

Press information 6 February 2009

**Fiscal year 2008 <sup>1)</sup>**

- Order intake increased by 5 <sup>2)</sup> per cent to 13 168 MSEK (12 315).
- Net sales increased by 7 <sup>2)</sup> per cent to 13 060 MSEK (11 857).
- Operating earnings increased by 14 per cent to 2 405 MSEK (2 111).
- Earnings before taxes increased by 12 per cent to 2 004 MSEK (1 789).
- Net earnings increased by 10 per cent to 1 770 MSEK (1 615).
- Earnings per share increased by 10 per cent to 6.63 SEK (6.05).

**Proposed dividend**

- The Hexagon Board of Directors proposes a dividend of 0.50 SEK per share.

**Comments from Hexagon's CEO Ola Rollén**

“The fourth quarter of 2008 will go to the history as one of the most dramatic decelerations of the global economy in modern times. The North American recession spread to Western Europe and large parts of Asia, and as a consequence Hexagon recorded its first quarter with negative organic growth in eight years. In spite of the negative organic growth, Hexagon recorded a healthy 18 per cent operating margin and strong cash flow.

The first half of the year 2009 will be challenging. Hexagon is responding to the demand drop by cutting cost, reduction in workforce and furloughing of personnel as well as delaying investments. As governmental stimulus programmes around the world start to have an impact on infrastructural investments, Hexagon's growth is expected to resume.”

<b>MSEK</b>	<b>Q4 2008</b>	<b>Q4 2007 <sup>1)</sup></b>	<b>Change %</b>	<b>2008 <sup>1)</sup></b>	<b>2007 <sup>1)</sup></b>	<b>Change %</b>
Order intake	3 211	3 302	-14 <sup>2)</sup>	13 168	12 315	5 <sup>2)</sup>
Net sales	3 478	3 380	-9 <sup>2)</sup>	13 060	11 857	7 <sup>2)</sup>
Operating earnings (EBIT1)	628	666	-6	2 405	2 111	14
Operating margin, %	18.1	19.7	-1.6	18.4	17.8	0.6
Non-recurring items, net	-100	-173	n.a.	-100	-151	n.a.
Earnings before taxes	443	444	0	2 004	1 789	12
Net earnings	397	377	5	1 770	1 615	10
Earnings per share, SEK	1.48	1.41	5	6.63	6.05	10

1) Excluding Hexpol AB which was de-consolidated from Hexagon AB as of 1 June 2008.

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

**Hexagon's performance excluding Hexpol** <sup>1)</sup>

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

<b>MSEK</b>	<b>Q4 2008</b>	<b>Q4 2007</b>	<b>2008</b>	<b>2007</b>
Order intake excl Hexpol	3 211	3 302	13 168	12 315
Order intake Hexpol	-	709	1 425	2 824
<b>Order intake</b>	<b>3 211</b>	<b>4 011</b>	<b>14 593</b>	<b>15 139</b>
Net sales excl Hexpol	3 478	3 380	13 060	11 857
Net sales Hexpol	-	744	1 419	2 730
<b>Net sales</b>	<b>3 478</b>	<b>4 124</b>	<b>14 479</b>	<b>14 587</b>
<b>Operating earnings (EBIT1)</b>	<b>628</b>	<b>666</b>	<b>2 405</b>	<b>2 111</b>
<b>Operating margin, %</b>	<b>18.1</b>	<b>19.7</b>	<b>18.4</b>	<b>17.8</b>
Interest income and expenses, net	-85	-49	-301	-171
<b>Earnings before taxes excl non-recurring items</b>	<b>543</b>	<b>617</b>	<b>2 104</b>	<b>1 940</b>
Ordinary taxes	-59	-92	-247	-238
<b>Net earnings excl non-recurring items</b>	<b>484</b>	<b>525</b>	<b>1 857</b>	<b>1 702</b>
<i>Earnings per share</i>	<i>1.81</i>	<i>1.96</i>	<i>6.95</i>	<i>6.37</i>
Capital gains	-	-6	-	114
Other non-recurring items	-100	-167	-100	-265
Non-recurring tax gains	13	25	13	64
<b>Net earnings excl Hexpol</b>	<b>397</b>	<b>377</b>	<b>1 770</b>	<b>1 615</b>
<i>Earnings per share</i>	<i>1.48</i>	<i>1.41</i>	<i>6.63</i>	<i>6.05</i>
Hexpol net earnings	-	50	89	196
<b>Total net earnings</b>	<b>397</b>	<b>427</b>	<b>1 859</b>	<b>1 811</b>
<i>Earnings per share</i>	<i>1.48</i>	<i>1.59</i>	<i>6.96</i>	<i>6.79</i>

1) Hexpol AB was de-consolidated from Hexagon as of 1 June 2008 and is included only the first five months of 2008.

### **Fourth quarter 2008**

December usually displays strong sales and represents approximately 25 per cent of Hexagon's earnings in a year. The final weeks of 2008 were significantly weaker than expected. Customers closed down their entire operations rather than, as under normal circumstances, place late orders with deliveries before the year-end.

Due to the deteriorating demand situation, Hexagon has accelerated its cost reduction programme. Reduction in workforce in combination with furlough (temporary leave of absence) during the first half of 2009 are expected to bring annualised savings of approximately 500 MSEK with effect as of the first quarter 2009. These measures resulted in restructuring charges of 100 MSEK in total in the fourth quarter 2008.

### **Market trends**

#### ***EMEA market trends***

The demand for Hexagon's products in EMEA was significantly reduced during the fourth quarter. The organic growth in order intake and net sales was -25 and -15 per cent, respectively. For the Group's core business, Measurement Technologies (MT), order intake and net sales organic growth was -18 and -14 per cent, respectively. The business Other operations was hurt by cancellations of previously booked orders and organic growth in order intake in the fourth quarter was -81 per cent. The development is mainly related to weak demand from the Swedish vehicle manufacturers.

Hexagon's customers reduced their inventory levels during the fourth quarter which is why replenishment shipments were cut. Reductions in sales were recorded in both the industrial, as well as, construction segments across Western Europe. Several Eastern European countries as well as markets in the Middle East and Africa continued to grow at somewhat lower, but still double digit, levels. The decline in order intake during the fourth quarter will be cushioned by a strong back log entering into the first quarter 2009. The automotive industry in Central and Eastern Europe is continuing its capacity expansion and other engineering industries are speeding up planned capacity moves from Western to Eastern Europe creating demand for Hexagon's products. The construction sector is suffering from weak demand for residential housing products. The aerospace industry in France, Germany and UK is still growing sales thanks to its strong backlog.

#### ***Americas market trends***

Americas displayed organic growth in order intake and net sales of -11 and -13 per cent, respectively, in the fourth quarter. A similar situation as in EMEA occurred, where customers reduced inventory levels thus reducing demand for Hexagon's products.

The negative trend within the residential housing and automotive segments continued during the fourth quarter.

South America, led by Brazil, displayed a "wait and see" sentiment in the fourth quarter. There was speculation that the unfavourable exchange rate situation for the Brazilian Real, when importing capital goods, would improve in the beginning of 2009 which is why orders were pushed into 2009.

**Asia market trends**

Asia continued its strong organic growth during the fourth quarter. Asia recorded an organic growth in order intake and net sales of 14 and 14 per cent, respectively.

The growth was obtained from, primarily, infrastructural activities in China. Several submarkets and industries in the region related to mining and agriculture grew at double digit rates. Hexagon noted a slow down in demand from the automotive and electronics industries during the fourth quarter. India, China and Japan all displayed strong growth.

**Net sales per region during the fourth quarter**

<b>MSEK</b>	<b>Q4 2008</b>	<b>Q4 2007</b>	<b>Change % <sup>1)</sup></b>
EMEA	1 797	2 412	-15
Americas	880	1 075	-13
Asia	801	637	14
<b>Total</b>	<b>3 478</b>	<b>4 124</b>	<b>-9</b>

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

**Market outlook 2009**

Western Europe and North America are expected to show negative organic growth for the first half of 2009. Hexagon expects an improved demand situation in these markets as infrastructural government stimulus programmes are being spent.

South America is expected to resume its organic growth already in the first half of 2009. Russia, Eastern Europe and Africa are expected to grow throughout the year.

Asia is expected to continue its growth due to the momentum Hexagon has in combination with good demand from the infrastructure related construction industry primarily in China. Already presented stimulus programmes are expected to underpin this growth.

**Net sales and earnings**

Order intake, excluding Hexpol, amounted to 3 211 MSEK (3 302) and net sales amounted to 3 478 MSEK (3 380) in the fourth quarter. Using fixed exchange rates and a comparable group structure, order intake decreased by -14 per cent and net sales decreased by -9 per cent.

Operating earnings (EBIT1), excluding Hexpol, amounted to 628 MSEK (666), which corresponds to an operating margin of 18.1 per cent (19.7). Operating earnings were positively affected by exchange rate movements of 78 MSEK.

The financial net amounted to -85 MSEK (-62) in the fourth quarter. The increase is explained by the numerous, externally financed, acquisitions Hexagon made during 2007 and 2008 and due to fixed interest rate contracts that expired at year-end.

Due to the deteriorating demand situation, Hexagon has accelerated its cost reduction programme. Reduction in workforce in combination with furlough (temporary leave of absence) during the first half of 2009 are expected to bring annualised savings of

approximately 500 MSEK with effect as of the first quarter 2009. These measures result in non-recurring costs of 100 MSEK in the fourth quarter.

Earnings before taxes, excluding Hexpol, amounted to 443 MSEK (444). Including Hexpol, earnings before taxes was 443 MSEK (505). Earnings were positively affected by exchange rate movements of 66 MSEK.

Net earnings, excluding Hexpol, increased by 5 per cent to 397 MSEK (377). This corresponds to an increase in earnings per share of 5 per cent to 1.48 SEK (1.41). Including Hexpol, net earnings was 397 MSEK (427), resulting in earnings per share of 1.48 SEK (1.59).

#### Net sales and earnings per business area in the fourth quarter

MSEK	Net sales			Earnings		
	Q4 2008	Q4 2007	Change % <sup>1)</sup>	Q4 2008	Q4 2007	Change % <sup>1)</sup>
Hexagon MT	3 334	3 153	-8	659	675	-2
Hexpol <sup>2)</sup>	-	744	n.a.	-	74	n.a.
Other operations	144	227	-29	-13	9	n.a.
Group costs and eliminations				-18	-18	0
<b>Operating earnings (EBIT1)</b>				<b>628</b>	<b>740</b>	n.a.
Per cent of net sales				18.1	17.9	
Interest income and expenses, net				-85	-62	n.a.
<b>Earnings before non-recurring items</b>				<b>543</b>	<b>678</b>	<b>n.a.</b>
Capital gains				-	-6	n.a.
Other non-recurring items				-100	-167	n.a.
<b>Net sales</b>	<b>3 478</b>	<b>4 124</b>	<b>-9</b>			
<b>Earnings before taxes</b>				<b>443</b>	<b>505</b>	<b>n.a.</b>

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

2) Hexpol AB was de-consolidated from Hexagon AB as of 1 June 2008.

#### Movements in the most important currencies and earnings impact in the fourth quarter

	Movement <sup>1)</sup>	Income - cost	Profit impact
CHF	Strengthened	Negative	Negative
USD	Strengthened	Positive	Positive
EUR	Strengthened	Positive	Positive
<b>EBIT, MSEK</b>			<b>78</b>

1) As compared to SEK.

### Year 2008 net sales and earnings

Order intake, excluding Hexpol, was to 13 168 MSEK (12 315) and net sales amounted to 13 060 MSEK (11 857) for the year. Using fixed exchange rates and a comparable group structure, order intake grew by 5 per cent and net sales grew by 7 per cent.

Operating earnings (EBIT1), excluding Hexpol, increased by 14 per cent to 2 405 MSEK (2 111), which corresponds to an operating margin of 18.4 per cent (17.8). Including Hexpol, operating earnings was 2 548 MSEK (2 421). Operating earnings were adversely affected by exchange rate movements of -55 MSEK.

The financial net amounted to -319 MSEK (-214) for the year. The increase is explained by the numerous, externally financed, acquisitions Hexagon made during 2007 and 2008 and due to fixed interest rate contracts that expired at year-end.

Earnings before taxes, excluding Hexpol, increased by 12 per cent to 2 004 MSEK (1 789). Including Hexpol, earnings before taxes was 2 129 MSEK (2 056). Earnings were adversely affected by exchange rate movements of -73 MSEK.

Net earnings, excluding Hexpol, increased by 10 per cent to 1 770 MSEK (1 615). This corresponds to an increase in earnings per share of 10 per cent to 6.63 SEK (6.05). Including Hexpol, net earnings increased by 3 per cent to 1 859 MSEK (1 811), resulting in earnings per share of 6.96 SEK (6.79).

#### Net sales and earnings per business area during the year

MSEK	Net sales			Earnings		
	2008	2007	Change % <sup>1)</sup>	2008	2007	Change % <sup>1)</sup>
Hexagon MT	12 356	10 937	7	2 469	2 141	15
Hexpol <sup>2)</sup>	1 419	2 730	n.a.	143	310	n.a.
Other operations	704	922	2	6	30	n.a.
Group costs and eliminations		-2		-70	-60	-17
<b>Operating earnings (EBIT1)</b>				<b>2 548</b>	<b>2 421</b>	<b>n.a.</b>
Per cent of net sales				17.6	16.6	
Interest income and expenses, net				-319	-214	n.a.
<b>Earnings before non-recurring items</b>				<b>2 229</b>	<b>2 207</b>	<b>n.a.</b>
Capital gains				-	114	n.a.
Other non-recurring items				-100	-265	n.a.
<b>Net sales</b>	<b>14 479</b>	<b>14 587</b>	<b>7</b>			
<b>Earnings before taxes</b>				<b>2 129</b>	<b>2 056</b>	<b>n.a.</b>

#### Net sales per region during the year

MSEK	2008	2007	Change % <sup>1)</sup>
EMEA	8 006	8 646	3
Americas	3 589	3 551	8
Asia	2 884	2 390	20
<b>Total</b>	<b>14 479</b>	<b>14 587</b>	<b>7</b>

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

2) Hexpol AB was de-consolidated from Hexagon AB as of 1 June 2008.

**Movements in the most important currencies and earnings impact during the year**

	<b>Movement</b> <sup>1)</sup>	<b>Income - cost</b>	<b>Profit impact</b>
CHF	Strengthened	Negative	Negative
USD	Weakened	Positive	Negative
EUR	Strengthened	Positive	Positive
<b>EBIT, MSEK</b>			<b>-55</b>

1) As compared to SEK.

**Profitability**

Capital employed, defined as total assets less non-interest bearing liabilities, increased to 23 668 MSEK (20 630). Return on average capital employed was 12.0 per cent (14.3). Return on average shareholders' equity was 18.2 per cent (19.5). The capital turnover rate was 0.7 times (0.9).

**Financial position**

Shareholders' equity, including minority interests, increased to 12 014 MSEK (10 046). The equity ratio increased to 44 per cent (40). Hexagon's total assets increased to 27 501 MSEK (24 940).

Hexagon's primary source for financing the company's operations is a syndicated loan facility amounting to 1 billion EUR that expires in 2011. The loan facility includes certain financial covenants to be fulfilled in order to avoid additional financing cost. Hexagon met all its financial covenants in 2008 and expects to meet them during 2009.

On 31 December 2008, cash and unutilized credit limits totalled 3 001 MSEK (2 753). Hexagon's net debt was 10 676 MSEK (8 887). The net debt was adversely affected by the fact that the SEK weakened significantly against all major currencies used by Hexagon for debt financing, i.e. CHF, USD and EUR. The increase in net debt was approximately 1.6 billion SEK in the quarter and 2.4 billion SEK for the full year. The net indebtedness was 0.89 times (0.88). Interest coverage ratio was 7.0 (8.8).

Hexagon has the majority of its operations located outside Sweden. Only eight years ago Hexagon had 79 per cent of its EBITDA generated in SEK and 71 per cent of its total assets denominated in SEK. In 2008 the situation was significantly different when only 8 per cent of EBITDA and 7 per cent of total assets were in SEK.

**Cash flow**

Operating cash flow in the fourth quarter increased by 11 per cent to 422 MSEK (379).

During the year, cash flow from operations before changes in working capital increased by 5 per cent to 2 587 MSEK (2 472), corresponding to 9.75 SEK (9.32) per share. Cash flow from operations was 1 755 MSEK (2 027), corresponding to 6.61 SEK (7.64) per share. The operating cash flow was 750 MSEK (1 202).

**Investments and depreciation**

Hexagon's net investments, excluding acquisitions and divestitures, were -1 005 MSEK (-825). Depreciation and write-downs during the year was -719 MSEK (-803).

### **Tax rate**

The Group's tax cost for the year totalled -270 MSEK (-245), corresponding to an effective tax rate of 13 per cent (12). The tax cost is affected by the fact that a considerable part of Hexagon's earnings is generated in foreign subsidiaries located in countries where the tax rates differ from the one in Sweden as well as the fact that capital gains are essentially exempt from tax. Tax expenses in 2007 benefited from revaluations of deferred tax assets and liabilities due to changes in Hexagon's legal and tax structure.

The Swedish Parliament has decided to decrease the income tax rate for companies from 28.0 to 26.3 per cent as of the year 2009. The impact on Hexagon's earnings and balance sheet is immaterial.

### **Employees**

The average number of employees in Hexagon during the year was 9 062 (8 406). Excluding Hexpol, the average number of employees in Hexagon was 8 112 (6 286). The number of employees at the end of the year was 8 436 (10 062). Excluding Hexpol, the number of employees at the end of 2007 was 7 735.

### **Share data**

Earnings per share for the year increased by 3 per cent to 6.96 SEK (6.79). Excluding Hexpol, earnings per share increased by 10 per cent to 6.63 SEK (6.05).

On 31 December 2008, equity per share was 45.03 SEK (37.69), and the share price was 38 SEK (135 SEK). The distribution of all the shares in Hexpol entailed a decrease in equity per share of -3.31 SEK.

During 2008 Hexagon repurchased 1 311 442 shares at an average price of 39.30 SEK per share.

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



## Business area net sales and earnings

### Measurement Technologies

Order intake amounted to 3 167 MSEK (3 047) during the fourth quarter. Net sales amounted to 3 334 MSEK (3 153). Using fixed exchange rates and a comparable structure, order intake decreased by -9 per cent and net sales by -8 per cent. Operating earnings (EBIT1) amounted to 659 MSEK (675), which corresponds to an operating margin of 20 per cent (21).

The number of employees by the end of the year was 8 024 (7 296). The increase is mainly due to acquisition during the year.

MSEK	Q4 2008	Q4 2007	Change %	2008	2007	Change %
Order intake	3 167	3 047	-9 <sup>1)</sup>	12 551	11 234	5 <sup>1)</sup>
Net sales	3 334	3 153	-8 <sup>1)</sup>	12 356	10 937	7 <sup>1)</sup>
Operating earnings (EBIT1)	659	675	-2	2 469	2 141	15
Operating margin, %	19.8	21.4	-1.6	20.0	19.6	0.4

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

### Hexpol

During the second quarter, Hexpol was distributed to the shareholders of Hexagon and listed as a separate company on NASDAQ OMX Nordic Exchange. As of 1 June 2008, Hexpol is no longer included in the consolidated accounts of Hexagon.

MSEK	Q4 2008	Q4 2007	2008 <sup>1)</sup>	2007
Order intake	-	709	1 425	2 824
Net sales	-	744	1 419	2 730
Operating earnings (EBIT1)	-	74	143	310

1) The financial outcome of Hexpol AB for five months.

For information regarding Hexpol activities and results during the fourth quarter, please refer to the Hexpol AB year-end report to be published on 10 February.

### Other operations

Order intake amounted to 44 MSEK (255) during the fourth quarter. Net sales amounted to 144 MSEK (227). Using fixed exchange rates and a comparable structure, order intake and net sales decreased by -81 and -29 per cent, respectively. The negative trend is caused by the severe downturn the Swedish vehicle industry is enduring. Operating earnings (EBIT1) amounted to -13 MSEK (9).

The number of employees by the end of the year was 401 (428).

MSEK	Q4 2008	Q4 2007	Change %	2008	2007	Change %
Order intake	44	255	-81 <sup>1)</sup>	617	1 081	-17 <sup>1)</sup>
Net sales	144	227	-29 <sup>1)</sup>	704	922	2 <sup>1)</sup>
Operating earnings (EBIT1)	-13	9	n.a. <sup>2)</sup>	6	30	n.a. <sup>2)</sup>

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

2) Not applicable due to divested businesses.

### **Associated companies**

Associated companies affected Hexagon's earnings during the year by -1 MSEK (-31). During the first quarter 2007 earnings were affected by a write-down of Hexagon's investment in the joint venture company Outokumpu Nordic Brass by -35 MSEK.

### **Parent company**

The parent company's earnings after financial items were 1 444 MSEK (-155). The increase in earnings is mainly due to dividends from subsidiaries. The solvency ratio of the parent company was 36 per cent (34). The equity was 6 786 MSEK (6 655). Liquid funds including unutilized credit limits was 2 105 MSEK (2 026).

### **Accounting principles**

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

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

### **Risks and uncertainty factors**

As an international Group with a wide geographic scope, Hexagon is exposed to a number of business and financial risks. The business risks can be divided into strategic, operational and legal risks. The financial risks are related to such factors as exchange rates, interest rates, liquidity, the giving of credit, raw materials and financial instruments. Risk management in Hexagon aims to identify, control and reduce risks. This work begins with an assessment of the probability of risks occurring and their potential effect on the Group. For a detailed description of risks and risk management, refer to the Annual Report for 2007. Due to the financial crisis, there is a risk for increased cost for, and lack of availability of, refinancing. Hexagon will continuously monitor the credit market as well as safeguarding the Group's financial position via release of working capital and improved cash flow to ensure access to credit. No significant risks other than the risks described above are deemed to be currently relevant.

### **Significant events during the fourth quarter**

- On 7 October, Mr Maths O. Sundqvist, at his own request, stepped down from his assignment as non-executive director of Hexagon's Board of Directors.
- On 14 October, the Australian company Rinex Technology was acquired. Rinex develops and supplies hardware and software for agricultural tractor and combine guidance. Rinex has recently released new products, and sales in 2008 was more than 30 MSEK. Rinex is consolidated as of 13 October 2008.
- On 14 November, Hexagon's Board of Directors decided to utilize the authorisation given by the Annual General Meeting on 5 May 2008 to purchase the company's own shares for the purpose of, among other things, giving the Board the possibility to adapt the company's capital structure and of enabling the financing of acquisitions.
- On 25 November Hexagon hosted a capital markets day in Heerbrugg, Switzerland, where a global overview and an update of Hexagon's financial plan were presented.

### **Outlook 2009**

The first half of the year 2009 will be challenging. Hexagon is responding to the demand drop by cutting cost, reducing workforce and furloughing of personnel as well as delaying investments. As governmental stimulus programmes around the world start to have an impact on infrastructural investments, Hexagon's growth is expected to resume.

### **Telephone conference 6 February**

The year-end report will be presented on 6 February at 15:00 CET at a telephone conference. For participation, please see instructions at the Hexagon website.

### **Annual General Meeting on 6 May**

The Annual General Meeting will be held on 6 May 2009, at 17:00 CET in Stockholm, Sweden (IVA, Grev Turegatan 16). The Annual Report for 2008 will be distributed to shareholders during the week starting 6 April and will then also be available on the Hexagon website and head office.

Shareholders who wish to participate at the Annual General Meeting must be registered in the share register maintained by Euroclear Sweden AB (formerly VPC AB) no later than 29 April 2009. Notification of attendance should be made to Hexagon's head office no later than 12:00 CET on 30 April. To be eligible to participate in the Annual General Meeting, shareholders with nominee-registered holdings should temporarily re-register their shares in their own names through the agency of their nominees so that they are recorded in the share register in good time before 29 April.

### **Proposed dividend**

The Hexagon Board of Directors proposes a dividend of 0.50 SEK per share (2.08 SEK without the Hexpol's share of the dividend 2007). The proposed reduced dividend will enhance Hexagon's ability to perform in a difficult market and to take advantage of market opportunities as they arise.

### **Financial information**

Hexagon gives financial information at the following occasions:

Annual General Meeting 2009	6 May 2009
Interim Report Q1 2009	6 May 2009
Interim Report Q2 2009	6 August 2009
Interim Report Q3 2009	28 October 2009

Financial information is available via phone +46 8 601 26 20 or e-mail [ir@hexagon.se](mailto:ir@hexagon.se)

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The Year-End Report 2008 has not been audited by the company's auditors.

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This year-end report is a type of information that Hexagon AB (publ) is obliged to disclose in accordance with the Swedish Securities Market Act and /or the Financial Instruments Trading Act. The information was submitted for publication on 6 February 2009 at 08:00 CET.

**Consolidated income statement in summary**

<b>MSEK</b>	<b>Q4 2008</b>	<b>Q4 2007</b>	<b>2008</b>	<b>2007</b>
Net sales	3 478	4 124	14 479	14 587
Cost of goods sold	-1 853	-2 313	-7 881	-8 490
<b>Gross profit</b>	<b>1 625</b>	<b>1 811</b>	<b>6 598</b>	<b>6 097</b>
Sales and administration costs	-1 096	-1 240	-4 151	-3 910
Earnings from shares in associated companies	-1	2	1	-31
Capital gains	-	-6	-	114
<b>Operating earnings <sup>1)</sup></b>	<b>528</b>	<b>567</b>	<b>2 448</b>	<b>2 270</b>
Interest income and expenses, net	-85	-62	-319	-214
<b>Earnings after financial items</b>	<b>443</b>	<b>505</b>	<b>2 129</b>	<b>2 056</b>
Tax	-46	-78	-270	-245
<b>Net earnings <sup>2)</sup></b>	<b>397</b>	<b>427</b>	<b>1 859</b>	<b>1 811</b>
<sup>1)</sup> of which non-recurring items	-100	-173	-100	-151
<sup>2)</sup> of which minority interest	4	4	12	11
Including depreciation and write-downs of <sup>3)</sup>	-216	-339	-719	-803
<sup>3)</sup> of which amortization on excess values identified at acquisition	-26	-22	-99	-63
Earnings per share, SEK	1.48	1.59	6.96	6.79
Earnings per share after dilution, SEK	1.48	1.59	6.95	6.77
Shareholder's equity per share, SEK	45.03	37.69	45.03	37.69
Closing number of shares, thousand	265 520	265 350	265 520	265 350
Average number of shares, thousand	264 985	265 350	265 317	265 278
Average number of shares after dilution, thousand	265 607	265 999	265 768	266 034

**Consolidated balance sheet in summary**

<b>MSEK</b>	<b>30/12 2008</b>	<b>31/12 2007</b>
Intangible fixed assets	16 833	14 151
Tangible fixed assets	1 903	2 277
Financial fixed assets	108	76
Deferred tax assets	587	492
<b>Total fixed assets</b>	<b>19 431</b>	<b>16 996</b>
<b>Inventories</b>	<b>3 294</b>	<b>2 586</b>
Accounts receivable	3 161	3 075
Other receivables	439	465
Prepaid expenses and accrued income	257	206
<b>Total current receivables</b>	<b>3 857</b>	<b>3 746</b>
Cash and cash equivalents	919	1 612
<b>Total current assets</b>	<b>8 070</b>	<b>7 944</b>
<b>Total assets</b>	<b>27 501</b>	<b>24 940</b>
Attributable to the parent company's shareholders	11 957	10 002
Attributable to minority	57	44
<b>Total shareholders' equity</b>	<b>12 014</b>	<b>10 046</b>
Interest bearing liabilities	10 509	9 789
Other liabilities	26	17
Pension provisions	452	433
Tax provisions	331	668
Other provisions	174	192
<b>Total long-term liabilities</b>	<b>11 492</b>	<b>11 099</b>
Other provisions	339	208
Interest bearing liabilities	500	170
Accounts payable	1 185	1 473
Other liabilities	545	757
Accrued expenses and deferred income	1 426	1 187
<b>Total short-term liabilities</b>	<b>3 995</b>	<b>3 795</b>
<b>Total equity and liabilities</b>	<b>27 501</b>	<b>24 940</b>

**Revenues and costs and change in shareholders' equity**

<b>MSEK</b>	<b>31/12 2008</b>	<b>31/12 2007</b>
<b>Opening shareholders' equity</b>	<b>10 046</b>	<b>8 609</b>
Change in translation reserve	3 688	224
Effect of currency hedging	-2 653	-177
Change in hedging reserve	1	-1
Tax attributable to items recognized directly in shareholders' equity	607	35
<b>Total revenues and costs recognized directly in shareholders' equity excluding transactions involving company shareholders</b>	<b>1 643</b>	<b>81</b>
Net earnings for the period	1 859	1 811
<b>Total revenues and costs excluding transactions involving company shareholders <sup>1)</sup></b>	<b>3 502</b>	<b>1 892</b>
Dividend	-1 514	-448
Stock option payments	27	-
New share issue	19	21
Effect of acquisitions and divestments of subsidiaries	-24	-36
Acquisition – minority	4	-
Benefit pertaining to options recognized as operating expenses	6	8
Repurchase of shares	-52	-
<b>Closing shareholders' equity <sup>2)</sup></b>	<b>12 014</b>	<b>10 046</b>
<sup>1)</sup> of which: Parent company shareholders	3 483	1 878
Minority in subsidiary	19	14
<sup>2)</sup> of which: Parent company shareholders	11 957	10 002
Minority in subsidiary	57	44

**Development of number of shares**

	<b>Nominal value, SEK</b>	<b>Series A</b>	<b>Series B</b>	<b>Total</b>
2007-12-31	2	11 812 500	253 537 485	265 349 985
New issue, options exercised	2	-	169 785	169 785
2008-12-31 total issued	2	11 812 500	253 707 270	265 519 770
Repurchase	2	-	-1 311 442	-1 311 442
2008-12-31 total issued and outstanding	2	11 812 500	252 395 828	264 208 328

**Consolidated cash flow analysis**

<b>MSEK</b>	<b>Q4 2008</b>	<b>Q4 2007</b>	<b>2008</b>	<b>2007</b>
Cash flow from operations before change in working capital	688	812	2 587	2 472
Cash flow from change in working capital	86	-173	-832	-445
<b>Cash flow from operations</b>	<b>774</b>	<b>639</b>	<b>1 755</b>	<b>2 027</b>
Cash flow from ordinary investing activities	-352	-260	-1 005	-825
<b>Operating cash flow</b>	<b>422</b>	<b>379</b>	<b>750</b>	<b>1 202</b>
Cash flow from other investment activities	-36	-2 445	-1 048 <sup>2)</sup>	-3 031
Dividend	-2	-	-634	-448
Stock option payments	-	-	27	-
Repurchase of shares	-52	-	-52	-
Cash flow from other financing activities	-95	2 884	262	3 374
<b>Change in liquid assets <sup>1)</sup></b>	<b>237</b>	<b>818</b>	<b>-695</b>	<b>1 097</b>

1) The currency effect in liquid assets was 2 MSEK (34) during the year.

2) Acquisitions -798 MSEK, cash and bank balances in distributed Hexpol AB -220 MSEK and other -30 MSEK.

**Key ratios**

	<b>Q4 2008</b>	<b>Q4 2007</b>	<b>2008</b>	<b>2007</b>
Operating margin, %	18.1	17.9	17.6	16.6
Profit margin before taxes, %	12.7	12.2	14.7	14.1
Return on shareholders' equity, %	14.1	17.5	18.2	19.5
Return on capital employed, %	9.7	12.9	12.0	14.3
Solvency ratio, %	43.7	40.3	43.7	40.3
Net indebtedness	0.89	0.88	0.89	0.88
Interest coverage ratio	5.9	7.6	7.0	8.8
Average number of shares, thousands	264 985	265 350	265 317	265 278
Earnings per share, SEK	1.48	1.59	6.96	6.79
Earnings per share excl Hexpol, SEK	1.48	1.41	6.63	6.05
Earnings per share excl non-recurring items, SEK	1.81	2.13	7.28	7.11
Cash flow per share, SEK	2.92	2.41	6.61	7.64
Cash flow per share before change in working capital, SEK	2.60	3.06	9.75	9.32
Share price, SEK	38	135	38	135

**Order intake**

MSEK	2008					2007				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Hexagon MT	3 149	3 227	3 008	3 167	12 551	2 715	2 796	2 676	3 047	11 234
Hexpol <sup>1)</sup>	834	591	-	-	1 425	671	667	777	709	2 824
Other operations	174	198	201	44	617	127	154	210	231	722
Divested businesses <sup>2)</sup>	-	-	-	-	-	267	34	34	24	359
<b>Group</b>	<b>4 157</b>	<b>4 016</b>	<b>3 209</b>	<b>3 211</b>	<b>14 593</b>	<b>3 780</b>	<b>3 651</b>	<b>3 697</b>	<b>4 011</b>	<b>15 139</b>

**Net sales**

MSEK	2008					2007				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Hexagon MT	2 974	3 135	2 913	3 334	12 356	2 483	2 694	2 607	3 153	10 937
Hexpol <sup>1)</sup>	852	567	-	-	1 419	656	650	680	744	2 730
Other operations	201	202	157	144	704	145	144	135	203	627
Divested businesses <sup>2)</sup>	-	-	-	-	-	216	29	26	24	295
Eliminations	-	-	-	-	-	-1	-1	-	-	-2
<b>Group</b>	<b>4 027</b>	<b>3 904</b>	<b>3 070</b>	<b>3 478</b>	<b>14 479</b>	<b>3 499</b>	<b>3 516</b>	<b>3 448</b>	<b>4 124</b>	<b>14 587</b>

**Operating earnings (EBIT1)**

MSEK	2008					2007				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Hexagon MT	566	683	561	659	2 469	451	529	486	675	2 141
Hexpol <sup>1)</sup>	83	60	-	-	143	69	81	86	74	310
Other operations	8	10	1	-13	6	1	6	1	7	15
Divested businesses <sup>2)</sup>	-	-	-	-	-	12	1	0	2	15
Group costs and eliminations	-14	-19	-19	-18	-70	-13	-16	-13	-18	-60
<b>Group</b>	<b>643</b>	<b>734</b>	<b>543</b>	<b>628</b>	<b>2 548</b>	<b>520</b>	<b>601</b>	<b>560</b>	<b>740</b>	<b>2 421</b>
Margin, %	16.0	18.8	17.7	18.1	17.6	14.9	17.1	16.2	17.9	16.6

**Net sales**

MSEK	2008					2007				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
EMEA	2 347	2 232	1 630	1 797	8 006	2 220	2 021	1 993	2 412	8 646
Americas	995	947	767	880	3 589	717	909	850	1 075	3 551
Asia	685	725	673	801	2 884	562	586	605	637	2 390
<b>Group</b>	<b>4 027</b>	<b>3 904</b>	<b>3 070</b>	<b>3 478</b>	<b>14 479</b>	<b>3 499</b>	<b>3 516</b>	<b>3 448</b>	<b>4 124</b>	<b>14 587</b>

1) Hexpol AB was de-consolidated from Hexagon AB as of 1 June 2008.

2) Johnson Metall, Eurosteel and Tidamek.



**Acquisitions and divestments during the year**

<b>MSEK</b>	<b>2008</b>		<b>2007</b>	
	Acquisit.	Divest.	Acquisit.	Divest.
Intangible fixed assets	789	-1 108	4 130	-26
Other fixed assets	29	-723	303	-196
<b>Total fixed assets</b>	<b>818</b>	<b>-1 831</b>	<b>4 433</b>	<b>-222</b>
<b>Total current assets</b>	<b>294</b>	<b>-1 009</b>	<b>1 653</b>	<b>-543</b>
<b>Total assets</b>	<b>1 112</b>	<b>-2 840</b>	<b>6 086</b>	<b>-765</b>
<b>Shareholders' equity incl. minority interests</b>	<b>-9</b>	<b>-</b>	<b>2</b>	<b>-11</b>
<b>Total long-term liabilities</b>	<b>58</b>	<b>-1 435</b>	<b>688</b>	<b>-66</b>
<b>Total short-term liabilities</b>	<b>191</b>	<b>-525</b>	<b>702</b>	<b>-230</b>
<b>Total liabilities</b>	<b>241</b>	<b>-1 960</b>	<b>1 392</b>	<b>-307</b>
<b>Total net assets</b>	<b>871</b>	<b>-880</b>	<b>4 692</b>	<b>-458</b>
<b>Total acquisition cost/ divestment income</b>	<b>-863</b>	<b>-</b>	<b>-4 898</b>	<b>572</b>
<b>Divested net assets</b>	<b>-</b>	<b>-880</b>	<b>-</b>	<b>-458</b>
<b>Capital gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>114</b>
<b>Distributed to Hexagon's shareholders</b>	<b>-</b>	<b>-880</b>	<b>-</b>	<b>-</b>
<b>Total acquisition cost/ divestment income</b>	<b>-874</b>	<b>-</b>	<b>-4 898</b>	<b>572</b>
Adjustment for cash and bank balances in acquired/ divested entities	73	-220	1 101	-3
Adjustment for non-paid part of acquisition cost/ divestment income incl. payment of items from prior year	3	-	205	-
<b>Cash flow from acquisitions/ divestments</b>	<b>-798</b>	<b>-220</b>	<b>-3 592</b>	<b>569</b>

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

**Distribution and listing of Hexpol**

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

**Parent company income statement in summary**

<b>MSEK</b>	<b>Q4 2008</b>	<b>Q4 2007</b>	<b>2008</b>	<b>2007</b>
Net sales	12	6	28	24
Administration cost	-21	-15	-75	-51
<b>Operating earnings</b>	<b>-9</b>	<b>-9</b>	<b>-47</b>	<b>-27</b>
Earnings from shares in Group companies	405	0	1 688	-
Interest income and expenses, net	80	11	-197	-128
<b>Earnings after financial items</b>	<b>476</b>	<b>2</b>	<b>1 444</b>	<b>-155</b>
Tax	-34	0	54	48
<b>Net earnings</b>	<b>442</b>	<b>2</b>	<b>1 498</b>	<b>-107</b>

**Parent company balance sheet in summary**

<b>MSEK</b>	<b>31/12 2008</b>	<b>31/12 2007</b>
<b>Total fixed assets</b>	<b>17 696</b>	<b>18 996</b>
Total current receivables	828	254
Cash and cash equivalents	507	370
<b>Total current assets</b>	<b>1 335</b>	<b>624</b>
<b>Total assets</b>	<b>19 031</b>	<b>19 620</b>
<b>Total shareholders' equity</b>	<b>6 786</b>	<b>6 655</b>
<b>Total long-term liabilities</b>	<b>8 315</b>	<b>9 816</b>
<b>Total short-term liabilities</b>	<b>3 930</b>	<b>3 149</b>
<b>Total equity and liabilities</b>	<b>19 031</b>	<b>19 620</b>

## Definitions

### Financial definitions

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

### Business definitions

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