

Elster-Instromet A/S

Læsøvej 3B 9800 Hjørring, Denmark
CVR No.76403112

Annual Report for 1 January - 31 December 2019

*The Annual Report was
presented and adopted at the
Annual General Meeting of the
Company on 03 / Apr /2020.*

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Paschal Morris

Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Elster-Instromet A/S for the financial year 1 January - 31 December 2019.

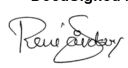
The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations for 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position. We recommend that the annual report be approved at the annual general meeting.

Hjørring, 03 / Apr /2020

Executive Board

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René Gårdsvig

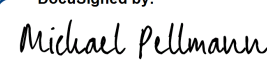
Board of Directors

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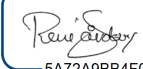
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Paschal Morris

Chairman

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Michael Pellmann

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René Gårdsvig

Independent auditor's extended review report

To the shareholder of Elster-Instromet A/S

Report on extended review of the financial statements

Conclusion

We have performed an extended review of the financial statements of Elster-Instromet A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements". We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures to obtain limited assurance about our conclusion on the financial statements and that we also perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our conclusion. An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity personnel, performing analytical and the specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

Our responsibility is to conduct an extended review of the the financial statements in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors and to issue an extended review report. However, due to the matter described in the "Basis for disclaimer of conclusion" section, we have not been able to obtain sufficient and appropriate evidence to provide a basis for our conclusion on the financial statements.

We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the extended review or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with 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 commentary.

Aalborg, 03 / Apr / 2020

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No. (CVR): 33963556

Lars Birner Sorensen
State Authorised Public Accountant
Identification No.: MNE11671

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Lars Sorensen
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Company Information

The company	Elster-Instromet A/S Læsøvej 3B 9800 Hjørring, Denmark Telephone: +45 9891 1055 Telefax: +45 9891 0767 Website: www.elster-instromet.dk CVR No.76403112 Established: 02-11-1984 Financial period: 1 January - 31 December
Board of Directors	Paschal Morris Michael Pellmann René Gárdsvig
Executive Board	René Gárdsvig
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Østre Havnepromenade 26, 4 Sal 9000 Aalborg SV
Bankers	Danske Bank A/S Holmens Kanal 2 1092 København K
Lawyers	HjulmandKaptain Frederikshavnsvej 215 9800 Hjørring

Management's review

Principal activity

To manufacture and market measuring, regulating and process equipment, etc. To design and build meter— and/ or regulator stations as well as complete process solutions such as burner and engine trains. To be able to make preventive maintenance and service of equipment delivered by us in the Nordic Countries. To hold the market responsibility for the entire Elster-Instromet Group's product programme in the Nordic Countries.

Financial review

The income statement of the Company for 2019 shows a profit of DKK 4,146k and at 31 December 2019 the balance sheet of the Company shows equity of DKK 39,372k.

The Operating Income for Elster-Instromet A/S was DKK 5.32m compared to DKK 7.47m for 2018. The gross profit for 2019 represents DKK 10.32m compared to DKK 12.43m for 2018 and is at expected level.

Subsequent events

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus outbreak a public health emergency. We have a significant supplier base in China affected by the outbreak, and the reduction in parts supply will affect our plants in Europe. The effects of the novel coronavirus on our suppliers and our operations may have a significant adverse impact on our revenues and profitability at least through the second quarter of 2020.

Accounting Policies

Basis of accounting

Financial Statements of Elster-Instromet A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B and the Company's Articles of Association with addition of certain provisions for reporting class C.

The accounting policies applied remain unchanged from last year except for the method of recognition of revenue for long term contracts which has been changed from percentage of completion method to sales/billing method. Due to this change in accounting policy, there is an effect of DKK 560,210 on the annual report.

Financial Statements for 2019 are presented in DKK.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

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

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Translation policies

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

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

Income Statement

Revenue

The Company has chosen IAS 18 as interpretation for revenue recognition.

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Income from contract work is recognised as revenue at the time of delivery and the transfer of the risk to the buyer

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, revenue is not disclosed in the annual report. Gross Profit includes net turnover, change in inventories, cost of material and other external costs.

Cost of material

Cost of material comprises cost of material of the financial year measured at costs, and adjusted for usual inventory write-downs.

Accounting Policies

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation and administration.

Cost of sales also includes research and development costs that do not qualify for capitalisations well as amortisation of capitalised development costs. Finally, provisions for losses on contract work are recognised.

Other external expenses

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

Staff costs

Staff costs comprise wages and salaries as well as related costs.

Depreciation/amortisation and impairment losses

Depreciation, amortisation and impairment losses comprise depreciation for the year on property, plant and equipment, amortisation of intangible assets and impairment losses.

Financial income and expenses

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

Financial income and financial expenses comprise interest, financial expenses on finance leases, realised and unrealised exchange rate adjustments as well as value adjustment of securities.

Tax on profit/loss for the year

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

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

Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Balance Sheet

Non-current assets

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses. Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub—suppliers.

Interest expenses on loans raised specifically to finance the manufacture of property, plant and equipment are recognised in cost over the manufacturing period. All indirectly attributable borrowing costs are recognised in the income statement.

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

Other fixtures and fittings, tools and equipment	3-10 Years
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Assets costing less than DKK 12,600 are expensed in the year of acquisition.

Impairment of fixed assets

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

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

Accounting Policies

Write-down of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

If this is the case, an impairment test is made in order to determine whether the recoverable amount is lower than the carrying amount, and a write-down is made to this lower value.

The recoverable amount for the asset concerned is made up as the higher of the net selling price and the net present value. If it is not possible to determine the recoverable amount for individual assets, the assets are assessed jointly in the smallest identifiable group of assets to determine a reliable recoverable amount.

Assets for which no separate value in use can be determinable, as the asset does not in itself generate any future cash flows, are subject to review for impairment together with the group of assets to which they belong.

Current assets

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value. The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery

Receivables

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

Exchange rate adjustments of long-term loans to group enterprises are taken to equity, as these loans are considered "equity" loans.

Contract work in progress

Contract work in progress is measured based on the sales method.

When using the sales method, the Contract work in progress in the balance is measured at cost.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity and liability

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

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

Other financial liabilities

Other financial liabilities are recognised at cost at the time of contracting the debt. Subsequently, it is stated at amortised cost, which in respect of short-term and non-interest Bearing debt and in respect of floating-rate loans usually corresponds to nominal value.

Accounting Policies

Deferred tax assets and liabilities

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

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

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

Corporation tax receivables and liabilities

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

Financial debts

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

Operating lease agreements

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Changes in accounting policies

Effective 1 January 2019, the company has changed the following in the recognition and measurement:

- The recognition of revenue has been changed from the productions method to the sales method

The accumulated effect of the policy changes for the Company is an increase in the pre-tax profit for the year by DKK 560 thousand. The income tax expenses resulting from the changes is DKK 123 thousand, implying an increase in the profit for the year of DKK 437 thousand. The balance sheet total is increased by DKK 560 thousand, where's equity at 31 December 2018 is not effected.

Apart from the above changes, the accounting policies used in the preparation of the financial statements are consistent with those of last year. Comparative figures have been restated to reflect the policy changes

Rectification of information of previous financial period

The company has adjusted the comparative figures 2017:

1. Nomenclature and breakup of amount of other payables under note 7 has been changed as per following :

- Nomenclature changed from "VAT and customs" to "VAT" - Amount changed from 2,025,399 to 2,025,400.
- Nomenclature changed from "Social payroll expenses" to "Remaining salary related items" - Amount changed from "19,243" to "238,525".
- Nomenclature changed from "Computed holiday pay" to "Holiday pay Commitment" - Amount changed from "983,554" to "887,597".
- Nomenclature changed from "Other Items" to "Other guilty" - Amount changed from "300,649" to "177,323".

Income Statement

for the year ended 31 December 2019

	Notes	2019 DKK	2018 DKK
Gross profit		10 324 491	12 434 275
Staff expenses	1	-4 938 339	-4 896 770
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	2	-70 608	-70 610
Operating profit		5 315 544	7 466 895
Financial Expenses	3	-516	-328
Profit before tax		5 315 028	7 466 567
Tax benefit/(expense) for the year	4	-1 169 521	-1 644 607
Profit for the year		4 145 507	5 821 960
Distribution of profit		0	0
Proposed distribution of profit		0	0
Retained earnings		4 145 507	5 821 960

Balance Sheet

at 31 December 2019

	Notes	2019 DKK	2018 DKK
ASSETS			
Non-current assets			
Property, plant and equipment			
Plant & Machinery	2	194 141	264 749
Other fixtures and fittings, tools and equipment	2	0	0
		194 141	264 749
Total non-current assets		194 141	264 749
Current assets			
Inventories			
Raw materials and consumables		3 579 356	2 958 661
		3 579 356	2 958 661
Receivables			
Trade receivables		6 834 694	3 692 987
Receivables from subsidiaries		34 212 278	34 668 884
Contract work in progress	5	3 073 730	1 030 742
Deferred tax receivables		848	0
Other receivables		90 017	88 824
Total receivables		44 211 567	39 481 437
Total current assets		47 790 923	42 440 098
TOTAL ASSETS		47 985 064	42 704 847

Balance Sheet

at 31 December 2019

	Notes	<u>2019</u>	<u>2018</u>
		DKK	DKK
EQUITY AND LIABILITIES			
Equity			
Share capital		900 000	900 000
Retained earnings		38 472 115	34 326 608
		<u>39 372 115</u>	<u>35 226 608</u>
Non-current liabilities			
Employee benefit obligations		159 257	0
Provisions			
Provision for deferred tax		0	1 652
Warranty Provision		89 889	113 100
		<u>89 889</u>	<u>114 752</u>
Total non-current liabilities		<u>249 146</u>	<u>114 752</u>
Current liabilities			
Trade payables		269 515	1 229 558
Payables to group enterprises		411 206	853 892
Corporation tax		3 123 213	1 951 192
Other payables	6	4 559 869	3 328 845
Total current liabilities		<u>8 363 803</u>	<u>7 363 487</u>
Total liabilities		<u>8 612 949</u>	<u>7 478 239</u>
TOTAL EQUITY AND LIABILITIES		<u>47 985 064</u>	<u>42 704 847</u>
Contingent assets, liabilities and other financial obligations	7		
Related parties and ownership	8		

Statement of Changes in Equity

at 31 December 2019

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January 2019	900 000	34 326 608	35 226 608
Net profit for the year	0	4 145 507	4 145 507
Equity at 31 December 2019	900 000	38 472 115	39 372 115

	Number	Nominal Value
		DKK
Shares at DKK 300,000	3	900 000
		900 000

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

Notes to the annual report

at 31 December 2019

1 Staff expenses	2019	2018
	DKK	DKK
Wages and salaries	3 875 060	3 770 404
Pensions	700 476	756 001
Other social security expenses	335 420	352 353
Other staff costs	27 383	18 012
	4 938 339	4 896 770

Average number of employees	9	9
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2 Property, Plant and Equipment	Plant & Machinery	Other fixtures and fittings, tools and equipment	Total
	DKK	DKK	DKK
Cost at 1 January 2019	1 610 986	226 938	1 837 924
Cost at 31 December 2019	1 610 986	226 938	1 837 924
Depreciations and impairment losses at 1 January 2019	1 346 237	226 938	1 573 175
Depreciation for the year	70 608	0	70 608
Depreciations and impairment losses	1 416 845	226 938	1 643 783
Carrying amount at 31 December 2019	194 141	0	194 141

3 Finance expenses	2019	2018
	DKK	DKK
Other financial expenses	516	328
Total	516	328

4 Tax on profit / loss for the year	2019	2018
	DKK	DKK
Current tax for the year	1 172 021	1 951 192
Deferred tax for the year	-2 500	-302 427
Deferred tax, prior year adjustment	0	-4 158
Total	1 169 521	1 644 607

Notes to the annual report

at 31 December 2019

5 Contract Work In progress	2019	2018
	DKK	DKK
Selling price of production for the period	3 073 730	1 030 742
	<u>3 073 730</u>	<u>1 030 742</u>
Recognised in the balance sheet as follows-		
Contract work in progress recognised in assets	3 073 730	1 030 742
	<u>3 073 730</u>	<u>1 030 742</u>
6 Other payables	2019	2018
	DKK	DKK
VAT	3 458 271	2 025 400
Remaining salary related items	361 582	238 525
Holiday pay Commitment	663 003	887 597
Others guilty	77 013	177 323
	<u>4 559 869</u>	<u>3 328 845</u>

7 Contingent assets, liabilities and other financial obligations

- The Company has entered into a rental agreement, which covers the period until December 31, 2019, and can then be cancelled at 6 months notice. The present yearly obligation for this rental agreement amounts to DKK 323,729, and the grand total obligation amounts to DKK 161,864.
- The Company has entered into lease contracts for operating equipment. The contracts covers the period until September 2018, and the total obligation amounts to DKK 0.
- The company has entered into Automobiles leasing agreement until August 31, 2023 for DKK 330,379.

The Company is jointly taxed with all other Danish companies in the Honeywell group. As a consolidated entity, the Company has unlimited and joint liability together with the other companies under joint taxation for Danish corporation tax and withholding tax on dividends, interest and royalties within the jointly taxed companies.

8 Related parties and ownership

Transactions

The direct and the ultimate Parent Companies, which prepare consolidated financial statements including the Company, are Elster GmbH, Steinern Strasse 19, D-55252 Mainz-Kastel, Germany, and Honeywell, Morristown, New Jersey, USA respectively. The Company's related parties are Elster GmbH, Steinern Strasse 19, D-55252 Mainz-Kastel, Germany, in Germany and Honeywell, Morristown, New Jersey, USA . All transactions between the related parties are based on arms-length term.

Consolidated Financial Statements

The consolidated financial statements of these companies can be obtained at the following addresses:
Elster GmbH, Steinern Strasse 19, D-55252 Mainz-Kastel, Germany, Honeywell International, 101 Columbia Rd, PO Box 4000, Morristown, NJ 08962, USA

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital. Elster GmbH, Steinern Strasse 19, D-55252 Mainz-Kastel, Germany.