

Brüel & Kjær Vibro A/S

**Skodsborgvej 307 B
2850 Nærum**

CVR no. 15 38 05 94

Annual report for 2018

Adopted at the annual general
meeting on 24 May 2019

Niels Walther-Rasmussen
chairman

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Statement by management on the annual report

The supervisory and executive boards have today considered and approved the annual report of Brüel & Kjær Vibro A/S for the financial year 1 January - 31 December 2018.

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 company's financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018.

In our opinion, management's review contains a fair review of the affairs and conditions referred to therein.

We recommend that the annual report should be adopted at the general meeting.

Nærum, 24 May 2019

Executive board

Julian Robert Fabarius
director

Supervisory board

Christian Klostermeier
chairman

Anders Yang Reske-Nielsen
deputy chairman

Julian Robert Fabarius

Mikael Overbeck Cook-Hougs
employee representative

Jesper Hansen
employee representative

Independent auditor's report

To the shareholder of Brüel & Kjær Vibro A/S

Opinion

We have audited the financial statements of Brüel & Kjær Vibro A/S for the financial year 1 January - 31 December 2018, which comprise a summary of significant accounting policies, income statement, balance sheet and notes. The financial statements are prepared under 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 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018 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 the 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.

Independent auditor's report

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.

Independent auditor's report

- 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 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, we conclude that 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 management's review.

Copenhagen, 24 May 2019

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Kirsten Aaskov Mikkelsen
State Authorised Public Accountant
MNE no. mne21358

Company details

The company

Brüel & Kjær Vibro A/S
Skodsborgvej 307 B
2850 Nærum

CVR no.: 15 38 05 94

Reporting period: 1 January - 31 December 2018

Incorporated: 19 August, 1991

Domicile: Nærum

Supervisory board

Christian Klostermeier, chairman
Anders Yang Reske-Nielsen, deputy chairman
Julian Robert Fabarius
Mikael Overbeck Cook-Hougs, employee representative
Jesper Hansen, employee representative

Executive board

Julian Robert Fabarius, director

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S

General meeting

The annual general meeting is held at the company's address on 24 May 2019.

Financial highlights

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

	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Gross profit/loss	28,297	28,473	29,603	37,011	28,337
Profit/loss before net financials	3,882	4,011	2,895	4,570	2,914
Net financials	-11	-3	146	-236	-59
Profit/loss for the year	3,014	3,121	2,373	3,279	2,119
Balance sheet total	58,405	54,391	50,590	51,704	46,714
Investment in property, plant and equipment	137	12	454	1,355	564
Equity	49,936	46,922	43,801	41,428	38,149
Number of employees	34	35	41	43	42
Financial ratios					
Solvency ratio	85.5%	86.3%	86.6%	80.1%	81.7%
Return on equity	6.2%	6.9%	5.6%	8.2%	5.7%

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 activities

Brüel & Kjær Vibro A/S provides services to the Brüel & Kjær Vibro Group in support of the Group's advanced condition monitoring solutions for the energy sector, in particular focusing on wind energy. The Brüel & Kjær Vibro Group is a leading provider of condition monitoring equipment and services for rotating machinery. The Group's advanced solutions ensure safe operation of rotating machines, enable early fault detection and diagnosis and help end-users reduce downtime and operating costs. The Group's client base is mostly concentrated in the energy sector and includes wind turbine manufacturers, power plant operators (fossil, nuclear, wind and hydro), petrochemical facilities, offshore platforms, etc. The Group has a strong position as a supplier to these sectors.

Business review

The Company's income statement for the year ended 31 December 2018 shows a profit of TDKK 3,014, (2017: TDKK 3,121) and the balance sheet at 31 December 2018 shows equity of TDKK 49,936 (2017: TDKK 46,922).

Significant events occurring after end of reporting period

No events have occurred after the balance sheet date, to this date, which could significantly affect the Company's financial position.

Accounting policies

The annual report of Brüel & Kjær Vibro A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning reporting class B entities as well as selected provisions applying reporting class C entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2018 is presented in TDKK

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

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, other operating income and other external costs.

Accounting policies

Revenue

Revenue consist of administration fee for services delivered for the affiliated company, Brüel & Kjør Vibro GmbH.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Other operating income

Other operating income comprises items of a secondary nature relative to the Company's activities, including gains on the sale of tangible assets.

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.

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, realised and unrealised exchange gains and losses on foreign currency transactions 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, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Tangible assets

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

The depreciable amount is cost less the expected residual value at the end of the useful life.

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	Residual value
Fixtures and fittings, tools and equipment	3-5 years	0 %
Leasehold improvements	5-10 years	0 %

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, respectively.

Accounting policies

Impairment of fixed assets

The carrying amount of tangible assets is tested for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Fixed asset investments

Fixed asset investments comprise deposits measured at cost.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years measured at cost.

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.

Joint taxation contributions payable and receivable are recognised in the balance sheet as 'Joint taxation contributions receivable' or 'Joint taxation contributions payable'.

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, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Accounting policies

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.

Financial highlights

Definitions of financial ratios.

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

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

Income statement 1 January 2018 - 31 December 2018

	Note	2018 TDKK	2017 TDKK
Gross profit		28,297	28,473
Staff costs	1	-24,066	-24,091
Profit/loss before amortisation/depreciation and impairment losses		4,231	4,382
Depreciation, amortisation of tangible assets		-349	-371
Profit/loss before net financials		3,882	4,011
Financial income	2	0	2
Financial costs	3	-11	-5
Profit/loss before tax		3,871	4,008
Tax on profit/loss for the year	4	-857	-887
Profit/loss for the year		3,014	3,121
 Recommended appropriation of profit/loss			
Retained earnings		3,014	3,121
		3,014	3,121

Balance sheet at 31 December 2018

	Note	2018 TDKK	2017 TDKK
Assets			
Other fixtures and fittings, tools and equipment		308	503
Leasehold improvements		279	297
Tangible assets	5	587	800
Deposits	6	546	537
Fixed asset investments		546	537
Total non-current assets		1,133	1,337
Receivables from group enterprises		55,440	51,377
Other receivables		1,584	1,304
Deferred tax asset		146	168
Prepayments		95	189
Receivables		57,265	53,038
Cash at bank and in hand		7	16
Total current assets		57,272	53,054
Total assets		58,405	54,391

Balance sheet at 31 December 2018

	Note	2018 TDKK	2017 TDKK
Equity and liabilities			
Share capital		1,000	1,000
Retained earnings		48,936	45,922
Equity	7	49,936	46,922
Bank loans		169	236
Trade payables		1,342	1,136
Payables to group enterprises		191	121
Joint taxation contributions payable		836	853
Other payables	8	5,931	5,123
Total current liabilities		8,469	7,469
Total liabilities		8,469	7,469
Total equity and liabilities		58,405	54,391
Contingent assets, liabilities and other financial obligations	9		
Related parties and ownership structure	10		

Notes

	<u>2018</u> TDKK	<u>2017</u> TDKK
1 Staff costs		
Wages and salaries	22,546	22,496
Pensions	1,261	1,264
Other social security costs	187	216
Other staff costs	72	115
	<u>24,066</u>	<u>24,091</u>
Average number of employees	<u>34</u>	<u>35</u>
2 Financial income		
Exchange gains	<u>0</u>	<u>2</u>
	<u>0</u>	<u>2</u>
3 Financial costs		
Other financial costs	<u>11</u>	<u>5</u>
	<u>11</u>	<u>5</u>
4 Tax on profit/loss for the year		
Current tax for the year	835	853
Deferred tax for the year	<u>22</u>	<u>34</u>
	<u>857</u>	<u>887</u>

Notes

5 Tangible assets

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2018	5,977	412	6,389
Additions for the year	92	45	137
Cost at 31 December 2018	6,069	457	6,526
Impairment losses and depreciation at 1 January 2018	5,474	116	5,590
Depreciation for the year	287	62	349
Impairment losses and depreciation at 31 December 2018	5,761	178	5,939
Carrying amount at 31 December 2018	308	279	587

6 Fixed asset investments

	Deposits
Cost at 1 January 2018	537
Additions for the year	9
Cost at 31 December 2018	546
Carrying amount at 31 December 2018	546

Notes

7 Equity

	Share capital	Retained earnings	Total
Equity at 1 January 2018	1,000	45,922	46,922
Net profit/loss for the year	0	3,014	3,014
Equity at 31 December 2018	1,000	48,936	49,936

The share capital consists of 1,000 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

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

8 Other payables

	2018 TDKK	2017 TDKK
Wages/salaries, salary taxes, social security contributions, etc.	1,488	1,581
Compensated absence	4,404	3,359
Other accrued expenses	39	183
	5,931	5,123

9 Contingent assets, liabilities and other financial obligations

The Company has a rental commitment for six months at a total of DKK 730 thousand (2017: 746 thousand).

The Company is jointly taxed with other Danish subsidiaries in the Spectris Plc. Group. The Company has unlimited joint and several liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties under the joint taxation scheme. Any subsequent corrections of the taxable income or withholding taxes, etc., may entail an increase in the Company's liability.

Notes

10 Related parties and ownership structure

Ownership structure

According to the Company's register of shareholders, the following shareholder holds a minimum of 5% of the voting rights or a minimum of 5% of the share capital:

Spectris Group Holdings Ltd.
Church Road
Egham
Surrey TW 20 9 QD
United Kingdom

Spectris Plc., Church Road, Egham, Surrey TW 20 9 QD, United Kingdom is the ultimate parent company.

The consolidated financial statements hereof can be obtained at request at the company.