

Leica Geosystems A/S

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

Cvr. No. 16 75 87 28

Annual report for 2023

Adopted at the annual general meeting on 02 July 2024

DocuSigned by:
Thomas Harring
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Thomas Harring
Chairman

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Statement by management on the annual report

The supervisory and executive board today discussed and approved the financial statement of Leica Geosystems A/S for the financial year 1 January - 31 December 2023.

The financial statement 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 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

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

Management recommends approving at the annual general meeting.

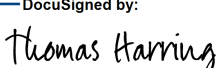
Søborg, 02 July 2024.

Executive board

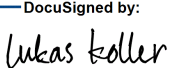
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Niki Christensen

Supervisory Board

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Thomas Harring
Chairman

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Lukas Gabriel Koller

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Niki Christensen

Independent auditor's report

To the Shareholders of Leica Geosystems 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 2023, and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Leica Geosystems A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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.

Hellerup, 02 July 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Kaare von Cappeln

State Authorised Public Accountant

mne 11629

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Kaare von Cappeln

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Company details

The company

Leica Geosystems A/S
Vandtårnsvej 62 A, 5. b.
DK-2860 Søborg

Website: www.leica-geosystems.com

CVR no.: 16 75 87 28

Reporting period: 1 January - 31 December

Domicile: Søborg

Supervisory board

Thomas Haring
Lukas Gabriel Koller
Niki Christensen

Executive board

Niki Christensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Financial highlights

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

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Gross profit	34,018	29,519	25,441	29,368	29,404
Profit before financial income and expenses	7,489	4,310	2,895	6,982	6,064
Net financials	283	(14)	(43)	(9)	(12)
Profit for the year	6,057	3,349	2,224	5,436	4,705
Total Asset Size	58,435	46,439	48,785	96,361	81,906
Investment in property, plant and equipment	0	0	0	0	342
Equity	13,752	7,695	4,346	52,422	46,686
Financial ratios					
Return on assets	12.8%	9.3%	5.9%	7.2%	7.4%
Solvency ratio	23.5%	16.6%	8.9%	54.4%	57.0%
Return on equity	66.9%	55.6%	9.6%	11.5%	1060%

The financial ratios are calculated in accordance with the definitions in the accounting policies.

Management's review

Business review

Leica Geosystems A/S 's main activities consisted of selling and marketing the group enterprise products, have unchanged compared to the previous years.

The Company sells its products in Denmark.

The objective is to have a leading market position in Denmark's surveyor and machine control business.

Financing

Financial review

The gross profit in 2023 is 34 mio. DKK. Earnings after tax (EAT) is 6 mio. DKK against 3,3 mio. DKK last year. The management believes the result is satisfactory. Even though the company has been affected during 2022 and 2023 by supply chain issues and rising inflation, it has kept a healthy financial position, and its margin has not been materially affected.

The company's objectives were a 10% increase in sales in 2023, however sales experienced only an 8% increase. Despite this low increase in sales, the company's gross profit increased a 15% during 2023 due to a decrease in the prices at which the company buys products and a sound inventory management. As a result, the management believes the result of the company is satisfactory and better than expected.

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

The Company's growth is affected by the development in the construction industry and larger infrastructure projects. Over the last years the industry has grown however, experienced a decline in 2023.

Expected development

The management expectations are a 10% growth in the gross profit, profit before tax and net profit in 2024. Management believes that despite rising energy prices and general economic slowdown, second half of 2024 will be positive as the company's supply chain is not as pressured as last year and microchip crisis has passed its worst stage.

Special risks apart from generally occurring risks in industry

Industry risks

The business is impacted by supply chain strains. However, appropriate actions such as preventive restocking have been taken.

Management's review

Currency risks

A part of the Company's products is developed and produced abroad. Therefore, the results and equity of the Company could be impacted by unfavorable exchange rate movements in various 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 on a larger scale than what is normal for the industry.

The working environment in the Company is considered good.

Subsequent events

No events have occurred after the balance sheet date that might affect the financial statements.

Income Statement 1 January – 31 December

	<u>Note</u>	<u>2023</u> DKK	<u>2022</u> DKK
Gross profit		34,018,136	29,518,825
Staff costs	1	(26,168,369)	(24,881,632)
Depreciation and impairment of intangible assets and property, plant, and equipment	2	<u>(360,314)</u>	<u>(326,758)</u>
Profit from ordinary operating activities before gains from fair value adjustments		7,489,453	4,310,435
Financial income	3	561,746	33,343
Financial cost	4	<u>(283,133)</u>	<u>(47,160)</u>
Profit before tax		7,768,066	4,296,618
Tax on profit for the year	5	<u>(1,710,939)</u>	<u>(947,706)</u>
Net profit for the year		6,057,127	3,348,913
Distribution of profit	6		

Balance sheet 31 December

	Note	2023	2022
		DKK	DKK
Assets			
Other fixtures and fittings, tools, and equipment		496,611	452,450
Leasehold improvements		128,053	145,139
Tangible assets	7	624,664	597,589
Fixed assets total		624,664	597,589
Finished goods and goods for resale		14,126,437	15,609,705
Stocks		14,126,437	15,609,705
Trade receivables		20,886,690	19,660,903
Receivables from group entities		21,287,185	9,767,451
Other receivables		14,123	3,000
Corporation tax		-	1,696
Deferred tax asset	8	420,773	290,594
Prepayment		1,075,600	507,785
Receivables		43,684,371	30,231,429
Current assets total		57,810,808	45,841,134
Assets total		58,435,472	46,438,723

Balance sheet 31 December

	Note	2023 DKK	2022 DKK
Liabilities and equity			
Share capital		1,500,000	1,500,000
Retained earnings		12,252,122	6,194,995
Equity	9	13,752,122	7,694,995
Trade payables		2,791,197	3,435,249
Payables to group entities		13,940,881	13,029,983
Corporation Tax		925,588	-
Other payables		5,968,608	3,898,666
Deferred income		21,057,076	18,379,830
Short-term debt		44,683,350	38,743,728
Debt total		44,683,350	38,743,728
Liabilities and equity total		58,435,472	46,438,723
Subsequent events	10		
Rental agreements and lease commitments	11		
Contingent assets, liabilities, and other financial obligations	12		
Charges and securities	13		
Related parties and ownership	14		

Statement of changes in equity

	Share capital	Retained earnings	Total
Equity at 1 January	1,500,000	6,194,995	7,694,995
Net profit for the year		6,057,127	6,057,127
Equity at 31 December	1,500,000	12,252,122	13,752,122

Notes to the annual report

	<u>2023</u>	<u>2022</u>
	DKK	DKK
1 Staff costs		
Wages and salaries	22,902,796	21,614,603
Other social security cost	2,714,688	2,539,279
Other staff costs	<u>550,885</u>	<u>727,750</u>
	<u>26,168,369</u>	<u>24,881,632</u>
Average number of employees	<u>38</u>	<u>36</u>
<p>The Board of directors do not receive remuneration from the Company. With reference to Article 98B (3) of the Danish Financial Statements Act, the remuneration of the executive board is not disclosed.</p>		
2 Depreciation, amortization and impairment of intangible assets and property, plant, and equipment		
Depreciation tangible assets	<u>360,314</u>	<u>326,758</u>
	<u>360,314</u>	<u>326,758</u>
3 Financial income		
Exchange adjustment	27,503	8,636
Interest recieved from group companies	<u>534,243</u>	<u>24,707</u>
	<u>561,746</u>	<u>33,343</u>
4 Financial costs		
Other financial expense	<u>283,133</u>	<u>47,160</u>
Financial expense	<u>283,133</u>	<u>47,160</u>

Notes to the annual report

	<u>2023</u>	<u>2022</u>
	DKK	DKK
5 Tax on profit/loss for the year		
Current tax for the year	1,841,118	913,905
Adjustment of deferred tax for the year	-130,179	33,801
	<u>1,710,939</u>	<u>947,706</u>
6 Distribution of profit		
Retained earnings	<u>6,057,127</u>	<u>3,348,912</u>
	<u>6,057,127</u>	<u>3,348,912</u>

Notes to the annual report

7 Tangible Assets

	Other fixtures and fittings, tools and equipment	Leasehold improve- ments	Total
Cost at 1 January 2023	6,232,651	256,285	6,488,936
Additions for the year	387,389	0	387,389
Retirement for the year	0	0	0
Disposals for the year	0	0	0
Cost at 31 December 2023	6,620,040	256,285	6,876,325
Impairment losses and depreciation at 1 January 2023	5,780,200	111,147	5,891,347
Depreciation for the year	343,229	17,085	360,314
Impairment losses and depreciation at 31 December	6,123,429	128,232	6,251,661
Carring amount at 31 December 2023	496,611	128,053	624,664

	2023	2022
	DKK	DKK
8 Deferred tax assets		
Deferred tax at 1. January	290,594	324,395
Adjustment in the year	130,179	(33,801)
	420,773	290,594

At 31 December 2023, the Company recognized a deferred tax asset totaling DKK 420,773. The Deferred tax asset consists of non-utilized tax reduction of temporary timing differences totaling DKK 1,828,025.

Based on the forecast for 2024, Management considers it highly likely that there will be future taxable income which non-utilised tax reductions can be offset against.

Notes to the annual report

9 Equity

The share capital consists of 1.500.000 shares of a nominal value of DKK 1. None of shares carry any special rights. There have been no changes in the share capital during the last 5 years.

10 Subsequent events

No events have occurred after the balance sheet date that might affect the financial statements.

11 Rental agreements and lease commitments

	2023	2022
	DKK	DKK
Operating lease commitments.	<u> </u>	<u> </u>
Total future lease payments:	<u><u>2,098,420</u></u>	<u><u>2,016,188</u></u>

12 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 withholding taxes on interest, royalties and dividends.

Notes to the annual report

13 Charges and securities

No security loans had been placed at 31 December 2023

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

14 Related parties and ownership

Controlling interest

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

Consolidated financial statements

The company is included in the consolidated financial statements of Hexagon AB, registered in Sweden.

The consolidated report can be found at

<https://bynder.hexagon.com/m/617fc8c6ddbdcf0/original/Hexagon-Annual-Report-and-Sustainability-Report-2023.pdf>

Related Party Transactions

	2023
	DKK
Sales of goods and services to group entities	1,410,912
Purchase of goods and services from group entities	74,172,686
Financial income from group entities	531,912
Receivables from group entities	1,103,200
Payables to group entities	13,940,881

Accounting policies

The annual report of Leica Geosystems A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounts have been prepared in accordance with the same accounting policies as last year. The annual report for 2023 is presented in DKK.

In accordance with section 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.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

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.

Revenue

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

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

Cost of goods and service

Cost of goods and service sold include expenses consumed to achieve revenue for the year.

Accounting policies

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.

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.

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 value are 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 recognized.

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

Financial income and expenses

Financial income and expenses are recognized 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, realized and unrealized capital/exchange gains and losses on securities and foreign currency transactions, amortization of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Accounting policies

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.

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 recognized in the income statement as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible assets

Goodwill

Goodwill is amortized over the expected economic life of the asset, measured by reference to management's experience in the individual business segments. Goodwill is amortized on a straight-line basis over the amortization period, which is 7 years. The amortization 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 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

Other fixtures and fittings,	Useful life
Tools and Equipment's	2-8 years
Leasehold improvements	15 years

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.

Accounting policies

Impairment of fixed assets

The carrying amount of intangible assets, and plant and equipment is reviewed for impairment, other than what is reflected through normal amortization and depreciation, on an annual basis.

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 moving average method. Where the calculation is the total cost of the items purchased divided by the number of items on stock. The cost of ending inventory and the cost of goods sold are then set at this average cost.

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

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

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.

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 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 realizable 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.

Accounting policies

Equity

Dividend

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

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.

Liabilities

Liabilities, which include trade payables and other payables, are measured at amortized 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 recognized 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.

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