

# Uniscrap A/S


Prinsessens Kvarter 6 Tårup, 7000 Fredericia

CVR no. 53 38 56 13

## Annual report 2019

Approved at the Company's annual general meeting on 28 August 2020

Chairman:



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**Statement by the Board of Directors and the Executive Board**

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Uniscrap A/S for the financial year 1 January - 31 December 2019.

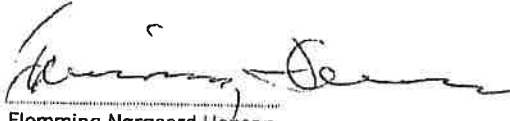
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the 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 Company's operations and financial matters and the results of the Company's operations and financial position.

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

Fredericia, 28 August 2020  
Executive Board:

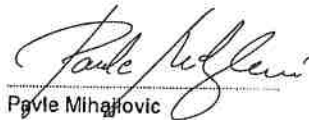


Flemming Nørgaard Hønsen  
Man. Director


Board of Directors:



Marc Breidenbach  
Chairman



Pavle Mihajlovic



Markus Maier



Sten Lønsgrøn Andersen  
Employee Representative



Kim Buhl Larsen  
Employee Representative

## Independent auditor's report

To the shareholders of Uniscrap A/S

### Opinion

We have audited the financial statements of Uniscrap A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the 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 financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

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

### Management's responsibilities for the financial statements

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

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 taken on the basis of the 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 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 Company's internal control.



## Independent auditor's report

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

### Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 26 August 2020  
EY GODKENDT REVISIONSPARTNERSELSKAB

CVR no. 30 70 02 28



Peter Jensen  
State Authorised Public Accountant  
mne33246



## Management's review

### Company details

|                            |   |
|----------------------------|---|
| Name                       | Uniscrap A/S  |
| Address, Postal code, City | Prinsessens Kvarter 6 Tårup, 7000 Fredericia  |
| CVR no.                    | 53 38 56 13   |
| Established                | 31 July 1952  |
| Registered office          | Fredericia  |
| Financial year             | 1 January - 31 December   |
| Board of Directors         | Marc Breidenbach, Chairman<br>Pavle Mihajlovic<br>Markus Maier<br>Sten Lømsgren Andersen, Employee Representative<br>Kim Buhl Larsen, Employee Representative |
| Executive Board            | Flemming Nørgaard Hansen, Man. Director   |
| Auditors                   | EY Godkendt Revisionspartnerselskab<br>Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg,<br>Denmark  |

## Management's review

### Financial highlights

| DKK'000                                     | 2019           | 2018          | 2017          | 2016          | 2015           |
|---|----------------|---------------|---------------|---------------|----------------|
| <b>Key figures</b>                          |                |               |               |               |                |
| Revenue                                     | 344,714        | 421,833       | 326,400       | 238,441       | 268,878        |
| Gross margin                                | 11,404         | 19,787        | 28,106        | 25,405        | 24,187         |
| Operating profit/loss                       | -21,219        | -11,507       | -2,818        | -5,541        | -17,083        |
| Net financials                              | -3,099         | -2,136        | -3,002        | -2,497        | -4,949         |
| <b>Profit/loss for the year</b>             | <b>-19,714</b> | <b>-9,726</b> | <b>370</b>    | <b>-8,038</b> | <b>-24,120</b> |
| <b>Balance sheet</b>                        |                |               |               |               |                |
| Total assets                                | 97,904         | 108,111       | 96,253        | 104,359       | 114,746        |
| Investment in property, plant and equipment | 10,890         | 4,893         | 1,847         | 257           | 1,386          |
| <b>Equity</b>                               | <b>-10,630</b> | <b>9,084</b>  | <b>19,793</b> | <b>19,422</b> | <b>27,460</b>  |
| <b>Financial ratios</b>                     |                |               |               |               |                |
| Gross margin                                | 3.3%           | 4.7%          | 8.6%          | 10.7%         | 9.0%           |
| Equity ratio                                | -10.9%         | 8.4%          | 20.6%         | 18.6%         | 23.9%          |
| Return on equity                            | 2,550.3%       | -67.4%        | 1.9%          | -34.3%        | -61.0%         |
| <b>Operational metrics</b>                  |                |               |               |               |                |
| Average number of employees                 | 42             | 40            | 39            | 64            | 74             |

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations. For terms and definitions, please see the accounting policies.

## Management's review

### Business review

With its 4 environmentally certified receiving stations and processing centres, Uniscrap A/S constitutes a national leading environmental enterprise within waste management and recycling. Uniscrap A/S is also represented on the Swedish market with a scrap site in Skillingaryd south of Jönköping. The Swedish activities are aggregated in an independent company, Uniscrap Sverige AB, which is a fully-owned subsidiary of Uniscrap A/S. The Company's main fractions are iron and metal scrap that are collected and processed for resale as secondary raw materials.

### Financial review

The income statement for 2019 shows a loss of DKK 19,714 thousand against a loss of DKK 9,726 thousand last year, and the balance sheet at 31 December 2019 shows a negative equity of DKK 10,630 thousand.

#### *Financial development in 2019 compared to expectations*

2019 has not been satisfactory in relation to our expectations. The negative development in 2019 is due to many impacts. Among other things, the relocation of our largest production unit has been of longer duration than expected, which has cost us efficiency and given us additional costs associated with production.

Furthermore, trade in iron and metal scrap is driven by supply and demand on the international commodity exchanges. The pricing of the company's products is therefore extremely sensitive to international economic movements.

2019 has been marked by turmoil in global markets, the Trade War between the United States and China and developments in Turkey have had an impact on the pricing of scrap iron and metal.

#### *Financial support*

The Company has estimated that there will continue to be a need for liquidity in 2020 to secure the company's operations and investment plans. In connection with the financial reporting, the Parent Company has provided the Company with a strong support letter, in which they declare that they will provide liquidity to the company in order to cover its current working capital, and to the extent deemed necessary at least 13 months from the date of the Annual general meetings adoption of the Annual Report for 2019 and on behalf of the extended financial support, Management have prepared the financial statement in accordance with the going concern assumptions.

#### *Loss of equity*

The Company has lost more than 50% of the share capital and thus subject to regulation regarding loss of capital. Reestablishment of the share capital is expected through future earnings.

#### *Special risks*

The ongoing Corona virus outbreak could potentially have an impact on the company's sales and the global metal prices. In addition, the security of supply from the company's customers in Denmark may be affected by less activity in the construction sector. The potential impact on the company's results and financial position will naturally depend on the duration and extent of the virus outbreak, which is unknown at the time of the financial reporting.

## Management's review

### Impact on the external environment

In 1999, we introduced our environmental policy which structures the Company's efforts to reduce our environmental and climate change impact. Our policy is reviewed on a regular basis by both Management and the board. In our view, waste is not just waste. When handled responsibly, waste does not need to burden society and the environment but can be transformed into a valuable resource. This is particularly true for recoverable materials, such as iron and metal waste, which can be reused in up to 75%-100%, depending on the material. Not only does recycling reduce harmful greenhouse gas emissions, it also conserves resources at a minimal cost compared to waste disposal and not least makes the economy less dependent on primary raw materials. Contributing to a better resource economy by ensuring sustainable resource management through the sorting and development of residual scrap for new raw materials is central to Uniscrap A/S' business. This implies that we handle materials responsibly and apply intelligent recycling systems. None of our recycling processes requires chemical treatment or the use of water.

### Events after the balance sheet date

The company expects a decrease in its activity level for 2020 due to the Corona virus outbreak.

Management has determined that the worldwide Covid-19 outbreak will potentially impact the company's performance and financial position by 2020. The primary impacts are discussed further in the "Special Risks" section. However, it is not possible for the company's management at the time of reporting to quantify the effect further, as it will depend on the duration and extent of the virus outbreak.

Management are aware of the situation and will make necessary changes if applicable.

Besides this no events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

### Outlook

According to Management's expectations, the market conditions in general for 2020 will not change significantly. Therefore, Uniscrap has already in 2018-2019 redefined its market approach. In 2020 Uniscrap expects to realize a minor negative result, but from 2021 and onwards it is expected that Uniscrap will make annual positive results at + 2.3 mDKK.

Uniscrap A/S is a part of the Scholz Group's structured bank agreement, and also a part of the Scholz Group's restructuring measures initiated to achieve improvements of net assets, the financial position and results of operations of the Scholz Group and Uniscrap A/S.

Scholz Group is part of the Chinese Chiho Environmental Group which has secured Uniscrap A/S' credit facility with Scholz Group until 2023.

Local management of Uniscrap A/S has prepared a forecast for 2020, which shows that the company has sufficient capital resources to support Uniscrap A/S' operations for the coming years with its continued support from its the Parent company.

In connection with the financial reporting, the Parent Company have provided the Company with a strong support letter, in which they declare that they will provide liquidity to the company in order to cover its current working capital, and to the extent deemed necessary at least 13 months from the date of the Annual general meetings adoption of the Annual Report for 2019 and on behalf of the extended financial support, Management have prepared the financial statement in accordance with the going concern assumptions.

## Financial statements 1 January - 31 December

### Income statement

| Note | DKK'000   | 2019     | 2018     |
|------|---|----------|----------|
|      | <b>Revenue</b>  | 344,714  | 421,833  |
|      | Cost of sales   | -294,434 | -369,595 |
|      | Change in inventories of finished goods and work in progress                                    | -336     | 7,064    |
|      | Other operating income  | 4,604    | 4,306    |
|      | Other external expenses   | -43,144  | -43,821  |
|      | <b>Gross profit</b>   | 11,404   | 19,787   |
| 2    | Staff costs   | -24,053  | -23,394  |
| 5    | Amortisation/depreciation and impairment of intangible assets and property, plant and equipment | -3,966   | -3,593   |
|      | <b>Profit/loss before net financials</b>  | -16,615  | -7,200   |
|      | Income from investments in group enterprises  | 0        | -390     |
| 3    | Financial income  | 885      | 1,817    |
| 4    | Financial expenses  | -3,984   | -3,953   |
|      | <b>Profit/loss for the year</b>   | -19,714  | -9,726   |

## Financial statements 1 January - 31 December

### Balance sheet

| Note | DKK'000  | 2019                 | 2018                  |
|------|--|----------------------|-----------------------|
|      | <b>ASSETS</b>                                    |                      |                       |
|      | <b>Fixed assets</b>                              |                      |                       |
| 5    | <b>Property, plant and equipment</b>             |                      |                       |
|      | Land and buildings                               | 18,616               | 25,260                |
|      | Plant and machinery                              | 9,166                | 3,923                 |
|      | Fixtures and fittings, other plant and equipment | 3,341                | 2,198                 |
|      | Leasehold improvements                           | 2,504                | 0                     |
|      |  | <u>33,627</u>        | <u>31,381</u>         |
| 6    | <b>Investments</b>                               |                      |                       |
|      | Investments in group enterprises                 | 771                  | 653                   |
|      |  | <u>771</u>           | <u>653</u>            |
|      | <b>Total fixed assets</b>                        | <u>34,398</u>        | <u>32,034</u>         |
|      | <b>Non-fixed assets</b>                          |                      |                       |
|      | <b>Inventories</b>                               |                      |                       |
|      | Finished goods and goods for resale              | 19,691               | 20,027                |
|      |  | <u>19,691</u>        | <u>20,027</u>         |
|      | <b>Receivables</b>                               |                      |                       |
|      | Trade receivables                                | 28,357               | 27,666                |
|      | Receivables from group enterprises               | 8,799                | 23,598                |
|      | Other receivables                                | 266                  | 266                   |
| 7    | <b>Prepayments</b>                               | 17                   | 79                    |
|      |  | <u>37,439</u>        | <u>51,609</u>         |
|      | <b>Cash</b>                                      | 6,376                | 4,441                 |
|      | <b>Total non-fixed assets</b>                    | <u>63,506</u>        | <u>76,077</u>         |
|      | <b>TOTAL ASSETS</b>                              | <u><u>97,904</u></u> | <u><u>108,111</u></u> |

## Financial statements 1 January - 31 December

### Balance sheet

| Note | DKK'000  | 2019           | 2018           |
|------|--|----------------|----------------|
|      | <b>EQUITY AND LIABILITIES</b>                                  |                |                |
|      | <b>Equity</b>  |                |                |
| 8    | Share capital  | 20,003         | 20,003         |
|      | Retained earnings  | -30,633        | -10,919        |
|      | <b>Total equity</b>  | <b>-10,630</b> | <b>9,084</b>   |
|      | <b>Provisions</b>  |                |                |
|      | Other provisions   | 510            | 0              |
| 10   | <b>Total provisions</b>  | <b>510</b>     | <b>0</b>       |
|      | <b>Liabilities other than provisions</b>                       |                |                |
| 9    | <b>Non-current liabilities other than provisions</b>           |                |                |
|      | Lease liabilities  | 9,014          | 11,017         |
|      | Payables to group entities                                     | 49,151         | 43,247         |
|      | Other payables   | 603            | 0              |
|      |  | <b>58,768</b>  | <b>54,264</b>  |
|      | <b>Current liabilities other than provisions</b>               |                |                |
| 9    | Short-term part of long-term liabilities other than provisions | 8,272          | 7,812          |
|      | Trade payables   | 31,149         | 22,202         |
|      | Payables to group enterprises                                  | 5,361          | 1,750          |
|      | Deposits   | 284            | 284            |
|      | Other payables   | 4,190          | 12,715         |
|      |  | <b>49,256</b>  | <b>44,763</b>  |
|      | <b>Total liabilities other than provisions</b>                 | <b>108,024</b> | <b>99,027</b>  |
|      | <b>TOTAL EQUITY AND LIABILITIES</b>                            | <b>97,904</b>  | <b>108,111</b> |

- 1 Accounting policies
- 11 Contractual obligations and contingencies, etc.
- 12 Related parties



**Financial statements 1 January - 31 December****Statement of changes in equity**

| Note | DKK'000                                      | Share capital | Retained earnings | Total          |
|------|--|---------------|-------------------|----------------|
|      | Equity at 1 January 2019                     | 20,003        | -10,919           | 9,084          |
| 13   | Transfer, see "Appropriation of profit/loss" | 0             | -19,714           | -19,714        |
|      | <b>Equity at 31 December 2019</b>            | <b>20,003</b> | <b>-30,633</b>    | <b>-10,630</b> |

The Company has estimated that there will continue to be a need for liquidity in 2020 to secure the company's operations and investment plans. In connection with the financial reporting, the Parent Company has provided the Company with a strong support letter, in which they declare that they will provide liquidity to the company in order to cover its current working capital, and to the extent deemed necessary at least 13 months from the date of the Annual general meetings adoption of the Annual Report for 2019 and on behalf of the extended financial support, Management have prepared the financial statement in accordance with the going concern assumptions.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Uniscrap A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

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

#### Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In 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 accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

#### Income statement

##### Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

##### Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

##### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

##### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

##### Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

|  |            |
|--|------------|
| Land and buildings                               | 8-50 years |
| Plant and machinery                              | 3-13 years |
| Fixtures and fittings, other plant and equipment | 3-10 years |
| Leasehold improvements                           | 3-10 years |

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

##### Profit/loss from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

The item includes dividend received from subsidiaries.

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Balance sheet

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

##### Investments in subsidiaries

Investments in subsidiaries and associates are measured at cost. Dividends received that exceed the accumulated earnings in the subsidiary or the associate during the period of ownership are treated as a reduction in the cost of acquisition.

##### Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are 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. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected 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

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

##### Cash

Cash comprise cash.

##### Provisions

Provisions comprise anticipated expenses relating to onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

##### Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

##### Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

|                       |   |
|-----------------------|---|
| Operating profit/loss | Profit/loss before financial items adjusted for other operating income and other operating expenses |
| Gross margin ratio    | $\frac{\text{Gross margin} \times 100}{\text{Revenue}}$   |
| Equity ratio          | $\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$          |
| Return on equity      | $\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$                             |

## Financial statements 1 January - 31 December

### Notes to the financial statements

| DKK'000                                   | 2019          | 2018          |
|---|---------------|---------------|
| <b>2 Staff costs</b>                      |               |               |
| Wages/salaries                            | 21,622        | 21,023        |
| Pensions                                  | 1,514         | 1,487         |
| Other social security costs               | 95            | 92            |
| Other staff costs                         | 822           | 792           |
|   | <u>24,053</u> | <u>23,394</u> |
| <br>Average number of full-time employees | <br><u>42</u> | <br><u>40</u> |

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

|                                     |              |              |
|-------------------------------------|--------------|--------------|
| <b>3 Financial income</b>           |              |              |
| Interest receivable, group entities | 173          | 173          |
| Other financial income              | 712          | 1,644        |
|                                     | <u>885</u>   | <u>1,817</u> |
| <br><b>4 Financial expenses</b>     |              |              |
| Interest expenses, group entities   | 2,356        | 2,269        |
| Other financial expenses            | 1,628        | 1,684        |
|                                     | <u>3,984</u> | <u>3,953</u> |

### 5 Property, plant and equipment

| DKK'000   | Land and<br>buildings | Plant and<br>machinery | Fixtures and<br>fittings, other<br>plant and<br>equipment | Leasehold<br>improvements | Total          |
|---|-----------------------|------------------------|---|---------------------------|----------------|
| Cost at 1 January 2019  | 89,545                | 45,136                 | 58,248  | 0                         | 192,929        |
| Additions   | 0                     | 6,398                  | 1,898   | 2,594                     | 10,890         |
| Disposals   | -11,605               | -288                   | -2,918  | 0                         | -14,811        |
| Cost at 31 December 2019  | <u>77,940</u>         | <u>51,246</u>          | <u>57,228</u>   | <u>2,594</u>              | <u>189,008</u> |
| Impairment losses and depreciation<br>at 1 January 2019                                     | 64,285                | 41,213                 | 56,050  | 0                         | 161,548        |
| Depreciation  | 1,983                 | 1,155                  | 738   | 90                        | 3,966          |
| Reversal of accumulated<br>depreciation and impairment of<br>assets disposed                | -6,944                | -288                   | -2,901  | 0                         | -10,133        |
| Impairment losses and depreciation<br>at 31 December 2019                                   | <u>59,324</u>         | <u>42,080</u>          | <u>53,887</u>   | <u>90</u>                 | <u>155,381</u> |
| <b>Carrying amount at<br/>31 December 2019</b>  | <u>18,616</u>         | <u>9,166</u>           | <u>3,341</u>  | <u>2,504</u>              | <u>33,627</u>  |
| Property, plant and equipment<br>include finance leases with a<br>carrying amount totalling | <u>0</u>              | <u>2,913</u>           | <u>0</u>  | <u>0</u>                  | <u>2,913</u>   |

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 6 Investments

| DKK'000                                    | Investments in<br>group<br>enterprises |
|--|--|
| Cost at 1 January 2019                     | 1,043                                  |
| Additions                                  | 118                                    |
| Cost at 31 December 2019                   | 1,161                                  |
| Value adjustments at 1 January 2019        | -390                                   |
| Value adjustments at 31 December 2019      | -390                                   |
| <b>Carrying amount at 31 December 2019</b> | <b>771</b>                             |

| Name                | Legal form | Domicile | Interest | Equity<br>DKK'000 | Profit/loss<br>DKK'000 |
|---------------------|------------|----------|----------|-------------------|------------------------|
| <b>Subsidiaries</b> |            |          |          |                   |                        |
| Uniscrap<br>Sverige | AB         | Sweden   | 100.00%  | -87               | -792                   |

#### 7 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years DKK 17 thousand (2018: DKK 79 thousand)

| DKK'000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

#### 8 Share capital

Analysis of the share capital:

|  |               |               |
|--|---------------|---------------|
| 20,000 A shares of DKK 500.00 nominal value each | 10,000        | 10,000        |
| 20,006 B shares of DKK 500.00 nominal value each | 10,003        | 10,003        |
|  | <u>20,003</u> | <u>20,003</u> |

The Company's share capital has remained DKK 20,003 thousand over the past 5 years.

#### 9 Non-current liabilities other than provisions

| DKK'000                    | Total debt at<br>31/12 2019 | Repayment,<br>next year | Long-term<br>portion | Outstanding debt<br>after 5 years |
|----------------------------|-----------------------------|-------------------------|----------------------|-----------------------------------|
| Lease liabilities          | 11,048                      | 2,034                   | 9,014                | 0                                 |
| Payables to group entities | 55,389                      | 6,238                   | 49,151               | 0                                 |
| Other payables             | 603                         | 0                       | 603                  | 0                                 |
|                            | <u>67,040</u>               | <u>8,272</u>            | <u>58,768</u>        | <u>0</u>                          |

#### 10 Provisions

Other provisions contain provisions for loss making contracts, totalling DKK 510.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 11 Contractual obligations and contingencies, etc.

##### Other financial obligations

Other rent and lease liabilities:

| DKK'000                    | 2019   | 2018  |
|----------------------------|--------|-------|
| Rent and lease liabilities | 80,416 | 5,214 |

Rent and lease liabilities include rent obligations totalling DKK 67,692 thousand in interminable rent agreements with remaining contract terms between 1 and 20 years. Furthermore, the Company has liabilities under operating leases for cars, production equipment and IT equipment, totalling DKK 12,724 thousand, with remaining contract terms of 1-5 years.

#### 12 Related parties

Uniscrap A/S' related parties comprise the following:

##### Parties exercising control

| Related party         | Domicile | Basis for control      |
|-----------------------|----------|------------------------|
| Scholz Recycling GmbH | Germany  | Participating interest |

##### Information about consolidated financial statements

| Parent                            | Domicile   | Requisitioning of the parent company's consolidated financial statements  |
|-----------------------------------|--|---|
| Chiho Environmental Group Limited | 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong | <a href="http://chihogroup.com/Home/Relationship/investorFinance">http://chihogroup.com/Home/Relationship/investorFinance</a> |
| Scholz Recycling GmbH             | Am Bahnhof, 73457 Essingen, Germany                        | At domicile   |

##### Related party transactions

Uniscrap A/S was engaged in the below related party transactions:

| DKK'000                                       | 2019   | 2018   |
|---|--------|--------|
| Sales of goods and services to group entities | 52,945 | 76,171 |
| Purchase of goods from group entities         | 3,326  | 6,862  |

The Company has receivables and payables to other group entities, which are presented in the balance sheet and the related interest is presented in notes 3 and 4.

##### Information on the remuneration to management

Information on the remuneration to Management appears from note 2, "Staff costs".

#### 13 Appropriation of profit/loss

##### Recommended appropriation of profit/loss

|                                    |         |        |
|------------------------------------|---------|--------|
| Retained earnings/accumulated loss | -19,714 | -9,726 |
|                                    | -19,714 | -9,726 |