
Emerson Process Management A/S

Generatorvej 8 A, 2., DK-2860 Søborg

Annual Report for 1 October 2018 - 30 September 2019

CVR No 31 48 24 29

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
10/1 2020

Peter Larsson
Chairman of the General
Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Emerson Process Management A/S for the financial year 1 October 2018 - 30 September 2019.

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 financial position at 30 September 2019 of the Company and of the results of the Company operations for 2018/19.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 10 January 2020

Executive Board

Sverre Smemo
Executive Officer

Board of Directors

Patrick Camille Valere Deruytter
Chairman

Sverre Smemo

Lars Peter Larsson

Independent Auditor's Report

To the Shareholder 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 2018 - 30 September 2019 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 2019 and of the results of the Company's operations for the financial year 1 October 2018 - 30 September 2019 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.

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.

Independent Auditor's Report

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 Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Independent Auditor's Report

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Copenhagen, 10 January 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

Kenn W. Hansen

statsautoriseret revisor

mne30154

Company Information

The Company

Emerson Process Management A/S
Generatorvej 8 A, 2.
DK-2860 Søborg

Telephone: + 45 70253051

CVR No: 31 48 24 29

Financial period: 1 October - 30 September

Municipality of reg. office: Gladsaxe

Board of Directors

Patrick Camille Valere Deruytter, Chairman
Sverre Smemo
Lars Peter Larsson

Executive Board

Sverre Smemo

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2018/19 TDKK	2017/18 TDKK	2016/17 TDKK	2015/16 TDKK	2014/15 TDKK
Key figures					
Profit/loss					
Gross profit/loss	36,078	40,376	30,446	8,958	30,003
Profit/loss before financial income and expenses	4,489	7,380	-1,319	-15,551	11,995
Net financials	-57	-108	-1,795	-149	-152
Net profit/loss for the year	3,440	5,647	-2,454	-12,309	9,102
Balance sheet					
Balance sheet total	66,369	58,697	63,292	64,791	69,911
Equity	36,990	33,551	27,904	30,358	42,667
Investment in property, plant and equipment	203	724	510	425	376
Number of employees	33	37	38	28	25
Ratios					
Solvency ratio	55.7%	57.2%	44.1%	46.9%	61.0%
Return on equity	9.8%	18.4%	-8.4%	-33.7%	42.7%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

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

Development in the year

The income statement of the Company for 2018/19 shows a profit of TDKK 3,440, and at 30 September 2019 the balance sheet of the Company shows equity of TDKK 36,990.

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 considered to be low as most business is conducted in local currency, DKK. Further, the Company is not exposed to credit risks besides normal risks in relation to trade receivables.

Targets and expectations for the year ahead

Management expects the results for the coming financial year to be at a higher level than 2018/19.

Research and development

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

External environment

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

Intellectual capital resources

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

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 October - 30 September

	<u>Note</u>	<u>2018/19</u> TDKK	<u>2017/18</u> TDKK
Gross profit		36,078	40,376
Staff expenses	1	-30,881	-32,713
Depreciation, amortisation and impairment of property, plant and equipment		-382	-283
Other operating expenses		-326	0
Profit before financial income and expenses		4,489	7,380
Financial income	2	38	64
Financial expenses	3	-95	-172
Profit before tax		4,432	7,272
Tax on profit for the year	4	-992	-1,625
Net profit for the year		3,440	5,647

Balance Sheet 30 September

Assets

	Note	2018/19 TDKK	2017/18 TDKK
Other fixtures and fittings, tools and equipment		1,476	1,637
Leasehold improvements		271	331
Property, plant and equipment	6	1,747	1,968
Deposits		615	392
Fixed asset investments		615	392
Fixed assets		2,362	2,360
Inventories		1,153	321
Trade receivables		24,792	12,391
Contract work in progress	7	0	0
Receivables from group enterprises		36,586	42,081
Other receivables		1,399	902
Prepayments	8	77	641
Receivables		62,854	56,015
Cash at bank and in hand		0	1
Currents assets		64,007	56,337
Assets		66,369	58,697

Balance Sheet 30 September

Liabilities and equity

	Note	2018/19 TDKK	2017/18 TDKK
Share capital		48,500	48,500
Retained earnings		-11,510	-14,949
Equity		36,990	33,551
Provision for deferred tax	9	96	83
Other provisions	10	2,311	3,602
Provisions		2,407	3,685
Other payables		274	0
Long-term debt	11	274	0
Prepayments received regarding work in progress	7	4,791	7,898
Trade payables		2,413	1,110
Payables to group enterprises		6,075	3,701
Corporation tax		979	1,583
Other payables	11	10,881	6,251
Deferred income	12	1,559	918
Short-term debt		26,698	21,461
Debt		26,972	21,461
Liabilities and equity		66,369	58,697
Distribution of profit	5		
Contingent assets, liabilities and other financial obligations	13		
Related Parties	14		
Accounting Policies	15		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 October	48,500	-14,950	33,550
Net profit/loss for the year	0	3,440	3,440
Equity at 30 September	48,500	-11,510	36,990

Notes to the Financial Statements

	<u>2018/19</u>	<u>2017/18</u>
	TDKK	TDKK
1 Staff expenses		
Wages and salaries	28,273	30,171
Pensions	2,360	2,304
Other social security expenses	248	238
	<u>30,881</u>	<u>32,713</u>
Average number of employees	<u>33</u>	<u>37</u>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
2 Financial income		
Interest received from group enterprises	21	18
Exchange gains	17	46
	<u>38</u>	<u>64</u>
3 Financial expenses		
Exchange loss	95	172
	<u>95</u>	<u>172</u>
4 Tax on profit for the year		
Current tax for the year	979	1,580
Deferred tax for the year	13	45
	<u>992</u>	<u>1,625</u>
5 Distribution of profit		
Retained earnings	3,440	5,647
	<u>3,440</u>	<u>5,647</u>

Notes to the Financial Statements

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	TDKK	TDKK	TDKK
Cost at 1 October 2018	2,935	568	3,503
Additions for the year	203	0	203
Disposals for the year	-544	0	-544
Cost at 30 September 2019	<u>2,594</u>	<u>568</u>	<u>3,162</u>
Impairment losses and depreciation at 1 October 2018	1,298	237	1,535
Depreciation for the year	322	60	382
Reversal of impairment and depreciation of sold assets	-502	0	-502
Impairment losses and depreciation at 30 September 2019	<u>1,118</u>	<u>297</u>	<u>1,415</u>
Carrying amount at 30 September 2019	<u>1,476</u>	<u>271</u>	<u>1,747</u>

7 Contract work in progress

	2018/19	2017/18
	TDKK	TDKK
Selling price work in progress	106,199	107,342
Progress billing	-110,990	-115,240
Loss on contract	-2,128	-3,460
	<u>-6,919</u>	<u>-11,358</u>
Recognised as follows:		
Work in progress	0	0
Other provisions	-2,128	-3,460
Prepayment on work in progress	-4,791	-7,898
	<u>-6,919</u>	<u>-11,358</u>

8 Prepayments

Prepayments consist of prepaid expenses concerning rent and insurance premiums.

Notes to the Financial Statements

	2018/19 TDKK	2017/18 TDKK
9 Provision for deferred tax		
Provision for deferred tax at 1 October	83	38
Amounts recognised in the income statement for the year	13	45
Provision for deferred tax at 30 September	96	83
10 Other provisions		
Provision for warranties	183	142
Provision for losses on contract work in progress	2,128	3,460
	2,311	3,602
11 Long-term debt		
Other payables		
After 5 years	0	0
Between 1 and 5 years	274	0
Long-term part	274	0
Other short-term payables	10,881	6,251
	11,155	6,251
12 Deferred income		
Deferred income consists of payments received in respect of income in subsequent years.		
13 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations	6,037	8,353
Rental obligations	784	1,810
	6,821	10,163

Notes to the Financial Statements

13 Contingent assets, liabilities and other financial obligations (continued)

Other contingent liabilities

The Company has via bank provided warranty to a third party in the amount of TDKK 10,564 (2017/18: TDKK 12,633)

The Danish group companies are jointly and severally liable for tax on the Danish jointly taxed incomes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

14 Related parties

During the year, the Company had the following transactions with other group companies:

	<u>2018/19</u> TDKK	<u>2017/18</u> TDKK
Purchase of services from related parties	1,167	10,660
Purchase of goods from related parties	<u>40,545</u>	<u>36,607</u>
	<u>41,712</u>	<u>47,267</u>

Consolidated Financial Statements

Name and registered office of the Parent preparing consolidated financial statements for the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
Emerson Electric Co. World Headquarters	8000 W Florissant Ave., P.O. Box 4100, St. Louis, MO 63136, USA
Emerson Process Management AB	Körkarlsvägen 8, Box 1053, SE 651 15 Karlstad, Sweden

The Group Annual Report of Emerson Electric Co. may be obtained at the following address:

Emerson Electric Co.
World Headquarters
8000 W Florissant Ave.
P.O. Box 4100
St. Louis, MO 63136, USA

Notes to the Financial Statements

(continued)

The Group Annual Report of Emerson Process Management AB may be obtained at the following address:

Emerson Process Management AB

Körkarlsvägen 8

Box 1053

SE 651 15 Karlstad, Sweden

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of Emerson Process Management A/S for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018/19 are presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of the ultimate parent company, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset 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 out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

15 Accounting Policies (continued)

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, change in inventories of finished goods, work in progress and goods for resale and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll related expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of property, plant and equipment.

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with other Danish subsidiaries of the group. The tax effect of the joint taxation is allocated to enterprises in proportion to their incomes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

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

Depreciation period and residual value are reassessed annually.

Fixed asset investments

Fixed asset investments consist of deposits.

Impairment of fixed assets

The carrying amounts of property, plant and equipment and fixed investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Notes to the Financial Statements

15 Accounting Policies (continued)

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of finished goods and goods for resale comprises the cost of purchase price plus delivery costs.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning rent and insurance premiums.

Notes to the Financial Statements

15 Accounting Policies (continued)

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

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