MBL DENMARK A/S

GLARMESTERVEJ 18B ST. TH., 8600 SILKEBORG

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2019

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 15 May 2020

Lars Lüneborg

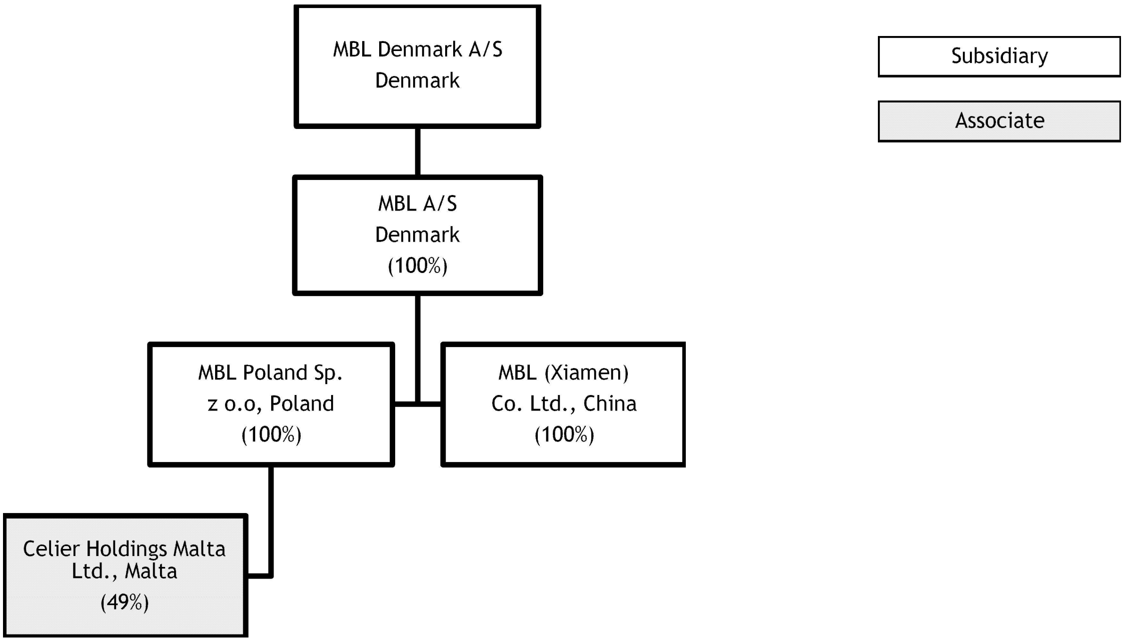
CVR NO. 27 38 65 98

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	Ingelise Nygaard Lauritsen, chairman Piotr Mateusz Sadowski Lars Bichel Lüneborg Martin Bichel Lauritsen Mogens Bichel Lauritsen
Board of Executives	Mogens Bichel Lauritsen
Auditor	KPMG P/S Statsautoriseret Revisionspartnerselskab 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 2019.

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 2019 and of the results of Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2019.

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, 15 May 2020

Board of Executives

Mogens Bichel Lauritsen

Board of Directors

Ingelise Nygaard Lauritsen Chairman	Piotr Mateusz Sadowski	Lars Bichel Lüneborg
Martin Bichel Lauritsen	Mogens Bichel 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 2019 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. 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 2019 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2019 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 note 23 "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 the 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 Independent auditor's report Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 15 May 2020

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

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

FINANCIAL HIGHLIGHTS OF THE GROUP

	2019 EUR '000	2018 EUR '000	2017 EUR '000	2016 EUR '000	2015 EUR '000
Income statement					
Net revenue	65.758	58.377	48.153	44.710	42.786
Gross profit/loss	17.129	11.795	8.109	7.554	6.245
Operating profit/loss	8.364	4.377	1.652	-1.651	-195
Financial income and expenses, net	-1.873	-2.229	-2.689	-1.813	-1.099
Profit/loss for the year before tax	6.491	2.148	-1.037	-3.464	-1.294
Profit/loss for the year	4.924	1.732	-1.122	-3.580	-1.395
Balance sheet					
Balance sheet total	43.417	38.206	35.067	32.682	34.366
Equity	8.038	2.964	1.131	-196	5.338
Equity incl. minority interests	8.038	2.964	1.131	-196	5.753
Cash flows					
Cash flows from operating activities	7.503	3.553	2.039	-3.686	461
Cash flows from investment-related activities	-2.217	-1.478	-1.905	-1.876	-1.032
Cash flows from financing activities	-2.235	-1.415	-663	6.967	916
Total cash flows	3.051	660	-529	1.405	345
Investment in tangible fixed assets	-1.753	-1.166	-1.540	-1.366	-1.089
Average number of full-time employees	**1.392**	**1.427**	**1.416**	**1.417**	**1.463**
Ratios					
Gross margin	26,0	20,2	16,8	16,9	14,6
Profit margin	12,7	7,5	3,4	-3,7	-0,5
Solvency ratio	18,5	7,8	3,2	Neg.	15,5
Net revenue per employee	47	41	34	32	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 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:	$\frac{\text{Gross profit x 100}}{\text{Net revenue}}$
Profit margin:	$\frac{\text{Operating profit/loss x 100}}{\text{Net revenue}}$
Solvency ratio:	$\frac{\text{Equity ex. minorities, at year end x 100}}{\text{Total equity and liabilities, at year end}}$
Net revenue per employee EUR ('000)	$\frac{\text{Net revenue EUR ('000)}}{\text{Average number of full-time employees}}$

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 2019. In 2019 MBL's products have been sold to 37 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 2019 regular repayments of both existing loans and trade receivables have been noticed, however, due to further sales growth (3.3mEUR increase vs 2018 sales) the balance vs last year has increased by EUR 2.0m on the MBL Group level. 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 2020-2024.

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
2019 was the third 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 third 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 2019 in line with the agreed schedule. In particular term debt in Santander Bank has been reduced by PLN 4.0m vs end of 2018. Simultaneously all covenants have been met with relevant buffer. At the same time the MBL Group has improved its liquidity with increase in available cash assets from EUR 2.5m end of 2018 to EUR 5.1m end of 2019.

In 2019, the operating profit/loss from ordinary operations was EUR 8.2m against EUR 4.2m in 2018. Revenue was increased to EUR 65.8m in 2019 against EUR 58.4m in 2018 (growth of 12.7%). The revenue growth contributed well to additional gross margin. Gross margin was, overall, improved in 2019 thanks to persistent realization of budget initiatives, in particular strategic sales projects, product cost rationalizations and labor efficiency improvement. It has been also supported by overall currency development and limited material cost inflation. This led to reported EBITDA improvement to EUR 10.5m in 2019 despite significant pressure on salaries both in Poland and in China.

Results before tax for the year (EUR 6.5m vs EUR 2.1m in 2018) were also affected positively by the currency gains coming from RMB depreciation to USD, however, still negatively affected by relatively high interest cost related to loans from shareholders including the strategic investor.

In addition, the company has over-delivered budget assumptions of EUR 0.6m, achieving net profit after tax of EUR +4.9m primarily due to reasons described above.

Simultaneously the Group maintains the key Working Capital turn ratios except for AR turn which deteriorated with different customer mix. Due to sales growth the working capital level has increased

MANAGEMENT'S REVIEW

Development in activities and financial position (continued)
by EUR 3.4m. Still thanks to strong profitability the Group was able to generate free cash flow from operations at the level of almost EUR 5.3m sufficient for loan repayment, payment of interest and in general improved available cash.

The Board of Directors has approved the 2020 plan leading again to positive net profit and delivery of satisfactory Group EBITDA.

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 other key point is to continue production efficiency improvement and cost rationalization.

These initiatives (new projects, cost rationalizations and production efficiency improvement) together with a motivating bonus programme, 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 2019 an equity of EUR 8.0m and an equity including subordinated loan capital of EUR 20.0m.

Current financial and cash flow position
In Q1 of 2020 the Group achieved a revenue of EUR 13.6m which is a decline of 12% vs last year. It is affected by coronavirus lockdown in China where the factory was closed down for one week and had to restart slowly due to lack of available operators in Xiamen. Currently MBL Xiamen is fully operational and notices record high order in-take. Despite lower sales level in Q1 MBL Group achieved positive net profit which is in line with the budget. All bank covenants are met.

Simultaneously the Group is now preparing different contingency scenarios to prepare for potential economy slowdown following current coronavirus epidemic development. Current outlook for full year shows EBITDA profitability close to the budget and still secure CF generation. Short term Cash outlook shows that our available cash should not go below EUR 2m in next 3 months. In terms of further turbulence in Q2 and Q3 we have a contingency list of various initiatives like salary/headcount freeze, reduction of normative time, supplier payment terms extension or renegotiation of various loans/interests payments in case of more difficult situation. We assess still there is no tangible signals now which could trigger a risk for going concern.

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 2020.

Profit/loss for the year compared to future expectations
As stated above net profit/loss for 2019 was EUR 4.9m profit. It was above planned EUR +0.6m due to positive impact of sales growth and gross margin improvement.

A positive net profit result is expected in 2020 following all budget initiatives. 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
Except for the effects from Covid19 as described above, no events have occurred after the end of the financial year of material importance for the company's financial position.

Special risks
Currently the Group's most significant operating risk is impact from Covid-19 epidemic on global economy as presented in market risk section below.

Foreign exchange risks
Fluctuations of the PLN/EUR exchange rate affect 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

MANAGEMENT'S REVIEW

Special risks (continued)
may be some lagging effect and/or negative customer relationships impact.

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 currently related to global demand reduction after coronavirus epidemic. In short term the main risk is related to cash shortages following whole sector supply chain turbulences and potential cash protection measurements taken by MBL's customers. In longer term the main risk is related to lower global demand which may affect sales level in 2020.

Key risk mitigation for MBL:
1. Daily monitoring the key operation processes like customer feedback, cash collection, people availability and implementation of all required health and safety regulations
2. Short term cash contingency plan prepared and started with actions like CAPEX/OPEX freeze, salary/headcount freeze, investments reduction
3. Long term opportunities like faster new project sales, expected positive currency development secured by hedging in Poland, reduced raw materials prices following global economy slowdown

As the impact is still unknown MBL prepares a number of scenarios , however so far we do not observe a major negative impact which is also related to the fact that rehabilitation industry should be much more resilient vs other economy sectors.

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 2019 continued the effort to improve the production environment as well as the health and safety 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 2019 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.

Knowledge resources (continued)
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 and 2019 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 2020 as well as 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 based on a market study prepared by professional advisors is estimated at 6% yearly.

After growth in 2019, the MBL Group is budgeted to continue to outpace the market with budgeted revenue growth for 2020 above 7% 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.

The key initiatives in budget document to maintain profitability and achieve goals in 2020 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. Cost rationalization effort particularly on new "high runners" to reduce the cost base and improve margins
3. Simplification of the product portfolio and increasing production series volume to improve productivity
4. Introduction of new products with simultaneous reduction of lower margin portfolio sales

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

MANAGEMENT'S REVIEW

Corporate social responsibility
The principal activities comprise 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.

MBL conducts its business on the basis of defined, simplified principles for business practices and ethics. We focus on social responsibility towards employees, business partners and the surrounding society. MBL works actively with the values: safe and healthy working environment and the optimisation of the Company's processes in order to ensure environmentally responsible operations.

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 2019.

The Group continuously evaluate existing policies to systematically implement improvements where necessary. As example in 2019 there was another set of projects introduced in China to improve working conditions including as example a 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 2019 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 the financial situation in the future, it is expected that these activities will be continued and further intensified.

Environmental situation
All companies within the MBL Group are proactively looking for opportunities to reduce energy consumption, gas emission, waste and other pollution.

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 order to strengthen the analysis of possible improvement areas – in MBL Poland continuous cooperation with external consultant 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 3 years
4. Strict Health and Safety procedures in place as described below

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)
In 2019 there were implemented the following solutions in Poland:
1. expansion of ventilation system in the Powder Coating, Welding and Polishing areas,
2. finalization of new technical solution in Polishing area – specialized walls for absorbing noise at the work stations with manual use of power tools,
3. machine coolant filtration system – reusing the coolant on the level of 800 – 1000 l (ecological and economic profit),
4. footrests on the work station in order to improve work ergonomics

In 2019 there were implemented the following actions in China:
1. increasing Vocs purification and filtering facilities,
2. sealing the entire PU workshop in order to prevent leakage of organic waste gas,
3. installation of cold air conditioning in PU workshop and in Powder Coating area,
4. installation of acid mist purification and filtering facilities in Powder Coating area,
5. sealing the entire workshop in order to prevent leakage of exhaust gas containing acid mist in Powder Coating,
6. installation of the explosion-proof valve and explosion-proof device to the main body of the dust collector in Polishing workshop,
7. assembly of observation window to the main pipe of the dust collector for maintenance and dust removal in Polishing workshop,
8. reorganization of Polishing workshop – separation of polishing of aluminium parts with polishing of steel parts in order to improve safety,
9. fire doors upgrade, replacement of all ordinary wooden doors in the stairwell with class A fire doors, increasing the linkage function of fire doors to close automatically after fire alarm,
10. purchase of special safety shoes for all employees in order to improve PPE protection.

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 2019 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 2019 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

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 0.14% in MBL Xiamen (vs 0.07% in 2018) and 0.08% in MBL Poland (vs 0.14% in 2018).
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 communications meetings are in place and run by senior management

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

Corporate social responsibility (continued)

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 and this cooperation was continued in 2019. Also as the result a number of actions was implemented which brought next significant improvement in term of environmental footprint. As example in 2019 production waste from MBL Poland factory was reduced by 14% in case of paper and by more than 80 % plastic waste and by more than 90% in case of different sort of metal wastes.

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
3. Review of waste handling procedure.

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

Specifically in 2019 following risk mitigating actions has taken place:
1. Update on 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 Credit control procedure with customers implemented in MBL China in 2019
4. New stock taking procedure and new tools stock clean up in China

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 have 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

Corporate social responsibility (continued)
system in close cooperation with the managers and the employees. There was no change in 2019.

One of the key challenge in 2019 was still 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 implemented in 2018 and continued in 2019 the required positions were successfully filled on the production in both MBL Poland and MBL Xiamen. Among others things MBL Poland continued the cooperation with the prison in order to offer the job for the prisoners. Among others things MBL Poland continued the cooperation with the prison in order to offer the job for the prisoners testing this backup solution for capacity extension. Still the Ukrainian workers worked successfully on the production in MBL Poland.

The key initiatives/actions in 2019:

1. Development of competency model and competency management tools in MBL Poland and in MBL Xiamen.
2. Development of new appraisal system based on competency model and goals realization on each job position in MBL Poland and in MBL Xiamen.
3. Implementation of Employee Capital Plans (PPK) – savings and investments plans for the employees in MBL Poland
4. Development program for Production Team Leaders in MBL Poland
5. Expansion of social activities program in order to develop the team building and to strengthen the cooperation within the organization in MBL China.
6. Implementation of new remuneration system in MBL China.

Target figures and policies for the underrepresented gender
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 and there was no change in 2019.

On management level the representation of female managers is currently 33% in MBL Poland, 50% 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	**2019**	**2018**	**2019**	**2018**
		EUR '000	EUR '000	EUR '000	EUR '000
NET REVENUE	1	**65.758**	**58.377**	**0**	**0**
Production costs	2	-48.629	-46.582	0	0
GROSS PROFIT/LOSS		**17.129**	**11.795**	**0**	**0**
Distribution costs	2	-955	-1.091	0	0
Administrative expenses	2, 3	-8.015	-6.464	-263	-27
PROFIT/LOSS FROM ORDINARY OPERATIONS		**8.159**	**4.240**	**-263**	**-27**
Other operating income		514	274	0	0
Other operating expenses		-309	-137	0	0
OPERATING PROFIT/LOSS		**8.364**	**4.377**	**-263**	**-27**
Result of equity investments in group and associates		0	0	5.180	1.741
Other financial income	4	866	914	219	261
Other financial expenses	5	-2.739	-3.143	-220	-245
PROFIT/LOSS BEFORE TAX		**6.491**	**2.148**	**4.916**	**1.730**
Tax on profit/loss for the year	6	-1.567	-416	8	2
PROFIT/LOSS FOR THE YEAR	7	**4.924**	**1.732**	**4.924**	**1.732**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	Group 2019 EUR '000	Group 2018 EUR '000	Parent company 2019 EUR '000	Parent company 2018 EUR '000
Development projects completed..		845	1.227	0	0
Intangible fixed assets acquired....		232	161	0	0
Development projects in progress and prepayments......................		562	359	0	0
Intangible fixed assets.............	8	**1.639**	**1.747**	**0**	**0**
Land and buildings....................		8.303	8.389	0	0
Production plant and machinery....		3.789	3.580	0	0
Other plant, fixtures and equipment.............................		1.786	1.353	0	0
Prepayment for tangible fixed assets under construction...........		5	78	0	0
Tangible fixed assets...............	9	**13.883**	**13.400**	**0**	**0**
Equity investments in group enterprises............................		0	0	8.380	3.050
Equity investments in associated enterprises............................		1	1	0	0
Receivables from group enterprises............................		0	0	1.276	2.150
Rent deposit and other receivables............................		10	10	0	0
Fixed asset investments...........	10	**11**	**11**	**9.656**	**5.200**
FIXED ASSETS.........................		**15.533**	**15.158**	**9.656**	**5.200**
Raw materials and consumables....		3.660	3.926	0	0
Work in progress......................		1.472	1.318	0	0
Finished goods and goods for resale..................................		1.727	1.491	0	0
Inventories...........................		**6.859**	**6.735**	**0**	**0**
Trade receivables.....................		12.512	10.602	0	0
Receivables from owners and management..........................	11	9	42	0	0
Deferred tax assets..................	12	1.330	1.284	0	1
Other receivables.....................		1.578	1.610	0	0
Joint tax contribution receivable..		0	0	30	5
Prepayments and accrued income.	13	468	250	0	0
Receivables...........................	14	**15.897**	**13.788**	**30**	**6**
Cash and cash equivalents.........		**5.128**	**2.525**	**0**	**0**
CURRENT ASSETS.....................		**27.884**	**23.048**	**30**	**6**
ASSETS................................		**43.417**	**38.206**	**9.686**	**5.206**

BALANCE SHEET AT 31 DECEMBER

		Group		Parent company	
EQUITY AND LIABILITIES	**Note**	**2019**	**2018**	**2019**	**2018**
		EUR '000	EUR '000	EUR '000	EUR '000
Share capital..........................	15	74	74	74	74
Reserve for net revaluation according to equity valuation.......		0	0	6.142	812
Retained earnings....................		7.964	2.890	1.822	2.078
EQUITY.................................		**8.038**	**2.964**	**8.038**	**2.964**
Pensions and similar obligations....		67	51	0	0
Provision for deferred tax...........	12	915	953	0	0
PROVISION FOR LIABILITIES........		**982**	**1.004**	**0**	**0**
Bank loan..............................		810	1.720	0	0
Frozen holiday pay...................		3	0	0	0
Subordinate loan capital............		10.482	11.582	0	1.606
Lease liabilities.......................		551	550	0	0
Long-term liabilities................	16	**11.846**	**13.852**	**0**	**1.606**
Short-term portion of long-term liabilities...............................	16	2.515	1.901	1.227	500
Bank debt..............................		4.683	5.131	0	0
Trade payables.......................		8.399	8.203	0	0
Payables to group enterprises......		0	0	173	7
Corporation tax.......................		1.529	525	3	87
Other liabilities.......................	17	5.121	4.190	245	42
Accruals and deferred income......	18	304	436	0	0
Current liabilities...................		**22.551**	**20.386**	**1.648**	**636**
LIABILITIES............................		**34.397**	**34.238**	**1.648**	**2.242**
EQUITY AND LIABILITIES............		**43.417**	**38.206**	**9.686**	**5.206**

Contingencies etc.	19
Charges and securities	20
Related parties	21
Significant events after the end of the financial year	22
Information on uncertainty with respect to recognition and measurement	23
Derivative financial instruments	24

EQUITY

	Group		
	Share capital	Retained earnings	Total
Equity at 1 January 2019	74	2.890	2.964
Foreign exchange adjustments		126	126
Value adjustments of equity		-56	-56
Net adjustment of hedging contract		80	80
Proposed distribution of profit		4.924	4.924
Equity at 31 December 2019	**74**	**7.964**	**8.038**

	Parent company			
	Share capital	Reserve for net revaluation according to equity valuation	Retained earnings	Total
Equity at 1 January 2019	74	812	2.078	2.964
Foreign exchange adjustments		126		126
Value adjustments of equity		24		24
Proposed distribution of profit		5.180	-256	4.924
Equity at 31 December 2019	**74**	**6.142**	**1.822**	**8.038**

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	Group		Parent company	
	2019 EUR '000	**2018** EUR '000	**2019** EUR '000	**2018** EUR '000
Profit/loss for the year	4.924	1.732	4.924	1.732
Reversed depreciation of the year	1.841	1.727	0	0
Reversed realization gains and loss	18	9	0	0
Profit/loss from subsidiaries	0	0	-5.180	-1.741
Adjustment of other financial income	0	0	-219	-249
Adjustment of other financial expenses	838	956	220	245
Reversed tax on profit/loss for the year	1.567	416	-8	-2
Corporation tax paid	-543	-255	-105	-219
Change in inventory	-124	25	0	0
Change in receivables	-2.063	-2.677	-85	205
Change in current liabilities (ex bank and tax)	1.013	1.287	453	29
Other cash flows from operating activities	32	333	0	0
CASH FLOWS FROM OPERATING ACTIVITY	**7.503**	**3.553**	**0**	**0**
Purchase of intangible fixed assets	-470	-345	0	0
Purchase of tangible fixed assets	-1.753	-1.166	0	0
Sale of tangible fixed assets	6	33	0	0
Repayment of long-term lending and current investments	0	0	1.093	0
CASH FLOWS FROM INVESTING ACTIVITY	**-2.217**	**-1.478**	**1.093**	**0**
Repayment of subordinated loan capital	-1.213	0	-1.093	0
Repayments of loans	-1.022	-1.415	0	0
CASH FLOWS FROM FINANCING ACTIVITY	**-2.235**	**-1.415**	**-1.093**	**0**
CHANGE IN CASH AND CASH EQUIVALENTS	**3.051**	**660**	**0**	**0**
Cash and cash equivalents at 1 January	-2.606	-3.266	0	0
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**445**	**-2.606**	**0**	**0**
Specification of cash and cash equivalents at 31 December:				
Cash and cash equivalents	5.128	2.525	0	0
Bank debt	-4.683	-5.131	0	0
CASH AND CASH EQUIVALENTS, NET DEBT	**445**	**-2.606**	**0**	**0**

NOTES

	Group		Parent company		
	2019 EUR '000	**2018** EUR '000	**2019** EUR '000	**2018** EUR '000	**Note**
Net revenue					**1**
Segment details (geography)					
Western Europe	32.772	28.867	0	0	
Eastern Europe	12.865	11.765	0	0	
Asia Pacific	15.277	13.754	0	0	
Other	4.844	3.991	0	0	
	65.758	**58.377**	**0**	**0**	

The group and parent company has only one operating segment, "components, subassemblies and complete products for mobility devices industry", which form the basis for managerial decision taking.

Staff costs					**2**
Average number of employees Group: 1.392 (2018: 1.427) Parent company: 0 (2018: 0)					
Wages and salaries	15.160	14.572	0	0	
Pensions	166	146	0	0	
Social security costs	1.716	1.672	0	0	
Other staff costs	1.072	994	0	0	
	18.114	**17.384**	**0**	**0**	
Remuneration of management and board of directors	654	703	0	0	
	654	**703**	**0**	**0**	

Staff costs are included in the following items:
Production costs: EUR ('000) 13.635 (2018: EUR ('000) 13.194)
Distribution costs: EUR ('000) 507 (2018: EUR ('000) 554)
Administrative expenses: EUR ('000) 3.972 (2018: EUR ('000) 3.636)

Fee to statutory auditors					**3**
Total fee:					
KPMG	71	102	12	16	
	71	**102**	**12**	**16**	
Specification of fee:					
Statutory audit	61	102	12	16	
Tax consultancy	2	0	0	0	
Other services	8	0	0	0	
	71	**102**	**12**	**16**	

NOTES

	Group 2019 EUR '000	Group 2018 EUR '000	Parent company 2019 EUR '000	Parent company 2018 EUR '000	Note
Other financial income					**4**
Interest, group enterprises	0	0	219	259	
Other interest income	866	914	0	2	
	866	**914**	**219**	**261**	
Other financial expenses					**5**
Interest, group enterprises	0	0	4	0	
Other interest expenses	2.739	3.143	216	245	
	2.739	**3.143**	**220**	**245**	
Tax on profit/loss for the year					**6**
Calculated tax on taxable income of the year	1.659	473	-9	-5	
Adjustment of deferred tax	-92	-57	1	3	
	1.567	**416**	**-8**	**-2**	
Proposed distribution of profit/loss					**7**
Allocation to reserve for net revaluation according to equity valuation	0	0	5.180	1.741	
Retained earnings	4.924	1.732	-256	-9	
	4.924	**1.732**	**4.924**	**1.732**	

Intangible fixed assets **8**

	Group		
	Development projects completed	**Intangible fixed assets acquired**	**Development projects in progress and prepayments**
Cost at 1 January 2019	3.570	559	359
Exchange adjustment at closing rate	32	6	3
Transfer	28	21	-28
Additions	36	146	288
Disposals	0	0	-60
Cost at 31 December 2019	**3.666**	**732**	**562**
Amortisation at 1 January 2019	2.341	399	0
Exchange adjustment at closing rate	22	4	0
Amortisation for the year	458	97	0
Amortisation at 31 December 2019	**2.821**	**500**	**0**
Carrying amount at 31 December 2019	**845**	**232**	**562**

NOTES

Note

Intangible fixed assets (continued) **8**

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.

Tangible fixed assets **9**

	Group	
	Land and buildings	Production plant and machinery
Cost at 1 January 2019	7.787	10.278
Exchange adjustment	84	101
Transferred	43	15
Additions	43	736
Disposals	0	-232
Cost at 31 December 2019	**7.957**	**10.898**
Revaluation at 1 January 2019	2.603	0
Exchange adjustment	28	0
Revaluation of the year	-69	0
Revaluation at 31 December 2019	**2.562**	**0**
Depreciation and impairment losses at 1 January 2019	2.000	6.701
Exchange adjustment	22	67
Reversal of depreciation of assets disposed of	0	-206
Depreciation for the year	194	547
Depreciation and impairment losses at 31 December 2019	**2.216**	**7.109**
Carrying amount at 31 December 2019	**8.303**	**3.789**
Value of recognised assets, excluding revaluation under § 41 (1)	5.741	
Finance lease assets		1.814

NOTES

Note

Tangible fixed assets (continued) 9

	Group	
	Other plant, fixtures and equipment	Prepayment for tangible fixed assets under construction
Cost at 1 January 2019	5.103	78
Exchange adjustment	44	1
Transferred	0	-79
Additions	969	5
Disposals	-146	0
Cost at 31 December 2019	**5.970**	**5**
Depreciation and impairment losses at 1 January 2019	3.750	
Exchange adjustment	32	
Reversal of depreciation of assets disposed of	-152	
Depreciation for the year	554	
Depreciation and impairment losses at 31 December 2019	**4.184**	
Carrying amount at 31 December 2019	**1.786**	**5**
Finance lease assets	159	

Fixed asset investments 10

	Group	
	Equity investments in associated enterprises	Rent deposit and other receivables
Cost at 1 January 2019	1	10
Cost at 31 December 2019	**1**	**10**
Carrying amount at 31 December 2019	**1**	**10**

NOTES

Note

Fixed asset investments (continued) 10

	Parent company	
	Equity investments in group enterprises	Receivables from group enterprises
Cost at 1 January 2019	2.238	2.150
Additions	0	219
Disposals	0	-1.093
Cost at 31 December 2019	**2.238**	**1.276**
Revaluation at 1 January 2019	812	0
Exchange adjustment	126	0
Profit/loss for the year	5.180	0
Equity movements	24	0
Revaluation at 31 December 2019	**6.142**	**0**
Carrying amount at 31 December 2019	**8.380**	**1.276**

Investments in subsidiaries (EUR '000)

Name and registered office	Equity	Profit/loss for the year	Ownership
MBL A/S, Denmark	8.380	5.180	100 %
MBL Poland Sp. z o.o, Poland	7.156	441	100 %
MBL (Xiamen) Co., Ltd, China	9.677	5.553	100 %

Investments in associates (EUR '000)

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

The value of the shares is 0.

Receivables from owners and management 11

Receivables from the executives is in total EUR ('000) 9 at 31 December 2019. 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.

NOTES

Note

Deferred tax 12

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	
	2019	**2018**	**2019**	**2018**
	EUR '000	EUR '000	EUR '000	EUR '000
Net deferred tax, beginning of year.	331	360	1	4
Adjustment deferred tax, income statement	85	57	-1	-3
Adjustment deferred tax, equity.....	-1	-86	0	0
Net deferred tax 31 December 2019......................................	**415**	**331**	**0**	**1**
It is recognized as follows:				
Deferred tax (assets)..................	1.330	1.284	0	1
Deferred tax (provision)..............	915	953	0	0
	415	**331**	**0**	**1**

The Group's deferred net tax asset is recognised in the balance sheet by EUR ('000) 415. 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 13

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

	Group		Parent company		Note
	2019	**2018**	**2019**	**2018**	
	EUR '000	EUR '000	EUR '000	EUR '000	
Receivables falling due after more than one year					14
Other receivables......................	132	124	-	-	
	132	**124**	**0**	**0**	

NOTES

	2019	2018	Note
	EUR '000	EUR '000	
Share capital			15
Specification of the share capital:			
A-shares, 550.087 in the denomination of 1 DKK....................	74	74	
	74	**74**	

Long-term liabilities 16

Group

	31/12 2019 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2018 total liabilities	Current portion at the beginning of the year
Bank loan...........................	1.738	928	0	2.638	918
Frozen holiday pay................	3	0	0	0	0
Subordinate loan capital.........	11.709	1.227	0	12.082	500
Lease liabilities....................	911	360	0	1.033	483
	14.361	**2.515**	**0**	**15.753**	**1.901**

Parent company

	31/12 2019 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2018 total liabilities	Current portion at the beginning of the year
Subordinate loan capital.........	1.227	1.227	0	2.106	500
	1.227	**1.227**	**0**	**2.106**	**500**

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.

Other liabilities 17

Other liabilities, recognized at the value of EUR 5,1m in December 2019, consist of payables and provisions mainly related to salaries and annual bonus (EUR 2.8m), employee social and tax payable (EUR 0.9m), some specific provisions for various project costs (EUR 0.5mEUR) and other payables (mainly to non-trade suppliers in China).

Accruals and deferred income 18

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

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Note

Contingencies etc. **19**

Contingent liabilities

MBL Denmark A/S subsidiary MBL A/S has entered into a rental agreement with a residual obligation during the notice period at EUR ('000) 11. The annual rental cost is EUR ('000) 22.

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) 10.833.

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 - lender of senior loan. Maximum level in light of loan agreement is EUR ('000) 12.333 (equivalent of PLN ('000) 52.500).

Joint liabilities

The 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) 3 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	8.380	12.333
Equity investment in group enterprises under fixed assets investment (MBL Denmark A/S), secondary pledge	0	0	8.380	10.833
Owner's mortgages on property, etc., as security for bank debt of a nominal amount of (MBL PL)	8.304	14.131	0	0
Chattel mortgage on machinery and plant (MBL PL)	1.331	32.355	0	0
Assigment of receivable, factoring (MBL PL)	1.431	2.819	0	0
Cash at banks (MBL PL)	2.106	29.537	0	0
The following assets are financed by finanse leases:				
Production plant and machinery (MBL PL)	1.654	790	0	0
Production plant and machinery (MBL CN)	160	28	0	0
Other plant, fixtures and equipment (MBL PL)	159	75	0	0

As security for bank loan in MBL Poland, shares of MBL A/S have been pledged. At 31 December 2019 the nominal value of MBL A/S shares is EUR (‘000) 141 , the carrying value of which is EUR (‘000) 8.380.

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Note

Related parties 21

The Company'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 relationships)

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.

Payables and receivables to group enterprises are disclosed in the balance sheet and subordinate loan in note 16. Intercompany interests is disclosed in note 4 and 5.

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Note

Significant events after the end of the financial year **22**

Covid19 impact

The most significant market risks are currently related to global demand reduction after coronavirus epidemic. In short term the main risk is related to cash shortages following whole sector supply chain turbulences and potential cash protection measurements taken by MBL's customers. In longer term the main risk is related to lower global demand which may affect sales level in 2020.

Key risk mitigation for MBL:

1. Daily monitoring the key operation processes like customer feedback, cash collection, people availability and implements all required health and safety regulations
2. Short term cash contingency plan prepared and started with actions like CAPEX/OPEX freeze, salary/headcount freeze, payments reduction
3. Long term opportunities like faster new project sales, expected positive currency development secured by hedging in Poland, reduced raw materials prices following global economy slowdown

As the impact is still unknown MBL prepares a number of scenarios , however so far we do not observe a major negative impact which is also related to the fact that rehabilitation industry should be much more resilient vs other economy sectors.

With regards to Covid impact materialized so far we can observe in Q1 results an impact of Chinese factory lockdown in February. Factory had an unplanned shutdown for 2 weeks and then for a period of time was ramping up to achieve required capacity. Impact of this lockdown is estimated at EUR 1.9m of sales loss in Q1 vs budget but so far MBL has proven its resilience to the crisis. MBL Xiament was able to return to the full capacity in less than 4 weeks. Despite loss in sales Q1 net profit is as budgeted. In the same time expected value of subsidies provided by Chinese government is offsetting the additional cost of lockdown.

Information on uncertainty with respect to recognition and measurement **23**

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 2019 regular repayments of both existing loans and trade receivables have been noticed, however, due to further sales growth (3.3mEUR increase vs 2018 sales) the balance vs last year has increased by EUR 2.0m on the MBL Group level. 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 2020-2024.

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 **24**
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 2019 the Group has open forward options pairs for hedging in MBL Poland of future sales in between EUR 0.5 - 0.8 m monthly until August 2020 with a positive value of EUR ('000) 28.3 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) 11.0 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 2019 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.

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.

ACCOUNTING POLICIES

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.

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.

ACCOUNTING POLICIES

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.

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.

ACCOUNTING POLICIES

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 are measured in the company's balance sheet under the equity method.

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

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

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

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.

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.

ACCOUNTING POLICIES

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.

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.

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.

Accruals 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 year 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.