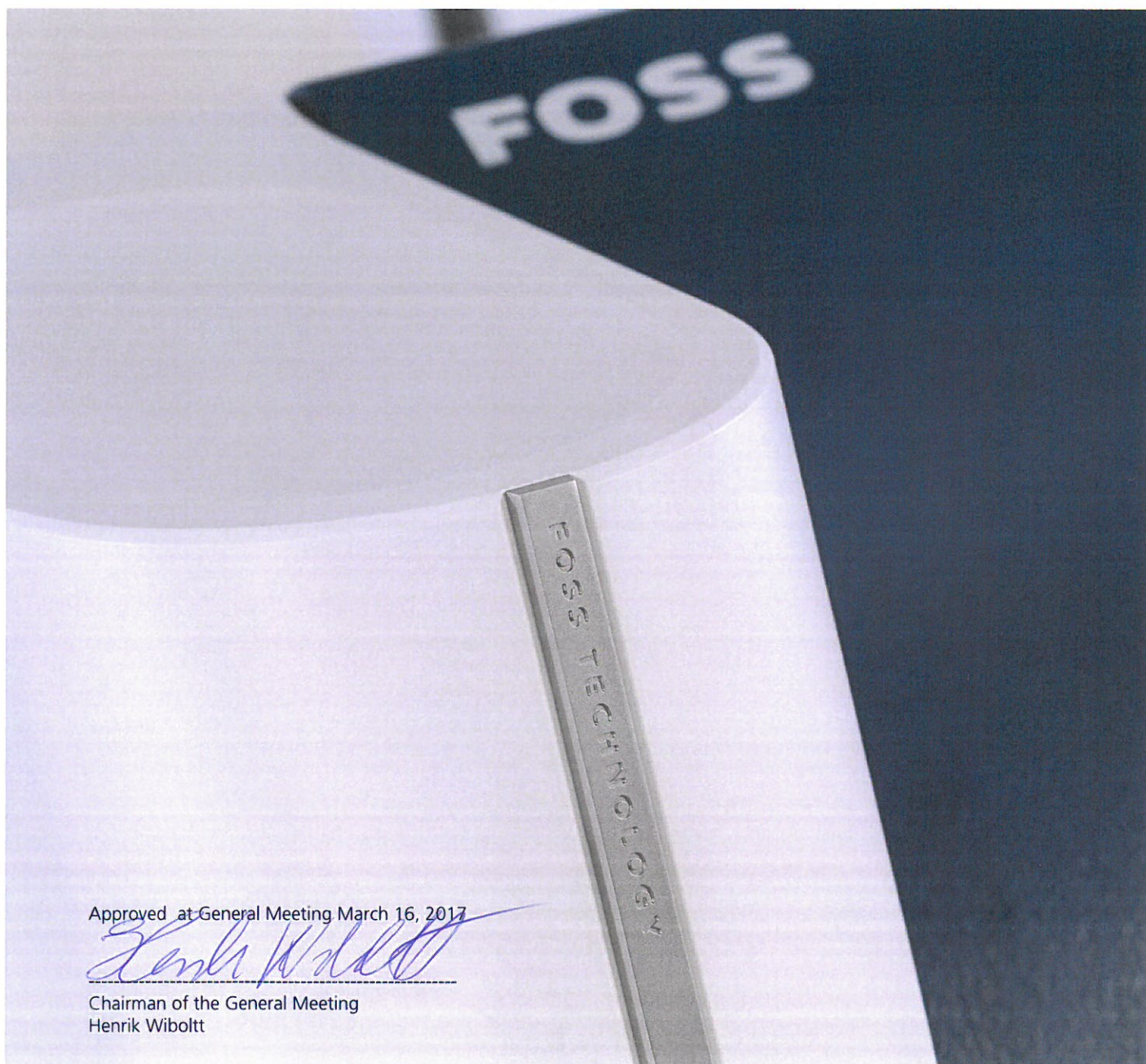


FOSS Nordic A/S

Annual Report 2016

1st January – 31st December 2016



Approved at General Meeting March 16, 2017

Chairman of the General Meeting
Henrik Wibolt

Dedicated Analytical Solutions

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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 Nordic A/S for the financial year 1 January to 31 December 2016.

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 2016 and financial performance for the financial year 1 January to 31 December 2016.

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, 2017

Executive Board



Morten Løgager
General Manager

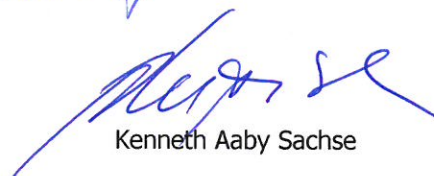
Board of Directors



Poul Bundgaard



Henrik Wibolt
Chairman



Kenneth Aaby Sachse

Independent Auditor's Report

To the Shareholder of FOSS Nordic A/S

Opinion

We have audited the financial statements of FOSS Nordic A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet and notes, including a summary of significant 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 Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements 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 audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 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 Entity's 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 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.

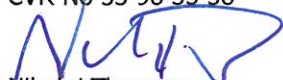
In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially 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 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 commentary.

Copenhagen, March 16, 2017

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No 33 96 35 56



Nikolaj Thomsen
State Authorized Public Accountant

Management Commentary

Main Activity

FOSS Nordic A/S distributes rapid, reliable and dedicated analytical solutions for routine control of quality and production of food in the aim of improving the business of our customers. FOSS Nordic A/S' solutions contribute to human nutrition and health and to a rational use of natural resources.

FOSS Nordic A/S is 100% owned by FOSS A/S and is a part of the N. Foss & Co. A/S consolidated group accounts (Ultimate Parent Company). FOSS Nordic A/S distributes its' products in Denmark and Sweden consists of FOSS Nordic A/S, Denmark and a Swedish branch "FOSS Nordic A/S – filial Sverige", Sweden.

Development in activities and financial conditions

FOSS Nordic A/S has achieved a gross profit of DKK 11.0 million through 2016 (2015 amounted to DKK 9.4).

Profit before tax amounts to DKK 1.7 million in 2016 (2015 amounted to DKK 1.5 million).

Uncertainty relating to recognition and measurement

There is no significant uncertainty related to the annual report.

Unusual circumstances

The annual report is not impacted by any unusual circumstances.

Expected development

A positive result development is expected for 2017 due to a continuously sales improvement.

Income Statement

	Note	2016	14 Jan - 31 Dec 2015
		TDKK	TDKK
Gross Profit		<u>11,013</u>	<u>9,454</u>
Staff expenses	1	<u>-9,272</u>	<u>-7,883</u>
Earnings before Depreciation and Interest		<u>1,741</u>	<u>1,571</u>
Other financial income	2	41	17
Other financial expenses	3	<u>-35</u>	<u>-98</u>
Profit from ordinary activities before tax		<u>1,747</u>	<u>1,490</u>
Tax on profit for the year	4	<u>-481</u>	<u>-292</u>
Profit for the year		<u>1,266</u>	<u>1,198</u>
Proposed distribution of profit			
Proposed dividend for the financial year		<u>1,266</u>	<u>1,198</u>
Profit for the year		<u>1,266</u>	<u>1,198</u>

Balance Sheet

Assets

	Note	<u>2016</u>	<u>2015</u>
		TDKK	TDKK
Other fixtures, fittings, tools and equipment		<u>42</u>	<u>0</u>
Tangible assets		<u>42</u>	<u>0</u>
Manufactured goods and goods for resale		1,273	1,277
Inventories		<u>1,273</u>	<u>1,277</u>
Trade receivables		6,819	10,136
Receivables from group enterprises		6,713	4,720
Income tax receivable		506	251
Other short-term receivables		39	66
Deferred tax asset		<u>3</u>	<u>0</u>
Receivables		<u>14,080</u>	<u>15,173</u>
Current assets		<u>15,395</u>	<u>16,450</u>
Assets		<u><u>15,395</u></u>	<u><u>16,450</u></u>

Balance Sheet

Liabilities

	Note	<u>2016</u>	<u>2015</u>
		TDKK	TDKK
Contributed capital	5	3,000	3,000
Retained earnings		0	0
Proposed dividend for the year		<u>1,266</u>	<u>1,198</u>
Equity		<u>4,266</u>	<u>4,198</u>
Other provisions	6	<u>146</u>	<u>158</u>
Provisions		<u>146</u>	<u>158</u>
Trade payable		428	624
Payables to group enterprises		3,066	3,665
Other payables		3,526	3,715
Deferred income	7	<u>3,963</u>	<u>4,090</u>
Current liabilities other than provisions		<u>10,983</u>	<u>12,094</u>
Liabilities other than provisions		<u>10,983</u>	<u>12,094</u>
Equity and Liabilities		<u>15,395</u>	<u>16,450</u>
Contingent liabilities	8		
Related parties	9		
Ownership and group relationship	10		

Statement of Changes in Equity

Changes in Equity 2016	<u>Contributed Capital</u>	<u>Retained Earnings</u>	<u>Proposed dividend for the year</u>	<u>Total</u>
	TDKK	TDKK	TDKK	TDKK
Equity beginning of year	3,000	0	1,198	4,198
Dividend paid	0	0	-1,198	-1,198
Profit for the year	0	0	1,266	1,266
Equity end of year	<u>3,000</u>	<u>0</u>	<u>1,266</u>	<u>4,266</u>

Changes in Equity 2015	<u>Contributed Capital</u>	<u>Retained Earnings</u>	<u>Proposed dividend for the year</u>	<u>Total</u>
	TDKK	TDKK	TDKK	TDKK
Equity beginning of year	0	0	0	0
Contributed capital	3,000	0	0	3,000
Profit for the year	0	0	1,198	1,198
Equity end of year	<u>3,000</u>	<u>0</u>	<u>1,198</u>	<u>4,198</u>

Notes to the Annual Report

	<u>2016</u>	<u>14 Jan - 31 Dec 2015</u>
	TDKK	TDKK
1 Staff Expenses		
Wages and salaries	8,297	7,050
Pensions	481	384
Other social security expenses	<u>494</u>	<u>449</u>
	<u>9,272</u>	<u>7,883</u>
Average number of employees	<u>13</u>	<u>10</u>
2 Other financial income		
Interest received from affiliated companies	2	5
Exchange rate adjustment	<u>39</u>	<u>12</u>
	<u>41</u>	<u>17</u>
3 Other financial expenses		
Interest paid	0	4
Interest paid to affiliated companies	-1	0
Exchange rate adjustment	<u>-34</u>	<u>94</u>
	<u>-35</u>	<u>98</u>
4 Tax on profit for the year		
Corporation tax for the year	-484	-292
Deferred tax for the year	<u>3</u>	<u>0</u>
Tax on profit for the year	<u>-481</u>	<u>-292</u>
Deferred tax asset		
Adjustments in Profit & Loss	<u>3</u>	<u>0</u>
Deferred tax end of year	<u>3</u>	<u>0</u>

Notes to the Annual Report

	<u>2016</u>	<u>2015</u>
	TDKK	TDKK
5 Contributed Capital		
Contributed capital is composed as follows:		
6.000 units of shares of DKK 500	<u>3,000</u>	<u>3,000</u>
There has not been any capital changes since formation of the company.		
6 Other provisions		
Provisions for warranty	<u>146</u>	<u>158</u>
	<u>146</u>	<u>158</u>
7 Deferred income		
Service contracts	<u>3,963</u>	<u>4,090</u>
	<u>3,963</u>	<u>4,090</u>
8 Contingent assets and liabilities		
Lease commitments	<u>806</u>	<u>478</u>
	<u>806</u>	<u>478</u>

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

Notes to the Annual Report

9 Related parties

FOSS Analytical A/S, FOSS A/S and N. Foss & Co. A/S are considered related parties.

10 Ownership and group relationship

All shares are owned by:

FOSS A/S, Hillerød, Denmark

The Company's annual report is included in the consolidated financial statement of FOSS A/S and the ultimate parent company N. Foss & Co. A/S.

Accounting Principles

Basis of preparation

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.

The accounting policies for these financial statements are consistent with those applied last year.

The annual report is prepared in thousands DKK.

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 Group, and the value of the assets 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 liabilities 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

Gross Profit or loss

With reference to section 32 of Danish financial statements Act, revenue has not been disclosed in the Annual report.

Gross profit or loss comprises of revenue, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognized in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognized net of VAT, duties and sales discounts and measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other operating income and expenses

Other operating income and expenses comprise income and expenses of a secondary nature viewed in relation to the Company's primary activities, including subsidies, rental income, license income, etc.

Other external expenses

Other external expenses comprise expenses for distribution, sale, marketing, administration, premises, bad debts, etc.

Other external expenses also include research costs, costs of development projects that do not meet the criteria for recognition in the balance sheet, and amortization of recognized development projects. In addition, provisions for loss on contract work in progress are recognized.

Staff costs

Staff costs comprise salaries and wages as well as social security costs, pension contributions, etc for the Company's staff.

Other financial income and expenses

These items comprise interest income and expenses, realized and unrealized capital gains and losses on securities, payables and transactions in foreign currencies as well as tax surcharge and tax relief under the Danish Tax Prepayment Scheme.

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, adjusted for prepaid tax.

The Company is part of a Danish joint taxation of which N. FOSS & Co A/S is the administrative entity. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance Sheet

Tangible Assets

Other fixtures, fittings, tools and equipment

Other fixtures, fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
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Equipment is written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of equipment is calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Profits or losses are recognized in the income statement as adjustment to depreciation and impairment losses, or under other operating income if the selling price exceeds original cost.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realizable value.

Cost of goods for resale consists of purchase price plus delivery costs. Cost of manufactured goods consists of costs of raw materials and consumables.

The net realizable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortized cost, usually equalling nominal value less provisions for bad debts.

Dividend

The proposed dividend for the financial year is disclosed as a separate item in equity.

Other provisions

Other provisions comprise anticipated warranty commitments, decided and published restructurings, etc.

Other provisions are recognized and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Warranty commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Other financial liabilities

Other financial liabilities are recognized at amortized cost which usually corresponds to nominal value.

Deferred income

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.