

Pepperl+Fuchs A/S
Kirkebjerg Allé 90
2605 Brøndby
Central Business Registration No
13387540

Annual report 2016

The Annual General Meeting adopted the annual report on 03.02.2017

Chairman of the General Meeting

Name: Amanda Lesley Boyle

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Entity details

Entity

Pepperl+Fuchs A/S
Kirkebjerg Allé 90
2605 Brøndby

Central Business Registration No: 13387540

Registered in: Brøndby

Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Amanda Lesley Boyle, Chairman
Mats Inge Nydelius
Olle Nordmark

Executive Board

Olle Nordmark, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Pepperl+Fuchs A/S for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Brøndby, 03.02.2017

Executive Board

Olle Nordmark
Chief Executive Officer

Board of Directors

Amanda Lesley Boyle
Chairman

Mats Inge Nydelius

Olle Nordmark

Independent auditor's report

To the shareholder of Pepperl+Fuchs A/S

Opinion

We have audited the financial statements of Pepperl+Fuchs A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

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

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

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Copenhagen, 03.02.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jan Larsen
State Authorised Public Accountant

Management commentary

Primary activities

Pepperl+Fuchs A/S is a subsidiary of Pepperl+Fuchs GmbH, based in Germany. Our mission is to market and sell its automation products to the Danish manufacturing and process industries.

Development in activities and finances

The market situation in the oil, gas and marine industries continued to decline in 2016 due to the low oil price and a larger supply than demand on the world market.

This affected the business in Denmark in 2016 with lower sales compared to previous year and the budget.

The recovery of sales to these industries is expected to be slow, but the overall business should increase in 2017 thanks to the increased demand in other markets, especially in safety-related applications and pharma industry.

The Company's financial structure is stable with good overhead control and long-term growth plan.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Gross profit		9.680.914	13.193.959
Distribution costs	1, 2	(6.418.069)	(9.899.633)
Administrative costs	1, 2	<u>(1.914.334)</u>	<u>(1.969.681)</u>
Operating profit/loss		1.348.511	1.324.645
Other financial income	3	6.644	11.470
Other financial expenses	4	<u>(1.972)</u>	<u>(9.336)</u>
Profit/loss before tax		1.353.183	1.326.779
Tax on profit/loss for the year	5	<u>(301.473)</u>	<u>(320.158)</u>
Profit/loss for the year		<u>1.051.710</u>	<u>1.006.621</u>
Proposed distribution of profit/loss			
Retained earnings		<u>1.051.710</u>	<u>1.006.621</u>
		<u>1.051.710</u>	<u>1.006.621</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Other fixtures and fittings, tools and equipment		329.206	294.880
Property, plant and equipment	6	329.206	294.880
Deposits		178.375	241.978
Fixed asset investments	7	178.375	241.978
Fixed assets		507.581	536.858
Trade receivables		5.702.924	6.821.159
Receivables from group enterprises		4.523.246	2.937.892
Deferred tax	8	26.725	30.199
Other receivables		0	770
Prepayments		65.449	96.469
Receivables		10.318.344	9.886.489
Cash		1.292.429	883.138
Current assets		11.610.773	10.769.627
Assets		12.118.354	11.306.485

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Contributed capital	9	600.000	600.000
Retained earnings		<u>10.044.099</u>	<u>8.992.389</u>
Equity		<u>10.644.099</u>	<u>9.592.389</u>
Trade payables		35.603	117.549
Payables to group enterprises		10.249	125.726
Income tax payable		48.000	14.458
Other payables	10	<u>1.380.403</u>	<u>1.456.363</u>
Current liabilities other than provisions		<u>1.474.255</u>	<u>1.714.096</u>
Liabilities other than provisions		<u>1.474.255</u>	<u>1.714.096</u>
Equity and liabilities		<u>12.118.354</u>	<u>11.306.485</u>
Contingent liabilities	11		

Statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	600.000	8.992.389	9.592.389
Profit/loss for the year	0	1.051.710	1.051.710
Equity end of year	600.000	10.044.099	10.644.099

Notes

	2016	2015
	DKK	DKK
1. Staff costs		
Wages and salaries	4.904.557	7.555.393
Pension costs	334.128	577.372
Other social security costs	52.630	71.841
Other staff costs	314.158	440.936
	5.605.473	8.645.542
Average number of employees	8	
	2016	2015
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Depreciation on property, plant and equipment	146.534	166.609
Profit/loss from sale of intangible assets and property, plant and equipment	0	(120.000)
	146.534	46.609
	2016	2015
	DKK	DKK
3. Other financial income		
Financial income arising from group enterprises	6.550	8.163
Interest income	0	3.040
Exchange rate adjustments	94	267
	6.644	11.470
	2016	2015
	DKK	DKK
4. Other financial expenses		
Interest expenses	618	7.414
Other financial expenses	1.354	1.922
	1.972	9.336

Notes

	2016	2015
	DKK	DKK
5. Tax on profit/loss for the year		
Tax on current year taxable income	298.000	292.458
Change in deferred tax for the year	3.474	24.413
Adjustment concerning previous years	(1)	963
Effect of changed tax rates	0	2.324
	301.473	320.158
		Other fixtures and fittings, tools and equipment DKK
6. Property, plant and equipment		
Cost beginning of year		586.771
Additions		180.860
Disposals		(70.330)
Cost end of year		697.301
Depreciation and impairment losses beginning of the year		(291.891)
Depreciation for the year		(146.534)
Reversal regarding disposals		70.330
Depreciation and impairment losses end of the year		(368.095)
Carrying amount end of year		329.206
		Deposits DKK
7. Fixed asset investments		
Cost beginning of year		241.978
Disposals		(63.603)
Cost end of year		178.375
Carrying amount end of year		178.375

Notes

	<u>2016</u> <u>DKK</u>	<u>2015</u> <u>DKK</u>
8. Deferred tax		
Property, plant and equipment	26.725	30.199
	<u>26.725</u>	<u>30.199</u>

	<u>Number</u>	<u>Par value</u> <u>DKK</u>	<u>Nominal</u> <u>value</u> <u>DKK</u>	<u>DKK</u>
9. Contributed capital				
Ordinære aktier	600	1.000	600.000	600.000
	<u>600</u>		<u>600.000</u>	<u>600.000</u>

There have been no changes in the contributed capital in the past five years.

	<u>2016</u> <u>DKK</u>	<u>2015</u> <u>DKK</u>
10. Other payables		
VAT and duties	512.507	376.140
Wages and salaries, personal income taxes, social security costs, etc payable	790.696	899.130
Other costs payable	77.200	181.093
	<u>1.380.403</u>	<u>1.456.363</u>

11. Contingent liabilities

The Company has undertaken lease commitments (2 to 24 months) of DKK 316,005 and rental obligations (90 months) of DKK 3,255,000. In addition, the Company has undertaken a penalty commitment of DKK 250,000 if the Company terminates the tenancy before the end of June 2025, and penalty commitment of DKK 125,000 if the Company terminates the tenancy before the end of June 2026.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C enterprises.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of sales and other operating income.

Revenue

Revenue from the sale of goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Cost of sales

Cost of sales comprises cost of goods for resale incurred to achieve revenue for the year. Cost of sales are measured at cost.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of goods sold during the year, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as depreciation and impairment losses relating to property, plant and equipment attached to the distribution process.

Administrative costs

Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as depreciation and impairment losses relating to property, plant and equipment used for administration of the Entity.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Accounting policies

Other fixtures and fittings, tools and equipment

3-5 years

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax