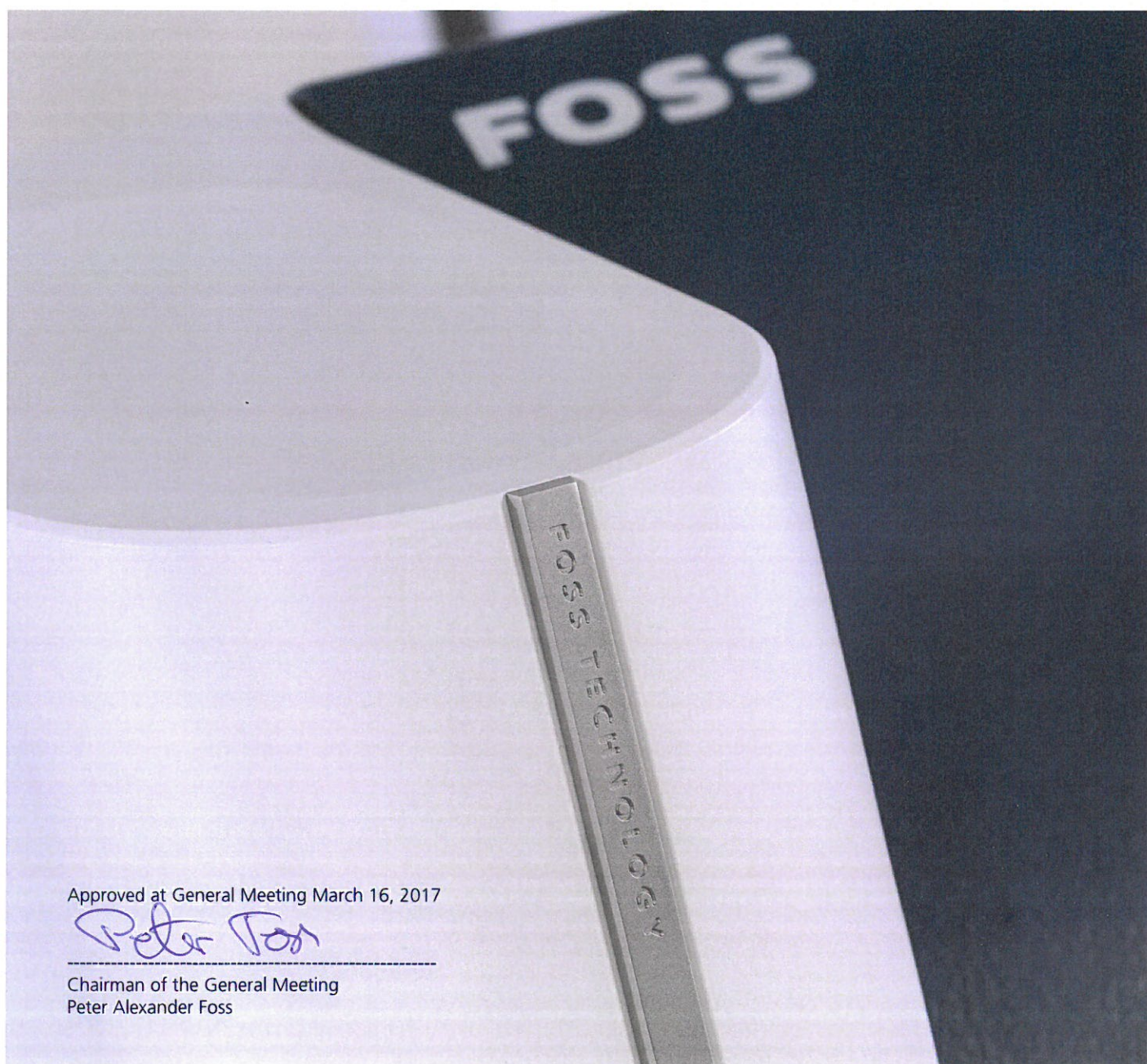


FOSS

FOSS A/S

Annual Report 2016

1st January – 31st December 2016



Approved at General Meeting March 16, 2017

Peter Foss

Chairman of the General Meeting
Peter Alexander Foss

Dedicated Analytical Solutions

FOSS GROUP as of 31 December 2016

Operational company view

Parent Company:

FOSS A/S

R&D and Manufacturing Companies:

FOSS Analytical

FOSS Analytical A/S, Denmark

FOSS Analytical Co Ltd., China

Soft Flow Hungary Kft., Hungary

Lattec I/S

Sales and Service Companies:

FOSS S.A., Argentina

FOSS do Brasil Instrumentos Analiticos e Soluces Dedicades Ltda,

FOSS Deutschland, Benelux und Österreich

FOSS GmbH

FOSS Benelux B.V., Holland

FOSS Benelux N.V., Belgium

Beijing FOSS Technical Services, Ltd.

FOSS Britain & Ireland

FOSS Ireland Ltd.

FOSS UK Ltd.

FOSS Centro America S.A. de C.V.

FOSS Electric Españã S.A.

FOSS France S.A.S

FOSS India Private Limited

FOSS Italia S.r.l.

FOSS Japan Ltd.

FOSS Korea Ltd.

FOSS Nordic A/S

FOSS North America, Inc.

FOSS Pacific

FOSS Pacific Pty Ltd

FOSS Pacific (NZ) Ltd

FOSS Peru Soluciones SAC, Peru

FOSS Polska Sp. z o.o.

FOSS Electric LLC, Russia

Branches/Representative Offices:

FOSS Austria

FOSS Canada

FOSS Portugal

FOSS Sweden

FOSS Thailand

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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 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 consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2016 and of their financial performance as well as the consolidated cash flow 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




Kim Vejlbj Hansen
Chief Executive Officer

Board of Directors



Peter Alexander Foss
Chairman



Henrik Ole Håkonsson



Nils Christian Foss



Sussie My Nikolajsen



Alex Vestergaard



Peter Henrik Kürstein-Jensen
Vice Chairman



Pernille Foss



Jais Stampe Li Valeur



Anja Zoega Willumsen

Independent auditor's report

To the shareholder of FOSS A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of FOSS A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2016, and of the results of their operations and the consolidated cash flows 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 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 consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

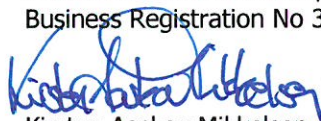
Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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.

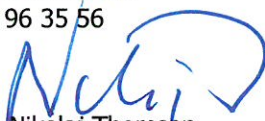
Copenhagen, March 16, 2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56



Kirsten Aaskov Mikkelsen
State-Authorised
Public Accountant



Nikolaj Thomsen
State-Authorised
Public Accountant

Management Commentary

Financial Highlights - Group

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
	MDKK	MDKK	MDKK	MDKK	MDKK
Key Figures					
Income Statement					
Revenue	2,122	2,010	1,722	1,760	1,739
Operating Profit	496	379	314	427	351
Net financial items	5	-17	-10	10	106
Profit for the year	380	257	216	312	326
Balance sheet					
Total Assets	1,562	1,417	1,337	1,557	2,333
Equity	933	877	852	1,102	1,904
Cash Flow					
Cash Flow from:					
- operating activities	451	365	259	444	329
- Investment activities	-43	-5	-32	-38	-169
hereof investments in tangible and intangible assets	-29	-5	-32	-38	-169
- financing activities	-495	-182	-289	-1,396	-104
Net cash flow	-87	178	-62	-990	57
Number of employees, average	1,373	1,377	1,346	1,293	1,237
Ratios					
Operating profit for the year vs. revenue	23.4%	18.8%	18.3%	24.2%	20.2%
Return on Investments	31.7%	26.7%	23.5%	27.4%	15.0%
Solvency ratio	59.7%	61.9%	63.5%	70.5%	81.4%
Return on equity	42.0%	29.7%	22.2%	20.8%	18.3%

Management Commentary

The FOSS Mission

We contribute to the sustainable use of our planet's agricultural resources and thus to the nutrition and health of the people of the world.

We provide the Industry's best Dedicated Analytical Solutions, which add value to our customers by improving quality and optimising food and agricultural production.

The parent company's main activity is the ownership of subsidiaries within the FOSS Group.

Subsidiaries

FOSS has companies worldwide with R&D, manufacturing and marketing companies in Denmark and China and sales & service companies in most European countries, North and South America, Asia and Oceania.

Similar to previous years FOSS achieved approx 98% of the revenue outside Denmark.

Research and Development Activities

The effort within Research & Development for generating new products and further development of existing products constitutes an important part of the FOSS values. In 2016 the Group spent 9% of the revenue on product development to secure that the Company's leading position is kept. By doing that a number of product improvements are constantly being developed whilst the product development constantly results in introduction of new products to both new as well as existing customer segments.

External Environment

FOSS prioritizes running the business in an environmental and responsible way. Our food and agri product solutions are designed to focus on a high degree of optimization and minimization of the waste of natural reserves. Our Group complies with local requirements and standards and most often at a higher standard than required. FOSS does currently not have, nor has in recent times had, environmental cases. FOSS is ISO certified in the majority of the group companies.

Corporate Social Responsibility (CSR)

FOSS works systematically with Sustainability using the UN Global Compact, which we became signatories of in 2012, as our framework. It is the world's largest sustainability initiative requiring companies to align strategies and operations with universal principles and take action to advance them in their operations.

The annual Communication on Progress (COP) Report is an important component in meeting our obligations as a participant, as well as Danish legislative requirements. It is incorporated into our CSR/Sustainability report which is available on our website for download.

To download our CSR/Sustainability report visit <http://foss.dk/about-foss/csr>. Our CSR/Sustainability includes progress, efforts and results against the UN Global Compact; as well our policies and supplier code of conduct.

Diversity and inclusiveness

As a signatory of the UN Global Compact, FOSS has policies in place to address human rights, labour issues, the environment and anti-corruption. This includes a policy to ensure that all employees are treated equally regarding recruitment, advancement, job training and salary. All employees at FOSS shall have the same opportunities regardless of gender, age, race, ethnicity, sex, religion, sexual orientation, etc.

At FOSS we have taken a number of steps to meet these requirements, and ensure that internal and external stakeholders are aware of our position on equal opportunities.

Internally we communicate our policy through our CSR employee brochure and our portal. Furthermore, we communicate our position on equal opportunities to external stakeholders and potential employees through our website and other social media.

Our annual CSR/Sustainability report includes information on our efforts to ensure that our workplace is inclusive, as well as activities to ensure gender equality in the recruitment phase. Some of the initiatives which have taken place include ensuring that females are displayed prominently in the career section of our website, and that our equal opportunity policy is adhered to in the hiring process.

In regard to the composition of our management board, our selection process is based on finding the best candidate with the right skillset, experience and qualifications for the role – regardless of gender, ethnicity, age, race, etc. Our objective is to have a minimum of 15% of the underrepresented gender in the Board of Directors and at present that figure is slightly above 16%.

Knowledge

Development, production and marketing of high technology analytical solutions demand highly skilled employees. In order to preserve the Group's ability to satisfy our global customers' demand for dedicated analytical solutions it is a prerequisite that we maintain the extensive specialist knowledge and other competencies which are deeply rooted in the organization. This is ensured through continued maintenance, education and recruiting of competent and dynamic employees on all levels. Considerable resources are used in order to create an internal environment, which makes this possible.

Employees

The results achieved are to a high extent the result of dedicated effort and constructive attitude from all the employees. The employees in the entire Group are thanked for their excellent efforts.

On average the FOSS Group had 1,373 employees in 2016 (1,377 in 2015).

Risk

Operating Risk

The main operating risk for the group is concerning the ability to be strongly positioned in the market and at the cutting edge of the technological development for dedicated analytical solutions.

The Group has entered into longer term contracts with key suppliers for delivery of components that are a part of production in the aim of securing a stable supply and a higher predictability in price development whereby the usual operating risk has been reduced.

Financial risk

The financial risk is primarily related to changes in currency exchange rates. The currency risk is primarily covered by use of currency exchange hedging agreements. Cash flow in production companies and payments from sales companies are hedged 12 months ahead.

Credit risk

The main credit risk for the Group derives from ordinary customer transactions with restrictive guidelines for trade with new customers and customers located in zones of particular high credit risk while trade with known and credit rated customers are completed on accommodative conditions. These conditions have historically resulted in very few losses on debtors.

Development in activities and financial conditions

The group revenue in 2016 grew 6% to DKK 2,122 million (DKK 2,010 million in 2015). Adjusting for currency impacts the organic growth was 8%.

Overall the underlying business within the area of dedicated analytical solutions to food and agriculture has increased higher than the overall strategic growth targets of the Group and the estimated growth rates in the market.

The FOSS Group's development and manufacturing activities are in Hillerød (Denmark) and Suzhou (China). During 2016 Softflow Hungary Kft, Pecs in Hungary has been acquired for research & developing activities and a new sales office has been established in Peru.

Gross Profit for the Group has increased 14% to DKK 1,252 million (DKK 1,098 million in 2015).

Operating profit amounts to DKK 496 million (DKK 379 million in 2015). The increase in operating profit is influenced by higher revenue, strengthening of gross profit ratio and modest growth of fixed cost.

Ordinary profit before tax amounts to DKK 501 million (DKK 362 million in 2015). The profit is in alignment with latest announced expectations.

Operating profit in the parent company is in 2016 negative by DKK 34 million against a negative result of DKK 33 million last year. After income from subsidiaries profit for the year after tax amounts DKK 380 million which is a increase of DKK 123 million.

The result yields return on equity of 42% (30% in 2015) and a solvency ratio of 60% (62% in 2015). The board proposes a dividend payment of DKK 400 million (DKK 300 million last year) at the upcoming Annual General Meeting in March 2017.

Cash from operating activities amount DKK 451 million compared to DKK 365 million in 2015. Net investments in fixed assets amount DKK 46 million. Hereof 14 million relate to acquisitions and disposals of Softlow Hungary Kft and INDIFOSS respectively. Cash from operating and investment activities amounts DKK 408 million (DKK 360 million in 2015). After payment of dividend in March 2016 and financial activities with parent company the change in liquidity is a decrease of DKK 87 million.

In March 2016 Kim Vejlbj Hansen was appointed Chief Executive Officer of the FOSS Group as Torben Ladegaard Jensen resigned his position.

Uncertainty relating to recognition and measurement

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

Unusual circumstances

The annual report is not impacted by any unusual circumstances.

Expected development

Investments in sales and distribution activities as well as product development activities will continue in 2017. Management expects this to strengthen FOSS' market position and contribute to fulfill the growth strategy for the Group in supplying high quality solutions for the increasing demand of food quality.

It is the expectation that the coming year will continue to yield both growth in revenue and profitability.

Income Statement

	<u>Notes</u>	<u>Group</u>		<u>Parent</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
		MDKK	MDKK	MDKK	MDKK
Revenue	1	2,122	2,010	-	-
Change in inventories of finished goods and work in progress		19	9	-	-
Other operating income		2	2	30	26
Cost of raw materials and consumables		-570	-602	-	-
Other external expenses		-321	-321	-29	-22
Gross Profit		1,252	1,098	1	4
Staff costs	2	-713	-679	-20	-17
Earnings before depreciation and interest		539	419	-19	-13
Depreciation, amortisation and impairment losses	3	-43	-40	-15	-20
Operating profit		496	379	-34	-33
Income from investments in group enterprises	4	-	-	407	287
Other financial income	5	26	37	6	7
Other financial expenses	6	-21	-54	-3	-12
Profit from ordinary activities before tax		501	362	376	249
Tax on profit for the year	7	-120	-103	4	8
Profit before minority share	8	381	259	380	257
Minority interests after tax		-1	-2	-	-
Profit for the year		380	257	380	257

Balance Sheet

	<u>Notes</u>	<u>Group</u>		<u>Parent</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
		MDKK	MDKK	MDKK	MDKK
Goodwill		11	1	-	-
Software and patents		12	7	2	4
Intangible assets	9	23	8	2	4
Land and buildings		212	221	208	217
Plant and machinery		6	6	-	-
Other fixtures, fittings, tools and equipment		29	30	2	5
Leasehold improvements		3	4	-	-
Tangible assets	10	250	261	210	222
Investments in group enterprises	11	-	-	612	605
Fixed asset investments		-	-	612	605
Fixed assets		273	269	824	831
Inventories	12	258	254	-	-
Trade receivables	13	387	357	-	-
Receivables from group enterprises		-	-	12	13
Receivables from parent company		219	24	219	24
Other short-term receivables	14	40	35	1	1
Income tax receivable		23	25	6	8
Deferred tax asset	15	51	47	-	-
Prepayments		9	8	-	2
Receivables		729	496	238	48
Cash and cash equivalents		302	398	181	298
Current assets		1,289	1,148	419	346
Assets		1,562	1,417	1,243	1,177

Balance Sheet

	<u>Notes</u>	<u>Group</u>		<u>Parent</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
		MDKK	MDKK	MDKK	MDKK
Contributed capital	16	98	98	98	98
Reserve for net revaluation according to the equity method		-	-	108	95
Retained earnings		434	474	326	379
Proposed dividend		400	300	400	300
Minority interests		1	5	-	-
Equity		933	877	932	872
Provisions for deferred tax	17	1	1	1	1
Other provisions	18	39	37	48	58
Provisions		40	38	49	59
Non-current liabilities other than provisions	19	7	-	1	-
Prepayments received from customers		41	40	-	-
Trade payables		115	95	5	6
Payables to affiliated companies		2	-	248	230
Income tax payable		96	75	-	-
Other payables		211	203	8	10
Deferred income	20	117	89	-	-
Current liabilities other than provisions		582	502	261	246
Liabilities other than provisions		589	502	262	246
Equity and liabilities		1,562	1,417	1,243	1,177
Contingent assets and liabilities	22				
Fee to auditors appointed at the general meeting	23				
Related parties	24				
Ownership	25				

Statement of Changes in Equity

Group

Changes in Equity 2016	Contributed capital	Retained Earnings	Proposed dividend	Total	Minority interests	Total
	MDKK	MDKK	MDKK	MDKK	MDKK	MDKK
Equity beginning of year	98	474	300	872	5	877
Ordinary dividend paid	-	-	-300	-300	-1	-301
Exchange rate adjustments	-	-14	-	-14	-	-14
Cash flow hedges, net of tax	-	-6	-	-6	-	-6
Other adjustments	-	-	-	-	-4	-4
Profit for the year	-	-20	400	380	1	381
Equity end of year	98	434	400	932	1	933

Changes in Equity 2015	Contributed capital	Retained Earnings	Proposed dividend	Total	Minority interests	Total
	MDKK	MDKK	MDKK	MDKK	MDKK	MDKK
Equity beginning of year	98	475	275	848	4	852
Ordinary dividend paid	-	-	-275	-275	-1	-276
Exchange rate adjustments	-	34	-	34	-	34
Cash flow hedges, net of tax	-	8	-	8	-	8
Profit for the year	-	-43	300	257	2	259
Equity end of year	98	474	300	872	5	877

Statement of Changes in Equity

Parent Company

Changes in Equity 2016	Contributed capital	Reserve for net revaluation according to the equity method	Retained Earnings	Proposed dividend	Total
	MDKK	MDKK	MDKK	MDKK	MDKK
Equity beginning of year	98	95	379	300	872
Ordinary dividend paid	-	-	-	-300	-300
Dividend received from subsidiaries	-	-373	373	-	-
Exchange rate adjustments	-	-14	-	-	-14
Cash flow hedges, net of tax	-	-6	-	-	-6
Profit for the year	-	406	-426	400	380
Equity end of year	98	108	326	400	932

Changes in Equity 2015	Contributed capital	Reserve for net revaluation according to the equity method	Retained Earnings	Proposed dividend	Total
	MDKK	MDKK	MDKK	MDKK	MDKK
Equity beginning of year	98	9	466	275	848
Dividend paid	-	-	-	-275	-275
Dividend received from subsidiaries	-	-243	243	-	-
Exchange rate adjustments	-	34	-	-	34
Cash flow hedges, net of tax	-	8	-	-	8
Profit for the year	-	287	-330	300	257
Equity end of year	98	95	379	300	872

Consolidated Cash Flow Statement

	<u>Group</u>		
	<u>Notes</u>	<u>2016</u>	<u>2015</u>
		MDKK	MDKK
Operating profit		496	379
Depreciation, amortisation and impairment losses		43	40
Other adjustments	21	9	4
Cash flows from operating activities before changes in working capital		548	423
Change in inventories		-4	6
Change in trade receivables and other receivables		-48	9
Change in trade payables and other debt		55	21
Exchange rate adjustments		-6	-7
Change in working capital		-3	29
Cash flows from operating activities before financial income and expenses and tax		545	452
Financial income received		26	37
Net financial items received / paid		-22	-54
Income taxes refunded / paid		-98	-70
Cash flows from operating activities		451	365
Acquisition, sales etc of property, plant and equipment, net		-29	-5
Acquisition of company		-14	-
Cash flows from investing activities		-43	-5
Cash flows from operating and investing activities		408	360
Loan to Parent Company		-195	93
Dividend paid		-300	-275
Cash flows from financing activities		-495	-182
Increase / decrease in cash and cash equivalents		-87	178
Cash and Cash equivalents beginning of year		398	184
Currency translation adjustments of cash and cash equivalents		-9	36
Cash and Cash equivalents end of year		302	398

Notes to the Annual Report

	<u>Group</u>		<u>Parent</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	MDKK	MDKK	MDKK	MDKK
1 Revenue				
Geographical markets				
Denmark	38	37	-	-
Other EU countries	791	778	-	-
Other countries	1,293	1,195	-	-
	<u>2,122</u>	<u>2,010</u>	<u>-</u>	<u>-</u>
2 Staff costs				
Wages and salaries	627	599	19	17
Pensions	21	19	-	-
Other social security expenses	65	61	-	-
	<u>713</u>	<u>679</u>	<u>19</u>	<u>17</u>
Hereof salaries and wages for Executive Board and Board of Directors				
Executive Board	9	12	4	6
Board of Directors	2	2	2	2
	<u>11</u>	<u>14</u>	<u>6</u>	<u>8</u>
Remuneration to registered members of the executive board consist of salary and bonus from parent company as well as subsidiaries. Furthermore cars have been provided for the Executive Board's free disposal. As per March 16, 2016 the Executive Board has been reduced from two to one member.				
Average number of employees	<u>1,373</u>	<u>1,377</u>	<u>20</u>	<u>20</u>

Notes to the Annual Report

	<u>Group</u>		<u>Parent</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	MDKK	MDKK	MDKK	MDKK
3 Depreciation, amortisation and impairment losses				
Goodwill	3	1	-	-
Software and patents	7	7	3	6
Land and Buildings	11	10	10	10
Plant and Machinery	3	4	-	-
Other fixtures, fittings, tools and equipment	18	16	2	4
Leasehold improvements	1	2	-	-
	43	40	15	20
4 Income from investments in group enterprises				
Share of earnings from subsidiaries	-	-	418	286
Goodwill amortization	-	-	-3	-1
Change of internal profit on inventories inside the group	-	-	-8	2
	-	-	407	287
5 Other financial income				
Interest received	2	2	-	-
Interest received from affiliated companies	3	1	5	4
Exchange rate adjustment	21	34	1	3
	26	37	6	7
6 Other financial expenses				
Exchange rate adjustment	20	54	2	12
Losses on shares and bonds	1	-	1	-
	21	54	3	12

Notes to the Annual Report

	<u>Group</u>		<u>Parent</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	MDKK	MDKK	MDKK	MDKK
7 Tax on profit for the year				
Corporation tax for the year	120	99	-5	-7
Deferred tax for the year	-2	2	-1	-1
Adjustments to previous years	1	2	-	-
Dividend tax paid abroad	1	-	2	-
Tax for the year	120	103	-4	-8
Deferred tax assets				
Deferred tax beginning of the year	47	51	-	-
Adjustments in Profit & Loss	2	-3	-	-
Adjustments in Equity	2	-3	-	-
Currency adjustments	-	2	-	-
Deferred tax end of year	51	47	-	-
Provisions for deferred tax				
Provisions for deferred tax beginning of the year	2	2	2	2
Adjustments in Profit & Loss	-1	-1	-1	-1
Provisions for deferred tax end of year	1	1	1	1
8 Proposed distribution of profit				
Dividend for the financial year			400	300
Reserve for net revaluation according to the equity method			406	287
Retained earnings			-426	-330
			380	257

Notes to the Annual Report

9 Intangible Assets

Group	Goodwill	Software and Patents
	MDKK	MDKK
Cost beginning of year	2	47
Additions for the year	13	11
Cost end of year	15	58
Amortization and impairment losses beginning of year	1	40
Amortization for the year	3	7
Amortization and impairment losses end of year	4	47
Carrying amount end of year	11	12

Parent	Software and Patents
	MDKK
Cost beginning of year	21
Additions for the year	1
Cost end of year	22
Amortization beginning of year	17
Amortization for the year	3
Amortization end of year	20
Carrying amount end of year	2

Notes to the Annual Report

10 Tangible Assets

Group	Land and buildings	Plant and machinery	Other fixtures, fittings, tools and equipment	Leasehold improve- ments
	MDKK	MDKK	MDKK	MDKK
Cost beginning of year	328	37	184	11
Exchange adjustment	-	-1	-1	-
Additions for the year	2	4	17	1
Disposals for the year	-	-1	-30	-3
Cost end of year	330	39	170	9
Depreciation beginning of year	107	31	154	7
Exchange adjustment	-	-	-1	-
Depreciation for the year	11	3	18	1
Depreciation of sold assets for the year	-	-1	-30	-2
Depreciation end of year	118	33	141	6
Carrying amount end of year	212	6	29	3

Investments in land and buildings are located in Denmark, Hungary and France.

Notes to the Annual Report

10 Tangible Assets, continued

Parent	Land and buildings	Other fixtures, fittings, tools and equipment
	MDKK	MDKK
Cost beginning of year	315	22
Additions for the year	1	-
Disposals for the year	-	-1
Cost end of year	316	21
Depreciation beginning of year	98	17
Depreciation for the year	10	2
Depreciation end of year	108	19
Carrying amount end of year	208	2

Notes to the Annual Report

	<u>Parent</u>	
	<u>2016</u>	<u>2015</u>
	MDKK	MDKK
11 Investments in group enterprises		
Cost beginning of year	427	424
Additions for the year	-4	3
Cost end of year	<u>423</u>	<u>427</u>
Net revaluations beginning of year	95	9
Exchange rate adjustment	-14	34
Dividend received	-373	-243
Amortization on goodwill	-3	-1
Change in internal profit on inventory	-8	2
Cash flow hedge, net of tax	-6	8
Profit for the year	417	286
Net revaluations end of year	<u>108</u>	<u>95</u>
Set of against receivables	33	25
Transferred to provisions for negative investments in group enterprises	48	58
Carrying amount end of year	<u>612</u>	<u>605</u>
Goodwill included in the above amounts to	11	1

Notes to the Annual Report

Parent

11 Investments in group enterprises, continued

Shares in subsidiaries:	<u>Country</u>	<u>Ownership</u>	<u>Share capital</u>
FOSS Analytical A/S	Denmark	100%	MDKK 20,5
Lattec I/S (pro rata consolidation) *	Denmark	50%	
Soft Flow Hungary Kft.	Hungary	100%	THUF 20,000
FOSS Holding AB	Sweden	100%	TSEK 250
FOSS Analytical AB	Sweden	100%	TSEK 3,000
FOSS Sverige AB	Sweden	100%	TSEK 3,000
FOSS S.A	Argentina	10%	TARS 6,837
FOSS Analytical Co. Ltd.	China	100%	TCNY 11,141
FOSS Electric Holding Inc.	USA	100%	TUSD 7,000
FOSS MD Inc.	USA	100%	TUSD 23,327
FOSS North America Inc.	USA	100%	TUSD 1,750
FOSS Benelux B.V.	Holland	100%	TEUR 18
FOSS Benelux N.V.	Belgium	100%	TEUR 62
FOSS Centro America S.A. de C.V.	Mexico	80%	TMXN 50
FOSS (Beijing) Science Technology and Trading Co., Ltd.	China	100%	TCNY 4,483
FOSS Iberia S.A.	Spain	100%	TEUR 150
FOSS af 24. august 1998 ApS	Denmark	100%	TDKK 335
FOSS Electric LLC	Russia	100%	TRUB 562
FOSS S.A	Argentina	90%	TARS 6,837
FOSS do Brasil Instrumentos Analíticos e Solucoes Dedicadas Ltda.	Brazil	100%	TBRL 1,053
FOSS France SAS	France	100%	TEUR 280
FOSS GmbH	Germany	100%	TEUR 1,600
FOSS India Private Limited	India	100%	TINR 17,900
FOSS Ireland Ltd.	Ireland	100%	TEUR 58
FOSS Italia S.L.R.	Italy	100%	TEUR 520
FOSS Japan Ltd.	Japan	100%	TJPY 80,000
FOSS Korea Ltd.	Korea	100%	MKRW 1,200
FOSS Nordic A/S	Denmark	100%	TDKK 3,000
FOSS Pacific Pty Ltd	Australia	100%	TAUD 2,000
FOSS Pacific (NZ) Ltd	New Zealand	100%	TNZD 0
FOSS Peru Soluciones SAC	Peru	100%	TPEN 0.5
FOSS Polska Sp. z o.o.	Poland	100%	TPLN 1,200
FOSS Servicios S.A. de C.V.	Mexico	80%	TMXN 50
FOSS UK Ltd.	England	100%	TGBP 1,225

*) Lattec I/S has been divested as per February 1, 2017. The divestment has no material impact to the annual report.

Notes to the Annual Report

	<u>Group</u>		<u>Parent</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	MDKK	MDKK	MDKK	MDKK
12 Inventories				
Raw materials and consumables	80	95	-	-
Work in progress	48	39	-	-
Manufactured goods and goods for resale	130	120	-	-
	<u>258</u>	<u>254</u>	<u>-</u>	<u>-</u>
13 Trade receivables				
Of the total accounts receivables the following amount falls due for payment more than 1 year after year end.	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>
14 Other short-term receivables				
Deposits	8	11	-	-
Leasing receivables	7	1	-	-
Other receivables	25	23	1	1
	<u>40</u>	<u>35</u>	<u>1</u>	<u>1</u>
15 Deferred tax assets				
Fixed Assets	1	1	-	-
Inventories	27	26	-	-
Provisions	12	12	-	-
Prepayments and accruals	11	8	-	-
	<u>51</u>	<u>47</u>	<u>-</u>	<u>-</u>

Notes to the Annual Report

	<u>Group</u>		<u>Parent</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	MDKK	MDKK	MDKK	MDKK
16 Contributed Capital				
Contributed capital is composed as follows:				
<u>A-shares:</u>				
2,208 units of DKK 500				
90 units of DKK 1,000				
151 units of DKK 2,000				
3,126 units of DKK 4,000	14	14	14	14
<u>B-shares:</u>				
1,616 units of DKK 500				
500 units of DKK 1,000				
702 units of DKK 2,000				
20,322 units of DKK 4,000	84	84	84	84
	<u>98</u>	<u>98</u>	<u>98</u>	<u>98</u>
There has not been any capital changes the last 5 years.				
17 Provisions for deferred tax				
Fixed assets	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

Notes to the Annual Report

	<u>Group</u>		<u>Parent</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	MDKK	MDKK	MDKK	MDKK
18 Other provisions				
Provisions for pensions etc	20	18	-	-
Provisions for warranty	19	19	-	-
Provisions for negative investments in group enterprises	-	-	48	58
	<u>39</u>	<u>37</u>	<u>48</u>	<u>58</u>
19 Non-current liabilities other than provisions				
All long term debt falls due between 1 and 5 years	7	-	1	-
	<u>7</u>	<u>-</u>	<u>1</u>	<u>-</u>
20 Deferred income				
Service contracts	80	64	-	-
Recognition of loss regarding forward exchange contracts	37	25	-	-
	<u>117</u>	<u>89</u>	<u>-</u>	<u>-</u>
21 Other adjustments				
Change in other provisions	2	2	-	-
Exchange adjustments	-	2	-	-
Change in long term debt	7	-	-	-
	<u>9</u>	<u>4</u>	<u>-</u>	<u>-</u>

Notes to the Annual Report

	<u>Group</u>		<u>Parent</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	MDKK	MDKK	MDKK	MDKK
22 Contingent assets and liabilities				
Contingent assets				
Value of non recognized tax losses carried forward	16	22	-	-
	<u>16</u>	<u>22</u>	<u>-</u>	<u>-</u>
Contingent liabilities				
Leases related to offices	6	1	-	-
Other lease commitments	23	26	1	1
Securities and guarantees	3	8	-	-
	<u>32</u>	<u>35</u>	<u>1</u>	<u>1</u>
Guarantees etc.:				
Purchase obligations for long-term delivery do not exceed	72	69	-	-
Gross contingent liabilities in relation to liability for Lattec I/S' obligation	6	9	-	-
Security concerning credit cards issued in subsidiaries	2	2	-	-
Liability for tenancy agreement in a subsidiary. Expired in 2016	-	-	-	1

The company and its Danish subsidiaries are a part of a Danish joint taxation of which the parent company is the administrative entity. From 1st July 2012 the 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 taxation law.

Support lettres have been issued to certain subsidiaries.

Notes to the Annual Report

	<u>Group</u>		<u>Parent</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	MDKK	MDKK	MDKK	MDKK
22 Contingent assets and liabilities, continued				
Forward exchange coverage:				
The following forward exchange contracts have been taken out:				
Contract value:				
Sales contracts. Expires within one year	603	585	-	-
Purchase contracts. Expires within one year	-111	-124	-	-
Net value	492	461	-	-
Sales contracts. Expires within two years	61	85	-	-
Purchase contracts. Expires within two years	-9	-9	-	-
Net value	52	76	-	-
An unrealized loss is included in deferred income	37	25	-	-
23 Fee to auditors appointed at the general meeting				
Fee for statutory audit	3	3	-	-
Tax advice	1	1	-	-
Other services	2	1	1	1
Fee	6	5	1	1
24 Related parties				
N. Foss & Co. A/S is related party and has a controlling interest in the company.				
Transactions with related parties are based on market price (arm's length).				
25 Ownership				
All shares are owned by:				
N. Foss & Co A/S, Hillerød, Denmark				
In accordance with The Danish Financial Statements Act § 71 it shall be stated that, the Company's annual report is included in the consolidated financial statements of 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 C enterprises (large).

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

The annual report is prepared in DKK million.

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 Group 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 Group, 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.

Consolidated financial statements

The consolidated financial statements comprise FOSS A/S (Parent) and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates. Companies in which FOSS A/S does not have determining influence but owns 50% are prorated line by line consolidated.

Basis of Consolidation

The consolidated financial statements are prepared on the basis of the financial statements of FOSS A/S and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognized in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Profits or losses from divestment of equity investments

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortized goodwill and estimated divestment or winding-up expenses.

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 differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognized in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognizing foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered as belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognized directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognized under prepayments or deferred income.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognized asset or a recognized liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are classified directly in equity. When the hedged transactions are realized, the accumulated changes are recognized as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognized currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are classified directly as equity.

Income statement

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.

Other operating income and expenses

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

Cost of raw materials and consumables

Cost of raw materials and consumables comprise of expenses that supports the revenue of the financial year. Included is the cost of goods sold for the financial year measured at cost price and adjusted for obsolescence.

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. 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.

Deferred tax is recognized on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax is measured based on the tax regulations and tax rates of the relevant countries that will be in effect, using the laws at the balance sheet date, when the deferred tax is estimated to be triggered as current tax. Changes in deferred tax resulting from changed tax rates are recognized in the income statement.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognized in the balance sheet at their estimated realizable value within 3-5 years, either as a set-off against deferred tax liabilities or as net tax assets.

The Company and all of its Danish subsidiaries are jointly taxed with the Group's Parent. 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).

Deferred tax relating to re-taxation of previously deducted losses of foreign subsidiaries is recognized based on a specific assessment of the purpose of the individual subsidiary.

Balance sheet

Goodwill and goodwill on consolidation

Goodwill is amortized straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The period of amortization is usually five years, however, it may be up to 10 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer period of amortization is considered to give a better reflection of the benefit from the relevant resources.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Other intangible assets

Other intangible assets comprise acquired intellectual property rights.

Acquired intellectual property rights in the form of patents and licenses are measured at cost less accumulated amortization and impairment losses. Patents are amortized over their remaining duration, and licenses are amortized over the term of the agreement, but over no more than 3 years.

Other intangible assets are written down to the lower of recoverable amount and carrying amount.

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

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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:

Buildings, new	25 years
Buildings, others	20 years
Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	through the rental period

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of property, plant and equipment are 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.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognized and measured under the equity method. This means that 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 Parent'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 income statement.

Subsidiaries and associates with a negative equity value are measured at zero value, and any receivables from these enterprises are written down by the Parent'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 Parent 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 subsidiaries and associates is transferred to reserve for net revaluation according to the equity method under equity.

The purchase method is applied in the acquisition of investments in subsidiaries and associates; see above description under consolidated financial statements.

Inventories

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

Cost of goods for resale, raw materials and consumables consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labor costs as well as indirect production costs.

Indirect production costs comprise indirect materials and labor costs, costs of maintenance of and depreciation on machinery, factory buildings and equipment applied for the

manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

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 equaling nominal value less provisions for bad debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

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.

Lease commitments

Lease payments on operating leases are recognized on a straight-line basis in the income statement over the term of the lease.

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.

Cash flow statement

The cash flow statement of the Group is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and the end of the financial year. No separate cash flow statement has been prepared for the Parent because it is included in the consolidated cash flow statement.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with fixed asset investments as well as purchase and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise of debt raised and repayments of short and long term loans as well as payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk.

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

The financial ratios have been calculated as follows:

Operating profit for the year vs. revenue =		$\frac{\text{Operating Profit} \times 100}{\text{Revenue}}$
Return on Investments	=	$\frac{\text{Operating Profit} \times 100}{\text{Total Assets}}$
Solvency ratio	=	$\frac{\text{Equity at year end} \times 100}{\text{Total Assets}}$
Return on equity	=	$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$

