

# UPM-KYMMENE A/S

Universitetsparken 7  
4000 Roskilde

CVR no. 46 39 61 11

## Annual report 2018

The annual report was presented and approved at the  
Company's annual general meeting on

31 May 2019

Mirja Inkeri Margareeta Salmelin  
chairman

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**UPM-KYMMENE A/S**  
Annual report 2018  
CVR no. 46 39 61 11

## **Statement by the Board of Directors and the Executive Board**

The Board of Directors and the Executive Board have today discussed and approved the annual report of UPM-KYMMENE A/S for the financial year 1 January – 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

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

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

Roskilde, 31 May 2019  
Executive Board:

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Niels Ole Rasmussen  
CEO

Board of Directors:

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Mikko Ahti Tapani Sointu

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Mirja Inkeri Margareeta  
Salmelin

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Niels Ole Rasmussen

## Independent auditor's report

### To the shareholders of UPM-KYMMENE A/S

#### Opinion

We have audited the financial statements of UPM-KYMMENE A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet and notes, including 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 Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Management's responsibility 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 that 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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 company 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

## Independent auditor's report

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.
- 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.

### Statement on the Management's review

Management is responsible for the Management's review.

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

Based on the work we have performed, we conclude that the 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 of the Management's review.

Hellerup, 31 May 2019

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR no. 33 77 12 31

Jan Boje Andreassen  
State Authorised  
Public Accountant  
mne2338

**UPM-KYMMENE A/S**  
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## **Management's review**

### **Company details**

UPM-KYMMENE A/S  
Universitetsparken 7  
4000 Roskilde

Telephone: +45 33 48 18 18

CVR no.: 46 39 61 11  
Established: 25 May 1973  
Financial year: 1 January – 31 December

### **Board of Directors**

Mikko Ahti Tapani Sointu  
Mirja Inkeri Margareeta Salmelin  
Niels Ole Rasmussen

### **Executive Board**

Niels Ole Rasmussen, CEO

### **Auditor**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
2900 Hellerup

## **Management's review**

### **Operating review**

#### **Principal activities**

The purpose of the company is trade and industry or related activities as estimated by the Board of Directors.

#### **Development in activities and financial position**

The profit for the year amounts to DKK 1,071 thousand (2017: DKK 1,200 thousand).

The development of the year is consistent with the expectations. For next year the management expects a similar result.

#### **Events after the balance sheet date**

No significant subsequent events that may materially influence the company's financial position have occurred after the balance sheet date.

## Financial statements 1 January – 31 December

### Income statement

DKK	Note	2018	2017
<b>Gross profit</b>		9,200,715	8,740,412
Staff costs	2	<u>-7,776,605</u>	<u>-7,199,442</u>
<b>Operating profit</b>		1,424,110	1,540,970
Financial income	3	3,163	20,887
Financial expenses	4	<u>-29,082</u>	<u>-8,194</u>
<b>Profit before tax</b>		1,398,191	1,553,663
Tax on profit/loss for the year	5	<u>-327,294</u>	<u>-353,776</u>
<b>Profit for the year</b>		<u>1,070,897</u>	<u>1,199,887</u>
<b>Proposed profit appropriation</b>			
Retained earnings		<u>1,070,897</u>	<u>1,199,887</u>



## Financial statements 1 January – 31 December

### Balance sheet

DKK	Note	<u>31/12 2018</u>	<u>31/12 2017</u>
<b>ASSETS</b>			
<b>Current assets</b>			
<b>Receivables</b>			
Trade receivables		3,040	3,501
Receivables from group entities		14,980,408	15,216,619
Other receivables		203,992	242,885
Deferred tax asset		168,565	218,593
Prepayments		<u>0</u>	<u>34,229</u>
		<u>15,356,005</u>	<u>15,715,827</u>
<b>Cash at bank and in hand</b>		<u>1,753,157</u>	<u>0</u>
<b>Total current assets</b>		<u>17,109,162</u>	<u>15,715,827</u>
<b>TOTAL ASSETS</b>		<u><u>17,109,162</u></u>	<u><u>15,715,827</u></u>

## Financial statements 1 January – 31 December

### Balance sheet

DKK	Note	<u>31/12 2018</u>	<u>31/12 2017</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Contributed capital	6	4,522,319	4,522,319
Retained earnings		<u>9,368,086</u>	<u>8,297,189</u>
<b>Total equity</b>		<u>13,890,405</u>	<u>12,819,508</u>
<b>Liabilities</b>			
<b>Current liabilities other than provisions</b>			
Trade payables		225,908	164,137
Payables to group entities		20	152,772
Corporation tax		150,711	275,122
Other payables		<u>2,842,118</u>	<u>2,304,288</u>
		<u>3,218,757</u>	<u>2,896,319</u>
<b>Total liabilities</b>		<u>3,218,757</u>	<u>2,896,319</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>17,109,162</u>	<u>15,715,827</u>
<b>Contractual obligations, contingencies, etc.</b>	7		
<b>Related parties</b>	8		

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of UPM-KYMMENE A/S for 2018 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The annual report is presented in DKK.

#### Recognition and measurement

The financial statements have been prepared under the historical cost method.

Revenue is recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised costs are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

### Income statement

#### Gross Profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Regarding the items summarised, we state the following:

#### Revenue

Income from the supply of services is recognised as revenue with the reference to the stage of completion, VAT, indirect taxes and discounts are excluded from the revenue.

#### Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

#### Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

#### Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

#### Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Balance sheet

###### Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

###### Prepayments and deferred income

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

###### Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

###### Equity

###### *Dividends*

The expected dividends payment for the year is disclosed as a separate item under equity.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

##### Debts

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

#### 2 Staff costs

DKK	2018	2017
Wages and salaries	7,009,264	6,568,287
Pensions	738,182	600,512
Other social security costs	29,159	30,643
	<u>7,776,605</u>	<u>7,199,442</u>
Average number of full-time employees	<u>9</u>	<u>8</u>

According to the Danish Financial Statements Act section 98 B (3), information regarding the Executive Board's remuneration is omitted.

Management is included in UPM-Kymmene Oyj's share based compensation program. Warrants are granted with a vesting period of 3 years. There are performance conditions in connection with the program. Payment to the parent company regarding share delivered to employees according to the program are recognized as expense in the income statement.

## Financial statements 1 January – 31 December

### Notes

#### 3 Financial income

DKK	2018	2017
Interest income from group entities	3,163	20,887
	<u>3,163</u>	<u>20,887</u>

#### 4 Financial expenses

DKK	2018	2017
Interest expense to group entities	1,829	1,868
Other financial costs	27,253	6,326
	<u>29,082</u>	<u>8,194</u>

#### 5 Tax on profit/loss for the year

DKK	2018	2017
Current tax for the year	277,266	350,218
Deferred tax for the year	50,028	3,558
	<u>327,294</u>	<u>353,776</u>

#### 6 Equity

DKK	Contributed capital	Retained earnings	Total
<b>Equity at 1 January 2018</b>	4,522,319	8,297,189	12,819,508
Transferred over the profit appropriation	0	1,070,897	1,070,897
<b>Equity at 31 December 2018</b>	<u>4,522,319</u>	<u>9,368,086</u>	<u>13,890,405</u>

The contributed capital consists of 45,223 shares of a nominal value of DKK 100 each.

All shares rank equally.

There have been no changes in the share capital the past 5 years, except for 2015, where the share capital was reduced by DKK 30,000,000.

## Financial statements 1 January – 31 December

### Notes

#### 7 Contractual obligations, contingencies, etc.

Lease obligations under operating leases. Total future lease payments:

##### Operating lease obligations

Within 1 year	585,988	489,457
Between 1 and 5 years	<u>308,671</u>	<u>523,147</u>
	894,659	1,012,604

#### 8 Related parties

UPM-KYMMENE A/S' related parties comprise the following:

UPM-Kymmene Oyj, Helsinki, Finland.

UPM-Kymmene A/S is included in the consolidated financial statements of UPM-Kymmene Helsinki, Finland.

The consolidated financial statements of UPM-Kymmene Helsinki, Finland can be obtained at the following webpage: [www.upm.com](http://www.upm.com).