



Controlled Polymers A/S

Bohrsvej 8
6760 Ribe
CVR No. 25352440

Annual report 01.10.2019 - 31.12.2020

The Annual General Meeting adopted the
annual report on 05.05.2021

Mogens Larsen

Chairman of the General Meeting

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Entity details

Entity

Controlled Polymers A/S

Bohrsvej 8

6760 Ribe

CVR No.: 25352440

Registered office: Esbjerg

Financial year: 01.10.2019 - 31.12.2020

Board of Directors

Robert Kenneth Gudbranson, Chairman

Matthew Joseph Hellstern

Mogens Larsen

Executive Board

James Michael Figaniak

Mogens Larsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Dokken 8

6701 Esbjerg

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Controlled Polymers A/S for the financial year 01.10.2019 - 31.12.2020.

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 31.12.2020 and of the results of its operations and cash flows for the financial year 01.10.2019 - 31.12.2020.

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

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

Ribe, 05.05.2021

Executive Board

James Michael Figaniak

Mogens Larsen

Board of Directors

Robert Kenneth Gudbranson
Chairman

Matthew Joseph Hellstern

Mogens Larsen

Independent auditor's report

To the shareholders of Controlled Polymers A/S

Opinion

We have audited the financial statements of Controlled Polymers A/S for the financial year 01.10.2019 - 31.12.2020, 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 31.12.2020 and of the results of its operations and cash flows for the financial year 01.10.2019 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

- 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.

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.

Esbjerg, 05.05.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Mikael Grosbøl

State Authorised Public Accountant
Identification No (MNE) mne33707

Management commentary

Financial highlights

	2019/20 DKK'000	2018/19 DKK'000
Key figures		
Gross profit/loss	25,600	25,754
Operating profit/loss	7,739	13,922
Net financials	(56)	117
Profit/loss for the year	4,745	10,935
Total assets	100,146	52,670
Investments in property, plant and equipment	3,419	2,250
Equity	85,329	36,762
Cash flows from (used in) operating activities	16,774	8,695
Cash flows from (used in) investing activities	(4,042)	(5,199)
Cash flows from (used in) financing activities	(3,377)	(13,550)
Ratios		
Equity ratio (%)	85.20	69.80

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

Equity ratio (%):

$\frac{\text{Equity}}{\text{Total assets}} * 100$

Total assets

Primary activities

Primary activities are research, development, production and sale of compounded plastic materials as well as color and additive masterbatch.

Development in activities and finances

As a result of the acquisition of Controlled Polymers A/S by Americhem Inc. the parent company has decided to merge the related companies in Denmark to create a corporate structure consistent with other international holdings. Management believes this new structure creates no operational changes.

The company's financial year comprises 15 months so that the financial year going forward follows the parent company's financial year which is the calendar year.

Profit/loss for the year in relation to expected developments

The result for the year shows a profit of DKK 4,745 t.DKK. The result for the period has been negatively affected by depreciation of goodwill arising from the merger between companies in Denmark. By change in impairment policy on inventories to follow parent companies policy. By higher cost related to implementation of new ERP system.

In light of changes and challenges during the financial year, the management considers the result for the year to be satisfactory.

Outlook

Covid-19 continues to be a risk to the business. Management has put preventive measures in place to minimize the risk to our employees, and we are working closely with our suppliers and customers to minimize risk to the supply chain.

In the coming financial year, management expects a result with modest growth compared to 2019-20.

Particular risks

The company's revenue is invoiced primarily in EUR and DKK and the company's purchases are also made in DKK and EUR. The company thus does not have a significant currency risk on revenue and purchases. The company is financed only with variable short-term debt and the company thus has an interest rate risk on the financing side.

Intellectual capital resources

The company works on an ongoing basis to attract, retain and develop employees to support the company business. This happens i.a. via extroverted activities, support of staff activities, continuing education mm., and not least a striving to be a good and proper workplace.

Environmental performance

We are aware that our products contribute to the consumption of plastic. That is why we are actively trying to develop our production in a way that increasingly reduces the environmental impact. We carry out continuous measurement and follow-up on our most important environmental parameters. In our production, we only use raw materials that are REACH and RoHS approved. Our electricity supply is based 100% wind energy. Our heating is done with wood pellets.

Research and development activities

The company works continuously on the development of production methods and processes. As a consequence of the current financial situation, development activities in the financial year have primarily been targeted solving direct customer-related issues.

Income statement for 2019/20

	Notes	2019/20 DKK	2018/19 DKK
Gross profit/loss		25,599,817	25,754,468
Distribution costs		(8,556,843)	(6,587,010)
Administrative expenses		(9,303,890)	(5,245,796)
Operating profit/loss		7,739,084	13,921,662
Other financial income		226,710	256,286
Other financial expenses		(283,163)	(139,319)
Profit/loss before tax		7,682,631	14,038,629
Tax on profit/loss for the year	4	(2,937,410)	(3,103,134)
Profit/loss for the year	5	4,745,221	10,935,495

Balance sheet at 31.12.2020

Assets

	Notes	2019/20 DKK	2018/19 DKK
Completed development projects	7	3,568,240	274,461
Acquired intangible assets		22,025	43,605
Acquired patents		0	0
Goodwill		42,941,793	0
Development projects in progress	7	0	3,107,939
Intangible assets	6	46,532,058	3,426,005
Other fixtures and fittings, tools and equipment		5,567,555	4,558,538
Leasehold improvements		1,611,349	1,759,525
Property, plant and equipment	8	7,178,904	6,318,063
Fixed assets		53,710,962	9,744,068
Raw materials and consumables		18,406,989	21,681,596
Manufactured goods and goods for resale		5,871,442	5,467,063
Inventories		24,278,431	27,148,659
Trade receivables		15,394,462	14,626,746
Receivables from group enterprises		28,831	646,210
Other receivables		292,997	26,597
Prepayments	9	675,389	439,268
Receivables		16,391,679	15,738,821
Cash		5,764,519	38,709
Current assets		46,434,629	42,926,189
Assets		100,145,591	52,670,257

Equity and liabilities

	Notes	2019/20 DKK	2018/19 DKK
Contributed capital	10	1,429,000	1,429,000
Reserve for development expenditure		2,491,474	2,192,164
Retained earnings		81,408,157	27,940,387
Proposed dividend		0	5,200,000
Equity		85,328,631	36,761,551
Deferred tax	11	398,000	941,000
Provisions		398,000	941,000
Other payables		1,573,349	0
Non-current liabilities other than provisions	12	1,573,349	0
Bank loans		0	3,629,317
Trade payables		6,649,918	4,739,307
Payables to group enterprises		1,642,029	209,296
Tax payable		1,167,570	0
Joint taxation contribution payable		0	2,685,472
Other payables		3,386,094	3,704,314
Current liabilities other than provisions		12,845,611	14,967,706
Liabilities other than provisions		14,418,960	14,967,706
Equity and liabilities		100,145,591	52,670,257
Events after the balance sheet date	1		
Staff costs	2		
Amortisation, depreciation and impairment losses	3		
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Assets charged and collateral	16		
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Statement of changes in equity for 2019/20

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	1,429,000	2,192,164	27,940,387	5,200,000	36,761,551
Effect of mergers and business combinations	0	0	38,975,245	0	38,975,245
Ordinary dividend paid	0	0	0	(5,200,000)	(5,200,000)
Group contributions etc	0	0	10,046,614	0	10,046,614
Transfer to reserves	0	299,310	(299,310)	0	0
Profit/loss for the year	0	0	4,745,221	0	4,745,221
Equity end of year	1,429,000	2,491,474	81,408,157	0	85,328,631

Cash flow statement for 2019/20

	Notes	2019/20 DKK	2018/19 DKK
Operating profit/loss		7,739,084	13,921,662
Amortisation, depreciation and impairment losses		8,569,648	2,733,041
Working capital changes	13	4,719,752	(5,189,867)
Cash flow from ordinary operating activities		21,028,484	11,464,836
Financial income received		226,710	256,286
Financial expenses paid		(283,163)	(139,320)
Taxes refunded/(paid)		(4,198,245)	(2,886,338)
Cash flows from operating activities		16,773,786	8,695,464
Acquisition etc of intangible assets		(623,120)	(2,948,806)
Acquisition etc of property, plant and equipment		(3,418,839)	(2,249,850)
Cash flows from investing activities		(4,041,959)	(5,198,656)
Free cash flows generated from operations and investments before financing		12,731,827	3,496,808
Repayments of loans etc		(15,000,000)	0
Incurrence of debt to group enterprises		1,613,198	0
Dividend paid		0	(13,550,000)
Group contribution		10,046,614	0
Debt acquired from merging activities		(36,512)	0
Cash flows from financing activities		(3,376,700)	(13,550,000)
Increase/decrease in cash and cash equivalents		9,355,127	(10,053,192)
Cash and cash equivalents beginning of year		(3,590,608)	6,462,584
Cash and cash equivalents end of year		5,764,519	(3,590,608)
Cash and cash equivalents at year-end are composed of:			
Cash		5,764,519	38,709
Short-term debt to banks		0	(3,629,317)
Cash and cash equivalents end of year		5,764,519	(3,590,608)

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.

2 Staff costs

	2019/20 DKK	2018/19 DKK
Wages and salaries	25,559,164	18,376,968
Pension costs	3,189,845	2,001,082
Other social security costs	655,852	551,619
Other staff costs	301,767	0
	29,706,628	20,929,669
Average number of full-time employees	50	48

	Remuneration of management 2019/20 DKK	Remuneration of management 2018/19 DKK
Total amount for management categories	1,563,922	1,226,918
	1,563,922	1,226,918

3 Depreciation, amortisation and impairment losses

	2019/20 DKK	2018/19 DKK
Amortisation of intangible assets	6,011,650	177,564
Impairment losses on intangible assets	0	222,617
Depreciation of property, plant and equipment	2,557,998	2,332,860
	8,569,648	2,733,041

4 Tax on profit/loss for the year

	2019/20 DKK	2018/19 DKK
Current tax	3,476,436	2,616,134
Change in deferred tax	(543,000)	487,000
Adjustment concerning previous years	3,974	0
	2,937,410	3,103,134

5 Proposed distribution of profit and loss

	2019/20 DKK	2018/19 DKK
Ordinary dividend for the financial year	0	5,200,000
Extraordinary dividend distributed in the financial year	0	250,000
Retained earnings	4,745,221	5,485,495
	4,745,221	10,935,495

6 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Acquired patents DKK	Goodwill DKK	Development projects in progress DKK
Cost beginning of year	382,538	237,000	269,981	0	3,330,556
Addition through business combinations etc	0	0	0	48,494,583	0
Transfers	3,641,728	0	0	18,138,821	(3,641,728)
Additions	311,948	0	0	0	311,172
Cost end of year	4,336,214	237,000	269,981	66,633,404	0
Amortisation and impairment losses beginning of year	(108,077)	(193,395)	(269,981)	0	(222,617)
Transfers	(222,617)	0	0	(18,138,821)	222,617
Amortisation for the year	(437,280)	(21,580)	0	(5,552,790)	0
Amortisation and impairment losses end of year	(767,974)	(214,975)	(269,981)	(23,691,611)	0
Carrying amount end of year	3,568,240	22,025	0	42,941,793	0

7 Development projects

Development projects is costs related to a new ERP system, that is implemented in 2020.

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	25,874,543	5,920,198
Additions	3,029,482	389,357
Disposals	(369,002)	0
Cost end of year	28,535,023	6,309,555
Depreciation and impairment losses beginning of year	(21,316,005)	(4,160,673)
Depreciation for the year	(2,020,465)	(537,533)
Reversal regarding disposals	369,002	0
Depreciation and impairment losses end of year	(22,967,468)	(4,698,206)
Carrying amount end of year	5,567,555	1,611,349

9 Prepayments

Prepayments include prepaid insurance, leasing and licensing agreements.

10 Share capital

	Number	Par value DKK	Nominal value DKK	Recorded par value DKK
Ordinary shares	1,429	1000	1,429,000	1,429,000
	1,429		1,429,000	1,429,000

11 Deferred tax

	2019/20 DKK	2018/19 DKK
Intangible assets	761,000	748,000
Property, plant and equipment	(193,000)	(185,000)
Inventories	(253,000)	320,000
Receivables	83,000	58,000
Deferred tax	398,000	941,000
	2019/20 DKK	2018/19 DKK
Changes during the year		
Beginning of year	941,000	454,000
Recognised in the income statement	(543,000)	487,000
End of year	398,000	941,000

12 Non-current liabilities other than provisions

	Due after more than 12 months 2019/20 DKK
Other payables	1,573,349
	1,573,349

13 Changes in working capital

	2019/20 DKK	2018/19 DKK
Increase/decrease in inventories	2,870,230	(3,161,211)
Increase/decrease in receivables	(1,079,591)	(383,191)
Increase/decrease in trade payables etc	2,929,113	(1,645,465)
	4,719,752	(5,189,867)

14 Unrecognised rental and lease commitments

	2019/20 DKK	2018/19 DKK
Liabilities under rental or lease agreements until maturity in total	3,516,721	4,602,481

15 Contingent liabilities

From 01.10.2020 the Entity participates in a Danish joint taxation arrangement where Americhem Denmark ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

16 Assets charged and collateral

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on goodwill, other fixtures and fittings, tools and equipment and leasehold improvements of TDKK 1.900 nominal.

Furthermore bank loans are secured by receivables charges of TDKK 11.000 nominal.

The carrying amount of mortgaged goodwill, other fixtures and fittings, tools and equipment and leasehold improvements is TDKK 50.119, the carrying amount of mortgaged receivables is TDKK 15.525.

17 Related parties with controlling interest

Related parties with a controlling influence in Controlled Polymers A / S:
Americhem Denmark ApS

18 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

19 Group relations

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

Americhem, Inc.
2000 Americhem Way
Cuyahoga Falls, OH, 44221 USA

Accounting policies

Reporting class

This annual report has been prepared 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.

Non-comparability

Because a change in ownership Controlled Polymers A/S has made a change in the financial year. For that reason, the profit and loss for 2019/20 contains 15 month and the comparative figures contains 12 month.

During the year, Controlled Polymers A/S has made two merges with their parent companies, which means that the costs for the parent companies is included in this annual report. Therefore the profit and loss for 2019/20 contains profit and costs for all three companies.

Accordingly, the comparative figures is not comparability.

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.

Business combinations

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. If the useful life cannot be estimated reliably, it is fixed at 15 years. Useful life is reassessed annually.

The uniting-of-interests method is applied on mergers where the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of acquisition without restatement of comparative figures. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting

estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity.

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 rate 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.

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.

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net exchange gains on transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net exchange losses on transactions in foreign currencies, amortisation of financial liabilities, and 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 Entity is jointly taxed with the Parent company. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Goodwill**

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 15 years because of goodwill is related to investment with a strong marked position.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise work in progress, development projects completed and acquired patent.

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 their estimated useful lives. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5-7 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount if it is lower than the carrying amount.

Property, plant and equipment

Plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the

asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-8 years
Leasehold improvements	6-10 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories

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

Cost 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 of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance 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 writedowns for bad and doubtful debts.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary

differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Tax receivable or payable

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

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and 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 taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and 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, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and reduced with short-term bank loans.