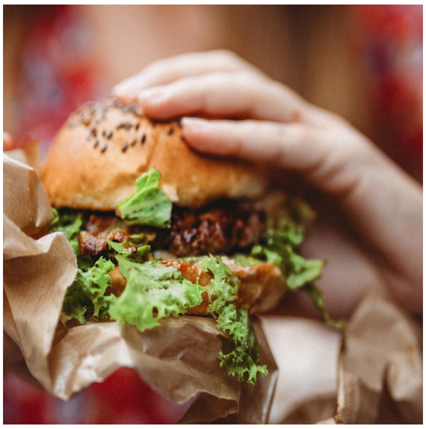
ANNUAL REPORT 2021

FOSS A/S

Approved at General Meeting
March 24, 2022

Chairman of the General Meeting
Peter Alexander Foss




ANALYTICS BEYOND MEASURE


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

FOSS GROUP as of 31 December 2021
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

FOSS Ejendomme SLG A/S, Denmark

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 2021.

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 2021 and of their financial performance as well as the consolidated cash flow for the financial year 1 January to 31 December 2021.

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, 24 March, 2022

Executive Board

Kim Vejlby Hansen
Chief Executive Officer

Board of Directors

Peter Alexander Foss
Chairman

Peter Henrik Kürstein-Jensen
Vice Chairman

Mikael Lindholm

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 01.01.2021 – 31.12.2021, 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 31.12.2021, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 – 31.12.2021 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's 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 Parent'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 these parent financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Parent’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 Parent’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, 24 March, 2022

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	2021 MDKK	2020 MDKK	2019 MDKK	2018 MDKK	2017 MDKK
Income Statement					
Revenue	2,297	2,149	2,155	2,243	2,226
Operating Profit	556	526	403	538	564
Net financial items	1	-21	16	-32	-6
Profit for the year	437	394	319	378	421
Balance sheet					
Total Assets	1,601	1,444	1,414	1,558	1,589
Equity	861	789	809	905	970
Cash Flow					
Cash Flow from:					
- operating activities	461	484	288	442	459
- Investment activities	-68	-35	-69	-147	-39
hereof investments in tangible and intangible assets	-68	-35	-69	-139	-39
- financing activities	-375	-421	-380	-212	-444
Net cash flow	18	28	-161	83	-24
Number of employees, average	1,549	1,529	1,522	1,482	1,408
Ratios					
Operating profit for the year vs. revenue	24.2%	24.5%	18.7%	24.0%	25.3%
Return on Investments	34.8%	36.5%	28.5%	34.5%	35.5%
Solvency ratio	53.8%	54.7%	57.2%	58.1%	61.1%
Return on equity	53.0%	49.3%	37.2%	40.3%	44.2%

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. Please refer to Accounting Principles.

Management Commentary

The FOSS Mission

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

FOSS provides 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% in 2020) 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 2021 the Group spent 11% (11% in 2020) of its revenue on research and 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 results in the introduction of new products to both new as well as existing customer segments.

FOSS has in 2021 continued the significant investment in digitalization as initiated years ago. Our digital offering is part of the total solution together with our instruments and adaption rates are increasing. In addition, the FOSS Group has decided to accelerate the investments in further digitalization and SaaS services in the coming years.

Making sustainability a better business while improving food quality

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.

Our world-leading analytical solutions makes a tangible difference for the food and agricultural industry and its use of the world's valuable natural resources – while at the same time improving product quality and saving time and money.

FOSS takes what used to be complex, time consuming, and expensive and makes it fast, dedicated, and easy-to-use. Our innovation renders elements such as manual registration, laboratory experts and the use of chemicals unnecessary, and replaces it with intelligent solutions that give you data to act on and the power to control, optimise and run a business based solely on high quality insights and cutting-edge innovation. This has made us a crucial companion in the development of the new food and protein sources of the future.

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.

Collaborating to improve sustainability performance

In addition to the sustainable benefits of our solutions FOSS believe in acting ethically and responsibly. FOSS is an active member of the UN Global Compact. As a member, we are committed to aligning strategies and operations with universal principles on human rights, labor, the environment and anti-corruption. Each year we produce a Communication on Progress (COP) report showing the practical actions we have taken to implement the Ten Principles in our company.

FOSS is also a member of the SEDEX initiative, the world's largest collaborative platform for sharing responsible sourcing data on supply chains, used by more than 60,000 members. As a member our production facilities are audited by a 3rd party to assess performance against the SEDEX best practice criteria in the areas of health & safety, labor, the environment and business integrity. We also support the Sustainable Development goals and report on how we contribute to goals 2, 3, 8 and 12.

For more information please see our FOSS Sustainability report 2021 and our Sustainability policy, which can be found here:
https://www.fossanalytics.com/-/media/files/legal-documents/sustainability-report-2021.pdf

A diverse and transparent work culture

At FOSS we believe that diversity and unity benefit our company in a number of ways: such as different perspectives and looking at challenges, insights into global markets, innovation, etc. Our policy is that we hire the best candidate for open positions based on merits and the profile for the position regardless of race, nationality, ethnic origin, gender, sexual orientation, marital status, disability, family status, age or religion. As a company we will not tolerate discrimination in regard to recruitment, advancement, training or salary. We communicate this to both internal and external stakeholders. We also have a whistle-blower system where staff and other stakeholders can raise concerns, including discrimination. No issues around discrimination were raised over the last year.

Our equal opportunities position also extends to the board level. We select the best candidates based on their experience, knowledge, and the skills they can 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 slightly above 16%.

For more information on equal opportunities please see our FOSS Sustainability report 2021 and our Sustainability policy, which can be found here:
https://www.fossanalytics.com/-/media/files/legal-documents/sustainability-report-2021.pdf

Data ethics statement

FOSS is a responsible employer and a trusted partner to our customers and business partners. We do our utmost to ensure that data is used in a safe and responsible manner.

We have taken a strategic approach to data ethics and have established an initial global Data Ethics Policy regarding use of data and new technologies.

The Data Ethics Policy is about responsible and sustainable use of data and new technologies and complements e.g., the principles of transparency and data minimization in FOSS' Global

Data Protection Policy as well as rules on integrity and confidentiality. The policy also supplements policies on handling of personal data, use of cookies etc.

The FOSS Data Ethics Policy has been prepared as an overall framework and it applies to the FOSS Group. FOSS will continue its proactive work with data ethics based on the four principles set out in the Data Ethics Policy, which can be found here:
https://www.fossanalytics.com/-/media/files/legal-documents/data-ethics-policy-2021.pdf

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 make this possible. In addition, focus on employer branding to attract and retain talent and experts is high.

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 1,549 employees in 2021 (1,529 in 2020).

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 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. As a consequence of the Covid-19 pandemic, global supply chains have slowed towards ends of 2021, causing shortages of key components.

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. Currently the Group does not hedge against currency exchange fluctuations.

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 which is also due to the controlling of debtors on group and local level.

Development in activities and financial conditions

The reported group revenue in 2021 amounted to DKK 2,297 which was 6.9% higher than last year. Currency impacted negative by 1.4% implying an organic growth of 8.3%.

The FOSS Group's development and manufacturing activities are in Hillerød (Denmark), Pécs (Hungary) and Suzhou (China). In 2021 a new innovation center hosting the Group's microbiology activities in Pécs has been inaugurated.

Gross Profit for the Group amounts to DKK 1,429 million (DKK 1,368 million in 2020).

Operating profit amounts to DKK 556 million (DKK 526 million in 2020). The increase is due to growth in revenue combined with unchanged cost ratio.

Ordinary profit before tax amounts to DKK 557 million (DKK 505 million in 2020). The profit is positively impacted as described above and in line with expectations and long-term strategic objectives.

Operating profit in the parent company is in 2021 negative by DKK 30 million (DKK 27 million negative in 2020). Including income from subsidiaries, profit for the year after tax amounts DKK 437 million (DKK 394 million in 2020).

The result yields return on equity of 53% (49% in 2020) and a solvency ratio of 54% (55% in 2020). The board proposes a dividend payment of DKK 425 million (DKK 375 million last year) to the parent company at the upcoming Annual General Meeting in March 2022.

Cash from operating activities amount DKK 461 million compared to DKK 484 million in 2020. Net investments in fixed assets amount DKK 68 million. Cash from operating and investment activities amounts DKK 393 million (DKK 449 million in 2020).

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 2022. 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.

The continued spread of COVID-19 throughout the world can potentially have an influence on the business for the company in 2022. Impact from COVID-19 beyond 2021 implications have not been factored in when setting the expectations for activity and earnings in 2022.

It is the expectation that the coming year will derive growth in both revenue and profitability compared to 2021. It is expected that the revenue growth in 2022 will be 7-9%. A number of long-term strategic initiatives will cause a profit margin in 2022 at the level of 2021.

Subsequent events

The FOSS Group is to a minor degree exposed to the emerged conflict between Russia and Ukraine having our own Sales and Service undertaking in Russia and independent distributors in Ukraine and Belarus. In late February 2022 it has been decided to put all activities in the sanctioned areas to a standstill and thus both revenue and earnings are expected to be impacted to some degree in 2022. For the parent company it is expected that all due cash flows from the sanctioned areas until further will be on hold with a significant risk of not being able to collect the outstanding amount.

Income Statement

	Notes	Group 2021	Group 2020	Parent 2021	Parent 2020
		MDKK	MDKK	MDKK	MDKK
Revenue	1	**2,297**	**2,149**	**-**	**-**
Change in inventories of finished goods and work in progress		13	12	-	-
Other operating income		3	4	41	39
Cost of raw materials and consumables		-583	-538	-	-
Other external expenses		-301	-259	-28	-24
Gross Profit		**1,429**	**1,368**	**13**	**15**
Staff costs	2	-829	-796	-25	-23
Earnings before depreciation and interest		**600**	**572**	**-12**	**-8**
Depreciation, amortization and impairment losses	3	-44	-46	-18	-19
Operating profit		**556**	**526**	**-30**	**-27**
Income from investments in group enterprises after tax	4	-	-	461	414
Other financial income	5	11	1	4	5
Other financial expenses	6	-10	-22	-1	-1
Profit from ordinary activities before tax		**557**	**505**	**434**	**391**
Tax on profit for the year	7	-119	-113	3	3
Profit before minority share		**438**	**392**	**437**	**394**
Minority interests after tax		-1	2	-	-
Profit for the year	8	**437**	**394**	**437**	**394**

Balance Sheet

Assets

	Notes	Group 2021	Group 2020	Parent 2021	Parent 2020
		MDKK	MDKK	MDKK	MDKK
Goodwill		6	4	-	-
Software and patents		11	13	-	-
Intangible assets	9	**17**	**17**	**-**	**-**
Land and buildings		342	329	308	324
Plant and machinery		6	6	-	-
Other fixtures, fittings, tools and equipment		40	35	4	6
Leasehold improvements		4	3	-	-
Tangible assets	10	**392**	**373**	**312**	**330**
Investments in group enterprises	11	-	-	642	604
Fixed asset investments		**-**	**-**	**642**	**604**
Fixed assets		**409**	**390**	**954**	**934**
Inventories	12	**331**	**298**	**-**	**-**
Trade receivables		457	413	-	-
Receivables from group enterprises		-	-	11	11
Other short-term receivables	13	60	41	2	2
Income tax receivable		11	11	6	5
Deferred tax asset	7, 14	66	56	-	-
Prepayments	15, 23	14	27	-	-
Receivables		**608**	**548**	**19**	**18**
Cash and cash equivalents		**253**	**208**	**117**	**84**
Current assets		**1,192**	**1,054**	**136**	**102**
Assets		**1,601**	**1,444**	**1,090**	**1,036**

Balance Sheet

Liabilities

	Notes	Group 2021	Group 2020	Parent 2021	Parent 2020
		MDKK	MDKK	MDKK	MDKK
Contributed capital	16	98	98	98	98
Reserve for net revaluation according to the equity method		-	-	151	114
Retained earnings		340	317	189	203
Proposed dividend		425	375	425	375
Minority interests		-2	-1	-	-
Equity		**861**	**789**	**863**	**790**
Provision for deferred tax	7, 17	16	10	8	6
Other provisions	18	43	41	25	31
Provisions		**59**	**51**	**33**	**37**
Non-current liabilities other than provisions	19	**19**	**13**	**8**	**5**
Prepayments received from customers		53	39	-	-
Trade payables		162	128	7	8
Payables to group enterprises		35	38	155	163
Payables to parent company		-	-	19	26
Income tax payable		105	97	-	-
Other payables		163	185	5	7
Deferred income	20	144	104	-	-
Current liabilities other than provisions		**662**	**591**	**186**	**204**
Liabilities other than provisions		**681**	**604**	**194**	**209**
Equity and liabilities		**1,601**	**1,444**	**1,090**	**1,036**

Other adjustments	21
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Statement of Changes in Equity

Group

Changes in Equity 2021	Contributed capital	Fair Value reserve	Retained Earnings	Proposed dividend	**Total**	Minority interests	**Total**
	MDKK	MDKK	MDKK	MDKK	**MDKK**	MDKK	**MDKK**
Equity beginning of year	98	6	311	375	**790**	-1	**789**
Ordinary dividend paid	-	-	-	-375	**-375**	-	**-375**
Exchange rate adjustments	-	-	17	-	**17**	-	**17**
Cash flow hedges, net of tax	-	-6	-	-	**-6**	-	**-6**
Other adjustments	-	-	-	-	**-**	-2	**-2**
Profit for the year	-	-	12	425	**437**	1	**438**
Equity end of year	**98**	**-**	**340**	**425**	**863**	**-2**	**861**

Changes in Equity 2020	Contributed capital	Fair Value reserve	Retained Earnings	Proposed dividend	**Total**	Minority interests	**Total**
	MDKK	MDKK	MDKK	MDKK	**MDKK**	MDKK	**MDKK**
Equity beginning of year	98	-	285	425	**808**	1	**809**
Ordinary dividend paid	-	-	-	-425	**-425**	-	**-425**
Exchange rate adjustments	-	-3	7	-	**4**	-	**4**
Cashflow hedges, net of tax	-	9	-	-	**9**	-	**9**
Profit for the year	-	-	19	375	**394**	-2	**392**
Equity end of year	**98**	**6**	**311**	**375**	**790**	**-1**	**789**

Statement of Changes in Equity

Parent Company

Changes in Equity 2021	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	114	203	375	**790**
Ordinary dividend paid	-	-	-	-375	**-375**
Dividend received from subsidiaries	-	-435	435	-	**-**
Exchange rate adjustments	-	11	-	-	**11**
Profit for the year	-	461	-449	425	**437**
Equity end of year	**98**	**151**	**189**	**425**	**863**

Changes in Equity 2020	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	43	242	425	**808**
Ordinary dividend paid	-	-	-	-425	**-425**
Dividend received from subsidiaries	-	-356	356	-	**-**
Exchange rate adjustments	-	13	-	-	**13**
Profit for the year	-	414	-395	375	**394**
Equity end of year	**98**	**114**	**203**	**375**	**790**

Consolidated Cash Flow Statement

	Notes	Group 2021	Group 2020
		MDKK	MDKK
Operating profit		556	526
Depreciation, amortisation and impairment losses		49	46
Other adjustments	21	8	10
Cash flows from operating activities before changes in working capital		**613**	**582**
Change in inventories		-33	-14
Change in trade receivables and other receivables		-62	21
Change in trade payables and other debt		67	-5
Exchange rate adjustments		-8	22
Change in working capital		**-36**	**24**
Cash flows from operating activities before financial income and expenses and tax		**577**	**606**
Net financial items received / paid		1	-21
Income taxes refunded / paid		-117	-101
Cash flows from operating activities		**461**	**484**
Acquisition, sales of intangible and tangible assets, net		-68	-35
Cash flows from investing activities		**-68**	**-35**
Cash flows from operating and investing activities		**393**	**449**
Loan to Parent Company		-	4
Dividend paid		-375	-425
Cash flows from financing activities		**-375**	**-421**
Increase / decrease in cash and cash equivalents		**18**	**28**
Cash and Cash equivalents beginning of year		208	188
Currency translation adjustments of cash and cash equivalents		27	-8
Cash and Cash equivalents end of year		**253**	**208**

Notes to the Annual Report

		Group		Parent	
		2021	2020	2021	2020
		MDKK	MDKK	MDKK	MDKK
1	**Revenue**				
	Geographical markets				
	EU countries	899	835	-	-
	Other countries	1,398	1,314	-	-
		2,297	**2,149**	**-**	**-**

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 2021	Group 2020	Parent 2021	Parent 2020
2	**Staff costs**				
	Wages and salaries	728	703	25	23
	Pensions	25	24	-	-
	Other social security expenses	76	69	-	-
		829	**796**	**25**	**23**
	Hereof salaries and wages for Executive Board and Board of Directors				
	Executive Board	13	12	7	6
	Board of Directors	2	2	2	2
		15	**14**	**9**	**8**

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 2021	Group 2020	Parent 2021	Parent 2020
Average number of employees	**1,549**	**1,529**	**22**	**21**

Notes to the Annual Report

		Group		Parent	
		2021	**2020**	**2021**	**2020**
		MDKK	MDKK	MDKK	MDKK
3	**Depreciation, amortization and impairment losses**				
	Goodwill	2	3	-	-
	Software and patents	7	6	-	-
	Land and Buildings	16	17	15	17
	Plant and Machinery	4	3	-	-
	Other fixtures, fittings, tools and equipment	20	16	3	2
	Leasehold improvements	1	1	-	-
		50	**46**	**18**	**19**
	Transferred to raw materials and consumables	-6	-	-	-
		44	**46**	**18**	**19**
4	**Income from investments in group enterprises after tax**				
	Share of earnings from subsidiaries	-	-	476	427
	Goodwill amortization	-	-	-2	-3
	Change of internal profit on inventories inside the group	-	-	-13	-10
		-	**-**	**461**	**414**
5	**Other financial Income**				
	Interest received	1	1	-	-
	Interest received from affiliated companies	-	-	4	5
	Exchange rate adjustment	8	-	-	-
	Dividend income and gain on shares and bonds	2	-	-	-
		11	**1**	**4**	**5**
6	**Other financial expenses**				
	Interest paid	1	1	1	1
	Exchange rate adjustment	9	21	-	-
		10	**22**	**1**	**1**

Notes to the Annual Report

		Group		Parent	
		2021	**2020**	**2021**	**2020**
		MDKK	MDKK	MDKK	MDKK
7	**Tax on profit for the year**				
	Corporation tax for the year	120	117	-5	-4
	Changes in deferred tax for the year	-4	-5	2	1
	Adjustments to previous years	2	-	-	-
	Dividend tax paid abroad	1	1	-	-
	Tax for the year	**119**	**113**	**-3**	**-3**
	Deferred tax assets				
	Deferred tax beginning of the year	56	52	-	-
	Adjustments in Profit & Loss	7	5	-	-
	Adjustments in Equity	2	1	-	-
	Currency adjustments	1	-2	-	-
	Deferred tax assets end of year	**66**	**56**	**-**	**-**
	Provisions for deferred tax				
	Provisions for deferred tax beginning of the year	10	8	6	5
	Adjustments in Profit & Loss	5	-	2	1
	Adjustments in Equity	1	2	-	-
	Provisions for deferred tax end of year	**16**	**10**	**8**	**6**
8	**Proposed distribution of profit**				
	Proposed dividend for the financial year			425	375
	Reserve for net revaluation according to the equity method			461	414
	Retained earnings			-449	-395
				437	**394**

Notes to the Annual Report

9 Intangible Assets

Group	**Goodwill**	**Software and Patents**
	MDKK	MDKK
Cost beginning of year	22	83
Additions for the year	4	5
Cost end of year	**26**	**88**
Amortization and impairment losses beginning of year	18	70
Amortization for the year	2	7
Amortization and impairment losses end of year	**20**	**77**
Carrying amount end of year	**6**	**11**

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**
	MDKK	MDKK	MDKK	MDKK
Cost beginning of year	501	41	189	12
Exchange adjustment	-	-	3	1
Additions for the year	29	4	31	2
Disposals for the year	-	-1	-9	-
Cost end of year	**530**	**44**	**214**	**15**
Depreciation beginning of year	172	35	154	9
Exchange adjustment	-	-	3	1
Depreciation for the year	16	4	20	1
Depreciation of sold assets for the year	-	-1	-3	-
Depreciation end of year	**188**	**38**	**174**	**11**
Carrying amount end of year	**342**	**6**	**40**	**4**

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	485	30
Additions for the year	7	1
Disposals for the year	-97	-
Cost end of year	**395**	**31**
Depreciation beginning of year	161	24
Depreciation for the year	15	3
Depreciation of disposed assets for the year	-89	-
Depreciation end of year	**87**	**27**
Carrying amount end of year	**308**	**4**

Investments in land and buildings are located in Denmark.

Notes to the Annual Report

	Parent	
	2021	**2020**
	MDKK	MDKK
11 Investments in group enterprises		
Cost beginning of year	438	437
Additions for the year	11	1
Cost end of year	449	438
Net revaluations beginning of year	114	43
Exchange rate adjustment	7	7
Dividend received	-434	-356
Amortization on goodwill	-2	-3
Change in internal profit on inventory	-13	-10
Cash flow hedge, net of tax	4	6
Profit for the year	476	427
Net revaluations end of year	152	114
Set of against receivables	16	21
Transferred to provisions for negative investments in group enterprises	25	31
Carrying amount end of year	**642**	**604**
Goodwill included in the above amounts to	6	4

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 4,020
FOSS Ejendomme SLG A/S	Denmark	100%	TDKK 1,000
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.	Nederlands	100%	TEUR 18
FOSS Benelux N.V.	Belgium	100%	TEUR 62
FOSS Centro America S.A. de C.V.	Mexico	100%	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	100%	TMXN 50
FOSS South East Asia Co., Ltd.	Thailand	100%	TTHB 26,540
FOSS UK Ltd.	United Kingdom	100%	TGBP 1,225
FOSS VIETNAM JSC.	Vietnam	100%	MVND 12,000

Notes to the Annual Report

		Group		Parent	
		2021	**2020**	**2021**	**2020**
		MDKK	MDKK	MDKK	MDKK
12	**Inventories**				
	Raw materials and consumables	115	95	-	-
	Work in progress	57	63	-	-
	Manufactured goods and goods for resale	159	140	-	-
		331	**298**	**-**	**-**
13	**Other short-term receivables**				
	Deposits	12	14	-	-
	Leasing receivables	11	2	-	-
	Leasing receivables falling due after 1 year	6	-	-	-
	Other receivables	31	25	2	2
		60	**41**	**2**	**2**
14	**Deferred tax assets**				
	Fixed Assets	2	1	-	-
	Inventories	39	34	-	-
	Receivables	1	1	-	-
	Provisions	8	7	-	-
	Prepayments and accruals	16	13	-	-
		66	**56**	**-**	**-**
15	**Prepayments**				
	Recognition of gain regarding forward exchange contracts	-	12	-	-
	Other prepayments	14	15	-	-
		14	**27**	**-**	**-**

Notes to the Annual Report

	Group		Parent	
	2021	2020	2021	2020
	MDKK	MDKK	MDKK	MDKK
16 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		Parent	
	2021	2020	2021	2020
17 Provisions for deferred tax				
Fixed assets	13	8	10	7
Inventories	5	4	-	-
Provisions	-2	-1	-2	-1
Deferred tax related to cash flow hedge	-	-1	-	-
	16	**10**	**8**	**6**

Notes to the Annual Report

	Group		Parent	
	2021	2020	2021	2020
	MDKK	MDKK	MDKK	MDKK
18 Other provisions				
Provisions for pensions etc	24	24	-	-
Provisions for warranty	19	17	-	-
Provisions for negative investments in group enterprises	-	-	25	31
	43	**41**	**25**	**31**
19 Non-current liabilities other than provisions				
All long term debt falls due between 1 and 5 years	19	13	8	5
20 Deferred income				
Service contracts	144	104	-	-
	144	**104**	**-**	**-**
21 Other adjustments				
Change in other provisions	2	2		
Exchange adjustments	1	3		
Change in long term debt	5	5		
	8	**10**		

Notes to the Annual Report

	Group		Parent	
	2021	**2020**	**2021**	**2020**
	MDKK	MDKK	MDKK	MDKK
22 Contingent assets and liabilities				
Contingent assets				
Value of non recognized tax losses carried forward	8	7	-	-
	8	**7**	**-**	**-**
Contingent liabilities				
Leases related to offices	11	6	3	-
Other lease commitments	35	32	1	1
Securities and guarantees	2	8	-	-
	48	**46**	**4**	**1**
Guarantees etc.:				
Purchase obligations for long-term delivery from suppliers do not exceed	111	95	-	-
Security concerning credit cards	2	2	0	-

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.

The parent company has issued guarantees to a number of subsidiaries.

23 Fair value of derivative financial instruments at the balance sheet date:

	Group 2021	Group 2020	Parent 2021	Parent 2020
Fair value beginning of year	12	-23	-	-
Realized gain/loss recognised in Profit & Loss	-15	38	-	-
Fair value adjustments recognized directly in the fair value reserve under equity	3	-3	-	-
Fair value end of year	**-**	**12**	**-**	**-**

Notes to the Annual Report

		Group		Parent	
		2021	2020	2021	2020
		MDKK	MDKK	MDKK	MDKK
24	**Fee to auditors appointed at the annual general meeting**				
	Fee for statutory audit	2	2	-	-
	Tax advice	1	1	-	-
	Other services	1	1	1	1
	Fee	**4**	**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.

27 Subsequent events

No events have occured after the balance sheet to this date, which would influence the evaluation of this annual report.

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:

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

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

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

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