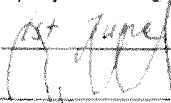


UPM-Kymmene A/S
Universitetsparken 7
4000 Roskilde

Telephone +45 33 48 18 18

UPM-Kymmene A/S
Annual report 2015

The annual report was presented and adopted at the
Company's annual general meeting
on 1st June 2016

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 2015.

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 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015.

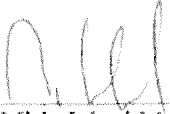
Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

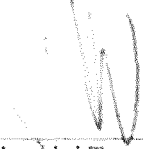
Roskilde, 1 June 2016
Executive Board:

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

Independent auditor's report on the financial statements

We have audited the financial statements of UPM-Kymmene A/S for the financial year 1 January – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's activities for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

In accordance with the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 1 June 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR-no. 33 77 31 88



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 2016.

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 development of the year is consistent with the expectations.

The Company has decreased the equity by DKK 30 million in January 2015, which has been paid out to the shareholders.

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

Financial statements 1 January – 31 December

Accounting policies

The annual report of UPM-Kymmene A/S for 2015 has been presented in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

The company has changed from reporting class C to class B due to the size of the company. As a result, key figures has not been included in the financial statements.

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

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

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

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.

Financial statements 1 January – 31 December

Income Statement

	Note	2015	2014
Gross profit/		5,618,839	6,664,868
Staff costs	1	-4,939,135	-5,827,015
Profit before financial income and expenses		679,704	837,853
Financial income	2	12,010	72,415
Financial expenses	3	-11,035	-7,123
Profit before tax		680,679	903,145
Tax on profit for the year	4	-200,310	-271,982
Net profit for the year		480,369	631,163
Proposed profit appropriation			
Retained earnings		480,369	631,163
		480,369	631,163

Financial statements 1 January – 31 December

Balance sheet

	Note	2015	2014
ASSETS			
Current assets			
Trade receivables		0	10,989
Receivables from group entities		8,070,773	41,047,674
Other receivables		4,004,739	183,442
Deferred tax assets		205,829	293,151
Prepayments		7,000	6,500
Receivables		12,288,341	41,541,756
Cash at bank and in hand		43,573	420,832
Total current assets		12,331,914	41,962,588
TOTAL ASSETS		12,331,914	41,962,588
 EQUITY AND LIABILITIES			
Equity			
Share capital		4,522,319	34,522,319
Retained earnings		5,935,534	5,455,165
Total equity	5	10,457,853	39,977,484
 Current liabilities other than provisions			
Debt on affiliated companies		298,732	580,000
Trade payables		234,439	221,121
Cooperation tax		67,988	149,254
Other payables		1,272,902	1,034,729
Total liabilities other than provisions		1,874,061	1,985,104
TOTAL EQUITY AND LIABILITIES		12,331,914	41,962,588
 Contractual obligations, contingencies, etc.			
	6		
Related parties	7		

Financial statements 1 January – 31 December

Notes

	2015	2014
1 Staff costs		
Wages and salaries	4,394,653	5,131,570
Pensions	522,612	668,049
Other social security costs	21,870	27,396
	<u>4,939,135</u>	<u>5,827,015</u>
Average number of employees	<u>7</u>	<u>9</u>
According to the Danish Financial Statements Act section 98 B (3), information regarding the Executive Board's salary is omitted.		
2 Financial income		
Interest income from group entities	12,010	72,393
Other interest income	0	22
	<u>12,010</u>	<u>72,415</u>
3 Other financial expenses		
Interest expense to group entities	1,908	1,869
Other interest expense	9,127	5,254
	<u>11,035</u>	<u>7,123</u>
4 Tax on profit for the year		
Current tax for the year	-112,988	-149,254
Adjustment to previous year's tax	0	-63
Deferred tax for the year	-87,322	-122,665
	<u>-200,310</u>	<u>-271,982</u>

Financial statements 1 January – 31 December

Notes

5 Equity

	Share capital	Retained earnings	Total
Balance at 1 January 2015	34,522,319	5,455,165	39,977,484
Net profit for the year	0	480,369	480,369
Capital decrease	-30,000,000	0	-30,000,000
Balance at 31 December 2015	4,522,319	5,935,534	10,457,853

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.

	2015	2014
6 Contractual obligations, contingencies, etc.		
Rental agreements and leases		
<i>Lease obligations under operating leases. Total future lease payments:</i>		
Within 1 year	402,000	95,988
Between 1 and 5 years	308,000	103,987
	<u>710,000</u>	<u>199,975</u>

7 Related parties

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

Control

UMP-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.