

Emerson Process Management A/S


Generatorvej 8A
2860 Søborg
Denmark

CVR no. 31 48 24 29

**Annual report for the period 1 October 2016 – 30 September
2017**

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

12 January 2018



chairman

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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 2016 – 30 September 2017.

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 2017 and of the results of the Company's operations for the financial year 1 October 2016 – 30 September 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen 12 January 2018

Executive Board:



Sverre Smemo

Board of Directors:



Patrick Camille Valere
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 2016 – 30 September 2017 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 2017 and of the results of the Company's operations for the financial year 1 October 2016 – 30 September 2017 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.



Independent auditor's report

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 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,



Independent auditor's report

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 Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 12 January 2018

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Kenn Hansen

Kenn W. Hansen
State Authorised
Public Accountant
MNE no. 30154

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Emerson Process Management A/S
Annual report 2016/17
CVR no. 31 48 24 29

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 12 January 2018.

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 loss of DKK 2,454 thousand (2015/16: loss of DKK 12,309 thousand) mainly due to loss on contracts. Management considers the result for the year unsatisfactory.

At 30 September 2017, equity amounted to DKK 27,904 thousand.

Outlook

Management expects the results for the coming financial year to be at a higher level than 2016/17.

Events after the balance sheet date

No events materially affecting the assesment of the annual report for 2016/17 have occurred after the balance sheet date.

Financial statements 1 October – 30 September

Income statement

DKK'000	Note	2016/17	2015/16
Gross profit		30,446	8,958
Staff costs	2	-31,531	-24,278
Depreciation, amortisation and impairment		-234	-231
Operating loss		-1,319	-15,551
Financial income	3	70	272
Financial expenses	4	-1,865	-421
Loss before tax		-3,114	-15,700
Tax on profit/loss for the year	5	660	3,391
Loss for the year		-2,454	-12,309
Proposed distribution of loss			
Retained earnings		-2,454	-12,309

Financial statements 1 October – 30 September

Balance sheet

DKK'000	Note	2016/17	2015/16
ASSETS			
Fixed assets			
Property, plant and equipment			
Fixtures and fittings, tools and equipment	6	1,450	1,232
Leasehold improvements		77	19
		<u>1,527</u>	<u>1,251</u>
Investments			
Deposits		934	804
		<u>934</u>	<u>804</u>
Total fixed assets		<u>2,461</u>	<u>2,055</u>
Current assets			
Inventories			
Finished goods and goods for resale		153	327
		<u>153</u>	<u>327</u>
Receivables			
Trade receivables		33,742	21,936
Receivables from group entities		24,222	34,763
Work in progress	7	354	1,716
Other receivables		795	484
Deferred tax asset		0	26
Corporation tax		724	3,423
Prepayments		839	57
		<u>60,676</u>	<u>62,405</u>
Cash at bank and in hand		<u>2</u>	<u>4</u>
Total current assets		<u>60,831</u>	<u>62,736</u>
TOTAL ASSETS		<u><u>63,292</u></u>	<u><u>64,791</u></u>

Financial statements 1 October – 30 September

Balance sheet

DKK'000	Note	2016/17	2015/16
EQUITY AND LIABILITIES			
Equity			
Share Capital		48,500	48,500
Retained earnings		-20,596	-18,142
Total equity		27,904	30,358
Provisions			
Provisions for deferred tax		38	0
Other provisions	8	9,579	15,425
Total provisions		9,617	15,425
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		1,325	2,176
Payables to group entities		6,274	8,327
Other payables		9,475	7,250
Deferred income		1,924	1,045
Prepayments received regarding work in progress	7	6,773	210
		25,771	19,008
Total liabilities other than provisions		25,771	19,008
TOTAL EQUITY AND LIABILITIES		63,292	64,791

Financial statements 1 October – 30 September

Statement of changes in equity

DKK'000	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 October 2016	48,500	-18,142	30,358
Transferred over the distribution of loss	<u>0</u>	<u>-2,454</u>	<u>-2,454</u>
Equity at 30 September 2017	<u>48,500</u>	<u>-20,596</u>	<u>27,904</u>

Financial statements 1 October – 30 September

Notes

1 Accounting policies

The annual report of Emerson Process Management A/S for 2016/17 has been prepared in accordance with the provisions applying to reporting class B under the Danish Financial Statements Act. In addition the Company has applied selected rules from reporting class C.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015.

— Going forward, the residual value of property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement for 2016/17 or the balance sheet per 30. September 2017 or for the comparative figures.

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

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

Financial statements 1 October – 30 September

Notes

1 Accounting policies (continued)

work performed is recognised as income and by reference of the stage of completion.

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.

Other external costs

Other external costs comprise cost of administration, premises, operating leases, etc.

Financial income and expenses

Financial income and expenses and similar items include interest, realised and unrealised foreign exchange adjustments.

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 joint taxation contribution 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 when the asset is available for use.

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

Financial statements 1 October – 30 September

Notes

1 Accounting policies (continued)

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

Impairment of fixed assets

The carrying amount of property, plant and equipment 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.

Investments

Investments which consists of deposit is recognised at cost price.

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 based on an individual assessment of receivables.

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.

Financial statements 1 October – 30 September

Notes

1 Accounting policies (continued)

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 current liabilities as part of advance payment from customers.

Prepayments and deferred income

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

Equity

Dividends

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend 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 in separate balance sheet items.

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.

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 and jurisdiction.

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

Financial statements 1 October – 30 September

Notes

1 Accounting policies (continued)

provisions.

Financial liabilities

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

Financial statements 1 October – 30 September

Notes

2 Staff costs

DKK'000	2016/17	2015/16
Wages and salaries	29,272	22,460
Pensions	2,008	1,634
Other social security costs	251	184
	<u>31,531</u>	<u>24,278</u>
Average number of fulltime employees	<u>38</u>	<u>28</u>

No remuneration was paid to the Board of Directors in 2016/17. Remuneration to the Executive Board has not been disclosed.

3 Financial income

Other interest income	70	272
	<u>70</u>	<u>272</u>

4 Financial expenses

Exchange rate losses	1,865	421
	<u>1,865</u>	<u>421</u>

5 Tax on profit/loss for the year

Joint taxation for the year	724	3,423
Corrections from prior years	0	-54
Deferred tax for the year	-64	22
	<u>660</u>	<u>3,391</u>

6 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 October 2016	2,063	206	2,269
Additions	428	82	510
Cost at 30 September 2017	<u>2,491</u>	<u>288</u>	<u>2,779</u>
Depreciation and impairment losses at 1 October 2016	-831	-187	-1,018
Depreciation	-210	-24	-234
Depreciation and impairment losses at 30 September 2017	<u>-1,041</u>	<u>-211</u>	<u>-1,252</u>
Carrying amount at 30 September 2017	<u>1,450</u>	<u>77</u>	<u>1,527</u>

Financial statements 1 October – 30 September

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7 Work in progress

DKK'000	2016/17	2015/16
Selling price work in progress	114,077	67,174
Progress billing	-120,496	-65,668
Loss on contract	-9,422	-15,265
	<u>-15,841</u>	<u>-13,759</u>

Recognised as follows:

Work in progress	354	1,716
Other provisions	-9,422	-15,265
Prepayment received regarding work in progress	-6,773	-210
	<u>-15,841</u>	<u>-13,759</u>

8 Provisions

Provision for losses on contract work in progress	9,422	15,265
Provision for warranties	157	160
	<u>9,579</u>	<u>15,425</u>

9 Mortgages and collateral

The Company has via bank provided warranty to third party in the amount of DKK 13,039 thousand (2015/16: DKK 48,798 thousand).

Financial statements 1 October – 30 September

Notes

10 Contingent liabilities

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>2016/17</u>	<u>2015/16</u>
Rent commitments	2,432	2,584
Lease commitments	8,913	5,936

11 Related parties and ownership

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

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.

