BILAG 3

ANNUAL REPORT 2019

FOSS

Approved at General Meeting
March 26, 2020

Chairman of the General Meeting
Peter Alexander Foss

FOSS A/S

ANALYTICS BEYOND MEASURE

FOSS A/S, Nils Foss Allé 1, DK-3400 Hillerød, Denmark
CVR-No 59388517

FOSS GROUP as of 31 December 2019
Operational Company overview

Parent Company:

FOSS A/S

R&D and Manufacturing Companies:

FOSS Analytical
- FOSS Analytical A/S, Denmark
- FOSS Analytical Co Ltd., Ltd., China
- Soft Flow Kft., Hungary

Sales and Service Companies:

FOSS S.A., Argentina
FOSS do Brasil Instrumentos Analiticos e Soluces Dedicades Ltda, Brazil
FOSS Northern Europe
- FOSS GmbH, Germany
- FOSS Benelux B.V., Netherlands
- FOSS Benelux N.V., Belgium

Beijing FOSS Technical Services, Ltd., China
FOSS Britain & Ireland
- FOSS Ireland Ltd., Ireland
- FOSS UK Ltd., United Kingdom

FOSS Centro America S.A. de C.V., Mexico
FOSS Electric Espanã S.A., Spain
FOSS France S.A.S, France
FOSS India Private Limited, India
FOSS Italia S.r.l., Italy
FOSS Japan Ltd., Japan
FOSS Korea Ltd., Republic of Korea
FOSS Nordic A/S, Denmark
FOSS North America, Inc., United States
FOSS Pacific
- FOSS Pacific Pty Ltd , Australia
- FOSS Pacific (NZ) Ltd, New Zealand

FOSS Peru Soluciones SAC, Peru
FOSS Polska Sp. z o.o., Poland
FOSS Electric LLC, Russia
FOSS South East Asia Co., Ltd., Thailand
FOSS VIETNAM JSC., Vietnam

Branches / Representative Offices:

FOSS Austria
FOSS Canada
FOSS Portugal
FOSS Sweden

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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 2019.

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 2019 and of their financial performance as well as the consolidated cash flow for the financial year 1 January to 31 December 2019.

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 26, 2020

Executive Board

Kim Vejlby Hansen
Chief Executive Officer

Board of Directors

Peter Alexander Foss Chairman		Peter Henrik Kürstein-Jensen Vice Chairman
Jimmy Maymann-Holler		Pernille Foss
Nils Christian Foss		Jais Stampe Li Valeur
Sussie My Nikolajsen	Christine Amalie Pagh Fisker	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 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, 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 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 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 exits. 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 26, 2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kirsten Aaskov Mikkelsen
State-Authorised
Public Accountant
MNE No. 21358

Nikolaj Thomsen
State-Authorised
Public Accountant
MNE No. 33276

Management Commentary

Financial Highlights - Group

Key Figures	2019 MDKK	2018 MDKK	2017 MDKK	2016 MDKK	2015 MDKK
Income Statement					
Revenue	2,155	2,243	2,226	2,122	2,010
Operating Profit	403	538	564	496	379
Net financial items	16	-32	-6	5	-17
Profit for the year	319	378	421	380	257
Balance sheet					
Total Assets	1,414	1,558	1,589	1,562	1,417
Equity	809	905	970	933	877
Cash Flow					
Cash Flow from:					
- operating activities	288	442	459	451	365
- Investment activities	-69	-147	-39	-43	-5
hereof investments in tangible and intangible assets	-69	-139	-39	-29	-5
- financing activities	-380	-212	-444	-495	-182
Net cash flow	-161	83	-24	-87	178
Number of employees, average	1,522	1,482	1,408	1,373	1,377
Ratios					
Operating profit for the year vs. revenue	18.7%	24.0%	25.3%	23.4%	18.8%
Return on Investments	28.5%	34.5%	35.5%	31.7%	26.7%
Solvency ratio	57.2%	58.1%	61.1%	59.7%	61.9%
Return on equity	37.2%	40.3%	44.2%	42.0%	29.7%

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 analytics beyond measure to add value to our customers by improving quality and optimizing food and agricultural production.

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

Subsidiaries and branches

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

FOSS achieved approx. 99% (99% 2018) 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 2019 the Group spent 11% (10% 2018) of its revenue on product development to ensure that the Company's leading position is kept. Consequently, a number of product improvements are constantly being developed whilst the product development constantly results in the introduction of new products to both new as well as existing customer segments.

Analytics Beyond Measure

FOSS creates solutions that secure and improve food quality and optimize production. From raw material to finished product. The analysis instruments refine measurements into information management that enables business to run intelligent data-driven productions with less waste and bigger yields.

External Environment

Our Group complies with local requirements and standards and most often at a higher standard than required. FOSS currently does not have, nor in recent times has it had, court cases related to environmental matters. FOSS is ISO certified in the majority of the group companies.

Corporate Social Responsibility

At FOSS, sustainability is core to our business. Our technology enables companies to better manage and action data throughout the production process, reducing wastage and producing larger yields. We also believe in acting ethically and responsibly in our dealings with customers, suppliers, employees, the community and other stakeholders. FOSS supports the UN Global Compact - the world's largest corporate sustainability initiative. As an active member, we are committed to aligning our strategies with the UN Global Compact's ten principles on human rights, labour, the environment and anti-corruption.

We also support the UN Sustainable Development goals, the most relevant for our business are:

- SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- SDG 3: Ensure healthy lives and promote well-being for all at all ages
- SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- SDG 12: Ensure sustainable consumption and production patterns

FOSS is also a member of the SEDEX/SMETA Ethical Trade Audit criteria, the world's largest collaborative platform for sharing responsible sourcing data on supply chains. Every 2-3 years our facilities are subjected to 3rd party best practice audits against criteria in the areas of health & safety, labour standards, the environment and business ethics. We use the results to drive continuous improvements and communicate our sustainability performance to key customers.

Each year we produce an annual Sustainability Report to communicate progress. (https://www.fossanalytics.com/en/about-foss/sustainability).

Diversity and inclusiveness

Diversity provides a number of benefits to our company. It provides different ways of thinking, enhances creativity and gives an understanding of local markets. As a company, our position is that people should be judged only on their merits and abilities. We have developed a sustainability policy, which guarantees equal opportunities in regards to recruitment, advancement, job training and salary. All employees will have the same opportunities regardless of gender, age, race, ethnicity, sex, religion, sexual orientation, etc. Personal privacy will be respected; discrimination and verbal or psychological harassment will not be tolerated. We communicate our policy on equal opportunities internally, as well as externally through our website and in recruitment.

Our Sustainability report provides additional information on how we ensure that we have a diverse and inclusive workplace.

Our position extends to the board of directors as well. We select the best candidate based on the experience, capabilities and knowledge they bring to the position regardless of race, gender, age, ethnicity, sexual orientation, etc. Our target is to have a board composition of 15% of the underrepresented gender, at present that figure is 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. In addition, focus on employer branding to attract and retain talent and experts is significantly higher compared to just a few years ago.

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 1,522 employees in 2019 (1,482 in 2018).

Risk

Operating Risk

The main operating risk for the group concerns the ability to be strongly positioned in the market and at the cutting edge of the technological development for end-to-end solutions that secure and improve food quality.

The Group has reduced the usual operating risk by entering 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.

In recent years our offering to the market contains more digital offerings as well as more online and interface connections within our IT infrastructure. It is our aim to continuously reduce our risk of being compromised and thus significant resources for improving the Groups IT infrastructure and security are being invested.

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 passed year was characterized by extreme weather, swine fever, trade sanctions and political uncertainty. Still FOSS took market share in analytics for food industries including grain, meat, dairy and wine.

The group revenue in 2019 contracted by 4% to DKK 2,155 million (DKK 2,243 million in 2018). Currency impacts positive by less than 1%.

The FOSS Group's development and manufacturing activities are in Hillerød (Denmark), Pécs (Hungary) and Suzhou (China).

Gross Profit for the Group amounts to DKK 1,248 million (DKK 1,357 million in 2018).

During the financial year substantial investments in infrastructure have been continued to accommodate for the growth of the Group's activities:

> In 2019 the extension of the FOSS Innovation Centre in Denmark was finished and inaugurated in April. The investment secures room for further growth in the coming years.
>
> In Hungary the planning of a new innovation site is in its final stage and construction of a new building will start during 2020.
>
> Global IT services finished its offshoring from Denmark to the new IT Service Centre in Warsaw.

Operating profit amounts to DKK 403 million (DKK 538 million in 2018). The decrease is mainly due to lower-than-expected sales and higher costs as the FOSS Group continues to increase its strengthening of innovation and activities towards our customers.

Financial items are positively impacted primarily due to adjustments of balance sheet items (accounts receivables and payables) by end of the year.

Ordinary profit before tax amounts to DKK 419 million (DKK 506 million in 2018). The profit is in 2019 lower than expectations and the long-term strategic growth objectives. The main reason is contraction of consolidated sales due to the difficult market conditions.

Operating profit in the parent company is in 2019 negative by DKK 27 million or slightly better than 2018. Including income from subsidiaries profit for the year after tax amounts DKK 319 million (DKK 378 million in 2018).

The result yields return on equity of 37% (40% in 2018) and a solvency ratio of 57% (58% in 2018). The board proposes a dividend payment of DKK 425 million (DKK 425 million last year) at the upcoming Annual General Meeting in March 2020.

Cash from operating activities amount DKK 288 million compared to DKK 442 million in 2018. Net investments in fixed assets amount DKK 69 million. Cash from operating and investment activities amounts DKK 219 million (DKK 295 million in 2018). After payment of dividend in March 2019 and financial activities with parent company, the change in liquidity is a decrease of DKK 161 million.

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 2020. 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 derive growth in both revenue and profitability compared to 2019. It is expected that the revenue growth in 2020 will be 4-8%. The operating profit will grow faster and is expected to increase 15-20%.

Subsequent events

The spread of COVID-19 throughout the world can potentially have an influence on the business for FOSS Group in 2020. Year to date, the spread of COVID-19 has not impacted FOSS Group significantly, however at this time it is not possible to predict the influence in the coming months. As the potential impact is unknown at this time, this has not been included when setting the expectations for activity and earnings in 2020.

Income Statement

	Notes	Group 2019	Group 2018	Parent 2019	Parent 2018
		MDKK	MDKK	MDKK	MDKK
Revenue	1	**2,155**	**2,243**	**-**	**-**
Change in inventories of finished goods and work in progress		31	-15	-	-
Other operating income		3	3	39	31
Cost of raw materials and consumables		-604	-545	-	-
Other external expenses		-337	-329	-28	-27
Gross Profit		**1,248**	**1,357**	**11**	**4**
Staff costs	2	-802	-781	-21	-23
Earnings before depreciation and interest		**446**	**576**	**-10**	**-19**
Depreciation, amortization and impairment losses	3	-43	-38	-17	-12
Operating profit		**403**	**538**	**-27**	**-31**
Income from investments in group enterprises after tax	4	-	-	339	398
Other financial income	5	27	7	4	7
Other financial expenses	6	-11	-39	-1	-
Profit from ordinary activities before tax		**419**	**506**	**315**	**374**
Tax on profit for the year	7	-100	-129	4	4
Profit before minority share		**319**	**377**	**319**	**378**
Minority interests after tax		-	1	-	-
Profit for the year	8	**319**	**378**	**319**	**378**

Balance Sheet

Assets

	Notes	Group 2019	Group 2018	Parent 2019	Parent 2018
		MDKK	MDKK	MDKK	MDKK
Goodwill		7	11	-	-
Software and patents		13	8	-	-
Intangible assets	9	**20**	**19**	**-**	**-**
Land and buildings		343	195	334	189
Plant and machinery		7	6	-	-
Other fixtures, fittings, tools and equipment		31	25	8	-
Leasehold improvements		2	3	-	-
Buildings under construction		-	130	-	130
Tangible assets	10	**383**	**359**	**342**	**319**
Investments in group enterprises	11	-	-	550	632
Fixed asset investments		**-**	**-**	**550**	**632**
Fixed assets		**403**	**378**	**892**	**951**
Inventories	12	**283**	**241**	**-**	**-**
Trade receivables	13	418	427	-	-
Receivables from group enterprises		-	-	11	6
Receivables from parent company		4	49	-	48
Other short-term receivables	14	38	43	1	5
Income tax receivable		17	23	7	6
Deferred tax asset	7, 15	52	46	-	-
Prepayments	16	11	13	-	-
Receivables		**540**	**601**	**19**	**65**
Cash and cash equivalents		**188**	**338**	**74**	**192**
Current assets		**1,011**	**1,180**	**93**	**257**
Assets		**1,414**	**1,558**	**985**	**1,208**

Balance Sheet

Liabilities

	Notes	Group 2019	Group 2018	Parent 2019	Parent 2018
		MDKK	MDKK	MDKK	MDKK
Contributed capital	17	98	98	98	98
Reserve for net revaluation according to the equity method		-	-	43	111
Retained earnings		285	381	242	270
Proposed dividend		425	425	425	425
Minority interests		1	1	-	-
Equity		**809**	**905**	**808**	**904**
Provision for deferred tax	7, 18	8	3	5	3
Other provisions	19	39	38	47	50
Provisions		**47**	**41**	**52**	**53**
Non-current liabilities other than provisions	20	**8**	**4**	**2**	**-**
Prepayments received from customers		35	27	-	-
Trade payables		112	155	6	33
Payables to group enterprises		5	-	108	204
Payables to parent company		-	-	3	-
Income tax payable		86	106	-	-
Other payables		188	199	6	14
Deferred income	21	124	121	-	-
Current liabilities other than provisions		**550**	**608**	**123**	**251**
Liabilities other than provisions		**558**	**612**	**125**	**251**
Equity and liabilities		**1,414**	**1,558**	**985**	**1,208**

Other adjustments	22
Contingent assets and liabilities	23
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Statement of Changes in Equity

Group

Changes in Equity 2019	Contributed capital	Retained Earnings	Proposed dividend	**Total**	Minority interests	**Total**
	MDKK	MDKK	MDKK	**MDKK**	MDKK	**MDKK**
Equity beginning of year	98	381	425	**904**	1	**905**
Ordinary dividend paid	-	-	-425	**-425**	-	**-425**
Exchange rate adjustments	-	5	-	**5**	-	**5**
Cash flow hedges, net of tax	-	5	-	**5**	-	**5**
Profit for the year	-	-106	425	**319**	-	**319**
Equity end of year	**98**	**285**	**425**	**808**	**1**	**809**

Changes in Equity 2018	Contributed capital	Retained Earnings	Proposed dividend	**Total**	Minority interests	**Total**
	MDKK	MDKK	MDKK	**MDKK**	MDKK	**MDKK**
Equity beginning of year	98	445	425	**968**	2	**970**
Ordinary dividend paid	-	-	-425	**-425**	-	**-425**
Exchange rate adjustments	-	6	-	**6**	-	**6**
Cash flow hedges, net of tax	-	-23	-	**-23**	-	**-23**
Profit for the year	-	-47	425	**378**	-1	**377**
Equity end of year	**98**	**381**	**425**	**904**	**1**	**905**

Statement of Changes in Equity

Parent Company

Changes in Equity 2019	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	111	270	425	**904**
Ordinary dividend paid	-	-	-	-425	**-425**
Dividend received from subsidiaries	-	-417	417	-	**-**
Exchange rate adjustments	-	5	-	-	**5**
Cash flow hedges, net of tax	-	5	-	-	**5**
Profit for the year	-	339	-445	425	**319**
Equity end of year	**98**	**43**	**242**	**425**	**808**

Changes in Equity 2018	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	185	260	425	**968**
Dividend paid	-	-	-	-425	**-425**
Dividend received from subsidiaries	-	-455	455	-	**-**
Exchange rate adjustments	-	6	-	-	**6**
Cash flow hedges, net of tax	-	-23	-	-	**-23**
Profit for the year	-	398	-445	425	**378**
Equity end of year	**98**	**111**	**270**	**425**	**904**

Consolidated Cash Flow Statement

		Group	
	Notes	2019	2018
		MDKK	MDKK
Operating profit		403	538
Depreciation, amortisation and impairment losses		43	38
Other adjustments	22	7	-10
Cash flows from operating activities before changes in working capital		**453**	**566**
Change in inventories		-42	16
Change in trade receivables and other receivables		28	-28
Change in trade payables and other debt		-43	59
Exchange rate adjustments		-2	5
Change in working capital		**-59**	**52**
Cash flows from operating activities before financial income and expenses and tax		**394**	**618**
Net financial items received / paid		12	-32
Income taxes refunded / paid		-118	-144
Cash flows from operating activities		**288**	**442**
Acquisition, sales of intangible and tangible assets, net		-69	-139
Acquisition of company		-	-8
Cash flows from investing activities		**-69**	**-147**
Cash flows from operating and investing activities		**219**	**295**
Loan to Parent Company		45	213
Dividend paid		-425	-425
Cash flows from financing activities		**-380**	**-212**
Increase / decrease in cash and cash equivalents		**-161**	**83**
Cash and Cash equivalents beginning of year		338	231
Currency translation adjustments of cash and cash equivalents		11	24
Cash and Cash equivalents end of year		**188**	**338**

Notes to the Annual Report

	Group		Parent	
	2019	2018	2019	2018
	MDKK	MDKK	MDKK	MDKK
1 Revenue				
Geographical markets				
EU countries	854	899	-	-
Other countries	1,301	1,344	-	-
	2,155	**2,243**	**-**	**-**

Management believes that a break-down of revenue on segments / activities and further geographic markets may create a competitive unwanted attention and focus on its core areas.The information may contribute to competing enterprises' strategic decision-making and thus the Company will suffer significant injury.

As a result, the Group, pursuant to section 96 (1) of the Danish Financial statements Act, chooses not to disclose these segments further.

	Group 2019 MDKK	Group 2018 MDKK	Parent 2019 MDKK	Parent 2018 MDKK
2 Staff costs				
Wages and salaries	704	686	21	23
Pensions	24	22	-	-
Other social security expenses	74	73	-	-
	802	**781**	**21**	**23**
Hereof salaries and wages for Executive Board and Board of Directors				
Executive Board	10	10	5	5
Board of Directors	2	2	2	2
	12	**12**	**7**	**7**

Remuneration to registered members of the executive board consist of salary and bonus from parent company as well as subsidiaries. Furthermore car has been provided for the Executive Board's free disposal.

	Group 2019	Group 2018	Parent 2019	Parent 2018
Average number of employees	**1,522**	**1,482**	**24**	**24**

Notes to the Annual Report

		Group		Parent	
		2019	**2018**	**2019**	**2018**
		MDKK	MDKK	MDKK	MDKK
3	**Depreciation, amortization and impairment losses**				
	Goodwill	4	3	-	-
	Software and patents	4	7	-	1
	Land and Buildings	16	11	16	10
	Plant and Machinery	3	4	-	-
	Other fixtures, fittings, tools and equipment	15	12	1	1
	Leasehold improvements	1	1	-	-
		43	**38**	**17**	**12**
4	**Income from investments in group enterprises after tax**				
	Share of earnings from subsidiaries	-	-	359	401
	Goodwill amortization	-	-	-4	-3
	Change of internal profit on inventories inside the group	-	-	-16	-
		-	**-**	**339**	**398**
5	**Other financial Income**				
	Interest received	3	2	1	-
	Interest received from affiliated companies	-	2	2	4
	Exchange rate adjustment	24	3	1	3
		27	**7**	**4**	**7**
6	**Other financial expenses**				
	Interest paid	-	-	1	-
	Exchange rate adjustment	11	39	-	-
		11	**39**	**1**	**-**

Notes to the Annual Report

		Group		Parent	
		2019	**2018**	**2019**	**2018**
		MDKK	MDKK	MDKK	MDKK
7	**Tax on profit for the year**				
	Corporation tax for the year	102	126	-8	-6
	Deferred tax for the year	-3	-	2	-
	Adjustments to previous years	-2	1	1	-
	Dividend tax paid abroad	3	2	1	2
	Tax for the year	**100**	**129**	**-4**	**-4**
	Deferred tax assets				
	Deferred tax beginning of the year	46	44	-	-
	Adjustments in Profit & Loss	6	-4	-	-
	Adjustments in Equity	-	6	-	-
	Deferred tax end of year	**52**	**46**	**-**	**-**
	Provisions for deferred tax				
	Provisions for deferred tax beginning of the year	3	7	3	3
	Adjustments in Profit & Loss	3	-4	2	-
	Adjustments in Equity	2	-	-	-
	Provisions for deferred tax end of year	**8**	**3**	**5**	**3**
8	**Proposed distribution of profit**				
	Dividend for the financial year			425	425
	Reserve for net revaluation according to the equity method			339	398
	Retained earnings			-445	-445
				319	**378**

Notes to the Annual Report

9 Intangible Assets

Group	**Goodwill**	**Software and Patents**
	MDKK	MDKK
Cost beginning of year	22	68
Exchange adjustment	-	-1
Additions for the year	-	10
Cost end of year	**22**	**77**
Amortization and impairment losses beginning of year	11	60
Amortization for the year	4	4
Amortization and impairment losses end of year	**15**	**64**
Carrying amount end of year	**7**	**13**

Parent	**Software and Patents**
	MDKK
Cost beginning of year	22
Cost end of year	**22**
Amortization beginning of year	22
Amortization end of year	**22**
Carrying amount end of year	**-**

Notes to the Annual Report

10 Tangible Assets

Group	Land and buildings	Plant and machinery	Other fixtures, fittings, tools and equipment	Leasehold improve-ments	Buildings under construction
	MDKK	MDKK	MDKK	MDKK	MDKK
Cost beginning of year	334	36	172	11	130
Exchange adjustment	-	-	1	-	-
Additions for the year	34	4	25	-	-
Disposals for the year	-	-1	-18	-	-
Transfers	130	-	-	-	-130
Cost end of year	**498**	**39**	**180**	**11**	**-**
Depreciation beginning of year	139	30	147	8	-
Exchange adjustment	-	-	1	-	-
Depreciation for the year	16	3	15	1	-
Depreciation of sold assets for the year	-	-1	-14	-	-
Depreciation end of year	**155**	**32**	**149**	**9**	**-**
Carrying amount end of year	**343**	**7**	**31**	**2**	**-**

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

10 Tangible Assets, continued

Parent	Land and buildings	Other fixtures, fittings, tools and equipment	Buildings under construc-tion
	MDKK	MDKK	MDKK
Cost beginning of year	317	21	130
Additions for the year	31	9	-
Transfers	130	-	-130
Cost end of year	**478**	**30**	**-**
Depreciation beginning of year	128	21	-
Depreciation for the year	16	1	-
Depreciation end of year	**144**	**22**	**-**
Carrying amount end of year	**334**	**8**	**-**

Investments in land and buildings are located in Denmark.

Notes to the Annual Report

	Parent	
	2019	**2018**
	MDKK	MDKK
11 Investments in group enterprises		
Cost beginning of year	437	423
Additions for the year	-	14
Cost end of year	437	437
Net revaluations beginning of year	111	185
Exchange rate adjustment	5	6
Dividend received	-417	-455
Amortization on goodwill	-4	-3
Change in internal profit on inventory	-16	-
Cash flow hedge, net of tax	5	-23
Profit for the year	359	401
Net revaluations end of year	43	111
Set of against receivables	23	34
Transferred to provisions for negative investments in group enterprises	47	50
Carrying amount end of year	**550**	**632**
Goodwill included in the above amounts to	7	11

Notes to the Annual Report

Parent

11 Investments in group enterprises, continued

Shares in subsidiaries:	Country	Ownership	Share capital
FOSS Analytical A/S	Denmark	100%	MDKK 20,5
Soft Flow Kft.	Hungary	100%	MHUF 1,020
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.	Nederlands	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 6,900
FOSS do Brasil Instrumentos Analiticos 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	75.9%	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.	Republic of 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 South East Asia Co., Ltd.	Thailand	100%	TTHB 23,540
FOSS UK Ltd.	United Kingdom	100%	TGBP 1,225
FOSS VIETNAM JSC.	Vietnam	80%	MVND 12,000

Notes to the Annual Report

	Group		Parent	
	2019	**2018**	**2019**	**2018**
	MDKK	MDKK	MDKK	MDKK
12 Inventories				
Raw materials and consumables	93	82	-	-
Work in progress	55	43	-	-
Manufactured goods and goods for resale	135	116	-	-
	283	**241**	**-**	**-**
13 Trade receivables				
Of the total accounts receivables the following amount falls due for payment more than 1 year after year end.	-	1	-	-
14 Other short-term receivables				
Deposits	10	12	-	-
Leasing receivables	2	2	-	-
Other receivables	26	29	1	5
	38	**43**	**1**	**5**
15 Deferred tax assets				
Fixed Assets	1	2	-	-
Inventories	31	21	-	-
Receivables	1	1	-	-
Provisions	8	11	-	-
Prepayments and accruals	11	11	-	-
	52	**46**	**-**	**-**
16 Prepayments				
Other prepayments	11	13	-	-
	11	**13**	**-**	**-**

Notes to the Annual Report

	Group		Parent	
	2019	**2018**	**2019**	**2018**
	MDKK	MDKK	MDKK	MDKK
17 Contributed Capital				
Contributed capital is composed as follows:				
A-shares: 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
B-shares: 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
	98	**98**	**98**	**98**

There has not been any capital changes the last 5 years.

	Group 2019	Group 2018	Parent 2019	Parent 2018
18 Provisions for deferred tax				
Fixed assets	7	3	6	3
Inventories	5	-	-	-
Provisions	-1	-	-1	-
Deferred tax related to cash flow hedge	-3	-	-	-
	8	**3**	**5**	**3**

Notes to the Annual Report

	Group		Parent	
	2019	2018	2019	2018
	MDKK	MDKK	MDKK	MDKK
19 Other provisions				
Provisions for pensions etc	22	20	-	-
Provisions for warranty	17	18	-	-
Provisions for negative investments in group enterprises	-	-	47	50
	39	**38**	**47**	**50**
20 Non-current liabilities other than provisions				
All long term debt falls due between 1 and 5 years	8	4	2	-
21 Deferred income				
Service contracts	101	87	-	-
Recognition of loss regarding forward exchange contracts	23	34	-	-
	124	**121**	**-**	**-**
22 Other adjustments				
Change in other provisions	1	-3		
Exchange adjustments	2	1		
Change in long term debt	4	-8		
	7	**-10**		

Notes to the Annual Report

	Group		Parent	
	2019	**2018**	**2019**	**2018**
	MDKK	MDKK	MDKK	MDKK
23 Contingent assets and liabilities				
Contingent assets				
Value of non recognized tax losses carried forward	8	13	-	-
	8	**13**	**-**	**-**
Contingent liabilities				
Leases related to offices	8	10	-	-
Other lease commitments	40	42	1	1
Securities and guarantees	7	5	-	-
	55	**57**	**1**	**1**
Guarantees etc.:				
Purchase obligations for long-term delivery from suppliers do not exceed	134	156	-	-
Security concerning credit cards	2	2	-	-

The parent company and its Danish subsidiaries are a part of a Danish joint taxation of which N. Foss & Co. A/S 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.

A479C guarantee has been issued to Foss UK Ltd. (Registration number 00694750).

Notes to the Annual Report

	Group		Parent	
	2019	2018	2019	2018
	MDKK	MDKK	MDKK	MDKK
23 Contingent assets and liabilities, continued				
Forward exchange coverage:				
The Group has entered into the following forward exchange contracts:				
Contract value:				
Sales contracts. Expires within one year	691	661	-	-
Purchase contracts. Expires within one year	-107	-104	-	-
Net value	**584**	**557**	**-**	**-**
Sales contracts. Expires within two years	16	77	-	-
Purchase contracts. Expires within two years	-11	-	-	-
Net value	**5**	**77**	**-**	**-**
An unrealized loss is included in deferred income	23	34	-	-
24 Fee to auditors appointed at the annual general meeting				
Fee for statutory audit	3	3	-	-
Tax advice	1	-	-	-
Other services	1	1	1	1
Fee	**5**	**4**	**1**	**1**

25 Related parties

N. Foss & Co. A/S is a related party and has a controlling interest in the company.

Transactions with related parties are based on market price (arm's length).

26 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 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).

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	20-25 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" issued by the Danish Society of Financial Analysts.

The financial ratios have been calculated as follows:

$$\text{Operating profit for the year vs. revenue} = \frac{\text{Operating Profit x 100}}{\text{Revenue}}$$

$$\text{Return on Investments} = \frac{\text{Operating Profit x 100}}{\text{Total Assets}}$$

$$\text{Solvency ratio} = \frac{\text{Equity at year end x 100}}{\text{Total Assets}}$$

$$\text{Return on equity} = \frac{\text{Profit for the year x 100}}{\text{Average equity}}$$