Deloitte.

Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR no 33963556
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Phone +45 36102030
Fax +45 36102040
www.deloitte.dk

dnp denmark a/s
Skruegangen 2
DK-2690 Karlslunde
Central Business Registration No
12759444

Annual report 2016/17

The Annual General Meeting adopted the annual report on 28.06.2017

Chairman of the General Meeting

____

Name: Niels Hermansen

Contents

Entity details

Entity
dnp denmark a/s
Skruegangen 2
DK-2690 Karlslunde

Central Business Registration No: 12759444
Registered in: Greve
Financial year: 01.04.2016 - 31.03.2017

Phone: +45 46 16 51 00
Fax: +45 46 16 52 00

Board of Directors
Mitsuru Tsuchiya, Chairman
Masahiro Hirao
Takashi Hara
Niels Hermansen
Jens Krabbe Frandsen
Gorm Præst Jørgensen

Executive Board
Masahiro Hirao

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of dnp denmark a/s for the financial year 01.04.2016 - 31.03.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.03.2017 and of the results of its operations and cash flows for the financial year 01.04.2016 - 31.03.2017.

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.

Karlslunde, 28.06.2017

Executive Board

Masahiro Hirao

Board of Directors

Mitsuru Tsuchiya Chairman	Masahiro Hirao	Takashi Hara
Niels Hermansen	Jens Krabbe Frandsen	Gorm Præst Jørgensen

Independent auditor's report

To the shareholders of dnp denmark a/s

Opinion

We have audited the financial statements of dnp denmark a/s for the financial year 01.04.2016 - 31.03.2017, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity’s financial position at 31.03.2017 and of the results of its operations and cash flows for the financial year 01.04.2016 - 31.03.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity’s ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary
Management is responsible for the management commentary.

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

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

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

Independent auditor's report

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

København, 28.06.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jens Jørgensen Baes
State Authorised Public Accountant

Management commentary

	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000	2013/14 DKK'000	2012/13 DKK'000
Financial highlights					
Key figures					
Gross profit	50.877	54.952	50.890	46.184	56.170
Operating profit/loss	10.305	11.683	6.935	3.223	8.929
Net financials	(1.088)	(1.605)	2.247	(1.801)	(884)
Profit/loss for the year	7.299	7.671	6.998	1.286	5.994
Total assets	295.902	295.344	266.685	256.717	255.390
Investments in property, plant and equipment	2.024	2.150	3.550	1.816	6.955
Equity	238.319	231.022	223.264	215.937	214.089
Ratios					
Return on equity (%)	3,1	3,4	3,2	0,6	2,8
Equity ratio	80,5	78,2	83,7	84,1	83,9

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of equity.

´

Management commentary

Primary activities
The Company’s primary activities consist of production and sale of optical screens and marketing and sale of components for the solar cell industry and other market segments. More than 99% of the Company’s sales are exported.

Development in activities and finances
Profit for the year
Gross profit for the year amounts to DKK 50.9 million compared to DKK 55.0 million last year. Profit from ordinary activities after tax amounts to DKK 7.3 million against DKK 7.7 million last year.

The realised revenue is lower than last year, and in line with expectations for the year.

Earnings are in line with last financial year as a result of cost savings and the positive currency impact of a higher US dollar exchange rate.

Under the given market conditions, Management considers the performance satisfactory.

New products
During the year, dnp denmark as introduced a new furniture line for the front screen model under the name of dnp LaserPanel. The new model is expected to further strengthen the Company’s market position.

Investments
The Company has invested in intangible assets during this financial year.

Investments in property, plant and equipment primarily comprise current updating and replacement of buildings and production equipment.

Capital resources
dnp denmark as is well-consolidated. The equity ratio is 80.5% (2015/16: 78.2%), corresponding to an equity at 31 March 2017 of DKK 238.3 million (2015/16: DKK 231.0 million).

At financial year-end, the Company’s financial resources amount to DKK 176.6 million (2015/16: DKK 164.8 million), consisting solely of cash.

Outlook
Management expects that total revenue will slightly increase whereas earnings will slightly decrease compared to the past year. This expectation is based on relative larger sales of special foils to the European solar industry with relatively lower margin. Introduction of new products and solutions to the market including, however, this will merely compensate for the increased competition in the market with competitors selling cheaper products and new technologies constantly being invented.

The enhanced focus on efficiency and internal processes will continue in order to keep costs down. Further implementation of applications for our new ERP system is also expected to contribute to the further improvement of our customer service and internal processes.

The increased focus on sales channels, including working with the right partners, will continue in the coming year and is expected to influence sales positively. In the coming year, there will be focus on development and expanding of Supernova solutions launched last year and will further be developed in the coming year as well as new market segments will be explored.

A precondition is, however, that the US dollar exchange rate will not be subject to significant changes in relation to the level of late March 2017.

Management commentary

Particular risks
The Company must be at the cutting edge of the technological development for optical screens.

Financial exposure

Due to the Company's solvency and capital resources, the Company is only exposed to changes in the level of interest rates to a very limited extent.

Currency risks

The Company is exposed to currency risks in respect of current operations. The Company bills in EUR, JPY and USD, whereas part of its purchases is billed in JPY and USD. Depending on Management's expectations for the movements in foreign exchange rates, forward exchange contracts are concluded to hedge expected net income/expenses.

Credit risks

The Company has no significant risks relating to one single customer or partner, as the Company has credit insured its receivables considerably.

Environmental performance

The Company's production conditions are environmentally approved. This approval sets limits for the impact on the external environment, and the observance of the approval helps to ensure that production takes place without significant pollution to the surroundings. In 2016/17, the Company has complied with the terms of the environmental approval.

Research and development activities

In this financial year, expenses have been incurred for development activities in connection with the new Supernova screen models including new furniture line and with the improvement of the existing models.

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

Income statement for 2016/17

	Notes	2016/17 DKK	2015/16 DKK
Gross profit	2, 3	**50.877.488**	**54.952.121**
Distribution costs		(15.913.674)	(18.000.708)
Administrative costs	2	(24.659.193)	(25.268.348)
Operating profit/loss		**10.304.621**	**11.683.065**
Other financial income		156.660	189.955
Other financial expenses		(1.244.221)	(1.795.438)
Profit/loss before tax		**9.217.060**	**10.077.582**
Tax on profit/loss for the year	4	(1.917.918)	(2.406.273)
Profit/loss for the year	5	**7.299.142**	**7.671.309**

Balance sheet at 31.03.2017

	Notes	2016/17 DKK	2015/16 DKK
Completed development projects		742.581	421.539
Acquired intangible assets		0	0
Acquired rights		5.436.698	5.915.256
Intangible assets	6	**6.179.279**	**6.336.795**
Land and buildings		25.520.335	27.045.225
Plant and machinery		2.105.015	1.814.075
Other fixtures and fittings, tools and equipment		2.345.734	2.485.863
Property, plant and equipment	7	**29.971.084**	**31.345.163**
Fixed assets		**36.150.363**	**37.681.958**
Raw materials and consumables		55.600.102	51.906.454
Work in progress		61.346	692.677
Manufactured goods and goods for resale		5.064.066	4.800.520
Inventories		**60.725.514**	**57.399.651**
Trade receivables		16.407.718	32.141.419
Receivables from group enterprises		44.627	39.494
Other receivables		662.855	960.732
Income tax receivable		3.648.096	0
Prepayments	8	1.675.897	2.272.816
Receivables		**22.439.193**	**35.414.461**
Cash		**176.586.727**	**164.847.607**
Current assets		**259.751.434**	**257.661.719**
Assets		**295.901.797**	**295.343.677**

Balance sheet at 31.03.2017

	Notes	2016/17 DKK	2015/16 DKK
Contributed capital	9	135.000.000	135.000.000
Retained earnings		103.318.694	96.021.550
Equity		**238.318.694**	**231.021.550**
Deferred tax	10	3.040.043	3.644.432
Other provisions	11	865.493	340.100
Provisions		**3.905.536**	**3.984.532**
Prepayments received from customers		11.856.702	8.148.154
Trade payables		3.031.538	4.327.440
Payables to group enterprises		30.499.482	35.284.614
Income tax payable		0	4.275.565
Other payables	12	8.289.845	8.301.822
Current liabilities other than provisions		**53.677.567**	**60.337.595**
Liabilities other than provisions		**53.677.567**	**60.337.595**
Equity and liabilities		**295.901.797**	**295.343.677**
Events after the balance sheet date	1		
Related parties with controlling interest	14		
Group relations	15		

Statement of changes in equity for 2016/17

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	135.000.000	96.021.550	231.021.550
Value adjustments	0	(1.998)	(1.998)
Profit/loss for the year	0	7.299.142	7.299.142
Equity end of year	**135.000.000**	**103.318.694**	**238.318.694**

The value adjustments concern changes for the year in forward exchange transactions made to hedge expected net income/expenses, see the management commentary.

Cash flow statement 2016/17

	Notes	2016/17 DKK	2015/16 DKK
Operating profit/loss		10.304.621	11.683.065
Amortisation, depreciation and impairment losses		5.712.633	5.738.308
Other provisions		525.393	207.887
Working capital changes	13	10.924.807	6.657.625
Cash flow from ordinary operating activities		**27.467.454**	**24.286.885**
Financial income received		156.660	189.955
Financial income paid		(1.244.221)	(1.795.438)
Income taxes refunded/(paid)		(10.213.859)	1.639.000
Cash flows from operating activities		**16.166.034**	**24.320.402**
Acquisition etc of intangible assets		(2.443.940)	(2.528.365)
Acquisition etc of property, plant and equipment		(2.023.806)	(1.200.370)
Sale of property, plant and equipment		40.832	119.769
Cash flows from investing activities		**(4.426.914)**	**(3.608.966)**
Increase/decrease in cash and cash equivalents		**11.739.120**	**20.711.436**
Cash and cash equivalents beginning of year		164.847.607	144.136.171
Cash and cash equivalents end of year		**176.586.727**	**164.847.607**

Notes

1. Events after the balance sheet date

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

	2016/17 DKK	2015/16 DKK
2. Staff costs		
Wages and salaries	30.797.963	32.121.195
Pension costs	2.633.740	2.700.132
Other social security costs	578.870	753.440
Other staff costs	1.498.022	1.874.434
	35.508.595	**37.449.201**
Average number of employees	**62**	**66**

The Board of Directors did not receive remuneration for the financial year.

Pursuant to Section 98B (3) of the Danish Financial Statements Act, remuneration for the Executive Board has not been disclosed in the financial statements.

	2016/17 DKK	2015/16 DKK
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.461.593	1.658.701
Depreciation on property, plant and equipment	3.251.040	4.079.607
Profit/loss from sale of intangible assets and property, plant and equipment	(40.832)	(119.769)
	5.671.801	**5.618.539**

	2016/17 DKK	2015/16 DKK
4. Tax on profit/loss for the year		
Tax on current year taxable income	2.102.968	2.551.929
Change in deferred tax for the year	(604.389)	(139.165)
Adjustment concerning previous years	419.339	(6.491)
	1.917.918	**2.406.273**

Notes

	2016/17 DKK	2015/16 DKK
5. Proposed distribution of profit/loss		
Retained earnings	7.299.142	7.671.309
	7.299.142	**7.671.309**

	Completed develop-ment projects DKK	Acquired intangible assets DKK	Acquired rights DKK
6. Intangible assets			
Cost beginning of year	729.000	75.043	14.698.112
Additions	986.939	0	1.457.001
Disposals	(59.500)	0	0
Cost end of year	**1.656.439**	**75.043**	**16.155.113**
Amortisation and impairment losses beginning of year	(307.461)	(75.043)	(8.863.219)
Amortisation for the year	(606.397)	0	(1.855.196)
Amortisation and impairment losses end of year	**(913.858)**	**(75.043)**	**(10.718.415)**
Carrying amount end of year	**742.581**	**0**	**5.436.698**

Acquired rights consist of IT software.

Notes

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK
7. Property, plant and equipment			
Cost beginning of year	87.348.552	70.212.276	11.259.969
Additions	91.695	1.038.978	893.133
Disposals	0	(19.320)	(1.175.662)
Cost end of year	**87.440.247**	**71.231.934**	**10.977.440**
Depreciation and impairment losses beginning of the year	(60.675.115)	(68.164.882)	(8.555.275)
Depreciation for the year	(1.244.797)	(981.357)	(1.024.886)
Reversal regarding disposals	0	19.320	948.455
Depreciation and impairment losses end of the year	**(61.919.912)**	**(69.126.919)**	**(8.631.706)**
Carrying amount end of year	**25.520.335**	**2.105.015**	**2.345.734**

	DKK
Carrying amount of properties in Denmark	25.520.335
Value according to public land assessment at 2016	36.500.000

8. Prepayments

Prepayments consist of prepaid expenses.

	Number	Par value DKK	Nominal value DKK
9. Contributed capital			
Ordinary shares	135.000	1000	135.000.000
	135.000		**135.000.000**

Notes

	2016/17 DKK	2015/16 DKK
10. Deferred tax		
Intangible assets	1.359.441	1.470.261
Property, plant and equipment	1.946.527	1.926.589
Inventories	190.555	542.322
Receivables	(361.716)	(254.778)
Liabilities other than provisions	(95.204)	(39.962)
Other taxable temporary differences	440	0
	3.040.043	**3.644.432**

Changes during the year	
Beginning of year	3.644.432
Recognised in the income statement	(604.389)
End of year	**3.040.043**

11. Other provisions
Other provisions comprise provision for complaints.

	2016/17 DKK	2015/16 DKK
12. Other payables		
VAT and duties	1.828.965	1.690.021
Wages and salaries, personal income taxes, social security costs, etc payable	52.731	58.020
Holiday pay obligation	4.063.435	3.890.920
Derivative financial instruments	1.998	0
Other costs payable	2.342.716	2.662.861
	8.289.845	**8.301.822**

The Company hedges the currency risk on expected transactions in JPY within the first year of the forward exchange contracts.

	Period	Contractual value 2016 kr.	Gains and losses recognised in equity 2016 kr.
Forward exchange contracts	0-6 months	66.988.512	(1.998)
		66.988.512	**(1.998)**

Notes

Forward exchange contracts concern hedging of sales and purchases of goods, if the relevant policies of the Company. Fair value adjustment is recognised in equity and is expected to be realised and recognised in the income statement after the balance sheet date. The forward exchange contracts were concluded with the Company's usual banker.

	2016/17 DKK	2015/16 DKK
13. Change in working capital		
Increase/decrease in inventories	(3.325.863)	(7.755.594)
Increase/decrease in receivables	16.623.365	(2.484.651)
Increase/decrease in trade payables etc	(2.372.695)	16.897.870
	10.924.807	**6.657.625**

14. Related parties with controlling interest

- Dai Nippon Printing Co. Ltd., Tokyo.

15. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Dnp denmark as is included in the consolidated financial statements of Dai Nippon Printing Co. Ltd., Tokyo.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied for these financial statements are consistent with those applied last year.

Pursuant to section 32 of the Danish Financial Statements Act, the Company's Management has decided not to disclose the Company's revenue and costs of goods sold.

The Company has made reclassifications to the comparative figures in the balance sheet. This has not caused any changes to results or equity.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity 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 Entity, and the value of the liability 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 recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised 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.

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 recognised under other receivables or other payables.

Accounting policies

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised 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 recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised 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 recognised 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

Gross profit or loss

Gross profit or loss comprises revenue, production costs and other operating income.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise direct and indirect costs incurred to earn revenue. Costs of raw materials, consumables and production staff as well as depreciation are recognised in cost of sales.

Production costs also include research costs, costs of development projects that do not meet the criteria for recognition in the balance sheet, and amortisation of recognised development projects. In addition, provisions for loss on contract work in progress are recognised.

Distribution costs

Distribution costs comprise costs incurred for distribution of goods sold and also for sales campaigns, including costs for sales and distribution staff, advertising costs as well as depreciation and amortisation.

Administrative costs

Administrative costs comprise expenses incurred for the Entity’s administrative functions, including expenses for the administrative staff and Management, stationery and office supplies as well as depreciation and amortisation.

Accounting policies

Other financial income
Other financial income comprises, interest income, including interest income on receivables from group enterprises, receivables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised 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.

Balance sheet
Intellectual property rights etc
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is usually 3 to 5 years, but may in some cases be up to 20 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

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. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

Accounting policies

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	10-50 years
Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5-10 years

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 minus selling costs and carrying amount at the time of sale. Profits or losses are recognised in the income statement as adjustment to depreciation and impairment losses, or under other operating income if the selling price exceeds original cost.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable 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, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, plant 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 realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Income tax payable or receivable
Income tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

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

Cash
Cash comprises cash in hand and bank deposits.

Accounting policies

Deferred tax

Deferred tax is recognised 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 assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments and returns.

Other provisions are recognised 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.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and 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 acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Accounting policies

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