

---

# ***Corning Optical Communications ApS***

Industriparken 10, DK-4760 Vordingborg

## **Annual Report for 1 January - 31 December 2017**

---

CVR No 17 37 66 32

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
16/5 2018

Ralf Heinz  
Chairman

# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Financial Statements</b>	
Income Statement 1 January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Notes to the Financial Statements	13

# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Corning Optical Communications ApS for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Vordingborg, 16 May 2018

## **Executive Board**

Peter Spangaard Rasmussen

## **Board of Directors**

Ralf Heinz  
Chairman

Stefan Trebels

Peter Spangaard Rasmussen

Timothy Daniel Leonard

# **Independent Auditor's Report**

To the Shareholder of Corning Optical Communications ApS

## **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Corning Optical Communications ApS for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## **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 Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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.

## **Statement on Management's Review**

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

## **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.

# Independent Auditor's Report

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company 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:

- 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 Company'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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, 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

# Independent Auditor's Report

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 16 May 2018

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Jan Wright  
State Authorised Public Accountant  
mne10053

Thomas Lauritsen  
State Authorised Public Accountant  
mne34342

## **Company Information**

### **The Company**

Corning Optical Communications ApS  
Industriparken 10  
DK-4760 Vordingborg

CVR No: 17 37 66 32

Financial period: 1 January - 31 December

Municipality of reg. office: Vordingborg

### **Board of Directors**

Ralf Heinz, Chairman  
Stefan Trebels  
Peter Spangaard Rasmussen  
Timothy Daniel Leonard

### **Executive Board**

Peter Spangaard Rasmussen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

### **Lawyers**

Kromann Reumert

## Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	40.803	37.788	57.890	48.382	36.970
Profit/loss before financial income and expenses	7.611	5.958	27.783	26.107	13.521
Net financials	-411	-1.224	-52	614	-507
Net profit/loss for the year	5.823	3.831	20.890	20.124	10.151
<b>Balance sheet</b>					
Balance sheet total	136.573	118.873	134.331	110.836	127.589
Equity	47.161	76.338	72.507	51.617	96.493
Investment in property, plant and equipment	4.311	1.633	7.742	2.242	1.956
Number of employees	86	86	86	87	92
<b>Ratios</b>					
Return on assets	5,6 %	5,0 %	20,7 %	23,6 %	10,6 %
Solvency ratio	34,5 %	64,2 %	54,0 %	46,6 %	75,6 %
Return on equity	9,4 %	5,1 %	33,7 %	27,2 %	11,1 %

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.



## **Management's Review**

Financial Statements of Corning Optical Communications ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

### **Market overview**

The Company is engaged in the development, manufacturing and sale of connectors for the cable television and telecommunications industries. The Company's products are primarily sold within the European market.

### **Earnings for the year**

During 2017 the Company exceeded the expected business growth forecasted at the end of 2016.

Revenue of first half of 2017 was increasing versus 2016. Since August 2017 unfortunately revenues have been declining again and the situation end of 2017 can be characterized as slightly weak. Consequently inventories have been increasing due to forecasts not meeting expectations. All in all 2017 met budget expectations, but the trend end of year was not promising.

With the increase of revenue in 2017 earnings increased accordingly due to higher volume and change of product mix. We are still impacted by continued consolidation amongst distributors and operators but have been able to remediate to some extent.

As was the case during previous years this consolidation among the operators continued to put pressure on sales prices.

The Company utilized cost reduction programs, supply chain optimization and continuous process improvement efforts to eliminate some of this price pressure impact on profitability.

The increase of distribution and administration expenses compared to 2016 is reflecting increased extended use of global functions within the group.

The cash flow situation of The Company was less positive due to increasing inventory levels.

Management considers the overall result as satisfactory even if more goal-settings were not achieved.

### ***Expectations for the coming year***

The Company expects a demand for 2018 at the same level as in 2017. In 2018 the company will continue to focus on new business development optimizing the service to the existing customer base and secure a high delivery performance.

# **Management's Review**

## **Research and development**

The company has maintained its level of development in order to penetrate new markets, partly as current product customization, which is normal for the industry, partly through the optimization of products, both in terms of technology and complexity.

## **Environment, Health and Safety**

Since 2002 the Company has been certified according to the ISO 14001 standard. In addition, the Company complies with all established Corning standards which in many areas are beyond local law. The Company is dedicated to improving the health and safety standards within the company and our outstanding level of excellence was maintained again during 2017.

## **Knowledge resources**

The strong segment position of the Company is a result of the total knowledge resources in the organisation. It is a management objective that knowledge about products, manufacturing and market conditions are shared across the organisation. An additional management objective is to continuously ensure a high degree of quality awareness in all processes.

## **Subsequent events**

No events have occurred after year-end that materially affects the financial position of the Company at December 31, 2017.

## Income Statement 1 January - 31 December

	Note	2017 TDKK	2016 TDKK
<b>Gross profit/loss</b>		<b>40.803</b>	<b>37.788</b>
Distribution expenses	1	-17.480	-16.494
Administrative expenses	1	-15.712	-15.336
<b>Operating profit/loss</b>		<b>7.611</b>	<b>5.958</b>
 <b>Profit/loss before financial income and expenses</b>		 <b>7.611</b>	 <b>5.958</b>
Financial income	2	332	108
Financial expenses	3	-743	-1.332
<b>Profit/loss before tax</b>		<b>7.200</b>	<b>4.734</b>
Tax on profit/loss for the year	4	-1.377	-903
<b>Net profit/loss for the year</b>		<b>5.823</b>	<b>3.831</b>

## Balance Sheet 31 December

### Assets

	Note	2017 TDKK	2016 TDKK
Software		21	222
<b>Intangible assets</b>	5	<b>21</b>	<b>222</b>
Land and buildings		8.702	8.361
Plant and machinery		8.350	8.574
Other fixtures and fittings, tools and equipment		2.133	2.482
Property, plant and equipment in progress		1.553	521
<b>Property, plant and equipment</b>	6	<b>20.738</b>	<b>19.938</b>
<b>Fixed assets</b>		<b>20.759</b>	<b>20.160</b>
<b>Inventories</b>	7	<b>45.214</b>	<b>36.367</b>
Trade receivables		56.567	49.235
Receivables from group enterprises		0	878
Other receivables		1.493	1.701
Corporation tax		1.954	2.172
Prepayments	8	505	772
<b>Receivables</b>		<b>60.519</b>	<b>54.758</b>
<b>Cash at bank and in hand</b>		<b>10.081</b>	<b>7.588</b>
<b>Currents assets</b>		<b>115.814</b>	<b>98.713</b>
<b>Assets</b>		<b>136.573</b>	<b>118.873</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2017 TDKK	2016 TDKK
Share capital		500	500
Retained earnings		46.661	40.838
Proposed dividend for the year		0	35.000
<b>Equity</b>		<b>47.161</b>	<b>76.338</b>
Provision for deferred tax	9	874	902
Other provisions		24	73
<b>Provisions</b>		<b>898</b>	<b>975</b>
Payables to group enterprises		36.477	0
<b>Long-term debt</b>	10	<b>36.477</b>	<b>0</b>
Trade payables		21.696	15.483
Payables to group enterprises	10	10.840	10.282
Other payables		19.501	15.795
<b>Short-term debt</b>		<b>52.037</b>	<b>41.560</b>
<b>Debt</b>		<b>88.514</b>	<b>41.560</b>
<b>Liabilities and equity</b>		<b>136.573</b>	<b>118.873</b>
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Transactions with related parties	14		
Accounting Policies	15		

## Statement of Changes in Equity

	Share capital TDKK	Retained earnings TDKK	Proposed dividend for the year TDKK	Total TDKK
Equity at 1 January	500	40.838	35.000	76.338
Ordinary dividend paid	0	0	-35.000	-35.000
Net profit/loss for the year	0	5.823	0	5.823
<b>Equity at 31 December</b>	<b>500</b>	<b>46.661</b>	<b>0</b>	<b>47.161</b>

# Notes to the Financial Statements

	2017 <u>TDKK</u>	2016 <u>TDKK</u>
<b>1 Staff</b>		
Wages and Salaries	42.179	40.772
Pensions	3.052	3.067
Other social security expenses	2.188	2.204
	<u><b>47.419</b></u>	<u><b>46.043</b></u>
Wages and Salaries, pensions and other social security expenses are recognised in the following items:		
Cost of sales	38.563	37.684
Distribution expenses	5.924	5.561
Administrative expenses	2.932	2.798
	<u><b>47.419</b></u>	<u><b>46.043</b></u>
<b>Average number of employees</b>	<u><b>86</b></u>	<u><b>86</b></u>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
<b>2 Financial income</b>		
Interest received from group enterprises	4	11
Other financial income	2	0
Exchange gains	326	97
	<u><b>332</b></u>	<u><b>108</b></u>
<b>3 Financial expenses</b>		
Interest paid to group enterprises	12	36
Other financial expenses	79	29
Exchange adjustments, expenses	652	1.267
	<u><b>743</b></u>	<u><b>1.332</b></u>

## Notes to the Financial Statements

	<u>2017</u> TDKK	<u>2016</u> TDKK
<b>4 Tax on profit/loss for the year</b>		
Current tax for the year	1.405	1.322
Deferred tax for the year	-28	-302
Adjustment of tax concerning previous years	0	-117
	<u><b>1.377</b></u>	<u><b>903</b></u>
<b>5 Intangible assets</b>		<u>Software</u> TDKK
Cost at 1 January		3.235
Additions for the year		<u>21</u>
Cost at 31 December		<u>3.256</u>
Impairment losses and amortisation at 1 January		3.013
Amortisation for the year		<u>222</u>
Impairment losses and amortisation at 31 December		<u>3.235</u>
<b>Carrying amount at 31 December</b>		<u><b>21</b></u>



## Notes to the Financial Statements

### 6 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	31.780	59.916	12.911	521
Additions for the year	0	0	0	5.322
Disposals for the year	-33	-446	-287	0
Transfers for the year	1.365	2.219	706	-4.290
Cost at 31 December	<u>33.112</u>	<u>61.689</u>	<u>13.330</u>	<u>1.553</u>
Impairment losses and depreciation at 1 January	23.419	51.342	10.429	0
Depreciation for the year	1.009	2.423	1.033	0
Impairment and depreciation of sold assets for the year	<u>-18</u>	<u>-426</u>	<u>-265</u>	<u>0</u>
Impairment losses and depreciation at 31 December	<u>24.410</u>	<u>53.339</u>	<u>11.197</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>8.702</u></b>	<b><u>8.350</u></b>	<b><u>2.133</u></b>	<b><u>1.553</u></b>

### 7 Inventories

	2017 TDKK	2016 TDKK
Raw materials and consumables	4.565	4.009
Work in progress	9.717	9.384
Finished goods and goods for resale	<u>30.932</u>	<u>22.974</u>
	<b><u>45.214</u></b>	<b><u>36.367</u></b>

### 8 Prepayments

Prepayments consist of prepaid expenses concerning insurance premiums, edb service and exhibitions etc.

## Notes to the Financial Statements

	2017 TDKK	2016 TDKK
<b>9 Provision for deferred tax</b>		
Provision for deferred tax at 1 January	902	1.204
Amounts recognised in the income statement for the year	-28	-302
<b>Provision for deferred tax at 31 December</b>	<b>874</b>	<b>902</b>
Intangible assets	5	49
Property, plant and equipment	562	791
Inventories	313	68
Trade receivables	-6	-6
	<b>874</b>	<b>902</b>

Deferred tax has been provided at the tax rate at which tax is expected to be utilised.

### 10 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

#### Payables to group enterprises

Between 1 and 5 years	36.477	0
Long-term part	36.477	0
Other short-term debt to group enterprises	10.840	10.282
	<b>47.317</b>	<b>10.282</b>

### 11 Distribution of profit

Proposed dividend for the year	0	35.000
Retained earnings	5.823	-31.169
	<b>5.823</b>	<b>3.831</b>

## Notes to the Financial Statements

	2017	2016
	TDKK	TDKK
<b>12 Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	347	219
Between 1 and 5 years	330	162
After 5 years	0	0
	<u>677</u>	<u>381</u>

### 13 Related parties

#### Consolidated Financial Statements

The Company is a wholly owned subsidiary of Corning Finance BV, The Netherlands.

The Company and the parent company are part of the consolidated accounts of the ultimate parent company Corning Inc. The consolidated accounts for this company can be obtained by written application to Corning Inc., One Riverfront Plaza, Corning, New York 14831, USA or [www.corning.com](http://www.corning.com)

Name	Place of registered office
Corning Inc.	One Riverfront Plaza, New York 14831, USA

	2017	2016
	TDKK	TDKK
<b>14 Transactions with related parties</b>		
Purchase of services from parent	7.374	5.912
Sale of services to parent	1.108	1.385
Interest received from parent	8	11
Interest paid to parent	16	36
Purchase of goods from other related parties	79.298	70.976
Sale of goods to other related parties	7.804	9.707
Purchase of services from other related parties	9.477	6.894
Cost of management fee to other related parties	12.849	11.140
Salaries and remuneration to other related parties	7.366	6.511

# Notes to the Financial Statements

## 15 Accounting Policies

The Annual Report of Corning Optical Communications ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2017 are presented in TDKK.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Corning Inc., the Company has not prepared a cash flow statement.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### Income Statement

#### Revenue

Revenue from sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk has been made before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

#### Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Cost of sales also includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs.

#### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

#### Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

#### Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

#### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

#### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### Balance Sheet

#### Intangible assets

Intangible assets is measured at cost less accumulated amortisation. Intangible assets is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

#### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	10-25 years
Other fixtures and fittings, tools and equipment	3-8 years
Plant and machinery	3-12 years

#### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

#### Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

and equipment used in the manufacturing process as well as costs of factory administration and management.

### **Receivables**

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

### **Prepayments**

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

### **Equity**

#### ***Dividend***

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### **Deferred tax assets and liabilities**

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

### Financial Highlights

#### Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$