VI SKABER BALANCE

Qubiqa A/S

Morsøgade 10, 6700 Esbjerg

CVR no. 87 23 60 13

Annual report
for the financial year 01.06.21 - 31.05.22

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 03.10.22

Axel Manøe Jepsen
Dirigent

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Company information etc.

The company

Qubiqa A/S
Morsøgade 10
6700 Esbjerg
Tel.: 75 12 01 99
Website: www.qubiqa.com
Registered office: Esbjerg
CVR no.: 87 23 60 13
Financial year: 01.06 - 31.05

Executive Board

Morten Lagoni Seeberg

Board of Directors

Axel Manøe Jepsen
Esben Bay Jørgensen
Jesper Hilarius Kalko
Claus Peter Skov
Hans Peder Pedersen
Flemming Vittrup Bak

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.06.21 - 31.05.22 for Qubiqa A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.05.22 and of the results of the company's activities for the financial year 01.06.21 - 31.05.22.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Esbjerg, October 3, 2022

Executive Board

Morten Lagoni Seeberg

Board of Directors

Axel Manøe Jepsen Chairman	Esben Bay Jørgensen	Jesper Hilarius Kalko
Claus Peter Skov	Hans Peder Pedersen	Flemming Vittrup Bak

To the Shareholder of Qubiqa A/S

Opinion

We have audited the financial statements of Qubiqa A/S for the financial year 01.06.21 - 31.05.22, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.05.22 and of the results of the company's operations for the financial year 01.06.21 - 31.05.22 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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 (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement regarding the management’s review

Management is responsible for management’s review.

Our opinion on the financial statements does not cover management’s review, 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’s review and, in doing so, consider whether management’s review 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’s review provides the information required under the Danish Financial Statements Act.

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

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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 International Standards on Auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with International Standards on Auditing 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.

Aarhus, October 3, 2022

Beierholm
Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Flemming Laigaard
State Authorized Public Accountant
MNE-no. mne29497

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2021/22	2020/21	2019/20	2018/19	2017/18
Profit/loss					
Gross profit	86,020	65,410	71,582	82,914	41,482
Operating profit	19,361	3,376	6,993	4,171	-31,645
Total net financials	1,842	1,533	1,490	2,001	-11,818
Profit for the year	17,141	4,853	7,761	5,534	-36,166
Balance					
Total assets	191,516	109,866	113,238	128,823	196,024
Investments in property, plant and equipment	2,803	844	1,172	1,278	3,407
Equity	55,667	34,463	27,352	13,408	8,611

Ratios

	2021/22	2020/21	2019/20	2018/19	2017/18
Profitability					
Return on equity	38.04%	14.08%	38.08%	50.27%	-228.78%
Equity ratio					
Solvency ratio	29.07%	31.37%	24.15%	10.41%	4.39%

Ratios - continued -

	2021/22	2020/21	2019/20	2018/19	2017/18
Others					
Number of employees (average)	84	74	88	102	93

Ratios definitions

Return on equity: $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Solvency ratio: $\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Primary activities

Qubiqa's activities comprise of supplying intelligent logistics solutions; customized to the specific demands of the individual customer. We are especially strong on solutions for the handling of products such as insulation boards/rolls, ceiling boards, roof tiles, kitchen elements, biomass etc.

With more than 45 years of experience we supply our customers with every aspect of the internal logistics; from the development of new machines and systems to implementation and aftersales services. We handle design and programming; manufacturing and testing and deliver the installation as a turnkey solution.

Our goal is to help our clients to a competitive advantage through an efficient production focused on high quality, low waste, and sustainability.

Development in activities and financial affairs

The income statement for the period 01.06.21 - 31.05.22 shows a profit/loss of DKK 17,140,909 against DKK 4,853,261 for the period 01.06.20 - 31.05.21.

The balance sheet shows equity of DKK 55,666,828.

Going into the fiscal year, we had expected significant earnings and activity from our Russian pipeline. With geopolitical unrest forcing a new strategy, we secured our profit on new markets and managed to both bolster the equity and building new markets in the process.

Due to increased activity and profitability, the earnings exceed our expectations for the financial year 01.06.21 - 31.05.22.
With a net profit of DKK 9.000.000 being our initial objective for the year, we bettered that by realizing a net profit of DKK 17.140.909.

Outlook

Qubiqa has a positive outlook for the coming fiscal year, with profit before tax expected to be in the region of DKK 19.995.000.
We have bolstered our equity through this year's profit; our intake of new orders and projects are at an all-time high; our profit margins are solid and redirecting our Russian pipeline to new markets has expanded our reach.
Further, the global energy crisis and growing green agenda plays well into the strengths of our core product.
Thus, we expect to see the market continue to grow and our share of it to remain at a steady level. We expect a similar EBITDA result.

Knowledge resources

Keeping our employees and attracting new talent was a main target for the last fiscal year. This year will follow up on that. Ensuring our employees continue to see Qubiqa as a meaningful, prosperous workplace remains essential. We are sure, that the ability to have an impact on the climate crisis will help us attract and keep new colleagues in a very competitive market.

Financial risks

We do not foresee any risks unique to Qubiqa in getting the results. While the component shortage-situation and longer delivery times remain challenging, our solid project pipeline should bridge the gap in the current instability within the supply chain.
The political turmoil could affect us. As things are now, however, we expect the unrest to further underline the importance of minimizing energy consumption, strengthening the value of our product to our customers.

External environment

As part of the strategy for the company's overall environmental activities, an environmental policy has been prepared setting out a number of environmental objectives. Focusing on environmentally sound operations, this policy forms a natural part of the company's objectives concerning product quality and production conditions.

Research and development activities

We expect to keep focusing on optimizing production through automation and robotics.

Subsequent events

No important events have occurred after the end of the financial year.

Income statement

Note		2021/22 DKK	2020/21 DKK
	Gross profit	**86,019,587**	**65,409,673**
1	Staff costs	-60,151,646	-47,806,586
2	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-6,000,624	-10,140,380
	Other operating expenses	-506,250	-4,086,908
	Operating profit	**19,361,067**	**3,375,799**
3	Income from equity investments in group enterprises	4,301,026	2,920,958
4	Financial income	310,006	344,047
5	Financial expenses	-2,768,642	-1,732,108
	Profit before tax	**21,203,457**	**4,908,696**
	Tax on profit for the year	-4,062,548	-55,435
	Profit for the year	**17,140,909**	**4,853,261**

6 Proposed appropriation account

Balance sheet

ASSETS

Note		31.05.22 DKK	31.05.21 DKK
	Completed development projects	2,921,111	4,855,867
	Goodwill	2,781,201	3,476,501
7	**Total intangible assets**	**5,702,312**	**8,332,368**
	Land and buildings	41,408,542	36,959,798
	Plant and machinery	481,882	426,771
	Other fixtures and fittings, tools and equipment	3,098,508	2,547,504
8	**Total property, plant and equipment**	**44,988,932**	**39,934,073**
9	Equity investments in group enterprises	24,756,430	26,063,041
9	Other investments	96,069	73,203
10	Other receivables	289,440	304,160
	Total investments	**25,141,939**	**26,440,404**
	Total non-current assets	**75,833,183**	**74,706,845**
	Raw materials and consumables	670,596	524,775
	Work in progress	2,984,474	1,257,271
	Total inventories	**3,655,070**	**1,782,046**
11	Work in progress for third parties	19,505,156	11,533,475
	Trade receivables	5,817,607	5,752,402
	Receivables from group enterprises	13,309,791	2,908,039
	Other receivables	5,858,361	1,742,746
12	Prepayments	825,861	943,902
	Total receivables	**45,316,776**	**22,880,564**
	Cash	**66,711,129**	**10,496,215**
	Total current assets	**115,682,975**	**35,158,825**
	Total assets	**191,516,158**	**109,865,670**

EQUITY AND LIABILITIES

Note		31.05.22 DKK	31.05.21 DKK
13	Share capital	1,000,000	10,000,000
	Revaluation reserve	20,447,014	16,919,465
	Reserve for net revaluation according to the equity method	17,695,393	19,001,998
	Reserve for development costs	2,278,467	3,787,576
	Cash flow hedging reserve	0	581,992
	Retained earnings	4,245,954	-15,827,661
	Proposed dividend for the financial year	10,000,000	0
	Total equity	**55,666,828**	**34,463,370**
14	Provisions for deferred tax	10,283,565	6,612,000
15	Other provisions	6,900,879	10,786,264
	Total provisions	**17,184,444**	**17,398,264**
16	Mortgage debt	22,861,625	3,799,751
16	Lease commitments	1,417,991	560,165
16	Other payables	1,716,685	4,210,192
	Total long-term payables	**25,996,301**	**8,570,108**
16	Short-term part of long-term payables	1,904,077	1,568,059
11	Prepayments received from work in progress for third parties	44,986,345	14,355,631
	Trade payables	18,841,647	10,997,296
	Payables to group enterprises	5,928,417	6,980,879
	Income taxes	1,380,086	170,985
	Other payables	19,628,013	15,361,078
	Total short-term payables	**92,668,585**	**49,433,928**
	Total payables	**118,664,886**	**58,004,036**
	Total equity and liabilities	**191,516,158**	**109,865,670**

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21 Related parties

Figures in DKK	Share capital	Revaluation reserve	Reserve for net revaluation according to the equity method	Reserve for development costs	Cash flow hedging reserve	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.06.21 - 31.05.22								
Balance as at 01.06.21	10,000,000	16,919,465	19,001,998	3,787,576	581,992	-15,827,661	0	34,463,370
Foreign currency translation adjustment of foreign enterprises	0	0	332,640	0	0	0	0	332,640
Capital reduction	-9,000,000	0	0	0	0	9,000,000	0	0
Revaluations during the year	0	5,700,000	0	0	0	0	0	5,700,000
Depreciation and amortisation during the year	0	-918,451	0	0	0	918,451	0	0
Distributed dividend from group enterprises	0	0	-5,820,390	0	0	5,820,390	0	0
Fair value adjustment of hedging instruments	0	0	0	0	-581,992	0	0	-581,992
Other changes in equity	0	0	-119,880	0	0	-14,219	0	-134,099
Tax on changes in equity	0	-1,254,000	0	0	0	0	0	-1,254,000
Transfers to/from other reserves	0	0	0	-1,509,109	0	1,509,109	0	0
Net profit/loss for the year	0	0	4,301,025	0	0	2,839,884	10,000,000	17,140,909
Balance as at 31.05.22	1,000,000	20,447,014	17,695,393	2,278,467	0	4,245,954	10,000,000	55,666,828

	2021/22 DKK	2020/21 DKK

1. Staff costs

	2021/22 DKK	2020/21 DKK
Wages and salaries	55,408,515	43,981,771
Pensions	3,927,999	3,128,782
Other social security costs	452,361	434,158
Other staff costs	362,771	261,875
Total	60,151,646	47,806,586
Average number of employees during the year	84	74

Remuneration for the management:

	2021/22 DKK	2020/21 DKK
Remuneration for the Executive Board and Board of Directors	2,596,139	2,362,970

2. Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment

	2021/22 DKK	2020/21 DKK
Amortisation of intangible assets	2,630,056	5,801,306
Depreciation of property, plant and equipment	3,370,568	4,339,074
Total	6,000,624	10,140,380

3. Income from equity investments in group enterprises

	2021/22 DKK	2020/21 DKK
Share of profit or loss of group enterprises	4,353,003	2,972,935
Amortisation of goodwill	-51,977	-51,977
Total	4,301,026	2,920,958

4. Financial income

Interest, group enterprises	287,140	99,147
Foreign currency translation adjustments	0	215,266
Fair value adjustment of derivative financial instruments	22,866	29,634
Other financial income	22,866	244,900
Total	310,006	344,047

5. Financial expenses

Interest, group enterprises	54,213	141,267
Other interest expenses	628,772	530,619
Foreign currency translation adjustments	152,280	0
Other financial expenses	1,933,377	1,060,222
Other financial expenses	2,714,429	1,590,841
Total	2,768,642	1,732,108

6. Proposed appropriation account

Reserve for net revaluation according to the equity method	4,301,025	2,920,958
Retained earnings	2,839,884	1,932,303
Total	17,140,909	4,853,261

7. Intangible assets

Figures in DKK	Completed development projects	Goodwill
Cost as at 01.06.21	39,296,433	6,978,000
Cost as at 31.05.22	39,296,433	6,978,000
Amortisation and impairment losses as at 01.06.21	-34,440,566	-3,501,499
Amortisation during the year	-1,934,756	-695,300
Amortisation and impairment losses as at 31.05.22	-36,375,322	-4,196,799
Carrying amount as at 31.05.22	2,921,111	2,781,201

Completed development projects include the development of machines for automation within packaging and stacking of insulation material

Costs consist of costs in the form of materials, personnel costs (own and hired employees) and indirect production costs

Incurred development costs mainly relate to the development of new machine types aimed for the American market.

The newly developed machines are expected to bring competitive advantages, and there is a significant potential in the sale of these machines in the American market.

It is assessed here whether the recovery value in the form of the useful value exceeds the book value.

The recovery value is calculated on the basis of expected realized contribution margin on the basis of expected sales in the years 2022/23 - 2025/26.

8. Property, plant and equipment

Figures in DKK	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
Cost as at 01.06.21	50,349,666	7,147,514	22,062,824
Additions during the year	492,867	248,750	2,061,809
Disposals during the year	0	-76,291	-626,727
Cost as at 31.05.22	50,842,533	7,319,973	23,497,906
Revaluations as at 01.06.21	27,383,091	0	0
Revaluations during the year	5,700,000	0	0
Revaluations as at 31.05.22	33,083,091	0	0
Depreciation and impairment losses as at 01.06.21	-40,772,959	-6,720,473	-19,515,316
Depreciation during the year	-1,744,123	-193,909	-1,432,809
Reversal of depreciation of and impairment losses on disposed assets	0	76,291	548,727
Depreciation and impairment losses as at 31.05.22	-42,517,082	-6,838,091	-20,399,398
Carrying amount as at 31.05.22	41,408,542	481,882	3,098,508
Carrying amount in the balance sheet if revaluation to fair value had not been carried out as at 31.05.22	15,194,421	0	0
Carrying amount of assets held under finance leases as at 31.05.22	0	0	1,947,447

9. Investments

Figures in DKK	Equity investments in group enterprises	Other investments
Cost as at 01.06.21	7,061,044	53,674
Cost as at 31.05.22	7,061,044	53,674
Revaluations as at 01.06.21	19,001,997	0
Foreign currency translation adjustment of foreign enterprises	332,640	0
Net profit/loss from equity investments	4,540,368	0
Dividend relating to equity investments	-5,820,390	0
Elimination of intra-group profit from property, plant and equipment	-187,372	0
Other equity adjustments relating to equity investments	-119,880	0
Revaluations as at 31.05.22	17,747,363	0
Depreciation and impairment losses as at 01.06.21	0	19,529
Impairment losses during the year	0	22,866
Amortisation of goodwill	-51,977	0
Depreciation and impairment losses as at 31.05.22	-51,977	42,395
Carrying amount as at 31.05.22	24,756,430	96,069

Name and registered office:	Ownership interest
Subsidiaries:	
Qubiqa Sp.zo.o, Polen	100%
Qubiqa US Inc, USA	100%
Qubiqa PL ApS, Danmark	100%

10. Other non-current financial assets

Figures in DKK	Other receivables
Cost as at 01.06.21	289,440
Cost as at 31.05.22	289,440
Carrying amount as at 31.05.22	289,440

11. Work in progress for third parties

Work in progress for third parties	191,356,272	243,282,686
On-account invoicing	-216,837,461	-246,104,842
Total work in progress for third parties	-25,481,189	-2,822,156
Work in progress for third parties	19,505,156	11,533,475
Prepayments received from work in progress for third parties, short-term payables	-44,986,345	-14,355,631
Total	-25,481,189	-2,822,156

12. Prepayments

Other prepayments	825,861	943,902

13. Share capital

The share capital consists of:

	Quantity	Total nominal value
Share capital	1,000,000	1,000,000

14. Deferred tax

Deferred tax as at 01.06.21	10,283,565	6,612,000
Deferred tax as at 31.05.22	10,283,565	6,612,000

15. Other provisions

Figures in DKK	Warranty commitments
Provisions as at 01.06.21	6,900,879
Provisions as at 31.05.22	6,900,879

	31.05.22 DKK	31.05.21 DKK
Other provisions are expected to be distributed as follows:		
Current liabilities	6,900,879	10,786,264

16. Long-term payables

Figures in DKK	Repayment first year	Outstanding debt after 5 years	Total payables at 31.05.22	Total payables at 31.05.21
Mortgage debt	1,296,330	18,025,608	24,157,955	4,657,788
Lease commitments	607,747	230,512	2,025,738	1,270,187
Other payables	0	0	1,716,685	4,210,192
Total	1,904,077	18,256,120	27,900,378	10,138,167

17. Fair value information

Figures in DKK	Derivative financial instruments	Total
Fair value as at 31.05.22	-256,485	-256,485

Calculated market value at years end made by the bank.

18. Derivative financial instruments

The board determines the framework for entering into contracts on derivative financial instruments. The company only enters into contracts with the aim of hedging the exchange rate risk on future sales of goods in foreign currency

19. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 55 months and, a total of DKK 2.764k.

Recourse guarantee commitments

The company has provided a guarantee with subsidiaries' debts to credit institutions.. The group enterprises' debt to the credit institutions concerned amounts to DKK5.815k at the balance sheet date.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The total known tax liability for the jointly taxed companies is stated in the management company. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

20. Charges and security

Land and buildings with a book value of DKK 41.409k have been provided as security for mortgage debt of DKK 24.158k.

The company has issued mortgage deeds registered to the mortgagor in the total amount of DKK 5.000k secured upon land and buildings with a book value of DKK 41.409k.

The company has provided a company charge of DKK 10.000k as security for debt to credit institutions. As at 31.05.22, the company charge comprises the following assets with the following carrying amounts:

- Inventories, DKK 3,655k
- Trade receivables, DKK 5,818k

The company has provided security for all outstanding balances with shares in Qubiqa Sp. Z. oo. nominal DKK 1,485k, whose accounting value per 31.05.22 amounts to DKK 20,732k.

21. Related parties

Controlling influence	Basis of influence
Q Invest 2021 ApS, Esbjerg	Ejerandele

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

Remuneration for the management is specified in note 1. Staff costs.

The company is included in the consolidated financial statements of the parents Qubiqa Holding A/S, Esbjerg og Q Invest 2021 ApS, Esbjerg.

22. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of Q Invest 2021 ApS, Esbjerg, CVR no. 42501832, which prepares consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On recognition of independent foreign entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity under the reserve for net revaluation according to the equity method in respect of investments measured according to the equity method, and otherwise under the foreign currency translation reserve.

22. Accounting policies - continued -

Translation adjustments of intercompany balances with independent foreign entities, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity under the foreign currency translation reserve. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging the fair value of a recognised asset or liability (fair value hedging) are recognised in the income statement together with any changes in the value of the hedged asset or liability.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

LEASES

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT

22. Accounting policies - continued -

Gross profit

Gross profit comprises revenue, other operating income and cost of sales and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Income from construction contracts involving the delivery of highly customised assets are recognised in the income statement as revenue according to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method).

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise’s activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Cost of sales

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

22. Accounting policies - continued -

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Completed development projects	3-5	0
Goodwill	3-5	0
Buildings	10-30	0
Plant and machinery	3-7	0
Other plant, fixtures and fittings, tools and equipment	3-7	0

Goodwill is amortised over 3-5 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

Land is not depreciated.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

Income from equity investments in group entreprises

For equity investments in equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill

22. Accounting policies - continued -

amortisation and impairment losses.

Income from equity investments in equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, the interest element of finance lease payments as well as gains and losses on payables etc. are recognised in other net financials.

Amortisation of capital losses and borrowing costs relating to financial liabilities is recognised on an ongoing basis as financial expenses.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Intangible assets

Completed development projects

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

22. Accounting policies - continued -

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains or losses on the disposal of intangible assets

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost, for land and buildings with revaluation at fair value recognised under the revaluation reserve in equity, however, and less accumulated depreciation and impairment losses. The fair value for land and buildings is calculated by applying an individually determined discount rate to the capitalisation of a market-based operating income from the property. A valuer has not been used to determine the fair value.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

22. Accounting policies - continued -

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are recognised and measured according to the equity method. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

Under subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying

22. Accounting policies - continued -

amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed, unless goodwill is included in the carrying amount of equity investments.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Work in progress for third parties

Work in progress for third parties is measured at the selling price of the work performed less on-account invoicing made for each piece of work in progress.

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from each piece of work in progress. The degree of completion for each piece of work in progress is normally calculated as the ratio between the resources spent and the total budgeted resource consumption. For some work in progress where the resource consumption cannot be used as a basis, the ratio between completed subactivities

22. Accounting policies - continued -

and the combined subactivities for the individual piece of work in progress is used instead.

When the selling price of a piece of work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognised under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognised as a provision.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Other investments

Other equity investments are measured at fair value in the balance sheet. For equity investments that are traded in an active market, fair value is equivalent to the market value at the balance sheet date. Other equity investments for which fair value cannot be determined reliably are measured at cost.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

Revaluation reserve comprises revaluation of land and buildings at fair value. The revaluation reserve is measured less deferred tax and reduced by depreciation and amortisation of the revalued assets. On the disposal of the assets, the remaining amount is transferred from the revaluation reserve to retained earnings.

The net revaluation of equity investments measured according to the equity method is recognized in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost. Dividends from subsidiaries which are

22. Accounting policies - continued -

adopted before adoption of the annual report for Qubiqa A/S are not tied up in the revaluation reserve (simultaneous principle).

An amount equivalent to internally generated development costs in the balance sheet is recognised in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer recognized in the balance sheet, and the remaining amount will be transferred to retained earnings.

Unrealised gains and losses on financial instruments classified as and meeting the criteria for hedging of future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. The reserve is measured less deferred tax. The reserve is dissolved when the hedged transaction occurs, or it is no longer expected to occur.

Provisions

Other provisions comprise expected expenses incidental to warranty commitments, loss on work in progress, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the tax-

22. Accounting policies - continued -

able income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Payables that are effectively hedged by derivative financial instruments are measured at fair value.

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.