

Emerson Process Management A/S

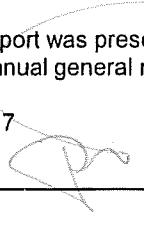
Generatorvej 8A
2860 Søborg
Denmark

CVR no. 31 48 24 29

Annual report for the period 1 October 2015 – 30 September 2016

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

5 January 2017



chairman

Emerson Process Management A/S
Annual report 2015/2016
CVR no. 31 48 24 29

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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 2015 – 30 September 2016.

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 September 2016 and of the results of the Company's operations for the financial year 1 October 2015 – 30 September 2016.

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 should be approved at the annual general meeting.

Copenhagen, 5 January 2017
Executive Board:



Björn Peter Lagerlöf


Board of Directors:



Patrick Camille Valere
Deruytter
Chairman



Björn Peter Lagerlöf



Lars Peter Larsson



Independent auditor's report

To the shareholders of Emerson Process Management A/S

Independent auditor's report on the financial statements

We have audited the financial statements of Emerson Process Management A/S for the financial year 1 October 2015 – 30 September 2016. The financial statements comprise income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 September 2016 and of the results of the Company's operations for the financial year 1 October 2015 – 30 September 2016 in accordance with the Danish Financial Statements Act.



Independent auditor's report

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 5 January 2017

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

A handwritten signature in black ink, appearing to read 'Kenn W. Hansen'.

Kenn W. Hansen
State Authorised
Public Accountant

Emerson Process Management A/S
Annual report 2015/2016
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
Björn Peter Lagerlöf
Lars Peter Larsson

Executive Board

Björn Peter Lagerlöf

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø
Denmark

Annual general meeting

The annual general meeting will be held on 5 January 2017.

Management's review

Operating review

Principal activities of the Company

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 12,309 thousand (2014/15: profit of DKK 9,102 thousand) mainly due to loss on contracts. Management consider the result for the year unsatisfactory.

At 30 September 2016, equity amounted to DKK 30,358 thousand.

Outlook

Management expects the results for the coming financial year to be at a higher level than 2015/16.

Events after the balance sheet date

No events materially affecting the assesment of the annual report for 2015/16 have occurred after the balance sheet date.

Financial statements 1 October – 30 September

Income statement

DKK'000	Note	2015/16	2014/15
Gross profit		8,958	30,003
Staff costs	2	-24,278	-17,807
Depreciation		-231	-201
Operating profit/loss		-15,551	11,995
Financial income	3	272	87
Financial expenses	4	-421	-239
Profit/Loss before tax		-15,700	11,843
Tax on profit/loss for the year	5	3,391	-2,741
Loss for the year		-12,309	9,102
Proposed profit/loss appropriation			
Retained earnings		-12,309	9,102
		-12,309	9,102

Financial statements 1 October – 30 September

Balance sheet

DKK'000	Note	2015/16	2014/15
ASSETS			
Non-current assets			
Property, plant and equipment	6		
Fixture and fittings, tools and equipment		1,232	969
Leasehold improvements		19	88
		<u>1,251</u>	<u>1,057</u>
Investments			
Deposits		804	382
		<u>804</u>	<u>382</u>
		<u>2,055</u>	<u>1,439</u>
Total non-current assets			
Current assets			
Inventories			
Finished goods and goods for resale		327	206
		<u>327</u>	<u>206</u>
Receivables			
Trade receivables		21,936	21,649
Receivables from group entities		34,763	46,263
Work in progress	7	1,716	0
Other receivables		484	310
Deferred tax asset		26	4
Joint tax contribution receivable		3,423	0
Prepayments		57	36
		<u>62,405</u>	<u>68,262</u>
Cash at bank and in hand		<u>4</u>	<u>4</u>
Total current assets		<u>62,736</u>	<u>68,472</u>
TOTAL ASSETS		<u><u>64,791</u></u>	<u><u>69,911</u></u>

Financial statements 1 October – 30 September

Balance sheet

DKK'000	Note	<u>2015/16</u>	<u>2014/15</u>
EQUITY AND LIABILITIES			
Equity	8		
Share capital		48,500	48,500
Retained earnings		<u>-18,142</u>	<u>-5,833</u>
Total equity		<u>30,358</u>	<u>42,667</u>
Provisions	9		
Other provisions		<u>15,425</u>	<u>558</u>
Total provisions		<u>15,425</u>	<u>558</u>
Current liabilities other than provisions			
Trade payables		2,176	606
Payables to group entities		8,327	7,195
Corporation tax		0	2,802
Other payables		7,250	6,254
Deferred income		1,045	307
Prepayments received regarding work in progress	7	<u>210</u>	<u>9,522</u>
		<u>19,008</u>	<u>26,686</u>
Total liabilities other than provisions		<u>19,008</u>	<u>26,686</u>
TOTAL EQUITY AND LIABILITIES		<u><u>64,791</u></u>	<u><u>69,911</u></u>

Financial statements 1 October – 30 September

Notes

1 Accounting policies

The annual report of Emerson Process Management A/S for 2015/16 has been prepared in accordance with the provisions applying to reporting class B 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.

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 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.

Financial statements 1 October – 30 September

Notes

Accounting policies (continued)

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 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:

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

Investments

Investments which consists of deposit is recognised at cost price.

Financial statements 1 October – 30 September

Notes

Accounting policies (continued)

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.

Goods for resale and raw materials and consumables 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.

Contract work in progress

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 current liabilities as part of advance payment from customers.

Prepayments

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

Financial statements 1 October – 30 September

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Accounting policies (continued)

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 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	2015/16	2014/15
Wages and salaries	22,460	16,158
Pensions	1,634	1,487
Other social security costs	184	162
	<u>24,278</u>	<u>17,807</u>
Average number of full-time employees	<u>28</u>	<u>25</u>

No remuneration was paid to the Board of Directors in 2015/16. Remuneration to the Executive Board has not been disclosed.

3 Financial income

DKK'000	2015/16	2014/15
Other interest income	272	87
	<u>272</u>	<u>87</u>

4 Financial expenses

DKK'000	2015/16	2014/15
Other financial expenses	421	239
	<u>421</u>	<u>239</u>

5 Tax on profit/loss for the year

DKK'000	2015/16	2014/15
Joint taxation for the year	3,423	-2,802
Corrections from prior years	-54	45
Deferred tax for the year	22	16
	<u>3,391</u>	<u>-2,741</u>

Financial statements 1 October – 30 September

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6 Property, plant and equipment

DKK'000	Fixture and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 October 2015	1,638	206	1,844
Additions	425	0	425
Cost at 30 September 2016	2,063	206	2,269
Depreciation and impairment losses at 1 October 2015	-669	-118	-787
Depreciation	-162	-69	-231
Depreciation and impairment losses at 30 September 2016	-831	-187	-1,018
Carrying amount at 30 September 2016	1,232	19	1,251

7 Contract work in progress

DKK'000	2015/16	2014/15
Selling price work in progress	67,174	28,569
Progress billing	-65,668	-38,091
Loss on contract	-15,265	-407
	-13,759	-9,929

Recognised as follows:

Work in progress	1,716	0
Other provisions	-15,265	-407
Prepayment on work in progress	-210	-9,522
	-13,759	-9,929

Financial statements 1 October – 30 September

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8 Equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 October 2015	48,500	-5,833	42,667
Loss for the year	0	-12,309	-12,309
Equity at 30 September 2016	48,500	-18,142	30,358

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

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

9 Provisions

DKK'000	2015/16	2014/15
Provision for losses on contract work in progress	15,265	407
Provision for warranties	160	151
	15,425	558

10 Mortgages and collateral

The Company has via bank provided warranty to thid party in the amount of DKK 48,798 thousand (2014/15: DKK 9,153 thousand).

11 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	2015/16	2014/15
Rent commitments	2,584	904
Lease commitments	5,936	4,068
	8,520	4,972

Financial statements 1 October – 30 September

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12 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.