Brüel & Kjær Vibro A/S

Skodsborgvej 307 B

2850 Nærum

CVR no. 15 38 05 94

Annual report for 2016

Adopted at the annual general
meeting on 26 May 2017

Niels Walter-Rasmussen
chairman

Contents

Statement by management on the annual report

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

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2016 and of the results of the company's operations for the financial year 1 January - 31 December 2016.

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

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

Copenhagen, 26 May 2017

Executive board

Roderik Wiedemeier
director

Supervisory board

Joanna Christine Hallas chairman	Clive Graeme Watson deputy chairman	Roderik Wiedemeier
Mikael Overbeck Cook-Hougs staff representative	Jesper Hansen staff 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 2016, 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 2016 and of the results of the company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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, 26 May 2017

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

David Olafsson	Kenn W. Hansen
State Authorised Public Accountant	State Authorised Public Accountant

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 Incorporated: 19. August 1991 Domicile: Nærum
Supervisory board	Joanna Christine Hallas, chairman Clive Graeme Watson, deputy chairman Roderik Wiedemeier Mikael Overbeck Cook-Hougs, staff representative Jesper Hansen, staff representative
Executive board	Roderik Wiedemeier, director
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 2100 Copenhagen Ø
General meeting	The annual general meeting is held at the company's adress on 26 May 2017.

Financial highlights

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

	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Gross profit	29,603	37,011	28,337	38,383	43,102
Profit before financial income and expenses	2,895	4,570	2,914	2,701	2,711
Net financials	146	-236	-59	-185	-103
Profit for the year	2,373	3,279	2,119	1,661	1,859
Balance sheet total	50,590	51,704	46,714	53,157	49,832
Investment in property, plant and equipment	454	1,355	564	176	976
Equity	43,801	41,428	38,149	36,030	34,369
Number of employees	41	43	42	45	52
Financial ratios					
Solvency ratio	86.6%	80.1%	81.7%	67.8%	68.9%
Return on equity	5.6%	8.2%	5.7%	4.7%	5.5%

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 shows a profit of TDKK 2,373, and the balance sheet at 31 December 2016 shows equity of TDKK 43,801.

Significant events occurring after end of reporting period

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Accounting policies

The annual report of Brüel & Kjær Vibro A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected provisions as regards larger entities.

As from 1 January 2016, the Company has implemented Act. no. 738 of 1 June 2015. The changes have no monetary impact on the income statement or the balance sheet for 2016 or for the comparative figures.

The annual report for 2016 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's 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's 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 instalments 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 are 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.

Accounting policies

Gross profit reflects an aggregation of revenue, other operating income and other external expenses.

Revenue

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

Revenue is measured at the fair value of the agreed consideration, excluding VAT and taxes charged. All discounts granted are deducted from revenue.

Other external expenses

Other external expenses 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.

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.

Tax on profit 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.

Accounting policies

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Balance sheet

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:

Fixtures and fittings, tools and equipment	3-5	years

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

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 comprise costs incurred concerning subsequent financial years.

Equity

Dividend

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

Accounting policies

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

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

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.

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

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

Income statement 1 January 2016 - 31 December 2016

	Note	2016 TDKK	2015 TDKK
Gross profit		**29,603**	**37,011**
Staff costs	1	-26,182	-31,902
Depreciation on fixtures and fittings, tools and equipment		-526	-539
Profit before financial income and expenses		**2,895**	**4,570**
Financial income	2	152	50
Financial costs	3	-6	-286
Profit before tax		**3,041**	**4,334**
Tax on profit for the year	4	-668	-1,055
Net profit/loss for the year		**2,373**	**3,279**

Proposed distribution of profit

Retained earnings		2,373	3,279
		2,373	**3,279**

Balance sheet at 31 December 2016

	Note	2016	2015
		TDKK	TDKK
Assets			
Fixtures and fittings, tools and equipment		1,160	1,355
Tangible assets	5	**1,160**	**1,355**
Fixed assets total		**1,160**	**1,355**
Receivables from group entities		47,695	48,551
Other receivables		1,425	1,350
Deferred tax asset		202	244
Prepayments		93	190
Receivables		**49,415**	**50,335**
Cash at bank and in hand		**15**	**14**
Current assets total		**49,430**	**50,349**
Assets total		**50,590**	**51,704**

Balance sheet at 31 December 2016

	Note	2016	2015
		TDKK	TDKK
Liabilities and equity			
Share capital		1,000	1,000
Retained earnings		42,801	40,428
Equity	6	**43,801**	**41,428**
Payables to credit institutions		192	196
Trade payables		559	2,281
Payables to group entities		118	381
Joint taxation contribution payables		626	949
Other payables	7	5,294	6,469
Short-term debt		**6,789**	**10,276**
Debt total		**6,789**	**10,276**
Liabilities and equity total		**50,590**	**51,704**
Contingent assets, liabilities and other financial obligations	8		
Related parties and ownership	9		

Notes

		2016	2015
		TDKK	TDKK
1	**Staff costs**		
	Wages and salaries	24,448	29,838
	Pensions	1,394	1,495
	Other social security costs	252	342
	Other staff costs	88	227
		26,182	**31,902**
	Average number of employees	41	43
2	**Financial income**		
	Interest received from group entities	0	50
	Exchange gains	152	0
		152	**50**
3	**Financial costs**		
	Financial expenses, group entities	0	6
	Other financial costs	6	10
	Exchange losses	0	270
		6	**286**

Notes

		2016	2015
		TDKK	TDKK
4	**Tax on profit for the year**		
	Current tax for the year	626	949
	Deferred tax for the year	42	86
	Adjustment of tax concerning previous years	0	20
		668	**1,055**

5 Tangible assets

	Fixtures and fittings, tools and equipment
Cost at 1 January 2016	6,562
Additions for the year	454
Disposals for the year	-639
Cost at 31 December 2016	6,377
Impairment losses and depreciation at 1 January 2016	5,207
Depreciation for the year	526
Reversal of impairment and depreciation of sold assets	-516
Impairment losses and depreciation at 31 December 2016	5,217
Carrying amount at 31 December 2016	**1,160**

Notes

6 Equity

	Share capital	Retained earnings	Total
Equity at 1 January 2016	1,000	40,428	41,428
Net profit/loss for the year	0	2,373	2,373
Equity at 31 December 2016	**1,000**	**42,801**	**43,801**

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.

	2016	2015
	TDKK	TDKK
7 Other payables		
VAT and other indirect taxes	0	2
Wages/salaries, salary taxes, social security contributions, etc.	1,341	2,084
Holiday accrual	3,814	4,067
Other accrued expenses	139	316
	5,294	**6,469**

8 Contingent assets, liabilities and other financial obligations

The Company has a rental commitment for six months at a total amount of DKK 534 thousand (2015: 534 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 jointly taxed income or withholding taxes, etc., may entail an increase in the Company's liability.

Notes

9 Related parties and ownership

Ownership

According to the Company's register of shareholders, the following shareholders hold 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.