

Schades Nordic A/S

Øster Fælled Vej 5
7800 Skive

CVR no. 30 52 89 56

Annual report 2017

The annual report was presented and approved at
the Company's annual general meeting on

31 May 2018

chairman



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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Schades Nordic A/S for the financial year 1 January – 31 December 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

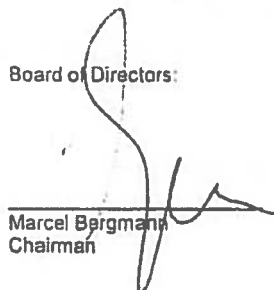
We recommend that the annual report be approved at the annual general meeting.

Skive, 31 May 2018
Executive Board:



Jesper Jumppanen
Andersen

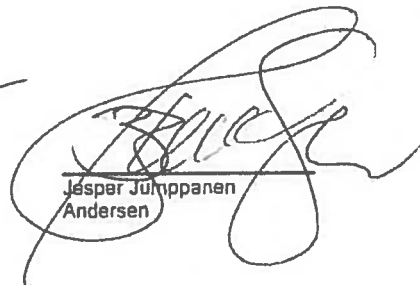
Board of Directors:



Marcel Bergmann
Chairman



Byung Gao Yang



Jesper Jumppanen
Andersen



Independent auditor's report

To the shareholders of Schades Nordic A/S

Opinion

We have audited the financial statements of Schades Nordic A/S for the financial year 1 January – 31 December 2017 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.



Independent auditor's report

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

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the 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 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 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 financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Aarhus, 31 May 2018

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Anette Harritz
State Authorised
Public Accountant
MNE no. 9368

Schades Nordic A/S
Annual report 2017
CVR no. 30 52 89 56

Management's review

Company details

Schades Nordic A/S
Øster Fælled Vej 5
7800 Skive

Telephone: +45 96 15 16 00
Fax: +45 96 15 16 05
Website: www.schades.com

CVR no.: 30 52 89 56
Registered office: Skive
Financial year: 1 January – 31 December

Board of Directors

Marcel Bergmann, Chairman
Byung Gab Yang
Jesper Jumppanen Andersen

Executive Board

Jesper Jumppanen Andersen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Management's review

Financial highlights

DKK'000	2017	2016	2015	2014	2013
Key figures					
Revenue	189,662	196,717	222,409	207,100	234,094
Gross profit	18,412	17,080	20,642	24,920	22,966
Operating profit	8,759	6,940	10,969	16,570	14,898
Profit/loss from financial income and expenses	-97	-856	-411	-885	-467
Profit for the year	7,071	5,560	8,795	13,187	12,436
Fixed assets	7,558	8,085	13,020	12,394	9,584
Current assets	76,967	70,938	73,807	75,566	79,061
Total assets	84,525	79,023	86,827	87,960	88,645
Equity	36,801	39,730	44,170	45,374	42,263
Current liabilities other than provisions	47,657	39,289	41,383	42,488	46,382
Investments in property, plant and equipment	0	4,333	957	2,433	0
Ratios					
Gross margin	9.7%	8.7%	9.3%	12.0%	9.8%
Operating margin	4.6%	3.5%	4.9%	0.0%	0.0%
Return on invested capital	23.1%	8.8%	12.6%	18.8%	18.8%
Current ratio	161.5%	180.6%	175.6%	177.9%	170.5%
Return on equity	16.7%	14.0%	19.6%	30.1%	30.5%
Solvency ratio	43.0%	49.6%	50.9%	51.6%	47.7%
Average number of full-time employees	26	28	29	27	26

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Ratios". The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit/loss} \times 100}{\text{Average invested capital}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

Main activity

Schades Nordic A / S's main activities are production and sale of documentation rolls used in electronic documentation, information and payment systems, such as cash registers, bank terminals, credit card machines, and self-adhesive labels used as documentation labels in the food industry, grocery trade and for logistics purposes.

Development in activities and financial position

The company achieved revenue of DKK 189,7 million in 2017 and a Gross profit amounted to DKK 18,4 million compared to DKK 17,0 million last year. The increase in gross profit is primarily due to better market conditions.

The operating profit was DKK 8,8 million.

Profit for the year after tax was DKK 7,0 million which exceeds our our expectations.

Equity per. 31 December 2017 amounts to DKK 36,8 million. The equity ratio at the end of 2017 was 43 %.

Environmental matters

There is no particular environmental impact.

Financial risks

The company's activities entail financial risks in connection with trade receivables and trade payables, deposits and credit with credit institutions, etc. in Danish kroner as well as in foreign currency.

The company is to a certain extent affected by fluctuations in interest rates. Exchange rate fluctuations have had a less negative impact on the company's cash flows. The company's receivables are distributed such that the company's credit risks are not considered unusual.

Expected development

The company expects the turnover and result to be at same level for 2018 as in 2017.

Events after the balance sheet date

After the balance sheet date, the Company is negotiating its credit facilities with Danish banks matured in April - May 2018 and expect to issue agreements during June 2018. The ultimate parent company has issued letter of support to Hansol Denmark ApS, parent company, covering all subsidiaries, including Schades Nordic A/S.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2017	2016
Revenue		189,662	196,717
Production costs	2, 3	<u>-171,250</u>	<u>-179,637</u>
Gross profit		18,412	17,080
Distribution costs	2	-5,890	-5,609
Administrative expenses	2, 3	<u>-3,763</u>	<u>-4,531</u>
Operating profit		8,759	6,940
Income from equity investments in group entities	4	373	813
Financial income	5	713	0
Financial expenses	6	<u>-810</u>	<u>-856</u>
Profit before tax		9,035	6,897
Tax on profit/loss for the year	7	<u>-1,964</u>	<u>-1,337</u>
Profit for the year	8	<u><u>7,071</u></u>	<u><u>5,560</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2017	2016
ASSETS			
Fixed assets			
Property, plant and equipment	3		
Plant and machinery		1,486	1,946
Fixtures and fittings, tools and equipment		0	327
		<u>1,486</u>	<u>2,273</u>
Investments	4		
Equity investments in group entities		4,777	4,534
Deposits		1,295	1,278
		<u>6,072</u>	<u>5,812</u>
Total fixed assets		<u>7,558</u>	<u>8,085</u>
Current assets			
Inventories			
Raw materials and consumables		12,125	11,520
Finished goods and goods for resale		11,363	11,110
		<u>23,488</u>	<u>22,630</u>
Receivables			
Trade receivables		6,879	9,340
Receivables from group entities		45,066	35,665
Other receivables		28	15
		<u>51,973</u>	<u>45,020</u>
Cash at bank and in hand		<u>1,506</u>	<u>3,288</u>
Total current assets		<u>76,967</u>	<u>70,938</u>
TOTAL ASSETS		<u>84,525</u>	<u>79,023</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity	9		
Contributed capital		13,636	13,636
Reserve for net revaluation under equity method		1,602	1,359
Proposed dividends for the financial year		0	10,000
Retained earnings		<u>21,563</u>	<u>14,735</u>
Total equity		<u>36,801</u>	<u>39,730</u>
Provisions	10		
Provisions for deferred tax		<u>67</u>	<u>4</u>
Total provisions		<u>67</u>	<u>4</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Banks, current liabilities		26,005	24,581
Trade payables		13,707	9,479
Payables to group entities		5,521	2,705
Other payables		<u>2,424</u>	<u>2,524</u>
		<u>47,657</u>	<u>39,289</u>
Total liabilities other than provisions		<u>47,657</u>	<u>39,289</u>
TOTAL EQUITY AND LIABILITIES		<u><u>84,525</u></u>	<u><u>79,023</u></u>

Financial statements 1 January – 31 December

Statement of changes in equity

	Contributed capital	Reserve for net revaluation under equity method	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2017	13,636	1,359	14,735	10,000	39,730
Ordinary dividends paid	0	0	0	-10,000	-10,000
Exchange adjustment	0	-130	130	0	0
Transferred over the profit appropriation	0	373	6,698	0	7,071
Equity at 31 December 2017	13,636	1,602	21,563	0	36,801

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Schades Nordic A/S for 2017 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Schades Nordic A/S are included in the consolidated financial statements of Schades A/S, Skive, CVR no. 38 97 82 17.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Schades A/S.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Upon recognition of foreign subsidiaries and associates that are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Income statement

Revenue

Income from the sale of finished goods and goods for resale is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. Revenue is measured ex. VAT, duties and discounts in relation to the sale.

Production costs

Production costs comprise costs, including depreciation, amortisation, wages and salaries, incurred to generate revenue for the year. Production costs include direct and indirect production overheads.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Distribution costs

Distribution costs comprise costs incurred to distribute goods sold during the year and to conduct sales campaigns, etc., including costs relating to sales staff, advertising, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration, including expenses for administrative staff, Management, office premises, office expenses and depreciation.

Income from equity investments in group entities

The proportionate share of the individual group entities' profit/loss after tax is recognised in the Parent Company's income statement after full elimination of intra-group gains/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc. Financial income and expenses are recognised at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement.

Schades Nordic A/S is jointly taxed with Schades A/S and Hansol Denmark ApS. Full allocation of computed taxes is made on these companies.

Property, plant and equipment

Plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses or their value in use if this is considered lower for reasons not of temporary nature..

The depreciable amount is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Plant and machinery	5-8 years
Fixtures and fittings, tools and equipment	3-5 years

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Leases

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently treated as the Company's other fixed assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations, etc.

Equity investments in group entities

Equity investments in group entities are measured at the proportionate share of the entities' net asset value calculated in accordance with the Parent Company's accounting policies plus or minus unrealised intra-group gains or losses and plus or minus the residual value of positive and negative goodwill calculated in accordance with the acquisition method.

Equity investments in group entities with negative net asset values are measured at nil, and any receivables from these entities are written down by an amount equivalent to the negative net asset value. To the extent that the negative net asset value exceeds the receivable, the residual amount is recognised as provisions.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. Finished goods are measured at cost in accordance with the FIFO method comprising the cost of raw materials and consumables with the addition of processing costs and other costs directly or indirectly attributable to the individual goods.

Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management.

Write-down to net realisable value is made for inventories where the projected sales amount less costs of completion and costs necessary to make the sale is lower than cost.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Equity

Dividends

Proposed dividends are recognised as a liability at the date of passing by the General Meeting (declaration date). 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 and associates in proportion to cost.

Dividends that are expected to be received before the balance sheet date are not tied to the reserve.

The reserve can be eliminated in case of loss, realisation of equity investments or changes to accounting estimates.

The reserve cannot be recognised at a negative amount.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured on all temporary differences between the carrying amount and the tax value of assets and liabilities and is recognised as a provision. In the cases where deferred tax crystallises a tax asset, the item is recognised as current assets at the value at which the tax asset is expected to be realised.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the relevant countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at amortised cost, which usually corresponds to nominal value.

Financial statements 1 January – 31 December

Notes

2 Staff costs and incentive schemes

	2017	2016
Staff costs		
Wages and salaries	10,683	12,024
Pensions	450	471
Other social security costs	741	732
	<u>11,874</u>	<u>13,227</u>
Average number of full-time employees	<u>26</u>	<u>28</u>
Staff costs are recognised in the financial statements as:		
Production	9,004	9,851
Distribution	1,533	1,771
Administration	1,337	1,605
	<u>11,874</u>	<u>13,227</u>

Pursuant to section 98b(3) of the Danish Financial Statements Act, no remuneration of management have been disclosed.

3 Property, plant and equipment

DKK'000	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2017	25,039	1,363	26,402
Disposals for the year	0	-1,363	-1,363
Cost at 31 December 2017	<u>25,039</u>	<u>0</u>	<u>25,039</u>
Depreciation and impairment losses at 1 January 2017	-23,093	-1,036	-24,129
Depreciation for the year	-460	-73	-533
Reversed depreciation and impairment losses on assets sold	0	1,109	1,109
Depreciation and impairment losses at 31 December 2017	<u>-23,553</u>	<u>0</u>	<u>-23,553</u>
Carrying amount at 31 December 2017	<u>1,486</u>	<u>0</u>	<u>1,486</u>

DKK'000	2017	2016
Depreciation is recognised in the financial statements as:		
Production	460	543
Administration	73	490
	<u>533</u>	<u>1,033</u>

Financial statements 1 January – 31 December

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4 Investments

DKK'000	<u>2017</u>
Cost at 1 January 2017	<u>3,175</u>
Cost at 31 December 2017	<u>3,175</u>
Revaluations at 1 January 2017	1,359
Exchange adjustment	-130
Net profit/loss for the year	<u>373</u>
Revaluations 31 December 2017	<u>1,602</u>
Carrying amount at 31 December 2017	<u>4,777</u>

Name	Registered office	Voting rights and ownership interest
Schades Sweden AB	Sweden	100%

DKK'000	<u>2017</u>	<u>2016</u>
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5 Financial income

Interest income from group entities	<u>713</u>	<u>0</u>
	<u>713</u>	<u>0</u>

6 Financial expenses

Interest expense to group entities	109	0
Other financial costs	566	614
Exchange losses	<u>135</u>	<u>242</u>
	<u>810</u>	<u>856</u>

Financial statements 1 January – 31 December

Notes

DKK'000

2017 2016

7 Tax on profit for the year

Current tax for the year	1,964	1,337
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recognised as follows:

Current tax for the year	1,901	1,473
Deferred tax adjustment for the year	63	-136
	1,964	1,337

8 Proposed profit appropriation

Reserve for net revaluation under equity method	373	632
Proposed dividends for the year	0	10,000
Retained earnings	6,698	-5,072
	7,071	5,560

9 Equity

There have been no changes in the share capital during the last five years.

10 Provisions

Deferred tax at 1 January	4	140
Deferred tax adjustment for the year in the income statement	63	-136
Deferred tax at 31 December	67	4

11 Contractual obligations, contingencies, etc.

The Company has provided a joint guarantee for the bank engagements of the Schades' Group companies, with a maximum facility of DKK 3.7 million and an actual balance of DKK 1.1 million as at 31 December 2017.

As collateral for the bank engagement, a company charge of DKK 20.0 million has been registered as a first-priority pledge on bank loans of DKK 3.6 million, and DKK 10.0 million has been registered as a second-priority pledge on bank loans of nil secured upon production equipment and machinery (carrying amount of DKK 1.5 million), intellectual property rights, inventories (carrying amount of DKK 23.5 million) and trade receivables (carrying amount of DKK 27 million).

The Group's Danish companies have joint and several liability for tax on the Group's jointly taxed income, etc. Total corporation tax payable is disclosed in the annual report of Hansol Danmark ApS, which is the administration company for the joint taxation. Furthermore, the Group's Danish entities are jointly and severally liable for withholding taxes such as dividend tax, royalty tax and interest tax. Any subsequent corrections of corporation taxes or withholding taxes, etc., may entail an increase in the entities' liability.

Operating lease obligations

The Company has entered into a rent agreement, which is interminable for six years. Annual rent makes up DKK 2.7 million.

Financial statements 1 January – 31 December

Notes

Remaining lease obligations on cars at the balance sheet date fall due at DKK 157 thousand.

12 Related party disclosures

Schades Nordic A/S' related parties comprise the following:

Control

Schades A/S, Øster Fælled Vej 5, 7800 Skive.

Schades A/S holds the majority of the share capital in the Company.

Schades Nordic A/S is part of the consolidated financial statements of Schades A/S, Skive, which is the smallest group in which the Company is included as a subsidiary.

The consolidated financial statements of Schades A/S can be obtained by contacting the Company or at the following website: cvr.dk.

Schades Nordic A/S is part of the consolidated financial statements of Hansol Paper Ltd., 23rd FL, B-pine Avenue BLD, Eluji Street, 100 Jung Gu, South Korea, which is the largest group in which the Company is included as a subsidiary.

The consolidated financial statements of Hansol Paper Ltd. can be obtained by contacting the company.

Other related parties

The Group's and the Company's related parties are the parent company, subsidiaries and other companies of the same group as well as members of the Executive Board and the Board of Directors.

Financial statements 1 January – 31 December

Notes

Related party transactions

DKK'000	2017	2016
Transactions with related parties		
Revenue from group entities	60,140	64,298
Revenue from subsidiary	56,163	55,568
Revenue from other related parties	8,800	3,811
Purchase from group entities	21,662	27,293
Purchase from ultimate parent	1,644	11,652
Purchase from subsidiary	0	9,754
Purchase from other related parties	35,667	61,816
Financial income from subsidiary	373	813
Management fee expense	1,167	1,212
Interest expenses to ultimate parent	109	0
Interest income from parent	660	0
Interest income from group entities	53	0
Balances with related parties		
Receivables from group entities	19,206	18,300
Receivables from subsidiary	1,964	2,045
Receivables from other related parties	370	4,059
Receivables from parent	23,526	11,002
Receivables from ultimate parent	0	259
	<u>45,066</u>	<u>35,665</u>
Payables to associates	0	1,907
Payables to other related parties	998	798
Payables to group entities	1,434	0
Payables to parent	1,901	0
Payables to ultimate parent	1,187	0
	<u>5,520</u>	<u>2,705</u>

The ultimate parent company has provided bank guarantees for a total of EUR 3,000 thousand.

The Company has provided guarantees for bank engagements of the Schades Group's companies.