



Interim Report

January 1st – March 31st, 2002

- The Group's Net sales increased by 50 %, to 1 689 MSEK (1 125)
- Operating earnings before amortisation of intangible assets, EBITA, increased by 104 % to 110 MSEK (54)
- Earnings after financial items, adjusted for capital gains, rose by 58 % to 57 MSEK (36).
- The EBIT margin, adjusted for capital gains, was 5 % (4).
- Hexagon Metrology has acquired C E Johansson and strengthens thereby its leading position within the metrology industry.
- An Issue of new shares worth 425 MSEK with preferential rights for the Hexagon shareholders is proposed.

For further information, please call:

Ola Rollén, CEO, Hexagon AB, tel. no +46 (0) 8 - 601 26 20

Håkan Halén, CFO, Hexagon AB, tel. no +46 (0) 8 - 601 26 20

Subscription to Hexagons' financial information is available as e-mail at www.hexagon.se.

Hexagon AB (publ), registration number 556190-4771

Box 1112

S - 131 26 Nacka Strand, Sweden

E-mail

Tel +46 (0) 8 – 601 26 20

Fax +46 (0) 8 – 601 26 21

www.hexagon.se

postmaster@hexagon.se

Hexagon is a multinational engineering group with the long-term ambition of positioning itself as number one or number two within its strategic sectors. The operation is divided into three business areas. The group's targets are to increase earnings per share after tax by at least 15 per cent p.a., and achieve a return on capital employed of more than 15 per cent over a business cycle.

General

As commented in the Year-End Report for 2001, Hexagon's opinion is that the first quarter 2002 represents the trough of the weak demand situation, which has been prevailing during a significant part of 2001. The first two months in the quarter were very weak. However, March and the beginning of the second quarter shows signals of a recovery.

Earnings, net sales and order intake in the first quarter 2002

The Group's order intake increased by 38 per cent and amounted to 1 621 MSEK (1 177). The Group's net sales increased by 50 per cent and amounted to 1 689 MSEK (1 125).

Earnings before amortisation of intangible fixed assets (EBITA) increased by 104 per cent and amounted to 110 MSEK (54). Earnings before taxes, adjusted for capital gains, increased by 58 per cent to 57 MSEK (36).

The comparability between years in the table below is affected by the disposal of the business area Wireless and the consolidation of Hexagon Metrology since May 1st, 2001.

(MSEK)	2001					2002
	Q 1	Q 2	Q 3	Q 4	2001	Q 1
Order intake	1 177	1 578	1 594	1 782	6 131	1 621
Net sales	1 125	1 628	1 582	1 869	6 204	1 689
EBITA *)	54	96	48	152	350	110
Margin, %	4,8	5,9	3,0	8,1	5,6	6,5
EBIT 1 **)	47	84	31	125	287	88
Margin, %	4,2	5,2	1,9	6,7	4,6	5,2
EBIT 2 ***)	67	84	38	121	310	88
EBT ****)	56	71	15	85	227	57

* = Earnings before financial items, tax, capital gains, non-recurring items and depreciations on intangible fixed assets

**) = Earnings before financial items, tax, capital gains and non-recurring items.

***) = Earnings before financial items and tax

****) = Earnings before tax

Profitability

The Capital employed, defined as the total assets less non-interest bearing liabilities, amounted to 4 396 MSEK (2 624). Intangible fixed assets amounted to 1 215 MSEK (167). Return on capital employed was 8.0 percent (11.9). Adjusted for intangible fixed assets, the return on capital employed was 13,7 per cent (14,1). Return on shareholders' equity was 7,5 per cent (8.5).

The capital turnover rate was 1.5 times (1.7), and adjusted for intangible fixed assets, it was 2.1 times (1.9).

Group financial position

Shareholder's equity amounted to 1 767 MSEK (1 727). The equity ratio was 29 percent (51).

The Group's total assets increased to 6 163 MSEK (3 406). The increase is primarily driven by the strong expansion the Group carried out last year.

Cash including non-utilised credit limits, amounted to 921 MSEK (1 206). The net debt was 2 380 MSEK (300) and the net indebtedness was 1.35 times (0.17). The interest coverage ratio was 2.7 times (3.6).

Cash flow

The Cash flow from operations before changes in working capital was 83 MSEK (57), which corresponds to 5.61 SEK per share (3.85). The cash flow from operations was -41 MSEK (-57), which corresponds to -2.77 SEK per share (-3.85). The operative cash flow amounted to -91 MSEK (-87). The First quarter was affected adversely from exchange rate differences, amounting to -36 MSEK (0) as well as restructuring expenses, amounting to -22 MSEK (-3) related to cost cutting actions.

Analysis of cash flow	Q1, 1 2002	Q1, 2001
Cash flow	105	60
Working capital	-88	-114
Subtotal	17	-54
Exchange rate differences	-36	0
Restructuring	-22	-3
Net cash flow from operations	-41	-57

Investments and depreciation

Net investments in fixed assets, excluding acquisitions, amounted to 50 MSEK (30). Depreciation amounted to 70 MSEK (40) of which amortisation of intangible fixed assets was 22 MSEK (7).

Divestitures and acquisitions

Divestitures

During the quarter, no divestitures have taken place. However, the associated company VBG AB has decided to launch a stock repurchase programme concerning maximum 10 per cent of the company's shares of class-B for 125 SEK per share. Hexagon has accepted the offer, which corresponds to a repurchase of 156 491 shares. Additionally Hexagon has accepted to sell all of it's 102 175 shares of class-A to the Herman Kreftings Foundation at a price of 137:50 SEK per share at latest 30 days after the repurchase programme has been settled. The Foundation will, after the transaction, control around 33 per cent of the votes.

Acquisitions

On April 11th, Hexagon Metrology reached an agreement to acquire the metrology company C E Johansson. C E Johansson operates in the Nordic countries, France, UK, Italy and Germany. The company has an annual net turnover of approx. 170 MSEK. The acquisition, which is subject to approval by the competition authorities, is expected to be completed as of May 1st, 2002.

Through the acquisition of C E Johansson, Hexagon Metrology will strengthen its leading position in Europe with another strong and well-recognized brand. The acquisition also strengthens Hexagon's global position within the medical metrology business. C E Johansson will market it's products on the Nordic and European market and further develop the corresponding aftermarket businesses, in accordance with the concept, which Hexagon Metrology successfully has developed in a big number of markets all over the world.

Tax cost

The Group's tax cost amounted to -21 MSEK (19), which corresponds to a tax rate of 37 per cent (34). The tax cost is affected by amortisation of goodwill, which is non-tax deductible, as well as the fact that a considerable part of the group's operations are located in countries with a higher tax rate than the Swedish corporate tax.

Workforce

The Average number of full time employees during the quarter was 5 428 (3 676). The number of employees at the end of the quarter amounted to 5 601 employees (3 882), a decrease by 213 employees, or 4 per cent. This reduction is a consequence of the cost reduction programs proceeding mainly within the Metrology business area.

Business areas

Net sales and operating earnings before amortisation of intangible fixed assets by business area.

(MSEK)	Net sales		Earnings	
	Q1, 2002	Q1, 2001	Q1, 2002	Q1, 2001
Hexagon Automation	557	548	19	23
Hexagon Engineering	532	558	44	46
Hexagon Metrology	607	-	47	-
Other operations *	-	26	-	-15
Share of earnings in affiliate companies	-	-	5	6
Group adjustments and group costs	-7	-7	-5	-6
EBITA			110	54
Per cent of net sales				
Depreciations on intangible assets			-22	-7
EBIT 1			88	47
Per cent of net sales			5,2	4,2
Financial net			-31	-11
Earnings after financial items			57	36
Capital gains			-	20
The Group	1 689	1 125	57	56

* Includes primarily the divested business area Wireless.

Hexagon Automation

The Business area is focused on hydraulics, pneumatics, transmissions and gear controls. The customers are found within a great variety of industries, for example, the wind power industry, offshore, pulp and paper, processing, engineering and vehicle industries as well as within the manufacturing of flow equipment.

Order intake within the business area decreased to 529 MSEK (636). Net sales increased by 2 per cent to 557 MSEK (548). Operating earnings, EBITA, amounted to 19 MSEK (23), which corresponds to an operating margin of 3 per cent (4).

The Business area experienced, during the quarter, a weak demand from the engineering industry in Finland and Sweden. Simultaneously, a drop hit the wind power industry when the US Congress froze the subsidies to the wind power industry in the US in connection with the Enron scandal. The congress released the funds during April why the activities now are back on a high level.

In spite of a weak beginning the earnings for the year are estimated to exceed last year's earnings.

Hexagon Engineering

The Business area is focused on selling key components and systems to customers within the vehicle, engineering and construction industries.

Order intake decreased to 513 MSEK (560). Net sales decreased by 5 per cent to 532 MSEK (558). Operating earnings, EBITA, amounted to 44 MSEK (46), which corresponds to an operating margin of 8 per cent (8).

The low activity within the heavy vehicles segment has continued during the quarter. In addition the growth within the Swedish construction sector slowed down during the quarter. However, gaskets for plate heat exchangers and rubber compounds have noted record levels. In summary, the business area has succeeded in maintaining a satisfactory profitability in a weak market place through cost reductions and gained market shares.

The Earnings for the year are estimated to exceed last year's earnings.

Hexagon Metrology

The business area consists of Brown & Sharpe, which is the world leader within the metrology area. It produces coordinate measurement machines (CMM:s) and hand tools (PMI) at seven production plants in different parts of the world. Extensive aftermarket services are carried out via 24 regional so called Precision Centres with responsibility for upgrades of machines and software, education, contracted maintenance and other services. The largest customers are found in the automotive, aerospace, electronics, medical and engineering industries.

The Order intake within the business area amounted to 578 MSEK (-) and the net sales were 607 MSEK (-). Operating earnings, EBITA, amounted to 47 MSEK (-), which corresponds to an operating margin of 8 per cent (-).

Sales of new CMM's

The First quarter this year represents the weakest quarter for sales of new metrology machines since the first quarter in 1996. During the second half of March we could see a positive change in the US. The Positive trend has continued during April. All product segments, except large special machines for the automotive and aerospace industries, experience an order intake level higher than during the corresponding period last year. However, an increase in activity within the automotive and aircraft industries, which is related to new products, which will be introduced by these industries in 2002 has been recorded. These products should result in new orders for Hexagon Metrology during the second or third quarter this year.

The CMM Aftermarket

The Aftermarket growth stagnated during the first quarter this year. The declining growth was an effect of the increasing optimism within the industry where the customers hesitate about whether they should upgrade old equipment or buy a new machine. Hexagon Metrology expects a continuing growth during the year thanks to new aftermarket products and establishments of new Precision Centres.

Software

Hexagon Metrology's software system PCDMIS continues to expand on a weak market. For the time being new products are being developed with the ambition to be introduced during the fourth quarter this year.

PMI

PMI experienced a significant volume decrease during the autumn because of the recession in the US. The first months this year have had poor start but there has been a recovery during March when the distributors again have started to replenish their stocks.

The Earnings for the year are estimated to exceed last year's earnings.

Affiliated companies

The associated Company VBG AB contributes to Hexagon's earning in accordance with the equity method with 4 MSEK (4).

Share data

The Total number of shares outstanding were 14 793 182, which is unchanged compared to last year. Earnings per share after tax, adjusted for amortization of intangible assets, was 3.72 SEK (2.91). On March 31st, 2002 the equity per share was 119.45 SEK (116.74) and the share price was 172 SEK (130).

Parent company

The parent company's earnings after financial items amounted to 34 MSEK (57). The equity ratio in the parent company was 30 per cent (54). The shareholder's equity, including the equity portion of untaxed reserves, amounted to 1 325 MSEK (1 407). Liquid assets, including unutilised credit limits, amounted to 494 MSEK (1 064).

Restructuring provision

The restructuring provision was 107 MSEK at the beginning of the year. During the quarter, 22 MSEK has been utilised, of which 17 MSEK refer to redundancy expenses related to the ongoing restructuring within Hexagon Metrology.

Accounting principles

This interim report has been prepared in compliance with the Swedish Financial Accounting Standards Council's recommendation RR20, Interim reporting. As of January 1st, 2002, a number of recommendations from the Swedish Accounting Standards Council went in force. The applications of these standards didn't give rise to any recalculation of reported earnings or equity. In all other respects, the accounting principles remain unchanged compared with those applied in the Annual Report for the year 2001.

Stock options

During 2000 Hexagon introduced a stock option programme. The motive was to facilitate for key personnel in the Group to become shareholders in the company. There are in total 700 000 options, of which 644 500 have been subscribed. Each option entitles the holder with the right to subscribe for one new class B share in the period June 1st, 2002 to May 31st, 2005, inclusive, for 201 SEK. The subscription rights are transferred at market value. The dilution effect upon full exercise corresponds to approx. 4.7 per cent of the share capital and 3.1 per cent of the votes. A calculation of any dilution effect in key numbers has not been done since the effect is judged to be marginal.

Rights issue

The Metrology business is fragmented and the acquisition of C E Johansson should be seen as one of several acquisitions by Hexagon in its continued expansion within this area during 2002. Additionally, Hexagon plans to carry out acquisitions within its other business units aiming at strengthening certain operations within them. The acquisitions can partly be financed by internally generated funds. However, the Hexagon Board of Directors is of the opinion that the company, to be able to take advantage of acquisition opportunities presently existing and thereby be given the possibility to expand in the desired pace, needs a capital injection from the shareholders.

Considering the above, the Board of Directors decided on April 16, 2002 on an issue of new shares with preferential rights for the Hexagon shareholders. The issue amount will be approx. 425 MSEK. The issue will be subject to approval by an Extraordinary General Meeting, which will be held on May 6th, 2002 in connection with the Annual General Meeting. The prospectus will be distributed on May 14th, 2002, and the subscription period is from May 17th to June 7th, 2002.

Outlook

The Development potential for Hexagon is considerable. Through the changed Group structure as well as the positive effects which will result from realized rationalisations, a new strong platform has been created for a future positive sales and result growth. Hexagon's financial target of an increase in earnings per share after tax by at least 15 per cent p.a. remains unchanged.

Financial information

On the Group's web site, www.hexagon.se, all external information is published as soon as it has become public.

- | | |
|----------------------------------|------------------|
| - Interim report, second quarter | August 12, 2002 |
| - Interim report, third quarter | October 30, 2002 |
| - Year-end report, 2002 | February, 2003 |

Nacka Strand, 6th of May 2002

HEXAGON AB (publ)

Ola Rollén
President & C.E.O.

The Company's auditors have not audited this interim report

Consolidated Income Statement - summary

(MSEK)	2002 Q.1	2001 Q.1	Outcome last 12 months	2001 Full year
Net sales	1 689	1 125	6 768	6 204
Gross Profit	421	241	1 710	1 530
Sales expenses	-221	-103	-852	-734
Administration costs	-104	-90	-476	-462
R & D costs	-16	-8	-73	-65
Other operational costs and revenues	3	2	7	6
Share of earnings in affiliates	5	5	12	12
Non-recurring items	-	-	-43	-43
Capital gains	-	20	46	66
Operating earnings	88	67	331	310
Financial revenue and expenses	-31	-11	-103	-83
Earnings after financial items	57	56	228	227
Tax	-21	-19	-77	-75
Minority interest	-3	-1	-10	-8
Net income	33	36	141	144
Earnings per share after tax (SEK)*)	2.23	2.43	9.53	9.73
Shareholder's equity per share (SEK) *)	119.45	116.74	119.45	118.64
Average number of shares (thousands)	14 793	14 793	14 793	14 793
Deprecations are included with	-70	-40	-274	-244
Of which deprecations on intangible fixed assets	-22	-7	-78	-63

*) A calculation of the dilution effect in the key numbers has not been done as the effect is estimated to be marginal.

Consolidated Balance Sheet - summary

(MSEK)	2002-03-31	2001-03-31	2001-12-31
Intangible fixed assets	1 215	167	1 272
Tangible fixed assets	1 347	813	1 376
Financial fixed assets	459	353	448
Total fixed assets	3 021	1 333	3 096
Inventories	1 446	751	1 454
Accounts receivable	1 293	597	1 303
Other receivables	83	447	101
Prepaid expenses and accrued income	103	101	75
Total short-term receivables	1 479	1 145	1 479
Short-term investments	0	1	0
Cash and cash equivalents	217	176	458
Total current assets	3 142	2 073	3 391
Total assets	6 163	3 406	6 487
Shareholders equity	1 767	1 727	1 755
Minority interest	32	14	30
Provisions for pensions *)	176	49	179
Provisions for taxes	64	-	62
Other provisions	185	60	211
Total provisions	425	109	452
Interest bearing liabilities	2 404	784	2 598
Other liabilities	0	1	5
Total long-term liabilities	2 404	785	2 603
Interest bearing liabilities	85	51	118
Accounts payable	703	309	738
Other liabilities	210	117	225
Accrued costs and prepaid incomes	537	294	566
Total short-term liabilities	1 535	771	1 647
Total equity, allocations and liabilities	6 163	3 406	6 487
*) Of which interest bearing provisions for pension	108	48	109

Change in Group shareholders equity

(MSEK)	Q1, 2002	Q1, 2001	Full year 2001
Amounts at 1 January	1 755	1 679	1 679
Dividend	-	-	-74
Premiums for subscription warrants	-	-	3
Translation difference	-21	12	3
Net income	33	36	144
Amounts at 31 March	1 767	1 727	1 755

Consolidated cash flow analysis

(MSEK)	Q1, 2002	Q1, 2001
Cash flow from operations before change in working capital	83	57
Change in working capital	-124	-114
Net cash flow from operations	-41	-57
Net investment in fixed assets	-50	-30
Operational cash flow	-91	-87
Cash flow from other investment activities	-	420
Cash flow from financing activities	-150	-351
Dividend	-	-
Change in net cash position	-241	-18

During the quarter the cash flow from operations has been negatively affected by -36 (0) MSEK from exchange rate differences and -22 (-3) MSEK from utilization of the restructuring provision.

Key ratios

	Q1, 2002	Q1, 2001	Full year 2001
Operating margin (%)	5.2	4.2	4.6
Profit margin (%)	3.4	5.0	3.7
Return on shareholders equity after tax (%)	7.5	8.5	8.4
Return on capital employed (%)	8.0	11.9	8.8
Return on capital employed adjusted for depreciations on intangible assets, %	13.7	14.1	12.9
Solvency ratio (%)	29.2	51.1	27.5
Net indebtedness (times)	1.35	0.17	1.35
Interest coverage ratio (times)	2.7	3.6	2.9
Average number of shares (thousands)	14 793	14 793	14 793
Earnings per share after tax (SEK)	2.23	2.43	9.73
Earnings per share after tax and adjusted for depreciations on intangible assets, (SEK)	3.72	2.91	13.99
Cash flow per share (SEK)	-2.77	-3.85	20.96
Cash flow per share (SEK) before change in working capital	5.61	3.85	24.20
Share price (SEK)	172	130	132

EBITA

	2001					2002
(MSEK)	Q 1	Q 2	Q 3	Q 4	2001	Q 1
Automation	23	27	20	30	100	19
Engineering	46	35	24	43	148	44
Metrology	-	48	15	80	143	47
Other operations *	-15	-8	-10	-2	-35	-
Associated company	6	0	3	6	15	5
Group / adjustments	-6	-6	-4	-5	-21	-5
EBITA	54	96	48	152	350	110

* Includes primarily the divested business area Wirelss.

Definitions

Return on shareholders equity:	Net income as a percentage of average shareholders equity.
Return on capital employed:	Earnings after financial items plus financial expenses as a percentage of average capital employed.
Share price:	Last settled transaction at the OM Stockholm stock exchange on the last business day in each period.
Average shareholders equity	Equity at the beginning of the period plus at the end of the period divided by two.
Return on capital employed excluding intangible fixed assets	Earnings after plus financial expenses and amortization of intangible fixed assets as a percentage of average capital employed excluding intangible fixed assets
Investments:	Investments in fixed assets excluding acquisitions of new operations.
Operational cash flow:	Cash flow after working capital changes and net investments in fixed assets.
Cash flow per share:	Cash flow from the operations, divided by the average number of share.
Cash flow per share, before change in working capital:	Cash flow from the operations before change in working capital divided by the average number of shares.
Net indebtedness:	Interest bearing liabilities less liquid assets divided by shareholders equity.
P/E-ratio:	Share price at the end of the period divided by earnings per share after tax.
Earnings per share after tax:	Earnings after tax divided by the average number of shares.
Earnings per share after tax excluding amortization on intangible assets	Earnings after tax excluding amortization on intangible fixed assets divided by the average number of shares.
Operating earnings, EBITA	Operating earnings excluding capital gain on shares in group companies, items effecting comparability and amortization of intangible fixed assets
Operating margin:	Operating earnings adjusted for non-recurring items as a percentage of the period's net sales.
Interest coverage ratio	Earnings after financial items plus interest expenses divided by interest expenses.
Equity ratio:	Shareholders equity including minority interest as percentage of the assets total.
Capital employed:	Total assets less non-interest bearing liabilities.
Share holders equity per share:	Shareholders equity divided by the number of shares at the end of the period.
Profit margin:	Earnings after financial items as a percentage of net sales for the period.