Intertrust

Leica Geosystems A/S

Vandtårnsvej 62 A, 5. b., DK-2860 Søborg

CVR no. 16 75 87 28

Annual report for 2016

Adopted at the annual general meeting
on 26 May 2017

Mikael Svensson
chairman

Contents

Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of Leica Geosystems A/S for the financial year 1 January - 31 December 2016.

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 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

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.

Søborg, 26 May 2017

Executive board

Henrik Wiese

Supervisory board

Thomas Harring　　Mark Stephen Concannon　　Mikael Svensson

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Søborg, 26 May 2017

Executive board

Henrik Wiese

Supervisory board

Thomas Harring	Mark Stephen Concannon	Mikael Svensson

Independent auditor's report

To the shareholder of Leica Geosystems A/S

Opinion

We have audited the financial statements of Leica Geosystems A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity, notes including accounting policies. The financial statements are 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 2016 and of the results of the company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Independent auditor's report

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.

Statement on the management's review

Management is responsible for the management's review.

Our opinion on the financial statements does not cover the 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 the management's review and, in doing so, consider whether the management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Independent auditor's report

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

Based on our procedures, we conclude that the 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 of the management's review.

Copenhagen, 26 May 2017

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lissen Fagerlin Hammer	Dennis Dupont
state authorised public accountant	state authorised public accountant

Company details

The company	Leica Geosystems A/S Vandtårnsvej 62 A, 5. b. DK-2860 Søborg Website:	 www.leica-geosystems.com
	CVR no.: Reporting period: Domicile:	16 75 87 28 1 January - 31 December Søborg
Supervisory board	Thomas Harring Mark Stephen Concannon Mikael Svensson	
Executive board	Henrik Wiese	
Auditors	ERNST & YOUNG Godkendt Revisionspartnerselskab c/o Postboks 250, Osvald Helmuths Vej 4 DK-2000 Frederksberg	
Consolidated financial statements	The company is included in the group annual report of Hexagon AB. The group annual report of Hexagon AB may be obtained at the following internet address: http://investors.hexagon.com	

Financial highlights

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

	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Gross profit/loss	27,774	23,985	10,947	9,935	11,645
Profit/loss before financial income and expenses	6,752	3,023	1,527	2,211	3,835
Net financials	1	-27	-77	-6	-53
Profit/loss for the year	5,237	2,248	1,051	1,624	2,812
Balance sheet total	58,908	45,605	40,847	38,438	36,641
Investment in property, plant and equipment	3,018	869	45	102	0
Equity	31,571	26,334	24,086	23,035	21,411
Financial ratios					
Return on assets	12.9%	7.0%	3.9%	5.9%	11.6%
Solvency ratio	53.6%	57.7%	59.0%	59.9%	58.4%
Return on equity	18.1%	8.9%	4.5%	7.3%	14.1%

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

Business review

Leica Geosystems A/S main activities have, like the previous years consisted of marketing and selling the group enterprises products.

The Company is selling their products in Denmark.

The objective is to have a leading market position in surveyor and navigation equipment in Denmark.

Financing

Financial review

The gross margin in 2016 is 6,8 mio. DKK . EAT is 5,2 mio. DKK against 2,2 mio. DKK last year. The management considers 2016 result for satisfactory.

The financial year-end has been positive with a revenue growth and increase of new customers.

The Company's cashflow is a part of the group enterprise cash-pool.

The Company growth is affected by the development in the construction industry and larger infrastructure projects. Over the last years the industry has grown, which also was the case in 2016.

The expectations for 2017 are higher revenue and EBT than in 2016.

The Company is expecting to continue positive cashflow in 2017.

Special risks apart from generally occurring risks in industry

Currency risks

A part of the Company's products are developed and produced abroad, which implies that result and equity can be affected by exchange rate movements for a number of currencies.

Impact on external environment and measures of preventing, reducing or mitigating damage

There has not been developed a comprehensive strategy for the company's environmental work.

The board is not aware of circumstances which dictate that the company is polluting the outer environment in a larger scale than what is normal for the industry.

The working environment in the Company is considered to be good.

Management's review

Research and development activities in and for reporting entity
There are no research and development activities in the company.

Income statement 1 January - 31 December

	Note	2016	2015
		DKK	DKK
Gross profit		**27,774,240**	**23,985,083**
Staff costs	1	-20,273,935	-20,727,274
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-748,575	-234,459
Profit/loss from ordinary operating activities before gains/losses from fair value adjustments		**6,751,730**	**3,023,350**
Financial income	3	24,551	8,205
Financial costs	4	-24,031	-35,545
Profit/loss before tax		**6,752,250**	**2,996,010**
Tax on profit/loss for the year	5	-1,515,563	-747,514
Net profit/loss for the year		**5,236,687**	**2,248,496**
Distribution of profit	6		

Balance sheet 31 December

	Note	2016	2015
		DKK	DKK
Assets			
Goodwill		422,850	507,420
Intangible assets	7	**422,850**	**507,420**
Other fixtures and fittings, tools and equipment		3,180,128	824,074
Leasehold improve-ments		16,987	18,947
Tangible assets	8	**3,197,115**	**843,021**
Fixed assets total		**3,619,965**	**1,350,441**
Finished goods and goods for resale		13,422,244	12,743,978
Stocks		**13,422,244**	**12,743,978**
Trade receivables		23,553,445	20,287,350
Receivables from group entities		17,820,992	10,386,345
Other receivables		264,873	283,378
Deferred tax asset	10	53,219	163,047
Prepayments		166,412	385,949
Receivables		**41,858,941**	**31,506,069**
Cash at bank and in hand		**6,595**	**4,595**
Current assets total		**55,287,780**	**44,254,642**
Assets total		**58,907,745**	**45,605,083**

Balance sheet 31 December

	Note	2016 DKK	2015 DKK
Liabilities and equity			
Share capital		1,500,000	1,500,000
Retained earnings		30,070,902	24,834,215
Equity	9	**31,570,902**	**26,334,215**
Trade payables		2,069,594	1,490,110
Payables to group entities		12,518,179	5,739,128
Corporation tax		980,734	724,556
Other payables		5,038,567	5,820,072
Deferred income		6,729,769	5,497,002
Short-term debt		**27,336,843**	**19,270,868**
Debt total		**27,336,843**	**19,270,868**
Liabilities and equity total		**58,907,745**	**45,605,083**

Subsequent events	11
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Statement of changes in equity

	Share capital	Retained earnings	Total
Equity at 1 January	1,500,000	24,834,215	26,334,215
Net profit/loss for the year	0	5,236,687	5,236,687
Equity at 31 December	**1,500,000**	**30,070,902**	**31,570,902**

Notes

		2016	2015
		DKK	DKK
1	**Staff costs**		
	Wages and salaries	17,321,720	18,329,650
	Other social security costs	1,947,838	1,775,042
	Other staff costs	1,004,377	622,582
		20,273,935	**20,727,274**
	Average number of employees	32	30

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

2	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**		
	Depreciation intangible assets	84,570	84,580
	Depreciation tangible assets	664,005	149,879
		748,575	**234,459**

		2016	2015
		DKK	DKK
3	**Financial income**		
	Interest received from subsidiaries	1,438	228
	Exchange adjustments	23,113	7,977
		24,551	**8,205**

Notes

		2016	2015
		DKK	DKK
4	**Financial costs**		
	Other financial costs	24,031	22,315
	Exchange adjustments costs	0	13,230
		24,031	**35,545**

		2016	2015
		DKK	DKK
5	**Tax on profit/loss for the year**		
	Current tax for the year	1,405,734	724,556
	Deferred tax for the year	109,829	22,958
		1,515,563	**747,514**

		2016	2015
		DKK	DKK
6	**Distribution of profit**		
	Retained earnings	5,236,687	2,248,496
		5,236,687	**2,248,496**

7	**Intangible assets**	
		Goodwill
	Cost at 1 January	592,000
	Cost at 31 December	592,000
	Impairment losses and amortisation at 1 January	84,580
	Amortisation for the year	84,570
	Impairment losses and amortisation at 31 December	169,150
	Carrying amount at 31 December	**422,850**

Notes

8 Tangible assets

	Other fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
Cost at 1 January	5,245,116	29,400	5,274,516
Additions for the year	3,018,099	0	3,018,099
Disposals for the year	-4,204,676	0	-4,204,676
Cost at 31 December	4,058,539	29,400	4,087,939
Impairment losses and depreciation at 1 January	4,421,042	10,453	4,431,495
Depreciation for the year	662,045	1,960	664,005
Impairment and depreciation of sold assets for the year	-4,204,676	0	-4,204,676
Impairment losses and depreciation at 31 December	878,411	12,413	890,824
Carrying amount at 31 December	**3,180,128**	**16,987**	**3,197,115**

9 Equity

The share capital consists of 1,500,000 shares of 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.

Notes

10 Deferred tax asset

Deferred tax at 1 January	163,047	186,005
Adjustment in the year	-109,828	-22,958
Deferred tax at 31 December	**53,219**	**163,047**

11 Subsequent events

After the balance sheet date no events have occured that could materially affect the evaluation of the annual report.

Notes

	2016	2015
	DKK	DKK
12 Rental agreements and lease commitments		
Operating lease commitments. Total future lease payments:		
	13,927,534	3,533,936
	13,927,534	**3,533,936**

13 Contingent assets, liabilities and other financial obligations

Other contingent liabilities
The Company is jointly taxed with the group entities, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as witholding taxes on interest, royalties and dividends.

Notes

14 Charges and securities

No security loans had been placed at 31 December 2016.

Receivables from group entities concerns deposits in the cash pool arrangement and ordinary receivables from sales and services.

15 Related parties and ownership

Controlling interest

Leica Geosystems Holdings B.V. Turfschipper 39 en-43 2292 JC Wateringen, 100 %

Transactions

	2016 DKK
Sales of goods and services to group entities	1.059.766
Purchase of services from parent company	57.116.256
Financial income from parent company	0
Financial expenses to parent company	0
Receivables from group entities	17.820.992
Payables to group entities	12.518.179

Accounting policies

The annual report of Leica Geosystems A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The company has changed its reporting class from reporting class B to reporting class medium-sized enterprises class C. By changing the reporting class the accounting policies have been adopted for reporting class medium-sized enterprises C to reflect the change in reporting class.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

Yearly reassessment of residual values of property, plant and equipment.

In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity.

None of the above changes affects the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

The annual report for 2016 is presented in DKK

In accordance with secton 86 (4) of the Danish Financial Statements Act, no cash flow statement is shown. The cash flow statement is part of the consolidated financial statements of Hexagon AB.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less raw materials and consumables and other external expenses.

Accounting policies

Revenue
Income from the sale of goods held for sale and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably. VAT, indirect taxes and discounts are excluded from the revenue.

As regards to revenue from service contracts, revenue are recognised over the term of the contracts. Prepaid revenue from these service contracts are recognised in deferred income under short-term liabilities.

Other external costs
Other external costs include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, 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. The item is net of refunds made by public authorities.

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

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual valueare determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses
Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax on profit/loss for the year
The Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

Accounting policies

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, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible assets

Goodwill

Goodwill is amortised over the expected economic life of the asset, measured by reference to management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 7 years. The amortisation period is based on the assessment that the entities in question are strategically acquired entities with a strong market positions and a long-term earnings profile.

Tangible assets

Items of Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life	
Other fixtures and fittings, tools and equipments	2-4	years
Leasehold improvements	15	years

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

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Accounting policies

Where there are indications of impairment, an impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Stocks

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

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The net realisable value of stocks is calculated as the selling price less costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised 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 recognised.

Receivables for which there is no objective indication of individual impairment are reviewed for impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the Company's credit risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received, using the effective interest rate of individual receivables or portfolios of receivables as discount rate.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Dividend

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

Accounting policies

Income tax and deferred tax
Current tax liabilities and current tax receivables are recognised 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.

Liabilities
Liabilities, which include trade payables and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Deferred income
Deferred income comprises payments received concerning income in subsequent reporting 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 recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to 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 recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Financial Highlights
Definitions of financial ratios.

Return on assets $$\frac{\text{Profit/loss before financials} \times 100}{\text{Total assets}}$$

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

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