Interim Report
January 1st – June 30th, 2002

Second quarter 2002

- The Group's order intake and net sales increased by 13 and 10 %, respectively
- Operating earnings, EBITA, increased by 49 % to 143 MSEK (96), which corresponds to a margin of 8,0 % (5,9)
- The Group's pre-tax earnings increased by 30 per cent to 92 MSEK (71)
- The Rights issue of 425 MSEK was fully subscribed, and two strategic acquisitions have been concluded.

The first six months 2002

- The Group's order intake and net sales increased by 23 % and 26 %, respectively
- Operating earnings, EBITA, increased by 69 % to 253 MSEK (150)
- Earnings after financial items, adjusted for capital gains and non-recurring items, increased by 37 % to 147 MSEK (107)

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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.

Second quarter 2002

As commented in the Year-End Report for 2001, Hexagon's view has been that the first quarter 2002 should represent the trough of the weak demand situation, which has been prevailing during a significant part of 2001. All Business Areas showed some recovery at the end of quarter one and the recovery continued during the second quarter.

The Rights issue that was decided on the extra Annual General meeting on May 6th was concluded during June. The Rights issue was fully subscribed which means that the shareholder's equity, after transaction costs, increased by 420 MSEK. The motive for the rights issue is to be able to take advantage of the acquisition opportunities presently existing. During the quarter, two strategic acquisitions – the metrology company C E Johansson, Sweden, and the rubber company GFD Technology, Germany – have been concluded.

The Group's order intake increased by 13 per cent and amounted to 1 778 MSEK (1 578). The Group's net sales increased by 10 per cent and amounted to 1 788 MSEK (1 628).

Earnings before amortisation of intangible fixed assets (EBITA) increased by 49 per cent and amounted to 143 MSEK (96), which corresponds to a margin of 8 per cent (6).

Earnings adjusted for capital gains and non-recurring items (EBIT 1) increased by 46 per cent to 121 MSEK (83). Including these items, the earnings (EBIT 2) amounted to 123 MSEK (83).

During the quarter, a capital gain of 36 MSEK has been recorded from the disposal of the shares in Svedbergs AB. Hexagon has also participated in the stock re-purchase programme in VBG AB. In the formal income statement, the capital gain from the disposal of shares in Svedberg has been accounted for as "earnings from other securities", and the result from VBG, together with the write-down of the interests in the Norwegian affiliate Cylinderservice AS, as "capital gains from affiliates. Non-recurring items amounting to 31 MSEK have been charged during the quarter. These costs are related to restructuring actions in the SwePart group as well as financing fees to the bank syndicate in order to change covenants to facilitate future acquisitions.

The comparability between years in the table below is affected by the disposal of the business area Wireless on Dec 31st 2001 and the consolidation of Hexagon Metrology on May 1st, 2001.

	2001					2002	
(MSEK)	**Q 1**	**Q 2**	**Q 3**	**Q 4**	**2001**	**Q 1**	**Q 2**
Order intake	1 177	1 578	1 594	1 782	6 131	1 621	1 778
Net sales	1 125	1 628	1 582	1 869	6 204	1 689	1 788
EBITA *)	54	96	49	151	350	110	143
Margin, %	4.8	5.9	3.1	8.1	5.6	6.5	8.0
EBIT 1 **)	47	83	32	125	287	88	121
Margin, %	4.2	5.1	2.0	6.7	4.6	5.2	6.8
EBIT 2 ***)	67	83	39	121	310	88	123
EBT ****)	56	71	15	85	227	57	92

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

First half-year 2002 – Earnings, invoiced sales and order intake

The Group’s order intake increased by 23 per cent and amounted to 3 399 MSEK (2 755). The Group's net sales increased by 26 per cent and amounted to 3 477 MSEK (2 753).

Earnings before amortisation of intangible fixed assets (EBITA) increased by 69 per cent and amounted to 253 MSEK (150), which corresponds to a margin of 7 per cent (5).

Earnings adjusted for capital gains and non-recurring items (EBIT 1) increased by 61 per cent and amounted to 209 MSEK (130). Including these items the earnings (EBIT 2) amounted to 211 MSEK (150).

The Groups post-tax earnings amounted to 90 MSEK (83), which corresponds to earnings per share of 5.52 SEK (5.19)

Profitability

The Capital employed, defined as the total assets less non-interest bearing liabilities, amounted to 4 349 MSEK (4 356). Intangible fixed assets amounted to 1 152 MSEK (958). Return on capital employed increased by 1 percentage unit compared with last year-end and was 9.8 per cent (11.2). Adjusted for intangible fixed assets, the return on capital employed was 16.1 per cent (15.6). Return on shareholders’ equity was 10.2 per cent (9,8).

The capital turnover rate was 1.6 times (1.8), and adjusted for intangible fixed assets, it was 2.1 times (2.3).

Group financial position

Shareholder’s equity amounted to 2 118 MSEK (1 713). The equity ratio was 35 percent (28).

The Group’s total assets decreased to 6 187 MSEK (6 294).

Cash including non-utilised credit limits, amounted to 1 091 MSEK (1 058). The net debt was 1 935 MSEK (2 296) and the net indebtedness was 0.91 times (1.34). The interest coverage ratio was 3.1 times (4.0).

Cash flow

The Cash flow from operations before changes in working capital was 167 MSEK (161), which corresponds to 10.23 SEK per share (10.06). The cash flow from operations was 77 MSEK (45), which corresponds to 4.72 SEK per share (2.81). The operating cash flow amounted to -18 MSEK (-44).

Investments and depreciation

Net investments in fixed assets, excluding acquisitions, amounted to 95 MSEK (89). Depreciation amounted to 141 MSEK (95) of which amortisation of intangible fixed assets was 44 MSEK (20).

Divestitures and acquisitions

Divestitures

On May 17th, Hexagon sold all the shares, equivalent to 10,3 per cent of the capital, in the listed company Svedbergs i Dalstorp AB.

During June the associated company VBG AB carried out a stock re-purchase programme, in which Hexagon sold 10 per cent of it’s shares class B in the company. During July, Hexagon has also divested all of it’s 102 175 shares of class A in VBG AB, which means that Hexagon’s remaining holding in the company is 41 per cent of the capital and 24 per cent of the votes.

Acquisitions

On May 1st, Hexagon Metrology acquired the metrology company C E Johansson. C E Johansson operates in the Nordic countries, France, UK, Italy and Germany. The company has an annual turnover of approx 170 MSEK. Through the acquisition of C E Johansson, Hexagon Metrology will strengthen it's leading position in Europe with another strong and well-recognised brand. The acquisition also strengthens Hexagon's global position within the medical metrology business. Currently, a split of the Business Area's operations into global, common resources and local resources is in progress. The strength in this concept makes it possible for companies like C E Johansson to utilise the business area's common resources- and as a result the synergy effects will be considerable. The company is consolidated as of May 1st, 2002.

On June 28th Gislaved Gummi AB, which is a part of the Business Area Engineering, acquired the German company GFD Technology GmbH with an annual turnover of approx 300 MSEK. The acquisition is a step in the process to position Gislaved as the leading supplier of advanced rubber compounds. The Company is consolidated as of July 1st, 2002.

Taxes

The Group's tax cost amounted to 54 MSEK (42), which corresponds to a tax rate of 36 per cent (33). The tax cost is affected by amortisation of goodwill, which is partly 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 employees during the first half-year was 5 375 (4 370). The number of employees at the end of the period amounted to 5 668 employees (5 983). Excluding the effect from the acquisition of C E Johansson, the number decreased by 289 employees, or 5 per cent. This reduction is a consequence of the cost reduction programmes proceeding primarily within the business area Metrology.

Business areas

Hexagon Automation

The Business area is focused on hydraulics, pneumatics, transmissions and gear controls. The customers are active 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 increased to 1 126 MSEK (1 101). Net sales increased by 3 per cent to 1 157 MSEK (1 124). Operating earnings, EBITA, amounted to 50 MSEK (50), which corresponds to an operating margin of 4 per cent (4).

The market conditions within the hydraulics area have been continuously weak. The Mining and steel industry has been weak, whilst the pulp and paper industry has been somewhat more active. The engineering industry in Sweden and Finland has increased it's activity from a low level. The Norwegian offshore industry continues to invest. In Denmark, the demand for industrial hydraulics has weakened, whilst the expansive wind power industry now is back on the levels, which prevailed before the so called Enron crisis. Leading manufacturers of windmills again believe that the market will grow by approx. 30 per cent annually. Automation has increased it's market share by a few per cent during the period. This is due to the flexible solutions offered by the Business Area, where service and maintenance plays an increasingly important part.

The Earnings for the full 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 1 063 MSEK (1 121). Net sales decreased to 1 069 MSEK (1 100). Operating earnings, EBITA, amounted to 93 MSEK (81), which corresponds to an operating margin of 9 per cent (7).

The Activity within the heavy vehicles segment has increased during the quarter. The growth within the Swedish engineering and construction sector has been lower than estimated during the quarter. The production of gaskets for plate heat exchangers and rubber compounds have continued to develop in a positive way. 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 full year are estimated to exceed last year's earnings.

Hexagon Metrology

The Business area consists of Brown & Sharpe and the recently acquired company C E Johansson. The Business area is the world leader within the metrology area. It produces coordinate measurement machines (CMM:s) and hand tools (PMI) at eight production plants in different parts of the world. Extensive aftermarket services are carried out via 26 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 1 210 MSEK (493) and the net sales were 1 265 MSEK (495). Operating earnings, EBITA, amounted to 114 MSEK (48), which corresponds to an operating margin of 9 per cent (10).

It has been decided to relocate the Business Area's head office from the USA to the UK. In connection to this, the operations will be split into global resources, which will be common for the Business Area's present operations, as well as companies the Business Area plans to acquire. These global resources will focus on optimising sourcing and R & D, as well as market strategies.

Sales of new coordinate measurement machines (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 a positive change in the US was recorded. This positive trend has continued during the second quarter. However, management is prudent in it's judgement of the pace of the recovery.

The coordinate measurement machines (CMM) - aftermarket

The Aftermarket growth stagnated during the first quarter this year. During the second quarter the growth came back. The introduction of aftermarket services in China is proceeding according to plan.

Software

Hexagon Metrology's software system PCDMIS continues to expand in a weak market. The Sales pace was all-time high during the quarter. New products are being developed with the goal to be introduced during the fourth quarter of this year.

Hand tool (PMI)

The hand tool market is continously weak. The Improvement in demand which was discernible during the spring in the USA, ceased during June. PMI has during the period gained market share in a weak market. PMI's 3 000 distributors believe that the activity will increase somewhat during the autumn as the distributors' stocks are near record low levels.

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

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

(MSEK)	Net sales 1/1 – 30/6 2002	Net sales 1/1 – 30 /6 2001	Earnings 1/1 – 30/6 2002	Earnings 1/1 – 30/6 2001
Hexagon Automation	1 157	1 124	50	50
Hexagon Engineering	1 069	1 100	93	81
Hexagon Metrology	1 265	495	114	48
Other operations *	-	48	-	- 23
Share of earnings in affiliate companies			8	6
Group adjustments and group costs	- 14	- 14	- 12	- 12
EBITA			**253**	**150**
Depreciations on intangible assets			- 44	- 20
EBIT 1			**209**	**130**
Per cent of net sales			6,0 %	4,7 %
Capital gains			33	20
Non-recurring items			- 31	0
EBIT 2			**211**	**150**
Financial net			- 62	- 23
The Group	**3 477**	**2 753**	**149**	**127**

* Includes primarily the divested business area Wireless.

Affiliated companies
The associated Company VBG AB contributes to Hexagon's earning in accordance with the equity method with 5 MSEK (3).

Share data
The Total number of shares outstanding was at the end of the period 18 491 477, which after the Rights issue is an increase of 3 698 295 shares compared to the previous year. Earnings per share after tax, adjusted for amortisation of intangible assets, was 8.21 SEK (6.44). On June 30st, 2002 the equity per share was 114.54 SEK (107.08) and the share price was 169 SEK (137).

Parent company
The Parent company's earnings after financial items amounted to 58 MSEK (64). The equity ratio in the parent company was 39 per cent (34). The shareholder's equity, including the equity portion of untaxed reserves, amounted to 1 689 MSEK (1 379). Liquid assets, including unutilised credit limits, amounted to 625 MSEK (701). The corresponding figure 2002-12-31 was 566 MSEK.

Restructuring provision
The restructuring provision was 107 MSEK at the beginning of the year. In connection to the acquisition of C E Johansson the reserve increased by 30 MSEK. During the quarter, 48 MSEK has been utilised, of which 40 MSEK refer to personnel costs.

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 to those applied in the Annual Report for the year 2001.

Key numbers per share have been recalculated in accordance with the Swedish Financial Accounting Standards Council's recommendation RR18, Earnings per share. In the rights issue, which was completed during the period, arose a bonus issue element, as the subscription price was lower than the stock exchange price. The recalculation factor has been calculated to 1.0814771.

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 184:35 SEK. The subscription rights are transferred at market value. The dilution effect upon full exercise corresponds to approx. 4.0 per cent of the share capital and 2.8 per cent of the vote. A calculation of any dilution effect in key numbers has not been done since the effect is judged to be marginal.

Outlook

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

Annual General Meeting

At this year's Annual General Meeting last year's board members were re-elected and the dividend was set at 5 SEK per share.

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, 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 2	2001 Q 2	2002 1/1-30/6	2001 1/1-30/6	Outcome Last 12 Month	2001 full Year
Net sales	1 788	1 628	3 477	2 753	6 928	6 204
Cost of goods sold	-1 320	- 1 224	- 2 582	- 2 104	- 5 131	- 4 653
Gross Profit	**468**	**404**	**895**	**649**	**1 797**	**1 551**
Sales expenses and administr. costs	- 327	- 307	- 650	- 504	- 1 363	- 1 217
Share of earnings in affiliates	2	- 1	8	5	19	16
Earnings before amortisation of intangible assets	**143**	**96**	**253**	**150**	**453**	**350**
Amortisation of intangible assets	- 22	- 13	- 44	- 20	- 87	- 63
Non-recurring items	- 31	-	- 31	-	- 74	- 43
Capital gains group companies	-	-	-	20	46	66
Capital gains in affiliates	- 3	-	-3	-	- 3	-
Operating earnings	**87**	**83**	**175**	**150**	**335**	**310**
Financial revenue and expenses	- 31	- 12	- 62	- 23	- 122	- 83
Earnings from other securities	36	-	36	-	36	
Earnings after financial items	**92**	**71**	**149**	**127**	**249**	**227**
Tax	- 33	- 23	- 54	- 42	- 87	- 75
Minority interest	- 2	- 1	- 5	- 2	- 11	- 8
Net income	**57**	**47**	**90**	**83**	**151**	**144**
Earnings per share after tax (SEK)*)	3.43	2.94	5.52	5,19	9.35	9.00
Shareholder's equity per share (SEK) *)	114.54	107.08	114.54	107.08	114.54	109.70
Number of shares (thousands)**)	16 638	15 998	16 318	15 998	16 158	15 998
UB number of shares (thousands) ***)	18 491	15 998	18 491	15 998	18 491	15 998
Deprecations are included with	- 71	- 56	- 141	- 95	- 290	- 244

*) A calculation of the dilution effect in the key numbers has not been done as the effect is estimated to be marginal.
**) Average number of shares adjusted for the rights issue
**) Adjusted for bonus issue element

Consolidated Balance Sheet - summary

(MSEK)	**2002-06-30**	**2001-06-30**	**2001-12-31**
Intangible fixed assets	1 152	958	1 272
Tangible fixed assets	1 330	1 305	1 376
Financial fixed assets	442	590	448
Total fixed assets	**2 924**	**2 853**	**3 096**
Inventories	**1 439**	**1 550**	**1 454**
Accounts receivable	1 340	1 361	1 303
Other receivables	79	108	101
Prepaid expenses and accrued income	141	140	75
Total short-term receivables	**1 560**	**1 609**	**1 479**
Cash and cash equivalents	264	282	458
Total current assets	**3 263**	**3 441**	**3 391**
Total assets	**6 187**	**6 294**	**6 487**
Shareholders equity	**2 118**	**1 713**	**1 755**
Minority interest	**32**	**23**	**30**
Provisions for pensions *)	205	66	179
Provisions for taxes	68	101	62
Other provisions	174	212	211
Total provisions	**447**	**379**	**452**
Interest bearing liabilities	1 958	2 363	2 598
Other liabilities	1	119	5
Total long-term liabilities	**1 959**	**2 482**	**2 603**
Interest bearing liabilities	106	191	118
Accounts payable	718	718	738
Other liabilities	231	167	225
Accrued costs and prepaid incomes	576	621	566
Total short-term liabilities	**1 631**	**1 697**	**1 647**
Total equity, allocations and liabilities	**6 187**	**6 294**	**6 487**
*) Of which interest bearing provisions for pension	135	66	109

Change in Group shareholders equity

(MSEK)	**1/1 – 30/6, 2002**	**1/1 – 30/6, 2001**	**Full year 2001**
Amounts at 1 January	**1 755**	**1 679**	**1 679**
Dividend	- 74	- 74	-74
Rights issue (after issue costs)	420	-	-
Premiums for subscription warrants	-	2	3
Translation difference	-73	23	3
Net income	90	83	144
Amounts at 31 March	**2 118**	**1 713**	**1 755**

At the beginning of the period: 840 000 shares of class A and 13 953 182 of class B. Added through the rights issue: 210 000 shares of class A and 3 488 295 of class B. At the end of the period: : 1 050 000 shares of class A and 17 441 477 of class B.

Consolidated cash flow analysis

(MSEK)	1/1 – 30/6, 2002	1/1 – 30/6, 2001
Cash flow from operations before change in working capital	167	161
Change in working capital	- 90	- 116
Net cash flow from operations	**77**	**45**
Net investment in fixed assets	- 95	- 89
Operational cash flow	**- 18**	**- 44**
Cash flow from other investment activities	- 11	-1 374
Cash flow from financing activities	- 489	1 580
Rights issue	420	-
Dividend	- 74	- 74
Change in net cash position	**- 172**	**88**

The currency effect in liquid assets was – 22 MSEK.

Key ratios

	1/1 – 30/6, 2002	1/1 – 30/6, 2001	Full year 2001
Operating margin (%)	6.0	4.7	4.6
Profit margin (%)	4.3	4.6	3.7
Return on shareholders equity after tax (%)	10.2	9.8	8.4
Return on capital employed (%)	9.8	11.2	8.8
Return on capital employed adjusted for deprecations on intangible assets, %	16.1	15.6	12.9
Solvency ratio (%)	34.8	27.6	27.5
Net indebtedness (times)	0.91	1.34	1.35
Interest coverage ratio (times)	3.1	4.0	2.9
Average number of shares (thousands)	16 318	15 998	15 998
Earnings per share after tax (SEK)	5.52	5.19	9.00
Earnings per share after tax and adjusted for deprecations on intangible assets, (SEK)	8.21	6.44	12.94
Cash flow per share (SEK)	4.72	2.81	19.38
Cash flow per share (SEK) before change in working capital	10.23	10.06	22.38
Share price (SEK)	169	137	122

EBITA

	2001					2002	
(MSEK)	Q 1	Q 2	Q 3	Q 4	2001	Q 1	Q 2
Automation	23	27	20	30	100	19	31
Engineering	46	35	24	43	148	44	49
Metrology	-	48	15	80	143	47	67
Other operations *	- 15	- 8	- 9	- 3	-35	-	-
Associated company	6	0	3	6	15	5	3
Group / adjustments	- 6	- 6	- 4	- 5	- 21	- 5	- 7
EBITA	**54**	**96**	**49**	**151**	**350**	**110**	**143**

* 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.