BILAG 2

FOSS

Approved at General Meeting
May 27, 2020

Chairman of the General Meeting
Peter Alexander Foss

ANNUAL REPORT 2019

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

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 2019.

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 2019 and of their financial performance as well as the consolidated cash flow for the financial year 1 January to 31 December 2019.

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 26, 2020

Executive Board

Nils Christian Foss
President

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 01.01.2019 - 31.12.2019, 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 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 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, March 26, 2020

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

	2019	2018	2017	2016	2015
	MDKK	MDKK	MDKK	MDKK	MDKK
Key Figures					
Income Statement					
Revenue	2,380	2,342	2,275	2,159	2,037
Operating Profit	408	518	561	490	373
Net financial items	258	-106	113	115	66
Profit for the year	503	298	510	461	317
Balance sheet					
Total Assets	3,232	3,462	3,349	3,289	3,079
Equity	2,574	2,755	2,716	2,650	2,530
Cash Flow					
Cash Flow from:					
- Operating activities	355	506	619	451	399
- Investment activities	-68	-223	-9	-154	27
hereof investments in tangible and intangible assets	-68	-140	-9	-33	-23
- financing activities	-700	-255	-461	-317	-157
Net cash flow	-413	28	149	-20	269
Number of employees, average	1,673	1,570	1,441	1,403	1,401
Ratios					
Operating profit for the year vs. Revenue	17.1%	22.1%	24.7%	22.7%	18.3%
Return on Investments	12.6%	15.0%	16.8%	14.9%	12.1%
Solvency ratio	79.7%	79.6%	81.1%	80.6%	82.2%
Return on equity	18.9%	10.9%	19.0%	17.8%	13.0%

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

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. 95% 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 2019 the Group spent 11% of its revenue on product development to ensure that our leading position is kept. Consequently, a number of product improvements are constantly 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.

Corporate Social Responsibility

At FOSS, sustainability is core to our business. Our technology enables companies to better manage and action data throughout the production process, reducing wastage and producing larger yields. We also believe in acting ethically and responsibly in our dealings with customers, suppliers, employees, the community and other stakeholders. FOSS supports the UN Global Compact - the world's largest corporate sustainability initiative. As an active member, we are committed to aligning our strategies with the Compact's ten principles on human rights, labour, the environment and anti-corruption.

We also support the UN Sustainable Development goals, the most relevant for our business are:

- SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- SDG 3: Ensure healthy lives and promote well-being for all at all ages
- SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- SDG 12: Ensure sustainable consumption and production patterns

FOSS is also a member of the SEDEX/SMETA Ethical Trade Audit criteria, the world's largest collaborative platform for sharing responsible sourcing data on supply chains. Every 2-3 years our facilities are subjected to 3rd party best practice audits against criteria in the areas of health & safety, labour standards, the environment and business ethics. We use the results to drive continuous improvements and communicate our sustainability performance to key customers.

Each year we produce an annual Sustainability Report to communicate progress.
(https://www.fossanalytics.com/en/about-foss/sustainability).

Diversity and inclusiveness

Diversity provides a number of benefits to our company. It provides different ways of thinking, enhances creativity and gives an understanding of local markets. As a company, our position is that people should be judged only on their merits and abilities. We have developed a sustainability policy, which guarantees equal opportunities in regards to recruitment, advancement, job training and salary. All employees will have the same opportunities regardless of gender, age, race, ethnicity, sex, religion, sexual orientation, etc. Personal privacy will be respected; discrimination and verbal or psychological harassment will not be tolerated. We communicate our policy on equal opportunities internally, as well as externally through our website and in recruitment.

Our Sustainability report provides additional information on how we ensure that we have a diverse and inclusive workplace.

Our position extends to the board of directors as well. We select the best candidate based on the experience, capabilities and knowledge they bring to the position regardless of race, gender, age, ethnicity, sexual orientation, etc. Our target is to have a board composition of 15% of the underrepresented gender, 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. 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 1,673 employees in 2019 (1,570 in 2018).

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. 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 2019 grew 2% to DKK 2,380 million (DKK 2,342 million in 2018). The revenue is positively impacted by currencies (approx. 0.5%) and full year impact of consolidating Au2mate A/S that was acquired in November 2018 (approx. 4%).

Overall the underlying business within the area of dedicated analytical solutions to food and agriculture has performed better than the estimated growth rates in the market.

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 decreased 2% to DKK 1,370 million (DKK 1,401 million in 2018).

Operating profit amounts to DKK 408 million (DKK 518 million in 2018). The lower-than-expected operating profit is mainly due to the development in FOSS A/S as its markets have been strongly influenced by extreme weather, swine fever, trade sanctions and political uncertainty. At the same time all group companies have continued strengthening innovation and activities towards their customers.

Return from shares and bonds amounts to a gain of DKK 250 million (loss of DKK 74 million in 2018) – equal to a return ratio of 15.4% (-4.3% in 2018).

Financial items are positively impacted due to currency adjustments of balance sheet items (accounts receivables and payables) by end-of-year.

Ordinary profit before tax increased 62% and amounts DKK 666 million (DKK 412 million in 2018). The profit is in alignment with latest announced expectations, however with lower operating profit and much higher financial income.

Operating profit in the parent company was in 2019 a loss of DKK 2 million (loss of DKK 26 million in 2018).

Profit for the year after tax amounts DKK 503 million that is an increase from DKK 298 million compared to last year.

The result leads to a return on equity of 19% (11% in 2018) and a solvency ratio of 80% (80% in 2018).

Cash from operating activities amounts to DKK 355 million compared to DKK 506 million in 2018. Net investments in fixed assets amounts to DKK 68 million (DKK 223 million in 2018). Cash from operating and investment activities amounts to DKK 287 million (DKK 283 million in 2018).

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

It is the expectation that the coming year will continue to yield both growth in revenue and profitability. For 2020 consolidated sales will increase by 5-9% resulting in increased operating profit in the range of 15-25%. Financial items are expected to develop in accordance with trading markets given the frames described under financial risks.

Subsequent events

The spread of COVID-19 throughout the world can potentially have an influence on the business for the Group in 2020. Year to date, the spread of COVID-19 has not impacted the Group significantly, however at this time it is not possible to predict the influence in the coming months. Since the potential impact rest of the year is unknown at this time, this has not been included when setting the expectations for FOSS Group activity and earnings in 2020. For the Parent, the spread of COVID-19 has already affected the holding of securities in line with the negative development in the financial markets. The development in the financial markets rest of the year is highly uncertain, however financial items are expected to develop in accordance with trading markets given the frames described under financial risks.

Income Statement

	Notes	Group 2019	Group 2018	Parent 2019	Parent 2018
		MDKK	MDKK	MDKK	MDKK
Revenue	1	**2,380**	**2,342**	**-**	**-**
Change in inventories of finished goods and work in progress		31	-14	-	-
Other operating income		5	5	-	-
Cost of raw materials and consumables		-685	-586	-	-
Other external expenses		-361	-346	-2	-3
Gross Profit		**1,370**	**1,401**	**-2**	**-3**
Staff costs	2	-896	-815	-	-
Earnings before depreciation and interest		**474**	**586**	**-2**	**-3**
Depreciation, amortisation and impairment losses	3	-66	-68	-	-23
Operating profit		**408**	**518**	**-2**	**-26**
Income from investments in group enterprises after tax	4	-	-	316	381
Other financial income	5	287	19	259	13
Other financial expenses	6	-29	-125	-17	-87
Profit from ordinary activities before tax		**666**	**412**	**556**	**282**
Tax on profit for the year	7	-155	-113	-53	17
Profit before minority share		**511**	**299**	**503**	**298**
Minority interests after tax		-8	-1	-	-
Profit for the year	8	**503**	**298**	**503**	**298**

Balance Sheet

Assets

	Notes	Group 2019 MDKK	Group 2018 MDKK	Parent 2019 MDKK	Parent 2018 MDKK
Goodwill		45	60	-	-
Customer base		23	29	-	-
Software and patents		13	7	-	-
Intangible assets	9	**81**	**96**	**-**	**-**
Land and buildings		426	284	-	12
Plant and machinery		12	11	-	-
Other fixtures, fittings, tools and equipment		33	28	-	-
Leasehold improvements		2	3	-	-
Buildings under construction		-	130	-	-
Tangible assets	10	**473**	**456**	**-**	**12**
Investment in group enterprises	11	-	-	976	1,076
Financial assets		**-**	**-**	**976**	**1,076**
Fixed assets		**554**	**552**	**976**	**1,088**
Inventories	12	**298**	**254**	**-**	**-**
Trade receivables	13	466	461	-	-
Contract work in progress	14	12	9	-	-
Receivables from group enterprises		-	-	9	-
Other short-term receivables	15	39	49	-	2
Income tax receivable		72	92	-	-
Receivables from joint taxation		-	-	73	95
Deferred tax asset	7, 16	52	46	-	-
Prepayments	17	14	15	-	-
Receivables		**655**	**672**	**82**	**97**
Other investments		**1,513**	**1,629**	**1,513**	**1,629**
Cash and cash equivalents		**212**	**355**	**-**	**-**
Current assets		**2,678**	**2,910**	**1,595**	**1,726**
Assets		**3,232**	**3,462**	**2,571**	**2,814**

Balance Sheet

Liabilities

	Notes	Group 2019	Group 2018	Parent 2019	Parent 2018
		MDKK	MDKK	MDKK	MDKK
Contributed capital	18	5	5	5	5
Revaluation Reserve		-	-	-49	53
Retained earnings		2,547	2,735	2,597	2,682
Minority interests		22	15	-	-
Equity		**2,574**	**2,755**	**2,553**	**2,740**
Provision for deferred tax	7, 19	24	18	-	-
Other provisions	20	41	40	-	-
Provisions		**65**	**58**	**-**	**-**
Non-current liabilities other than provisions	21	**8**	**4**	**-**	**-**
Prepayments received from customers		38	28	-	-
Trade payables		120	165	-	-
Payables to group enterprises		-	-	-	47
Income tax payable		88	106	10	19
Payables joint taxation		-	-	8	7
Other payables		214	225	-	1
Deferred income	22	125	121	-	-
Current liabilities other than provisions		**585**	**645**	**18**	**74**
Liabilities other than provisions		**593**	**649**	**18**	**74**
Equity and liabilities		**3,232**	**3,462**	**2,571**	**2,814**

Other adjustments	23
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Statement of Changes in Equity

Group

Changes in Equity 2019	Contributed capital	Retained earnings	**Total**	Minority interests	**Total**
	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**
Cash flow hedge, 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**

Changes in Equity 2018	Contributed capital	Retained earnings	**Total**	Minority interests	**Total**
	MDKK	**MDKK**	**MDKK**	**MDKK**	**MDKK**
Equity beginning of year	5	2,708	**2,713**	3	**2,716**
Ordinary dividend paid	-	-	**-**	-1	**-1**
Extra ordinary dividend paid	-	-255	**-255**	-	**-255**
Exchange rate adjustments	-	7	**7**	-	**7**
Cash flow hedge, net of tax	-	-23	**-23**	-	**-23**
Other adjustments	-	-	**-**	12	**12**
Profit for the year	-	298	**298**	1	**299**
Equity end of year	**5**	**2,735**	**2,740**	**15**	**2,755**

Statement of Changes in Equity

Parent Company

Changes in Equity 2019	Contributed capital	Reserve for net revaluation according to the equity method	Retained earnings	**Total**
	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**
Cash flow hedge, net of tax	-	5	-	**5**
Profit for the year	-	316	187	**503**
Equity end of year	**5**	**-49**	**2,597**	**2,553**

Changes in Equity 2018	Contributed capital	Reserve for net revaluation according to the equity method	Retained earnings	**Total**
	MDKK	**MDKK**	**MDKK**	**MDKK**
Equity beginning of year	5	130	2,578	**2,713**
Extra ordinary dividend paid	-	-	-255	**-255**
Dividend received from subsidiaries	-	-442	442	-
Exchange rate adjustments	-	7	-	**7**
Cash flow hedge, net of tax	-	-23	-	**-23**
Profit for the year	-	381	-83	**298**
Equity end of year	**5**	**53**	**2,682**	**2,740**

Consolidated Cash Flow Statement

	Notes	Group 2019	Group 2018
		MDKK	MDKK
Operating profit		408	518
Depreciation, amortization and impairment losses		66	68
Other adjustments	23	6	-9
Cash flows from operating activities before changes in working capital		**480**	**577**
Change in inventories		-44	9
Change in trade receivables and other receivables		16	-42
Change in trade payables and other debt		-42	64
Exchange rate adjustments		-2	5
Change in working capital		**-72**	**36**
Cash flows from operating activities before financial income and expenses and tax		**408**	**613**
Net financial items received / paid		101	-1
Income taxes refunded / paid		-154	-106
Cash flows from operating activities		**355**	**506**
Acqusition, sales of intangible and tangible assets, net		-68	-140
Acquisition of companies		-	-83
Cash flows from investments activities		**-68**	**-223**
Cash flows from operating and investment activities		**287**	**283**
Dividend paid		-700	-255
Cash flows from financing activities		**-700**	**-255**
Increase / decrease in cash and cash equivalents		**-413**	**28**
Cash and Cash equivalents beginning of year		1,984	2,023
Currency translation adjustments of cash and cash equivalents		-3	38
Unrealized gain / loss on shares and bonds		157	-105
Cash and Cash equivalents end of year		**1,725**	**1,984**

Notes to the Annual Report

	Group		Parent	
	2019	**2018**	**2019**	**2018**
	MDKK	MDKK	MDKK	MDKK
1 Revenue				
Geographical markets				
EU countries	992	940	-	-
Other countries	1,388	1,402	-	-
Total	**2,380**	**2,342**	**-**	**-**

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				
Wages and salaries	790	719	-	-
Pensions	30	23	-	-
Other social security expenses	76	73	-	-
	896	**815**	**-**	**-**
Herof salaries and wages for Executive Board and Board of Directors				
Board of Directors	1	1	-	-
	1	**1**	**-**	**-**

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 2019 nor 2018.

Average number of employees	**1,673**	**1,570**	**-**	**-**

Notes to the Annual Report

		Group		Parent	
		2019	**2018**	**2019**	**2018**
		MDKK	MDKK	MDKK	MDKK
3	**Depreciation, amortization and impairment losses**				
	Goodwill	16	7	-	-
	Customer base	6	1	-	-
	Software and patents	5	8	-	-
	Land and Buildings	16	34	-	23
	Plant and Machinery	5	5	-	-
	Other fixtures, fittings, tools and equipment	17	12	-	-
	Leasehold improvements	1	1	-	-
		66	**68**	**-**	**23**
4	**Income from investments in group enterprises after tax**				
	Share of earnings from subsidiaries	-	-	338	389
	Goodwill amortization	-	-	-22	-8
		-	**-**	**316**	**381**
5	**Other financial Income**				
	Interest received	5	4	2	2
	Exchange rate adjustment	25	4	-	-
	Dividend income and gain on shares and bonds	257	11	257	11
		287	**19**	**259**	**13**
6	**Other financial expenses**				
	Interest paid	1	-	1	-
	Interest paid to affiliated companies	-	-	-	2
	Exchange rate adjustment	19	40	7	-
	Losses on shares and bonds	9	85	9	85
		29	**125**	**17**	**87**

Notes to the Annual Report

		Group		Parent	
		2019	**2018**	**2019**	**2018**
		MDKK	MDKK	MDKK	MDKK
7	**Tax on profit for the year**				
	Corporation tax for the year	162	112	53	-17
	Deferred tax for the year	-3	-	-	-
	Adjustments to previous years	-4	1	-	-
	Tax for the year	**155**	**113**	**53**	**-17**
	Deferred tax assets				
	Deferred tax beginning of the year	46	44	-	-
	Adjustments in Profit & Loss	6	-4	-	-
	Adjustments in Equity	-	6	-	-
	Deferred tax end of year	**52**	**46**	**-**	**-**
	Provisions for deferred tax				
	Provisions for deferred tax beginning of the year	18	10	-	-
	Adjustments in Profit & Loss	4	2	-	-
	Adjustments in Equity	2	6	-	-
	Provisions for deferred tax end of year	**24**	**18**	**-**	**-**
8	**Proposed distribution of profit**				
	Reserve for net revaluation according to the equity method			316	381
	Retained earnings			187	-83
				503	**298**
	Dividend distributed after the balance sheet date				
	Extra ordinary dividend			-	200

Notes to the Annual Report

9 Intangible Assets

Group	**Goodwill**	**Customer base**	**Software and Patents**
	MDKK	MDKK	MDKK
Cost beginning of year	96	30	68
Additions for the year	1	-	10
Cost end of year	**97**	**30**	**78**
Amortization and impairment losses beginning of year	36	1	61
Exchange adjustment	-	-	-1
Amortization for the year	16	6	5
Amortization and impairment losses end of year	**52**	**7**	**65**
Carrying amount end of year	**45**	**23**	**13**

10 Tangible Assets

Group	**Land and buildings**	**Plant and machinery**	**Other fixtures, fittings, tools and equipment**	**Leasehold improve-ments**	**Buildings under construction**
	MDKK	MDKK	MDKK	MDKK	MDKK
Cost beginning of year	431	47	176	11	130
Additions for the year	41	6	26	-	-
Disposals for the year	-36	-2	-18	-	-
Transfers	130	-	-	-	-130
Cost end of year	**566**	**51**	**184**	**11**	**-**
Depreciation and write down beginning of year	147	36	148	8	-
Exchange adjustment	-	-	1	-	-
Depreciation for the year	16	5	17	1	-
Depreciation of sold assets for the year	-23	-2	-15	-	-
Depreciation end of year	**140**	**39**	**151**	**9**	**-**
Carrying amount end of year	**426**	**12**	**33**	**2**	**-**

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

Notes to the Annual Report

Parent	Land and buildings
	MDKK
Cost beginning of year	35
Disposals for the year	-35
Cost end of year	-
Depreciation beginning of year	23
Depreciation of sold assets for the year	-23
Depreciation end of year	-
Carrying amount end of year	-

Investments in land and buildings were located in Denmark.

	Parent 2019	Parent 2018
	MDKK	MDKK
11 Investments in group enterprises		
Cost beginning of year	1,024	943
Additions for the year	1	81
Cost end of year	1,025	1,024
Revaluations beginning of year	52	130
Dividend received	-428	-442
Amortization on goodwill	-22	-8
Cash flow hedge, net of tax	11	-17
Profit for the year	338	389
Revaluations end of year	-49	52
Carrying amount end of year	**976**	**1,076**
Goodwill and Customer base included in the above amounts to	68	89

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	
	2019	2018	2019	2018
	MDKK	MDKK	MDKK	MDKK
12 Inventories				
Rawmaterials and consumables	108	95	-	-
Work in progress	55	43	-	-
Manufactured goods and goods for resale	135	116	-	-
	298	**254**	**-**	**-**
13 Trade receivables				
Of the total accounts receivables the following amount falls due for payment more than 1 year after year end.	-	1	-	-
14 Contract work in progress				
Selling price of work in progress	109	77	-	-
Payments received on account	-101	-69	-	-
	8	**8**	**-**	**-**
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	12	9	-	-
Prepayments received recognised in debt	-4	-1	-	-
	8	**8**	**-**	**-**
15 Other short-term receivables				
Deposits	11	13	-	-
Leasing receivables	2	2	-	-
Other receivables	26	34	-	2
	39	**49**	**-**	**2**

Notes to the Annual Report

	Group		Parent	
	2019	**2018**	**2019**	**2018**
	MDKK	MDKK	MDKK	MDKK
16 Deferred tax assets				
Fixed Assets	1	2	-	-
Inventories	31	22	-	-
Receivables	1	-	-	-
Provisions	8	11	-	-
Prepayments and accruals	11	11	-	-
	52	**46**	**-**	**-**
17 Prepayments				
Other prepayments	14	15	-	-
	14	**15**	**-**	**-**
18 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	
	2019	2018	2019	2018
	MDKK	MDKK	MDKK	MDKK
19 Provisions for deferred tax				
Fixed assets	22	18	-	-
Inventories	5	-	-	-
Provisions	-1	-	-	-
Deferred tax related to cash flow hedge	-2	-	-	-
	24	**18**	**-**	**-**
20 Other provisions				
Provisions for pensions etc	22	20	-	-
Provisions for warranty	19	20	-	-
	41	**40**	**-**	**-**
21 Non-current liabilities other than provisions				
All long term debt falls due between 1 and 5 years	8	4	-	-
22 Deferred income				
Service contracts	102	87	-	-
Recognition of loss regarding forward exchange contracts	23	34	-	-
	125	**121**	**-**	**-**
23 Other adjustments				
Change in other provisions	1	-1		
Exchange adjustments	1	-		
Change in long term debt	4	-8		
	6	**-9**		

Notes to the Annual Report

	Group		Parent	
	2019	**2018**	**2019**	**2018**
	MDKK	MDKK	MDKK	MDKK
24 Contingent assets and liabilities				
Contingent assets				
Value of non recognized tax losses carried forward	8	15	-	-
Value of non recognized tax losses carried forward on loss on properties	8	8	-	-
	16	**23**	**-**	**-**
Contingent liabilities				
Leases related to offices	23	24	-	-
Other lease commitments	40	42	-	-
Securities and guarantees	7	7	-	-
	70	**73**	**-**	**-**
Guarantees etc.:				
Purchase obligations for long-term delivery from suppliers do not exceed	134	156	-	-
Security concerning credit cards issued in subsidiaries	2	2	0	-

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	
	2019	**2018**	**2019**	**2018**
	MDKK	MDKK	MDKK	MDKK
24 Contingent assets and liabilities, continued				
Forward exchange coverage:				
The Group has entered into the following forward exchange contracts:				
Contract value:				
Sales contracts. Expires within one year	691	661	-	-
Purchase contracts. Expires within one year	-107	-104	-	-
Net value	**584**	**557**	**-**	**-**
Sales contracts. Expires within two years	16	77	-	-
Purchase contracts. Expires within two years	-11	-	-	-
Net value	**5**	**77**	**-**	**-**
An unrealized loss is included in deferred income	23	34	-	-
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:

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