

Emerson Process Management A/S


Generatorvej 8A
2860 Søborg
Denmark

CVR no. 31 48 24 29

**Annual report for the period 1 October 2017 – 30 September
2018**

The annual report was presented and approved at the
Company's annual general meeting on

25 Jan 2019



chairman

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Emerson Process Management A/S
Annual report 2017/18
CVR no. 31 48 24 29

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Emerson Process Management A/S for the financial year 1 October 2017 – 30 September 2018.

The annual report has been 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 assets, liabilities and financial position at 30 September 2018 and of the results of the Company's operations for the financial year 1 October 2017 – 30 September 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen 25 January 2019

Executive Board:



Sverre Smemo

Board of Directors:



Patrick Camille Valère
Deruytter
Chairman



Sverre Smemo



Lars Peter Larsson



Independent auditor's report

To the shareholders of Emerson Process Management A/S

Opinion

We have audited the financial statements of Emerson Process Management A/S for the financial year 1 October 2017 – 30 September 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including 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 Company's assets, liabilities and financial position at 30 September 2018 and of the results of the Company's operations for the financial year 1 October 2017 – 30 September 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 that 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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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

- identify and assess the risks of material misstatement of the company 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



Independent auditor's report

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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 the Management's review.

Copenhagen, 25 January 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Kenn W. Hansen
State Authorised
Public Accountant
mne30154

Emerson Process Management A/S
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Management's review

Company details

Emerson Process Management A/S
Generatorvej 8A
2860 Søborg
Denmark

Telephone: +45 7025 3051
CVR no.: 31 48 24 29
Registered office: Gladsaxe
Financial year: 1 October – 30 September

Board of Directors

Patrick Camille Valere Deruytter, Chairman
Sverre Smemo
Lars Peter Larsson

Executive Board

Sverre Smemo

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen
Denmark

Annual general meeting

The annual general meeting will be held on .

Management's review

Financial highlights

DKK'000	2017/18	2016/17	2015/16	2014/15	2013/14
Key figures					
Gross profit/loss	40,375	30,446	8,958	30,003	24,111
Ordinary operating profit/loss	7,379	-1,319	-15,551	11,995	8,350
Profit/loss from financial income and expenses	-108	-1,795	-149	-152	5
Profit/loss for the year	5,646	-2,454	-12,309	9,102	6,297
Current assets	56,337	60,831	62,736	68,472	47,210
Total assets	58,697	63,292	64,791	69,911	48,368
Equity	33,550	27,904	30,358	42,667	33,565
Current liabilities other than provisions	21,462	25,771	19,008	26,686	14,641
Investment in property, plant and equipment	724	510	425	376	719
Current ratio	262.50%	236.04%	330.05%	256.58%	322.45%
Solvency ratio	57.16%	44.09%	46.86%	61.03%	69.40%
Average number of full-time employees	37	38	28	25	19

Financial ratios are calculated in accordance with the guidelines "Recommendations and Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Current ratio

$$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Management's review

Operating review

Principal activities

The Company's activities consist of sale of measuring instruments and consultancy services.

Development in activities and financial position

In the past financial year the Company realised a profit of DKK 5,646 thousand (2016/17: loss of DKK 2,454 thousand). Management consider the result for the year satisfactory.

At 30 September 2018, equity amounted to DKK 33,550 thousand.

Outlook

Management expects the results for the coming financial year to be at a higher level than 2017/18.

Operating risks

The company's most significant operating risk relates to the customer demand and investments made in the industries we serve.

Financial risks

The company does not have any long term liabilities so the exposure to interest rate changes is very low. The currency risk is also considered to be low as most business is conducted in local currency, DKK. Further the company is not exposed to credit risks beside normal risk in relation to trade receivables.

Intellectual capital

In order to maintain a continuous growth, it is essential for the company to attract and retain highly skilled employees.

Environmental matters

The Company's activities do not cause any significant impact on the surrounding environment.

Research and development activities

The Company does not have any significant research and development activities as these activities are carried out in foreign group companies.

Events after the balance sheet date

No events materially affecting the assesment of the annual report for 2017/18 have occurred after the balance sheet date.

Financial statements 1 October – 30 September

Income statement

DKK'000	Note	2017/18	2016/17
Gross profit		40,375	30,446
Staff costs	2	-32,713	-31,531
Depreciation, amortisation and impairment		<u>-283</u>	<u>-234</u>
Operating profit/loss		7,379	-1,319
Financial income	3	64	70
Financial expenses	4	<u>-172</u>	<u>-1,865</u>
Profit/loss before tax		7,271	-3,114
Tax on profit/loss for the year	5	<u>-1,625</u>	660
Profit for the year	6	<u><u>5,646</u></u>	<u><u>-2,454</u></u>

Financial statements 1 October – 30 September

Balance sheet

DKK'000	Note	2017/18	2016/17
ASSETS			
Fixed assets			
Property, plant and equipment	7		
Fixtures and fittings, tools and equipment		1,637	1,450
Leasehold improvements		331	77
		<u>1,968</u>	<u>1,527</u>
Investments			
Deposits		392	934
Total fixed assets		<u>2,360</u>	<u>2,461</u>
Current assets			
Inventories			
Finished goods and goods for resale		321	153
Receivables			
Trade receivables		12,391	33,742
Receivables from group entities		42,081	24,222
Work in progress	8	0	354
Other receivables		902	795
Corporation tax		0	724
Prepayments	9	641	839
		<u>56,015</u>	<u>60,676</u>
Cash at bank and in hand		1	2
Total current assets		<u>56,337</u>	<u>60,831</u>
TOTAL ASSETS		<u><u>58,697</u></u>	<u><u>63,292</u></u>

Financial statements 1 October – 30 September

Balance sheet

DKK'000	Note	2017/18	2016/17
EQUITY AND LIABILITIES			
Equity			
Contributed capital	10	48,500	48,500
Retained earnings		<u>-14,950</u>	<u>-20,596</u>
Total equity		<u>33,550</u>	<u>27,904</u>
Provisions			
Provisions for deferred tax		83	38
Other provisions	11	<u>3,602</u>	<u>9,579</u>
Total provisions		<u>3,685</u>	<u>9,617</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		1,110	1,325
Payables to group entities		3,701	6,274
Corporation tax		1,583	0
Other payables		6,252	9,475
Deferred income		918	1,924
Prepayments received regarding work in progress	8	<u>7,898</u>	<u>6,773</u>
		<u>21,462</u>	<u>25,771</u>
Total liabilities other than provisions		<u>21,462</u>	<u>25,771</u>
TOTAL EQUITY AND LIABILITIES		<u>58,697</u>	<u>63,292</u>
Contractual obligations, contingencies, etc.	12		
Mortgages and collateral	13		
Related party disclosures	14		

Financial statements 1 October – 30 September

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 October 2017	48,500	-20,596	27,904
Transferred over the profit appropriation	0	5,646	5,646
Equity at 30 September 2018	48,500	-14,950	33,550

Financial statements 1 October – 30 September

Notes

1 Accounting policies

The annual report of Emerson Process Management A/S for 2017/18 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

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

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of the ultimate parent.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Gross Profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Gross profit comprises the value of revenue less cost of sales and other external expenses.

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place and the income may be reliably measured and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2015.

Contract work in progress, recognised as revenue, is determined as the selling price of work performed for the year (percentage-of-completion method). Accordingly, profit on work performed is recognised as income and by reference of the stage of completion.

Financial statements 1 October – 30 September

Notes

1 Accounting policies (continued)

Other external costs

Other external costs comprise costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies.

Tax on profit/loss for the year

Emerson Process Management A/S is jointly taxed with other Danish Emerson entities.

The current Danish corporation tax is distributed among the jointly taxed Danish companies in direct proportion to their taxable income. Companies utilising taxable losses in other companies settle joint taxation to the parent company, corresponding to the tax value of utilised deficits, while companies, where taxable losses are utilised by other companies, receive joint taxation from the parent company corresponding to the tax value of the utilised losses (full allocation).

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

Fixtures and fittings, tools and equipment and leasehold improvements 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 on which the asset is available for use.

Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	2-10 years
Leasehold improvements	5-6 years

Financial statements 1 October – 30 September

Notes

1 Accounting policies (continued)

Investments

Investments which consists of deposits are recognised at cost price.

Impairment of fixed assets

The carrying amount of property, plant and equipment and investments is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Finished goods and goods for resale are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

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. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Construction contracts

Contract work in progress for third parties is measured at sales value in accordance with the percentage of completion method. The selling price is measured based on the percent of completion.

The percent of completion is determined as the ratio between direct, allocated costs, including materials, wages, etc., with the addition of indirect production costs related to the contract work and latest estimated total cost.

Contract work in progress and invoicing on account in foreign currency have been translated at the rates of exchange in effect on the date of contract.

In cases where invoicing on account exceeds the recognised sales value of a contract, the exceeding amount has been included in the current liabilities as part of advance payment from costumers.

Financial statements 1 October – 30 September

Notes

1 Accounting policies (continued)

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Equity

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Under the joint taxation rules, the Company's liability in respect of the tax authorities for the corporation tax is settled concurrently with the payment of the joint taxation contributions to the administrative company.

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Provisions

Other provisions consist of obligations to make good any defects within the warranty period of 1-5 years. Provisions for warranties are measured at net realisable value and recognised based on experience with past recommendations for warranties.

Further, when there is a possibility that the total costs will exceed total income on contract work in progress, a provision of the total loss expected is recognised in other provisions.

Liabilities other than provisions

Financial liabilities are measured at amortised cost, which normally corresponds to net realisable value.

Financial statements 1 October – 30 September

Notes

1 Accounting policies (continued)

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

2 Staff costs

DKK'000	2017/18	2016/17
Wages and salaries	30,171	29,272
Pensions	2,304	2,008
Other social security costs	238	251
	<u>32,713</u>	<u>31,531</u>
Average number of full-time employees	<u>37</u>	<u>38</u>

No remuneration was paid to the Board of Directors in 2017/18. Remuneration to the Executive Board has not been disclosed.

DKK'000	2017/18	2016/17
Exchange gains	<u>64</u>	<u>70</u>

3 Financial income

4 Financial expenses

Exchange losses	<u>172</u>	<u>1,865</u>
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5 Tax on profit/loss for the year

Joint taxation for the year	-1,580	724
Deferred tax for the year	<u>-45</u>	<u>-64</u>
	<u>-1,625</u>	<u>660</u>

6 Proposed profit appropriation/distribution of loss

Retained earnings	<u>5,646</u>	<u>-2,454</u>
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Financial statements 1 October – 30 September

Notes

7 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 October 2017	2,491	288	2,779
Additions for the year	444	280	724
Cost at 30 September 2018	2,935	568	3,503
Depreciation and impairment losses at 1 October 2017	-1,041	-211	-1,252
Depreciation for the year	-257	-26	-283
Depreciation and impairment losses at 30 September 2018	-1,298	-237	-1,535
Carrying amount at 30 September 2018	1,637	331	1,968

DKK'000

2017/18 2016/17

8 Work in progress

Selling price work in progress	107,342	114,077
Progress billing	-115,240	-120,496
Loss on contract	-3,460	-9,422
	-11,358	-15,841

Recognised as follows:

Work in progress	0	354
Other provisions	-3,460	-9,422
Prepayment on work in progress	-7,898	-6,773
	-11,358	-15,841

9 Prepayments

Insurance premium	85	66
Other prepaid costs	556	773
	641	839

10 Equity

The share capital consists of 97 shares of a nominal value of DKK 500,000 each. All shares rank equally.

11 Other provisions

	2017/18	2016/17
Provision for losses on contract work in progress	3,460	9,422
Provision for warranties	142	157
	3,602	9,579

Financial statements 1 October – 30 September

Notes

12 Contractual obligations, contingencies, etc.

The company is jointly taxed with other Danish subsidiaries within the Emerson Group and has joint and several unlimited liability with other companies included in the joint taxation for Danish withholding taxes on dividends, interest and royalties.

Further the company has the following rent and lease commitments:

DKK'000	<u>2017/18</u>	<u>2016/17</u>
Contingent liabilities		
Rent commitments	1,810	2,432
Lease commitments	<u>8,353</u>	<u>8,913</u>
	<u>10,163</u>	<u>11,345</u>

13 Mortgages and collateral

The Company has via bank provided warranty to third party in the amount of DKK 12,633 thousand (2016/17: DKK 13,039 thousand).

14 Related party disclosures

Emerson Process Management A/S' related parties comprise the following:

Ownership

Emerson Process Management AB, Körkarlsvägen 8, Box 1053, SE 651 15 Karlstad, Sweden, wholly owns the share capital. The financial statements of Emerson Process Management A/S are included in the consolidated financial statements of this company.

Emerson Process Management A/S is included in the consolidated financial statements of its ultimate parent company, Emerson Electric Co. World Headquarters, 8000 W. Florissant Ave., P.O. Box 1100, St. Louis, MO 63136, USA.

The ultimate parent company is listed on the stock exchange in the USA.

Related party transactions

The Company has had the following related party transactions:

DKK'000	<u>2017/18</u>	<u>2016/17</u>
Purchase of services from related parties	10,660	30,362
Purchase of goods from related parties	36,607	65,878