

Stora Enso Danmark A/S

Skalhuse 5, 9240 Nibe

Company reg. no. 51 51 72 10

Annual report

1 January - 31 December 2016

The annual report have been submitted and approved by the general meeting on the 15 May 2017.

Dorthe Binderup Hald
Chairman of the meeting

Notes:

- To ensure the greatest possible applicability of this document, British 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 2016.

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 as on 31 December 2016 and of the company's results of its activities in the financial year 1 January to 31 December 2016.

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

The annual report is recommended for approval by the general meeting.

Nibe, 15 May 2017

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

We have audited the annual accounts of Stora Enso Danmark A/S for the financial year 1 January to 31 December 2016, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2016 and of the results of the company's operations for the financial year 1 January to 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

Independent auditor's report

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

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

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 15 May 2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Company reg. no. 33 96 35 56

Jens Rudkjær

State Authorised Public Accountant

Company data

The company

Stora Enso Danmark A/S
Skalhuse 5
9240 Nibe

Company reg. no. 51 51 72 10
Established: 8 April 1949
Domicile: Nibe
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

Deloitte, Statsautoriseret Revisionspartnerselskab

Management's review

The principal activities of the company

The Company's main activity is the provision of Stora Enso's products: cardboard, 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, cardboard, packaging and wood products.

Development in activities and financial matters

Revenue, expenses and profit for the year are in line with expectations. The financial year 2016 saw a profit after tax of DKK 396 thousand. (2015: DKK 445 thousand).

Events subsequent to the financial year

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

Accounting policies used

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 for these financial statements are consistent with those applied last year.

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 attributable 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.

The profit and loss account

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.

Accounting policies used

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.

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 write-downs 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.

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.

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).

Accounting policies used

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
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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 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.

Other financial liabilities

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

Profit and loss account 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2016</u>	<u>2015</u>
Gross profit	4.873.866	5.104.698
1 Staff costs	-4.335.652	-4.452.375
Depreciation and writedown relating to tangible fixed assets	-37.000	-37.000
Operating profit	501.214	615.323
2 Other financial income from group enterprises	6.041	3.986
Other financial income	17.507	7.869
3 Other financial costs	-2.460	-4.054
Results before tax	522.302	623.124
4 Tax on ordinary results	-135.271	-178.149
Results for the year	387.031	444.975
Proposed distribution of the results:		
Allocated to results brought forward	387.031	444.975
Distribution in total	387.031	444.975

Balance sheet 31 December

All amounts in DKK.

<u>Note</u>	<u>2016</u>	<u>2015</u>
Assets		
Fixed assets		
5 Other plants, operating assets, and fixtures and furniture	111.000	148.000
Tangible fixed assets in total	<u>111.000</u>	<u>148.000</u>
Deposits	9.458	9.458
Financial fixed assets in total	<u>9.458</u>	<u>9.458</u>
Fixed assets in total	<u>120.458</u>	<u>157.458</u>
Current assets		
Amounts owed by group enterprises	7.055.959	6.534.627
Deferred tax assets	63.407	90.306
Receivable corporate tax	51.628	49.748
Other debtors	35.063	68.679
Debtors in total	<u>7.206.057</u>	<u>6.743.360</u>
Available funds	454	239
Current assets in total	<u>7.206.511</u>	<u>6.743.599</u>
Assets in total	<u>7.326.969</u>	<u>6.901.057</u>

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2016</u>	<u>2015</u>
Equity			
6	Contributed capital	4.050.000	4.050.000
	Results brought forward	1.663.874	1.276.843
	Equity in total	<u>5.713.874</u>	<u>5.326.843</u>
Liabilities			
	Trade creditors	22.470	38.343
	Debt to group enterprises	0	37.649
	Other debts	1.590.625	1.498.222
	Short-term liabilities in total	<u>1.613.095</u>	<u>1.574.214</u>
	Liabilities in total	<u>1.613.095</u>	<u>1.574.214</u>
	Equity and liabilities in total	<u>7.326.969</u>	<u>6.901.057</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 2016	4.050.000	1.276.843	5.326.843
Profit or loss for the year brought forward	0	387.031	387.031
	<u>4.050.000</u>	<u>1.663.874</u>	<u>5.713.874</u>

Notes

All amounts in DKK.

	<u>2016</u>	<u>2015</u>
1. Staff costs		
Salaries and wages	3.831.715	3.937.949
Pension costs	437.234	446.146
Other costs for social security	<u>66.703</u>	<u>68.280</u>
	<u>4.335.652</u>	<u>4.452.375</u>
Average number of employees	<u>5</u>	<u>6</u>
2. Other financial income from group enterprises		
Other financial income from group enterprise	<u>6.041</u>	<u>3.986</u>
	<u>6.041</u>	<u>3.986</u>
3. Other financial costs		
Other financial costs	<u>2.460</u>	<u>4.054</u>
	<u>2.460</u>	<u>4.054</u>
4. Tax on ordinary results		
Tax of the results for the year, parent company	108.372	139.901
Adjustment for the year of deferred tax	<u>26.899</u>	<u>38.248</u>
	<u>135.271</u>	<u>178.149</u>
5. Other plants, operating assets, and fixtures and furniture		
Cost 1 January 2016	598.870	413.870
Additions during the year	<u>0</u>	<u>185.000</u>
Cost 31 December 2016	<u>598.870</u>	<u>598.870</u>
Amortisation and writedown 1 January 2016	-450.870	-413.870
Depreciation for the year	<u>-37.000</u>	<u>-37.000</u>
Amortisation and writedown 31 December 2016	<u>-487.870</u>	<u>-450.870</u>
Book value 31 December 2016	<u>111.000</u>	<u>148.000</u>

Notes

All amounts in DKK.

31/12 2016 31/12 2015

6. 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.

7. Contingencies

Contingent liabilities

	DKK in thousands
Warranty commitments	<u>227</u>

Joint taxation

The Company is party to a national Danish joint taxation scheme with Danfiber A/S. For this reason, from the financial year 2016 onwards, 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

Ownership

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.