



Tel.: +299 32 15 11
nuuk@bdo.dk
www.bdo.dk

BDO Statsautoriseret revisionsaktieselskab
Imaneq 33, 7. etage, Box 20
GL-3900 Nuuk
CVR no. 20 22 26 70

LUMINA SUSTAINABLE MATERIALS A/S

NUUKULLAK 2 104., 3900 NUUK

ANNUAL REPORT

1 APRIL 2023 - 31 MARCH 2024

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 13 November 2024**

Benn Mikula

CONTENTS

| | Page |
|--|-------------|
| Company Details | |
| Company Details..... | 3 |
| Statement and Report | |
| Management's Statement..... | 4 |
| Independent Auditor's Report..... | 5-6 |
| Management Commentary | |
| Management Commentary..... | 7-8 |
| Financial Statements 1 April 2023 - 31 March 2024 | |
| Income Statement..... | 9 |
| Balance Sheet..... | 10-11 |
| Equity..... | 12 |
| Notes..... | 13-15 |
| Accounting Policies..... | 16-21 |

COMPANY DETAILS

| | |
|---------------------------|---|
| Company | Lumina Sustainable Materials A/S Nuukullak 2 104. 3900 Nuuk CVR No.: 12 75 97 11 Established: 13 April 2015 Municipality: Sermersooq Financial Year: 1 April 2023 - 31 March 2024 |
| Board of Directors | Benn Mikula, chairman Per Buhl Olsen Lars Knøsgaard Jensen |
| Executive Board | Bent Jensen |
| Auditor | BDO Statsautoriseret revisionsaktieselskab Imaneq 33, 7. etage, Box 20 GL-3900 Nuuk |

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Lumina Sustainable Materials A/S for the financial year 1 April 2023 - 31 March 2024.

The Annual Report is presented in accordance with the Greenlandic 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 March 2024 and of the results of the Company's operations for the financial year 1 April 2023 - 31 March 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.

Nuuk, 13 November 2024

Executive Board

Bent Jensen

Board of Directors

Benn Mikula
Chairman

Per Buhl Olsen

Lars Knøsgaard Jensen

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Lumina Sustainable Materials A/S

AUDITORS OPINION ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

We were appointed auditors of the Financial Statements of Lumina Sustainable Materials A/S for the financial year 1 April 2023 - 31 March 2024, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Greenlandic Financial Statements Act.

We do not express an opinion on the Financial Statements. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for our opinion.

Basis for Disclaimer of Opinion

In the annual report, non-current assets totaling DKK '000 321,979 related to mining operations are recognized. As there are indications of impairment, we have requested an impairment test. As of the date of our report, management was still in process of preparing underlying documentation. As a result, we were unable to determine whether any adjustments were necessary in respect of impairment of non-current assets and the elements making up the income statement and statement of changes in equity.

The annual report includes convertible and dividend-yielding debt instruments amounting to DKK 197,685 and other reserves under equity amounting to DKK '000 48,610. It has been found that the previous years' accounting treatment of the convertible and dividend-yielding debt instruments and other reserves under equity is incorrect. The convertible and dividend-yielding debt instruments and other reserves under equity should instead be divided into a debt instrument and a derivative, where the derivative should be recognized at fair value, with one input being the valuation of the equity. As a result, we were unable to determine whether any adjustments were necessary in respect of convertible and dividend-yielding debt instruments and other reserves under equity and the elements making up the income statement, balance sheet items and statement of changes in equity.

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 Greenlandic 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 responsibility is to perform an audit of the Financial Statements in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Greenland and to express an Auditor's Opinion. Because of the matter(s) described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an opinion on the Financial Statements.

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 Greenland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Statement on Management Commentary

INDEPENDENT AUDITOR'S REPORT

As described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. We do not express an opinion on the Management Commentary.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Violation of the deadline for submitting the annual report as stipulated by the Greenlandic Financial Statements Act

The company's management has not complied with the requirement of the Greenlandic Financial Statements Act to submit the annual report to the Danish Business Authority within the stipulated deadline, and the management may be held liable.

Nuuk, 13 November 2024

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Claus Bech
State Authorised Public Accountant
MNE no. mne31453

MANAGEMENT COMMENTARY

Management Executive Summary

Whilst Lumina Sustainable Materials A/S has continued to operate and perform under significant regulatory constraints and delayed timelines imposed by the Greenlandic Department of Mineral Resources, the steadfast and ongoing support of the existing investors is resolute and continues to enable company growth and a positive outlook, particularly in terms of qualifying Lumina Sustainable Materials A/S's role within the Lumina Global company landscape.

Lumina Sustainable Materials A/S remains confident in its ability to play a steady role in the global delivery of sustainable material and is confident, coupled with the demonstrable ongoing investor support, that once the delays of regulatory imposition are surpassed the company will operate in a financially optimistic manner.

Principal activities

Lumina Sustainable Materials A/S continues to position itself as a leader in innovative material science, addressing pressing manufacturing challenges through industry-leading sustainability. The company is focused on the development and operations of the White Mountain Anorthosite Mine located in Kangerlussuaq, Greenland. This mine is the cornerstone for producing sustainable materials for a variety of industries.

During the financial year 2023/24, the Company continued progressing on its mission to utilize the advantageous mineral specifications of Anorthosite either directly or mixed with other ingredients to create advanced materials for Global distribution. During the year, Lumina expanded its efforts in research and development (R&D), targeting advanced materials based on anorthosite, which is either used directly or mixed with other ingredients to create materials for various industries. At the same time the Company has worked hard to complete further improvements to the infrastructure and facility at the mine in Greenland. The continued effort to create markets and demands from the biproduct waste material from the grinding process, and by this taking another step to become a zero-emission mining and advanced materials company, is an ongoing process, which the Company remains committed to.

The management has been engaged in applying for and securing the necessary changes to the existing License by working closely together with the Greenlandic Department of Mineral Resources and Justice

Unusual matters

In connection with the preparation of the annual report of 23/24, it has been found that long term debt to other credit institutions had been missing interest from last year, which effectively made the long term debt to other credit institutions and other financial expenses in the annual report 22/23 incorrect. Therefore, we have corrected the error in the comparative figures in the annual report of 23/24.

The correction amounts to an increase in financial interest expenses by DKK '000 21,629 as well as an increase in long term debt to other credit institutions by the same amount in the comparative figures. Furthermore, the effect on equity is presented as "change of equity due to correction of errors".

In the annual report for 2022/23 deposited cash was mistakenly classified as other receivables. The comparative figures have been changed and the deposited cash is now classified as cash and cash equivalents. The change of classification amounts to DKK '000 5,756.

This does not result in any changes to total assets, equity or the income statement.

Recognition and measurement uncertainty

The company's financial performance remains highly dependent on several external factors, including market prices, the regulatory landscape and worldwide inflation and increase in energy prices. While the company has seen strong results and agreements for E-glass production in Europe previous years, and the negotiations for large commercial engagement on the North American market has started to unfold successfully, the uncertainties impact the recognition of revenue, especially given the long-term nature of the development and sales cycles for anorthosite-based products combined with the fact that though freight- and energy costs are lower than two years ago, the prices remain elevated, which directly impacts on the cost of exporting Lumina's products to North America, Europe and Asia. However, Lumina has successfully expanded its local workforce, reducing its reliance on foreign

MANAGEMENT COMMENTARY

Recognition and measurement uncertainty (continued)
contractors.

Development in activities and financial and economic position

The company recorded a net loss of DKK '000 161,044 for the financial year, an increase from the previous year's loss of DKK '000 135,663. Throughout 2023-24, Lumina secured additional financing from Lumina Global of USD '000 12,500 in convertible debt and net DKK '000 15,711 in intercompany loans to support its operational and capital expenditure. These funds were directed toward necessary capital projects, including improvements to production facilities at the White Mountain site, ensuring readiness for future contracts and production expansion.

Lumina has successfully continued to target markets such as the E-glass, anocrete (CO₂-free cement), and polymer industries, with a significant emphasis on diversifying its product portfolio. Several test materials have been delivered to prospective clients, with positive responses and promising future contract negotiations.

Significant events after the end of the financial year

Following the financial year-end, the company has focused on completing several large capital projects while fulfilling production commitments for the European E-glass market as well as the new North American Market. Additionally, an expressed will from the Government to work toward finding solutions to regulatory challenges is important in order for the Company to execute its strategy and achieve its goals.

Going Concern

The Board and Management believe that Lumina is on the right path toward commercial success, supported by the shareholders' continued commitment to provide financial support. Cordiant Capital has extended a formal letter of support, ensuring the company's obligations are covered until at least 30 September 2025.

Outlook

With the continued expansion of its product range and the completion of significant capital projects, Lumina is positioned for growth in 2024-25. The company anticipates entering into more commercial contracts and tapping into new markets across North America, Europe, and Asia. Management expects a busy year ahead with both operational and financial developments contributing to a stronger cash flow and financial position.

INCOME STATEMENT 1 APRIL - 31 MARCH

| | Note | 2023/24 DKK '000 | 2022/23 DKK '000 |
|---|------|---------------------|---------------------|
| GROSS LOSS | | -40,459 | -32,037 |
| Staff costs..... | 1 | -23,526 | -20,531 |
| Depreciation, amortisation and impairment losses..... | | -15,830 | -15,908 |
| OPERATING LOSS | | -79,815 | -68,476 |
| Other financial income..... | | 4 | -13 |
| Other financial expenses..... | | -81,233 | -67,174 |
| LOSS BEFORE TAX | | -161,044 | -135,663 |
| Tax on profit/loss for the year..... | | 0 | 0 |
| LOSS FOR THE YEAR | | -161,044 | -135,663 |
| PROPOSED DISTRIBUTION OF PROFIT | | | |
| Retained earnings..... | | -161,044 | -135,663 |
| TOTAL | | -161,044 | -135,663 |

BALANCE SHEET AT 31 MARCH

| ASSETS | Note | 2024 DKK '000 | 2023 DKK '000 |
|---|-------------|-------------------------|-------------------------|
| Development projects completed..... | | 234,700 | 233,502 |
| Development projects in progress and prepayments..... | | 0 | 1,401 |
| Intangible assets..... | 2 | 234,700 | 234,903 |
| Other plant, machinery tools and equipment..... | | 25,893 | 18,194 |
| Tangible fixed assets in progress and prepayment..... | | 61,386 | 42,560 |
| Property, plant and equipment..... | 3 | 87,279 | 60,754 |
| NON-CURRENT ASSETS..... | | 321,979 | 295,657 |
| Raw materials and consumables..... | | 4,021 | 3,725 |
| Inventories..... | | 4,021 | 3,725 |
| Trade receivables..... | | 410 | 181 |
| Other receivables..... | | 241 | 1,080 |
| Prepayments..... | | 4,673 | 472 |
| Receivables..... | | 5,324 | 1,733 |
| Cash and cash equivalents..... | 4 | 17,191 | 21,788 |
| CURRENT ASSETS..... | | 26,536 | 27,246 |
| ASSETS..... | | 348,515 | 322,903 |

BALANCE SHEET AT 31 MARCH

| EQUITY AND LIABILITIES | Note | 2024 DKK '000 | 2023 DKK '000 |
|---|-------------|-------------------------|-------------------------|
| Share Capital..... | 5 | 65,885 | 65,885 |
| Other reserves..... | | 48,610 | 38,775 |
| Reserve for development costs..... | | 34,731 | 33,832 |
| Retained earnings..... | | -472,519 | -310,575 |
| EQUITY..... | | -323,293 | -172,083 |
| Other provisions..... | 6 | 10,000 | 10,000 |
| PROVISIONS..... | | 10,000 | 10,000 |
| Convertible and dividend-yielding debt instruments..... | | 197,685 | 105,680 |
| Debt to other credit institutions..... | | 432,456 | 367,667 |
| Lease liabilities..... | | 3,427 | 195 |
| Non-current liabilities..... | 7 | 633,568 | 473,542 |
| Bank debt..... | | 54 | 57 |
| Lease liabilities..... | | 809 | 0 |
| Trade payables..... | | 4,850 | 6,394 |
| Other liabilities..... | | 22,527 | 4,993 |
| Current liabilities..... | | 28,240 | 11,444 |
| LIABILITIES..... | | 661,808 | 484,986 |
| EQUITY AND LIABILITIES..... | | 348,515 | 322,903 |
| Information on uncertainty with respect to going concern | 8 | | |
| Information on significant uncertainties at recognition and measurement | 9 | | |

EQUITY

| DKK '000 | Share Capital | Other reserves | Reserve for development costs | Retained earnings | Total |
|---|---------------|----------------|-------------------------------|-------------------|-----------------|
| Equity at 1 April 2023..... | 65,885 | 38,774 | 33,832 | -288,947 | -150,456 |
| Change of equity due to correction of errors..... | | | | -21,629 | -21,629 |
| Adjusted equity at 1 April 2023..... | 65,885 | 38,774 | 33,832 | -310,576 | -172,085 |
| Proposed profit allocation..... | | | | -161,044 | -161,044 |
| Other legal bindings | | | | | |
| Capitalized development costs..... | | | 1,924 | -1,924 | 0 |
| Revaluations in the year..... | | 9,836 | -1,025 | 1,025 | 9,836 |
| Equity at 31 March 2024..... | 65,885 | 48,610 | 34,731 | -472,519 | -323,293 |

Other reserves relates to the equity related part of the convertible debt.

NOTES

| | 2023/24 DKK '000 | 2022/23 DKK '000 | Note |
|---|--|--|----------|
| Staff costs | | | 1 |
| Average number of full time employees | 37 | 35 | |
| Wages and salaries..... | 23,084 | 20,170 | |
| Pensions..... | 209 | 112 | |
| Social security costs..... | 233 | 249 | |
| | 23,526 | 20,531 | |
| | | | |
| Intangible assets | | | 2 |
| | Development projects completed | Development projects in progress and prepayments | |
| DKK '000 | | | |
| Cost at 1 April 2023..... | 430,037 | 1,401 | |
| Transfer..... | 2,565 | -1,401 | |
| Cost at 31 March 2024..... | 432,602 | 0 | |
| Amortisation at 1 April 2023..... | 196,535 | 0 | |
| Amortisation for the year..... | 1,367 | 0 | |
| Amortisation at 31 March 2024..... | 197,902 | 0 | |
| | | | |
| Carrying amount at 31 March 2024..... | 234,700 | 0 | |
| | | | |
| Development projects | | | |
| <p>Lumina Sustainable Materials is an innovative material science company tackling today's most pressing manufacturing challenges through industry-leading sustainability. The Company is developing the White Mountain Anorthosite Mine located on the Kangerlussuaq fjord on the west coast of Greenland. It may also acquire, explore and evaluate other resource completed. The Company currently holds the exploitation license 2015-39.</p> | | | |
| | | | |
| Property, plant and equipment | | | 3 |
| | Other plant, machinery tools and equipment | Tangible fixed assets in progress and prepayment | |
| DKK '000 | | | |
| Cost at 1 April 2023..... | 103,757 | 42,560 | |
| Transferred..... | 15,910 | -17,074 | |
| Additions..... | 6,254 | 37,909 | |
| Disposals..... | 0 | -2,009 | |
| Cost at 31 March 2024..... | 125,921 | 61,386 | |
| Depreciation and impairment losses at 1 April 2023..... | 85,565 | 0 | |
| Depreciation for the year..... | 14,463 | 0 | |
| Depreciation and impairment losses at 31 March 2024..... | 100,028 | 0 | |
| | | | |
| Carrying amount at 31 March 2024..... | 25,893 | 61,386 | |
| | | | |
| Finance lease assets..... | 5,078 | | |

NOTES

| | | | | Note |
|--|-------------------|---------------|---------------|-------------------|
| Cash and cash equivalents | | | | 4 |
| Of the company's cash assets, DKK '000 11,019 remains in deposit accounts. | | | | |
| | | 2024 | 2023 | |
| | | DKK '000 | DKK '000 | |
| Share Capital | | | | 5 |
| Allocation of share capital: | | | | |
| A shares, 20,491,491 unit in the denomination of 1 DKK..... | | 20,492 | 20,492 | |
| B shares, 45,393,450 unit in the denomination of 1 DKK..... | | 45,393 | 45,393 | |
| | | 65,885 | 65,885 | |
| Other provisions | | | | 6 |
| The due dates for provisions are expected to be: | | | | |
| > 1 år..... | | 10,000 | 10,000 | |
| | | 10,000 | 10,000 | |
| Long-term liabilities | | | | 7 |
| | 31/3 2024 | Repayment | Debt | 31/3 2023 |
| DKK '000 | total liabilities | next year | outstanding | total liabilities |
| | | | after 5 years | |
| Convertible and interest-bearing debt | | | | |
| instruments..... | 197,685 | 0 | 0 | 105,680 |
| Debt to other credit institutions..... | 432,456 | 0 | 0 | 367,667 |
| Lease liabilities..... | 4,236 | 809 | 0 | 195 |
| | 634,377 | 809 | 0 | 473,542 |
| Convertible and dividend-yielding debt instruments | | | | |
| Convertible and dividend-yielding debt instruments is 11 loans. All loans are repayable with 200 per cent of the original Loan Amount upon maturity. | | | | |
| 3 of the loans have a maturity date in 2025. However, creditor has the option to convert into 33,112,582 B-shares. | | | | |
| 2 of the loans have a maturity date in 2027. However, creditor has the option to convert into 9.933.775 B-shares. | | | | |
| 5 of the loans have a maturity date in 2028. However, creditor has the option to convert into 39.735.100 B-shares. | | | | |
| 1 of the loans has a maturity date in 2029. However, the creditor has the option to convert into 11.589.404 B-shares | | | | |

NOTES**Note****Information on uncertainty with respect to going concern****8**

The management has obtained a statement from one of the legal owners which express sufficient financial support. The support covers the period to at least 30 september 2025 and will cover the company financially, by extending loans or providing credits for the company to the extent necessary to finance current and future activities and to service all current debts.

On this background the management consider the going concern assumption fulfilled.

Information on significant uncertainties at recognition and measurement**9**

The company's financial performance remains highly dependent on several external factors, including market prices, the regulatory landscape and worldwide inflation and increase in energy prices. While the company has seen strong results and agreements for E-glass production in Europe previous years, and the negotiations for large commercial engagement on the North American market has started to unfold successfully, the uncertainties impact the recognition of revenue, especially given the long-term nature of the development and sales cycles for anorthosite-based products combined with the fact that though freight- and energy costs are lower than two years ago, the prices remain elevated, which directly impacts on the cost of exporting Lumina's products to North America, Europe and Asia. However, Lumina has successfully expanded its local workforce, reducing its reliance on foreign contractors.

ACCOUNTING POLICIES

The Annual Report of Lumina Sustainable Materials A/S for 2023/24 has been presented in accordance with the provisions of the Greenlandic Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

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

Change resulting from material misstatements

In connection with the preparation of the annual report of 2023/24, it has been found that long term debt to other credit institutions had been missing interest from last year, which effectively made the long term debt to other credit institutions and other financial expenses in the annual report 2022/23 incorrect. Therefore, we have corrected the error in the comparative figures in the annual report of 2023/24.

The correction amounts to an increase in financial interest expenses by DKK '000 21,629 as well as an increase in long term debt to other credit institutions by the same amount in the comparative figures. Furthermore, the effect on equity is presented as "change of equity due to correction of errors".

In the annual report for 2022/23 deposited cash was mistakenly classified as other receivables. The comparative figures have been changed and the deposited cash is now classified as cash and cash equivalents. The change of classification amounts to DKK '000 5,756.

This does not result in any changes to total assets, equity or the income statement.

INCOME STATEMENT

Net revenue

Net revenue from the sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received.

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

Changes in inventories of finished goods and work in progress

Changes in inventories of finished good and work in progress comprise decreases or increases got the financial year in inventories of finished goods and work in progress. This item includes ordinary write downs of such inventories. Changes in inventories of raw materials are included in costs of raw materials and consumables.

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, operating loss and conflict compensations, as well as salary refunds. Compensations are recognised when the income is estimated to be realisable.

Other external expenses

Other external expenses include other production, sales, delivery and administrative costs, including costs of energy, marketing, premises, loss on bad debts, operating lease expenses, etc

Payments related to operating lease expenses and other lease agreements are recognised in the Income Statement over the contract period. The Company's total liability concerning operating and other lease agreements are stated under contingencies, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions, and other costs of social security etc., for the Company's employees.

ACCOUNTING POLICIES

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.

ACCOUNTING POLICIES

BALANCE SHEET

Intellectual property rights etc

Tangible assets acquired are measured at cost less accumulated amortisation and impairment losses. The amortisation period for intangible assests will be determined to fit with the life of the mine. Cost comprises the acquisition and preparation price, cost directly attributable to the acquisition and preparation costs of the asset until the time when the asset is ready to be put into operation.

Intangible assets depreciation are based at cost plus revaluation and minus estimated residual value after the end of useful life.

Depreciation is made systematically on the basis of used production capacity and the lives of the asset.

Intangible assets are written down to the lower recoverable amount and carrying amount.

Equipment

Equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises of 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. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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 estimated useful lives of the assets.

For leasehold improvement and assets subject to finance leases, the depreciation period cannot exceed the contract period.

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.

| | <i>Useful life</i> | <i>Residual value</i> |
|---|--------------------|-----------------------|
| <i>Other plant, fixtures and equipment.....</i> | <i>5-10 years</i> | <i>0%</i> |

Lease liabilities

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

ACCOUNTING POLICIES

Impairment of fixed assets

The carrying amount of intangible fixed and tangible assets, 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 production cost.

Indirect production costs comprise indirect materials and labour 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 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.

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. Accruals are measured at cost.

Cash and cash equivalents

Cash and cash equivalents include cash at bank.

ACCOUNTING POLICIES

Other provisions for liabilities

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

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.

Other financial liabilities

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

Convertible and dividend-yielding debt instruments

Upon initial recognition of convertible and dividend-yielding debt instruments, the convertible loan is divided into a debt instrument and an equity instrument.

The debt instrument is initially measured at fair value and subsequently at amortized cost. All convertible debt notes have an agreed interest rate of 0%, but the debt increases to 200% of the principal at maturity. Amortization is recognized in the income statement.

The residual amount between the received amount and the fair value of the debt instrument constitutes the equity instrument. The equity instrument is recognized under other reserves and is reduced linearly to 0 DKK through the income statement.

At maturity date, the loan is either repaid to the creditor or shares are issued. If shares are issued, the loan is offset against the free reserves of equity.

ACCOUNTING POLICIES

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.