

**Novadan ApS**  
Platinvej 21  
6000 Kolding  
Business Registration No 63129216

**Annual report 2018**

The Annual General Meeting adopted the annual report on 10.04.2019

**Chairman of the General Meeting**

A handwritten signature in blue ink, reading "Birgit Andersen", written over a horizontal line.

Name: Birgit Andersen

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## Entity details

### Entity

Novadan ApS  
Platinvej 21  
6000 Kolding

Central Business Registration No (CVR): 63129216

Registered in: Kolding

Financial year: 01.01.2018 - 31.12.2018

### Board of Directors

Michael R Zimmerman, chairman

Birgit Andersen, vice chairman

MaryAnn Spiegel

### Executive Board

Filippo Nello Pasquini, executive officer

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Egtved Allé 4

6000 Kolding

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Novadan ApS for the financial year 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

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.

Kolding, 09.04.2019

### Executive Board

  
Filippo Nello Pasquin  
executive officer

### Board of Directors

  
Michael R. Zimmermann  
chairman

  
Birgit Andersen  
vice chairman

  
MaryAnn Spiegel

## Independent auditor's report

### To the shareholders of Novadan ApS

#### Opinion

We have audited the financial statements of Novadan ApS for the financial year 01.01.2018 - 31.12.2018, 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 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

## Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.


## Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.


Kolding, 09.04.2019

### Deloitte

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556



Ole Søndergaard Larsen  
State Authorised Public Accountant  
Identification No (MNE) mne11676



Allan Trille Pedersen  
State Authorised Public Accountant  
Identification No (MNE) mne34339

## Management commentary

	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
<b>Financial highlights</b>					
<b>Key figures</b>					
Gross profit	78.177	131.000	81.810	74.491	96.660
Operating profit/loss	19.820	68.876	19.943	10.000	36.985
Net financials	(638)	(564)	(456)	(1.076)	(3.199)
Profit/loss for the year	14.912	53.258	15.172	6.949	24.509
Total assets	87.592	139.364	158.692	142.908	138.358
Investments in property, plant and equipment	786	1.599	3.187	5.193	5.833
Equity	63.747	108.835	130.577	115.402	108.453
Cash flows from (used in) operating activities	60.554	76.935	(1.230)	10.728	8.601
Cash flows from (used in) investing activities	(554)	(1.935)	(3.195)	(14.764)	(5.859)
<b>Ratios</b>					
Return on equity (%)	17,3	44,5	12,3	6,2	25,5
Equity ratio (%)	72,8	78,1	82,3	80,8	78,4

Financial highlights are defined (retroactively) in accordance with Regulation (EU) No 1609/2013 issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average Equity}}$	The entity's return on capital invested in the entity by the owners
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.



## Management commentary

### Primary activities

The main activity of the company is production and marketing of cleaning and disinfecting agents together with chemicals, accessories and equipment for industrial and professional use.

### Development in activities and finances

The financial result of the period was a profit before tax of 19.182 DKK'000 compared to a profit of 68.313 DKK'000 in 2017. The result of the year 2017 was positively affected by a gain of 45.578 DKK'000, due to the sale of intangible assets. The result in 2018 is thus considered to be satisfactory and in line with the expectations.

### Outlook

The financial result for 2019 is expected to be at least at the same level as in 2018.

### Particular risks

#### *Business risks*

The company has no particular risk apart from the usual risk within the business.

#### *Financial risks*

As a result of the business and financing methods, the company is exposed to changes in the currency exchange rates and the level of interest. The parent company controls the financial risks in the group centrally and coordinates the cash management of the group.

### Intellectual capital resources

The company staff has extensive competence concerning industrial cleaning and hygiene solutions ensuring a high standard of hygiene and rational cleaning methods within the private and the public sector.

### Environmental performance

The company is environmentally conscious and focuses strongly on reducing the environmental stress caused by the running of the company and the use of the products. Both the working environment and the external environment are monitored.

Novadan is categorized as a hazardous company in column 3 and has completed a risk assessment report showing that Novadan has a high security level internally as well as externally.

NOVADAN ApS is ISO 14001:2015 certified.

The company is among the leading Nordic suppliers of swan labelled products for industrial cleaning and hygiene solutions. At present, 100 different swan labelled products are on the market.

### Quality Issues

NOVADAN ApS is ISO 9001:2015 certified.

## Management commentary

### Research and development activities

During the year, the development activities have been focused on increasing the efficiency and the environmental performance of our concepts.

### Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

## Income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
<b>Gross profit</b>	1, 2, 3	<b>78.177.364</b>	<b>131.000.301</b>
Distribution costs	2, 3	(42.622.962)	(51.355.268)
Administrative expenses	2, 3	(15.734.228)	(10.768.563)
<b>Operating profit/loss</b>		<b>19.820.174</b>	<b>68.876.470</b>
Other financial income		220.079	284.837
Other financial expenses		(858.065)	(848.559)
<b>Profit/loss before tax</b>		<b>19.182.188</b>	<b>68.312.748</b>
Tax on profit/loss for the year	4	(4.270.430)	(15.054.933)
<b>Profit/loss for the year</b>	5	<b>14.911.758</b>	<b>53.257.815</b>

## Balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Acquired intangible assets		0	0
Acquired licences		7.709.041	8.952.162
Goodwill		1.237.391	1.944.383
<b>Intangible assets</b>	<b>6</b>	<b>8.946.432</b>	<b>10.896.545</b>
Plant and machinery		4.423.033	7.725.939
Other fixtures and fittings, tools and equipment		144.628	546.185
<b>Property, plant and equipment</b>	<b>7</b>	<b>4.567.661</b>	<b>8.272.124</b>
Deposits		2.383.499	2.360.121
<b>Fixed asset investments</b>	<b>8</b>	<b>2.383.499</b>	<b>2.360.121</b>
<b>Fixed assets</b>		<b>15.897.592</b>	<b>21.528.790</b>
Raw materials and consumables		9.223.959	7.863.982
Manufactured goods and goods for resale		11.523.414	9.774.912
<b>Inventories</b>		<b>20.747.373</b>	<b>17.638.894</b>
Trade receivables		33.547.599	32.013.065
Receivables from group enterprises	9	16.132.400	67.248.638
Other receivables		57.837	85.999
Income tax receivable		371.699	0
Prepayments	10	837.858	848.634
<b>Receivables</b>		<b>50.947.393</b>	<b>100.196.336</b>
<b>Current assets</b>		<b>71.694.766</b>	<b>117.835.230</b>
<b>Assets</b>		<b>87.592.358</b>	<b>139.364.020</b>

## Balance sheet at 31.12.2018

	<b>Notes</b>	<b>2018 DKK</b>	<b>2017 DKK</b>
Contributed capital	11	6.000.000	6.000.000
Retained earnings		37.746.662	42.834.904
Proposed dividend		20.000.000	60.000.000
<b>Equity</b>		<b>63.746.662</b>	<b>108.834.904</b>
Deferred tax	12	1.645.118	2.402.990
<b>Provisions</b>		<b>1.645.118</b>	<b>2.402.990</b>
Trade payables		11.280.745	16.413.251
Payables to group enterprises		308.780	943.732
Income tax payable	13	0	237.065
Other payables		10.611.053	10.532.078
<b>Current liabilities other than provisions</b>		<b>22.200.578</b>	<b>28.126.126</b>
<b>Liabilities other than provisions</b>		<b>22.200.578</b>	<b>28.126.126</b>
<b>Equity and liabilities</b>		<b>87.592.358</b>	<b>139.364.020</b>
Contingent liabilities	15		
Related parties with controlling interest	16		
Transactions with related parties	17		
Group relations	18		

## Statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	6.000.000	42.834.904	60.000.000	108.834.904
Ordinary dividend paid	0	0	(60.000.000)	(60.000.000)
Profit/loss for the year	0	(5.088.242)	20.000.000	14.911.758
<b>Equity end of year</b>	<b>6.000.000</b>	<b>37.746.662</b>	<b>20.000.000</b>	<b>63.746.662</b>

## Cash flow statement for 2018

	Notes	2018 DKK	2017 DKK
Operating profit/loss		19.820.174	68.876.470
Amortisation, depreciation and impairment losses		6.185.297	6.786.839
Working capital changes	14	40.823.680	19.547.666
<b>Cash flow from ordinary operating activities</b>		<b>66.829.151</b>	<b>95.210.975</b>
Financial income received		220.079	284.837
Financial income paid		(858.065)	(848.559)
Income taxes refunded/(paid)		(5.637.066)	(17.712.441)
<b>Cash flows from operating activities</b>		<b>60.554.099</b>	<b>76.934.812</b>
Acquisition etc of intangible assets		254.981	(302.701)
Acquisition etc of property, plant and equipment		(785.702)	(1.599.328)
Acquisition of fixed asset investments		(23.378)	(32.783)
<b>Cash flows from investing activities</b>		<b>(554.099)</b>	<b>(1.934.812)</b>
Dividend paid		(60.000.000)	(75.000.000)
<b>Cash flows from financing activities</b>		<b>(60.000.000)</b>	<b>(75.000.000)</b>

## Notes

### 1. Gross profit

Other operating income regarding the sale of intangible assets amounted to 45.578 DKK'000 in 2017 which was recognised as part of Gross profit. The corresponding amount regarding 2018 is 20 DKK'000.

	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>2. Staff costs</b>		
Wages and salaries	34.033.792	40.986.933
Pension costs	3.179.546	3.720.744
Other staff costs	830.272	869.658
	<b>38.043.610</b>	<b>45.577.335</b>
 Average number of employees	 <b>82</b>	 <b>98</b>

Remuneration of the management 2018 amount to DKK 0 (2017 DKK 0).

	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>3. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	1.695.132	1.190.760
Depreciation on property, plant and equipment	4.485.131	5.580.753
	<b>6.180.263</b>	<b>6.771.513</b>

	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>4. Tax on profit/loss for the year</b>		
Current tax	5.028.302	15.817.065
Change in deferred tax	(757.872)	(762.132)
	<b>4.270.430</b>	<b>15.054.933</b>

	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>5. Proposed distribution of profit/loss</b>		
Ordinary dividend for the financial year	20.000.000	60.000.000
Retained earnings	(5.088.242)	(6.742.185)
	<b>14.911.758</b>	<b>53.257.815</b>



## Notes

	Acquired intangible assets DKK	Acquired licences DKK	Goodwill DKK
<b>6. Intangible assets</b>			
Cost beginning of year	321.895	9.863.557	32.120.000
Additions	0	118.019	0
Disposals	0	(373.000)	0
<b>Cost end of year</b>	<b>321.895</b>	<b>9.608.576</b>	<b>32.120.000</b>
Amortisation and impairment losses beginning of year	(321.895)	(911.395)	(30.175.617)
Amortisation for the year	0	(988.140)	(706.992)
<b>Amortisation and impairment losses end of year</b>	<b>(321.895)</b>	<b>(1.899.535)</b>	<b>(30.882.609)</b>
<b>Carrying amount end of year</b>	<b>0</b>	<b>7.709.041</b>	<b>1.237.391</b>
		<b>Plant and machinery DKK</b>	<b>Other fixtures and fittings, tools and equipment DKK</b>
<b>7. Property, plant and equipment</b>			
Cost beginning of year		51.223.898	18.327.108
Additions		785.702	0
Disposals		(75.489)	0
<b>Cost end of year</b>		<b>51.934.111</b>	<b>18.327.108</b>
Depreciation and impairment losses beginning of year		(43.497.959)	(17.780.923)
Transfers		24.892	(24.892)
Depreciation for the year		(4.108.466)	(376.665)
Reversal regarding disposals		70.455	0
<b>Depreciation and impairment losses end of year</b>		<b>(47.511.078)</b>	<b>(18.182.480)</b>
<b>Carrying amount end of year</b>		<b>4.423.033</b>	<b>144.628</b>

## Notes

	<b>Deposits</b>
	<b>DKK</b>
<b>8. Fixed asset investments</b>	
Cost beginning of year	2.360.121
Additions	23.378
<b>Cost end of year</b>	<b>2.383.499</b>
<b>Carrying amount end of year</b>	<b>2.383.499</b>

### 9. Receivables from group enterprises

Together with other Danish Group companies, the company has entered into a cash pool arrangement, according to which another company is liable as sole contractor towards the bank. The balance of the cash pool arrangement, 13.165 DKK'000 is included in "Receivables from group enterprises".

### 10. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at amortised cost which usually corresponds to the nominal value.

### 11. Contributed capital

Share capital is not changed in the last 5 years.

### 12. Deferred tax

Deferred tax is at the following items:

	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
Intangible assets	1.994.883	2.397.240
Tangible assets	(570.151)	(138.040)
Inventories	290.736	235.037
Receivables	(70.350)	(91.247)
	<b>1.645.118</b>	<b>2.402.990</b>
Deferred tax 01.01.2018	2.402.990	3.165.122
Adjustment deferred tax in income statement	(757.872)	(762.132)
<b>Deferred tax 31.12.2018</b>	<b>1.645.118</b>	<b>2.402.990</b>

## Notes

### 13. Income tax payable

	2018 DKK	2017 DKK
Outstanding corporation tax 01.01.2018	237.065	2.132.442
Regulation tax earlier years	-	-
Current tax	5.028.302	15.817.065
Paid corporation tax net	(5.637.066)	(17.712.442)
	<u>(371.699)</u>	<u>237.065</u>

	2018 DKK	2017 DKK
<b>14. Change in working capital</b>		
Increase/decrease in inventories	(3.108.479)	959.414
Increase/decrease in receivables	49.620.642	13.516.453
Increase/decrease in trade payables etc	(5.688.483)	5.071.799
	<u>40.823.680</u>	<u>19.547.666</u>

### 15. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where ITW Danmark 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.

### Rental Commitments

The company has entered a rental agreement for the business areas Platinvej 13, 21 og 29, which expire 30.06.2027. The annual rent is 4.410 kDKK. Furthermore the company has entered into rental agreements which expire in less than 6 months. The annual rent is 289 kDKK.

There is entered a rental agreement regarding automobile with an average period of rent for 3 years. The annual rent is 920 kDKK.

There is entered an rental agreement regarding internal transport facilities with an average period of rent for 5 years. The annual rent is 438 kDKK

### 16. Related parties with controlling interest

Related parties with a controlling interest in Novadan ApS includes the ultimate parent company of the company, Illionis Tool Works Inc. through the sole shareholder ITW Denmark ApS, Silkeborg.

### 17. Transactions with related parties

According to S. 98c (7) of the Danish Financial Statements Act, the Company discloses that there have not been any non-arm's-length transactions.

## Notes

### 18. Group relations

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

- Illinois Tool Works Inc.
- 155 Harlem Avenue
- Glenview, IL 60025
- USA

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the 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. Fixed assets purchased in foreign currencies are translated using historical rates.

### Income statement

#### Gross profit or loss

The company has in relation to the Danish Financial Statements Act § 32 Chosen not to show the net revenues.

### Revenue

Revenue from the sale of manufactured goods and good for resale is recognised in the income statement when delivery is made and risk passed to the buyer.

## Accounting policies

### Production costs

Cost of sales comprises direct and indirect costs incurred to earn revenue. In cost of sales, costs of raw materials, consumables, production staff and depreciation of production plant are included.

Cost of production also includes costs of development projects.

### Distribution costs

Distribution costs comprise costs incurred for distribution of goods sold and also sales campaigns, including costs for sales and distribution staff, advertising costs as well as depreciation, amortisation and impairment losses.

### Administrative costs

Administrative expenses comprise expenses incurred for management and administration of the Company, including expenses for the administrative staff and the Management, stationary and the office supplies as well as depreciation and amortisation.

### Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the company's primary activities.

### Other financial income

Other financial income comprises interest income, realised and unrealised capital gains on securities and transactions in foreign currencies and cash discounts, etc.

### Other financial expenses

Other financial expenses comprise interest expenses, net capital or exchange losses on securities, payables and transactions in foreign.

### 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. Useful life is determined based on an assessment of whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Management has estimated useful lives to 20 years.

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

## Accounting policies

### Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised 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 and carrying amount.

Estimated useful lives and residual values are reassessed annually.

### Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment, cars and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

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:

Plant and machinery	3-15 years
Other fixtures and fittings, tools and equipment and cars	1-5 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 of goods for resale, raw materials and consumables consist of purchase price plus landing costs. Cost of manufactured good and work in progress consist of costs of raw materials, consumables and direct labour costs as well as indirect production costs.

### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad debts.

### Income 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.

### Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at amortised cost which usually corresponds to the nominal value.

## Accounting policies

### 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 or the planned settlement of each liability.

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.

### 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.

### Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment as well as fixed asset investment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash.