

Approved at General Meeting March 14, 2024

Chairman of the General Meeting  
Peter Alexander Foss

**FOSS**

A black and white cow with yellow and orange ear tags is the central focus of the image. The cow is looking towards the camera. In the background, other cows are visible, some lying down. The setting appears to be a barn or a stable with hay on the floor.

# ANNUAL REPORT 2023

FOSS Analytical A/S, Nils Foss Allé 1, 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 2023.

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 2023 and financial performance for the financial year 1 January to 31 December 2023.

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, 14 March, 2024

### **Executive Board**

Kim Vejlbj Hansen  
Chief Executive Officer

Jesper Sabroe  
Chief Financial Officer

### **Board of Directors**

Peter Alexander Foss  
Chairman

Kim Vejlbj Hansen

Pernille Foss

Jesper Sabroe

Anja Zoega Willumsen

Karina Nørgaard Gadegaard

## **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 01.01.2023 – 31.12.2023, 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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 – 31.12.2023 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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Copenhagen, 14 March, 2024

Deloitte  
Statsautoriseret Revisionspartnerselskab  
CVR No 33 96 35 56

Nikolaj Thomsen  
State Authorized Public Accountant  
MNE33276

Kasper Ørtoft  
State Authorized Public Accountant  
MNE49073

# Management Commentary

## Financial Highlights

	<u>2023</u> TDKK	<u>2022</u> TDKK	<u>2021</u> TDKK	<u>2020</u> TDKK	<u>2019</u> TDKK
<b>Key Figures</b>					
<b>Income Statement</b>					
Revenue	1,760,406	1,782,702	1,660,314	1,579,750	1,464,609
Operating Profit	507,295	475,858	479,039	468,593	340,494
Net financial items	-16,330	-11,378	-123	-20,757	419
Profit for the year	393,857	363,467	366,798	341,425	250,741
<b>Balance Sheet</b>					
Total assets	830,270	777,625	703,445	724,295	636,776
Equity	437,212	405,890	409,282	383,692	285,306
Investments in tangible assets	12,285	5,136	11,691	6,076	6,739
<b>Number of employees, average</b>	600	591	577	590	572
<b>Ratios %</b>					
Operating profit for the year vs. revenue	28.8%	26.7%	28.9%	29.7%	23.2%
Return on investments	61.1%	61.2%	68.1%	64.7%	53.5%
Solvency ratio	52.7%	52.2%	58.2%	53.0%	44.8%
Return on equity	93.4%	89.2%	92.5%	102.1%	79.9%

## **Management Commentary**

### **The FOSS mission**

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

FOSS 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.

### **Making sustainability a better business while improving food quality**

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

Our world-leading analytical solutions makes a tangible difference for the food and agricultural industry and its use of the world's valuable natural resources – while at the same time improving product quality and saving time and money.

FOSS takes what used to be complex, time consuming, and expensive and makes it fast, dedicated, and easy-to-use. Our innovation renders elements such as manual registration, laboratory experts and the use of chemicals unnecessary, and replaces it with intelligent solutions that give you data to act on and the power to control, optimise and run a business based solely on high quality insights and cutting-edge innovation. This has made us a crucial companion in the development of the new food and protein sources of the future.

### **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. FOSS Analytical A/S currently does not have, nor in recent times has it had, court cases related to environmental matters.

## Collaborating to improve sustainability performance

In addition to the sustainable benefits of our solutions FOSS believe in acting ethically and responsibly. FOSS is an active member of the UN Global Compact. As a member, we are committed to aligning strategies and operations with universal principles on human rights, labor, the environment and anti-corruption. Each year we produce a Communication on Progress (COP) report showing the practical actions we have taken to implement the Ten Principles in our company.

FOSS is also a member of the SEDEX initiative, the world's largest collaborative platform for sharing responsible sourcing data on supply chains, used by more than 60,000 members. As a member our production facilities are audited by a 3<sup>rd</sup> party to assess performance against the SEDEX best practice criteria in the areas of health & safety, labor, the environment and business integrity. We also support the Sustainable Development goals and report on how we contribute to goals 2,3, 8, and 12.

For more information please see our Sustainability report and our Sustainability policy, which can be found in FOSS A/S Group financial statement 2023.

## A diverse and transparent work culture

At FOSS we believe that diversity and unity benefit our company in a number of ways: such as different perspectives and looking at challenges, insights into global markets, innovation, etc. Our policy is that we hire the best candidate for open positions based on merits and the profile for the position regardless of race, nationality, ethnic origin, gender, sexual orientation, marital status, disability, family status, age, or religion. As a company we will not tolerate discrimination in regard to recruitment, advancement, training or salary. We communicate this to both internal and external stakeholders. We also have a whistle-blower system where staff and other stakeholders can raise concerns, including discrimination. No issues around discrimination were raised over the last year.

Our equal opportunities position also extends to the board level. We select the best candidates based on their experience, knowledge, and the skills they can bring to the position regardless of race, gender, age, ethnicity, sexual orientation, etc. Our target is to have a board composition of minimum 25% which is achieved.

Social data	Share of the underrepresented gender		Target for the underrepresented gender
	2023	2022	Target
Gender diversity in Board of Directors position (% Women)	20% (1/5)	20% (1/5)	25%
Gender diversity in top executive position (% Women)	14% (1/7)	14% (1/7)	33%

For more information on equal opportunities please see our Sustainability report and our Sustainability policy, which can be found in FOSS A/S Group financial statement 2023.

## Data ethics statement

FOSS is a responsible employer and a trusted partner to our customers and business partners. We do our utmost to ensure that data is used in a safe and responsible manner.

We have taken a strategic approach to data ethics and have established an initial global Data Ethics Policy regarding use of data and new technologies.

The Data Ethics Policy is about responsible and sustainable use of data and new technologies and complements e.g., the principles of transparency and data minimization in FOSS' Global Data Protection Policy as well as rules on integrity and confidentiality. The policy also supplements policies on handling of personal data, use of cookies etc.



The FOSS Data Ethics Policy has been prepared as an overall framework and it applies to the FOSS Group. FOSS will continue its proactive work with data ethics based on the four principles set out in the Data Ethics Policy, which can be found in FOSS A/S Group financial statement 2023.

## **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 make this possible. In addition, focus on employer branding to attract and retain talent and experts is high.

## **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 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.

### *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 decreased with -1.3% to a total of DKK 1,760 million vs. DKK 1,783 million last year. The result for 2023 is slightly below last year expectations, due to geopolitical turmoil.

Gross Profit amounts to DKK 1020 million (DKK 952 million in 2022).

Operating Profit amounts to DKK 507 million (DKK 476 million in 2022) yielding a profit margin of 28.8% (including non-recurring costs) compared to 26.7% in 2022.

Profit before tax amounts to DKK 494 million (DKK 463 million in 2022).

Profit for the year has increased with 8.5% to DKK 394 million (DKK 363 million in 2022), which is in line with expectations. Proposed dividend for the year is DKK 394 million.

Average number of employees during 2023 is 600 (591 in 2022).

**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 2023. 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.

It is the expectation that the company will see increasing revenue and profitability on 6% to 8% 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>2023</u> TDKK	<u>2022</u> TDKK
<b>Revenue</b>	1	<b>1,760,406</b>	<b>1,782,702</b>
Change in inventories of finished goods and work in progress		15,145	-45,311
Other operating income		46,374	42,466
Expenses for raw materials and consumables		-537,370	-559,235
Other external expenses		-264,664	-268,274
<b>Gross Profit</b>		<b>1,019,891</b>	<b>952,348</b>
Staff expenses	2	-499,078	-460,950
<b>Earnings before Depreciation and Interest</b>		<b>520,813</b>	<b>491,398</b>
Depreciation, amortization and impairment losses	3	-13,518	-15,540
<b>Operating Profit</b>		<b>507,295</b>	<b>475,858</b>
Result from group enterprise after tax		2,615	-1,028
Other financial income	4	10,732	6,020
Other financial expenses	5	-27,062	-17,398
<b>Profit from ordinary activities before tax</b>		<b>493,580</b>	<b>463,452</b>
Tax on profit for the year	6	-99,723	-99,985
<b>Profit for the year</b>	7	<b>393,857</b>	<b>363,467</b>

# Balance Sheet

## Assets

	<b>Notes</b>	<b>2023</b> TDKK	<b>2022</b> TDKK
Software and patents		88,692	7,471
<b>Intangible assets</b>	8	<b>88,692</b>	<b>7,471</b>
Plant and machinery		2,538	2,822
Other fixtures, fittings, tools and equipment		16,090	11,946
Leasehold improvements		682	364
<b>Tangible assets</b>	9	<b>19,310</b>	<b>15,132</b>
Investment in group enterprise	10	17,603	14,056
<b>Fixed asset investment</b>		<b>17,603</b>	<b>14,056</b>
<b>Fixed assets</b>		<b>125,605</b>	<b>36,659</b>
<b>Inventories</b>	11	<b>266,378</b>	<b>310,477</b>
Trade receivables		69,767	67,629
Receivables from group enterprises		316,749	321,311
Other short-term receivables	12	10,403	10,921
Prepayments	13	3,992	5,353
<b>Receivables</b>		<b>400,911</b>	<b>405,214</b>
<b>Cash and cash equivalents</b>		<b>37,376</b>	<b>25,275</b>
<b>Current assets</b>		<b>704,665</b>	<b>740,966</b>
<b>Assets</b>		<b>830,270</b>	<b>777,625</b>

# Balance Sheet

## Liabilities

	<u>Notes</u>	<u>2023</u> TDKK	<u>2022</u> TDKK
Contributed capital	14	20,500	20,500
Retained earnings		22,855	21,923
Proposed dividend for the year		393,857	363,467
<b>Equity</b>		<b>437,212</b>	<b>405,890</b>
Provision for deferred tax	15	18,471	10,520
Other provisions	16	7,602	9,308
<b>Provisions</b>		<b>26,073</b>	<b>19,828</b>
Non-current liabilities		6,238	3,668
<b>Non-current liabilities other than provisions</b>	17	<b>6,238</b>	<b>3,668</b>
Prepayments received from customers		3,266	4,360
Trade payable		91,651	92,163
Payables to group enterprises		107,586	92,618
Income tax payable		100,263	93,716
Other payables		42,552	39,369
Deferred income	18	15,429	26,013
<b>Current liabilities other than provisions</b>		<b>360,747</b>	<b>348,239</b>
<b>Liabilities other than provisions</b>		<b>366,985</b>	<b>351,907</b>
<b>Equity and Liabilities</b>		<b>830,270</b>	<b>777,625</b>
Contingent assets and liabilities	19		
Related parties	20		
Ownership and group relationship	21		
Subsequent events	22		

## Statement of Changes in Equity

Changes in Equity 2023	Contributed Capital	Retained Earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
<b>Equity beginning of year</b>	20,500	21,923	363,467	405,890
Dividend paid	-	-	-363,467	-363,467
Exchange rate adjustment	-	245	-	245
Other adjustment	-	687	-	687
Profit for the year	-	-	393,857	393,857
<b>Equity end of year</b>	<b><u>20,500</u></b>	<b><u>22,855</u></b>	<b><u>393,857</u></b>	<b><u>437,212</u></b>

Changes in Equity 2022	Contributed Capital	Retained Earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
<b>Equity beginning of year</b>	20,500	21,984	366,798	409,282
Dividend paid	-	-	-366,798	-366,798
Exchange rate adjustment	-	-1,108	-	-1,108
Other adjustment	-	1,047	-	1,047
Profit for the year	-	-	363,467	363,467
<b>Equity end of year</b>	<b><u>20,500</u></b>	<b><u>21,923</u></b>	<b><u>363,467</u></b>	<b><u>405,890</u></b>

# Notes to the Annual Report

	<u>2023</u> TDKK	<u>2022</u> TDKK
<b>1 Revenue</b>		
<b>Geographical segments</b>		
EU countries	561,818	513,005
Other countries	1,198,588	1,269,697
	<b><u>1,760,406</u></b>	<b><u>1,782,702</u></b>

Pursuant to section 96 (1) of the Danish Financial statements Act, revenue segments are not further disclosed.

<b>2 Staff Expenses</b>		
Wages and salaries	-481,769	-444,509
Pensions	-11,766	-10,606
Other social security expenses	-5,543	-5,835
	<b><u>-499,078</u></b>	<b><u>-460,950</u></b>
Hereof salaries and wages for Executive Board and Board of Directors		
Executive Board	5,730	9,481
Board of Directors	-10	10
	<b><u>5,720</u></b>	<b><u>9,491</u></b>

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

Average number of employees	<b><u>600</u></b>	<b><u>591</u></b>
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<b>3 Depreciation, amortisation and impairment losses</b>		
Software and patents	-5,410	-7,704
Plant and machinery	-1,911	-2,236
Other fixtures, fittings, tools and equipment	-6,066	-5,501
Leasehold improvements	-131	-99
	<b><u>-13,518</u></b>	<b><u>-15,540</u></b>

# Notes to the Annual Report

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
<b>4 Other financial income</b>		
Interest received	1,888	275
Interest received from affiliated companies	8,844	5,745
	<b>10,732</b>	<b>6,020</b>
<b>5 Other financial expenses</b>		
Interest paid	-24	-1,915
Interest paid to affiliated companies	-15,438	-4,147
Exchange rate adjustment	-11,600	-11,336
	<b>-27,062</b>	<b>-17,398</b>
<b>6 Tax on profit for the year</b>		
Corporation tax for the year	-86,530	-85,698
Tax for previous year	4,929	-10,470
Deferred tax for the year	-18,122	-3,817
<b>Tax for the year</b>	<b>-99,723</b>	<b>-99,985</b>
<b>Deferred tax</b>		
Deferred tax beginning of the year	-10,520	-6,702
Adjustments previous year	10,171	-
Adjustments in Profit & Loss	-18,122	-3,818
<b>Deferred tax end of year</b>	<b>-18,471</b>	<b>-10,520</b>
<b>7 Proposed distribution of profit</b>		
Proposed dividend for the financial year	393,857	363,467
<b>Profit for the year</b>	<b>393,857</b>	<b>363,467</b>



# Notes to the Annual Report

## 8 Intangible Assets

	<b>Software and patents</b>
	TDKK
Cost beginning of year	62,635
Additions for the year	86,631
Disposals for the year	-8,432
Cost end of year	<u>140,834</u>
Amortization and impairment losses 1 January	55,164
Amortization for the year	5,410
Amortization of sold assets for the year	-8,432
Amortization and impairment losses 31 December	<u>52,142</u>
<b>Carrying amount end of year</b>	<b><u>88,692</u></b>
Amortized over period of	<u>1-3 years</u>

## 9 Tangible assets

	<b>Plant and machinery</b>	<b>Other fixtures, fittings, tools and equipment</b>	<b>Leasehold improvements</b>
	TDKK	TDKK	TDKK
Cost beginning of year	32,533	88,167	1,299
Additions for the year	1,627	10,210	449
Disposals for the year	-112	-51	-
Cost end of year	<u>34,048</u>	<u>98,326</u>	<u>1,748</u>
Depreciation beginning of year	29,711	76,221	935
Depreciation for the year	1,911	6,066	131
Depreciation of sold assets for the year	-112	-51	-
Depreciation end of year	<u>31,510</u>	<u>82,236</u>	<u>1,066</u>
<b>Carrying amount end of year</b>	<b><u>2,538</u></b>	<b><u>16,090</u></b>	<b><u>682</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

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
<b>10 Investment in group enterprise</b>		
Cost beginning of year	101,763	101,763
Cost end of year	<u>101,763</u>	<u>101,763</u>
Impairment losses beginning of year	-87,707	-86,618
Exchange rate adjustment	245	-1,108
Net profit for the year	2,615	-1,028
Other adjustments	687	1,047
Impairment losses end of year	<u>-84,160</u>	<u>-87,707</u>
<b>Carrying amount end of year</b>	<b><u>17,603</u></b>	<b><u>14,056</u></b>
<b>Investment in group enterprises</b>		
	<u>Ownership</u>	<u>Capital</u>
Softflow Hungary Kft., Pecs, Hungary	100%	4,020,000 THUF
<b>11 Inventories</b>		
Raw materials and consumables	95,468	124,422
Work in progress	63,402	69,698
Manufactured goods and goods for resale	107,508	116,357
	<b><u>266,378</u></b>	<b><u>310,477</u></b>
<b>12 Other short-term receivables</b>		
Deposits	573	563
Other receivables	9,830	10,358
	<b><u>10,403</u></b>	<b><u>10,921</u></b>

## Notes to the Annual Report

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
<b>13 Prepayments</b>		
Other prepayments	3,992	5,353
	<b>3,992</b>	<b>5,353</b>
<b>14 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>15 Provision for deferred tax liabilities</b>		
Fixed assets	18,924	1,290
Inventories	4,919	5,484
Accounts payables	-5,372	3,746
	<b>18,471</b>	<b>10,520</b>
<b>16 Other provisions</b>		
Provisions for warranty	7,602	9,308
	<b>7,602</b>	<b>9,308</b>
<b>17 Non-current liabilities other than provisions</b>		
All long term debt falls due between 1 and 5 years	6,238	3,668
	<b>6,238</b>	<b>3,668</b>
<b>18 Deferred income</b>		
Service contracts	14,258	15,790
Other	1,171	10,223
	<b>15,429</b>	<b>26,013</b>

# Notes to the Annual Report

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
<b>19 Contingent assets and liabilities</b>		
Lease commitments	1,562	1,284
	<u>1,562</u>	<u>1,284</u>
<b>Guarantees etc.:</b>		
Purchase obligations for long-term delivery do not exceed	80,962	123,957
Security concerning credit cards	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. The company is liable for potential obligations for withholding taxes on interest, royalties and dividends and company taxes within the joint taxation according to the company tax law.

## 20 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).

## 21 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).

## 22 Subsequent events

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

## **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.

### **Expenses for raw materials and consumables**

Expenses for raw materials and consumables comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

### **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	=	$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$