

Danfiber A/S

Gydevang 39 - 41, 2., 3450 Allerød

Company reg. no. 13 59 13 77

Annual report

1 January - 31 December 2022

The annual report was submitted and approved by the general meeting on the 11 May 2023.

Kenneth Kongsgaard Kristensen
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of Danfiber A/S for the financial year 1 January - 31 December 2022.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2022.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Allerød, 11 May 2023

Managing Director

Niels Søgaard

Board of directors

Essi Elina Hannula
Chairman

Kenneth Kongsgaard Kristensen Catrin Scheumann
Vice Chairman

Tomasz Patyra

Independent auditor's report

To the Shareholders of Danfiber A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Danfiber A/S for the financial year 1 January - 31 December 2022, which comprise of income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

Independent auditor's report

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 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 judgment and maintain professional skepticism 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 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.

Copenhagen, 11 May 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
Company reg. no. 33 77 12 31

Gösta Gauffin

State Authorised Public Accountant
mne45821

Company information

The company

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

Phone +45 39 53 53 00

Web site www.danfiber.dk

Company reg. no. 13 59 13 77

Established: 1 November 1989

Domicile: Allerød

Financial year: 1 January - 31 December

Board of directors

Essi Elina Hannula, Chairman
Kenneth Kongsgaard Kristensen, Vice Chairman
Catrin Scheumann
Tomasz Patyra

Managing Director

Niels Søgaard

Auditors

PricewaterhouseCoopers

Management's review

The principal activities of the company

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 financial matters

The financial year 2022 was a difficult year with constantly rising prices and with a sudden sharp drop in the last quarter, putting the market under pressure. Still we see the development and result as being satisfactory and developed as expected. The financial year ended with a profit after tax of DKK 705.553. The performance is within the scope of standard uncertainty and is considered satisfactory in a very competitive market.

In 2022, DanFiber A/S continued to handle a large quantity of paper and cardboard from the Danish market and is 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 very big and we saw heavy increases from the start of the year which continued until the last quarter.

Asia is in general a large player on the recycled paper market and seen from Europe the main exporters are UK, F and I. DanFiber A/S is not exporting to Asia, but this has an impact on pricing and available volume in the European market.

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 some of these investments, we still see 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.

Management's review

DanFiber A/S has for decades worked closely with a range 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.

Expected developments

Management expects the Company's growth in volume to stabilize or slightly fall in 2023 following the 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 2023 is expected to be lower than 2022, which was extra ordinary due to unforeseen index developments. The results is expected to be in line with earlier years.

Events occurring after the end of the financial year

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

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2022</u>	<u>2021</u>
Gross profit	5.956.089	5.087.469
1 Staff costs	-4.861.074	-4.779.199
Depreciation and impairment of property, land, and equipment	-8.399	-8.515
Operating profit	1.086.616	299.755
2 Other financial costs	-166.426	-114.196
Pre-tax net profit or loss	920.190	185.559
3 Tax on net profit or loss for the year	-214.638	-51.124
Net profit or loss for the year	705.552	134.435
Proposed distribution of net profit:		
Transferred to retained earnings	705.552	134.435
Total allocations and transfers	705.552	134.435

Balance sheet at 31 December

All amounts in DKK.

<u>Note</u>	<u>2022</u>	<u>2021</u>
Assets		
Non-current assets		
4 Other fixtures and fittings, tools and equipment	1.703	10.102
Total property, plant, and equipment	<u>1.703</u>	<u>10.102</u>
5 Deposits	43.050	43.050
Total investments	<u>43.050</u>	<u>43.050</u>
Total non-current assets	<u>44.753</u>	<u>53.152</u>
Current assets		
Trade receivables	3.238.831	14.000.086
Receivables from group enterprises	4.652.205	0
6 Deferred tax assets	27.000	16.160
Income tax receivables	0	18.187
Other receivables	1.182.266	2.461.037
Trade receivables from owners	9.027.238	10.357.858
Prepayments and accrued income	117.125	95.627
Total receivables	<u>18.244.665</u>	<u>26.948.955</u>
Cash on hand	<u>3.798.272</u>	<u>5.428.537</u>
Total current assets	<u>22.042.937</u>	<u>32.377.492</u>
Total assets	<u>22.087.690</u>	<u>32.430.644</u>

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2022</u>	<u>2021</u>
Equity			
7	Contributed capital	1.000.000	1.000.000
	Retained earnings	5.051.778	4.346.226
	Total equity	6.051.778	5.346.226
Provisions			
	Other provisions	75.000	25.000
	Total provisions	75.000	25.000
Liabilities other than provisions			
	Bank loans	0	1.613.641
	Trade payables	15.449.215	25.140.317
	Income tax payable	207.291	0
	Other payables	304.406	305.460
	Total short term liabilities other than provisions	15.960.912	27.059.418
	Total liabilities other than provisions	15.960.912	27.059.418
	Total equity and liabilities	22.087.690	32.430.644
8 Contingencies			
9 Related parties			

Statement of changes in equity

All amounts in DKK.

	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity 1 January 2021	1.000.000	4.211.791	5.211.791
Profit or loss for the year brought forward	<u>0</u>	<u>134.435</u>	<u>134.435</u>
Equity 1 January 2022	1.000.000	4.346.226	5.346.226
Profit or loss for the year brought forward	<u>0</u>	<u>705.552</u>	<u>705.552</u>
	<u>1.000.000</u>	<u>5.051.778</u>	<u>6.051.778</u>

Statement of cash flows 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2022</u>	<u>2021</u>
Net profit or loss for the year	705.552	134.435
10 Adjustments	305.893	115.430
11 Change in working capital	<u>-995.215</u>	<u>-1.506.939</u>
Cash flows from operating activities before net financials	16.230	-1.257.074
Interest paid, etc.	<u>-32.854</u>	<u>-30.792</u>
Cash flows from ordinary activities	-16.624	-1.287.866
Income tax paid	<u>0</u>	<u>-4.143</u>
Cash flows from operating activities	<u>-16.624</u>	<u>-1.292.009</u>
Changes in short-term bank loans	<u>-1.613.641</u>	<u>1.613.641</u>
Cash flows from investment activities	<u>-1.613.641</u>	<u>1.613.641</u>
Change in cash and cash equivalents	-1.630.265	321.632
Cash and cash equivalents at 1 January 2022	<u>5.428.537</u>	<u>5.106.905</u>
Cash and cash equivalents at 31 December 2022	<u>3.798.272</u>	<u>5.428.537</u>
Cash and cash equivalents		
Cash on hand	<u>3.798.272</u>	<u>5.428.537</u>
Cash and cash equivalents at 31 December 2022	<u>3.798.272</u>	<u>5.428.537</u>

Notes

All amounts in DKK.

	<u>2022</u>	<u>2021</u>
1. Staff costs		
Salaries and wages	4.110.135	4.106.205
Pension costs	708.085	631.565
Other costs for social security	42.854	41.429
	<u>4.861.074</u>	<u>4.779.199</u>
Average number of employees	<u>6</u>	<u>6</u>
2. Other financial costs		
Other financial costs	<u>166.426</u>	<u>114.196</u>
	<u>166.426</u>	<u>114.196</u>
3. Tax on net profit or loss for the year		
Current tax	225.478	55.682
Change in deferred tax	<u>-10.840</u>	<u>-4.558</u>
	<u>214.638</u>	<u>51.124</u>
4. Other fixtures and fittings, tools and equipment		
Cost 1 January 2022	<u>25.400</u>	<u>25.400</u>
Cost 31 December 2022	<u>25.400</u>	<u>25.400</u>
Depreciation and writedown 1 January 2022	-15.298	-6.783
Depreciation for the year	<u>-8.399</u>	<u>-8.515</u>
Depreciation and writedown 31 December 2022	<u>-23.697</u>	<u>-15.298</u>
Carrying amount, 31 December 2022	<u>1.703</u>	<u>10.102</u>

Notes

All amounts in DKK.

	<u>31/12 2022</u>	<u>31/12 2021</u>
5. Deposits		
Cost 1 January 2022	43.050	43.050
Cost 31 December 2022	43.050	43.050
Carrying amount, 31 December 2022	43.050	43.050
6. Deferred tax assets		
Deferred tax assets 1 January 2022	16.160	11.602
Deferred tax of the results for the year	10.840	4.558
	27.000	16.160
The following items are subject to deferred tax:		
Property, plant, and equipment	6.063	6.223
Receivables	4.437	4.437
Other provisions	16.500	5.500
	27.000	16.160

7. Contributed capital

The share capital consists of 1.000 shares, each with a nominal value of DKK 1.000,00. No shares hold particular rights.

8. Contingencies

Joint taxation

With Stora Enso Danmark A/S, company reg. no 51517210 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

The jointly taxed enterprises' total known net liability to the Danish tax authorities emerges from the financial statements of the administration company.

Notes

All amounts in DKK.

8. Contingencies (continued)

Joint taxation (continued)

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

9. Related parties

Controlling interest

According to the company's list of shareholders, the following shareholders own a minimum of 5 % of the voting rights or a minimum of 5 % of the share capital:

Stora Enso AB, Sweden – owns 51 % of the share capital.

Brødrene Hartmann A/S, Ørnegårdsvej 18, 2820 Gentofte, Denmark – owns 49 % of the share capital.

Consolidated financial statements

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

Stora Enso Oyj, Finland.

Notes

All amounts in DKK.

	<u>2022</u>	<u>2021</u>
10. Adjustments		
Depreciation, amortisation, and impairment	8.399	8.515
Other financial costs	166.425	114.196
Tax on net profit or loss for the year	225.478	55.682
Deferred tax	-10.840	-4.558
Other provisions	50.000	25.000
Other adjustments	-133.569	-83.405
	<u>305.893</u>	<u>115.430</u>
11. Change in working capital		
Change in receivables	8.718.439	-14.764.455
Change in trade payables and other payables	-9.692.156	13.230.647
Other changes in working capital	-21.498	26.869
	<u>-995.215</u>	<u>-1.506.939</u>

Accounting policies

The annual report for Danfiber A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

Changes have been made in regards to classification of comparative and current year figures. Changes to classification have no effect on the Company's profit or equity in the previous or current financial year.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Accounting policies

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Income statement

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

The enterprise will be applying IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

Depreciation, amortisation, and writedown for impairment

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.

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.

Accounting policies

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 net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

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

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-5 years	0 %

Estimated useful lives and residual values are reassessed annually.

Accounting policies

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Leases

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the company holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value of the asset being leased or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of both tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist.

Investments

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Accounting policies

Receivables

Trade receivables are measured at amortised cost, which usually corresponds to nominal value less expected credit losses. A total expected credit loss on trade receivables is recognised, based on the simplified 'expected credit loss' model. Expected credit losses are reassessed in connection with each financial reporting to reflect the change in credit risk since initial recognition. Expected credit losses are presented in a provision matrix to reflect historical credit losses incurred, adjusted for specific circumstances relating to each customer, insured receivables and general market conditions for each customer.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand

Cash on hand comprise cash at bank and on hand.

Equity

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

According to the rules of joint taxation, Danfiber A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Accounting policies

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

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.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Statement of cash flows

The cash flow statement shows the cash flows for the year, divided in cash flows deriving from operating activities, investment activities and financing activities, respectively, the changes in the liabilities, and cash and cash equivalents at the beginning and the end of the year, respectively.

The effect on cash flows derived from the acquisition and sale of enterprises appears separately under cash flows from investment activities. In the statement of cash flows, cash flows derived from acquirees are recognised as of the date of acquisition, and cash flows derived from sold enterprises are recognised until the date of sale.

Cash flows from operating activities

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.

Cash flows from investment activities

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

Accounting policies

Cash flows from financing activities

Cash flows from financing activities include changes in the size or the composition of the company's share capital and costs attached to it, as well as raising loans, repayments of interest-bearing payables and payment of dividend to shareholders.

Cash and cash equivalents

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