MBL A/S

GLARMESTERVEJ 18B ST. TH., 8600 SILKEBORG

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2017

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 31 May 2018

Lars Lüneborg

CVR NO. 12 82 52 42

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COMPANY DETAILS

Company	MBL A/S Glarmestervej 18B st. th. 8600 Silkeborg CVR No.: 12 82 52 42 Established: 1 February 1989 Registered Office: Silkeborg Financial Year: 1 January - 31 December
Board of Directors	Ingelise Nygaard Lauritsen, Chairman Piotr Mateusz Sadowski Lars Lüneborg Martin Bichel Lauritsen Mogens Bichel Lauritsen
Board of Executives	Mogens Bichel Lauritsen
Auditor	KPMG P/S Bredskifte Allé 13 8210 Aarhus
Bank	Handelsbanken Søndergade 13 8600 Silkeborg
Law Firm	Horten Advokatpartnerselskab Philip Haymans Allé 7 2900 Hellerup

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of MBL A/S for the financial year 1 January - 31 December 2017.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the Review.

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

Silkeborg, 31 May 2018

Board of Executives

Mogens Bichel Lauritsen

Board of Directors

Ingelise Nygaard Lauritsen
Chairman

Piotr Mateusz Sadowski

Lars Lüneborg

Martin Bichel Lauritsen

Mogens Bichel Lauritsen

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of MBL A/S

Opinion

We have audited the Financial Statements of MBL A/S for the financial year 1 January - 31 December 2017, comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2017 and of the results of the Company operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Material uncertainty relating to Going Concern

We draw attention to note 10 "Uncertainty with respect to going concern" in the Financial Statements, describing the uncertainty related to the Company's ability to continue as a going concern due to non-compliance with the Group's loan covenants and need for additional financing if budgets for 2018 are not achieved. Our opinion is not modified in respect to this matter.

Emphasis of matter - uncertainty related to receivable

We draw attention to note 11 "Information on uncertainty with respect to recognition and measurement" to the Financial Statements, setting out the uncertainty relating to the measurement of the receivable with one of business partners. Our opinion is not modified in respect to this matter

Management's responsibility for the Financial Statements

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

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

Auditor's responsibility 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 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 made on the basis of these Financial Statements.

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

INDEPENDENT AUDITOR'S REPORT

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the Management's Review
Management is responsible for the Management's Review.

Our opinion on the Financial Statements does not cover the 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 the Management's Review and, in doing so, consider whether the 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 the Management's Review provides the information required under the Danish Financial Statements Act.

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

Aarhus, 31 May 2018

KPMG P/S
CVR no. 25 57 81 98

Michael Stenskrog	Michael Emanuel Kraul Rasmussen
State Authorised Public Accountant	State Authorised Public Accountant
MNE no. mne26819	MNE no. mne41364

MANAGEMENT'S REVIEW

Principal activities
The principal activities for the Group comprise like in previous years production and trade in products related to the wheel chair/rehab market. The production is performed in the foreign subsidiaries and product development and sale of the Group's products is also primarily performed by the foreign subsidiaries.

Exceptional matters
Opening balance adjustment due to significant errors in previous years
The company's Management identified significant errors during the year in relation to recognition and measurement of value of Equity investments in the group enterprises in Poland and China.

In the company's subsidiary in Poland the main error was related to fair value inventory which should have been impaired to reflect old non-saleable materials which should have been adjusted by EUR 0.5m. It was also misunderstanding regarding the definition of borrowing costs, and calculation errors mainly in the interests and prepayment. In the company's subsidiary in China, estimated receivable supplier discounts of EUR 0.6m from previous years were not, by omission mistake, reversed, and there were calculation errors mainly in the write down of inventory.

Comparative figures are adjusted for the relevant years. Corrections are not made for specific years before 2016 due to lack of reliable source of calculation.

Subsidiaries were recognized by EUR ('000) 1.002 too high, thus reducing the year's profit for the comparative year 2016. The asset, "Equity investments in group enterprises" has been reduced accordingly. As a result, equity is reduced EUR ('000) 1.002, at 1 January 2017.

Correction of income statement/equity:	Correction for current financial year	Correction of comparative figures
Income statement		
Write-down, (mainly inventories), etc.		-556
Reversed supplier rebates (trade payables)		-565
Redefinition of borrowing costs		249
Interest calculations		100
Tax on above items		100
Net adjustment in the income statement		**-672**
Directly on equity		
Deferred tax on prepayments write off		-132
Defferred tax from assets revaluation/leasback		-142
Previous years building revaluation		-68
Net adjustment in the equity	0	**-342**
Foreign exchange adjustments directly on equity		12
Net effect on equity	-1.002	-1.002
Net effect on Fixed Assets		**71**
Net effect on Current assets Assets		**-831**
Net effect on Liabilities		**-242**

MANAGEMENT'S REVIEW

Uncertainty as to recognition and measurement
During previous years the Group has built up the receivables balance of EUR 4.3m in the form of loan and trade receivables from one of business partners which is currently a strong contributor of Group turnover growth. In the course of year 2017 regular repayments of both loans and trade receivables have been noticed, however, due to sudden sales growth (92% vs 2016 sales) the balance vs Last year has increased by EUR 0.4m on the Group level. The growth of the balance of trade receivables and loan granted is in all material respect granted on the basis of cooperation agreement and as part of an overall business plan for cooperation on new activities with proven opportunity of sales in 2017.

In view of the size of the receivables, its long repayment period in relation to common terms of trading, and the matter that the loan and trade are primarily granted to a Company Group with a modest capital base, the recognition and measurement hereof are subject to uncertainty which may potentially influence the value of equity investments in group enterprises.

Except as mentioned above, no particular uncertainty is deemed to be attached to the recognition and measurement of the financial figures.

Development in activities and financial position
From Group's perspective 2017 was the first year of realizing a new financial strategy together with strategic investor AMC Mark III BV which positively influenced business operations and reduced the cash flow pressure which allowed to fully re-finance existing debts. Particularly in MBL Xiamen the very positive impact on interest costs was noticed in 2017 with regards to repayment of fast loans from individuals. Also in MBL Poland the bank debt from Alior bank was replaced with new strategic banking partner Bank Zachodni WBK SA (a member of Santander Group) who has granted a new loan of PLN 20m of long term facility and PLN 15m of revolving debt. It let the Group stabilize the financing position and deliver EUR 1.2m cash flow from operations (excl. interests and borrowing costs it was EUR 3.4m) and in the same time reduce the cost of interests from EUR 2.6m in 2016 (incl. private loans in China) to EUR 1.9m in 2017. Revenue in the Group was increased to EUR 48.2m in 2017 against EUR 44.7 m in 2016 (very strong growth of 8% outpacing the industry benchmark).

In 2017, the profit before tax in MBL A/S was EUR -1.2m against EUR -2.8m in restated 2016. It is related to significantly improved results of equity investments in group enterprises.

The MBL A/S had expected positive results for 2017, however, a net loss after tax of EUR -1.1m was realized which is primarily due to raw materials and currency development in subsidiaries, but also because of the delay of sales of new strategic products from MBL Poland which has started sales in Q4 2017 and will be ramping up in 2018 to its full potential in 2019 estimated at EUR 7m additional revenue.

In terms of future Group's development the contribution of capital from October 2016 from the new minority investor, AMC III Mark BV, combined with the new financing structure and shareholder's capital injections of EUR 0.8m loans in August 2017 along with several initiatives implemented during 2017 should lead to further improvement of revenue and gross margin. The Board of Directors has approved the 2018 plan leading to positive net profit.

The Group's operations normalization and high revenues opportunity from new projects is a strong basis for utilizing the huge earnings potential which was not utilized in previous years. The key aspects of this plan of earnings improvement is additional sales growth coming from new projects (among others rehabilitation beds and rollators with very strong growth already visible from China). The new projects supported with cost rationalizations are expected to deliver EUR 1.7m additional margin in 2018. The other key point in the 2018 plan is price increases which have already been implemented to the majority of customers (and will soon be implemented to others) which is to bring EUR 1.8m additional margin.

MANAGEMENT'S REVIEW

Development in activities and financial position (continued)
These initiatives (new projects, cost rationalizations and sales price increases) together with "tightening the belt" on operating costs is expected not only to improve profitability, but also to establish the buffer for salary inflation pressure experienced both in Poland and in China.

The Group and the parent company have at 31 December 2017 an equity of EUR 1.1m and an equity including subordinated loan capital of EUR 12.1m. MBL A/S equity is equal to EUR 1.2m at the end of 2017.

A realization of the budget for 2018, where a considerable improvement in the ordinary results after tax as compared with 2017 is expected, will lead to an improvement of the Group's liquidity, and a moderate investment level combined with implementation of the company's action plans to reduce the working capital will support the creation of higher liquidity resources.

Going concern
The going concern review should be considered on the group level.

Year 2017 has finished with loss on net profits due to factors like lower sales from MBL Poland, negative material prices development and negative currency impact mentioned above.

In the same time present Group's borrowings are high, with senior debt to BZ WBK on the balance date of EUR 8.9m and subordinated debt to strategic investor of EUR 10.0m, which creates a substantial cost of financing in the Group's P&L.

Therefore there is a liquidity risk and hence a negative impact on the Group's ability to continue operations. This risk is also related to negative results in 2017 which resulted in financial covenants breaches in the financing agreements with bank and investor. In order to make sure that this risk will not materialize the Group has been implementing the following action plan:

1. An agreement has been reached with both investor and the bank about waiving the covenant breaches for the whole 2017 signed in December 2017. The Group has fulfilled the conditions of this agreement
2. Both investor and financing bank have approved the budget for 2018 and the delivery of the budget is monitored monthly
3. The Group has implemented a price increase initiative already to 70% of planned value and is expecting to reach full annual level in May 2018
4. The Group is successfully implementing already to full extent 2 out of 3 strategic projects with the 3rd one also starting sales. Current order level is record high leading to 11% revenue growth in Q1 vs Q1 last year
5. Rationalization program is on-going with full involvement of the majority of the R&D resources
6. The Group continues very tight control over headcount and labor cost within the administration area and simultaneously a bonus program has been implemented to boost productivity

The budget initiatives for 2018 are an assurance that the Group's expected delivery of financial parameters should be achieved with a buffer for potential risks.

If one or more of the budget assumptions are not realized, it may lead to a need for additional financing. However, it is the assessment of the Board of Directors and the Board of Executives that the budget and the assumptions can be realized, and the consolidated and parent company annual report is therefore presented on the assumption of going concern.

In Quarter 1 of 2018 the Group has achieved the turnover growth of 10.6% vs last year which is close to budgeted and normalized EBITDA level of EUR 0.9m which is significantly above planned. As the result the key covenant parameters like Debt ratio and Net debt ratio are as agreed in the budget or better. The Group has not achieved the budgeted parameters related to cash flow generation which is a phasing effect in regard to both higher than expected generation in Quarter 4 2017 and higher inventories after Chinese New Year. As the result the key covenant related to cash flow (Group DSCR) is worse than budget.

MANAGEMENT'S REVIEW

Development in activities and financial position (continued)
In terms of key actions current status is that:

1. All 3 key strategic projects are started with one of them with longer ramp-up. For this project we have confirmed forecast and orders to start at full speed in Q3 2018.
2. 70% of the planned price up was implemented with new price increase round under implementation as of June 2018
3. Rationalization effort is ongoing with additional external subcontractor hired to review procurement opportunities in MBL Xiamen
4. Group continues the effort to increase Labor efficiency with EUR 0.2m savings vs budget realized in Quarter 1
5. There is a target to reduce inventories by min. EUR 0.25m till end of Q2 and improve cash position via improved profitability already visible in Quarter 1

Results after Q1 of 2018 has been communicated to both Lenders and so far there are no new measurements nor agreements requested by the Bank or strategic investor. Board of Directors and the Board of Executives continues to assess that there will be no measurements or actions from Lenders which would trigger risk of discontinuation of operations in 2018.

Shareholders loan conversion
In December 2017 the shareholders have agreed to convert into equity EUR 2.0m shareholder's loans granted to MBL Denmark A/S primarily in the last quarter of 2016. It has been decided in order to improve the company's equity position and prove shareholder's determination to invest in further MBL development. As a consequence the intra group loan from MBL Denmark A/S to MBL A/S was also converted into equity resulting in equity increase of MBL A/S by EUR 2.0m.

Auditor's change
The MBL Group Board of Directors has made a decision to change the auditor of the parent company and all subsidiaries to KPMG in line with agreement with the strategic investor AMC Mark III and financing bank BZ WBK Bank Zachodni S.A.

Profit/loss for the year compared to future expectations
In 2017 net profit/loss for 2017 was EUR -1.1m loss. It was significantly below planned EUR +0.3m due to significant change in assumptions related to subsidiaries performance.

It is expected to deliver break-even on net profit in 2018 following all budget initiatives mentioned above. It is expected to be based on profitable new products and strategic portfolio simplification in the long term.

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

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2017 EUR '000	2016 EUR '000
GROSS PROFIT		**1.700**	**2.161**
Distribution costs	1	-62	-83
Administrative expenses	1	-417	-364
OPERATING PROFIT		**1.221**	**1.714**
Result of equity investments in group enterprises		-810	-4.250
Other financial income	2	110	25
Other financial expenses	3	-1.711	-316
PROFIT/LOSS BEFORE TAX		**-1.190**	**-2.827**
Tax on profit/loss for the year	4	82	-759
PROFIT/LOSS FOR THE YEAR		**-1.108**	**-3.586**

PROPOSED DISTRIBUTION OF PROFIT/LOSS

Allocation to reserves for net revaluation under the equity method		-810	-4.250
Retained earnings		-298	664
TOTAL		**-1.108**	**-3.586**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2017 EUR '000	2016 EUR '000
Other plant, machinery, tools and equipment		1	1
Tangible fixed assets	5	1	1
Fixed asset subsidiaries		8.618	8.982
Rent deposit and other receivables		10	10
Fixed asset investments	6	8.628	8.992
FIXED ASSETS		8.629	8.993
Receivables from group enterprises		3.641	2.440
Deferred tax assets		76	7
Other receivables		365	302
Receivables		4.082	2.749
Cash and cash equivalents		115	17
CURRENT ASSETS		4.197	2.766
ASSETS		12.826	11.759

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2017 EUR '000	2016 EUR '000
Share capital		142	135
Reserves for net revaluation under the equity method		3.541	3.906
Retained earnings		-2.475	-4.174
EQUITY		**1.208**	**-133**
Payables to group enterprises		1.901	2.738
Subordinate loan capital		9.146	8.687
Long-term liabilities	7	**11.047**	**11.425**
Short-term portion of long-term liabilities	7	1	11
Trade payables		106	16
Payables to group enterprises		205	0
Corporation tax		0	269
Other liabilities		259	171
Current liabilities		**571**	**467**
LIABILITIES		**11.618**	**11.892**
EQUITY AND LIABILITIES		**12.826**	**11.759**

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EQUITY

	Share capital	Share premium account	Reserves for net revaluation under the equity method	Retained earnings	Total
Equity at 1 January 2017....................	135	0	4.908	-4.174	869
Change of equity due to correction of errors...			-1.002		-1.002
Adjusted equity at 1 January 2017......	**135**	**0**	**3.906**	**-4.174**	**-133**
Capital increase................................	7	1.997			2.004
Foreign exchange adjustments.............			214		214
Value adjustments of equity...............			231		231
Transfers to/from other items.............		-1.997		1.997	
Proposed distribution of profit............			-810	-298	-1.108
Equity at 31 December 2017.............	**142**	**0**	**3.541**	**-2.475**	**1.208**

During the year, 50.087 new shares were subscribed at a nominal amount of DKK 1.

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	2017 EUR '000	2016 EUR '000	Note
Staff costs			1
Average number of employees 2 (2016: 4)			
Other financial income			2
Interest, group enterprises	52	2	
Other interest income	58	23	
	110	**25**	
Other financial expenses			3
Interest, group enterprises	367	60	
Other interest expenses	1.344	256	
	1.711	**316**	
Tax on profit/loss for the year			4
Calculated tax on taxable income of the year	0	269	
Adjustment of tax for previous years	-13	947	
Adjustment of deferred tax	-69	-457	
	-82	**759**	

Tangible fixed assets 5

	Other plant, machinery, tools and equipment
Cost at 1 January 2017	112
Cost at 31 December 2017	**112**
Depreciation and impairment losses at 1 January 2017	111
Depreciation and impairment losses at 31 December 2017	**111**
Carrying amount at 31 December 2017	**1**

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Note

Fixed asset investments 6

	Fixed asset subsidiaries	Rent deposit and other receivables
Cost at 1 January 2017	5.077	10
Cost at 31 December 2017	**5.077**	**10**
Revaluation at 1 January 2017	4.720	
Exchange adjustment	214	
Profit/loss for the year	-810	
Equity movements	231	
Revaluation at 31 December 2017	**4.355**	
Impairment losses and amortisation of goodwill at 1 January 2017	814	
Impairment losses and amortisation of goodwill at 31 December 2017	**814**	
Carrying amount at 31 December 2017	**8.618**	**10**

Long-term liabilities 7

	1/1 2017 total liabilities	31/12 2017 total liabilities	Repayment next year	Debt outstanding after 5 years
Bank loan	11	1	1	0
Payables to group enterprises	2.738	1.901	0	0
Subordinate loan capital	8.687	9.146	0	0
	11.436	**11.048**	**1**	**0**

As regards payables to group enterprises the creditor has signed a Letter of Subordination in relation to the provider of subordinate loan capital.

As regards subordinated loan capital the creditor has signed a Letter of Subordination in relation to the other creditors in the Company. The main subordinated loan capital from investor has formal repayment date of 5 years meaning intended maturity date of all subordinated loans is October 2021.

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Contingencies etc. 8

Contingent liabilities

	2017 EUR '000	2016 EUR '000
Rent commitments in which the termination period expires within 5 years, in total	10	10
Withholding tax, China	940	940

Joint liabilities
The company is jointly and severally liable together with the parent company and the other group companies in the joint taxable group for tax on the group's joint taxable income and for certain possible withholding taxes such as dividend tax and royalty tax, and for the joint registration of VAT.

Tax payable of the group's joint taxable income is stated in the annual report of MBL Denmark A/S, which serves as management company for the joint taxation.

Charges and securities 9

	Carrying amount of assets EUR '000	Nominal value of mortgage or outstanding debt EUR '000
The following assets have been provided as security for debt: Other plant, machinery, tools and equipment are subject to ownership reservation. (MBL DK)	1	1

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Note

Uncertainty with respect to going concern 10

Year 2017 has finished with loss on net profits due to factors like lower sales from MBL Poland, negative material prices development and negative currency impact mentioned above.

In the same time present Group's borrowings are high, with senior debt to BZ WBK on the balance date of EUR 8.9m and subordinated debt to strategic investor of EUR 10.0m, which creates a substantial cost of financing in the Group's P&L.

Therefore there is a liquidity risk and hence a negative impact on the Group's ability to continue operations. This risk is also related to negative results in 2017 which resulted in financial covenants breaches in the financing agreements with bank and investor. In order to make sure that this risk will not materialize the Group has been implementing the following action plan:

1. An agreement has been reached with both investor and the bank about waiving the covenant breaches for the whole 2017 signed in December 2017. The Group has fulfilled the conditions of this agreement
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6. The Group continues very tight control over headcount and labor cost within the administration area and simultaneously a bonus program has been implemented to boost productivity

The budget initiatives for 2018 are an assurance that the Group's expected delivery of financial parameters should be achieved with a buffer for potential risks.

If one or more of the budget assumptions are not realized, it may lead to a need for additional financing. However, it is the assessment of the Board of Directors and the Board of Executives that the budget and the assumptions can be realized, and the consolidated and parent company annual report is therefore presented on the assumption of going concern.

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NOTES

Note

Uncertainty with respect to going concern (continued) 10

In terms of key actions current status is that:

1. All 3 key strategic projects are started with one of them with longer ramp-up. For this project we have confirmed forecast and orders to start at full speed in Q3 2018.
2. 70% of the planned price up was implemented with new price increase round under implementation as of June 2018
3. Rationalization effort is ongoing with additional external subcontractor hired to review procurement opportunities in MBL Xiamen
4. Group continues the effort to increase Labor efficiency with EUR 0.2m savings vs budget realized in Quarter 1
5. There is a target to reduce inventories by min. EUR 0.25m till end of Q2 and improve cash position via improved profitability already visible in Quarter 1

Results after Q1 of 2018 has been communicated to both Lenders and so far there are no new measurements nor agreements requested by the Bank or strategic investor. Board of Directors and the Board of Executives continues to assess that there will be no measurements or actions from Lenders which would trigger risk of discontinuation of operations in 2018.

Information on uncertainty with respect to recognition and measurement 11

During previous years the Group has built up the receivables balance of EUR 4.3m in the form of loan and trade receivables from one of business partners which is currently a strong contributor of Group turnover growth. In the course of year 2017 regular repayments of both loans and trade receivables have been noticed, however, due to sudden sales growth (92% vs 2016 sales) the balance vs LY has increased by EUR 0.4m on the Group level. The growth of the balance of trade receivables and loan granted is in all material respect granted on the basis of cooperation agreement and as part of an overall business plan for cooperation on new activities with proven opportunity of sales in 2017.

In view of the size of the receivables, its long repayment period in relation to common terms of trading, and the matter that the loan and trade are primarily granted to a Company Group with a modest capital base, the recognition and measurement hereof are subject to uncertainty.

Except as mentioned above, no particular uncertainty is deemed to be attached to the recognition and measurement of the financial figures.

Consolidated financial statements 12

The Company is included in the consolidated financial statements of MBL Denmark A/S Glarmestervej 18B st. th, 8600 Silkeborg, CVR no 27 38 65 98.

ACCOUNTING POLICIES

The annual report of MBL A/S for 2017 has been presented in accordance with the provisions of the Danish 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, except for the following changes.

Change in accounting policies
The accounting policies have been changed in the following areas:

- The annual report for 2017 is presented in EUR, which is regarded as the primary currency in relation to the group's activity
- The accounting policies last year was according to reporting class C large, because of the consolidation financial statements, but because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act, the reporting class is changed to reporting class B. The change have had no effect on the company

ACCOUNTING POLICIES

Opening balance adjustment due to significant errors in previous years

The company's Management identified significant errors during the year in relation to recognition and measurement of value of Equity investments in the group enterprises in Poland and China.

In the company's subsidiary in Poland the main error was related to fair value inventory which should have been impaired to reflect old non-saleable materials which should have been adjusted by EUR 503k. It was also misunderstanding regarding the definition of borrowing costs, and calculation errors mainly in the interests and prepayment. In the company's subsidiary in China, estimated receivable supplier discounts of EUR 565k from previous years were not, by omission mistake, reversed, and there were calculation errors mainly in the write down of inventory.

Comparative figures are adjusted for the relevant years. Corrections are not made for specific years before 2016 due to lack of reliable source of calculation.

Subsidiaries were recognized by EUR ('000) 1.002 too high, thus reducing the year's profit for the comparative year 2016. The asset, "Equity investments in group enterprises" has been reduced accordingly. As a result, equity is reduced EUR ('000) 1.002, at 1 January 2017.

Correction of income statement/equity:	Correction for current financial year	Correction of comparative figures
Income statement		
Write-down, (mainly inventories), etc.		-556
Reversed supplier rebates (trade payables)		-565
Redefinition of borrowing costs		249
Interest calculations		100
Tax on above items		100
Net adjustment in the income statement		-672
Directly on equity		
Deferred tax on prepayments write off		-132
Defferred tax from assets revaluation/leasback		-142
Previous years building revaluation		-68
Net adjustment in the equity	0	-342
Foreign exchange adjustments directly on equity		12
Net effect on equity	-1.002	-1.002
Net effect on Fixed Assets		71
Net effect on Current assets Assets		-831
Net effect on Liabilities		-242

Consolidated financial statements

Consolidated financial statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The company is included in the consolidated financial statements of MBL Denmark A/S, Glarmestervej 18B st. th, 8600 Silkeborg, CVR No. 27 38 65 98.

ACCOUNTING POLICIES

INCOME STATEMENT

Production costs
Production costs comprise costs incurred to achieve the net revenue for the year.

Distribution costs
The costs incurred for distribution of goods sold during the year and for sales campaigns carried out during the year are recognised in distribution costs. The costs of the sales personnel, advertising and exhibition costs and amortisation are also recognised in distribution costs.

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

Other operating income
Other operating income includes items of a secondary nature in relation to the group enterprises' principal activities, including management fee, royalty fee and profit from sale of intangible and tangible fixed assets.

Investments in subsidiaries
The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

Financial income and expenses in general
Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax on profit for the year
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 portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Tangible fixed assets
Other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

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

	Useful life	Residual value
Other plant, fixtures and equipment...	3-5 years	0-30 %

ACCOUNTING POLICIES

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively".

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

Fixed asset investments
Investments in subsidiaries are measured in the company's balance sheet under the equity method.

Investments in subsidiaries are measured in the balance sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Subsidiaries with a negative carrying equity value are measured to EUR 0 and any amounts due from these enterprises are written down by the company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds receivables, the residual amount is recognised under provision for liabilities to the extent that the company's has a legal or actual liability to cover the subsidiary's deficit.

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

Impairment of fixed assets
The carrying amount of tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis 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 net realisable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

ACCOUNTING POLICIES

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.

The company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account tax scheme. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

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 carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off 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.

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

Amortised cost of current liabilities usually corresponds to nominal value.

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.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

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 time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

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

On recognition of foreign subsidiaries that are not independent entities, but integrated entities, monetary items are translated at the exchange rate on the balance sheet date. Non-monetary items are translated at the rate at the time of acquisition or at the time of subsequent revaluation or writedown of the asset. The items of the income statement are translated at the rate on the transaction date, items derived from non-monetary items being translated at the historic rates of the non-monetary item.

The income statements of foreign subsidiaries and associates fulfilling the criteria for being independent entities are translated at an average exchange rate for the month and balance sheet items are translated at the rate of exchange on the balance sheet date. Exchange differences arising from translation of the equity of foreign subsidiaries at the beginning of the year to the rates of the balance sheet date and from translation of income statements from average rate to the rates of the balance sheet date are recognised directly in the equity.

Exchange adjustments of intercompany accounts with foreign subsidiaries that are deemed to be an addition to or deduction from the equity of independent subsidiaries are recognised directly in the equity.