Ridgid Scandinavia A/S

Drejergangen 3 C, 1.th.
2690 Karlslunde
Denmark

CVR no. 70 69 90 28

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

18 January 2018

Peter Kim Ketelsen
chairman

Contents

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 Ridgid Scandinavia 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.

Karlslunde , 18 January 2018
Executive Board:

Michael Poulsen

Board of Directors:

Peter Kim Ketelsen Chairman	Michael Poulsen	Marc Vandevelde

KPMG

Independent auditor's report

To the shareholder of Ridgid Scandinavia A/S

Opinion

We have audited the financial statements of Ridgid Scandinavia A/S for the financial year 1 October 2016 – 30 September 2017 comprising income statement, balance sheet 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.

KPMG

Independent auditor's report

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 Management's Review.

Our conclusion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our extended review of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that Management's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not identify any material misstatement of Management's Review.

Copenhagen, 18 January 2018
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

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

Management's review

Company details

Ridgid Scandinavia A/S
Drejergangen 3 C, 1.th.
2690 Karlslunde
Denmark

Telephone:	+45 80 88 73 55
CVR no.:	70 69 90 28
Established:	3 January 1964
Registered office:	Karlslunde
Financial year:	1 October – 30 September

Board of Directors

Peter Kim Ketelsen, Chairman
Michael Poulsen
Marc Vandevelde

Executive Board

Michael Poulsen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø
Denmark

Annual general meeting

The annual general meeting will be held on 18 January 2018

Management's review

Financial highlights

DKK'000	2016/17	2015/16	2014/15	2013/14	2012/13
Key figures					
Gross profit	18,970	21,057	20,889	22,187	22,972
Ordinary operating profit	11,716	13,649	13,503	14,872	16,156
Profit from financial income and expenses	7	2	8	9	9
Profit for the year	9,264	10,519	10,222	11,197	12,083
Total assets	27,405	28,315	27,515	27,397	26,197
Equity	13,874	14,610	14,091	13,869	13,672
Ratios					
Equity ratio	50.6%	51.6%	51.2%	50.6%	52.2%
Return on equity	65.0%	73.3%	73.1%	81.3%	82.6%
Average number of full-time employees	11	11	11	11	10

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". The financial ratios have been calculated as follows:

Equity ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$

Management's review

Operating review

Principal activities

The Company's business consists of marketing and sale of tools in the Nordic and Baltic countries. The products comprise power tools, machines and TV inspection.

Development in activities and financial position

The profit for the year amounted to DKK 9,264 thousand (2015/16: DKK 10,519 thousand). Management considers the profit for the year as satisfactory.

Equity at 30 September 2017 amounted to DKK 13,874 thousand (2015/16: DKK 14,610 thousand).

Events after the balance sheet date

No major events have taken place subsequent to year end which are deemed to significantly affect the evaluation of the financial statements for 2016/17.

Outlook

Management expects a minor increase in revenue and profit for the coming financial year compared to 2016/17.

General risks

The Company's main operating risk relates to its ability to maintain a strong position in the main markets. In addition, it is important for the Company to remain at the leading edge through offering of new products. The Company ensures this through major development in activities in other companies of the Group.

Financial risks

As a consequence of its financial resources, the Company's exposure to changes in the interest rate level is limited.

Currency risks

The Company invoices in DKK and EUR. Purchases of goods are made in DKK.

Credit risks

The Company is not exposed to significant risk in relation to individual customers or partners.
The Company's credit risk policy dictates that all major customers and other partners are subject to regular credit checks.

Financial statements 1 October – 30 September

Income statement

DKK'000	Note	2016/17	2015/16
Gross profit		18,970	21,057
Staff costs	2	-7,208	-7,358
Depreciation		-46	-50
Operating profit		11,716	13,649
Financial income	3	7	9
Financial expenses		0	-7
Profit before tax		11,723	13,651
Tax on profit for the year	4	-2,459	-3,132
Profit for the year		9,264	10,519

Proposed profit appropriation

Proposed dividend for the financial year	0	10,000
Retained earnings	9,264	519
	9,264	10,519

Financial statements 1 October – 30 September

Balance sheet

DKK'000	Note	2016/17	2015/16
ASSETS			
Non-current assets			
Property, plant and equipment	5		
Fixtures and fittings, tools and equipment		26	49
Leasehold improvements		121	2
		147	51
Investments			
Deposits		259	249
		259	249
Total non-current assets		406	300
Current assets			
Inventories			
Goods for resale		1,912	1,930
		1,912	1,930
Receivables	6		
Trade receivables		7,550	8,810
Receivables from group entities		17,226	16,773
Other receivables		39	37
Deferred tax asset		10	12
Prepayments		262	450
		25,087	26,082
Cash at bank and in hand		0	3
Total current assets		26,999	28,015
TOTAL ASSETS		27,405	28,315

Financial statements 1 October – 30 September

Balance sheet

DKK'000	Note	2016/17	2015/16
EQUITY AND LIABILITIES			
Equity	7		
Share capital		500	500
Proposed dividends for the financial year		0	10,000
Retained earnings		13,374	4,110
Total equity		13,874	14,610
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		701	473
Payables to group entities		7,560	7,565
Joint tax contribution payable		2,761	3,250
Other payables		2,509	2,417
		13,531	13,705
Total liabilities other than provisions		13,531	13,705
TOTAL EQUITY AND LIABILITIES		27,405	28,315
Contingent liabilities	8		
Ownership	9		

Financial statements 1 October – 30 September

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1 **Accounting policies**

The annual report of Ridgid Scandinavia A/S for 2016/17 has been prepared in accordance with the provisions applying to reporting class B under the Danish Financial Statements Act with opt-in from higher accounting class.

As from 1 October 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

- Going forward, the residual value of intangible assets and 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 or the balance sheet for 2016/17 or for the comparative figures.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be realibly measured.

Liabilities are recognised in the balance sheet when outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

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

Financial statements 1 October – 30 September

Notes

1 Accounting policies (continued)

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.

Revenue

Revenue from the sale of goods for resale is recognised in the income statement when transfer of risk to the buyer has taken place and provided that the income can be reliably measured and is expected to be received.

Gross margin

Gross margin comprises the value of revenue less cost of sales directly attributable to the sale and other external costs.

Financial income and expenses

Financial income and expenses comprise interest and realised and unrealised foreign exchange adjustments.

Tax on profit/loss for the year

The Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

Damcos Holding A/S is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

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

Financial statements 1 October – 30 September

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1 **Accounting policies (continued)**

Property, plant and equipment

Fixtures and fittings 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 acqusition until the date when the asset is available for use.

The depreciable amount, which is calculated as cost less any projected residual values after the end of the useful life, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

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 are measured at cost, comprising purchase price plus delivery costs.

Provisions are made for obsolete and slow-moving items.

Prepayments and deferred income

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

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Equity

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 seperate item under equity.

Financial statements 1 October – 30 September

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1 Accounting policies (continued)

Corporation tax and deferred tax

Under the joint taxation rules, the Company's liabilities 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.

Joint tax contribution 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 base 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. Any deferred net assets are measured at net realisable value.

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

Liabilities

Liabilities are measured at amortized cost which normally corresponds to net realisable value.

Financial statements 1 October – 30 September

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2 Staff costs

DKK'000	2016/17	2015/16
Wages and salaries	6,480	6,245
Pensions	579	614
Other social security costs	149	499
	7,208	7,358
Average number of full-time employees	11	11

3 Financial income

Interest income from group entities	7	9
	7	9

4 Tax on profit for the year

Joint tax contribution	-2,614	-3,113
Adjustment of income tax from previous year	157	-24
Deferred tax adjustments for the year	-2	5
	-2,459	-3,132

Deferred tax asset of DKK 10 thousand relates to the difference between the carrying amount and the tax base of property, plant and equipment.

5 Property, plant and equipment

DKK'000	Leasehold improve -ments	Fixtures and fittings, tools and equipment	Total
Cost at 1 October 2016	250	246	496
Additions	133	9	142
Disposals	0	-8	-8
Cost at 30 September 2017	383	247	630
Depreciation at 1 October 2016	-248	-197	-445
Depreciation	-14	-32	-46
Depreciation on disposed assets	0	8	8
Depreciation at 30 September 2017	-262	-221	-483
Carrying amount at 30 September 2017	121	26	147

Financial statements 1 October – 30 September

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6 **Receivables**

Receivables from group enterprises are part of the Emerson Group cash pool.

7 **Equity**

DKK'000	Contributed capital	Retained earnings	Proposed dividends	Total
Equity at 1 October 2016	500	4,110	10,000	14,610
Dividend paid	0	0	-10,000	-10,000
Transferred, profit appropriation	0	9,264	0	9,264
Equity at 30 September 2017	500	13,374	0	13,874

8 **Contingent liabilities**

DKK'000	2016/17	2015/16
Rent and lease commitments	1,700	1,974
	1,700	1,974

The Company is jointly taxed with other Danish subsidiaries of Emerson Electric Co. The Company has joint and several unlimited liability for Danish company taxes, withholding taxes on dividends, interest and royalties within the joint taxation.

9 **Ownership**

Ridge Tool Europe N.V., Haasrode-Zone 2, Interleuvenlaan 50, B-3001 Leuven, Belgium, owns 100% of the share capital, and the financial statements of Ridgid Scandinavia A/S are included in the consolidated financial statements of this company.

Ridgid Scandinavia A/S is included in the consolidated financial statements of its ultimate parent, Emerson Electric Co., World Headquarters, 8000 W. Florissant Ave., P.O. Box 4100, St. Louis, MO 63136, USA. This company is listed on the stock exchange in the USA.