MBL DENMARK A/S

GLARMESTERVEJ 18B ST. TH., 8600 SILKEBORG

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2018

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 22 May 2019

Lars Lüneborg

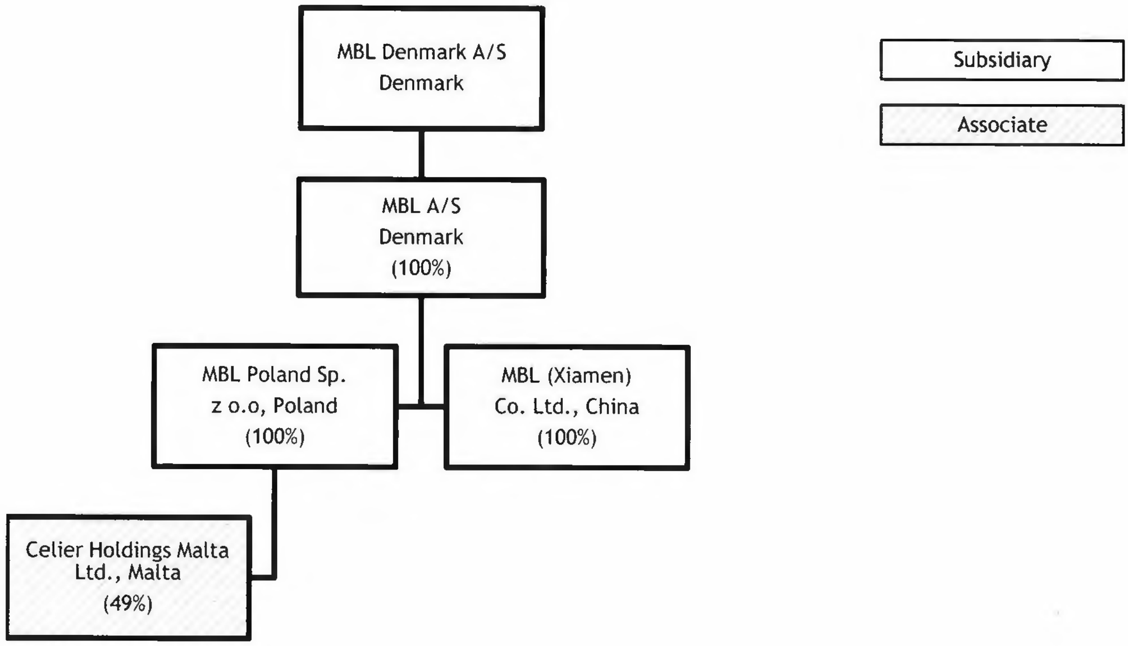
CVR NO. 27 38 65 98

CONTENTS

COMPANY DETAILS

Company	MBL Denmark A/S Glarmestervej 18B st. th. 8600 Silkeborg CVR No.: 27 38 65 98 Established: 11 June 2003 Registered Office: Silkeborg Financial Year: 1 January - 31 December
Board of Directors	Piotr Mateusz Sadowski Lars Bichel Lüneborg Martin Bichel Lauritsen Mogens Bichel Lauritsen Ingelise Nygaard Lauritsen
Board of Executives	Mogens Bichel Lauritsen
Auditor	KPMG P/S Bredskifte Allé 13 8210 Aarhus
Law Firm	Horten Advokatpartnerselskab Philip Haymans Allé 7 2900 Hellerup

GROUP STRUCTURE



The following associated companies are not included in the consolidation but are recognised at cost:

Celier Holdings Malta Ltd., Malta

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 Denmark A/S for the financial year 1 January - 31 December 2018.

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

In our opinion the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of Group's and the Company's financial position at 31 December 2018 and of the results of Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2018.

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, 22 May 2019

Board of Executives

Mogens Bichel Lauritsen

Board of Directors

Piotr Mateusz Sadowski	Lars Bichel Lüneborg	Martin Bichel Lauritsen
Mogens Bichel Lauritsen	Ingelise Nygaard Lauritsen	

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MBL Denmark A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of MBL Denmark A/S for the financial year 1 January - 31 December 2018 comprising accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes, for the Group as well as for the Parent Company. The consolidated financial statements and parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2018 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 consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group 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.

Emphasis of matter - uncertainty related to receivable

We draw attention to 22 "Information on uncertainty with respect to recognition and measurement" to the consolidated financial statements and the parent company financial statements, setting out the uncertainty relating to the measurement the receivable with a strategic business partner. Our opinion is not modified in respect to this matter.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and the parent 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 Group's and the Parent 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 consolidated financial statements and the parent company 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 Group's and the Parent 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 consolidated financial statements and the parent company 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 Group and the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

INDEPENDENT AUDITOR'S REPORT

Statement on Management's review
Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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 consolidated financial statements and the parent company 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, 22 May 2019

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Michael Stenskrog
State Authorised Public Accountant
mne26819

Michael E. K. Rasmussen
State Authorised Public Accountant
mne41364

FINANCIAL HIGHLIGHTS OF THE GROUP

	2018 EUR '000	2017 EUR '000	2016 EUR '000	2015 EUR '000	2014 EUR '000
Income statement					
Net revenue	58.377	48.153	44.710	42.786	39.153
Gross profit/loss	11.795	8.109	7.554	6.245	7.236
Operating profit/loss	4.377	1.652	-1.651	-195	1.479
Financial income and expenses, net	-2.229	-2.689	-1.813	-1.099	-2.892
Profit/loss for the year before tax	2.148	-1.037	-3.464	-1.294	-1.412
Profit/loss for the year	1.732	-1.122	-3.580	-1.395	-1.394
Balance sheet					
Balance sheet total	38.206	35.067	32.682	34.366	32.593
Equity	2.964	1.131	-196	5.338	5.227
Equity incl. minority interests	2.964	1.131	-196	5.753	5.227
Cash flows					
Cash flows from operating activities	3.553	2.039	-3.686	461	1.941
Cash flows from investment-related activities	-1.478	-1.905	-1.876	-1.032	-3.287
Cash flows from financing activities	-1.415	-663	6.967	916	3.344
Total cash flows	660	-529	1.405	345	1.998
Investment in tangible fixed assets	-1.166	-1.540	-1.366	-1.089	-1.214
Average number of full-time employees	**1.427**	**1.416**	**1.417**	**1.463**	**1.328**
Ratios					
Gross margin	20,2	16,8	16,9	14,6	18,5
Profit margin	7,5	3,4	-3,7	-0,5	3,8
Solvency ratio	7,8	3,2	Neg.	15,5	16,0
Net revenue per employee	41	34	32	29	29

Comparative figures for 2016 financial results has been restated in line with opening balance errors adjustments as described in the annual report 2017. Due to lack of reliable calculation it was not possible to restate accurately the 2014-2015 results, therefore they were not adjusted.

FINANCIAL HIGHLIGHTS OF THE GROUP

The ratios stated in the list of key figures and ratios have been calculated as follows:

Gross margin:	$\dfrac{\text{Gross profit x 100}}{\text{Net revenue}}$
Profit margin:	$\dfrac{\text{Operating profit/loss x 100}}{\text{Net revenue}}$
Solvency ratio:	$\dfrac{\text{Equity ex. minorities, at year end x 100}}{\text{Total equity and liabilities, at year end}}$
Net revenue per employee EUR ('000)	$\dfrac{\text{Net revenue EUR ('000)}}{\text{Average number of full-time employees}}$

The ratios follow in all material respects the recommendations of the Danish Finance Society.

MANAGEMENT'S REVIEW

Principal activities
The principal activities 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 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 2018. In 2018 MBL's products have been sold in 40 countries.

Exceptional matters
There are no exceptional matters this year.

Uncertainty as to recognition and measurement
During previous years the Group has built up a significant receivables balance in the form of trade receivables from one of the business partners which is among our top 10 biggest customers. In the course of year 2018 regular repayments of both existing loans and trade receivables have been noticed, however, due to sudden sales growth (120% vs 2017 sales) the balance vs last year has increased by EUR 1.8m on the MBL Group level. Still compared to last year Days Sales Outstanding parameter on this customer (calculated as proportion of total loan/receivables balance vs yearly sales) has improved by over 35%. The growth of the balance of trade receivables and loan granted is in all material respects granted on the basis of a cooperation agreement and as part of an overall business plan for cooperation on new activities with proven opportunity of sales in 2018.

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 Group with a modest capital base, the recognition and measurement hereof are subject to uncertainty. However, taking the market potential, close cooperation and the improved liquidity situation into account we strongly believe this receivables balance is collectable in the full amount.

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
2018 was the second year of realizing a new financial strategy together with the strategic minority investor which positively influenced business operations and reduced the cash flow pressure which allowed to fully re-finance existing debts. It was also a second year of continued bank financing in MBL Poland from Santander Bank Polska S.A. (former Bank Zachodni WBK S.A.).

Both financing partners have been paid in 2018 in line with the agreed schedule and in particular debt in Santander Bank has been reduced by PLN 4.5m vs end of 2017. Simultaneously MBL Poland signed in 2018 the amendment agreement with Santander Bank extending revolving loan facility and met all newly set covenants in 2018 with no defaults. At the same time the MBL Group has improved its liquidity with increase in available cash assets from EUR 1.9m end of 2017 to EUR 2.5m end of 2018.

In 2018, the operating profit/loss from ordinary operations was EUR +4.2m against EUR 1.4m in 2017. Revenue was increased to EUR 58.4m in 2018 against EUR 48.2m in 2017 (growth of 21%). The revenue growth contributed 2.1m EUR additional gross margin. Gross margin was, overall, improved in 2018 thanks to persistent realization of 2018 budget initiatives, in particular strategic sales projects, optimization of prices in the light of challenges from the labour market, product cost rationalizations and labor efficiency improvement. It has been also supported by overall currency development and limited material cost inflation. This led to normalized EBITDA improvement from EUR 3.7m in 2017 to EUR 6.4m in 2018 despite significant pressure on salaries both in Poland and in China.

MANAGEMENT'S REVIEW

Development in activities and financial position (continued)
Results before tax for the year (EUR +2.1m vs EUR -1.0m in 2017) were also affected positively by the currency gains coming from RMB depreciation to USD, and still relatively high interest cost related to loans from shareholders including the strategic investor.

In addition, the company has over-delivered budget assumptions of EUR 0.4m, achieving net profit after tax of EUR +1.7m primarily due to reasons described above.

Simultaneously the Group maintains the key Working Capital turn ratios with improvement on stock turns and reduction of payables turn, however, due to sales growth the working capital level has increased by EUR 2.2m. Still thanks to strong profitability and limited capital expenditures the Group was able to generate free cash flow from operations at the level of almost EUR 3.0m sufficient for loan repayment, payment of interest and in general improved available cash.

Strong financial results in 2018 have proven benefits from stabilization of the financial situation and implemented strategic change. It should lead to continuously strong revenues and gross margins despite growing cost pressure on labor costs and energy prices. The Board of Directors has approved the 2019 plan leading again to positive net profit and delivery of satisfactory Group EBITDA.

The Group's operations normalization and revenues opportunity from new projects/core business is a basis for utilizing the earnings potential. The key aspects of this plan of earnings improvement is additional sales growth coming from new projects (very strong growth already visible from China). The new projects supported with cost rationalizations are expected to deliver EUR 1.5m additional margin in 2019. The other key point in the 2019 plan is continued sales price optimizations catching up on the inflationary trend.

These initiatives (new projects, cost rationalizations and necessary sales price optimizations) together with a motivating bonus program boosting efficiency on labor, are expected not only to keep satisfactory 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 2018 an equity of EUR 3.0m and an equity including subordinated loan capital of EUR 14.5m.

Going concern
In the financial statements for year 2017 there was a risk related to negative results which resulted in financial covenants breaches in the financing agreements with bank and investor.

Taking into account:
1. Improved profitability and liquidity position of MBL Group in 2018
2. Amendment agreement with Santander Bank from December 2018 which extended existing facility, set up new and agreed covenants level which was achieved and waived the past defaults for year 2018
3. An agreement from December 2018 with the investor waiving covenant breaches for year 2018 was signed
4. It has been agreed with investor that new covenants were going to be used from Q1 2019 in line with bank amendment which would be confirmed formally by new amendment agreement in 2019

the "going concern" risk has been eliminated and the statement is prepared on going concern basis.

Furthermore there is a number of budget initiatives for 2019 which are an assurance that the Group's expected delivery of financial parameters should be achieved with a buffer for potential risks.

MANAGEMENT'S REVIEW

Development in activities and financial position (continued)
In Quarter 1 of 2019 the Group has achieved the revenue growth of 24.4% vs last year which is above budgeted and Normalized EBITDA level of EUR 2.6m which is EUR 1.6m above planned. As a result newly agreed covenant parameters are met. The Group has also achieved the budgeted parameters related to cash flow generation with free cash flow from operations at the level of EUR 0.5m.

Results after Q1 of 2019 have been communicated to both lenders and together with 2018 results they are recognized as very positive. Board of Directors and the Board of Executives continue to assess that there will be no measurements or actions from Lenders which would trigger risk of discontinuation of operations in 2019.

Profit/loss for the year compared to future expectations
As stated above net profit/loss for 2018 was EUR +1.7m profit. It was above planned EUR +0.4m due to positive impact of sales growth and gross margin improvement.

A positive net profit result is expected in 2019 following all budget initiatives with a plan to over-deliver the 2018 net profit results. It is expected to be based on profitable new products, core product growth 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.

Special risks
The Group's most significant operating risk is attached to fluctuations of the PLN/EUR exchange rate affecting sales from MBL Poland, for which a revaluation cannot directly be passed on to the customers as the Group's competitors are primarily located in Asia and, therefore are not, like MBL, very sensitive to more than one currency. It is also related to the RMB/USD exchange rate, for which revaluation is possible to be passed to customers, however, there may be some lagging effect and/or negative customer relationships impact.

Foreign exchange risks
As there are activities in foreign countries, the results, cash flows and equity are influenced by the exchange rate development of several currencies, in particular EUR, USD, RMB and PLN. It is the Group's policy to hedge the commercial foreign exchange risks properly in close cooperation with the Group's principal bank in Poland. For MBL Poland hedging is primarily done in the form of foreign currency options, swaps and forward contracts to hedge the expected sales and purchases within 3 to 12 months in the relevant currencies. No speculative foreign exchange positions are entered into.

For MBL Xiamen, due to lack of local hedging possibilities, the Group is rigorously monitoring the exchange rates development and passes on relevant price adjustments to the Group's customers.

Exchange rate adjustments of investments in subsidiaries and associates, which are independent entities, are recognized directly in the equity. Foreign exchange risks related hereto are not, generally, hedged as it is the Group's opinion that a current hedging of such long-term investments will not be appropriate from an overall risk and cost perspective.

Interest risks
Changes in the interest level would have a direct impact on earnings as the interest-bearing net debt represents a considerable amount. In order to reduce the risk of interest fluctuations the Group's latest financing structure is based either on fixed interest rates (like with shareholder's and investor's loans) or is hedged via interest rate swaps (the Santander bank long term loan).

Market risks
The most significant market risks are related to cost inflation of raw materials and salaries. In both cases it has been noted in year 2018 that the key cost components are exposed to high single digits increases. In order to reduce the risk, the Group has prepared the budget based on more conservative assumptions and is using the price adjustment model to price up for the products in case of cost inflation.

Environmental situation

It is the Group's basic value that the environmental situation in the subsidiaries should reflect legislation in the individual countries, and it is aimed at meeting similar Danish requirements. In 2016 the Group has run an Environmental Audit which has confirmed that both in MBL Poland and MBL Xiamen the Group is almost 100% compliant with requirements. The Group has in 2018 continued the effort to improve the production environment as well as the security and health environment in both subsidiaries including selective capital investments.

There is increasing focus on a number of areas in particular in terms of gas emission, waste and other pollution as described in CSR section.

Knowledge resources

The Group continued in 2017 the development of its main products which will require a continued development of the knowledge resources.

The Group has continued its efforts within knowledge management and improvement including education and training for key staff in Poland and China, sharing best practices between the Group's entities, sharing consultation and management services but also maintaining the knowledge database. The Group is also investing in key job positions and to increase leadership capabilities in selected areas.

Research and development activities

The development activities are handled by the subsidiaries.

The Group's own product program and customer specific products are developed in close cooperation with the customers' purchase and development departments. A considerable amount of time and resources have been used during the year for product documentation and development of the necessary tools for production of customer specific products. A minor share of these costs is covered by the customers. During 2018 there has been a strategic shift towards a higher share of new products owned by the MBL Group vs customer specific projects. Cost rationalizations have as well been a focus area for the R&D and sourcing staff and it is the key focus area in 2019 as compared to the development of new products.

Future expectations

From a strategic perspective the MBL Group is one of the key suppliers to the rehabilitation industry globally and is therefore operating on the market with a growth potential. The market for wheelchairs and other rehabilitation devices like rollators and beds, and thus the Group's main products, will grow in the long term because of increasing life expectancy and lifestyle related diseases. The expected growth rate of the market is estimated at 6-7% yearly.

After growth in 2018, the MBL Group is expected to continue to outpace the market with revenue growth expectations for 2019 close to a double-digit growth rate. This is expected to be the result of successful development of new products in the past 2 years in MBL Xiamen with support of a strategic partners and also growth on the core components portfolio. For MBL Poland it is going to be the result of the continuation of several major projects and further development of potential customers including expansion to the US market.

The improved liquidity and a new management structure have been releasing considerable resources from the top management and all the way through the organization which may be used in a much more appropriate manner and contribute to a considerable improvement of the earnings in the following years.

MANAGEMENT'S REVIEW

Future expectations (continued)
The key initiatives to improve profitability and achieve goals in 2019 are:

1. Revenue growth on core products with minimum satisfactory margins with focus on stable growth in developed markets of Western Europe and continued expansion in Asia Pacific and the US market
2. Price optimization where relevant to reflect existing cost pressure and rigorous price adjustment model implementation in case of further exchange rate/material/salary cost swings
3. Cost rationalization effort particularly on new "high runners" to reduce the cost base and improve margins
4 Simplification of the product portfolio and increasing production series volume to improve productivity

The most important business processes with respect to meeting own targets as compared with the company's own and the customers' expectations continue to be service, quality, delivery on time and project efficiency.

The Group continues monthly monitoring of the business via Balanced Scorecard Key Performance Indicators, but also significantly upgraded management financial reporting.

The HR departments will continue to focus on preparation of training and competence development plans in cooperation with the individual department managers. Thus, the selected benchmarks in the Balance Scorecard strategy, including delivery on time, low product defective rate and short project lead time, will be important parameters to ensure optimized business processes. Additionally the first phase of a strategic job evaluation process for MBL Xiamen has been accomplished in 2018 and is going to be continued next year.

The company's foreign branches
The Company has a no foreign branches.

Corporate social responsibility
The Group desires to develop its business and meet its strategic challenges in a financially and socially justifiable way by adherence to the legislation, and activities and measures of a social nature in all three countries where the Group is operating.

The Group has implemented policies comprising internal guidelines, goals and strategies according to which work is focused on ensuring a safe and healthy working environment and optimization of the processes of the company in order to ensure environmentally responsible operations. For both subsidiaries it has been communicated to each employee in the form of so-called staff book. Also in 2017 for each new employee this staff book was communicated. There was no significant change in this aspect in 2018.

The Group continuously evaluate existing policies to systematically implement improvements where necessary. As example in 2018 there was another set of projects introduced in China to improve working conditions with new air conditioning system as described below.

Compliance with respective policies and procedures has been regularly monitored and controlled by both internal and external authorized groups. In 2018 there was no material breaches or incompliance cases.

In general, it is the management's opinion that the work regarding environment and work environment is supportive of the Group's image and efficiency. The Group's work with social responsibility has also had the effect that the production processes have become less environmentally damaging, and that the consumption of energy is reduced.

Following improvement of financial situation in future, it is expected that these activities will be continued and further intensified.

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)

Environmental situation

All companies within the MBL Group are proactively looking for opportunity to reduce energy consumption. In 2017 in MBL Poland there was an Energy consumption audit run by authorized advisors which identified key opportunities in this area. One of the biggest opportunities currently is replacement of lightning to LED. The project is gradually implemented depending on available resources and in 2018/2019 assembly lines in MBL Poland are being equipped with new LED lightning system.

Main risks related to lack of proper environmental protection:

1. Legal consequences - fines, higher costs of operations, criminal prosecutions etc.
2. Negative PR consequences
3. Health and safety risk for employees
4. Stricter environmental requirements imposed on the company with negative impact on operations

The way of handling these risks in MBL Group is:

1. Clear communication from management that there is no compromise on meeting environmental standards required by law in relevant countries
2. More focus on information collection - in MBL Poland in 2018 external consultant was hired to track the progress on environment protection
3. Actions in place in case of any environmental risk - new installations, exchange of chemical pollutants in MBL Poland as example from last 2 years
4. Strict Health and Safety procedures in place as described below

In 2018 there were new country requirements in Poland related to gas emission and waste disposal registration. In all cases MBL Poland fulfilled the requirements on time.

In 2018 there were implemented the following actions to eliminate pollution sources in China:

- six high noise belt conveyors were replaced, eliminating noise pollution on and around the plant,
- the rubber production process was shut down, eliminating waste gas pollution such as hydrogen sulfide, sulfur dioxide and dust from rubber production,
- welding workshop increased the collection system of welding smoke and dust to improve the environment around the site and plant area,
- environmental air-conditioning systems were added in punching, aluminum casting, powder coating and polishing workshops to improve the site environment.

Human rights

The Group has the policy concerning corporate social responsibility include human rights policies with particular focus on suppliers which is described in the dedicated policy. There was no particular actions in 2017 regarding this policy - the Group is considering the review of key suppliers in the future. Part of this is also transparent communication with suppliers in terms of ethical code of conduct which is to be started in 2019.

Internally the Group has a code of rules for human rights and environmental and work environmental issues as described in policies. In 2018 there was no cases of breach of any law connected to human rights in any of the subsidiaries.

Main risks related to human rights protection in MBL as production facility are:

1. Health and safety risk for employees and all sorts of ethical and legal consequences related to this
2. Mistreatment of employees

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)
The way of handling these risks in MBL is to:
1. Monitoring of H&S procedures and action implementation related to this - in both MBL Poland and MBL Xiamen there is a H&S specialist person employed, who is responsible for this. Additionally each people manager is responsible for H&S tasks
2. All cases of accidents are separately analyzed with action plan and there is a formal protocol describing the accident. Also one of the main company KPIs is number of accidents level which was 0.07% in MBL Xiamen (vs 0.18% in 2017) and 0.13% in MBL Poland (flat vs 2017).
3. Investment in H&S assets to the affordable level. Examples are described above for MBL Xiamen. On top in Poland there was an installation of cooling ventilators and for 2019 there is a major investment planned to reduce noise level in Polishing room
4. In terms of employees mistreatment there is a developed HR function in both Poland and China and all employees has a point of contact in case of issues apart from regular communication with their managers
5. Regular communication meeting are in place run by senior management

The Group continues to stay compliant with local regulations and requirements.

Climatic impact
As an element of its policies relating to environmental and social responsibility, the Group focuses on the climatic impact of its production and distribution. In 2018 MBL Poland has started cooperation with external advisor to review and monitor environmental and climatic impact. Also as the result a number of actions was implemented which brought significant improvement in term of environmental footprint. As example in 2018 production waste from MBL Poland factory was reduced by 9% in case of paper and plastic waste and by more than 50% in case of different sort of metal wastes. In the same time gas and dust pollution was reduced by ca 20% measured as cost of state fee in MBL Poland.

The main risk for MBL is lack of proper handling of production wastes in Poland and in China, which may result in increased costs and legal responsibility.

The way to mitigate is:
1. Use of certified waste handlers
2. Review of contract with Waste handler - in 2018 there was a new negotiation with HAK company in MBL Poland
3. Review of waste handling procedures - which has been concluded in China in 2019

Anti-corruption and bribery
In management's view ethical behavior and safeguarding of company assets is vital for further company development and well-being. One of the key aspects is to protect MBL Group from risks related to corruption. The main risks in general can be identified in the areas of sales pricing and contracts, cooperation with suppliers, bank and treasury transactions, production consumables and employees' expenses claims. Due to certain reasons risk is assessed as higher in MBL Xiamen.

Key risk mitigation policies and procedures are:
1. Sales cooperation is strictly monitored by senior management - in all key customers cooperation Managing Director is involved
2. Sales prices are set up in the system based on target margin approval grid with involvement of Sales Manager, CFO and Managing Director. Sales price changes is monitored monthly by Controlling team
3. Cooperation with key suppliers is monitored closely by Managing Director in China and Supply Chain Manager in Poland. Additionally there is a monthly purchase price check run by Controlling.
4. Bank and treasury transactions are run with the rule of segregation of duty and approval required in the bank system. Key transactions requires CFO external approval. Cash flow is monitored on daily basis.
5. Employees expenses practices are in place both in Poland and in China

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)
Specifically in 2018 following risk mitigating actions has taken place:
1. New authorization grid prepared in MBL Xiamen which has been announced in Q1 2019
2. New Production/General management in place both in Poland and in China with focus on internal controls
3. New Expense procedure ready to be implemented in China in 2019 (new Finance manager employed in October 2018)
4. Review of suppliers in China - in 2019 we are progressing with signing anti-bribery statements with all suppliers
5. Procedure of Purchase price changes control in place in MBL Xiamen in 2018
6. New journal entries approval procedure implemented in 2018 in MBL Poland
7. New Credit control procedure with customers implemented in MBL Poland in 2018
8. New segregation of duty and bank transactions approval procedure implemented in MBL Poland in 2018

Still the challenge is to fully implement the segregation of duties controls in MBL Poland and MBL Xiamen due to size of the company and relatively flat organization structure.

Social and staff matters
In MBL Group all the rules and procedures are collected and communicated in so called "Staff book" where social and staff matters are described such as employee policy, relations between managers and employees, employment and resignation from work, salary and work conditions, employee insurance, leave, working hours, training, job rotation, job promotion, training and education, annual work evaluation and salary conversation, social aspects and welfare fund in chapters from 12 to 18.

Both MBL Poland and MBL Xiamen has developed strong HR function to safeguard and to develop those procedures. HR Department is responsible for all aspects connected with the recruitment, induction, employment, motivation, remuneration, information and communication, development and appraisal system in close cooperation with the managers and the employees.

One of the key challenge in 2018 was connected with the recruitment/employment of required qualified production staff on very difficult labour market with very limited human resources availability. Thanks to the new initiatives/activities the required positions were successfully filled on the production in both MBL Poland and MBL Xiamen. Among others things MBL Poland started the cooperation with the prison in order to offer the job for the prisoners. The prisoners have the possibility to participate in the professional trainings organized by MBL where they can learn new professional skills which can be used by them in the job done for MBL but in the future life too. Additionally they have the possibility to get funds and to support their families. The present cooperation brings benefits for both sides - MBL and prisoners.

Besides the Ukrainian workers were successfully inducted to the production in MBL Poland where their efficiency and the cooperation between Polish and Ukrainian workers are on good level.

There were completed the recruitments for key positions in WCW group: General Manager in MBL Poland, Production Director, Strategic Buyer and Senior R&D Engineer in MBL Poland.
The key initiatives/actions in 2018:
1. Successful implementation of the bonus system in order to increase motivation and commitment to work
2. Implementation of the benefit system in MBL Poland: private medical care and multisport cards
3. New remuneration system based on the job evaluation
4. Implementation of the flexible working time which gives more possibility to balance private life with professional life
5. Arrangement of new canteens and parking places
6. Implementation of new IT tools (e.g. TETA ME) connected with employee administration and payroll in order to increase effectiveness of the HR process and employees' service
7. Implementation of new rules connected with personal data protection (RODO) in MBL Poland

Target figures and policies for the underrepresented gender

The company is working on increasing the number of female leaders and has set specific targets for the share of the underrepresented gender on different level of management. In the Board of Directors of MBL Denmark A/S we have decided to set up the specific target for share of underrepresented gender at the level of 40% to be achieved within 4 years, however, as the Board of Directors is normally selected in majority from family owners, it may hinder the target completion. Currently the Board of Directors consists of one woman and four men.

On management level the representation of female managers is currently 36% in MBL Poland, 45% in MBL Xiamen, which proves there is no particular issue with gender underrepresentation. As MBL Denmark A/S and MBL A/S employment is below 50 employees the policy is not applicable here.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

		Group		Parent company	
	Note	2018 EUR '000	2017 EUR '000	2018 EUR '000	2017 EUR '000
NET REVENUE	1	**58.377**	**48.153**	**0**	**0**
Production costs	2	-46.582	-40.044	0	0
GROSS PROFIT/LOSS		**11.795**	**8.109**	**0**	**0**
Distribution costs	2	-1.091	-1.129	0	0
Administrative expenses	2, 3	-6.464	-5.569	-27	-14
PROFIT/LOSS FROM ORDINARY OPERATIONS		**4.240**	**1.411**	**-27**	**-14**
Other operating income		274	377	0	0
Other operating expenses		-137	-136	0	0
OPERATING PROFIT/LOSS		**4.377**	**1.652**	**-27**	**-14**
Result of equity investments in group and associates	4	0	0	1.741	-1.108
Other financial income	5	914	344	261	367
Other financial expenses	6	-3.143	-3.033	-245	-373
PROFIT/LOSS BEFORE TAX		**2.148**	**-1.037**	**1.730**	**-1.128**
Tax on profit/loss for the year	7	-416	-85	2	6
PROFIT/LOSS FOR THE YEAR	8	**1.732**	**-1.122**	**1.732**	**-1.122**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	Group 2018 EUR '000	Group 2017 EUR '000	Parent company 2018 EUR '000	Parent company 2017 EUR '000
Development projects completed..		1.227	1.452	0	0
Intangible fixed assets acquired....		161	122	0	0
Development projects in progress and prepayments.....................		359	443	0	0
Intangible fixed assets.............	9	**1.747**	**2.017**	**0**	**0**
Land and buildings....................		8.389	8.398	0	0
Production plant and machinery....		3.580	3.665	0	0
Other plant, fixtures and equipment............................		1.353	1.319	0	0
Prepayment for tangible fixed assets under construction...........		78	9	0	0
Tangible fixed assets...............	10	**13.400**	**13.391**	**0**	**0**
Equity investments in group enterprises............................		0	0	3.050	1.208
Equity investments in associated enterprises............................		1	1	0	0
Receivables from group enterprises............................		0	0	2.150	1.902
Rent deposit and other receivables............................		10	10	0	0
Fixed asset investments...........	11	**11**	**11**	**5.200**	**3.110**
FIXED ASSETS.........................		**15.158**	**15.419**	**5.200**	**3.110**
Raw materials and consumables....		3.926	4.332	0	0
Work in progress......................		1.318	502	0	0
Finished goods and goods for resale..................................		1.491	1.926	0	0
Inventories...........................		**6.735**	**6.760**	**0**	**0**
Trade receivables.....................		10.602	7.752	0	0
Receivables from group enterprises............................		0	0	0	205
Receivables from owners and management..........................	12	42	69	0	0
Deferred tax assets..................	13	1.284	1.205	1	4
Other receivables....................		1.610	1.757	0	0
Joint tax contribution receivable..		0	0	5	0
Prepayments and accrued income.	14	250	249	0	0
Receivables...........................	15	**13.788**	**11.032**	**6**	**209**
Cash and cash equivalents.........		**2.525**	**1.856**	**0**	**0**
CURRENT ASSETS.....................		**23.048**	**19.648**	**6**	**209**
ASSETS................................		**38.206**	**35.067**	**5.206**	**3.319**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	**Note**	Group **2018** EUR '000	Group **2017** EUR '000	Parent company **2018** EUR '000	Parent company **2017** EUR '000
Share capital	16	74	74	74	74
Reserve for net revaluation according to equity valuation		0	0	812	0
Retained earnings		2.890	1.057	2.078	1.057
EQUITY		**2.964**	**1.131**	**2.964**	**1.131**
Pensions and similar obligations		51	47	0	0
Provision for deferred tax	13	953	845	0	0
PROVISION FOR LIABILITIES		**1.004**	**892**	**0**	**0**
Bank loan		1.720	2.718	0	0
Subordinate loan capital		11.582	11.007	1.606	1.861
Lease liabilities		550	867	0	0
Long-term liabilities	17	**13.852**	**14.592**	**1.606**	**1.861**
Short-term portion of long-term liabilities	17	1.901	1.502	500	0
Bank debt		5.131	5.122	0	0
Prepayments received from customers		0	1	0	0
Trade payables		8.203	7.797	0	0
Payables to group enterprises		0	0	7	0
Corporation tax		525	281	87	281
Other liabilities		4.190	3.179	42	46
Accruals and deferred income	18	436	570	0	0
Current liabilities		**20.386**	**18.452**	**636**	**327**
LIABILITIES		**34.238**	**33.044**	**2.242**	**2.188**
EQUITY AND LIABILITIES		**38.206**	**35.067**	**5.206**	**3.319**

Contingencies etc.	19
Charges and securities	20
Related parties	21
Information on uncertainty with respect to recognition and measurement	22
Derivative financial instruments	23

EQUITY

	Group		
	Share capital	Retained earnings	Total
Equity at 1 January 2018	74	1.057	1.131
Foreign exchange adjustments		-220	-220
Value adjustments of equity		336	336
Net adjustment of hedging contract		-15	-15
Proposed distribution of profit		1.732	1.732
Equity at 31 December 2018	**74**	**2.890**	**2.964**

	Parent company			
	Share capital	Reserve for net revaluation according to equity valuation	Retained earnings	Total
Equity at 1 January 2018	74	0	1.057	1.131
Foreign exchange adjustments		-220		-220
Value adjustments of equity		321		321
Transfers to/from other items		-1.030	1.030	
Proposed distribution of profit		1.741	-9	1.732
Equity at 31 December 2018	**74**	**812**	**2.078**	**2.964**

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	Group		Parent company	
	2018 EUR '000	**2017** EUR '000	**2018** EUR '000	**2017** EUR '000
Profit/loss for the year	1.732	-1.122	1.732	-1.122
Reversed depreciation of the year	1.727	1.716	0	0
Reversed realization gains and loss	9	-69	0	0
Profit/loss from subsidiaries	0	0	-1.741	1.108
Adjustment of other financial income	0	0	-249	-367
Adjustment of other financial expenses	956	858	245	367
Reversed tax on profit/loss for the year	416	85	-2	-6
Corporation tax paid	-255	0	-219	0
Change in inventory	25	-406	0	0
Change in receivables	-2.677	337	205	24
Change in current liabilities (ex bank and tax)	1.287	972	29	-4
Other cash flows from operating activities	333	-332	0	0
CASH FLOWS FROM OPERATING ACTIVITY	**3.553**	**2.039**	**0**	**0**
Purchase of intangible fixed assets	-345	-554	0	0
Purchase of tangible fixed assets	-1.166	-1.540	0	0
Sale of tangible fixed assets	33	189	0	0
Purchase of financial assets /capital increase in group enterprises	0	0	0	-2.003
Other cash flows from investing activities	0	0	0	1.203
CASH FLOWS FROM INVESTING ACTIVITY	**-1.478**	**-1.905**	**0**	**-800**
Changes in subordinated loan capital	0	-1.275	0	-1.203
Proceeds from long-term borrowing	0	3.783	0	0
Repayments of loans	-1.415	-5.174	0	0
Change in capital	0	2.003	0	2.003
CASH FLOWS FROM FINANCING ACTIVITY	**-1.415**	**-663**	**0**	**800**
CHANGE IN CASH AND CASH EQUIVALENTS	**660**	**-529**	**0**	**0**
Cash and cash equivalents at 1 January	-3.266	-2.737	0	0
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**-2.606**	**-3.266**	**0**	**0**
Specification of cash and cash equivalents at 31 December:				
Cash and cash equivalents	2.525	1.856	0	0
Bank debt	-5.131	-5.122	0	0
CASH AND CASH EQUIVALENTS, NET DEBT	**-2.606**	**-3.266**	**0**	**0**

NOTES

	Group		Parent company		Note
	2018 EUR '000	2017 EUR '000	2018 EUR '000	2017 EUR '000	
Net revenue					1
Segment details (geography)					
Western Europe	28.867	26.884	0	0	
Eastern Europe	11.765	8.689	0	0	
Asia Pacific	13.754	8.877	0	0	
Other	3.991	3.703	0	0	
	58.377	**48.153**	**0**	**0**	

As customers should have changed allocation by geography, previous years allocation as adjusted in line with 2018 presentation.

Staff costs					2
Average number of employees Group: 1.427 (2017: 1.416) Parent company: 0 (2017: 0)					
Wages and salaries	14.572	13.178	0	0	
Pensions	146	142	0	0	
Social security costs	1.672	1.562	0	0	
Other staff costs	994	910	0	0	
	17.384	**15.792**	**0**	**0**	
Remuneration of management	703	547	0	0	
Remuneration of board of directors	10	10	0	0	
	713	**557**	**0**	**0**	

Staff costs are included in the following items:
Production costs: EUR ('000) 13.194 (2017: EUR ('000) 12.182)
Distribution costs: EUR ('000) 554 (2017: EUR ('000) 643)
Administrative expenses: EUR ('000) 3.636 (2017: EUR ('000) 2.967)

Fee to statutory auditors					3
Total fee:					
KPMG	102	73	16	3	
	102	**73**	**16**	**3**	
Specification of fee:					
Statutory audit	102	73	16	3	
	102	**73**	**16**	**3**	

NOTES

	Group		Parent company		Note
	2018 EUR '000	2017 EUR '000	2018 EUR '000	2017 EUR '000	
Result of equity investments in group and associates					4
Result of equity investments in group enterprises	0	0	1.741	-1.108	
	0	**0**	**1.741**	**-1.108**	
Other financial income					5
Interest, group enterprises	0	0	259	367	
Other interest income	914	344	2	0	
	914	**344**	**261**	**367**	
Other financial expenses					6
Interest, group enterprises	0	0	0	3	
Other interest expenses	3.143	3.033	245	370	
	3.143	**3.033**	**245**	**373**	
Tax on profit/loss for the year					7
Calculated tax on taxable income of the year	473	0	-5	0	
Adjustment of tax for previous years	0	-15	0	-2	
Adjustment of deferred tax	-57	100	3	-4	
	416	**85**	**-2**	**-6**	
Proposed distribution of profit/loss					8
Allocation to reserve for net revaluation according to equity valuation	0	0	1.741	-1.108	
Retained earnings	1.732	-1.122	-9	-14	
	1.732	**-1.122**	**1.732**	**-1.122**	

NOTES

Note

Intangible fixed assets 9

	Group		
	Development projects completed	Intangible fixed assets acquired	Development projects in progress and prepayments
Cost at 1 January 2018	3.394	450	442
Exchange adjustment at closing rate	-65	-10	-7
Transfer	203	1	-203
Additions	37	119	189
Disposals	0	0	-62
Cost at 31 December 2018	**3.569**	**560**	**359**
Amortisation at 1 January 2018	1.944	327	0
Exchange adjustment at closing rate	-40	-8	0
Depreciation for the year	438	80	0
Depreciation at 31 December 2018	**2.342**	**399**	**0**
Carrying amount at 31 December 2018	**1.227**	**161**	**359**

Special conditions for recognition of development costs
The Company's development projects concern development of wheel chairs, walking frames, hospital beds, electromechanical products, and components for manual wheel chairs. The development progresses as planned and is expected to be completed within 1 to 2 years and company is going to benefit through additional revenues or cost benefits for the following years. The market for these products for the health and senior citizen sector is increasing considerably more than the general economic development according to well-documented market reports and there is a limited competition in the market for this type of products.

NOTES

Note

Tangible fixed assets 10

	Group	
	Land and buildings	Production plant and machinery
Cost at 1 January 2018	8.007	10.163
Exchange adjustment	-234	-236
Transferred	20	11
Additions	0	507
Disposals	-6	-165
Cost at 31 December 2018	**7.787**	**10.280**
Revaluation at 1 January 2018	2.254	0
Exchange adjustment	-66	0
Revaluation of the year	415	0
Revaluation at 31 December 2018	**2.603**	**0**
Depreciation and impairment losses at 1 January 2018	1.863	6.498
Exchange adjustment	-54	-153
Reversal of depreciation of assets disposed of	0	-147
Depreciation for the year	192	502
Depreciation and impairment losses at 31 December 2018	**2.001**	**6.700**
Carrying amount at 31 December 2018	**8.389**	**3.580**
Value of recognised assets, excluding revaluation under § 41 (1)	5.787	
Finance lease assets		1.820

Tangible fixed assets (continued) 10

	Group	
	Other plant, fixtures and equipment	Prepayment for tangible fixed assets under construction
Cost at 1 January 2018	4.710	9
Exchange adjustment	-82	0
Transferred	0	-31
Additions	559	100
Disposals	-84	0
Cost at 31 December 2018	**5.103**	**78**
Depreciation and impairment losses at 1 January 2018	3.391	
Exchange adjustment	-54	
Reversal of depreciation of assets disposed of	-83	
Depreciation for the year	496	
Depreciation and impairment losses at 31 December 2018	**3.750**	
Carrying amount at 31 December 2018	**1.353**	**78**
Finance lease assets	271	

NOTES

Note

Fixed asset investments 11

	Group	
	Equity investments in associated enterprises	Rent deposit and other receivables
Cost at 1 January 2018	1	10
Cost at 31 December 2018	**1**	**10**
Carrying amount at 31 December 2018	**1**	**10**

Fixed asset investments (continued) 11

	Parent company	
	Equity investments in group enterprises	Receivables from group enterprises
Cost at 1 January 2018	2.238	1.901
Additions	0	249
Cost at 31 December 2018	**2.238**	**2.150**
Revaluation at 1 January 2018	-1.030	0
Exchange adjustment	-220	0
Profit/loss for the year	1.741	0
Equity movements	321	0
Revaluation at 31 December 2018	**812**	**0**
Carrying amount at 31 December 2018	**3.050**	**2.150**

Investments in subsidiaries (EUR '000)

Name and registered office	Equity	Profit/loss for the year	Ownership
MBL A/S, Denmark	3.050	1.741	100 %
MBL Poland Sp. z o.o, Poland	6.617	-126	100 %
MBL (Xiamen) Co., Ltd, China	4.071	1.946	100 %

Investments in associates (EUR '000)

Name and registered office	Equity	Profit/loss for the year	Ownership
Celier Holdings Malta Ltd., Malta	-	-	49 %

No information is available. The value of the shares are close to 0.

NOTES

Note

Receivables from owners and management 12

Receivables from the executives is in total EUR ('000) 42 at 31 December 2018. These receivables are related to the advance payments for travel/consumables expenses as well as to remaining part of loan granted in 2018 to one of the shareholders from MBL Poland. The balance is monitored regularly by the Supervisory Board and based on this it should be repaid in full by executives.

Deferred tax 13

Deferred tax assets and liabilities comprises differences between the carrying amount and the tax value at the balance sheet date and the value of tax losses carryforwards.

	Group		Parent company	
	2018 EUR '000	**2017** EUR '000	**2018** EUR '000	**2017** EUR '000
Net deferred tax, beginning of year.	360	471	4	0
Net deferred tax of the year, income statement......................	57	-100	-3	4
Net deferred tax of the year, equity	-86	-11	0	0
Net deferred tax 31 December 2018......................................	**331**	**360**	**1**	**4**
It is recognized as follows:				
Deferred tax (assets)..................	1.284	1.205	1	4
Deferred tax (provision)..............	953	845	0	0
	331	**360**	**1**	**4**

The Group's deferred net tax asset is recognised in the balance sheet by EUR ('000) 331. The net tax asset relates primarily to unused tax losses in Poland. The tax asset is recognised on the basis of the expectations for the positive tax profits for the next couple of years, and the tax losses are then fully utilized. The assessments are made on the basis of the Group's budget for next year and strategic expectations the subsequent four year. The budget has been prepared in accordance with the enterprise's common budget procedure.

Prepayments and accrued income 14

Prepayments and accrued income comprise prepaid costs, primarily insurances and deferred financing costs, relating to the next financial year.

	Group		Parent company		
	2018 EUR '000	**2017** EUR '000	**2018** EUR '000	**2017** EUR '000	
Receivables falling due after more than one year					15
Other receivables......................	124	121	-	-	
	124	**121**	**0**	**0**	

NOTES

	2018 EUR '000	2017 EUR '000	Note
Share capital			16
Specification of the share capital:			
A-shares, 500.000 in the denomination of 1 DKK....................	67	67	
A-shares, 50.087 in the denomination of 1 DKK.....................	7	7	
	74	**74**	

Long-term liabilities 17

Group

	31/12 2018 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2017 total liabilities	Current portion at the beginning of the year
Bank loan...........................	2.638	918	0	3.784	1.066
Subordinate loan capital.........	12.082	500	0	11.007	0
Lease liabilities....................	1.033	483	0	1.303	436
	15.753	**1.901**	**0**	**16.094**	**1.502**

Parent company

	31/12 2018 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2017 total liabilities	Current portion at the beginning of the year
Subordinate loan capital.........	2.106	500	0	1.861	0
	2.106	**500**	**0**	**1.861**	**0**

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.

Accruals and deferred income 18

Accruals and deferred income include mainly the payments received from subsidy projects regarding income in subsequent years.

NOTES

Note

Contingencies etc. 19

Contingent liabilities

	Group		Parent company	
	2018 EUR '000	**2017** EUR '000	**2018** EUR '000	**2017** EUR '000
Rent commitments in which the termination period expires within 5 years, in total..........................	10	10	0	0
Withholding tax, China................	0	940	0	0

MBL Denmark A/S and MBL A/S' subsidiaries, MBL Poland Sp. z o.o and MBL (Xiamen) Co. Ltd., have issued a guarantee in relation to the subsidiary MBL A/S' debt to lender of subordinate loan capital of an amount of EUR ('000) 10.528.

MBL Denmark A/S, MBL A/S and MBL (Xiamen) Co. Ltd., have also issued a guarantee in relation to the subsidiary MBL Poland debt to Santander Bank Poland (previously BZ WBK Poland) - lender of senior loan. Maximum level in light of loan agreement is EUR ('000) 12.202 (equivalent of PLN ('000) 52.500).

Joint liabilities
The Danish companies of the group is jointly and severally liable for tax on the group's jointly taxed 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 jointly taxed income amounts to EUR ('000) 87 at the balance sheet date.

NOTES

Note

Charges and securities 20

	Group		Parent company	
	Carrying amount of assets	Nominal value of mortgage or outstanding debt	Carrying amount of assets	Nominal value of mortgage or outstanding debt
	EUR '000	EUR '000	EUR '000	EUR '000
The following assets have been provided as security for debt:				
Equity investment in group enterprises under fixed assets investment (MBL Denmark A/S), primary pledge	0	0	3.050	12.202
Equity investment in group enterprises under fixed assets investment (MBL Denmark A/S), secondary pledge	0	0	3.050	10.528
Other plant, machinery, tools and equipment are subject to ownership reservation. (MBL A/S)	0	1	0	0
Owner's mortgages on property, etc., as security for bank debt of a nominal amount of (MBL PL)	8.390	13.980	0	0
Chattel mortgage on machinery and plant (MBL PL)	1.575	32.010	0	0
Chattel mortage on current assets (MBL PL)	6.791	32.010	0	0
Assigment of receivable, factoring (MBL PL)	1.868	2.789	0	0
Cash at banks (MBL PL)	1.408	29.221	0	0
The following assets are financed by finanse leases:				
Production plant and machinery (MBL PL)	1.135	696	0	0
Production plant and machinery (MBL CN)	685	155	0	0
Other plant, fixtures and equipment (MBL PL)	271	182	0	0

NOTES

Note

Related parties 21

MBL Denmarks A/S' related parties include:

The Controlling interest

Mogens Bichel Lauritsen, Ul. Sulejowska 45, 97300 Piotrkow, Poland
(ownership and family relationships)

Ingelise Nygaard Lauritsen, Ul. Sulejowska 45, 97300 Piotrkow, Poland
(ownership and family relationships)

Martin Bichel Lauritsen, Ul. Sulejowska 45, 97300 Piotrkow, Poland
(ownership and family relationships)

Anne Bichel Lüneborg, Hellerupvej 59, 2900 Hellerup, Denmark
(ownership and family relationships)

Tine Birch Lauritsen, Langdalsparken 19, 8600 Silkeborg, Denmark
(ownership and family relationships)

Lars Lüneborg, Hellerupvej 59, 2900 Hellerup, Denmark
(Member of the board of Directors and family ralationships)

Transactions with related parties

MBL Denmark A/S did not carry out any substantial transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

Information on uncertainty with respect to recognition and measurement 22

During previous years the Group has built up a significant receivables balance in the form of trade receivables from one of the business partners which is among our top 10 biggest customers. In the course of year 2018 regular repayments of both existing loans and trade receivables have been noticed, however, due to sudden sales growth (120% vs 2017 sales) the balance vs last year has increased by EUR 1.8m on the MBL Group level. Still compared to last year Days Sales Outstanding parameter on this customer (calculated as proportion of total loan/receivables balance vs yearly sales) has improved by over 35%. The growth of the balance of trade receivables and loan granted is in all material respects granted on the basis of a cooperation agreement and as part of an overall business plan for cooperation on new activities with proven opportunity of sales in 2018.

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 Group with a modest capital base, the recognition and measurement hereof are subject to uncertainty. However, taking the market potential, close cooperation and the improved liquidity situation into account we strongly believe this receivables balance is collectable in the full amount.

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

NOTES

Note

Derivative financial instruments 23

In line with agreed hedging strategy as part of the hedging projected sales and purchase transactions, the Group uses hedging instruments, such as forward exchange contracts, currency options and interest and currency swaps with support of principal bank.

In line with internal policy and approvals the new hedge contracts are open yearly or quarterly to secure budget currency rate for next year.

At 31 December 2018 the Group has open forward options pairs for hedging in MBL Poland of future sales in between EUR 0.9 - 1.0 m monthly with a negative value of EUR ('000) 56.1 and no hedging contract for future purchases due to limited exposure in USD.

The Group also has open interests swap hedging in line with bank agreement valued at EUR ('000) 24.5 negative at year end.

The hedging contracts valuation loss is recognized in the equity.

ACCOUNTING POLICIES

The Annual Report of MBL Denmark A/S for 2018 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, large enterprise.

The Annual Report is prepared consistently with the accounting principles applied last year. Prior years' numbers may be changed in case of insignificant rounding adjustments.

Consolidated financial statements
The consolidated financial statements include the parent company MBL Denmark A/S and its subsidiaries in which MBL Denmark A/S directly or indirectly holds more than 50% of the voting rights or in any other way has a controlling influence. Enterprises in which the group holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are considered associates, see the group structure.

The consolidated financial statements consolidate the financial statements of the parent company and the subsidiaries by combining uniform accounts items. Intercompany income and expenses, shareholdings, internal balances and dividend, and realised and unrealised gains and losses arising from transactions between the consolidated enterprises are fully eliminated in the consolidation.

New acquired or established enterprises are recognised in the consolidated financial statements from the time of acquisition. Sold or wound up enterprises are recognised in the consolidated income statement up to the time of disposal. Comparative figures are not adjusted for new acquired, sold or wound up enterprises.

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipment.

Investments in subsidiary enterprises are set off by the proportional share of the subsidiaries' market value of net assets and liabilities at the acquisition date.

Positive differences between acquisition value and market value of acquired and identified assets and liabilities are recognised in intangible fixed assets as goodwill and amortised systematically in the Income Statement under an individual assessment of the useful life. Negative differences are recognised in the Income Statement upon acquisition. Differences from acquired enterprises amounts to 0 EUR ('000).

Investments in associates are measured in the balance sheet at the proportional share of the value of the enterprises, calculated under the accounting policies of the parent company and eliminating proportionally any unrealised intercompany gains and losses. The proportional share of the results of the associates is recognised in the income statement after elimination of the proportional share of internal gains and losses.

ACCOUNTING POLICIES

INCOME STATEMENT

Net revenue
Net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Company's operating principles is that transport costs incurred by the company are to be covered by customer without any margin or mark-up. As part of revenues is related to transport cost re-invoiced to customers, it is continued company's practice to present transport cost as reduction of net revenues.

Production costs
Production costs comprise costs, including wages and salaries and write-off, incurred to achieve the net revenue for the year. Commercial enterprises recognise cost of sales, and the manufacturing enterprises recognise production costs equal to the revenue for the year, including direct and indirect costs of raw materials and consumables, wages and salaries, rent and leasing and depreciation of production plant.

Amortisation of capitalised development and research costs and the development costs that do not fulfil the criteria for capitalisation are also recognised in production costs.

Impairment losses are recognised in connection with expected losses on project contracts.

For subsidiary's local report royalty and management fees are presented as production costs and fully eliminated during consolidation.

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 enterprises' principal activities, including profit from sale of intangible and tangible fixed assets.

Other operating expenses
Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

Investments in subsidiaries and associates
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.

Dividend from equity investment in associates is recognised as income in the financial year where the devidend is declared.

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 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

Intangible fixed assets
Patents and licences are measured at the lower of cost less accumulated amortisation or the recoverable amount. Patents are amortised over the residual patent term and licences are amortised over the term of the agreement, however, no more than 8 years.

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is normally 4 years but can be extended or shortened to 3-5 years in case different expected useful life.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the income statement under other operating income or other operating expenses.

Tangible fixed assets
Land and buildings are measured at fair value less accumulated depreciation. The fair value is based on assessments made by estate agents. A new assessment will be made if there is any indication of change of the fair value. The net revaluation is recognized directly in the equity as part of retained earnings. The net revaluation for the year is recognized separately. There is no depreciation on land.

Production plant and machinery, 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. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

ACCOUNTING POLICIES

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
Buildings	20-40 years	25-50 %
Production plant and machinery	5-10 years	0-30 %
Other plant, fixtures and equipment	3-8 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.

Lease contracts
Lease contracts relating to tangible fixed assets where the company bears all material risks and benefits attached to the ownership (finance lease) are recognised as assets in the balance sheet. The assets are at the initial recognition measured at calculated cost equal to the lower of fair value and present value of the future lease payments. The internal interest rate of the lease contract is used as discounting factor or an approximate value when calculating the present value. Finance lease assets are depreciated similarly to the company's other tangible fixed assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability and the interest portion of the lease payment is recognised in the income statement over the term of the contract.

All other lease contracts are considered to be operating leases. Payments related to operating leases and other rental agreements are recognised in the income statement over the term of the contract. The company's total liability relating to operating leases and rental agreements is disclosed as contingencies etc.

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

Investments in subsidiaries and associates 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 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 and associates 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 and associates' deficit.

Equity investments in associates are measured at cost. If the cost exceeds the net realisable value, it is written down to the lower value.

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

ACCOUNTING POLICIES

Impairment of fixed assets
The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are 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.

Inventories
Inventories are measured at cost based on weighted average prices. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

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.

Other provisions for liabilities
Other provisions for liabilities include the expected cost of pension and similar obligations and deferred tax. Specifically future pension provision is presented under Provision for Liabilities.

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 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.

The capitalised residual lease liability on finance lease contracts is also recognised as financial liabilities.

Factoring liabilities related to Receivables factoring are also recognized as financial liabilities - short term.

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.

Accrued income, liabilities
Accrued income recognized as liabilities includes payments received, which are going to be recognized as income in subsequent years.

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.

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.

ACCOUNTING POLICIES

CASH FLOW STATEMENT

The cash flow statement shows the company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

Cash flows from operating activities:
Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

Cash flows from investing activities:
Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

Cash flows from financing activities:
Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents:
Cash and cash equivalents include bank overdraft and cash in hand.