MOCON Europe A/S

Rønnedevej 18, 4100 Ringsted

CVR no. 70 60 38 10

Annual report
for the year 1 January - 31 December 2020

Approved at the Company's annual general meeting on 20 May 2021

Chair of the meeting:

....

Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of MOCON Europe A/S for the financial year 1 January - 31 December 2020.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 20 May 2021
Executive Board:

Erik Gustav Børgesen

Board of Directors:

Henrik Olsen

Joel Frie Chair	Henrik Allan Olsen	Erik Gustav Børgesen
Steen Helt Hansen	Kenneth Weber	

Independent auditor's report

To the shareholders of MOCON Europe A/S

Opinion

We have audited the financial statements of MOCON Europe A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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 financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 rules and requirements.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the 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 financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

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 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 financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 20 May 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Kennet Hartmann

Kennet Hartmann
State Authorised Public Accountant
mne40036

Management's review

Company details

Name	MOCON Europe A/S
Address, Postal code, City	Rønnedevej 18, 4100 Ringsted
CVR no.	70 60 38 10
Established	7 November 1983
Registered office	Ringsted
Financial year	1 January - 31 December
Telephone	+45 57 66 00 88
Board of Directors	Joel Frie, Chair Henrik Allan Olsen Erik Gustav Børgesen Steen Helt Hansen Kenneth Weber
Executive Board	Erik Gustav Børgesen
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

DKK'000	2020	2019	2018	2017	2016
Key figures					
Operating profit/loss	28,390	18,461	32,197	24,512	34,465
Net financials	-803	-261	-577	-677	0
Profit for the year	26,567	18,001	51,328	20,071	32,671
Total assets	147,567	137,861	122,914	90,217	156,686
Equity	120,103	117,336	99,335	48,007	118,316
Financial ratios					
Return on assets	19.9%	14.2%	30.2%	19.9%	25.5%
Equity ratio	81.4%	85.1%	80.8%	53.2%	75.5%
Return on equity	22.4%	16.6%	69.7%	24.1%	32.7%
Average number of employees	53	54	58	64	65

For terms and definitions, please see the accounting policies.

Management's review

Business review

The main activity of MOCON Europe A/S is development, manufacturing and sale of quality assurance and quality control equipment mainly for the food and health care industry.

MOCON Europe A/S operates directly from sales&service points out of Denmark, China, United States, France, Germany, Italy and Spain. The activities on the remaining core markets are managed by distributors and through sales via Original Equipment Manufacturers. MOCON Europe A/S is part of the AMETEK Inc, a leading global manufacturer of electronic instruments and electromechanical devices with annualized sales of more than $5.1 billion.

Financial review

The income statement for 2020 shows a profit of DKK 26,567 thousand against a profit of DKK 18,001 thousand last year, and the balance sheet at 31 December 2020 shows equity of DKK 120,103 thousand.

We have had a strong 2020 performance despite impact from COVID-19. This is due to the food industry less impacted by COVID-19 compared with other industries. With strong sales and low spending (ie. travel restrictions) we have delivered a result in line with expectations.

In 2020 the Gross profit resulted in 96,888 thousand. This is in alignment with expectations and is considered satisfactory.

Other operating income includes compensation that we have applied for and obtained related to salaries under the goverment's COVID-19 compensation programs. This amounts to 1.1 million DKK.

The profit before tax is 32,930 thousand. The result for the year is according to expected. The result is indicating a positive trend in the MAP industry in general as MOCON Europe A/S has experienced growth within most product ranges and sales channels.

The change in the profit from 2019 to 2020 are affected by significant COVID-19 related savings.

Capital resources

The company is firmly based. The equity amounts to 120,103 thousand, equal to an equity ratio of 81,4%. The cash resources of the group at year end amount to 57,358 thousand.

Knowledge resources

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

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

Management's review

Financial risks and use of financial instruments

General risk

The growth potential of MOCON Europe A/s is dependent on a strong positioning on the focus markets in the EU, North America, and South East Asia.

Furthermore, it is essential for the Company to keep fully updated on the technological development within sensor technology and associated applications.

Financial risks

To some extent the group is exposed to fluctuations in foreign currency rate and MOCON Europe A/S not entering into hedges and other financial instruments.

Foreign Currency Risks

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

Impact on the 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. Optimisation 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, MOCON Europe A/S has invested 10,054 thousand in development costs compared to 10,674 thousand in 2019. This reduction is due to Q2 activity reduction due to COVID-19 uncertainties.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred after the financial year end.

Outlook

We have had a strong start to 2021 on orders and sales despite impact from COVID-19. We expect to deliver a 2021 result in line with expectations.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2020	2019
	Gross profit	96,888	77,655
14	Distribution costs	-15,438	-12,269
14	Administrative expenses	-51,767	-46,925
	Operating profit	29,683	18,461
	Income from investments in group enterprises	1,381	1,733
	Income from investments in associates	2,669	2,096
4	Financial income	61	236
5	Financial expenses	-864	-497
	Profit before tax	32,930	22,029
6	Tax for the year	-6,363	-4,028
	Profit for the year	26,567	18,001

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	ASSETS		
	Fixed assets		
7	Intangible assets		
	Software	833	2,030
	Development projects in progress and prepayments for intangible assets	1,028	290
		1,861	2,320
8	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	2,279	2,715
		2,279	2,715
9	Investments		
	Investments in group enterprises	5,545	4,164
	Investments in associates	6,340	5,915
	Other securities and investments	35,186	35,186
	Deposits	329	329
		47,400	45,594
	Total fixed assets	51,540	50,629
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	10,229	11,181
	Work in progress	810	1,011
	Finished goods and goods for resale	594	2,592
		11,633	14,784
	Receivables		
	Trade receivables	12,665	11,001
	Receivables from group enterprises	9,807	10,321
12	Deferred tax assets	658	450
	Corporation tax receivable	0	5,919
	Other receivables	2,075	1,193
10	Prepayments	1,831	2,083
		27,036	30,967
	Cash	57,358	41,481
	Total non-fixed assets	96,027	87,232
	TOTAL ASSETS	147,567	137,861

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	27,792	27,792
	Net revaluation reserve according to the equity method	5,191	1,606
	Reserve for development costs	1,475	756
	Retained earnings	48,395	63,382
	Dividend proposed	37,250	23,800
	Total equity	120,103	117,336
	Provisions		
	Other provisions	189	172
	Total provisions	189	172
	Liabilities other than provisions		
13	Non-current liabilities other than provisions		
	Provision for holiday	4,192	1,355
		4,192	1,355
	Current liabilities other than provisions		
	Trade payables	9,551	6,373
	Payables to group enterprises	2,613	5,394
	Corporation tax payable	2,992	0
	Other payables	7,794	7,231
	Deferred income	133	0
		23,083	18,998
		27,275	20,353
	TOTAL EQUITY AND LIABILITIES	147,567	137,861

1 Accounting policies
2 Events after the balance sheet date
3 Other operating income
15 Contractual obligations and contingencies, etc.
16 Collateral
17 Related parties
18 Appropriation of profit

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK 000	Share capital	Net revaluation reserve according to the equity method	Reserve for development costs	Retained earnings	Dividend proposed	Total
	Equity at 1 January 2019	27,792	1,297	766	69,479	0	99,334
18	Transfer, see "Appropriation of profit"	0	309	-10	-6,097	23,800	18,002
	Equity at 1 January 2020	27,792	1,606	756	63,382	23,800	117,336
18	Transfer, see "Appropriation of profit"	0	3,585	719	-14,987	37,250	26,567
	Dividend distributed	0	0	0	0	-23,800	-23,800
	Equity at 31 December 2020	27,792	5,191	1,475	48,395	37,250	120,103

The share capital consists of DKK 27,792,000 shares at a nominal value of DKK 27,792,000. No shares carry any special rights.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of MOCON Europe A/S for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The Financial statements of MOCON Europe A/S has not prepared consolidated financial statemens of the MOCON Europe A/S and subsidiaries are included in the consolidated financial statements of Ametek Inc. USA.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement for the Parent Company, Ametek Inc., USA.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method).

Gross profit

The items revenue, production costs and other operating income have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases, as well as depreciation on production plant.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Also, provision for losses on construction contracts is recognised.

Distribution costs

Distribution costs comprise costs related to the distribution of goods sold in the year and to sales campaigns, etc. carried out in the year, including costs related to sales staff, advertising, exhibitions and amortisation/depreciation. Sales and marketing costs are recognised in the income statement when the Company obtains control of the sales or marketing product.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises, recharge cost, royalty fee and expenses as well as amortisation/depreciation of assets used for administrative purposes.

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

Amortisation and impairment

The item comprises amortisation and impairment of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Development projects in progress and prepayments for intangible assets	5 years
Software	5 years
Other plant, fixtures and fittings, tools and 3-5 years equipment	3-5 years

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

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Profit from investments in subsidiaries and associates

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries and associates are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries. Only proportionate elimination of intra-group gains/losses is made for equity investments in associates.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities areidentifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 5 years and cannot exceed 5 years.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Intangible assets

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 sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Investments in subsidiaries and associates

Equity investments in subsidiaries and associates are measured according to the equity method.

On initial recognition, equity investments in subsidiaries and associates are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries and associates measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Other securities and investments

Other securities and investments consisting of un-listed shares. Investments not admitted to trading on an active market are measured at cost.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Other payables

Other payables are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Return on assets	$\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$
Equity ratio	$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

2 Events after the balance sheet date

No events materially affecting the Company's financial position have occured subsequent to the financial year end.

3 Other operating income

Other operating income includes compensation that Mocon Europe A/S has applied for and obtained related to salaries under the goverment's COVID-19 compensation programs. This amounts to 1.1 million DKK.

	DKK'000	2020	2019
4	Financial income		
	Exchange adjustments	60	232
	Other financial income	1	4
		61	236
5	Financial expenses		
	Other interest expenses	244	0
	Exchange adjustments	557	308
	Other financial expenses	63	189
		864	497
6	Tax for the year		
	Estimated tax charge for the year	6,571	4,165
	Deferred tax adjustments in the year	-208	-137
		6,363	4,028

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Notes to the financial statements

7 Intangible assets

DKK'000	Software	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 January 2020	13,727	290	14,017
Additions	0	1,012	1,012
Disposals	0	-220	-220
Transferred	54	-54	0
Cost at 31 December 2020	13,781	1,028	14,809
Impairment losses and amortisation at 1 January 2020	11,697	0	11,697
Amortisation for the year	1,251	0	1,251
Impairment losses and amortisation at 31 December 2020	12,948	0	12,948
Carrying amount at 31 December 2020	833	1,028	1,861

8 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment
Cost at 1 January 2020	14,524
Additions	566
Disposals	-540
Cost at 31 December 2020	14,550
Impairment losses and depreciation at 1 January 2020	11,809
Depreciation	990
Depreciation and impairment of disposals	-528
Impairment losses and depreciation at 31 December 2020	12,271
Carrying amount at 31 December 2020	2,279

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Notes to the financial statements

9 Investments

DKK'000	Investments in group enterprises	Investments in associates	Other securities and investments	Deposits	Total
Cost at 1 January 2020	3,712	4,761	35,186	329	43,988
Cost at 31 December 2020	3,712	4,761	35,186	329	43,988
Value adjustments at 1 January 2020	452	1,154	0	0	1,606
Foreign exchange adjustments	-15	-19	0	0	-34
Dividend received	0	-2,243	0	0	-2,243
Profit/loss for the year	1,396	2,687	0	0	4,083
Value adjustments at 31 December 2020	1,833	1,579	0	0	3,412
Carrying amount at 31 December 2020	5,545	6,340	35,186	329	47,400

Name	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries			
Dansensor Espania S.L, Spain	100.00%	6,381	1,941

Name	Interest	Equity DKK'000	Profit/loss DKK'000
Associates			
Ametek Italy S.r.l., Italy	30.00%	5,312	2,703

Other investments in limited partnerships or partnerships

Ametek SAS, France
Ametek GmbH, Germany

10 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

11 Share capital

Analysis of changes in the share capital over the past 5 years:

DKK'000	2020	2019	2018	2017	2016
Opening balance	27,792	27,792	27,792	89,200	89,200
Capital reduction	0	0	0	-61,408	0
	27,792	27,792	27,792	27,792	89,200

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Notes to the financial statements

DKK'000	2020	2019
12 Deferred tax		
Deferred tax at 1 January	-450	-313
Current year adjustment	-208	-137
Deferred tax at 31 December	-658	-450

Tax assets consist of timing differences between carrying amount and taxable value for certain assets and liabilities.

13 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2020	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Provision for holiday	4,192	0	4,192	0
	4,192	0	4,192	0

Non-current liabilities consists of frozen holiday pay obligations, which the Company was not obligated to settle in 2021, hence the liability is classified as long-term. The liability has been paid to Feriefonden in 2021.

14 Staff costs

	2020	2019
Wages/salaries	36,691	34,182
Pensions	3,745	3,579
Other social security costs	138	159
	40,574	37,920

Staff costs are recognised as follows in the financial statements:

DKK'000	2020	2019
Production	14,804	19,766
Distribution	15,438	12,269
Administration	10,332	5,885
	40,574	37,920
Average number of full-time employees	53	54

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

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15 Contractual obligations and contingencies, etc.

Contingent liabilities

MOCON Europe A/S is jointly taxed with its sister company, which acts as management company. The company has joint and several unlimited liability, together with the group companies, for all Danish income taxes and withholding taxes on dividend, interest and royalties within the group of jointly taxed entities. Any subsequent corrections of income subject to joint taxation and withholding taxes, etc. could entail an increase in the entities' tax liability. The Group as a whole is not liable vis-à-vis any third parties.

Lease commitments: The Company has concluded lease agreements with terms to maturity of 5 years and a total of DKK 434 thousand.

Rent commitments: The Company has rent commitments in total of DKK 822 thousand.

16 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2020.

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Notes to the financial statements

17 Related parties

MOCON Europe A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
MOCON Europe Sårl	Luxemborg	Participating interest
AMETEK Inc.	AMETEK, Inc.Corporate Headquarters1100 Cassatt Road Berwyn, PA 19312	Ultimative parant companywith controlling interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Ametek Inc.	AMETEK, Inc.Corporate Headquarters1100 Cassatt Road Berwyn, PA 19312	https://www.ametek.com/

Related party transactions

MOCON Europe A/S was engaged in the below related party transactions:

DKK'000	2020	2019
Sales of goods to parent company	23,963	20,237
Sales of goods to subsidiaries	8,062	6,428
Sales of goods to associated companies	64,008	63,847
Sales of services to other group companies	399	414
Sales of services to parent company	310	0
Receivables from subsidiaries	748	712
Receivables from associated companies	5,656	7,551
Receivables from parent company	6,269	1,773
Receivables from other group entities	456	284
Payables to associated companies	3,029	2,660
Payables to parent company	2,863	2,734
Payables to subsidiaries	43	0

DKK'000	2020	2019
18 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	37,250	23,800
Net revaluation reserve according to the equity method	3,585	309
Development costs capitalized in the year	719	-10
Retained earnings/accumulated loss	-14,987	-6,098
	26,567	18,001