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Americhem Denmark ApS

Bohrsvej 8
6760 Ribe
CVR No. 41604689

Annual report 20.08.2020 - 31.12.2021

The Annual General Meeting adopted the annual report on 13.06.2022

Robert Kenneth Gudbranson
Chairman of the General Meeting

Contents

Entity details

Entity

Americhem Denmark ApS

Bohrsvej 8

6760 Ribe

Business Registration No.: 41604689

Date of foundation: 20.08.2020

Registered office: Esbjerg

Financial year: 20.08.2020 - 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 on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Americhem Denmark ApS for the financial year 20.08.2020 - 31.12.2021.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 20.08.2020 - 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, 07.06.2022

Executive Board

James Michael Figaniak

Board of Directors

Mogens Larsen

Robert Kenneth Gudbranson

James Michael Figaniak

Independent auditor's report

To the shareholders of Americhem Denmark ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Americhem Denmark ApS for the financial year 20.08.2020 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 20.08.2020 - 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 consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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, 07.06.2022

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Mikael Grosbøl
State Authorised Public Accountant
Identification No (MNE) mne33707

Management commentary

Financial highlights

	2020/21 DKK'000
Key figures	
Gross profit/loss	33,008
Operating profit/loss	6,111
Net financials	60
Profit/loss for the year	2,004
Balance sheet total	235,792
Investments in property, plant and equipment	21,985
Equity	191,957
Cash flows from operating activities	951
Cash flows from investing activities	(206,418)
Cash flows from financing activities	205,467
Ratios	
Equity ratio (%)	81.41

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

Equity ratio (%):
Equity * 100
Balance sheet total

Primary activities

The company is a holding company with no actual operating activity. The Group's primary activity are research, development, production and sale of compounded plastic materials as well as color and additive masterbatch.

Development in activities and finances

August 31st, 2020 Americhem Denmark bought the new subsidariy Controlled Polymers.

The result for the year shows a profit of DKK 2,004k.

Outlook

In the coming financial year, management expects a result with modest growth compared to 2021. The group's revenue is invoiced primarily in EUR and DKK and the company's purchases are also made in DKK and EUR. The group thus does not have a significant currency risk on revenue and purchases. The group is financed only with variable short-term debt and the company thus has an interest rate risk on the financing side

Knowledge resources

The group 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

The group 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.

Consolidated income statement for 2020/21

	Notes	2020/21 DKK
Gross profit/loss		**33,008,292**
Distribution costs		(15,594,186)
Administrative expenses		(11,302,641)
Operating profit/loss		**6,111,465**
Other financial income		356,086
Other financial expenses		(296,161)
Profit/loss before tax		**6,171,390**
Tax on profit/loss for the year	4	(4,167,545)
Profit/loss for the year	5	**2,003,845**

Consolidated balance sheet at 31.12.2021

Assets

	Notes	2020/21 DKK
Completed development projects	7	4,009,191
Acquired intangible assets		16,013
Goodwill		136,964,890
Intangible assets	6	**140,990,094**
Other fixtures and fittings, tools and equipment		15,440,873
Leasehold improvements		3,830,905
Property, plant and equipment	8	**19,271,778**
Fixed assets		**160,261,872**
Raw materials and consumables		34,681,915
Manufactured goods and goods for resale		8,875,216
Inventories		**43,557,131**
Trade receivables		28,034,771
Receivables from group enterprises		125,914
Other receivables		762,620
Prepayments	9	3,048,451
Receivables		**31,971,756**
Cash		**1,335**
Current assets		**75,530,222**
Assets		**235,792,094**

Equity and liabilities

	Notes	2020/21 DKK
Contributed capital	10	1,000,000
Retained earnings		190,956,776
Equity		**191,956,776**
Deferred tax	11	1,072,000
Provisions		**1,072,000**
Other payables		1,441,411
Non-current liabilities other than provisions	12	**1,441,411**
Bank loans		16,215,589
Trade payables		15,162,343
Payables to group enterprises		4,035,106
Tax payable		3,662,000
Other payables		2,246,869
Current liabilities other than provisions		**41,321,907**
Liabilities other than provisions		**42,763,318**
Equity and liabilities		**235,792,094**
Events after the balance sheet date	1	
Staff costs	2	
Amortisation, depreciation and impairment losses	3	
Unrecognised rental and lease commitments	14	
Assets charged and collateral	15	
Transactions with related parties	16	
Group relations	17	
Subsidiaries	18	

Consolidated statement of changes in equity for 2020/21

	Contributed capital DKK	Retained earnings DKK	Total DKK
Contributed upon formation	40,000	0	40,000
Increase of capital	960,000	0	960,000
Group contributions etc.	0	188,952,931	188,952,931
Profit/loss for the year	0	2,003,845	2,003,845
Equity end of year	**1,000,000**	**190,956,776**	**191,956,776**

Consolidated cash flow statement for 2020/21

	Notes	2020/21 DKK
Operating profit/loss		6,111,465
Amortisation, depreciation and impairment losses		19,491,670
Working capital changes	13	(22,745,012)
Cash flow from ordinary operating activities		**2,858,123**
Financial income received		356,086
Financial expenses paid		(296,161)
Taxes refunded/(paid)		(1,967,411)
Cash flows from operating activities		**950,637**
Acquisition etc. of intangible assets		(1,765,970)
Acquisition etc. of property, plant and equipment		(14,698,867)
Acquisition of enterprises		(189,952,931)
Cash flows from investing activities		**(206,417,768)**
Free cash flows generated from operations and investments before financing		**(205,467,131)**
Loans raised		15,514,200
Cash capital increase		1,000,000
Group contribution		188,952,931
Cash flows from financing activities		**205,467,131**
Increase/decrease in cash and cash equivalents		**0**
Cash and cash equivalents at year-end are composed of:		
Cash		1,335
Cash and cash equivalents end of year		**1,335**

Notes to consolidated financial statements

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

	2020/21 DKK
Wages and salaries	33,380,074
Pension costs	3,392,199
Other social security costs	680,562
Other staff costs	409,624
	37,862,459

Average number of full-time employees	**66**

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

3 Depreciation, amortisation and impairment losses

	2020/21 DKK
Amortisation of intangible assets	16,778,689
Depreciation on property, plant and equipment	2,712,981
	19,491,670

4 Tax on profit/loss for the year

	2020/21 DKK
Current tax	4,036,545
Change in deferred tax	131,000
	4,167,545

5 Proposed distribution of profit/loss

	2020/21 DKK
Retained earnings	2,003,845
	2,003,845

6 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Goodwill DKK
Addition through business combinations etc	3,351,729	436,432	152,493,969
Additions	1,486,653	0	0
Cost end of year	**4,838,382**	**436,432**	**152,493,969**
Amortisation for the year	(829,191)	(420,419)	(15,529,079)
Amortisation and impairment losses end of year	**(829,191)**	**(420,419)**	**(15,529,079)**
Carrying amount end of year	**4,009,191**	**16,013**	**136,964,890**

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
Addition through business combinations etc	5,571,279	1,714,613
Additions	11,892,045	2,806,822
Cost end of year	**17,463,324**	**4,521,435**
Depreciation for the year	(2,022,451)	(690,530)
Depreciation and impairment losses end of year	**(2,022,451)**	**(690,530)**
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 Contributed capital

	Number	Par value DKK	Nominal value DKK	Recorded par value DKK
Ordinary Shares Americhem Denmark ApS	10,000	100.00	1,000,000	1,000,000
	10,000		**1,000,000**	**1,000,000**

11 Deferred tax

	2020/21 DKK
Intangible assets	1,150,000
Property, plant and equipment	1,000
Inventories	(160,000)
Receivables	81,000
Deferred tax	**1,072,000**

Changes during the year	2020/21 DKK
Beginning of year	398,000
Recognised in the income statement	674,000
End of year	**1,072,000**

12 Non-current liabilities other than provisions

	Due after more than 12 months 2020/21 DKK
Other payables	1,441,411
	1,441,411

13 Changes in working capital

	2020/21 DKK
Increase/decrease in inventories	(19,541,184)
Increase/decrease in receivables	(16,564,074)
Increase/decrease in trade payables etc.	13,360,246
	(22,745,012)

14 Unrecognised rental and lease commitments

	2020/21 DKK
Total liabilities under rental or lease agreements until maturity	**2,681,175**

15 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 recievables is DKK 28.035k.

16 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

17 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.

18 Subsidiaries

	Registered in	Corporate form	Ownership %
Controlled Polymers A/S	Denmark	A/S	100.00

Parent income statement for 2020/21

	Notes	2020/21 DKK
Administrative expenses		(162,112)
Operating profit/loss		**(162,112)**
Income from investments in group enterprises		2,154,957
Profit/loss before tax		**1,992,845**
Tax on profit/loss for the year	1	11,000
Profit/loss for the year	2	**2,003,845**

Parent balance sheet at 31.12.2021

Assets

	Notes	2020/21 DKK
Investments in group enterprises		192,107,888
Financial assets	3	**192,107,888**
Fixed assets		**192,107,888**
Joint taxation contribution receivable		3,673,000
Receivables		**3,673,000**
Current assets		**3,673,000**
Assets		**195,780,888**

Equity and liabilities

	Notes	2020/21 DKK
Contributed capital		1,000,000
Reserve for net revaluation according to equity method		2,154,957
Retained earnings		188,801,819
Equity		**191,956,776**
Trade payables		48,406
Payables to group enterprises		113,706
Tax payable		3,662,000
Current liabilities other than provisions		**3,824,112**
Liabilities other than provisions		**3,824,112**
Equity and liabilities		**195,780,888**
Contingent liabilities	4	
Assets charged and collateral	5	
Related parties with controlling interest	6	
Transactions with related parties	7	

Parent statement of changes in equity for 2020/21

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Contributed upon formation	40,000	0	0	40,000
Increase of capital	960,000	0	0	960,000
Group contributions etc.	0	0	188,952,931	188,952,931
Profit/loss for the year	0	2,154,957	(151,112)	2,003,845
Equity end of year	**1,000,000**	**2,154,957**	**188,801,819**	**191,956,776**

Notes to parent financial statements

1 Tax on profit/loss for the year

	2020/21 DKK
Refund in joint taxation arrangement	(11,000)
	(11,000)

2 Proposed distribution of profit and loss

	2020/21 DKK
Retained earnings	2,003,845
	2,003,845

3 Financial assets

	Investments in group enterprises DKK
Additions	189,952,931
Cost end of year	**189,952,931**
Amortisation of goodwill	(9,606,370)
Share of profit/loss for the year	11,761,327
Revaluations end of year	**2,154,957**
Carrying amount end of year	**192,107,888**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

4 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. 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, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

5 Assets charged and collateral

In order to guarantee bank debt and guarantees, pledged shares and shares in the affiliated undertakings are provided. The carrying amount of pledged shares and shares is DKK 192,108k

6 Related parties with controlling interest

Americhem Inc. owns all shares in the Entity, thus exercising control.

7 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

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).

Non-comparability
Because it is the company's first financial year, there are no comparative figures.

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.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling, influence are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

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 in 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

Rvenue 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.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

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.

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. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

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.

Investments in group enterprises
Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Reference is made to the above section on business combinations for more details about the accounting policies applied to acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Goodwill is the difference between cost of investments and fair value of the pro rata share 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 other 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.

Investments in group enterprises 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.

Joint taxation contributions payable or receivable
Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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.

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

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

Tax payable or receivable
Current tax payable or receivable 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