BEIERHOLM
VI SKABER BALANCE

MOCON Europe A/S

Rønnedevej 18, 4100 Ringsted
CVR no. 70 60 38 10

Annual report for 2016

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 29.03.17

Camilla C. Collet
Dirigent

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Group information etc.

The company

MOCON Europe A/S
Rønnedevej 18
4100 Ringsted
Tel.: 57 66 00 88
Fax: 57 66 00 99
Website: www.dansensor.com
E-mail: info@dansensor.com
Registered office: Ringsted
CVR no.: 70 60 38 10
Financial year: 01.01 - 31.12

Executive Board

Managing Director Erik Gustav Børgesen

Supervisory Board

Robert Lee Demorest
Elissa Jeanette Lindsoe
Michael Wayne Barto
Staff representative Kenneth Weber
Staff representative Steen Helt Hansen

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Group information etc.

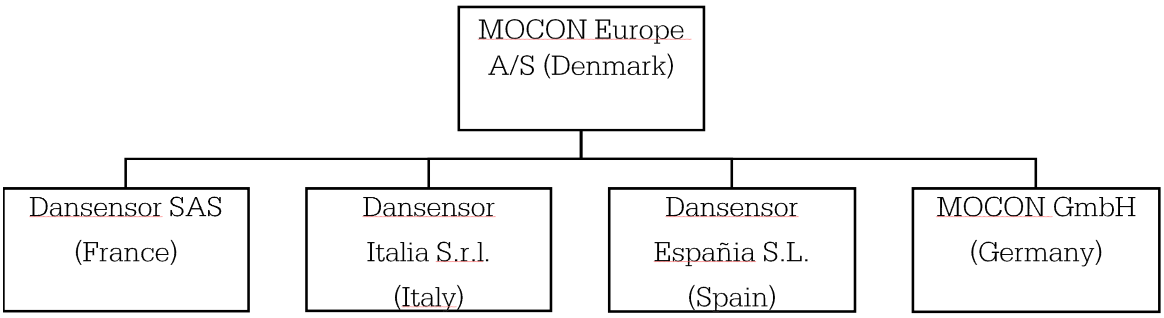
Parent company

MOCON Europe Sàrl, Luxembourg

Subsidiaries

Dansensor France SAS, Frankrig
Dansensor Italia S.r.l, Italien
Dansensor Espana S.L., Spanien
MOCON GmbH, Tyskland

Group chart



Statement of the Executive Board on the annual report

We have on this day presented the annual report for the financial year 01.01.16 - 31.12.16 for MOCON Europe A/S.

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

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.16 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.16 - 31.12.16.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Ringsted, March 20, 2017

Executive Board

Erik Gustav Børgesen
Managing Director

Supervisory Board

Robert Lee Demorest Chairman	Elissa Jeanette Lindsoe	Michael Wayne Barto
Kenneth Weber Staff representative	Steen Helt Hansen Staff representative	

Independent auditor's report

To the Shareholder of MOCON Europe A/S

Opinion

We have audited the consolidated financial statements and parent company financial statements of MOCON Europe A/S for the financial year 01.01.16 - 31.12.16, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with Danish Financial Statements Act

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31.12.16 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.16 - 31.12.16 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing 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 parent company financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for 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.

Statement regarding the management's review

Management is responsible for management's review.

Our opinion on the consolidated financial statements and parent company financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and parent company financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements and parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that management's review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not identify any material misstatement of management's review.

Management's responsibility for the consolidated financial statements and parent company financial statements

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

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company 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 parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 International Standards on Auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with International Standards on Auditing 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 parent company 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 company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’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 parent company 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 company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, March 20, 2017

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Jan Stender
State Authorized Public Accountant

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2016	2015	2014	2013	2012
Profit/loss					
Revenue	220.445	156.902	128.982	111.222	109.406
Index	201	143	118	102	100
Operating profit/loss	42.883	19.987	14.906	9.640	2.467
Index	1.738	810	604	391	100
Total net financials	381	400	-224	-132	9
Index	4.233	4.444	-2.489	-1.467	100
Profit/loss for the year	32.671	15.188	10.826	6.817	1.824
Index	1.791	833	594	374	100
Balance					
Total assets	151.930	107.588	64.846	51.058	46.501
Index	327	231	139	110	100
Investments in property, plant and equipment	11.046	3.089	688	-2.438	1.560
Index	708	198	44	-156	100
Equity	118.317	81.360	43.592	32.789	25.997
Index	455	313	168	126	100

Ratios

	2016	2015	2014	2013	2012
Profitability					
Return on equity	33%	24%	28%	23%	5%
Gross margin	56%	63%	63%	61%	62%
Profit margin	19%	13%	12%	9%	2%
Equity ratio					
Equity ratio	78%	76%	67%	64%	56%

Return on equity:	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$
Gross margin:	$\frac{\text{Gross result x 100}}{\text{Revenue}}$
Profit margin:	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$
Equity ratio:	$\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Primary activities

The main activities of the MOCON Europe Group are development, manufacturing and sales of quality assurance and quality control equipment mainly for the food and health care industry.

MOCON Europe has subsidiaries in France, Germany, Italy and Spain. The activities on the remaining core markets are managed by distributors.

MOCON Europe Group is part of the MOCON Inc. Group which offers a complementary product portfolio, primarily within permeation and oil & gas applications.

Organization

By January 1st 2016 the German subsidiaries Dansensor Deutschland GmbH and MOCON GmbH operated as one legal entity under MOCON GmbH, with the purpose of benefitting from the MOCON acquisition of MOCON Europe A/S back in 2012, and creating an European platform for all MOCON related products and services.

To support this ambition the management of MOCON Europe A/S has focused on optimizing the processes implemented by the ERP system. This enables MOCON Europe A/S to continue its growth and profability ambitions for the periods to come.

MOCON Europe A/S has been a part of MOCON Inc. since 2012, focus on creating synergies from being a larger company has been emphasized in 2016.

As a consequence the introduction of a new management structure took place in August 2016.

The new management structure will enable MOCON Europe to benefit from a stronger management team, with global functional responsibilities. This will among other things have an influence on how MOCON Europe defines its markets and products. In addition to this it will help MOCON Europe to drive global projects both internally and externally.

Development in activities and financial affairs

Total registered revenue in 2016 ended at TDKK 220.445 an improvement of TDKK 63.543 compared to 2015. The development in revenue from 2015 to 2016 shows a year over year growth of 40 %. MOCON GmbH was only part of MOCON Europe for 5 months of 2015. Without the permeation part of MOCON GmbH the actual growth of MOCON Europe was TDKK 27.415 or 17% which is conidered to be af very satisfactory result.

Considering that MOCON GmbH is a distribution channel for MOCON Inc. with permeation products with a lower gross margin than the rest of the MOCON Europe Group, the realized gross margin of 55,3% is satisfying. Without Permeation the gross margin is 59,4 % which is an improvement of 3 % point compared to 2015.

Excluding transfer pricing adjustments from all entities, the gross profit increased to TDKK 112.127 which is an increase of TDKK 26.678 compared to 2015. This improvement is caused by an increase in economy of scale in our production facilities and is considered as a positive indication of continued efforts in optimization of our internal production processes. Furthermore the full year effect of MOCON GmbH is contributing with TDKK 16.309.

As a result of constant operating cost, Income before tax for the year is TDKK 27.865 compared to TDKK 20.386 in 2015.

The result for the year is above expected and considered satisfactory, as the MOCON Europe Group is able to generate profit while increasing our focus on internal process improvements. At the same time one off realignment cost for the management structure of TDKK 2.651 was incurred.

The result is indicating a trend in the MAP industry in general as MOCON Europe has experienced growth within most product ranges and sales channels.

Dansensor Espana had again a good year and generated income before tax of TDKK 1.046. This result is very satisfactory as this is the third year with positive profits. This is best explained by a continued management effort in Spain and an improved economical, financial situation in Spain. EBIT margin in 2016 was 11%, which is very satisfactory. End of 2016 the Spanish office moved to a new facility in order to accommodate need for increased service capacity.

MOCON GmbH, which is now including the office of Dansensor Deutschland, registered an Income before Taxes of TDKK 10.168. Dansensor Deutschland generated in comparison TDKK 4.558 in EBIT which is an increase of TDKK 1.151 as compared to 2015. Revenue increased to 23.889 for Package testing products which is an increase of 12,3%, and full year revenue for MOCON GmbH ended a TDKK 65.406. In MOCON GmbH, we initiated the increase of our facility in Neuwied which will host the entire German organization from Q2-17. EBIT margin was in 2016 15%.

Dansensor France has in the financial year generated sales of TDKK 20.337 which is 4,7% higher than 2015. Income before tax increased to TDKK 1.406, which is TDKK 455 higher than compared to 2015. EBIT margin was 7% in 2016.

Dansensor Italy has increased its revenue to TDKK 19.750 a, which is an improvement of TDKK 1.967 compared to 2015. Income before tax was TDKK 2.230 and EBIT margin was 11% in 2016. Italy has increased its facility footprint in order to increase the capacity of the service department.

New Products

No new products have been introduced in 2016.

Capital Resources

The group is firmly based. The equity amounts to TDKK 118.317 equaling an equity ratio of 78%. The cash resources of the group at year-end amount to TDKK 33.993.

Expectations

In 2017 the MOCON Europe Group will launch a major new product to our product portfolio. Additionally, MOCON Europe Group are looking forward to introduce a new generation of equipment which includes new competitive technology.

We expect that the revenue growth level from the past period to continue in 2017 at a constant EBIT margin.

Knowledge resources

In order to secure continuous growth, the MOCON Europe Group must maintain the ability to attract and keep a highly educated staff, primarily within management, technology development, production and marketing.

In order to secure a high and competitive quality the group applies outsourcing to a great extent. Thus the MOCON Europe Group has current access to the newest technology without binding own resources in plant and equipment.

Special risks

Price risks

To some extent the group is exposed to fluctuations in foreign currency rate.

General risks

The growth potential of the MOCON Europe Group is dependent on a strong positioning on markets in the EU, North America and South East Asia. Furthermore , it is essential for the group to keep fully updated on the technological development within sensor technology and associated applications.

Currency risks

The group is exposed to general foreign currency risks in respect of the current operation, however, primarily related to USD. Sales as well as purchasing are carried out in EURO, USD and DKK.

Credit risks

The group is not exposed to material risk in repect of individual customers or collaborators. The group credit policy demands current credit rating of all major customers and collaborators.

External environment

The direct environmental effects from the daily operation are limited to very small quantities, primarily dissolutions, which are disposed of in compliance with the Danish legislation. Optimization of energy consumption and indoor climate is a current focus area. MOCON Europe is not obliged to submit an environmental report but is constantly aware of the values of such.

Research and development activities

In the financial year the parent MOCON Europe Group has paid TDKK 11.387 in development costs compared to TDKK 9.158 in 2015. The higher R&D expenses are related to planned product launches i 2017.

Subsequent events

No important events have occurred after the closing of the financial year, which might influence the financial position of the MOCON Europe Group significantly.

Income statement

Note		Group 2016 DKK '000	Group 2015 DKK '000	Parent 2016 DKK '000	Parent 2015 DKK '000
	Revenue	**220.445**	**156.902**	**147.319**	**109.019**
	Production costs	-97.237	-66.760	-61.216	-58.057
	Distribution costs	-26.839	-34.261	-17.244	-17.760
	Administrative expenses	-53.486	-35.894	-34.195	-21.907
	Other operating expenses	-189	0	-199	0
	Profit/loss before net financials	**42.694**	**19.987**	**34.465**	**11.295**
	Income from equity investments in group enterprises	0	0	5.844	6.354
2	Financial income	1.291	925	1.340	783
3	Financial expenses	-910	-525	-1.340	-462
	Profit/loss before tax	**43.075**	**20.387**	**40.309**	**17.970**
4	Tax on profit or loss for the year	-10.404	-5.199	-7.638	-2.782
	Profit/loss for the year	**32.671**	**15.188**	**32.671**	**15.188**

Distribution of profit

	Group 2016 DKK '000	Group 2015 DKK '000	Parent 2016 DKK '000	Parent 2015 DKK '000
Proposed dividend for the financial year	29.000	0	29.000	0
Retained earnings	3.671	15.188	3.671	15.188
Total	**32.671**	**15.188**	**32.671**	**15.188**

Balance sheet

ASSETS

Note		Group 31.12.16 DKK '000	Group 31.12.15 DKK '000	Parent 31.12.16 DKK '000	Parent 31.12.15 DKK '000
	Software	5.654	7.355	5.642	7.355
6	**Total intangible assets**	**5.654**	**7.355**	**5.642**	**7.355**
	Other fixtures and fittings, tools and equipment	5.882	4.713	2.546	1.906
7	**Total property, plant and equipment**	**5.882**	**4.713**	**2.546**	**1.906**
8	Equity investments in group enterprises	0	0	38.824	38.376
9	Deposits	833	737	329	329
	Total investments	**833**	**737**	**39.153**	**38.705**
	Total non-current assets	**12.369**	**12.805**	**47.341**	**47.966**
	Raw materials and consumables	6.435	8.075	6.253	5.676
	Manufactured goods and goods for resale	5.590	5.780	1.936	2.945
	Total inventories	**12.025**	**13.855**	**8.189**	**8.621**
	Trade receivables	33.182	27.395	11.901	10.619
	Receivables from group enterprises	55.495	15.528	66.862	26.335
11	Deferred tax asset	1.185	1.248	892	788
	Income tax receivable	0	0	0	243
	Other receivables	125	3.038	164	1.872
10	Prepayments	3.556	2.588	2.188	2.044
	Total receivables	**93.543**	**49.797**	**82.007**	**41.901**
	Cash	**33.993**	**31.131**	**19.149**	**14.727**
	Total current assets	**139.561**	**94.783**	**109.345**	**65.249**
	Total assets	**151.930**	**107.588**	**156.686**	**113.215**

Balance sheet

EQUITY AND LIABILITIES

Note		Group 31.12.16 DKK '000	Group 31.12.15 DKK '000	Parent 31.12.16 DKK '000	Parent 31.12.15 DKK '000
	Contributed capital	89.200	89.200	89.200	89.200
	Retained earnings	117	-7.840	116	-7.841
	Proposed dividend for the financial year	29.000	0	29.000	0
	Total equity	**118.317**	**81.360**	**118.316**	**81.359**
12	Other provisions	320	714	201	172
	Total provisions	**320**	**714**	**201**	**172**
	Lease commitments	0	10	0	0
	Total long-term payables	**0**	**10**	**0**	**0**
	Short-term portion of long-term payables	0	85	0	0
	Payables to other credit institutions	15	0	0	0
	Trade payables	7.695	7.022	3.888	5.922
	Payables to group enterprises	353	0	17.203	18.901
	Income taxes	6.045	0	7.499	0
	Other payables	19.185	18.397	9.579	6.861
	Total short-term payables	**33.293**	**25.504**	**38.169**	**31.684**
	Total payables	**33.293**	**25.514**	**38.169**	**31.684**
	Total equity and liabilities	**151.930**	**107.588**	**156.686**	**113.215**

13 Contingent liabilities
14 Charges and security
15 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Retained earnings	Proposed dividend for the financial year
Group:			
Statement of changes in equity for 01.01.16 - 31.12.16			
Balance as at 01.01.16	89.200	-7.840	0
Other changes in equity	0	4.286	0
Net profit/loss for the year	0	3.671	29.000
Balance as at 31.12.16	89.200	117	29.000
Parent:			
Statement of changes in equity for 01.01.16 - 31.12.16			
Balance as at 01.01.16	89.200	-7.841	0
Other changes in equity	0	4.286	0
Net profit/loss for the year	0	3.671	29.000
Balance as at 31.12.16	89.200	116	29.000

The share capital consits of 89.200.000 shares at a nominal value of 89.200.000 DKK. No shares carry any special rights.

Consolidated cash flow statement

Note		2016 DKK '000	2015 DKK '000
	Net profit/loss for the year	**32.671**	**15.188**
16	Adjustments	26.671	7.717
	Change in working capital:		
	Inventories	1.830	-3.769
	Receivables	-43.906	-36.573
	Trade payables	673	1.810
	Other payables relating to operating activities	652	24.712
	Cash flows from operating activities before net financials	**18.591**	**9.085**
	Interest income and similar income received	1.291	925
	Interest expenses and similar expenses paid	-910	-525
	Income tax paid	-4.295	-5.617
	Cash flows from operating activities	**14.677**	**3.868**
	Purchase of intangible assets	-1.200	-4.116
	Purchase of property, plant and equipment	-11.046	-3.089
	Sale of property, plant and equipment	416	0
	Cash flows from investing activities	**-11.830**	**-7.205**
	Repayment of loans	0	22.580
	Cash flows from financing activities	**0**	**22.580**
	Total cash flows for the year	**2.847**	**19.243**
	Cash, beginning of year	31.131	11.888
	Cash, end of year	**33.978**	**31.131**
	Cash, end of year, comprises:		
	Cash	33.993	31.131
	Short-term payables to credit institutions	-15	0
	Total	**33.978**	**31.131**

	Group		Parent	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000

1. Employee aspects

Wages and salaries	62.655	53.020	40.711	34.897
Pensions	4.617	4.013	3.848	3.475
Other social security costs	6.178	4.618	643	607
Total	73.450	61.651	45.202	38.979
Total staff costs comprise:				
Production costs	31.130	16.576	18.837	16.576
Distribution costs	20.075	26.589	13.529	12.757
Administrative expenses	22.245	18.487	12.835	9.646
Total	73.450	61.652	45.201	38.979
Average number of employees during the year	116	111	65	61
Remuneration for the Supervisory board and Executive board:				
Salaries, Executive Board	3.985	2.485	3.985	2.485
Salaries, Supervisory Board	20	10	20	10
Total remuneration for the Supervisory board and Executive board:	4.005	2.495	4.005	2.495

The salaries to the Executive Board has in 2016 been significantly higher than normal due to reorganisation of the management.

	Group		Parent	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
2. Financial income				
Interest, group enterprises	1.287	880	1.332	783
Other interest income	4	0	0	0
Other financial income	0	45	8	0
Other financial income	4	45	8	0
Total	1.291	925	1.340	783

	2016	2015	2016	2015
3. Financial expenses				
Interest, group enterprises	0	211	773	211
Foreign currency translation adjustments	672	140	467	140
Other financial expenses	238	174	100	111
Other financial expenses total	910	314	567	251
Total	910	525	1.340	462

	Group		Parent	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000

4. Tax on profit or loss for the year

Tax on profit or loss for the year	10.353	5.151	7.743	2.500
Adjustment of deferred tax for the year	61	48	-105	282
Adjustment of tax in respect of previous years	-10	0	0	0
Total	10.404	5.199	7.638	2.782

	Group		Parent	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000

5. Distribution of net profit

Proposed dividend for the financial year	29.000	0	29.000	0
Retained earnings	3.671	15.188	3.671	15.188
Total	32.671	15.188	32.671	15.188

6. Intangible assets

Figures in DKK '000	Software
Group:	
Cost as at 01.01.16	11.680
Foreign currency translation adjustment of foreign enterprises	-1
Additions during the year	1.200
Cost as at 31.12.16	12.879
Amortisation and impairment losses as at 01.01.16	-4.321
Foreign currency translation adjustment of foreign enterprises	1
Amortisation during the year	-2.905
Amortisation and impairment losses as at 31.12.16	-7.225
Carrying amount as at 31.12.16	5.654

6. Intangible assets - continued -

Figures in DKK '000	Software
Parent	
Cost as at 01.01.16	11.681
Additions during the year	678
Cost as at 31.12.16	12.359
Amortisation and impairment losses as at 01.01.16	-4.325
Amortisation during the year	-2.392
Amortisation and impairment losses as at 31.12.16	-6.717
Carrying amount as at 31.12.16	5.642

7. Property, plant and equipment

Figures in DKK '000	Other fixtures and fittings, tools and equipment
Group:	
Cost as at 01.01.16	13.610
Foreign currency translation adjustment of foreign enterprises	-39
Additions during the year	11.046
Disposals during the year	-1.855
Cost as at 31.12.16	22.762
Depreciation and impairment losses as at 01.01.16	-8.901
Foreign currency translation adjustment of foreign enterprises	29
Depreciation during the year	-9.103
Reversal of depreciation of and impairment losses on disposed assets	1.095
Depreciation and impairment losses as at 31.12.16	-16.880
Carrying amount as at 31.12.16	5.882

7. Property, plant and equipment - continued -

Figures in DKK '000	Other fixtures and fittings, tools and equipment
Parent:	
Cost as at 01.01.16	10.802
Additions during the year	1.458
Disposals during the year	-229
Cost as at 31.12.16	12.031
Depreciation and impairment losses as at 01.01.16	-8.897
Depreciation during the year	-588
Depreciation and impairment losses as at 31.12.16	-9.485
Carrying amount as at 31.12.16	2.546

8. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Parent:	
Cost as at 01.01.16	40.775
Cost as at 31.12.16	40.775
Depreciation and impairment losses as at 01.01.16	-2.399
Foreign currency translation adjustment of foreign enterprises	-156
Net profit/loss from equity investments	5.846
Dividend relating to equity investments	-5.242
Depreciation and impairment losses as at 31.12.16	-1.951
Carrying amount as at 31.12.16	38.824

8. Equity investments in group enterprises - continued -

Name and Registered office:	Ownership interest	Equity	Net profit/loss for the year
Group enterprises:			
Dansensor France SAS, Frankrig	100%	3.537	-4
Dansensor Italia S.r.l, Italien	100%	4.914	546
Dansensor Espana S.L., Spanien	100%	1.404	143
MOCON GmbH, Tyskland	100%	32.211	5.407

9. Deposits

Figures in DKK '000	Deposits
Group:	
Cost as at 01.01.16	737
Additions during the year	96
Cost as at 31.12.16	833
Parent:	
Additions during the year	329
Cost as at 31.12.16	329

	Group		Parent	
	31.12.16 DKK '000	31.12.15 DKK '000	31.12.16 DKK '000	31.12.15 DKK '000

10. Prepayments

Other prepayments	3.556	2.588	2.188	2.044
Total	3.556	2.588	2.188	2.044

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well as fair value adjustments of derivative financial instruments with a positive fair value.

	Group		Parent	
	31.12.16 DKK '000	31.12.15 DKK '000	31.12.16 DKK '000	31.12.15 DKK '000

11. Deferred tax

Defered tax comprises:

Deferred tax asset as at 01.01.16	1.248	1.296	788	1.070
Deferrred tax recognized in the income statement	-63	-48	104	-282
Deferred tax asset as at 31.12.16	1.185	1.248	892	788

Both in the parent and group, the tax asset consists of timing differences between carrying amount and taxable value for certain assets and liabilities. Also in the group, it includes a minor tax loss to carry forward, of which it is expected to be used within 3 years.

12. Other provisions

Figures in DKK '000	Warranty commitments	Employee obligations
Group:		
Provisions as at 01.01.16	233	481
Applied during the year	87	-481
Provisions as at 31.12.16	320	0
Parent:		
Provisions as at 01.01.16	172	0
Provisions during the year	29	0
Provisions as at 31.12.16	201	0

	Group		Parent	
	31.12.16 DKK	31.12.15 DKK	31.12.16 DKK	31.12.15 DKK
12. Other provisions - continued -				
Other provisions are expected to be distributed as follows:				
Current liabilities	320	320	201	172

13. Contingent liabilities

Group:

Lease commitments

The group enterprise has concluded lease agreements with terms to maturity of 5 years and a total of TDKK 1.934.

Rent commitments

The group enterprise has rent commitments in total of TDKK 16.049.

Parent:

Lease commitments

The company has concluded lease agreements with terms to maturity of 5 years and a total of TDKK 712.

Rent commitments

The company has rent commitments in total of TDKK 771.

Other contingent liabilities

The company has a guarantee commitment toward MOCON GmbH covering their lease commitment of TEUR 1.302.

14. Charges and security

Group:

The group has not provided any other security over assets.

Parent:

The parent company has not provided any other security over assets.

15. Related parties

Controlling influence:	Basis of influence
MOCON Europe Sàrl, Luxembourg	Parent Company

Transaction	Relation	2016 DKK'000
IT infrastructure, sharing ERP platform across Europe, services related til finance and services related to sales management	Group Enterprizes	10.939

Remuneration for the management is specified in note 1. Employee aspects.

Balances	2016 DKK'000
Receivables from group enterprises	55.495
Payables to group enterprises	-353

The group has in 2016 restructered the organization in Europe.

This has resulted in an agreement between the subsidiaries, MOCON Inc. and MOCON Europe A/S, where the subsidiaries and the ultimate owner, MOCON Inc., purchases certain services performed by employees from the MOCON Europe A/S or MOCON Inc. organization.

Every subsidiary i Europe are provided a range of services and charged at Tranfer Pricing costs. The sevices are delivered to each company and are related to the following services:

- IT infrastructure
- Sharing ERP platform across Europe
- Services related to Finance
- Services related to sales management

Either MOCON Europe A/S or MOCON Inc. performs the Transfer Pricing services and charges the individual company according to the arm's-length transaction principle.

This means the European entities all are charged from MOCON Europe A/S or MOCON Inc. for the specific services they have provided. MOCON Europe A/S also provides services to MOCON Inc. and the other way around.

The total charge from MOCON Inc. to Europe is T.USD 750. The charge from MOCON Europe A/S to the rest of the group is T.USD 801. This is split by T.USD 402 to the European subsidiaries and T.USD 398 to MOCON Inc.

Receivables from group companies recognised under current assets and short-term payables to group enterprises consist of balances which are settled on an ongoing basis and in accordance with the enterprise's/company's standard terms of agreement and payment. No write-downs have been made on the receivables.

The company is included in the financial statementts of the parent MOCON Europe Sàrl, Luxembourg. The company is included in the consolidated financial statements of the ultimate parent MOCON Inc., 7500 Mendelssohn Ave. N., Mineapolis, MN 55428 USA. The consolidated financial statements of MOCON Inc. are available at the Company's adress or on the Company's website, www.mocon.com.

	Group	
	2016 DKK '000	2015 DKK '000
16. Adjustments for the cash flow statement		
Depreciation, amortisation, impairment losses and write-downs	12.172	2.918
Other operating costs	189	0
Financial income	-1.291	-925
Financial expenses	910	525
Tax on profit or loss for the year	10.405	5.199
Other adjustments	4.286	0
Total	26.671	7.717

Mocon GmbH was not included in the cash flow statement for the group in 2015. The opening year cash holdings in Mocon GmbH in 2015 was T.DKK 17.772 and by end year the cash holdings was decreased to T.DKK 7.969. The decrease was largely explained by a intercompany transaction of T.DKK 14.921 from Mocon GmbH to the parent company MOCON Europe A/S and cash flow from operating activities. When including Mocon GmbH's cash holdings with the rest of the group, end year cash holdings for the Group totalled T.DKK 31.131 in 2015

17. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for medium-sized groups and enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

The comparative figures for 2015 for the parent company are changed, as reclassifications have been made between trade receivables, receivables from group enterprises and payables to group enterprises. The reclassifications did not have any effect on profit and loss for the year of equity.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control. Enterprises in which the group holds equity investments, between 20% and 50% of the voting rights and in which it has significant interest but not control, are considered associates.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

17. Accounting policies - continued -

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of foreign subsidiaries which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

17. Accounting policies - continued -

LEASES

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Production costs

Costs incurred, directly or indirectly, to generate the revenue for the year, including raw materials and consumables, wages and salaries and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the production process, are recognised under production costs.

Distribution costs

Costs for the distribution of goods sold during the year and sales campaigns etc., including wages and salaries for sales staff, advertising and exhibition costs etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the distribution and sales activity, are recognised under distribution costs.

17. Accounting policies - continued -

Administrative expenses

Expenses incurred during the year for management and administration, including wages and salaries for administrative staff and management as well as office premise expenses, office expenses, bad debts etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used for administration, are recognised under administrative expenses.

Depreciation, amortisation and impairment losses

The amortisation and depreciation of property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated/amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK '000
Software	5	0
Other plant, fixtures and fittings, tools and equipment	3 - 5	0

The basis of depreciation/amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation/amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

Income from equity investments in group entreprises

For equity investments in subsidiaries that in the parent are measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

17. Accounting policies - continued -

Other net financials

Interest income and interest expenses, the interest element of finance lease payments, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

BALANCE SHEET

Intangible assets

Software

Software is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Software is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise other fixtures and fittings, tools and equipment

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

17. Accounting policies - continued -

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are measured in the balance sheet of the parent according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation/amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

17. Accounting policies - continued -

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct and indirect material and labour costs. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

17. Accounting policies - continued -

Equity

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

The net revaluation of equity investments in subsidiaries is recognised in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Provisions

Other provisions comprise expected expenses incidental to warranty commitments, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

17. Accounting policies - continued -

Payables

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables. Cash flows from financing activities also comprise finance lease payments.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.