

UPM-KYMMENE A/S

Betonvej 10
4000 Roskilde

CVR no. 46 39 61 11

Annual report 2021

The annual report was presented and adopted at the
Company's annual general meeting on 7 July 2022

Mirja Inkeri Margareeta Salmelin

Chairman of the annual general meeting

Contents

Statement by the Board of Directors and the Executive Board	2
Independent Practitioner's Report	3
Management's review	5
Company details	5
Operating review	6
Financial statements 1 January - 31 December	7
Income statement	7
Balance sheet	8
Notes	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 2021.

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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

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, 7 July 2022

Executive Board:

Robin Carl Wilén
Chief Executive Officer

Board of Directors

Stefan Mebus

Mirja Inkeri Margareeta
Salmelin

Juuli Anniina Räsänen

Independent Practitioner's Report

To the Shareholder of UPM-Kymmene A/S

Conclusion

We have performed an extended review of the Financial Statements of UPM-Kymmene A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Based on the work performed, in our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the Danish Business Authority's Assurance Standard for Small Enterprises and FSR – Danish Auditors' standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Practitioner's responsibilities for the extended review of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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 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 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.

Practitioner's responsibilities for the extended review of the Financial Statements

Our responsibility is to express a conclusion on the Financial Statements. This requires that we plan and perform procedures to obtain limited assurance in respect of our conclusion on the Financial Statements and, moreover, that we perform supplementary procedures specifically required to obtain additional assurance in respect of our conclusion.

Independent Practitioner's Report (continued)

An extended review consists of making inquiries, primarily of Management and others within the enterprise, as appropriate, and applying analytical procedures and the supplementary procedures specifically required as well as assessing the evidence obtained.

An extended review is less in scope than an audit and, consequently, we do not express an audit opinion on the Financial Statements.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our extended review of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the extended review, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Hellerup, 7 July 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31

Martin Lunden
State Authorised Public Accountant
mne32209

Thomas Lauritsen
State Authorised Public Accountant
mne34342

UPM-KYMMENE A/S
Annual report 2021
CVR no. 46 39 61 11

Management's review

Company details

UPM-KYMMENE A/S
Betonvej 10
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

Stefan Mebus
Mirja Inkeri Margareeta Salmelin
Juuli Anniina Räsänen

Executive Board

Robin Carl Wilén, 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 other related activities as estimated by the Board of Directors.

Development in activities and finances

The profit for the year amounts to DKK 565 thousand (2020: DKK 932 thousand).

The development of the year is consistent with the expectations. For next year the business is expected to be the same without any special events.

Extraordinary events during the year

The COVID-19 pandemic and the related containment measures resulted in a sharp decline in the global economy in 2020. During the first phase of the recession, the pandemic containment measures and lockdowns around the world severely limited or temporarily stopped significant parts of the economy. In 2021, the global economy has started to recover, but it is uncertain how long-lasting the recovery will be. Despite progress with vaccinations, additional waves of the epidemic in different parts of the world remain possible. The recovery in the global economy from the deep downturn in 2020, combined with the ongoing pandemic have created tightness and disruptions globally in many supply chains, including logistics and energy, causing rising costs and uncertainty on price and availability of many raw materials and energy.

UPM has implemented extensive precautions to protect the health and safety of its employees and to ensure business continuity and the progression of its strategic projects during the pandemic. So far UPM has been able to protect its employees and business continuity well.

The COVID-19-pandemic and the related containment measures around the world continue to represent significant uncertainty. The duration of the pandemic and the duration and shape of the recession and the following recovery are uncertain. The pandemic itself, the lockdowns and containment measures, and the resulting global recession may all impact UPM's operations and supply chain, or the demand, supply and pricing of UPM's products and inputs.

Subsequent events

No significant 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	2021	2020
Gross profit		<u>7,053,765</u>	<u>8,646,535</u>
Staff costs	2	<u>-5,924,066</u>	<u>-7,417,887</u>
Operating profit		<u>1,129,699</u>	<u>1,228,648</u>
Financial income	3	21,975	24,573
Financial expenses	4	<u>-60,445</u>	<u>-49,896</u>
Profit before tax		<u>1,091,229</u>	<u>1,203,325</u>
Tax on profit for the year	5	<u>-526,219</u>	<u>-271,725</u>
Profit for the year		<u><u>565,010</u></u>	<u><u>931,600</u></u>
Proposed profit appropriation			
Retained earnings		<u><u>565,010</u></u>	<u><u>931,600</u></u>

Financial statements 1 January - 31 December

Balance sheet

DKK	NOTE	2021	2020
		<u> </u>	<u> </u>
ASSETS			
Current assets			
Receivables			
Trade receivables		6,169	7,660
Receivables from group entities		14,031,432	14,541,766
Other receivables		329,856	244,123
Deferred tax assets		195,247	122,053
Prepayments		0	136,030
		<u>14,562,704</u>	<u>15,051,632</u>
Cash at bank and in hand		<u>4,679,746</u>	<u>4,074,398</u>
Total current assets		<u>19,242,450</u>	<u>19,126,030</u>
TOTAL ASSETS		<u><u>19,242,450</u></u>	<u><u>19,126,030</u></u>

Financial statements 1 January - 31 December

Balance sheet

DKK	Note	2021	2020
EQUITY AND LIABILITIES			
Equity			
Contributed capital	6	4,522,319	4,522,319
Retained earnings		11,975,949	11,410,939
Total equity		16,498,268	15,933,258
Liabilities			
Non-current liabilities other than provisions			
Other payables		575,817	575,816
		575,817	575,816
Current liabilities other than provisions			
Trade payables		76,477	125,318
Payables to group entities		1	7
Corporation tax		384,902	159,593
Other payables		1,706,985	2,332,038
		2,168,365	2,616,956
Total liabilities		2,744,182	3,192,772
TOTAL EQUITY AND LIABILITIES		19,242,450	19,126,030
Contractual obligations, contingencies, etc.	7		
Related parties	8		

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Equity at 1 January 2021	4,522,319	11,410,939	15,933,258
Transferred over the profit appropriation	0	565,010	565,010
Equity at 31 December 2021	4,522,319	11,975,949	16,498,268

Financial statements 1 January - 31 December

Notes

1 Accounting policies

The annual report of UPM-Kymmene A/S for 2021 has been presented in accordance with the provisions applying to reporting class B entities with opt-in from higher accounting class 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.

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.

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

Revenue consisting commission income is recognized in the income statement when delivery and transfer of risk has been made before year end. Revenue is recognized exclusive of VAT and net of discounts relating to sales.

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 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.

Tax on profit 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.

1 Accounting policies (continued)

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 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.

Share based incentive schemes

UPM has two long-term incentive plans. Performance Share Plan (PSP) for senior executives and Deferred Bonus Plan (DBP) for other key employees.

Performance Share Plan

Under the ongoing plans the UPM shares are awarded based on the total shareholder return during a three-year earning period. The earned shares are delivered after the earning period has ended.

Deferred Bonus Plan

Deferred Bonus Plan share incentives are based on achievement of group and/or business area EBITDA targets. Each plan consists of a one-year earning period and a two-year restriction period. Prior to share delivery, the share rewards earned are adjusted with dividends and other capital distributions paid to all shareholders during the restriction period

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 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.

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	2021	2020
		<u> </u>	<u> </u>
	Wages and salaries	5,131,450	6,712,329
	Pensions	775,291	810,160
	Other social security costs	17,325	-104,602
		<u> </u>	<u> </u>
		<u>5,924,066</u>	<u>7,417,887</u>
	Average number of employees	<u> </u> 6	<u> </u> 7

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.

3	Financial income		
	DKK	2021	2020
		<u> </u>	<u> </u>
	Interest income from group entities	21,975	24,573
	Other interest income	0	0
		<u> </u>	<u> </u>
		<u>21,975</u>	<u>24,573</u>

4	Financial expenses		
	DKK	2021	2020
		<u> </u>	<u> </u>
	Interest expense to group entities	5,359	1,816
	Other interest costs	55,086	48,080
		<u> </u>	<u> </u>
		<u>60,445</u>	<u>49,896</u>

5	Tax on profit for the year		
	DKK	2021	2020
		<u> </u>	<u> </u>
	Current tax for the year	599,413	250,074
	Taxes from previous years	0	607
	Deferred tax for the year	-73,194	21,044
		<u> </u>	<u> </u>
		<u>526,219</u>	<u>271,725</u>

6 Equity

The Company's share capital consists of 45,223 shares of a nominal value DKK 100 each.
All shares rank equally.

7 Contractual obligations, contingencies, etc.

Lease obligations under operating leases. Total future lease payments:

DKK	2021	2020
Operating lease obligations		
Within 1 year	70,000	439,098
Between 1 and 5 years	734,841	410,939
	<u>804,841</u>	<u>850,037</u>

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.

9 Events after the balance sheet date

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

PENNEO

The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

Stefan Mebus

Bestyrelsesformand

Serial number: stefan.mebus@upm.com

IP: 176.72.xxx.xxx

2022-07-07 20:38:03 UTC

Stefan Mebus

JUULI ANNIINA RÄSÄNEN

Bestyrelsesmedlem

Serial number:

fi_tupas:nordea:yupL2Axp11DKvoi8AtzrJEJLSIJg6iu9kANe4k_dPM=

IP: 193.24.xxx.xxx

2022-07-08 06:11:40 UTC



Robin Carl Wilén

Direktør

Serial number: 85245bf9-89e2-43ea-ae13-967b17aae3e5

IP: 147.161.xxx.xxx

2022-07-08 07:07:47 UTC



Mirja Inkeri Margareeta Salmelin

Bestyrelsesmedlem

Serial number: fi_tupas:danske:OJjWkCt-

yZb9C3YZ_0meTSLOXMxv1tQsPKcZiHr8RUK=

IP: 193.24.xxx.xxx

2022-07-08 07:16:37 UTC



Thomas Lauritsen

Statsautoriseret revisor

On behalf of: PricewaterhouseCoopers Statsautoriseret...

Serial number: CVR:33771231-RID:66703258

IP: 83.136.xxx.xxx

2022-07-08 07:17:18 UTC



Martin Lunden

Statsautoriseret revisor

On behalf of: PricewaterhouseCoopers Statsautoriseret...

Serial number: CVR:33771231-RID:77203914

IP: 83.136.xxx.xxx

2022-07-08 07:19:48 UTC



Mirja Inkeri Margareeta Salmelin

Dirigent

Serial number: fi_tupas:danske:OJjWkCt-

yZb9C3YZ_0meTSLOXMxv1tQsPKcZiHr8RUK=

IP: 193.24.xxx.xxx

2022-07-08 07:23:42 UTC



This document is digitally signed using Penneo.com. The digital signature data within the document is secured and validated by the computed hash value of the original document. The document is locked and timestamped with a certificate from a trusted third party. All cryptographic evidence is embedded within this PDF, for future validation if necessary.

How to verify the originality of this document

This document is protected by an Adobe CDS certificate. When you open the

document in Adobe Reader, you should see, that the document is certified by **Penneo e-signature service** <penneo@penneo.com>. This guarantees that the contents of the document have not been changed.

You can verify the cryptographic evidence within this document using the Penneo validator, which can be found at <https://penneo.com/validate>