



**MBL A/S**

**GLARMESTERVEJ 18B ST. TH., 8600 SILKEBORG**

**ANNUAL REPORT**

**1 JANUARY - 31 DECEMBER 2021**

**The Annual Report has been presented and  
adopted at the Company's Annual General  
Meeting on 27 July 2022**

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**Lars Bichel Lüneborg**

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**COMPANY DETAILS**

<b>Company</b>	MBL A/S Garmestervej 18B st. th. 8600 Silkeborg  CVR No.: 12 82 52 42 Established: 1 February 1989 Municipality: Silkeborg Financial Year: 1 January - 31 December
<b>Board of Directors</b>	Ingelise Nygaard Lauritsen, chairman Mogens Bichel Lauritsen Lars Bichel Lüneborg Ashwin Roy Nerijus Drobavicius Anatolijus Faktorovicius
<b>Executive Board</b>	Martin Bichel Lauritsen
<b>Auditor</b>	KPMG P/S Statsautoriseret Revisionspartnerselskab Frederiks Plads 42 8000 Aarhus C

## 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 2021.

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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

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 July 2022

Executive Board

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Martin Bichel Lauritsen

Board of Directors

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Ingelise Nygaard Lauritsen  
Chairman

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Mogens Bichel Lauritsen

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Lars Bichel Lüneborg

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Ashwin Roy

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Nerijus Drobavicius

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Anatolijus Faktorovicus

## 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 2021, 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 at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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' 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.

#### 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 judgement 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.
- 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.

## INDEPENDENT AUDITOR'S REPORT

- 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 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 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 the management commentary.

Aarhus, 27 July 2022

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

Mikkel Trabjerg Knudsen  
State Authorised Public Accountant  
MNE no. mne34459

Michael E. K. Rasmussen  
State Authorised Public Accountant  
MNE no. 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 2021. In 2021 MBL's products have been sold to more than 30 countries.

### Exceptional matters

There are no exceptional matters this year.

### Development in activities and financial and economic position

Operationally in 2021 MBL continued to face challenges both from ongoing Covid-19 pandemic and in addition to previous years dynamic change of costs of raw materials and transoceanic shipping. Turnover wise Group delivered very solid performance with the increase of Group consolidated turnover from EUR 56m to almost 70m EUR. MBL Group's financial results, however, slightly deteriorated compared to 2020 due to significantly more challenging cost environment where aforementioned costs headwinds undercut realized margins but overall, relatively strong profitability was maintained. In 2021 MBL Group with no delays served its debt to financing partners in line with the agreed schedule. In August 2021 Group refinanced its outstanding mezzanine and bank debt with Polish bank, mBank SA. At the end of 2021 MBL Group had available cash assets at EUR 4.8m.

In 2021, the profit before tax in MBL A/S was EUR +5.0m against EUR 4.4m in 2020. Income from investments in subsidiaries was EUR +3.3m and it was lower than in 2020 largely due to net loss realized by MBL Poland.

In terms of standalone MBL A/S results (excl. subsidiaries results), net profit of EUR 1.1m was delivered vs expected ca EUR 0.5m. This was driven largely by higher revenues.

In 2021 MBL A/S received dividend from its subsidiary MBL (Xiamen) of EUR 3.0m and paid dividend to parent company MBL Denmark A/S of EUR 4.1m.

### Outlook

Most likely in 2022 the current geo-political situation following Russia invasion of Ukraine and general inflationary environment accompanied by ongoing supply chain disruptions will have most significant impact on the global economy at least into H1 of 2022. 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 2022 the Group achieved record high Q1 revenues of EUR 22m, an increase of 57% vs last year. EBITDA continues to be at a solid level of 10% of turnover. Both MBL Xiamen and MBL Poland are reporting record high orders for Q2 of 2022.

For MBL A/S it is budgeted to deliver positive net profit level in 2022 (excl. subsidiaries).

### 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	2021 EUR '000	2020 EUR '000
<b>GROSS PROFIT</b> .....		<b>2.855</b>	<b>2.198</b>
Distribution costs.....		-60	-44
Administrative expenses.....	1	-808	-640
<b>OPERATING PROFIT</b> .....		<b>1.987</b>	<b>1.514</b>
Income from investments in subsidiaries.....		3.312	3.890
Other financial income.....	2	140	242
Other financial expenses.....	3	-458	-1.212
<b>PROFIT BEFORE TAX</b> .....		<b>4.981</b>	<b>4.434</b>
Tax on profit/loss for the year.....		-539	6
<b>PROFIT FOR THE YEAR</b> .....		<b>4.442</b>	<b>4.440</b>
 <b>PROPOSED DISTRIBUTION OF PROFIT/LOSS</b>			
Proposed dividend for the year.....		4.100	4.125
Extraordinary dividend.....		0	1.500
Allocation to reserves for net revaluation under the equity method.....		3.312	3.890
Retained earnings.....		-2.970	-5.075
<b>TOTAL</b> .....		<b>4.442</b>	<b>4.440</b>

After the end of the financial year distribution of extraordinary dividend of EUR ('000) 869 has been made.



## BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2021 EUR '000	2020 EUR '000
Other plant, fixtures and equipment.....		45	74
<b>Property, plant and equipment.....</b>	4	<b>45</b>	<b>74</b>
Investments in subsidiaries.....		15.718	14.950
Rent deposit and other receivables.....		11	11
<b>Financial non-current assets.....</b>	5	<b>15.729</b>	<b>14.961</b>
<b>NON-CURRENT ASSETS.....</b>		<b>15.774</b>	<b>15.035</b>
Receivables from group enterprises.....		3.043	2.268
Deferred tax assets.....		3	197
Other receivables.....		25	0
Receivables corporation tax.....		0	325
Prepayments and accrued income.....		2	1
<b>Receivables.....</b>		<b>3.073</b>	<b>2.791</b>
<b>Cash and cash equivalents.....</b>		<b>30</b>	<b>133</b>
<b>CURRENT ASSETS.....</b>		<b>3.103</b>	<b>2.924</b>
<b>ASSETS.....</b>		<b>18.877</b>	<b>17.959</b>

## BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2021 EUR '000	2020 EUR '000
Share capital.....		141	141
Reserves for net revaluation under the equity method.....		6.735	6.573
Fair value reserve for hedge accounting.....		-45	0
Retained earnings.....		937	0
Proposed dividend.....		4.100	4.125
<b>EQUITY.....</b>		<b>11.868</b>	<b>10.839</b>
Subordinate loan capital.....		0	5.940
Bank loan.....		6.432	0
Other liabilities.....		13	0
Frozen holiday pay.....		22	22
<b>Non-current liabilities.....</b>	<b>6</b>	<b>6.467</b>	<b>5.962</b>
Subordinate loan capital.....		0	463
Trade payables.....		179	494
Corporation tax.....		165	0
Derived financial instruments.....	7	57	0
Other liabilities.....		141	201
<b>Current liabilities.....</b>		<b>542</b>	<b>1.158</b>
<b>LIABILITIES.....</b>		<b>7.009</b>	<b>7.120</b>
<b>EQUITY AND LIABILITIES.....</b>		<b>18.877</b>	<b>17.959</b>
Contingencies etc.	8		
Charges and securities	9		

## EQUITY

	Share capital	Reserves for net revalua- tion under the Share capital equity method	Fair value reserve for hedge accounting	Retained earnings	Proposed dividend	Total
Equity at 1 January 2021.....	141	6.573	0	0	4.125	10.839
Proposed profit allocation...		3.312		-2.970	4.100	4.442
<b>Transactions with owners</b>						
Dividend paid .....					-4.125	-4.125
<b>Other legal bindings</b>						
Foreign exchange adjustments.....		818				818
Other adjustments to equity value.....		-61				-61
<b>Transfers</b>						
Received/declared dividend		-3.907		3.907		0
<b>Change fair value reserves</b>						
Value adjustments in the year.....			-57			-57
Tax on changes in equity...			12			12
<b>Equity at 31 December 2021.....</b>	<b>141</b>	<b>6.735</b>	<b>-45</b>	<b>937</b>	<b>4.100</b>	<b>11.868</b>

## NOTES

	2021 EUR '000	2020 EUR '000	Note
<b>Staff costs</b>			<b>1</b>
Average number of employees	5	5	
<b>Other financial income</b>			<b>2</b>
Interest, group enterprises.....	83	120	
Other interest income.....	57	122	
	<b>140</b>	<b>242</b>	
<b>Other financial expenses</b>			<b>3</b>
Interest, group enterprises.....	0	67	
Other interest expenses.....	458	1.145	
	<b>458</b>	<b>1.212</b>	
<b>Property, plant and equipment</b>			<b>4</b>
		Other plant, fixtures and equipment	
Cost at 1 January 2021.....		106	
<b>Cost at 31 December 2021.....</b>		<b>106</b>	
Depreciation and impairment losses at 1 January 2021.....		33	
Depreciation for the year.....		28	
<b>Depreciation and impairment losses at 31 December 2021.....</b>		<b>61</b>	
<b>Carrying amount at 31 December 2021.....</b>		<b>45</b>	
<b>Financial non-current assets</b>			<b>5</b>
	Investments in subsidiaries	Rent deposit and other receivables	
Cost at 1 January 2021.....	5.077	11	
<b>Cost at 31 December 2021.....</b>	<b>5.077</b>	<b>11</b>	
Revaluation at 1 January 2021.....	10.687	0	
Exchange adjustment at closing rate.....	818	0	
Dividend.....	-3.301	0	
Profit for the year.....	3.312	0	
Equity movements.....	-61	0	
<b>Revaluation at 31 December 2021.....</b>	<b>11.455</b>	<b>0</b>	
Impairment losses and amortisation of goodwill at 1 January 2021.....	814	0	
<b>Impairment losses and amortisation of goodwill at 31 December 2021.....</b>	<b>814</b>	<b>0</b>	
<b>Carrying amount at 31 December 2021.....</b>	<b>15.718</b>	<b>11</b>	

## NOTES

Note

**Long-term liabilities**

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	31/12 2021 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2020 total liabilities
Subordinate loan capital.....	0	0	0	6.403
Bank loan.....	6.432	0	0	0
Other liabilities.....	13	0	0	0
Frozen holiday pay.....	22	0	0	22
	<b>6.467</b>	<b>0</b>	<b>0</b>	<b>6.425</b>

**Derivative financial instruments**

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The Company uses derivatives for hedging of interest rate risks in relation to future cash flows from unrecognized transactions.

Only financial institutions with high credit ratings are applied for derivative transactions, why the counterparty risk is low.

The company is hedging 100% of anticipated future cash flows related to interest risk on long term debt.

The hedging instruments impact the Balance Sheet, Income Statement and Equity as follows:

	Interest rate swap
Fair value at 31 December 2021	
Liabilities.....	57
	57
Value adjustment in the year recognised in Equity.....	-45

**Contingencies etc.**

8

**Contingent liabilities**

The company has entered into a rental agreement for premises with a residual obligation during the notice period at EUR ('000) 12. The annual rental cost is EUR ('000) 22.

MBL A/S have issued a guarantee in relation to the subsidiary MBL Poland debt to mBank SA - lender of loan. Maximum level in light of loan agreement is EUR ('000) 21.677.

**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.

**NOTES****Note****Charges and securities****9**

As security for the subsidiary's bank loan, shares of MBL Poland have been pledged. At 31 December of 2021 nominal value of MBL Poland shares is PLN 12.145.000, the carrying value of which is EUR ('000) 5.632.

## ACCOUNTING POLICIES

The Annual Report of MBL A/S for 2021 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.

### 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 2020 A/S, Glarmestervej 18B st. th, 8600 Silkeborg, CVR No. 41 64 20 68.

## 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.

### 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 investments in subsidiaries

The proportional share of the results of subsidiaries, stated according to the Parent Company's accounting policies and with full elimination of unrealised intercompany profits/losses and deduction of amortisation of added value and goodwill resulting from purchase price allocation at the date of acquisition, is recognised in the Parent Company's Income Statement.

In connection with transfers, potential profits are recognised when the economic rights related to the sold subsidiaries are transferred, however, at the earliest when the profit has been realised or is regarded as realisable. Moreover, realised losses other than impairments are included where identified.

## ACCOUNTING POLICIES

### Financial income and expenses

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

### Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the Income Statement by the share that may be attributed to the profit for the year, and is recognised directly in equity by the share that may be attributed to entries directly to equity.

## 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 Equity interests in subsidiaries are measured in the Parent Company Balance Sheet under the equity method, which is regarded as a method of measuring/consolidation.

Equity 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 calculated according to the acquisition method. Negative goodwill is recognised in the Income Statement when the equity interest is acquired. Where the negative goodwill is related to acquired contingent liabilities, the negative goodwill will be recognised as income when the contingent liabilities have been settled or cease.

Net revaluation of equity interests in subsidiaries is transferred under 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 DKK 0 and any amounts due from these enterprises are written down 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 has a legal or actual liability to cover the subsidiaries deficit.



## ACCOUNTING POLICIES

Deposits include rental deposits which are recognised and measured at 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 assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

### **Receivables**

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

### **Accruals, assets**

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

### **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 tax-on-account 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 carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

### Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less transaction 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 loan period.

The amortised cost of current liabilities corresponds usually to the 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

### Derivative financial instruments

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

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

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of future cash flows is recognised under receivables or payables and under equity. If the future transaction results in recognition of assets or liabilities, all amounts recognised under equity are transferred from equity and recognised under the initial cost of the asset or liability, respectively. If the future transaction results in income or expenses amounts recognised under equity are transferred to the Income Statement for the period where the Income Statement was affected by the hedged amount.

As regards possible derivative financial instruments, which do not comply with the criteria for classification as hedging instruments, any changes in fair value are recognised on a current basis in the Income Statement.

### 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 conditions 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.