



## Year End Report, 1 January - 31 December 2006

### Excellent fourth quarter with further improvements in earnings and order intake

- Order intake increased to 3 588 MSEK (3 152). Organic growth in order intake was 17 per cent.
- Net sales increased to 3 561 MSEK (3 265). Organic growth in net sales was 12 per cent.
- Earnings before taxes increased to 500 MSEK (-127).
- Earnings after taxes increased to 418 MSEK (-110).
- Earnings per share, before dilution, increased to 4.71 SEK (-1.51).

### Hexagon's best year ever

- Order intake increased to 13 720 MSEK (9 749). Organic growth in order intake was 14 per cent.
- Net sales increased to 13 469 MSEK (9 637). Organic growth in net sales was 12 per cent.
- Earnings before taxes and non-recurring items<sup>1)</sup> increased by 105 per cent to 1 605 MSEK (784). Including these items, earnings before tax were 1 618 MSEK (705).
- Earnings before taxes increased by 130 per cent to 1 618 MSEK (705).
- Earnings after taxes increased by 107 per cent to 1 280 MSEK (618).
- Earnings per share, before dilution, increased by 60 per cent to 15.03 SEK (9.42).

### Dividend and split

- The Board of Directors proposes a dividend increase of 60 per cent to 5.00 SEK (3.00) per share and a split 3:1 of the Hexagon share.

### Forecast 2007

- Earnings for 2007 will exceed earnings in 2006 with minimum 15 per cent per share.

### Comments from Hexagon's CEO Ola Rollén

"The fourth quarter was Hexagon's best quarter ever. The integration of the Swiss measurement technologies company Leica Geosystems has been very swift. During the quarter changes were made to our distribution structure affecting a large part of our product portfolio in Asia. These measures slowed down growth in Asia during the quarter but will lead to increased growth during 2007. All in all 2007 seems to be yet another strong year with intense acquisition activity and a further focusing of the groups operations towards becoming a fast growing high technology company with good operating margins."

MSEK	Q4 2006	Q4 2005	Change %	Year 2006	Year 2005	Change %
Order intake	3 588	3 152	17 <sup>2)</sup>	13 720	9 749	14 <sup>2)</sup>
Net sales	3 561	3 265	12 <sup>2)</sup>	13 469	9 637	12 <sup>2)</sup>
Operating earnings (EBIT1)	546	356	53	1 827	923	98
Operating margin, %	15.3	10.9	4.4	13.6	9.6	4.0
Operating earnings after interest net	500	300	67	1 605	784	105
Non-recurring items, net	-	-427	n.a. <sup>3)</sup>	13	-79	n.a. <sup>3)</sup>
Earnings before tax	500	-127	n.a. <sup>3)</sup>	1 618	705	130
Earnings after tax	418	-110	n.a. <sup>3)</sup>	1 280	618	107
Earnings per share	4.71	-1.51	n.a. <sup>3)</sup>	15.03	9.42	60

<sup>1)</sup> Net of capital gains 97 MSEK and restructuring costs -84 MSEK.

<sup>2)</sup> Adjusted for currency fluctuations and changes in the group structure (organic growth).

<sup>3)</sup> Not applicable due to non-recurring items.

## Fourth quarter sales and earnings

The fourth quarter was Hexagon's best quarter ever. Order intake grew to 3 588 MSEK (3 152). Using fixed exchange rates and a comparable group structure, order intake increased by 17 per cent. Net sales increased to 3 561 MSEK (3 265). Using fixed exchange rates and a comparable group structure, net sales increased by 12 per cent.

In EMEA demand continued to be strong during the fourth quarter. Organic growth in order intake was 25 per cent and 20 per cent in net sales. We see a continuous strong demand in EMEA for 2007.

In Americas demand was adversely affected during the fourth quarter by the continued deterioration in the domestic automotive industry's activities. The slow down in demand for residential housing construction levelled out and was in line with the previous quarter. Demand was positively affected by increased infrastructural investments and increased demand from non automotive related industries such as mining, construction, aerospace related industries and the electronics industry. Organic growth in order intake was 0 per cent and in net sales -2 per cent. We see a continuous moderate demand increase at a high activity level in Americas during 2007 compared to the outcome for 2006.

Hexagons expansion in Asia has continued during the fourth quarter. Hexagon is currently investing in four new production units in China. An extensive expansion of the group's distribution channels in the region is also underway. During the fourth quarter Hexagon has changed from two exclusive distributors for Leica Geosystems' products to some 50 non-exclusive distributors in China. This changeover will impact Hexagon's sales towards the macro segment positively in the region during 2007. The changeover had, however, a disruptive effect on the fourth quarter order intake and sales estimated to 100 MSEK. Organic growth in order intake was 9 per cent and in net sales 4 per cent. We see a continuous strong demand in Asia for 2007.

Operating earnings (EBIT1) increased by 53 per cent to 546 MSEK (356), corresponding to an operating margin of 15.3 per cent (10.9). Operating earnings (EBIT1) were negatively affected by -11 MSEK due to exchange rate fluctuations.

All together, operating earnings including non-recurring items for fiscal 2006 were 546 MSEK (-71). During the fourth quarter of 2005, restructuring cost of net -427 MSEK was reported in conjunction with the acquisition of Leica Geosystems.

The financial net during the fourth quarter was -46 MSEK (-56).

Earnings before taxes increased to 500 MSEK (-127). These earnings were negatively affected by currency fluctuations of -13 MSEK. Earnings after tax were 418 MSEK (-110), corresponding to an earnings per share of 4.71 SEK (-1.51).

## Net sales per region

MSEK	Q4 2006	Q4 2005	Organic change %
EMEA	2 231	1 909	20
Americas	822	875	-2
Asia	508	481	4
<b>Total</b>	<b>3 561</b>	<b>3 265</b>	<b>12</b>

## Fiscal 2006 sales and earnings

Order intake for the fiscal year 2006 increased to 13 720 MSEK (9 749). At fixed exchange rates and comparable group structure, order intake increased by 14 per cent. Net sales increased to 13 469 MSEK (9 637). At fixed exchange rates and a comparable group structure, net sales increased by 12 per cent.

Operating earnings (EBIT1) increased by 98 per cent to 1 827 MSEK (923), corresponding to an operating margin of 13.6 per cent (9.6). Operating earnings (EBIT1) were positively affected by 34 MSEK due to exchange rate fluctuations.

During the first quarter 2006 an industrial property in Västerås, Sweden, was divested. Also, a line of business in Tidamek AB and the shareholding in Tradimus AB were divested. These divestitures totalled capital gains of 97 MSEK. In addition, restructuring costs of 84 MSEK related to the integration of Leica Geosystems, has been reported during the first quarter. All together, the sum of capital gains and non-recurring items during 2006 were 13 MSEK. During 2005 the net of capital gains and non-recurring items was -79 MSEK. Earnings before financial net increased by 118 per cent to 1 840 MSEK (844).

The financial net during the year was -222 MSEK (-139).

Earnings before taxes increased by 130 per cent to 1 618 MSEK (705). Earnings were positively affected by 32 MSEK due to exchange rate fluctuations. Earnings after taxes increased to 107 per cent to 1 280 MSEK (618), corresponding to an earnings per share of 15.03 SEK (9.42).

## Net sales and earnings per business area

MSEK	Net sales			Earnings		
	Year 2006	Year 2005	Change %	Year 2006	Year 2005	Change %
Hexagon Measurement Technologies	9 250	4 539	104	1 547	550	181
Hexagon Polymers	2 488	2 205	13	223	258	-14
Hexagon Engineering	1 734	1 665	4	109	80	36
Divested businesses	-	1 248	n.a.	-	64	n.a.
Group cost and adjustments	-3	-20	n.a.	-52	-29	-79
<b>Operating earnings (EBIT1)</b>				<b>1 827</b>	<b>923</b>	<b>98</b>
Per cent of net sales				13.6	9.6	4.0
Capital gains				97	457	n.a.
Other non-recurring items				-84	-536	n.a.
<b>Earnings before interest net</b>				<b>1 840</b>	<b>844</b>	<b>118</b>
Interest income and expenses, net				-222	-139	-60
<b>Earnings before tax</b>	<b>13 469</b>	<b>9 637</b>	<b>40</b>	<b>1 618</b>	<b>705</b>	<b>130</b>

## Net sales per region

MSEK	Year 2006	Year 2005	Organic change %
EMEA	8 183	6 516	14
Americas	3 261	2 112	3
Asia	2 025	1 009	17
<b>Total</b>	<b>13 469</b>	<b>9 637</b>	<b>12</b>

## **Profitability**

Capital employed, defined as total assets less non-interest bearing liabilities, increased to 15 427 MSEK (14 980). Return on average capital employed was 12.2 per cent (10.8). Return on average shareholders' equity was 15.0 per cent (17.9). The capital turnover rate was 0.88 times (1.19). Return on average shareholders' equity was affected by the rights issue of approximately 2 700 MSEK that was completed during the second quarter.

## **Financial position**

Shareholders' equity, including minority interests, increased to 8 609 MSEK (5 519). The equity ratio was 46 per cent (30). The group's total assets decreased to 18 548 MSEK (18 642). The change in shareholders' equity is principally explained by the rights issue of approximately 2 700 MSEK that was completed during the second quarter.

Cash on 31 December 2006, including non-utilized credit limits, totalled 5 067 MSEK (3 418). The group's net debt totalled 6 032 MSEK (9 139), and the net indebtedness was 0.70 times (1.71). Interest coverage ratio was 7.4 times (5.1).

## **Cash flow**

During the year cash flow from operations before changes in working capital, increased by 82 per cent to 1 737 MSEK (956), corresponding to 20.51 SEK per share (14.70). Cash flow from operations increased by 46 per cent to 1 115 MSEK (764), corresponding to 13.17 SEK per share (11.75). The operating cash flow was 281 MSEK (322). The operating cash flow has been affected by an increase in the in working capital due to the substantial organic growth. Restructuring expenses in connection to the cost reduction/restructuring of Leica Geosystems as well as investments in new production facilities within Hexagon Measurement Technologies in the US and China and within Hexagon Polymers in China and Mexico has also affected the cash flow.

## **Investments and depreciation**

The group's net investments, excluding acquisitions and divestitures, totalled -834 MSEK (-442) during the year. The increase in investments during the year comprises, among other things, investments in new production facilities amounting to 215 MSEK for Hexagon Measurement Technologies in the US and China and Hexagon Polymers in Mexico and China. Depreciation for the period was 602 MSEK (529).

Investments for the full year exceed the financial goal for the group, i.e. investments to equal depreciations, due to the abovementioned new production facilities.

## **Tax rate**

The group's tax cost for the year totalled -338 MSEK (-87), corresponding to a tax rate of 21 per cent (12). The tax cost is affected by the fact that a considerable part of the group's earnings is generated in foreign subsidiaries located in countries where the tax rates differ from those in Sweden, valuation of certain foreign loss carry-forwards, as well as the fact that capital gains are exempt from tax. Disregarding the tax effect from all non-recurring capital gains, the tax rate would have been 22 per cent (28) for the year. The lower tax rate during 2006 can be explained partly by a revaluation of loss carry forwards made during the year.

## **Employees**

The average number of employees in the group during the year was 7 862 (6 111). The number of employees at year end totalled 8 170 (7 601), an increase by 569 employees. The increase is mainly

due to increased staff in Sri Lanka, in order to meet increased customer demand, as well as acquisitions made during the year.

### **Share data**

Earnings per share during the year increased by 60 per cent to 15.03 SEK (9.42). On 31 December 2006, equity per share was 96.89 SEK (71.84) and the share price was 292 SEK (217). Historical share related data has been recalculated factoring in the split in 2005, the rights issue (with bonus issue element taken into consideration) carried out during the second quarter 2006, exercise of options, and the compulsory squeeze out of the remaining shares of Leica Geosystems during the third quarter 2006.

At full exercise of remaining stock option programmes, the dilution effect would be 0.3 per cent of the share capital and 0.2 per cent of the number of votes.

## Hexagon Measurement Technologies

*The business area Hexagon Measurement Technologies is the world leader in multidimensional measurements. It is active in the measuring and positioning market's macro and micro segments. Operations encompass hand tools, fixed and portable co-ordinate measuring machines (CMMs), GPS systems, level meters, laser meters, total stations, sensors for airborne measurement, aftermarket services and software systems for one, two or three-dimensional measurements.*

The strong demand for Hexagon's products continued during the fourth quarter. Organic growth was 12 per cent during the quarter. The improvement in earnings was substantial. Operating margin was 19 per cent (13) and EBIT increased by 60 per cent to 466 MSEK (292).

In EMEA demand continued to be strong within all customer segments during the fourth quarter. Organic growth in order intake was 24 per cent and in net sales 22 per cent. For 2007 we see a continued high demand in the region with a possible slowdown in the West European engineering sector that will be compensated by an increased demand from the construction industry in Eastern Europe and Middle East.

In Americas the shift in demand has continued during the fourth quarter. The competitiveness has continued to deteriorate for the domestic automotive industry with negative effects on demand for Hexagons products as a consequence. The residential housing construction market has levelled out due to increased interest rates impacting demand for Hexagon products adversely. However, demand is positively affected by increased infrastructural investments and increased demand from non automotive related industries such as mining, engineering, aerospace, and the electronics industry. Organic growth in order intake was 2 per cent and in net sales 0 per cent. For 2007 we see a recovery in demand for Hexagons products in the region due to the efforts to focus on fast growing market segments as well as new product launches.

In Asia Hexagon has continued its expansion during the fourth quarter. Organic growth in order intake was 8 per cent and in net sales 4 per cent. The relatively slow growth is due to the change in distribution model in China for Leica Geosystems that was carried out during the quarter. We are leaving a set up giving exclusivity for two distributors in favour of a non-exclusivity arrangement with some 50 regional distributors. During the quarter this changeover gave us a drop in sales and order intake by approximately 100 MSEK. During 2007 these measures will give a more efficient penetration of the Chinese market for Leica Geosystems' products. Leica Geosystems' production facility in China started operations, in rented premises, during the fourth quarter. The production is estimated to move to own premises during 2007. Hexagon's other production facility in Qingdao, China, will start operations in its extended capacity during the first six months 2007. Hexagon's expansion in Asia outside China proceeds according to plan. We estimate the demand to be continuously strong during 2007.

For the entire business area we estimate a continued strong demand and good margins for 2007.

Order intake for the fourth quarter increased to 2 407 MSEK (2 170). Net sales increased to 2 456 MSEK (2 254). Using fixed exchange rates and a comparable group structure, order intake increased by 14 per cent and net sales by 12 per cent. Operating earnings (EBIT1) increased to 466 MSEK (292), corresponding to an operating margin of 19 per cent (13).

The number of employees was 5 133 (4 798) at the end of the year. The increase is principally explained by acquisitions during the year.

<b>MSEK</b>	<b>Q4 2006</b>	<b>Q4 2005</b>	<b>Change %</b>	<b>Year 2006</b>	<b>Year 2005</b>	<b>Change %</b>
Order intake	2 407	2 170	14*	9 273	4 525	14*
Net sales	2 456	2 254	12*	9 250	4 539	13*
Operating earnings (EBIT1)	466	292	60	1 547	550	181
Margin, %	19.0	13.0		16.7	12.1	

\* Adjusted for currency fluctuations and changes in the group structure.

## Hexagon Polymers

*The business area Hexagon Polymers is active in three markets: Gaskets for plate heat exchangers (PHE), plastic and rubber wheels for truck and track drive applications and rubber compounds as semi-finished goods. The customers are mainly major multinational OEM customers in the PHE, truck production, materials handling equipment and automotive industry market segments.*

The volume growth for the business area was continuously strong. The exceptional, historically speaking, increase in raw material prices has had a substantial negative impact on Hexagon Polymers' operating margin also during the fourth quarter. Despite the decrease in oil price, carbon black manufacturers have not lowered prices during the fourth quarter due to high demand and limited capacity in the processing. For 2007 the raw material prices are predicted to be stable with a small decline towards the end of the year, given that the oil price is stable at current levels.

During the fourth quarter the demand for rubber compounds from the Hexagon Polymers Canadian plant has been continuously weak due to cutbacks in production volumes in the automotive plants in Northeast USA. This affects Hexagon Polymer's deliveries of materials for sealing systems for car applications. A part of the car manufacturing capacity in NAFTA is currently moving to Mexico, why Hexagon Polymers has speed up the establishment of a production facility in the country. The plant will start operations during the second half-year 2007.

The establishment of Hexagon Polymers' production facility in Qingdao, China, proceeds according to plan. The production facility will produce rubber compounds as of March 2007 and wheels as of the third quarter 2007.

We are predicting a continuous strong demand for Hexagon Polymers products during 2007. We are also predicting a gradual improvement of the operating margin during the year.

Order intake for the fourth quarter increased by 8 per cent to 634 MSEK (585). Net sales, including compensation for increases in raw material prices, increased by 4 per cent to 612 MSEK (589). Using fixed exchange rates and a comparable group structure, order intake increased by 10 per cent and net sales by 6 per cent.

Operating earnings (EBIT1) was 52 MSEK (52), corresponding to an operating margin of 8.5 per cent (8.8).

The number of employees was 2 016 (1 760) at the end of the year. The increase is explained principally by hiring of staff in Sri Lanka in order to meet the increased customer demand.

MSEK	Q4 2006	Q4 2005	Change %	Year 2006	Year 2005	Change %
Order intake	634	585	10*	2 542	2 213	10*
Net sales	612	589	6*	2 488	2 205	8*
Operating earnings (EBIT1)	52	52	0	223	258	-14
Margin, %	8.5	8.8		9.0	11.7	

\* Adjusted for currency fluctuations and changes in the group structure.

## Hexagon Engineering

*The business area Hexagon Engineering comprises two business segments: Metals and key components. Metals includes iron, steel and other metal products. Key components houses a number of companies focused on supplying high quality components, mainly to the heavy vehicle industry. The product range also includes key components for industrial robots and car bodywork spares. Principally, customers are in the engineering industry, although the shipbuilding, offshore, medical, forest products and automotive industries are also major customer segments.*

The earnings and the operating margins have improved in all companies except for EBP. Earnings and net sales for these companies improved and operating margin was 8 per cent. EBP, which during 2005 invested in a new press technology, continues to develop the process and logistics system towards a more extensive market. The change, from a one customer dependency, towards multiple customer service has incurred negative earnings of approximately -14 MSEK on net sales amounting to 237 MSEK for 2006. We anticipate that EBP will become profitable again during 2007.

Order intake during the fourth quarter increased by 38 per cent to 547 MSEK (397). Net sales, including compensation for raw material price increases, increased by 16 per cent to 494 MSEK (425). Using fixed exchange rates and a comparable group structure, order intake increased by 43 per cent and net sales by 21 per cent.

Operating earnings (EBIT1) increased by 125 per cent to 45 MSEK (20), corresponding to an operating margin of 9.1 per cent (4.7). Earnings include 23 MSEK in profits in stock.

The number of employees was 1 008 (1 033) at the end of the year. The decrease in number of employees is explained by divestitures and the restructuring made during last year.

MSEK	Q4 2006	Q4 2005	Change %	Year 2006	Year 2005	Change %
Order intake	547	397	43*	1 905	1 649	22*
Net sales	494	425	21*	1 734	1 665	11*
Operating earnings (EBIT1)	45	20	125	109	80	36
Margin, %	9.1	4.7		6.3	4.8	

\* Adjusted for currency fluctuations and changes in the group structure.

### **Associated companies**

Associated companies include the joint venture company Outokumpu Nordic Brass. Associated companies affect Hexagon's earnings for the year according to the equity method by 2 MSEK (-31).

### **Parent company**

The Parent company's earnings after financial items during the year totalled 200 MSEK (599). The equity ratio of the Parent company was 46 per cent (32). Shareholders' equity was 7 263 MSEK (4 589). Liquid assets, including unutilized credit limits, totalled 4 668 MSEK (2 299).

### **Accounting principles**

The accounting principles are unchanged compared to those used in the Annual Report 2005. This year end report is presented in accordance with IAS 34 Interim Financial Reporting

During the fourth quarter, Hexagon has finalised the analysis of the opening balance sheet concerning the acquisition of Leica Geosystems. The preliminary judgements regarding the acquired net assets have continuously been adjusted since the date of acquisition. These adjustments have not amounted to significant numbers, and have only affected the balance sheet. Therefore, Hexagon hasn't restated previous quarterly reports with regards to the adjustments. Coincident with the finalisation of the analysis of the opening balance sheet, also the accounting for the share issues, which were part of the acquisition, was adjusted. Previous quarterly balance sheets and opening balance of the year have, however, been restated regarding these adjustments.

### **Significant events**

During the first quarter of 2006 Hexagon divested an industrial property in Västerås, Sweden. Also, a line of business in Tidamek AB and the shareholding in Tradimus AB were divested. These divestitures generated capital gains of 97 MSEK.

In May Hexagon acquired the entire share capital of Scanlaser AB in Sweden and Scanlaser AS in Norway. Scanlaser is the leading supplier of measuring and positioning systems for the Scandinavian construction industry. The combined turnover of Scanlaser AB and Scanlaser AS is approximately 120 MSEK. The companies have, during the last couple of years, shown an annual growth of about 35 per cent. The companies' earnings are consolidated from 1 May 2006.

In July Hexagon acquired the assets related to the measurement technologies from the company Thaimach Sales & Service Co., Ltd., which is Hexagon Metrology's largest distributor of coordinate measuring machines in Thailand. A new company, Hexagon Measurement Technologies Thailand, was established on 1 September 2006 based in Bangkok.

In August the "squeeze out" procedure of the remaining shares of Leica Geosystems Holdings AG was completed. As a consequence of the squeeze out procedure the Leica share has been delisted from SWX Swiss Exchange.

In September Hexagon entered into an agreement to acquire all outstanding shares of the Danish company Mikrofyn A/S. Mikrofyn is developing, manufacturing and supplying an advanced range of products for machine automation as well as laser levelling and alignment equipment for the construction and agricultural industries. Mikrofyn is based in Odense, Denmark, and has 65 employees. The company has a turnover of approximately 100 MSEK and has in recent years shown an annual growth of approximately 30 per cent. Mikrofyn is consolidated as of 1 September 2006.

### **Significant events after year end**

In January 2007 Hexagon acquired all outstanding shares of the Swedish company Svensk ByggnadsGeodesi AB, SBG. SBG develops, manufactures and supplies complete multidimensional systems for measuring, planning and machine control for excavators, graders, dozers and paving machines. The systems combine software and hardware for surveying and construction industry. SBG had a turnover of 40 MSEK in 2006 and has in recent years shown an annual growth of approximately 30 per cent. The company is based in Stockholm, Sweden and employs 30 people. SBG will be consolidated as of 15 January 2007.

In January 2007 Hexagon's subsidiary SwePart Transmission AB, signed an agreement to take over Scania's component manufacturing in Sibbhult of cog-wheels and axles for Scania's gear boxes during a three year period with a turn over of approximately 250 MSEK. In conjunction with the take over, SwePart Transmission will take over approximately 50 employees, and implement an investment programme of 35 MSEK to modernise and expand the plant. The transaction affects the financials of Hexagon for 2007.

In January 2007 Hexagon entered into an agreement to divest all shares in Johnson Metall AB and its subsidiaries. During 2006 the company had in total approximately 310 employees, and sales of approximately 475 MSEK. A disposal of the company will render Hexagon capital gains of approximately 80 MSEK. The new owner is expected to consolidate Johnson Metall as of 1 February 2007.

### **Outlook**

During 2006, Hexagon has continued to strengthen its market position, product portfolio and structure to enable further growth in sales and earnings. Our long-term financial target of an increase in earnings per share after tax by at least 15 per cent stands firm.

### **Annual General Meeting 2 May 2007**

The Annual General Meeting will be held on 2 May 2007 at 17:00 CET in Stockholm, Sweden (IVA, Grev Turegatan 16). The Annual Report for 2006 will be distributed to shareholders as from 9 April 2007. The Annual Report will also be available at the Hexagon website and at Hexagons head offices as of the said date.

Shareholders who wish to participate at the Annual General Meeting must be registered in the share register maintained by VPC (Swedish Securities Register Center) no later than 25 April 2007. Notification of attendance should be made to Hexagon ABs head offices no later than 12 noon on 27 April 2007.

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 25 April 2007.

### **Proposed dividend**

The Board of Directors proposes the Annual General Meeting 2 May to decide on an increase of the dividend by 60 per cent to 5.00 SEK (3.00) per share (dividend last year adjusted with respect to the rights issue carried out during the year was 2.75 SEK). The Board proposes 7 May 2007 as the record day for payment of dividends. Dividends are scheduled for payment from VPC on 10 May 2007.

### **Proposed split**

The Board of Directors proposes the Annual General Meeting 2 May to decide on a 3:1 split through which each Hexagon share is split up into 3 shares of the same share class. The split is expected to be carried out in May 2007.

### **Invitation to telephone conference 13 February at 15:00 CET**

A presentation of the Year End Report will be given on 13 February at 15:00 CET at a telephone conference. For participation, please see instructions at the Hexagon website.

### **Financial information**

Hexagon gives financial information for year 2007 at:

Interim Report Q1	2 May 2007
Annual General Meeting 2007	2 May 2007
Interim Report Q2	10 August 2007
Interim Report Q3	26 October 2007
Year End Report 2007	February 2008

Financial information is available in Swedish and English at the Hexagon website. Financial information can also be ordered from Hexagon AB, phone +46 8 601 26 20 or e-mail [ir@hexagon.se](mailto:ir@hexagon.se)

Responsible for investor relations and financial information for the Hexagon group is Sara Kraft, Investor Relations Manager, phone +46 8 601 26 27, e-mail [ir@hexagon.se](mailto:ir@hexagon.se)

Nacka Strand, 12 February 2007

Hexagon AB (publ)



Ola Rollén  
CEO and President

---

This Year End Report has not been audited by the company's auditors.

---

Hexagon AB (publ)  
Registration number: 556190-4771  
P.O Box 1112  
SE-131 26 Nacka Strand  
Visitor address: Cyllindervägen 12  
Phone: +46 8 601 26 20  
Fax: +46 8 601 26 21  
[www.hexagon.se](http://www.hexagon.se)

**Consolidated income statement in summary**

MSEK	Q4 2006	Q4 2005	Year 2006	Year 2005
Net sales	3 561	3 265	13 469	9 637
Cost of goods sold	-2 201	-2 132	-8 350	-6 943
<b>Gross profit</b>	<b>1 360</b>	<b>1 133</b>	<b>5 119</b>	<b>2 694</b>
Sales and administration costs etc.	-814	-1 195	-3 378	-2 276
Earnings from shares in associated companies	0	-9	2	-31
Capital gains	-	-	-	457
<b>Operating earnings <sup>1)</sup></b>	<b>546</b>	<b>-71</b>	<b>1 743</b>	<b>844</b>
Earnings from other securities <sup>1)</sup>	-	-	97	-
Interest income and expenses, net	-46	-56	-222	-139
<b>Earnings after financial items</b>	<b>500</b>	<b>-127</b>	<b>1 618</b>	<b>705</b>
Tax	-82	17	-338	-87
<b>Net earnings <sup>2)</sup></b>	<b>418</b>	<b>-110</b>	<b>1 280</b>	<b>618</b>
<sup>1)</sup> of which non-recurring items	-	-427	13	-79
<sup>2)</sup> of which minority interest	2	2	7	5
Earnings per share (SEK)	4.71	-1.51	15.03	9.42
Earnings per share after dilution (SEK)	4.69	-1.51	14.90	9.29
Shareholder's equity per share (SEK)	96.89	71.84	96.89	71.84
CB number of shares (thousands)	88 392	76 182	88 392	76 182
Average number of shares (thousands)	88 392	74 106	84 673	65 041
Average number of shares after dilution (thousands)	88 732	74 106	85 441	65 987
Earnings include depreciations and write-downs of	-173	-323	-602	-529

**Analysis of the consolidated income statement**

MSEK	Q4 2006	Q4 2005	Year 2006	Year 2005
<b>Operating earnings (EBIT1)</b>	<b>546</b>	<b>356</b>	<b>1 827</b>	<b>923</b>
Capital gains	-	-	97	457
Other non-recurring items	-	-427	-84	-536
<b>Earnings before interest net</b>	<b>546</b>	<b>-71</b>	<b>1 840</b>	<b>844</b>
Interest income and expenses, net	-46	-56	-222	-139
<b>Earnings after financial items</b>	<b>500</b>	<b>-127</b>	<b>1 618</b>	<b>705</b>

**Consolidated balance sheet in summary**

<b>MSEK</b>	<b>31/12 2006</b>	<b>31/12 2005</b>
Intangible fixed assets	10 041	10 661
Tangible fixed assets	2 101	2 183
Financial fixed assets	103	91
Deferred tax assets	442	456
<b>Total fixed assets</b>	<b>12 687</b>	<b>13 391</b>
<b>Inventories</b>	<b>2 311</b>	<b>2 040</b>
Accounts receivable	2 544	2 369
Other receivables	364	293
Prepaid expenses and accrued income	161	110
<b>Total current receivables</b>	<b>3 069</b>	<b>2 772</b>
Cash and cash equivalents	481	439
<b>Total current assets</b>	<b>5 861</b>	<b>5 251</b>
<b>Total assets</b>	<b>18 548</b>	<b>18 642</b>
Attributable to the parent company's shareholders	8 564	5 473
Attributable to minority	45	46
<b>Total shareholders' equity</b>	<b>8 609</b>	<b>5 519</b>
Pension provisions	488	561
Tax provisions	388	490
Other provisions	234	340
<b>Total provisions</b>	<b>1 110</b>	<b>1 391</b>
Interest bearing liabilities	6 035	8 826
Other liabilities	58	70
<b>Total long-term liabilities</b>	<b>6 093</b>	<b>8 896</b>
Interest bearing liabilities	46	110
Accounts payable	1 212	1 233
Other liabilities	531	591
Accrued expenses and deferred income	947	902
<b>Total short-term liabilities</b>	<b>2 736</b>	<b>2 836</b>
<b>Total equity and liabilities</b>	<b>18 548</b>	<b>18 642</b>

**Change in Consolidated Shareholders' Equity**

<b>MSEK</b>	<b>Year 2006</b>			<b>Year 2005</b>		
	Attributable to the parent company's shareholders	Attributable to minority	Total	Attributable to the parent company's shareholders	Attributable to minority	Total
<b>Opening balance</b>	<b>5 473</b>	<b>46</b>	<b>5 519</b>	<b>2 450</b>	<b>46</b>	<b>2 496</b>
Dividend	-264	-5	-269	-115	-5	-120
New share issues	2 807	-	2 807	2 353	-	2 353
Effect from cash flow hedge	6	-	6	-7	-	-7
Effect from acquisition of subsidiaries	-83	-	-83	117	-	117
Translation difference	-648	-3	-651	62	-	62
Net earnings for the period	1 273	7	1 280	613	5	618
<b>Closing balance</b>	<b>8 564</b>	<b>45</b>	<b>8 609</b>	<b>5 473</b>	<b>46</b>	<b>5 519</b>

**Development of number of shares**

	<b>Series A</b>	<b>Series B</b>	<b>Total</b>
<b>2005-12-31</b>	<b>3 150 000</b>	<b>66 750 111</b>	<b>69 900 111</b>
Rights issue	787 500	16 687 527	17 475 027
New issue, options exercised	-	508 933	508 933
Rights issue squeeze out Leica Geosystems	-	198 635	198 635
New issue, options exercised	-	309 119	309 119
<b>2006-12-31</b>	<b>3 937 500</b>	<b>84 454 325</b>	<b>88 391 825</b>

**Consolidated cash flow analysis**

<b>MSEK</b>	<b>Q4 2006</b>	<b>Q4 2005</b>	<b>Year 2006</b>	<b>Year 2005</b>
Cash flow from operations before change in working capital	505	389	1 737	956
Change in working capital	30	62	-622	-192
<b>Net cash flow from operations</b>	<b>535</b>	<b>451</b>	<b>1 115</b>	<b>764</b>
Net investments in fixed assets	-246	-171	-834	-442
<b>Operating cash flow</b>	<b>289</b>	<b>280</b>	<b>271</b>	<b>322</b>
Cash flow from other investment activities	-17	-6 464	-262	-5 427
New share issues	-	-2	2 755	140
Dividend	-	-	-269	-120
Cash flow from other financing activities	-250	5 281	-2 443	5 272
<b>Change in liquid assets</b>	<b>22</b>	<b>-905</b>	<b>62</b>	<b>187</b>

The currency effect in liquid assets was -20 MSEK (15) during year 2006.

**Key ratios**

	<b>Year 2006</b>	<b>Year 2005</b>
Operating margin, %	13.6	9.6
Profit margin before tax, %	12.0	7.3
Return on shareholders' equity, %	15.0	17.9
Return on capital employed, %	12.2	10.7
Solvency ratio, %	46.4	29.6
Net indebtedness, multiple	0.70	1.66
Interest coverage ratio, multiple	7.4	5.1
Average number of shares, thousands	84 673	65 041
Earnings per share, SEK	15.03	9.42
Cash flow per share, SEK	13.17	11.75
Cash flow per share before change in working capital, SEK	20.51	14.70
Share price, SEK	292	217

**Order intake**

MSEK	2006					2005				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Hexagon MT	2 303	2 459	2 104	2 407	9 273	739	832	784	2 170	4 525
Hexagon Polymers	652	651	605	634	2 542	541	549	538	585	2 213
Hexagon Engineering	453	463	442	547	1 905	441	443	368	397	1 649
Divested businesses	-	-	-	-	-	661	701	-	-	1 362
<b>Group</b>	<b>3 408</b>	<b>3 573</b>	<b>3 151</b>	<b>3 588</b>	<b>13 720</b>	<b>2 382</b>	<b>2 525</b>	<b>1 690</b>	<b>3 152</b>	<b>9 749</b>

**Net sales**

MSEK	2006					2005				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Hexagon MT	2 276	2 310	2 208	2 456	9 250	693	856	736	2 254	4 539
Hexagon Polymers	636	633	607	612	2 488	530	547	539	589	2 205
Hexagon Engineering	424	435	381	494	1 734	436	453	351	425	1 665
Divested businesses	-	-	-	-	-	589	659	-	-	1 248
Adjustment	-1	-1	0	-1	-3	-7	-8	-2	-3	-20
<b>Group</b>	<b>3 335</b>	<b>3 377</b>	<b>3 196</b>	<b>3 561</b>	<b>13 469</b>	<b>2 241</b>	<b>2 507</b>	<b>1 624</b>	<b>3 265</b>	<b>9 637</b>

**Operating earnings  
(EBIT1)**

MSEK	2006					2005				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Hexagon MT	309	422	350	466	1 547	68	10	80	292	550
Hexagon Polymers	64	57	50	52	223	70	70	66	52	258
Hexagon Engineering	23	20	21	45	109	22	23	15	20	80
Divested businesses	-	-	-	-	-	27	37	-	-	64
Parent company	-8	-14	-13	-17	-52	-7	-7	-7	-8	-29
<b>Group</b>	<b>388</b>	<b>485</b>	<b>408</b>	<b>546</b>	<b>1 827</b>	<b>180</b>	<b>233</b>	<b>154</b>	<b>356</b>	<b>923</b>
<b>EBIT margin, %</b>	<b>11.6</b>	<b>14.4</b>	<b>12.8</b>	<b>15.3</b>	<b>13.6</b>	<b>8.0</b>	<b>9.3</b>	<b>9.5</b>	<b>10.9</b>	<b>9.6</b>

**Net sales**

MSEK	2006					2005				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
EMEA	2 013	2 044	1 895	2 231	8 183	1 725	1 859	1 023	1 909	6 516
Americas	827	853	759	822	3 261	353	456	428	875	2 112
Asia	495	480	542	508	2 025	163	192	173	481	1 009
<b>Group</b>	<b>3 335</b>	<b>3 377</b>	<b>3 196</b>	<b>3 561</b>	<b>13 469</b>	<b>2 241</b>	<b>2 507</b>	<b>1 624</b>	<b>3 265</b>	<b>9 637</b>

The table displays net sales to customers within each, respective, geographical area.

## Definitions

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.
EBIT1 operating earnings	Operating earnings excluding capital gain on shares in group companies and other non-recurring items.
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 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 the OMX Stockholm Stock Exchange on the last business day for the period.