Leica Geosystems Technology A/S

Telehøjen 8, 5220 Odense SØ

CVR no. 15 22 33 32

Annual report for the period
1 January to 31 December 2021

Adopted at the annual general meeting on

Ulf Magnus Fredrik Thibblin
chairman

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Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of Leica Geosystems Technology A/S for the financial year 1 January - 31 December 2021.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position on 31 December 2021 and of the results of the company's operations for the financial year 1 January - 31 December 2021.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved at the annual general meeting.

Copenhagen,

Executive board

Ulf Magnus Fredrik Thibblin

Supervisory board

Thomas Harring

Lukas Gabriel Koller

Ulf Magnus Fredrik Thibblin
Chairman

Independent auditor's report

To the Shareholders of Leica Geosystems Technology A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Leica Geosystems Technology A/S for the financial year 1 January - 31 December 2021, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Odense, 06 07 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Kaare von Cappeln	Brian Petersen
State Authorised Public Accountant	State Authorised Public Accountant
mne11629	mne33722

Company details

The company	Leica Geosystems Technology A/S Telehøjen 8 5220 Odense SØ CVR no: 15 22 33 32 Reporting period: 1 January - 31 December 2021 Incorporated: 26 June 1991 Domicile: Odense
Supervisory board	Thomas Harring Lukas Gabriel Koller Ulf Magnus Fredrik Thibblin
Executive board	Ulf Magnus Fredrik Thibblin, formand (chairman)
Auditors	PriceWaterhouseCoopers Munkebjergvænget 1, 3. & 4. sal DK-5230 Odense M
Bankers	Handelsbanken Klingenberg 16 5000 Odense C

Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2021	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Revenue	891.167	650.541	659.560	680.811	579.036
Gross profit	228.614	160.489	181.427	224.761	168.477
Net financials	-3.062	-589	-578	-17	-229
Profit/loss for the year	78.029	33.795	54.371	96.554	55.540
Balance sheet total	485.591	658.691	582.299	548.017	421.012
Investment in property, plant and equipment	6.005	14.651	2.193	2.168	8.772
Equity	298.238	470.209	436.414	382.042	285.489
Numbers of employees	158	151	141	133	119

Financial ratios

Gross margin	25,7%	27,8%	27,5%	33,0%	29,1%
EBIT margin	9,9%	6,4%	11,7%	18,2%	12,8%
Return on assets	15,4%	6,8%	13,2%	22,6%	17,6%
Solvency ratio	61,4%	71,4%	74,9%	69,7%	67,8%
Return on equity	20,3%	7,5%	13,3%	28,9%	21,6%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

Management's review

Main activities

The main activity consisted of the development, production and sales of machine control equipment for the construction business. Most employees are engaged in development and production.

The main part of revenue is generated outside of Denmark.

In May 2020, the Company acquired COWI`s aerial mapping business to bring valuable expertise in capturing and selling Content as a Service (CaaS), COWI’s mapping unit has been delivering HxGN Content Program services in Europe since 2015. The acquisition of COWI’s mapping business accelerated and strengthened the HxGN Content Program in Europe. The acquisition of COWI, have now been fully integrated in Geospatial Content Services (GCS) division and the synergies can be seen through GCS.

Development in the year

The income statement for 2021 shows a profit of DKK 78.029.437 against a profit of DKK 33.795.130 in 2020 and the company's balance sheet as at 31 December 2021 shows an equity of DKK 298.238.228

In 2021 the Machine Control Division has been impacted negatively by the global supply chain crisis and price increases. For this reason, the company during 2021 was trying to stock up in order to prevent the shortage of the components and raw materials.

GCS was not affected by the COVID-19 epidemy in 2021, several employees was still working from home the first half of the year. GCS did exceed the budgeted flying hours.

For 2021 it was expected that revenue and results would exceed revenue and results for 2020. Expectation have been met.

Special risks - operational risks and financial risks

The company has no special risks beyond the general industry-specific conditions.

Targets and expectations for the year ahead

The revenue and results for 2022 is expected to be higher than last year due to continue high demand. For Machine Control Division a growth in sales between 5 and 15% is expected, whereas a 10% increase is the target for Geospatial Content Services.

Research and development

Research and development costs relate exclusively to development of new integrated and future-proof products plus improvement and renewal of existing product portfolio as well.

GCS continue to develop innovative hybrid sensors and processing software to support data capture for the Content Program.

Knowledge resources

The company wishes to play a leading role in the digitization of construction projects to contribute to a sustainable world.

The company develops, produces, and sells high quality integrated machine control solutions that help increase the efficiency of construction projects.

Customers worldwide benefit from utilizing the company's machine control solutions by improving accuracy and reducing customer costs for construction projects. Accordingly, the requirements for knowledge resources regarding the employees are considerable.

Creating value

In 2021 the company has launched new products and updated existing products that increase customer efficiency by saving customers time whilst improving customer safety. Development of the product portfolio ensures the company`s continued competitiveness in a highly competitive market.

Business model

The company develops and manufactures high-quality reliable hardware and software used in the construction industry.

Content services focus on go-to-market strategy for North America and Europe to provide the most relevant geospatial data to public administrators, government organizations, infrastructure project stakeholders, utilities, and global internet companies during their planning process.

Environment and impact on climate

The company has a policy for this area that meets the company`s expectations for ISO 14001.

The policy applies to development, production, sales, support, and service related to the company`s products and considers the addition of new employees. In relation to this, the company has set up a target for maximum increases in energy consumption. For 2022 the company is in line to meet this target.

Hexagon Group has set new environmental targets. Carbon neutrality in our scope 1 and 2 emission by 2030.

Sustainability supplier audit across 100 per cent of our direct supplier, in risk areas by 2023.

Social conditions and employee relations

During COVID-19 most of the employees have been working from home and social activities have been limited.

The company has a policy on social issues and employee relations, which are described in the company's staff manual. The policy ensures that employees are familiar with terms around social conditions and employee relations, including personal development.

The company continuously updates safety instructions in relevant areas to ensure a safe and healthy working environment. As an example, employees in the test area must have completed the safety course before they stay in the test area.

The company is also implementing robotic control to increase safety and eliminate physical hard work.

As part of the strategy, the Corporate Hexagon Group conducts an employee satisfaction survey every third year, which is followed up by quarterly mini-employee surveys that measure the "temperature" among employees and managers and relevant initiatives are initiated.

Cooperation with the pension company around health will continue in 2022 with focus on mental health and getting employees back to the office.

The company respects people's confidential information and has therefore introduced data protection strategies and policies in compliance with the Corporate Hexagon Group data protection rules to ensure Corporate Hexagon Group standards for collection, storage, use, transfer, and deletion of personal data.

All employees within the Company are required to implement the Corporate Hexagon Group Code of Business Conduct and Ethics, which means that all employees must respect and comply with laws, rules and regulations after same codex which applies in all countries in which the company operates. The Corporate Hexagon Group Code of Conduct reflects both legal requirements and the Company's responsibility as a market leader to comply with the highest standards of ethics and integrity.

The company does not consider any significant risks in relation to the company's business activities, which can be confirmed by low employee turnover.

Human rights and anti-corruption

The company has a policy for human rights and anti-corruption which are in compliance with the Corporate Hexagon Group's policy, which describes human rights and anti-corruption requirements for the use of cooperation with suppliers in a so-called "Supplier code of conduct".

The policy requires the supplier to ensure high quality and reliability, continuous product development, on-time delivery, sound business ethics, respect for human rights, bribery, avoid use of child labor and use of raw materials with minimum environmental impact according to ISO 14001.

The company demands that the supplier takes responsibility and informs back to the company in case of problems that affect the required products.

The company has carried out virtual audits by the supplier`s during 2020 before entering new agreement based on the requirements described in the policy. The result of audits carried out has not caused any violation of the company's policy, on the contrary, all business partners have been able to document conditions that were approved.

The company has conducted tests to ensure that the Company's policy works as intended.

Based on the company's business model, the company has assessed that there are no significant risks according to the company's business activity and a very small risk of breaking human rights and anti-corruption policy, which is documented by the company asking partners to confirm that they comply with the company's policy for human rights and anti-corruption before conclusion of a new agreement. The company has not experienced any violation in these areas during audits performed.

Statement of Social Responsibility

Leica Geosystems Technology A/S is a part of Corporate Hexagon Group and the company complies therefore with Corporate Hexagon Group statement of social responsibility. For Leica Geosystems Technology A/S and Hexagon Corporate Group reporting for social responsibility according §99a see Hexagon annual report:

https://bynder.hexagon.com/m/597ea32b5e73be7/original/Hexagon-Sustainability-Report-2021.pdf

Non-financial KPI

The company has non-financial targets included in the ongoing management reporting to ensure continuous improvement to improve the business result and attract the right competences.

Due diligence processes

The company has procedures that ensure the necessary care and control for following areas:

Environment and climate: the company measures energy consumption, waste for packaging and scrap quantity in production.

Employee conditions: the company measures staff turnover, employee accidents, actual hours in production.

Data ethics

Leica Geosystems Technology A/S does not use advanced technologies such as artificial intelligence or machine learning. The company handles general data in the form of customer data and employee data. Data is processed in accordance with the GDPR and our privacy and information security policies. With the limited processing of data, it is the company's assessment that there is no need for a policy on data ethics. The company will continuously assess whether a policy is necessary.

Statement of gender composition of management

For the Board of Directors, the underrepresented gender represents 0% of the elected Board. In 2021 there was a change in the Board of Directors and Lukas Koller replaced Erik Arnberg in the supervisory board. Hexagon's Group goal is at least 30 per cent of our leadership positions filled by women or underrepresented gender by 2025

For the rest of the management, Leica Geosystems Technology A/S had to make a necessary approach, which result that there is equal gender in management.

Leica Geosystems Technology A/S has a non-discrimination equality policy focusing on personal competencies for each job profile at all management levels. Women and men have equal opportunities in the company. But the company will continue to work to improve and outweigh the underrepresented gender in the company.

Diversity

The company works across borders and cultures and currently employees from 18 different nationalities are employed. The Company wants to actively recruit, develop and retain employees with different backgrounds and origins. The company has no limitations on nationalities, gender, religion or age. The company only assesses employment based on qualifications and all employees have equal opportunities to contribute to the company's success with their individual skills and interests.

Uncertainty on recognition and measurement

There has been no uncertainty regarding recognition and measurement in the annual report.

Unusual conditions

The company's assets, liabilities and financial position per. 31 December 2021 and the result of the company's activities for 2021 has been affected by COVID-19 and precaution measures has been implemented.

Events after the balance sheet date

The company generally achieved results in Q1 2022 at expectations.

The issue of Russia and Ukraine are a very little part of the business. As company sell more that can fulfill, the effect is null.

Accounting policies

The annual report of Leica Geosystems Technology A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.
The accounting policies applied are consistent with those of last year.
The annual report for 2021 is presented in DKK.

Basis of recognition and measurement

Income is recognized in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortization, depreciation and impairment losses, are also recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably. Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Hexagon AB, the Company has not prepared consolidated financial statements.

Income statement

Revenue from the sale of goods is recognized when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably, and it is probable that the economic benefits relating to the sale will flow to the Company.

Services are recognized at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. Revenue is net of all types of discounts granted.

Expenses for raw materials and consumables

Costs of raw materials and consumables include the raw materials and consumables used in generating the year’s revenue.

Other external expenses
Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff costs
Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. Further costs from group companies relating to staff working on projects in group companies are included. The item is net of refunds made by public authorities.

Amortization, depreciation and impairment losses
Amortization, depreciation and impairment losses comprise the year's amortization, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses
Financial income and expenses are recognized in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year
On payment of joint taxation contributions, the current Danish income tax is allocated between the- jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognized in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Development projects
Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognized as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognized in the income statement as incurred.

Development costs comprise expenses, salaries and amortization directly or indirectly attributable to development activities..

The cost of development projects is measured at direct costs incl. staff cost incurred as well as a portion of costs indirectly attributable to the individual development projects. On completion of a development project, development costs are amortized on a straight-line basis over the estimated useful life.

The amortization period is usually 3-8 years.

Tangible assets
Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.
Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Useful life

Other fixtures and fittings, tools and equipment 3-8 years
Leasehold improvements 3-10 years

The useful life and residual value are re-assessed annually. A change is accounted for as an accounting estimate, and the impact on amortization / depreciation is recognized going forward.

Gains or losses from the disposal of property, plant and equipment are recognized in the income statement as other operating income or other operating expenses, respectively.

Fixed asset investments

Fixed asset investments, which consist of non-listed bonds and shares. Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments.

Other fixed asset investments consist of receivables and deposits.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortization and depreciation. If so, the asset is written down to its lower recoverable amount.

Stocks

Stocks are measured at cost using the FIFO method. Where the net realizable value is lower than the cost, inventories are recognized at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs. The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labor and production/production overheads.

Production overheads include the indirect cost of materials, wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognized in the cost.

The net realizable value of stocks is calculated as the expected selling price less direct costs of completion and expenses incurred to complete the sale. The net realizable value is determined considering marketability, obsolescence and expected selling price movements.

Accounting policies Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognized as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realizable value. Payments received on account are set off against the selling price. They are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Receivables

Receivables are measured at amortized cost. An impairment loss is recognized if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognized.

Prepayments

Prepayments recognized under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Equity

Reserve for development costs

An amount corresponding to capitalized development costs is recognized in the reserve. The reserve is reduced as development costs are amortized.

Provisions

Provisions comprise expected expenses relating to warranty commitments, losses on work in progress, restructuring, etc. Provisions are recognized when, as a result of a past event, the company has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Warranty commitments include expenses for remedial action within the warranty period of 1-5 years. Provisions for warranty commitments are measured and recognized based on experience gained from guarantee work. Provisions with an expected maturity of more than one year from the balance sheet date are discounted using a rate that reflects the risk and maturity of the liability.

Income tax and deferred tax.

Current tax liabilities and current tax receivables are recognized in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realizable value.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallize as current tax.
Deferred tax adjustments resulting from changes in tax rates are recognized in the income statement, with the exception of items taken directly to equity.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realized, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realizable value.

Liabilities
Financial liabilities are recognized on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortized cost, corresponding to the capitalized value, using the effective interest method. Accordingly, the difference between the net proceeds and the nominal value is recognized in the income statement over the term of the loan.

Other liabilities, which include trade payables, payables to group entities and other payables, are measured at amortized cost, which is usually equivalent to nominal value.

Deferred income
Deferred income recognized under 'Current liabilities' comprises payments received concerning income in subsequent financial years.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized in the income statement as financial income or financial expenses. If foreign currency instruments are considered cash flow hedges, any unrealized value adjustments are taken directly to a fair value reserve under ‘Equity’.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognized in the latest financial statements is recognized in theincome statement as financial income or financial expenses.

Fixed assets acquired in foreign currencies are translated at the exchange rate at the transaction date.

Cash flow statement
No cash flow statement has been prepared for the parent company, as the parent company's cash flows are included in the consolidated cash flow statement, see section 86(4) of the Danish Financial Statements Act.

Financial highlights

Definitions of financial ratios.

Gross margin ratio:

$$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

EBIT margin:

$$\frac{\text{Profit/loss before financials x 100}}{\text{Revenue}}$$

Return on assets:

$$\frac{\text{Profit/loss before financials x 100}}{\text{Average assets}}$$

Equity ratio:

$$\frac{\text{Equity at year-end x 100}}{\text{Total assets at year-end}}$$

Return on equity:

$$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$$

Income Statement 1 January – 31 December

	Note	2021	2020
		DKK	DKK
Revenue	1	**891,166,984**	**650,541,106**
Capitalized staff costs	2	22,102,591	20,260,055
Expenses for raw materials and consumables		-543,224,681	-391,315,600
Other external costs		-141,430,237	-98,736,742
Gross profit		**228,614,657**	**180,748,819**
Staff costs	2	-104,939,634	-108.775,905
Profit/loss before amortization/depreciation and impairment losses		**123,675,023**	**71,918,914**
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	3	-35,500,581	-29,993,108
Profit/loss before net financials		**88,174,442**	**41,925,806**
Financial income	4	5,201,066	254,801
Financial cost		-2,138,819	-843,962
Profit/loss before tax		**91,236,689**	**41,336,645**
Tax on profit/loss for the year	5	-13,207,252	-7,541,515
Profit/loss for the year		**78,029,437**	**33,795,130**

Balance sheet 31 December

	Note	2021	2020
		DKK	DKK
Assets			
Completed development projects		63.675.183	60.956.022
Acquired patents		168.803	1.529.292
Goodwill		11.976.564	13.385.572
Development projects in progress		28.667.733	29.801.650
Intangible assets	6	**104.488.284**	**105.672.536**
Other fixtures and fittings, tools and equipment	7	16.014.412	18.005.602
Leashold improvements	7	2.807.130	3.305.951
Tangible assets		**18.821.542**	**21.311.553**
Other fixed asset investments	8	2.620.106	17.287
Other recievables		6.167.422	2.221.678
Fixed assets investments		**8.787.528**	**2.238.965**
Total non-current assets		**132.097.354**	**129.223.054**
Stocks	9	**64.071.783**	**58.680.779**
Trade receivables		32.466.373	27.494.105
Contract Work in Progress	10	7.165.831	5.446.530
Receivables from group entities		241.186.434	423.485.073
Other receivables		2.393.716	2.623.042
Prepayments	11	916.434	1.867.941
Receivables		**284.128.788**	**460.916.691**
Cash at bank and in hand		**5.293.409**	**9.870.697**
Current assets total		**353.493.980**	**529.468.167**
Assets total		**485.591.334**	**658.691.221**

Balance sheet 31 December

	Note	2021	2020
		DKK	DKK
Liabilities and equity			
Share capital		2.000.000	2.000.000
Reserve for development expenditure		62.284.691	58.103.116
Retained earnings		233.953.537	410.105.675
Equity	12	**298.238.228**	**470.208.791**
Provision for deferred tax	14	19.026.407	18.934.263
Other provisions	15	1.163.000	656.000
Total provisions		**20.189.407**	**19.590.263**
Other payables	**16**	0	8.661.662
Total non-current liabilities		**0**	**8.661.662**
Trade payables		41.300.906	33.227.753
Prepayments received recognised in debt	10	0	1.683.330
Payables to group entities		90.472.718	96.977.798
Corporation tax		8.736.863	2.933.032
Other payables		21.071.488	20.471.279
Deferred income	17	5.581.723	4.937.313
Total current liabilities		**167.163.698**	**160.230.505**
Total liabilities		**167.163.698**	**168.892.167**
Liabilities and equity total		**485.591.334**	**658.691.221**

Proposed distribution of profit	13
Rental agreements and lease commitments	18
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Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January 2021	2.000.000	58.103.116	410.105.675	470.208.791
Payment of extraordinary dividends			-250.000.000	-250.000.000
Development costs for the year		4.181.575	-4.181.575	0
Net profit/loss for the year			78.029.437	78.029.437
Equity at 31 December 2021	**2.000.000**	**62.284.691**	**233.953.537**	**298.238.228**

Notes to the annual statement

1 Revenue

The revenue by Business Unit in 2021 was DKK 830.793.978 for Machine Control Division, and DKK 60.373.006 for Content Service Division. In comparison to previous year 2020 the revenue for Machine Control was of DKK 613.138.449 and for Content Service of DKK 37.402.657

2 Staff costs

	2021	2020
	DKK	DKK
Staff costs		
Wages and salaries	94,135,315	100.125.859
Pensions	9.129.942	7.429.354
Other social security cost	1.206.498	810.448
Other staff costs	467.879	410.244
	104.939.634	**108.775.905**
Capitalized staff costs	-22.102.591	-20.206.055
Average number of employees	**158**	**151**

According to section 98 B(3) of the Danish Financial Statements Act, renumeration to the executive board has not been disclosed.

	2021	2020
	DKK	DKK
3 Depreciation, amortization and impairment of Intangible assets and property, plant and equipment		
Depreciation intangible assets	28.266.334	23.486.514
Depreciation tangible assets	7.234.247	6.506.594
	35.500.581	**29.993.108**
4 Financial income		
Interest received from group enterprises	20.383	1.932
Other financial income	0	4.633
Exchange adjustments	5.180.683	248.236
	5.201.066	**254.801**
5 Tax on profit/loss for the year		
Current tax for the year	18.190.392	6.175.994
Deferred tax for the year	90.643	1.409.641
Adjustment of tax concerning previous years	-5.077.783	-44.120
	13.207.252	**7.541.515**

6 Intangible assets

	Completed development projects	Acquired patents	Goodwill	Development projects in progress
Cost at 1 January 2021	223.135.205	6.951.554	14.090.076	29.801.650
Additions for the year	4.259.533	43.800	0	22.778.749
Transfers for the year	23.912.666	0	0	- 23.912.666
Cost at 31 December 2021	251.307.404	6.995.354	14.090.076	28.667.733
Impairment losses and amortisation at 01.01.21	162.179.183	5.422.262	704.504	0
Depreciation for the year	25.453.038	1.404.288	1.409.008	0
Impairment losses and amortisation 31.12.21	200.324.242	6.826.550	2.113.512	0
Carrying amount at 31 December 2021	**63.675.183**	**168.804**	**11.976.564**	**28.667.733**

Goodwill is amortized over a period of 10 years, as it is a long-term strategic acquisition.

COWI mapping unit provides airborne imagery and lidar acquisition services with focus in Europe on global reach: the rationale for acquisition is to strengthen the HxGN Content Program in Europe. Along with North West Geomatics, Sigmaspace, Melown Technologies and Thermopylae Sciences and Technologies, this acquisition accelerates Hexagon´s mission to put data to work and increase efficiency and productivity.

The acquisition was an asset deal; several existing Hexagon entities (DK, UK, SE, Germany) plus newly established entities (Norway and India) purchased the COWI mapping business unit net assets which were carved out from the COWI Group.

The book value of the assets, plus EUR 2.0 Mio for "Goodwill" as most of the assets were purchased by 1690 LGT A/S the bulk of the purchase price and goodwill was allocated to the entity. The financing of the purchase price was done by the ICO loan from Hexagon AB / cashpool.

Completed development projects include product development and testing of machine control equipment for construction business, which have been commissioned and depreciated over 3 to 8 years.

Management has not found any development of impairment in relation to the carrying amount. Development projects in progress include development and testing of new machine control equipment. Cost consists essentially of internal costs, which are recorded through the company's internal project module. The development of new machine control equipment solutions ensures the company's continued competitiveness in a highly competitive market.

7 Tangible assets

	Other fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
	DKK	DKK	DKK
Cost at 1 January 2021	35.553.201	6.690.514	42.243.715
Retirements for the year	0	0	0
Additions for the year	4.600.526	143.781	4.744.307
Cost at 31 December 2021	40.153.727	6.834.295	46.988.022
Impairment losses and depreciation at 1 January 2021	17.547.599	3.384.563	20.932.162
Depreciation for the year	6.591.717	642.603	7.234.320
Impairment losses and depreciation at 31 December 2021	24.139.316	4.027.166	28.166.482
Carring amount at 31 December 2021	**16.014.411**	**2.807.129**	**18.821.540**

8 Fixed Asset Investments

	Other fixed assets investments	Deposits
	DKK	DKK
Cost at 1 January 2021	17.287	2.221.678
Additions for the year	0	381.141
Cost at 31 December 2021	17.287	2.602.819
Carring amount at 31 December 2021	17.287	2.602.819

9 Inventories

	2021	2020
	DKK	DKK
Raw materials and consumables	23.112.019	12.455.148
Work in progress	11.243.588	21.647.056
Finished goods and goods for resale	29.716.176	24.578.575
	64.071.783	**58.680.779**

10 Contract work in progress

Work in progress, selling price	18.665.669	19.026.185
Work in progress, payments received on account	-11.499.838	-15.262.985
	7.165.831	**3.763.200**
Recognised in the balance sheet as follows:		
Contract work in progress recognized in assets	7.165.831	5.446.530
Prepayments received recognized in debt	0	-1.683.330
	7.165.831	**3.763.200**

11 Prepayments

Prepayments include accruals of expenses relating to subsequent financial year.

12 Equity

The share capital consists of 2.000.000 shares of a nominal value of DKK 1,000.
No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

13 Distribution of profit

	2021	2020
	DKK	DKK
Retained earnings	78.479.738	33.795.130
Extraordinary dividend	-250.000.000	0
	-171.520.262	**33.795.130**

Extraordinary dividends

On 20th of Decembver 2021, at an extraordinary general meeting the company decided to distribute extraordinary dividends corresponding to DKK 250,000,000 to the sole shareholder, Leica Geosystems AG.

14 Provision for deferred tax

	2021	2020
	DKK	DKK
Provision for deferred tax at 1 January 2021	18.934.263	17.524.622
Deferred tax recognised in income statement	92.144	1.409.641
Provision for deferred tax at 31 December 2021	**19.026.407**	**18.934.263**

	2021	2020
Provisions for deferred tax on:		
Intangible assets	20.730.887	20.506.423
Property, plant and equipment	20.170	477.668
Inventories	-1.794.003	-2.244.306
Other	290.489	194.478
	19.026.407	**18.934.263**

15 Other provisions

	2021	2020
	DKK	DKK
Provisions comprise provisions for guarantee commitments		
Other provisions	1.163.000	656.000
Balance at 31 December 2021	**1.163.000**	**656.000**

16. Long term debt	2021 DKK	2021 DKK
Payments due within 1 year are recognised in short-term debt.		
Other debit is recognised in long-term debt.		
Other payables		
Between 1 and 5 years	0	8.661.662
Non -current portion	0	8.661.662
Other short-term debt	21.071.488	20.471.279
Current portion	21.071.488	20.471.279
	21.071.488	**29.132.941**

17 Deferred income

Deferred Income, DKK 5582 thousand, consists of payments received from customers related to contracts that may not be recognized as a revenue until the subsequent financial year. The payments will be recognized in the Income Statement over the next year.

	2021	2020
	DKK	DKK
18 Rental agreements and lease commitments		
Rent and lease liabilities		
Total future lease payments :		
Within 1 year	6.035.512	6.094.672
Between 1 and 5 years	3.721.222	4.306.703
	9.756.734	**10.401.375**
Other contingent liabilities		
Purchase obligation, goods	32.238.339	31.855.991
Repair obligation, service contracts	83.514	102.606
	32.321.853	**31.958.597**

19 Related parties and ownership structure

Controlling interest

Leica Geosystems AG, Switzerland

Transactions

Sales of goods and services to group entities	759.089.124
Purchase of goods and services from other group entities	396.385.042
Financial income	20.383
Receivables group entities as of 31 December 2021	241.186.434
Payables to subsidiaries as of 31 December 2021	90.472.718
Financial assets group entities as of 31 December 2021	17.287

The Group companies from Denmark are jointly and severally liable for tax on a jointly taxed income etc. of the group. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustment of corporation taxes and withholding taxes may increase the company´s liability.

Consolidated financial statements

The company is included in the Group Annual Report of:

Name	*Registered office*
Hexagon AB	Sweden

20 Fee to auditors appointed at the general meeting

Audit fees are not disclosed with reference to section 96(3) in the Danish Financial Statements Act. The fee is specified in the consolidated financial statements for Hexagon AB