Approved at general meeting
March 16, 2016

Chairman of the general meeting

FOSS AF 24. AUGUST 1998 ApS

Annual report 2015

CVR-No 21004731

FOSS af 24. August 1998 ApS, Foss Allé 1, DK-3400 Hillerød, Denmark

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Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of FOSS af 24. August 1998 ApS for the financial year 1 January to 31 December 2015.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and financial performance for the financial year 1 January to 31 December 2015.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Hillerød, March 16, 2016

Executive Board

Torben Ladegaard Jensen
Chief Executive Officer

Board of Directors

Kenneth Aaby Sachse
Chairman

Torben Ladegaard Jensen

Kim Vejlby Hansen

Independent Auditor’s Reports

To the Shareholder of FOSS af 24. August 1998 ApS

Report on the financial statements

We have audited the financial statements of FOSS af 24. August 1998 ApS for the financial year 1 January to 31 December 2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management’s responsibility for the financial statements

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

Auditor’s responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015, and of the results of operations for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, March 16, 2016

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No 33 96 35 56

Nikolaj Thomsen
State Authorized Public Accountant

Management Commentary

Main Activity

The company is parent company for Foss Electric LLC, FOSS S.A and FOSS do Brasil Instrumentos Analiticos e Solucoes Dedicadas Ltda. which represents the sales activities for FOSS in Russia, Argentina and Brazil respectively.

Development in activities and financial conditions

The result of 2015 presented a loss of TDKK 34,622 (last year the loss was 23,473 TDKK). The three sales companies have all achieved a positive growth in sales in local currencies.

The equity is negative by TDKK 83,074 due to losses in the three sales companies and currency adjustments. It is expected that the development in the companies will be better and the equity will be reestablished in the coming years. In order to secure third party creditors the parent company FOSS A/S has assured to currently evaluate the need of capital contributed and if necessary provide reestablishment of equity within the coming years.

Distribution of loss for the year is distributed as stated in the profit and loss statement.

Per 16th March 2016 Kim Vejlby Hansen is appointed to president as Torben Ladegaard Jensen resigns his position.

Uncertainty relating to recognition and measurement

There is no significant uncertainty related to the annual report according the management.

Unusual circumstances

The annual report is not impacted by any unusual circumstances.

Expected development

A positive result is expected for 2016 due to growth and continuously improvements of operation activities and reduction of financial expenses.

Events after closing of accounts

No events have occurred after 31 December 2015 which is considered having a significant impact on an assessment of the annual report.

Income Statement

	Note	2015	2014
		TDKK	TDKK
Other external expenses		-26	-25
Gross Loss		**-26**	**-25**
Earnings from group enterprises		-34,170	-22,937
Financial expenses	1	-565	-385
Loss before tax		**-34,761**	**-23,347**
Tax on profit for the year		139	-126
Loss for the year		**-34,622**	**-23,473**
Proposed distribution of loss			
Retained earnings		-34,622	-23,473
		-34,622	**-23,473**

Balance Sheet

Assets

	Note	2015	2014
		TDKK	TDKK
Investment in group enterprises	2	0	2,275
Fixed asset investments		**0**	**2,275**
Income tax receivable		139	101
Current assets		**139**	**101**
Cash and cash equivalents		**0**	**1**
Assets		**139**	**2,377**

Liabilities

	Note	2015	2014
Contributed capital	3	335	335
Retained earnings		-83,409	-62,889
Equity		**-83,074**	**-62,554**
Provisions for group enterprises	2	**57,981**	**40,188**
Trade payables		25	19
Payables to parent company		25,207	24,724
Current liabilities other than provisions		**25,232**	**24,743**
Equity and liabilities		**139**	**2,377**

Contingent liabilities	4
Ownership	5

Statement of Changes in Equity

Changes in Equity 2015	Contributed capital	Retained Earnings	Total
	TDKK	TDKK	TDKK
Equity beginning af the year	335	-62,889	-62,554
Exchange rate adjustments of equity in group enterprises	-	14,102	14,102
Loss for the year	-	-34,622	-34,622
Equity end of the year	**335**	**-83,409**	**-83,074**

Changes in Equity 2014	Contributed capital	Retained Earnings	Total
	TDKK	TDKK	TDKK
Equity beginning af the year	335	-40,257	-39,922
Exchange rate adjustments of equity in group enterprises	-	841	841
Loss for the year	-	-23,473	-23,473
Equity end of the year	**335**	**-62,889**	**-62,554**

The parent company FOSS A/S has stated that it will currently evaluate the need of capital contributed taken the profit development for the coming years into consideration and if necessary FOSS A/S will provide reestablishment of the equity within the coming years.

Notes to the Annual Report

		2015	2014
		TDKK	TDKK
1	**Financial expenses**		
	Interest paid to parent company	-565	-385
		-565	**-385**
2	**Investments in group enterprises**		
	Cost beginning of year	35,188	24,256
	Additions for the year	0	10,932
	Cost end of year	35,188	35,188
	Net revaluation beginning of year	-73,101	-48,743
	Exchange rate adjustment	14,102	841
	Net share of profit / loss for the year	-34,170	-22,937
	Dividend distributed	0	-2,262
	Net revaluation end of year	-93,169	-73,101
	Carrying amount end of year	-57,981	-37,913
	Transferred to provisions	57,981	40,188
	Carrying amount end of year	**0**	**2,275**

		Ownership%	Share capital
FOSS Electric LLC, Moskva	Russia	99%	562 TRUB
FOSS S.A, Buenos Aires	Argentina	90%	6.837 TARS
FOSS do Brasil Instrumentos Analiticos e Solucoes Dedicadas Ltda, Sao Paulo	Brazil	99%	1.053 TBRL

Support letters have been issued to certain subsidiaries.

Notes to the Annual Report

		2015	2014
		TDKK	TDKK
3	**Contributed capital**		
	335 shares each of DKK 1.000	335	335
		335	**335**

4 Contingent Liabilities

The company is a part of a Danish joint taxation of which N. Foss & Co A/S is the administrative entity. From 1st July 2012 the parent company is liable for potential obligations for withholding taxes on interest, royalties and dividends and from 1st january 2013 for company taxes within the joint taxation according to the company tax law.

5 Ownership

It shall in accordance with The Danish Financial Statements Act § 71 be stated that, the company's annual report is included in the consolidated financial statement of FOSS A/S and the ultimative parent company N. Foss & Co. A/S.

Accounting Principles

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises applying certain selections for class C enterprises.

In accordance to The Danish Financial Statements Act § 112 no 1, Group Accounts are not generated as the company is included in FOSS A/S.

The financial statements have been presented applying the accounting policies consistently with last year.

Recognition and measurement

Assets are recognized in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange rate differences that arise between the rate at the transaction date and the one in effect at the payment date, or the balance sheet date, are recognized in the income statement as financial income or financial expenses.

Income statement

Other external expenses

Other external expenses comprise expenses for administration.

Financial expenses

These items comprise interest expenses, the interest portion of realized and unrealized capital losses on payables and transactions in foreign currencies.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly in equity by the portion attributable to entries directly in equity. The portion of the tax taken to the income statement, which relates to extraordinary profit/loss for the year, is allocated to this entry whereas the remaining portion is taken to the year's profit/loss from ordinary activities.

The current tax payable or receivable is recognized in the balance sheet, stated as tax calculated on this year's taxable income.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax assets in FOSS S.A. and FOSS do Brasil Instrumentos Analiticos e Solucoes Dedicadas Ltda. are not included in balance sheet in FOSS af 24. August 1998 ApS nor in the subsidiaries.

The company is jointly taxed with the 100% owned Danish subsidiaries in N. FOSS & Co A/S Group (full allocation with a refund concerning tax losses).

Balance sheet

Investment in group enterprises

Investments in group enterprises are recognized and measured under the equity method. This means that, in the balance sheet, investments are measured at the pro rata share of the enterprises' equity plus or less unamortized positive, or negative, goodwill and plus or less unrealized intra-group profits or losses.

The Company's share of the enterprises' profits or losses after elimination of unrealized intra-group profits and losses and less or plus amortization of positive, or negative, goodwill is recognized in the in-come statement.

Group enterprises with a negative equity value are measured at zero value, and any receivables from these enterprises are written down by the Company's share of such negative equity if it is deemed irrecoverable. If the negative equity exceeds the amount receivable, the remaining amount is recognized under provisions if the Company has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and the pro rata share of the fair value of the assets and liabilities acquired which have been measured at fair value at the date of acquisition. The amortization period for goodwill is usually five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortization period is considered to give a better reflection of the benefit from the relevant resources.

Investments in subsidiaries and associates are written down to the lower of recoverable amount and carrying amount.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange rate differences that arise between the rate at the transaction date and the one in effect at the payment date, or the balance sheet date, are recognized in the income statement as financial income or financial expenses.