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CVR no. 20 22 26 70

LUMINA SUSTAINABLE MATERIALS A/S

NUUKULLAK 2 104., 3900 NUUK

ANNUAL REPORT

1 APRIL 2022 - 31 MARCH 2023

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 11 October 2023

Benn Mikula

CVR NO. 12 75 97 11

CONTENTS

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 2022 - 31 March 2023
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 2022 - 31 March 2023.

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 2023 and of the results of the Company's operations for the financial year 1 April 2022 - 31 March 2023.

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, 11 October 2023

Executive Board

Bent Jensen

Board of Directors

Benn Mikula Chairman	Per Buhl Olsen	Lars Knøsgaard Jensen

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Lumina Sustainable Materials A/S

Opinion
We have audited the Financial Statements of Lumina Sustainable Materials A/S for the financial year 1 April 2022 - 31 March 2023, 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.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 March 2023 and of the results of the Company's operations for the financial year 1 April 2022 - 31 March 2023 in accordance with the Greenlandic Financial Statements Act.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Greenland. 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 Greenland, 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.

Emphasis of matter
We refer to note "Information on uncertainty with respect to recognition and measurement" regarding to uncertainty relating to recognition and measurement. Our conclusion is not modified regarding this issue.

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 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 Greenland 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 Greenland, we exercise professional judgment and maintain professional skepticism 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 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.

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 Greenlandic 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 Greenlandic Financial Statements Act. We did not identify any material misstatement of Management Commentary.

Nuuk, 11 October 2023

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Claus Bech State Authorised Public Accountant MNE no. mne31453	Lea Serwin State Authorised Public Accountant MNE no. mne46612

MANAGEMENT COMMENTARY

Principal activities

Lumina Sustainable Materials is an innovative material science company tackling today's most pressing manufacturing challanges through industry-leading sustainability. The Comapny is developing the White Mountain Anorthosite Mine located in the Kangerlussuaq fjord on west coast of Greenland.

During the financial year 2022/23 focus on R&D was increased a long side further improvements of the infrastructure and facility in Greenland. The already low environmental impact of operations was lowered further by creating a market and demand for biproduct waste material from grinding process and by this taking another step to becoming a zero-emission mining and advanced materials company.

The management has been engaged in applying for the necessary changes to the existing License by working closely together with the Greenlandic Department of Mineral Resources and Justice. Furthermore, the Company has pursued designing and implementing necessary capital projects at the White Mountain Anorthosite Mine.

Recognition and measurement uncertainty

Lumina Sustainable Materials A/S operates an anorthosite mine at Qaqortorsuaq, from where the company started production in 2018. The company has had some large volume sales of test material to potential longtermbuyers. These sales have resulted in very positive test results by all of the buyers, and some contracts for the e-glass marked in Europe. However, negotiations for larger commercial contracts are still ongoing.

The Company has not yet realized significant revenue generated from sales agreements for anorthosite and thus the establishment and operation has been financed with equity and loans from the shareholders. The shareholders are confident that with the strategy being implemented and the progress that has been - and still is - taking place at the mine and in the markets, the project and the Company are moving in the right direction. The primary shareholders are expected to provide further funding in order to support the further operation and development of the company.

The company marketing and sales work, conducted in 2021/22 and 2022/23 will continue in 2023/24 and is directed to more markets and customers, who can increase the sales volume during the year and thus increase the turnover rate for raw material and produced products on stock and further also increase the utilization of the production capacity. The main uncertainty is related to the timing as we have engaged in significant commercial negotiations at the same time as important changes and improvements are being executed at the White Mountain Anorthosite mine and approval on application to increase of production volume.

As a consequence of the uncertainty related to the expected revenue, we recognize there is an uncertainty to the valuation of the intangible assets and propety, plant and equipment.

Development in activities and financial and economic position

Net loss for the year was DKK 114.035k.

During the financial year 2022/23, the Company obtained additional financing of US$15.0 through a long-term loan from Cordiant Capital Inc. and its affiliates (“Cordiant”) and Romeo Fund - Flexi and its affiliates (“Romeo”) (together with Cordiant, the “Lenders”).

To fulfill the strategy, the management had identified capital projects on site to improve the production. With these changes and improvements, the Company will be able to enter sales contracts.
The strategy has been adapted to stimulate a broader demand for Anorthosite in several industries and in vastly different applications. With new products in the corporate portfolio the Management has been in dialogue with buyers representing multiple markets, potentially securing the Company with several revenue streams. The Company is still committed to provide Greenspar products for the E-glass-, Paint filler, anocrete (CO2-free cement) and other new markets, but as a mean to diversify, the Company is in the process of developing more applications. The Company has continued providing samples for potential buyers, throughout 2022 and 2023. The Company is quite confident that new products will be

Development in activities and financial and economic position (continued)
introduced to new markets in 2023/24.

The Company's financial performance is dependent on several factors. Any revenues the Company may earn from its operations in the future will be from the sale of minerals. However, prices and markets for minerals are cyclical, dificult to predict, volatile, subject to government negotiation and controls and affected by changes in domestic and international, political, social and economic environments. These changes in events can seriously affect the financial performance of the Company.

Lumina is looking into a very busy and interesting year.

Post COVID and War in Ukraine
In the aftermath of the Covid-19 Pandemic and the ongoing war in Ukraine the world experienced an increase in energy prices and inflation.

Lumina was already engaged in providing materials for tests on various markets in Europe prior to the war in Ukraine, and the Company is now producing to the European e-glass market despite the uncertainty in Europe. Further commercial negotiations are planned to take place within other markets both in Europe as well as in USA, hence the Company has already taken more steps towards the point where a positive cashflow can be reached.

(i) Over the last year and a half, the global market experienced a signifficant increase in freight costs and though we have seen a drop in prices, a normalization of freight rates is not expected in the near term. As Lumina Sustainable Materials is dependent on exporting products to North America and Europe, the Company will be exposed to this continuous high level of freight costs and the Company must continue its focus on optimizing cost structure on production costs as well as logistical costs to become competitive on the world market.

(ii) The Company has experienced significant increases in the prices for construction materials, process equipment and spare parts needed for the changes in the production on site as well as a significant increase in the delivery time for several machine parts and building materials which has delayed the projects, which the Company had scheduled for the year.

In response to the COVID-19 pandemic, the Greenlandic Government initiated and implemented financial packages to help private companies. However, given the conditions to become eligible for such help, Lumina Sustainable Materials has not received any financial support from the Greenlandic Government.

The Government allowed mining companies to take out 50% of the funds placed on the Escrow Account for Reclamation. Lumina Sustainable Materials made use of this option, and though this fund was scheduled to be paid back in 2022, this has now been postponed and the funds need to be repaid to the escrow account in late 2023.

On the more positive side of consequences, the Company has had success recruiting and expanding its workforce. Positions which were previously held by foreigners have now been occupied by local employees. It is still challenging hiring employees with higher educations or special mining experiences combined with management experiences, hence the Company has still had to hire foreign employees, but in lower numbers.

Significant events after the end of the financial year
After ending of the financial year 2022/23 the Company has purchased building materials and process line equipment for major capital projects being executed during the 2023 season. By doing so the Company is looking into a season that will be focusing on both production for the European E-glass market according to contracts as well as finishing large capital projects. This requires attention to the Company's cashflow and timeline.

The company has in July 2023 agreed to change the 7 convertible loans into one consolidated senior loan with some adjusted terms and conditions.

Significant events after the end of the financial year (continued)

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

INCOME STATEMENT 1 APRIL - 31 MARCH

	Note	2022/23 DKK '000	2021/22 DKK '000
GROSS LOSS		**-32,023**	**-36,175**
Staff costs	1	-20,546	-15,624
Depreciation, amortisation and impairment losses		-15,908	-9,839
OPERATING LOSS		**-68,477**	**-61,638**
Other financial income		-13	0
Other financial expenses		-45,545	-31,788
LOSS BEFORE TAX		**-114,035**	**-93,426**
Tax on profit/loss for the year	2	0	-6
LOSS FOR THE YEAR		**-114,035**	**-93,432**

PROPOSED DISTRIBUTION OF PROFIT

Retained earnings		-114,035	-93,432
TOTAL		**-114,035**	**-93,432**

BALANCE SHEET AT 31 MARCH

ASSETS	Note	2023 DKK '000	2022 DKK '000
Development projects completed		233,502	238,421
Development projects in progress and prepayments		1,401	0
Intangible assets	3	**234,903**	**238,421**
Other plant, machinery tools and equipment		18,194	24,669
Tangible fixed assets in progress and prepayment		42,560	4,088
Property, plant and equipment	4	**60,754**	**28,757**
Rent deposit and other receivables		5,756	5,256
Financial non-current assets	5	**5,756**	**5,256**
NON-CURRENT ASSETS		301,413	272,434
Raw materials and consumables		3,722	1,294
Inventories		**3,722**	**1,294**
Trade receivables		181	90
Other receivables		1,080	1,080
Prepayments		472	472
Receivables		**1,733**	**1,642**
Cash and cash equivalents		**16,032**	**31,497**
CURRENT ASSETS		21,487	34,433
ASSETS		322,900	306,867

BALANCE SHEET AT 31 MARCH

EQUITY AND LIABILITIES	Note	2023 DKK '000	2022 DKK '000
Share capital	6	65,885	65,885
Other reserves		38,775	27,759
Reserve for development costs		33,832	37,700
Retained earnings		-288,947	-178,780
EQUITY		**-150,455**	**-47,436**
Other provisions	7	10,000	10,000
PROVISIONS		**10,000**	**10,000**
Convertible and dividend-yielding debt instruments		105,680	59,679
Debt to other credit institutions		346,039	259,312
Lease liabilities		195	0
Non-current liabilities	8	**451,914**	**318,991**
Bank debt		57	19,514
Trade payables		6,394	4,008
Other liabilities		4,990	1,790
Current liabilities		**11,441**	**25,312**
LIABILITIES		**463,355**	**344,303**
EQUITY AND LIABILITIES		**322,900**	**306,867**

Uncertainty with respect to going concern	9
Information on uncertainty with respect to recognition and measurement	10

EQUITY

	Share capital	Other reserves	Reserve for development costs	Retained earnings	Total
Equity at 1 April 2022	65,885	27,759	37,700	-178,780	-47,436
Proposed profit allocation				-114,035	-114,035
Other legal bindings					
Capitalized development costs			1,051	-1,051	0
Revaluations in the year		11,016	-4,919	4,919	11,016
Equity at 31 March 2023	**65,885**	**38,775**	**33,832**	**-288,947**	**-150,455**

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

NOTES

			Note
Staff costs			**1**
Average number of employees	35	23	
Wages and salaries	20,170	15,300	
Pensions	112	236	
Social security costs	249	88	
Other staff costs	15	0	
	20,546	**15,624**	

Tax on profit/loss for the year			**2**
Adjustment of deferred tax	0	6	
	0	**6**	

Intangible assets **3**

	Development projects completed	Development projects in progress and prepayments
Cost at 1 April 2022	430,037	0
Additions	0	1,401
Cost at 31 March 2023	**430,037**	**1,401**
Amortisation at 1 April 2022	191,616	0
Amortisation for the year	4,919	0
Amortisation at 31 March 2023	**196,535**	**0**
Carrying amount at 31 March 2023	**233,502**	**1,401**

Development projects
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 in the Kangerlussuaq fjord on the west coast of Greenland. The Company announced that it had completed construction at the White Mountain Project site in the prior financial year and commenced production of its anorthosite product. It may also acquire, explore and evaluate other resource completed. The Company currently holds the exploitation license 2015-39.

NOTES

Note

Property, plant and equipment 4

	Other plant, machinery tools and equipment	Tangible fixed assets in progress and prepayment
Cost at 1 April 2022	99,248	4,088
Additions	4,510	38,472
Cost at 31 March 2023	**103,758**	**42,560**
Depreciation and impairment losses at 1 April 2022	74,576	
Depreciation for the year	10,988	
Depreciation and impairment losses at 31 March 2023	**85,564**	
Carrying amount at 31 March 2023	**18,194**	**42,560**
Finance lease assets	1,384	

Financial non-current assets 5

	Rent deposit and other receivables
Cost at 1 April 2022	5,256
Additions	500
Cost at 31 March 2023	**5,756**
Carrying amount at 31 March 2023	**5,756**

The Company has a liability to increase the escrow amount related to site restauration with DKK 5m in 2023.

Share capital 6

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 7

The due dates for provisions are expected to be:

> 5 år	10,000	10,000
	10,000	**10,000**

NOTES

Note

Long-term liabilities 8

	31/3 2023 total liabilities	Repayment next year	Debt outstanding after 5 years	31/3 2022 total liabilities
Convertible and interest-bearing debt instruments	105,680	0	0	59,679
Debt to other credit institutions	346,039	0	0	259,312
Lease liabilities	195	0	0	0
	451,914	**0**	**0**	**318,991**

Convertible and dividend-yielding debt instruments
Convertible and dividend-yielding debt instruments is 7 loan. All loan is 200 per cent of the Loan Amount is due for full repayment.

The repayment for the first 3 loans is 2025 unless creditor prior thereto has chosen to convert the Loan Amount into 33,112,582 B-shares.

The repayment for the scecond 2 loans is 2027 unless creditor prior thereto has chosen to convert the Loan Amount into 9.933.775 B-shares.

The repayment for the thrid 2 loans is 2028 unless creditor prior thereto has chosen to convert the Loan Amount into 9.933.775 B-shares.

Uncertainty with respect to going concern 9
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 2024 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 conside the going concern assumption fulfilled.

NOTES

Note

Information on uncertainty with respect to recognition and measurement 10

Lumina Sustainable Materials A/S operates an anorthosite mine at Qaqortorsuaq, from where the company started production in 2018. The company has had some large volume sales of test material to potential longtermbuyers. These sales have resulted in very positive test results by all of the buyers, and some contracts for the e-glass marked in Europe. However, negotiations for larger commercial contracts are still ongoing.

The Company has not yet realized significant revenue generated from sales agreements for anorthosite and thus the establishment and operation has been financed with equity and loans from the shareholders. The shareholders are confident that with the strategy being implemented and the progress that has been - and still is - taking place at the mine and in the markets, the project and the Company are moving in the right direction. The primary shareholders are expected to provide further funding in order to support the further operation and development of the company.

The company marketing and sales work, conducted in 2021/22 and 2022/23 will continue in 2023/24 and is directed to more markets and customers, who can increase the sales volume during the year and thus increase the turnover rate for raw material and produced products on stock and further also increase the utilization of the production capacity. The main uncertainty is related to the timing as we have engaged in significant commercial negotiations at the same time as important changes and improvements are being executed at the White Mountain Anorthosite mine and approval on application to increase of production volume.

As a consequence of the uncertainty related to the expected revenue, we recognize there is an uncertainty to the valuation of the intangible assets and propety, plant and equipment.

ACCOUNTING POLICIES

The Annual Report of Lumina Sustainable Materials A/S for 2022/23 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.

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.

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.

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 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.

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.

	Useful life
Other plant, fixtures and equipment...	5-10 years

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.

Financial non-current assets
Other receivables are measured at amortised cost which usually corresponds to the nominal amount. The amount is written down to meet expected losses.

ACCOUNTING POLICIES

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 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.

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 gaurantee 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-recource gaurantee 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.

ACCOUNTING POLICIES

Derivative financial instruments
Derivative financial instruments are initially recognised in the Balance Sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised under receivables and payables, respectively.

Change in the fair value of derivative financial instruments classified as and complying with the criteria for hedging of the fair value of a recognised asset or a recognised liability is recognised in the Income Statement together with possible changes in the fair value of the hedged asset or the hedged liability.

Change in the fair value of derivative financial instruments related to hedging of future cash flows are recognised in Equity to the extent, that the conditions for this purpose are fulfilled. The value adjustments are recognised in a fair value reserve for hedging for accounting purposes until the hedged transaction is realised or the hedging ceases is adjusted downward. Upon realisation the accumulated value of the hedging instrument together with the hedged transaction is recognised in the Income Statement, unless the hedging transaction results in recognition of a non-financial asset or a non-financial liability. In this case, the amount is transferred from Equity to the cost price or carrying amount of this asset or liability.

Where a hedging is no longer effective, in part or in full, the accumulated value in Equity is transferred in full or proportionally to the financial income or expenses in the Income Statement. Changes in the fair value of derivative financial instruments which the Company might elect not to transfer to hedging for accounting purposes are also recognised here. Tax on the movements in the hedging reserve is recognised, which is transferred to tax in the Income Statement as the reserve is being dissolved.

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.