



Controlled Polymers A/S

Bohrsvej 8
6760 Ribe
CVR No. 25352440

Annual report 2021

The Annual General Meeting adopted the
annual report on 13.06.2022

Robert Kenneth Gudbranson
Chairman of the General Meeting

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Entity details

Entity

Controlled Polymers A/S

Bohrsvej 8

6760 Ribe

Business Registration No.: 25352440

Date of foundation: 26.04.2000

Registered office: Esbjerg

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Mogens Larsen

Robert Kenneth Gudbranson

James Michael Figaniak

Executive Board

James Michael Figaniak

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 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021.

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, 31.05.2022

Executive Board

James Michael Figaniak

Board of Directors

Mogens Larsen

Robert Kenneth Gudbranson

James Michael Figaniak

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 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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, 31.05.2022

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Mikael Grosbøl

State Authorised Public Accountant

Identification No (MNE) mne33707

Management commentary

Financial highlights

	2021 DKK'000	2019/20 DKK'000	2018/19 DKK'000
Key figures			
Gross profit/loss	32,634	25,600	25,754
Operating profit/loss	11,834	7,739	13,922
Net financials	30	(56)	117
Profit/loss for the year	8,314	4,745	10,935
Total assets	137,440	100,146	52,670
Investments in property, plant and equipment	14,679	3,419	2,250
Equity	93,643	85,329	36,762
Cash flows from (used in) operating activities	(8,212)	16,774	8,695
Cash flows from (used in) investing activities	(15,950)	(4,042)	(5,199)
Cash flows from (used in) financing activities	18,398	(3,377)	(13,550)
Ratios			
Equity ratio (%)	68.13	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 completed the merger of related companies in Denmark and created a corporate structure consistent with other international holdings. The structure has created no operational changes.

The company's financial year 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 8,314 t.DKK. The result for the period has been negatively affected by higher cost of raw materials. By higher cost related to increased number of staff. Negative impact from price development on utilities. By depreciation of goodwill arising from the merger between companies in Denmark. By impairment policy on inventories.

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

Outlook

In the coming financial year, management expects a result with modest growth compared to 2021. The Controlled Polymers A/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 .

Knowledge resources

The company works on an ongoing basis to attract, retain, and develop employees to support the company business. This happens i.e. via extroverted activities, support of staff activities, continuing education etc. and not at 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. Because of the current financial situation, development activities in the financial year have primarily been targeted solving direct customer-related issues.

Income statement for 2021

	Notes	2021 DKK	2019/20 DKK
Gross profit/loss		32,634,236	25,599,819
Distribution costs		(12,031,380)	(8,556,843)
Administrative expenses		(8,769,249)	(9,303,892)
Operating profit/loss		11,833,607	7,739,084
Other financial income		292,190	226,710
Other financial expenses		(262,189)	(283,163)
Profit/loss before tax		11,863,608	7,682,631
Tax on profit/loss for the year	4	(3,549,680)	(2,937,410)
Profit/loss for the year	5	8,313,928	4,745,221

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2019/20 DKK
Completed development projects	7	4,009,191	3,568,240
Acquired intangible assets		16,013	22,025
Acquired patents		0	0
Goodwill		38,499,561	42,941,793
Intangible assets	6	42,524,765	46,532,058
Other fixtures and fittings, tools and equipment		15,440,873	5,567,555
Leasehold improvements		3,830,905	1,611,349
Property, plant and equipment	8	19,271,778	7,178,904
Fixed assets		61,796,543	53,710,962
Raw materials and consumables		34,681,915	18,406,989
Manufactured goods and goods for resale		8,875,216	5,871,442
Inventories		43,557,131	24,278,431
Trade receivables		28,034,771	15,394,462
Receivables from group enterprises		239,620	28,831
Other receivables		762,620	292,997
Prepayments	9	3,048,451	675,389
Receivables		32,085,462	16,391,679
Cash		1,335	5,764,519
Current assets		75,643,928	46,434,629
Assets		137,440,471	100,145,591

Equity and liabilities

	Notes	2021 DKK	2019/20 DKK
Contributed capital	10	1,429,000	1,429,000
Reserve for development expenditure		2,835,417	2,491,474
Retained earnings		89,378,142	81,408,157
Equity		93,642,559	85,328,631
Deferred tax	11	1,072,000	398,000
Provisions		1,072,000	398,000
Other payables		1,441,411	1,573,349
Non-current liabilities other than provisions	12	1,441,411	1,573,349
Bank loans		16,215,589	0
Trade payables		15,113,937	6,649,918
Payables to group enterprises		4,035,106	1,642,029
Tax payable		3,673,000	1,167,570
Other payables		2,246,869	3,386,094
Current liabilities other than provisions		41,284,501	12,845,611
Liabilities other than provisions		42,725,912	14,418,960
Equity and liabilities		137,440,471	100,145,591
Events after the balance sheet date	1		
Staff costs	2		
Amortisation, depreciation and impairment losses	3		
Unrecognised rental and lease commitments	14		
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Statement of changes in equity for 2021

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1,429,000	2,491,474	81,408,157	85,328,631
Transfer to reserves	0	343,943	(343,943)	0
Profit/loss for the year	0	0	8,313,928	8,313,928
Equity end of year	1,429,000	2,835,417	89,378,142	93,642,559

Cash flow statement for 2021

	Notes	2021 DKK	2019/20 DKK
Operating profit/loss		11,833,607	7,739,084
Amortisation, depreciation and impairment losses		7,863,967	8,569,648
Working capital changes	13	(27,568,838)	4,719,752
Cash flow from ordinary operating activities		(7,871,264)	21,028,484
Financial income received		292,190	226,710
Financial expenses paid		(262,189)	(283,163)
Taxes refunded/(paid)		(370,250)	(4,198,245)
Cash flows from operating activities		(8,211,513)	16,773,786
Acquisition etc of intangible assets		(1,270,142)	(623,120)
Acquisition etc of property, plant and equipment		(14,679,406)	(3,418,839)
Cash flows from investing activities		(15,949,548)	(4,041,959)
Free cash flows generated from operations and investments before financing		(24,161,061)	12,731,827
Loans raised		16,215,589	0
Repayments of loans etc		0	(15,000,000)
Incurrence of debt to group enterprises		2,182,288	1,613,198
Group contribution		0	10,046,614
Debt acquired from merging activities		0	(36,512)
Cash flows from financing activities		18,397,877	(3,376,700)
Increase/decrease in cash and cash equivalents		(5,763,184)	9,355,127
Cash and cash equivalents beginning of year		5,764,519	(3,590,608)
Cash and cash equivalents end of year		1,335	5,764,519
Cash and cash equivalents at year-end are composed of:			
Cash		1,335	5,764,519
Cash and cash equivalents end of year		1,335	5,764,519

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

	2021 DKK	2019/20 DKK
Wages and salaries	26,291,099	25,476,141
Pension costs	2,581,352	3,189,845
Other social security costs	888,022	655,852
Other staff costs	292,280	301,767
	30,052,753	29,623,605
Average number of full-time employees	66	50

Information on remuneration to management has been omitted as per ÅRL § 98b paragraph 3

3 Depreciation, amortisation and impairment losses

	2021 DKK	2019/20 DKK
Amortisation of intangible assets	5,277,435	6,011,650
Depreciation of property, plant and equipment	2,586,532	2,557,998
	7,863,967	8,569,648

4 Tax on profit/loss for the year

	2021 DKK	2019/20 DKK
Current tax	2,875,680	3,476,436
Change in deferred tax	674,000	(543,000)
Adjustment concerning previous years	0	3,974
	3,549,680	2,937,410

5 Proposed distribution of profit and loss

	2021 DKK	2019/20 DKK
Retained earnings	8,313,928	4,745,221
	8,313,928	4,745,221

6 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Acquired patents DKK	Goodwill DKK
Cost beginning of year	4,336,214	237,000	269,981	66,633,404
Additions	1,270,142	0	0	0
Cost end of year	5,606,356	237,000	269,981	66,633,404
Amortisation and impairment losses beginning of year	(767,974)	(214,975)	(269,981)	(23,691,611)
Amortisation for the year	(829,191)	(6,012)	0	(4,442,232)
Amortisation and impairment losses end of year	(1,597,165)	(220,987)	(269,981)	(28,133,843)
Carrying amount end of year	4,009,191	16,013	0	38,499,561

7 Development projects

Completed development projects is costs related to a new ERP system, that was implemented in 2020 and have been further developed in 2021.

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	28,535,023	6,309,555
Additions	11,892,045	2,787,361
Cost end of year	40,427,068	9,096,916
Depreciation and impairment losses beginning of year	(22,967,468)	(4,698,206)
Depreciation for the year	(2,018,727)	(567,805)
Depreciation and impairment losses end of year	(24,986,195)	(5,266,011)
Carrying amount end of year	15,440,873	3,830,905

9 Prepayments

Prepayments include prepaid insurance, leasing, licensing agreements and prepayments for goods.

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

	2021 DKK	2019/20 DKK
Intangible assets	1,150,000	761,000
Property, plant and equipment	1,000	(193,000)
Inventories	(160,000)	(253,000)
Receivables	81,000	83,000
Deferred tax	1,072,000	398,000

	2021 DKK	2019/20 DKK
Changes during the year		
Beginning of year	398,000	941,000
Recognised in the income statement	674,000	(543,000)
End of year	1,072,000	398,000

12 Non-current liabilities other than provisions

	Due after more than 12 months 2021 DKK	Outstanding after 5 years 2021 DKK
Other payables	1,441,411	1,441,411
	1,441,411	1,441,411

13 Changes in working capital

	2021 DKK	2019/20 DKK
Increase/decrease in inventories	(19,278,700)	2,870,230
Increase/decrease in receivables	(15,482,994)	(1,079,591)
Increase/decrease in trade payables etc	7,192,856	2,929,113
	(27,568,838)	4,719,752

14 Unrecognised rental and lease commitments

	2021 DKK	2019/20 DKK
Liabilities under rental or lease agreements until maturity in total	2,681,175	3,516,721

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 DKK 1,900k nominal.

Furthermore bank loans are secured by receivables charges of DKK 11,000k nominal.

The carrying amount of mortgaged goodwill, other fixtures and fittings, tools and equipment and leasehold improvements is DKK 57,711k, the carrying amount of mortgaged receivables is DKK 28,035k.

17 Related parties with controlling interest

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

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 for the largest group:

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

The parent does not publish a group annual report.

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 in 2020 Controlled Polymers A/S has made a change in the financial year. For that reason, the profit and loss for 2021 contains 12 months and the comparative figures for 2019/20 contains 15 month.

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.

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.

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.