ANNUAL REPORT 2020

FOSS

Approved at General Meeting
May 27, 2021

Chairman of the General Meeting
Peter Alexander Foss

N. Foss & Co. A/S

ANALYTICS BEYOND MEASURE

N. Foss & Co. A/S, Nils Foss Allé 1, DK-3400 Hillerød, Denmark
CVR-No 87974618

N. Foss & Co. GROUP
Operational Company overview

Parent Company:
N. Foss & Co. A/S, Denmark

Subsidiaries:
FOSS A/S, Denmark
- FOSS Analytical
  - FOSS Analytical A/S, Denmark
  - FOSS Analytical Co Ltd., Ltd., China
  - Soft Flow Kft., Hungary
- FOSS S.A., Argentina
- FOSS do Brasil Instrumentos Analiticos e Soluces Dedicades Ltda, Brasil
- FOSS Northern Europe
  - FOSS GmbH, Germany
  - FOSS Benelux B.V., Nederlands
  - FOSS Benelux N.V., Belgium
- Beijing FOSS Technical Services, Ltd., China
- FOSS Britain & Ireland
  - FOSS Ireland Ltd., Ireland
  - FOSS UK Ltd., United Kingdom
- FOSS Centro America S.A. de C.V., Mexico
- FOSS Electric Espanã S.A.; Spain
- FOSS France S.A.S, France
- FOSS India Private Limited, India
- FOSS Italia S.r.l., Italy
- FOSS Japan Ltd., Japan
- FOSS Korea Ltd., Republic of Korea
- FOSS Nordic A/S, Denmark
- FOSS North America, Inc., United States
- FOSS Pacific
  - FOSS Pacific Pty Ltd , Australia
  - FOSS Pacific (NZ) Ltd, New Zealand
- FOSS Peru Soluciones SAC, Peru
- FOSS Polska Sp. z o.o., Poland
- FOSS Electric LLC, Russia
- FOSS South East Asia Co., Ltd., Thailand
- FOSS VIETNAM JSC., Vietnam

NFCO 1 A/S, Denmark
- Addit Skov ApS, Denmark

Ibsen Photonics A/S, Denmark

Au2mate A/S, Denmark
- Au2mate International ApS, Denmark
  - Au2mate Process Automation Partner Sverige AB, Sweden
  - Process Automation Partner FZ-LLC, UAE
  - Au2mate Ltd., United Kingdom
  - Au2mate Norge A/S, Norway
  - Au2mate Zealand A/S, Denmark
  - Au2mate Australia Pty. Ltd.
  - Au2mate Deutschland GmbH, Germany
  - Au2mate Fyn A/S, Denmark

Branches/Representative Offices:

FOSS Austria
FOSS Canada
FOSS Portugal
FOSS Sweden

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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 2020.

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 2020 and of their financial performance as well as the consolidated cash flow for the financial year 1 January to 31 December 2020.

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

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

Hillerød, 25 March, 2021

Executive Board

Nils Christian Foss
Chief Executive Officer

Board of Directors

Peter Alexander Foss Chairman	Pernille Foss Vice Chairman
Nils Christian Foss	Peter Henrik Kürstein-Jensen

Independent auditor's report

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

Opinion

We have audited the consolidated financial statements and the parent financial statements of N. Foss & Co. A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared 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 31.12.2020, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent 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.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 exits. 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 consolidated financial statements and parent 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Copenhagen, 25 March, 2021

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kirsten Aaskov Mikkelsen
State-Authorised
Public Accountant
MNE No. 21358

Nikolaj Thomsen
State-Authorised
Public Accountant
MNE No. 33276

Management Commentary

Financial Highlights - Group

	2020	2019	2018	2017	2016
	MDKK	MDKK	MDKK	MDKK	MDKK
Key Figures					
Income Statement					
Revenue	2,412	2,380	2,342	2,275	2,159
Operating Profit	542	408	518	561	490
Net financial items	28	258	-106	113	115
Profit for the year	433	503	298	510	461
Balance sheet					
Total Assets	3,556	3,232	3,462	3,349	3,289
Equity	2,858	2,574	2,755	2,716	2,650
Cash Flow					
Cash Flow from:					
- Operating activities	516	355	506	619	451
- Investment activities	-48	-68	-223	-9	-154
hereof investments in tangible and intangible assets	-48	-68	-140	-9	-33
- financing activities	-160	-700	-255	-461	-317
Net cash flow	308	-413	28	149	-20
Number of employees, average	1,696	1,673	1,570	1,441	1,403
Ratios					
Operating profit for the year vs. Revenue	22.5%	17.1%	22.1%	24.7%	22.7%
Return on Investments	15.2%	12.6%	15.0%	16.8%	14.9%
Solvency ratio	80.4%	79.7%	79.6%	81.1%	80.6%
Return on equity	15.9%	18.9%	10.9%	19.0%	17.8%

Management Commentary

The FOSS Mission

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

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

The parent company's main activity is the ownership of the FOSS A/S group, Ibsen Photonics A/S, Au2mate A/S and management of the excess liquidity.

Subsidiaries and branches

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

The Group achieved approx. 94% 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 our values. In 2020 the Group spent 10% of its revenue on research and product development to ensure that our leading position is kept. Consequently, a number of product improvements are being developed whilst the product development constantly results in the introduction of new products to both new as well as existing customer segments.

Activities

The FOSS group 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.

Ibsen Photonics produces and sells spectrometers, which are optical instruments that measure the color content of light. As part of this, Ibsen Photonics also produce grading for directing and separating light.

Au2mate develops and supplies automation and industrial IT solutions for the process industry in Denmark and abroad. Au2mate covers the entire range from complete automation and IT projects to consultancy services and advisory assistance.

External Environment

Our Group complies with local requirements and standards and most often at a higher standard than required. We currently do not have, nor in recent times have had, court cases related to environmental matters. FOSS is ISO certified in the majority of the group companies.

Our work in Sustainability

N. Foss & Co. is the holding company for FOSS A/S (FOSS), investments and portfolio companies. For a more detailed description of the business model of FOSS please refer to the Annual Report 2020 for FOSS A/S.

N. Foss & Co. has not developed separate group CSR policies for its subsidiaries or a separate formalized CSR policy for the financial investments at this point, since this has not been considered necessary considering the extent of the investment activities.

However, as part of the regular monitoring of the financial investments within N. Foss & Co., Management and the owner family set expectations of the portfolio companies acting and being in compliance with law and international conventions.

The principal CSR risks in the Group in terms of human rights, environment and climate protection, social and employee matters and anti-corruption are mainly related to the activities in FOSS.

N. Foss & Co. follows the progress through its active ownership and board participation in FOSS. The risk evaluation and mitigation procedures are described in the FOSS CSR Report as mentioned below.

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

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

Equal opportunities and diversity

Our Sustainability policy guarantees equal rights and opportunities for all employees regardless of race, gender, religion, age, ethnicity, sex and sexual orientation. Personal privacy is respected; discrimination and verbal or psychological harassment is not tolerated. We choose the best person for all positions in our organization based on merit and what that person can bring to the role. In addition to our sustainability policy, we have also established a whistle-blowing system, which is accessible through our portal and website. It enables internal, as well as external stakeholders, to raise concerns around discrimination anonymously if they feel it is not possible to raise issues through normal channels. At the board level, our target is to have a board composition of 15% of the underrepresented gender, at present that figure is 25%.

For our statutory report on diversity and equal opportunities at the management level in FOSS please see FOSS sustainability report 2020, which can be found here:
(https://www.fossanalytics.com/en/about-foss/sustainability)

Knowledge

Development, production and marketing of high technology analytical solutions demand highly skilled employees. In order to preserve the 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. In addition focus on employer branding to attract and retain talent and experts is significantly higher compared to just a few years ago.

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 N. Foss & Co. A/S group had 1,696 employees in 2020 (1,673 in 2019).

Risk

Operating Risk

The main operating risk for the group concerns 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 reduced the usual operating risk by entering into longer-term contracts with key suppliers for delivery of components that are a part of production in the aim of securing a stable supply and a higher predictability in price development.

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

Financial risk

The financial risk is primarily related to changes in shares, currency exchange rates and interest level.

Investment of excess 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 which is also due to the controlling of debtors on group and local level.

Development in activities and financial conditions

The reported group revenue in 2020 grew 1% to DKK 2,412 million (DKK 2,380 million in 2019). The revenue is negatively impacted by currencies (approx. 3%) implying an organic growth of 4.2%.

Overall our business has been negatively impacted by the Covid-19 pandemic. Most severely during 2nd quarter followed by a strong rebound in the following quarters.

The N. Foss & Co. group's development and manufacturing activities are in Farum, Silkeborg and Hillerød (Denmark), Pécs (Hungary) and Suzhou (China).

Gross Profit for the Group has increased 10% to DKK 1,508 million (DKK 1,370 million in 2019).

Operating profit amounts to DKK 542 million (DKK 408 million in 2019). The increase in earnings is related to better gross profit and less fixed costs.

Return from shares and bonds amounts to a gain of DKK 51 million (gain of DKK 250 million in 2019) – equal to a return ratio of 3.3% (15.4% in 2019).

Ordinary profit before tax decreased 14% due to the decline of financial income and amounts DKK 570 million (DKK 666 million in 2019). The profit is in alignment with latest announced expectations.

Operating profit in the parent company was in 2020 a loss of DKK 1 million (loss of DKK 2 million in 2019).

Profit for the year after tax amounts DKK 433 million that is a decrease of DKK 70 million compared to last year.

The result leads to a return on equity of 16% (19% in 2019) and a solvency ratio of 80% (80% in 2019).

Cash from operating activities amounts to DKK 516 million compared to DKK 355 million in 2019. Net investments in fixed assets amounts to DKK 48 million (DKK 68 million in 2019). Cash from operating and investment activities amounts to DKK 468 million (DKK 287 million in 2019).

Uncertainty relating to recognition and measurement

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

Unusual circumstances

The annual report is not impacted by any unusual circumstances.

Expected development

The continued spread of COVID-19 throughout the world can potentially have an influence on the business for the company in 2021. Impact from COVID-19 beyond 2020 implications have not been factored in when setting the expectations for activity and earnings in 2021.

It is the expectation that the coming year will derive growth in both revenue and profitability compared to 2020. It is expected that the revenue growth in 2021 will be 5-7%. The operating profit is expected at the same level as in 2020. Financial items are expected to develop in accordance with trading markets given the frames described under financial risks.

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

	Notes	Group 2020	Group 2019	Parent 2020	Parent 2019
		MDKK	MDKK	MDKK	MDKK
Revenue	1	**2,412**	**2,380**	**-**	**-**
Change in inventories of finished goods and work in progress		13	31	-	-
Other operating income		6	5	-	-
Cost of raw materials and consumables		-639	-685	-	-
Other external expenses		-284	-361	-1	-2
Gross Profit		**1,508**	**1,370**	**-1**	**-2**
Staff costs	2	-898	-896	-	-
Earnings before depreciation and interest		**610**	**474**	**-1**	**-2**
Depreciation, amortisation and impairment losses	3	-68	-66	-	-
Operating profit		**542**	**408**	**-1**	**-2**
Income from investments in group enterprises after tax	4	-	-	395	316
Other financial income	5	54	287	52	259
Other financial expenses	6	-26	-29	-2	-17
Profit from ordinary activities before tax		**570**	**666**	**444**	**556**
Tax on profit for the year	7	-130	-155	-11	-53
Profit before minority share		**440**	**511**	**433**	**503**
Minority interests after tax		-7	-8	-	-
Profit for the year	8	**433**	**503**	**433**	**503**

Balance Sheet

Assets

	Notes	Group 2020	Group 2019	Parent 2020	Parent 2019
		MDKK	MDKK	MDKK	MDKK
Goodwill		30	45	-	-
Customer base		17	23	-	-
Software and patents		13	13	-	-
Intangible assets	9	**60**	**81**	**-**	**-**
Land and buildings		416	426	-	-
Plant and machinery		16	12	-	-
Other fixtures, fittings, tools and equipment		38	33	-	-
Leasehold improvements		3	2	-	-
Tangible assets	10	**473**	**473**	**-**	**-**
Investment in group enterprises	11	-	-	951	976
Financial assets		**-**	**-**	**951**	**976**
Fixed assets		**533**	**554**	**951**	**976**
Inventories	12	**315**	**298**	**-**	**-**
Trade receivables		465	466	-	-
Contract work in progress	13	20	12	-	-
Receivables from group enterprises		-	-	37	9
Other short-term receivables	14	44	39	-	-
Income tax receivable		78	72	-	-
Receivables from joint taxation		-	-	92	73
Deferred tax asset	7, 15	56	52	-	-
Prepayments	16, 24	29	14	-	-
Receivables		**692**	**655**	**129**	**82**
Other investments		**1,780**	**1,513**	**1,780**	**1,513**
Cash and cash equivalents		**236**	**212**	**-**	**-**
Current assets		**3,023**	**2,678**	**1,909**	**1,595**
Assets		**3,556**	**3,232**	**2,860**	**2,571**

Balance Sheet

Liabilities

	Notes	Group 2020 MDKK	Group 2019 MDKK	Parent 2020 MDKK	Parent 2019 MDKK
Contributed capital	17	5	5	5	5
Revaluation Reserve		-	-	-74	-49
Retained earnings		2,830	2,547	2,904	2,597
Minority interests		23	22	-	-
Equity		**2,858**	**2,574**	**2,835**	**2,553**
Provision for deferred tax	7, 18	26	24	-	-
Other provisions	19	43	41	-	-
Provisions		**69**	**65**	**-**	**-**
Non-current liabilities other than provisions	20	**13**	**8**	**-**	**-**
Other credit institutions		4	-	-	-
Prepayments received from customers		52	38	-	-
Trade payables		140	120	-	-
Income tax payable		102	88	19	10
Payables joint taxation		-	-	6	8
Other payables		214	214	-	-
Deferred income	21, 24	104	125	-	-
Current liabilities other than provisions		**616**	**585**	**25**	**18**
Liabilities other than provisions		**629**	**593**	**25**	**18**
Equity and liabilities		**3,556**	**3,232**	**2,860**	**2,571**

	Notes
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Statement of Changes in Equity

Group

Changes in Equity 2020	Contributed capital	Fair Value reserve	Retained earnings	Proposed dividend	**Total**	Minority interests	**Total**
	MDKK		MDKK	MDKK	**MDKK**	MDKK	**MDKK**
Equity beginning of year	5	-	2,547	-	**2,552**	22	**2,574**
Ordinary dividend paid	-	-	-	-	**-**	-7	**-7**
Cashflow hedges, net of tax	-	9	-	-	**9**	-	**9**
Extra ordinary dividend paid	-	-	-164	-	**-164**	-	**-164**
Exchange rate adjustments	-	-3	8	-	**5**	-	**5**
Other adjustments	-	-	-	-	**-**	1	**1**
Profit for the year	-	-	433	-	**433**	7	**440**
Equity end of year	**5**	**6**	**2,824**	**-**	**2,835**	**23**	**2,858**

Changes in Equity 2019	Contributed capital	Fair Value reserve	Retained earnings	Proposed dividend	**Total**	Minority interests	**Total**
	MDKK		**MDKK**	**MDKK**	**MDKK**	**MDKK**	**MDKK**
Equity beginning of year	5	-	2,735	-	**2,740**	15	**2,755**
Ordinary dividend paid	-	-	-	-	**-**	-1	**-1**
Extra ordinary dividend paid	-	-	-700	-	**-700**	-	**-700**
Exchange rate adjustments	-	-	4	-	**4**	-	**4**
Cashflow hedges, net of tax	-	-	5	-	**5**	-	**5**
Profit for the year	-	-	503	-	**503**	8	**511**
Equity end of year	**5**	**-**	**2,547**	**-**	**2,552**	**22**	**2,574**

Statement of Changes in Equity

Parent Company

Changes in Equity 2020	Contributed capital	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend	**Total**
	MDKK	MDKK	MDKK	MDKK	**MDKK**
Equity beginning of year	5	-49	2,597	-	**2,553**
Extra ordinary dividend paid	-	-	-164	-	**-164**
Dividend received from subsidiaries	-	-433	433	-	**-**
Exchange rate adjustments	-	7	-	-	**7**
Cashflow hedges, net of tax	-	6	-	-	**6**
Profit for the year	-	395	38	-	**433**
Equity end of year	**5**	**-74**	**2,904**	**-**	**2,835**

Changes in Equity 2019	Contributed capital	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend	**Total**
	MDKK	**MDKK**	**MDKK**	**MDKK**	**MDKK**
Equity beginning of year	5	53	2,682	-	**2,740**
Extra ordinary dividend paid	-	-	-700	-	**-700**
Dividend received from subsidiaries	-	-428	428	-	**-**
Exchange rate adjustments	-	5	-	-	**5**
Cashflow hedges, net of tax	-	5	-	-	**5**
Profit for the year	-	316	187	-	**503**
Equity end of year	**5**	**-49**	**2,597**	**-**	**2,553**

Consolidated Cash Flow Statement

	Notes	Group 2020	Group 2019
		MDKK	MDKK
Operating profit		542	408
Depreciation, amortization and impairment losses		68	66
Other adjustments	22	10	6
Cash flows from operating activities before changes in working capital		**620**	**480**
Change in inventories		-17	-44
Change in trade receivables and other receivables		16	16
Change in trade payables and other debt		13	-42
Exchange rate adjustments		22	-2
Change in working capital		**34**	**-72**
Cash flows from operating activities before financial income and expenses and tax		**654**	**408**
Net financial items received / paid		-12	101
Income taxes refunded / paid		-126	-154
Cash flows from operating activities		**516**	**355**
Acqusition, sales of intangible and tangible assets, net		-48	-68
Cash flows from investments activities		**-48**	**-68**
Cash flows from operating and investment activities		**468**	**287**
Loans raised / installments		4	-
Dividend paid		-164	-700
Cash flows from financing activities		**-160**	**-700**
Increase / decrease in cash and cash equivalents		**308**	**-413**
Cash and Cash equivalents beginning of year		1,724	1,984
Currency translation adjustments of cash and cash equivalents		-56	-3
Unrealized gain / loss on shares and bonds		40	157
Cash and Cash equivalents end of year		**2,016**	**1,725**

Notes to the Annual Report

	Group		Parent	
	2020	2019	2020	2019
	MDKK	MDKK	MDKK	MDKK
1 Revenue				
Geographical markets				
EU countries	1,003	992	-	-
Other countries	1,409	1,388	-	-
Total	**2,412**	**2,380**	**-**	**-**

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

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

2 Staff costs

	Group 2020	Group 2019	Parent 2020	Parent 2019
Wages and salaries	795	790	-	-
Pensions	31	30	-	-
Other social security expenses	72	76	-	-
	898	**896**	**-**	**-**
Herof salaries and wages for Executive Board and Board of Directors				
Board of Directors	2	2	-	-
	2	**2**	**-**	**-**

Remuneration to the Board of Directors consist of salary from parent company as well as subsidiaries. Furthermore car has been provided for the Chairman of the Board.
No remuneration has been paid to the President for 2020 nor 2019.

	Group 2020	Group 2019	Parent 2020	Parent 2019
Average number of employees	**1,696**	**1,673**	**-**	**-**

Notes to the Annual Report

	Group		Parent	
	2020	**2019**	**2020**	**2019**
	MDKK	MDKK	MDKK	MDKK
3 Depreciation, amortization and impairment losses				
Goodwill	15	16	-	-
Customer base	6	6	-	-
Software and patents	6	5	-	-
Land and Buildings	18	16	-	-
Plant and Machinery	5	5	-	-
Other fixtures, fittings, tools and equipment	17	17	-	-
Leasehold improvements	1	1	-	-
	68	**66**	**-**	**-**
Transferred to raw materials and consumables	-	-	-	-
	68	**66**	**-**	**-**
4 Income from investments in group enterprises after tax				
Share of earnings from subsidiaries	-	-	416	338
Goodwill amortization	-	-	-21	-22
	-	**-**	**395**	**316**
5 Other financial Income				
Interest received	3	5	2	2
Exchange rate adjustment	-	25	-	-
Dividend income and gain on shares and bonds	51	257	50	257
	54	**287**	**52**	**259**
6 Other financial expenses				
Interest paid	1	1	-	1
Exchange rate adjustment	23	19	-	7
Losses on shares and bonds	2	9	2	9
	26	**29**	**2**	**17**

Notes to the Annual Report

	Group		Parent	
	2020	2019	2020	2019
	MDKK	MDKK	MDKK	MDKK
7 Tax on profit for the year				
Corporation tax for the year	134	162	11	53
Deferred tax for the year	-5	-3	-	-
Adjustments to previous years	1	-4	-	-
Tax for the year	**130**	**155**	**11**	**53**
Specified on the following:				
Tax on profit for the year	130	155	11	53
Tax for the year	**130**	**155**	**11**	**53**
Deferred tax assets				
Deferred tax beginning of the year	52	46	-	-
Adjustments in Profit & Loss	5	6	-	-
Adjustments in Equity	1	-	-	-
Currency adjustments	-2	-	-	-
Deferred tax end of year	**56**	**52**	**-**	**-**
Provisions for deferred tax				
Provisions for deferred tax beginning of the year	24	18	-	-
Adjustments in Profit & Loss	-	4	-	-
Adjustments in Equity	2	2	-	-
Provisions for deferred tax end of year	**26**	**24**	**-**	**-**
8 Proposed distribution of profit				
Reserve for net revaluation according to the equity method			395	316
Retained earnings			38	187
			433	**503**

Notes to the Annual Report

9 Intangible Assets

Group	**Goodwill**	**Customer base**	**Software and Patents**
	MDKK	MDKK	MDKK
Cost beginning of year	97	30	78
Additions for the year	-	-	6
Cost end of year	**97**	**30**	**84**
Amortization and impairment losses beginning of year	52	7	65
Amortization for the year	15	6	6
Amortization and impairment losses end of year	**67**	**13**	**71**
Carrying amount end of year	**30**	**17**	**13**

10 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	566	51	184	11
Exchange adjustment	-1	-	-4	-1
Additions for the year	11	9	23	3
Disposals for the year	-3	-	-8	-
Cost end of year	**573**	**60**	**195**	**13**
Depreciation and write down beginning of year	140	39	151	9
Exchange adjustment	-1	-	-3	-
Depreciation for the year	18	5	17	1
Depreciation of sold assets for the year	-	-	-8	-
Depreciation end of year	**157**	**44**	**157**	**10**
Carrying amount end of year	**416**	**16**	**38**	**3**

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

Notes to the Annual Report

	Parent	
	2020	**2019**
	MDKK	MDKK
11 Investments in group enterprises		
Cost beginning of year	1,025	1,024
Additions for the year	-	1
Cost end of year	1,025	1,025
Revaluations beginning of year	-49	52
Dividend received	-433	-428
Amortization on goodwill	-21	-22
Cash flow hedge, net of tax	12	11
Profit for the year	417	338
Revaluations end of year	-74	-49
Carrying amount end of year	**951**	**976**
Goodwill and Customer base included in the above amounts to	47	68

Shares in subsidiaries:	Country	Ownership	Share capital
FOSS A/S	Denmark	100%	MDKK 98.0
Ibsen Photonics A/S	Denmark	87%	TDKK 6.857
Au2mate A/S	Denmark	51%	TDKK 3.000
NFCO 1 A/S	Denmark	100%	TDKK 1.200

Notes to the Annual Report

	Group		Parent	
	2020	2019	2020	2019
	MDKK	MDKK	MDKK	MDKK
12 Inventories				
Rawmaterials and consumables	112	108	-	-
Work in progress	63	55	-	-
Manufactured goods and goods for resale	140	135	-	-
	315	**298**	**-**	**-**
13 Contract work in progress				
Selling price of work in progress	127	109	-	-
Payments received on account	-119	-101	-	-
	8	**8**	**-**	**-**
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	20	12	-	-
Prepayments received recognised in debt	-13	-4	-	-
	7	**8**	**-**	**-**
14 Other short-term receivables				
Deposits	15	11	-	-
Leasing receivables	2	2	-	-
Other receivables	27	26	-	-
	44	**39**	**-**	**-**

Notes to the Annual Report

	Group		Parent	
	2020	**2019**	**2020**	**2019**
	MDKK	MDKK	MDKK	MDKK
15 Deferred tax assets				
Fixed Assets	1	1	-	-
Inventories	35	31	-	-
Receivables	1	1	-	-
Provisions	7	8	-	-
Prepayments and accruals	12	11	-	-
	56	**52**	**-**	**-**
16 Prepayments				
Recognition of gain regarding forward exchange contracts	12	-	-	-
Other prepayments	17	14	-	-
	29	**14**	**-**	**-**
17 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**

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

Notes to the Annual Report

	Group		Parent	
	2020	**2019**	**2020**	**2019**
	MDKK	MDKK	MDKK	MDKK
18 Provisions for deferred tax				
Fixed assets	23	22	-	-
Inventories	5	5	-	-
Provisions	-1	-1	-	-
Deferred tax related to cash flow hedge	-1	-2	-	-
	26	**24**	**-**	**-**
19 Other provisions				
Provisions for pensions etc	23	22	-	-
Provisions for warranty	20	19	-	-
	43	**41**	**-**	**-**

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

	Group 2020	Group 2019	Parent 2020	Parent 2019
20 Non-current liabilities other than provisions				
All long term debt falls due between 1 and 5 years	13	8	-	-
21 Deferred income				
Service contracts	104	102	-	-
Recognition of loss regarding forward exchange contracts	-	23	-	-
	104	**125**	**-**	**-**
22 Other adjustments				
Change in other provisions	2	1		
Exchange adjustments	3	1		
Change in long term debt	5	4		
	10	**6**		

Notes to the Annual Report

	Group		Parent	
	2020	2019	2020	2019
	MDKK	MDKK	MDKK	MDKK
23 Contingent assets and liabilities				
Contingent assets				
Value of non recognized tax losses carried forward	7	8	-	-
Value of non recognized tax losses carried forward on loss on properties	7	8	-	-
	14	**16**	**-**	**-**
Contingent liabilities				
Leases related to offices	11	23	-	-
Other lease commitments	32	40	-	-
Securities and guarantees	8	7	-	-
	51	**70**	**-**	**-**
Guarantees etc.:				
Purchase obligations for long-term delivery from suppliers do not exceed	95	134	-	-
Security concerning credit cards issued in subsidiaries	2	2	-	-

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	
	2020	2019	2020	2019
	MDKK	MDKK	MDKK	MDKK
24 Fair value of derivative financial instruments at the balance sheet date:				
Fair value beginning of year	-23	-34	-	-
Realized gain/loss recognised in Profit & Loss	38	20	-	-
Fair value adjustments recognized directly in the fair value	-3	-9	-	-
Fair value end of year	**12**	**-23**	**-**	**-**

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

	Receivables	Payables	Hedging transaction	Net position
	MDKK	MDKK	MDKK	MDKK
USD, 0-12 months	154	-13	-88	53
AUD, 0-12 months	1	-	-2	-1
JPY, 0-12 months	4	-	-7	-3
GBP, 0-12 months	8	-1	-9	-2
CNH, 0-12 months	2	-18	33	17
RUB, 0-12 months	1	-	-10	-9
	170	**-32**	**-83**	**55**

	Group 2020	Group 2019	Parent 2020	Parent 2019
25 Fee to auditors appointed at the general meeting				
Fee for statutory audit	3	3	-	-
Tax advice	1	1	-	-
Other services	1	1	-	-
Fee	**5**	**5**	**-**	**-**

Notes to the Annual Report

26 Related parties

The members of the Executive Board and Board of Directors are considered related parties following their positions in the Company.

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

27 Ownership

Below stated shareholders hold more than 5% of the voting rights and/or of the contributed capital.

Dorte Grete Foss, Rudersdal, Denmark
Nils Christian Foss, Gentofte, Denmark
Pernille Foss, Fredensborg, Denmark
Peter Alexander Foss, Gentofte, Denmark
Clara Frederikke Foss, Copenhagen, Denmark

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 DKK million.

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 owns 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.

Revenue is recognized concurrently with the completion of the service, which the contract relates to by using the percentage of completion method, whereby the revenue corresponds to the selling price of the service performed during the year. The method is used when the total income and expenses of the service and the stage of completion can measure reliably and it is probable that the economic benefits relating to the sale will flow to the company. As stage of completion is applied hours spent in relation to the expected total hours spent on the service.

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 within 3-5 years, 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.

Customer base

On initial recognition, customer base identified from business combinations are recognized in the balance sheet at fair value. Subsequently, customer base are measured at fair value less accumulated amortization and impairment losses. Customer base are amortized over a period of 5 years using the diminishing balance method.

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	20-50 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 or 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.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognized as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realizable value.

Expenses relating to sales work and the winning of contracts are recognized in the income statement as incurred.

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" issued by the Danish Society of Financial Analysts.

The financial ratios have been calculated as follows:

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

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

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

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