

DALUM PAPIR A/S

Sivlandsvænget 27 B 5260 Odense

CVR NR. 20 28 41 96

Annual report 2016



**Approved by the company's general
meeting on May 2017 25th**

TABLE OF CONTENTS

	Page
Entity details	2
Management Statement	3
Independent auditor's reports	4-6
Management commentary	7-8
Accounting policies applied	9-11
Income statement	12
Balance sheet	13-14
Notes	15-18

ENTITY DETAILS

Entity

Dalum Papir A/S

Sivlandvænget 27 B

5260 Odense S

Central Business Registration No: 20284196

Registered in: Odense

Financial year: 01.01.2016-31.12.2016

Board of Directors

Alain Philippe Daniel Gourjon, chairman

Agnes Marie Therese Roger

Philippe Jean Paul Lacombe

Executive Board

Agnes Roger

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Tværkajen 5

Postboks 10

5100 Odense 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 Dalum Papir A/S for the financial year 2016.

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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 -31.12.2016.

We believe that die 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.

France, 10.05.2017

Executive Board

Agnes Marie Therese Roger

Board of Directors

Alain Philippe Daniel Gourjon
Chairman

Agnes Marie Therese Roger

Philippe Jean Paul Lacombe

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Dalum Papir A/S

Opinion

We have audited the financial statements of Dalum Papir A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet 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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 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.

Emphasis of matter regarding circumstances in the financial statements

Without modifying our opinion we refer to note 1 to the financial statements as the measurement of the Company's assets is subject to material uncertainties as a result of the closure of production. Divestment of land and buildings has not been completed. The Company's land and buildings has a booked value of DKK 24m.

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.

INDEPENDENT AUDITOR'S REPORT

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:

- 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.

INDEPENDENT AUDITOR'S REPORT

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.

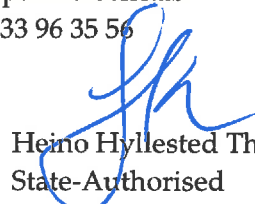
Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Odense, 10.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56


Jan Larsen
State-Authorised
Public Accountant


Heino Hyllested Tholsgaard
State-Authorised
Public Accountant

MANAGEMENT COMMENTARY

Primary activities

After the closure of the production facilities in 2012 of Dalum Papir A/S the focus has been on liquidating the majority of assets as well as maintaining the buildings still under ownership. The company has its main activities in Odense and the company has after the closure of the production facilities become an administration company for the Arjowiggins Group, which now manages some of the sales for the Group.

The company has a strong environmental profile and is environmentally certified according to ISO 14001 and EMAS.

In addition the Group's products have received a number of labels, including the German Blue Angel and the EU Flower.

To support this profile the entire process around sale and dismantling of the process equipment has been done as a minimum according to all guidelines and rules set forward by the authorities and no points have been raised. This is also applicable for all scrapping that has been done via certified companies.

Dalum Papir A/S has since July 1st 2007 been part of the French Arjowiggins Group, and is 100% owned by Arjowiggins Le Bourray SAS.

Development in activities and finances

Arjowiggins has continued to manufacture paper in the range and quality of both the Danish and other markets previously serviced by Dalum. A Danish sales and marketing department is maintained and will ensure that Danish customers in the future can be sure to get the same great quality and service.

Products and Development

As production is stopped there is no more development of product.

Investments

There has been no investments in 2016.

During 2016 the project with the focus of identifying future use for the land has been continued. This project will continue in 2017.

IT

The Company's IT structure is for the most part transferred to the Group's data center in France.

Environment

Dalum Papir A/S is certified according to ISO 14001 and EMAS Regulation. The Group's products are based on environmentally friendly recycling of waste paper and are therefore mainly

marketed to businesses and public institutions, who emphasizes on environmental argument in their procurement policy.

To support this profile the entire process around sale, dismantling and scrapping of the process equipment has been done as a minimum according to all guidelines and rules set forward by the authorities and no points have been raised.

Economy

Profit for the year was DKK 1.3m which was DKK 0,9m compared to DKK 0,4m the year before.

Equity at 31.12.2016 was DKK 9.0m against DKK 7.7m the previous year.

The performance meets the expectations.

Special risks operation

There will inherently be no risk associated with continued operation. The scrapping of any redundant equipment will continue to be conducted according to strict environmental and safety standards.

Outlook

The main future focus will be serving the Nordic markets through our customer service team and the continuing of the development project for the land in Dalum.

The shareholders of Dalum Papir A/S has through a capital increase and reduction of share capital in 2013 guarantee both a positive equity and the company's continued operation, that does no longer includes production, but only the sale / distribution of the Group's product range.

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.

ACCOUNTING POLICIES APPLIED

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.

Recognition and measurement

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 at tributable to this financial year.

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 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 APPLIED

Income statement

Revenue

Revenue is measured ex. discounts and bonuses etc. and is recognised in the income statement provided that transfer of risk to the buyer has taken place before year end. Revenue is measured ex. VAT and taxes charged on behalf of third parties. Revenue also includes intercompany recharges.

Administrative expenses

Administrative expenses comprise expenses for administrative staff, management, office premises and office expenses, and depreciation.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital 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 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.

Balance sheet

Property, plant and equipment

Land and buildings and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment or at recoverable amount if this is lower.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

ACCOUNTING POLICIES APPLIED

Depreciation is provided on a straight-Line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Land	0 years
Buildings	30 years
Fixtures and fitting	3-5 years

Gain and losses on the disposal of property, plant and equipment are recognised in the income statement as other operating income or on other operation expenses.

Receivables

Receivables are measured at amodised cost. Write-downs is made for bad debt losses.

Cash

Cash comprises cash in hand and bank deposits.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

INCOME STATEMENT FOR 2016

<u>Note</u>		2015	<u>DKK'000</u>
	Revenue	7.121.010	<u>9.746</u>
	Gross profit	7.121.010	9.746
2	Administrative costs	-4.227.644	-5.190
3	Other external expenses	-1.404.003	<u>-3.871</u>
	Operating profit	1.489.363	685
4	Other financial income	9.113	11
5	Other financial expenses	-211.431	<u>-299</u>
	PROFIT	<u>1.287.045</u>	<u>397</u>
Appropriation of profit:			
	Retained earnings	<u>1.287.045</u>	<u>397</u>
		<u>1.287.045</u>	<u>397</u>

BALANCE SHEET AT 31. DECEMBER 2016

ASSETS

<u>Note</u>		2015 <u>DKK'000</u>
	Land and buildings	23.583.857 23.584
	Other fixtures and fittings, tools and equipment	<u>0</u> <u>0</u>
6	Property, plant and equipment	<u>23.583.857</u> <u>23.584</u>
	Deposits	<u>103.519</u> <u>101</u>
	Fixed asset investments	<u>103.519</u> <u>101</u>
	FIXED ASSETS	<u>23.687.376</u> <u>23.685</u>
	Trade receivables	8.380 13
	Receivables from group enterprises	3.433.301 0
	Short-term trade receivables	<u>511.231</u> <u>198</u>
	RECEIVABLES	<u>3.952.912</u> <u>211</u>
	CASH	<u>508.639</u> <u>311</u>
	TOTAL CURRENT ASSETS	<u>4.461.551</u> <u>522</u>
	TOTAL ASSETS	<u>28.148.927</u> <u>24.207</u>

BALANCE SHEET AT 31. DECEMBER 2016

EQUITY AND LAIBILITIES

<u>Note</u>		2015
		<u>DKK'000</u>
7	Contributed capital	745.570
	Retained earnings	8.275.738
	EQUITY	9.021.308
	Trade payables	411.611
	Debt to group enterprises	18.090.319
	Other payables	625.689
	SHORT-TERM LIABILITIES OTHER THAN PROVISIONS	19.127.619
	LIABILITIES OTHER THAN PROVISIONS	19.127.619
	LIABILITIES AND EQUITY	28.148.927

1 Uncertainty relating to recognition and measurement

8 Unrecognised rental and lease commitments

9 Contingent assets

10 Contingent liabilities

11 Assets charged and collateral

12 Related parties with control

13 Ownership

NOTER

1 Uncertainty relating to recognition and measurement

As a result of the adjustment of the capacity in the European paper marked The Arjowiggins Group decided by the end of 2012 to shut down their production in Denmark. The company's land, buildings and machinery will subsequently be disposed. The task has been initiated by the end of 2012, but due to market conditions the sale of the land and buildings has not yet concluded. All the machinery has been sold by the end of 2013.

At 31 December 2016, the carrying amounts of land and buildings (carrying amount DKK 24m) is based on a previously sales prospect from a real estate agent.

		2015
		<u>DKK'000</u>
2 Staff costs		
Wages and salaries	2.895.713	3.017
Pension costs	289.918	358
Other social security costs	37.783	53
Other staff costs	<u>140.860</u>	<u>406</u>
	<u>3.364.274</u>	<u>3.834</u>

Number of employees at balance sheet date	6	6
---	---	---

There have not been paid salaries for management in 2016.

3 Other operating expenses

Other operating expenses consist of:

Other restructuring expenses	<u>1.404.003</u>	<u>3.871</u>
	<u>1.404.003</u>	<u>3.871</u>

4 Other financial income

Interest income	701	1
Exchange rate adjustments	<u>8.412</u>	<u>10</u>
	<u>9.113</u>	<u>11</u>

NOTER

		2015
		<u>DKK'000</u>
5 Other financial expenses		
Financial expenses from group enterprises	184.597	281
Interest expenses	111	0
Exchange rate adjustments	23.975	17
Other financial expenses	2.748	1
	<u>211.431</u>	<u>299</u>
		Other fixtures and fittings, tools and equipment
	<u>Land and building</u>	<u>equipment</u>
6 Property, plant and equipment		
Cost beginning of year	<u>106.995.879</u>	<u>2.143.000</u>
Cost end of year	<u>106.995.879</u>	<u>2.143.000</u>
Depreciation and impairment losses beginning of the year	<u>-83.412.022</u>	<u>-2.143.000</u>
Depreciation and impairment losses end of the year	<u>-83.412.022</u>	<u>-2.143.000</u>
Carrying amount end of year	<u>23.583.857</u>	<u>0</u>

NOTER

7 Contributed capital

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>		
Share of 1 EUR	<u>100.000</u>	<u>7,46</u>	<u>745.570</u>		
DKK	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contributed capital 01.01.	745.570	745.570	745.570	45.250.000	45.250.000
Increase of capital	0	0	0	745.570	0
Decrease of capital	<u>0</u>	<u>0</u>	<u>0</u>	<u>-45.250.000</u>	<u>0</u>
Contributed capital 31.12.	<u>745.570</u>	<u>745.570</u>	<u>745.570</u>	<u>745.570</u>	<u>45.250.000</u>

8 Unrecognised rental and lease commitments

	<u>2015</u> <u>DKK'000</u>	
Commitments under rental agreements or leases until expiry	<u>243.911</u>	<u>379</u>

9 Contingent assets

The company has 31 December 2016 a tax asset consisting of loss carryforwards that have not been booked due to uncertainty about the exploitation within a period of 3 to 5 years

10 Contingent liabilities

The company is part of a cash pool arrangement with other entities in the Arjowiggins Group. The company has on the balance sheet date a debt in DKK 18m relation to the scheme.

The Company participates in a Danish joint taxation arrangement in which Antalis A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

Besides the above no other contingencies exist.

11 Assets charged and collateral

None

NOTER**12 Related parties with control**

Dalum Papir A/S is 100% owned by Sequana, Boulogne-Billancourt, France.

Information concerning related parties is according to the Danish Financial Statement Act not disclosed, because all transactions are concluded at arm's length.

13 Ownership

Dalum Papir A/S is 100% owned by Arjowiggins Le Bourray S.A.S., Saint Mars La Briere, France.
Arjowiggins Le Bourray S.A.S. is part of the Arjowiggins Group and Sequana, France.