



MBL DENMARK 2020 A/S
GLARMESTERVEJ 18B ST. TH., 8600 SILKEBORG
ANNUAL REPORT
28 AUGUST - 31 DECEMBER 2020

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 25 June 2021**

Lars Lüneborg

The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

CVR NO. 41 64 20 68

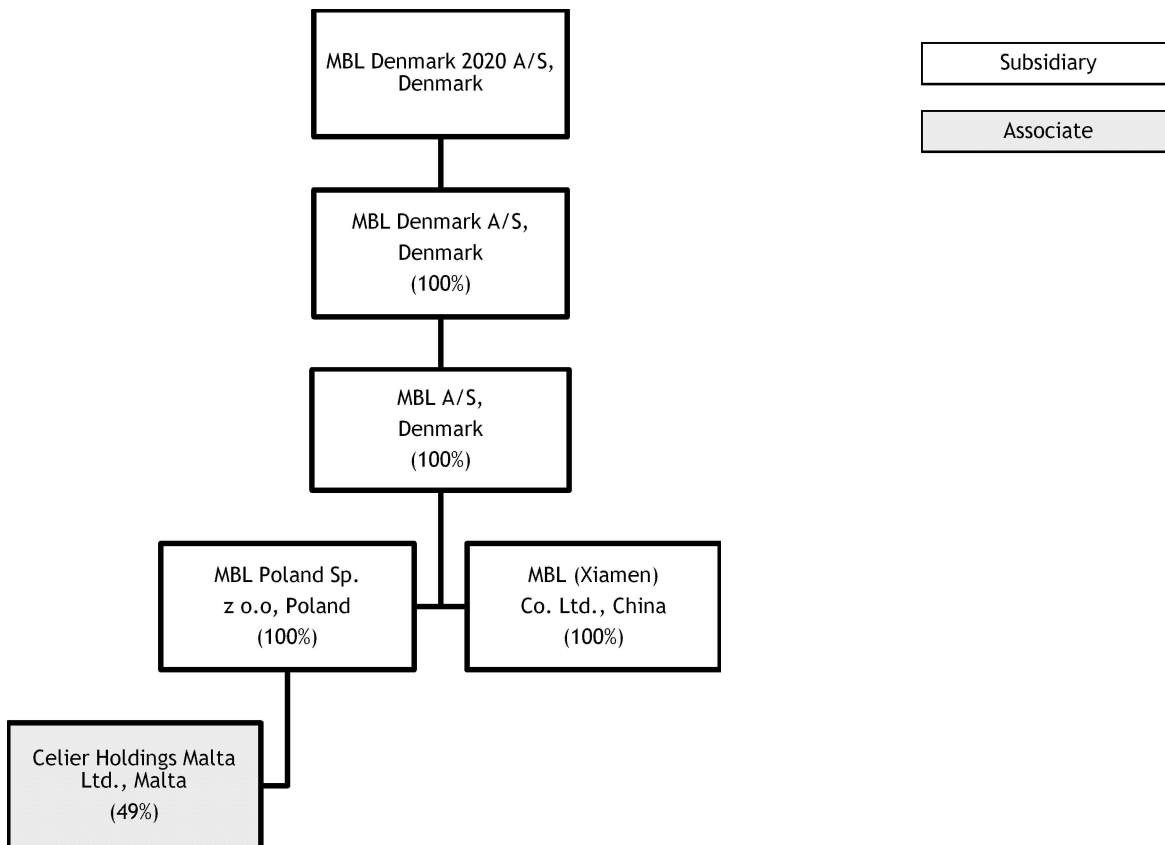
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COMPANY DETAILS

Company	MBL Denmark 2020 A/S Garmestervej 18B st. th. 8600 Silkeborg CVR No.: 41 64 20 68 Established: 28 August 2020 Registered Office: Silkeborg Financial Year: 28 August - 31 December
Board of Directors	Ingelise Nygaard Lauritsen, chairman Anatolijus Faktorovicus Nerijus Drobavicius Lars Bichel Lüneborg Mogens Bichel Lauritsen Ashwin Roy
Executive Board	Martin Bichel Lauritsen
Auditor	KPMG P/S Statsautoriseret Revisionspartnerselskab Bredskifte Allé 13 8210 Aarhus

GROUP STRUCTURE



BOARD OF DIRECTORS STATEMENT AND MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of MBL Denmark 2020 A/S for the financial year 28 August - 31 December 2020.

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

In our opinion the Consolidated Financial Statements and the Annual Financial Statements of the Company give a true and fair view of Group's and the Company's assets, liabilities and financial position at 31 December 2020 and of the results of Group's and the Company's operations and cash flows for the financial year 28 August - 31 December 2020.

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

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

Silkeborg, 24 June 2021

Executive Board

Martin Bichel Lauritsen

Board of Directors

Ingelise Nygaard Lauritsen
Chairman

Anatolijus Faktorovicus

Nerijus Drobavicius

Lars Bichel Lüneborg

Mogens Bichel Lauritsen

Ashwin Roy

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MBL Denmark 2020 A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of MBL Denmark 2020 A/S for the financial year 28 August - 31 December 2020 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 2020 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 28 August - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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

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.

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.

INDEPENDENT AUDITOR'S REPORT

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 commentary

Management is responsible for the Management commentary.

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

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management commentary and, in doing so, consider whether the Management commentary 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 commentary provides the information required under the Danish Financial Statements Act.

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

Aarhus, 24 June 2021

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

	2020 EUR '000
Income statement	
Net revenue.....	18.778
Gross profit/loss.....	4.370
Operating profit/loss of main activities.....	-729
Financial income and expenses, net.....	-1.547
Profit/loss for the year before tax.....	-2.276
Profit/loss for the year.....	-2.452
Balance sheet	
Total assets.....	98.726
Equity.....	48.419
Cash flows	
Cash flows from operating activities.....	6.929
Cash flows from investing activities.....	-27.548
Cash flows from financing activities.....	17.922
Total cash flows.....	-2.697
Investment in property, plant and equipment.....	-1.484
Average number of full-time employees.....	1.346
Key ratios	
Gross margin.....	23,3
Operating margin.....	-3,9
Equity ratio.....	49,0
Net revenue per employee.....	14

FINANCIAL HIGHLIGHTS OF THE GROUP

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

Gross margin:	$\frac{\text{Gross profit} \times 100}{\text{Net revenue}}$
Operating margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Net revenue}}$
Equity ratio:	$\frac{\text{Equity, at year-end} \times 100}{\text{Total assets, at year-end}}$
Net revenue per employee EUR ('000)	$\frac{\text{Net revenue EUR('000)}}{\text{Average number of full-time employees}}$

MANAGEMENT COMMENTARY

Principal activities

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

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

Unusual matters

There are no exceptional matters this year.

Development in activities and financial and economic position

MBL Denmark 2020 A/S was founded in August 2020 and from then it became the ultimate holding company of the MBL Group. It was founded as part of the series of equity transactions that among others included contribution in kind of 70% of shares of MBL Denmark A/S by Lauritsen family to the Company and purchase by the Company of 30% of shares of MBL Denmark A/S from Accession Mezzanine Capital III, a fund advised by Mezzanine Management. As at 31st December 2020 and now MBL Denmark 2020 A/S owns 100% of MBL Denmark A/S and it is now ultimate parent company of MBL Group. As at 31st December 2020 and now 52% of shares of Company is owned by Lauritsen family and 48% is owned by INVL Baltic Sea Growth Fund, the largest private equity fund in Baltics managed by INVL Asset Management.

The year 2020 was the first financial year for MBL Denmark 2020 A/S and this annual report covers 4 months (28 August to 31 December 2020) of operating activity for the Company and MBL Group with the MBL Denmark 2020 A/S as the ultimate parent company. As for 2020 financial results and financial position there are no comparatives as Company and the MBL Group in the new structure did not exist in 2019.

In the 4 month period of 2020, the loss before tax in MBL Denmark 2020 A/S was EUR -2.5m and excluding subsidiaries results it was EUR -0.4m.

In 2020 MBL Denmark 2020 A/S received dividend from its subsidiary MBL Denmark A/S of EUR 1.5m and additional EUR 4.2m was declared.

MBL Denmark 2020 A/S recognized goodwill on acquisition of MBL Denmark A/S shares at initial value of EUR 63.5m and net value as at 31st December 2020 of EUR 61.4m. Goodwill is amortized over 10 years period.

For MBL Group in the Sep-Dec period of 2020 net revenues were at EUR 18.8m and operating and before tax loss was at EUR 0.7m and EUR 2.3m respectively. The full year comparable operational performance of MBL Group vs prior year is discussed in Annual Report of MBL Denmark A/S (subsidiary of the Company).

The MBL Group have at 31 December 2020 an equity of EUR 48.4m.

Outlook

The Board of Directors has approved the 2021 budget leading to increased positive net profit and delivery of satisfactory MBL Group EBITDA higher than in 2020.

The key aspect of plan of earnings improvement is additional sales growth coming from new projects supported by anticipated general market uplift on the back of industry recovery. Simultaneously the Group will continue to focus on production efficiency improvements and product cost rationalizations.

These initiatives (new projects, cost rationalizations and production efficiency improvements) together with a motivating bonus program, are expected not only to keep satisfactory profitability, but also to establish the buffer for salary inflation pressures being experienced both in Poland and in China.

MANAGEMENT COMMENTARY

Development in activities and financial and economic position (continued)

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

A positive net profit result is expected in 2021 following all budget initiatives. It is expected to be based on profitable new products, core products sales growth and strategic portfolio simplification in the long term.

Profit/loss for the year compared to the expected development

The year 2020 was the first financial year for MBL Denmark 2020 A/S and MBL Group consolidated by the Company.

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.

Financial risk

The Group's most significant operating risk continues to be the impact of the Covid-19 epidemic on the global economy as presented in the 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 are therefore 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 on to customers, however, there 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. The Group does not enter into any speculative foreign exchange positions.

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 reduction of global demand due to the pandemic and in short and medium term risks of delayed payments from MBL's customers experiencing cash shortages and supply chain disruptions. In longer term the main risk is related to the speed of recovery after likely openings of the global economy in H2 of 2021.

MANAGEMENT COMMENTARY

Financial risk (continued)

Key risk mitigation for MBL:

1. Daily monitoring of key operation processes like customer feedback, cash collection, people availability and implementation of all required health and safety regulations
2. Short term cash planning
3. Long term opportunities like leveraging new projects and developments, internal optimization and rationalization.

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 ran an Environmental Audit which confirmed that both in MBL Poland and MBL Xiamen the Group is almost 100% compliant with requirements. In 2020 the Group has 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 an increasing focus on a number of areas in particular in terms of gas emission, waste and other pollution as described in the CSR section.

Knowledge resources

The Group continued in 2020 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 the last 2-3 years there has been a strategic shift towards a higher share of new products owned by the 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 coming years as well as development of new products.

Future expectations

From a strategic perspective MBL Group is one of the key suppliers to the rehabilitation industry globally which is a market with a substantial 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 5-6% yearly.

After the slowdown in 2020, in 2021 MBL Group plans to recover sales to at least the level recorded in 2019 and to continue to outpace the market MBL operates in. It will be based on continuously successful development of new products in MBL Xiamen supported by strategic partners and growth of 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 already embedded new management structure has continuously been releasing considerable resources from the top management and all the way through the organization which may be further used in a much more appropriate manner and contribute to a considerable improvement of the earnings in the coming years.

MANAGEMENT COMMENTARY

Future expectations (continued)

The key initiatives in the budget to maintain profitability and achieve the goals in 2021 continue to be:

1. Revenue growth of core products with satisfactory margins with focus on stable growth in developed markets of Western Europe and continued expansion in Asia Pacific and the US market
2. Product cost rationalizations 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 higher margin products with simultaneous reduction of lower margin portfolio sales

The most important business processes with respect to meeting own targets 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 and management financial reporting.

The company's foreign branches

The company has no foreign branches.

Corporate social responsibility (CSR) report

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.

MBL conducts its business on the basis of defined, simplified principles for business practices and ethics and focus on social responsibility towards employees, business partners and the surrounding society.

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 a so-called staff book.

The Group continuously evaluate existing policies to systematically implement improvements where necessary.

Compliance with respective policies and procedures has been regularly monitored and controlled by both internally and externally authorized groups. In 2020 there were no material breaches or non-compliance 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. It is expected that these activities will be continued and further intensified in the future.

Environmental situation

All companies within the MBL Group are proactively looking for an opportunity to reduce energy consumption, gas emission, waste and other pollution. MBL monitors environmental risks at local operational levels with a view to minimize the environmental footprint. MBL is committed to ensuring environmentally sound and energy-efficient production.

MANAGEMENT COMMENTARY

Corporate social responsibility (CSR) report (continued)

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 mitigating these risks in MBL 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 there is 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

Human rights

Internally the Group has a code of rules for human rights and environmental and work environmental issues as described in the policies. In 2020 there were no cases of breach of any law connected to human rights in any of the subsidiaries.

The 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 mitigating these risks in MBL is:

1. Monitoring of H&S procedures and related implementation of these - in both MBL Poland and MBL Xiamen there is a H&S specialist 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 an 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 0.11% in MBL Xiamen (vs 0.11% in 2019) and 0.07% in MBL Poland (vs 0.08% in 2019)
3. Selective investments in assets improving the health and safety
4. In terms of employee mistreatment there is a developed HR function in both Poland and China and all employees have a point of contact in case of issues apart from regular communication with their managers
5. Regular communication meetings are in place and run by senior management

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

The key health and safety improvements and actions in 2020 were related to:

1. Implementation of proper safety measures to respond to the Covid-19 pandemic
2. Strict control of proper PPE use
3. Dedicated trainings and seminars to increase safety awareness and promote proper behavior among employees
4. Standardization of safety rules and proper behavior in particular in relation to most dangerous jobs
5. Cross-departmental safety inspections to promote best practices and safety leadership
6. Upgrade of safety measures in connection to internal transport

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 and 2019 MBL Poland in cooperation with an external advisor reviewed and monitored environmental and climatic impact. Also as the result a number of actions were implemented which brought the next significant improvement in terms of an environmental footprint. These actions mostly focused on reduction metal and paper wastes.

MANAGEMENT COMMENTARY

Corporate social responsibility (CSR) report (continued)

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

The way to mitigate is:

1. Use of certified waste handlers
2. Review of the contracts with waste handlers
3. Review of the 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 employee expense 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 the 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 are monitored monthly by the controlling team
3. Cooperation with key suppliers is monitored closely by the Managing Director in China and the 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 require CFO external approval. Cash flow is monitored on daily basis.
5. Employee expense practices are in place both in Poland and in China

Social and staff matters

In MBL Group all the rules and procedures are collected and communicated in a 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 a strong HR function to safeguard and to develop those procedures. The HR department is responsible for all aspects connected with the recruitment, introduction, employment, motivation, remuneration, information and communication, development and appraisal system in close cooperation with the managers and the employees. There was no change in 2020.

One of the key challenges in 2020 was still connected with the recruitment/employment of required qualified production staff on a very difficult labor market with very limited availability of human resources.

Thanks to the continuation of initiatives/activities implemented in 2018 and continued in 2020 the required positions were successfully filled on the production in both MBL Poland and MBL Xiamen.

The second key challenge in 2020 was connected with the Covid-19 pandemic. MBL therefore focused on defining and implementing solutions to protect the employees and improve health and safety conditions.

Key initiatives/actions in 2020:

1. Development and implementation of new appraisal system based on competency model and goals realization on each job position
2. Implementation of Employee Capital Plans (PPK) - savings and investments plans for the employees in MBL Poland

MANAGEMENT COMMENTARY

Corporate social responsibility (CSR) report (continued)

3. Implementation of development program for Production Team Leaders in MBL Poland
4. Implementation of social activities program in order to develop the team building and to strengthen the cooperation within the organization in MBL China
5. Implementation of new remuneration system in MBL China

MBL's response to Covid-19

The other key challenge in 2020 was MBL's response to the Covid-19 pandemic. Since the Covid-19 pandemic emerged as a real threat in January 2020 for MBL Xiamen and in February/March 2020 in MBL Poland our primary focus has been on keeping a safe work environment for our employees. Through a broad set of measures across the Group after one week of mandatory lockdown in MBL Xiamen we have kept our operations fully operational through the course of 2020 whilst safeguarding the well-being of our employees at their workplace.

The actions taken included:

1. Additional strict safety measures in the workplace, e.g. cleaning and disinfection, additional personal protective equipment (mask wearing in office spaces), and distancing
2. Working from home for some office employees
3. Limited business travel
4. Online communication with customers

Target figures and policy for the underrepresented gender

In the Board of Directors of MBL Denmark A/S we have decided to set up the specific target for the share of underrepresented gender at the level of 40% to be achieved within 4 years. Currently the Board of Directors consists of one woman and three men.

On management level the representation of female managers is currently 33% in MBL Poland, 46% 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 28 AUGUST - 31 DECEMBER

		<u>Group</u>	<u>Parent Company</u>
	Note	2020 EUR '000	2020 EUR '000
NET REVENUE	1	18.778	0
Production costs.....	2	-14.408	0
GROSS PROFIT/LOSS		4.370	0
Distribution costs.....	2	-131	0
Administrative expenses.....	2, 3	-5.224	-35
OPERATING LOSS		-985	-35
Other operating income.....		229	0
Other operating expenses.....		27	0
OPERATING LOSS		-729	-35
Result of equity investments in group and associates.....	4	0	-2.156
Other financial income.....		212	0
Other financial expenses.....	5	-1.759	-344
LOSS BEFORE TAX		-2.276	-2.535
Tax on profit/loss for the year.....	6	96	83
Other taxes.....		-272	0
LOSS FOR THE YEAR	7	-2.452	-2.452

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	Group	Parent Company
		2020 EUR '000	2020 EUR '000
Development projects completed.....		576	0
Intangible fixed assets acquired.....		255	0
Goodwill.....		61.393	0
Development projects in progress and prepayments.....		617	0
Intangible assets.....	8	62.841	0
Land and buildings.....		8.736	0
Production plant and machinery.....		3.642	0
Other plant, fixtures and equipment.....		1.664	0
Prepayment for tangible fixed assets under construction.....		196	0
Property, plant and equipment.....	9	14.238	0
Equity investments in group enterprises.....		0	70.207
Equity investments in associated enterprises.....		1	0
Rent deposit and other receivables.....		11	0
Financial non-current assets.....	10	12	70.207
NON-CURRENT ASSETS.....		77.091	70.207
Raw materials and consumables.....		3.366	0
Work in progress.....		1.258	0
Finished goods and goods for resale.....		1.510	0
Inventories.....		6.134	0
Trade receivables.....		9.754	0
Provision for deferred tax.....	11	1.451	83
Other receivables.....		1.002	190
Corporation tax receivable.....		344	19
Prepayments and accrued income.....	12	599	0
Receivables.....	13	13.150	292
Cash and cash equivalents.....		2.351	0
CURRENT ASSETS.....		21.635	292
ASSETS.....		98.726	70.499

BALANCE SHEET AT 31 DECEMBER

	Note	Group	Parent Company
		2020 EUR '000	2020 EUR '000
EQUITY AND LIABILITIES			
Share capital.....	14	106	106
Fair value reserve, currency translation of foreign entities.....		-92	0
Retained earnings.....		48.405	48.313
EQUITY.....		48.419	48.419
Pensions and similar obligations.....		67	0
Provision for deferred tax.....	11	940	0
PROVISIONS.....		1.007	0
Subordinate loan capital.....		25.011	19.071
Lease liabilities.....		658	0
Frozen holiday pay.....		22	0
Non-current liabilities.....	15	25.691	19.071
Subordinate loan capital.....		1.452	989
Debt to banks.....		5.278	0
Lease liability.....		257	0
Trade payables.....		8.966	0
Payables to group enterprises.....		0	69
Payables to owners and management.....		129	0
Corporation tax.....		1.336	0
Joint tax contribution payable.....		0	19
Derived financial instruments.....	16	175	0
Other liabilities.....	17	5.746	1.932
Accruals and deferred income.....	18	270	0
Current liabilities.....		23.609	3.009
LIABILITIES.....		49.300	22.080
EQUITY AND LIABILITIES.....		98.726	70.499
Contingencies etc.	19		
Charges and securities	20		
Related parties	21		

EQUITY

	Group				Total
	Share capital	Share premium account	Fair value reserve, currency translation of foreign entities	Retained earnings	
Equity at 28 August 2020.....	100	47.900	0	0	48.000
Proposed profit allocation, see note 7....				-2.452	-2.452
Transactions with owners					
Capital increase.....	6	2.918			2.924
Other legal bindings					
Other adjustments to equity value.....				48	48
Transfers					
Transferred share premium account.....		-50.818		50.818	0
Change fair value reserves					
Value adjustments in the year.....			-92		-92
Tax on changes in equity.....				-9	-9
Equity at 31 December 2020.....	106	0	-92	48.405	48.419

	Parent Company				Total
	Share capital	Share premium account	Reserve for net revaluation according to equity valuation	Retained earnings	
Equity at 28 August 2020.....	100	47.900	0	0	48.000
Proposed profit allocation, see note 7....			-39	-2.413	-2.452
Transactions with owners					
Capital increase.....	6	2.918			2.924
Other legal bindings					
Foreign exchange adjustments.....			-92		-92
Other adjustments to equity value.....			39		39
Transfers					
Transferred share premium account.....		-50.818		50.818	0
Dividends received / declared.....			-5.750	5.750	0
Allowed equalization.....			5.842	-5.842	0
Equity at 31 December 2020.....	106	0	0	48.313	48.419

In the financial year, 6.146 new shares were subscribed at a nominal amount of EUR ('000) 2.924.

CASH FLOW STATEMENT 28 AUGUST - 31 DECEMBER

	<u>Group</u>
	2020
	EUR '000
Profit/loss for the year.....	-2.452
Depreciation and amortisation, reversed.....	2.715
Reversed realization gains.....	-5
Adjustment of other financial expenses.....	252
Tax on profit/loss, reversed.....	-96
Corporation tax paid.....	-638
Change in inventories.....	-166
Change in receivables (ex tax).....	1.855
Change in other provisions.....	-1
Change in current liabilities (ex bank, tax, instalments payable and overdraft facility)...	5.337
Other cash flows from operating activities.....	128
CASH FLOWS FROM OPERATING ACTIVITY.....	6.929
Purchase of intangible assets.....	-174
Purchase of property, plant and equipment.....	-1.483
Sale of property, plant and equipment.....	25
Purchase of financial assets.....	-25.916
CASH FLOWS FROM INVESTING ACTIVITY.....	-27.548
Changes in subordinated loan capital.....	32.916
Instalments on loans.....	-17.918
Capital increase.....	2.924
CASH FLOWS FROM FINANCING ACTIVITY.....	17.922
CHANGE IN CASH AND CASH EQUIVALENTS.....	-2.697
Cash and cash equivalents at 28. august.....	-230
CASH AND CASH EQUIVALENTS AT 31. DECEMBER.....	-2.927
Cash and cash equivalents at 31 December comprise:	
Cash and cash equivalents.....	2.351
Bank debt.....	-5.278
CASH AND CASH EQUIVALENTS, NET DEBT.....	-2.927

NOTES

	<u>Group</u>	<u>Parent Company</u>	
	2020	2019	Note
	EUR '000	EUR '000	
Net revenue			1
Segment details (geography)			
Western Europe.....	8.144	0	
Eastern Europe.....	5.174	0	
Asia Pacific.....	4.074	0	
Others.....	1.386	0	
	18.778	0	
<p>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.</p>			
Staff costs			2
Average number of employees	1.346	0	
Wages and salaries.....	4.659	0	
Pensions.....	10	0	
Social security costs.....	421	0	
Other staff costs.....	463	0	
	5.553	0	
Remuneration of management and board of directors.....	207	0	
	207	0	
<p>Staff costs are included in the following items: Production costs: EUR ('000) 4.256 Distribution costs: EUR ('000) 115 Administrative expenses: EUR ('000) 1.182</p>			
Fee to statutory auditor			3
Total fee:			
KPMG.....	48	10	
	48	10	
Specification of fee:			
Statutory audit.....	47	10	
Other services.....	1	0	
	48	10	

NOTES

	<u>Group</u>	<u>Parent Company</u>	
	2020 EUR '000	2020 EUR '000	Note
Result of equity investments in group and associates			4
Result of equity investments in group enterprises.....	0	-2.156	
	0	-2.156	
Other financial expenses			5
Interest, group enterprises.....	0	1	
Other interest expenses.....	1.759	343	
	1.759	344	
Tax on profit/loss for the year			6
Calculated tax on taxable income of the year.....	251	0	
Adjustment of tax for previous years.....	-221	0	
Adjustment of deferred tax.....	-126	-83	
	-96	-83	
Proposed distribution of profit			7
Allocation to reserve for net revaluation according to equity valuation.....	0	-39	
Retained earnings.....	-2.452	-2.413	
	-2.452	-2.452	
Intangible assets			8
	<u>Group</u>		
	Development projects completed	Intangible fixed assets acquired	
Cost at 28 August 2020.....	3.612	727	
Exchange adjustment at closing rate.....	-21	-8	
Transfer.....	41	0	
Additions.....	8	100	
Cost at 31 December 2020.....	3.640	819	
Amortisation at 28 August 2020.....	2.982	540	
Exchange adjustment at closing rate.....	-26	-8	
Amortisation for the year.....	108	32	
Amortisation at 31 December 2020.....	3.064	564	
Carrying amount at 31 December 2020.....	576	255	

NOTES

Note

Intangible fixed assets (continued)

8

	Group	
	Goodwill	Development projects in progress and prepayments
Cost at 28 August 2020.....	40.716	600
Exchange adjustment at closing rate.....	0	-8
Transfers to/from other items.....	0	-41
Additions.....	22.794	66
Cost at 31 December 2020.....	63.510	617
Amortisation for the year.....	2.117	0
Amortisation at 31 December 2020.....	2.117	0
Carrying amount at 31 December 2020.....	61.393	617

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

	Group		Note
	Land and buildings	Production plant and machinery	
Property, plant and equipment			9
Cost at 28 August 2020.....	7.730	10.634	
Exchange adjustment.....	-269	-194	
Additions.....	596	466	
Disposals.....	0	-86	
Cost at 31 December 2020.....	8.057	10.820	
Revaluation at 28 August 2020.....	2.991	0	
Exchange adjustment.....	-104	0	
Revaluation of the year.....	48	0	
Revaluation at 31 December 2020.....	2.935	0	
Depreciation and impairment losses at 28 August 2020.....	2.272	7.214	
Exchange adjustment.....	-79	-148	
Reversal of depreciation of assets disposed of.....	0	-79	
Depreciation for the year.....	63	191	
Depreciation and impairment losses at 31 December 2020....	2.256	7.178	
Carrying amount at 31 December 2020.....	8.736	3.642	
Value of recognised assets, excluding revaluation under § 41 (1).....	5.802		
Finance lease assets.....		1.232	
	Group		
	Other plant, fixtures and equipment	Prepayment for tangible fixed assets under construction	
Cost at 28 August 2020.....	5.866	72	
Exchange adjustment.....	-1	-3	
Additions.....	295	127	
Disposals.....	-105	0	
Cost at 31 December 2020.....	6.055	196	
Depreciation and impairment losses at 28 August 2020.....	4.299		
Exchange adjustment.....	-2		
Reversal of depreciation of assets disposed of.....	-106		
Depreciation for the year.....	200		
Depreciation and impairment losses at 31 December 2020....	4.391		
Carrying amount at 31 December 2020.....	1.664	196	
Finance lease assets.....	62		

NOTES

	Note
Financial non-current assets	10

	<u>Group</u>	
	Equity investments in associated enterprises	Rent deposit and other receivables
Cost at 28 August 2020.....	1	11
Cost at 31 December 2020.....	1	11
Carrying amount at 31 December 2020.....	1	11

	<u>Parent Company</u>	
	Equity investments in group enterprises	
Cost at 28 August 2020.....		48.000
Additions.....		25.916
Disposals.....		-1.500
Cost at 31 December 2020.....		72.416
Exchange adjustment.....		-92
Profit/loss for the year.....		-39
Equity movements.....		39
Revaluation at 31 December 2020.....		-92
Amortisation of goodwill.....		2.117
Impairment losses and amortisation of goodwill at 31 December 2020.....		2.117
Carrying amount at 31 December 2020.....		70.207

Goodwill

MBL Denmark 2020 A/S has acquired shares in MBL Denmark A/S during the year. The cost of the shares is EUR ('000) 73.916. Goodwill on the acquisition in the year is EUR ('000) 63.510.

Investments in subsidiaries (EUR '000)

Name and domicil	Equity	Profit/loss for the year	Ownership
MBL Denmark A/S, Denmark.....	8.815	3.526	100 %
MBL A/S, Denmark	10.839	4.440	100 %
MBL Poland Sp. z o.o, Poland.....	6.550	-595	100 %
MBL (Xiamen) Co., Ltd, China.....	8.543	4.493	100 %

NOTES

	Note
Fixed asset investments (continued)	10
Investments in associates (EUR '000)	

Name and domicil	Equity	Profit for the year	Ownership
Celier Holdings Malta Ltd., Malta.....	-	-	49 %

The value of the shares is (EUR '000) 1.

Deferred tax	11
Deferred tax assets and liabilities is related to differences between the carrying amount and tax value at the balance sheet date and the value of tax losses carryforwards.	

	<u>Group</u>	<u>Parent Company</u>
	2020 EUR '000	2020 EUR '000
Deferred tax, beginning of year.....	404	0
Deferred tax of the year, income statement.....	126	83
Deferred tax of the year, equity.....	-19	0
Deferred tax 31 December 2020.....	511	83
It is recognized as follows:		
Deferred tax (assets).....	1.451	83
Deferred tax (provision).....	940	0
	511	83

The Group's deferred net tax asset is recognised in the balance sheet by EUR ('000) 511. 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	12
Prepayments and accrued income comprise prepaid costs, primarily insurances and deferred financing costs, relating to the next financial year.	

Receivables falling due after more than one year	13	
Trade receivables.....	11	0
Other receivables.....	78	0
	89	0

NOTES

Note

Derivative financial instruments

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The Group company, MBL Poland Sp. z o.o uses derivatives for hedging of currency risks and interest rate risks in relation to recognised assets and liabilities and future cash flows from unrecognised transactions.

The risk management is undertaken locally by MBL Poland Sp. z o.o on the basis of reported positions and this Group Company carries the counterparty risk for all hedging transactions. Only financial institutions with high credit ratings are applied for derivative transactions, why the counterparty risk is low.

Forward contracts are applied for hedging of recognised receivables, payables and debt in foreign currencies. The principals of the instruments and hedging level at 31 December 2020 comprise:

		Group			
Currency	Payment/Expiry	Receivables EUR '000	Debt EUR '000	Hedging- transaction EUR '000	Netposition EUR '000
PLN	0-12 months	2.409	18.810	-16.500	-99
		2.409	18.810	-16.500	-99

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

	Group	
	Forward exchange contracts	Interest rate swap
Fair value at 31 December 2020		
Liabilities.....	-172	-3
	-172	-3
Value adjustment in the year recognised in the Income Statement.....	-302	-1

Other liabilities

17

Other liabilities, recognized at the value of EUR 3,8m in December 2020, consist of payables and provisions mainly related to salaries and annual bonus (EUR 1.7m), employee social and tax payable (EUR 0.5m) and other non-trade payables (EUR 1.6m).

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**

The underlying subsidiary MBL A/S has entered into a rental agreement with a residual obligation during the notice period at EUR ('000) 12. The annual rental cost is EUR ('000) 22.

The companies MBL Denmark A/S, 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) 6.554.

MBL Denmark A/S, MBL A/S and MBL (Xiamen) Co. Ltd., have also issued a guarantee in relation to the subsidiary MBL Poland Sp. z o.o 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) 0 at the Balance Sheet date.

NOTES

					Note
Charges and securities					20

	Group		Parent Company	
	Carrying amount of assets EUR '000	Nominal value of mortgage or outstanding debt EUR '000	Carrying amount of assets EUR '000	Nominal value of mortgage or outstanding debt EUR '000
The following assets have been provided as security for debt				
Equity investment in group enterprises under fixed assets investment (MBL Denmark 2020 A/S), primary pledge.....	0	0	70.207	19.521
Owner's mortgages on property, etc., as security for bank debt of a nominal amount of (MBL Poland Sp. z o.o).....	8.738	13.203	0	0
Chattel mortgage on machinery and plant (MBL Poland Sp. z o.o).....	1.749	30.232	0	0
Assignment of receivable, factoring (MBL Poland Sp. z o.o).....	1.440	2.634	0	0
Cash at banks (MBL Poland Sp. z o.o).....	687	27.598	0	0
The following assets are financed by finance leases:				
Production plant and machinery (MBL Poland Sp. z o.o).....	1.232	790	0	0
Other plant, fixtures and equipment (MBL Poland Sp. z o.o).....	62	75	0	0

As security for debt to bank in MBL Poland Sp. z o.o, shares of MBL A/S have been pledged. At 31 December 2020 the nominal value of MBL A/S shares is EUR ('000) 141, the carrying value of which is EUR ('000) 10.839.

As security for subordinated loan capital EUR ('000) 6.554 in MBL A/S, shares of MBL Denmark A/S have been pledged. At 31 December 2020 the nominal value of MBL Denmark A/S shares is EUR ('000) 74, the carrying value of which is EUR ('000) 70.207.

As security for subordinated loan capital EUR ('000) 12.967 in MBL Denmark 2020 A/S, shares of MBL Denmark A/S have been pledged. At 31 December 2020 the nominal value of MBL Denmark A/S shares is EUR ('000) 74, the carrying value of which is EUR ('000) 70.207.

NOTES

Note

Related parties

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The Company's related parties include:

The Controlling interest

Mogens Bichel Lauritsen, Horns Rev 55 A, 6857 Blåvand, Denmark
(family relationships)

Ingelise Nygaard Lauritsen, Horns Rev 55 A, 6857 Blåvand, Denmark
(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 2020 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. Intercompany interests is disclosed in note 5.

ACCOUNTING POLICIES

The Annual Report of MBL Denmark 2020 A/S for 2020 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, large-size enterprises.

The Annual Report is presented in EUR, which is the reporting currency for the activities of the Group, rounded to the nearest EUR ('000).

The Annual Report is prepared with the following accounting principles.

Consolidated Financial Statements

The Consolidated Financial Statements include the Parent Company MBL Denmark 2020 A/S and the subsidiaries in which MBL Denmark 2020 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, intercompany accounts and dividend, and realised and unrealised gains and losses arising from transactions between the consolidated enterprises are fully eliminated in the consolidation.

Newly acquired or established enterprises are recognised in the Consolidated Financial Statements from the date of acquisition. Sold or wound up enterprises are recognised in the Consolidated Income Statement up to the date of disposal. Comparative figures are not adjusted for newly acquired, sold or wound up enterprises.

The date of acquisition is the date at which the Group gains actual control over the acquired 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. Deferred tax on the taken over reassessments is recognised with the exception of goodwill.

At calculation of the fair value of investment properties, 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, using an overall assessment of the production equipment.

Positive differences (goodwill) between the acquisition value and fair 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 at the date of acquisition.

The difference from acquired enterprises is EUR ('000) 63.510.

Transaction costs, incurred in connection with acquisition of enterprises, are recognised in the Income Statement in the year in which the costs are incurred.

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

Investments in associates are measured in the Balance Sheet at the proportional share of the equity 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 the 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.

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.

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

Production costs

Production costs comprise the costs of manufacture and procurement paid to achieve the net revenue for the year, including costs of raw materials and consumables, wages and salaries, energy, maintenance, leasing and depreciation of production plant, and adjusted for changes in inventory of finished goods and work in progress.

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.

Moreover, provisions for losses on contract work are recognised.

Distribution costs

The costs paid for the distribution of goods sold during the year and for sales campaigns, etc. carried out during the year are recognised in distribution costs. The cost of sales personnel, advertising and exhibition costs and amortisation of distribution and sales related assets are also recognised in distribution costs. Common losses on bad debts are also recognised.

Administrative expenses

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

Other operating income

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

Other operating expenses

Other operating expenses include items of a secondary nature in relation to the Group's and the Company's activities. Losses from sale of intangible and tangible fixed assets are also included.

ACCOUNTING POLICIES

Income from equity interests in subsidiaries and associates

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

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

Dividend from equity interests is recognised in the financial year in which the dividend is declared. In connection with transfers, potential profits are recognised when the economic rights related to the sold equity interests are transferred, however, at the earliest when the profit has been realised or is regarded as realisable. Moreover, realised losses other than impairments are included where identified.

Financial income and expenses

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

Tax

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

BALANCE SHEET

Intangible fixed assets

Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 5 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific conditions.

Acquired intangible fixed assets, include patents og licenses are measured at the lower of cost less accumulated amortisation and the recoverable amount. Patents are amortised over the remaining patent period and licences are amortised over the period of the agreement, however, no more than 8 years.

Development projects 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 in the Balance Sheet.

The accounting item is measured at the lower of the capitalised costs less accumulated amortisation and 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 3-5 years.

Intangible fixed assets are generally written down to the recoverable amount if this is lower than the 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.

ACCOUNTING POLICIES

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 sale of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the date 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

for which the Company bears all material risks and benefits attached to the ownership (finance lease, see IAS 17) are recognised as assets in the Balance Sheet. The assets are at the initial recognition measured at the lower of cost stated at fair value and the and present value of the future lease payments. The internal interest rate of the lease contract, or alternatively the Company's loan interest, is used as discounting factor when calculating the present value. Finance lease assets are hereafter treated as the Group's and the Company's other similar 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 contract period.

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 contract period. The Company's total liability relating to operating leases and rental agreements is disclosed as contingencies etc.

Fixed asset investments

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

Equity investments in subsidiaries are measured in the Balance Sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the Parent Company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill calculated according to the acquisition method. Negative goodwill is recognised in the Income Statement when the equity interest is acquired. Where the negative goodwill is related to acquired contingent liabilities, the negative goodwill will be recognised as income when the contingent liabilities have been settled or cease.

ACCOUNTING POLICIES

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

Acquired enterprises are subject to 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 models.

A discounted cash flow model is used to calculate the fair value of investment properties based on a discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, based on an overall assessment of the production equipment.

The acquisition date is the date on which the Company gains actual control over the acquired entity.

Consolidated goodwill is amortised over the expected useful life, which is determined on the basis of Management's experience within the individual lines of business. Consolidated goodwill is amortised on a straightline basis over the amortisation period, which is 10 years. The amortisation period is determined on the basis of an assessment of the acquired entity's market position and earnings profile, and the industryspecific condition.

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

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

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

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

Impairment of fixed assets

The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

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

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

ACCOUNTING POLICIES

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable amount is lower than cost, the inventories are written down to the lower amount.

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 the cost of raw materials, consumables, direct payroll cost and other direct and other indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, the cost of factory administration and management and capitalised development costs relating to the products.

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

Receivables

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

Accruals, assets

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

Equity

Dividends

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

Net revaluation reserve according to the equity method

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

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

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

Liabilities

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

The amortised cost of current liabilities corresponds usually to the nominal value.

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

The capitalised remaining 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, liabilities

Accruals recognised as liabilities include payments received regarding income in subsequent years.

ACCOUNTING POLICIES

Derivative financial instruments

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

A change in the fair value of derivative financial instruments classified as and complying with the conditions 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.

A change in the fair value of derivative financial instruments classified as and complying with the conditions 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 in the 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 in which the Income Statement was affected by the hedged amount.

As regards possible derivative financial instruments, which do not fulfil the conditions for being treated as hedging instruments, any changes in fair value are recognised on a current basis in the Income Statement.

Foreign currency translation

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

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

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

At recognition of foreign subsidiaries that are not independent entities, but integrated entities, monetary items are translated at the exchange rate on the Balance Sheet date. Non-monetary items are translated at the rate at the date of acquisition or at the date of a subsequent revaluation or writedown of the asset. The items of the Income Statement are translated at the rate on the transaction date, items derived from non-monetary items being translated at the historic rates of the non-monetary item.

The Income Statements of foreign subsidiaries and associates fulfilling the conditions for being independent entities are translated at an average exchange rate for the month and the Balance Sheet items are translated at the rate of exchange on the Balance Sheet date. Exchange differences arising from translation of the equity of foreign subsidiaries at the beginning of the year to the rates of the Balance Sheet date and from translation of Income Statements from average rate to the rates of the Balance Sheet date are recognised directly in the equity.

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

ACCOUNTING POLICIES

CASH FLOW STATEMENT

With reference to Section 86(4) of the Danish Financial Statements Act, the company has not prepared a cash flow statement. A cash flow statement has been prepared for the Group.

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.