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Mita-Teknik A/S

Håndværkervej 1
DK-8840 Rødkærsbro

CVR no. 66 08 92 15

Annual report for the period 1 January – 30 September 2022

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

1 March 2023

DocuSigned by:
James Alistair Fraser
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James Alistair Fraser
Chairman of the annual general meeting

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Mita-Teknik A/S
Annual report 2022
CVR no. 66 08 92 15

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Mita-Teknik A/S
Annual report 2022
CVR no. 66 08 92 15

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 Mita-Teknik A/S for the financial period 1 January – 30 September 2022.

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 2022 and of the results of the Company's operations for the financial period 1 January – 30 September 2022.

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

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

Viborg, 1 March 2023
Executive Board:

DocuSigned by:
Klaus Kromann Knudsen
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Klaus Kromann Knudsen
CEO

DocuSigned by:
Guido Wink
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Guido Wink

DocuSigned by:
Robert Lewis Yeager
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Robert Lewis Yeager

Board of Directors:

DocuSigned by:
James Alistair Fraser
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James Alistair Fraser
Chairman

DocuSigned by:
Richard Rodney Nelson
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Richard Rodney Nelson

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Guido Wink
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Guido Wink

DocuSigned by:
Richard William Kephart Jr
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Richard William Kephart Jr.

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Independent auditor's report

To the shareholder of Mita-Teknik A/S

Opinion

We have audited the financial statements of Mita-Teknik A/S for the financial period 1 January – 30 September 2022 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 September 2022 and of the results of the Company's operations for the financial period 1 January – 30 September 2022 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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.

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.

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Independent auditor's report

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

— conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, 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.

Aarhus, 1 March 2023
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

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Mikkel Trabjerg Knudsen
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State Authorised
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State Authorised
Public Accountant
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Management's review

Company details

Mita-Teknik A/S
Håndværkervej 1
8840 Rødkærsbro

Telephone:	86 65 86 00
Fax:	86 65 92 90
E-mail:	mail@mita-teknik.com

CVR no.:	66 08 92 15
Established:	16 June 1980
Registered office:	Viborg
Financial period:	1 January – 30 September

Board of Directors

James Alistair Fraser, Chairman
Richard Rodney Nelson
Guido Wink
Richard William Kephart Jr.

Executive Board

Klaus Kromann Knudsen, CEO
Guido Wink
Robert Lewis Yeager

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Frederiks Plads 42
DK-8000 Aarhus C
CVR no. 25 57 81 98

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Management's review

Financial highlights

DKK'000	1/1-30/9 2022	2021	2020	2019	2018
Key figures					
Gross profit	21,670	32,149	38,224	35,677	28,428
Loss before financial income and expenses	-12,057	-12,557	-5,601	-9,799	-32,937
Profit/loss from financial income and expenses	725	312	8,695	-3,262	19,025
Profit/loss for the period	-8,287	-8,794	5,173	-10,686	-11,823
Total assets	111,363	104,910	105,541	117,502	127,937
Equity	26,975	35,262	44,456	40,238	39,597
Investment in property, plant and equipment	0	317	526	1,785	-368
Ratios					
Return on invested capital	-11.1%	-11.9%	-5.0%	-8.0%	-18.5%
Return on equity	-26.6%	-22.1%	12.2%	-26.8%	-12.8%
Solvency ratio	24.2%	33.6%	42.1%	34.2%	31.0%
Average number of full-time employees	49	50	50	48	63

With reference to the accounting policies section of the annual report, the accounting policy has changed for measurement of equity investments in group entities from equity method to cost. As a result of the change in accounting policy, the financial highlights have been updated for 2021 and onwards. The comparative years for 2018 – 2019 have not been updated to reflect the new accounting policy.

The financial ratios have been calculated as follows:

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

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Management's review

Operating review

Principal activities

The principal activities of the company include development, production, sale and service of contol and monitoring solutions.

The operation takes place from the company's head quarter in Rødkærsbro, Denmark, as well as from our subsidiaries in Ukraine and China. Operations are supported with sales and technical support in our main markets as well as Emerson's sales organization worldwide. As a system supplier and sub-supplier, Mita-Teknik works in the areas of sustainable energy, marine, mechanical engineering, and other industries. Mita-Teknik has gained traction as an important supplier to the wind turbine and solar industry in Europe, USA and Asia.

Development in activities and financial position

Mita-Teknik was acquired by Emerson on 15 December 2021. 2022 has been characterized by many integrational tasks across the Company and holds enormous potential for the company. We expect 2023 to be a year where we see many benefits from the synergies that have been implemented after Emerson bought Mita-Teknik A/S.

After the acquisition by Emerson Co. the Company changed the accounting year from calendar year to 1 October to 30 September, with the period 1 January 2022 to 30 September 2022 as transitional period.

The year's gross profit amounted to DKK 21,670 thousand (9 months) against DKK 32,149 thousand the previous year (12 months). There is a loss before tax of kDKK 11,332 for the year against a loss of DKK 12,245 thousand for the previous year. The Company’s loss before tax is not in line with the initial expectations set forth in the annual report for 2021 lead by the following factors.

2022 has been characterized by several external impacts. COVID-19 and the War in Ukraine has adversely affected the cost of business, while also postponing customer projects because of travel restrictions. The situation with regards to materials, involving very long delivery times, general price hikes and higher transport costs had impacted earnings for the period 1 January – 30 September 2022. The acquisition by Emerson Co. has led to increased investments in the business and thus had an impact on our earnings in the short term.

Our operations, especially in China, have been under pressure. Here, we continue to observe price pressure and tougher market conditions. Our China sales organization has during the period bridged to Emerson's sales organization and strengthened the position in China. Nevertheless, we continue to see positive signs and developments in the wind turbine industry, especially in India, Europe and North America and other countries in the region. Management is overall satisfied with the development, and assesses the year's earnings as expected, even though it has been significantly affected by the challenging market conditions.

Outlook

Despite expectations of a net increase in business activity and a strong order book, the lack of materials, COVID19 lock down in China, continued travel restrictions and the war in Ukraine are expected to adversely impact earnings for 2023.

The financial year 2022/23 (12 months) is expected to end with a gross profit of DKK 58-64 million and a loss before tax of DKK 5 million.

The order book has been above average throughout the year and at the end of the year we see a very solid and strong order book to materialize the expectations for 2022/23.

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Management's review

Operating review

Intellectual capital

The company develops and manufactures high-tech products based on the know-how accumulated in the cooperation with the company's customers and in market analyses. The company has highly specialized employees, with extensive experience in the areas of control, regulation and monitoring, including specialists in the company's business areas of sustainable energy, marine, mechanical engineering and other industries.

The employees' competencies are reinforced and continuously maintained by means of challenging development projects, joint developments with customers and internal/external training.

In addition to the company's own skill set, we occasionally purchase expertise as part of the development work with new products and hire students as interns as part of their training in relevant specialties.

Research and development activities

The company continuously implements several development projects that account for a significant part of the overall expenditure. The operations in the period 1 January – 30 September 2022 have, as expected, been positively affected by the new products launched on the market in recent years.

Particular risks

Financial risks

The Company operates with a low risk profile, to the effect that any foreign exchange, interest rate and credit risks can only arise based on market conditions.

The Management continuously evaluates if the Company has adequate capital structure, and the Board of Directors also continuously evaluates if this capital structure complies with the interests of the company and its stakeholders.

No changes have been implemented to the Company's guidelines and procedures for governance of capital structure and its management in the financial period 1 January – 30 September 2022.

The Company's financing is anchored in floating-rate loans, which means that results are affected by interest rate fluctuations.

The Company's foreign trade is primarily conducted in CNY, EUR and USD, which is why earnings, cash flows and equity can be impacted by foreign exchange rate developments. The Company continuously enters into financial contracts in order to hedge the risk to the Company's net position in USD. Positions in EUR and CNY, or the exchange rate risk for the Company's subsidiaries, are not hedged. The Company does not have any speculative foreign exchange rate holdings.

Market risks

The wind turbine industry is subject to political regulations, with all entailing risks this involves. The Company is particularly exposed to downturns in the installation of new wind turbines and the ability to form long-term partnerships with the company's customers. The Company manufactures to order custom-made high-tech products and has a highly flexible workforce that enables the Company to quickly react to market changes. The Company's investments in activities outside the wind turbine area generate a better balance in the company's activity level and production capacity.

Risks related to quality/customer claims

The Company's customer segments place severe demands on product quality in order to safeguard stable and efficient operations. Therefore, all operational companies with the Company are ISO 9001 certified. The Company is under way with the implementation of APQP as part of its quality assurance system

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Management's review

Operating review

Subcontracting risks

The Company aims to have several different suppliers for its most important sub-components and continuously canvasses the market for alternative suppliers of such components in order to ensure reductions in both price and dependence on individual suppliers.

Risk management and internal control

The Company's Board of Directors and Executive Board are in an ongoing dialogue on important conditions in the company, including on risks that are considered to have the potential to materially impact the company. As part of the annual ISO 9001 audit, the Management conducts an assessment of business risks.

Environmental matters

In connection with Emerson's acquisition of Mita-Teknik, the Management has decided not to extend the membership in the UN Global Compact. Going forward, Mita-Teknik will be covered by Emerson's ESG policies. Occupational safety and health conditions and prevention of pollution are continuously discussed in, among other things, the company's Joint Consultative Committee and Safety Committee. The Chinese subsidiary is certified according to OHSAS 18000 and ISO 14001. The Company is insured against material damages and is in close dialogue with authorities and insurance companies with an eye to continued improved coverage of insurable risks.

Events after the balance sheet date

We continue to see business risks due to the war in Ukraine. However, we expect that China will be more open in 2022/23 and that we again will be able to travel to and from China. We continue to see long delivery times for some key components, which may affect our ability to deliver on short term. On the positive side, we now see great opportunities in being part of Emerson and the possibilities that come with it. We expect it to affect our business in a positively way moving into 2022/23. On this note, no events have occurred after the balance sheet date that may influence the assessment of the annual report for the financial period 1 January – 30 September 2022.

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Financial statements 1 January – 30 September

Income statement

DKK'000	Note	1/1-30/9 2022	1/1-31/12 2021
Gross profit		21,670	32,149
Staff costs	2	-26,129	-34,801
Depreciation and amortisation		-7,598	-9,905
Loss before financial income and expenses		-12,057	-12,557
Income from equity investments in group entities		0	600
Financial income		881	104
Financial expenses	3	-156	-392
Loss before tax		-11,332	-12,245
Tax on loss for the year		3,045	3,451
Loss for the period	4	-8,287	-8,794

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Financial statements 1 January – 30 September

Balance sheet

DKK'000	Note	30/9 2022	31/12 2021
ASSETS			
Fixed assets			
Intangible assets	5		
Completed development projects		27,781	29,836
Development projects in progress		311	0
		28,092	29,836
Property, plant and equipment	6		
Land and buildings		10,284	11,283
Plant and machinery		488	798
Fixtures and fittings, tools and equipment		240	324
		11,012	12,405
Investments	7		
Equity investments in group entities		12,271	12,271
Total fixed assets		51,375	54,512
Current assets			
Inventories			
Raw materials and consumables		8,533	8,722
Work in progress		8,297	3,151
Finished goods and goods for resale		4,516	1,639
		21,346	13,512
Receivables			
Trade receivables		28,972	10,257
Receivables from group entities		3,300	15,934
Other receivables		743	354
Corporation tax, joint taxation		4,191	1,459
Prepayments	8	1,420	694
		38,626	28,698
Cash at bank and in hand		16	8,188
Total current assets		59,988	50,398
TOTAL ASSETS		111,363	104,910

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Financial statements 1 January – 30 September

Balance sheet

DKK'000	Note	30/9 2022	31/12 2021
EQUITY AND LIABILITIES			
Equity			
Contributed capital		1,200	1,200
Reserve for development costs		21,912	23,271
Retained earnings		3,863	10,791
Total equity		26,975	35,262
Provisions			
Provisions for deferred tax	9	2,097	2,457
Other provisions	10	943	932
Total provisions		3,040	3,389
Liabilities other than provisions			
Non-current liabilities other than provisions	11		
Mortgage loans		11,732	12,549
Lease obligations		88	702
Other payables		0	3,911
		11,820	17,162
Current liabilities other than provisions			
Current portion of non-current liabilities	10	1,482	1,572
Banks		125	169
Prepayments received from customers		4,073	4,209
Trade payables		14,793	11,080
Payables to group entities		40,095	26,127
Other payables		8,960	5,940
		69,528	49,097
Total liabilities other than provisions		81,348	66,259
TOTAL EQUITY AND LIABILITIES		111,363	104,910
Contractual obligations, contingencies, etc.	12		
Mortgages and collateral	13		
Related party disclosures	14		

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Financial statements 1 January – 30 September

Statement of changes in equity

DKK'000	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2022	1,200	23,271	16,155	40,626
Net effect from change of accounting policy	0	0	-5,364	-5,364
Corrected Equity at 1 January 2022	1,200	23,271	10,791	35,262
Transfers, reserves	0	-1,359	1,359	0
Transferred over the distribution of loss	0	0	-8,287	-8,287
Equity at 30 September 2022	1,200	21,912	3,863	26,975

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Financial statements 1 January – 30 September

Notes

1 Accounting policies

The annual report of Mita-Teknik A/S for 2022 has been prepared in accordance with the provisions applying to reporting class C entities under the Danish Financial Statements Act.

The accounting period has been changed during the year from 1 January - 31 December to 1 October - 30 September follow the accounting year of the Group. The current financial year is a transition year and the accounting period is shortened to 9 months (1 January - 30 September 2022). The comparative figures haven't been restated as a result of the change in accounting period.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Emerson Electric CO. A/S.

Change in accounting policies

The Company has changed its measurement of equity investments in group entities from equity method to cost in conjunction with the adoption of Emerson Electric Co.'s accounting policies for equity investments in group entities.

The comparative figures are affected as follows:
- Income from equity investments in group entities, decrease of DKK 2,733 thousand
- Profit before tax, decrease of DKK 2,733 thousand
- Profit for the period, decrease of DKK 2,733 thousand
- Equity investments in group entities, decrease of DKK 5,364 thousand
- Total assets, decrease of DKK 5,364 thousand
- Equity, decrease of DKK 5,364 thousand

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

Moreover, minor reclassifications in the comparative financial statements for 2021 have been recognised to enhance the presentation. The reclassifications have no effect on profit for the year. The financial ratios have been updated accordingly.

Besides the change in accounting policies and the reclassifications of comparative figures, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Mita-Teknik A/S and group entities are included in the consolidated financial statements of Emerson Electric Co.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Emerson Electric Co.

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Financial statements 1 January – 30 September

Notes

1 Accounting policies (continued)

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

When sales contracts that consist of several separate components are concluded, the contract amount is allocated by the individual components based on the relative fair value approach. The separate components are recognised as revenue when the criteria applicable to the sale of goods and services have been met.

A contract is allocated by the individual components when the fair value of these individual components can be reliably measured and when each component represents a separate value to the buyer. Sales components are deemed to represent a separate value to the buyer when the component is individually identifiable and is normally sold separately.

Income from the sale of goods for resale and finished goods is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received. The date of the transfer of the goods relies on standard terms of delivery.

Income from the sale of services, comprising service contracts, is recognised in revenue on a straightline basis as delivered as the services are delivered in the form of an indefinite number of actions over a specific period of time.

Revenue is measured at fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

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Financial statements 1 January – 30 September

Notes

1 Accounting policies (continued)

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, reduced by reimbursements from public authorities.

Income from equity investments in group entities

Dividends from equity investments measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on receivables, payables and transactions denominated in foreign currencies, amortisation of liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on 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.

The affiliated company, Damcos Holding A/S, is the administrative company for the joint taxation and consequently settles all payments of Danish 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.

Intangible assets

Development projects

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover

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Financial statements 1 January – 30 September

Notes

1 Accounting policies (continued)

production costs, selling costs and administrative expenses as well development costs. Other development costs are recognised in the income statement as incurred.

Development costs recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Upon completion of development work, development costs are amortised on a straight-line basis over the estimated useful lives. The amortisation period is usually 3-5 years, which is fixed on the basis of experience gained by Management and longest for strategically acquired projects.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	25 years
Plant and machinery	3-5 years
Fixtures and fittings, tools and equipment	3-10 years

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

Land is not depreciated.

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

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1 Accounting policies (continued)

Investments

Equity investments in group entities are measured at cost.

Impairment of fixed assets

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

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

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

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

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

Receivables

Receivables are measured at amortised cost.

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

Prepayments

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

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1 Accounting policies (continued)

Cash at bank and in hand

Cash and cash equivalents comprise cash in bank and petty cash.

Equity

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

Reserve for development costs

The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividends, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability.

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

Provisions

Provisions comprise anticipated costs of warranty commitments. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

Warranties comprise obligations to make good any defects within the warranty period. Provisions are recognised based on the Company's experience with warranties. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at a rate reflecting risk and the due date for payment.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is

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1 Accounting policies (continued)

recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at amortised cost, which usually corresponds to nominal value.

2 Staff costs

DKK'000	1/1-30/9 2022	1/1-31/12 2021
Wages and salaries	24,180	32,281
Pensions	1,766	2,284
Other social security costs	183	236
	26,129	34,801
Average number of full-time employees	49	50

In accordance with section 98b(3) of the Danish Financial Statements Act, remuneration of the Executive Board and the Board of Directors is not disclosed.

3 Financial expenses

DKK'000	1/1-30/9 2022	1/1-31/12 2021
Interest expense to group entities	99	22
Other financial costs	57	370
	156	392

4 Proposed distribution of loss

DKK'000	1/1-30/9 2022	1/1-31/12 2021
Retained earnings	-8,287	-8,794

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5 Intangible assets

DKK'000	Completed development projects	Development projects in progress	Total
Cost at 1 January 2022	149,130	0	149,130
Additions for the year	4,151	311	4,462
Cost at 30 September 2022	153,281	311	153,592
Amortisation and impairment losses at 1 January 2022	-119,294	0	-119,294
Amortisation for the year	-6,206	0	-6,206
Amortisation and impairment losses at 30 September 2022	-125,500	0	-125,500
Carrying amount at 30 September 2022	27,781	311	28,092

Completed development projects

Completed development projects relate to the development of new technology and software. All projects are commercialised and generate positive cash flows.

Development projects in progress

Development projects in progress relates to the development of new technology and software to be launched subsequent to the balance sheet date. All projects have a commercial standpoint, and positive cash flows are expected from the projects.

6 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2022	34,682	9,103	8,246	52,031
Disposals for the year	0	0	-168	-168
Cost at 30 September 2022	34,682	9,103	8,078	51,863
Depreciation and impairment losses at 1 January 2022	-23,399	-8,305	-7,921	-39,625
Depreciation for the year	-999	-310	-83	-1,392
Reversed depreciation and impairment losses on assets sold	0	0	166	166
Depreciation and impairment losses at 30 September 2022	-24,398	-8,615	-7,838	-40,851
Carrying amount at 30 September 2022	10,284	488	240	11,012
Assets held under finance leases	0	439	0	0

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7 Investments

DKK'000	Equity investments in group entities
Cost at 1 January 2022	12,271
Cost at 30 September 2022	12,271
Carrying amount at 30 September 2022	12,271

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit/loss for the year
Subsidiaries:			DKK'000	DKK'000
Mita-Teknik, Udlejning ApS	Denmark	100 %	6,356	-68
Mita-Teknik (Ningbo) co. Ltd (*)	China	100 %	17,768	1,159
Mita-Teknik Ltd. (*) (**)	Ukraine	25.44 % (100%)	2,556	-362
			26,680	729

* Mita-Teknik A/S is holding 25.44 % of the shares directly in Mita-Teknik Ltd. in Ukraine. Through the Parent Company's ownership in Mita-Teknik, Udlejning ApS, the Company holds indirectly 100 % of the shares in Mita-Teknik Ltd.

** The financial figures relate to the latest available financial statements for 2021.

8 Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years with regard to insurance, etc.

9 Deferred tax

DKK'000	30/9 2022	31/12 2021
Deferred tax at 1 January	2,457	4,453
Deferred tax adjustment for the year in the income statement	-360	-1,996
	2,097	2,457

Deferred tax mainly relates to timing differences on accounting and tax recognition e.g. related to intangible assets and property, plant and equipment. Deferred tax is expected to be realised as current tax in the coming years.

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10 Other provisions

DKK'000	30/9 2022	31/12 2021
Other provisions at 1 January	932	1,611
Addition	11	0
Disposal	0	-679
	943	932

Other provisions comprise warranty commitments typically relating to warranty for products sold.

11 Non-current liabilities other than provisions

DKK'000	30/9 2022
Liabilities other than provisions can be specified as follows:	
0-1 years	1,482
1-5 years	4,725
>5 years	7,095
	13,302

12 Contractual obligations, contingencies, etc.

Contingent liabilities

The Company is jointly taxed with other Danish companies in the Emerson Group. As a wholly-owned subsidiary, together with the other companies included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends. Any subsequent correction of the taxable jointly taxed income or withholding taxes could result in an adjustment of the Company's liability.

Up till 15 December 2021, the Company was part of the joint taxation with Aktieselskabet af 10. januar 2019 as the administrative Company. The Company is joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends up till this date in the previous joint taxation group. Any subsequent correction of the taxable jointly taxed income or withholding taxes could result in an adjustment of the Company's liability.

Operating lease obligations

Mita-Teknik A/S has entered into lease agreements for premises and operating equipment. The total operational obligation amounts to DKK 571 thousand at 30 September 2022 (31 December 2021: 501 thousand), of which DKK 295 thousand falls due for payment within 12 months from the balance sheet date.

13 Mortgages and collateral

As collateral for mortgages loans totalling DKK 12,863 thousand, mortgage deeds towards credit institutions have been granted. The connected land and buildings represent a carrying amount of DKK 10,284 thousand at 30 September 2022.

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14 Related party disclosures

Mita-Teknik A/S' related parties comprise the following:

Control

Emerson International Holding Company Limited, Accurist House, 44 Baker Street, London W1U 7AL, Great Britain, holds all the shares in the Company.

Mita-Teknik A/S is part of the consolidated financial statements of Emerson Electric Co, 8000 W. Florissant Ave., St. Louis, 63136 Missouri, USA, which is the smallest and largest group, in which the Company is included as a subsidiary.

The consolidated financial statements of Emerson Electric Co. are available at the Company's address or on the website www.emerson.com.

Related party transactions

DKK'000	1/1-30/9 2022
Sale of goods to group entities	27,640
Purchase of goods from group entities	27,161
Sale of services to group entities	1,566
Purchase of services from group entities	9,695

In accordance with section 98b(3) of the Danish Financial Statements Act, remunration of the Executive Board and the Board of Directors is not disclosed.

Payables and receivables to/from group entities are disclosed in the balance sheet, and financial expenses to group entities are disclosed in note 3