ACTIONS FOR THE FUTURE

HALF YEAR
FINANCIAL REPORT 2023

UPM




UPM Half Year Financial Report 2023:
Strong downturn in markets pushed Q2 results to exceptional lows - transformation continues

Q2 2023 highlights

- Sales were EUR 2,558 million (2,562 million in Q2 2022)
- Comparable EBIT decreased by 71% to EUR 114 million, 4.5% of sales (387 million, 15.1%)
- Delivery volumes were impacted by destocking in various product value chains
- Pulp and energy prices decreased to cyclical bottom levels
- Operating cash flow was EUR 459 million (-879 million), supported by cash inflow from energy hedges
- UPM Paso de los Toros pulp mill in Uruguay ramping up production according to the plan
- The OL3 nuclear power plant unit began regular commercial electricity production
- Permanent closures of PM6 at UPM Schongau, Germany and PM4 at UPM Steyrermühl, Austria

H1 2023 highlights

- Sales increased by 5% to EUR 5,345 million (5,069 million in H1 2022)
- Comparable EBIT decreased by 29% to EUR 470 million (664 million), and was 8.8% (13.1%) of sales
- Operating cash flow was EUR 1,173 million (-867 million), supported by cash inflow from energy hedges
- Net debt decreased to EUR 2,557 million (2,688 million) and the net debt to EBITDA ratio was 1.07 (1.42)
- Cash funds and unused committed credit facilities totalled EUR 6.4 billion at the end of Q2 2023
- UPM finalised its full exit from Russia
- UPM Leuna biochemicals refinery project schedule updated, start-up expected by the end of 2024 and investment estimate is EUR 1,180 million

Key figures

	Q2/2023	Q2/2022	Q1/2023	Q1–Q2/2023	Q1–Q2/2022	Q1–Q4/2022
Sales, EURm	2,558	2,562	2,787	5,345	5,069	11,720
Comparable EBITDA, EURm	255	506	477	732	883	2,536
% of sales	10.0	19.7	17.1	13.7	17.4	21.6
Operating profit, EURm	108	335	318	426	518	1,974
Comparable EBIT, EURm	114	387	356	470	664	2,096
% of sales	4.5	15.1	12.8	8.8	13.1	17.9
Profit before tax, EURm	96	361	239	336	540	1,944
Comparable profit before tax, EURm	101	413	344	445	686	2,066
Profit for the period, EURm	77	292	183	261	431	1,556
Comparable profit for the period, EURm	77	329	281	358	561	1,679
Earnings per share (EPS), EUR	0.15	0.53	0.33	0.48	0.78	2.86
Comparable EPS, EUR	0.15	0.60	0.51	0.66	1.02	3.09
Return on equity (ROE), %	2.5	10.5	5.7	4.2	7.7	13.0
Comparable ROE, %	2.5	11.8	8.7	5.8	10.0	14.0
Return on capital employed (ROCE), %	3.0	10.0	6.0	4.5	7.8	12.8
Comparable ROCE, %	3.1	11.5	8.4	5.8	9.7	13.6
Operating cash flow, EURm	459	-879	714	1,173	-867	508
Operating cash flow per share, EUR	0.86	-1.65	1.34	2.20	-1.63	0.95
Equity per share at the end of period, EUR	21.24	20.57	23.42	21.24	20.57	23.44
Capital employed at the end of period, EURm	15,322	15,637	16,478	15,322	15,637	17,913
Net debt at the end of period, EURm	2,557	2,688	2,167	2,557	2,688	2,374
Net debt to EBITDA (last 12 months)	1.07	1.42	0.82	1.07	1.42	0.94
Personnel at the end of period	17,571	17,601	16,985	17,571	17,601	17,236

UPM presents certain measures of performance, financial position and cash flows, which are alternative performance measures in accordance with the guidance issued by the European Securities and Markets Authority (ESMA). The definitions of alternative performance measures are presented in *» UPM Annual Report 2022*

Jussi Pesonen, President and CEO, comments on the results:

"During the first half of the year the business environment was exceptional. Geopolitical uncertainty, low economic activity and high inflation were impacting consumers. At the same time, the extraordinary destocking in product value chains continued in our industry. Consequently, we saw a strong and rapid downturn in the markets. Deliveries of our products were well below estimated end-use demand, and global commodity prices, such as pulp and energy, fell from historic highs to cyclical bottom levels in six months.

Therefore, our Q2 result was disappointing. Our sales were EUR 2,558 million, at the level of the previous year. Comparable EBIT decreased to EUR 114 million (Q2 2022: EUR 387 million). On top of market challenges, the quarterly result was impacted by high maintenance activity in UPM Fibres, UPM Energy and UPM Biofuels, as well as the normal start-up costs of UPM Paso de los Toros.

Operating cash flow was a solid EUR 459 million, supported by cash inflow from energy hedges. Our balance sheet remains very strong. Net debt decreased to EUR 2,557 million. Cash funds and unused committed credit facilities totalled EUR 6.4 billion at the end of the quarter.

In Q2, market shipments for most of our products were substantially below long-term averages impacted by continued destocking. In an environment of low volumes and decreasing prices, UPM Communication Papers and UPM Plywood performed well. UPM Raflatac and UPM Specialty Papers succeeded in unit margin management, but results were weak due to continuously low volumes. Volumes for UPM Fibres and UPM Energy increased, but prices declined significantly from comparison periods.

On the positive side, in Q2 our lower variable input costs contributed positively to the result. We have responded to challenging markets by continuing agile margin management and taking swift cost cutting measures. Permanent and temporary layoffs, flexible working hours and restructuring activities are being undertaken across UPM businesses. During the quarter, UPM Communication Papers permanently closed PM6 at UPM Schongau, Germany, and PM4 at UPM Steyrermühl, Austria. The business will continue adjusting its capacity to meet profitable customer demand in line with its strategy and long-term market outlook.

With these measures and our highly competitive production assets, UPM is well placed to benefit once volumes start to recover to more normal levels.

Our strategic milestone, UPM Paso de los Toros pulp mill shipped its first customer deliveries in May and the ramp-up has proceeded well, reaching 70% run-rate in July. We expect the mill to be EBITDA positive in Q3 even with the current bottom-of-the-cycle pulp prices. With a combination of competitive wood supply, scale, best available techniques and efficient logistics, the mill is expected to reach a highly competitive cash cost level of approximately USD 280 per delivered tonne of pulp once in full production and optimised. Most of our pulp capacity is now in Uruguay, where the plantation-based business platform is not only highly competitive, but also offers further growth opportunities in various biomaterials in the long term.

Another milestone, the OL3 nuclear power plant unit started regular commercial electricity production, increasing our CO_2-free electricity output by nearly 50%. In the longer term, UPM's competitive and agile energy business platform will open growth opportunities in synthetic fuels and materials.

Our biochemicals investment project in Leuna, Germany is progressing and obtained the operating permit in May. However, the project has suffered from the exceptionally challenging investment environment with scarcity of materials and contractors. Building a first-of-its-kind biorefinery under these circumstances and making the required adjustments has been demanding and caused rescheduling and delays in the project. The completion of the investment project is now expected to take place by the end of 2024 and the cost of the project is estimated at EUR 1,180 million. The project continues with full speed. The civil construction on the site will be completed in Q3 2023. The commissioning will be implemented in phases starting in Q4 2023.

We have full confidence in a profitable biochemicals business and the technologies used at UPM Leuna. Learnings from the first refinery will benefit future scaling up of the business. On the commercial side, we have successfully created collaboration and partnerships with distributors, customers and global brands. Interest for our renewable products replacing fossil materials has proven to be high.

Detailed commercial and basic engineering studies of the potential biofuels refinery in Rotterdam continue.

All in all, the first half of the year was challenging as the world has been adjusting to new economic and political realities. Nevertheless, I am confident that UPM businesses will improve significantly when the business cycle takes a more favourable turn. The positive long-term drivers and growth prospects for UPM are intact and exciting."

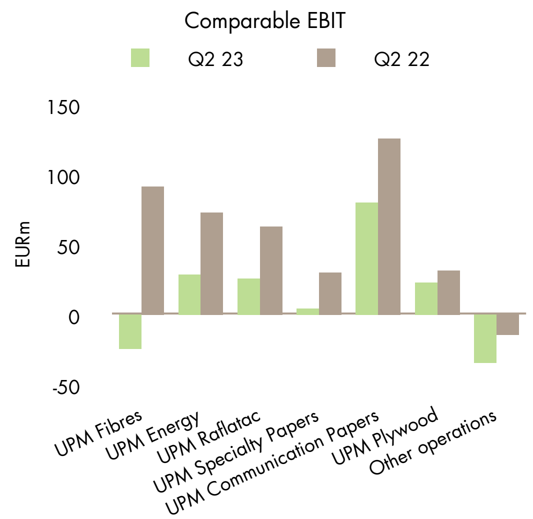
Outlook for 2023

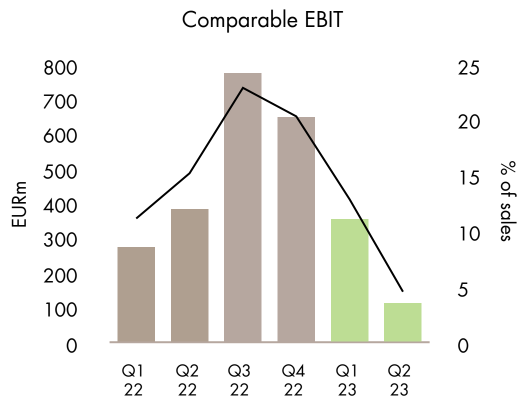
Full-year 2023 comparable EBIT is expected to decrease from 2022. UPM's comparable EBIT in H2 2023 is expected to be on similar level or increase compared to H1 2023.

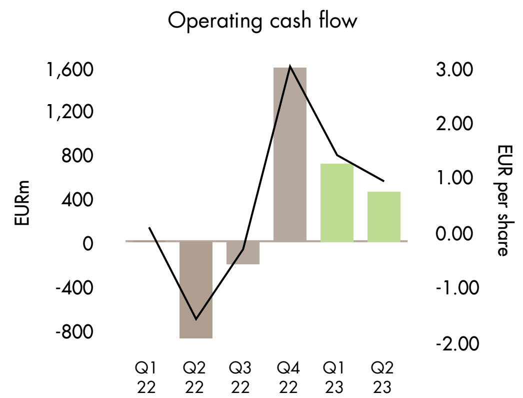
UPM's delivery volumes are expected to increase in H2 2023 from H1 2023. Deliveries were unusually low during H1 2023, held back by significant destocking in the various product value chains. Destocking is expected to gradually phase out during H2 2023, enabling UPM's deliveries to recover towards the underlying end-use demand. The production ramp-up of the UPM Paso de los Toros pulp mill and the OL3 nuclear power plant unit will add to UPM's deliveries in H2 2023.

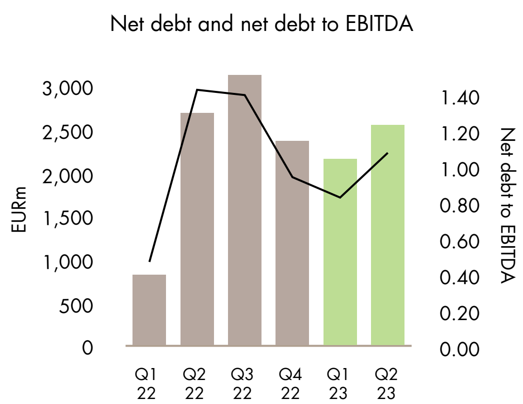
Chemical pulp and electricity market prices were historically high during H2 2022 and declined rapidly to estimated bottom-of-the-cycle levels during H1 2023. H2 2023 starts with low pulp and electricity prices, impacting these commodity price-driven businesses. In the other businesses UPM continues to manage margins.

Variable costs are expected to decrease in H2 2023 compared to H1 2023. In addition, UPM is implementing measures to reduce fixed and variable costs.









Results

Q2 2023 compared with Q2 2022

Q2 2023 sales were EUR 2,558 million, at the same level as EUR 2,562 million in Q2 2022. Sales increased in UPM Fibres and Other operations. Sales decreased in UPM Raflatac, UPM Communication Papers, UPM Plywood, UPM Energy and UPM Specialty Papers business areas.

Comparable EBIT decreased by 71% to EUR 114 million, which was 4.5% of sales (387 million, 15.1%).

Sales prices decreased in UPM Fibres and UPM Energy business areas and in Other Operations.

Variable costs increased in most business areas, especially in UPM Fibres and UPM Raflatac.

Delivery volumes decreased in most business areas and increased in UPM Fibres and UPM Energy. Delivery volumes were held back by significant destocking in the various product value chains. Fixed costs increased by EUR 59 million. The comparison period was impacted by the strike in Finland.

Depreciation, excluding items affecting comparability, totalled EUR 125 million (113 million), including depreciation of leased assets totalling EUR 21 million (18 million). The change in the fair value of forest assets net of wood harvested was EUR -16 million (-8 million).

Operating profit was EUR 108 million (335 million). Items affecting comparability in operating profit totalled EUR -5 million in the period (-52 million). In Q2 2023, items affecting comparability include EUR 17 million restructuring charges. In Q2 2022, items affecting comparability include EUR 74 million settlement loss resulting from replacement of a defined benefit pension plan in Finland with defined contribution plan, EUR 8 million capital gain on the sale of the Chapelle mill site in France, EUR 11 million reversal of environmental and restructuring provisions related to the Chapelle paper mill and EUR 10 million gain on the sale of other non-current assets.

Net interest and other finance income and costs were EUR -13 million (-9 million). The exchange rate and fair value gains and losses were EUR 1 million (34 million). Items affecting comparability in finance costs totalled EUR -1 million. Income taxes were EUR -19 million (-69 million). Items affecting comparability in taxes totalled EUR 4 million (15 million).

Profit for Q2 2023 was EUR 77 million (292 million), and comparable profit was EUR 77 million (329 million).

Q2 2023 compared with Q1 2023

Comparable EBIT decreased by 68% to EUR 114 million, which was 4.5% of sales (356 million, 12.8%). Sales prices decreased for most business areas and mainly for UPM Fibres, UPM Communication Papers and UPM Energy. Delivery volumes increased in UPM Fibres and UPM Energy. Delivery volumes were lower in UPM Communication Papers, UPM Specialty Papers and UPM Raflatac and in Other Operations.

Variable costs decreased in UPM Communication Papers, UPM Specialty Papers, UPM Raflatac and UPM Plywood.

Fixed costs increased by EUR 82 million mainly due to the scheduled maintenance activity at the UPM Kymi pulp mill and the UPM Lappeenranta Biorefinery.

Depreciation, excluding items affecting comparability, totalled EUR 125 million (114 million). The change in the fair value of forest assets net of wood harvested was EUR -16 million (-5 million).

Operating profit was EUR 108 million (318 million).

January–June 2023 compared with January–June 2022

H1 2023 sales were EUR 5,345 million, 5% higher than the EUR 5,069 million for H1 2022. Sales increased in UPM Fibres and UPM Specialty Papers business areas and in Other

Operations. Sales decreased in UPM Raflatac, UPM Plywood and UPM Communication Papers business areas.

Comparable EBIT decreased by 29% to EUR 470 million, 8.8% of sales (664 million, 13.1%).

Variable costs increased in all business areas and mostly for UPM Communication Papers, UPM Raflatac and UPM Specialty Papers.

Sales prices increased for UPM Communication Papers, UPM Raflatac, UPM Specialty Papers and UPM Plywood, and decreased for UPM Fibres and UPM Energy.

Delivery volumes increased and UPM Fibres and UPM Energy and decreased in UPM Communication Papers, UPM Raflatac, UPM Plywood and UPM Specialty Papers. Delivery volumes were held back by destocking in the various product value chains. The strike in Finland in January-April 2022 affected delivery volumes in the comparison period.

Fixed costs increased by EUR 147 million partly due to the growth projects and higher maintenance activity. Employee costs in the comparison period were lower partly due to the strike in Finland.

Depreciation, excluding items affecting comparability, totalled EUR 239 million (224 million) including depreciation of leased assets totalling EUR 43 million (37 million). The change in the fair value of forest assets net of wood harvested was EUR -22 million (4 million).

Operating profit totalled EUR 426 million (518 million). Items affecting comparability in operating profit totalled EUR -43 million in the period (-146 million). In 2023, items affecting comparability include EUR 26 million restructuring charges relating to the closure of paper machine 6 at the UPM Schongau mill in Germany, EUR 12 million charges related to the planned sale of the Steyrermühl site in Austria, EUR 16 million restructuring charges, EUR 6 million capital loss resulting from the sale of Russian operations and EUR 3 million capital gain on sale of other non-current assets. In 2022, items affecting comparability include the EUR 95 million impairment charges of assets impacted by Russia´s war in Ukraine, EUR 74 million settlement loss resulting from replacement of a defined benefit pension plan in Finland with defined contribution plan, EUR 8 million capital gain on the sale of the Chapelle mill site in France, EUR 11 million reversal of restructuring provisions related to the Chapelle paper mill and EUR 11 million gain on sale of other non-current assets.

Net interest and other finance costs were EUR -19 million (-13 million). The exchange rate and fair value gains and losses were EUR -71 million (35 million). Items affecting comparability in finance costs totalled EUR -66 million including EUR 71 million exchange rate losses relating to the sale of Russian operations. Income taxes totalled EUR -75 million (-109 million).

Profit for H1 2023 was EUR 261 million (431 million), and comparable profit was EUR 358 million (561 million).

Financing and cash flow

In H1 2023 cash flow from operating activities before capital expenditure and financing totalled EUR 1,173 million (-867 million). Working capital decreased by EUR 82 million (increased by 650 million). In 2022, the energy futures markets experienced an unprecedented rise in futures prices. Due to this, the cash outflow of UPM's unrealised energy hedges totalled EUR -0.9 billion in 2022, whereas cash inflow totalled EUR 0.9 billion in H1 2023.

Net debt was EUR 2,557 million at the end of Q2 2023 (2,688 million). The gearing ratio as of 30 June 2023 was 22% (24%). The net debt to EBITDA ratio, based on the last 12 month's EBITDA, was 1.07 at the end of the period (1.42).

On 30 June 2023 UPM's cash funds and unused committed credit facilities totalled EUR 6.4 billion. The total amount of committed credit facilities was EUR 5.6 billion of which EUR 4.3 billion maturing in 2024 and EUR 1.2 billion maturing in 2026 or beyond.

For the 2022 financial year, the dividend of EUR 1.50 per share is paid in two equal instalments. The first instalment of EUR 0.75 per share (totalling EUR 400 million) was paid on 21 April 2023 and the second instalment of EUR 0.75 per share will be paid on 2 November 2023.

Capital expenditure

In H1 2023, capital expenditure totalled EUR 752 million, which was 14.1% of sales (616 million, 12.1% of sales). Capital expenditure does not include additions to leased assets.

In 2023, UPM's total capital expenditure, excluding investments in shares, is expected to be about EUR 950 million, which includes estimated capital expenditure of approximately EUR 750 million in transformative projects. Transformative projects consist of the new pulp mill in Uruguay and the biochemicals biorefinery in Germany.

In January 2019, UPM announced that it would invest in the refurbishment of the Kuusankoski hydropower plant in Finland. The average annual production of the Kuusankoski plant is expected to increase from the current 180 GWh to 195 GWh. The investment was completed in Q1 2023.

In July 2019, UPM announced that it would invest in a 2.1 million tonne greenfield eucalyptus pulp mill near Paso de los Toros, central Uruguay. Additionally, UPM will invest in port operations in Montevideo and in local investments outside the mill fence. The mill began its operations on 15 April 2023 after the final authorisation to operate was granted. The total investment estimate is USD 3.47 billion.

In January 2020, UPM announced that it would invest in a 220,000 tonnes next-generation biochemicals biorefinery in Leuna, Germany. The facility is scheduled to start up by the end of 2024, and the total investment estimate is EUR 1,180 million.

In December 2021, UPM announced that it would invest EUR 10 million in the development of UPM Plywood's plywood mill in Joensuu, Finland. The investment includes new production lines, new workspaces and 720 square metres of completely new production space. The investment will be completed in Q3 2023.

Personnel

In H1 2023 UPM had an average of 17,298 employees (17,086). At the beginning of the year, the number of employees was 17,236 and at the end of Q2 2023 it was 17,571.

Uruguay pulp mill investment

On 23 July 2019, UPM announced that it would invest in a 2.1 million tonne greenfield eucalyptus pulp mill near Paso de los Toros, central Uruguay. Additionally, UPM will invest in port operations in Montevideo and in local investments outside the mill fence. The mill began its operations on 15 April 2023 after the final authorisation to operate was granted. The total investment is USD 3.47 billion.

The investment will grow UPM's pulp capacity by more than 50%, resulting in a step change in the scale of UPM's pulp business as well as in UPM's future earnings.

With a combination of competitive wood supply, scale, best available techniques and efficient logistics, the mill is expected to reach a highly competitive cash cost level of approximately

USD 280 per delivered tonne of pulp. This figure includes the variable and fixed costs of plantation operations, wood sourcing, mill operations and logistics delivered to the main markets. Furthermore, the safety and sustainability performance of the value chain from plantations to customer delivery is expected to be on an industry-leading level.

Competitive wood supply

Eucalyptus availability for the mill is secured through UPM's own and leased plantations, as well as through wood sourcing agreements with private partners. The plantations that UPM owns, leases or manages in Uruguay covers 503,139 hectares. They will supply the current UPM Fray Bentos mill and the new Paso de los Toros mill.

State of the art mill design

The pulp mill has been designed as an efficient single-line operation. The machines, materials, level of automation and standards enable a high operating rate and maintainability, as well as a high energy output. This ensures excellent safety, high environmental performance, and low operating costs during the long lifecycle of the mill.

The mill is designed to fully meet strict Uruguayan environmental regulations, as well as international standards and recommendations for modern mills, including the use of the latest and best available technology (BAT). The mill's environmental performance will be verified through comprehensive and transparent monitoring.

The mill's initial annual production capacity is 2.1 million tonnes, and the environmental permits enable further capacity potential. When in full operation, the mill generates more than 110 MW surplus of renewable electricity.

Efficient logistics set-up

An efficient logistics chain is secured by the agreed road improvements, extensive railway modernisation and port terminal construction.

The Public-Private-Partnership agreement between the government and the construction company for the construction of the central railway was signed in May 2019. Works on the central railway are proceeding, and new the railway is now scheduled to start operations by the end of 2023. UPM has ensured logistics with truck transportation meanwhile rail logistics are commissioned and operational.

UPM's new deep-sea pulp terminal at Montevideo port went operational in October 2022. Direct rail access from the mill to the pulp specialised deep-sea port terminal will create an efficient supply chain to world markets. The Montevideo deep-sea port also enables synergies in ocean logistics with UPM's existing Uruguayan operations.

UPM entered into a port terminal concession agreement in 2019 and signed an agreement on rail logistics services in October 2020. Both agreements are considered in accordance with IFRS 16 Leases. The total amount of such lease payments is expected to be USD 200 million.

Significant impact on the Uruguayan economy

Based on independent socio-economic impact studies, the mill is estimated to increase Uruguay's gross national product by about 2% and the annual value of Uruguay's exports by approximately 12% after completion. According to June 2023 data from government agency Uruguay XXI, eucalyptus pulp has become the country's main export.

In the most intensive construction phase, more than 7,000 people have been working on the site. In total, over 20,000 people have been involved in the various construction sites related to the project.

Now that the pulp mill is operational, approximately 10,000 permanent jobs are estimated to be created in the Uruguayan economy of which 4,000 would involve direct employment by UPM and its subcontractors throughout the forestry value chain including logistics. About 600 companies are estimated to be working in the value chain.

The mill is located in one of Uruguay's many (12) free trade zones and pays a fixed annual tax of USD 7 million. The new mill's value chain is expected to contribute USD 170 million in annual taxes and social security payments and to contribute USD 200 million annually in wages and salaries.

Project schedule and capital outflow

On 31 March, UPM announced that it reached technical readiness to begin operations and received approval from the environmental authorities for all the procedures, systems and technologies that are required to fulfil the mill's environmental permit. This acceptance preceded the final operating authorisation that was granted on 14 April. The start-up of the mill commenced immediately. UPM celebrated the inauguration of the pulp mill together with representatives of the State of Uruguay and several other stakeholders who have participated in the successful execution of the growth project. Customer deliveries from UPM's deep sea pulp terminal in the port of Montevideo started in May. The nominal capacity of the mill is expected to be reached within the first year.

The mill has gone through a comprehensive and thorough permitting process. The Uruguayan environmental authority has monitored the construction of the mill on site throughout the project. The operating authorisation process has included several inspections by the authorities, as well as third party audits by industry experts. UPM has an extensive environmental monitoring programme covering water and biota, air, soil, noise, and socio-economic aspects.

In connection with reaching the technical readiness to start operations, UPM confirmed the expected cash cost level of approximately USD 280 per delivered tonne of pulp. This positions the UPM Paso de los Toros mill among the most competitive pulp mills in the world, with attractive returns on investment in various market scenarios.

The Central Railroad works are still in progress.

The total capital expenditure of USD 3.47 billion takes place in 2019–2023, with 2021 and 2022 being the most intensive years. UPM will hold 91% ownership of the project and a local long-term partner which has also been involved in UPM Fray Bentos, owns 9%.

Biochemicals refinery investment

In January 2020 UPM announced that it would invest in a 220,000 tonnes next-generation biochemicals refinery in Leuna, Germany. The unit was scheduled to start up by the end of 2023 and its investment estimate was EUR 750 million. In July 2023 UPM updated the project schedule, with estimated start-up by the end of 2024 and gave a revised capital expenditure estimate of EUR 1,180 million.

The update to schedule and budget was required as the project has been impacted by the insolvency of one of the key equipment suppliers, an overall scarcity of contractors and negative impacts of the overall geopolitical situation on material availability and prices. Building a first-of-its-kind biorefinery under these circumstances and making required adjustments has been demanding and caused rescheduling and delays in the project. The mitigating actions have been taken and critical resources are contracted.

The biorefinery is first of its kind and the process design as well as some of the technologies used are new to the world. We have full confidence in the technologies used and the viability of the process.

The biorefinery will produce a range of 100% wood-based biochemicals, which will enable a switch from fossil raw materials to sustainable alternatives in various consumer-driven end-uses. The investment opens up totally new markets for UPM, with large growth potential for the future.

The industrial scale biorefinery will convert solid wood into next generation biochemicals: bio-monoethylene glycol (BioMEG) and renewable functional fillers. In addition, the biorefinery will produce bio-monopropylene glycol (BioMPG) and industrial sugars. The ROCE target for the UPM Biochemicals business is 14%.

A combination of a sustainable wood supply, a unique technology concept, integration into existing infrastructure at Leuna and the proximity to customers will ensure the competitiveness of operations. The safety and sustainability of the value chain will be based on UPM's high standards.

InfraLeuna GmbH, in the state of Saxony-Anhalt, offers very competitive conditions for constructing a biorefinery with its logistics arrangements and infrastructure for various services and utilities. In October 2020, UPM entered into service agreements with InfraLeuna GmbH related to wood handling, wastewater treatment and other utilities, which will be recognised as lease assets and liabilities under IFRS 16 Leases upon the commencement date. The total amount of such lease assets and liabilities is estimated to be EUR 130 million.

Construction at the biorefinery site in Leuna continues with visible progress. The erection of pipe racks, casings, tanks and the substation buildings is nearing completion. Also, large parts of the reactors, furnaces and columns are installed. Currently, focus is on piping and electrification, and with approximately 1,000 workers on site, construction activities have reached their culmination point. The biorefinery obtained the permission to operate according to the German Emission Regulation in May 2023.

The business foundation has been strengthened further. Business function teams and the future operations team are in place. Also, the research, analytics and application development laboratories are established in Leuna and the teams are working – an important step towards quality assurance, process optimisation and to define future development options.

Commercial activities have continued to proceed positively in different product and application areas. We have made strong progress in qualifying our products for key end-uses, successfully launched commercial partnerships both for UPM BioPura™ renewable bio-monoethylene glycols (bMEG) and UPM BioMotion™ Renewable Functional Fillers (RFF) products. We have a robust commercial pipeline upon start-up of the UPM Biochemicals business. After the launch of UPM BioMotion™ in 2021, joint product development activities with potential customers in the rubber value chain have progressed further as have discussions with especially automotive OEMs, with good results regarding both the technical and commercial viability of the product. We made further progress in taking UPM BioPura™ bMEG, to market, advancing sales capabilities and extending pre-commercial discussions with potential customers, as well as brand owners in the packaging, textile and automotive end-uses. In July 2023 we launched a partnership with the German sustainable outdoor apparel brand VAUDE to produce the world's first polyester fleece jackets containing renewable chemicals made by UPM.

The environmental benefits of the biorefinery and the UPM Biochemicals portfolio has been publicly acknowledged with nominations as finalist in the Packaging Europe's "Renewables, Pre Commercialized" category and first position in the sustainability ranking in the European Rubber Journal.

Biofuels business development

In January 2021, UPM announced that it moves forward with biofuels growth plans and starts the basic engineering phase of a next generation biorefinery. The potential biorefinery would have a maximum annual capacity of 500,000 tonnes of high-quality renewable fuels including sustainable jet fuel. The products would significantly reduce the carbon footprint of road transport and aviation, as well as replace fossil raw materials with renewable alternatives in chemicals and bioplastics. Feedstock sourcing will focus on UPM integrated feedstocks from the company's own ecosystem and wood-based residues will play a substantial role. In addition, the biorefinery would use sustainable liquid waste and residue raw materials.

UPM is proceeding with a detailed commercial and basic engineering study to define the business case, select an innovative technology option and sustainable feedstock mix and estimate the investment need.

The site assessment of the potential biofuels refinery was completed in January 2022 and Rotterdam in the Netherlands was selected as the optimal location.

If all preparations are concluded successfully, UPM would initiate the company's standard procedure of analysing and preparing an investment decision.

OL3 power plant project

In 2005, the Finnish Government granted a construction license to Teollisuuden Voima Oyj (TVO) for the OL3 EPR nuclear power plant unit (OL3) to be constructed at the Olkiluoto site. OL3 project was completed in April 2023. The OL3 plant supplier (the Supplier), a consortium consisting of Areva NP SAS, Areva GmbH and Siemens AG constituting the Supplier are jointly and severally liable for the turnkey delivery of OL3 under the plant contract. UPM participates in OL3 through its shareholding in Pohjolan Voima Oyj (PVO), which is the majority shareholder in TVO. UPM's indirect share of OL3 is approximately 31%.

According to TVO, the Supplier is responsible under the plant contract for the design, engineering, equipment procurement, equipment manufacture, construction, erection, testing, commissioning, licensing, initial fuel supply and remedying of defects, as well as project management and schedule of the OL3 EPR on a turnkey basis. Due to the Supplier's turnkey responsibility, TVO is only responsible for a limited scope of work under the plant contract. The plant contract includes contractual securities for TVO, including a contract performance bond, a guarantee period bond and liquidated damages for delays, plant performance and plant availability.

According to TVO, under the plant contract, electricity production was scheduled to start at the end of April 2009. The completion of the project, however, was delayed.

TVO announced, on 20 April 2023, that TVO submitted to the Supplier the Provisional Takeover Certificate. In addition, TVO confirmed that the commercial operation of OL3 starts at 1 May 2023. The final acceptance of OL3 will take place upon termination of the two-year warranty period. Even after that, the Supplier's liabilities under the warranty will remain in force to a certain extent for eight years at most. The shareholders' right to electricity generated by OL3 and their liability for the annual costs incurred from electricity generation are determined in accordance with TVO's Articles of Association.

OL3 supplies electricity to its shareholders on a cost-price principle (Mankala-principle), which is widely applied in the Finnish energy industry. Under the Mankala-principle electricity and/or heat is supplied to shareholders in proportion to ownership, and each shareholder is, pursuant to the specific stipulations of the respective articles of association, severally responsible for its respective share of the production costs of the energy company concerned.

OL3 increases UPM Energy's electricity generation capacity significantly. The new power plant unit is highly efficient and meets the highest safety standards. Its power generation is

CO_2 -free and TVO has a secure solution for the final disposal of used fuel.

Events during the reporting period

On 2 February, UPM's Board of Directors revised the company's dividend policy to be based on earnings instead of cash flow. This aligns the dividend policy with the company's transformative growth strategy. According to the new policy, UPM aims to pay attractive dividends, targeting at least half of the comparable earnings per share over time.

On 22 March, UPM announced that is plans to permanently close paper machine 6 at UPM Schongau, Germany, reducing the annual capacity of uncoated publication papers by 165,000 tonnes by the end of Q2 2023. UPM also announced that it accelerates the earlier announced stop of production at its Steyrermühl mill by six months. The exit of a total annual capacity of 320,000 tonnes of newsprint will take place already by the end of Q2 2023.

On 31 March, UPM announced that the UPM Paso de los Toros pulp mill has reached the technical readiness to start operations. UPM has also received the environmental authorities' acceptance of all the procedures, systems and technologies that are required to fulfil the environmental permit of the mill. This approval precedes the final operating authorisation.

In March, UPM sold all its business operations in Russia to Gungnir Wooden Products Trading.

On 12 April, UPM held its Annual General Meeting.

On 15 April, UPM announced that UPM Paso de los Toros pulp mill begins operations, and first customer deliveries are expected to ship in May.

On 11 May, UPM announced that it lowers its outlook due to slower recovery of deliveries in most businesses and rapid fall in pulp prices.

On 15 June, UPM announced that European Commission has decided to close its antitrust investigation in the wood pulp sector. The Commission carried out an unannounced inspection at UPM premises in October 2021. The Commission investigated possible violation of EU antitrust rules.

On 28 June, UPM announced that employee consultation processes at UPM Schongau, Germany, was completed and the number of persons affected was 136 for the site. The uncoated publication paper machine 6 was permanently closed. Also the newsprint paper machine 4 at UPM Steyrermühl, Austria, was permanently closed.

Events after the balance sheet date

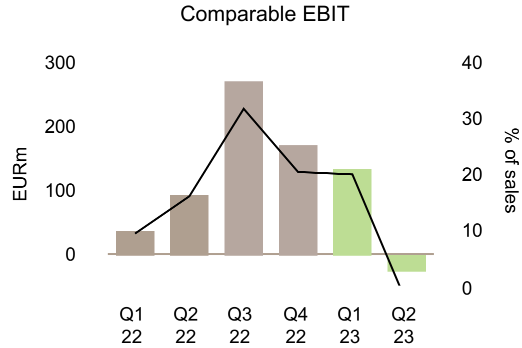
The Group's management is not aware of any significant events occurring after 30 June 2023.

Timing of significant maintenance shutdowns in 2023

TIMING	UNIT
Q2/2022	Olkiluoto nuclear power plant
	UPM Kaukas pulp mill
	UPM Pietarsaari pulp mill
Q4/2022	UPM Fray Bentos pulp mill
	UPM Lappeenranta Biorefinery maintenance
Q2/2023	Olkiluoto nuclear power plant
	UPM Lappeenranta Biorefinery turnaround
	UPM Kymi pulp mill
Q3-Q4/2023	UPM Kaukas pulp mill

UPM Fibres

UPM Fibres consists of pulp and timber businesses. UPM Pulp offers a versatile range of responsibly-produced pulp grades suitable for a wide range of end-uses. UPM Timber offers certified sawn timber. UPM has three pulp mills in Finland, two mills and plantation operations in Uruguay and operates four sawmills in Finland.



	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q2/23	Q1–Q2/22	Q1–Q4/22
Sales EURm	764	683	850	866	584	404	1,447	988	2,704
Comparable EBITDA, EURm	42	188	213	313	139	78	230	216	743
% of sales	5.5	27.5	25.1	36.2	23.7	19.3	15.9	21.9	27.5
Change in fair value of forest assets and wood harvested, EURm	-8	-6	5	3	1	2	-14	3	11
Share of results of associated companies and joint ventures, EURm	1	0	0	1	1	0	1	1	3
Depreciation, amortisation and impairment charges, EURm	-59	-48	-48	-47	-49	-44	-106	-92	-187
Operating profit, EURm	-24	134	177	271	32	37	110	69	517
% of sales	-3.1	19.6	20.8	31.3	5.5	9.1	7.6	7.0	19.1
Items affecting comparability in operating profit, EURm [1]	—	—	7	—	-60	—	—	-60	-53
Comparable EBIT, EURm	-24	134	170	271	92	37	110	129	570
% of sales	-3.1	19.6	20.1	31.3	15.7	9.1	7.6	13.0	21.1
Capital employed (average), EURm	6,843	6,571	6,404	6,290	5,615	5,158	6,707	5,387	5,867
Comparable ROCE, %	-1.4	8.2	10.6	17.2	6.5	2.9	3.3	4.8	9.7
Pulp deliveries, 1000 t	974	692	832	859	609	461	1,667	1,070	2,761

Pulp mill maintenance shutdowns: Q2 2023 UPM Kymi, Q4 2022 UPM Fray Bentos, Q2 2022 UPM Kaukas and UPM Pietarsaari.
[1] In Q4 2022, items affecting comparability include EUR 5 million settlement adjustment resulting from replacement of defined benefit pension plan with defined contribution plan in Finland and EUR 2 million reversal of environmental provisions related to prior capacity closures. In Q2 2022, items affecting comparability include settlement loss resulting from replacement of defined benefit pension plan in Finland with defined contribution plan.

- UPM Paso de los Toros pulp mill in Uruguay is ramping up and shipments from UPM's new deep sea pulp terminal in the port of Montevideo have begun
- Chemical pulp market prices decreased to bottom-of-the-cycle price levels
- Scheduled maintenance shutdown at UPM Kymi pulp mill

Results

Q2 2023 compared with Q2 2022

Comparable EBIT for UPM Fibres decreased due to lower pulp sales prices. Delivery volumes were higher. The comparison period was impacted by the strike in Finland. Variable costs increased.

The average price in euro for UPM's pulp deliveries decreased by 17%.

Q2 2023 compared with Q1 2023

Comparable EBIT decreased due to lower sales prices. Fixed costs were higher due to the scheduled maintenance shutdown at the UPM Kymi pulp mill. Delivery volumes increased.

The average price in euro for UPM's pulp deliveries decreased by 22%.

January–June 2023 compared with January–June 2022

Comparable EBIT decreased due to lower timber sales prices and higher variable costs. Delivery volumes increased.

The average price in euro for UPM's pulp deliveries remained unchanged.

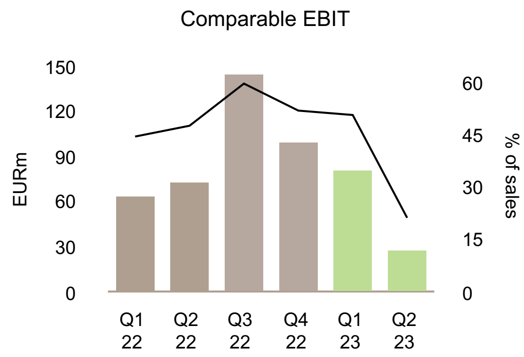
Market environment

- In Q2 2023, global chemical pulp demand was solid. In China, chemical pulp demand varied depending on the end-uses. In Europe, chemical pulp demand was weak.
- In Europe, the market price both for northern bleached softwood kraft (NBSK) pulp and bleached hardwood kraft pulp (BHKP) decreased in Q2 2023 compared with Q1 2023.
- In China, the market price both for northern bleached softwood kraft (NBSK) pulp and bleached hardwood kraft pulp (BHKP) decreased in Q2 2023 compared with Q1 2023.
- In Q2 2023, the average European market price in euro was 7% lower for NBSK and 14% lower for BHKP, compared with Q2 2022. In China, the average market price in US dollars was 26% lower for NBSK and 33% lower for BHKP, compared with Q2 2022.
- In Q2 2023, demand for sawn timber was weak and market prices decreased.

Sources: FOEX, UPM

UPM Energy

UPM Energy generates cost competitive, zero-carbon electricity. Operations also include physical electricity and financial portfolio management as well as services to industrial electricity consumers. UPM Energy is the second largest electricity producer in Finland. UPM's power generation capacity consists of hydropower, nuclear power and thermal power.



	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q2/23	Q1–Q2/22	Q1–Q4/22
Sales EURm	134	159	193	244	154	143	293	297	734
Comparable EBITDA, EURm	30	82	102	147	75	65	112	140	388
% of sales	22.3	51.6	52.7	60.2	48.5	45.4	38.2	47.0	52.9
Depreciation, amortisation and impairment charges, EURm	-2	-2	-2	-2	-2	-2	-4	-3	-7
Operating profit, EURm	31	80	100	145	73	63	112	136	381
% of sales	23.4	50.5	51.7	59.5	47.4	44.3	38.1	45.9	52.0
Items affecting comparability in operating profit, EURm [1)]	3	—	—	—	—	—	3	—	—
Comparable EBIT, EURm	28	80	100	145	73	63	108	136	381
% of sales	20.9	50.5	51.7	59.5	47.4	44.3	37.0	45.9	52.0
Capital employed (average), EURm	3,112	3,640	3,727	3,423	3,148	2,848	3,376	2,998	3,286
Comparable ROCE, %	3.6	8.8	10.7	16.9	9.3	8.9	6.4	9.1	11.6
Electricity deliveries, GWh	3,056	2,504	2,354	2,380	2,373	2,335	5,560	4,708	9,442

[1)] In Q2 2023, items affecting comparability include EUR 3 million capital gain on sale of other non-current assets.

- Commercial production started at the Olkiluoto 3 nuclear power plant unit
- Scheduled maintenance shutdown at the Olkiluoto 1 and 2 nuclear power plant units

Results

Q2 2023 compared with Q2 2022

Comparable EBIT for UPM Energy decreased mainly due to lower electricity sales price.

UPM's average electricity sales price decreased by 31% to EUR 41.9/MWh (60.4/MWh).

Q2 2023 compared with Q1 2023

Comparable EBIT decreased due to lower electricity sales price.

UPM's average electricity sales price decreased by 30% to EUR 41.9/MWh (59.5/MWh).

January–June 2023 compared with January–June 2022

Comparable EBIT decreased due to lower electricity sales price.

UPM's average electricity sales price decreased by 15% to EUR 49.8/MWh (58.7/MWh).

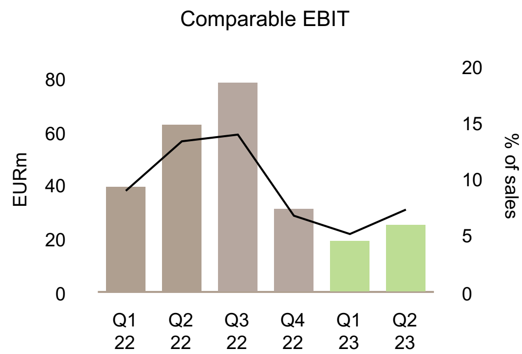
Market environment

- The Nordic hydrological balance was below the long-term average at the end of June. In Finland, the hydrological situation was close to normal.
- The CO_2 emission allowance price of EUR 89.6/tonne at the end of Q2 2023 was higher than at the end of Q2 2022 (EUR 77.1/tonne).
- The average Finnish area spot price on the Nordic electricity exchange in Q2 2023 was EUR 43.3/MWh, 44% lower than in Q1 2023 (77.6/MWh) and 63% lower than in Q2 2022 (117.5/MWh).
- The front-year forward electricity price for the Finnish area closed at EUR 63.6/MWh in June, 1% higher than at the end of Q1 2023 (63.0/MWh).

Sources: The Norwegian Water Resources and Energy Directorate, Svensk Energi, Finnish Environment Institute, Nord Pool, NASDAQ OMX, Bloomberg, UPM

UPM Raflatac

UPM Raflatac offers high-quality self-adhesive paper and film products including label materials, graphics solutions and removable self-adhesive products. UPM Raflatac is the second-largest producer of self-adhesive label materials world-wide.



	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q2/23	Q1–Q2/22	Q1–Q4/22
Sales EURm	357	395	479	573	479	451	751	930	1,982
Comparable EBITDA, EURm	36	30	42	89	72	49	66	120	251
% of sales	10.2	7.7	8.8	15.5	15.0	10.8	8.8	13.0	12.7
Depreciation, amortisation and impairment charges, EURm	-12	-10	-10	-10	-9	-12	-22	-22	-41
Operating profit, EURm	23	19	31	77	61	33	42	95	203
% of sales	6.4	4.8	6.5	13.5	12.8	7.4	5.6	10.2	10.3
Items affecting comparability in operating profit, EURm [1)]	-3	-1	-1	-2	-2	-7	-4	-9	-11
Comparable EBIT, EURm	26	20	32	79	63	40	45	103	214
% of sales	7.2	5.0	6.6	13.8	13.2	8.8	6.1	11.1	10.8
Capital employed (average), EURm	746	784	823	719	599	581	765	590	681
Comparable ROCE, %	13.7	10.1	15.5	44.0	42.3	27.5	11.9	35.0	31.5

[1)] In Q2 2023, Q1 2023 and Q4 2022, items affecting comparability relate to restructuring costs. In Q3 2022, items affecting comparability include EUR 2 million of AMC acquisition-related costs. In Q2 and Q1 2022 items affecting comparability relate mainly to impairment charges of assets impacted by Russia´s war in Ukraine.

- Low delivery volumes continued in self-adhesive label materials
- Actions to improve cost efficiency and alignment of capacity to market demand
- Continued margin management actions

Results

Q2 2023 compared with Q2 2022

Comparable EBIT for UPM Raflatac decreased due to lower delivery volumes. The positive impact of higher sales prices and mix offset the negative impact of higher variable costs.

Q2 2023 compared with Q1 2023

Comparable EBIT increased. The positive impact of lower variable costs more than offset the negative impact of lower sales prices. Delivery volumes decreased. Fixed costs were lower.

January–June 2023 compared with January–June 2022

Comparable EBIT decreased due to lower delivery volumes. The positive impact of higher sales prices offset the negative impact of higher variable costs. Fixed costs were higher.

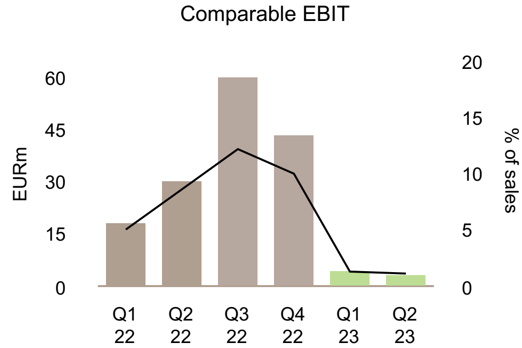
Market environment

- In Q2 2023, demand for self-adhesive label materials was low in Europe and North America. Destocking in the value chain and low consumer confidence continued to impact on demand. In Europe the market deliveries of self-adhesive label materials decreased by 31%.
- Demand in Asia was soft in Q2 2023.

Sources: UPM, FINAT, TLMI

UPM Specialty Papers

UPM Specialty Papers offers labelling and packaging materials as well as office and graphic papers for labelling, commercial siliconising, packaging, office use and printing. The production plants are located in China, Finland and Germany.



	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q2/23	Q1–Q2/22	Q1–Q4/22
Sales EURm	349	404	441	502	357	377	753	734	1,677
Comparable EBITDA, EURm	22	24	62	81	50	38	46	87	230
% of sales	6.3	5.9	14.0	16.1	13.9	10.0	6.1	11.9	13.7
Depreciation, amortisation and impairment charges, EURm	-19	-19	-18	-20	-19	-19	-37	-39	-77
Operating profit, EURm	4	5	44	60	30	19	8	49	153
% of sales	1.0	1.2	10.0	12.0	8.5	4.9	1.1	6.6	9.1
Items affecting comparability in operating profit, EURm	—	—	—	—	—	—	—	—	—
Comparable EBIT, EURm	4	5	44	60	30	19	8	49	153
% of sales	1.0	1.2	9.9	12.1	8.5	4.9	1.1	6.7	9.1
Capital employed (average), EURm	855	954	933	895	843	884	905	863	889
Comparable ROCE, %	1.7	2.0	18.7	27.0	14.4	8.4	1.9	11.3	17.2
Paper deliveries, 1000 t	327	340	339	399	323	371	666	693	1,431

- Focus on margin and stock management
- Chinese economy recovering slower than expected
- Successful Interpack 2023 exhibition promoting a wide range of packaging papers, including new range of heat-sealable barrier papers
- New organisational setup to enhance future growth

Results

Q2 2023 compared with Q2 2022

Comparable EBIT for UPM Specialty Papers decreased mainly due to higher input costs and unfavourable changes in currencies. Delivery volumes were slightly higher.

Q2 2023 compared with Q1 2023

Comparable EBIT decreased slightly. The positive impact of lower input costs offset the negative impact of lower sales prices. Delivery volumes were lower.

January–June 2023 compared with January–June 2022

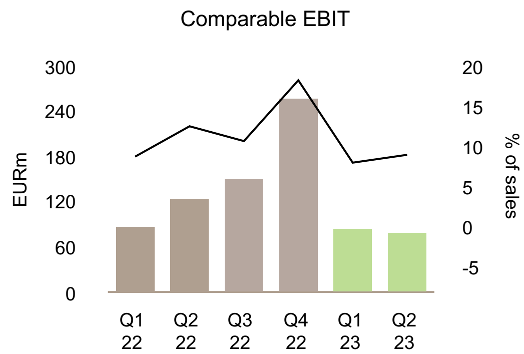
Comparable EBIT decreased. The positive impact of higher sales prices offset most of the negative impact of higher input costs. Delivery volumes were lower.

Market environment

- In Q2 2023, global demand for label, release base and packaging papers was soft and continued to be impacted by destocking in the value chain. Market prices decreased.
- Fine paper demand was flat in China and remained soft in rest of the Asia-Pacific.
- In Q2 2023, fine paper market prices in the Asia-Pacific region decreased compared with Q1 2023.

Sources: UPM, RISI, AFRY, AWA

UPM Communication Papers



UPM Communication Papers offers an extensive product range of sustainably produced graphic papers for advertising and publishing as well as home and office uses. The business has extensive low-cost operations consisting of 12 efficient paper mills in Europe and the United States, a global sales network and an efficient logistic system. The main customers are publishers, cataloguers, retailers, printers and merchants.

	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q2/23	Q1–Q2/22	Q1–Q4/22
Sales EURm	909	1,083	1,419	1,428	1,017	1,001	1,992	2,019	4,866
Comparable EBITDA, EURm	101	105	276	170	145	106	206	251	697
% of sales	11.1	9.7	19.5	11.9	14.3	10.6	10.3	12.4	14.3
Share of results of associated companies and joint ventures, EURm	0	0	1	1	1	0	0	1	3
Depreciation, amortisation and impairment charges, EURm	-21	-20	-21	-20	-20	-20	-42	-40	-80
Operating profit, EURm	67	49	258	149	139	86	117	225	631
% of sales	7.4	4.6	18.2	10.4	13.6	8.6	5.9	11.1	13.0
Items affecting comparability in operating profit, EURm [1)]	-13	-36	1	-2	13	—	-49	13	12
Comparable EBIT, EURm	80	85	256	151	126	86	166	212	619
% of sales	8.8	7.9	18.1	10.5	12.4	8.6	8.3	10.5	12.7
Capital employed (average), EURm	1,459	1,627	1,648	1,599	1,396	1,381	1,543	1,388	1,506
Comparable ROCE, %	22.0	20.9	62.2	37.7	36.1	25.0	21.5	30.6	41.1
Paper deliveries, 1000 t	885	947	1,233	1,356	1,001	1,113	1,832	2,114	4,703

1) In Q2 2023, items affecting comparability include EUR 9 million restructuring charges, EUR 2 million charges related to planned sale of Steyrermühl site in Austria, EUR 1 million impairment charges and EUR 1 million charges related to prior capacity closures. In Q1 2023, items affecting comparability include EUR 26 million restructuring charges related to closure of paper machine 6 at UPM Schongau mill in Germany, EUR 9 million charges related to planned sale of Steyrermühl site in Austria and EUR 1 million charges related to prior capacity closures. In Q4 2022, items affecting comparability include EUR 8 million gain on sale of other non-current assets and EUR 7 million restructuring charges. In Q3 2022, items affecting comparability include EUR 4 million of restructuring charges and EUR 2 million gain on sale of non-current assets. Q2 2022 includes EUR 11 million settlement loss resulting from replacement of a defined benefit pension plan in Finland with defined contribution plan, EUR 8 million capital gain on sale of Chapelle mill site in France, EUR 11 million reversal of restructuring provisions related to Chapelle paper mill, EUR 7 million gain on sale of non-current assets and EUR 3 million charges related to prior capacity closures. Q1 2022 includes EUR 1 million gain on sale of non-current assets and EUR 1million impairment charges related to assets impacted by Russia´s war in Ukraine.

- Permanent closures of PM6 at UPM Schongau, Germany and PM4 at UPM Steyrermühl, Austria
- Continued cost containment initiatives in various areas

Results

Q2 2023 compared with Q2 2022

Comparable EBIT for UPM Communication Papers decreased due to lower production and delivery volumes.

The average price in euro for UPM's paper deliveries decreased by 2%.

Q2 2023 compared with Q1 2023

Comparable EBIT decreased due to lower sales prices and delivery volumes. Variable costs decreased.

The average price in euro for UPM's paper deliveries decreased by 10%.

January–June 2023 compared with January–June 2022

Comparable EBIT decreased due to lower production and delivery volumes. The positive impact of higher sales prices more than offset the negative impact of higher variable costs. Fixed costs increased.

The average price in euro for UPM's paper deliveries increased by 11%.

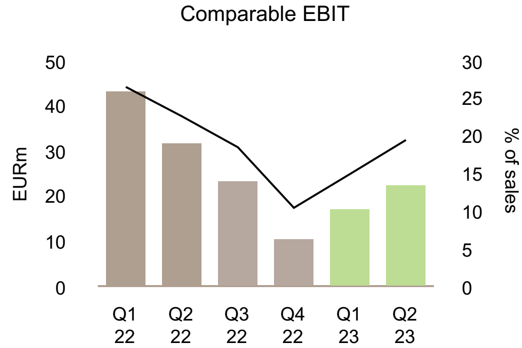
Market environment

- In the first half of 2023, demand for graphic papers in Europe was 29% lower than in the first half of 2022. Newsprint demand decreased by 24%, magazine papers by 29% and fine papers by 31% compared with the first half of 2022.
- In Q2 2023, publication paper prices in Europe were11% lower compared with Q1 2023. Publication paper prices were 10% lower compared with Q2 2022. In Q2 2023, fine paper prices in Europe were 5% lower than in the previous quarter. Fine paper prices were 2% higher compared with Q2 2022.
- In the first half of 2023, demand for magazine papers in North America decreased by 32%, compared with the first half of 2022. The average price in US dollars for magazine papers in Q2 2023 was 2% lower compared with Q1 2023 and increased by 5% compared with Q2 2022.

Sources: PPI/RISI, Euro-Graph, PPPC

UPM Plywood

UPM Plywood offers high quality WISA® plywood and veneer products for construction, vehicle flooring, LNG shipbuilding, parquet manufacturing and other industrial applications.



	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q2/23	Q1–Q2/22	Q1–Q4/22
Sales EURm	117	118	104	127	143	164	235	307	539
Comparable EBITDA, EURm	28	23	17	29	37	50	50	87	133
% of sales	23.8	19.1	16.0	22.5	26.2	30.3	21.5	28.4	24.6
Depreciation, amortisation and impairment charges, EURm	-5	-5	-4	-5	-5	-52	-10	-57	-67
Operating profit, EURm	21	12	5	26	33	-20	33	13	44
% of sales	18.2	10.3	4.8	20.6	23.0	-12.2	14.2	4.1	8.2
Items affecting comparability in operating profit, EURm [1)]	-1	-5	-6	3	1	-63	-7	-63	-65
Comparable EBIT, EURm	22	17	11	23	32	43	40	75	109
% of sales	19.3	14.8	10.3	18.3	22.4	26.3	17.0	24.5	20.3
Capital employed (average), EURm	258	255	253	231	230	274	257	252	247
Comparable ROCE, %	34.8	27.4	17.0	40.5	55.8	63.1	31.1	59.7	44.3
Plywood deliveries, 1000 m^3	118	117	110	140	168	198	235	366	616

1) In Q2 2023, items affecting comparability relate to restructuring costs. In Q1 2023, item affecting comparability include EUR 5 million capital loss resulting from sale of Russian operations. In Q4 2022, items affecting comparability include EUR 8 million addition to environmental provisions related to prior mill closures in Finland and EUR 2 million adjustment to impairment charges of assets impacted by Russia's war in Ukraine. In Q3, Q2 and Q1 2022 items affecting comparability relate mainly to impairment charges of assets impacted by Russia´s war in Ukraine.

- UPM Plywood completed the change negotiations in Finland and in sales offices and aims to renew its organisation and adjust its operations to meet the reduced production capacity and the deteriorating market situation
- Demand in birch-related end-uses was good
- Demand in spruce plywood and veneer remained weak

Results

Q2 2023 compared with Q2 2022

Comparable EBIT for UPM Plywood decreased due to lower delivery volumes. Higher sales prices offset the impact of higher variable costs.

Q2 2023 compared with Q1 2023

Comparable EBIT increased due to lower variable costs. Sales prices decreased.

January–June 2023 compared with January–June 2022

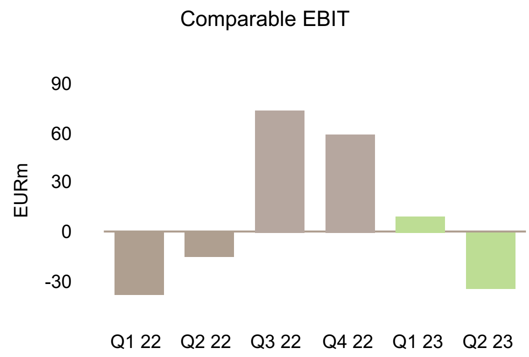
Comparable EBIT decreased due to lower delivery volumes. Higher sales prices offset the impact of higher variable costs.

Market environment

- In Q2 2023, demand for spruce plywood and veneer was weak due to lower activity in the building and construction industry.
- In Q2 2023, demand for birch plywood was good in panel trading and industrial applications.
- European birch plywood balance was impacted by leakage of the illegal Russian plywood to Europe.

Source: UPM

Other operations



Other Operations includes UPM Forest, UPM Biofuels, UPM Biochemicals, UPM Biomedicals and UPM Biocomposites business units as well as biofuels development and group services. UPM Forest secures competitive wood and biomass for UPM businesses and manages UPM-owned and privately-owned forests in North Europe. In addition, UPM Forest offers forestry services to forest owners and forest investors. UPM Biofuels produces wood-based renewable diesel for all diesel engines and renewable naphtha that can be used as a biocomponent for gasoline or for replacing fossil raw materials in petrochemical industry. UPM operates one biorefinery in Finland.

	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q2/23	Q1–Q2/22	Q1–Q4/22
Sales EURm	158	200	218	236	110	70	359	180	634
Comparable EBITDA, EURm	-16	21	66	90	4	-34	4	-30	126
Change in fair value of forest assets and wood harvested, EURm	-8	1	7	-6	-9	9	-7	1	2
Share of results of associated companies and joint ventures, EURm	0	-2	-1	0	0	-1	-2	-1	-2
Depreciation, amortisation and impairment charges, EURm	-10	-11	-14	-8	-9	-33	-21	-42	-64
Operating profit, EURm	-35	8	65	74	-14	-61	-26	-75	64
Items affecting comparability in operating profit, EURm [1)]	0	-1	6	—	1	-23	-1	-23	-16
Comparable EBIT, EURm	-35	9	59	74	-14	-38	-25	-53	81
Capital employed (average), EURm	2,832	2,858	2,734	2,646	2,504	2,421	2,845	2,463	2,577
Comparable ROCE, %	-4.9	1.3	8.7	11.2	-2.3	-6.3	-1.8	-4.3	3.1

[1)] In Q1 2023, item affecting comparability include EUR 1 million capital loss resulting from sale of Russian operations. In Q4 2022, items affecting comparability include EUR 5 million gain on sale of other non-current assets and EUR 1 million adjustment to impairment charges of assets impacted by Russia's war in Ukraine. In Q3 2022, items affecting comparability include EUR 2 million of AMC acquisition-related costs and EUR 2 million of impairment reversals related to assets impacted by Russia's war in Ukraine. Q2 2022 includes settlement loss of EUR 3 million resulting from replacement of defined benefit pension plan in Finland with defined contribution plan and EUR 3 million capital gain on sale of non-current assets. Q1 2022 items affecting comparability mainly relate to impairment charges of assets impacted by Russia´s war in Ukraine.

Results

Q2 2023 compared with Q2 2022

Comparable EBIT for other operations decreased. The change in the fair value of forest assets net of wood harvested was EUR -8 million (-9 million). The increase in the fair value of forest assets was EUR 17 million (15 million). The cost of wood harvested from UPM forests was EUR 25 million (24 million).

Biofuels sales prices decreased. Q2 2023 was impacted by the scheduled turnaround shutdown at the UPM Lappeenranta Biorefinery.

Q2 2023 compared with Q1 2023

Comparable EBIT decreased. The change in the fair value of forest assets net of wood harvested was EUR -8 million (1 million). The increase in the fair value of forest assets was EUR 17 million (18 million). The cost of wood harvested from UPM forests was EUR 25 million (17 million).

Biofuels delivery volumes decreased due to the scheduled turnaround shutdown at the UPM Lappeenranta Biorefinery.

January–June 2023 compared with January–June 2022

Comparable EBIT increased. The change in the fair value of forest assets net of wood harvested was EUR -7 million (1 million). The increase in the fair value of forest assets was EUR 35 million (31 million). The cost of wood harvested from UPM forests was EUR 42 million (30 million).

Market environment

- The European market for advanced renewable fuels softened during Q2 2023.
- In Q2 2023, interest for bio-based MEG and renewable functional fillers in Europe remained strong. Strong interest in more sustainable solutions from consumers, brand-owners and automotive OEMs, is driving demand for bio-based glycols and renewable functional fillers.
- In Q2 2023, market demand for biocomposites decreased in Europe, driven by the decreasing volumes in building and construction, as well as price sensitivity in consumer products. Market prices were solid and input costs stable. Long term fundamentals for sustainable and renewable materials remained solid.
- For life science products, the demand is driven by the need to implement automated 3D cell based models and to replace animal models in drug development. For clinical products, hospitals continue to explore new sustainable advanced wound care dressings.

Source: UPM

Risks and near-term uncertainties

The main uncertainties in UPM's earnings relate to the sales prices and delivery volumes of the Group's products, as well as changes to the main input cost items and currency exchange rates. Most of these items depend on general economic developments.

In 2022 economies relevant to UPM were impacted by unusually high inflation, the energy crisis particularly in Europe, rapidly rising interest rates and various supply chain and logistics bottlenecks. As the supply bottlenecks and inflation started to ease towards the end of the year, this resulted into unusually large destocking in the various product value chains. It is uncertain how long this destocking will last, holding back market demand for most UPM products.

Economic growth has slowed down in many areas, including Europe, and remains uncertain. As high inflation has affected consumer purchasing power and interest rates have increased, it is also possible that the underlying demand for many goods has decreased. In a lower-demand environment it is possible that pressure on unit margins would increase, impacting UPM's earnings.

The Chinese economy was held back in 2022 by the strict COVID-19 policies. As these have been lifted, the Chinese economy is recovering. The strength and duration of this economic growth remains uncertain, and is an important driver for many product and raw material markets.

It is possible that a new, more dangerous variant of COVID-19, or some other pandemic would re-emerge, impacting global economy and operating environment.

Russia's war in Ukraine has caused further uncertainty in European and global economic outlook, growth and inflation. The EU and US sanctions on Russia, escalated global geopolitical and trade tensions and resulting impacts on the global economy may all affect UPM's operations and supply chain, demand, supply and pricing of UPM's products, inputs or resources, or progress of UPM's large investment projects.

The very tight energy market situation in Europe added significantly to UPM's energy costs in 2021–2022. This was mitigated at Group level by the very strong performance of UPM Energy. However, this may not always be the case, due to geographical differences in UPM's energy sales and purchases. The energy markets have calmed down during 2023, but continue to represent uncertainty to both energy costs in UPM's energy consuming businesses and earnings in UPM Energy. In addition to the uncertain price of energy, Russia's war in Ukraine and related potential future sanctions and counter sanctions may affect the availability of certain forms of energy, e.g. natural gas.

The unprecedented increase in energy futures prices in 2022 impacted cash flows from energy hedges, temporarily tying up liquidity. Possible changes in futures prices continue to represent potential volatility in liquidity needs.

Many global commodity prices increased significantly during 2021 and 2022. This, combined with possible supply restrictions could have a further increasing impact on UPM's raw material cost items. Some of the raw material costs, e.g. wood raw material, could stay elevated even if product markets have weakened.

Bottlenecks in global logistics could re-emerge, representing challenges to delivering UPM products, sourcing of raw materials for UPM businesses and delivering equipment to UPM's investments projects. The logistics chains may be further affected by Russia's war in Ukraine.

Changes to the monetary policies of major central banks may significantly impact various currencies that directly or indirectly affect UPM.

In Finland, UPM indirectly owns approximately 31 % of the new nuclear power plant unit, Olkiluoto 3 EPR (OL3), through its shareholdings in Pohjolan Voima Oyj. Pohjolan Voima Oyj is a majority shareholder of Teollisuuden Voima Oyj (TVO), holding 58.5% of its shares.

According to TVO, OL3 was procured as a fixed price turnkey project from a consortium formed by Areva GmbH, Areva NP SAS and Siemens AG (the Supplier). As stipulated in the plant contract, the consortium companies have joint and several liability for the contractual obligations.

According to TVO, under the plant contract, electricity production was scheduled to start at the end of April 2009. The completion of the project, however, was delayed. TVO announced, on 20 April 2023, that TVO submitted to the OL3 plant supplier the Provisional Takeover Certificate. In addition, TVO confirmed that the commercial operation of OL3 starts at 1 May 2023. The final acceptance of OL3 will take place upon termination of the two-year warranty period. Even after that, the Supplier's liabilities under the warranty will remain in force to a certain extent for eight years at most. The shareholders' right to electricity generated by OL3 and their liability for the annual costs incurred from electricity generation are determined in accordance with TVO's Articles of Association.

In March 2018, TVO announced that it had signed a Global Settlement Agreement (the GSA) with the Supplier and the Areva Group parent company, Areva SA, a company wholly owned by the French state, concerning the completion of the OL3 project and related disputes. According to TVO's announcement, the GSA was amended with agreements signed in June 2021.

In the GSA, the Supplier consortium companies committed to ensuring that the funds dedicated to the completion of the OL3 project are sufficient and cover all the applicable guarantee periods. Consequently, a trust mechanism was set up funded by the Areva companies to secure the funds required to cover Areva's costs for the completion of the OL3 project.

TVO announced in its Interim Report Q2 2023 that the final payment of approximately EUR 193 million in delay compensation agreed upon in 2018 was set off against the final payment installment of the Areva companies under the plant contract in May 2023. Long-term receivables include the additional delay compensation of EUR 56.7 million to TVO, agreed upon in 2021, will become due during the final takeover of OL3 in April 2025 at the earliest.

According to TVO, all payments related to the settlement compensations have been recorded in the consolidated balance sheet as property, plant and equipment.

TVO announced in its Interim Report Q2 2023 that total investment in the OL3 project was approximately EUR 5.8 billion. EUR 250.0 million was transferred from the OL3 investment to operating-time fuel (inventories) when the OL3 plant unit entered commercial operation.

According to TVO, regular electricity production and commercial operation of the OL3 on 1 May, transferred the responsibility of the plant to TVO. The Supplier retains the responsibilities according to the plant contract for warranty periods and for that unfinished work, which has been agreed to be done later at the Supplier's expense.

According to TVO, the company will carefully follow the fulfilment of the conditions according to the 2018 settlement agreement and the amendment agreements signed in June 2021. The Supplier is obligated to complete OL3 in accordance with the plant contract and the amended GSA.

On 16 December 2020 TVO announced, that the shareholders of TVO, including PVO, had signed an additional shareholder loan commitment, comprising a total of EUR 400 million new subordinated shareholder loan agreements. According to TVO, with the new shareholder loan commitment, TVO is preparing to maintain sufficient liquidity buffer and equity ratio to complete OL3. On 30 November 2022, TVO announced that the shareholder loan commitment of EUR 400 million, originally agreed in December 2020, has been extended by one year until the end of 2023.

On 26 April 2023, TVO announced that S&P Global Ratings had upgraded its long-term credit rating from "BB+" to "BBB-" and affirmed its stable outlook. On 4 May 2023, TVO announced that Moody's Investors Service has assigned a Baa3 long term issuer rating to TVO with a stable outlook. TVO maintains investment grade ratings from all three major credit rating agencies (Fitch Ratings Ltd BBB-/Stable, Moody's Baa3/ Stable, S&P Global BBB-/ Stable).

As of UPM Financial Statements Release 2020 it was reported that the Renewable Energy Sources Act (EEG) related lawsuits in Germany for alleged non-payment of EEG based surcharges could have had an adverse impact on UPM, albeit UPM was not party to any such lawsuits. However, the lawsuits which could have impacted UPM have now been concluded without adverse impact on UPM.

The main earnings sensitivities and the group's cost structure are presented on pages 173–174 of the Annual Report 2022. Risks and opportunities are discussed on pages 32–33, and risks and risk management are presented on pages 132–137.

Impact of Russia's war in Ukraine

In response to Russia's attack on Ukraine, the European Union as well as the United States, the United Kingdom, and other countries have imposed extensive sanctions on Russia, the breakaway regions of Donetsk and Luhansk and the oblasts of Zaporizhzhia and Kherson, and Belarus. Since 21 February 2022, these measures have included for example asset freezes and travel restrictions on individuals and entities, economic sanctions targeting sectors of the Russian and Belarusian economies, and diplomatic restrictions. Russia has also implemented several countermeasures affecting especially foreign companies' operations within Russia and with Russian counterparties. Further escalation of the conflict has involved Russia's attempted illegal annexation of four partially occupied regions in Ukraine based on sham referenda, mobilisation of military reservists in Russia, issuance of open nuclear threats and explosions in Russia-to-Germany gas pipelines under the Baltic Sea. This has increased geopolitical tensions between Russia and several other countries and triggered further sanctions packages against Russia.

Global economy

While the sanctions primarily target Russia's ability to finance its military operations in Ukraine and cause economic and political costs on the people responsible for them, economic and geopolitical uncertainty, as well as inflation, have accelerated around the world. Import bans on various goods categories may restrict the availability of raw materials and drive up costs and lead times in many supply chains that have been under increasing pressure during the COVID-19 pandemic. Export bans will impact industries dependent on Russian markets and shift delivery volumes and services to other markets. Fuel prices are exposed to geopolitical uncertainties. Because of Russia's attack on Ukraine, the sanctions imposed on the Russian energy sector and Russia's countermeasures on gas and electricity deliveries, energy price levels and volatility increased in 2022, especially in Europe.

Impact on UPM businesses

The EU has imposed export and import bans on several forest industry product categories, prohibitions on Russian transportation operators entering the EU and has sanctioned several Russian banks. Disruptions in international sales, purchases and payment flows involving Russian counterparties are inevitable. The EU has also imposed restrictions on Russian seaborne crude oil, certain petroleum products and oil transportation services and in December 2022 agreed to impose a cap of USD 60 per barrel on the price of Russian oil. Russia has also introduced legislation restricting non-Russian companies to repatriate dividends and loan payments and has caused friction in collecting customer payments from Russia. Russia has also restricted or suspended the flow of natural gas or electricity from Russia. These restrictions have impacted several European countries where UPM has production locations and caused increases in electricity and gas prices. The unprecedented increase in energy futures prices has impacted cash flows from energy hedges, temporarily tying up liquidity. EU energy ministers also adopted a new temporary regulation (applicable from 1 December 2022 to 30 June 2023) on the reduction of electricity use, the capping of revenues of electricity producers, and mandatory solidarity contributions from fossil fuel businesses. To implement the EU revenue cap of electricity producers Finnish parliament has finalised the legislation for an additional profit tax on energy companies, commonly referred to as the windfall tax. The final outcome is that the additional and temporary 30% tax would apply to Finnish electricity generating companies' profits exceeding a 10% return on adjusted shareholder's equity in the fiscal year 2023. Group internal electricity profits will not be taken into account when calculating the taxable net profit for the temporary profit tax and additionally equity in co-owned energy companies can partially be taken into account in adjusted equity. The final impact of the tax is dependent of 2023 profits. Major forest certification organisations (i.e. FSC™ and PEFC) have also excluded Russian and Belarusian wood from their certification systems.

UPM businesses have suspended deliveries to Russia as well as wood sourcing in and from Russia. UPM has completed the withdrawal of its businesses from Russia by selling all its Russian operations, including the Chudovo plywood mill. UPM's sales to Russia and Ukraine combined was less than 1% (2.3%) of UPM's total sales in 2022. Assets in Russia were less than 1% of the group's total assets. In 2022, 3% (less than 10%) of UPM's wood sourcing to Finland originated from Russia.

Adjusting to different scenarios

The full impact of the current and potential new sanctions, counter-sanctions and market development will only become known as the situation evolves. UPM has implemented mitigation plans to contain and reduce the negative consequences for its employees, customers, vendors, and other stakeholders as well as for the operations affected by sanctions and the war in Ukraine in general. The potential further impacts for UPM are likely to differ by business and by the pace, scope and duration of sanctions, market price reactions, development of supply chains, and the length of the war in Ukraine and whether any geographic escalation of the war develops. UPM is monitoring the situation closely and preparing plans to adjust its operations in different scenarios accordingly.

Shares

In H1 2023, UPM shares worth a total of EUR 4,972 million (5,057 million) were traded on the Nasdaq Helsinki stock exchange. This is estimated to represent almost 70% of the total trading volume in UPM shares. The highest listing was EUR 35.99 in January and the lowest was EUR 26.62 in June.

The Annual General Meeting held on 12 April 2023 authorised the Board of Directors to decide on the repurchase of a maximum of 50,000,000 of the Company's own shares. The authorisation will be valid for 18 months from the date of the AGM's resolution.

The Annual General Meeting held on 12 April 2023 authorised the Board of Directors to decide on the issuance of new shares, the transfer of treasury shares and the issuance of special rights entitling to shares in proportion to the shareholders' existing holdings in the Company, or in a directed share issue, deviating from the shareholder's preemptive subscription right. The Board of Directors may also decide on a share issue without payment to the Company itself. The aggregate maximum number of new shares that may be issued and treasury shares that may be transferred is 25,000,000, including the number of shares that can be received on the basis of special rights. The authorisation will be valid for 18 months from the date of the AGM resolution.

Aside from the above, the Board of Directors has no current authorisation to issue shares, convertible bonds or share options.

The number of shares entered in the Trade Register on 30 June 2023 was 533,735,699. Through the issuance authorisation, the number of shares may increase to a maximum of 558,735,699.

On 30 June 2023, the Company held 411,653 of its own shares, representing approximately 0.08% of the total number of Company shares and voting rights. The Board of Directors may decide to retain, transfer or cancel the treasury shares.

Legal proceedings

The Group's management is not aware of any significant litigation at the end of Q2 2023.

In October 2021, the European Commission conducted an unannounced inspection at UPM's premises. According to the Commission's press release on 12 October 2021, the Commission had concerns that the inspected companies in the wood pulp sector may have violated EU antitrust rules that prohibit cartels and restrictive business practices. On 15 June 2023 the Commission published a release that it had decided to close its antitrust investigation in the wood pulp sector. According to the Commission's release, it had decided to close the investigation after a thorough analysis and careful assessment of all the evidence gathered.

Helsinki, 25 July 2023

UPM-Kymmene Corporation
Board of Directors

Financial statement information

Consolidated income statement

EURm	Q2/2023	Q2/2022	Q1–Q2/2023	Q1–Q2/2022	Q1–Q4/2022
Sales (Note 3)	2,558	2,562	5,345	5,069	11,720
Other operating income	58	43	104	115	231
Costs and expenses	-2,363	-2,151	-4,758	-4,377	-9,470
Change in fair value of forest assets and wood harvested	-16	-8	-22	4	12
Share of results of associated companies and joint ventures	0	2	-1	1	4
Depreciation, amortisation and impairment charges	-127	-113	-242	-294	-522
Operating profit	108	335	426	518	1,974
Exchange rate and fair value gains and losses	1	34	-71	35	25
Interest and other finance costs, net	-13	-9	-19	-13	-55
Profit before tax	96	361	336	540	1,944
Income taxes	-19	-69	-75	-109	-388
Profit for the period	77	292	261	431	1,556
Attributable to:					
Owners of the parent company	78	283	254	416	1,526
Non-controlling interests	-1	9	6	14	31
	77	292	261	431	1,556
Earnings per share for profit attributable to owners of the parent company					
Basic earnings per share, EUR	0.15	0.53	0.48	0.78	2.86
Diluted earnings per share, EUR	0.15	0.53	0.48	0.78	2.86

Consolidated statement of comprehensive income

EURm	Q2/2023	Q2/2022	Q1–Q2/2023	Q1–Q2/2022	Q1–Q4/2022
Profit for the period	77	292	261	431	1,556
Other comprehensive income for the period, net of tax					
Items that will not be reclassified to income statement:					
Actuarial gains and losses on defined benefit obligations	3	150	25	296	192
Changes in fair value of energy shareholdings	-464	351	-1,105	543	1,051
Items that may be reclassified subsequently to income statement:					
Translation differences	-16	272	-52	358	150
Net investment hedge	0	-20	5	-24	-15
Cash flow hedges	44	-778	505	-734	-531
Other comprehensive income for the period, net of tax	-433	-25	-622	440	847
Total comprehensive income for the period	-355	267	-361	871	2,403
Total comprehensive income attributable to:					
Owners of the parent company	-355	242	-361	835	2,358
Non-controlling interests	-1	25	0	36	45
	-355	267	-361	871	2,403

Consolidated balance sheet

EURm	30 JUN 2023	30 JUN 2022	31 DEC 2022
ASSETS			
Goodwill	280	246	282
Other intangible assets	540	440	553
Property, plant and equipment (Note 4)	7,177	6,225	6,733
Leased assets	763	654	713
Forest assets	2,429	2,441	2,442
Energy shareholdings (Note 5)	2,531	3,130	3,652
Other non-current financial assets	62	98	70
Deferred tax assets	335	577	485
Net retirement benefit assets	1	59	1
Investments in associates and joint ventures	24	26	27
Other non-current assets	30	19	20
Non-current assets	14,174	13,916	14,977
Inventories	2,167	1,839	2,289
Trade and other receivables	1,855	2,548	2,696
Other current financial assets	118	109	118
Income tax receivables	103	42	61
Cash and cash equivalents	768	938	2,067
Current assets	5,011	5,476	7,230
Assets classified as held for sale (Note 9)	35	7	—
Assets	19,220	19,399	22,207
EQUITY AND LIABILITIES			
Share capital	890	890	890
Treasury shares	-2	-2	-2
Translation reserve	409	640	449
Other reserves	1,858	1,743	2,460
Reserve for invested non-restricted equity	1,273	1,273	1,273
Retained earnings	6,902	6,429	7,433
Equity attributable to owners of the parent company	11,329	10,973	12,502
Non-controlling interests	364	325	376
Equity	11,693	11,298	12,879
Deferred tax liabilities	612	674	636
Net retirement benefit liabilities	453	446	527
Provisions (Note 8)	151	101	134
Non-current debt	3,176	3,940	4,476
Other non-current financial liabilities	207	124	103
Non-current liabilities	4,600	5,285	5,876
Current debt	452	399	558
Trade and other payables	2,354	2,159	2,720
Other current financial liabilities	41	224	102
Income tax payables	42	34	73
Current liabilities	2,890	2,816	3,452
Liabilities related to assets classified as held for sale (Note 9)	38	—	—
Liabilities	7,527	8,101	9,329
Equity and liabilities	19,220	19,399	22,207

Consolidated statement of changes in equity

EURm	SHARE CAPITAL	TREASURY SHARES	TRANSLATION RESERVE	OTHER RESERVES	RESERVE FOR INVESTED NON-RESTRICTED EQUITY	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Value at 1 January 2023	890	-2	449	2,460	1,273	7,433	12,502	376	12,879
Profit for the period	—	—	—	—	—	254	254	6	261
Translation differences	—	—	-45	—	—	—	-45	-7	-52
Cash flow hedges - reclassified to income statement, net of tax	—	—	—	44	—	—	44	—	44
Cash flow hedges - reclassified to PPE	—	—	—	1	—	—	1	—	1
Cash flow hedges - changes in fair value, net of tax	—	—	—	459	—	—	459	—	460
Net investment hedge, net of tax	—	—	5	—	—	—	5	—	5
Energy shareholdings - changes in fair value, net of tax	—	—	—	-1,105	—	—	-1,105	—	-1,105
Actuarial gains and losses on defined benefit plans, net of tax	—	—	—	—	—	25	25	—	25
Total comprehensive income for the period	—	—	-40	-601	—	280	-361	—	-361
Share-based payments, net of tax	—	—	—	-1	—	-11	-12	—	-12
Dividend distribution	—	—	—	—	—	-800	-800	-36	-836
Other items	—	—	—	—	—	—	—	—	—
Contributions by non-controlling interests	—	—	—	—	—	—	—	23	23
Total transactions with owners for the period	—	—	—	-1	—	-811	-812	-13	-825
Value at 30 June 2023	890	-2	409	1,858	1,273	6,902	11,329	364	11,693
Value at 1 January 2022	890	-2	329	1,938	1,273	6,419	10,846	261	11,106
Profit for the period	—	—	—	—	—	416	416	14	431
Translation differences	—	—	336	—	—	—	336	22	358
Cash flow hedges - reclassified to income statement, net of tax	—	—	—	89	—	—	89	—	89
Cash flow hedges - reclassified to PPE	—	—	—	9	—	—	9	1	10
Cash flow hedges - changes in fair value, net of tax	—	—	—	-830	—	—	-830	-2	-832
Net investment hedge, net of tax	—	—	-24	—	—	—	-24	—	-24
Energy shareholdings - changes in fair value, net of tax	—	—	—	542	—	1	543	—	543
Actuarial gains and losses on defined benefit plans, net of tax	—	—	—	—	—	296	296	—	296
Total comprehensive income for the period	—	—	312	-190	—	714	835	36	871
Share-based payments, net of tax	—	—	—	-4	—	-10	-15	—	-15
Dividend distribution	—	—	—	—	—	-693	-693	-28	-721
Other items	—	—	—	—	—	—	—	—	—
Contributions by non-controlling interests	—	—	—	—	—	—	—	57	57
Total transactions with owners for the period	—	—	—	-4	—	-704	-708	29	-679
Value at 30 June 2022	890	-2	640	1,743	1,273	6,429	10,973	325	11,298

Consolidated cash flow statement

EURm	Q2/2023	Q2/2022	Q1–Q2/2023	Q1–Q2/2022	Q1–Q4/2022
Cash flows from operating activities					
Profit for the period	77	292	261	431	1,556
Adjustments [1]	240	-698	1,048	-537	35
Interest received	9	1	17	1	8
Interest paid	-46	-12	-61	-21	-43
Dividends received	0	2	1	2	3
Other financial items, net	-11	-27	-29	-19	-52
Income taxes paid	-108	-44	-146	-72	-313
Change in working capital	298	-393	82	-650	-687
Operating cash flow	459	-879	1,173	-867	508
Cash flows from investing activities					
Capital expenditure	-277	-325	-568	-651	-1,398
Additions to forest assets	-18	-45	-28	-52	-79
Acquisition of businesses and subsidiaries, net of cash acquired	0	0	0	0	-138
Proceeds from sale of property, plant and equipment and intangible assets, net of tax	6	21	6	23	41
Proceeds from sale of forest assets, net of tax	1	1	5	2	7
Proceeds from disposal of businesses and subsidiaries and advances received	1	15	1	15	15
Proceeds from disposal of shares in associates and joint ventures	0	0	0	0	11
Proceeds from disposal of energy shareholdings	0	0	0	2	2
Net cash flows from net investment hedges	10	-47	10	-47	-47
Change in other non-current assets	-3	0	-4	0	3
Investing cash flow	-279	-381	-578	-710	-1,585
Cash flows from financing activities					
Proceeds from non-current debt	100	1,350	100	1,351	4,402
Payments of non-current debt	-14	-1	-1,403	-3	-2,550
Lease repayments	-22	-21	-47	-43	-91
Change in current liabilities	-51	115	-121	289	439
Net cash flows from derivatives	-1	2	3	12	20
Dividends paid to owners of the parent company	-400	-693	-400	-693	-693
Dividends paid to non-controlling interests	-36	-27	-36	-27	-27
Contributions paid by non-controlling interests	2	18	23	57	97
Change in investment funds	0	99	0	99	99
Other financing cash flow	-2	-2	-5	-3	-9
Financing cash flow	-423	840	-1,886	1,038	1,687
Change in cash and cash equivalents	-244	-420	-1,291	-539	610
Cash and cash equivalents at the beginning of the period	1,016	1,342	2,067	1,460	1,460
Exchange rate effect on cash and cash equivalents	-4	16	-8	17	-3
Change in cash and cash equivalents	-244	-420	-1,291	-539	610
Cash and cash equivalents at the end of the period	768	938	768	938	2,067

[1] **Adjustments**

EURm	Q2/2023	Q2/2022	Q1–Q2/2023	Q1–Q2/2022	Q1–Q4/2022
Change in fair value of forest assets and wood harvested	16	8	22	-4	-12
Share of results of associated companies and joint ventures	0	-2	1	-1	-4
Depreciation, amortisation and impairment charges	127	113	242	294	522
Capital gains and losses on sale of non-current assets	-4	-19	2	-21	-35
Financial income and expenses	12	-26	91	-22	30
Income taxes	19	69	75	109	388
Utilised provisions	-3	-9	-6	-32	-52
Non-cash changes in provisions	9	-18	43	-11	7
Other adjustments [2]	63	-813	579	-850	-808
Total	240	-698	1,048	-537	35

[2] In 2023 and 2022, other adjustments include energy hedging derivative market value payments.

Notes to the financial statements

1 Basis of preparation and accounting policies

This unaudited interim report has been prepared in accordance with the accounting policies set out in International Accounting Standard 34 on Interim Financial Reporting and group's consolidated statements for 2022.

Alternative performance measures presented in this report should not be considered as a substitute for measures of performance in accordance with the IFRS and may not be comparable to similarly titled amounts used by other companies.

Figures presented in this report have been rounded and therefore the sum of individual figures might deviate from the presented total figure. Key figures have been calculated using exact figures.

IFRS 17 Insurance contracts

On 1 January 2023 the group implemented IFRS 17 Insurance contracts. The group has assessed the impact of the implementation of IFRS 17 and concluded that it has no effect on the group financial statements as of 1 January 2023.

2 Quarterly information by business area

EURm, OR AS INDICATED	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q2/23	Q1–Q2/22	Q1–Q4/22
Sales									
UPM Fibres	764	683	850	866	584	404	1,447	988	2,704
UPM Energy	134	159	193	244	154	143	293	297	734
UPM Raflatac	357	395	479	573	479	451	751	930	1,982
UPM Specialty Papers	349	404	441	502	357	377	753	734	1,677
UPM Communication Papers	909	1,083	1,419	1,428	1,017	1,001	1,992	2,019	4,866
UPM Plywood	117	118	104	127	143	164	235	307	539
Other operations	158	200	218	236	110	70	359	180	634
Internal sales	-229	-255	-472	-557	-286	-102	-484	-387	-1,416
Eliminations and reconciliation	-1	1	-1	1	4	-1	-1	2	2
Sales, total	2,558	2,787	3,231	3,420	2,562	2,507	5,345	5,069	11,720
Comparable EBITDA									
UPM Fibres	42	188	213	313	139	78	230	216	743
UPM Energy	30	82	102	147	75	65	112	140	388
UPM Raflatac	36	30	42	89	72	49	66	120	251
UPM Specialty Papers	22	24	62	81	50	38	46	87	230
UPM Communication Papers	101	105	276	170	145	106	206	251	697
UPM Plywood	28	23	17	29	37	50	50	87	133
Other operations	-16	21	66	90	4	-34	4	-30	126
Eliminations and reconciliation	12	5	-19	-24	-15	27	17	12	-31
Comparable EBITDA, total	255	477	759	894	506	377	732	883	2,536
Operating profit									
UPM Fibres	-24	134	177	271	32	37	110	69	517
UPM Energy	31	80	100	145	73	63	112	136	381
UPM Raflatac	23	19	31	77	61	33	42	95	203
UPM Specialty Papers	4	5	44	60	30	19	8	49	153
UPM Communication Papers	67	49	258	149	139	86	117	225	631
UPM Plywood	21	12	5	26	33	-20	33	13	44
Other operations	-35	8	65	74	-14	-61	-26	-75	64
Eliminations and reconciliation	21	10	-5	-20	-19	27	30	7	-18
Operating profit, total	108	318	675	781	335	183	426	518	1,974
% of sales	4.2	11.4	20.9	22.8	13.1	7.3	8.0	10.2	16.8
Items affecting comparability									
UPM Fibres	—	—	7	—	-60	—	—	-60	-53
UPM Energy	3	—	—	—	—	—	3	—	—
UPM Raflatac	-3	-1	-1	-2	-2	-7	-4	-9	-11
UPM Specialty Papers	—	—	—	—	—	—	—	—	—
UPM Communication Papers	-13	-36	1	-2	13	—	-49	13	12
UPM Plywood	-1	-5	-6	3	1	-63	-7	-63	-65
Other operations	0	-1	6	—	1	-23	-1	-23	-16
Eliminations and reconciliation [1)]	8	5	14	3	-4	—	13	-4	13
Items affecting comparability in operating profit, total	-5	-38	22	2	-52	-94	-43	-146	-122
Comparable EBIT									
UPM Fibres	-24	134	170	271	92	37	110	129	570
UPM Energy	28	80	100	145	73	63	108	136	381
UPM Raflatac	26	20	32	79	63	40	45	103	214
UPM Specialty Papers	4	5	44	60	30	19	8	49	153
UPM Communication Papers	80	85	256	151	126	86	166	212	619
UPM Plywood	22	17	11	23	32	43	40	75	109
Other operations	-35	9	59	74	-14	-38	-25	-53	81
Eliminations and reconciliation	12	5	-19	-24	-15	27	17	12	-31
Comparable EBIT, total	114	356	653	779	387	277	470	664	2,096
% of sales	4.5	12.8	20.2	22.8	15.1	11.0	8.8	13.1	17.9

[1)] Eliminations and reconciliations includes changes in fair value of unrealised cash flow and commodity hedges.

Items affecting comparability

Certain non-operational or non-cash valuation transactions with significant income statement impact are considered as items affecting comparability and reported separately to reflect the underlying business performance and to enhance comparability from period to period. In 2023, restructuring charges relate to closure of paper machine 6 at UPM Schongau mill in Germany, planned sale of Steyrermühl site in Austria and restructurings in UPM Communication Papers, UPM Raflatac and UPM Plywood. Capital gains and losses include losses of EUR 6 million relating to sale of Russian operations. Items affecting comparability in financial items include EUR 71 million exchange rate losses relating to sale of Russian operations and EUR 5 million income on termination of lease agreement.

EURm	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q2/23	Q1–Q2/22	Q1–Q4/22
Comparable profit for the period	77	281	489	629	329	232	358	561	1,679
Items affecting comparability									
Impairment charges	-2	-1	5	7	4	-95	-3	-91	-80
Restructuring charges	-15	-37	-15	-6	5	0	-52	5	-15
Change in fair value of unrealised cash flow and commodity hedges	8	5	14	3	-4	0	13	-4	13
Capital gains and losses on sale of non-current assets	3	-6	13	2	18	1	-2	19	34
Other non-operational items	0	0	5	-5	-74	0	0	-74	-74
Total items affecting comparability in operating profit	-5	-38	22	2	-52	-94	-43	-146	-122
Items affecting comparability in financial items	1	-67	0	0	0	0	-66	0	0
Tax provisions	0	0	0	-10	0	0	0	0	-10
Taxes relating to items affecting comparability	4	8	-8	1	15	1	12	16	9
Items affecting comparability in taxes	4	8	-8	-9	15	1	12	16	-1
Items affecting comparability, total	0	-97	14	-7	-37	-93	-97	-130	-122
Profit for the period	77	183	503	622	292	139	261	431	1,556

3 External sales by major products

BUSINESS AREA	BUSINESS	Q2/2023	Q2/2022	Q1–Q2/2023	Q1–Q2/2022	Q1–Q4/2022
EURm						
UPM Fibres	UPM Pulp UPM Timber	620	447	1,160	837	2,052
UPM Energy	UPM Energy	106	77	229	209	343
UPM Raflatac	UPM Raflatac	357	479	751	930	1,981
UPM Specialty Papers	UPM Specialty Papers	307	310	661	631	1,423
UPM Communication Papers	UPM Communication Papers	907	1,002	1,977	1,989	4,792
UPM Plywood	UPM Plywood	111	139	223	297	518
Other operations	UPM Forest UPM Biofuels UPM Biochemicals UPM Biomedicals UPM Biocomposites	151	105	344	173	608
Eliminations and reconciliations		-1	4	-1	2	2
Total		2,558	2,562	5,345	5,069	11,720

BUSINESS	PRODUCT RANGE
UPM Pulp	Softwood, birch and eucalyptus pulp
UPM Timber	Standard and special sawn timber
UPM Energy	Electricity and related services
UPM Raflatac	Self-adhesive paper, film and graphic materials
UPM Specialty Papers	Labelling materials, release base papers, flexible packaging materials, office papers, graphic papers
UPM Communication Papers	Graphic papers for various end uses
UPM Plywood	Plywood and veneer products
UPM Forest	Wood and wood-based biomass (logs, pulpwood, chips, forest residues etc.), full forestry service offering
UPM Biofuels	Wood-based renewable diesel for transport and renewable naphtha for transport and petrochemicals
UPM Biochemicals	Lignin products for industrial use
UPM Biomedicals	Wood-based products for biomedical applications
UPM Biocomposites	UPM ProFi decking products and UPM Formi granules

4 Changes in property, plant and equipment

EURm	Q1–Q2/2023	Q1–Q2/2022	Q1–Q4/2022
Book value at beginning of period	6,733	5,569	5,569
Reclassification to assets held for sale, net	-21	—	—
Capital expenditure	745	630	1,366
Companies acquired	—	—	56
Decreases	—	-2	-9
Depreciation	-184	-179	-357
Impairment charges	-3	-56	-54
Impairment reversal	0	1	1
Translation difference and other changes	-92	262	160
Book value at end of period	7,177	6,225	6,733

Capital expenditure in H1 2023 and 2022 mainly relate to the construction of the new pulp mill in Uruguay and the construction of the new biorefinery in Germany. Companies acquired in 2022 relates to the acquisition of AMC. Impairment charges in 2022 relate to assets impacted by the Russia´s war in Ukraine.

5 Financial assets and liabilities

Financial assets and liabilities measured at fair value

EURm	30 JUN 2023				30 JUN 2022				31 DEC 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets												
Investment funds	—	1	—	1	—	1	—	1	—	1	—	1
Derivatives non-qualifying hedges	—	26	—	26	—	32	—	32	—	17	—	17
Derivatives under hedge accounting	2	141	—	142	17	146	—	163	12	150	—	162
Energy shareholdings	—	—	2,531	2,531	—	—	3,130	3,130	—	—	3,652	3,652
Total	2	167	2,531	2,699	17	179	3,130	3,326	12	168	3,652	3,832
Financial liabilities												
Derivatives non-qualifying hedges	—	43	—	43	—	63	—	63	—	37	—	37
Derivatives under hedge accounting	25	142	—	167	90	217	—	307	46	192	—	238
Total	25	185	—	210	90	280	—	371	46	229	—	275

There have been no transfers between levels.

Specific valuation techniques used to value financial instruments at level 2 include the following methods:
Interest forward rate agreements (FRA) are fair valued based on quoted market rates on the balance sheet date. Forward foreign exchange contracts are fair valued based on the contract forward rates at the balance sheet date.
Foreign currency options are fair valued based on quoted market rates and market volatility rates on the balance sheet date by using the Black&Scholes option valuation model.

Interest and currency swap instruments are fair valued as present value of the estimated future cash flows based on observable yield curves. Commodity swaps are fair valued based on forward curve quotations received from service providers. Valuation of investment funds is based on quoted prices (unadjusted) for identical assets in markets that are not active.

Fair value measurements using significant unobservable inputs, Level 3

	ENERGY SHAREHOLDINGS		
EURm	Q1–Q2/2023	Q1–Q2/2022	Q1–Q4/2022
Book value at beginning of period	3,652	2,579	2,579
Disposals	0	-2	-2
Fair value changes recognised in other comprehensive income	-1,121	553	1,074
Book value at end of period	2,531	3,130	3,652

Fair valuation of energy shareholdings in UPM Energy (Pohjolan Voima Oyj's A, B, B2, C, C2, M and V-shares, Kemijoki Oy shares, and Länsi-Suomen Voima Oy shares) is based on discounted cash flows model. The electricity price estimate is based on future electricity forward prices and a simulation of the Finnish area electricity price. A change of 5% in the electricity price used in the model would change the total value of the assets by approximately EUR 330 (410 in Q2 2022) million.

The discount rate of 7.83% (5.08% in Q2 2022) used in the valuation model is determined using the weighted average cost of capital method. A change of 0.5 percentage points in the discount rate would change the total value of the assets by approximately EUR 220 (320 in Q2 2022) million.

UPM's indirect share of the capacity of Olkiluoto 3 EPR is approximately 31%, through its PVO B2 shares, and on 16 April 2023 TVO announced that OL 3 is ready. Test production has been completed and regular electricity production started on 16 April 2023.

The decrease in fair value during reporting period was mainly due to the decrease in electricity forward rates.

Fair value of financial assets and liabilities measured at amortised cost

EURm	30 JUN 2023 Carrying amount	30 JUN 2023 Fair value	30 JUN 2022 Carrying amount	30 JUN 2022 Fair value	31 DEC 2022 Carrying amount	31 DEC 2022 Fair value
Bonds	1,970	1,822	2,036	1,872	1,974	1,813
Other non-current debt excl. derivative financial instruments and lease liabilities	468	481	1,252	1,268	1,783	1,795
Total	2,438	2,303	3,288	3,140	3,756	3,607

The carrying amounts are not significantly different from fair values due to hedges. The fair values of all other financial assets and liabilities approximate their carrying amount.

6 Commitments and contingencies

EURm	30 JUN 2023	30 JUN 2022	31 DEC 2022
On behalf of others			
Guarantees	—	3	2
Other own commitments			
Commitments related to off-balance sheet short-term leases	2	2	2
Other commitments	220	207	219
Total	222	211	223

The lease commitments for leases not commenced on 30 June 2023 amounted to EUR 183 million (EUR 245 million on 31 December 2022) and are mainly related to railway service agreement in Uruguay and service agreements related to wastewater treatment and other utilities in Leuna, Germany.

Capital commitments

EURm	COMPLETION	TOTAL COST	BY 31 DEC 2022	Q1–Q2/2023	AFTER 30 JUN 2023
New biorefinery / Germany	Q4 2024	1,180	493	132	555
Mill development / Plywood Joensuu	Q3 2023	10	5	4	1

7 Notional amounts of derivative financial instruments

EURm	30 JUN 2023	30 JUN 2022	31 DEC 2022
Interest rate futures	1,963	2,241	1,969
Interest rate swaps	1,095	1,111	1,102
Forward foreign exchange contracts	3,442	3,897	3,913
Currency options, bought	—	—	—
Currency options, written	—	12	—
Cross currency swaps	134	148	149
Commodity contracts	665	3,010	1,744

8 Provisions

EURm	RESTRUCTURING	TERMINATION	ENVIRONMENTAL	EMISSIONS	OTHER	TOTAL
Value at 1 January 2023	14	22	29	53	15	134
Provisions made during the year	10	36	0	47	0	94
Provisions utilised during the year	-2	-4	0	-65	0	-71
Unused provisions reversed	-1	-1	-1	-1	0	-4
Reclassifications	-1	0	1	0	0	0
Value at 30 June 2023	20	53	29	34	15	151

9 Assets and liabilities classified as held for sale and disposals

Assets and liabilities classified as held for sale as at 30 June 2023 relate to agreement to sell 100% of the shares of Austrian subsidiary UPM-Kymmene Austria GmbH to the HEINZEL GROUP as announced in June 2022. The transaction comprises the UPM Steyrermühl site and the Steyrermühl sawmill operations. UPM Communication Papers ended the newspaper production at Steyrermühl paper mill in June 2023.

Alternative performance measures

Quarterly key figures

In addition to the conventional financial performance measures established by the IFRS, certain key figures (alternative performance measures) are presented to reflect the underlying business performance and enhance comparability from period to period.

	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q2/23	Q1–Q2/22	Q1–Q4/22
Sales EURm	2,558	2,787	3,231	3,420	2,562	2,507	5,345	5,069	11,720
Comparable EBITDA, EURm	255	477	759	894	506	377	732	883	2,536
% of sales	10.0	17.1	23.5	26.1	19.7	15.0	13.7	17.4	21.6
Comparable EBIT, EURm	114	356	653	779	387	277	470	664	2,096
% of sales	4.5	12.8	20.2	22.8	15.1	11.0	8.8	13.1	17.9
Comparable profit before tax, EURm	101	344	616	764	413	273	445	686	2,066
Capital employed (average, EURm)	15,900	17,196	17,983	16,845	14,738	13,799	16,617	14,698	15,836
Comparable ROCE, %	3.1	8.4	14.5	18.6	11.5	8.5	5.8	9.7	13.6
Comparable profit for the period, EURm	77	281	489	629	329	232	358	561	1,679
Total equity, average, EURm	12,290	12,883	12,589	11,799	11,167	11,071	12,286	11,202	11,992
Comparable ROE, %	2.5	8.7	15.5	21.3	11.8	8.4	5.8	10.0	14.0
Average number of shares basic (1,000)	533,324	533,324	533,324	533,324	533,324	533,324	533,324	533,324	533,324
Comparable EPS, EUR	0.15	0.51	0.91	1.16	0.60	0.42	0.66	1.02	3.09
Items affecting comparability in operating profit, EURm	-5	-38	22	2	-52	-94	-43	-146	-122
Items affecting comparability in financial items, EURm	1	-67	—	—	—	—	-66	—	—
Items affecting comparability in taxes, EURm	4	8	-8	-9	15	1	12	16	-1
Operating cash flow, EURm	459	714	1,576	-201	-879	12	1,173	-867	508
Operating cash flow per share, EUR	0.86	1.34	2.95	-0.38	-1.65	0.02	2.20	-1.63	0.95
Net debt at the end of period, EURm	2,557	2,167	2,374	3,133	2,688	837	2,557	2,688	2,374
Net debt to EBITDA (last 12 m.)	1.07	0.82	0.94	1.39	1.42	0.46	1.07	1.42	0.94
Gearing ratio, %	22	17	18	25	24	8	22	24	18
Equity per share at the end of period, EUR	21.24	23.42	23.44	22.35	20.57	20.11	21.24	20.57	23.44
Capital expenditure, EURm	482	270	445	495	360	256	752	616	1,555
Capital expenditure excluding acquisitions, EURm	482	270	445	338	359	256	752	616	1,399
Equity to assets ratio, %	61.0	64.4	58.1	55.3	58.4	61.3	61.0	58.4	58.1
Personnel at the end of period	17,571	16,985	17,236	17,289	17,601	16,843	17,571	17,601	17,236

The definitions of alternative performance measures are presented in other financial information in *» UPM Annual Report 2022*

Reconciliation of key figures to IFRS

EURm, OR AS INDICATED	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q2/23	Q1–Q2/22	Q1–Q4/22
Items affecting comparability									
Impairment charges	-2	-1	5	7	4	-95	-3	-91	-80
Restructuring charges	-15	-37	-15	-6	5	0	-52	5	-15
Change in fair value of unrealised cash flow and commodity hedges	8	5	14	3	-4	0	13	-4	13
Capital gains and losses on sale of non-current assets	3	-6	13	2	18	1	-2	19	34
Other non-operational items	0	0	5	-5	-74	0	0	-74	-74
Total items affecting comparability in operating profit	-5	-38	22	2	-52	-94	-43	-146	-122
Items affecting comparability in financial items	1	-67	0	0	0	0	-66	0	0
Tax provisions	0	0	0	-10	0	0	0	0	-10
Taxes relating to items affecting comparability	4	8	-8	1	15	1	12	16	9
Items affecting comparability in taxes	4	8	-8	-9	15	1	12	16	-1
Items affecting comparability, total	0	-97	14	-7	-37	-93	-97	-130	-122
Comparable EBITDA									
Operating profit	108	318	675	781	335	183	426	518	1,974
Depreciation, amortisation and impairment charges excluding items affecting comparability	125	114	119	114	113	111	239	224	457
Change in fair value of forest assets and wood harvested excluding items affecting comparability	16	5	-12	3	8	-12	22	-4	-12
Share of result of associates and joint ventures	0	1	-1	-2	-2	1	1	-1	-4
Items affecting comparability in operating profit	5	38	-22	-2	52	94	43	146	122
Comparable EBITDA	255	477	759	894	506	377	732	883	2,536
% of sales	10.0	17.1	23.5	26.1	19.7	15.0	13.7	17.4	21.6
Comparable EBIT									
Operating profit	108	318	675	781	335	183	426	518	1,974
Items affecting comparability in operating profit	5	38	-22	-2	52	94	43	146	122
Comparable EBIT	114	356	653	779	387	277	470	664	2,096
% of sales	4.5	12.8	20.2	22.8	15.1	11.0	8.8	13.1	17.9
Comparable profit before tax									
Profit before tax	96	239	638	766	361	179	336	540	1,944
Items affecting comparability in operating profit	5	38	-22	-2	52	94	43	146	122
Items affecting comparability in financial items	-1	67	—	—	—	—	66	—	—
Comparable profit before tax	101	344	616	764	413	273	445	686	2,066
Comparable ROCE, %									
Comparable profit before tax	101	344	616	764	413	273	445	686	2,066
Interest expenses and other financial expenses	22	17	34	20	9	21	39	30	85
	123	361	651	784	422	294	484	716	2,151
Capital employed, average	15,900	17,196	17,983	16,845	14,738	13,799	16,617	14,698	15,836
Comparable ROCE, %	3.1	8.4	14.5	18.6	11.5	8.5	5.8	9.7	13.6
Comparable profit for the period									
Profit for the period	77	183	503	622	292	139	261	431	1,556
Items affecting comparability, total	0	97	-14	7	37	93	97	130	122
Comparable profit for the period	77	281	489	629	329	232	358	561	1,679
Comparable EPS, EUR									
Comparable profit for the period	77	281	489	629	329	232	358	561	1,679
Profit attributable to non-controlling interest	1	-7	-5	-11	-9	-5	-6	-14	-31
	78	273	484	618	320	226	352	547	1,648
Average number of shares basic (1,000)	533,324	533,324	533,324	533,324	533,324	533,324	533,324	533,324	533,324
Comparable EPS, EUR	0.15	0.51	0.91	1.16	0.60	0.42	0.66	1.02	3.09
Comparable ROE, %									
Comparable profit for the period	77	281	489	629	329	232	358	561	1,679
Total equity, average	12,290	12,883	12,589	11,799	11,167	11,071	12,286	11,202	11,992
Comparable ROE, %	2.5	8.7	15.5	21.3	11.8	8.4	5.8	10.0	14.0
Net debt									
Non-current debt	3,176	3,098	4,476	5,234	3,940	2,534	3,176	3,940	4,476
Current debt	453	493	558	520	399	269	453	399	558
Total debt	3,629	3,592	5,034	5,753	4,339	2,803	3,629	4,339	5,034
Non-current interest-bearing assets	73	88	84	96	112	120	73	112	84
Cash and cash equivalents	768	1,016	2,067	1,591	938	1,342	768	938	2,067
Other current interest-bearing assets	231	321	510	934	601	504	231	601	510
Total interest-bearing assets	1,072	1,424	2,660	2,620	1,650	1,966	1,072	1,650	2,660
Net debt	2,557	2,167	2,374	3,133	2,688	837	2,557	2,688	2,374

UPM-Kymmene Corporation
Alvar Aallon katu 1
PO Box 380
FI-00101 Helsinki, Finland
Tel. +358 2041 5111
Fax +358 2041 5110

ir@upm.com