

SECTION A COMPANY STRUCTURE AND OPERATIONS

This section requests information relating to company details and financial reports.

A-1 Identity and communication

Please nominate a person within your company who can be contacted for the purposes of this investigation:

Head Office: UPM-Kymmene Corporation

Name: Sami Latva

Position in the company: Legal Counsel

Address: Alvar Aallon katu 1, 00100 Helsinki, Finland

Telephone: +358405837223

Facsimile number: N/A

E-mail address of contact person: sami.latva@upm.com

Factory: UPM France SAS

Address: UPM France S.A.S, Etablissement Chapelle Darblay, F-76530
Grand-Couronne, France

Telephone : +33 2 35 18 40 00

Financial Records: UPM France SAS

Address: 134 Rue Danton, 92300 Levallois Perret - France

Telephone: +33 1 4639 3000

Facsimile number: N/A

E-mail address of contact person: jean.kubiak@upm.com

A-2 Representative of the company for the purpose of investigation

If you wish to appoint a representative to assist you in this investigation, provide the following details:

Name: John Cosgrave. Minter Ellison Lawyers

Address: Level 3, 25 National Circuit, Forrest, Canberra, Australian
Capital Territory, 2603

Telephone: +61 2 6225 3781

Facsimile/Telex number: +61 2 6225 1781

E-mail address of contact person: john.cosgrave@minterellison.com

Note that in nominating a representative, the Commission will assume that confidential material relating to your company in this investigation may be freely released to, or discussed with, that representative.

A-3 Company information

1. What is the legal name of your business? What kind of entity is it (eg. company, partnership, sole trader)? Please provide details of any other business names that you use to export and/or sell goods.

UPM-Kymmene Corporation ("UPM"), a public limited liability company registered in the trade registry in Finland, is the ultimate parent company for UPM entities manufacturing and selling paper products. In 2013, UPM's sales exceeded € 10 billion. UPM is present in 65 countries and has production plants in 14 countries. The company employs approximately 21,000 people worldwide. UPM shares are listed on the NASDAQ OMX Helsinki stock exchange

UPM France S.A.S, a limited liability company incorporated in France, is the owner of the Chapelle paper mill that produces newsprint paper on PM6 being one of the two installed paper machines at the mill.

UPM France S.A.S is a 100% owned subsidiary of UPM-Kymmene Corporation and is a manufacturing entity only that does not sell newsprint directly to customers.

UPM Sales Oy, a limited liability company registered in the trade registry in Finland, is a sales company that purchases and sells all paper manufactured by Chapelle mill for domestic and export markets. UPM Sales Oy, is a 100% owned subsidiary of UPM-Kymmene Corporation.

UPM Asia Pacific Pte Ltd ("UPM-AP") is a Singapore based [REDACTED] trading company in Asia Pacific, operating as a [REDACTED] distributor. UPM-Kymmene Pty Ltd (UPM-Aus) is the UPM sales company in Australia operating as a commission agent representing UPM-AP, in Australia and New Zealand. UPM-AP purchase goods from UPM Sales Oy for the Asia Pacific region. UPM-AP is a 100% owned subsidiary of UPM-Kymmene Corporation. [confidential role details]

2. Who are the owners and/or principal shareholders? Provide details of shareholding percentages for joint owners and/or principal shareholders. (List all shareholders able to cast, or control the casting of, 5% or more of the maximum amount of votes that could be cast at a general meeting of your company).

UPM shares are widely held and the free float of the shares is estimated to be close to 100%. Over 40% of UPM shareholders are Finnish and the rest nominee registered shareholders.

17 April 2014: The holding of Norges Bank in UPM is 5.02% of UPM's shares and voting rights.

5 November 2013: The holding of JP Morgan Chase & Co. in UPM is 5.02% of UPM's shares and voting rights.

3. If your company is a subsidiary of another company, list the principal shareholders of that company.

FOR PUBLIC RECORD

3

UPM-Kymmene Corporation is the parent company of all of the companies listed in A-3.1 above and owns directly or indirectly 100% of the share capital and voting rights of each of them.

4. If your parent company is a subsidiary of another company, list the principal shareholders of that company.

Not Applicable.

5. Provide a diagram showing all associated or affiliated companies and your company's place within that corporate structure.

[confidential company structure details]

6. Are any management fees/corporate allocations charged to your company by your parent or related company?

[redacted]

[redacted]

[redacted]

[redacted]

[management fee details]

7. Describe the nature of your company's business. Explain whether you are a producer or manufacturer, distributor, trading company, etc.

UPM France SAS is the manufacturer of newsprint papers.
UPM Sales Oy is the distributor of UPM papers to domestic and export markets.

FOR PUBLIC RECORD

4

8. If your business does not perform all of the following functions in relation to the goods under consideration, then please provide names and addresses of the companies which perform each function:

- produce or manufacture
- sell in the domestic market
- export to Australia, and
- export to countries other than Australia.

Please see A-3.1 above.

9. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

Please see Confidential Appendix 1 and Confidential Appendix 2 for organisational charts.

10. Provide a copy of your most recent annual report together with any relevant brochures or pamphlets on your business activities.

Please see Confidential Appendix 3 (a) and Confidential Appendix 3 (b).

[English translations of audited statements, Confidential Appendix 3 (a) and (b) will be forwarded to the Commission shortly]

Please see Appendix 4 environmental information on Chapelle Mill

A-4 General accounting/administration information

1. Indicate your accounting period.

UPM applies 1st January – 31st December fiscal year for the accounting period.

2. Indicate the address where the company's financial records are held.

UPM France SAS
134 Rue Danton
92300 Levallois Perret - France

FOR PUBLIC RECORD

5

3. Please provide the following financial documents for the two most recently completed financial years plus all subsequent monthly, quarterly or half yearly statements:

- chart of accounts;
- audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion)

See Confidential Appendix 3 (a) and Confidential Appendix 3 (b).

- internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods under consideration.

These documents should relate to:

- the division or section/s of your business responsible for the production and sale of the goods under consideration, and
- the company.

See Confidential Appendix 5 (a), Confidential Appendix 5 (b), Confidential Appendix 5 (c) and Confidential Appendix 5 (d).

4. If you are not required to have the accounts audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

Not applicable

5. Do your accounting practices differ in any way from the generally accepted accounting principles in your country? If so, provide details.

No

6. Describe:

The significant accounting policies that govern your system of accounting, in particular:

- the method of valuation for raw material, work-in-process, and finished goods inventories (eg last in first out –LIFO, first in first out- FIFO, weighted average);

Raw Materials

Finished product inventory measurement

Cost of Inventories

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[raw materials and inventory accounting policies]

- costing methods, including the method (eg by tonnes, units, revenue, direct costs etc) of allocating costs shared with other goods or processes (such as front office cost, infrastructure cost etc);

The Newsprint [REDACTED]

[REDACTED]

[cost allocation methods]

- valuation methods for damaged or sub-standard goods generated at the various stages of production;

At UPM Chapelle, damaged or substandard products are valued at [REDACTED]

[REDACTED].

- valuation methods for scrap, by products, or joint products;

At UPM Chapelle, scrap, by products or joint products are valued at [REDACTED]

[REDACTED].

- valuation and revaluation methods for fixed assets;

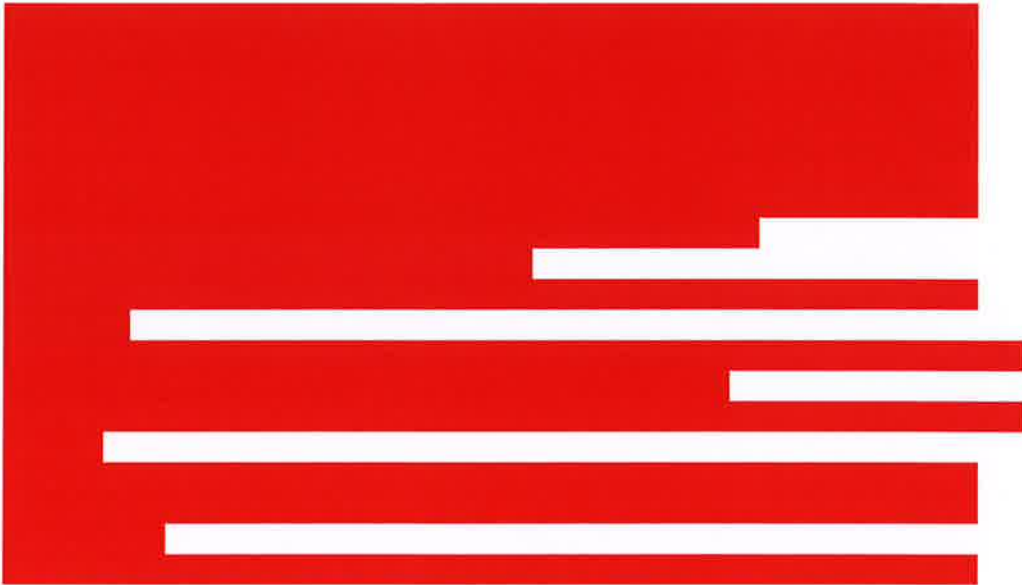
[REDACTED]







Depreciation rules are below

- average useful life for each class of production equipment and depreciation method and rate used for each;

Depreciation is calculated on the basis of [REDACTED]

[REDACTED]



- treatment of foreign exchange gains and losses arising from transactions;

- treatment of foreign exchange gains/losses arising from the translation of balance sheet items;

- inclusion of general expenses and/or interest;

- provisions for bad or doubtful debts;

- expenses for idle equipment and/or plant shut-downs;

- costs of plant closure;


- restructuring costs;

[REDACTED]

- by-products and scrap materials resulting from your company's production process; and

[REDACTED]

- effects of inflation on financial statement information.

[REDACTED]

7. In the event that any of the accounting methods used by your company have changed over the last two years provide an explanation of the changes, the date of change, and the reasons for it.

[REDACTED]

[changes
in accounting methods]

A-5 Income statement

The financial statements of UPM France SAS are made following the accounting methods described in A-4-7. The management accounts shown in A-4-3 are made accordingly.

[REDACTED]

[REDACTED] [details of income statements
& management accounts]

A-6 Sales

State your company's net turnover (after returns and all discounts), and free of duties and taxes. Use the currency in which your accounts are kept

Please see worksheet tabbed '**Turnover**' in Attachment A workbook.

SECTION B
SALES TO AUSTRALIA (EXPORT PRICE)

B-1 For each customer in Australia to whom you shipped goods in the investigation period list:

[CUSTOMER DETAILS]

B-2 For each customer identified in B1 please provide the following information.

- (a) Describe how the goods are sent to each customer in Australia, including a diagram if required.

Delivery terms for Australian customers purchasing Newsprint are

[REDACTED]

[delivery terms]

The goods are containerised at Chapelle mill and then moved from the mill via road transport to the export port Le Harve, France. Shipping lines then deliver all orders to Australia to the pre-determined ports. UPM-AP engages

[REDACTED]

[logistics arrangements]

- (b) Identify each party in the distribution chain and describe the functions performed by them. Where commissions are paid indicate whether it is a pre or post exportation expense having regard to the date of sale.

Please see response to A-3.1 above.

[REDACTED]

[commission details]

- (c) Explain who retains ownership of the goods at each stage of the distribution chain. In the case of DDP sales, explain who retains ownership when the goods enter Australia.

[REDACTED]

FOR PUBLIC RECORD

11

[redacted] [ownership and sales details]

- (d) Describe any agency or distributor agreements or other contracts entered into in relation to the Australian market (supply copy of the agreement if possible).

UPM-Aus represents UPM-AP as [redacted]. [representation details] Please see the agency agreement 2012, 2013 and 2014 in Confidential Appendix 6 (a), Confidential Appendix 6 (b) and Confidential Appendix 6 (c).

- (e) Explain in detail the process by which you negotiate price, receive orders, deliver, invoice and receive payment. If export prices are based on price lists supply copies of those lists.

[redacted] There are no price lists [price, order, delivery & payment processes.]

- (f) State whether your firm is related to any of its Australian customers. Give details of any financial or other arrangements (eg free goods, rebates, or promotional subsidies) with the customers in Australia (including parties representing either your firm or the customers).

None of the UPM companies in the supply chain are related to any of the Australian customers. Financial arrangements with Australian customers are addressed in B-6 below.

- (g) Details of the forward orders of the goods under consideration (include quantities, values and scheduled shipping dates).

See Confidential Appendix 7.

- B-3** Do your export selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

No

- B-4** Prepare a spreadsheet named "Australian sales" listing all shipments (i.e. transaction by transaction) to Australia of the goods under consideration in the investigation period. You must provide this list in electronic format. Include the following export related information:

FOR PUBLIC RECORD

12

Please see worksheet "Australian Sales" in Attachment A workbook

- B-5** If there are any other costs, charges or expenses incurred in respect of the exports listed above which have not been identified in the table above, add a column (see "other factors" in question B-4) for each item, and provide a description of each item. For example, other selling expenses (direct or indirect) incurred in relation to the export sales to Australia.

An additional column has been added to account for [REDACTED]
[REDACTED] [cost category details]

- B-6** For each type of discount, rebate, allowance offered on export sales to Australia:
- provide a description; and
 - explain the terms and conditions that must be met by the importer to obtain the discount.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amount shown in your response to question B4. If they vary by customer or level provide an explanation.

Not applicable

- B-7** If you have issued credit notes (directly or indirectly) to the customers in Australia, in relation to the invoices listed in the detailed transaction by transaction listing in response to question B4, provide details of each credit note if the credited amount has **not** been reported as a discount or rebate.

[REDACTED]

[REDACTED]

[credit note details]

- B-8** If the delivery terms make you responsible for arrival of the goods at an agreed point within Australia (eg. delivered duty paid), insert additional columns in the spreadsheet for all other costs incurred. For example:

Import duties	Amount of import duty paid in Australia
Inland transport	Amount of inland transportation expenses within Australia included in the selling price
Other costs	Customs brokers, port and other costs incurred (itemise)

Please see response to B-5 above.

- B-9** Select two shipments, in different quarters of the investigation period, and provide a complete set of all of the documentation related to the export sale. For example:
- the importer's purchase order, order confirmation, and contract of sale;

FOR PUBLIC RECORD

13

- commercial invoice;
- bill of lading, export permit;
- freight invoices in relation to movement of the goods from factory to Australia, including inland freight contract;
- marine insurance expenses; and
- letter of credit, and bank documentation, proving payment.

The Commission will select additional shipments for payment verification at the time of the visit.

The following Australian orders have been selected;



Please see Confidential Appendix 8 (a) for order [REDACTED] documentation and Confidential Appendix 8 (b) for order [REDACTED] documentation. [order details]

SECTION C EXPORTED GOODS & LIKE GOODS

- C-1** Fully describe all of the goods you have exported to Australia during the investigation period. Include specification details and any technical and illustrative material that may be helpful in identifying, or classifying, the exported goods.

UPM has delivered standard Newsprint from Chapelle [REDACTED]
[REDACTED] [confidential usage characteristics]

There are no material differences between [REDACTED]
[REDACTED] [internal product comparisons]

See Confidential Appendix 9 (a) [REDACTED] and
Confidential Appendix 9 (b) [REDACTED] manufactured by
Chapelle mill. [internal product characteristics] Note : Chapelle is using only
Recycled Fibre.

- C-2** List each type of goods exported to Australia (these types should cover all types listed in spreadsheet “**Australian sales**” – see section B of this questionnaire).

[REDACTED]	[REDACTED]
------------	------------

[Type of goods]

- C-3** If you sell like goods on the domestic market, for each type that your company has exported to Australia during the investigation period, list the most comparable model(s) sold domestically;

- and provide a detailed explanation of the differences where those goods sold domestically (ie. the like goods – see explanation in glossary) are not identical to goods exported to Australia.

The products sold to Australia are also sold on the domestic market and they are identical.

EXPORTED TYPE	DOMESTIC TYPE	IDENTICAL?	DIFFERENCES

[Goods types]

FOR PUBLIC RECORD

15

- C-4** Please provide any technical and illustrative material that may be helpful in identifying or classifying the goods that your company sells on the domestic market.

See Confidential Appendix 9 (a) and Confidential Appendix 9 (b).

SECTION D DOMESTIC SALES

This section seeks information about the sales arrangements and prices in the domestic market of the country of export.

D-1 Provide:

- a detailed description of your distribution channels to domestic customers, including a diagram if appropriate;
- information concerning the functions/activities performed by each party in the distribution chain; and
- a copy of any agency or distributor agreements, or contracts entered into.

If any of the customers listed are associated with your business, provide details of that association. Describe the effect, if any, that association has upon the price.

Please see Confidential Appendix 10 (a) for the Distribution Agreement and Confidential Appendix 10 (b) for Distribution channels document.

D-2 Do your domestic selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

Not applicable

D-3 Explain in detail the sales process, including:

- the way in which you set the price, receive orders, make delivery, invoice and finally receive payment; and the terms of the sales; and
- whether price includes the cost of delivery to customer.

If sales are in accordance with price lists, provide copies of the price lists.

The Pricing process has two main parts

- (1) defining price instructions
- (2) pricing of individual customer deals



[REDACTED]

[REDACTED]

[REDACTED] [pricing processes]

For detailed Sales process explanations please see Confidential Appendix 11 (a) for receiving orders, Confidential Appendix 11 (b) for making deliveries and Confidential Appendix 11 (c) for invoicing.

- D-4** Prepare a spreadsheet named “**domestic sales**” listing **all** sales of like goods made during the investigation period. The listing must be provided on a CD-ROM. Include all of the following information.

Please see “**domestic sales**” tab in Attachment A

- D-5** If there are any other costs, charges or expenses incurred in respect of the sales listed which have not been identified in the table in question D-4 above add a column for each item (see “other factors”). For example, certain other selling expenses incurred.

Not Applicable.

- D-6** For each type of commission, discount, rebate, allowance offered on domestic sales of like goods:

- provide a description; and
- explain the terms and conditions that must be met by the customer to qualify for payment.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amounts shown in your response to question D4.

If you have issued credit notes, directly or indirectly to the customers, provide details if the credited amount has **not** been reported as a discount or rebate.

All types of adjustment are recorded in Attachment A – ‘domestic sales’.

- D-7** Select two domestic sales, in different quarters of the investigation period, that are at the same level of trade as the export sales. Provide a complete set of documentation for those two sales. (Include, for example, purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, bank documentation showing proof of payment.)

The Commission will select additional sales for verification at the time of our visit.

FOR PUBLIC RECORD

18

The following domestic orders have been selected;

[REDACTED]

Please see Confidential Appendix 12 (a) for order [REDACTED] documentation
and Confidential Appendix 12 (b) for order [REDACTED] documentation.

SECTION E FAIR COMPARISON

E-1 Costs associated with export sales

(These cost adjustments will relate to your responses made at question B-4, 'Australian sales')

1. Transportation

Explain how you have quantified the amount of inland transportation associated with the export sale ("**Inland transportation costs**"). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

Inland transportation costs for exports are based on order number, order quantity, container type and port of loading. The costs are located in [REDACTED]

2. Handling, loading and ancillary expenses

List all charges that are included in the export price and explain how they have been quantified ("**Handling, loading & ancillary expenses**"). Identify the general ledger account where the expenses are located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

The various export related ancillary costs are identified in the table at question B4, for example:

- terminal handling;
- wharfage and other port charges;
- container taxes;
- document fees and customs brokers fees;
- clearance fees;
- bank charges, letter of credit fees
- other ancillary charges.

Terminal handling, port charges and other ancillary charges are included in [REDACTED]

Custom expenses are posted to account [REDACTED]

3. Credit

The cost of extending credit on export sales is not included in the amounts quantified at question B4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. Provide applicable interest rates over each month of the investigation period. Explain the nature of the interest rates most applicable to these export sales eg, short term borrowing in the currency concerned.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, *and if* export prices are influenced by this longer or shorter period, calculate the average number of collection days. See also item 4 in section E-2 below.

UPM's average cost of capital is based on [REDACTED] and monthly rates for the period of investigation are set out in Confidential Appendix 13 The average effective rate for the POI was [REDACTED]

4. **Packing costs**

List material and labour costs associated with packing the export product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed '**Packing**'.

There is no difference in Packaging for Domestic Market or Exportation .

5. **Commissions**

For any commissions paid in relation to the export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met.

Report the amount in the sales listing in question B-4 under the column headed "**Commissions**". Identify the general ledger account where the expense is located.

UPM-AP pays an agency commission to UPM-Aus [REDACTED]
[REDACTED] and applies to all
Australian orders. [Commission details]

6. **Warranties, guarantees, and after sales services**

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses ("**Warranty & guarantee expenses**" and "**Technical assistance & other services**"), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

Not applicable

7. **Other factors**

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed **“Other factors”**. For example, other variable or fixed selling expenses, including salesmen’s salaries, salesmen’s travel expenses, advertising and promotion, samples and entertainment expenses. Your consideration of questions asked at Section G, concerning domestic and export costs, would have alerted you to such other factors.

Please see response to Section G-5.1 below.

8. Currency conversions

In comparing export and domestic prices a currency conversion is required. Fluctuations in exchange rates can only be taken into account when there has been a ‘sustained’ movement during the period of investigation (see article 2.4.1 of the WTO Agreement). The purpose is to allow exporters 60 days to adjust export prices to reflect ‘sustained’ movements. Such a claim requires detailed information on exchange movements in your country over a long period that includes the investigation period.

Domestic prices in France are expressed in [REDACTED] and export prices to Australian customers are in [REDACTED].

[REDACTED]

Currency calculations are included in Confidential Appendix 14.
[Currency conversion details]

E-2 Costs associated with domestic sales

(These cost adjustments will relate to your responses made at question D-4, **“domestic sales”**)

The following items are not separately identified in the amounts quantified at question D-4. However you should consider whether any are applicable.

1. Physical characteristics

The adjustment recognises that differences such as quality, chemical composition, structure or design, mean that goods are not identical and the differences can be quantified in order to ensure fair comparison.

The amount of the adjustment shall be based upon the market value of the difference, but where this is not possible the adjustment shall be based upon the difference in cost plus the gross profit mark-up (i.e. an amount for selling general and administrative costs (S G & A) plus profit).

The adjustment is based upon actual physical differences in the goods being compared and upon the manufacturing cost data. Identify the physical differences between each model. State the source of your data.

Domestic products included in "Domestic Sales" spreadsheet and products exported to Australia are identical.

2. Import charges and indirect taxes

If exports to Australia:

- are partially or fully exempt from internal taxes and duties that are borne by the like goods in domestic sales (or on the materials and components physically incorporated in the goods), or
- if such internal taxes and duties have been paid and are later remitted upon exportation to Australia;

the price of like goods must be adjusted downwards by the amount of the taxes and duties.

The taxes and duties include sales, excise, turnover, value added, franchise, stamp, transfer, border, and excise taxes. Direct taxes such as corporate income tax are not included as such taxes do not apply to the transactions.

Adjustment for drawback is not made in every situation where drawback has been received. Where an adjustment for drawback is appropriate you must provide information showing the import duty borne by the domestic sales. (That is, it is not sufficient to show the drawback amount and the export sales quantity to Australia. For example, you may calculate the duty borne on domestic sales by quantifying the total amount of import duty paid and subtracting the duty refunded on exports to all countries. The difference, when divided by the domestic sales volume, is the amount of the adjustment).

In substantiating the drawback claim the following information is required:

- a copy of the relevant statutes/regulations authorising duty exemption or remission, translated into English;
- the amount of the duties and taxes refunded upon *exportation* and an explanation how the amounts were calculated and apportioned to the exported goods;
- an explanation as to how you calculated the amount of duty payable on imported materials is borne by the goods sold *domestically* but is not borne by the exports to Australia;

Substitution drawback systems

Annex 3 of the WTO Agreement on Subsidies provides: *"Drawback systems can allow for the refund or drawback of import duties on inputs which are consumed in the production process of another product and where the export of this latter product contains domestic inputs having the same quality and characteristics as those substituted for the imported inputs"*

If such a scheme operates in the country of export adjustments can also be made for the drawback payable on the substituted domestic materials, provided the total amount of the drawback does not exceed the total duty paid.

Not Applicable

3. Level of trade

Question D-4 asks you to indicate the level of trade to the domestic customer. To claim an adjustment for level of trade differences you will need to quantify the amount by which level of trade influences price.

Trade level is the level a company occupies in the distribution chain. The trade level to which that company in turn sells the goods and the functions carried out distinguish a level of trade. Examples are producer, national distributor, regional distributor, wholesaler, retailer, end user, and original equipment.

It may not be possible to compare export prices and domestic prices at the same level of trade. Where relevant sales of like goods at the next level of trade must be used to determine normal values an adjustment for the difference in level of trade may be required where it is shown that the difference affects price comparability.

The information needs to establish that there are real trade level differences, not merely nominal differences. Real trade level differences are characterised by a consistent pattern of price differences between the levels and by a difference in functions performed. If there is no real trade level differences all sales are treated as being at the same level of trade.

A real difference in level of trade (may be adjusted for using either of the following methods:

- (a) *costs arising from different functions:* the amount of the costs, expenses etc incurred by the seller in domestic sales of the like goods resulting from activities that would not be performed were the domestic sales made at the same level as that of the importer.

This requires the following information:

- a detailed description of each sales activity performed in selling to your domestic customers (for example sales personnel, travel, advertising, entertainment etc);
- the cost of carrying out these activities in respect of like goods;
- for each activity, whether your firm carries out the same activity when selling to importers in Australia;

- an explanation as to why you consider that you are entitled to a level of trade adjustment.

or

- (b) *level discount*: the amount of the discount granted to purchasers who are at the same level of trade as the importer in Australia. This is determined by an examination of price differences between the two levels of trade in the exporter's domestic market, for example sales of like goods by other vendors or sales of the same general category of goods by the exporter. For this method to be used it is important that a clear pattern of pricing be established for the differing trade levels. Such pattern is demonstrated by a general availability of the discounts to the level - isolated instances would not establish a pattern of availability.

Sales to domestic customers in France and export sales to Australia involve significant differences in relation to such matters as [REDACTED]

[REDACTED] A submission addressing these differences will be filed separately. [domestic v export sales differences]

4. Credit

The cost of extending credit on domestic sales is not included in the amounts quantified at question D-4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. An adjustment for credit is to be made even if funds are not borrowed to finance the accounts receivable.

The interest rate on domestic sales in order of preference is:

- the rate, or average of rates, applying on actual short term borrowing's by the company; or
- the prime interest rate prevailing for commercial loans in the country for credit terms that most closely approximate the credit terms on which the sales were made; or
- such other rate considered appropriate in the circumstances.

Provide the applicable interest rate over each month of the investigation period.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, and if domestic prices are influenced by this longer or shorter period, calculate the average number of collection days.

Where there is no fixed credit period agreed at the time of sale the period of credit is determined on the facts available. For example, where payment is made using an open account system¹, the average credit period may be determined as follows:

¹ Under an open account system, following payment the balance of the amount owing is carried into the next period. Payment amounts may vary from one period to the next, with the result that the amount owing varies.

1. *Calculate an accounts receivable turnover ratio*

This ratio equals the total credit sales divided by average accounts receivable. (It is a measure of how many times the average receivables balance is converted into cash during the year).

In calculating the accounts receivable turnover ratio, credit sales should be used in the numerator whenever the amount is available from the financial statements. Otherwise net sales revenue may be used in the numerator.

An average accounts receivable over the year is used in the denominator. This may be calculated by:

- using opening accounts receivable at beginning of period plus closing accounts receivable at end of period divided by 2, or
- total monthly receivables divided by 12.

2. *Calculate the average credit period*

The average credit period equals 365 divided by the accounts receivable turnover ratio determined above at 1.

The resulting average credit period should be tested against randomly selected transactions to support the approximation.

The following items are identified in the amounts quantified at question D-4:

Credit calculations will be provided separately

5. **Transportation**

Explain how you have quantified the amount of inland transportation associated with the domestic sales ("**Inland transportation Costs**"). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

*It is based on transport mode (Truck or Rail).
Account [REDACTED] is in use.*

6. **Handling, loading and ancillary expenses**

List all charges that are included in the domestic price and explain how they have been quantified ("**Handling, loading and ancillary Expenses**"). Identify the general ledger account where the expense is located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

All costs linked to domestic transports are posted to account [REDACTED]

7. **Packing**

List material and labour costs associated with packing the domestically sold product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed **“Packing”**.

See answer in E-1.4

8. Commissions

For any commissions paid in relation to the domestic sales:

- provide a description
- explain the terms and conditions that must be met.

Report the amount in the sales listing under the column headed **“Commissions”**. Identify the general ledger account where the expense is located.

Not applicable

9. Warranties, guarantees, and after sales services

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses (**“Warranty & Guarantee expenses”** and **“Technical assistance & other services”**), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

Not applicable

10. Other factors

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed **“Other factors”**. List the factors and show how each has been quantified in per unit terms. For example:

- *inventory carrying cost*: describe how the products are stored prior to sale and show data relating to the average length of time in inventory. Indicate the interest rate used;
- *warehousing expense*: an expense incurred at the distribution point;
- *royalty and patent fees*: describe each payment as a result of production or sale, including the key terms of the agreement;
- *advertising*; and
- *bad debt*.

Not applicable

E-3 Duplication

In calculating the amount of the adjustments you must ensure that there is no duplication.

For example:

- adjustments for level of trade, quantity or other discounts may overlap, or
- calculation of the amount of the difference for level of trade may be based upon selling expenses such as salesperson's salaries, promotion expenses, commissions, and travel expenses.

Separate adjustment items must avoid duplication.

An adjustment for quantities may not be granted unless the effect on prices for quantity differences is identified and separated from the effect on prices for level of trade differences.

SECTION F
EXPORT SALES TO COUNTRIES OTHER THAN
AUSTRALIA (THIRD COUNTRY SALES)

- F-1 Using the column names and column descriptions below provide a summary of your export sales to countries other than Australia.**

Please see "**Third country sales**" tab in Attachment A.

- F-2 Please identify any differences in sales to third countries which may affect their comparison to export sales to Australia.**

Delivery terms for some third country sales differ from [REDACTED] terms to Australia
[confidential delivery terms]

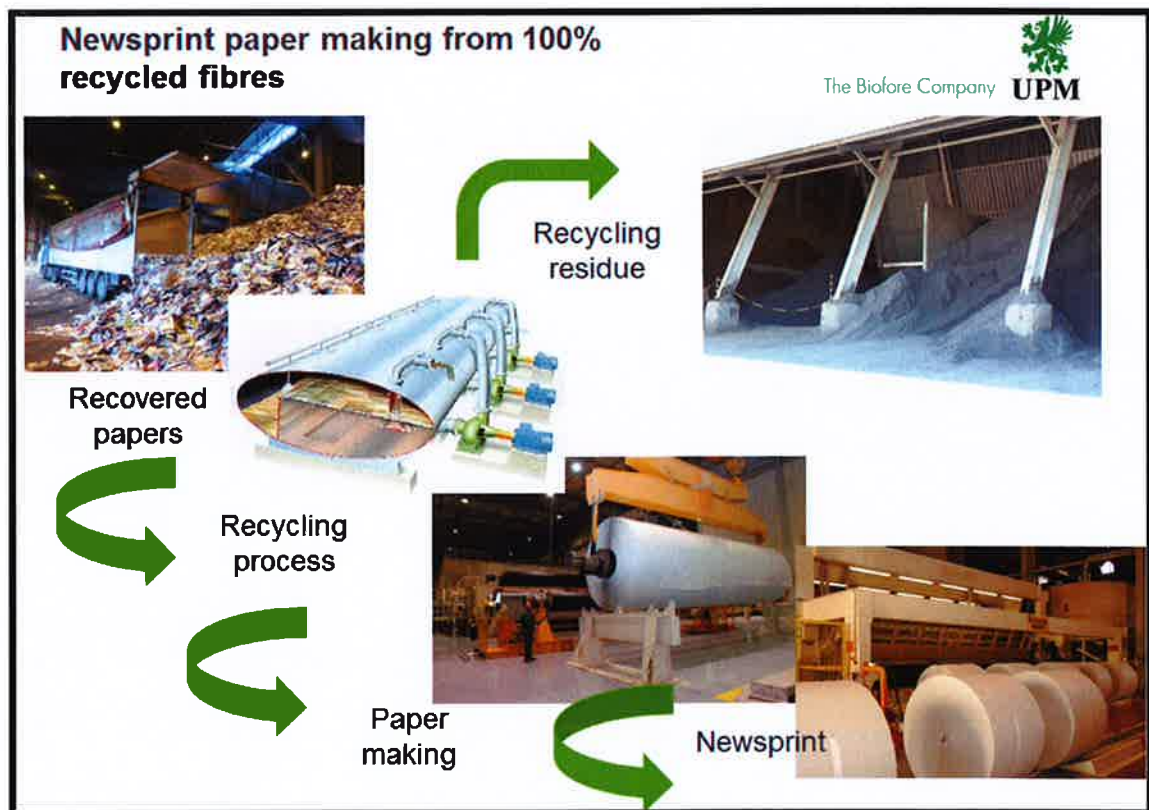
SECTION G COSTING INFORMATION AND CONSTRUCTED VALUE

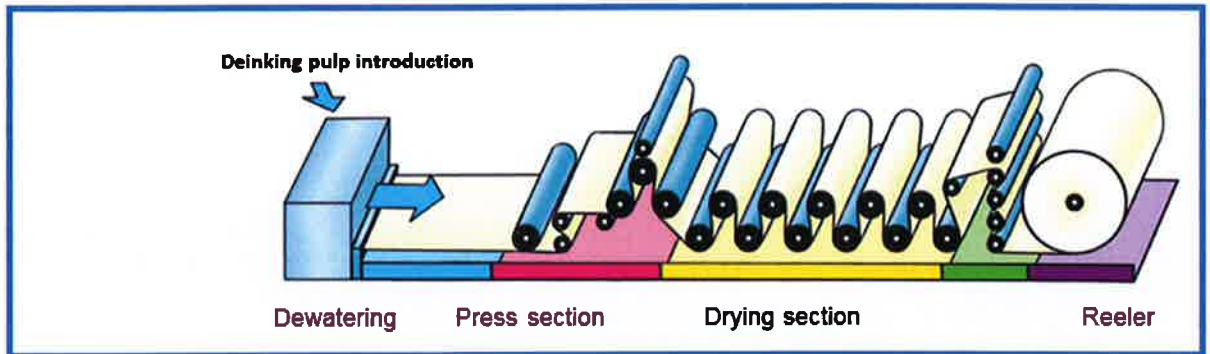
G-1. Production process and capacity

1. Describe the production process for the goods. Provide a flowchart of the process. Include details of all products manufactured using the same production facilities as those used for the goods. Also specify all scrap or by-products that result from producing the goods.

Chapelle PM6 Newsprint made 100% from recycled fibres:

The recovered paper is delivered to the integrated deinking pulp mill where the recovered paper is repulped into individual fibres and impurities such as ink and paper fillers are removed. The pulp is then pressed and sent to the paper machine (see paper making process below). The water which is required by the RCF plants for this cleaning process ~~is supplied by an on-site effluent treatment plant, which cleans process water from the paper machines and enables it to be recycled back into the process.~~

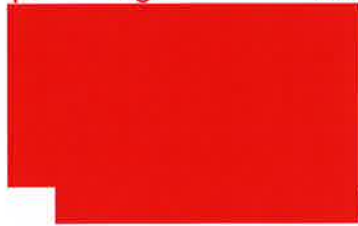


Paper making process :

The newsprint manufacturing process involves the forming and drying of a thin web of pulp on the paper machine. Mechanical processes, such as pressing, and heating processes, such as drying, are used to remove water from the pulp as it progresses through the paper machine at approximately ~~1475 meters per minute~~. In case paper is rejected for quality reasons (before wrapping line) or damages (after the wrapping line), it is sent back to the repulping process. Trim loss is also repulped.

Paper produced from same facilities:

PM6 is producing standard Newsprint in various substances (*):



[Production Volumes]

(*) figures based on 2013 production tons

G-2. Provide information about your company's total production in the following table:

Provide this information on a spreadsheet named "**Production**".

Please see worksheet tab "Production" in Attachment A workbook

G-3. Cost accounting practices

1. Outline the management accounting system that you maintain and explain how that cost accounting information is reconciled to your audited financial statements.

SAP is the cost accounting system used by UPM-Kymmene France and is used for the recording of all costs in relation to the Products. UPM Chapelle manufactures only Newspaper and all costs incurred and reported by UPM Chapelle are allocated to the Products. All data from the cost accounting system (SAP) is transferred and reconciled to Hyperion (Oracle Enterprise performance management system workspace). Hyperion is then used for reporting the Management accounts and Financial accounts.

- 2 Is your company's cost accounting system based on standard (budgeted) costs? State whether standard costs were used in your responses to this questionnaire. If they were state whether all variances (ie differences between standard and actual production costs) have been allocated to the goods - and describe how those variances have been allocated.

No. It is based on actual costs. [REDACTED]
[REDACTED] -Actual costs
are used in response to this questionnaire.

Production is managed by the [REDACTED] system.

[Production Management Details]

- 3 Provide details of any significant or unusual cost variances that occurred during the investigation period

Special items

Social plan

[REDACTED]

Energy

[REDACTED]

[special item details]

- 4 Describe the profit/cost centres in your company's cost accounting system.

[REDACTED]

[profit centre details]

- 5 For each profit/cost centre describe in detail the methods that your company normally uses to allocate costs to the goods under consideration. In particular specify how, and over what period, expenses are amortised or depreciated, and how allowances are made for capital expenditures and other development costs.

Allocation

Please see Confidential Appendix 15 - Cost accounting practices

Expenses

Expenses are booked [REDACTED]

Capital Expenditure

Depreciations are forecast [REDACTED]

[REDACTED]

[Capital Expenditure Details]

Describe the level of product specificity (models, grades etc) that your company's cost accounting system records production costs.

[REDACTED]

[cost accounting details]

- 6 List and explain all production costs incurred by your company which are valued differently for cost accounting purposes than for financial accounting purposes.

Not applicable

- 7 State whether your company engaged in any start-up operations in relation to the goods under consideration. Describe in detail the start-up operation giving dates (actual or projected) of each stage of the start-up operation.

Not applicable

- 8 State the total cost of the start-up operation and the way that your company has treated the costs of the start-up operation in its accounting records.

Not applicable

G-4 Cost to make and sell on domestic market

This information is relevant to testing whether domestic sales are in the ordinary course of trade.²

1. Please provide (in the format shown in the table below) the actual unit cost to make and sell each model/type* (identified in section C) of the like goods sold on the domestic market. Provide this cost data for each quarter over the investigation period. If your company calculates costs monthly, provide monthly costs.
2. Indicate the source of cost information (account numbers etc) and/or methods used to allocate cost to the goods. Provide documentation and worksheets supporting your calculations.

Cost information is sourced from HFM and allocation methods are described in Confidential Appendix 15

Prepare this information in a spreadsheet named **"Domestic CTMS"**.

¹ Identify each cost separately. Include indirect material costs as a separate item only if not included in manufacturing overheads.

² Relating to costs of production only; identify each cost separately.

³ Identify each cost separately. Please ensure non-operating expenses **that relate to the goods under consideration** are included. Where gains/losses due to foreign currency exchange are incurred, please provide detail of the amounts separately for transaction and translation gains/losses.

Provide this information for each quarter (or month if your company calculates costs on a monthly basis) over the period of the investigation.

Provide the information broken down into fixed and variable costs, and indicate the % total cost represented by fixed costs.

If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.

Please specify unit of currency.

Please see "Domestic CTMS" tab in Attachment A workbook

G-5 Cost to make and sell goods under consideration (goods exported to Australia)

The information is relevant to calculating the normal values based on costs. It is also relevant to calculating certain adjustments to the normal value.

Please see "Australian CTMS" tab in Attachment A workbook

² The Commission applies the tests set out in s.269TAAD of the Customs Act 1901 to determine whether goods are in ordinary course of trade. These provisions reflect the WTO anti-dumping agreement – see Article 2.2.1.

¹ Identify each cost separately. Include indirect material costs as a separate item only if not included in manufacturing overheads.

² Relating to costs of production only; identify each cost separately.

³ Identify each cost separately. Please ensure non-operating expenses **that relate to the goods** are included. Where gains/losses due to foreign currency exchange are incurred, please provide detail of the amounts separately for transaction and translation gains/losses.

Provide this information for each quarter (or month if your company calculates costs on a monthly basis) over the period of the investigation.

Provide the information broken down into fixed and variable costs, and indicate the % total cost represented by fixed costs.

If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.

Please specify unit of currency.

- 1 Where there are cost differences between goods sold to the domestic market and those sold for export, give reasons and supporting evidence for these differences.

There are cost differences involving such matters as inland freight, administration and sales and marketing. Details will be provided in a separate submission addressing adjustments to normal value.

- 2 Give details and an explanation of any significant differences between the costs shown, and the costs as normally determined in accordance with your general accounting system. Reference should be made to any differences arising from movements in inventory levels and variances arising under standard costing methods.

Not applicable

- 3 In calculating the unit cost to make and sell, provide an explanation if the allocation method used (eg number, or weight etc) to determine the unit cost differs from the prior practice of your company.

Not applicable

G-6 Major raw material costs

List major raw material costs, which individually account for 10% or more of the total production cost.

For these major inputs:

- identify materials sourced in-house and from associated entities;
- identify the supplier; and

- show the basis of valuing the major raw materials in the costs of production you have shown for the goods (eg market prices, transfer prices, or actual cost of production).

Where the major input is produced by an associate of your company the Commission will compare your purchase price to a normal market price. If the associate provides information on the cost of production for that input such cost data may also be considered.

Normal market price is taken to be the price normally available in the market (having regard to market size, whether the input is normally purchased at 'spot prices' or under long term contracts etc).

The term associate is defined in section 269TAA of the *Customs Act*. Included in that definition are companies controlled by the same parent company (a company that controls 5% or more of the shares of another is taken to be an associated company); companies controlled by the other company; and companies having the same person in the board of directors.

Important note: If the major input is sourced as part of an integrated production process you should provide detailed information on the full costs of production of that input.

RCP is the only raw material which individually counts for more than 10% of the total production cost. UPM Chappelle Darblay buys recycled paper directly from local authorities [REDACTED]

The remaining need [REDACTED] is bought on the market from unassociated suppliers.

SECTION H
EXPORTER'S DECLARATION




I hereby declare that UPM France SAS (company) did, during the period of investigation export the goods under consideration and have completed the attached questionnaire and, having made due inquiry, certify that the information contained in this submission is complete and correct to the best of my knowledge and belief.



I hereby declare that.....(company)
did not, during the period of investigation, export the goods under
consideration and therefore have not completed the attached questionnaire.

Name : Alain Comte

Signature : 

Position in
Company : Mill controller

Date : 10 / 06 / 2014

UPM FRANCE SAS
Etablissement Chapelle Darblay
B.P. 1 - CD 3
76530 GRAND COURONNE - France
Tél. 33(0)2.35.18.40.00 - Fax 33(0)2.35.18.40.40
Siret : 320 733 777 00058
VAT Nr : FR 43 320 733 777

SECTION I CHECKLIST

This section is an aid to ensure that you have completed all sections of this questionnaire.

Section	Please tick if you have responded to all questions
Section A – general information	✓
Section B – export price	✓
Section C – like goods	✓
Section D – domestic price	✓
Section E – fair comparison	✓
Section F – exports to third countries	✓
Section G – costing information	✓
Section H – declaration	✓

Electronic Data	Please tick if you have provided spreadsheet
INCOME STATEMENT	✓
TURNOVER – sales summary	✓
AUSTRALIAN SALES – list of sales to Australia	✓
DOMESTIC SALES – list of all domestic sales of like goods	✓
THIRD COUNTRY – third country sales	✓
PRODUCTION – production figures	✓
DOMESTIC COSTS – costs of goods sold domestically	✓
AUSTRALIAN COSTS – costs of goods sold to Australia	✓
APPENDICES – All Confidential, with the exception of Appendix 4	
1. Organisation Chart – Newsprint	
2. Organisation Chart - UPM Chapelle Darblay	
3. (a) UPM France Annual Report	
3. (b) UPM France - RS 2013	
4. Chapelle Brochure	
5. (a) Legacy financial accounts of UPM France SAS 2012 & 2013	
5. (b) Group financial accounts of UPM France SAS 2012 & 2013	
5. (c) Management accounts of UPM France SAS 2012	
5. (d) Management accounts of UPM France SAS 2013	
6. (a) Agency agreement 2012	
6. (b) Agency agreement 2013	
6. (c) Agency agreement 2014	
7. Forward Orders	
8. (a) Documentation for order [REDACTED]	
8. (b) Documentation for order [REDACTED]	
9. (a) [REDACTED] goods Description	

FOR PUBLIC RECORD

38

9. (b) [REDACTED] goods Description	
10. (a) Distribution Agreement UPM Sales Oy - UPM France SAS	
10. (b) Distribution Channels	
11. (a) Sales Process for Receiving Orders	
11. (b) Sales Process for Making Deliveries	
11. (c) Sales Process for Invoicing	
12. (a) Documentation for order [REDACTED]	
12. (b) Documentation for order [REDACTED]	
13. [REDACTED] 2013/2014 tables	
14. [REDACTED] Exchange Rate	
15. Cost accounting allocation practices	