MBL A/S

GLARMESTERVEJ 18B ST. TH., 8600 SILKEBORG

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2020

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 27 May 2021

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Lars Bichel Lüneborg

CVR NO. 12 82 52 42

CONTENTS

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 Anatolijus Faktorovicius Nerijus Drobavicius Lars Bichel Lüneborg Mogens Bichel Lauritsen Ashwin Roy
Executive Board	Martin Bichel Lauritsen
Auditor	KPMG P/S Statsautoriseret Revisionspartnerselskab Bredskifte Allé 13 8210 Aarhus

BOARD OF DIRECTORS STATEMENT AND MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of MBL A/S for the financial year 1 January - 31 December 2020.

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

In our opinion the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

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

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

Silkeborg, 27 May 2021

Executive Board

Martin Bichel Lauritsen

Board of Directors

Ingelise Nygaard Lauritsen Chairman	Anatolijus Faktorovicius	Nerijus Drobavicius
Lars Bichel Lüneborg	Mogens Bichel Lauritsen	Ashwin Roy

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 2020, comprising income statement, balance sheet 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 Company's assets, liabilities and financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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.

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 that 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 as to 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 may 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 financial statement 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 judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the company 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.

INDEPENDENT AUDITOR'S REPORT

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management commentary
Management is responsible for the Management commentary.

Our opinion on the financial statements does not cover the Management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management commentary and, in doing so, consider whether the Management commentary is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Aarhus, 27 May 2021

KPMG P/S
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Mikkel Trabjerg Knudsen	Michael E. K. Rasmussen
State Authorised Public Accountant	State Authorised Public Accountant
mne34459	mne41364

MANAGEMENT COMMENTARY

Principal activities

The principal activities of MBL Group (MBL A/S is part of MBL Group) comprise like in previous years production and trade in products related to the wheelchair/rehabilitation and aged care markets. The production is performed in the MBL A/S foreign subsidiaries in Poland and China. Product development and sale of the Group's products is also primarily performed by the foreign subsidiaries.

The products are sold globally, primarily in Europe and the Asia Pacific region. MBL has continued to further develop the US market in 2020. In 2020 MBL's products have been sold to more than 30 countries.

Development in activities and financial and economic position

Operationally in turbulent 2020 when the Covid-19 pandemic had a severe impact across the business world MBL Group and MBL A/S' subsidiaries still managed to deliver a solid performance. MBL Group's financial results, however, deteriorated compared to 2019 due to the more challenging market environment as many of MBL's customers have been adversely affected by the global crisis which had an unavoidable negative effect on our sales. Despite these headwinds the Group came out of 2020 with very solid operational results, maintained reasonably strong profitability due to increased efficiency and cost discipline and continued to generate strong operational cashflows. MBL Group with no delays served its debt to both financing partners in line with the agreed schedule. In particular term debt in Santander Bank has been reduced by EUR 1.1m vs end of 2019. All bank covenants have been met. Additionally as part of the equity deal the original Mezzanine debt was partially repaid. At the end of 2020 MBL Group had available cash assets at EUR 2.4m, a decrease from EUR 5.1m end of 2019 due to significant reduction of the Mezzanine debt.

In 2020, the profit before tax in MBL A/S was EUR +4.4m against EUR 5.8m in 2019. It is related to slightly deteriorated results of equity investments in group enterprises – both in MBL Poland and MBL Xiamen.

In terms of standalone MBL A/S results (excl. subsidiaries results), net profit of EUR 0.5m was delivered vs expected ca EUR 0.3m. This was driven largely by lower operating costs.

In 2020 MBL A/S received dividend from its subsidiary MBL (Xiamen) of EUR 4.4m and paid extraordinary dividend to parent company MBL Denmark A/S of Eur 1.5m.

Outlook

Most likely the Covid-19 pandemic will continue to impact the global economy at least into H1 of 2021. For MBL Group and MBL A/S' subsidiaries in particular the current market environment requires diligent navigation of the business focusing on margin preservation, cost discipline and cashflow generation. In Q1 of 2021 the Group achieved revenues of EUR 13.9m, an increase of 2% vs last year. EBITDA continues to be at a very solid level of 13% of turnover. MBL Xiamen and MBL Poland are fully operational and they are now enjoying significant increase of orders for Q2 vs the same period of 2020. MBL served its debt according to plan and met all bank covenants.

It is budgeted to deliver positive net profit level in 2021 (excl. subsidiaries) of ca. EUR 0.3-0.5m.

Change resulting from material misstatement

The Company's Management has identified significant errors during the year related to advisory costs. The Company paid in 2019 a considerable amount of advisory costs which should have been paid by the parent company, MBL Denmark A/S. The correction is incorporated in the comparative figures for 2019 and means that the results for 2019 have increased by EUR ('000) 701. Equity at beginning of the year and the balance sheet total are increased by an equivalent amount. The change has no impact on the calculated taxes.

The Company's Management has also identified significant errors during the year in relation to recognition and measurement of value of Equity investments in the Group enterprises in China where cost of goods sold and account payable in prior years were underestimated by EUR ('000) 914. The correction of the errors has been incorporated in the comparative figures for 2019. As the error concerns the period prior to 2019 it is not relevant to the results for the year. Equity at beginning of the year and the balance sheet total for 2019 are reduced by EUR ('000) 914. The change has no

MANAGEMENT COMMENTARY

Development in activities and financial and economic position (continued)
impact on the calculated taxes.

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	2020 EUR '000	2019 EUR '000
GROSS PROFIT		**2.198**	**2.158**
Distribution costs	1	-44	-64
Administrative expenses	1	-640	-703
OPERATING PROFIT		**1.514**	**1.391**
Result of equity investments in group enterprises		3.890	5.998
Other financial income	2	242	200
Other financial expenses	3	-1.212	-1.721
PROFIT BEFORE TAX		**4.434**	**5.868**
Tax on profit/loss for the year	4	278	12
Other taxes		-272	0
PROFIT/LOSS FOR THE YEAR		**4.440**	**5.880**

PROPOSED DISTRIBUTION OF PROFIT/LOSS

		2020	2019
Proposed dividend for the year		4.125	0
Extraordinary dividend		1.500	0
Allocation to reserves for net revaluation under the equity method		3.890	5.998
Retained earnings		-5.075	-118
TOTAL		**4.440**	**5.880**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2020 EUR '000	2019 EUR '000
Other plant, fixtures and equipment		74	1
Property, plant and equipment	5	**74**	**1**
Fixed asset subsidiaries		14.950	15.783
Rent deposit and other receivables		11	10
Financial non-current assets	6	**14.961**	**15.793**
NON-CURRENT ASSETS		**15.035**	**15.794**
Receivables from group enterprises		2.268	3.170
Deferred tax assets		197	140
Other receivables		0	1.133
Receivables corporation tax		325	0
Prepayments and accrued income		1	0
Receivables		**2.791**	**4.443**
Cash and cash equivalents		**133**	**660**
CURRENT ASSETS		**2.924**	**5.103**
ASSETS		**17.959**	**20.897**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2020 EUR '000	2019 EUR '000
Share capital		141	141
Reserves for net revaluation under the equity method		6.573	10.707
Retained earnings		0	-2.682
Proposed dividend		4.125	0
EQUITY		**10.839**	**8.166**
Subordinate loan capital		5.940	10.482
Frozen holiday pay		22	3
Non-current liabilities	7	**5.962**	**10.485**
Subordinate loan capital		463	0
Trade payables		494	735
Payables to group enterprises		0	1.276
Corporation tax		0	30
Other liabilities		201	205
Current liabilities		**1.158**	**2.246**
LIABILITIES		**7.120**	**12.731**
EQUITY AND LIABILITIES		**17.959**	**20.897**
Contingencies etc.	8		
Charges and securities	9		
Consolidated Financial Statements	10		

EQUITY

	Share capital	Reserves for net revaluation under the equity method	Retained earnings	Proposed dividend	Total
Equity at 1 January 2020	141	11.621	-3.384	0	8.378
Change of equity due to correction of errors		-914	701		-213
Adjusted equity at 1 January 2020	**141**	**10.707**	**-2.683**	**0**	**8.165**
Proposed profit allocation		3.890	-5.075	5.625	4.440
Transactions with owners					
Extraordinary dividend paid				-1.500	-1.500
Other legal bindings					
Foreign exchange adjustments		-705			-705
Other adjustments to equity value		439			439
Transfers					
Dividend received / declared		-7.758	7.758		0
Equity at 31 December 2020	**141**	**6.573**	**0**	**4.125**	**10.839**

NOTES

	2020 EUR '000	2019 EUR '000	Note
Staff costs			**1**
Average number of employees	5	3	
Other financial income			**2**
Interest, group enterprises	120	158	
Other interest income	122	42	
	242	**200**	
Other financial expenses			**3**
Interest, group enterprises	67	219	
Other interest expenses	1.145	1.502	
	1.212	**1.721**	
Tax on profit/loss for the year			**4**
Calculated tax on taxable income of the year	0	30	
Adjustment of tax for previous years	-221	0	
Adjustment of deferred tax	-57	-42	
	-278	**-12**	

Property, plant and equipment **5**

	Other plant, fixtures and equipment
Cost at 1 January 2020	73
Additions	85
Disposals	-51
Cost at 31 December 2020	**107**
Depreciation and impairment losses at 1 January 2020	72
Reversal of depreciation of assets disposed of	-51
Depreciation for the year	12
Depreciation and impairment losses at 31 December 2020	**33**
Carrying amount at 31 December 2020	**74**

NOTES

Note

Financial non-current assets 6

	Fixed asset subsidiaries	Rent deposit and other receivables
Cost at 1 January 2020	5.077	10
Additions	0	1
Cost at 31 December 2020	**5.077**	**11**
Revaluation at 1 January 2020	11.520	0
Exchange adjustment	-705	0
Dividend paid	-4.457	0
Profit/loss for the year	3.890	0
Equity movements	439	0
Revaluation at 31 December 2020	**10.687**	**0**
Impairment losses and amortisation of goodwill at 1 January 2020	814	0
Impairment losses and amortisation of goodwill at 31 December 2020	**814**	**0**
Carrying amount at 31 December 2020	**14.950**	**11**

Long-term liabilities 7

	31/12 2020 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2019 total liabilities
Subordinate loan capital	6.403	463	0	10.482
Payables to group enterprises	0	0	0	1.276
Frozen holiday pay	22	0	0	3
	6.425	**463**	**0**	**11.761**

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.

NOTES

Note

Contingencies etc. **8**
Contingent liabilities
The company has entered into a rental agreement with a residual obligation during the notice period at EUR ('000) 12. The annual rental cost is EUR ('000) 22.

MBL A/S and MBL A/S subsidiary MBL (Xiamen) Co. Ltd., have issued a guarantee in relation to the subsidiary MBL Poland debt to Santander Bank Poland - lender of senior loan. Maximum level in light of loan agreement is EUR ('000) 12.333 (equivalent of PLN ('000) 52.500).

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, etc.

Tax payable on the Group's joint taxable income is stated in the annual report of MBL Denmark 2020 A/S, which serves as management company for the joint taxation.

Charges and securities **9**
As security for the subsidiary's bank loan, shares of MBL Poland have been pledged. At 31 December of 2020 nominal value of MBL Poland shares is PLN 12.145.000, the carrying value of which is EUR ('000) 6.550.

Consolidated Financial Statements **10**
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 2020 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 are presented in EUR, which is the reporting currency of the activities of the Group rounded to the nearest EUR ('000).

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

Change resulting from material misstatement

The Company’s Management has identified significant errors during the year related to advisory costs. The Company paid in 2019 a considerable amount of advisory costs which should have been paid by the parent company, MBL Denmark A/S. The correction is incorporated in the comparative figures for 2019 and means that the results for 2019 have increased by EUR (’000) 701. Equity at beginning of the year and the balance sheet total are increased by an equivalent amount. The change has no impact on the calculated taxes.

The Company’s Management has also identified significant errors during the year in relation to recognition and measurement of value of Equity investments in the Group enterprises in China where cost of goods sold and account payable in prior years were underestimated by EUR (‘000) 914. The correction of the errors has been incorporated in the comparative figures for 2019. As the error concerns the period prior to 2019 it is not relevant to the results for the year. Equity at beginning of the year and the balance sheet total for 2019 are reduced by EUR (‘000) 914. The change has no impact on the calculated taxes.

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.

INCOME STATEMENT

Net revenue

Sale of services is generally recognised on the basis of a measurable degree of completion, using straight-line recognition of services delivered over time in a regular pattern. Where the degree of completion is not measurable or the sales value or the total costs of completion are uncertain, revenue is recognised by the amount that the enterprise as a maximum believes to have a right to claim and is expected to be received for services delivered at the Balance Sheet date.

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

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.

ACCOUNTING POLICIES

Other operating income
Other operating income includes items of a secondary nature in relation to the Group's and the Company's activities, including profit from sale of intangible and tangible fixed assets. In addition, profit from sale of intangible and tangible fixed assets as well as business interruption and conflict compensations are included. Compensations are recognised when the income is deemed to be realisable.

Income from equity interests 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
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
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 %

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.

ACCOUNTING POLICIES

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.

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

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 assessed based on aging.

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

Equity
Dividends
The expected dividend payment for the year is disclosed as a separate item under equity.

Net revaluation reserve according to the equity method
Net revaluation reserve according to the equity method comprises net revaluation of equity investments in subsidiaries in proportion to cost. Dividends that expected to be received before the balance sheet date are not tied to the reserve. Reserves may be eliminated in connection with loss, realisation of equity investments or changes in accounting estimates. Reserves cannot be recognised at a negative amount.

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.

Liabilities are split into short-term and long-term part based on expected repayment period. Liabilities with expected repayment period within 1 year are recognized as short terms.

Liabilities related to bank debt (loans and factoring) are presented as bank debt.

There is company policy to set up accruals to recognize the costs in the period when they are incurred based on already known amounts. Company also recognizes the provisions for possible futures expenses on condition that they would be present obligation arisen as a result of past event, payment is probable and the amounts can be reliably estimated.

Accruals and provisions are recognized generally under Other Debt. Specifically Holiday Provision is presented under Other Debt.

ACCOUNTING POLICIES

Foreign currency translation

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

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

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

At 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 date of acquisition or at the date of a 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 concitions for being independent entities are translated at an average exchange rate for the month and the 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 adjustment 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.

Exchange rate differences recognised in Equity are accumulated in a fair value reserve for currency translation of foreign entities and are transferred to the Income Statement when object of the currency translation is realised or ends. An exception is exchange rate differences arising from translation of Equity interests, which are recognised at Equity value, where the whole value adjustment, including exchange rate differ-ences, are included in the reserve for net valuation according to the Equity value method.