

# Americhem Europe A/S

Bohrsvej 8, 6760 Ribe  
CVR-nr. 25 35 24 40

Annual Report 2024

1 January - 31 December

The Annual Report has been presented and adopted at the  
Company's Annual General Meeting on 16 June 2025

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Robert Kenneth Gudbranson

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## Company Details

<b>Company</b>	Americhem Europe A/S Bohrsvej 8 6760 Ribe
	CVR No.: 25 35 24 40 Established: 26 April 2000 Municipality: Esbjerg Financial Year: 1 January - 31 December
<b>Board of Directors</b>	Robert Kenneth Gudbranson, chairman James David Kinney Barend Christoffel Du Plessis
<b>Executive Board</b>	Barend Christoffel Du Plessis
<b>Auditor</b>	BDO Statsautoriseret revisionsaktieselskab Dokken 8 6700 Esbjerg

# Management's Statement

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Americhem Europe A/S for the financial year 1 January - 31 December 2024.

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 Company's assets, liabilities and financial position at 31 December 2024 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2024.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Ribe, 16 June 2025

Executive Board

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Barend Christoffel Du Plessis

Board of Directors

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Robert Kenneth Gudbranson  
Chairman

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James David Kinney

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Barend Christoffel Du Plessis

# Independent Auditor's Report

To the Shareholder of Americhem Europe A/S

## Opinion

We have audited the Financial Statements of Americhem Europe A/S for the financial year 1 January - 31 December 2024, which comprise income statement, Balance Sheet, statement of changes in equity, cash flows, notes and 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 assets, liabilities and financial position of the Company at 31 December 2024 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2024 in accordance with the Danish Financial Statements Act.

## Basis for Opinion

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

## 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

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

## Independent Auditor's Report

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

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

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

# Independent Auditor's Report

## Statement on Management Commentary

Management is responsible for Management Commentary.

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

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

Based on the work we have performed, we conclude that 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 Management Commentary.

Esbjerg, 16 June 2025

BDO Statsautoriseret revisionsaktieselskab  
CVR no. 20 22 26 70

Mikael Grosbøl  
State Authorised Public Accountant  
MNE no. mne33707

## Financial Highlights

	2024 DKK '000	2023 DKK '000	2022 DKK '000	2021 DKK '000	2019/20 DKK '000
<b>Income statement</b>					
Gross profit/loss	43,399	36,870	41,568	32,634	25,600
Operating profit/loss of main activities	4,812	5,386	6,418	11,834	7,739
Financial income and expenses, net	-3,280	-3,640	-1,481	30	-56
Profit/loss for the year	-1,354	356	2,689	8,314	4,745
<b>Balance sheet</b>					
Total assets	231,001	155,723	194,397	137,440	100,146
Equity	178,832	96,687	96,332	93,643	85,329
<b>Cash flows</b>					
Investment in property, plant and equipment	-2,994	-17,520	-24,432	-14,679	-3,419
<b>Key ratios</b>					
Equity ratio	77.4	62.1	49.6	68.1	85.2
Return on equity	-1.0	0.4	2.8	9.3	7.8

Because of a change in ownership in 2020 Americhem Europe A/S made a change in the financial year. For that reason, the profit and loss for 2019/20 contains 15 months compared to 12 months in the other financial years.

Accordingly, the comparative financial highlights is not comparable.

Due to the merger in 2024 and the book-value method the comparative financial highlights is not comparable.

The ratios stated in the list of key figures and ratios have been calculated as follows:

Equity ratio: 
$$\frac{\text{Equity, at year-end} \times 100}{\text{Total assets, at year-end}}$$

Return on equity: 
$$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$$

# Management Commentary

## Principal activities

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

## Development in activities and financial and economic position

Following 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 compared to the expected development

**Non-Financial Highlights:** During the year, significant non-financial events have shaped our operational landscape. These include the depreciation of goodwill resulting from the merger of Danish companies.

**Operational Developments:** In 2024, the new “clean room” facility was successfully commissioned, representing as strategic milestone for our European operations. The “clean room” manufacturing capability will serve as the growth engine for expanding Americhem’s commercial footprint in Europe with specific emphasis on the healthcare industry.

**Market Dynamics:** Despite challenges such as increased manufacturing material costs, our material margin continued to exhibit a modest year-over-year increase as pricing and obsolescent inventory control practices become embedded in the daily operations.

**Management Assessment:** Considering the changes and challenges encountered throughout the financial year, both internally and externally, management considers the year's financial result to be acceptable. These assessments are based on a comprehensive review of our operational performance and strategic initiatives undertaken during the period.

This report provides a summary of our financial and operational achievements, highlighting our resilience and strategic focus amidst a dynamic business environment.

The result for the year shows a loss of DKK 1.4M. The result for the period has been negatively affected by higher manufacturing and recruitment costs because of high people turnover following a relentless safety campaign in Q2 2024.

## Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the Company's financial position.

## Financial risk

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

Stagflation and a possible EU, or global recession cannot be excluded in 2025 which may adversely affect performance.

## Management Commentary

### Research and development activities

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.

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 at solving direct customer-related issues.

### Future expectations

**Market Conditions:** We anticipate that raw material and costs will become inflationary in 2025 but, with solid pricing practices implemented, the business should be able to mitigate most of the impact in 2025. However, uncertainty due to geopolitics may pose unexpected challenges to our performance targets in 2025.

**Sector Concerns:** The Building & Construction market segment in Europe continues to be a concern, as a significant slowdown in demand was observed throughout 2024.

**Strategic Initiatives:** Management is confident that new business opportunities, the execution of our sales strategy with a focus on healthcare, continued price maintenance, and improvements in operational efficiencies will support revenue growth in the next financial year.

**Potential Risks:** We remain vigilant to the risks of stagflation, a potential EU or global recession, and geopolitical instability, which could adversely affect our performance in 2025.

Taking the abovementioned into consideration we anticipate the result for the year 2025 to be DKK 2.9M.

## Income Statement 1 January - 31 December

	Note	2024 DKK	2023 DKK
<b>Gross profit</b>	1	<b>43,398,649</b>	<b>36,869,661</b>
Distribution costs	1	-21,540,039	-20,075,341
Administrative expenses	1	-17,037,459	-11,408,653
<b>Operating profit</b>		<b>4,821,151</b>	<b>5,385,667</b>
Other operating expenses		-8,931	0
<b>Operating profit</b>		<b>4,812,220</b>	<b>5,385,667</b>
Other financial income	2	9,340	746,835
Other financial expenses	3	-3,289,805	-4,386,779
<b>Profit before tax</b>		<b>1,531,755</b>	<b>1,745,723</b>
Tax on profit/loss for the year	4	-2,886,000	-1,390,000
<b>Loss for the year</b>	5	<b>-1,354,245</b>	<b>355,723</b>

## Balance Sheet at 31 December

### Assets

	Note	2024 DKK	2023 DKK
Completed development projects		2,195,961	2,705,653
Acquired intangible assets		0	3,989
Goodwill		102,023,854	29,615,097
<b>Intangible assets</b>	<b>6</b>	<b>104,219,815</b>	<b>32,324,739</b>
Other plant, fixtures and equipment		27,017,725	29,061,621
Leasehold improvements		21,146,308	22,365,406
<b>Property, plant and equipment</b>	<b>7</b>	<b>48,164,033</b>	<b>51,427,027</b>
Rent deposit and other receivables		1,924,780	1,889,579
<b>Financial non-current assets</b>	<b>8</b>	<b>1,924,780</b>	<b>1,889,579</b>
<b>Non-current assets</b>		<b>154,308,628</b>	<b>85,641,345</b>
<hr/>			
Raw materials and consumables		29,277,429	26,377,287
Finished goods and goods for resale		3,052,288	7,897,889
<b>Inventories</b>		<b>32,329,717</b>	<b>34,275,176</b>
Trade receivables		39,311,866	26,472,729
Receivables from group enterprises		211,410	3,405,898
Other receivables		2,717,601	1,651,337
Prepayments	9	1,864,272	3,820,408
<b>Receivables</b>		<b>44,105,149</b>	<b>35,350,372</b>
Cash and cash equivalents		257,843	456,485
<b>Current assets</b>		<b>76,692,709</b>	<b>70,082,033</b>
<hr/>			
<b>Assets</b>		<b>231,001,337</b>	<b>155,723,378</b>
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## Balance Sheet at 31 December

### Equity and liabilities

	Note	2024 DKK	2023 DKK
Share Capital	10	1,429,000	1,429,000
Reserve for development costs		1,712,849	2,110,409
Retained earnings		175,690,335	93,147,884
<b>Equity</b>		<b>178,832,184</b>	<b>96,687,293</b>
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Provision for deferred tax	11	1,648,000	920,000
<b>Provisions</b>		<b>1,648,000</b>	<b>920,000</b>
<hr/>			
Frozen holiday pay		1,546,246	1,676,669
<b>Non-current liabilities</b>	12	<b>1,546,246</b>	<b>1,676,669</b>
Bank debt		13,767,820	6,357,937
Prepayments from customers		347,053	0
Trade payables		18,716,195	14,592,476
Debt to Group companies		9,116,032	30,195,180
Corporation tax payable		732,000	1,728,000
Other liabilities		6,295,807	3,565,823
<b>Current liabilities</b>		<b>48,974,907</b>	<b>56,439,416</b>
<b>Liabilities</b>		<b>50,521,153</b>	<b>58,116,085</b>
<hr/>			
<b>Equity and liabilities</b>		<b>231,001,337</b>	<b>155,723,378</b>
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## Equity

DKK	Share Capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2024	1,429,000	2,110,409	93,147,884	96,687,293
Proposed profit allocation, see note 5			-1,354,245	-1,354,245
<b>Transactions with owners</b>				
Additions relating to equity by merger			83,499,136	83,499,136
<b>Transfers</b>				
Allowed equalization		-397,560	397,560	0
<b>Equity at 31 December 2024</b>	<b>1,429,000</b>	<b>1,712,849</b>	<b>175,690,335</b>	<b>178,832,184</b>

## Cash Flow Statement 1 January - 31 December

	2024 DKK	2023 DKK
Profit/loss for the year	-1,354,245	355,723
Depreciation and amortisation, reversed	18,790,038	10,863,575
Tax on profit/loss, reversed	2,886,000	1,390,000
Corporation tax paid	-3,154,000	-2,068,013
Change in inventories	1,945,459	21,741,464
Change in receivables (ex tax)	-11,949,265	26,109,486
Change in other provisions	105,036	237,393
Change in current liabilities (ex bank, tax, instalments payable and overdraft facility)	6,965,297	-15,229,741
<b>Cash flows from operating activity</b>	<b>14,234,320</b>	<b>43,399,887</b>
Purchase of intangible assets	-381,536	0
Purchase of property, plant and equipment	-2,994,286	-17,520,028
Sale of property, plant and equipment	9,471	0
Purchase of financial assets	-35,201	-907,981
<b>Cash flows from investing activity</b>	<b>-3,401,552</b>	<b>-18,428,009</b>
Incurrence of debt to group enterprises	-17,884,660	-15,774,706
Change in bank debt	7,409,883	-9,561,878
Effect of the merger	-556,633	0
<b>Cash flows from financing activity</b>	<b>-11,031,410</b>	<b>-25,336,584</b>
<b>Change in cash and cash equivalents</b>	<b>-198,642</b>	<b>-364,706</b>
Cash and cash equivalents at 1. januar	456,485	821,191
<b>Cash and cash equivalents at 31. december</b>	<b>257,843</b>	<b>456,485</b>
Cash and cash equivalents at 31 December comprise:		
Cash and cash equivalents	257,843	456,485
<b>Cash and cash equivalents</b>	<b>257,843</b>	<b>456,485</b>

# Notes

2024  
DKK

2023  
DKK

## 1 | Staff costs

Average number of full time employees	73	76
Wages and salaries	41,035,660	37,418,725
Pensions	3,924,842	3,885,820
Social security costs	2,118,461	1,988,290
	<b>47,078,963</b>	<b>43,292,835</b>

Remuneration of Management and Board of Directors	0	3,123,114
Remuneration of Executive Board	3,144,160	0
Remuneration of Board of Directors (Estimated part of executive board remuneration in the group - Not paid by the entity)	100,000	0
	<b>3,244,160</b>	<b>3,123,114</b>

### Special incentive programme

In 2022 a stock option agreement was granted free of charge in Americhem Inc. (parent company) to members of Americhem Europe A/S' Executive and board of directors as part of an incentive programme.

A total of 200 stocks were issued, which each give a right to subscribe (without any pre-emption rights for other shareholders) a share in Americhem Inc. of a quota value of USD 4.216,43

## 2 | Other financial income

Other interest income	9,340	746,835
	<b>9,340</b>	<b>746,835</b>

## 3 | Other financial expenses

Interest expenses to group enterprises	1,073,994	2,610,545
Other interest expenses	2,215,811	1,776,234
	<b>3,289,805</b>	<b>4,386,779</b>

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

Calculated tax on taxable income of the year	2,158,000	1,728,000
Adjustment of deferred tax	728,000	-338,000
	<b>2,886,000</b>	<b>1,390,000</b>

## 5 | Proposed distribution of profit

Retained earnings	-1,354,245	355,723
	<b>-1,354,245</b>	<b>355,723</b>

## Notes

### 6 | Intangible assets

DKK	Completed development projects	Acquired intangible assets	Goodwill
Cost at 1 January 2024	6,231,812	506,981	66,633,404
Additions	381,536	0	0
Addition from mergers and acquisition of Company	0	0	84,055,769
<b>Cost at 31 December 2024</b>	<b>6,613,348</b>	<b>506,981</b>	<b>150,689,173</b>
Amortisation at 1 January 2024	3,526,159	502,992	37,018,307
Amortisation for the year	891,228	3,989	11,647,012
<b>Amortisation at 31 December 2024</b>	<b>4,417,387</b>	<b>506,981</b>	<b>48,665,319</b>
<b>Carrying amount at 31 December 2024</b>	<b>2,195,961</b>	<b>0</b>	<b>102,023,854</b>

Completed development projects is costs related to a new ERP system, that was implemented in 2020 and have been further developed in 2021 and 2022. Additions in 2024 is also related to the implementation of a new ERP system, domain and email integration.

### 7 | Property, plant and equipment

DKK	Other plant, fixtures and equipment	Leasehold improvements
Cost at 1 January 2024	62,433,659	29,042,400
Additions	2,816,939	177,347
Disposals	-1,252,754	-476,992
<b>Cost at 31 December 2024</b>	<b>63,997,844</b>	<b>28,742,755</b>
Depreciation and impairment losses at 1 January 2024	33,372,038	6,676,994
Reversal of depreciation of assets disposed of	-1,252,754	-467,521
Depreciation for the year	4,860,835	1,386,974
<b>Depreciation and impairment losses at 31 December 2024</b>	<b>36,980,119</b>	<b>7,596,447</b>
<b>Carrying amount at 31 December 2024</b>	<b>27,017,725</b>	<b>21,146,308</b>

### 8 | Financial non-current assets

DKK	Rent deposit and other receivables
Cost at 1 January 2024	1,889,579
Additions	35,201
<b>Cost at 31 December 2024</b>	<b>1,924,780</b>
<b>Carrying amount at 31 December 2024</b>	<b>1,924,780</b>

# Notes

## 9 | Prepayments

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

	2024 DKK	2023 DKK
<b>10   Share Capital</b>		
Allocation of share capital:		
Ordinary Shares, 1,429 unit in the denomination of 1,000 DKK	1,429,000	1,429,000
	<b>1,429,000</b>	<b>1,429,000</b>

## 11 | Provision for deferred tax

The provision for deferred tax is related to differences between the carrying amount and tax value of intangible and tangible fixed assets.

	2024 DKK	2023 DKK
Deferred tax, beginning of year	920,000	1,258,000
Deferred tax of the year, income statement	728,000	-338,000
<b>Provision for deferred tax 31 December 2024</b>	<b>1,648,000</b>	<b>920,000</b>

## 12 | Long-term liabilities

DKK	31/12 2024 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2023 total liabilities
Frozen holiday pay	1,651,282	105,036	1,059,604	1,676,669
	<b>1,651,282</b>	<b>105,036</b>	<b>1,059,604</b>	<b>1,676,669</b>

## Notes

### 13 | Contingencies etc.

#### Contingent liabilities

	2024 DKK	2023 DKK
Lease liabilities (operating leases), the payment is due: lease agreements until maturity in total	1,580,004	1,294,103
	<b>1,580,004</b>	<b>1,294,103</b>
<hr/>		
Rental commitments, the remaining non-cancellable period being: Liabilities under rental until maturity in total	40,326,645	42,830,409
	<b>40,326,645</b>	<b>42,830,409</b>

### 14 | Charges and securities

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 150,188k, the carrying amount of mortgaged receivables is DKK 39,312k.

### 15 | Related parties

The Company's related parties include:

#### Controlling interest

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

#### Transactions with related parties

The Company did not carry out any material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

# Accounting Policies

The Annual Report of Americhem Europe A/S for 2024 has been presented in accordance with the provisions of the Danish medium-size Financial Statements Act for enterprises in reporting class C .

The Annual Report is prepared consistently with the accounting principles applied last year.

## Comparative figures

The comparative figures in the Income Statement are not comparable with the current year because of the Merger. The comparative figures are not adjusted for 2023.

## 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.

## Income Statement

### Net revenue

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

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

### Other operating income

Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible assets, as well as salary refunds. Compensations are recognised when the income is estimated to be realisable.

### Production costs

Production costs comprise the costs of manufacture and procurement paid to achieve the net revenue for the year, including costs of raw materials and consumables, wages and salaries, energy, maintenance, leasing and depreciation of production plant, and adjusted for changes in inventory of finished goods and work in progress.

### Distribution costs

The costs paid for the distribution of goods sold during the year and for sales campaigns, etc. carried out during the year are recognised in distribution costs. The cost of sales personnel, advertising and exhibition costs and amortisation of distribution and sales related assets are also recognised in distribution costs. Common losses on bad debts are also recognised.

### Administrative expenses

Administrative expenses recognise costs incurred during the year regarding management and administration, inclusive of costs relating to the administrative staff, Executives, office premises, office expenses, etc., and related amortisation.

# Accounting Policies

## Other operating expenses

Other operating expenses include items of a secondary nature in relation to the Group's and the Company's activities. Losses from sale of intangible and tangible fixed assets are also included.

## Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from securities, debt and transactions in foreign currencies, as well as charges and allowances under the tax-on-account scheme, etc. Financial income and expenses are recognised by the amounts that relate to the financial year. Interest income and expenses are calculated on amortised cost prices.

## Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the Income Statement by the share that may be attributed to the profit for the year, and is recognised directly in equity by the share that may be attributed to entries directly to equity.

## Balance Sheet

### Intangible fixed assets

Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 15 years. The period of amortisation is determined based on an assessment of the acquired Company's position in the market and earnings profile, and the industry-specific conditions.

Patents and licences are measured at the lower of cost less accumulated amortisation and the recoverable amount. Patents are amortised over the remaining patent period and licences are amortised over the period of the agreement.

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.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

### Tangible fixed assets

Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	<b>Useful life</b>
Other plant, fixtures and equipment	3-10 years
Leasehold improvements	5-25 years

## Accounting Policies

Profit or loss on sale of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the date of sale. Profit or loss is recognised in the Income Statement as other operating income or other operating expenses.

### **Financial non-current assets**

Deposits include rental deposits which are recognised and measured at cost. Deposits are not depreciated.

### **Impairment of fixed assets**

The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value,, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

### **Inventories**

Inventories are measured at cost using the FIFO-principle. If the net realisable amount is lower than cost, the inventories are written down to the lower amount.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct payroll cost and other direct and other indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, the cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at the expected sales price less direct completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price of the inventories.

# Accounting Policies

## Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Write-off is performed to provide for losses when an objective indication has been assessed to have incurred that a receivable or a portfolio of receivables are impaired. If there is an objective indication that an individual receivable is impaired, the write-off is performed at individual level.

Receivables for which there are no objective indication of impairment at individual level are assessed at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' registered office and credit rating in accordance with the Company's policy for credit risk management. The objective indicators, which are applied for portfolios, are determined based on the historical loss experiences.

Write-off is determined as the difference between the carrying amount of receivables and the present value of the expected cash flows, including realisable value of any received collaterals. The effective interest rate is used as discount rate for the single receivable or portfolio.

## Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

## Cash and cash equivalents

Cash and cash equivalents include cash at bank.

## Equity

### Reserve for development costs

The reserve includes recognised post-tax development costs, which are capitalised as intangible assets. The reserve is reduced concurrently with depreciation of the intangible asset and is dissolved if the asset is discontinued from the operation of the company. Reduction of the reserve takes place via transferring directly to the distributable reserves of the equity.

## Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the Balance Sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

## Accounting Policies

### Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the loan period.

The amortised cost of current liabilities corresponds usually to the nominal value.

The capitalised remaining lease liability on finance lease contracts is also recognised as financial liabilities.

### Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the Income Statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the Balance Sheet date are translated at the exchange rate on the Balance Sheet date. The difference between the exchange rate on the Balance Sheet date and the exchange rate at the date when the receivables or payables come into existence recognised in the Income Statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

# Accounting Policies

## Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

### **Cash flows from operating activities:**

Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

### **Cash flows from investing activities:**

Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

### **Cash flows from financing activities:**

Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

### **Cash and cash equivalents:**

Cash and cash equivalents include cash at bank and in hand.