Hansol Denmark ApS

Øster Fælled Vej 5
7800 Skive

CVR no. 35 47 33 78

Annual report 2016

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

on 22nd May 2017

chairman of the annual general meeting

Byung Gab Yang

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Statement by the Executive Board

The Executive Board have today discussed and approved the annual report of Hansol Denmark ApS for the financial year 1 January – 31 December 2016.

The annual report has been 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 2016 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2016.

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

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

Skive, 5 May 2017
Executive Board:

Jun Hee Park
Managing Director

Younghoon Seo

Yang Gab Byung

Dae Kwon Seo

KPMG

Independent auditor's report

To the shareholders of Hansol Denmark ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Hansol Denmark ApS for the financial year 1 January – 31 December 2016 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 2016 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2016 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.

Independent auditor's report

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.

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.

Independent auditor's report

- 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.

Statement on the Management's review

Management is responsible for the Management's review.

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

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

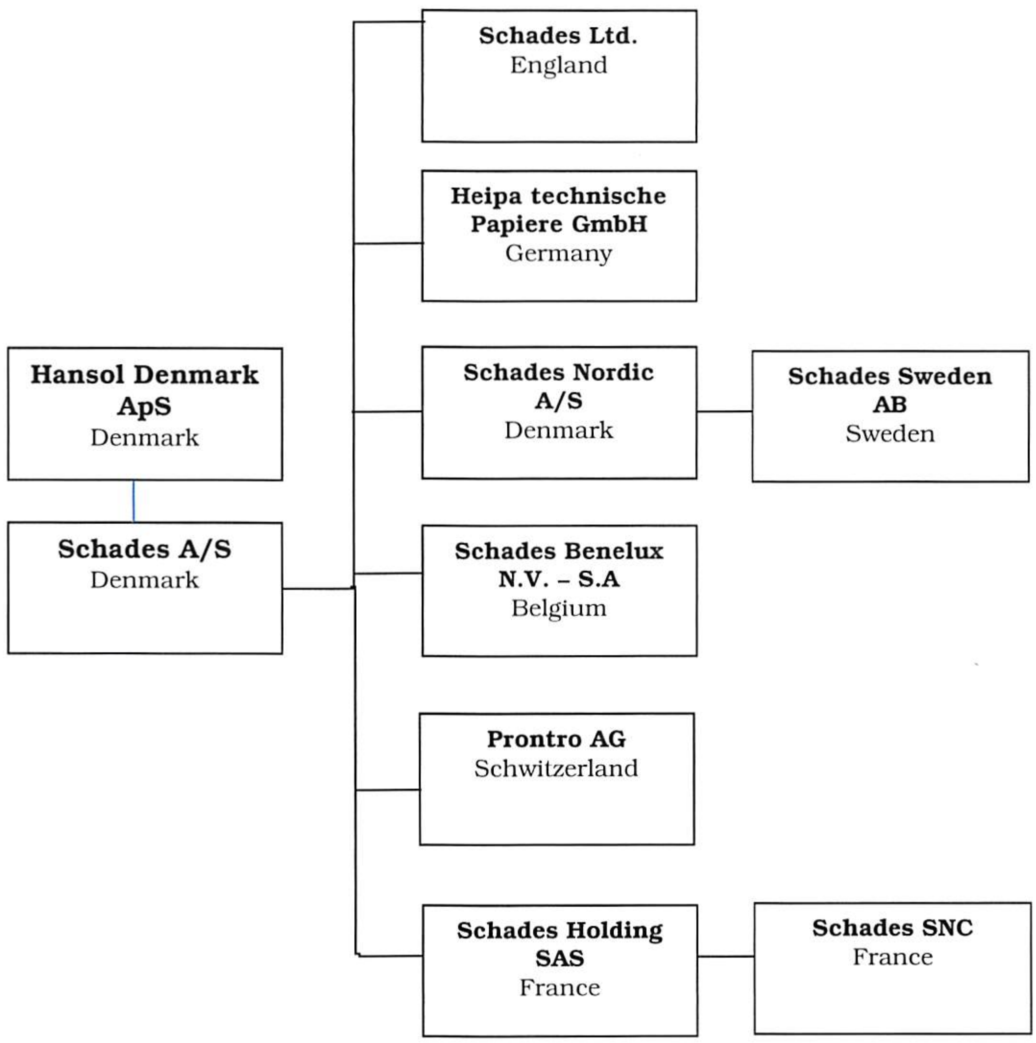
Independent auditor's report

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

Aarhus, 5 May 2017
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Anette Harritz	Michael Mortensen
State Authorised Public Accountant	State Authorised Public Accountant

Group chart



100% owned unless otherwise stated

Management's review

Financial highlights for the Group

DKK'000	2016	2015	2014	2013 (3 mos)
Revenue	610,570	637,354	599,152	161,469
Gross profit	75,653	68,167	69,907	15,347
Ordinary operating profit/loss	-6,752	-36,773	-12,575	1,945
Net financial expenses	-2,114	-1,297	-577	-425
Profit/loss before tax	-7,957	-33.955	-13,152	1,520
Profit/loss for the year	-7,662	-35,451	-17,682	946
Fixed assets	111,809	144,042	154,144	136,807
Current assets	247,004	231,357	281,783	292,560
Total assets	358,813	375,399	435,927	429,367
Share capital	124,000	124,000	248,000	124,000
Equity	161,566	180,192	225,617	128,252
Provisions	16,874	6,270	5,895	3,039
Current liabilities other than provisions	180,373	188,937	204,415	297,889
Investment in property, plant and equipment	6,612	7,158	11,233	1,208
Depreciation on property, plant and equipment	6,416	7,660	7,317	2,216
Cash flows from operating activities	-38,429	35,483	22,427	-23,150
Cash flows from investing activities	12,053	-15,689	-40,973	-230,919
Cash flows from financing activities	74,344	-11,773	15,203	231,732
Total cash flows	47,968	8,021	-3,343	-22,337
Gross margin	12.4%	10.7%	11.7%	9,5%
Operating margin	-1.1%	-5.8%	-2.1%	1.2%
Return on assets	-0.5%	-9.8%	-2.9%	0.5%
Current ratio	136.9%	122.5%	137.8%	98.1%
Return on equity	-4.5%	-17.7%	-10.0%	0.8%
Solvency ratio	45.0%	48.0%	51.8%	29.9%
Average number of full-time employees	204	205	196	182

The financial ratios have been calculated as follows:

Gross margin $\frac{\text{Gross profit x 100}}{\text{Revenue}}$

Operating margin $\frac{\text{Operating profit x 100}}{\text{Revenue}}$

Return on assets $\frac{\text{Profit before financial items x 100}}{\text{Average assets}}$

Current ratio $\frac{\text{Current assets x 100}}{\text{Short term creditors}}$

Return on equity $\frac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$

Solvency ratio $\frac{\text{Equity ex. non-controlling interests at year end x 100}}{\text{Total equity and liabilities at year end}}$

Comparative figures for the period 2013-2014 have not been restated.

Management's review

Operating review

The Group's principal activities

The Groups main activity is production and marketing of documentation paper rolls used in payment systems as well as production and marketing of self-adhesive labels used within food retail, in the food industry and by logistic providers.

Development in activities and financial position

During the period under review, the Group generated revenue of DKK 611 million. Further, gross profit amounted to DKK 76 million. Revenue and gross profit are primarily affected by forex exchange rate fluctuations primarily in GBP. Volume and market share are substantially unchanged.

Profit from ordinary activities before financial expenses and tax was negative at DKK 6.8 million as against DKK 36.8 million in 2015.

Results for the year after tax were negative at DKK 7.7 million as against a negative DKK 35.5 million in 2015. The results did not live up to expectations because of forex exchange rate fluctuations.

As of 31 December 2016, equity amounted to DKK 161.6 million. The Group's solvency ratio was 45.0% as against 48.0% at the end of 2015.

The Group's company in the UK has recognised a loss of DKK 9.1 million in the actuarial report for the pension scheme. This amount has been against the equity.

Outlook

The Company expects to report an increase in revenue for 2016. For 2017, a minor profit is expected, but is subject to uncertainty as a consequence of fluctuations in currency exchange rates on the Group's main markets, and the general development in the world economy especially the development in the energy costs.

The development in the pension obligation for the pension scheme in UK is subject to uncertainty.

Financial risks

The Company's activities pose financial risks arising from debtors, cash and cash equivalents and credits at credit institutions in Danish as well as in foreign currencies.

The fluctuations in exchange rates have had a negative influence on the Company's results. The Group is, to some extent, exposed to changes in interest rates, and fluctuations in exchange rates also have an influence on the Company's cash flows.

The Company's receivables are split in a way ensuring that the credit risk is not unusual.

Management's review

Operating review

The Company does not speculate in foreign currency and present cash only from a commercial aspect.

Environmental matters

There is no particular environmental impact from the Group's production.

Development activities

The Group and the Company have no specific development activities.

Corporate social responsibility

The Group and the Company has not formulated specific policies on social responsibility including impact on climate, human rights and environment.

Goals and policies for the underrepresented gender

We believe our future competitiveness relies on the ability to attract and retain a diverse workforce. The goals are to:

— increase the number of females on the Management.

— broaden out talent pool and looking beyond traditional sources.

— motivate diverse people and supporting them in reaching their full potential.

The ambition for 2020 is that female management members are to account for 25% of the management members. No female members were part of Mangement in 2016.

Outlook for 2017:

— - Increase the number of female managers to 40%

Key actions in 2016:

The diversity policy was adopted by the Board of Directors. Overall Schades A/S recruits candidates for executive positions within the Hansol Group, which sets the limits for possible diversity. However, during 2016, we hired a female manager and provided an executive training program by having a senior female manager attending Hansol Group Strategic Meeting held in Korea.

Events after the balance sheet date

After the balance sheet date, the Group has negotiated its credit facilities matured in April – May 2017 and got new offers or letter of intent for matured agreements. Further the parent has issued a guarantee to the main banks.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

		Group		Parent Company	
DKK'000	Note	2016	2015	2016	2015
Revenue		610,570	637,354	0	0
Production costs	2,3,4	-534,917	-569,187	0	0
Gross profit		75,653	68,167	0	0
Distribution costs	2,3,4	-49,401	-56,451	0	0
Administrative expenses	2,3,4,5	-33,004	-48,093	-883	-205
Ordinary operating profit/loss		-6,752	-36,377	-883	-205
Other operating income		0	3,791	0	3,791
Operating profit/loss		-6,752	-32,586	-883	3,586
Income from equity investments in group entities, net of tax	6	0	0	-7,674	-39,376
Income from other equity investments and securities	6	909	324	909	324
Other financial income	7	1,520	1,299	47	2
Other financial expenses	8	-3,634	-2,596	-103	-1
Profit/loss before tax		-7,957	-33,559	-7,704	-35,465
Tax on profit/loss for the year	9	295	-1,892	42	14
Profit/loss for the year	10	-7,662	-35,451	-7,662	-35,451

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

		Group		Parent Company	
DKK'000	Note	2016	2015	2016	2015
ASSETS					
Fixed assets					
Intangible assets	3				
Goodwill		51,457	58,993	0	0
Customer relations		0	622	0	0
Software		10,681	13,933	0	0
		62,138	73,548	0	0
Property, plant and equipment	4				
Land and buildings		20,419	21,559	0	0
Plant and machinery		18,657	19,721	0	0
Fixtures and fittings, tools and equipment		1,047	1,425	0	0
Property, plant and equipment under construction		0	495	0	0
		40,123	43,200	0	0
Investments					
Equity investments in group entities	6	0	0	160,016	156,153
Deposits		1,278	1,183	0	0
Other investments		8,270	26,111	0	18,669
		9,548	27,294	160,016	174,822
Total fixed assets		111,809	144,042	160,016	174,822
Current assets					
Inventories					
Raw materials and consumables		47,311	31,956	0	0
Finished goods and goods for resale		39,015	49,753	0	0
		86,326	81,709	0	0

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

		Group		Parent Company	
DKK'000	Note	2016	2015	2016	2015
ASSETS (continued)					
Current assets (continued)					
Receivables					
Trade receivables		121,423	106,637	0	0
Receivables from related parties		6,049	0	812	482
Deferred tax asset	11	166	1,884	0	14
Corporation tax		0	1,658	0	0
Other receivables		12,938	11,130	0	3,791
Prepayments		212	61	0	0
		140,788	121,370	812	4,287
Cash at bank and in hand		19,890	28,278	5,125	1,278
Total current assets		247,004	231,357	5,937	5,565
TOTAL ASSETS		358,813	375,399	165,953	180,387

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
EQUITY AND LIABILITIES					
Equity	12				
Share capital		124,000	124,000	124,000	124,000
Reserve for net revaluation according to the equity method		0	0	0	0
Retained earnings		37,566	56,192	37,566	56,192
Total equity		161,566	180,192	161,566	180,192
Provisions					
Provisions for deferred tax	11	4,092	1,983	0	0
Other provisions	13	12,782	4,287	0	0
Total provisions		16,874	6,270	0	0
Liabilities other than provisions					
Current liabilities other than provisions					
Credit institutions		85,573	67,323	0	0
Trade payables		24,817	33,184	125	195
Payables to group entities		44,042	65,187	3,742	0
Other payables, including taxes payable		25,941	23,243	520	0
		180,373	188,937	4,387	195
Total liabilities other than provisions		180,373	188,937	4,387	195
TOTAL EQUITY AND LIABILITIES		358,813	375,399	165,953	180,387

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

	Group				
DKK'000	Share capital	Special reserve	Retained earnings	Minority interest	Total
Equity at 1 January 2015	248,000	0	-25,898	3,515	225,617
Capital decrease	-124,000	124,000	0	0	0
Dissolution of special reserve	0	-124,000	124,000	0	0
Correction due to purchase of own shares in Schades A/S	0	0	0	-3,515	-3,515
Adjustment of pension obligation	0	0	-396	0	-396
Transferred over the profit appropriation/distribution of loss	0	0	-35,451	0	-35,451
Exchange rate adjustment, foreign subsidiary	0	0	1,352	0	1,352
Extraordinary dividends paid out	0	0	-7,415		-7,415
Equity at 1 January 2016	124,000	0	56,192	0	180,192
Transferred over the profit appropriation/distribution of loss	0	0	-7,662	0	-7,662
Adjustment of pension obligation	0	0	-9,086	0	-9,086
Exchange rate adjustment, foreign subsidiary	0	0	-1,878	0	-1,878
Equity at 31 December 2016	124,000	0	37,566	0	161,566

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

	Parent Company				
DKK'000	Share capital	Net revaluation according to the equity method	Retained earnings	Special reserve	Total
Equity at 1 January 2015	248,000	0	-25,898	0	222,102
Capital decrease	-124,000	0	0	124,000	0
Dissolution of special reserve	0	0	124,000	-124,000	0
Adjustment of pension obligation	0	0	-396	0	-396
Transferred over the profit appropriation/distribution of loss	0	0	-35,451	0	-35,451
Exchange rate adjustment, foreign subsidiary	0	0	1,352	0	1,352
Extraordinary dividends paid out	0	0	-7,415	0	-7,415
Equity at 1 January 2016	124,000	0	56,192	0	180,192
Transferred over the profit appropriation/distribution of loss	0	0	-7,662		-7,662
Adjustment of pension obligation	0	0	-9,086	0	-9,086
Exchange rate adjustment, foreign subsidiary	0	0	-1,878		-1,878
Equity at 31 December 2016	124,000	0	37,566	0	161,566

Consolidated financial statements and parent company financial statements 1 January – 31 December

Cash flow statement

		Group	
DKK'000	Note	2016	2015
Profit/loss for the year		-7,662	-35,451
Other adjustments of non-cash operating items	14	20,143	29,659
Cash generated from operations before changes in working capital		12,481	-5,792
Changes in working capital	15	-51,908	44,393
Cash generated from operations		-39,427	38,601
Interest income		1,520	1,299
Interest expense		-3,634	-2,596
Corporation tax paid		3,112	-1,821
Cash flows from operating activities		-38,429	35,483
Acquisition of intangible assets	3	-1,454	-1,204
Acquisition of property, plant and equipment	4	-6,612	-7,158
Disposal of property, plant and equipment		1,464	80
Disposal of other investments		18,668	0
Acquisition of other investments		-827	-7,443
Additions/disposal on deposits		-95	36
Dividends received		909	0
Cash flows from investing activities		12,053	-15,689
External financing:			
Proceeds from borrowings		74,344	0
Shareholders:			
Paid out dividends		0	-7,415
Purchase of own shares in subsidiaries		0	-4,358
Cash flows from financing activities		74,344	-11,773
Cash flows for the year		47,968	8,021
Cash and cash equivalents at the beginning of the year		-39,045	-47,933
Change in cash and cash equivalents		47,968	8,021
Adjustments in exchange rates		-262	867
Cash and cash equivalents at year end	16	8,661	-39,045

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Hansol Denmark ApS for 2016 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

As from 1 January 2016, the Group has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

— Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

— Going forward, unlisted equity investments are measured at cost. Previously, these were measured at fair value. Pursuant to the transition provisions, the recognised fair value in the annual report for 2015 is considered deemed cost of the equity investments. Comparative figures for the income statement and balance sheet have not been restated.

— The uniting-of-interests method is applied to business combinations such as the acquisition and disposal of equity investments, mergers, demergers, contribution of assets, share exchanges, etc., between entities controlled by the Parent Company. The uniting of interests is considered to have been completed at the date of the acquisition without restatement of comparative figures. Previously, the uniting of interests was considered to have taken place at the beginning of the financial year with restatement of comparative figures.

— Going forward, intangible assets will be amortised over the useful life. Previously, the maximum period of amortisation was 20 years.

— Going forward, adjustments of unfunded pension obligations are recognised directly in equity. Previously adjustments were recognised in the income statement.

— Explanation of the accounting effect of the transition to the amended Danish Financial Statements Act:

DKK'000	Group 2015	Parent Company 2015
Effect on:		
Profit/loss	396	396
Total assets	0	0
Equity	-396	-396

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

— The comparative figures have been restated to reflect the changed accounting policies.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Hansol Denmark ApS, and subsidiaries in which Hansol Denmark ApS directly or indirectly holds more than 50% of the votes or in some other way exercises control. Entities in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are considered associates. A group chart is included on page 7.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.

Equity investments in subsidiaries are set off against the proportionate share of subsidiaries' fair value of net assets and liabilities at the date of acquisition.

Business combinations

When acquiring new entities, the purchase method is applied under which identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquirer at the acquisition date that are not a part of the acquisition are included in the pre-acquisition balance sheet and thus the determination of goodwill. Restructuring that is adopted after the acquisition is recognised in the income statement. The tax effect of revaluations is recognised as deferred tax.

Positive differences (goodwill) between cost and the fair value of identifiable assets and liabilities acquired, including restructuring provisions, are recognised as intangible assets and amortised systematically in the income statement based on an individual assessment of the useful life. Negative goodwill is recognised as income in the income statement at the acquisition date when the usual conditions for recognition of income are met.

Goodwill and negative goodwill from acquired entities may be adjusted until 12 months after the acquisition date.

Newly acquired or newly established entities are recognised in the consolidated financial statements at the date of acquisition or establishment. Divested or wound-up entities are recognised in the consolidated income statement up to the date of divestment or winding-up. Comparative figures are not restated to reflect acquisitions, divestments or windings-up.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

The uniting-of-interests method is applied to business combinations such as the acquisition and disposal of equity investments, mergers, demergers, contribution of assets, share exchanges, etc., between entities controlled by the Parent Company. The uniting of interests is considered to have been completed at the date of the acquisition without restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity is recognised in equity.

Gains or losses on the divestment of subsidiaries and associates are calculated as the difference between the sales amount and the carrying amount of net assets at the date of disposal, including non-amortised goodwill and projected costs of divestment or winding-up.

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 which 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.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity. Similarly, foreign exchange gains and losses on loans and derivative financial instruments taken out for the purpose of hedging investments in foreign subsidiaries are recognised directly in equity.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Upon recognition of foreign subsidiaries which are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

Income statement

Revenue

Revenue from sale of goods is recognised in the Income Statement if delivery and transfer of risk have taken place before the end of the year and if the income can be measured reliably and is expected to be received. Revenue is recognised less VAT, indirect taxes and all kind of discounts granted in connection with the sale.

The Group does not disclose any segment information, as the Group only operates within one business segment and one European market.

Production costs

Production costs comprise costs, including depreciation, amortisation, wages and salaries incurred to generate revenue for the year. Commercial entities recognise their cost of sales, whereas production entities recognise production costs incurred to generate revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases and depreciation of production plant.

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 and exhibitions as well as depreciation.

Administrative expenses

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

Other operating income and expenses

Other operating income comprises items secondary to the activities of the Group, including gains on the disposal of intangible assets and property, plant and equipment.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Income from equity investments in group entities and associates

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

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.

Tax on profit/loss for the year

The Parent Company is comprised by the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current 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 at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

The Danish corporation tax is allocated to their taxable incomes (full division with refund regarding tax losses).

Balance sheet

Intangible assets

Intangible assets, which include software and customer relations, are measured at cost less accumulated amortisation. Amortisation is provided on a straight-line basis over the expected useful lives of the assets of 2-10 years. Amortisation of goodwill is provided over the estimated useful lives of the assets of 5-10 years, which is fixed on the basis of experience gained by the Management and longest for strategically acquired entities.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Property, plant and equipment

Land and buildings are measured at cost less accumulated depreciation on buildings. Land and buildings are written down to the recoverable amount if this is lower than the carrying amount and not temporary.

Plant and machinery, including assets held on finance leases, other plant, machinery and equipment and leasehold improvements are measured at cost less accumulated depreciation. Plant and machinery are written down to the recoverable amount if this is lower than the carrying amount and not temporary.

The costs of lease agreements are the lower of the fair values and present values of future lease payments. When calculating the present value of the lease, the internal interest rate is used as discount rate or an approximated value hereof.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets.

Expected useful lives are:

Buildings	25 years
Plant and machinery	5-8 years
Operating equipment and fixtures and fittings	3-5 years

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

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Property, plant and equipment under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Gains and losses arising from disposals of property, plant and equipment are measured as the difference between the selling price less sales cost and the carrying amount at the time of disposal.

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 the net present value is calculated, 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 depreciated as the Company's other fixed assets.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 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 and contingencies, etc.

Investments in group entities and associates

Equity investments in subsidiaries and associates 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 subsidiaries and associates with negative net asset values are measured at DKK 0, and any receivables from these entities are written down to the extent that the receivables are deemed irrecoverable. To the extent that the Parent Company has a legal or constructive obligation to cover a negative balance exceeding the receivable, the residual amount is recognised as provisions.

Other securities and equity investments

Other securities and equity investments are measured at fair value. The fair value is made up at the market value at the balance sheet date if the securities are listed and at cost if securities are un-listed.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

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Notes

1 Accounting policies (continued)

Previously recognised write-downs are reversed when the basis for the write-down no longer exists. Write-down of goodwill is not reversed.

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.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as indirect production costs. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

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.

Prepayments and deferred income

Prepayments and deferred income comprise incurred expenses and income related to the following financial year.

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Notes

1 Accounting policies (continued)

Equity

Dividends

Proposed dividends are recognised as a liability at the time of adoption at the general meeting (declaration of dividends). Dividends expected to be distributed for the financial year is disclosed as a special 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 liabilities and current tax receivables are recognised in the Statement of financial position as tax calculated on the taxable income adjusted for tax on previous years' taxable income and taxes paid on account.

Deferred tax comprises the difference between the carrying amount and tax values and is recognised as provisions. If the deferred tax becomes a tax asset, the item is recognised under current assets with the value at which the tax asset is expected to be realised.

Deferred tax is measured on the basis of the tax rules and rates in force in the respective countries at the Statement of financial position date at the time when the deferred tax is expected to crystallize as current tax. Changes in deferred tax due to changes in tax rates are recognised in the Income Statement.

Provisions

Provisions are recognised when the Group, as a consequence of previous events, has a legal or actual obligation and when it is likely that the fulfilment of the obligation will lead to an outflow of financial resources in the Group.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Provisions are made for restructuring when decided at the balance sheet date at the latest. Other provisions include provision for unfunded pension obligations in foreign subsidiary, based on an actuarial calculation. Adjustments of unfunded pension obligations are recognised directly in equity.

Financial liabilities

Debts to credit institutions are recognised at received proceeds less transaction costs when borrowed.

The capitalised value of residual finance leases is recognised as financial liabilities.

Liabilities including payables to suppliers, subsidiaries and associated companies and other debts are measured at amortised cost.

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

Other liabilities are measured at net realisable value.

Group cash flow statement

The cash flow statement shows the Group's cash flows and cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities

Cash flow from operating activities is disclosed indirectly and computed as the year's result adjusted for non-liquid operating items, changes in working capital, payments related to financial items and corporation taxes.

Cash flow from investing activities

Cash flow from investing activities comprises payments related to acquisition and disposal of fixed assets.

Cash flow from financing activities

Cash flow for financing activities comprises payments to and from shareholders, raising and payment of instalments on mortgage debts and other long-term debts.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Cash and cash equivalents

Cash and cash equivalents comprise cash and easy-to-sell securities with insignificant risk of value adjustments less short-term bank loans that mature on demand and are part of the ongoing cash management.

		Group		Parent Company	
	DKK'000	2016	2015	2016	2015
2	**Staff costs**				
	Wages and salaries	59,009	65,313	0	0
	Pensions	10,892	1,368	0	0
	Other social security costs	3,600	4,019	0	0
		73,501	70,700	0	0
	Average number of full-time employees	204	205	0	0
	Staff costs are recognised in the consolidated financial statements and the parent company financial statements as follows				
	Production costs	39,773	41,961	0	0
	Distribution costs	19,214	17,921	0	0
	Administrative expenses	14,514	10,818	0	0
		73,501	70,700	0	0

Staff costs of the Group and the Parent Company include no remuneration of the Parent Company's Executive Board. Their salary is part of their remuneration from other group companies.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

3 Intangible assets

	Group			
DKK'000	Software	Customer relations	Goodwill	Total
Cost at 1 January 2016	23,893	8,560	73,972	106,425
Additions	1,454	0	0	1,454
Cost at 31 December 2016	25,347	8,560	73,972	107,879
Amortisation and impairment losses at 1 January 2016	9,960	7,938	14,979	32,877
Exchange rate adjustment in foreign subsidiaries	29	0	0	29
Amortisation	4,677	622	7,536	12,835
Amortisation and impairment losses at 31 December 2016	14,666	8,560	22,515	45,741
Carrying amount at 31 December 2016	10,681	0	51,457	62,138

Amortisation in the Group can be specified as follows:

Production costs	22	0	0	22
Administrative expenses	4,655	622	7,536	12,813
	4,677	622	7,536	12,835

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

4 Property, plant and equipment

	Group				
DKK'000	Land and buildings	Plant and machinery	Operating equipment and fixtures and fittings, etc.	Property, plant and equipment under construction	Total
Cost at 1 January 2016	53,224	149,234	9,189	495	212,142
Exchange rate adjustments in foreign entities	-1,359	-7,367	-178	0	-8,904
Additions	760	4,615	1,237	0	6,612
Disposals	0	-20,692	-5,523	-495	-26,710
Cost at 31 December 2016	52,625	125,790	4,725	0	183,140
Depreciation and impairment losses at 1 January 2016	31,665	129,513	7,764	0	168,942
Exchange rate adjustments in foreign entities	-992	-6,506	-159	0	-7,657
Depreciation	1,533	4,105	778	0	6,416
Depreciation on disposals	0	-19,979	-4,705	0	-24,684
Depreciation and impairment losses at 31 December 2016	32,206	107,133	3,678	0	143,017
Carrying amount at 31 December 2016	20,419	18,657	1,047	0	40,123

Depreciation in the Group can be specified as follows:

Production costs	5,929
Distribution costs	103
Administrative expenses	384
	6,416

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

5 Fees to auditor appointed at the general meeting

DKK'000	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Total fees to KPMG				
Statutory audit	842	841	41	40
Tax assistance	15	15	0	0
Other assurance engagements	264	142	20	0
Non-audit services	637	309	66	0
	1,758	1,307	127	40

6 Investments

DKK'000	Parent Company 2016	Parent Company 2015
Equity investments in subsidiaries		
Cost at 1 January	226,600	226,600
Additions	22,500	0
Cost at 31 December	249,100	226,600
Adjustments at at 1 January	-70,447	-24,227
Depreciation goodwill	-7,879	-12,014
Profit for the year after tax	206	-27,362
Exchange rate adjustments	-1,878	1,352
Equity adjustment of pension obligation	-9,086	-396
Paid out dividends	0	-7,800
Adjustments at 31 December	-89,084	-70,447
Carrying amount at 31 December	160,016	156,153
Portion relating to the remaining balance (non-amortised goodwill)	50,810	58,068

Company name	Reg. office	Owner-ship
Schades A/S	Denmark	100%

Consolidated financial statements and parent company financial statements 1 January – 31 December

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DKK'000	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
7 Financial income				
Foreign exchange gains	1,436	1,290	0	0
Other interest income	84	9	47	2
	1,520	1,299	47	2
8 Financial expenses				
Foreign exchange losses	-718	-35	-100	0
Other interest expense	-2,916	-2,561	-3	-1
	-3,634	-2,596	-103	-1
9 Tax on profit/loss for the year				
Current tax for the year	-796	-590	59	0
Adjustment of tax previous years	327	0	-3	0
Deferred tax adjustment for the year	764	-1,302	-14	14
	295	-1,892	42	14
10 Proposed profit appropriation/ distribution of loss				
Retained earnings	-7,662	-35,847	-7,662	-35,847
11 Deferred tax				
Deferred tax at assets	166	1,884	0	14
Provisions for deferred tax	-4,092	-1,983	0	0
Deferred tax position	-3,926	-99	0	14
Deferred tax at 1 January	-99	-1,401	14	0
Deferred tax adjustment for the year in the income statement	764	1,302	-14	14
Reduction of Danish corporation tax rate to 22 % in 2016, including adjustment of tax in respect of previous years	-4,591	0	0	0
	-3,926	-99	0	14

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

12 Share capital

The share capital consists of:

A shares, 62,001,000 shares of nom. DKK 1 each
B shares, 61,999,000 shares of nom. DKK 1 each

All shares rank equally.

13 Other provisions

	Group		Parent Company	
DKK'000	2016	2015	2016	2015
Pension liabilities at 1 January	4,287	3,891	0	0
Provisions for the year	8,495	396	0	0
Other provisions at 31 December	12,782	4,287	0	0
The provisions are expected to be activated as follows:				
0-1 years	0	0	0	0
1-5 years	0	0	0	0
>5 years	12,782	4,787	0	0
	12,782	4,787	0	0

14 Other adjustments

	Group	
DKK'000	2016	2015
Loss/Gain	-18	3,222
Tax on profit/loss for the year	-295	1,892
Depreciation and amortisation	19,251	23,248
Dividend income	-909	0
Interest receivable and similar income	-1,520	-1,299
Interest payable and similar expenses	3,634	2,596
	20,143	29,659

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Notes

DKK'000	Group 2016	Group 2015
15 Changes in working capital		
Change in inventories	-4,617	38,474
Change in receivables	-14,786	27,368
Change in receivables from related parties	-6,049	0
Change in other debtors	-1,959	-7,702
Change in trade and other payables	-3,352	-762
Changes in payables to related parties	-21,145	-12,985
	-51,908	44,393

16 Cash and cash equivalents

Cash and cash equivalents and loans at 31 December comprise:

DKK'000	Group 2016	Group 2015
Credit institutions, overdraft	-11,229	-67,323
Cash at bank and in hand	19,890	28,278
Cash and cash equivalents at 31 December	8,661	-39,045

17 Contractual obligations, contingencies, etc.

Contingent assets

As at 31 December 2016 the Group has unrecognised deferred tax assets on tax losses amounting to DKK 8,6 million, which was originated in subsidiaries in the UK and France. Deferred tax assets on tax losses was not recognised as there are some uncertainties regarding utilisation.

Contingent liabilities

The Group is a party to a few pending lawsuits. In Management's opinion, the outcome of these lawsuits will not affect the Group's financial position.

The Group's Danish entities are jointly and severally liable for tax on the Group's jointly taxed income and for certain withholding taxes such as dividend tax and royalty tax as well as for the joint registration for VAT. The jointly taxed entities' total net liability to SKAT amounted to DKK 812 thousand at 31 December 2016. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the entities' liability. The Group as a whole is not liable to any other parties.

The Group's Danish entities are jointly and severally liable for the joint registration concerning VAT.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

17 Contractual obligations, contingencies, etc. (continued)

Operating lease obligations

The Group has entered into a number of operating leases with a remaining term up to 6 years and an average monthly lease payment of DKK 227 thousand, totalling DKK 16.2 million (2015: DKK 17.5 million).

18 Mortgages and collateral

A company charge for commitments a floating charge of DKK 20 million for the credit line of the first priority with the liability of DKK 2.3 million as at 31 December 2016 and a floating charge of DKK 10 million for the credit line of the second priority with the nil liability as at 31 December 2016 on intangible assets, fixed assets (book value DKK 2.3 million as at 31 December 2016), inventory (book value DKK 22.6 million as at 31 December 2016) and debtors (book value DKK 12.1 million as at 31 December 2016) in the Danish Company, Schades Nordic A/S, has been granted to the Danish banks regarding open credit.

19 Related parties

Hansol Denmark ApS' related parties comprise the following:

Control
Hansol paper Ltd.
23RD FL, B-Pine Avenue BLD
Eluji Street
100 Jung Gu
Seoul, Korea

Hansol paper Ltd. holds the majority of the share capital in the Company.

Hansol Denmark ApS is part of the consolidated financial statements of Hansol paper Ltd., Seoul, Korea, which is the smallest and 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.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

19 Related parties (continued)

Related party transactions

DKK'000	2016
Related party transactions	
Group	
Revenue from other related parties	9,583
Revenue from parent	8
Sales of shares to other related party	18,669
Dividend income	909
Purchases from other related parties	-252,367
Purchases from parent	-34,419
Management fee expenses	-1,699
	-259,316
Parent Company	
Sales of shares to other related party	18,669
Dividend income	909
Current year loss from equity investment subsidiaries	-7,674
	11,904

Remuneration of Management is disclosed in note 2.

DKK'000	2016
Related party balances	
Group	
Account receivables from parent	498
Account receivables from other related parties	5,551
	6,049
Account payables to parent	-1,936
Account payables to other related parties	-42,106
	-44,042

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19 Related parties (continued)

DKK'000	2016
Parent Company	
Account payables to subsidiaries	-3,742
	-3,742
Account receivables from subsidiaries	812
	812

Group

The ultimate Parent Company has provided a guarantee for credit facilities of a total of EUR 7.2 million.