

DANFIBER A/S
Gydevang 39 - 41, 2.
3450 Allerød
Business Registration No
13591377

Annual report 2018

The Annual General Meeting adopted the annual report on 01.04.2019

Chairman of the General Meeting

Name: Kenneth Kongsgaard Kristensen

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2018	8
Balance sheet at 31.12.2018	9
Statement of changes in equity for 2018	11
Cash flow statement 2018	12
Notes	13
Accounting policies	16

Entity details

Entity

DANFIBER A/S
Gydevang 39 - 41, 2.
3450 Allerød

Central Business Registration No (CVR): 13591377

Registered in: Allerød

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Sylvia Martha Christine Pohlmann, Chairman
Charlotte Eckermann Larsen
Kenneth Kongsgaard Kristensen, Vice Chairman
Bror John Håkon Najj

Executive Board

Niels Søgaard

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of DANFIBER A/S for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Allerød, 01.04.2019

Executive Board

Niels Søgaard

Board of Directors

Sylvia Martha Christine
Pohlmann
Chairman

Charlotte Eckermann Larsen

Kenneth Kongsgaard
Kristensen
Vice Chairman

Bror John Håkon Najj

Independent auditor's report

To the shareholders of DANFIBER A/S

Opinion

We have audited the financial statements of DANFIBER A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant 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 Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 about 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 these financial statements.

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

Independent auditor's report

- 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

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

Copenhagen, 01.04.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Jens Sejer Pedersen
State Authorised Public Accountant
Identification No (MNE) mne14986

Management commentary

Primary activities

DanFiber A/S was established in 1989 for the purpose of acting as the sales function to its suppliers. DanFiber A/S sells collected recyclable paper and cardboard to paper mills in Denmark and neighboring countries. As a must for our activities we focus on a guaranteed pickup/delivery, environment, quality, ethics, moral and a sound economy.

In connection with the sale of paper and cardboard, DanFiber A/S takes care of all activities related to the pickup of material from the suppliers, turning it into a sellable product, securing transport and insurance and delivering to a paper mill. This includes optimization of administrative tasks for all parties involved. DanFiber will constantly investigate possibilities in the local and global markets in order to secure up to date solutions regarding environment, ethics, quality and economy when it comes to handling recyclable material.

Development in activities and finances

DanFiber A/S was established in 1989 for the purpose of acting as the sales function to its suppliers. DanFiber A/S sells collected recyclable paper and cardboard to paper mills in Denmark and neighboring countries. As a must for our activities we focus on a guaranteed pickup/delivery, environment, quality, ethics, moral and a sound economy.

In connection with the sale of paper and cardboard, DanFiber A/S takes care of all activities related to the pickup of material from the suppliers, turning it into a sellable product, securing transport and insurance and delivering to a paper mill. This includes optimization of administrative tasks for all parties involved. DanFiber will constantly investigate possibilities in the local and global markets in order to secure up to date solutions regarding environment, ethics, quality and economy when it comes to handling recyclable material.

The financial year 2018 was satisfactory and developed slightly better than expected. 2018 was a year with no major projects except for a complete update of our IT system. The financial year ended with a profit after tax of DKK 36.704. The performance is within the scope of standard uncertainty and is considered satisfactory in a very competitive market.

In 2018, DanFiber A/S continued to handle a large quantity of paper and cardboard from the Danish market and is still one of the largest players on this market.

The consumption of cardboard follows closely the global economy whereas the consumption of newspapers is declining steadily by 7 to 9% on a year-to-year basis. The fluctuation in prices during the year was big and at a level which is close to what was experienced in the previous year.

Asia is in general a large player on the recycled paper and the draw back from China which was seen in 2017 continued to show a major impact on pricing and availability.

The collection of recyclable paper in Western Europe has reached a maturity level, and growths is to come from the Eastern part – if any. The demand for recycled paper is expected to be stable or to increase during the coming years, however with regional differences within Europe and between the continents. Large investments are planned in the paper industry for the coming years. Despite the postponement of

Management commentary

some of these investments, we still saw new capacities in the market. The competition in collection of paper and cardboard is still very strong with oncoming new players as Denmark is a net exporter of this raw material.

DanFiber A/S has for decades worked closely with a number of paper mills and suppliers ensuring that all parties involved will achieve the right market price, precise logistics and top service. Our suppliers are quality focused and fits well into the strategy of DanFiber. Our choice of partners is focused on achieving an environmentally correct recycling while securing that the raw materials are moved from supplier to customer without delay.

Quality specifications, which are paramount for our business, are available on our website www.danfiber.dk, just as the delivery specifications are communicated freely between DanFiber A/S and our partners. This gives DanFiber A/S quick and precise information about availability and timing, allowing us to excel into our business.

DanFiber A/S' quality and environmental certifications ISO 9001 and ISO 14001 are an integral part of the entity and provide our partners with extra security of the arrangement being executed according to our high standards and with the highest awareness of environmental focus. Our CSR system was added in order to contribute further to this approach.

Special risks

DanFiber A/S is not exposed to particular risks apart from those of common occurrence within the business. Those factors of highest uncertainty are based on demand from especially Asia where sudden changes in the pricing can move quantities to competitors if DanFiber A/S fails to respond quickly. DanFiber A/S has systems and procedures in place to follow the market and thereby minimize potential risks.

Environmental issues

DanFiber A/S is certified according to ISO 9001 and ISO 14001 and has no polluting activities apart from the initiated transportations. All partner agreements are based on a focus on the environment and ethics and with the possibility of performing audits. DanFiber A/S measures the carbon dioxide emissions in connection with transportations and final recycling of our deliveries and thus ensures great focus on the areas, which affect the environment directly.

Expectations to year 2019

Management expects the Company's growth in volume to stabilize or slightly fall in 2019 following the

Management commentary

general market situation. DanFiber A/S will continue to focus on offering its partners the best environmental, ethical and economic conditions while maintaining the guarantee of removing or supplying the material according to contracts.

The economic performance for 2019 is expected to be at the same level as in 2018.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Gross profit		4.541.273	4.651.716
Staff costs	1	(4.395.157)	(4.227.239)
Depreciation, amortisation and impairment losses		<u>(10.526)</u>	<u>(9.729)</u>
Operating profit/loss		135.590	414.748
Other financial income	2	2.445	0
Other financial expenses	3	<u>(42.354)</u>	<u>(101.093)</u>
Profit/loss before tax		95.681	313.655
Tax on profit/loss for the year	4	<u>(58.977)</u>	<u>(83.167)</u>
Profit/loss for the year		<u>36.704</u>	<u>230.488</u>
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		0	230.488
Retained earnings		<u>36.704</u>	<u>0</u>
		<u>36.704</u>	<u>230.488</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Other fixtures and fittings, tools and equipment		11.168	21.694
Property, plant and equipment	5	11.168	21.694
Deposits		43.050	43.050
Fixed asset investments	6	43.050	43.050
Fixed assets		54.218	64.744
Trade receivables		3.428.396	3.706.065
Receivables from group enterprises		9.223.539	8.617.664
Receivables from associates		6.439.474	4.655.311
Deferred tax	7	49.120	108.097
Other receivables		1.106.034	1.249.336
Prepayments		113.142	56.494
Receivables		20.359.705	18.392.967
Cash		6.504.909	10.186.979
Current assets		26.864.614	28.579.946
Assets		26.918.832	28.644.690

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital		1.000.000	1.000.000
Retained earnings		5.049.485	5.012.781
Proposed dividend		<u>0</u>	<u>230.488</u>
Equity		<u>6.049.485</u>	<u>6.243.269</u>
Other provisions		<u>25.000</u>	<u>8.471</u>
Provisions		<u>25.000</u>	<u>8.471</u>
Trade payables		20.153.470	21.169.328
Income tax payable		0	81.730
Other payables		<u>690.877</u>	<u>1.141.892</u>
Current liabilities other than provisions		<u>20.844.347</u>	<u>22.392.950</u>
Liabilities other than provisions		<u>20.844.347</u>	<u>22.392.950</u>
Equity and liabilities		<u>26.918.832</u>	<u>28.644.690</u>
Contingent liabilities	9		
Related parties with controlling interest	10		

Statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	1.000.000	5.012.781	230.488	6.243.269
Ordinary dividend paid	0	0	(230.488)	(230.488)
Profit/loss for the year	0	36.704	0	36.704
Equity end of year	1.000.000	5.049.485	0	6.049.485

Cash flow statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Operating profit/loss		36.705	230.488
Other provisions		(8.471)	(31.529)
Working capital changes	8	<u>(3.357.462)</u>	<u>8.908.969</u>
Cash flow from ordinary operating activities		(3.329.228)	9.107.928
Financial income paid		(42.354)	(101.093)
Income taxes refunded/(paid)		<u>(80.000)</u>	<u>(80.000)</u>
Cash flows from operating activities		<u>(3.451.582)</u>	<u>8.926.835</u>
Acquisition etc of property, plant and equipment		<u>0</u>	<u>(31.423)</u>
Cash flows from investing activities		<u>0</u>	<u>(31.423)</u>
Dividend paid		<u>(230.488)</u>	<u>0</u>
Cash flows from financing activities		<u>(230.488)</u>	<u>0</u>
Increase/decrease in cash and cash equivalents		(3.682.070)	8.895.412
Cash and cash equivalents beginning of year		<u>10.186.979</u>	<u>1.291.567</u>
Cash and cash equivalents end of year		<u>6.504.909</u>	<u>10.186.979</u>

Notes

	2018	2017
	DKK	DKK
1. Staff costs		
Wages and salaries	3.820.830	3.672.898
Pension costs	538.522	523.376
Other social security costs	35.805	30.965
	4.395.157	4.227.239
Average number of employees	6	6
	2018	2017
	DKK	DKK
2. Other financial income		
Exchange rate adjustments	2.445	0
	2.445	0
	2018	2017
	DKK	DKK
3. Other financial expenses		
Other financial expenses	42.354	101.093
	42.354	101.093
	2018	2017
	DKK	DKK
4. Tax on profit/loss for the year		
Current tax	0	73.920
Change in deferred tax	58.977	9.247
	58.977	83.167

Notes

	Other fixtures and fittings, tools and equipment DKK	
	<u>DKK</u>	
5. Property, plant and equipment		
Cost beginning of year		183.492
Cost end of year		183.492
Depreciation and impairment losses beginning of year		(161.798)
Depreciation for the year		<u>(10.526)</u>
Depreciation and impairment losses end of year		(172.324)
Carrying amount end of year		11.168
	Deposits DKK	
	<u>DKK</u>	
6. Fixed asset investments		
Cost beginning of year		43.050
Cost end of year		43.050
Carrying amount end of year		43.050
	2018 DKK	2017 DKK
	<u>DKK</u>	<u>DKK</u>
7. Deferred tax		
Property, plant and equipment	10.112	11.985
Receivables	4.437	4.437
Provisions	7.700	91.675
Tax losses carried forward	<u>26.871</u>	<u>0</u>
	49.120	108.097
Changes during the year		
Beginning of year	108.097	
Recognised in the income statement	<u>(58.977)</u>	
End of year	49.120	

Notes

	2018	2017
	DKK	DKK
8. Change in working capital		
Increase/decrease in receivables	(2.025.759)	2.807.998
Increase/decrease in trade payables etc	(1.441.866)	5.906.982
Other changes	110.163	193.989
	<u>(3.357.462)</u>	<u>8.908.969</u>

9. Contingent liabilities

The Entity participates in a Danish tax taxation arrangement in which Stora Enso Danmark A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, income taxes, royalties and dividend for the jointly taxed companies. The liability cannot account for more than an amount equal to the share capital of the capital in the Company which is directly or indirectly owned by the ultimate Parent.

10. Related parties with controlling interest

Related parties with a controlling or significant interest in Danfiber A/S:

- Stora Enso Oyj, Finland – owns 51 % of the share capital.
- Brødrene Hartmann A/S, Ørnegårdsvej 18, 2820 Gentofte, Denmark – owns 49 % of the share capital.

Consolidated annual accounts

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Stora Enso Oyj, Finland.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year, and the annual accounts are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Accounting policies

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

If the depreciation period or residual value is changed, the effect on depreciation will in the future be recognised as a change in the accounting estimates.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
--	-----------

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Accounting policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

Other financial liabilities

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

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Accounting policies

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs. Furthermore, these comprise borrowings, instalments on interestbearing debt, and payment of dividend to the shareholders.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.