

UPM-KYMMENE A/S

Universitetsparken 7
4000 Roskilde

CVR no. 46 39 61 11

Annual report 2020

The annual report was presented and adopted at the
Company's annual general meeting on 17 June 2021

Mirja Inkeri Margareeta Salmelin

chairman

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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 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

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, 17 June 2021

Executive Board:

Robin Carl Wilén
Chief Executive Officer

Board of Directors

Stefan Mebus

Mirja Inkeri Margareeta
Salmelin

Juuli Anniina Räsänen

Independent auditor's report

To the shareholder of UPM-KYMMENE A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020, and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of UPM-Kymmene A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

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

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 audit 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 audit, 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 Financial 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.

Management's Responsibilities 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.

Independent auditor's report

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about 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 applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 taken 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

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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.

Hellerup, Copenhagen, 17 June 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Boje Andreassen
State Authorised Public Accountant
Mne2338

Lone Vindbjerg Larsen
State Authorised Public Accountant
Mne34548

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
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 932 thousand (2019: DKK 1,111 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. In 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. It is uncertain how potent the following recovery will be and how long it will take for the world economy to reach the pre-pandemic level of activity. Despite the start of vaccinations, additional waves of the epidemic in different parts of the world remain possible. UPM has implemented extensive precautions to protect the health and safety of its employees and to ensure business continuity and progress of its strategic projects during the pandemic. So far UPM has been able to protect its employees and business continuity well and therefore the company does not expect any effects in the coming year.

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 | 2020 | 2019 |
|--------------------------------------|------|------------|------------|
| Gross profit | | 8,646,535 | 8,737,583 |
| Staff costs | 2 | -7,417,887 | -7,326,851 |
| Operating profit | | 1,228,648 | 1,410,732 |
| Financial income | 3 | 24,573 | 11,709 |
| Financial expenses | 4 | -49,896 | -23,676 |
| Profit before tax | | 1,203,325 | 1,398,765 |
| Tax on profit for the year | 5 | -271,725 | -287,512 |
| Profit for the year | | 931,600 | 1,111,253 |
| Proposed profit appropriation | | | |
| Retained earnings | | 931,600 | 1,111,253 |

Financial statements 1 January - 31 December

Balance sheet

| DKK | Note | 2020 | 2019 |
|---------------------------------|------|------------|------------|
| ASSETS | | | |
| Current assets | | | |
| Receivables | | | |
| Trade receivables | | 7,660 | 3,877 |
| Receivables from group entities | | 14,541,766 | 14,218,782 |
| Other receivables | | 244,123 | 145,519 |
| Deferred tax assets | | 122,053 | 143,097 |
| Prepayments | | 136,030 | 0 |
| | | 15,051,632 | 14,511,275 |
| Cash at bank and in hand | | 4,074,398 | 3,039,115 |
| Total current assets | | 19,126,030 | 17,550,390 |
| TOTAL ASSETS | | 19,126,030 | 17,550,390 |

Financial statements 1 January - 31 December

Balance sheet

| DKK | Note | 2020 | 2019 |
|--|------|-------------------|-------------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Contributed capital | 6 | 4,522,319 | 4,522,319 |
| Retained earnings | | 11,410,939 | 10,479,339 |
| Total equity | | 15,933,258 | 15,001,658 |
| Liabilities | | | |
| Non-current liabilities other than provisions | | | |
| Other payables | | 575,816 | 0 |
| | | 575,816 | 0 |
| Current liabilities other than provisions | | | |
| Trade payables | | 125,318 | 144,167 |
| Payables to group entities | | 7 | 0 |
| Corporation tax | | 159,593 | 101,489 |
| Other payables | | 2,332,038 | 2,303,076 |
| | | 2,616,956 | 2,548,732 |
| Total liabilities | | 3,192,772 | 2,548,732 |
| TOTAL EQUITY AND LIABILITIES | | 19,126,030 | 17,550,390 |
| 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 2020 | 4,522,319 | 10,479,339 | 15,001,658 |
| Transferred over the profit appropriation | 0 | 931,600 | 931,600 |
| Equity at 31 December 2020 | 4,522,319 | 11,410,939 | 15,933,258 |

Financial statements 1 January - 31 December

Notes

1 Accounting policies

The annual report of UPM-Kymmene A/S for 2020 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

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 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 | 2020 | 2019 |
| | | <u> </u> | <u> </u> |
| | Wages and salaries | 6,712,329 | 6,202,682 |
| | Pensions | 810,160 | 968,295 |
| | Other social security costs | <u>-104,602</u> | <u>155,874</u> |
| | | <u>7,417,887</u> | <u>7,326,851</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.

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 | 2020 | 2019 |
| | | <u> </u> | <u> </u> |
| | Interest income from group entities | 24,573 | 11,619 |
| | Other interest income | <u>0</u> | <u>90</u> |
| | | <u>24,573</u> | <u>11,709</u> |

| | | | |
|----------|------------------------------------|-----------------------------|-----------------------------|
| 4 | Financial expenses | | |
| | DKK | 2020 | 2019 |
| | | <u> </u> | <u> </u> |
| | Interest expense to group entities | 1,816 | 1,810 |
| | Other interest costs | <u>48,080</u> | <u>21,866</u> |
| | | <u>49,896</u> | <u>23,676</u> |

| | | | |
|----------|-----------------------------------|-----------------------------|-----------------------------|
| 5 | Tax on profit for the year | | |
| | DKK | 2020 | 2019 |
| | | <u> </u> | <u> </u> |
| | Current tax for the year | 250,074 | 300,608 |
| | Taxes from previous years | 607 | -38,564 |
| | Deferred tax for the year | <u>21,044</u> | <u>25,468</u> |
| | | <u>271,725</u> | <u>287,512</u> |

6 Equity

The Company's share capital consists of 45,223 shares of a nominal value 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.

7 Contractual obligations, contingencies, etc.

Lease obligations under operating leases. Total future lease payments:

| DKK | 2020 | 2019 |
|------------------------------------|----------------|----------------|
| Operating lease obligations | | |
| Within 1 year | 439,098 | 426,878 |
| Between 1 and 5 years | 410,939 | 326,289 |
| | <u>850,037</u> | <u>753,167</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."

Mirja Inkeri Margareeta Salmelin

Bestyrelsesmedlem

Serial number: mirja.salmelin@upm.com

IP: 91.152.xxx.xxx

2021-06-20 17:56:33Z

Mirja Salmelin

Stefan Mebus

Bestyrelsesformand

Serial number: stefan.mebus@upm.com

IP: 93.106.xxx.xxx

2021-06-20 20:42:06Z

Stefan Mebus

Robin Carl Wilén

Adm. direktør

On behalf of: UPM-Kymmene A/S

Serial number: PID:9208-2002-2-374473242360

IP: 193.24.xxx.xxx

2021-06-21 06:08:00Z

NEM ID 

Juuli Anniina Räsänen

Bestyrelsesmedlem

Serial number: juuli.rasanen@upm.com

IP: 193.24.xxx.xxx

2021-06-21 08:48:52Z

Juuli

Jan Boje Andreassen

Statsautoriseret revisor

On behalf of: PricewaterhouseCoopers Statsautoriseret...

Serial number: CVR:33771231-RID:61973527

IP: 83.136.xxx.xxx

2021-06-21 08:57:35Z

NEM ID 

Lone Vindbjerg Larsen

Statsautoriseret revisor

On behalf of: PricewaterhouseCoopers Statsautoriseret...

Serial number: CVR:33771231-RID:32977589

IP: 83.136.xxx.xxx

2021-06-21 10:16:29Z

NEM ID 

Mirja Inkeri Margareeta Salmelin

Dirigent

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2021-06-21 10:37:06Z

Mirja Salmelin

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