Schades ApS

Øster Fælled Vej 5
7800 Skive

CVR no. 38 97 82 17

Annual report 2019

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

18 June 2020

Marcel Bergmann
chairman

Contents

Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of Schades ApS for the financial year 1 January – 31 December 2019.

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 2019 and of the results of the Group's and the Parent Company's operations for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations 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, 18 June 2020
Executive Board:

Marcel Bergmann	Hyung Nyun Sim

Independent auditor's report

To the shareholder of Schades ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Schades ApS for the financial year 1 January – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

Independent auditor's report

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

— identify and assess the risks of material misstatement of the consolidated financial statements and 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.

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.

Independent auditor's report

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 Statements Act. We did not identify any material misstatement of the Management's review.

Aarhus, 18 June 2020
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Mikkel Trabjerg Knudsen
State Authorised
Public Accountant
mne34459

Katrine Gybel
State Authorised
Public Accountant
mne45848

Management's review

Company details

Schades ApS
Øster Fælled Vej 5
7800 Skive

CVR no.:	38 97 82 17
Established:	11 September 2013
Registered office:	Øster Fælled Vej 5, 7800 Skive
Financial year:	1 January – 31 December

Executive Board

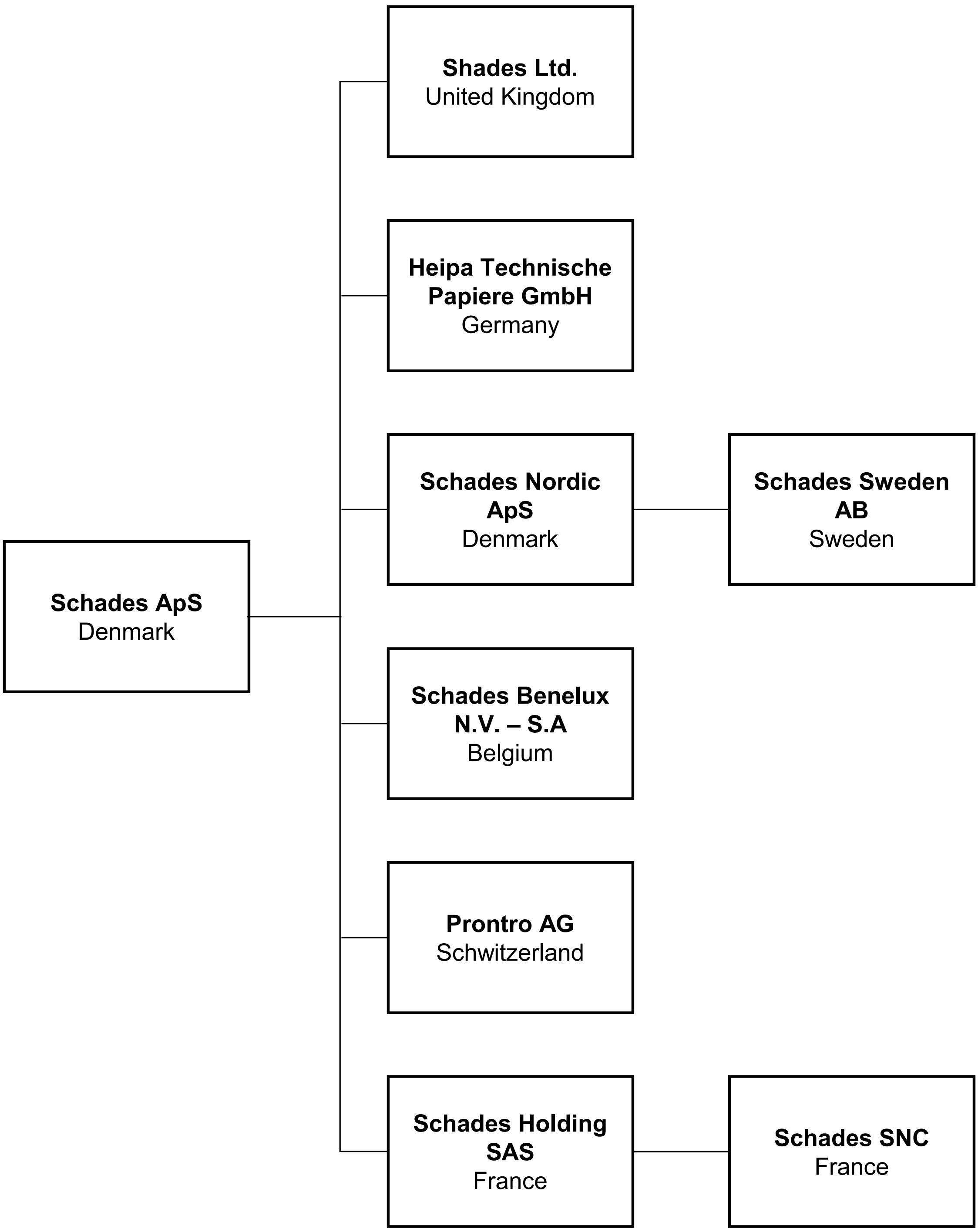
Marcel Bergmann
Hyung Nyun Sim

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Management's review

Group Chart



100% owned unless otherwise stated.

Management's review

Financial highlights for the Group

DKK'000	2019	2018	2017	2016	2015
Key figures					
Revenue	800,268	783,171	678,377	610,570	637,354
Gross profit/loss	112,003	106,155	97,828	75,653	68,167
Ordinary operating profit/loss	31,652	28,993	10,821	2,011	-24,554
Profit/loss from financial income and expenses	-722	-4,469	-6,476	-2,058	-1,298
Profit/loss for the year	30,079	28,851	7,790	206	-27,362
Fixed assets	52,223	54,975	58,356	60,999	66,684
Current assets	262,697	260,119	236,750	245,621	226,274
Total assets	314,920	315,094	295,106	306,620	292,958
Contributed capital	60,000	60,000	60,000	60,000	48,750
Equity	164,099	147,101	111,378	109,206	97,464
Provisions	17,349	11,014	20,879	16,934	6,270
Current liabilities other than provisions	132,423	156,979	162,849	180,480	189,224
Investment in property, plant and equipment	2,586	7,724	5,272	6,612	7,158
Ratios					
Gross margin	14.0%	13.6%	14.4%	12.4%	10.7%
Operating margin	4.0%	3.9%	1.8%	0.0%	-3.8%
Return on invested capital	0.3%	0.3%	0.1%	-0.1%	-2.0%
Current ratio	196.8%	165.7%	145.4%	136.1%	119.6%
Return on equity	19.3%	22.3%	7.1%	0.2%	-23.8%
Solvency ratio	52.1%	46.7%	37.7%	35.6%	33.3%
Other key figures					
Average number of full-time employees	191	196	198	204	205

Financial ratios are calculated in accordance with the guidelines "Recomendations and Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit/loss * 100}}{\text{Average invested capital}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$
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 systemsas well as production and marketing of self-adhesive labels used within food retail, in the food industry andby logistic providers.

Development in activities and financial position

The Group generated a revenue of DKK 800.3 million and gross profit amounted to DKK 112.0 million compared with DKK 106.2 million in 2018. 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 tax amounted to DKK 31.5 million as against an amount of DKK 25.9 million in 2018. All companies in the group have shown progression and better performances during 2019. Also in 2019 the paper market has maintained increased price level on raw material worldwide made during 2018 which we have incorporated in our local markets and sales price since 2018.

Result for the year after tax is positive at DKK 30.1 million as against DKK 28.9 million in 2018. Besides realising fluctuated foreign exchange rates the results meet our expectations for 2019.

As of 31 December 2019, equity amounted to DKK 164.1 million. The Group's solvency ratio was 52.1% as against 46.7% at the end of 2018.

The Group's company in the UK has recognised a loss of DKK 5.7 million in the actuarial report for the pension scheme. This amount has been settled against the equity. Also this company has capitalized their deferred tax assets of DKK 4.1 million as against DKK 3.9 million in 2018 due to steady improved performances.

Outlook

Due to the deterioration in the economic outlook as a consequence of the COVID-19 situation, it is expected that the Group's financial result for 2020 will be adversely affected. In view of the significantly increased market uncertainty and the risk of revenue and credit losses due to an extended COVID-19 process of up to five months affecting the retail market for the Group's consumer products, the Group is changing its expectations of EBIT from the range of DKK 38-40 million to the interval of DKK 25-30 million.

Financial risks

The Group only has short term financing, which has to be renewed every year in May/June. During 2019, the banks confirmed their intention to renew the financing regardless of change of control. In 2020, the major banks have also confirmed their intention to continue and renew the financing despite the change of control occurred in April 2020. 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.

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.

Management's review

Operating review

Development activities

The Group and the Company have no specific development activities.

Enviromental matters and climate impact

Pursuant to the EU ban on BPA thermal paper, the Group has not sold any products using BPA thermal paper since 1 January 2020. Other than this, at the current stage we have not implemented policies for environment and climate. The group of companies all have activities in the western part of Europe for 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

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 for 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 2021 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 2019. The Diversity Policy is adopted by the Board of Directors. However, in 2019 due to the pending change of control, the Company could not change its board members. Also the Company had to recruit candidates for executive positions within the Hansol Group which set limits for possible diversity and undertaken the necessary activities on annual basis.

Results 2019:

During 2019 the group reached the level of 40% female managers.

Outlook for 2020:

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

Management's review

Operating review

Events after the balance sheet date

After the balance sheet date, as the Group was having sufficient cash, the Group repaid all outstanding loans with Shinhan Bank GmbH and decided not to extend its facility with Danske bank expired March 2020. Also, the Group is negotiating to renew its credit facility matured in June 2020 and expects to issue agreements during June 2020. The bank has confirmed their intention to renew the financing.

As of 1 April 2020, the ultimate ownership of the Group has been changed from Hansol Paper Co., Ltd. and Mirae Asset Daewoo Hunters PEF to Harbour Investment GmbH. There have been no material financial impacts of the change in ownership.

In early 2020, an outbreak of the COVID-19 affected large parts of the world. As a result of the outbreak of COVID-19 and the global / Danish measures taken to limit the spread of the virus, the demand for the Group's products / services has started to decrease significantly from April. In May, our company in UK temporarily resolved to stop most of its production while selling existing finished products. Entities in other countries are continuing their operation. The Group is actively applying for the governments' aid packages in the relevant countries which can help the Group go through the economic crisis. The management expects that the demand for the Group's products / services will recover gradually from June as the governments in several countries are easing lock down measures. Also the management estimates that there is no uncertainty about the Group's ability to continue as a going concern. The outbreak of COVID-19 occurred during 2020 and did not exist on the balance sheet date of 31 December, 2019. The effect of the virus outbreak is considered a non-regulatory subsequent event and thus does not affect the financial reporting for the fiscal year ended 31 December, 2019.

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

Income statement

		Group		Parent Company	
DKK'000	Note	2019	2018	2019	2018
Revenue		800,268	783,171	0	0
Production costs	2	-688,265	-677,016	0	0
Gross profit		112,003	106,155	0	0
Distribution costs	2	-46,535	-50,694	0	0
Administrative expenses	2	-33,816	-26,468	-11,843	-13,566
Other operating income		564	2,149	4,818	6,660
Other operating costs		-29	-755	0	0
Operating profit/loss		32,187	30,387	-7,025	-6,906
Income from equity investments in group entities		0	0	35,798	34,597
Financial income	3	2,063	0	1,150	906
Financial expenses	4	-2,785	-4,469	-1,652	-1,565
Profit before tax		31,465	25,918	28,271	27,032
Tax on profit for the year	5	-1,386	2,933	1,808	1,819
Share of profit for the year	6	30,079	28,851	30,079	28,851

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

Balance sheet

		Group		Parent Company	
DKK'000	Note	31/12 2019	31/12 2018	31/12 2019	31/12 2018
ASSETS					
Fixed assets					
Intangible assets	7				
Goodwill		345	92	0	0
Software		3,679	4,102	3,679	4,102
		4,024	4,194	3,679	4,102
Property, plant and equipment	8				
Land and buildings		18,862	19,550	0	0
Plant and machinery		18,947	20,613	0	0
Fixtures and fittings, tools and equipment		615	874	0	0
		38,424	41,037	0	0
Investments	9				
Equity investments in group entities		0	0	185,773	162,582
Other securities and equity investments		8,270	8,270	8,270	8,270
Deposits		1,505	1,474	0	0
		9,775	9,744	194,043	170,852
Total fixed assets		52,223	54,975	197,722	174,954

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

Balance sheet

		Group		Parent Company	
DKK'000	Note	31/12 2019	31/12 2018	31/12 2019	31/12 2018
Current assets					
Inventories					
Raw materials and consumables		32,228	52,894	0	0
Finished goods and goods for resale		37,302	48,935	0	0
		69,530	101,829	0	0
Receivables					
Trade receivables		135,873	123,231	0	0
Receivables from group entities		1,417	12,557	22,729	32,358
Other receivables		13,543	6,777	1,706	411
Deferred tax asset	10	5,920	5,380	0	0
Prepayments		1,007	399	985	379
		157,760	148,344	25,420	33,148
Cash at bank and in hand		35,407	9,946	0	532
Total current assets		262,697	260,119	25,420	33,680
TOTAL ASSETS		314,920	315,094	223,142	208,634

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

Balance sheet

		Group		Parent Company	
DKK'000	Note	31/12 2019	31/12 2018	31/12 2019	31/12 2018
EQUITY AND LIABILITIES					
Equity					
Contributed capital	11	60,000	60,000	60,000	60,000
Retained earnings		104,099	87,101	104,099	87,101
Total equity		164,099	147,101	164,099	147,101
Provisions					
Provisions for pensions and similar obligations		14,853	7,986	0	0
Provisions for deferred tax	10	2,496	2,611	793	885
Other provisions		0	417	0	0
Total provisions		17,349	11,014	793	885
Liabilities other than provisions					
Non-current liabilities other than provisions					
Debt to credit institutions		1,049	0	0	0
Current liabilities other than provisions					
Banks, current liabilities		43,735	69,363	40,709	46,298
Trade payables		30,060	31,680	514	423
Payables to group entities		23,313	13,024	16,762	13,793
Other payables		35,315	42,912	265	134
		132,423	156,979	58,250	60,648
Total liabilities other than provisions		133,472	156,979	58,250	60,648
TOTAL EQUITY AND LIABILITIES		314,920	315,094	223,142	208,634

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

Statement of changes in equity

	Group		
DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2019	60,000	87,101	147,101
Exchange adjustment	0	2,608	2,608
Transferred over the profit appropriation	0	30,079	30,079
Extraordinary dividends paid	0	-8,693	-8,693
Adjustment of pension obligation, net ofdeferred tax	0	-6,996	-6,996
Equity at 31 December 2019	60,000	104,099	164,099

	Parent Company		
DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2019	60,000	87,101	147,101
Exchange adjustment	0	2,608	2,608
Transferred over the profit appropriation	0	30,079	30,079
Extraordinary dividends paid	0	-8,693	-8,693
Equity adjustments in subsidiaries	0	-6,996	-6,996
Equity at 31 December 2019	60,000	104,099	164,099

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

Notes

1 Accounting policies

The annual report of Schades ApS for 2019 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 parent company financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Schades ApS, and subsidiaries in which Schades ApS directly or indirectly holds more than 50% of the votes or in some other way exercises control.

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.

Omission of cash flow statement

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

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.

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

Notes

1 Accounting policies (continued)

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.

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

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 that 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.

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

Notes

1 Accounting policies (continued)

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 and expenses comprises items secondary to the activities of the Group, including gains/losses on the disposal of intangible assets and property, plant and equipment.

Income from equity investments in group entities

The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the 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 subject to 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.

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

Notes

1 Accounting policies (continued)

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

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.

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

Notes

1 Accounting policies (continued)

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 calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently treated as the Company's other fixed assets.

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

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

Equity investments in group entities

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

Equity investments in group entities with negative net asset values are measured at DKK 0, and any receivables from these entities are written down by an amount equivalent to the negative net asset value. To the extent that the negative net asset value exceeds the receivable, the residual amount is recognised as provisions.

Net revaluation of equity investments in group entities is tied as a net revaluation reserve under equity according to the equity method to the extent that the carrying amount exceeds cost. Dividends from group entities expected to be adopted in the group entities prior to the approval of the Company's annual report, are not tied up in the revaluation reserve.

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 as well as equity investments in group entities and associates 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.

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Notes

1 Accounting policies (continued)

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. Writedown 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 and indirect production overheads. 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

Deferred income comprises advance invoicing regarding income in subsequent years.

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

Deferred tax 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.

Liabilities other than provisions

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.

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

Notes

1 Accounting policies (continued)

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.

Segment information

Pursuant to section 96(1) of the Danish Finaicial Statements Act, the Group does not disclose any segment information, as the Group only operates within one business segment and on one European market.

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

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2 Staff costs and incentive schemes

	Group		Parent Company	
	2019	2018	2019	2018
Staff costs				
Wages and salaries	56,631	54,162	0	0
Pensions	-7,194	-6,772	0	0
Other social security costs	9,523	9,373	0	0
	58,960	56,763	0	0
Average number of full-time employees	191	196	0	0

	Group		Parent Company	
Staff costs are recognised in the consolidated financial statements and parent company financial statements as:				
Production	39,746	41,547	0	0
Distribution	20,036	18,431	0	0
Administration	7,739	5,342	0	0
Equity	-8,561	-8,557	0	0
	58,960	56,763	0	0

Staff costs of the Group and the Parent Company include no remuneration of the Parent Company's Executive Board.

3 Financial income

	Group		Parent Company	
DKK'000	2019	2018	2019	2018
Interest income from group entities	0	0	581	791
Exchange gains	2,063	0	569	115
	2,063	0	1,150	906

4 Financial expenses

Other financial costs	2,775	2,738	1,652	168
Exchange losses	10	1,731	0	1,397
	2,785	4,469	1,652	1,565

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

Notes

	Group		Parent Company	
DKK'000	2019	2018	2019	2018
5 Tax on profit/loss for the year				
Current tax for the year	2,001	2,043	-1,685	-544
Deferred tax for the year	-655	-5,236	92	-1,113
Adjustment of tax concerning previous years	40	260	-215	-162
	1,386	-2,933	-1,808	-1,819
6 Proposed profit appropriation				
Extraordinary dividends distributed in thefinancial year	8,693	0	8,693	0
Retained earnings	21,386	28,851	21,386	28,851
	30,079	28,851	30,079	28,851

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

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7 Intangible assets

	Group		
DKK'000	Goodwill	Software	Total
Cost at 1 January 2019	8,054	29,338	37,392
Additions for the year	345	822	1,167
Disposals for the year	0	-1,448	-1,448
Cost at 31 December 2019	8,399	28,712	37,111
Amortisation and impairment losses at 1 January 2019	-7,962	-25,236	-33,198
Amortisation for the year	-92	-1,245	-1,337
Reversed amortisation and impairment losses on assets sold	0	1,448	1,448
Amortisation and impairment losses at 31 December 2019	-8,054	-25,033	-33,087
Carrying amount at 31 December 2019	345	3,679	4,024

	Parent Company	
DKK'000	Software	Total
Cost at 1 January 2019	29,338	29,338
Additions for the year	822	822
Disposals for the year	-1,448	-1,448
Cost at 31 December 2019	28,712	28,712
Amortisation and impairment losses at 1 January 2019	-25,236	-25,236
Amortisation for the year	-1,245	-1,245
Reversed amortisation and impairment losses on assets sold	1,448	1,448
Amortisation and impairment losses at 31 December 2019	-25,033	-25,033
Carrying amount at 31 December 2019	3,679	3,679

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

Notes

8 Property, plant and equipment

	Group			
DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2019	53,652	132,861	4,365	190,878
Exchange rate adjustment	102	498	31	631
Additions for the year	194	2,393	0	2,587
Disposals for the year	0	0	-10	-10
Cost at 31 December 2019	53,948	135,752	4,386	194,086
Depreciation and impairment losses at 1 January 2019	-34,102	-112,248	-3,491	-149,841
Depreciation for the year	-984	-4,557	-280	-5,821
Depreciation and impairment losses at 31 December 2019	-35,086	-116,805	-3,771	-155,662
Carrying amount at 31 December 2019	18,862	18,947	615	38,424

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9 Investments

DKK'000	Parent Company 2019	Parent Company 2018
Cost at 1 January	271,402	271,402
Cost at 31 December	271,402	271,402
Revaluations at 1 January	-108,820	-150,289
Exchange adjustment	2,608	-230
Net profit/loss for the year	36,462	34,875
Dividends to the Parent Company	-8,791	0
Equity adjustment of pension obligation	-6,996	7,102
Depreciation of goodwill	-92	-278
Revaluations 31 December	-85,629	-108,820
Carrying amount at 31 December	185,773	162,582

Company name	Registered office	Ownership
Schades Ltd.	England	100%
Schades Holding S.A.S.	France	100%
Schades Nordic ApS	Denmark	100%
Schades Benelux N.V.-S.A.	Belgium	100%
Heipa Technische Papiere GmbH	Germany	100%
Prontro AG	Switzerland	100%
Schades Sweden AB*	Sweden	100%
Schades SNC*	France	100%

*Indirect ownership by Schades ApS.

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10 Deferred tax

	Group		Parent Company	
DKK'000	31/12 2019	31/12 2018	31/12 2019	31/12 2018
Deferred tax at assets	5,920	5,380	0	0
Provisions for deferred tax	-2,496	-2,611	-793	-885
Deferred tax position	3,424	2,769	-793	-885
Deferred tax at 1 January	2,769	-1,015	-885	-1,998
Deferred tax adjustment for the year	655	3,784	92	1,113
	3,424	2,769	-793	-885

Deferred tax assets are expected to be utilised within the next 3-5 years.

11 Equity

The contributed capital consists of:

60,000 (2015: 48,750) shares of DKK 100.

All shares rank equally.

12 Fees to auditor appointed at the general meeting

	Group		Parent Company	
DKK'000	2019	2018	2019	2018
Total fees to KPMG				
Statutory audit	407	491	407	491
Other assurance engagements	380	597	0	0
Tax assistance	0	186	0	0
Non-audit services	108	158	0	85
	895	1,432	407	576

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Notes

13 Contractual obligations, contingencies, etc.

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 344 thousand at 31 December 2019. 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.

Operating lease obligations

Remaining leasehold obligations at the balance sheet date amount to DKK 2.7 million.

Remaining lease obligations on IT equipment at the balance sheet date amount to DKK 245 thousand.

Remaining lease obligations on cars at the balance sheet date amountsto DKK 1,097 thousand.

14 Mortgages and collateral

For the credit facilities in the Danish subsidiary, Schades Nordic ApS, the Company has provided the following floating charges to banks:

- DKK 20 million for the first priority credit with a liability of 3.5 million as at 31 December 2019

- DKK 10 million for the second priority credit with a liability of 0 million as at 31 December 2019.

The floating charge is secured upon production equipment and machinery (carrying amount of DKK 1.9 million), intellectual property rights and inventories (carrying amount of DKK 13.1 million) and trade receivables (carrying amount of DKK 36.7 million).

For bank debt in the Group, the companies Schades ApS, Schades Nordic ApS and Heipa Technische Papiere GmbH have provided a guarantee with joint and several liability for the total bank balance of DKK 13.0 million.

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15 Related party disclosures

Schades ApS' related parties comprise the following:

Control

Hansol Denmark ApS, Øster Fælled Vej 5, 7800 Skive.

Hansol Denmark ApS holds the majority of the share capital in the Company.

Schades ApS is part of the consolidated financial statements of Hansol Denmark ApS, Øster Fælled Vej 5, 7800 Skive, which is the smallest group in which the Company is included as a subsidiary.

Schades ApS is part of the consolidated financial statements of Hansol Paper Co. Ltd., 23RD FL, B-Pine Avenue BLD, Eluji Street, 100 Jung Gu, Seoul, Korea, which is the largest group in which the Company is included as a subsidiary.

The consolidated financial statements of Hansol Denmark ApS and Hansol Paper Co. Ltd, can be obtained by contacting the Company's at the addresses above.

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.

Related party transactions

The Company has recognised the following transactions with related parties in 2019:

Sale of goods and services to related parties amounts to DKK 36.7 million.
Costs of goods and services from related parties amount to DKK 150.6 million.

The Parent Company recognised the following transactions with related parties in 2019:

Sale of goods and services to related parties amounts to DKK 0.6 million.
Costs of goods and services from related parties amount to DKK 4.7 million.

The Parent Company has chosen not to disclose transactions with fully owned subsidiaries in accordance with section 98c(3) of the Danish Financial Statements Act.

Receivables and payables from/to related parties are disclosed in the balance sheet.

Interests from/to related parties are disclosed in note 3 and 4 respectively.

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16 Disclosure of events after the balance sheet date

In early 2020, an outbreak of the COVID-19 affected large parts of the world. As a result of the outbreak of COVID-19 and the global / Danish measures taken to limit the spread of the virus, the demand for the Group's products / services has started to decrease significantly from April. In May, our company in UK temporarily resolved to stop most of its production while selling existing finished products. Entities in other countries are continuing their operation. The Group is actively applying for the governments' aid packages in the relevant countries which can help the Group go through the economic crisis. The management expects that the demand for the Group's products / services will recover gradually from June as the governments in several countries are easing lock down measures. Also the management estimates that there is no uncertainty about the Group's ability to continue as a going concern. The outbreak of COVID-19 occurred during 2020 and did not exist on the balance sheet date of 31 December, 2019. The effect of the virus outbreak is considered a non-regulatory subsequent event and thus does not affect the financial reporting for the fiscal year ended 31 December, 2019.