

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

Annual report
01.04.2018 -
31.03.2019

The Annual General Meeting adopted the annual report on 25.06.2019

Chairman of the General Meeting

Name: Niels Hermansen

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2018/19	9
Balance sheet at 31.03.2019	10
Statement of changes in equity for 2018/19	12
Cash flow statement 2018/19	13
Notes	14
Accounting policies	19

Entity details

Entity

dnp denmark a/s
Skruegangen 2
2690 Karlslunde

Central Business Registration No (CVR): 12759444

Registered in: Greve

Financial year: 01.04.2018 - 31.03.2019

Phone: +45 46165100

Board of Directors

Mitsuru Tsuchiya, Chairman
Niels Hermansen
Gorm Præst Jørgensen
Kim Bent Olsen
Hajime Miyashita
Yoshiaki Ishizaka

Executive Board

Hajime Miyashita, Chief Executive Officer

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 01.04.2018 - 31.03.2019.

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 31.03.2019 and of the results of its operations and cash flows for the financial year 01.04.2018 - 31.03.2019.

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.

Karlsunde, 25.06.2019

Executive Board

Hajime Miyashita
Chief Executive Officer

Board of Directors

Mitsuru Tsuchiya
Chairman

Niels Hermansen

Gorm Præst Jørgensen

Kim Bent Olsen

Hajime Miyashita

Yoshiaki Ishizaka

Independent auditor's report

To the shareholder of dnp denmark a/s

Opinion

We have audited the financial statements of dnp denmark a/s for the financial year 01.04.2018 - 31.03.2019, 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 31.03.2019 and of the results of its operations and cash flows for the financial year 01.04.2018 - 31.03.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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.

Copenhagen, 25.06.2019

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Jens Jørgensen Baes

State-Authorised Public Accountant

Identification No (MNE) mne14956

Management commentary

	2018/19	2017/18	2016/17	2015/16	2014/15
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Gross profit	24.215	33.993	50.877	54.952	50.890
Operating profit/loss	(5.578)	(2.724)	10.305	11.683	6.935
Net financials	(25)	169	(1.088)	(1.605)	2.247
Profit/loss for the year	(4.238)	(1.994)	7.299	7.671	6.998
Total assets	272.725	283.137	295.902	295.344	266.685
Investments in property, plant and equipment	1.314	2.239	2.024	2.150	3.550
Equity	232.089	236.327	238.319	231.022	223.264
Ratios					
Return on equity (%)	(1,8)	(0,8)	3,1	3,4	3,2
Equity ratio (%)	84,2	80,5	78,2	83,7	84,1

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Ratios	Calculation formula	Calculation formula reflects
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 the entity.

Management commentary

Primary activities

The Company's primary activities consist of production and sale of optical screens, display solutions 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

Performance for the year

Gross profit for the year amounts to DKK 24.2 million compared to DKK 34.0 million last year. Loss from ordinary activities after tax amounts to DKK 4.2 million compared to DKK 2.0 million last year.

The revenue realised is significantly lower than expected and lower than last year. Especially the revenue realised for the control room segment continues to decline more than expected. The declining trend is the result of increasing competition from other technologies and a slowdown in the number of projects.

Earnings are significantly lower than last year because of much lower sales to the control room segment and write-down of obsolete products.

Management considers the performance unsatisfactory.

New products

During the year, dnp denmark introduced a new product line called Sessions, which is a complete solution for the perfect meeting room. At first, the Sessions is targeted on the Scandinavian market including a new business model offering leasing or rental in addition to traditional sales. The new concept is expected to strengthen the Company's market position further.

Investments

The Company invested in intangible assets during the financial year.

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

Capital resources

dnp denmark as is well-consolidated. The equity ratio is 84.2% (2017/18: 80.5%), corresponding to equity at 31.03.2019 of DKK 232.1 million (2017/18: DKK 236.3 million).

At year-end, the Company's financial resources amount to DKK 177.6 million (2017/18: DKK 165.9 million), consisting solely of cash.

Outlook

Management expects that total revenue will be slightly lower whereas earnings will increase a little, but a loss is still expected in the coming year. The control room segment will continue to decline, which will partly be offset against increasing sales of the products to other segments and the full-year effect of new products introduced last year. Sales of special foils to the European solar industry with a relatively lower margin will continue in the coming year.

Management commentary

It is expected that the competition from new technologies will continue, thus maintaining a pressure on the contribution margin.

The enhanced focus on efficiency and internal processes will continue to keep costs down.

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, the Company will focus on developing and expanding the Sessions and Supernova solutions launched last year, which will be further developed in the year ahead, just as new market segments will be explored.

A precondition is, however, that the US dollar exchange rate will not be subject to significant changes compared to the level of late March 2019.

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 invoices in EUR, JPY and USD, whereas part of its purchases are invoiced 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 is not exposed to any 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 on the surroundings. In 2018/19, the Company complied with the terms of the environmental approval.

Research and development activities

In the financial year, expenses incurred for development activities in connection with the new Supernova screen models and the new Sessions product line, as well as the improvement of the existing models.

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.

Income statement for 2018/19

	<u>Notes</u>	<u>2018/19 DKK</u>	<u>2017/18 DKK</u>
Gross profit	2, 3	24.215.126	33.993.063
Distribution costs		(11.490.977)	(14.697.605)
Administrative expenses	2	<u>(18.302.176)</u>	<u>(22.019.634)</u>
Operating profit/loss		(5.578.027)	(2.724.176)
Other financial income		724.364	839.519
Other financial expenses		<u>(749.155)</u>	<u>(670.288)</u>
Profit/loss before tax		(5.602.818)	(2.554.945)
Tax on profit/loss for the year	4	<u>1.364.417</u>	<u>561.383</u>
Profit/loss for the year	5	<u>(4.238.401)</u>	<u>(1.993.562)</u>

Balance sheet at 31.03.2019

	<u>Notes</u>	<u>2018/19 DKK</u>	<u>2017/18 DKK</u>
Completed development projects		873.092	905.940
Acquired intangible assets		0	0
Acquired rights		1.917.818	3.863.798
Intangible assets	6	2.790.910	4.769.738
Land and buildings		23.500.305	24.528.729
Plant and machinery		1.958.507	2.606.030
Other fixtures and fittings, tools and equipment		1.860.863	1.926.609
Property, plant and equipment	7	27.319.675	29.061.368
Other receivables		2.801.581	993.053
Fixed asset investments		2.801.581	993.053
Fixed assets		32.912.166	34.824.159
Raw materials and consumables		40.657.559	48.672.332
Work in progress		703.481	356.131
Manufactured goods and goods for resale		5.478.789	4.215.371
Inventories		46.839.829	53.243.834
Trade receivables		10.772.884	20.705.643
Other receivables		1.198.431	1.975.437
Income tax receivable		1.906.000	4.988.670
Prepayments	8	1.500.546	1.479.698
Receivables		15.377.861	29.149.448
Cash		177.594.705	165.919.725
Current assets		239.812.395	248.313.007
Assets		272.724.561	283.137.166

Balance sheet at 31.03.2019

	<u>Notes</u>	<u>2018/19 DKK</u>	<u>2017/18 DKK</u>
Contributed capital	9	135.000.000	135.000.000
Other reserves		873.092	905.940
Retained earnings		<u>96.215.638</u>	<u>100.421.191</u>
Equity		<u>232.088.730</u>	<u>236.327.131</u>
Deferred tax	10	1.113.805	2.313.276
Other provisions	11	<u>980.660</u>	<u>709.429</u>
Provisions		<u>2.094.465</u>	<u>3.022.705</u>
Prepayments received from customers		3.526.802	3.679.172
Trade payables		2.222.530	3.445.707
Payables to group enterprises		28.210.334	29.415.228
Other payables	12	<u>4.581.700</u>	<u>7.247.223</u>
Current liabilities other than provisions		<u>38.541.366</u>	<u>43.787.330</u>
Liabilities other than provisions		<u>38.541.366</u>	<u>43.787.330</u>
Equity and liabilities		<u>272.724.561</u>	<u>283.137.166</u>
Events after the balance sheet date	1		
Contingent liabilities	14		
Related parties with controlling interest	15		
Transactions with related parties	16		
Group relations	17		

Statement of changes in equity for 2018/19

	Contributed capital DKK	Other reserves DKK	Retained earnings DKK	Total DKK
Equity beginning of year	135.000.000	905.940	100.421.191	236.327.131
Transfer to reserves	0	(905.940)	905.940	0
Profit/loss for the year	0	873.092	(5.111.493)	(4.238.401)
Equity end of year	135.000.000	873.092	96.215.638	232.088.730

Cash flow statement for 2018/19

	<u>Notes</u>	<u>2018/19</u> <u>DKK</u>	<u>2017/18</u> <u>DKK</u>
Operating profit/loss		(5.578.027)	(2.724.176)
Amortisation, depreciation and impairment losses		5.289.815	5.725.303
Other provisions		271.231	(156.064)
Working capital changes	13	<u>11.862.937</u>	<u>(7.777.905)</u>
Cash flow from ordinary operating activities		11.845.956	(4.932.842)
Financial income received		724.364	839.519
Financial expenses paid		(749.155)	(670.288)
Income taxes refunded/(paid)		<u>3.247.626</u>	<u>(1.504.293)</u>
Cash flows from operating activities		15.068.791	(6.267.904)
Acquisition etc of intangible assets		(379.323)	(1.251.647)
Acquisition etc of property, plant and equipment		(1.313.960)	(2.239.398)
Sale of property, plant and equipment		108.000	85.000
Acquisition of fixed asset investments		<u>(1.808.528)</u>	<u>(993.053)</u>
Cash flows from investing activities		(3.393.811)	(4.399.098)
Increase/decrease in cash and cash equivalents		11.674.980	(10.667.002)
Cash and cash equivalents beginning of year		<u>165.919.725</u>	<u>176.586.727</u>
Cash and cash equivalents end of year		177.594.705	165.919.725

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.

	2018/19	2017/18
	DKK	DKK
2. Staff costs		
Wages and salaries	23.036.632	27.677.202
Pension costs	2.177.420	2.749.627
Other social security costs	602.499	642.633
Other staff costs	1.091.186	1.274.433
	26.907.737	32.343.895
 Average number of employees	 49	 60

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

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

	2018/19	2017/18
	DKK	DKK
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.275.882	2.661.188
Depreciation on property, plant and equipment	2.871.605	3.034.723
Profit/loss from sale of intangible assets and property, plant and equipment	142.328	29.392
	5.289.815	5.725.303
 4. Tax on profit/loss for the year		
Current tax	0	165.384
Change in deferred tax	(1.199.471)	(726.767)
Adjustment concerning previous years	(164.946)	0
	(1.364.417)	(561.383)

Notes

	2018/19	2017/18
	DKK	DKK
5. Proposed distribution of profit/loss		
Transferred to other reserves	873.092	905.940
Retained earnings	<u>(5.111.493)</u>	<u>(2.899.502)</u>
	<u>(4.238.401)</u>	<u>(1.993.562)</u>

	Completed develop- ment projects DKK	Acquired intangible assets DKK	Acquired rights DKK
6. Intangible assets			
Cost beginning of year	2.552.973	75.043	11.807.546
Additions	379.323	0	0
Disposals	<u>(842.299)</u>	<u>0</u>	<u>(744.425)</u>
Cost end of year	<u>2.089.997</u>	<u>75.043</u>	<u>11.063.121</u>
Amortisation and impairment losses beginning of year	(1.647.033)	(75.043)	(7.943.748)
Amortisation for the year	(329.902)	0	(1.945.980)
Reversal regarding disposals	<u>760.030</u>	<u>0</u>	<u>744.425</u>
Amortisation and impairment losses end of year	<u>(1.216.905)</u>	<u>(75.043)</u>	<u>(9.145.303)</u>
Carrying amount end of year	<u>873.092</u>	<u>0</u>	<u>1.917.818</u>

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	87.608.767	72.622.924	9.132.733
Additions	100.890	391.646	821.424
Disposals	<u>(1.105.232)</u>	<u>(14.074.505)</u>	<u>(1.307.267)</u>
Cost end of year	<u>86.604.425</u>	<u>58.940.065</u>	<u>8.646.890</u>
Depreciation and impairment losses beginning of year	(63.080.038)	(70.016.894)	(7.206.124)
Depreciation for the year	(1.121.266)	(875.750)	(874.589)
Reversal regarding disposals	<u>1.097.184</u>	<u>13.911.086</u>	<u>1.294.686</u>
Depreciation and impairment losses end of year	<u>(63.104.120)</u>	<u>(56.981.558)</u>	<u>(6.786.027)</u>
Carrying amount end of year	<u>23.500.305</u>	<u>1.958.507</u>	<u>1.860.863</u>
			<u>DKK</u>
Carrying amount of properties in Denmark			<u>23.500.305</u>
Value according to public land assessment 2017			<u>36.500.000</u>

8. Prepayments

Prepayments consist of prepaid expenses.

	Number	Par value DKK	Nominal value DKK
9. Contributed capital			
Ordinary shares	<u>135.000</u>	1000	<u>135.000.000</u>
	<u>135.000</u>		<u>135.000.000</u>

Notes

	2018/19	2017/18
	DKK	DKK
10. Deferred tax		
Intangible assets	614.000	1.045.824
Property, plant and equipment	1.347.561	1.752.099
Inventories	149.882	123.566
Receivables	(546.811)	(530.177)
Liabilities other than provisions	(107.872)	(78.036)
Tax losses carried forward	(342.955)	0
	1.113.805	2.313.276

Changes during the year

Beginning of year	2.313.276
Recognised in the income statement	(1.199.471)
End of year	1.113.805

11. Other provisions

Other provisions comprise provision for complaints.

	2018/19	2017/18
	DKK	DKK
12. Other payables		
VAT and duties	(418.353)	0
Wages and salaries, personal income taxes, social security costs, etc payable	50.229	48.308
Holiday pay obligation	3.120.432	3.892.101
Other costs payable	1.829.392	3.306.814
	4.581.700	7.247.223

	2018/19	2017/18
	DKK	DKK
13. Change in working capital		
Increase/decrease in inventories	6.404.005	7.481.680
Increase/decrease in receivables	10.688.917	(5.369.682)
Increase/decrease in trade payables etc	(5.229.985)	(9.889.903)
	11.862.937	(7.777.905)

Notes

14. Contingent liabilities

Contingent liabilities consist of a guarantee of DKK 285,000.

15. Related parties with controlling interest

- Dai Nippon Printing Co. Ltd., Tokyo

16. Transactions with related parties

Pursuant to section 98c(7) of the Danish Financial Statements Act, transactions with related parties have not been disclosed in the financial statements as they have been made on an arm's length basis.

17. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

dnp denmark a/s is included in the consolidated financial statements of Dai Nippon Printing Co. Ltd., Tokyo.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

dnp denmark a/s 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 to these financial statements are consistent with those applied last year.

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

The Company has made reclassifications to the comparative figures in the balance sheet. These reclassifications have not caused any changes in 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 and production costs.

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, net capital or exchange gains on payables 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, net capital or exchange losses on 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 three to five 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

Estimated useful lives and residual values are reassessed annually.

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.

Receivables

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

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.

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.