Approved at general meeting
March 16, 2016

Chairman of the general meeting

FOSS Analytical A/S

Annual report 2015

CVR-No 73399815

FOSS Analytical A/S, Foss Allé 1, DK-3400 Hillerød, Denmark

Contents

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of FOSS Analytical A/S for the financial year 1 January to 31 December 2015.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and financial performance for the financial year 1 January to 31 December 2015.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Hillerød, March 16, 2016

Executive Board

Torben Ladegaard Jensen
Chief Executive Officer

Kim Vejlby Hansen
Chief Operating Officer

Tue Byskov Bøtkjær

Kenneth Aaby Sachse

Poul Bundgaard

Board of Directors

Peter Foss
Chairman

Torben Ladegaard Jensen

Kenneth Aaby Sachse

Sussie My Nikolajsen

Alex Vestergaard

Independent Auditor's Reports

To the Shareholder of FOSS Analytical A/S

Report on the financial statements

We have audited the financial statements of FOSS Analytical A/S for the financial year 1 January to 31 December 2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015, and of the results of operations for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, March 16, 2016

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No 33 96 35 56

Kirsten Aaskov Mikkelsen	Nikolaj Thomsen
State Authorized Public Accountant	State Authorized Public Accountant

Management Commentary

Financial Highlights

	2015	2014	2013	2012	2011
	TDKK	TDKK	TDKK	TDKK	TDKK
Key Figures					
Income Statement					
Revenue	1,241,133	798,574	609,296	579,627	598,288
Operating Profit	249,417	137,745	167,361	131,810	147,882
Net financial items	21,270	-1,671	551	2,306	6,267
Profit for the year	198,473	93,370	117,787	90,116	103,853
Balance sheet					
Total assets	591,082	398,983	319,663	260,853	292,847
Equity	282,160	122,861	170,054	141,576	143,911
Investments in tangible assets	7,583	8,045	4,816	6,803	4,096
Number of employees, average	517	404	345	339	345
Ratios %					
Operating profit for the year vs. revenue	20%	17%	27%	23%	25%
Return on investments	42%	35%	52%	51%	50%
Solvency ratio	48%	31%	53%	54%	49%
Return on equity	98%	64%	76%	63%	79%

Management Commentary

Main Activity

FOSS Analytical A/S provides rapid, reliable and dedicated analytical solutions for routine control of quality and production of food in the aim of improving the business of our customers. Therefore constantly research in and development of new products and solutions is taken place. FOSS Analytical A/S' solutions contribute to human nutrition and health and to a rational use of natural resources.

FOSS Analytical A/S is 100% owned by FOSS A/S and is part of the N. Foss & Co. A/S consolidated group accounts (Ultimate Parent Company). FOSS Analytical A/S develops and produces in Denmark and market its' products worldwide through affiliated companies, independent distributors and directly.

Research & Development Activities

Aiming on research and development as well as further development of existing products continues at a high level. During 2015 DKK 174,4 million has been spent as research and development cost.

External Environment

Our policy is based on an environmental proper operation and is a natural part of the targets in the Company related to product quality and production.

Corporate Social Responsibility

Activities and policies related to corporate social responsibility are described in the annual report for the parent companies FOSS A/S and N. Foss & Co. A/S.

Diversity and inclusiveness

As a signatory of the UN Global Compact, FOSS has policies in place to address human rights, labour issues, the environment and anti-corruption. This includes a policy to ensure that all employees are treated equally regarding recruitment, advancement, job training and salary. All employees at FOSS shall have the same opportunities regardless of gender, age, race, ethnicity, sex, religion, sexual orientation, etc.

At FOSS we have taken a number of steps to meet these requirements, and ensure that internal and external stakeholders are aware of our position on equal opportunities.
Internally we communicate our policy through our CSR employee brochure and our portal. Furthermore, we communicate our position on equal opportunities to external stakeholders and potential employees through our website and other social media.

Our annual CSR/Sustainability report includes information on our efforts to ensure that our workplace is inclusive, as well as activities to ensure gender equality in the recruitment phase. Some of the initiatives which have taken place include ensuring that females are displayed prominently in the career section of our website, and that our equal opportunitly policy is adhered to in the hiring process.

In regard to the composition of our management board, our selection process is based on finding the best candidate with the right skillset, experience and qualifications for the role – regardless of gender, ethnicity, age, race, etc. At present the level is below the board's objective of 15% but the board endeavors to increase female representation and ensure highly qualified females are considered for board positions.

To find out more about our policies, efforts and progress to ensure equal opportunities, see the CSR/Sustainability section and CSR Report on our website http://www.foss.dk/about-foss/csr/.

Knowledge

Production of dedicated analytical solutions demands highly requirements for knowledge from employees and business processes. In order to preserve these solutions it is a prerequisite that the Company is able to recruit and maintain a high level of competences especially within technological and commercial disciplines dedicated against the food industry.

Risk

Operating risk

The Company has entered into framework contracts with key suppliers for delivery of components that are a part of production in the aim of securing a stable supply and a higher predictability in price development whereby the usual operating risk has been reduced.

Financial risk

The Company has a significant net currency exposure which has been covered by currency hedging agreements so that the commercial risk has been covered. Speculative currency transactions are not entered. The Company has based on current budgets covered expected currency exposures for the coming financial year.

The liquidity risk is covered through agreements concerning the set out of free liquidity as well as loan possibilities from the parent company.

Credit risk

The main part of the out standings of the Company is related to affiliated companies. The credit policy against the distributors is based upon credit valuations and knowledge of their main business. The credit policy against other external customers with whom the Company does not have a longer term corporation trading is based on advance payments and securities from third parties.

Development in activities and financial conditions

FOSS Analytical A/S has maintained its focus and enhanced its sales, development and manufacturing capabilities during 2015. The re-organization of FOSS Group's sales, development and manufacturing activities that was initiated during 2014 has been completed during 2015 which has lead to higher activities in Hillerød as the Company now also include production and distribution of products that previously were handled through FOSS Analytical AB, Sweden. Consequently FOSS Analytical A/S is now the sole principal of FOSS Group.

As a consequence of FOSS Analytical A/S now being the sole principal in the FOSS Group and a noteable growth in the FOSS Group the Company's sales have increased by 55% to a total of DKK 1,241 million vs. DKK 799 million last year. More than 99% of the Company's sales are exported.

Gross Profit amounts to DKK 584 million (DKK 400 million in 2014).

Average number of employees has increased from 404 in 2014 to 517 in 2015. Total staff expenses have increased by DKK 70 million (+27%) to a total of DKK 327 million.

After depreciation operating profit amounts to DKK 249 million (DKK 138 million in 2014).

Profit before tax amounts to DKK 260 million (DKK 125 million in 2014).

Profit for the year is DKK 198 million which is more than double of 2014. Proposed dividend for the year will be DKK 250 million.

Throughout the financial year the employees of the Company have contributed extraordinary during the major reorganization of the FOSS Group's sales, development and manufacturing activities.

Per 16th March 2016 Kim Vejlby Hansen is appointed to president as Torben Ladegaard Jensen resigns his position.

Uncertainty relating to recognition and measurement

There is no significant uncertainty related to the annual report according to the management.

Unusual circumstances

The annual report is not impacted by any unusual circumstances.

Expected development

FOSS Analytical A/S is well positioned for the future and expects to maintain its position within dedicated analytical solutions for the food industry. The global markets continue to be influenced by a high uncertainty but based upon the prerequisites for a weak positive development in the global economy and the expected higher manufacturing activity from affiliates the Company has an expectation for a higher 2016 result vs. 2015.

Events after closing of accounts

No events have occurred after 31 December 2015 which is considered having a significant impact on an assessment of the annual report.

Income Statement

	Note	2015	2014
		TDKK	TDKK
Revenue	1	**1,241,133**	**798,574**
Change in inventories of finished goods and work in progress		11,806	56,788
Other operating income		16,092	52,670
Expenses for raw materials and consumables		-496,512	-329,393
Other external expenses		-188,965	-178,902
Gross Profit		**583,554**	**399,737**
Staff expenses	2	-326,880	-256,624
Earnings before Depreciation and Interest		**256,674**	**143,113**
Depreciation and impairment losses on fixed assets	3	-7,257	-5,368
Operating Profit		**249,417**	**137,745**
Loss from associated company	4	-11,123	-11,366
Other financial income	5	22,198	41
Other financial expenses	6	-928	-1,712
Profit from ordinary activities before tax		**259,564**	**124,708**
Tax on profit for the year	7	-61,091	-31,338
Profit for the year		**198,473**	**93,370**
Proposed distribution of profit			
Proposed dividend for the financial year		250,000	46,685
Retained earnings		-51,527	46,685
		198,473	93,370

Balance Sheet

Assets

	Note	2015	2014
		TDKK	TDKK
Software and patents	8	3,239	920
Intangible assets		**3,239**	**920**
Plant and machinery		3,224	2,322
Other fixtures, fittings, tools and equipment		12,035	11,894
Leasehold improvements		493	490
Tangible assets	9	**15,752**	**14,706**
Investment in associated company	10	10,910	14,533
Fixed asset investment		**10,910**	**14,533**
Fixed assets		**29,901**	**30,159**
Inventories	11	**146,891**	**144,796**
Trade receivables	12	45,332	41,694
Receivables from group enterprises		144,401	127,964
Receivables from parent company		182,572	41,497
Receivables from associated company		3	158
Other short-term receivables	13	4,681	3,565
Deferred tax asset	14	2,871	5,232
Prepayments	15	1,362	2,275
Receivables		**381,222**	**222,385**
Cash and cash equivalents		**33,068**	**1,643**
Current assets		**561,181**	**368,824**
Assets		**591,082**	**398,983**

Balance Sheet

Liabilities

	Note	2015	2014
		TDKK	TDKK
Contributed capital	16	20,500	20,500
Retained earnings		11,660	55,676
Proposed dividend for the year		250,000	46,685
Equity		**282,160**	**122,861**
Other provisions	17	9,758	6,598
Provisions		**9,758**	**6,598**
Non-current liabilities other than provisions	18	**0**	**5,471**
Prepayments received from customers		17,629	14,028
Trade payable		48,663	56,597
Payables to group enterprises		61,181	74,853
Income tax payable		61,224	29,944
Other payables		85,264	55,622
Deferred income	19	25,203	33,009
Current liabilities other than provisions		**299,164**	**264,053**
Liabilities other than provisions		**299,164**	**269,524**
Equity and Liabilities		**591,082**	**398,983**

Contingent assets and liabilities	20
Fee to auditor appointed at the generel meeting	21
Related parties	22
Ownership and group relationship	23

Statement of Changes in Equity

Changes in Equity 2015	Contributed Capital	Retained Earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity beginning of year	20,500	55,676	46,685	122,861
Dividend paid	0	0	-46,685	-46,685
Cash flow hedge, net of tax	0	7,511	0	7,511
Profit for the year	0	-51,527	250,000	198,473
Equity end of year	**20,500**	**11,660**	**250,000**	**282,160**

Changes in Equity 2014	Contributed Capital	Retained Earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity beginning of year	20,500	31,767	117,787	170,054
Dividend paid	0	0	-117,787	-117,787
Cash flow hedge, net of tax	0	-22,776	0	-22,776
Profit for the year	0	46,685	46,685	93,370
Equity end of year	**20,500**	**55,676**	**46,685**	**122,861**

Notes to the Annual Report

		2015	2014
		TDKK	TDKK
1	**Revenue**		
	Geographical segments		
	Denmark	13.331	18.627
	Other EU countries	465.128	283.615
	Other countries	762.674	496.332
		1.241.133	**798.574**
2	**Staff Expenses**		
	Wages and salaries	-316.905	-248.849
	Pensions	-6.090	-4.621
	Other social security expenses	-3.885	-3.154
		-326.880	**-256.624**
	Hereof salaries and wages for Executive Board and Board of Directors		
	Executive Board	12.456	9.410
	Board of Directors	10	10
		12.466	**9.420**

Remuneration to registrered members of the Executive Board consist of salary and bonus. Furthermore cars have been provided for the Executive Board's free disposal.

		2015	2014
	Average number of employees	**517**	**404**
3	**Depreciation and impairment losses on fixed assets**		
	Software and patents	-721	-565
	Plant and machinery	-1.585	-1.152
	Other fixtures, fittings, tools and equipment	-4.892	-3.609
	Leasehold improvements	-59	-42
		-7.257	**-5.368**

Notes to the Annual Report

		2015	2014
		TDKK	TDKK
4	**Loss from associated company**		
	Part of result in associated company	**-11,123**	**-11,366**
5	**Other financial income**		
	Interest received from affiliated companies	71	22
	Interest received	205	19
	Exchange rate adjustment	21,922	0
		22,198	**41**
6	**Other financial expenses**		
	Interest paid	-63	-11
	Interest paid to affiliated companies	-865	-111
	Exchange rate adjustment	0	-1,590
		-928	**-1,712**
7	**Tax on profit for the year**		
	Corporation tax for the year	-61,325	-29,944
	Deferred tax for the year	234	-1,394
	Tax for the year	**-61,091**	**-31,338**

Notes to the Annual Report

8 Intangible Assets

	Software and patents
	TDKK
Cost beginning of year	21,109
Additions for the year	3,040
Disposals for the year	-559
Cost end of year	23,590
Amortization and impairment losses 1 January	20,189
Amortization of sold assets for the year	-559
Amortization for the year	721
Amortization and impairment losses 31 December	20,351
Carrying amount end of year	**3,239**
Amortized over period of	1-3 years

9 Tangible assets

	Plant and machinery	Other fixtures, fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost beginning of year	16,497	55,459	857
Additions for the year	2,487	5,033	62
Disposals for the year	-38	-7,421	0
Cost end of year	18,946	53,071	919
Depreciation beginning of year	14,175	43,565	367
Depreciation for the year	1,585	4,892	59
Depreciation of sold assets for the year	-38	-7,421	0
Depreciation end of year	15,722	41,036	426
Carrying amount end of year	**3,224**	**12,035**	**493**
Depreciated over period of	3-5 years	3-5 years	During the rental period

Notes to the Annual Report

		2015	2014
		TDKK	TDKK
10	**Investment in associated company**		
	Cost beginning of year	246,800	231,800
	Additions for the year	7,500	15,000
	Cost end of year	254,300	246,800
	Impairment losses beginning of year	-232,267	-220,901
	Profit for the year	-11,123	-11,366
	Impairment losses end of year	-243,390	-232,267
	Carrying amount end of year	**10,910**	**14,533**
	Investment in associated company		
		Ownership	Capital
	Lattec I/S, Denmark	50%	508,600
11	**Inventories**		
	Raw materials and consumables	49,977	59,688
	Work in progress	36,452	33,643
	Manufactured goods and goods for resale	60,462	51,465
		146,891	**144,796**
12	**Trade receivables**		
	Of the total amounts receivables the following amount falls due for payment more than one year after year end	0	319

Notes to the Annual Report

		2015	2014
		TDKK	TDKK
13	**Other short-term receivables**		
	Deposits	57	43
	Other receivables	4,624	3,522
		4,681	**3,565**
14	**Deferred tax assets**		
	Fixed assets	13	314
	Inventories	-2,766	-2,458
	Other provisions	2,393	1,550
	Prepayments and accruals	3,231	5,826
		2,871	**5,232**
15	**Prepayments**		
	Other prepayments	1,362	2,275
		1,362	**2,275**
16	**Contributed Capital**		
	Contributed capital is composed as follows:		
	41.000 units of shares of DKK 500	20,500	20,500

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

Notes to the Annual Report

		2015	2014
		TDKK	TDKK
17	**Other provisions**		
	Provisions for warranty	9,758	6,598
		9,758	**6,598**
18	**Non-current liabilities other than provisions**		
	All long term debt falls due between 1 and 5 years	0	5,471
		0	**5,471**
19	**Deferred income**		
	Recognition of loss regarding forward exchange contracts	25,203	33,009
		25,203	**33,009**
20	**Contingent assets and liabilities**		
	Lease commitments	1,646	2,649
	Securities and guarantees	1,615	1,534
		3,261	**4,183**
	Guarantees etc.:		
	Purchase obligations for long-term delivery do not exceed	69,453	70,101
	Gross contingent liabilities in relation to liability for Lattec I/S' obligation	8,744	10,131
	Security concerning credit cards	1,000	1,000

The company is a part of a Danish joint taxation of which N. FOSS & Co A/S is the administrative entity. From 1st July 2012 the parent company is liable for potential obligations for withholding taxes on interest, royalties and dividendsand from 1st January 2013 for company taxes within the joint taxation according to the company tax law.

Notes to the Annual Report

	2015	2014
	TDKK	TDKK
20 Contingent assets and liabilities continued		
Forward exchange coverage		
The following forward exchange contracts have been taken out:		
Contract value:		
Sales contracts. Expires within one year	585,149	459,140
Purchase contracts. Expires within one year	-123,932	-45,573
Net value	**461,217**	**413,567**
Contract value:		
Sales contracts. Expires within two years	84,785	66,481
Purchase contracts. Expires within two years	-8,838	-1,205
Net value	**75,947**	**65,276**
An unrealized gain/loss is included in prepayments/deferred income	-25,203	-33,009

21 Fee to auditor appointed at the general meeting

	2015	2014
Fee for staturory audit	316	250
Tax advice	5	12
Other services	88	15
Fee to auditor appointed at the general meeting	**409**	**277**

Notes to the Annual Report

22 Related parties

FOSS A/S and N. Foss & Co A/S are related parties and have a controlling interest in the company.

23 Ownership and group relationship

All shares are owned by:

FOSS A/S, Hillerød, Denmark

In accordance with The Danish Financial Statements Act § 71 it shall be stated that, the Company's annual report is included in the consolidated financial statement of FOSS A/S and the ultimative parent company N. Foss & Co. A/S.

Accounting Principles

Basis of preparation

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies for these financial statements are consistent with those applied last year.

The annual report is prepared in thousands DKK.

Recognition and measurement

Assets are recognized in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Group, and the value of the assets can be measured reliably.

Liabilities are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognized in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognizing associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date

According to FOSS Group currency policy the expected cash flow in foreign currencies for the coming year is covered by forward exchange contracts.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognized under prepayments or deferred income.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognized asset or a recognized liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are classified directly in equity. When the hedged transactions are realized, the accumulated changes are recognized as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognized currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are classified directly as equity.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognized in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognized net of VAT, duties and sales discounts and measured at fair value of the consideration fixed.

Other operating income and expenses

Other operating income and expenses comprise income and expenses of a secondary nature viewed in relation to the Company's primary activities, including subsidies, rental income, license income, etc.

Other external expenses

Other external expenses comprise expenses for distribution, sale, marketing, administration, premises, bad debts, etc.

Other external expenses also include research costs, costs of development projects that do not meet the criteria for recognition in the balance sheet, and amortization of recognized development projects. In addition, provisions for loss on contract work in progress are recognized.

Staff costs

Staff costs comprise salaries and wages as well as social security costs, pension contributions, etc for the Company's staff.

Other financial income and expenses

These items comprise interest income and expenses, realized and unrealized capital gains and losses on securities, payables and transactions in foreign currencies as well as tax surcharge and tax relief under the Danish Tax Prepayment Scheme.

Earnings from associated company

In the income statement the proportional share of result after tax less amortization of goodwill is recognized in the line "Earnings from associated company".

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly in equity by the portion attributable to entries directly in equity. The portion of the tax taken to the income statement, which relates to extraordinary profit/loss for the year, is allocated to this entry whereas the remaining portion is taken to the year's profit/loss from ordinary activities.

The current tax payable or receivable is recognized in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred tax is recognized on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax is measured based on the tax regulations and tax rates that will be in effect, using the laws at the balance sheet date, when the deferred tax is estimated to be triggered as current tax. Changes in deferred tax resulting from changed tax rates are recognized in the income statement.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets.

The Company is part of a Danish joint taxation of which N. FOSS & Co A/S is the administrative entity. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Deferred tax relating to re-taxation of previously deducted losses of foreign subsidiaries is recognized based on a specific assessment of the purpose of the individual subsidiary.

Balance Sheet

Other intangible assets

Other intangible assets comprise acquired intellectual property rights.

Acquired intellectual property rights in the form of patents and licenses are measured at cost less accumulated amortization and impairment losses. Patents are amortized over their remaining duration, and licenses are amortized over the term of the agreement, but over no more than 3 years.

Other intangible assets are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of other intangible assets are calculated as the difference between selling price less selling costs and the carrying amount at the time of sale. Profits or losses are recognized in the income statement as an adjustment to amortization and impairment losses, or under other operating income if the selling price exceeds original cost.

Tangible Assets

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	through the rental period

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Profits or losses are recognized in the income statement as adjustment to depreciation and impairment losses, or under other operating income if the selling price exceeds original cost.

Investments in associates

Investments in associates are recognized and measured under the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or less unamortized positive, or negative, goodwill and plus or less unrealized intra-group profits or losses.

The Parent's share of the enterprises' profits or losses after elimination of unrealized intra-group profits and losses and less or plus amortization of positive, or negative, goodwill is recognized in the income statement.

Associates with a negative equity value are measured at zero value, and any receivables from these enterprises are written down by the Parent's share of such negative equity if it is deemed irrecoverable. If the negative equity exceeds the amount receivable, the remaining amount is recognized under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in subsidiaries and associates is transferred to reserve for net revaluation according to the equity method under equity.

The purchase method is applied in the acquisition of investments in subsidiaries and associates; see above description under consolidated financial statements.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realizable value.

Cost of goods for resale, raw materials and consumables consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labor costs as well as indirect production costs.

Indirect production costs comprise indirect materials and labor costs, costs of maintenance of and depreciation and impairment losses on machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

The net realizable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortized cost, usually equalling nominal value less provisions for bad debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Dividend

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

Other provisions

Other provisions comprise anticipated warranty commitments, decided and published restructurings, etc.

Other provisions are recognized and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Warranty commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Lease commitments

Lease payments on operating leases are recognized on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are recognized at amortized cost which usually corresponds to nominal value.

Deferred income

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

Cash flow statement has not been prepared for the Company as the cash flow is included in the cash flow statement of the Group.

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

The financial ratios have been calculated as follows:

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

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

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

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