MOCON Europe A/S

Rønnedevej 18, 4100 Ringsted

CVR no. 70 60 38 10

Annual report
for the year 1 January - 31 December 2017

Approved at the Company's annual general meeting on 8 June 2018

Chairman:

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Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of MOCON Europe A/S for the financial year 1 January - 31 December 2017.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2017 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2017.

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

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

Allerød, 8 June 2018
Executive Board:

Erik Gustav Børgesen

Board of Directors:

Joel Frie Chairman	Henrik Allan Olsen	Erik Gustav Børgesen
Steen Helt Hansen Staff representative	Kenneth Weber Staff representative	

Independent auditor's report

To the shareholders of MOCON Europe A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of MOCON Europe A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017, and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 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 consolidated financial statements and the parent Company financial statements" (herinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent 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 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 the 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:

Independent auditor's report

- 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, 8 June 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian Schwenn Johansen
State Authorised Public Accountant
MNE no.: mne33234

Kennet Hartmann
State Authorised Public Accountant
MNE no.: mne40036

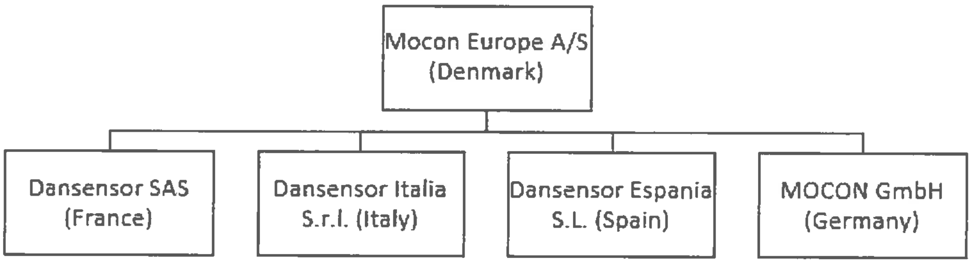
Management's review

Company details

Name	MOCON Europe A/S
Address, Postal code, City	Rønnedevej 18, 4100 Ringsted
CVR no.	70 60 38 10
Established	7 November 1983
Registered office	Ringsted
Financial year	1 January - 31 December
Website	www.dansensor.com
E-mail	info@dansensor.com
Telephone	+45 57 66 00 88
Board of Directors	Joel Frie, Chairman Henrik Allan Olsen Erik Gustav Børgesen Steen Helt Hansen, Staff representative Kenneth Weber, Staff representative
Executive Board	Erik Gustav Børgesen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Group chart



Financial highlights for the Group

DKK'000	2017	2016	2015	2014	2013
Key figures					
Revenue	202,740	220,445	156,902	128,982	111,222
Operating profit/loss	30,424	42,693	19,987	14,906	9,640
Net financials	160	382	400	-224	-132
Profit/loss for the year	20,071	32,671	15,188	10,826	6,817
Total assets	120,792	151,933	107,588	64,846	51,058
Equity	48,007	118,317	81,360	43,592	32,789
Cash flows from operating activities	28,121	14,677	9,622	3,922	0
Investment in property, plant and equipment	-3,595	-11,046	-2,885	-688	-2,438
Total cash flows	8,336	2,862	9,622	3,922	0
Financial ratios					
Operating margin	15.0%	19.4%	12.7%	11.6 %	8.7 %
Gross margin	58.1%	55.9%	57.5%	63.1%	61.3%
Return on assets	22.3%	32.9%	23.2%	25.7%	18.9%
Equity ratio	39.7%	77.9%	75.6%	67.2%	64.2%
Return on equity	24.1%	32.7%	24.3%	28.3%	20.8%
Average number of employees	120	116	255	260	265

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios".

Management's review

Business review

The main activity of MOCON Europe A/S is development, manufacturing, and sale of quality assurance and quality control equipment mainly for the food and health care industry.

MOCON Europe A/S has subsidiaries in France, Germany, Italy and Spain. The activities on the remaining core markets are managed by distributors.

MOCON Europe A/S is part of the MOCON Inc. group which offers a complementary product portfolio, primarily within permeation and Oil & Gas applications.

MOCON Inc. is part of AMETEK, Inc. that is a leading global manufacturer of electronic instruments and electromechanical devices with annualised sales of more than $4.5 billion.

Organisation:

In 2017, MOCON Inc. was acquired by AMETEK. The Business of MOCON Inc. fits well into AMETEK portfolio of companies.

Being part of AMETEK, MOCON Europe will be able to utilize the fact that AMETEK has a large footprint in Europe and thereby harvest the synergies that imposes the synergies that MOCON Europe already in 2016 was focused to create and implement. Being part of AMETEK has put MOCON Europe in the middle of a global organisation that will strengthen and support MOCON Europe's growth plans.

Financial review

In 2017, the group's revenue amounted to DKK 202,740 thousand against DKK 220,445 thousand last year. The income statement for 2017 shows a profit of DKK 20,071 thousand against a profit of DKK 32,671 thousand last year, and the group's balance sheet at 31 December 2017 shows equity of DKK 48,007 thousand.

Considering that MOCON GmbH is a distribution channel for MOCON Inc. permeation products with a lower gross margin than the rest of MOCON Europe A/S, the realised gross margin of 58.1 pct. is satisfying and an improvement of 2.2 pct points from 2016. Without permeation gross margin is 60.2 pct. which is an improvement of 0.8 pct. point compared to 2016.

The income before tax cleared for transfer pricing income increased to DKK 30,584 thousand from DKK 22,237 thousand. This improvement is caused by increase in operational excellence in our production facilities and is considered a positive indication of continued efforts in optimisation of our internal production processes.

The result for the year is according to expected and considered satisfactory, as the integration could have been disruptive to the business.

The result is indicating a positive trend in the MAP industry in general as MOCON Europe has experienced growth within most product ranges and sales channels.

Capital resources

The group is firmly based. The equity amounts to DKK 48,007 thousand, equaling an equity ration of 40%. The cash resources of the group at year-end amount to DKK 42,329 thousand.

Knowledge resources

In order to secure continuous growth, MOCON Europe A/S must maintain the ability to attract and keep a highly educated staff, primarily within management, technology development, production and marketing.

In order to secure a high and competitive quality, the Company applies outsourcing to a great extent. Thus MOCON Europe A/S has current access to the newest technology without binding own resources in plant and equipment.

Management's review

Special risks

General risk

The growth potential of MOCON Europe A/S is dependent on a strong positioning on the focus markets in the EU, North America, and South East Asia.

Furthermore, it is essential for the Company to keep fully updated on the technological development within sensor technology and associated applications.

Financial risks

To some extent the group is exposed to fluctuations in foreign currency rate and MOCON Europe A/S not entering into hedges and other financial instruments.

Foreign Currency Risks

The group is exposed to general foreign currency risks in respect of the current operation, however, primarily related to USD. Sales as well as purchasing are carried out in EURO, USD and DKK.

Credit Risks

The group is not exposed to material risk in respect of individual customers or collaborators. The group credit policy demands current credit rating of all major customers and collaborators.

Impact on the external environment

The direct environmental effects from the daily operation are limited to very small quantities, primarily dissolutions, which are disposed of in compliance with the Danish legislation. Optimisation of energy consumption and indoor climate is a current focus area. MOCON Europe is not obliged to submit an environmental report, but is constantly aware of the values of such.

Research and development activities

In the financial year, MOCON Europe A/S has paid DKK 10,231 thousand in development costs compared to DKK 11,387 thousand in 2016. 2017 R&D costs are regarded as acceptable and 5% of the revenue which is considered to be the norm for the business.

Events after the balance sheet date

After the balance sheet date, MOCON Europe A/S has initiated reorganisation of the distribution subsidiaries in the foreign location as a part of the integration into the Ametek Inc. group. As part of the reorganisation, certain subsidiaries will merge into other Ametek Inc. legal entities in the respective countries. The reorganisation is not expected to impact the financial results of Mocon Europe A/S unfavourably for 2018.

Outlook

In 2018, MOCON Europe A/S will continue its integration into AMETEK. This will effect the structure of MOCON Europe A/S, where subsidiaries of MOCON Europe will be merged into AMETEK companies in order to release synergies in the respective countries.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

		Group		Parent company	
Note	DKK'000	2017	2016	2017	2016
	Revenue	202,740	220,445	128,120	147,319
13	Production costs	-84,892	-97,238	-63,773	-61,216
	Gross profit	117,848	123,207	64,347	86,103
13	Distribution costs	-48,084	-26,839	-16,049	-17,244
13	Administrative expenses	-39,340	-53,675	-23,786	-34,394
	Operating profit	30,424	42,693	24,512	34,465
	Income from investments in group enterprises	0	0	4,846	5,844
3	Financial income	8,228	2,553	8,073	2,597
4	Financial expenses	-8,068	-2,171	-8,751	-2,597
	Profit before tax	30,584	43,075	28,680	40,309
5	Tax for the year	-10,513	-10,404	-8,609	-7,638
	Profit for the year	20,071	32,671	20,071	32,671

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
	ASSETS				
	Fixed assets				
6	**Intangible assets**				
	Software	4,337	5,650	4,261	5,641
		4,337	5,650	4,261	5,641
7	**Property, plant and equipment**				
	Fixtures and fittings, other plant and equipment	6,810	5,889	3,292	2,547
		6,810	5,889	3,292	2,547
8	**Investments**				
	Investments in group enterprises	0	0	19,368	38,824
	Deposits, investments	905	833	329	329
		905	833	19,697	39,153
	Total fixed assets	12,052	12,372	27,250	47,341
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	8,293	5,391	8,125	5,122
	Work in progress	1,125	1,044	1,125	1,131
	Finished goods and goods for resale	5,675	5,590	2,766	1,937
		15,093	12,025	12,016	8,190
	Receivables				
	Trade receivables	32,081	33,182	10,751	11,901
16	Receivables from group enterprises	4,911	55,495	9,413	66,862
11	Deferred tax assets	1,287	1,185	1,047	892
	Other receivables	10,165	125	975	164
9	Prepayments	2,874	3,556	1,366	2,188
		51,318	93,543	23,552	82,007
	Cash	42,329	33,993	26,270	19,149
	Total non-fixed assets	108,740	139,561	61,838	109,346
	TOTAL ASSETS	120,792	151,933	89,088	156,687

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

		Group		Parent company	
Note	DKK'000	2017	2016	2017	2016
	EQUITY AND LIABILITIES				
	Equity				
10	Share capital	27,792	89,200	27,792	89,200
	Reserve for development costs	0	0	544	0
	Retained earnings	20,215	117	19,671	117
	Dividend proposed	0	29,000	0	29,000
	Total equity	48,007	118,317	48,007	118,317
	Provisions				
12	Other provisions	240	321	150	201
	Total provisions	240	321	150	201
	Liabilities other than provisions				
	Current liabilities other than provisions				
	Mortgage debt	0	15	0	0
	Trade payables	8,105	7,697	3,975	3,887
16	Payables to group enterprises	32,148	353	13,721	17,203
	Corporation tax payable	13,608	6,045	13,452	7,499
	Other payables	18,684	19,185	9,783	9,580
		72,545	33,295	40,931	38,169
	Total liabilities other than provisions	72,545	33,295	40,931	38,169
	TOTAL EQUITY AND LIABILITIES	120,792	151,933	89,088	156,687

1 Accounting policies
2 Events after the balance sheet date
14 Contractual obligations and contingencies, etc.
15 Collateral
16 Related parties

Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Group: Share capital	Retained earnings	Dividend proposed	Total
	Equity at 1 January 2017	89,200	117	29,000	118,317
	Capital reduction	-61,408	0	0	-61,408
	Transfer through appropriation of profit	0	20,071	0	20,071
	Adjustment of investments through forreign exchange adjustments	0	27	0	27
	Dividend distributed	0	0	-29,000	-29,000
	Equity at 31 December 2017	27,792	20,215	0	48,007

Note	DKK'000	Parent company: Share capital	Reserve for development costs	Retained earnings	Dividend proposed	Total
	Equity at	89,200	0	117	29,000	118,317
	Capital reduction	-61,408	0	0	0	-61,408
17	Transfer, see "Appropriation of profit"	0	544	19,527	0	20,071
	Adjustment of investments through forreign exchange adjustments	0	0	27	0	27
	Dividend distributed	0	0	0	-29,000	-29,000
	Equity at 31 December 2017	27,792	544	19,671	0	48,007

The share capital consists of DKK 27,792,000 shares at a nominal value of DKK 27,792,000. No shares carry any special rights.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

		Group	
Note	DKK'000	2017	2016
	Profit for the year	20,071	32,671
18	Adjustments	14,381	26,671
	Cash generated from operations (operating activities)	34,452	59,342
	Inventories	-3,068	1,830
	Receivables	-1,101	-43,906
	Trade payables	409	673
	Other payables relating to operating activities	0	652
	Interest income and similar income received	8,228	1,291
	Interest expenses and similar expenses paid	-8,068	-910
	Income taxes paid	-2,731	-4,295
	Cash flows from operating activities	28,121	14,677
	Additions of intangible assets	0	-1,200
	Additions of property, plant and equipment	-3,595	-11,046
	Deposits	-72	0
	Sale of property, plant an equipment	0	416
	Cash flows to investing activities	-3,667	-11,830
	Dividends paid	-29,000	0
	Proceeds of debt, group enterprises	42,876	0
	Repayments, group enterprises	-29,994	0
	Short-term payables to credit institutions	0	15
	Cash flows from financing activities	-16,118	15
	Net cash flow	8,336	2,862
	Cash and cash equivalents at 1 January	33,993	31,131
	Cash and cash equivalents at 31 December	42,329	33,993

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

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

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

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Consolidated financial statements

The consolidated financial statements comprise the Parent Company and subsidiaries controlled by the Parent Company.

Control means a parent company's power to direct a subsidiary's financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

In assessing if the parent company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity can become empowered to direct another entity's financial and operating decisions.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate 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 and payables and other monetary items denominated in foreign currencies are translated at the exchange rate 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 most recent financial statements is recognised in the income statement as financial income or financial expenses.

Foreign group entities

Foreign subsidiaries and associates are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Leases

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method).

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases, as well as depreciation on production plant.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Distribution costs

Distribution costs comprise costs related to the distribution of goods sold in the year and to sales campaigns, etc. carried out in the year, including costs related to sales staff, advertising, exhibitions and amortisation/depreciation.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purposes.

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Software	5 years
Other plant, fixtures and fittings, tools and equipment	3-5 years

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impaiment losses on fixed assets' section.

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Income from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Shares of profit/loss after tax in associates are recognised in the consolidated income statement after elimination of a proportionate share of unrealised intra-group gains/losses.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its sister company are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Software is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Investments in subsidiaries

Equity investments in subsidiaries are measured according to the equity method.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

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

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

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Notes to the financial statements

1 Accounting policies (continued)

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Warranty commitments include expenses for remedial action in respect of the contract work within the warranty period of 1-5 years. Provisions for warranty commitments are measured at net realisable value and recognised based on past experience.

Current and deferred tax

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to 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. Deferred tax assets are recognised at the expected value of their utilisation; 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Cash flow statement

The cash flow statement shows the group's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the group's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin $\frac{\text{Operating profit x 100}}{\text{Revenue}}$

Gross margin ratio $\frac{\text{Gross margin x 100}}{\text{Revenue}}$

Return on assets $\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$

Equity ratio $\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$

Return on equity $\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$

2 **Events after the balance sheet date**

After the balance sheet date, MOCON Europe A/S has initiated reorganisation of the distribution subsidiaries in the foreign location as a part of the integration into the Ametek Inc. group. As part of the reorganisation, certain subsidiaries will merge into other Ametek Inc. legal entities in the respective countries. The reorganisation is not expected to impact the financial results of Mocon Europe A/S unfavourably for 2018.

	Group		Parent company	
DKK'000	2017	2016	2017	2016
3 **Financial income**				
Interest receivable, group entities	312	1,287	451	1,332
Exchange adjustments	7,875	1,257	7,613	1,257
Other financial income	41	9	9	8
	8,228	2,553	8,073	2,597

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Notes to the financial statements

	DKK'000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
4	**Financial expenses**				
	Interest expenses, group entities	0	0	667	773
	Exchange adjustments	7,860	1,294	7,981	1,724
	Other financial expenses	208	877	103	100
		8,068	2,171	8,751	2,597
5	**Tax for the year**				
	Estimated tax charge for the year	8,096	10,353	6,257	7,743
	Deferred tax adjustments in the year	-41	61	-154	-105
	Tax adjustments, prior years	2,458	-10	2,506	0
		10,513	10,404	8,609	7,638

6 **Intangible assets**

DKK'000	Group Software
Cost at 1 January 2017	12,878
Forreign exchange adjustments	2
Additions	535
Cost at 31 December 2017	13,415
Impairment losses and amortisation at 1 January 2017	7,228
Amortisation for the year	1,850
Impairment losses and amortisation at 31 December 2017	9,078
Carrying amount at 31 December 2017	4,337

DKK'000	Parent company Software
Cost at 1 January 2017	12,358
Additions	434
Cost at 31 December 2017	12,792
Impairment losses and amortisation at 1 January 2017	6,717
Amortisation for the year	1,814
Impairment losses and amortisation at 31 December 2017	8,531
Carrying amount at 31 December 2017	4,261

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Notes to the financial statements

7 Property, plant and equipment

DKK'000	Group Fixtures and fittings, other plant and equipment
Cost at 1 January 2017	22,746
Additions	3,184
Disposals	-348
Cost at 31 December 2017	25,582
Impairment losses and depreciation at 1 January 2017	16,857
Depreciation	1,915
Impairment losses and depreciation at 31 December 2017	18,772
Carrying amount at 31 December 2017	6,810

DKK'000	Parent company Fixtures and fittings, other plant and equipment
Cost at 1 January 2017	12,031
Additions	1,558
Cost at 31 December 2017	13,589
Impairment losses and depreciation at 1 January 2017	9,484
Depreciation	813
Impairment losses and depreciation at 31 December 2017	10,297
Carrying amount at 31 December 2017	3,292

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Notes to the financial statements

8 Investments

DKK'000	Group Deposits, investments
Cost at 1 January 2017	833
Additions	72
Cost at 31 December 2017	905
Carrying amount at 31 December 2017	905

	Parent company		
DKK'000	Investments in group enterprises	Deposits, investments	Total
Cost at 1 January 2017	36,814	329	37,143
Cost at 31 December 2017	36,814	329	37,143
Value adjustments at 1 January 2017	2,010	0	2,010
Foreign exchange adjustments	27	0	27
Dividend received	-24,329	0	-24,329
Profit/loss for the year	4,846	0	4,846
Value adjustments at 31 December 2017	-17,446	0	-17,446
Carrying amount at 31 December 2017	19,368	329	19,697

Parent company

Name	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries			
Dansensor France SAS, France	100.00%	3,381	868
Dansensor Italia S.r.l, Italy	100.00%	5,026	1,480
Dansensor Espana S.L., Spain	100.00%	1,477	638
MOCON GmbH, Germany	100.00%	9,484	1,860

9 Prepayments

Group/Parent
Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

10 **Share capital**

Analysis of changes in the share capital over the past 5 years:

DKK'000	2017	2016	2015	2014	2013
Opening balance	89,200	89,200	20,000	20,000	20,000
Capital increase	0	0	69,200	0	0
Capital reduction	-61,408	0	0	0	0
	27,792	89,200	89,200	20,000	20,000

	Group		Parent company	
DKK'000	2017	2016	2017	2016
11 **Deferred tax**				
Deferred tax at 1 January	-1,185	-1,248	-892	-788
Other deferred tax	-102	63	-155	-104
Deferred tax at 31 December	-1,287	-1,185	-1,047	-892
Analysis of the deferred tax				
Deferred tax assets	-1,287	-1,185	-1,047	-892
	-1,287	-1,185	-1,047	-892

Both in the parent and group, tax assets consist of timing differences between carrying amount and taxable value for certain assets and liabilities. In the group, a minor tax loss has been recognised as it is expected to be used within 3 years.

	Group		Parent company	
DKK'000	2017	2016	2017	2016
12 **Other provisions**				
Opening balance at 1 January	320	233	201	172
Provisions in the year	191	289	105	101
Provisions utilised in the year	-270	-201	-156	-72
Other provisions at 31 December	241	321	150	201

Other provisions primarily comprise warranty provisions

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

		Group		Parent company	
	DKK'000	2017	2016	2017	2016
13	**Staff costs**				
	Wages/salaries	62,855	62,744	37,116	40,874
	Pensions	4,021	4,617	3,707	3,848
	Other social security costs	6,287	6,092	300	480
		73,163	73,453	41,123	45,202

Staff costs are recognised as follows in the consolidated financial statements and the parent company financial statements:

	Group		Parent company	
DKK'000	2017	2016	2017	2016
Production	19,302	18,824	19,755	18,838
Distribution	36,761	32,385	11,703	13,529
Administration	17,100	22,244	9,665	12,835
	73,163	73,453	41,123	45,202
Average number of full-time employees	120	116	64	65

Group

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to the group Management is not disclosed.

14 Contigent liabilities

Contingent liabilities

Group

Lease commitments: The group enterprise has concluded lease agreements with terms to maturity of 5 years and a total of DKK 743.

Rent commitments: The group enterprise has rent commitments in total of DKK 10,688 thousand.

Parent company

MOCON Europe A/S is jointly taxed with its sister company, which acts as management company. The company has joint and and several unlimited liability, together with the group companies, for all Danish income taxes and withholding taxes on dividend, interest and royalties within the group of jointly taxed entities. Any subsequent corrections of income subject to joint taxation and withholding taxes, etc. could entail an increase in the entities' tax liability. The Group as a whole is not liable vis-à-vis any third parties.

Lease commitments: The Company has concluded lease agreements with terms to maturity of 5 years and a total of DKK 413 thousand.

Rent commitments: The Company has rent commitments in total of DKK 771 thousand.

Other contigent liabilities: The Company has a guarantee commitment toward MOCON GmbH covering their lease commitment of DKK 9,859 thousand.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

15 Collateral

Group

The group has not provided any security or other collateral in assets at 31 December 2017.

Parent company

The parent Company has not placed any assets or other as security for loans at 31 December 2017.

16 **Related parties**

Parent company

MOCON Europe A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
MOCON Europe Sàrl	Luxemborg	Participating interest
AMETEK Inc.	Pennsylvania	Ultimative parant company with controlling interest

Information about consolidated financial statements

Parent	Domicile
MOCON Europe Sàrl	Luxemborg

Transactions with related parties

The Parent company has carried out the following related party transactions in the financial year which are all based on arm-length principles:

Related party	Amount	Description of transaction
	DKK'000	
MOCON, Inc (Parent company)	17,400	Sales and purchase of goods
MOCON Inc. Baseline (Other group entity in Ametek Inc.)	21	Reinvoicing of costs
AMETEK Denmark A/S (Other group entity in Ametek Inc.)	180	Purchase of goods

The company disclosed by reference to section 98c(7), (ii), of the Danish Financial Statements Act, that all transaction is according to the arm's length transaction principle.

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Notes to the financial statements

	DKK'000	Parent company 2017	Parent company 2016
17	**Appropriation of profit**		
	Recommended appropriation of profit		
	Proposed dividend recognised under equity	0	29,000
	Other statutory reserves	544	0
	Retained earnings	19,527	3,671
		20,071	32,671
18	**Adjustments**		
	Depreciation, amortisation, impairment losses and write-downs	4,028	12,172
	Financial income	-8,228	-1,291
	Financial expenses	8,068	910
	Tax for the year	10,513	10,405
	Other adjustments	0	4,475
		14,381	26,671