

UPM-Kymmene A/S  
Universitetsparken 7  
4000 Roskilde

Telephone +45 33 48 18 18

**UPM-Kymmene A/S**  
**Annual report 2016**

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

on 31 May 20 17

  
chairman

CVR no. 46 39 61 11

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## 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 2016.

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

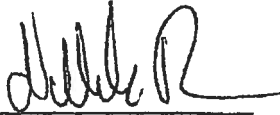
In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

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 should be approved at the annual general meeting.

Roskilde, 31 May 2017

Executive Board:

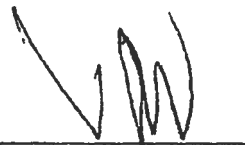


Niels Ole Rasmussen  
Chief Executive Officer

Board of Directors



Mirja Inkeri Margareeta  
Salmelin  
Chairman



Mikko Ahti Tapani  
Sointu



Niels Ole Rasmussen

## **Independent auditor's report**

**To the shareholder 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 2016, 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 2016 and of the results of the Company's operations for the financial year 1 January - 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 (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 financial statement users made on the basis of these financial statements.

## **Independent auditor's report**

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 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

## 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'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 Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31 May 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR-no. 33 77 34 00 12 31



Jan Boje Andreassen  
State Authorised  
Public Accountant

## **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  
Registered office: Roskilde  
Financial year: 1 January - 31 December

### **Board of Directors**

Mirja Inkeri Margareeta Salmelin, Chairman  
Mikko Ahti Tapani Sointu  
Niels Ole Rasmussen

### **Executive Board**

Niels Ole Rasmussen

### **Auditor**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
2900 Hellerup

### **Annual general meeting**

The annual general meeting will be held on 31 May 2017.

## **Management's review**

### **Operating review**

#### **Main activity**

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

#### **Development in activities and finances**

The profit for the year amounts to DKK 1,162 thousand (2015: DKK 480 thousand).

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

#### **Subsequent events**

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

#### **Uncertainty relating to recognition and measurement**

In our opinion there is no uncertainty related to recognition and measurement.

#### **Outlook**

With reference to parent company website. [www.upm.com](http://www.upm.com)



## Financial statements 1 January - 31 December

### Income statement

	Note	2016	2015
Gross profit/		8,090,936	5,618,839
Staff costs	2	-6,641,448	-4,939,135
<b>Profit before financial income and expenses</b>		<b>1,449,488</b>	<b>679,704</b>
Financial income	3	82,590	12,010
Financial expenses	4	-13,971	-11,035
<b>Profit before tax</b>		<b>1,518,107</b>	<b>680,679</b>
Tax on profit for the year	5	-356,339	-200,310
<b>Net profit for the year</b>		<b>1,161,768</b>	<b>480,369</b>
<b>Proposed profit appropriation</b>			
Retained earnings		1,161,768	480,369
		<u>1,161,768</u>	<u>480,369</u>

## Financial statements 1 January - 31 December

### Balance sheet

	Note	2016	2015
<b>ASSETS</b>			
<b>Current assets</b>			
Receivables from group entities		12,592,708	8,070,773
Other receivables		304,961	4,004,739
Deferred tax assets		222,151	205,829
Prepayments		11,066	7,000
<b>Receivables</b>		<b>13,130,886</b>	<b>12,288,341</b>
<b>Cash at bank and in hand</b>		<b>1,102,769</b>	<b>43,573</b>
<b>Total current assets</b>		<b>14,233,655</b>	<b>12,331,914</b>
<b>TOTAL ASSETS</b>		<b>14,233,655</b>	<b>12,331,914</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		4,522,319	4,522,319
Retained earnings		7,097,302	5,935,534
<b>Total equity</b>	6	<b>11,619,621</b>	<b>10,457,853</b>
<b>Current liabilities other than provisions</b>			
Debt on affiliated companies		24,561	298,732
Trade payables		251,629	234,439
Corporation tax		295,067	67,988
Other payables		2,042,777	1,272,902
<b>Total liabilities other than provisions</b>		<b>2,614,034</b>	<b>1,874,061</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>14,233,655</b>	<b>12,331,914</b>
Contractual obligations, contingencies, etc.	7		
Related parties	8		

## Financial statements 1 January - 31 December

### Notes

#### 1 Accounting policies

The annual report of UPM-Kymmene A/S for 2016 has been presented in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

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 attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities 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.

## **Financial statements 1 January - 31 December**

### **Notes**

#### **Accounting policies**

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.

#### **Income statement**

##### **Gross profit/loss**

In accordance with section 32 of the Danish Financial Statements Act, Management has chosen to summarise the accounting items revenue, cost of sales and other external expenses in the item Gross profit as Management considers the provisions of section 32 fulfilled.

Regarding the items summarised, we state the following:

##### **Revenue**

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

##### **Other external expenses**

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

##### **Staff expenses**

Staff expenses 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.

## Financial statements 1 January - 31 December

### Notes

#### Accounting policies

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

Tax for the year comprises current 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 at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

#### Balance sheet

##### Receivables

Receivables are measured at amortised cost, which substantially corresponds to nominal value.

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

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

#### Equity

##### Dividends

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

##### 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 measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to office buildings non-deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

## Financial statements 1 January - 31 December

### Notes

#### Accounting policies

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

Debts are measured at amortised cost, substantially corresponding to nominal value.

	<u>2016</u>	<u>2015</u>
<b>2 Staff costs</b>		
Wages and salaries	5,991,295	4,394,653
Pensions	623,077	522,612
Other social security costs	<u>27,076</u>	<u>21,870</u>
	<u>6,641,448</u>	<u>4,939,135</u>
Average number of employees	<u>8</u>	<u>7</u>
According to the Danish Financial Statements Act section 98 B (3), information regarding the Executive Board's salary is omitted.		
<b>3 Financial income</b>		
Interest income from group entities	<u>82,590</u>	<u>12,010</u>
	<u>82,590</u>	<u>12,010</u>
<b>4 Other financial expenses</b>		
Interest expense to group entities	1,834	1,908
Other interest expense	<u>12,137</u>	<u>9,127</u>
	<u>13,971</u>	<u>11,035</u>

## Financial statements 1 January - 31 December

	<u>2016</u>	<u>2015</u>	
<b>5 Tax on profit for the year</b>			
Current tax for the year	-372,661	-112,988	
Deferred tax for the year	16,322	-87,322	
	<u>-356,339</u>	<u>-200,310</u>	
<b>6 Equity</b>			
	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1 January 2016	4,522,319	5,935,534	10,457,853
Net profit for the year	0	1,161,768	1,161,768
<b>Balance at 31 December 2016</b>	<u>4,522,319</u>	<u>7,097,302</u>	<u>11,619,621</u>

The Company's share capital consists of 45.223 shares of DKK 100 nominal value. 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.

### 7 Contractual obligations, contingencies, etc.

#### Rental agreements and leases

*Lease obligations under operating leases. Total future lease payments:*

Within 1 year	448,000	402,000
Between 1 and 5 years	403,000	308,000
	<u>851,000</u>	<u>710,000</u>

## **Financial statements 1 January - 31 December**

### **Notes**

#### **8 Related parties**

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

##### **Control**

UPM-Kymmene Oyj, Helsinki, Finland

##### **Consolidation**

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).