MOCON Europe A/S

Rønnedevej 18, 4100 Ringsted

CVR no. 70 60 38 10

Annual report

for the year 1 January - 31 December 2019

Approved at the Company's annual general meeting on 19 June 2020

Chairman:

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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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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, 12 June 2020
Executive Board:

Erik Gustav Børgesen

Board of Directors:

Joel Frie Chairman	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 2019, 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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, 12 June 2020
ERNST & YOUNG
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, Chairman Henrik Allan Olsen Erik Gustav Børgesen Steen Helt Hansen Kenneth Weber
Executive Board	Erik Gustav Børgesen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

DKK'000	2019	2018	2017	2016	2015
Key figures					
Operating profit/loss	18,461	32,197	24,512	34,465	11,295
Net financials	-261	-577	-677	0	321
Profit for the year	18,001	51,328	20,071	32,671	15,188
Total assets	137,861	122,914	90,217	156,686	113,215
Equity	117,336	99,335	48,007	118,316	81,359
Financial ratios					
Return on assets	14.2%	30.2%	19.9%	25.5%	13.0%
Equity ratio	85.1%	80.8%	53.2%	75.5%	71.9%
Return on equity	16.6%	69.7%	24.1%	32.7%	24.3%
Average number of employees	54	58	64	65	61

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations. 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 assuranceand quality control equipment mainly for the food and health care industry.

MOCON Europe A/S operates 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 2019 shows a profit of DKK 18,001 thousand against a profit of DKK 51,328 thousand last year, and the balance sheet at 31 December 2019 shows equity of DKK 117,336 thousand.

In 2019 the Gross profit resulted in 77,655 thousand. This is in alignment with expectations and is considered satisfactory.

The income before tax is 22,029 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 result from 2018 to 2019 are effected by a high income from investments in group enterprises in 2018, due to the changes in the investments from prior year. Furthermore an increase in administrative expenses, is due to full year impact of recharge cost from AMETEK commissionaire and a Royalty license fee cost from AMETEK Inc.

Capital resources

The company is firmly based. The equity amounts to 117,338 thousand, equal to an equity ratio of 84,7%. The cash resources of the group at year-end amount to 41,481 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

Special risks

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 paid DKK 10,674 thousand in development costs compared to 10,821 thousand in 2018.

Events after the balance sheet date

No event than the outbreak of the COVID-19, as described below, have occurred after the end of the financial year of material importance for the Compnany's financial position.

Outlook

The outbreak of the COVID 19 virus has affected global economy negatively and MOCON Europe A/S is also expecting a negative impact on the Company's activity in 2020, but at this stage it is not possible to estimate the exact expected impact. Measurements are being taken to mitigate for the impact from COVID-19, and profit for 2020 are forecasted at budgeted level of DKK 28,186 thousand.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2019	2018
	Gross profit	77,655	75,449
14	Distribution costs	-12,269	-11,584
14	Administrative expenses	-46,925	-31,668
	Operating profit	18,461	32,197
	Income from investments in group enterprises	1,733	22,677
	Income from investments in associates	2,096	3,894
3	Financial income	236	234
4	Financial expenses	-497	-811
	Profit before tax	22,029	58,191
5	Tax for the year	-4,028	-6,863
	Profit for the year	18,001	51,328

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Fixed assets		
6	Intangible assets		
	Software	2,030	2,848
	Development projects in progress and prepayments for intangible assets	290	406
		2,320	3,254
7	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	2,715	3,295
		2,715	3,295
8	Investments		
	Investments in group enterprises	4,164	2,431
	Investments in associates	5,915	6,058
	Other securities and investments	35,186	35,186
	Deposits	329	329
		45,594	44,004
	Total fixed assets	50,629	50,553
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	11,181	8,040
	Work in progress	1,011	641
	Finished goods and goods for resale	2,592	2,481
		14,784	11,162
	Receivables		
	Trade receivables	11,001	11,176
	Receivables from group enterprises	10,321	13,894
11	Deferred tax assets	450	313
	Corporation tax receivable	5,919	6,920
	Other receivables	1,193	2,320
9	Prepayments	2,083	1,721
		30,967	36,344
	Cash	41,481	24,855
	Total non-fixed assets	87,232	72,361
	TOTAL ASSETS	137,861	122,914

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
10	Share capital	27,792	27,792
	Net revaluation reserve according to the equity method	1,606	1,297
	Reserve for development costs	756	766
	Retained earnings	63,382	69,480
	Dividend proposed	23,800	0
	Total equity	117,336	99,335
	Provisions		
13	Other provisions	172	176
	Total provisions	172	176
	Liabilities other than provisions		
12	Non-current liabilities other than provisions		
	Provision for holiday	1,355	0
		1,355	0
	Current liabilities other than provisions		
	Trade payables	6,373	5,403
	Payables to group enterprises	5,394	9,144
	Other payables	7,231	8,709
	Deferred income	0	147
		18,998	23,403
	Total liabilities other than provisions	20,353	23,403
	TOTAL EQUITY AND LIABILITIES	137,861	122,914

1 Accounting policies
2 Events after the balance sheet date
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	69,480	0	99,335
18	Transfer, see "Appropriation of profit"	0	309	-10	-6,098	23,800	18,001
	Equity at 31 December 2019	27,792	1,606	756	63,382	23,800	117,336

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 2019 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.

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/depreciation

The item comprises amortisation/depreciation 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

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 dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs 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

The outbreak of the COVID 19 virus has affected global economy negatively and MOCON Europe A/S is also expecting a negative impact on the Company's activity in 2020, but at this stage it is not possible to estimate the exact expected impact. Measurements are being taken to mitigate for the impact from COVID-19, and profit for 2020 are forecasted at budgeted level of DKK 28,186 thousand.

	DKK'000	2019	2018
3	Financial income		
	Exchange adjustments	232	234
	Other financial income	4	0
		236	234
4	Financial expenses		
	Interest expenses, group entities	0	19
	Exchange adjustments	308	792
	Other financial expenses	189	0
		497	811
5	Tax for the year		
	Estimated tax charge for the year	4,165	6,164
	Deferred tax adjustments in the year	-137	551
	Tax adjustments, prior years	0	148
		4,028	6,863

Financial statements 1 January - 31 December

Notes to the financial statements

6 Intangible assets

DKK'000	Software	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 January 2019	13,014	406	13,420
Additions	307	1,224	1,531
Disposals	0	-934	-934
Transferred	406	-406	0
Cost at 31 December 2019	13,727	290	14,017
Impairment losses and amortisation at 1 January 2019	10,166	0	10,166
Amortisation for the year	1,531	0	1,531
Impairment losses and amortisation at 31 December 2019	11,697	0	11,697
Carrying amount at 31 December 2019	2,030	290	2,320

7 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment
Cost at 1 January 2019	14,593
Additions	542
Disposals	-611
Cost at 31 December 2019	14,524
Impairment losses and depreciation at 1 January 2019	11,298
Depreciation	1,097
Depreciation and impairment of disposals	-586
Impairment losses and depreciation at 31 December 2019	11,809
Carrying amount at 31 December 2019	2,715

Financial statements 1 January - 31 December

Notes to the financial statements

8 Investments

DKK'000	Investments in group enterprises	Investments in associates	Other securities and investments	Deposits	Total
Cost at 1 January 2019	3,712	4,761	35,186	329	43,988
Cost at 31 December 2019	3,712	4,761	35,186	329	43,988
Value adjustments at 1 January 2019	-1,281	1,297	0	0	16
Foreign exchange adjustments	1	15	0	0	16
Dividend received	0	-2,238	0	0	-2,238
Profit/loss for the year	1,732	2,080	0	0	3,812
Value adjustments at 31 December 2019	452	1,154	0	0	1,606
Carrying amount at 31 December 2019	4,164	5,915	35,186	329	45,594

Name	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries			
Dansensor Espania S.L, Spain	100.00%	4,640	1,628

Name	Interest	Equity DKK'000	Profit/loss DKK'000
Associates			
Ametek Italy S.r.l., Italy	30.00%	4,906	2,178

Other investments in limited partnerships or partnerships
Ametek SAS, France
Ametek GmbH, Germany

9 Prepayments

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

10 Share capital

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

DKK'000	2019	2018	2017	2016	2015
Opening balance	27,792	27,792	89,200	89,200	20,000
Capital increase	0	0	0	0	69,200
Capital reduction	0	0	-61,408	0	0
	27,792	27,792	27,792	89,200	89,200

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DKK'000	2019	2018
11 Deferred tax		
Deferred tax at 1 January	-313	-1,047
Current year adjustment	-137	734
Deferred tax at 31 December	-450	-313

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

12 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Provision for holiday	1,355	0	1,355	0
	1,355	0	1,355	0

13 Other provisions

	2019	2018
Opening balance at 1 January	172	150
Provisions in the year	0	326
Provisions utilised in the year	0	-299
Other provisions at 31 December	172	177

Other provisions primarily comprise warranty provisions

14 Staff costs

	2019	2018
Wages/salaries	34,182	35,666
Pensions	3,579	3,570
Other social security costs	159	523
	37,920	39,759

Staff costs are recognised as follows in the financial statements:

DKK'000	2019	2018
Production	19,766	19,394
Distribution	12,269	11,584
Administration	5,885	8,781
	37,920	39,759
Average number of full-time employees	54	58

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

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Notes to the financial statements

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 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 453 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 2019.

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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	2019	2018
Sales of goods to parent company	20,237	18,300
Sales of goods to subsidiaries	6,428	4,980
Sales of goods to associated companies	63,847	38,800
Receivables from subsidiaries	712	745
Receivables from associated companies	7,551	8,949
Receivables from parent company	1,773	3,873
Receivables from other group entities	284	326
Payables to associated companies	2,660	9,024
Payables to parent company	2,734	61
Payables to subsidiaries	0	59

DKK'000	2019	2018
18 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	23,800	0
Net revaluation reserve according to the equity method	309	1,297
Development costs capitalized in the year	-10	222
Retained earnings/accumulated loss	-6,098	49,809
	18,001	51,328