

Leica Geosystems A/S

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

Cvr. No. 16 75 87 28

Annual report for 2021

Adopted at the annual general meeting on 1 July 2022

Thomas Harring
Chairman

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Statement by management on the annual report

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

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 at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

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

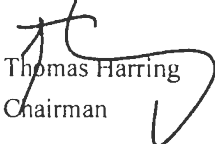
Management recommends that the financial statement should be approved at the annual general meeting.

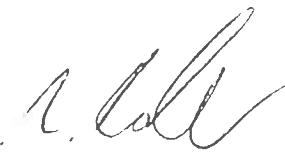
Søborg, 1 July 2022.

Executive board

Henrik Wiese

Supervisory Board


Thomas Haring
Chairman


Lukas Gabriel Koller


Hans Johan Fagerström

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 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Leica Geosystems A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies

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.

Copenhagen, 1 July 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR-no. 33 77 12 31


Kaare von Cappeln

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.: 16 75 87 28

Reporting period: 1 January - 31 December

Domicile: Søborg

Supervisory board

Thomas Haring
Lukas Gabriel Koller
Hans Johan Fagerström

Executive board

Henrik Wiese

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

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:

	2021	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Gross profit/loss	25,441	29,368	29,404	30,771	29,786
Profit/loss before financial income and expenses	2,895	6,982	6,064	6,635	6,855
Net financials	-43	-9	-12	-26	-56
Profit/loss for the year	2,224	5,436	4,705	5,136	5,274
Balance sheet total	48,419	96,511	81,906	78,447	66,238
Investment in property, plant and equipment	0	0	342	1,718	1,373
Equity	4,346	52,422	46,686	41,981	36,845
Financial ratios					
Return on assets	6,0%	7.2%	7.4%	8.5%	10.3%
Solvency ratio	9,0%	54.3%	57.0%	53.5%	55.6%
Return on equity	9,6%	11.5%	10.6%	13.0%	15.4%

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

Management's review

Business review

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

The Company is selling their products in Denmark.

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

Financing

Financial review

The gross profit in 2021 is 26 mio. DKK. EAT is 2,9 mio. DKK against 5,6 mio. DKK last year. The management believes the result is satisfactory although there has been a decrease in the gross profit and EAT, as we have been impacted by rising prices and logistic chain issues.

The financial year has not been as positive as last year with a slight revenue decrease, although we had an increase of new customer in Machine Control but also in Reality Capture.

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 but saw an industry decline in 2021.

The company is expecting a 10% growth in sales in 2022.

Special risks apart from generally occurring risks in industry

Industry risks

The business is affected by the 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, 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 are considered good.

Research and development activities in and for reporting entity

There are no research and development activities in the company.

Subsequent events

Although the company is not selling directly neither to Russia nor Ukraine, impacts on the supply chain are still affecting the company. However, outlook for 2022 is positive and in the first quarter of 2022 revenue is growing versus the same period of 2021.

Income Statement 1 January – 31 December

	Note	2021 DKK	2020 DKK
Gross profit		25,440,939	29,368,035
Staff costs	1	-21,797,506	-21,369,041
Depreciation and impairment of intangible assets and property, plant and equipment	2	-748,422	-1,016,734
Profit/loss from ordinary operating activities before gains/losses from fair value adjustments		2,895,011	6,982,260
Financial income	3	12,721	5,175
Financial cost	4	-56,165	-14,467
Profit/loss before tax		2,851,567	6,972,968
Tax on profit/loss for the year	5	-627,187	-1,536,969
Net profit/loss for the year		2,224,380	5,435,999
Distribution of profit	6		

Balance sheet 31 December

	Note	2021	2020
		DKK	DKK
Assets			
Goodwill		-	84,570
Intangible assets	7	-	84,570
Other fixtures and fittings, tools and equipment		762,123	950,293
Leashold improvements		162,225	179,310
Tangible assets	8	924,348	1,129,603
Fixed assets total		924,348	1,214,173
Finished goods and goods for resale		16,459,705	13,021,977
Stocks		16,459,705	13,021,977
Trade receivables		22,842,426	18,221,031
Receivables from group entities		7,632,607	62,774,175
Other receivables		5,109	403,913
Corporation tax		347,151	-
Deferred tax asset	9	324,395	241,536
Prepayment		249,758	483,825
Receivables		31,401,446	82,124,480
Cash at bank and in hand		-	-
Current assets total		47,861,151	95,146,457
Assets total		48,785,499	96,360,630

Balance sheet 31 December

	Note	2021 DKK	2020 DKK
Liabilities and equity			
Share capital		1,500,000	1,500,000
Retained earnings		2,846,083	50,621,703
Equity	10	4,346,083	52,121,703
Other payables		-	2,121,767
Long term debt		-	2,121,767
Trade payables		2,757,493	1,722,759
Payables to group entities		20,100,493	18,914,062
Corporation tax		-	91,980
Other payables		5,234,946	8,225,362
Deferred income		16,346,484	13,162,993
Short-term debt		44,439,416	42,117,157
Debt total		44,439,416	44,238,924
Liabilities and equity total		48,785,499	96,360,627
Subsequent events	11		
Rental agreements and lease commitments	12		
Contingent assets, liabilities, and other financial obligations	13		
Charges and securities	14		
Related parties and ownership	15		

Statement of changes in equity

	Share capital	Retained earnings	Total
Equity at 1 January	1,500,000	50,621,703	52,121,703
Extraordinary dividend paid		-50,000,000	-50,000,000
Net profit/loss for the year		2,224,380	2,224,380
Equity at 31 December	1,500,000	2,846,083	4,346,083

Notes to the annual report

	<u>2021</u>	<u>2020</u>
	DKK	DKK
1 Staff costs		
Wages and salaries	18,985,381	18,675,180
Other social security cost	2,232,925	2,389,422
Other staff costs	<u>579,200</u>	<u>304,439</u>
	<u>21,797,506</u>	<u>21,369,041</u>
Average number of employees	<u>32</u>	<u>36</u>
With reference to section 98b (3)(2) of the Danish Financial Statements Act, no figures regarding the Executive Board and Supervisory Board for 2020 and 2021 are disclosed.		
2 Depreciation, amortisation and impairment of Intangible assets and property, plant and equipment		
Depreciation intangible assets	84,570	84,570
Depreciation tangible assets	<u>663,852</u>	<u>932,164</u>
	<u>748,422</u>	<u>1,016,734</u>
3 Financial income		
Other financial income	8,182	4,824
Interest received from subsidiaries	<u>4,539</u>	<u>351</u>
	<u>12,721</u>	<u>5,175</u>

Notes to the annual report

	<u>2021</u>	<u>2020</u>
	DKK	DKK
4 Financial costs		
Other financial costs	36,246	11,533
Exchange adjustment	<u>19,919</u>	<u>2,914</u>
	<u>56,165</u>	<u>14,467</u>
5 Tax on profit/loss for the year		
Current tax for the year	712,049	1,539,980
Adjustment previous year	-2,003	
Deferred tax for the year	<u>-82,859</u>	<u>-3,011</u>
	<u>627,187</u>	<u>1,536,969</u>
6 Distribution of profit		
Retained earnings	<u>2,224,380</u>	<u>5,435,999</u>
	<u>2,224,380</u>	<u>5,435,999</u>
7 Intangible assets		
		<u>Goodwill</u>
Cost at 1 January		<u>592,000</u>
Cost at 31 December		<u>592,000</u>
Impairment losses and amortization at 1 January		507,430
Amortisation for the year		<u>84,570</u>
Impairment losses and amortization at 31 December		<u>592,000</u>
Carrying amount at 31 December		<u>0</u>

Notes to the annual report

8 Tangible Assets

	Other fixtures and fittings, tools and equipment	Leasehold improve- ments	Total
Cost at 1 January 2021	5,774,055	256,285	6,030,340
Additions for the year	458,596	0	458,596
Retirement for the year	0	0	0
Disposals for the year	0	0	0
Cost at 31 December 2021	<u>6,232,651</u>	<u>256,285</u>	<u>6,488,936</u>
Impairment losses and depreciation at 1 January 2021	4,823,762	76,974	4,900,736
Depreciation for the year	646,766	17,086	663,852
Impairment losses and depreciation at 31 December	<u>5,470,528</u>	<u>94,060</u>	<u>5,564,588</u>
Carring amount at 31 December 2021	<u>762,123</u>	<u>162,225</u>	<u>924,348</u>

	<u>2021</u>	<u>2020</u>
	DKK	DKK
9 Deferred tax assets		
Deferred tax at 1. January	241,536	238,525
Adjustment in the year	<u>82,859</u>	<u>3,011</u>
	<u>324,396</u>	<u>241,536</u>

At 31 December 2021, the Company has recognized a tax asset totaling DKK 324,936. The Tax asset consists of non-utilized tax reduction of timing differences totaling DKK 324,936.

Based on the budget for 2022, Management considers it likely that there will be future taxable income which non-utilised tax reductions can be offset against.

Notes to the annual report

10 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.

11 Subsequent events

Although the company is not selling directly neither to Russia nor Ukraine, impacts on the supply chain are still affecting the company. However, outlook for 2022 is positive and in the first quarter of 2022 revenue is growing versus the same period of 2021.

12 Rental agreements and lease commitments

	<u>2021</u>	<u>2020</u>
	DKK	DKK
Operating lease commitments.	<u>4,331,764</u>	<u>6,755,847</u>
Total future lease payments:	<u>4,331,764</u>	<u>6,755,847</u>

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 withholding taxes on interest, royalties and dividends.

Notes to the annual report

14 Charges and securities

No security loans had been placed at 31 December 2021

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

	2021
	DKK
Sales of goods and services from parent company	2,856,248
Purchase of goods and services to group entities	98,073,372
Financial income from parent company	164
Receivables from group entities	7,632,606
Payables to group entities	20,100,493

Accounting policies

The annual report of Leica Geosystems A/S for 2021 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 2021 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 made up 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.

COGS

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

Accounting policies

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.

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