Hansol Denmark ApS

Øster Fælled Vej 5
7800 Skive

CVR no. 35 47 33 78

Annual report 2018

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

on 20 May 20 19

chairman of the annual general meeting

Contents

Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of Hansol Denmark ApS for the financial year 1 January – 31 December 2018.

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 2018 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 2018.

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, 20 May 2019
Executive Board:

Mark Anthony Rooney
Managing Director

Sang Hyon Ryu

Byung Gab Yang

Hyung Nyun Sim

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 2018 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 2018 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 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

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

Independent auditor's report

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

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

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

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

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

— conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

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

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

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

KPMG

Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

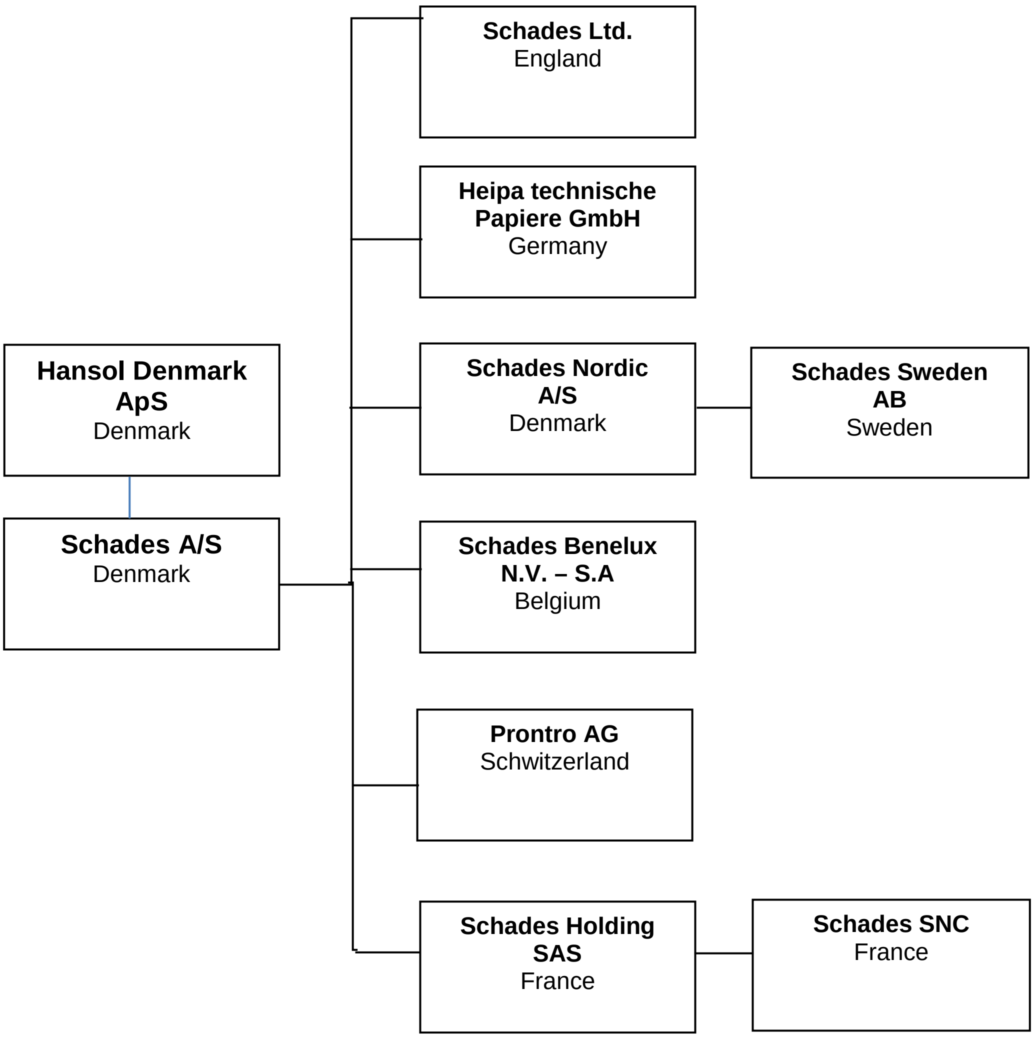
Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any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

Aarhus, 20 May 2019
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Anette Harritz
State Authorised
Public Accountant
mne9368

Management's review

Group chart



100% owned unless otherwise stated.

Management's review

Financial highlights for the Group

DKK'000	2018	2017	2016	2015	2014
Revenue	783,171	678,377	610,570	637,354	599,152
Gross profit	106,155	97,828	75,653	68,167	69,907
Operating profit/loss	22,716	5,168	-6,752	-36,773	-12,575
Net financial expenses	-4,507	-6,482	-2,114	-1,297	-577
Profit/loss before tax	18,209	-1,314	-7,957	-33.955	-13,152
Profit/loss for the year	20,920	364	-7,662	-35,451	-17,682
Fixed assets	91,268	101,907	111,809	144,042	154,144
Current assets	258,835	236,751	247,004	231,357	281,783
Total assets	350,103	338,658	358,813	375,399	435,927
Share capital	124,000	124,000	124,000	124,000	248,000
Equity	184,105	156,313	161,566	180,192	225,617
Provisions	11,014	20,878	16,874	6,270	5,895
Current liabilities other than provisions	154,984	161,467	180,373	188,937	204,415
Investment in property, plant and equipment	7,724	5,272	6,612	7,158	11,233
Depreciation on property, plant and equipment	5,606	5,352	6,416	7,660	7,317
Cash flows from operating activities	-5,235	27,819	-38,429	35,483	22,427
Cash flows from investing activities	-8,105	-7,881	12,053	-15,689	-40,973
Cash flows from financing activities	-9,251	-14,593	74,344	-11,773	15,203
Total cash flows	-22,591	5,345	47,968	8,021	-3,343
Gross margin	13.6%	14.4%	12.4%	10.7%	11.7%
Operating margin	2.9%	0.8%	-1.1%	-5.8%	-2.1%
Return on assets	6.6%	1.5%	-0.5%	-9.8%	-2.9%
Current ratio	167.0%	146.3%	136.9%	122.5%	137.8%
Return on equity	12.3%	0.2%	-4.5%	-17.7%	-10.0%
Solvency ratio	52.0%	46.2%	45.0%	48.0%	51.8%
Average number of full-time employees	196	198	204	205	196

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

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

The Group generated revenue of DKK 783 million and gross profit amounted to DKK 106.2 million compared with DKK 97.8 million in 2017. Revenue and gross profit are primarily affected by average sales price, sales volume, raw material price, and foreign exchange rate fluctuations in GBP and to a smaller extent in SEK. Volume and market share are substantially unchanged.

Profit from ordinary activities before financial expenses and tax amounted to DKK 22.7 million as against an amount of DKK 5.2 million in 2017. Though all companies in the group have shown progression and better performances during 2018, especially our company in UK shall be mentioned for a very good profit compared to 2017. Also during 2018 the paper market realized several price increases on raw material worldwide which we incorporated in our local markets and sales price.

Result for the year after tax is positive at DKK 20.9 million as against DKK 0.4 million in 2017. Besides realising fluctuated foreign exchange rates the results exceed our expectations for 2018.

As of 31 December 2018, equity amounted to DKK 184.1 million. The Group’s solvency ratio was 52.0% as against 46.2% at the end of 2017.

The Group's company in the UK has recognised a gain of DKK 8.6 million in the actuarial report for the pension scheme. This amount has been settled against the equity. Also this company has from 2018 capitalized their deferred tax assets of DKK 3.9 million due to steady improved performances.

Outlook

The Company expects a slight increase in revenue in 2019. Profit is still subject to uncertainty as a consequence of fluctuations in raw material prices and in currency exchange rates on the Group's main markets, the general development in the world economy and especially the potential consequences of Brexit due to the importance of our UK subsidiary. Overall, we expect a flat cost level and consequently, an EBIT % similar to 2018.

The ultimate owners of the group is expected to change during 2019. A sales and purchase agreement was signed by the current owners and Iconex Inc., US as buyer during 2018. The transaction has not yet been closed as it is awaiting approval from competition authorities in the EU and the UK. Decision is expected no later than June 2019.

Financial risks

The Group only has short term financing, which has to be renewed every year in May/June. The bank has confirmed its intention to renew the financing both in a situation with no transaction and in the situation where Iconex will be the new owner. Based on this, it is the assessment of the management that the Group and the Company will have sufficient financing for the expected business activity for the coming year.

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.

Management's review

Operating review

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 on many customers ensuring that the credit risk is not concentrated.

The Company does not speculate in foreign currency.

Development activities

The Group and the Company have no specific development activities.

Environmental and climate impacts

At the current stage we have not implemented policies to environment and climate. The group of companies all have activities in the western part of Europe to which we believe environmental and climate laws are already imposed. Consequently, we see no need for further implementation of individual company specific policies to these topics.

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

Anti-corruption

Currently, we have not implemented a policy to anti-corruption. Having operation activities in Western Europe where anti-corruption laws are already imposed we believe there is no need for further implementation of individual company specific policies to this topic.

Human rights and social and staff matters

The Group of companies has not formulated specific policies on human rights and social and staff matters. We have carefully considered the need of such policies and being a company with operation activities in Western Europe where human rights laws are already imposed we see no need for further implementation of individual company specific policies to these topics.

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 in the Management
- broaden out talent pool and looking beyond traditional sources
- motivate diverse people and supporting them in reaching their full potential.

The target for 2020 is that female board members are to account for 25% of the board members. No female board members served on the Board of Directors in 2018. The Diversity Policy is adopted by the Board of Directors. However, the Company recruits candidates for executive positions within the Hansol Group which might set limits for possible diversity and undertaken the necessary activities on annual basis.

Management's review

Operating review

Results 2018:

During 2018 the group reached the level of 40% female managers.

Outlook for 2019:

— to sustain the level of female managers up to 40%.

Events after the balance sheet date

After the balance sheet date, the Group is negotiating to renew its credit facilities matured in May-June 2019 and expect to issue agreements during the summer.

Furthermore the Group is expecting the decision by the competition authorities in the EU and the UK regarding sale of the Group to Iconex Inc., US.

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

Income statement

		Group		Parent Company	
DKK'000	Note	2018	2017	2018	2017
Revenue		**783,171**	**678,377**	**0**	**0**
Production costs	2,3,4	-677,016	-580,549	0	0
Gross profit		**106,155**	**97,828**	**0**	**0**
Distribution costs	2,3,4	-50,694	-57,154	0	0
Administrative expenses	2,3,4,5	-34,137	-37,209	-410	-95
Ordinary operating profit/loss		**21,324**	**3,465**	**-410**	**-95**
Other operating income		2,149	1,703	0	0
Other operating expenses		-757	0	0	0
Operating profit/loss		**22,716**	**5,168**	**-410**	**-95**
Income from equity investments in group entities, net of tax	6	0	0	21,593	532
Other financial income	7	0	46	0	0
Other financial expenses	8	-4,507	-6,528	-41	-7
Profit/loss before tax		**18,209**	**-1,314**	**21,142**	**430**
Tax on profit/loss for the year	9	2,711	1,678	-222	-66
Profit/loss for the year	10	**20,920**	**364**	**20,920**	**364**

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

Balance sheet

		Group		Parent Company	
DKK'000	Note	2018	2017	2018	2017
ASSETS					
Fixed assets					
Intangible assets	3				
Goodwill		36,386	43,921	0	0
Customer relations		0	0	0	0
Software		4,102	9,182	0	0
		40,488	**53,103**	**0**	**0**
Property, plant and equipment	4				
Land and buildings		19,550	20,120	0	0
Plant and machinery		20,613	17,364	0	0
Fixtures and fittings, tools and equipment		874	1,430	0	0
Property, plant and equipment under construction		0	178	0	0
		41,037	**39,092**	**0**	**0**
Investments					
Equity investments in group entities	6	0	0	183,396	154,931
Deposits		1,473	1,442	0	0
Other investments		8,270	8,270	0	0
		9,743	**9,712**	**183,396**	**154,931**
Total fixed assets		**91,268**	**101,907**	**183,396**	**154,931**

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

Balance sheet

		Group		Parent Company	
DKK'000	Note	2018	2017	2018	2017
Current assets					
Inventories					
Raw materials and consumables		52,894	44,618	0	0
Finished goods and goods for resale		48,935	36,730	0	0
		101,829	**81,348**	**0**	**0**
Receivables					
Trade receivables		123,231	124,624	0	0
Receivables from related parties		10,420	4,091	1,996	716
Deferred tax asset	11	5,380	2,745	0	0
Other receivables, including corporate tax		7,628	9,274	851	666
Prepayments		399	864	0	0
		147,058	**141,598**	**2,847**	**1,382**
Cash at bank and in hand		**9,948**	**13,805**	**2**	**0**
Total current assets		**258,835**	**236,751**	**2,849**	**1,382**
TOTAL ASSETS		**350,103**	**338,658**	**186,245**	**156,313**

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

Balance sheet

		Group		Parent Company	
DKK'000	Note	2018	2017	2018	2017
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		60,105	32,313	60,105	32,313
Total equity		**184,105**	**156,313**	**184,105**	**156,313**
Provisions					
Provisions for deferred tax	11	2,611	3,760	0	0
Provisions for pensions and similar liabilities	13	7,986	16,806		
Other provisions		417	312	0	0
Total provisions		**11,014**	**20,878**	**0**	**0**
Current liabilities other than provisions					
Credit institutions		69,363	59,751	0	0
Trade payables		31,681	21,768	0	0
Payables to related parties		9,463	38,092	2,140	0
Other payables, including taxes payable		44,477	41,856	0	0
		154,984	**161,467**	**2,140**	**0**
Total liabilities other than provisions		**154,984**	**161,467**	**2,140**	**0**
TOTAL EQUITY AND LIABILITIES		**350,103**	**338,658**	**186,245**	**156,313**

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

Statement of changes in equity

	Group		
DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2017	124,000	37,566	161,566
Transferred over the profit appropriation	0	364	364
Adjustment of pension obligation, net of deferred tax	0	-5,259	-5,259
Exchange rate adjustment, foreign subsidiary	0	-358	-358
Equity at 1 January 2018	124,000	32,313	156,313
Transferred over the profit appropriation/distribution of loss	0	20,920	20,920
Exchange rate adjustment, foreign subsidiary	0	-230	-230
Adjustment of pension obligation, net of deferred tax	0	7,102	7,102
Equity at 31 December 2018	124,000	60,105	184,105

	Parent Company		
DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2017	124,000	37,566	161,566
Transferred over the profit appropriation	0	364	364
Adjustment of pension obligation	0	-5,259	-5,259
Exchange rate adjustment, foreign subsidiary	0	-358	-358
Equity at 1 January 2018	124,000	32,313	156,313
Transferred over the profit appropriation/distribution of loss	0	20,920	20,920
Exchange rate adjustment, foreign subsidiary	0	-230	-230
Adjustment of pension obligation	0	7,102	7,102
Equity at 31 December 2018	124,000	60,105	184,105

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

Cash flow statement

		Group	
DKK'000	Note	2018	2017
Profit/loss for the year		20,920	364
Other adjustments of non-cash operating items	14	17,094	17,476
Cash generated from operations before changes in working capital		38,014	17,840
Changes in working capital	15	-38,556	15,333
Cash generated from operations		-542	33,173
Interest income		0	46
Interest expense		-2,777	-2,497
Corporation tax paid		-1,916	-2,903
Cash flows from operating activities		-5,235	27,819
Acquisition of intangible assets	3	-350	-3,641
Acquisition of property, plant and equipment	4	-7,724	-5,272
Disposal of property, plant and equipment		0	1,196
Additions/disposal on deposits		-31	-164
Cash flows from investing activities		-8,105	-7,881
External financing:			
Proceeds from borrowings		17,309	0
Repayment of short-term borrowings		-26,560	-14,593
Cash flows from financing activities		-9,251	-14,593
Cash flows for the year		-22,591	5,345
Cash and cash equivalents at the beginning of the year		13,805	8,661
Change in cash and cash equivalents		-22,591	5,345
Adjustments in exchange rates		3	-201
Cash and cash equivalents at year end	16	-8,783	13,805

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

Notes

1 Accounting policies

The annual report of Hansol Denmark ApS for 2018 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the consolidated financial statements and the parent company financial statements are consistent with those of last year. There have been reclassifications made for comparative figures to correspond to current year presentation.

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 6.

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.

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.

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

Notes

1 Accounting policies (continued)

Items of subsidiaries are fully recognised in the consolidated financial statements. The non-controlling interests' proportionate share of the subsidiaries' profit and of equity is included as part of the Group's profit and equity, respectively, but is presented separately.

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.

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.

Consolidated financial statements and parent company 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 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.

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).

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

Notes

1 **Accounting policies (continued)**

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.

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.

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.

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

Notes

1 Accounting policies (continued)

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.

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 balance sheet as tax calculated on the taxable income adjusted for tax on previous years' taxable income and taxes paid on account.

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

Notes

1 Accounting policies (continued)

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 balance sheet 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.

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.

2 Staff costs

	Group		Parent Company	
DKK'000	2018	2017	2018	2017
Wages and salaries	58,392	54,634	0	0
Pensions	-6,772	6,900	0	0
Other social security costs	5,143	5,184	0	0
	56,763	66,718	0	0
Average number of full-time employees	196	198	0	0
Staff costs are recognised in the consolidated financial statements and the parent company financial statements as follows:				
Production costs	41,547	35,882	0	0
Distribution costs	18,431	19,804	0	0
Administrative expenses	5,342	5,773	0	0
Equity	-8,557	5,259	0	0
	56,763	66,718	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 2018	28,990	8,560	73,972	111,522
Additions	350	0	0	350
Disposals	0	0	0	0
Exchange rate adjustments	4	0	0	4
Cost at 31 December 2018	29,344	8,560	73,972	111,876
Amortisation and impairment losses at 1 January 2018	-19,808	-8,560	-30,051	-58,419
Exchage rate adjustment	-4	0	0	-4
Depreciation	-5,430	0	-7,535	-12,965
Amortisation and impairment losses at 31 December 2018	-25,242	-8,560	-37,586	-71,388
Carrying amount at 31 December 2018	4,102	0	36,386	40,488

Amortisation in the Group can be specified as follows:

Administrative expenses	-5,430	0	-7,535	-12,965

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 2018	53,283	126,325	4,321	178	184,107
Exchange rate adjustments in foreign entities	-1	-818	44	1	-774
Additions	370	7,354	0	0	7,724
Disposals	0	0	0	-179	-179
Transfers	0	0	0	0	0
Cost at 31 December 2018	53,652	132,861	4,365	0	190,878
Depreciation and impairment losses at 1 January 2018	-33,163	-108,961	-2,891	0	-145,015
Exchange rate adjustments in foreign entities	31	794	-45	0	780
Depreciation	-970	-4,081	-555	0	-5,606
Depreciation on disposals	0	0	0	0	0
Depreciation and impairment losses at 31 December 2018	-34,102	-112,248	-3,491	0	-149,841
Carrying amount at 31 December 2018	19,550	20,613	874	0	41,037

Depreciation in the Group can be specified as follows:

Production costs	5,034
Distribution costs	337
Administrative expenses	235
	5,606

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

Notes

5 Fees to auditor appointed at the general meeting

	Group		Parent Company	
DKK'000	2018	2017	2018	2017
Total fees to KPMG				
Statutory audit of Danish companies	556	474	556	474
Other assurance engagements	742	659	145	68
Tax assistance	186	0	0	0
Non-audit services	301	532	143	85
	1,785	1,665	844	607

6 Investments

Equity investments in group entities

	Parent Company	
DKK'000	2018	2017
Cost at 1 January	249,100	249,100
Additions	0	0
Cost at 31 December	249,100	249,100
Adjustments at at 1 January	-94,169	-89,084
Depreciation goodwill	-7,258	-7,258
Profit for the year after tax	28,851	7,790
Exchange rate adjustments	-230	-358
Equity adjustment of pension obligation	7,102	-5,259
Adjustments at 31 December	-65,704	-94,169
Carrying amount at 31 December	183,396	154,931
Portion relating to the remaining balance (non-amortised goodwill)	36,293	43,551

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

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

Notes

		Group		Parent Company	
	DKK'000	2018	2017	2018	2017
7	**Financial income**				
	Foreign exchange gains	0	0	0	0
	Other interest income	0	46	0	0
		0	46	0	0
8	**Financial expenses**				
	Foreign exchange losses	1,730	4,024	0	0
	Other interest expense	2,777	2,504	41	7
		4,507	6,528	41	7
9	**Tax on profit/loss for the year**				
	Current tax for the year	-1,948	-674	95	22
	Adjustment of tax previous years	-577	-559	-317	-88
	Deferred tax adjustment for the year	5,236	2,911	0	0
		2,711	1,678	-222	-66
10	**Proposed profit appropriation/ distribution of loss**				
	Retained earnings	20,920	364	20,920	364

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

Notes

11 Deferred tax

	Group		Parent Company	
DKK'000	2018	2017	2018	2017
Deferred tax at assets	5,380	2,745	0	0
Provisions for deferred tax	-2,611	-3,760	0	0
Deferred tax position	2,769	-1,015	0	0
Deferred tax at 1 January	-1,015	-3,926	0	0
Deferred tax adjustment for the year in the income statement	5,236	2,911	0	0
Deferred tax adjustment for the year in equity	-1,452	0	0	0
	2,769	-1,015	0	0

12 Share capital

The share capital consists of:

A shares, 1,240,001 shares of nom, DKK 50 each
B shares, 1,239,999 shares of nom, DKK 50 each

All shares rank equally.

13 Provisions for pensions and similar liabilities

	Group		Parent Company	
DKK'000	2018	2017	2018	2017
Pension liabilities at 1 January	16,806	12,782	0	0
Provisions for the year	-8,820	4,024	0	0
Other provisions at 31 December	7,986	16,806	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	7,986	16,806	0	0
	7,986	16,806	0	0

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

Notes

		Group	
	DKK'000	2018	2017
14	**Other adjustments**		
	Loss/Gain	-1,543	-1,326
	Tax on profit/loss for the year	-2,711	-1,678
	Depreciation and amortisation	18,571	18,029
	Dividend income	0	0
	Interest receivable and similar income	0	-46
	Interest payable and similar expenses	2,777	2,497
		17,094	17,476
15	**Changes in working capital**		
	Change in inventories	-20,481	4,978
	Change in receivables	1,393	-3,201
	Change in receivables from related parties	-5,147	1,958
	Change in other debtors	3,388	4,113
	Change in trade and other payables	10,920	13,435
	Changes in payables to related parties	-28,629	-5,950
		-38,556	15,333
16	**Cash and cash equivalents**		
	Cash and cash equivalents and loans at 31 December comprise:		
	Credit institutions, overdraft	-18,731	0
	Cash at bank and in hand	9,948	13,805
	Cash and cash equivalents at 31 December	-8,783	13,805

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

Notes

17 Contractual obligations, contingencies, etc.

Group and parent

Contingent assets

As at 31 December 2018, the Group has unrecognised deferred tax assets on tax losses amounting to DKK 3.0 million, which was originated in German subsidiary. 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 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.

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

Operating lease obligations

The Group has entered into a number of operating leases which is interminable for six months. Annual rent makes up DKK 2.7 million.

Remaining lease obligations on IT equipment at the balance sheet date fall due at DKK 124 thousand.

Remaining lease obligations on cars at the balance sheet date fall due at DKK 120 thousand.

18 Mortgages and collateral

Group

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 12 million as at 31 December 2018 and a floating charge of DKK 10 million for the credit line of the second priority with the liability of as DKK 7 million at 31 December 2018 secured upon production equipment and machinery (carrying amount of DKK 1.3 million), intellectual property rights, inventories (carrying amount of DKK 23.3 million) and trade receivables (carrying amount of DKK 39,3 million) in the Danish Company, Schades Nordic A/S, has been granted to the Danish banks regarding open credit.

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

Notes

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.

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.

Related party transactions

DKK'000	2018	2017
Group		
Revenue		
Revenue from other related parties	20,610	20,340
Revenue from ultimate parent	22	11
Management fee income from other related parties	794	776
	21,426	21,127
Purchases		
Purchase of goods from ultimate parent	6,894	8,781
Purchase of goods from other related parties	75,824	207,169
Management fee expenses to other related parties	3,148	1,495
	85,866	217,445
Parent Company		
Current year profit (loss) from equity investment subsidiaries	21,593	532
	21,593	532

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

Notes

19 Related parties (continued)

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.

Related party transactions

DKK'000	2018	2017
Related party balances		
Group		
Account receivables from other related parties	10,420	4,091
Account payables to ultimate parent	271	1,438
Account payables to related parties	9,192	36,654
	9,463	38,092
Parent Company		
Account receivables from subsidiaries	1,996	716
Account payables from subsidiaries	2,140	0

Remuneration of Management is disclosed in note 2.

Group

The ultimate Parent Company has provided guarantees for credit facilities of a total of EUR 6.2 million, directly to Shin-han bank GmbH for an amount of EUR 0.5 million and via Shin-han bank Korea for an amount of EUR 5.7 million.