FOSS

N. Foss & Co. A/S
Annual Report 2015

Dedicated Analytical Solutions

CVR-No 87974618
FOSS A/S, Foss Allé 1, DK-3400 Hillerød, Denmark

The picture on the front – MilkoScan^{TM} Mars
For more information – www.foss.dk

Approved at general meeting
March 16, 2016

Peter Foss

Chairman of the general meeting

N. FOSS & CO. A/S

Annual report 2015

CVR-NR. 87974618

N. Foss & Co. A/S, Foss Allé 1, DK-3400 Hillerød, Denmark

N. FOSS & CO. GROUP as of 31 December 2015

Company view

Parent Company:

N. Foss & Co. A/S

Subsidiaries:
FOSS A/S
Ibsen Photonics A/S

Subsidiaries in FOSS A/S Group:

R&D and Manufacturing Companies:

FOSS Analytical
- FOSS Analytical A/S, Denmark
- FOSS Analytical Co. Ltd., China

Lattec I/S

Sales and Service Companies:

FOSS S.A., Argentina
FOSS do Brasil Instrumentos Analiticos e Soluces Dedicades Ltda,
FOSS Deutschland, Benelux und Österreich
- FOSS GmbH
- FOSS Benelux B.V., Holland
- FOSS Benelux N.V., Belgium

Beijing FOSS Technical Services, Ltd.
FOSS Britain & Ireland
- FOSS Ireland Ltd.
- FOSS UK Ltd.

FOSS Centro America S.A. de C.V.
FOSS Electric Espanã S.A.
FOSS France S.A.S
FOSS India Private Limited
INDIFOSS Analytical Private Limited
FOSS Italia S.r.l.
FOSS Japan Ltd.
FOSS Korea Ltd.
FOSS Nordic A/S
FOSS North America, Inc.
FOSS Pacific
- FOSS Pacific Pty Ltd
- FOSS Pacific (NZ) Ltd

FOSS Polska Sp. z o.o.
FOSS Electric LLC, Russia

Branches/Representative Offices:

FOSS Austria
FOSS Canada
FOSS Portugal
FOSS Scandinavia
FOSS Thailand

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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 N. Foss & Co 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 consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2015 and of their financial performance as well as the consolidated cash flow 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

Nils Christian Foss
President

Board of Directors

Peter Foss
Chairman

Pernille Foss
Vice Chairman

Nils Christian Foss

Peter Kürstein

Independent Auditor's Reports

To the Shareholders of N. Foss & Co A/S

Report on the consolidated financial statements and parent company financial statements

We have audited the consolidated financial statements and parent financial statements of N. Foss & Co 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 for the Group as well as for the Parent, and the consolidated cash flow statement. The consolidated financial statements and parent financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent 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 consolidated financial statements and parent 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 consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the consolidated financial statements and parent 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 consolidated financial statements and parent 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 consolidated financial statements and parent 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 consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2015, and of the results of their operations and cash flows 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 consolidated financial statements and parent financial statements.

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

Copenhagen, March 16, 2016

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No 33 96 35 56

Kirsten Aaskov Mikkelsen
State Authorized Public Accountant

Nikolaj Thomsen
State Authorized Public Accountant

Management Commentary

Financial Highlights

	2015	2014	2013	2012	2011
	MDKK	MDKK	MDKK	MDKK	MDKK
Key Figures					
Income Statement					
Revenue	2,037	1,741	1,777	1,739	1,596
Operating Profit	373	304	423	351	339
Net financial items	66	131	42	113	-18
Profit for the year	317	314	332	331	223
Balance sheet					
Total Assets	3,079	2,826	2,661	2,413	2,131
Equity	2,524	2,322	2,188	1,995	1,719
Cash Flow					
Cash Flow from:					
- Operating activities	399	223	452	331	233
- Investment activities	27	-42	-110	-177	-50
hereof investments in tangible and intangible assets	-23	-42	-60	-177	-50
- financing activities	-157	-166	-124	-75	-100
Net cash flow	269	15	218	79	83
Number of employees, average	1,401	1,366	1,302	1,237	1,175
Ratios					
Operating profit for the year vs. Revenue	18.3%	17.4%	23.8%	20.2%	21.2%
Return on Investments	12.1%	10.7%	15.9%	14.5%	15.9%
Solvency ratio	82.0%	82.2%	82.2%	82.7%	80.7%
Return on equity	13.1%	13.9%	15.9%	17.8%	13.7%

Management Commentary

The FOSS Mission

FOSS provides rapid, reliable and dedicated analytical solutions for routine control of quality and processing of agricultural and food products.

The parent company's main activity is the ownership of FOSS A/S group and management of the excess liquidity.

Subsidiaries

FOSS has companies worldwide with R&D, manufacturing and marketing companies in Denmark and China and sales & service companies in most European countries, North and South America, Asia and Oceania.

Similar to previous years FOSS achieved approx 98% of the revenue outside Denmark.

Research and 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. In 2015 the Group spent more than 9% of the revenue on product development to secure that the Company's leading position is kept. By doing that a number of product improvements primarily against existing customer groups 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

FOSS prioritizes running the business in an environmental and responsible way. Our food and agri product solutions are designed to focus on a high degree of optimization and minimization of the waste of natural reserves. Our Group complies with local requirements and standards and most often at a higher standard than required. FOSS does currently not have, nor has in recent times had, environmental cases. FOSS is ISO certified in the majority of the group companies.

Corporate Social Responsibility (CSR)

FOSS works systematically with Sustainability using the UN Global Compact, which we became signatories of in 2012, as our framework. It is the world's largest sustainability initiative requiring companies to align strategies and operations with universal principles and take action to advance them in their operations.

The annual Communication on Progress (COP) Report is an important component in meeting our obligations as a participant, as well as Danish legislative requirements. It is incorporated into our CSR/Sustainability report which is available on our website for download.

To download our CSR/Sustainability report visit http://foss.dk/about-foss/csr. Our CSR/Sustainability includes progress, efforts and results against the UN Global Compact; as well our policies and supplier code of conduct.

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 opportunity policy is adhered to in the hiring process.

In regard to the compostion 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. Our objective is to have a minimum of 15% of the underrepresented gender in the Board of Directors and at present that figure is 25%.

Knowledge

Development, production and marketing of high technology analytical solutions demand highly skilled employees. In order to preserve the Group'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.

Employees

The results achieved are to a high extent the result of dedicated effort and constructive attitude from all the employees. The employees in the entire Group are thanked for their excellent efforts.

On average the FOSS Group had 1,401 employees in 2015 (1,366 in 2014) corresponding to an increase of approx. 3%.

Risk

Operating Risk

The main operating risk for the group is concerning the ability to be strongly positioned in the market and at the cutting edge of the technological development for dedicated analytical solutions.

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 whereby the usual operating risk has been reduced.

Financial risk

The financial risk is primarily related to changes in shares, currency exchange rates and interest level. The currency risk is primarily covered by use of currency exchange hedging agreements. Cash flow in production companies and payments from sales companies are hedged 12 months ahead.

Investment of free liquidity in the parent company is placed in bonds and shares in accordance with the strategy determined by the Board of Directors. To be able to handle the elements of risk on shares and bonds certain limits for the individual investment groups are taken into account when acting on the markets. Furthermore a breakdown within the groups has taken place in order to secure a spread on the exposure on time frame and geographical areas. Short term liquidity is placed on short term deposits or corresponding fast realizable instruments.

Credit risk

The main credit risk for the Group 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

The group revenue in 2015 grew 17% to DKK 2,037 million (DKK 1,741 million in 2014). Adjusting for currency impacts the organic growth was 12%.

Overall the underlying business within the area of dedicated analytical solutions to food and agriculture has increased substantially higher than the overall strategic growth targets of the Group and the estimated growth rates in the market.

After the reorganization in 2014 Group's development and manufacturing activities are now in Hillerød (Denmark) and Suzhou (China).

Gross Profit for the Group has increased 13% to DKK 1,107 million (DKK 979 million in 2014).

Operating profit amounts to DKK 373 million (DKK 304 million in 2014). Operating profit has increased as the result of higher revenue, weakening of gross profit ratio (primarily foreign exchange related) and modest growth of fixed cost.

Return from shares and bonds amounts to DKK 81 million (DKK 140 million) – equal to a return ratio of 5.5% (10.5% in 2014).

Ordinary profit before tax amounts DKK 439 million (DKK 435 million in 2014).

Operating profit in the parent company was in 2015 negative by DKK 3 million which is the same as 2014 level.

Profit for the year after tax amounts DKK 317 million which is a decrease from DKK 314 million.

It is the expectation that the coming year will continue to yield both growth in revenue and profitability.

The result leads to a return on equity of 13% (14% in 2014) and a solvency ratio of 82% (82% in 2014). The board proposes a dividend payment of DKK 317 million (DKK 157 million last year) at the upcoming Annual General Meeting in March 2016.

Cash from operating activities amount DKK 399 million compared to DKK 223 million in 2014. Net investments in fixed assets amount DKK 23 million (DKK 42 million in 2014). Cash from operating and investment activities amounts DKK 426 million (DKK 181 million in 2014). After payment of dividend in March 2015 and financial activities with parent company the change in liquidity is a increase of DKK 269 million.

Uncertainty relating to recognition and measurement

There is no significant uncertainty related to the annual report according 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 2016. Management expects this to strengthen FOSS' market position and contribute to fulfill the growth strategy for the Group in supplying high quality solutions for the increasing demand of food quality.

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

	Notes	Group 2015 MDKK	Group 2014 MDKK	Parent 2015 MDKK	Parent 2014 MDKK
Revenue	1	**2.037**	**1.741**	**-**	**-**
Change in inventories of finished goods and work in progress		9	24	-	-
Other operating income		3	2	-	-
Cost of raw materials and consumables		-609	-495	-	-
Other external expenses		-333	-293	-3	-3
Gross Profit		**1.107**	**979**	**-3**	**-3**
Staff costs	2	-691	-642	-	-
Earnings before Depreciation and Interest		**416**	**337**	**-3**	**-3**
Depreciation, amortisation and impairment losses	3	-43	-33	-	-
Operating profit		**373**	**304**	**-3**	**-3**
Income from investments in group enterprises	4	-	-	254	210
Other financial income	5	148	168	111	147
Other financial expenses	6	-82	-37	-29	-6
Profit from ordinary activities before tax		**439**	**435**	**333**	**348**
Tax on profit for the year	7	-120	-120	-16	-34
Profit before minority share		**319**	**315**	**317**	**314**
Minority interests after tax		-2	-1	-	-
Profit for the year		**317**	**314**	**317**	**314**
Proposed distribution of profit					
Dividend for the financial year				317	157
Reserve for net revaluation according to the equity method				254	210
Retained earnings				-254	-53
				317	**314**

Balance Sheet

Assets

	Notes	Group 2015 MDKK	Group 2014 MDKK	Parent 2015 MDKK	Parent 2014 MDKK
Goodwill		14	18	-	-
Software and patents		8	10	-	-
Intangible assets	8	**22**	**28**	**-**	**-**
Land and buildings		257	262	35	18
Plant and machinery		9	11	-	-
Other fixtures, fittings, tools and equipment		30	36	-	-
Leasehold improvements		4	4	-	-
Tangible assets	9	**300**	**313**	**35**	**18**
Investment in group enterprises	10	-	-	889	868
Securities		-	50	-	50
Financial assets		**-**	**50**	**889**	**918**
Fixed assets		**322**	**391**	**924**	**936**
Inventories	11	**257**	**263**	**-**	**-**
Trade receivables	12	359	348	-	-
Other short-term receivables	13	36	46	1	1
Income tax receivable		40	51	-	7
Receivables from joint taxation		-	-	61	30
Deferred tax asset	14	48	51	-	-
Prepayments		9	12	-	-
Receivables		**492**	**508**	**62**	**38**
Other investments		**1.609**	**1.479**	**1.609**	**1.479**
Cash and cash equivalents		**399**	**185**	**-**	**1**
Current assets		**2.757**	**2.435**	**1.671**	**1.518**
Assets		**3.079**	**2.826**	**2.595**	**2.454**

Balance Sheet

Liabilities

	Notes	Group 2015	Group 2014	Parent 2015	Parent 2014
		MDKK	MDKK	MDKK	MDKK
Contributed capital	15	5	5	5	5
Revaluation Reserve		-	-	39	18
Retained earnings		2.202	2.160	2.163	2.142
Proposed dividend		317	157	317	157
Equity		**2.524**	**2.322**	**2.524**	**2.322**
Minority interests	16	**5**	**5**	**-**	**-**
Provisions for deferred tax	17	1	3	-	-
Other provisions	18	37	34	-	-
Provisions		**38**	**37**	**-**	**-**
Prepayments received from customers		44	38	-	-
Trade payables		97	98	-	-
Payables to group enterprises		-	-	24	117
Payables to share holders and management		-	6	-	6
Income tax payable		75	40	39	-
Payables joint taxation		-	-	8	8
Other payables		207	187	-	1
Deferred income	19	89	93	-	-
Current liabilities other than provisions		**512**	**462**	**71**	**132**
Liabilities other than provisions		**512**	**462**	**71**	**132**
Equity and liabilities		**3.079**	**2.826**	**2.595**	**2.454**

Contingent assets and liabilities	21
Fee to auditors appointed at the general meeting	22
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Statement of Changes in Equity

Group

Changes in Equity 2015	Contributed capital	Retained earnings	Proposed dividend	Total
	MDKK	MDKK	MDKK	MDKK
Equity beginning of year	5	2.160	157	2.322
Ordinary dividend paid	-	-	-157	-157
Exchange rate adjustments	-	34	-	34
Cash flow hedge, net of tax	-	8	-	8
Profit for the year	-	-	317	317
Equity end of year	**5**	**2.202**	**317**	**2.524**

Changes in Equity 2014	Contributed capital	Retained earnings	Proposed dividend	Total
	MDKK	**MDKK**	**MDKK**	**MDKK**
Equity beginning of year	5	2.018	165	2.188
Ordinary dividend paid	-	-	-165	-165
Exchange rate adjustments	-	9	-	9
Cash flow hedge, net of tax	-	-24	-	-24
Profit for the year	-	157	157	314
Equity end of year	**5**	**2.160**	**157**	**2.322**

Statement of Changes in Equity

Parent Company

Changes in Equity 2015	Contributed capital	Revaluation reserve	Retained earnings	Proposed dividend	Total
	MDKK	MDKK	MDKK	MDKK	MDKK
Equity beginning of year	5	18	2.142	157	2.322
Ordinary dividend paid	-	-	-	-157	-157
Dividend received from subsidiaries	-	-275	275	-	-
Exchange rate adjustments	-	34	-	-	34
Cash flow hedge, net of tax	-	8	-	-	8
Profit for the year	-	254	-254	317	317
Equity end of year	**5**	**39**	**2.163**	**317**	**2.524**

Changes in Equity 2014	Contributed capital	Revaluation reserve	Retained earnings	Proposed dividend	Total
	MDKK	**MDKK**	**MDKK**	**MDKK**	**MDKK**
Equity beginning of year	5	273	1.745	165	2.188
Ordinary dividend paid	-	-	-	-165	-165
Dividend received from subsidiaries	-	-450	450	-	-
Exchange rate adjustments	-	9	-	-	9
Cash flow hedge, net of tax	-	-24	-	-	-24
Profit for the year	-	210	-53	157	314
Equity end of year	**5**	**18**	**2.142**	**157**	**2.322**

Consolidated Cash Flow Statement

	Notes	Group 2015	Group 2014
		MDKK	MDKK
Operating profit		373	304
Depreciation, amortization and impairment losses		43	33
Other adjustments	20	4	-33
Cash flows from operating activities before changes in working capital		**420**	**304**
Change in inventories		5	-40
Change in trade receivables and other receivables		10	-19
Change in trade payables and other debt		15	86
Exchange rate adjustments		-6	-3
Change in working capital		**24**	**24**
Cash flows from operating activities before financial income and expenses and tax		**444**	**328**
Financial income received		91	53
Net financial items received / paid		-64	-33
Income taxes refunded / paid		-72	-125
Cash flows from operating activities		**399**	**223**
Acqusition, sales etc of property, plant and equipment, net		-23	-42
Acqusition, sales etc of intangible assets		50	-
Cash flows from investments activities		**27**	**-42**
Cash flows from operating and investment activities		**426**	**181**
Loans raised / installments		-	-1
Dividend paid		-157	-165
Cash flows from financing activities		**-157**	**-166**
Increase / decrease in cash and cash equivalents		**269**	**15**
Cash and Cash equivalents beginning of year		1.663	1.511
Currency translation adjustments of cash and cash equivalents		36	25
Unrealized gain / loss on shares and bonds		40	112
Cash and Cash equivalents end of year		**2.008**	**1.663**

Notes to the Annual Report

		Group		Parent	
		2015	2014	2015	2014
		MDKK	MDKK	MDKK	MDKK
1	**Revenue**				
	Geographical segments				
	Denmark	38	38	-	-
	Other EU countries	770	699	-	-
	Other countries	1.229	1.004	-	-
	Total	**2.037**	**1.741**	**-**	**-**
2	**Staff costs**				
	Wages and salaries	611	548	-	-
	Pensions	19	20	-	-
	Other social security expenses	61	74	-	-
		691	**642**	**-**	**-**
	Herof salaries and wages for Executive Board and Board of Directors				
	Board of Directors	1	1	-	-
		1	**1**	**-**	**-**

Remuneration to registered members of the executive board consist of salary and bonus from parent company as well as subsidiaries. Furthermore cars have been provided for the Executive Board's free disposal.

Average number of employees	**1.401**	**1.366**	**-**	**-**

Notes to the Annual Report

	Group		Parent	
	2015	2014	2015	2014
	MDKK	MDKK	MDKK	MDKK
3 Depreciation, amortisation and impairment losses				
Goodwill	4	3	-	-
Software and patents	7	6	-	-
Land and Buildings	10	3	-	-
Plant and Machinery	4	5	-	-
Other fixtures, fittings, tools and equipment	17	15	-	-
Leasehold improvements	1	1	-	-
	43	**33**	**-**	**-**
4 Income from investments in group enterprises				
Share of earnings from subsidiaries	-	-	257	213
Goodwill amortization	-	-	-3	-3
	-	**-**	**254**	**210**
5 Other financial Income				
Interest received	5	5	3	3
Exchange rate adjustment	35	19	-	-
Dividend income and gain on shares and bonds	108	144	108	144
	148	**168**	**111**	**147**
6 Other financial expenses				
Interest paid to affiliated companies	-	-	2	2
Exchange rate adjustment	55	33	-	-
Losses on shares and bonds	27	4	27	4
	82	**37**	**29**	**6**

Notes to the Annual Report

	Group		Parent	
	2015	2014	2015	2014
	MDKK	MDKK	MDKK	MDKK
7 Tax on profit for the year				
Corporation tax for the year	115	108	16	34
Deferred tax for the year	2	-	-	-
Adjustments to previous years	2	3	-	-
Dividend tax paid abroad	1	1	-	-
Tax for the year	**120**	**112**	**16**	**34**
Specified on the following:				
Tax on profit for the year	120	120	16	34
Tax for the year concerning changes in equity	-	-8	-	-
Tax for the year	**120**	**112**	**16**	**34**

8 Intangible Assets

Group	**Goodwill**	**Software and Patents**
	MDKK	MDKK
Cost beginning of year	30	45
Additions for the year	-	4
Disposals for the year	-	-1
Cost end of year	**30**	**48**
Amortization and impairment losses beginning of year	12	34
Amortization for the year	4	7
Amortization of sold assets for the year	-	-1
Amortization and impairment losses end of year	**16**	**40**
Carrying amount end of year	**14**	**8**

Notes to the Annual Report

9 Tangible Assets

Group	**Land and buildings**	**Plant and machinery**	**Other fixtures, fittings, tools and equipment**	**Leasehold improve-ments**
	MDKK	MDKK	MDKK	MDKK
Cost beginning of year	374	47	189	10
Exchange adjustment	1	-	1	-
Additions for the year	21	3	11	1
Disposals for the year	-32	-8	-17	-
Cost end of year	**364**	**42**	**184**	**11**
Depreciation beginning of year	112	36	153	6
Exchange adjustment	-	1	1	-
Depreciation for the year	10	4	17	1
Depreciation of sold assets for the year	-15	-8	-17	-
Depreciation end of year	**107**	**33**	**154**	**7**
Carrying amount end of year	**257**	**9**	**30**	**4**

Investments in land and buildings are located in Denmark and France.

Parent	**Land and buildings**
	MDKK
Cost beginning of year	18
Additions for the year	17
Cost end of year	**35**
Depreciation end of year	**-**
Carrying amount end of year	**35**

Notes to the Annual Report

Parent

	2015	2014
	MDKK	MDKK
10 Investments in subsidiaries		
Cost beginning of year	850	850
Cost end of year	850	850
Revaluations beginning of year	18	273
Dividend received	-275	-450
Cash flow hedge, net of tax	42	-15
Profit for the year	254	210
Revaluations end of year	39	18
Carrying amount end of year	**889**	**868**

Shares in subsidiaries:	Country	Ownership	Share capital
FOSS A/S	Denmark	100%	MDKK 98.0
Ibsen Photonics A/S	Denmark	85%	TDKK 6.857

Notes to the Annual Report

	Group		Parent	
	2015	**2014**	**2015**	**2014**
	MDKK	MDKK	MDKK	MDKK
11 Inventories				
Rawmaterials and consumables	99	113	-	-
Work in progress	39	38	-	-
Manufactured goods and goods for resale	119	112	-	-
	257	**263**	**-**	**-**
12 Trade receivables				
Of the total accounts receivables the following amount falls due for payment more than 1 year after year end.	1	2	-	-
13 Other short-term receivables				
Deposits	10	12	-	-
Leasing receivables	1	1	-	-
Other receivables	25	33	1	1
	36	**46**	**1**	**1**
14 Deferred tax assets				
Fixed Assets	2	-	-	-
Inventories	26	34	-	-
Provisions	12	7	-	-
Prepayments and accruals	8	10	-	-
	48	**51**	**-**	**-**

Notes to the Annual Report

		Group		Parent	
		2015	2014	2015	2014
		MDKK	MDKK	MDKK	MDKK
15	**Contributed capital**				
	Contributed capital is composed as follows:				
	A-shares:				
	760,741 units of DKK 1				
	460 units of DKK 1,000	1	1	1	1
	B-shares:				
	2,417,254 units of DKK 1				
	1,840 units of DKK 1000	4	4	4	4
		5	**5**	**5**	**5**

On 6th November 2012 a capital increase of 3 MDKK has been carried out re. the acqusition of 60% of FOSS A/S.
The addition method has been applied and because of that the capital increase has been presented in 2011.
There has not been any other capital changes the last 5 years.

		Group 2015	Group 2014	Parent 2015	Parent 2014
16	**Minority interests**				
	Minority interests beginning of year	5	6	-	-
	Disposals for the year	-	-1	-	-
	Share of profit for the year	2	1	-	-
	Dividend paid	-2	-1	-	-
	Minority interests end of year	**5**	**5**	**-**	**-**
17	**Provisions for deferred tax**				
	Fixed assets	1	3	-	-
		1	**3**	**-**	**-**

Notes to the Annual Report

	Group		Parent	
	2015	2014	2015	2014
	MDKK	MDKK	MDKK	MDKK
18 Other provisions				
Provisions for pensions etc	18	16	-	-
Provisions for restructuring	-	4	-	-
Provisions for warranty	19	14	-	-
	37	**34**	**-**	**-**

Provision for restructuring relates to severance pay, expenses for closing of site and settlement of other obligations.

	Group 2015	Group 2014	Parent 2015	Parent 2014
19 Deferred income				
Service contracts	64	54	-	-
Recognition of loss regarding forward exchange contracts	25	39	-	-
	89	**93**	**-**	**-**
20 Other adjustments				
Change in other provisions	2	-20	-	-
Exchange adjustments	2	-8	-	-
Change in long term debt	-	-5	-	-
	4	**-33**	**-**	**-**

Notes to the Annual Report

	Group		Parent	
	2015	**2014**	**2015**	**2014**
	MDKK	MDKK	MDKK	MDKK
21 Contingent assets and liabilities				
Contingent assets				
Value of non recognized tax losses carried forward	27	26	-	-
	27	**26**	**-**	**-**
Contingent liabilities				
Leases related to offices	9	17	-	-
Other lease commitments	26	23	-	-
Securities and guarantees	8	6	-	-
	43	**46**	**-**	**-**
Guarantees etc.:				
Purchase obligations for long-term delivery do not exceed	69	70	-	-
Gross contingent liabilities in relation to liability for Lattec I/S' obligation	9	10	-	-
Security concerning credit cards issued in subsidiaries	2	3	-	-

The Company and it's Danish subsidiaries are a part of a Danish joint taxation and the Company is the administrative entity. From 1st July 2012 the company is liable for potential obligations for withholding taxes on interest, royalties and dividends and from 1st January 2013 for company taxes within the joint taxation according to the company taxation law.

Notes to the Annual Report

	Group		Parent	
	2015	**2014**	**2015**	**2014**
	MDKK	MDKK	MDKK	MDKK
21 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	459	-	-
Purchase contracts. Expires within one year	-124	-46	-	-
Net value	**461**	**413**	**-**	**-**
Sales contracts. Expires within two years	85	66	-	-
Purchase contracts. Expires within two years	-9	-1	-	-
Net value	**76**	**65**	**-**	**-**
An unrealized loss is included in deferred income	25	39	-	-
22 Fee to auditors appointed at the general meeting				
Fee for statutory audit	3	2	-	-
Tax advice	1	-	-	-
Other services	1	1	-	-
Fee	**5**	**3**	**-**	**-**

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 million 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 Group 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 Group, 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.

Consolidated financial statements

The consolidated financial statements comprise N. Foss & Co A/S (Parent) and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates. Companies in which N. Foss & Co A/S does not have determining influence but owes 50% are prorated line by line consolidated.

Basis of Consolidation

The consolidated financial statements are prepared on the basis of the financial statements of N. Foss & Co A/S and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group’s accounting policies.

Subsidiaries’ financial statement items are recognized in full in the consolidated financial statements. Minority interests’ pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries’ net assets at the takeover date, with net assets having been calculated at fair value.

Profits or losses from divestment of equity investments

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortized goodwill and estimated divestment or winding-up expenses.

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 foreign subsidiaries and 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. Goodwill is considered as belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognized directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognizing foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or write-down. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

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 Group's primary activities, including subsidies, rental income, license income, etc.

Cost of raw materials and consumables

Cost of raw materials and consumables comprise of expenses that supports the revenue of the financial year. Included is the cost of goods sold for the financial year measured at cost price and adjusted for obsolescence.

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. 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 of the relevant countries 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 Parent is jointly taxed with all of its Danish subsidiaries. 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

Goodwill and goodwill on consolidation

Goodwill is amortized straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The period of amortization is usually five years, however, it may be up to 10 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer period of amortization is considered to give a better reflection of the benefit from the relevant resources.

Goodwill is written down to the lower of recoverable amount and carrying amount.

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.

Property, plant and equipment

Land and buildings, 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:

Buildings, new	25 years
Buildings, others	20 years
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.

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 equaling nominal value less provisions for bad debts.

Prepayments

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

Other investments

Securities recognized under current assets comprise listed bonds and investments measured at fair value (quoted price) at the balance sheet date.

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

The cash flow statement of the Group is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and the end of the financial year. No separate cash flow statement has been prepared for the Parent because it is included in the consolidated cash flow statement.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with fixed asset investments as well as purchase and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise of debt raised and repayments of short and long term loans as well as payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk.

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:

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

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

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

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