

Stora Enso Danmark A/S

Herlev Hovedgade 195C, 2730 Herlev

Company reg. no. 51 51 72 10

Annual report

1 January - 31 December 2019

The annual report was submitted and approved by the general meeting on the 14 September 2020.

Dorthe Binderup Hald
Chairman of the meeting

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 %.

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Management's report

The board of directors and the managing director have today presented the annual report of Stora Enso Danmark A/S for the financial year 1 January to 31 December 2019.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2019 and of the company's results of its activities in the financial year 1 January to 31 December 2019.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

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

Herlev, 14 September 2020

Managing Director

Dorthe Binderup Hald

Board of directors

Lars Erik Gerhard Ericson
Chairman

Christer Nylander

Dorthe Binderup Hald

Independent auditor's report

To the shareholder of Stora Enso Danmark 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 2019, and of the results of the Company's operations for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Stora Enso Danmark A/S for the financial year 1 January to 31 December 2019, which comprise income statement, balance sheet, 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' 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.

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, 14 September 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
Company reg. no. 33 77 12 31

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
Company reg. no. 33 77 12 31

Martin Lunden

State Authorised Public Accountant
mne32209

Maj-Britt Nørskov Nannestad

State Authorised Public Accountant
mne32198

Company information

The company

Stora Enso Danmark A/S
Herlev Hovedgade 195C
2730 Herlev

Company reg. no. 51 51 72 10
Established: 8 April 1949
Domicile: Herlev
Financial year: 1 January - 31 December

Board of directors

Lars Erik Gerhard Ericson, Chairman
Christer Nylander
Dorthe Binderup Hald

Managing Director

Dorthe Binderup Hald

Auditors

PricewaterhouseCoopers

Management commentary

The principal activities of the company

The Company's main activity is the provision of Stora Enso's products: cartonboard, publication paper (magazine paper, newsprint), fine paper, packaging and wood products in Denmark.

The Danish company is part of a Nordic sales team divided into paper, cartonboard, packaging and wood products.

Development in activities and financial matters

The gross profit for the year is DKK 4.755.375 against DKK 4.202.709 last year. The results from ordinary activities after tax are DKK 690.988 against DKK 295.308 last year. The management consider the results satisfactory.

Events after the balance sheet date

Covid 19 has affected the world economic in 2020. The management only expect small effect on the companys future result.

Income statement 1 January - 31 December

All amounts in DKK.

| <u>Note</u> | <u>2019</u> | <u>2018</u> |
|--------------------------------------------------------------|-----------------------|-----------------------|
| Gross profit | 4.755.375 | 4.202.709 |
| 1 Staff costs | -3.810.054 | -3.746.039 |
| Depreciation and writedown relating to tangible fixed assets | <u>-35.150</u> | <u>-37.000</u> |
| Operating profit | 910.171 | 419.670 |
| Other financial income | 0 | 3 |
| 2 Other financial costs | <u>-7.530</u> | <u>-4.883</u> |
| Results before tax | 902.641 | 414.790 |
| 3 Tax on ordinary results | <u>-211.653</u> | <u>-119.482</u> |
| Results for the year | <u>690.988</u> | <u>295.308</u> |
| Proposed appropriation of net profit: | | |
| Transferred to retained earnings | <u>690.988</u> | <u>295.308</u> |
| Total allocations and transfers | <u>690.988</u> | <u>295.308</u> |

Statement of financial position at 31 December

All amounts in DKK.

| <u>Note</u> | <u>2019</u> | <u>2018</u> |
|--------------------------------------------------------------|------------------|------------------|
| Assets | | |
| Fixed assets | | |
| 4 Other plants, operating assets, and fixtures and furniture | 1.850 | 37.000 |
| Tangible fixed assets in total | 1.850 | 37.000 |
| Fixed assets in total | 1.850 | 37.000 |
| Current assets | | |
| Amounts owed by group enterprises | 8.518.946 | 7.265.592 |
| Deferred tax assets | 36.645 | 41.262 |
| Receivable corporate tax | 0 | 1.414 |
| Other debtors | 85.836 | 165.006 |
| Debtors in total | 8.641.427 | 7.473.274 |
| Available funds | 8.654 | 4.218 |
| Current assets in total | 8.650.081 | 7.477.492 |
| Assets in total | 8.651.931 | 7.514.492 |

Statement of financial position at 31 December

All amounts in DKK.

| Equity and liabilities | | | |
|-------------------------------|----------------------------------------|-------------------------|-------------------------|
| <u>Note</u> | | <u>2019</u> | <u>2018</u> |
| Equity | | | |
| 5 | Contributed capital | 4.050.000 | 4.050.000 |
| | Results brought forward | 3.170.885 | 2.479.897 |
| | Equity in total | <u>7.220.885</u> | <u>6.529.897</u> |
| Liabilities | | | |
| 6 | Other payables | 186.030 | 0 |
| | Long-term liabilities in total | <u>186.030</u> | <u>0</u> |
| | Bank debts | 0 | 7 |
| | Trade creditors | 251.504 | 13.197 |
| | Debt to group enterprises | 26.928 | 310.553 |
| | Corporate tax | 118.052 | 0 |
| | Other debts | 848.532 | 660.838 |
| | Short-term liabilities in total | <u>1.245.016</u> | <u>984.595</u> |
| | Liabilities in total | <u>1.431.046</u> | <u>984.595</u> |
| | Equity and liabilities in total | <u>8.651.931</u> | <u>7.514.492</u> |
| | | | |
| 7 | Contingencies | | |
| 8 | Related parties | | |

Statement of changes in equity

All amounts in DKK.

| | <u>Contributed capital</u> | <u>Results brought forward</u> | <u>In total</u> |
|---------------------------------------------|----------------------------|--------------------------------|------------------|
| Equity 1 January 2018 | 4.050.000 | 2.184.589 | 6.234.589 |
| Profit or loss for the year brought forward | 0 | 295.308 | 295.308 |
| Equity 1 January 2019 | 4.050.000 | 2.479.897 | 6.529.897 |
| Profit or loss for the year brought forward | 0 | 690.988 | 690.988 |
| | 4.050.000 | 3.170.885 | 7.220.885 |

Notes

All amounts in DKK.

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| 1. Staff costs | | |
| Salaries and wages | 3.402.801 | 3.343.543 |
| Pension costs | 337.584 | 335.111 |
| Other costs for social security | <u>69.669</u> | <u>67.385</u> |
| | <u>3.810.054</u> | <u>3.746.039</u> |
| | | |
| Average number of employees | <u>5</u> | <u>5</u> |
| | | |
| 2. Other financial costs | | |
| Other financial costs | <u>7.530</u> | <u>4.883</u> |
| | <u>7.530</u> | <u>4.883</u> |
| | | |
| 3. Tax on ordinary results | | |
| Tax of the results for the year, parent company | 206.052 | 102.586 |
| Adjustment for the year of deferred tax | 4.617 | 8.328 |
| Adjustment of tax for previous years | <u>984</u> | <u>8.568</u> |
| | <u>211.653</u> | <u>119.482</u> |
| | | |
| 4. Other plants, operating assets, and fixtures and furniture | | |
| Cost 1 January 2019 | <u>598.870</u> | <u>598.870</u> |
| Cost 31 December 2019 | <u>598.870</u> | <u>598.870</u> |
| | | |
| Amortisation and writedown 1 January 2019 | -561.870 | -524.870 |
| Depreciation for the year | <u>-35.150</u> | <u>-37.000</u> |
| Amortisation and writedown 31 December 2019 | <u>-597.020</u> | <u>-561.870</u> |
| | | |
| Book value 31 December 2019 | <u>1.850</u> | <u>37.000</u> |
| | | |
| 5. Contributed capital | | |
| The share capital consists of 4.050 shares, each with a nominal value of DKK 1.000,00. There have not been changes in share capital in the past 5 years. | | |

Notes

All amounts in DKK.

| | <u>31/12 2019</u> | <u>31/12 2018</u> |
|----------------------------------------|-----------------------|-------------------|
| 6. Other payables | | |
| Total other payables | 186.030 | 0 |
| Share of amount due within 1 year | <u>0</u> | <u>0</u> |
| Total other payables | <u>186.030</u> | <u>0</u> |
| Share of liabilities due after 5 years | <u>0</u> | <u>0</u> |

7. Contingencies

Contingent liabilities

Joint taxation

The Company is party to a national Danish joint taxation scheme with Danfiber A/S and Stora Enso Paper Denmark, filial af Stora Enso Paper Aktiebolag, Sverige. For this reason the Company is liable to pay any income taxes etc. for the jointly taxes companies pursuant to applicable Danish tax legislation, and from 1 July 2012, the Company has secondary liability for any liabilities as well as for tax at source regarding interest, royalties and dividend for the jointly taxes companies. The liability cannot account for more than an amount equal to the share capital in the Company which is directly or indirectly owned by the ultimate Parent.

8. 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, Klarabergsviadukten 70, P. O. Box 70395, SE-107 24 Stockholm, Sweden.

Consolidated annual accounts

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

Stora Enso Oyj, Finland.

Accounting policies

The annual report for Stora Enso Danmark A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Translation of foreign currency

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 one 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.

Accounting policies

Income statement

Gross profit

With reference to the financial statement act section 32, the Company has made an aggregation of revenue, cost of sales and other external expenses into one line Gross profit or loss.

Revenue

Revenue primarily comprises cost-plus charges corresponding to costs paid the financial year.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment

Cost of sales

Cost of sales comprises costs of sales for the financial year, including freight charges.

Staff costs

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on payables and transactions in foreign currencies as well as amortisation of financial assets.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on payables and foreign currency transactions, amortisation of financial liabilities.

Income taxes

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.

Accounting policies

The Entity is jointly taxed with all Danish group subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises. The company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

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.

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 |
|--------------------------------------------------|-----------|

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

Leasing contracts

At the first recognition in the balance sheet, leasing contracts concerning tangible fixed assets by which the company holds all essential risks and advantages attached to the proprietary right (financial leasing) are measured either at fair value or at the present value of the future leasing services, whichever value is lower. When calculating the present value, the internal interest rate of the leasing contract or alternatively the borrowing rate of the enterprise is used as discount rate. Afterwards, financially leased assets are treated in the same way as other similar tangible assets.

The capitalised residual leasing liability is recognised in the balance sheet as a liability, and the interest part of the leasing contract is recognised in the profit and loss account over the term of the contract.

All other leasing contracts are considered operational leasing. Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The company's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

Accounting policies

Writedown of fixed assets

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises 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 takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Previously recognised writedown is reversed when the condition for the writedown no longer exist. Writedown relating to goodwill is not reversed.

Receivables

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

Deferred tax

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

Income tax payable or receivable

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

Cash

Cash comprises cash in hand and bank deposits.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Accounting policies

Stora Enso Danmark A/S is jointly taxed with the Danish group companies and acts in this respect as the administration company. According to the rules of joint taxation, Stora Enso Danmark A/S is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, 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.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Other financial liabilities

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