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 2022

Adopted at the annual general meeting on 30 of June 2023

DocuSigned by:
Magnus Thibblin
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Ulf Magnus Fredrik Thibblin
chairman

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Statement by management on the annual report

The supervisory and executive boards have today considered and adopted the annual report of Leica Geosystems Technology A/S for the financial year 1 January - 31 December 2022.

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 at 31 December 2022 and of the results of the company's operations for the financial year 1 January - 31 December 2022.

In our opinion, management's review includes a true and 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, 30 June 2023

Executive board

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Magnus Thibblin
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Ulf Magnus Fredrik Thibblin

Supervisory board

DocuSigned by: Thomas Harring E51E86DD4571426...	DocuSigned by: Lukas Koller 78BC28793E1D461...	DocuSigned by: Magnus Thibblin EB7F8A0E162C4CF...
Thomas Harring	Lukas Gabriel Koller	Ulf Magnus Frederik 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 2022, and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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 2022, 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 vieWe 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, 30 June 2023

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 2022 Incorporated: 26 June 1991 Domicile: Odense
Supervisory board	Thomas Harring, Chairman Lukas Gabriel Koller Ulf Magnus Fredrik Thibblin
Executive board	Ulf Magnus Fredrik Thibblin
Auditors	PriceWaterhouseCoopers Munkebjergvænget 1, 3. & 4. sal DK-5230 Odense M
Bankers	Handelsbanken Mageløs 8 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:

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Revenue	952.327	891.167	650.541	659.560	680.811
Gross profit	278.949	228.614	160.489	181.427	224.761
Net financials	147	-3.062	-589	-578	-17
Profit/loss for the year	108.504	78.029	33.795	54.371	96.554
Balance sheet total	588.235	485.591	658.691	582.299	548.017
Investment in property, plant and equipment	17.376	6.005	14.651	2.193	2.168
Equity	406.742	298.238	470.209	436.414	382.042
Numbers of employees	171	158	151	141	133

Financial ratios

Gross margin	29,3%	25,7%	27,8%	27,5%	33,0%
EBIT margin	14,3%	9,9%	6,4%	11,7%	18,2%
Return on assets	25,9%	15,4%	6,8%	13,2%	22,6%
Solvency ratio	69,2%	61,4%	71,4%	74,9%	69,7%
Return on equity	30,8%	20,3%	7,5%	13,3%	28,9%

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.

Development in the year

In the annual report of 2021, management expected revenue and earnings in 2022 to exceed 2021 which have been met. We have seen a positive development in the profit in 2022 compared to 2021. The Machine Control Division has, like in 2021, been impacted by the global supply chain situation and price increases.

The income statement for 2022 shows a profit of DKK 108.503.812 against a profit of DKK 78.029.437 in 2021 and the company's balance sheet as at 31 December 2022 shows an equity of DKK 406.742.040.

Machine Control started in 2021 to increase inventories to insure high availability and delivery performance. Inventories are still at a higher level in 2022 to secure delivery performance, but the inventories are being closely monitored.

Content Service business continues to grow at a steady pace and is focusing more towards recurring and multiyear revenue sources.

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 2023 is expected to be higher than last year due to continued high demand. For Machine Control Division a growth in sales between 5-15% is expected, whereas a 15% increase is the target.

For Content business a growth in sales of approx. 10-12% is expected for 2023.

A growth in earnings for 2023 is expected at 5-15% as well.

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 process 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 2022 the company has continued launching new products and updated existing products to secure continued competitiveness and relevance in the market. The development of the product portfolio ensures the company`s continued competitiveness in a highly competitive market. The company have successfully launched new products and solutions and have several important releases in the pipeline to insure continued competitiveness.

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

Hexagon's Environmental Policy applies to Hexagon AB and its subsidiaries and joint ventures covering development, production, sales, support, and service related to the company`s products and to all personnel employed by or engaged to provide services to Hexagon. The policy outlines the commitments of the company referring to environment:

Reducing greenhouse gas emissions in its operations and supply chain.

Increasing energy efficiency at it´s production facilities.

Reducing waste in factories and offices and implementing processes for sustainable resource management.

Reducing the stress of water and air quality from its own operations and supply chain.

Integrating sustainability considerations into product development, design and production processes.

Creating a culture of sustainability among employees.

By upholding high standards of environmental sustainability processes, Hexagon supports activities that aim to reduce its environmental footprint. Furthermore, Hexagon seeks to have a positive impact on the environment by acting sustainably and addressing environmental challenges in its internal operations and supply chain.

Hexagon Group has committed to environmental targets, including sustainability supplier audit across 100 per cent of our key suppliers, in risk areas by 2023.

Furthermore, Leica Geosystems, part of Hexagon, is ISO 14'001 certified.

The company is committed to achieving carbon neutrality by 2030 in scope 1 and 2 CO_2 emissions and carbon neutrality in its full value chain by 2050. Furthermore, Hexagon has joined the Business Ambition for 1.5°C and is committed to set net-zero science-based targets for carbon emissions aligned with the 1.5°C scenario.

Social conditions and employee relations

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 2023 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

Hexagon’s Code of Conduct is the overarching policy guiding the business and it defines Hexagon’s expectations and requirements for activities performed on our behalf and should be used as a central guide and reference to support day-to-day decision-making. Ensuring anti-corruption behavior as well as respect for human rights, including no-discrimination, no child-labor, and fair compensation, among others are well outlined in this Code of Conduct.

The company has a policy for human rights and anti-corruption within its value chain, 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 suppliers take responsibility and informs back to the company in case of problems that affect the required products.

The company has carried out supplier audits 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/5fc4c400f38f5c43/original/Hexagon-Sustainability-Report-2022.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 supervisory board, the underrepresented gender represents 0% of the elected board. Hexagon's Group goal is at least 30 per cent of our leadership positions filled by women or underrepresented gender by 2025. No changes in the supervisory board were made in 2022.

The supervisory board consists of 3 males, divisional management consists of 1 female and 8 males and there are 3 females and 18 males on the position of managers.

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 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

Sales to Russia and Ukraine have been halted due to the actual conditions. However, they were a really small part of the business and the management of the company strongly believes it has not a material impact in its result.

Events after the balance sheet date

The company generally achieved results in Q1 2023 at expectations.

Accounting policies

The annual report of Leica Geosystems Technology A/S for 2022 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 2022 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.

Revenue

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 3-8 years.

Capitalized development costs are measured at cost less accumulated amortization and impairment losses at a lower recoverable amount.

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 change in 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 assets consists 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.

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 the income 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 company, as the company's cash flows are included in the consolidated cash flow statement of Hexagon AB. See section 86(4) of the Danish Financial Statements Act.

Financial highlights

Definitions of financial ratios.

Gross margin ratio:

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

EBIT margin:

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

Return on assets:

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

Solvency ratio:

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

Return on equity:

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

Income Statement 1 January – 31 December

	Note	2022	2021
		DKK	DKK
Revenue	1	**952.327.490**	**891.166.984**
Capitalized staff costs	2	32.111.341	22.102.591
Expenses for raw materials and consumables		-549.164.056	-543.224.681
Other external costs		-156.325.734	-141.430.237
Gross profit		**278.949.041**	**228.614.657**
Staff costs	2	-114.275.554	-104.939.634
Profit/loss before amortization/depreciation and impairment losses		**164.673.487**	**123.675.023**
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	3	-28.558.944	-35.500.581
Profit/loss before net financials		**136.114.543**	**88.174.442**
Financial income	4	12.395.778	5.201.066
Financial cost	5	-12.248.529	-2.138.819
Profit/loss before tax		**136.261.792**	**91.236.689**
Tax on profit/loss for the year	6	-27.757.980	-13.207.252
Profit/loss for the year		**108.503.812**	**78.029.437**

Balance sheet 31 December

	Note	2022	2021
		DKK	DKK
Assets			
Completed development projects		69.677.935	63.675.183
Acquired patents		56.638	168.803
Goodwill		10.567.556	11.976.564
Development projects in progress		33.875.045	28.667.733
Intangible assets	**7**	**114.177.174**	**104.488.284**
Other fixtures and fittings, tools and equipment		14.559.725	16.014.412
Leasehold improvements		16.749.523	2.807.130
Tangible assets	**8**	**31.309.248**	**18.821.542**
Other fixed asset investments		5.563.580	2.620.106
Other receivables		0	6.167.422
Fixed assets investments	**9**	**5.563.580**	**8.787.528**
Total non-current assets		**151.050.002**	**132.097.354**
Stocks	**10**	**179.460.225**	**64.071.783**
Trade receivables		43.679.493	32.466.373
Contract Work in Progress	11	6.540.236	7.165.831
Receivables from group entities		197.157.232	241.186.434
Other receivables		3.206.311	2.393.716
Prepayments	12	2.449.768	916.434
Receivables		**253.033.040**	**284.128.788**
Cash at bank and in hand		**6.925.338**	**5.293.409**
Current assets total		**439.418.603**	**353.493.980**
Assets total		**590.468.605**	**485.591.334**

Balance sheet 31 December

	Note	2022	2021
		DKK	DKK
Liabilities and equity			
Share capital	13	2.000.000	2.000.000
Reserve for development costs		73.459.932	62.284.691
Proposed dividend		30.000.000	0
Retained earnings		301.282.108	233.953.537
Equity	**13**	**406.742.040**	**298.238.228**
Provision for deferred tax	15	21.682.121	19.026.407
Other provisions	16	1.319.000	1.163.000
Total provisions		**23.001.121**	**20.189.407**
Trade payables		42.364.807	41.300.906
Prepayments received recognized as liabilities	11	665.892	0
Payables to group entities		81.598.840	90.472.718
Corporation tax		16.941.136	8.736.863
Other payables		12.693.684	21.071.488
Deferred income	17	6.461.085	5.581.723
Total current liabilities		**160.725.444**	**167.163.698**
Total liabilities		**160.725.444**	**167.163.698**
Liabilities and equity total		**590.468.605**	**485.591.334**

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Statement of changes in equity

2022	Share capital	Reserve for development expenditure	Retained earnings	Proposed dividends	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January 2022	2.000.000	62.284.691	233.953.537	-	298.238.228
Development costs for the year		11.175.241	-11.175.241	-	-
Net profit/loss for the year			78.503.812	30.000.000	108.503.812
Equity at 31 December 2022	**2.000.000**	**73.459.932**	**301.282.108**	**30.000.000**	**406.742.040**

2021	Share capital	Reserve for development expenditure	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	-
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 report

1 Revenue

The revenue by Business Unit in 2022 was DKK 873.873.041 for Machine Control Division, and DKK 78.454.449 for Content Service Division. In comparison to previous year 2021 the revenue for Machine Control was of DKK 830.793.978 and for Content Service of DKK 60.373.006.

2 Staff costs

	2022	2021
	DKK	DKK
Staff costs		
Wages and salaries	102.317.409	94.135.315
Pensions	10.055.134	9.129.942
Other social security cost	1.263.436	1.206.498
Other staff costs	639.575	467.879
	114.275.554	**104.939.634**
Capitalized staff costs	-32.111.341	-22.102.591
Average number of employees	**171**	**158**

In accordance with section 98 B(3) of the Danish Financial Statement Act, renumeration to the executive board has not been disclosed.

		2022	2021
		DKK	DKK
3	**Depreciation, amortisation and impairment of Intangible assets and property, plant and equipment**		
	Depreciation intangible assets	23.670.360	28.266.334
	Depreciation tangible assets	4.888.584	7.234.247
		28.558.944	**35.500.581**
4	**Financial income**		
	Interest received from group companies	40.032	20.383
	Other financial income	69.761	0
	Exchange adjustment	12.285.984	5.180.683
		12.395.777	**5.201.066**
5	**Financial costs**		
	Interest paid to group companies	99.774	0
	Other financial cost	458.722	71.934
	Exchange adjustment	11.690.033	2.066.885
		12.248.529	**2.138.819**
6	**Tax on profit/loss for the year**		
	Current tax for the year	25.102.264	18.190.392
	Deferred tax for the year	2.655.714	94.643
	Adjustment of tax concerning previous years	2	-5.077.783
		27.757.980	**13.207.252**

7 Intangible assets

	Completed development projects	Acquired patents	Goodwill	development projects in progress	Total
Cost at 1 January 2022	251.307.404	6.995.354	14.090.076	28.667.733	301.060.567
Additions for the year	5.018.624	43 866		28.296.760	33.359.250
Transfers for the year	23.089.448			- 23.089.448	-
Cost at 31 December 2022	279.415.476	7.039.220	14.090.076	33.875.045	334.419.817
Impairment losses and amortisation at 1 January 2022	187.632.221	6.826.550	2.113.512	0	196.572.283
Depreciation for the year	22.105.320	156.032	1.409.008		23.670.360
Impairment losses and amortisation at 31 December 2022	209.737.541	6.982.582	3.522.520	0	220.242.643
Carrying amount at 31 December 2022	**69.677.935**	**56.638**	**10.567.556**	**33.87.045**	**114.177.175**

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.

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 indications 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.

8 Tangible assets

	Other fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
	DKK	DKK	DKK
Cost at 1 January 2022	40.153.727	6.834.295	46.988.022
Retirements for the year	0	0	0
Additions for the year	4.873.465	12.502.826	17.376.291
Cost at 31 December 2022	45.027.192	19.337.121	64.364.313
Impairment losses and depreciation at 1 January 2022	24.139.316	4.027.166	28.166.482
Depreciation for the year	4.138.353	750.230	4.888.583
Impairment losses and depreciation at 31 December 2022	28.277.669	4.777.396	33.055.065
Carrying amount at 31 December 2022	16.749.523	14.559.725	31.309.248

9 Fixed assets investments	Other prepayments	Other fixed assets investments	Deposits	Total
	DKK	DKK	DKK	DKK
Cost at 1 January 2022	0	17.287	2.602.819	2.620.106
Additions for the year	2.233.508		709.966	2.943.474
Cost at 31 December 2022	2.233.508	17.287	3.312.785	5.563.580
Carrying amount at 31 December 2022	2.233.508	17.287	3.312.785	5.563.580

10 Inventories

	2022	2021
	DKK	DKK
Raw materialsand consumables	41.608.813	23.112.019
Work in progress	58.120.886	11.243.588
Finished goods and goods for resale	79.730.526	29.716.176
	179.460.225	64.071.783

11 Contract work in progress

	2022	2021
	DKK	DKK
Work in progress, selling price	55.665.282	18.665.669
Work in progress, payments received on account	-49.790.938	-11.499.838
	5.874.344	**7.165.831**
Recognised in the balance sheet as follows:		
Contract work in progress recognized in assets	6.540.236	8.660.357
Prepayments received recognized in debt	-665.892	-149.526
	5.874.344	**8.510.831**

12 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

13 Equity

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

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

14 Distribution of profit

	2022	2021
	DKK	DKK
Retained earnings	108.503.812	78.479.738
Ordinary dividend	-30.000.000	0
Extraordinary dividend	0	-250.000.000
	78.503.812	**-171.520.262**

15 Provision for deferred tax

	2022	2021
	DKK	DKK
Provision for deferred tax at 1 January 2021	19.026.407	18.934.263
Deferred tax recognised in income statement	2.655.714	92.144
Provision for deferred tax at 31 December 2022	**21.682.121**	**19.026.407**

Provisions for deferred tax on:		
Intangible assets	23.347.442	20.730.887
Property, plant and equipment	622.923	20.170
Inventories	-2.150.495	-1.794.003
Other	-137.749	69.353
	21.682.121	**19.026.407**

16 Other provisions

	2022	2021
	DKK	DKK
Other provisions	1.319.000	1.163.000
Balance at 31 December 2022	**1.319.000**	**1.163.000**

Provisions comprise provisions for guarantee commitments

17 Deferred income

Deferred Income, DKK 6.461.085, consists of payments received from customers related to income that may not be recognized as a revenue until the subsequent financial year. The payments will be recognized as revenue in the Income Statement over the next year.

	2022	2021
18 Rental agreements and lease commitments	DKK	DKK
Rent and lease liabilities		
Total future lease payments :		
Within 1 year	8.987.469	6.035.512
Between 1 and 5 years	17.094.985	3.721.222
	26.082.454	**9.756.734**
Other contingent liabilities		
Purchase obligation, goods	42.868.287	32.238.339
Repair obligation, service contracts	100.342	83.514
	42.968.629	**32.321.853**

19 Related parties and ownership structure

Controlling interest

Leica Geosystems AG, Switzerland

Transactions with related parties in 2022:	2022
	DKK
Sales of goods and services to group entities	787.533.333
Purchase of goods and services from group entities	477.594.416
Financial income	40.032
Financial expenses	99.774
Receivables from group entities	197.157.232
Payables to group entities	81.598.840
Financial assets group entities	17.287

Other obligations

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.

21 Subsequent events

No significant subsequent events have occurred between the balance sheet date and the issuance of this annual report. Therefore, there are no subsequent events to disclose.