

# ANNUAL REPORT 2020

# FOSS

Approved at General Meeting  
March 25, 2021

  
Peter Foss (Mar 25, 2021 08:39 GMT+1)

Chairman of the General Meeting  
Peter Alexander Foss

## FOSS Analytical A/S



ANALYTICS BEYOND MEASURE

FOSS Analytical A/S, Nils Foss Allé 1, DK-3400 Hillerød, Denmark  
CVR-No 73399815

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## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of FOSS Analytical A/S for the financial year 1 January to 31 December 2020.

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 2020 and financial performance for the financial year 1 January to 31 December 2020.

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, 25 March, 2021

### Executive Board



Kim Vejlby Hansen  
Chief Executive Officer



Kenneth Aaby Sachse

### Board of Directors



Peter Foss (Mar 25, 2021 08:39 GMT+1)

Peter Alexander Foss  
Chairman



Pernille Foss (Mar 25, 2021 12:16 GMT+1)

Pernille Foss



Kenneth Aaby Sachse



Kim Vejlby Hansen



Sussie My Nikolajsen



Christine Amalie Fisker (Mar 25, 2021 09:58 GMT+1)

Christine Amalie Pagh Fisker

## **Independent Auditor's Report**

To the Shareholder of FOSS Analytical A/S

### **Opinion**

We have audited the financial statements of FOSS Analytical A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 about 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 these 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.

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

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

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

Copenhagen, 25 March, 2021

Deloitte  
Statsautoriseret Revisionspartnerselskab  
CVR No 33 96 35 56

*Kirsten Aaskov Mikkelsen*

Kirsten Aaskov Mikkelsen (Mar 25, 2021 08:48 GMT+1)

Kirsten Aaskov Mikkelsen  
State Authorized Public Accountant  
MNE21358

*Nikolaj Thomsen*

Nikolaj Thomsen (Mar 25, 2021 10:54 GMT+1)

Nikolaj Thomsen  
State Authorized Public Accountant  
MNE33276

# Management Commentary

## Financial Highlights

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key Figures</b>					
<b>Income Statement</b>					
Revenue	1,579,750	1,464,609	1,566,023	1,539,367	1,406,491
Operating Profit	468,593	340,494	422,984	432,533	376,436
Net financial items	-20,757	419	-3,342	-5,357	-3,941
Profit for the year	341,425	250,741	312,801	319,613	281,527
<b>Balance Sheet</b>					
Total assets	724,295	636,776	725,312	739,592	705,130
Equity	383,692	285,306	342,296	371,426	307,427
Investments in tangible assets	6,076	6,739	5,635	10,310	6,267
<b>Number of employees, average</b>	590	572	567	550	503
<b>Ratios %</b>					
Operating profit for the year vs. revenue	29.7%	23.2%	27.0%	28.1%	26.8%
Return on investments	64.7%	53.5%	58.3%	58.5%	53.4%
Solvency ratio	53.0%	44.8%	47.2%	50.2%	43.6%
Return on equity	102.1%	79.9%	87.7%	94.2%	130.9%

## **Management Commentary**

### **The FOSS mission**

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

We provide analytics beyond measure to add value to our customers by improving quality and optimising food and agricultural production.

### **Main Activity**

FOSS creates solutions that secure and improve food quality and optimize production. From raw material to finished product. Our analysis instruments refine measurements into information management that enables businesses to run intelligent data-driven productions with less waste and bigger yields.

Controlling cost and quality across all sectors and value chains, we help food and agricultural producers limit the number of human errors, scale their business faster and reduce labour costs. We call these analytics beyond measure.

We cover these food and agricultural industries: Dairy, Feed & Forage, Grain, Flour Milling & Oilseed Processing, Laboratories, Meat, Raw Milk Testing and Wine & Beer.

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

### **Research & Development Activities**

The effort within Research & Development for generating new products and further development of existing products constitutes an important part of the FOSS values. A number of product improvements are constantly being developed whilst the product development constantly results in introduction of new products to both new as well as existing customer segments.

### **External Environment**

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

### **Our work in Sustainability**

FOSS solutions provide a number of sustainable benefits to customers such as improving efficiencies, reducing material waste, and ensuring food quality and safety. We also believe in acting responsibly and ethically wherever we conduct business. In 2012, we joined the United Nations Global Compact the world's largest sustainability initiative, which has ten principles in the areas of human rights, labour, the environment and anti-corruption. We report on our progress against these principles in our annual sustainability report, which constitutes our statutory report on CSR, cf. the Financial Statements Act §99a. We are also (B) members of the SEDEX initiative, one of the world's largest platforms for sharing responsible sourcing data on supply chains, used by more than 55,000 members. Every 2-3 years a SEDEX audit is conducted by a third party at our production and R&D sites in the areas of health and safety, Labour rights, the environment and business ethics. As a member, we use these audits to gauge our performance against best practice criteria and share the results with our key customers.

Our FOSS Sustainability report 2020 can be found here:  
(<https://www.fossanalytics.com/en/about-foss/sustainability>)

## **Equal opportunities and diversity**

Our Sustainability policy guarantees equal rights and opportunities for all employees regardless of race, gender, religion, age, ethnicity, sex and sexual orientation. Personal privacy is respected; discrimination and verbal or psychological harassment is not tolerated. We choose the best person for all positions in our organization based on merit and what that person can bring to the role. In addition to our sustainability policy, we have also established a whistle-blowing system, which is accessible through our portal and website. It enables internal, as well as external stakeholders, to raise concerns around discrimination anonymously if they feel it is not possible to raise issues through normal channels. At the board level, our target is to have a board composition of 15% of the underrepresented gender, at present that figure is slightly above 16%.

For our statutory report on diversity and equal opportunities at the management level please see FOSS sustainability report, which can be found here:

(<https://www.fossanalytics.com/en/about-foss/sustainability>)

## **Knowledge**

Development, production and marketing of high technology analytical solutions demand highly skilled employees. In order to preserve the Company's ability to satisfy our global customers' demand for dedicated analytical solutions it is a prerequisite that we maintain the extensive specialist knowledge and other competencies, which are deeply rooted in the organization. This is ensured through continued maintenance, education and recruiting of competent and dynamic employees on all levels. Considerable resources are used in order to create an internal environment, which makes this possible. In addition focus on employer branding to attract and retain talent and experts is significantly higher compared to just a few years ago.

## **Risk**

### *Operating Risk*

The main operating risk for the company is concerning the ability to be strongly positioned in the market and at the cutting edge of the technological development for end-to-end solutions that secure and improve food quality.

The company has entered into longer-term contracts with key suppliers for delivery of components that are a part of production in the aim of securing a stable supply and a higher predictability in price development.

In recent years our offering to the market contains more digital offerings as well as more online and interface connections within our IT infrastructure. It is our aim to continuously reduce our risk of being compromised and thus significant resources for improving the Groups IT infrastructure and security are being invested.

### *Financial risk*

The financial risk is primarily related to changes in currency exchange rates. The currency risk is partly covered by use of currency exchange hedging agreements.

### *Credit risk*

The main credit risk for the company derives from ordinary customer transactions with restrictive guidelines for trade with new customers and customers located in zones of particular high credit risk while trade with known and credit rated customers are completed on accommodative conditions. These conditions have historically resulted in very few losses on debtors.

## **Development in activities and financial conditions**

Revenue has increased by 7.9% to a total of DKK 1,580 million vs. DKK 1,465 million last year.

Gross Profit amounts to DKK 903 million (DKK 769 million in 2019). Consequently, Gross Profit margin has been improved (57.2%) compared to 2019 (52.5%).



Operating Profit amounts to DKK 469 million (DKK 340 million in 2019) yielding a profit margin of 29.7% (including non-recurring costs) compared to 23.2% in 2019.

Profit before tax amounts to DKK 429 million (DKK 324 million in 2019).

Profit for the year is DKK 341 million (DKK 251 million in 2019) which is above expectations due to the higher sales in 2020 and cost savings due to Covid-19. Proposed dividend for the year is DKK 341 million.

Average number of employees during 2020 is 590 (572 in 2019).

Investments in infrastructure and scalability have been continued throughout the year with the ramp up of R&D activities in our subsidiary Softflow Hungary Kft. In Pécs, Hungary. The investment program will continue into 2021.

### **Uncertainty relating to recognition and measurement**

There are no significant uncertainties related to the annual report according to the management.

### **Unusual circumstances**

The annual report is not impacted by any unusual circumstances.

### **Expected development**

Investments in sales and distribution activities as well as product development activities will continue in 2021. Management expects this to strengthen FOSS Analytical A/S' market position and contribute to fulfil the growth strategy for the company in supplying high quality solutions for the increasing demand of food quality.

The spread of COVID-19 throughout the world can potentially have an influence on the business for the company in 2021. As the potential impact is unknown at this time, this has not been included when setting the expectations for activity and earnings in 2021.

It is the expectation that the company will see revenue and profitability at the level of 2020 in the coming year.

### **Subsequent events**

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

# Income Statement

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
		TDKK	TDKK
<b>Revenue</b>	1	<b>1,579,750</b>	<b>1,464,609</b>
Change in inventories of finished goods and work in progress		-9,826	-20,281
Other operating income		41,384	35,561
Expenses for raw materials and consumables		-519,253	-495,509
Other external expenses		-188,832	-215,624
<b>Gross Profit</b>		<b>903,223</b>	<b>768,756</b>
Staff expenses	2	-421,988	-416,686
<b>Earnings before Depreciation and Interest</b>		<b>481,235</b>	<b>352,070</b>
Depreciation, amortization and impairment losses	3	-12,642	-11,576
<b>Operating Profit</b>		<b>468,593</b>	<b>340,494</b>
Loss from group enterprise after tax	4	-19,005	-16,450
Other financial income	5	2,688	2,444
Other financial expenses	6	-23,445	-2,025
<b>Profit from ordinary activities before tax</b>		<b>428,831</b>	<b>324,463</b>
Tax on profit for the year	7	-87,406	-73,722
<b>Profit for the year</b>	8	<b>341,425</b>	<b>250,741</b>

# Balance Sheet

## Assets

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
		TDKK	TDKK
Software and patents		12,871	12,367
<b>Intangible assets</b>	9	<b>12,871</b>	<b>12,367</b>
Plant and machinery		3,000	3,350
Other fixtures, fittings, tools and equipment		10,162	10,729
Leasehold improvements		488	574
<b>Tangible assets</b>	10	<b>13,650</b>	<b>14,653</b>
<b>Fixed assets</b>		<b>26,521</b>	<b>27,020</b>
<b>Inventories</b>	12	<b>199,238</b>	<b>188,274</b>
Trade receivables		59,307	61,164
Receivables from group enterprises	11	263,069	250,731
Receivables from parent company		119,388	58,353
Other short-term receivables	13	9,204	12,154
Prepayments	14, 21	14,153	2,372
<b>Receivables</b>		<b>465,121</b>	<b>384,774</b>
<b>Cash and cash equivalents</b>		<b>33,415</b>	<b>36,708</b>
<b>Current assets</b>		<b>697,774</b>	<b>609,756</b>
<b>Assets</b>		<b>724,295</b>	<b>636,776</b>

# Balance Sheet

## Liabilities

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
		TDKK	TDKK
Contributed capital	15	20,500	20,500
Retained earnings		21,767	14,065
Proposed dividend for the year		341,425	250,741
<b>Equity</b>		<b>383,692</b>	<b>285,306</b>
Provision for deferred tax	16	4,276	3,242
Other provisions	17	8,625	7,828
<b>Provisions</b>		<b>12,901</b>	<b>11,070</b>
<b>Non-current liabilities other than provisions</b>	18	<b>8,370</b>	<b>5,735</b>
Prepayments received from customers		4,625	9,292
Trade payable		82,291	70,115
Payables to group enterprises		64,941	81,096
Income tax payable		87,462	71,272
Other payables		79,414	79,369
Prepayments	19, 21	599	23,521
<b>Current liabilities other than provisions</b>		<b>319,332</b>	<b>334,665</b>
<b>Liabilities other than provisions</b>		<b>327,702</b>	<b>340,400</b>
<b>Equity and Liabilities</b>		<b>724,295</b>	<b>636,776</b>
Contingent assets and liabilities	20		
Fee to auditor appointed at the annual general meeting	22		
Related parties	23		
Ownership and group relationship	24		

## Statement of Changes in Equity

Changes in Equity 2020	Contributed Capital	Fair value reserve	Retained Earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Equity beginning of year</b>	20,500	-	14,065	250,741	285,306
Dividend paid	-	-	-	-250,741	-250,741
Cashflow hedges, net of tax	-	9,443	-	-	9,443
Value adjustment of hedging instruments	-	-3,328	-	-	-3,328
Exchange rate adjustment	-	-	1,587	-	1,587
Profit for the year	-	-	-	341,425	341,425
<b>Equity end of year</b>	<b>20,500</b>	<b>6,115</b>	<b>15,652</b>	<b>341,425</b>	<b>383,692</b>

Changes in Equity 2019	Contributed Capital	Fair value reserve	Retained Earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Equity beginning of year</b>	20,500	-	8,995	312,801	342,296
Dividend paid	-	-	-	-312,801	-312,801
Cashflow hedges, net of tax	-	-	4,983	-	4,983
Exchange rate adjustment	-	-	87	-	87
Profit for the year	-	-	-	250,741	250,741
<b>Equity end of year</b>	<b>20,500</b>	<b>-</b>	<b>14,065</b>	<b>250,741</b>	<b>285,306</b>

# Notes to the Annual Report

	<u>2020</u>	<u>2019</u>
	TDKK	TDKK
<b>1 Revenue</b>		
<b>Geographical segments</b>		
EU countries	491,759	509,538
Other countries	1,087,991	955,071
	<u>1,579,750</u>	<u>1,464,609</u>

Management believes that a break-down of revenue on segments / activities and further geographic markets may create a competitive unwanted attention and focus on its core areas. The information may contribute to competing enterprises' strategic decision-making and thus the Company will suffer significant injury.

As a result, the Group, pursuant to section 96 (1) of the Danish Financial statements Act, chooses not to disclose these segments further.

## 2 Staff Expenses

Wages and salaries	-407,554	-402,721
Pensions	-9,744	-8,722
Other social security expenses	-4,690	-5,243
	<u>-421,988</u>	<u>-416,686</u>
Hereof salaries and wages for Executive Board and Board of Directors		
Executive Board	7,555	6,305
Board of Directors	10	10
	<u>7,565</u>	<u>6,315</u>

Remuneration to registered members of the Executive Board consist of salary and bonus.

Average number of employees	<u>590</u>	<u>572</u>
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## 3 Depreciation, amortisation and impairment losses

Software and patents	-5,563	-3,846
Plant and machinery	-2,125	-2,398
Other fixtures, fittings, tools and equipment	-4,868	-5,262
Leasehold improvements	-86	-70
	<u>-12,642</u>	<u>-11,576</u>

## Notes to the Annual Report

	<u>2020</u>	<u>2019</u>
	TDKK	TDKK
<b>4 Loss from group enterprise after tax</b>		
Share of earnings from subsidiary	-19,005	-16,450
<b>5 Other financial income</b>		
Interest received	255	538
Interest received from affiliated companies	2,433	1,906
	<b>2,688</b>	<b>2,444</b>
<b>6 Other financial expenses</b>		
Interest paid	-28	-25
Interest paid to affiliated companies	-4,593	-1,090
Exchange rate adjustment	-18,824	-910
	<b>-23,445</b>	<b>-2,025</b>
<b>7 Tax on profit for the year</b>		
Corporation tax for the year	-88,090	-72,073
Tax for previous year	-6	3,237
Deferred tax for the year	690	-4,886
<b>Tax for the year</b>	<b>-87,406</b>	<b>-73,722</b>
<b>Deferred tax</b>		
Deferred tax beginning of the year	-3,242	3,049
Adjustments in Profit & Loss	690	-4,886
Adjustments in Equity	-1,724	-1,405
<b>Deferred tax end of year</b>	<b>-4,276</b>	<b>-3,242</b>
<b>8 Proposed distribution of profit</b>		
Proposed dividend for the financial year	341,425	250,741
<b>Profit for the year</b>	<b>341,425</b>	<b>250,741</b>

## Notes to the Annual Report

### 9 Intangible Assets

	<u>Software and patents</u>
	TDKK
Cost beginning of year	46,937
Additions for the year	6,067
Disposals for the year	-
Cost end of year	<u>53,004</u>
Amortization and impairment losses 1 January	34,570
Amortization for the year	5,563
Amortization of sold assets for the year	-
Amortization and impairment losses 31 December	<u>40,133</u>
<b>Carrying amount end of year</b>	<b><u>12,871</u></b>
Amortized over period of	<u>1-3 years</u>

### 10 Tangible assets

	<u>Plant and machinery</u>	<u>Other fixtures, fittings, tools and equipment</u>	<u>Leasehold improvements</u>
	TDKK	TDKK	TDKK
Cost beginning of year	27,007	71,221	1,234
Additions for the year	1,775	4,301	-
Disposals for the year	-	-80	-
Cost end of year	<u>28,782</u>	<u>75,442</u>	<u>1,234</u>
Depreciation beginning of year	23,657	60,492	660
Depreciation for the year	2,125	4,868	86
Depreciation of sold assets for the year	-	-80	-
Depreciation end of year	<u>25,782</u>	<u>65,280</u>	<u>746</u>
<b>Carrying amount end of year</b>	<b><u>3,000</u></b>	<b><u>10,162</u></b>	<b><u>488</u></b>
Depreciated over period of	<u>3-5 years</u>	<u>3-5 years</u>	<u>During the rental period</u>



## Notes to the Annual Report

	<b><u>2020</u></b>	<b><u>2019</u></b>
	TDKK	TDKK
<b>11 Investment in group enterprise</b>		
Cost beginning of year	37,863	37,863
Cost end of year	<u>37,863</u>	<u>37,863</u>
Impairment losses beginning of year	-46,272	-29,909
Exchange rate adjustment	1,587	87
Net profit for the year	-19,005	-16,450
Impairment losses end of year	<u>-63,690</u>	<u>-46,272</u>
Carrying amount end of year	<b><u>-25,827</u></b>	<b><u>-8,409</u></b>
Transferred to Receivables from group enterprises	25,827	8,409
<b>Carrying amount end of year</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Investment in group enterprises</b>	<b><u>Ownership</u></b>	<b><u>Capital</u></b>
Softflow Hungary Kft., Pecs, Hungary	100%	1,020,000 THUF
<b>12 Inventories</b>		
Raw materials and consumables	69,449	68,310
Work in progress	53,834	45,952
Manufactured goods and goods for resale	75,955	74,012
	<b><u>199,238</u></b>	<b><u>188,274</u></b>
<b>13 Other short-term receivables</b>		
Deposits	377	9
Other receivables	8,827	12,145
	<b><u>9,204</u></b>	<b><u>12,154</u></b>

## Notes to the Annual Report

	<u>2020</u>	<u>2019</u>
	TDKK	TDKK
<b>14 Prepayments</b>		
Recognition of gain regarding forward exchange contracts	12,288	-
Other prepayments	1,865	2,372
	<b>14,153</b>	<b>2,372</b>
<b>15 Contributed Capital</b>		
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.		
<b>16 Provision for deferred tax liabilities</b>		
Fixed assets	1,307	1,443
Inventories	4,288	4,646
Accounts payables	-555	-440
Prepayments and accruals	-764	-2,407
	<b>4,276</b>	<b>3,242</b>
<b>17 Other provisions</b>		
Provisions for warranty	8,625	7,828
	<b>8,625</b>	<b>7,828</b>
<b>18 Non-current liabilities other than provisions</b>		
All long term debt falls due between 1 and 5 years	8,370	5,735
	<b>8,370</b>	<b>5,735</b>
<b>19 Prepayments</b>		
Recognition of loss regarding forward exchange contracts	-	23,216
Other	599	305
	<b>599</b>	<b>23,521</b>

## Notes to the Annual Report

	<u>2020</u>	<u>2019</u>
	TDKK	TDKK
<b>20 Contingent assets and liabilities</b>		
Lease commitments	1,876	2,194
Securities and guarantees	4,409	1,939
	<b>6,285</b>	<b>4,133</b>
<b>Guarantees etc.:</b>		
Purchase obligations for long-term delivery do not exceed	59,163	83,870
Security concerning credit	1,445	1,445

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

### 21 Fair value of derivative financial instruments at the balance sheet date

Fair value beginning of year	-23,216	-33,555
Realized gain/loss recognised in Profit & Loss	38,832	19,782
Fair value adjustments recognized directly in the fair value reserve under equity	-3,328	-9,443
<b>Fair value end of year</b>	<b>12,288</b>	<b>-23,216</b>

Foreign currency balances as well as the related hedging transactions as of 31 December 2020 are composed as follows:

	Receivables	Payables	Hedging transaction	Net position
	TDKK	TDKK	TDKK	TDKK
USD, 0-12 months	153,934	-13,118	-88,323	52,493
AUD, 0-12 months	854	-	-1,648	-794
JPY, 0-12 months	3,974	-	-7,465	-3,491
GBP, 0-12 months	7,830	-1,025	-8,517	-1,712
CNH, 0-12 months	2,247	-17,605	33,170	17,812
RUB, 0-12 months	508	-	-10,373	-9,865
	<b>169,347</b>	<b>-31,748</b>	<b>-83,156</b>	<b>54,443</b>

## Notes to the Annual Report

	<u>2020</u>	<u>2019</u>
	TDKK	TDKK
<b>22 Fee to auditor appointed at the annual general meeting</b>		
Fee for statutory audit	335	329
Other services	133	281
	<u>468</u>	<u>610</u>

### 23 Related parties

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

Transactions with related parties are based on market price (arm's length).

### 24 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, Hillerød, Denmark (CVR no. 59388517) and the ultimate parent company N. Foss & Co. A/S, Hillerød, Denmark (CVR no. 87974618).

## **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).

In accordance to The Danish Financial Statements Act § 112 no 2, Group Accounts are not generated as the company is included in FOSS A/S.

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 Company, 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 affected 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.

### **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 within 3-5 years, either as a set-off against deferred tax liabilities or as net tax assets.

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

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

## **Balance Sheet**

### **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 subsidiaries and associates**

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

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

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

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

### **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, with reference to the Danish Financial Statements Act § 84, section 4, as the cash flow is included in the cash flow statement of the FOSS A/S Group.

### **Financial highlights**

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

The financial ratios have been calculated as follows:

Operating profit for the year vs. revenue =		$\frac{\text{Operating Profit} \times 100}{\text{Revenue}}$
Return on Investments	=	$\frac{\text{Operating Profit} \times 100}{\text{Total Assets}}$
Solvency ratio	=	$\frac{\text{Equity at year end} \times 100}{\text{Total Assets}}$
Return on equity	=	$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$












# FOSS Analytical A/S - årsregnskab 2020
















Final Audit Report

2021-03-25

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