average interest for the Group's outstanding long term and short-term loans was 4.5 per cent (4.9) at 31 December 1999.

At 31 December 1999, MSEK 45 (62) has been utilised of the existing overdraft facilities. Average interest on utilised overdraft facilities was 5.3 per cent (6.4).

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 1999, this loan has principally been employed to settle old credits.

On 31 December 1999, MUSD 98.6, corresponding to approx. MSEK 841 (663), was unutilised of the original loan ceiling. This, together with existing liquidity and unutilised overdraft facilities, means that solvency is approx. SEK 1.3 billion in Hexagon, which is approximately 43 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.

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 1999 to MSEK 644 (694). The average credit period for accounts receivable was 41 days (39).

Cash management For efficient liquidity control and rational handling of payments, Hexagon negotiates on a framework agreement with commercial banks and draws up Group account systems for the Group.

The Group account systems make it possible for the Parent Company to balance the Group's cash liquidity against external borrowing. Liquidity which is currently not needed in the industrial operations is placed short term in bank deposits.

The subsidiaries can, under each respective framework agreement, utilise the system of the commercial bank and its routines for distribution of payment and control of liquidity. The subsidiaries are responsible for optimising operative cash management.

The Environment






Environmental work in the Group has been intensified with the years since the Group adopted a decision in 1996 that the subsidiaries should be environmentally certificated or EMAS registered by the end of the year 2000.

The view of environmental work has changed and behaviour today is, to a high degree, controlled by the awareness that an environmental input must be seen as a long term input which strengthens the commercial operations of the Group. By active environmental work, the risk of financial setbacks is reduced and our relationship with our customers is improved.

The subsidiaries' focus on environmental certification has not only become a commitment which is the domain of environmental managers and environmental supervisors, but is increasingly a matter which is included as a natural element in the daily labour input of the majority of the workforce. This takes place in the purchasing process in the selection of materials, how we utilise such materials, how we minimise and take care of residual products and waste, how we recycle material, how we distribute, etc.

In most cases, it is possible to find financially sensible solutions which are often both more economical and better for the environment, the workforce, our customers and the end-users.

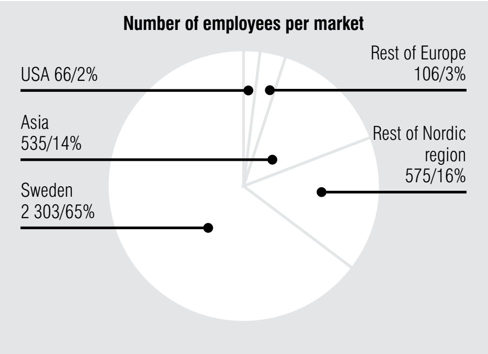
During the year, a further number of the Group's companies have been awarded their environmental certificates, while this work is entering its final phase in the remaining companies. The environmental work has made greatest strides in the manufacturing companies. In the smaller companies which work within technology trading, with slight influence on the environment, the management has, for natural reasons, focused less on this issue.

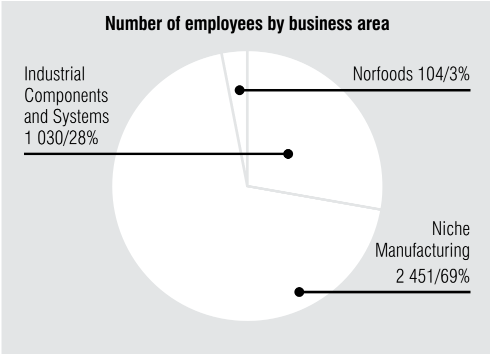
Within Gustaf Fagerberg, which was the Group's first certificated company, the environmental work has become firmly anchored. It is clear proof that certification was the beginning of an increasingly focused environmental work which has continued after the award of the certificate.

During 1999, Gustaf Fagerberg, which may serve as an illustration of developments within environmental work in the Group, has, among other things, built an environmental station for sorting and collection of waste, has entered into agreements for the collection of hazardous waste, has phased out the use of tri, and purchased a paper press which reduces transport requirements. Moreover, the company has switched to environmentally adapted coolants, changed over to environmentally certificated road haulage and transportation companies, installed oil separator valves, and trained the workforce in environmental issues.

Companies within the Hexagon group which have introduced ISO 14001 and become environmentally certificated are, among others, Gustaf Fagerberg AB, CA-Verken AB, Tjust Mekaniska Verkstad AB, Gislaved Gummi AB, Gustaf Terling AB, Pentronic AB, Johnson Metall AB, Johnson Metall A/S, Hydraulik Leverantören AB, Högmans Industri Verktyg AB, Oy Tecalemit Ab and EIE Maskin AB.

Human resources





During the 1990's, the industrial environment in which Hexagon's companies operate has undergone major changes. The increasing level of internationalisation and technology development have greatly characterised the companies' work in empowering, organisation development and competence development.

Empowering and competence development within both management and in the field of technology have therefore become key questions for the whole Group. A failure in the handling of these matters runs the risk of impeding the Group's possibilities of growth and improvements to profitability. As a result, the Group has increased its resources in order consciously to develop methods for handling this problem.

The driving force in the renewal and transition work must above all be found in the subsidiaries. They should be capable of running their own corporate development and should not rely on the Parent and sister companies for mobilising the necessary force for their growth and profitability development.

The predominant proportion of all inputs aimed at adding competence and increasing the skills of the workforce is therefore carried out in the operations of the Group, both by the formulation of the contents of the daily labour input and by programmes for upskilling and workforce empowering.

The Parent Company's inputs are concentrated on recruitment of the senior management of the Group and the implementation of qualified development programmes for senior management geared to the Group's long term management requirements.

Management philosophy The Group's method of working with empowering and upskilling questions takes as its point of departure the view of the staff member.

All company management deals with human relations. Hexagon's management philosophy therefore departs from a fundamental view of people, with the starting point that the individual's abilities grow and are developed in environments where each staff member is appreciated for his or her working input and feels confidence in the ambient labour environment. As a result, staff members should be given every opportunity to take initiative, to suggest improvements, to show drive and to assume responsibility regardless of position. The formulation of our organisations and forms of management, as well as the inputs which are made to improve and develop them are based on this fundamental view.

Programme activities During 1999, the Group has completed an extensive and qualified management programme – the Hexagon Executive Programme – which is aimed at senior management in the subsidiary companies. The purpose of the programme is, from a Group perspective, to develop management talents for the Group's future needs. These activities were conducted throughout the whole year and have greatly involved the Group's management.

Corresponding programmes have also been implemented in a large number of the Group's subsidiaries, with the point of departure being to develop an up-to-date management for the needs of the individual company.

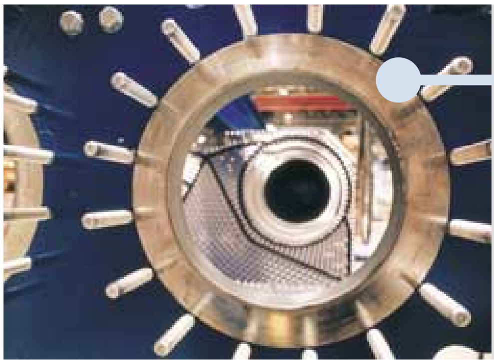
Broader inputs in the development of skills and behaviour in the form of sales techniques, flow organisation, data, the environment, quality and technology development have been implemented in the majority of the Group's companies.

Organisation forms and flexible working hours The greater part of 1999 was characterised by an economical recession in most of the Group's companies. This has, among other things, resulted in the companies' being obliged to carry out the necessary adaptation and thereby reductions in the workforce. During the late autumn of 1999, the economic climate improved and the Group is well-equipped to meet an increasing inflow of orders.

In most of the Group's subsidiaries, discussions are underway with the trades union organisations to find organisation and working time forms which increase efficiency and at the same time reduce the risk of laying-off personnel. In some companies, models have been evolved which are now being implemented on a trial basis.





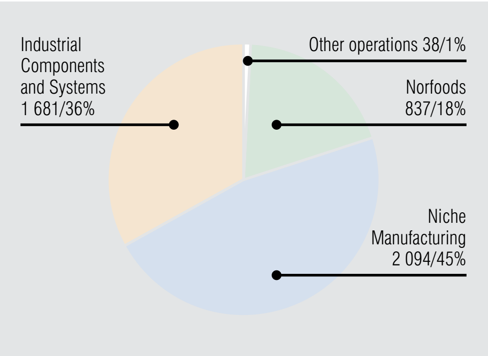




Industrial Components and Systems. Pages 20-25

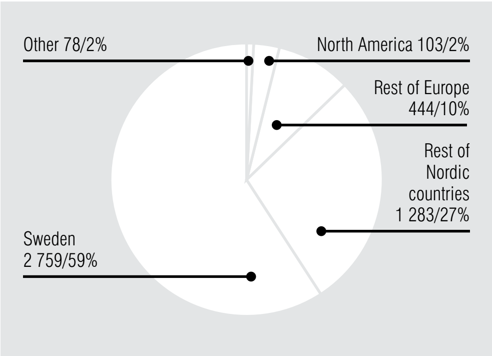
Niche Manufacturing. Pages 26-31

Norfoods. Pages 32

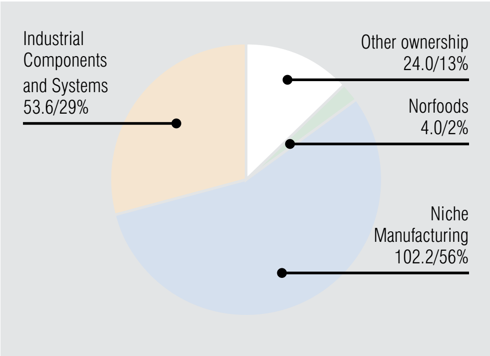
Sales by business area, MSEK



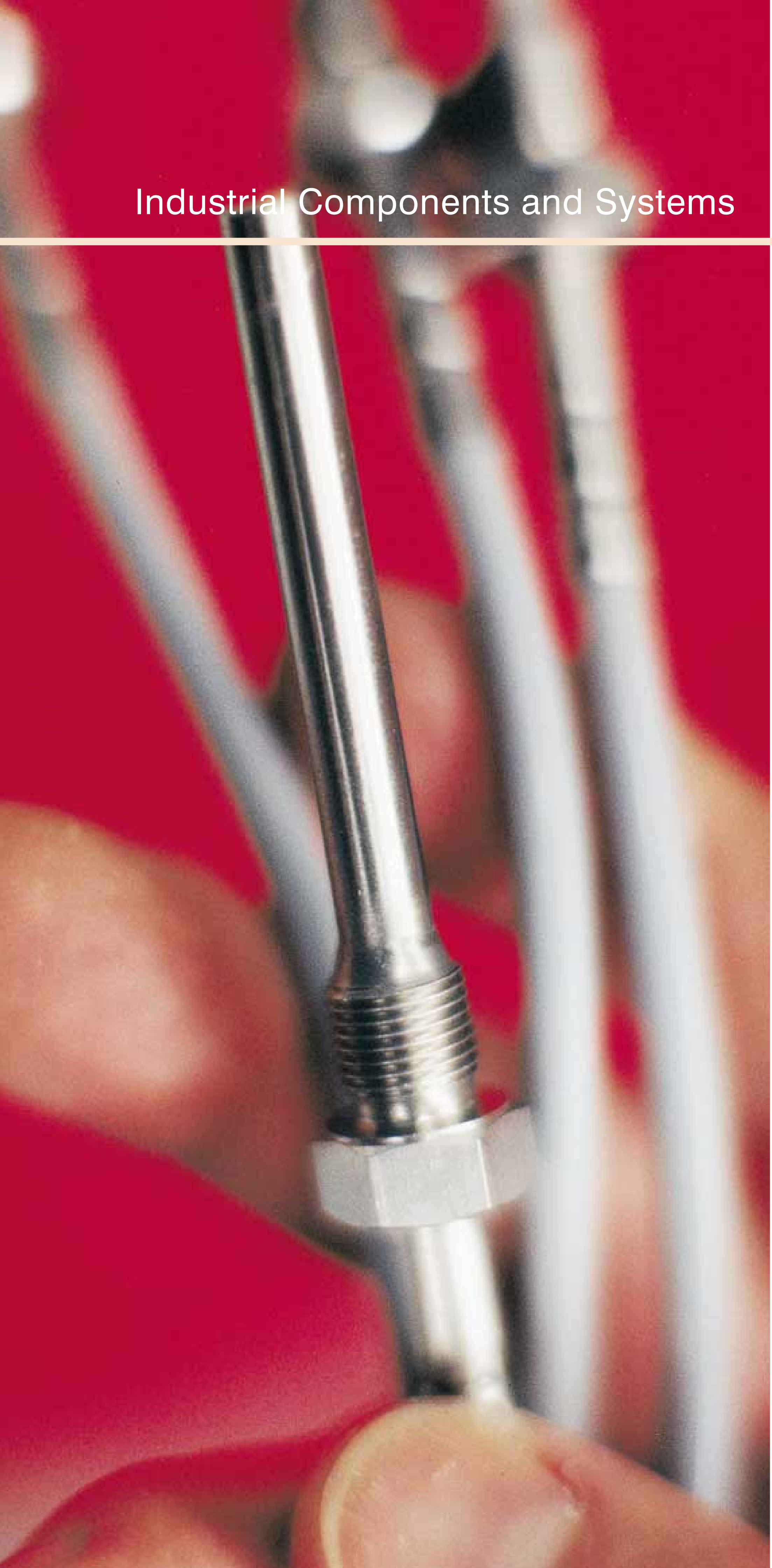
Sales by geographic market, excluding indirect exports, MSEK



Earnings after financial items by business area, MSEK



Industrial Components and Systems

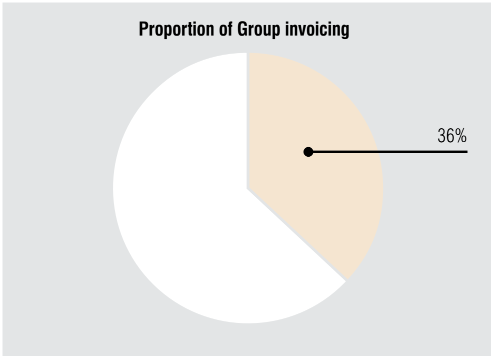


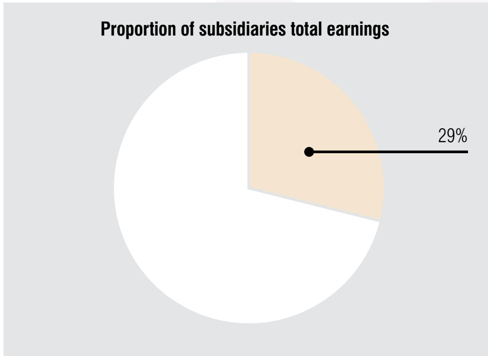
AKA INDUSTRIPRODUKTER AB

DACKE HYDRAULIK AB

GUSTAF FAGERBERG HOLDING AB

Top row from left: Per Söderman AKA, Börje Vernet Dacke Hydraulik and Staffan Englund Gustaf Fagerberg





Amounts in MSEK	**1999**	1998	1997	1996	1995
Invoiced sales	**1 681**	1 728	1 493	1 384	1 411
Earnings after financial items	**53.6**	90.4	96.7	92.7	91.9
Balance sheet total	**906**	945	767	687	706
Return on capital employed (%)	**12.0**	19.4	23.3	24.2	24.5
Total workforce	**1 030**	969	856	809	789

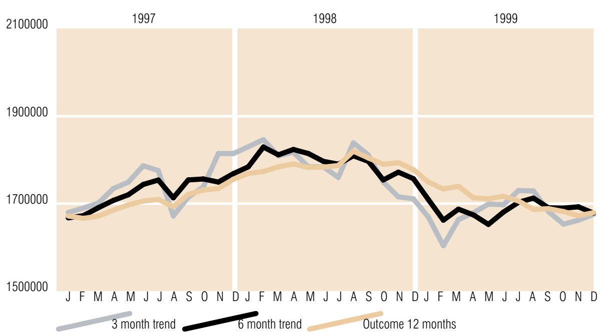
The above table is pro forma

The Industrial Components and Systems business area includes three companies: AKA Industriprodukter AB, Dacke Hydraulik AB and Gustaf Fagerberg Holding AB.

They are all engineering-oriented technology trading companies with some in-house manufacture, component sales, system design and service.

The business area turned over MSEK 1,681 and earnings after financial items amounted to MSEK 53.6.

Inflow of orders



The product areas are principally hydraulics (Dacke Hydraulik and AKA), flow technology (Gustaf Fagerberg and AKA), temperature technology (Gustaf Fagerberg), service equipment (AKA), environmental engineering (AKA), mechanical maintenance products (AKA) and transmission (AKA). In most product areas, the companies are leading suppliers. The major proportion of sales takes place in the Nordic countries. Other markets of importance are Germany, the Baltic States and Russia.

The companies have cooperation agreements with a large number of major manufacturers, principally in Germany, the United Kingdom, the United States, Italy and Japan. In-house manufacture makes up the remainder, principally within Dacke Hydraulik and Gustaf Fagerberg.

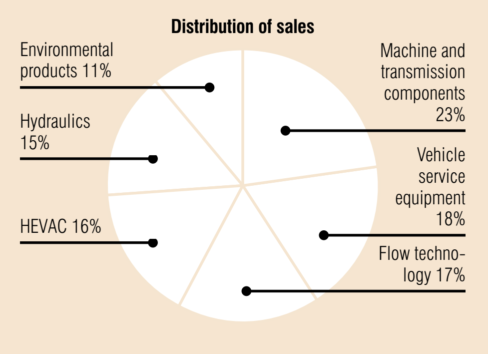
Consultative sales of system solutions constitute a considerable proportion of operations.

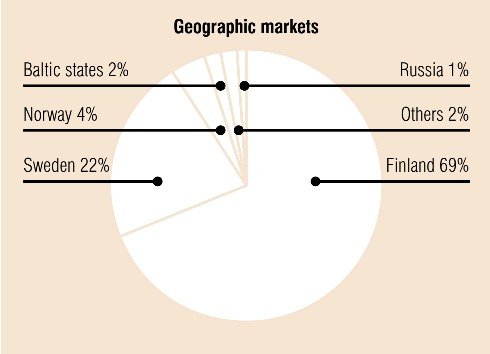
In recent years, service and out-sourcing of maintenance have grown in importance and are attractive areas of growth.
A number of e-commerce projects have been stated up and AKA expects to have an operative system on stream during the late autumn of 2000.

AKA Industriprodukter AB

Amounts in MSEK	**1999**	1998	1997	1996	1995
Invoiced sales	**621**	643	523	475	508
Earnings after financial items	**15.5**	19.6	23.7	17.8	32.0
Balance sheet total	**300.4**	320.6	248.7	228.1	260.6
Total workforce	**306**	290	236	237	226

The above table is pro forma





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

During the last year, two minor companies in Finland were acquired: O-Teckno Oy and Filtercon Oy. As a result of these acquisitions, IP-Produkter's position was strengthened as a supplier to the after sales and service markets of the processing industry. In addition, EIE Maskin supplemented its product range within mechanical transmission by the acquisition of Precisions-Produkter AB in Gothenburg.

The refrigeration operations were sold early in the year in order for the company to be able to focus more closely on the remaining product areas.

Invoiced sales and earnings Invoiced sales in a comparable structure fell to MSEK 621 (643) and earnings were MSEK 15.5 (19.6) which also includes a capital gains item of MSEK 4.4 from real estate sales.

Contributory factors in the decline in earnings were the sluggish development trends on the company's major markets within the engineering industry and processing industry in Sweden and Finland, as well as problems in connection with the financial crisis in Russia.

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

The *Flow and Process Technology* product area markets products such as, pumps, filters, point robots and valves to the processing and pharmaceuticals industries.

The products in *Mechanical Transmission* are marketed essentially to the manufacturing industry in Finland, Norway and Sweden.

The *Hydraulics and Compressed Air* product area encompasses principally components for hydraulic and compressed air systems.

The *Environmental* area encompasses products such as cleaning equipment, welding gas extractors and high pressure cleaning units.

Within the product area *Vehicle Service Equipment*, the company sells a wide range of products to vehicle service centres, from car ramps to exhaust testers, often in the form of complete workshops.

Organisation AKA has subsidiaries or sales offices in Finland, Sweden, Norway, the Baltic States, and Russia. The larger subsidiaries are Oy Tecalemit Ab and IP-Produkter Oy in Finland, as well as EIE Maskin AB, AKA VVS AB and AKA Filter AB in Sweden.

Market The HEVAC components are distributed via wholesalers to installation firms, while the processing industry and manufacturing industry constitute key customer groups for hydraulic and compressed air components as well as for flow technology components. The main target groups for the vehicle service equipment area are motor vehicle importers and vehicle service stations in Finland, Russia and the Baltic States. The environmental products are primarily targeted at the engineering industry and automobile service stations.

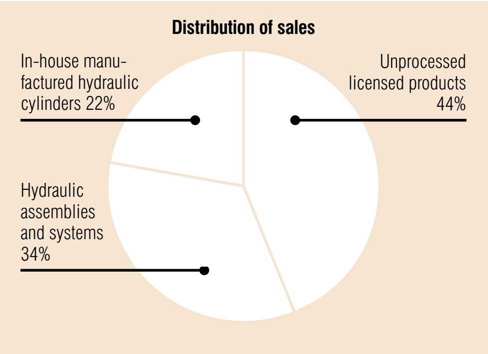
Competitors Within all product areas, the competition consist of local, often product-specific, small-scale niche oriented actors.

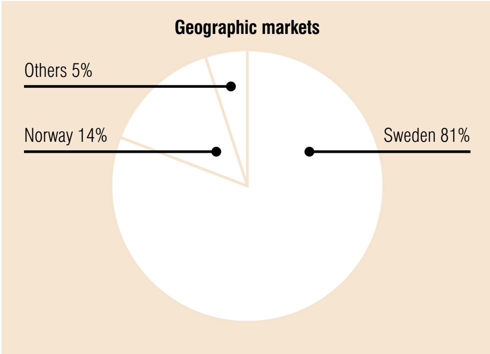
Growth and profitability improvements As a result of the previously mentioned acquisitions, turnover will increase by approx. MSEK 35 during 2000. In addition, several drives have been implemented to develop and expand service operations, among other things within Tecalemit whose service operations at present turn over approx. MSEK 30. A number of internal projects are under development and they are also expected to increase sales in the coming years.

In addition, measures were implemented in 1999 which are calculated to reduce the cost level by approx. MSEK 15.

Amounts in MSEK	**1999**	1998	1997	1996	1995
Invoiced sales	**533**	531	483	450	419
Earnings after finacial items	**26.2**	47.2	47.1	47.9	46.0
Balance sheet total	**307.5**	284.7	268.1	229.3	206.9
Total workforce	**372**	338	322	288	279

Dacke Hydraulik AB





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

The company sells in-house manufactured products and conducts agency operations for branded products, as well as service. As a result of the company's wide range of skills and exhaustive product programme, the production and sale of optimum system solutions is possible.

Östermo Mekaniska Verkstad in Vaggeryd was acquired in January 1999. The company produces hydraulic cylinders and fork units for trucks and was integrated during the year with Vaggeryds Hydraulik. As a result of the acquisition, the product range was broadened and competition possibilities were strengthened by the more efficient use of joint resources.

Invoiced sales and earnings Invoiced sales rose to MSEK 533 (531). In a comparable structure, invoiced sales fell by 6 per cent. The reason is to be found in a weaker economic climate and as a result lower demand. The decline in volume was, however, compensated by the acquisition of Östermo Mekaniska. Earnings amounted to MSEK 26.2 (47.2). The decline in earnings is largely attributable to the decline in invoiced sales.

Products Dacke Hydraulik's products consist of customised hydraulic cylinders and hydraulic systems.

This product range accounts for 56 per cent of sales. The company represents 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 four in Norway.

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

These companies cooperate in the product development area and on the production side with a view to optimising production resources.

Agency operations Gustaf Terling, Hydraul Syd, Hydraulik Leverantören, Sweden Hydro Tools, INAB and Hydronic are engineering companies with a high level of specialist skills. Within these companies, a large number of licensed products are 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. 19 per cent. In total the direct exports/overseas invoicing including indirect exports amount to approx. 50 per cent.

The market share within the company's niches is approx. 30 per cent and the company's customers are to be found within almost all types of operations.

Competitors Competitors are a few medium-sized companies and a number of small companies with niche-like production, licences and maintenance operations.

Growth and improvements to profitability The hydraulics sector is generally characterised by a low level of growth. As a result, the company's major growth has so far taken place and will continue to do so through acquisitions and geographic expansion, as well as by increased niche orientation. Out-sourcing of maintenance and technology development is seen as a considerable future potential for expansion.

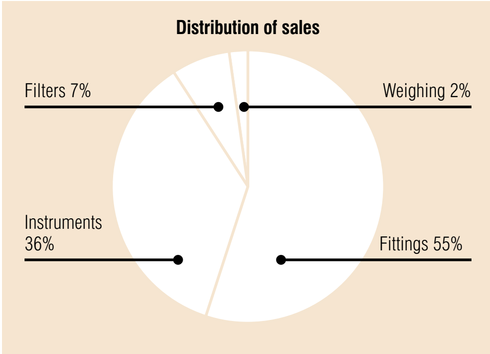
The basis in the company's strategy will continue in the future to lie in the development of competence and in-house skills. As a result, the company is in a position to assist customers in the form of a qualified problem solver and cooperation partner with the most optimum system solutions.

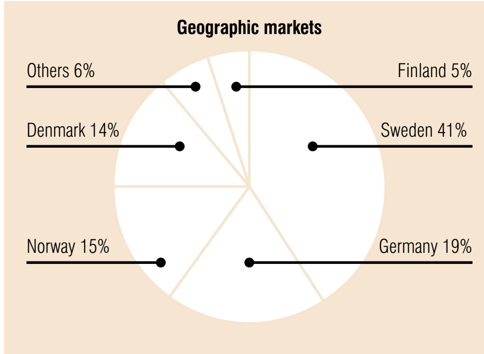
The export drives made by the company's manufacturing subsidiaries in recent years are now beginning to pay off.

Gustaf Fagerberg Holding AB

Amounts in MSEK	**1999**	1998	1997	1996	1995
Invoiced sales	**527**	554	487	459	484
Earnings after financial items	**20.4**	32.0	34.4	35.4	22.3
Balance sheet total	**298.1**	339.6	250.2	230.0	238.8
Total workforce	**352**	341	297	284	284

The above table is pro forma





The Fagerberg Group is one of Northern Europe's leading companies in automatic control engineering, with the sale of components and systems for flow control principally within 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. Fagerberg represents a large number of world-leading companies with agency licences and distribution operations which account for approx. 60 per cent of the total business. The remaining portion of operations consists of in-house manufactured products. During the year, the Danish instrument distribution firm Mobro Instrumentering A/S was acquired and integrated in Gustaf Fagerberg A/S. As a result of this acquisition, Fagerberg's position in the measurement instrument area in Denmark has been strengthened.

Invoiced sales and earnings Invoiced sales fell during 1999 to MSEK 527 (554), as a result of lower demand in the Nordic processing industry. Earnings declined during the year to MSEK 20.4 (32.0) primarily because of the reduced volume and restructuring costs which were absorbed in several of the subsidiaries.

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 and screens for liquid filtration, such as bag filters, magnetic filters, cartridge filters and self-cleaning filter
- Weighing and metering systems

Organisation Operations are conducted in nine wholly-owned subsidiaries and are divided into two business areas.

Trade/flow engineering The four companies included in this business are geared to licensed agency and distribution operations of components for the control of flows within the processing industry. The companies are:

- Gustaf Fagerberg AB in Gothenburg
- Gustaf Fagerberg A/S in Copenhagen
- Fagerberg Norge a.s. in Moss
- Oy Fagerberg Processarmatur AB in Helsinki

Specialist companies These companies 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 precision engineering company which develops and manufactures temperature indicators for temperature measurement in close cooperation with its customers. The company is market leader in Sweden and has every potential to expand on the Northern European market.
- Teck Instrument AS is the predominant manufacturer of temperature indicators in Norway.
- Roto-Sieve Filter AB develops and manufactures filters and screens for both the processing industry and municipal waterworks. The company is active on the entire European market.
- GEFA Processtechnik GmbH in Dortmund, Germany, markets in-house manufactured valves and auxiliary components, principally to the European processing industry.

Market Sales take place essentially to end-customers within the Nordic and Central European processing industries and to OEM manufacturers. The end-customers are to be found within the paper and cellulose industry, the chemical industry, the petrochemical industry, the power industry, the heating industry, steel mills and also the food and pharmaceuticals industries. Sales within the Nordic countries consist to 75 per cent of products from overseas suppliers. Fagerberg is often the market leader in the Nordic countries, within its product segment and has market shares of more than 20 per cent.

Competitors Competitors are most generally local distributors of competing makes. To some degree, competition also consists of major manufacturing corporations. This primarily occurs within the area of measurement instruments.

Growth and profitability improvement measures Since demand for the Fagerberg Group's products was lower during 1999, the short term strategy focused on cost cutting, where a large number of measures have been implemented during the year. During 2000, the possibility of organic growth and by additional acquisitions is once again expected to increase.

Hydraul Syd has delivered the hydraulics system for Swedish Railtrack's new locomotive which is built by Kockums Industrier

Niche Manufacturing

GISLAVED GUMMI AB

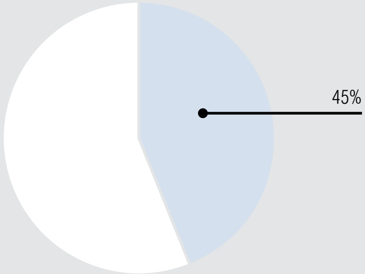
JOHNSON INDUSTRIES AB

MOTECO AB

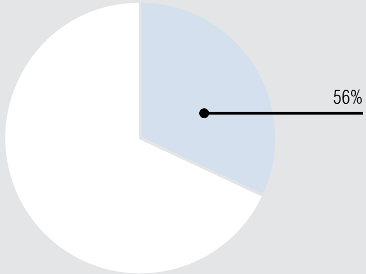
SWEPART AB

Top row: Lars Olofsson Gislaved Gummi AB, Sture Bengtsson Johnson Industries AB, Morten Smedstad Moteco AB
Bottom row: Torbjörn Wistrand SwePart AB

Proportion of Group Invoicing



Proportion of Subsidiaries Total earnings



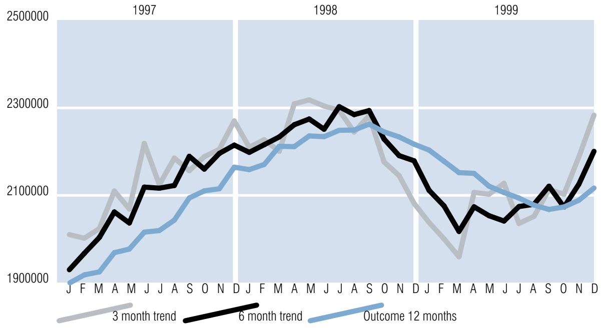
Amounts in MSEK	**1999**	1998	1997	1996	1995
Invoiced sales	**2 094**	2 121	1 698	1 541	1 523
Earnings after financial items	**102.2**	185.5	181.0	177.1	200.7
Balance sheet total	**1 607**	1 608	1 250	1 126	1 139
Return on capital employed (%)	**11.8**	21.6	23.3	24.3	30.5
Total workforce	**2 451**	2 235	1 697	1 599	1 547

The above table is pro forma

The Niche Manufacturing business area comprises four companies: Gislaved Gummi AB, Johnson Industries AB, Moteco AB and SwePart AB.

All companies work exclusively with industrial customers and generally enjoy strong market positions in their respective niches.

Inflow of orders



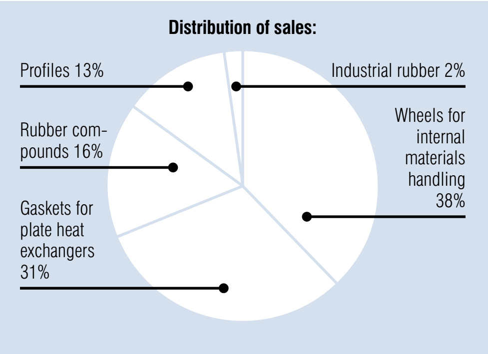
The products are either in-house manufactured or produced in close cooperation with customers. The growing trend towards out-sourcing gives these companies a progressively increasing market potential.

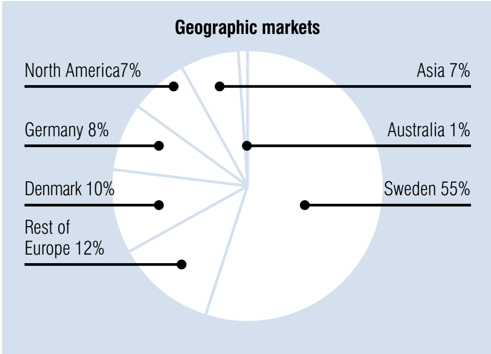
The products consist, among other things, of gaskets for plate heat exchangers and special wheels (Gislaved), sliding bearings, cage rings and polished and pre-processed special steel (Johnson), tools and transmission products (SwePart) and antennas for wireless communication principally within mobile telephones (Moteco).

During the year, both product and process development rate have increased in this field of operations. Several new in-house products have been launched by, among others, Moteco and the SwePart Group. The process development drive has involved shorter lead times, improved product quality and higher efficiency as a result of new flows and investment in machines.

Gislaved Gummi AB

Amounts in MSEK	**1999**	1998	1997	1996	1995
Invoiced sales	**415**	403	344	305	293
Earnings after financial items	**42.9**	41.0	37.2	41.3	49.3
Balance sheet total	**339.0**	402.7	231.0	199.9	180.3
Total workforce	**827**	616	337	318	320





Gislaved Gummi is a qualified producer of polymer products. The company develops, manufacturers and markets its products within five product areas:

Gaskets for plate heat exchangers, Wheels for internal materials handling, Profiles, Compounds and Industrial rubber.

The company's strategy during the 90s has been to focus on niche products within the polymer sector. This choice has proved to be highly successful. The strategy of focusing on niche areas thereby remains in place.

Drives on international expansion have been given priority.

Invoiced sales and earnings Invoiced sales rose to MSEK 415 (403). The demand situation was weak during the first quarter of the year. During the second half of the year, demand and outgoing invoicing were on a high level. This has resulted in the year's volume taken as a whole slightly exceeding the figures for the previous year. Earnings after financial items amounted to MSEK 42.9 (41.0).

Organisation and products Gislaved Gummi operates within five product areas:

- *Gaskets for plate heat exchangers*. The company holds a world-wide market leading position. Production takes place in Gislaved and at the subsidiary company EEC in Sri Lanka.
- *Wheels for internal materials handling*. Production is in the subsidiary Stellana AB in Laxå, and at EEC in Sri Lanka. The product range includes wheels of rubber, polyamide and polyurethane. The major customer groups are manufacturers of trucks, fork lift trucks and linkage wheel companies.
- *Profiles*. The products are manufactured in Gislaved essentially for the Northern European market. The product range encompasses, in addition to windows and door seals, also customised products for industrial customers.
- *Rubber compounds*. The compounds for external customers, in which the company has a powerful position in the Nordic region, are produced in Gislaved. Production takes place in two separate mixers and, in addition to the pure production of compounds, Gislaved continuously provides material development of the product to meet customer requirements.
- *Industrial rubber*. This product area is new to the group and was added via the acquisition of EEC in Sri Lanka. Exports take place to customers in Europe, within this area where EEC can more than hold its own from the point of view of competition.

Market Customers largely consist of industrial OEM manufacturers. Most of these are major international corporations. Sales outside Sweden amount to 47 per cent, of which the major proportion goes to Europe.

During 1999, activities for sale via distributors were begun in the area of Wheels for internal materials handling.

The company's own sales organisation is in Gislaved and Laxå. In addition, there is a sales office in Germany. EEC deals with its own customers in Asia.

Competitors consist largely of international corporations.

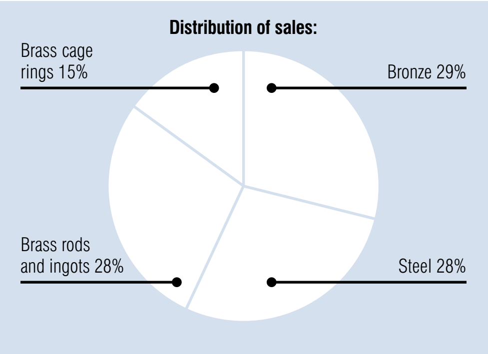
Growth and improvement measures During the year, a number of activities have been launched for long term strengthening competitiveness and growth:

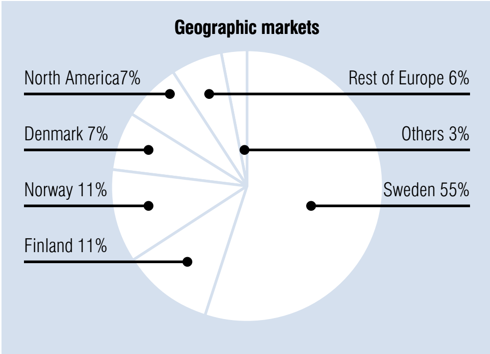
- Increased market focusing
- Flow orientation of the organisation in Gislaved
- Recruitment and rejuvenation of the white collar worker organisation in Gislaved
- Considerable staff cut-backs and efficiency improvement measures in EEC and Stellana
- Activities aimed at finding suitable acquisition/cooperation partners

Amounts in MSEK	**1999**	1998	1997	1996	1995
Invoiced sales	**900**	919	717	702	720
Earnings after financial items	**36.2**	74.0	64.6	68.5	89.1
Balance sheet total	**656.2**	589.0	449.5	418.9	434.3
Total workforce	**757**	731	645	658	639

The above table is pro forma (Nordic Brass not included 1995-1997)

Johnson Industries AB





Johnson Industries AB is a group which is specialised in the refinement of steel and metals within niches possessing a high level of profitability potential and with the engineering industry as customers. Above all during the first half of 1999, the lower demand for the company's products as a result of the economic downturn negatively affected both volumes and profitability. However, the economic climate has steadily improved since the late autumn of 1999. During the year, C-B Agentur AB was acquired and Eurosteel International AB was acquired early in 2000..

Invoiced sales and earnings Invoiced sales amounted during the year to MSEK 900 (919). In a comparable structure, invoiced sales declined by 15 per cent.

Earnings after financial items amounted to MSEK 36.2 (74.0).

Organisation and products Operations are conducted within four business areas, each one having the objective to achieve a leading position within its market niche.

- *The Bronze Products Business Area* – Johnson Metall AB is the Nordic region's largest producer of plane bearings, blanks for plane bearings and processed parts in bronze. The company has manufacturing units in Sweden, Finland, as well as sales companies in Denmark and Norway.
- *The Ball Bearing Components Business Area* – Johnson Metall Bearing Components AS is the largest supplier in Europe and the USA of processed brass cage rings to the ball bearing industry. Cage rings are used to separate the balls in a ball bearing. The company has manufacturing units in Norway and the United States.
- *The Brass Products Business Area* – Nordic Brass AB is the Nordic region's leading manufacturers of brass products in the form of rods for processing, profiles and ingots for remelting and casting. The company's production is located in Västerås.
- *The Steel Products Business Area* – Nybro Stålprodukter AB is one of the Nordic region's leading suppliers of polished and pre-processed steel. Production is located in Nybro with own local sales companies in Sweden and Norway. Centrostål AB is a trading company oriented towards special steel products.

Market In the Nordic region, the majority of the business areas have achieved a leading position. For ball bearing components, the company is world leader. Johnson Metall' s customers are the engineering industry, the shipbuilding industry and off-shore in Norway. Johnson Metall is the market leader in the Nordic region. Johnson Metall Bearing Components' customers are ball bearing manufacturers such as SKF, FAG and Torrington. The company is the market leader in Europe and the United States.

The typical customer for Nordic Brass is most generally a subcontract supplier of components for larger systems, such as vehicles, telecommunications, electric power supply, valves, couplings and water mixers. Nordic Brass is the market leader in the Nordic region.

Nybro Stålprodukter's customers are essentially toolmakers and machine constructors. Centrostål's customers are to be found within the engineering industry. Moreover, the company supplies to a few wholesalers. Within the segment for pre-processed steel for toolmakers, Nybro has a leading position in the Nordic region.

Competition principally comes from a number of small firms, and that customers select to refine products themselves.

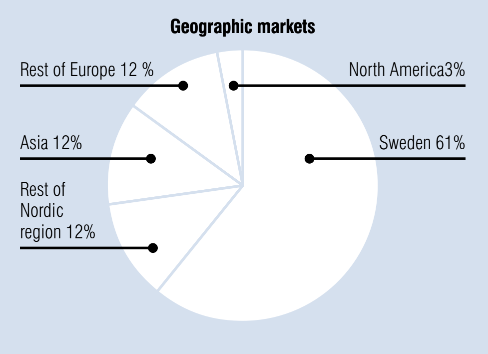
Growth and development The market for the company's products within the engineering industry may be assessed as mature. At the same time, a number of clear trends can be discerned:

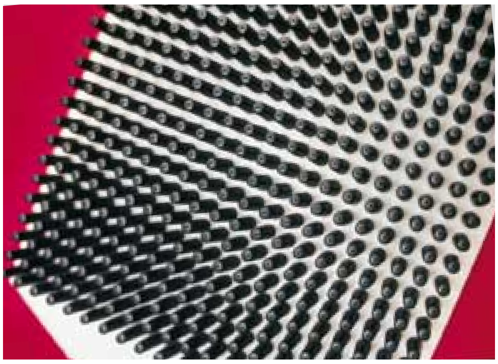
- Out-sourcing. Among customers, there is a clear trend to focus on the core business and to out-source a major part of refining to subcontract suppliers. In particular the ball bearing industry works in this manner. Johnson Industries plays an active part in this restructuring.
- E-commerce of steel and metals is expected to increase since metal products are relatively standardised and given that e-commerce between companies is increasing substantially. Johnson Industries is reviewing the possibilities in this segment.
- Lead times. All companies manage internal projects with an objective of further improving lead times and delivery reliability and making this a reason to select the company as supplier.

The economic climate for bronze products is assessed as progressively improving during the year from a trough at the end of 1999. Demand for ball bearing components has strengthened gradually and, together with increased out-sourcing on the part of customers, this is expected to lead to increasing volumes.

Amounts in MSEK	**1999**	1998	1997	1996	1995
Invoiced sales	**216**	252	189	128	105
Earnings after financial items	**0.6**	40.0	58.2	49.3	43.2
Balance sheet total	**141.3**	157.8	123.4	101.9	77.3
Total workforce	**282**	275	197	97	68

Moteco AB





Moteco develops, markets and manufactures antennas and antenna systems for mobile telephones. The company is one of the leading players on the world market.

During the year, new product concepts have been produced for both mobile telephones and within the region of the future – Bluetooth. The manufacturing company in China is developing well and utilisation of capacity has progressively increased. New Chinese manufacturers, as well as several new mobile telephone manufacturers on the rest of the world market have been linked to the company as customers. At the turn of the year, establishment for manufacturing of terminal antennas in Malaysia was commenced.

Otherwise, the year has largely been characterised by consolidation and restructuring.

Invoiced sales and earnings Invoiced sales amounted to MSEK 216 (252) and earnings after financial items to MSEK 0.6 (40.0). The decline is attributable to an unfavourable product mix, pressure on prices and lower volumes than calculated to the major customers. Problems on the start-up of automation equipment have entailed considerably higher personnel costs and product rejects than calculated, which has negatively affected earnings. The earnings outcome also includes considerable inputs within research and development.

Products The company has a blanket product programme of antennas for all types of mobile telephones, as well as antennas for Bluetooth applications. The product range will increase and product service life will decrease, with the result that model changes will be at steadily shorter intervals. Moteco is in the process of adapting to this market situation by shortening lead times within all functions and the introduction of flexible production equipment.

Organisation Moteco's main plant for production is in Ruda, with functions such as process development, project management and product evolution. Research and development is located in Lund, where the concept and prototype development also take place. This function is in a period of powerful growth, with continued build-up of resources.

The market function has been reinforced during the year. The Swedish unit has responsibility for Europe, while the China unit is essentially responsible for Asia. The marketing company in North Carolina is responsible for the US market.

A the end of the year, the workforce in Sweden was 45 per cent lower than in January 1999. On the other hand, the workforce in China increased from approximately 20 to 100. In August, a new CEO took up his post

Market The company's major customers, such as Ericsson, Philips and Siemens are predominant, Ericsson being the largest single customer. More than 90 per cent of production reaches end users on overseas markets.

A new product programme is in the process of being developed for the rapidly growing Bluetooth market.

Competitors consist principally of Allgon – Sweden, Galtronics – Israel, Centurion – USA and LK-Products – Finland.

Growth and development This sector is still in the process of powerful growth and no change in the growth rate is expected for the next few years. As a result of the establishment in China and the new corporate establishment in Malaysia, the foundation has been laid for continued growth in Asia and thereby increased market shares. Two new delivery agreements have been signed in China of major importance for the future.

Moteco's position is strongest in Europe, where continued healthy growth is to be expected.

As a result of the company's establishment the United States, the preconditions are in place for participating in the growth on the US market.

Very large resources have been ploughed into the development side, both in product development and in production development, above all in respect of new, flexible production processes, systems for more efficient product development and project processing with a view to meeting the growing demands of the market.

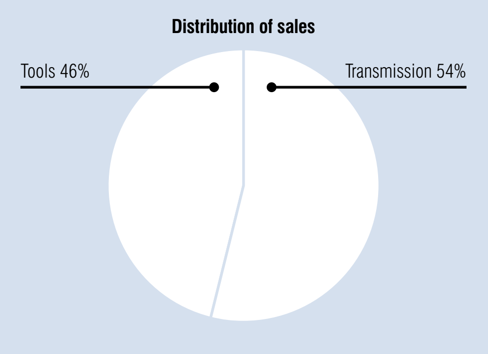
Within research and development, both considerable know-how and concrete products have been developed in the Bluetooth sector. Moteco will be concentrating intensively within this area.

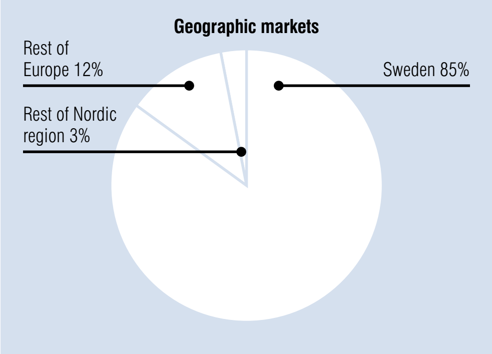
Growth in this sector of industry will be very strong in the future. For Moteco, 1999 was a year of consolidation, and considerable effort has been devoted to strengthening the company in terms of resources and skills. In addition, a solid platform has been created in the Bluetooth area.

Amounts in MSEK	**1999**	1998	1997	1996	1995
Invoiced sales	**563**	547	448	406	405
Earnings after financial items	**33.4**	41.5	32.2	29.2	30.4
Balance sheet total	**470.6**	458.7	446.3	405.4	447.5
Total workforce	**585**	613	518	526	520

The above table is pro forma

SwePart AB





SwePart AB develops, manufactures and markets components and tools for the manufacturing industry. The company is organised in two product groups – Transmission and Tools.

The Tools Group made an international breakthrough during the year when key orders were signed with German and British customers within the automotive and white goods industries. SwePart's Tools Group is the market leader in Sweden.

The Transmission Group has developed at the same rate as its major customers which are principally the heavy-duty vehicle industry. Further restructuring measures have been implemented in order to increase competitiveness.

EBP, which manufactures body parts for the after sales market, has completed a major investment programme in a new paint plant which was made operational with great success.

Invoiced sales and earnings Invoiced sales rose in a comparable structure to MSEK 563 (547) and earnings after financial items amounted to MSEK 33.4 (41.5).

During the year, the Tools Group has signed several key new export orders for the automotive and white goods industries. By increased cooperation both internally within the Tools Group and in collaboration with external subcontract suppliers, orders have been signed for complete tool packages. Previously, operations were largely geared to single piece manufacture.

The customers of the Transmission Group which are essentially to be found within the heavy-duty vehicle industry have developed somewhat less positively than expected, which has negatively affected earnings. A large-scale restructuring programme has been completed in Tidamek and SwePart Transmission, which is expected in the long term to have a favourable effect on earnings.

Product groups and products The Tools Group is Sweden's largest independent player in this area. The products are press tools, punching tools, as well as jigs and fixtures. The business concept involves, in addition to manufacture, also product inspection, tool preparation, testing and sampling. Resources are in place for testing and zero-series manufacture. The companies assume responsibility from design to finished product.

The product portfolio of the Transmission Group includes products such as gear wheels, gear racks, in-house designed steering adjustment, systems such as gearboxes, jacks and drive shafts. The products are both customised and standardised. A shift has taken place in a direction towards increasingly customised products with higher quality requirements.

Markets The customers of the Tools Group are the international automotive and white goods industries, as well as the Swedish engineering industry. Orders for all-in tool packages to the automotive industry are often delivered in cooperation with other major toolmakers.

Competitors are above all to be found in Germany, Spain and Portugal, as well as a number of small, local manufacturers in Sweden.

The customers of the Transmission Group are essentially the heavy-duty vehicle industry, as well as the Swedish exporting engineering industry. In general, these companies are moving towards becoming system suppliers. The companies have their own resources for designing and developing in-house products or producing products together with their customers. Competitors are, for example, Finnveden, JOT, Benzlers and Albin.

Organisation As a result of the market's growing demands on high quality performance and development capacity, a continued build-up of resources and skills has taken place in the companies, as well as, in certain cases, streamlining and restructuring. A number of common resources are now used for development, purchase and marketing.

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

The Transmission Group includes Tidamek AB, SwePart Transmission AB and Swedrive AB.

Growth and profitability improvement The commitment of the Tools Group to certain export segments has proved to be highly successful. New key customer contacts have been made and transactions have been completed in both Germany and the United Kingdom. This has been a vital stage in growth strategy. EBP's new paint plant is expected during the year to give additional volumes and increased value added.

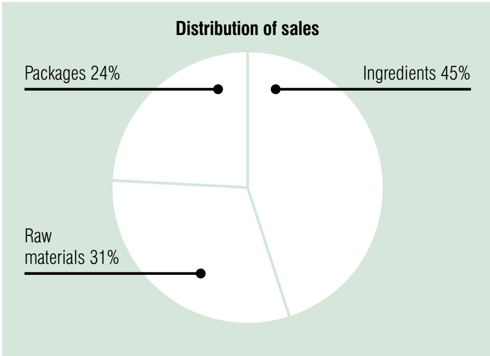
The Transmission Group has continued its investments to increase competitiveness in the demanding vehicle segment. Key agreements have been sighed as regards out-sourcing from the vehicle side of major importance for continued growth in the companies.

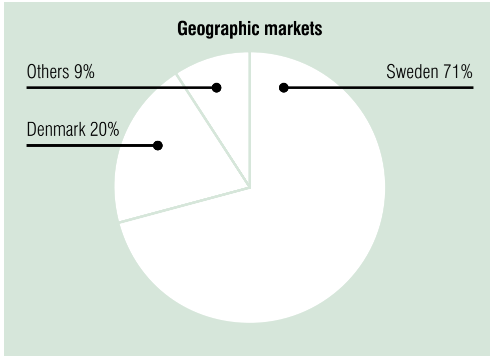
The order book is very strong at the beginning of 2000 and the inflow of orders has shown a steeply rising trend since the second half of 1999.

Amounts in MSEK	**1999**	1998	1997	1996	1995
Invoiced sales	**837**	698	430	331	324
Earnings after financial items	**4.0**	6.5	5.9	7.7	9.9
Balance sheet total	**300**	318	181	93	87
Return on capital employed (%)	**6.0**	10.4	10.2	20.0	29.1
Total workforce	**104**	87	56	42	35

Norfoods

Anders Brantberg Norfoods





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. Customers are offered a concept where the Group's purchasing experience, agencies, as well as logistics and product/environmental skills are placed at the customers' disposal in a concerted concept. An increasing number of the company's customers also operate with the whole of the Nordic region as a market. At the same time, the food industry uses a growing number of raw materials and ingredients which must be procured from many quarters in the world. In this context, Norfoods has a well-established network of qualified suppliers.

Invoiced sales and earnings Invoiced sales rose to MSEK 837 (698) and earnings fell to MSEK 4.0 (6.5). The measures implemented in recent years for improving efficiency and cutting costs have resulted in improved profitability in the Swedish companies. Profitability in the Danish company is still low, much because of falling prices and a considerable loss in the Polish subsidiary. This company was sold as of 31 December 1999.

Products The company conducts its operations within three product 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, deep-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).

During the year, the company has increased operations considerably within the areas of packing, bottling and mixing. In addition, an increased input has been made on sales in the form of customised mixtures and packages.

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 rented store functions in Jutland.

As of 1 January 2000, all subsidiaries operate using the same administrative system, which is expected to give additional synergy effects and consequential cost savings.

Market In general, the company's volumes have increased while average prices have fallen. The reason for this is that the concentration process in both the retail trade segment and in the food producer segment has resulted in a price-depressing effect which is expected to continue.

The market is principally Sweden and Denmark. Other markets account for 5 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 wholesalers. 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 on the national plane 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, Contifood and Engelhardt. On the packaging side, the competition essentially consists of Nordic oligopolies with their own production, as well as importers.

Growth and improvement measures The company continues to deepen its cooperation with key main suppliers in order to reach increased markets in the Nordic region and to achieve synergy effects between the companies included. On the materials side, synergy effects are also expected to be achieved. Simpler production will, to a limited extent, supplement operations. During the year, Fredrikssons has sold its property and moved to premises in direct connection with Lundbergs, which entails that both of the companies can utilise common resources for financing, reception/switchboard, IT/computers etc.

The Norfoods Group was formed as of 1 January 1999. The first year of operations has been characterised by restructuring, cost-adaptation and the creation of a common administrative system for the three units included in the Group. During 2000, the focus will be turned on developing the Group into becoming a supplier with increased value added in the form of taking care of an increased proportion of customers' purchases, warehousing/logistics and product and environmental supervision.

Other Ownership Holdings


In addition to the wholly owned companies in the Hexagon Group's three business areas, VBG AB (publ) is also included as an affiliate. Hexagon's ownership proportion amounted at 31 December 1999 to 48.6 per cent of the capital and 41.9 per cent of the votes.

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

Invoiced sales and earnings Invoiced sales rose to MSEK 615 (607). Earnings after financial items amounted to MSEK 60.3 (50.4).

Products Operations are split into two business areas:

- The business area *Heavy-duty vehicle equipment* consists of the product areas trailer couplings, curb rings and other heavy-duty vehicle equipment (slip protection, load platform posts and other accessories).
- The business area *Machine parts* supplies above all shaft couplings and ring springs to machine manufacturers and high-tech companies.

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 manufactured in Krefeld, Germany, while the completely new plant in Lowton UK develops and manufactures curb rings for tractor vehicles for semi-trailers.

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

During 1999, the VBG Group had an average workforce of 395 (422) of whom 148 (142) in Sweden.

Market The products are sold globally under the trademarks VBG (coupling equipment and curb rings), Onspot (slip protection), Armaton (load platform posts) and Ringfeder (trailer couplings, machine parts).

The key markets for trailer couplings are the Nordic countries, Germany, the Benelux countries 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, the Nordic countries, France and the Benelux countries. For machine parts, Germany, the United Kingdom, the United States and Japan 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, user-friendliness, system deliveries 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.

Board of Directors






Melker Schörling Chairman
Born 1947, Board Member since 1999.
Commissions include: Board Chairman in Securitas AB and TeleLarm Care AB. Deputy Chairman in Assa Abloy AB. Board Member of Cardo AB, Hennes & Mauritz AB, Skandia AB and the Swedish Federation of Industry.
Shareholding in Hexagon: 840,000 series A shares and 1,353,242 series B shares through company.

Börje Andersson President and CEO.
Born 1950, Board Member since 1993.
Commissions include: Chairman of VBG Produkter AB (publ), Board Member of Dacke Hydraulik AB, Moteco AB, Norfoods AB and Svedbergs i Dalstorp AB (publ).
Shareholding in Hexagon: 110,000 series B shares. Synthetic warrants: 40,000.

Sven Ohlsson
Born 1944, Board Member since 1993.
Commissions include: Chairman of Hardford & Schtoff AB, IVT AB and Roxx Com. Group AB. Board Member of Esselte AB (publ) and Munters AB (publ).
Shareholding in Hexagon: 25,233 series B shares.

Maths O Sundqvist Deputy Chairman.
Born 1950, Board Member since 1991.
Commissions include: Board Member of Fischer & Partners Fondkommission AB and Länsförsäkringar Wasa Liv AB.
Shareholding in Hexagon: 1,865,000 series B shares privately and through company.

Hans Nergårdh
Born 1934, Board Member since 1993.
Commissions include: Chairman of Gislaved Gummi AB, Johnson Industries AB, Persona Consulting AB, Schneidler-Företagen AB, and Anders Diös AB. Board Member of FPG AMFK Kreditdelegationen, Fylkinvest AB, Kami Forskningsstiftelse, and Nordbanken Stockholm region.
Shareholding in Hexagon: 10,800 series B shares.

Carl-Henric Svanberg
Born 1952, Board Member since 1999.
Commissions include: President and CEO of Assa Abloy AB.
Shareholding in Hexagon: 60,000 series B shares, through company.

Group Management and Auditors

Börje Andersson
Employed in Hexagon since 1993. Born 1950.
President and CEO.
Shareholding in Hexagon: 110,000 series B shares. Synthetic warrants: 40,000.

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.

Per-Olof Borggren
Employed in Hexagon since 1993. Born 1950.
Head of Corporate Finance.
Shareholding in Hexagon: 20,000 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

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.

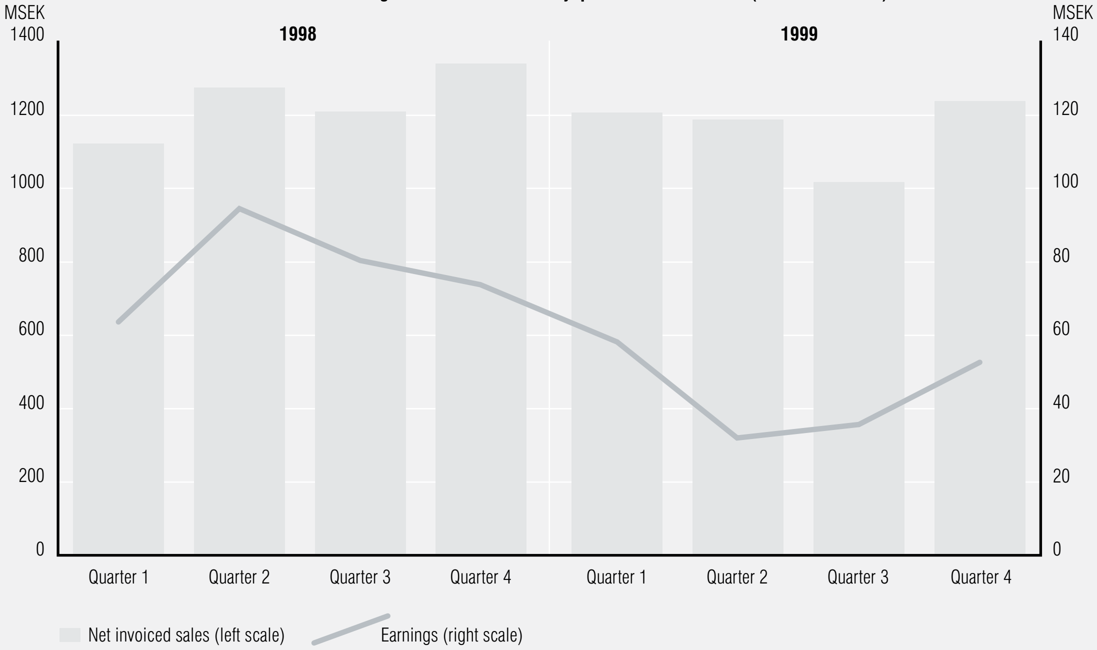
Hexagon in figures

1999

CONSOLIDATED INCOME STATEMENT

(TSEK)		Note	1999	1998
Net Turnover		1	4 667 231	4 946 410
Expenses for products sold		4,6	- 3 713 215	- 3 829 776
Gross earnings			**954 016**	**1 116 634**
Sales expenses		4,6	- 456 385	- 468 474
Administration costs		4,6,12	- 320 301	- 309 731
R&D costs		4,6	- 23 696	- 27 193
Other operating incomes			36 490	25 976
Other operating expenses		6	- 21 567	- 24 645
Share of earnings in affiliates		11	25 812	20 420
Earnings from share in Group companies		5	14 927	- 422
Operating earnings			**209 296**	**332 565**
Earnings from financial investments	Earnings from other securities	7	6 893	19 145
	Other interest incomes	7	9 637	9 739
	Other financial incomes	7	3 606	7 367
	Interest expense	7	- 43 474	- 47 707
	Other financial costs	7	- 6 974	- 8 518
Pre-tax earnings			**178 984**	**312 591**
Tax on earnings for the year		8	- 50 064	- 106 198
Minority shares in year’s earnings			- 1 531	- 1 874
Net income			**127 389**	**204 519**
Earnings per share after full tax			**8.61**	**13.83**

Invoiced sales and earnings after financial items by quarter 1998 and 1999 (See also Note 20)



CONSOLIDATED BALANCE SHEET

(TSEK)		Note	1999	1998
ASSETS				
Fixed assets				
Intangible fixed assets	Balanced expenses for computer programme	9	5 129	882
	Patents and Trademarks	9	3 357	3 324
	Goodwill	9	320 992	383 889
Total intangible fixed assets			329 478	388 095
Material fixed assets	Buildings	9	309 456	317 327
	Land and other real estate	9	35 450	35 671
	Machines and other technical plants	9	446 875	401 606
	Equipment, tools and installations	9	123 596	130 675
	Ongoing new installations and advances to suppliers	9	16 653	27 637
Total material fixed assets			932 030	912 916
Financial fixed assets	Shares in affiliated companies	10,11	160 475	143 456
	Other long-term securities holdings	10	14 105	16 204
	Other long-term receivables	10	13 812	7 490
Total financial fixed assets			188 392	167 150
Total fixed assets			**1 449 900**	**1 468 161**
Current assets				
Inventories	Raw materials and requisites		171 925	171 863
	Goods under production		112 222	107 541
	Finished goods and commodities		445 619	571 417
Total inventories			729 766	850 821
Short-term receivables	Accounts receivable		643 902	694 181
	Receivables from affiliates		220	341
	Other receivables		46 205	24 651
	Prepaid expenses and accrued incomes	13	42 539	46 344
Total short-term receivables			732 866	765 517
Short-term investments			7 849	15 276
Cash and bank balances			99 164	194 599
Total current assets			**1 569 645**	**1 826 213**
Total assets			**3 019 545**	**3 294 374**

(TSEK)		Note	1999	1998
SHAREHOLDERS' EQUITY, ALLOCATIONS AND LIABILITIES				
Shareholders' equity		14		
Restricted shareholders' equity	Share capital		147 932	147 932
	Restricted reserves		520 650	508 416
Total restricted shareholders' equity			668 582	656 348
Unrestricted shareholders' equity	Unrestricted reserves		602 927	496 711
	Net income		127 389	204 519
Total unrestricted shareholders' equity			730 316	701 230
Total shareholders' equity			**1 398 898**	**1 357 578**
Allocations	Allocations for pensions		84 847	83 298
	Allocations for taxes		121 191	185 282
	Other allocations	16	2 644	3 454
Total allocations			**208 682**	**272 034**
Minority interest			**9 686**	**9 267**
Long-term liabilities	Overdraft facility	17	44 883	61 945
	Loans	17	492 647	679 167
	Other long-term liabilities		3 888	6 262
Total long-term liabilities			**541 418**	**747 374**
Short-term liabilities	Loans	17	135 606	131 933
	Advances from customers		20 808	14 677
	Accounts payable		360 432	398 149
	Tax liability		-	9 740
	Other liabilities		101 718	116 261
	Accrued costs and prepaid incomes	13	242 297	237 361
Total short-term liabilities			**860 861**	**908 121**
Total shareholders' equity, allocations and liabilities			**3 019 545**	**3 294 374**
MEMORANDUM ITEMS		18,19		
Securities pledged			132 537	175 202
Contingent liabilities			10 391	14 752

CONSOLIDATED CASH FLOW ANALYSIS

(TSEK)		1999	1998
Cash flow from normal operations	Net invoiced sales	4 667 231	4 946 410
	Operating expenses	- 4 498 674	- 4 633 843
	Operating earnings	**168 557**	**312 567**
	Adjustment for items in operating earnings not affecting cash flow		
	Depreciations	190 082	180 581
	Allocations	831	4 307
	Capital gains on disposal of fixed assets	- 7 529	- 2 212
	Interest received	9 467	9 634
	Dividend received	4 103	4 001
	Interest paid	- 42 762	- 46 042
	Other financial incomes/expenses	- 3 368	- 1 099
	Tax paid	- 78 342	- 98 029
	Cash flow from normal operations before changes in working capital	**241 039**	**363 708**
	Change in inventories and ongoing work	28 704	- 72 960
	Change in current receivables	23 539	798
	Change in current liabilities	48 215	- 74 291
	Cash flow from changes in working capital	**100 458**	**- 146 453**
	Cash flow from normal operations	**341 497**	**217 255**
Cash flow from ordinary investment operations	Investments in intangible fixed assets	- 6 347	- 651
	Investments in material fixed assets	- 206 097	- 209 411
	Sale of material fixed assets	42 847	10 282
	Cash flow from ordinary investment operations	**-169 597**	**- 199 780**
	Operative cash flow	**171 900**	**17 475**
Cash flow from other investment operations	Net assets in acquired subsidiaries	- 160 566	- 218 414
	Net assets in subsidiaries disposed of	81 840	65 220
	Investments in financial fixed assets	- 9 530	- 13 748
	Sale of financial fixed assets	7 140	22 048
	Dividend	1 500	1 193
	Cash flow from other investment operations	**- 79 616**	**- 143 701**
Cash flow from financial operations	Borrowing	-	184 472
	Amortisation	- 121 181	-
	Dividend to shareholders	- 73 965	- 73 995
	Cash flow from financial operations	**- 195 146**	**110 477**
	Year's cash flow	**- 102 862**	**- 15 749**
	Liquid funds at 1 January	**209 875**	**225 624**
	Effects of translation differences on liquid funds	- 3 023	2 327
	Change in liquid funds excluding translation differences	- 99 839	- 18 076
	Liquid funds at 31 December	**107 013**	**209 875**
	Net debt		
	Interest bearing allocations and liabilities	758 817	957 874
	Liquid funds	- 107 013	- 209 875
	Net debt	**651 804**	**747 999**

PARENT COMPANY INCOME STATEMENT

(TSEK)		Note	1999	1998
Net Turnover		2	8 967	10 012
Operating expenses	Administration costs	4,6,12	- 30 057	- 29 546
	Outcome synthetic warrants	4	2 950	10 919
	Total operating expenses		- 27 107	- 18 627
Operating income			**- 18 140**	**- 8 615**
Earnings from financial investments	Earnings from share in Group companies	7	162 290	352 932
	Earnings from share in affiliates	7	4 069	3 851
	Earnings from other securities	7	-	1 775
	Other interest incomes	7	27 877	22 416
	Other financial incomes	7	8 549	-
	Interest expense	7	- 40 138	- 40 986
	Other financial costs	7	- 3 223	- 12 548
Earnings before allocations and taxes			**141 284**	**318 825**
Allocations	Change in capital-based reserve		2 789	2 789
	Change in period-based reserve		- 9 950	- 30 110
	Difference between book depreciation and scheduled depreciation		18	322
	Total allocations		- 7 143	- 26 999
Pre-tax earnings			**134 141**	**291 826**
Tax on earnings for the year		8	- 15 497	- 35 707
Net income			**118 644**	**256 119**

PARENT COMPANY BALANCE SHEET

(TSEK)		**Note**	**1999**	1998
ASSETS				
Fixed assets				
Intangible fixed assets	Patents and Trademarks	9	1 300	2 600
Material fixed assets	Equipment	9	435	555
Financial fixed assets	Shares in Group companies	10	1 247 560	1 391 100
	Receivables from Group companies	10	268 282	381 342
	Shares in affiliates	10,11	94 861	88 225
Total financial fixed assets			1 610 703	1 860 667
Total fixed assets			**1 612 438**	**1 863 822**
Current assets				
Short-term receivables	Accounts receivable		-	43
	Receivables from Group companies		531 613	283 543
	Tax liability		8 719	-
	Other receivables		682	359
	Prepaid expenses and accrued incomes	13	4 028	7 548
Total short-term receivables			545 042	291 493
Cash and bank balances			24 690	85 498
Total current assets			**569 732**	**376 991**
Total assets			**2 182 170**	**2 240 813**

(TSEK)		Note	1999	1998
SHAREHOLDERS' EQUITY, ALLOCATIONS AND LIABILITIES				
Shareholders' equity		14		
Restricted shareholders' equity	Share capital		147 932	147 932
	Share premium fund		127 543	127 543
	Premium reserve		220 381	220 381
Total restricted shareholders' equity			495 856	495 856
Unrestricted shareholders' equity	Profit/Loss carried forward		513 590	342 239
	Net income		118 644	256 119
Total unrestricted shareholders' equity			632 234	598 358
Total shareholders' equity			**1 128 090**	**1 094 214**
Untaxed reserves	Unscheduled depreciation		-	18
	Capital-based reserve		2 790	5 579
	Period-based reserve	15	133 423	123 473
Total untaxed reserves			**136 213**	**129 070**
Allocations	Allocations for pensions		925	1 079
Total allocations			**925**	**1 079**
Long-term liabilities	Loans		455 726	577 607
	Other long-term liabilities		-	3 692
Total long-term liabilities			**455 726**	**581 299**
Short-term liabilities	Loans		82 278	65 005
	Accounts payable		2 882	2 496
	Debts to Group companies		367 811	338 619
	Tax liability		-	15 401
	Other liabilities		1 589	1 908
	Accrued costs and prepaid incomes	13	6 656	11 722
Total short-term liabilities			**461 216**	**435 151**
Total shareholders' equity, allocations and liabilities			**2 182 170**	**2 240 813**
MEMORANDUM ITEMS		19		
Securities pledged			-	98
Contingent liabilities			47 288	40 611

PARENT COMPANY CASH FLOW ANALYSIS

(TSEK)		1999	1998
Cash flow from normal operations	**Net invoiced sales**	**8 967**	**10 012**
	Operating expenses	- 27 107	- 18 627
	Operating earnings	**- 18 140**	**- 8 615**
	Adjustment for items in operating earnings not affecting cash flow:		
	Depreciations	1 610	1 691
	Allocations	- 154	- 41
	Capital gains on disposal of fixed assets	- 99	- 43
	Value change/earnings redemption synthetic warrants	- 2 950	- 10 919
	Interest received	27 851	21 349
	Dividend received	4 069	3 851
	Payment synthetic warrants	-385	- 760
	Interest paid	- 39 307	- 40 461
	Other financial incomes/expenses	5 326	- 13 218
	Tax paid	- 39 617	- 44 645
	Cash flow from normal operations before changes in working capital	**- 61 796**	**- 91 811**
	Change in current receivables	- 244 804	- 7 166
	Change in current liabilities	40 376	137 971
	Cash flow from changes in working capital	**- 204 428**	**130 805**
	Cash flow from normal operations	**- 266 224**	**38 994**
Cash flow from investment operations	Investments in material fixed assets	- 238	- 60
	Investments in financial fixed assets	- 119 754	- 74 913
	Sale of material fixed assets	147	91
	Sale of financial fixed assets	99 127	312 241
	Change in long-term receivables Group companies	113 060	- 379 077
	Group contributions received	113 175	204 977
	Group contributions made	- 10 803	- 5 040
	Dividend	206 646	147 502
	Shareholders' contribution rendered	-	- 487 412
	Cash flow from investment operations	**401 360**	**- 281 691**
Cash flow from financial operations	Borrowing	-	294 088
	Amortisation	- 121 979	-
	Dividend to shareholders	- 73 965	- 73 965
	Cash flow from financial operations	**- 195 944**	**220 123**
	Year's cash flow	**- 60 808**	**- 22 574**
	Liquid funds at 1 January	**85 498**	**108 072**
	Liquid funds at 31 December	**24 690**	**85 498**

All amounts are shown in SEK thousands unless otherwise indicated. The amounts shown in brackets are the comparable figures for 1998.

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. Other operating incomes/other operating expense relate principally to projects for the automotive industry, renting and exchange rate gains/losses.

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. On each accounting occasion, goodwill and depreciation requirements (if any) are examined.

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

Hexagon employs 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.

Manufactured goods, finished and semi-finished, 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	3-5 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 AREA AND GEOGRAPHIC MARKET

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

	Net Turnover		Earnings after financial items	
	1999	1998	1999	1998
Industrial Components and Systems	1 721 780	1 986 256	53 460	100 669
Niche Manufacturing	2 094 047	2 182 863	102 231	186 937
Norfoods	837 134	698 221	3 964	6 457
Other companies	38 543	97 493	24 062	20 434
Group adjustments and Parent Company	- 24 273	- 18 423	- 4 733	- 1 906
Total	4 667 231	4 946 410	178 984	312 591

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

	Net Turnover		Earnings after financial items	
	1999	1998	1999	1998
Northern Europe	4 443 530	4 767 467	165 382	311 083
Germany	112 583	104 697	8 106	7 860
USA	44 642	51 541	- 9 094	- 8 003
Asia	66 476	22 705	14 590	1 651
Total	4 667 231	4 946 410	178 984	312 591

Note 2 PURCHASES AND SALES BETWEEN GROUP COMPANIES

Of the Parent Company's net turnover, 100 per cent (99) is Group internal.

Note 3 AVERAGE WORKFORCE

	1999			1998		
	Men	Women	Total	Men	Women	Total
Parent company	7	3	10	6	4	10
Subsidiaries	2 876	770	3 646	2 777	781	3 558
Total	2 883	773	3 656	2 783	785	3 568

Average workforce distributed by workplace	Men	Women	Total	Men	Women	Total
Arboga	12	1	13	10	1	11
Eksjö	8	2	10	6	0	6
Filipstad	34	4	38	82	10	92
Gislaved	111	160	271	111	162	273
Göteborg	90	29	119	85	29	114
Götene	0	0	0	33	16	49
Halmstad	8	4	12	8	4	12
Hässleholm	130	11	141	144	11	155
Högsby	108	104	212	112	136	248
Kalmar	2	0	2	7	1	8
Kungälv	25	5	30	23	4	27
Landskrona	7	3	10	6	4	10
Laxå	66	12	78	86	17	103
Ljungby	47	8	55	45	7	52
Luleå	7	0	7	6	0	6
Lund	7	1	8	6	1	7
Malmö	54	31	85	61	30	91
Nybro	97	6	103	100	6	106
Olofström	69	14	83	60	12	72
Stockholm	66	19	85	104	21	125
Sävsjö	56	6	62	56	11	67
Tidaholm	74	10	84	87	12	99
Trollhättan	34	1	35	35	2	37
Vaggeryd	70	6	76	44	4	48
Vetlanda	17	0	17	20	0	20
Värnamo	18	2	20	18	2	20
Västervik	89	27	116	90	25	115
Västerås	118	17	135	77	11	88
Ystad	40	7	47	37	9	46
Älmhult	125	17	142	132	19	151
Örebro	182	23	205	186	24	210
Örnsköldsvik	22	1	23	19	2	21
Other municipalities	32	3	35	30	3	33
Belgium	1	0	1	1	0	1
Denmark	54	22	76	64	26	90
Estonia	6	2	8	5	2	7
Finland	232	65	297	235	62	297
France	1	0	1	1	0	1
China	7	51	58	2	8	10
Latvia	6	1	7	4	1	5
Lithuania	1	1	2	0	0	0
Netherlands	1	0	1	0	0	0
Norway	181	31	212	187	35	222
Poland	9	4	13	26	6	32
Russia	6	0	6	0	0	0
Sri Lanka	447	30	477	225	14	239
Germany	49	23	72	47	24	71
USA	57	9	66	60	11	71
Total	2 883	773	3 656	2 783	785	3 568

Note 4 PERSONNEL COSTS, PENSIONS AND OTHER EMOLUMENTS

Salaries and remuneration (of which premium and bonus)	Board and CEO 1999	Board and CEO 1998	Other Workforce 1999	Other Workforce 1998
Parent company	2 942	3 071	5 554	4 802
Subsidiaries in Sweden	29 333	27 928	564 903	586 245
Total	32 275	30 999	570 457	591 047
Belgium	-	-	215	180
Denmark	2 562	3 808	28 840	34 395
Estonia	-	-	785	603
Finland	5 234	5 663	79 286	75 241
France	-	-	574	520
China	502	308	963	229
Latvia	-	-	468	375
Lithuania	-	-	238	-
Netherlands	-	-	402	-
Norway	5 280	5 443	63 099	61 230
Poland	195	99	1 176	3 821
Russia	-	-	308	-
Sri Lanka	415	263	4 402	2 333
Germany	1 354	1 335	22 794	22 823
USA	611	382	19 075	21 273
Total	48 428	48 300	793 082	814 070
	(2 400)	(3 026)	(6 640)	(10 422)

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

Payroll charges	Total workforce (of which pension costs) 1999	1998
Parent company	6 433	5 460
	(2 952)	(2 232)
Subsidiaries	302 689	305 000
	(55 164)	(48 401)
Total	309 122	310 460
	(58 116)	(50 633)

Pension costs for Board and CEOs in the Group amounted to MSEK 9.0 (7.7). Paid or indebted pension undertakings to Board and CEOs in the Group were MSEK 10.9 (10.7).

Emoluments to Executives

Total Board fee decided by the Annual General Meeting is SEK 460,000 (700,000) distributed as SEK 92,000 per Board member (The CEO of Hexagon receives no director's emoluments).

One Board member in Hexagon AB has received a fee for Board assignments in subsidiaries of TSEK 175 (335).

The CEO, Mr Börje Andersson, has received a salary of a total of TSEK 2 482 (2 371). In addition, he enjoys the benefit of a company car.

The CEO and other executives are covered by a general pension scheme (ITP) or other pension schemes at the same cost. Also, the CEO has an additional premium corresponding to one basic amount. Total pension cost for the CEO is TSEK 1,125 (553).

If the company gives notice of termination, the CEO 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 SEK 12 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 259 (3,594). Changes in the market value, including costs for redemption are reported as expenses in the income statement at TSEK 2,950 (10,919).

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 EARNINGS FROM SHARES IN GROUP COMPANYS

	Group 1999	1998
Capital gains	26 572	166
Capital losses	- 11 645	- 588
Total	14 927	- 422

Note 6 SCHEDULED DEPRECIATION

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

Year's depreciations	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Expenses for goods sold	121 636	112 263	-	-
Sales expenses	41 585	42 795	-	-
Administration costs	22 803	21 776	1 610	1 691
R&D costs	1 728	1 420	-	-
Other operating expenses	2 330	2 327	-	-
Total	190 082	180 581	1 610	1 691

Note 7 EARNINGS FROM FINANCIAL INVESTMENTS

	Group		Parent company	
	1999	1998	1999	1998
Earnings from participations in Group companies				
Dividend*			206 646	147 502
Group contribution received			113 175	204 977
Capital gains			12 102	6 901
Capital loss			-	- 448
Write down of shares in subsidiaries			- 169 633	- 6 000
Total			162 290	352 932

*Anticipated dividend included at TSEK 111,966 (93,000)

Earnings from particifation in affiliates				
Dividend	-	-	4 069	3 851
Total	-	-	4 069	3 851
Earnings from other securities				
Dividend	1 500	1 193	-	-
Capital gains	5 393	17 952	-	1 998
Capital loss	-	-	-	- 223
Total	6 893	19 145	-	1 775
Other interest incomes				
Interest incomes Group companies	-	-	25 807	20 352
Other interest incomes	9 637	9 739	2 070	2 064
Total	9 637	9 739	27 877	22 416
Other financial incomes				
Exchange rate gains	3 131	7 193	8 545	-
Others	475	174	4	-
Total	3 606	7 367	8 549	-
Interest expense				
Interest expenses Group companies	-	-	12 329	12 482
Other interest expenses	43 474	47 707	27 809	28 504
Total	43 474	47 707	40 138	40 986
Other financial expenses				
Exchange rate losses	6 763	5 302	-	9 332
Others	211	3 216	3 223	3 216
Total	6 974	8 518	3 223	12 548

Note 8 TAXES

	Group		Parent company	
	1999	1998	1999	1998
Paid tax	38 471	76 685	15 497	35 707
Deferred tax	3 180	22 708	-	-
Share of affiliate's tax	8 413	6 805	-	-
Total	50 064	106 198	15 497	35 707

There is an unutilised loss deduction of TSEK 983,093 (46,684). Deferred tax liability relating to loss deduction is booked at TSEK 62,281 (2,500). Deferred tax in the Parent Company's untaxed reserves amounts to TSEK 38,140 (36,140).

Note 9 INTANGIBLE AND MATERIAL FIXED ASSETS

Intangible fixed assets

	Brought forward costs for computer programme	Patents and Trademarks	Goodwill
Initial acquisition value	2 299	10 076	520 228
Exchange rate change	-	- 148	- 6 339
Purchase	4 622	1 725	26 902
Sale/obsolescence	-	-	- 44 917
Reclassification	-	-	-8 715
Outgoing acquisition value	6 921	11 653	487 159
Initial depreciations	- 1 417	- 6 752	- 136 339
Exchange rate change	-	72	285
Year's depreciations	- 375	- 1 616	- 42 841
Sale/obsolescence	-	-	12 728
Outgoing depreciations	- 1 792	- 8 296	- 166 167
Book value	5 129	3 357	320 992

Material fixed assets

	Buildings	Land and real estate	Machinery and other technical plants	Equipment tools and installations	Ongoing new installations and advances
Initial acquisition value	469 668	38 338	957 050	400 844	27 637
Exchange rate change	- 2 748	- 203	451	- 6 701	- 57
Purchase	36 148	2 020	120 221	58 152	11 872
Sale/obsolescence	- 32 884	- 1 988	- 37 659	- 74 180	-
Reclassification	1 272	169	14 473	6 764	- 22 799
Outgoing acquisition value	471 456	38 336	1 054 536	384 879	16 653
Initial depreciations	- 152 341	- 2 667	- 555 444	- 270 169	-
Exchange rate change	548	54	- 1 218	3 767	-
Purchase	-220	-9	- 1 803	- 3 880	-
Year's depreciations	- 17 176	- 264	- 82 881	- 44 929	-
Sale/obsolescence	7 629	-	29 445	57 728	-
Reclassification	-440	-	4 240	- 3 800	-
Outgoing depreciations	- 162 000	- 2 886	- 607 661	- 261 283	-
Book value	309 456	35 450	446 875	123 596	16 653

Taxation value for Swedish properties is TSEK 134,124 (141,329) relating to buildings and TSEK 22,671 (19,115) relating to land.

Parent company	Patents and Trademarks	Equipment
Initial acquisition value	8 500	2 327
Purchase	-	238
Sale/obsolescence	-	- 474
Outgoing acquisition value	8 500	2 091
Initial depreciations	- 5 900	- 1 772
Year's depreciations	- 1 300	- 310
Sale/obsolescence	-	426
Outgoing depreciations	- 7 200	- 1 656
Book value	1 300	435

Note 10 FINANCIAL FIXED ASSETS

Group	Capital shares in affiliates 1999	Capital shares in affiliates 1998	Other long-term securities holding 1999	Other long-term securities holding 1998	Other long-term receivables 1999	Other long-term receivables 1998
Initial acquisition value	143 456	121 000	16 204	19 499	7 490	5 052
Exchange rate change	-	-	- 356	-	-	-
Purchase	6 636	8 956	4	801	6 322	2 438
Year's change earnings shares	10 383	13 500	-	-	-	-
Sales	-	-	- 1 747	- 4 096	-	-
Outgoing acquisition value	160 475	143 456	14 105	16 204	13 812	7 490

Other long-term securities holdings

Group	1999	1998
Svedbergs i Dalstorp AB (publ) (545 000 shares, capital 10,3 %, votes 6,7 %)	11 355	12 501
Kiint Oy Honkakoli	2 285	2 219
Others	465	1 484
	14 105	16 204

The share price for Svedbergs i Dalstorp AB (publ) was SEK 89 (102).

Parent company	Shares in Group companies 1999	Shares in Group companies 1998	Receivables Group companies 1999	Receivables Group companies 1998	Shares in affiliates 1999	Shares in affiliates 1998
Initial acquisition value/claim	1 391 100	1 147 055	381 342	2 265	88 225	79 269
Capital addition	-	487 412	-	-	-	-
Write down	- 169 633	- 6 000	-	-	-	-
Purchase	113 118	48 497	-	379 077	6 636	8 956
Purchase, internal Group	-	17 445	-	-	-	-
Sales	- 87 025	-	- 113 060	-	-	-
Sale, internal Group	-	- 303 309	-	-	-	-
Outgoing acquisition value	1 247 560	1 391 100	268 282	381 342	94 861	88 225

The Parent Company's holding of shares in affiliates relates to VBG AB (publ).

	Org No.	Reg. Office	Participations	Book value 1999	Book value 1998
Subsidiaries of Hexagon AB					
All of the following companies are owned to 100%					
AKA Tempcold AB	556255-3585	Stockholm	10 000	-	86 026
AKA Industriprodukter AB	556068-1602	Stockholm	160 000	123 829	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	83 936
Gislaved Gummi AB	556112-2382	Gislaved	2 000	106 028	106 028
Moteco AB	556103-0502	Högsby	20 000	44 537	52 037
Johnson Industries AB	556099-2967	Örebro	3 000	234 295	278 295
SwePart AB	556046-3407	Landskrona	8 662 500	231 166	310 166
NFDS- Nordic Food and Drink Suppliers AB	556083-1124	Landskrona	1 000	57 977	71 577
Robust Ståldörrar RSD AB	556072-5995	Filipstad	4 000	-	1 000
Hexagon Förvaltning AB	556016-3049	Landskrona	200 000	206 599	206 599
Röomned AB	556394-3678	Landskrona	14 392 000	113 118	-
Other companies essentially dormant			-	1 075	2 607
				1 247 560	1 391 100

Note 11 SHARES IN EARNINGS OF AFFILIATES

	No shares	Share % Capital	Share % Votes	Share of Equity TSEK	Book value Group 1999	Book value Group 1998	Share in affiliates' earnings Pre-tax 1999	Tax 1999	Pre-tax 1998	Tax 1998
VBG AB (publ)	1 663 089	48,6%	41,9%	133 996	159 009	142 109	25 600	- 8 354	19 846	- 6 686
Precisionsstål AB	1 250	25,0%	25,0%	1 266	1 266	1 147	212	- 59	574	- 119
Gilex AB	2 000	20,0%	20,0%	838	200	200	-	-	-	-
				136 100	160 475	143 456	25 812	- 8 413	20 420	- 6 805

VBG AB (publ) org. number 556069-0751 has its registered office in Vänersborg
Precisionsstål AB, org. number 556096-9940 has its registered office in Stockholm.
Gilex AB, org. number 556025-2529 has its registered office in Gislaved.

The share price for VBG AB (publ) was SEK 140 (138).

Note 12 REMUNERATION TO AUDITORS

	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Audit				
Ernst & Young	2 746	2 954	120	138
SET Revisionsbyrå	1 910	2 289	127	150
Others	635	773	-	-
	5 291	6 016	247	288
Other assignments than the audit assignment				
Ernst & Young	1 666	1 902	481	153
SET Revisionsbyrå	770	810	227	207
Others	70	93	-	-
	2 506	2 805	708	360

Note 13 ACCRUAL ITEMS

	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Prepaid expenses and accrued incomes				
Accrued commission	945	1 914	-	-
Accrued interest incomes	123	150	39	-
Prepaid rents	6 975	6 592	84	84
Other items	34 496	37 688	3 905	7 464
Total	42 539	46 344	4 028	7 548
Accrued expenses and prepaid incomes				
Accrued personnel-related costs	167 655	177 371	2 445	2 342
Accrued interest costs	4 825	3 461	3 532	2 519
Other items	69 817	56 529	679	6 861
Total	242 297	237 361	6 656	11 722

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	448 901	59 515	496 711	204 519	1 357 578
Transferred earnings 1998				204 519	- 204 519	
Dividend				- 73 965		- 73 965
Translation difference				- 12 104		- 12 104
Displacement between restricted and unrestricted shareholders' equity		2 419	9 815	- 12 234		
Year's income					127 389	127 389
Amounts at 31 December	147 932	451 320	69 330	602 927	127 389	1 398 898

Change of shareholders' equity in the Parent Company

	Share capital	Premium fund	Reserve fund	Profit carried forward	Year's income	Total
Amounts at 1 January	147 932	127 543	220 381	342 239	256 119	1 094 214
To be carried forward				256 119	- 256 119	
Dividend				- 73 965		- 73 965
Group contributions made				- 15 004		- 15 004
Tax referable to Group contributions made				4 201		4 201
Net profit					118 644	118 644
Amounts at 31 December	147 932	127 543	220 381	513 590	118 644	1 128 090

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 carries 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)

	1999	1998
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	30 110
Allocated taxation 2000	9 950	-
Total	133 423	123 473

Note 16 REMAINING ALLOCATIONS

	Group		Parent company	
	1999	1998	1999	1998
Guarantee risks	2 644	3 454	-	-
Total	2 644	3 454	-	-

Note 17 OTHER FINANCIAL INFORMATION

The Group's total limit on overdrafts is TSEK 260,327 (304,391), of which TSEK 44,883 (61,945) is utilised. The Parent Company's limit is TSEK 147,311 (135,000) and is wholly unutilized.
Interest-bearing debts amount to TSEK 758,817 (957,874), of which TSEK 135,606 (134,670) are short-term.

Of the Group's loans:
TSEK 135,606 mature within one year from the closing day of accounts.
TSEK 469,790 between one and five years from the closing day of accounts.
TSEK 22,857 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 1999 are TSEK 47,878.

Leasing/which fall due for payment:

2000	51,026
2001	44,809
2002	38,782
2003 and later	73,844

Note 19 MEMORANDUM ITEMS

	Group		Parent company	
Securities pledged	**1999**	**1998**	**1999**	**1998**
Property mortgages	23 355	29 656	-	-
Floating charges	91 805	117 006	-	-
Blocked bank account	2 137	2 815	-	98
Diverse pledged	15 240	25 725	-	-
Total	132 537	175 202	-	98

Securities pledged are in favour of credit institutes in connection with loans, overdrafts and guarantees

Contingent liabilities

Guarantee in favour of Group companies	-	-	46 915	40 243
Other contingent liabilities	10 391	14 752	373	368
Total	10 391	14 752	47 288	40 611

Note 20 EARNINGS AFTER FINANCIAL ITEMS BY QUARTER

Earnings after financial items by quarter in MSEK	1998				1999			
	Q 1	**Q 2**	**Q 3**	**Q 4**	**Q 1**	**Q 2**	**Q 3**	**Q 4**
Net Turnover	1 124.2	1 241.5	1 206.7	1 374.0	1 206.8	1 195.1	1 018.8	1 246.5
Gross earnings	**255.4**	**284.6**	**267.4**	**309.2**	**244.7**	**241.9**	**208.2**	**259.2**
Sales costs	- 106.5	- 115.8	- 113.6	- 132.6	- 117.5	- 117.4	- 103.4	- 118.1
Administration costs	- 80.7	- 76.0	- 62.3	- 90.7	- 81.2	- 83.6	- 68.8	- 86.7
R&D costs	- 5.1	- 8.0	- 6.2	- 7.9	- 6.3	- 6.8	- 4.7	- 5.9
Other operating incomes/expense	0.7	0.6	0.1	- 0.1	0.2	1.7	5.8	7.2
Share in earnings of affiliates	6.2	4.2	6.0	4.0	8.7	6.3	4.5	6.3
Capital gains outcome sale Group companies	0.0	- 0.6	0.0	0.2	22.3	- 2.9	0.0	- 4.5
Operating earnings	**70.0**	**89.0**	**91.4**	**82.1**	**70.9**	**39.2**	**41.6**	**57.5**
Financial incomes and expense	- 7.1	5.6	- 10.9	- 7.5	- 13.0	- 7.1	- 4.6	- 5.5
Earnings after financial items	**62.9**	**94.6**	**80.5**	**74.6**	**57.9**	**32.1**	**37.0**	**52.0**
Tax	- 21.5	- 27.3	- 24.9	- 32.5	- 14.5	- 9.7	- 9.6	- 16.3
Minority holdings	0.1	- 0.8	- 0.5	- 0.7	- 0.7	- 0.4	- 0.2	- 0.2
Earnings for the period	**41.5**	**66.5**	**55.1**	**41.4**	**42.7**	**22.0**	**27.2**	**35.5**
Depreciations included in earnings at	*- 42.5*	*- 45.1*	*- 46.4*	*- 46.6*	*- 48.6*	*- 47.4*	*- 46.2*	*- 47.9*
Profit per share after full tax	2.80	4.50	3.72	2.81	2.89	1.49	1.83	2.40

Landskrona, Sweden, 1 March 2000

Melker Schörling
Chairman

Hans Nergårdh

Sven Ohlsson

Maths O Sundqvist
Deputy Chairman

Carl-Henric Svanberg

Börje Andersson
President and CEO

Our Auditors' Report was issued on 10 March 2000

Gunnar Widhagen
Authorized
Public Accountant

Peter Pankko
Authorized
Public Accountant

Auditors' Report

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

We have examined the Annual Report, the Consolidated Financial Statements and the accounts, as well as administration by the Board of Directors and the Chief Executive Officer of Hexagon AB for 1999. 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 Financial Statements 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 Financial Statements do not contain any major errors. An audit entails examining a selection of the documentary basis for amounts and other information in the accounts. An audit also includes testing the accounting principles and their application by the Board of Directors and the Chief Executive Officer and also assessing the body of information in the Annual Report and the Consolidated Financial Statements. 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. We have also examined whether any Board Member or the Chief Executive Officer has otherwise acted contrary to the provisions of the Companies Act, the Annual Reports Act or the Articles of Association. We are of the opinion that our audit gives us reasonable grounds for our pronouncements below.

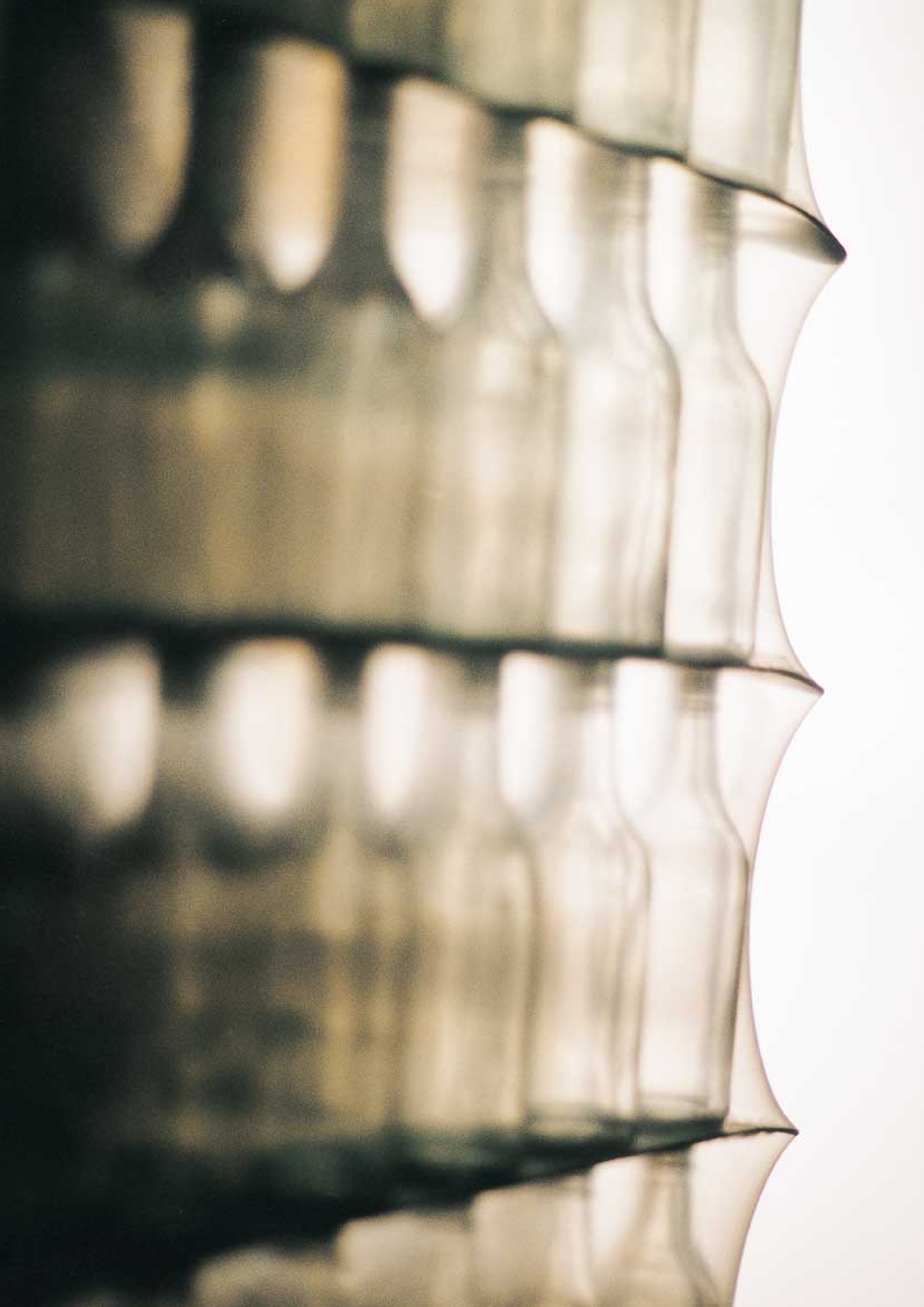
The Annual Report and the Consolidated Financial Statements have been prepared in compliance with the Annual Reports Act and thereby give a true picture of the earnings and position of the Company and the Group in accordance with accepted accounting standards.

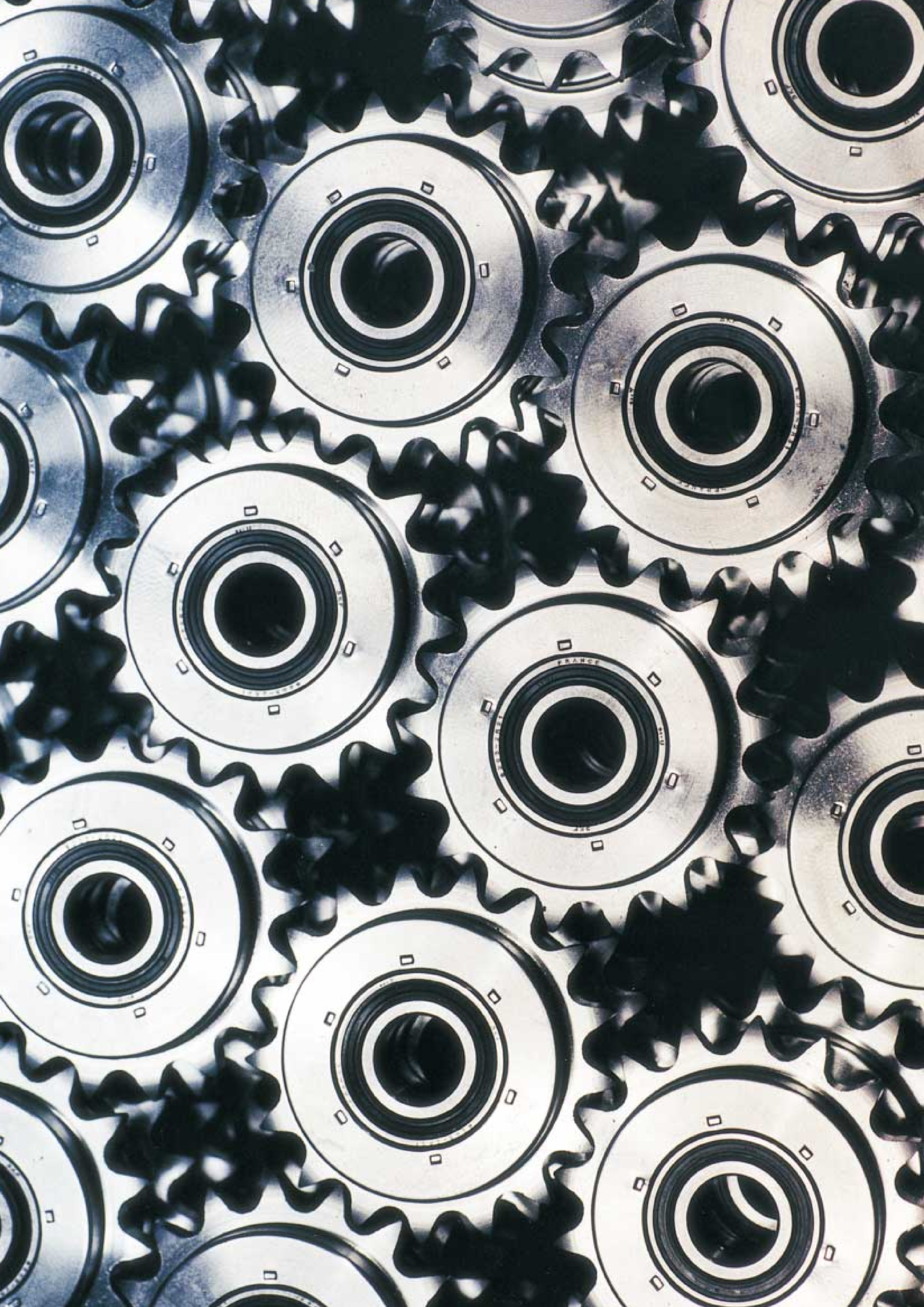
We recommend that the Annual General Meeting adopt the Income Statement and Balance Sheet for the Parent Company and the Group, that the profits in the Parent Company be disposed of in accordance with the proposal in the Directors' Report and that the Members of the Board of Directors and the Chief Executive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

Landskrona, 10 March 2000

Gunnar Widhagen
Authorized Public Accountant

Peter Pankko
Authorized Public Accountant





Key ratio 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 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 full tax Year's earnings divided by average number of shares.

Cash flow per share Cash flow in current operations before changes in working capital.

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

Market value Last close on the Stock Exchange.

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 1999, the contribution margin was 31.1 per cent (32.3).

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

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.

P/E number Market value at year-ending 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.

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