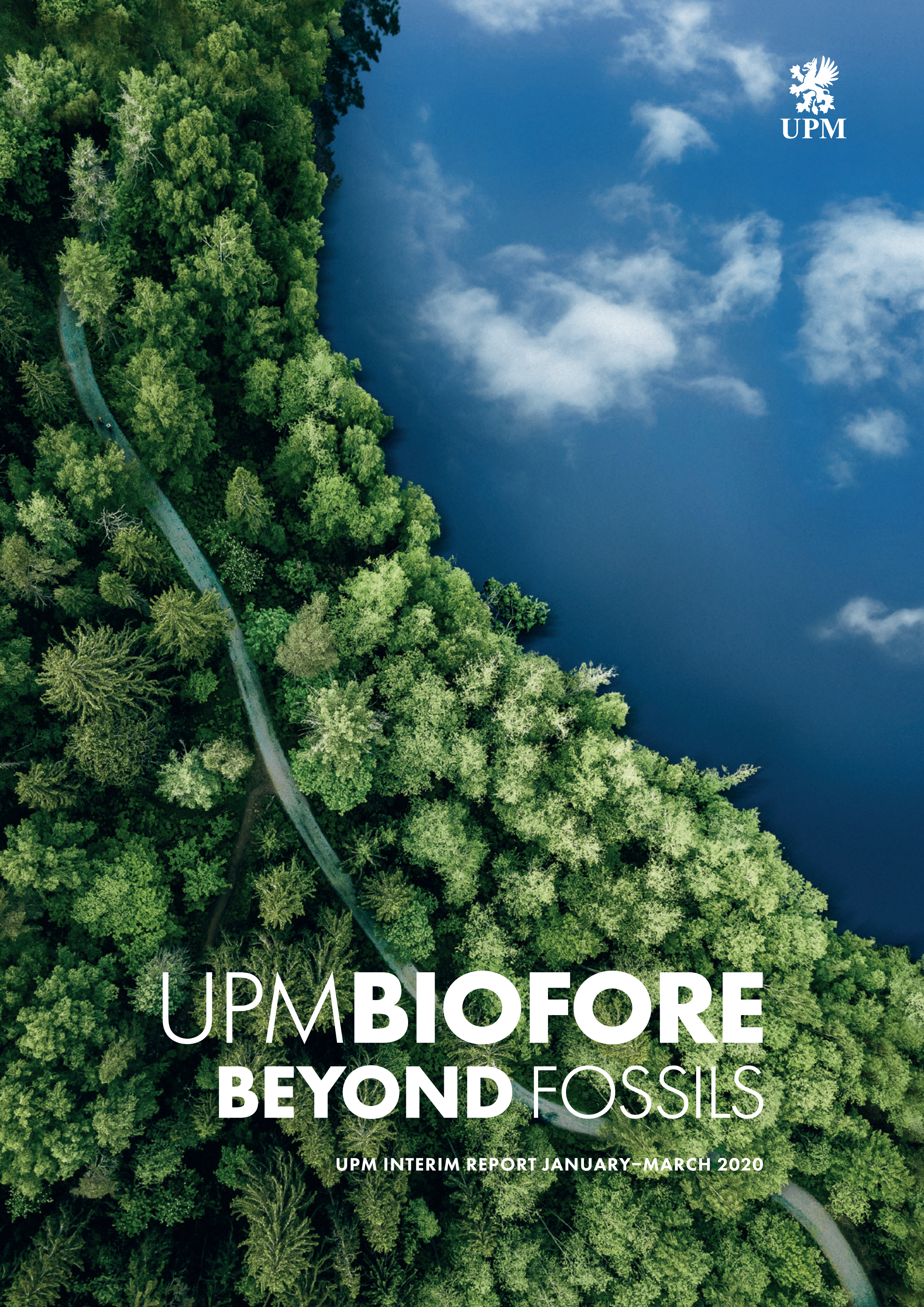


UPM

UPM BIOFORE BEYOND FOSSILS

UPM INTERIM REPORT JANUARY–MARCH 2020

UPM Interim Report Q1 2020:

Solid Q1 results, UPM well prepared for the current uncertainty and future recovery

Q1 2020 highlights

- Sales decreased by 15% to EUR 2,287 million (2,693 million in Q1 2019) due to lower pulp and paper prices and lower deliveries of graphic papers
- Comparable EBIT decreased by 26% to EUR 279 million (374 million)
- UPM Raflatac and UPM Specialty Papers achieved record comparable EBIT
- The industry-wide strike in Finland affected UPM's pulp and paper businesses for two weeks and timber and plywood businesses for four weeks
- The COVID-19 pandemic did not materially impact UPM's operations in Q1 2020
- UPM implemented extensive precautions to protect the health and safety of its employees and to ensure business continuity and progress of strategic projects during the pandemic
- UPM is planning to use shift arrangements, temporary layoffs, or reduced working hours as required to adjust its operations in different scenarios
- UPM's transformative pulp project in Uruguay and biochemicals project in Germany are proceeding in line with the planned start-up timeline
- Operating cash flow was EUR 137 million (320 million), as working capital increased seasonally
- Net debt decreased to EUR -405 million (-5 million)
- Cash funds and unused committed credit facilities totalled EUR 2.2 billion at the end of March
- AGM was held as scheduled with special precautions on 31 March and the dividend of EUR 1.30 per share was paid on 16 April

Key figures

	Q1/2020	Q1/2019	Q4/2019	Q1–Q4/2019
Sales, EURm	2,287	2,693	2,447	10,238
Comparable EBITDA, EURm	398	488	442	1,851
% of sales	17.4	18.1	18.1	18.1
Operating profit, EURm	243	373	336	1,344
Comparable EBIT, EURm	279	374	343	1,404
% of sales	12.2	13.9	14.0	13.7
Profit before tax, EURm	240	364	324	1,307
Comparable profit before tax, EURm	276	366	331	1,367
Profit for the period, EURm	192	304	263	1,073
Comparable profit for the period, EURm	231	305	261	1,119
Earnings per share (EPS), EUR	0.36	0.57	0.50	1.99
Comparable EPS, EUR	0.43	0.57	0.49	2.07
Return on equity (ROE), %	7.7	12.3	10.5	10.7
Comparable ROE, %	9.3	12.3	10.4	11.2
Return on capital employed (ROCE), %	8.9	13.6	11.9	12.3
Comparable ROCE, %	10.2	13.7	12.2	12.8
Operating cash flow, EURm	137	320	592	1,847
Operating cash flow per share, EUR	0.26	0.60	1.11	3.46
Equity per share at the end of period, EUR	17.90	18.84	18.87	18.87
Capital employed at the end of period, EURm	11,009	11,318	11,474	11,474
Net debt at the end of period, EURm	-405	-5	-453	-453
Net debt to EBITDA (last 12 months)	-0.23	0.00	-0.24	-0.24
Personnel at the end of period	18,573	19,008	18,742	18,742

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 2019.

Jussi Pesonen, President and CEO, comments on Q1 2020 results:

"The key foundation in implementing our transformation strategy has been a very strong balance sheet and an agile and efficient operating model. Therefore, we are well prepared for the current uncertainty and can continue implementing our strategy and growth projects.

The global socioeconomic outlook has changed dramatically since January as the COVID-19 outbreak in China quickly developed into a worldwide pandemic. We implemented extensive precautions to protect the health and safety of our employees and to ensure business continuity and the progress of strategic projects. UPMers proactive and diligent response to the pandemic has allowed us to run our operations uninterrupted.

During the first quarter our businesses were not significantly impacted by the pandemic—not even in China—and we are able to report solid results. Our sales were EUR 2,287 million and comparable EBIT was EUR 279 million. First quarter operating cash flow was seasonally low, after the record level in Q4. Our financial position is exceptionally strong. UPM has net cash in the balance sheet (net debt EUR -405 million), and our liquidity totalled EUR 2.2 billion at the end of March.

The Annual General Meeting was held under special arrangements ensuring safety and shareholder rights. The joint effort by our organising team and UPM shareholders enabled us to have the AGM on schedule and to make important decisions including the dividend of EUR 1.30 per share. The adoption of the Financial Statements and the election of the Board were also completed.

In terms of business areas, UPM Raflatac and UPM Specialty Papers reported their best quarter ever. Remarkable profitability was due to a combination of long-term efforts to improve margins and continued good customer demand.

The industry-wide strike in Finland affected UPM's pulp and paper businesses for two weeks and timber and plywood businesses for four weeks. In UPM Biorefining the demand for pulp was stable and prices continued at a low level. UPM Timber was affected by softening demand. In UPM Communication Papers the year began with lower deliveries, affected by the strikes in Finland, and moderately lower paper prices.

UPM Plywood achieved stable results despite only two months of operation at the Finnish mills. UPM Energy performed well in highly exceptional weather conditions and volatile energy markets.

At the very end of the quarter UPM withdrew its outlook for the year and will not provide a new outlook for the time being. The uncertainties in the global economy are unprecedented due to the pandemic-induced lockdowns that are affecting one third of the world population.

UPM takes various measures to protect its employees and to ensure business continuity, but temporary disruptions in production, the supply chain and customer demand are nonetheless possible. UPM is planning to use shift arrangements, temporary layoffs, or reduced working hours as required to adjust its operations in different scenarios.

Many of our products serve essential everyday needs and may therefore see relatively solid demand during the pandemic, particularly for pulp, speciality papers and self-adhesive labels. On the other hand, the demand for graphic papers, plywood and timber is likely to be impacted by the lockdowns and the following global recession.

Our growth project in Uruguay is proceeding as planned with strict health and safety controls. To give one example, new workers entering the UPM Paso de los Toros pulp mill construction site are being tested for COVID-19. In January we took the next transformative step by investing in a biochemicals refinery in Germany, which opens totally new markets for UPM. Engineering and planning of this investment are ongoing.

UPM’s operating model will once again prove our strength even in these exceptional conditions, and our financial standing and corporate resources ensure our strategic projects. I am proud of the resilience and solutions-orientated approach of UPM staff. Our businesses have the focus, competitiveness and agility to perform and protect cash flow even in a changing business environment. Long-term value creation continues to be driven by our spearheads for growth. We are committed to sustainable businesses that offer solutions to global challenges."

2020 and the COVID-19 pandemic

UPM does not provide an outlook for the time being. The COVID-19 pandemic and the related containment measures around the world represent significant uncertainty for the rest of the year.

Global economy
Economists now expect a severe global recession in 2020. In the first phase of the recession, the pandemic containment measures and lockdowns around the world severely limit or temporarily stop significant parts of the economy. Once the lockdowns can be eased, it is uncertain how potent the following recovery will be and how long it will take for the world economy to reach the pre-pandemic level of activity.

Safety and business continuity
UPM has implemented extensive precautions to protect the health and safety of its employees and to ensure business continuity and progress of its strategic projects during the pandemic. Despite these efforts, the operation of one or more units or the supply chain and logistics could be temporarily disrupted during the pandemic and the related containment measures. In these circumstances some units would need to limit operations or be temporarily shut down.

Demand for UPM products
Many of UPM products serve essential everyday needs and may therefore see relatively resilient demand during the crisis. These products include pulp, speciality papers and self-adhesive label materials.

Demand for graphic papers, plywood and timber is likely to be impacted by the lockdowns and the recession. The lockdowns during the first phase of the crisis limit a wide range of consumer-driven services and retail, as well as work at the office. This is likely to have a temporary negative impact on printed advertising and graphic paper demand.

The lockdowns are also likely to temporarily affect demand for electricity.

Adjusting to different scenarios
The potential impacts to UPM are likely to differ by business and by the phase of the pandemic and the recession. UPM is planning to use shift arrangements, temporary layoffs, or reduced working hours as required to adjust its operations in different scenarios.

Projects and maintenance shutdowns
The pandemic and the required health and safety measures add challenge to large investment projects and maintenance

shutdowns. UPM's transformative pulp project in Uruguay and biochemicals project in Germany are proceeding with strict health and safety controls. Despite these efforts, some changes to the detailed timeline of the projects are possible during the pandemic and the related containment measures. Currently the projects proceed in line with the planned start-up timeline.

In April TVO announced that due to the COVID-19 pandemic, fuel loading into the OL3 reactor will not happen as planned in June 2020, and it is possible that the regular electricity production would be delayed respectively.

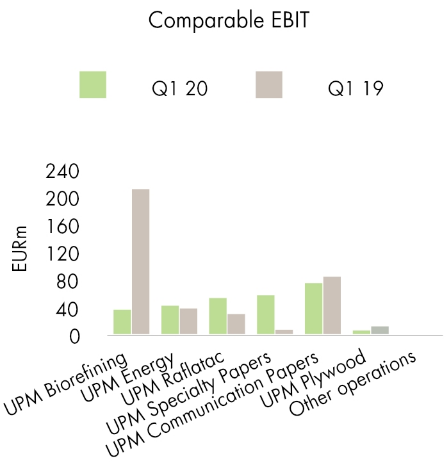
UPM has rescheduled two pulp mill maintenance shutdowns from Q2 2020 to Q4 2020. The maintenance shutdown at the OL1 nuclear power plant in Q2 2020 is planned to be shorter than usual.

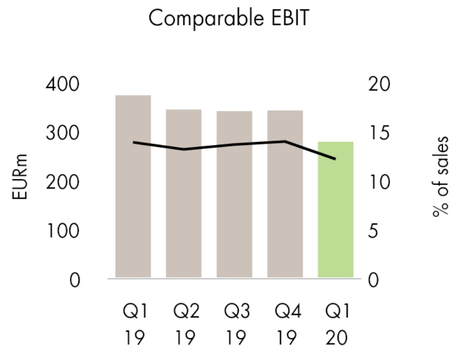
Timing of significant maintenance shutdowns in 2020

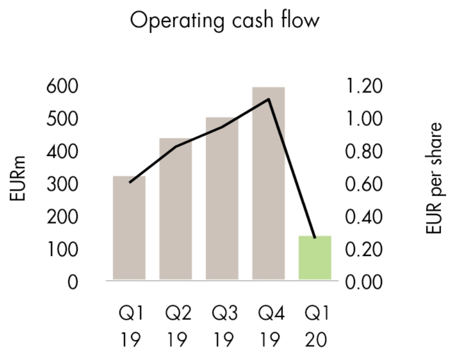
TIMING	UNIT
Q2/2019	Kymi pulp mill
	Olkiluoto nuclear power plant
Q4/2019	Fray Bentos pulp mill
Q2/2020	Olkiluoto nuclear power plant
Q4/2020	Kaukas pulp mill
	Pietarsaari pulp mill

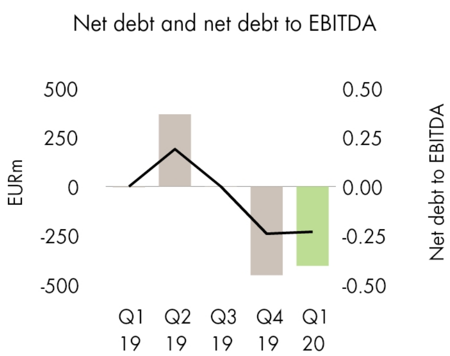
Financing

UPM’s financial position is strong. UPM has net cash in the balance sheet (net debt EUR -405 million at the end of Q1 2020). Cash funds and unused committed credit facilities totalled EUR 2.2 billion at the end of Q1 2020. This includes the sustainability-linked five-year EUR 750 million revolving credit facility signed during Q1 2020. The facility and UPM's outstanding debt have no financial covenants.









Results

Q1 2020 compared with Q1 2019

Q1 2020 sales were EUR 2,287 million, 15% lower than the EUR 2,693 million for Q1 2019. The decrease in sales was due to lower pulp and paper sales prices and lower deliveries of graphic papers. Sales grew in UPM Raflatac, but decreased in UPM Biorefining, UPM Communication Papers, UPM Plywood, UPM Specialty Papers and UPM Energy.

Comparable EBIT decreased by 26% to EUR 279 million, which was 12.2% of sales (374 million, 13.9%).

Sales prices decreased in all UPM's business areas. At the group level, the negative impact of lower sales prices was clearly larger than the positive impact of decreased variable costs. At the business area level, this was particularly impacting UPM Biorefining.

Fixed costs decreased by EUR 33 million. This fully offset the impact of lower delivery volumes. The industry-wide strike in Finland impacted both delivery volumes and fixed costs.

Depreciation, excluding items affecting comparability, totalled EUR 120 million (120 million), including depreciation of leased assets totaling EUR 19 million (17 million). The change in the fair value of forest assets net of wood harvested was EUR -1 million (5 million).

Operating profit was EUR 243 million (373 million). Items affecting comparability in operating profit totalled EUR -36 million in the period (-1 million) including charges related to sale or potential closure of UPM Chapelle.

Net interest and other finance income and costs were EUR -4 million (-9 million). Exchange rate and fair value gains and losses were EUR 1 million (0 million). Income taxes were EUR 48 million (60 million). Items affecting comparability in taxes totalled EUR -2 million (0 million).

Profit for Q1 2020 was EUR 192 million (304 million), and comparable profit was EUR 231 million (305 million).

Q1 2020 compared with Q4 2019

Comparable EBIT decreased by 19% to EUR 279 million, 12.2% of sales (343 million, 14.0%), mainly due to lower sales prices. Sales prices decreased across most of UPM's business areas.

Fixed costs decreased by EUR 66 million due to seasonal factors and the scheduled maintenance shutdown at the UPM Fray Bentos pulp mill during the period of comparison. Variable costs increased, mainly due to seasonal factors in energy costs. Delivery volumes increased slightly.

Depreciation, excluding items affecting comparability, totalled EUR 120 million (120 million). The change in the fair value of forest assets net of wood harvested was EUR -1 million (19 million).

Operating profit was EUR 243 million (336 million).

Financing and cash flow

In Q1 2020 cash flow from operating activities before capital expenditure and financing totalled EUR 137 million (320 million). Working capital increased seasonally by EUR 212 million during the period (increased by 111 million).

Net debt decreased to EUR -405 million at the end of Q1 2020 (-5 million). The gearing ratio as of 31 March 2020 was -4% (0%). The net debt to EBITDA ratio, based on the latest 12 month's EBITDA, was -0.23 at the end of the period (0.00).

On 31 March 2020 UPM's cash funds and unused committed credit facilities totalled EUR 2.2 billion.

A dividend of EUR 1.30 per share (totalling EUR 693 million) was paid on 16 April 2020 in respect of the 2019 financial year.

Capital expenditure

In Q1 2020, capital expenditure totalled EUR 165 million, 7.2% of sales (62 million, 2.3% of sales). Capital expenditure does not include additions to leased assets.

In 2020, UPM's total capital expenditure, excluding investments in shares, is expected to be about EUR 1,300 million. This includes estimated capital expenditure of approximately EUR 900 million (USD 1,000 million) in Uruguay for the pulp mill, port operations and local investments outside the mill fence.

In April 2018, UPM announced that it would rebuild Paper Machine 2 at its Nordland mill in Dörpen, Germany, and convert it from fine paper to glassine paper production. The machine has been equipped with new finishing equipment and has started producing glassine paper in Q1 2020. The planned capacity after the rebuild is 110,000 tonnes per year. The total investment in Nordland is EUR 124 million.

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 will be completed by the end of 2022.

In July 2019, UPM announced that it would invest USD 2.7 billion in a 2.1 million tonne greenfield eucalyptus pulp mill near Paso de los Toros in central Uruguay. Additionally, UPM will invest approximately USD 280 million in port operations in Montevideo and USD 70 million in local investments outside the mill fence, including a new residential area in Paso de los Toros. The mill is scheduled to start up in the second half of 2022.

In October 2019, UPM announced that it would invest EUR 95 million in a Combined Heat and Power (CHP) plant at the UPM Nordland paper mill in Germany. The plant is planned to go on grid in Q3 2022. The annual cost savings of more than EUR 10 million will begin as of 2023. The investment is estimated to decrease UPM's CO_2-footprint by 300,000 tonnes.

In January 2020, UPM announced that it would invest EUR 550 million in a 220,000 tonnes next-generation biochemicals biorefinery at Leuna, Germany. The facility is scheduled to start up by the end of 2022.

Personnel

In Q1 2020, UPM had an average of 18,553 employees (18,998). At the beginning of the year, the number of employees was 18,742 and at the end of Q1 2020 it was 18,573.

Uruguay pulp mill investment

On 23 July 2019, UPM announced that it would invest USD 2.7 billion in a 2.1 million tonne greenfield eucalyptus pulp mill near Paso de los Toros in central Uruguay. Additionally, UPM will invest approximately USD 280 million in port operations in Montevideo and USD 70 million in local investments outside the mill fence, including a new residential area in Paso de los Toros. The mill is scheduled to start up in the second half of 2022.

The investment will grow UPM's current 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 and leases in Uruguay cover 420,000 hectares. They will supply the current UPM Fray Bentos mill and the new mill near Paso de los Toros.

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 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 the strict Uruguayan environmental regulations as well as international standards and recommendations for modern mills, including the use of 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 operation, the mill generates more than 110 MW surplus of renewable electricity.

Efficient logistics set-up

An efficient logistics chain will be 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 with earth moving and levelling.

UPM is proceeding on the construction of a deep-sea pulp terminal in Montevideo port with an investment of approximately USD 280 million. Direct rail access from the mill to a modern deep-sea port terminal creates an efficient supply chain to world markets. The Montevideo deep-sea port also enables synergies in ocean logistics with UPM's existing Uruguay operations.

UPM has entered into a port terminal concession agreement in 2019 and plans to enter rail logistic services agreements both being under 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 socioeconomic 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.

In the most intensive construction phase, more than 6,000 people will be working on the site. When completed, approximately 10,000 permanent jobs are estimated to be created in the Uruguayan economy of which approximately 4,000 would involve direct employment by UPM and its subcontractors. About 600 companies are estimated to be working in the value chain.

The mill will be located in one of Uruguay's many free trade zones and will pay a fixed annual tax of USD 7 million per annum. The mill's value chain is expected to contribute USD 170 million in annual taxes and social security payments and contribute USD 200 million annually in wages and salaries.

Project schedule and capital outflow

The mill is expected to start up in the second half of 2022. The project is proceeding according to the planned schedule. At the pulp mill site in Paso de los Toros, fencing and lightning works are finalised while earth moving, and road works are on-going. Civil construction works are commencing. At the pulp terminal in Montevideo port the first phase of dredging and and the back filling of the area have been completed. Pier construction and piling are commencing.

The main part of the total capital expenditure of USD 3 billion will take place in 2020-2022. 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%. UPM's investment will mainly be financed by operating cash flow complemented by regular group financing activities.

Biochemicals refinery investment

On 30 January UPM announced that it would invest EUR 550 million in a 220,000 tonnes next-generation biochemicals refinery at Leuna, Germany. The facility is scheduled to start up by the end of 2022.

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 totally new markets for UPM, with large growth potential for the future.

An industrial scale biorefinery will convert solid wood into next generation biochemicals: bio-monoethylene glycol (BioMEG) and lignin-based renewable functional fillers. In addition, the biorefinery will produce bio-monopropylene glycol (BioMPG) and industrial sugars. Once the facility is fully ramped up and optimised, it is expected to achieve the ROCE target of 14%.

A combination of sustainable wood supply, unique technology concept, integration into existing infrastructure at Leuna as well as the proximity to customers will ensure 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 existing permitting processes, logistics arrangements and infrastructure for various services and utilities. UPM plans to enter service agreements related to wood handling, waste water treatment and other utilities that will be recognised as lease assets and liabilities under IFRS 16 Leases. Depending on the final agreement the total amount of such lease assets and liabilities is estimated to be EUR 40-100 million.

The engineering and planning are on-going and the tendering for the main equipment, recruitment for the project and permitting process have started. Permitting will proceed parallel to the investment project in line with German legislation.

OL3 power plant project

Teollisuuden Voima Oyj (TVO) is in the process of constructing a third nuclear power plant unit, OL3 EPR, at the Olkiluoto site (OL3). 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%. The OL3 plant supplier, a consortium consisting of AREVA GmbH, AREVA NP SAS and Siemens AG (Supplier), is constructing OL3 as a turnkey project.

The start of regular electricity production, originally scheduled for April 2009, has been revised several times by the Supplier. As announced by TVO in December 2019, TVO received from Supplier information, that nuclear fuel will be loaded into the reactor in June 2020 and regular electricity generation at OL3 would commence in March 2021. On 8 April, Olkiluoto 3 ERP unit nuclear fuel loading permission application was submitted. On same date TVO also announced, that due to the COVID-19 pandemic, fuel loading into the reactor will not happen as planned in June 2020, and it is possible that the regular electricity production will be delayed respectively.

When completed, OL3 will supply 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 the shareholders in proportion to their 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 will increase UPM Energy's electricity generation capacity significantly. The new power plant unit is expected to be highly efficient and meet the highest safety standards. Its power generation will be CO_2 -free and Olkiluoto will have a secure solution for the final disposal of used fuel.

Events during the Q1 2020

On 27 January multiple Finnish labor unions began extensive labor actions in the Finnish forestry industry.

On 27 January UPM announced its commitment to the United Nations Global Compact's Business Ambition for 1.5°C, joining leading companies in a promise to pursue science-based measures to limit the global temperature rise to 1.5°C. UPM will strive to mitigate climate change and drive value creation through innovating novel products, committing to a 65% CO_2 emission reduction from the 2015 levels by 2030 and by practicing sustainable forestry.

On 28 January UPM announced that it has started the employee consultation processes for the potential closure of the UPM Chapelle newsprint mill in Grand-Couronne, France. These consultations are estimated to be concluded by end of Q2 2020. UPM will continue the sales process of the mill throughout the consultation process.

On 30 January UPM announced that it would invest EUR 550 million in a 220,000 tonnes next generation biochemicals refinery at Leuna, Germany. The facility is scheduled to start up by the end of 2022.

On 30 March UPM withdrew its outlook for 2020, due to the uncertainty caused by the COVID-19 pandemic for the rest of the year.

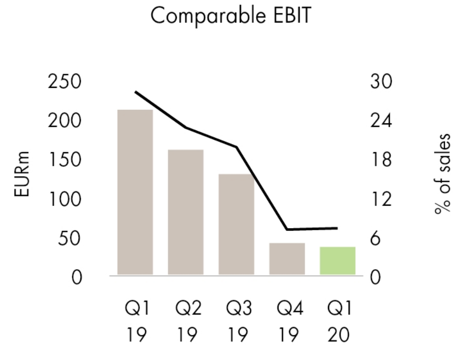
On 31 March UPM held its Annual General Meeting. The decisions of the AGM are presented elsewhere in this report.

Events after the balance sheet date

On 8 April Olkiluoto 3 ERP unit nuclear fuel loading permission application was submitted. TVO also announced, that due to the COVID-19 pandemic, fuel loading into the reactor will not happen as planned in June 2020, and it is possible that the regular electricity production will be delayed respectively.

UPM Biorefining

UPM Biorefining consists of pulp, timber and biofuels businesses. UPM Pulp offers a versatile range of responsibly-produced pulp grades suitable for a wide range of end-uses such as tissue, specialty paper, graphic papers and board. UPM Timber offers certified sawn timber for construction, joinery and furniture. 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, for example. UPM has three pulp mills in Finland and one mill and plantation operations in Uruguay. UPM operates four sawmills and one biorefinery in Finland.



	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q1–Q4/19
Sales EURm	509	592	660	708	753	2,712
Comparable EBITDA, EURm	81	96	171	203	254	724
% of sales	15.9	16.3	25.9	28.6	33.8	26.7
Change in fair value of forest assets and wood harvested, EURm	-1	-11	1	-1	-1	-11
Share of results of associated companies and joint ventures, EURm	1	1	1	1	1	2
Depreciation, amortisation and impairment charges, EURm	-44	-44	-43	-42	-42	-171
Operating profit, EURm	37	42	130	161	212	544
% of sales	7.3	7.1	19.7	22.7	28.2	20.1
Items affecting comparability in operating profit, EURm	—	—	—	—	—	—
Comparable EBIT, EURm	37	42	130	161	212	544
% of sales	7.3	7.1	19.7	22.7	28.2	20.1
Capital employed (average), EURm	3,561	3,436	3,468	3,491	3,481	3,469
Comparable ROCE, %	4.2	4.9	15.0	18.4	24.4	15.7
Pulp deliveries, 1000 t	864	943	979	877	915	3,715

Pulp mill maintenance shutdowns: Q4 2019 UPM Fray Bentos, Q2 2019 Kymi.

- Pulp production was impacted by the strike in Finland, strong production at UPM Fray Bentos in Uruguay
- Timber production and deliveries were heavily impacted by the strike in Finland

Results

Q1 2020 compared with Q1 2019

Comparable EBIT for UPM Biorefining decreased due to lower pulp sales prices. Delivery volumes were impacted by the strike in Finland.

The average price in euro for UPM's pulp deliveries decreased by 30%.

Q1 2020 compared with Q4 2019

Comparable EBIT decreased slightly, mainly due to lower pulp sales prices. Delivery volumes were impacted by the strike in Finland. Fixed costs were lower, mainly due to the scheduled maintenance shutdown at UPM Fray Bentos pulp mill during the comparison period.

The average price in euro for UPM's pulp deliveries decreased by 4%.

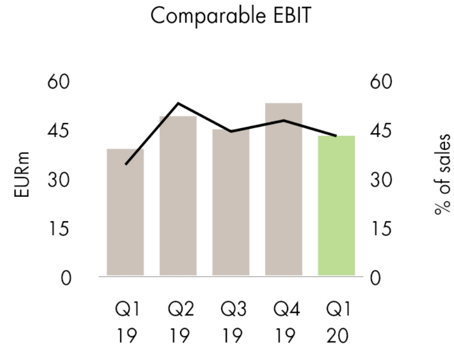
Market environment

- Global chemical pulp demand was good in the first quarter of 2020. Global market pulp shipments improved from the weak comparison period in 2019.
- In Europe and China, the market price for northern bleached softwood kraft (NBSK) pulp increased slightly in the first quarter of 2020 compared to Q4 2019. The market price for bleached hardwood kraft pulp (BHKP) decreased in Europe but was stable in China compared to Q4 2019.
- In Q1 2020, the average European market price in euro was 26% lower for NBSK and 30% lower for BHKP, compared to the same period in the previous year. In China the average market price in US dollars was 19% lower for NBSK and 31% lower for BHKP, compared to Q1 2019.
- Demand for advanced renewable diesel and naphtha remained good.
- Demand for sawn timber slowed down and market prices decreased during Q1 2020.

Sources: FOEX, UPM

UPM Energy

UPM Energy creates value through cost competitive, low-emission electricity generation and through physical and financial electricity trading as well as energy optimisation services for industrial consumers. UPM Energy is the second largest electricity producer in Finland. UPM's power generation capacity consists of hydropower, nuclear power and condensing power.



	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q1–Q4/19
Sales EURm	101	110	101	93	113	417
Comparable EBITDA, EURm	45	55	48	51	41	195
% of sales	44.8	49.7	47.5	55.1	36.0	46.7
Depreciation, amortisation and impairment charges, EURm	-2	-2	-3	-2	-2	-9
Operating profit, EURm	43	53	45	49	39	184
% of sales	42.9	47.7	44.3	52.2	34.2	44.2
Items affecting comparability in operating profit, EURm [1)]	—	—	—	-1	—	-1
Comparable EBIT, EURm	43	53	45	49	39	185
% of sales	42.9	47.7	44.3	52.9	34.2	44.4
Capital employed (average), EURm	2,434	2,441	2,452	2,460	2,463	2,454
Comparable ROCE, %	7.1	8.6	7.3	8.0	6.3	7.5
Electricity deliveries, GWh	2,487	2,285	2,040	2,121	2,173	8,619

[1)] In Q2 2019, items affecting comparability relate to restructuring of ownership in Meri-Pori power plant

- Record high hydropower generation
- Electricity price on the Nordic electricity exchange was low due to mild, wet and windy weather
- Coal, gas and carbon prices decreased in March following COVID-19 pandemic and related lockdowns in Europe and Asia
- Olkiluoto 3 ERP unit nuclear fuel loading permission application was submitted in 8 April. Due to the COVID-19 pandemic, fuel loading into the reactor will not happen as planned in June 2020, and it is possible that the regular electricity production will be delayed respectively

Results

Q1 2020 compared with Q1 2019

Comparable EBIT for UPM Energy increased mainly due to higher hydropower generation. Sales prices were lower.

UPM's average electricity sales price decreased by 20% to EUR 34.9/MWh (43.7/MWh).

Q1 2020 compared with Q4 2019

Comparable EBIT decreased due to lower sales prices. Hydropower generation was higher.

UPM's average electricity sales price decreased by 17% to EUR 34.9/MWh (41.9/MWh).

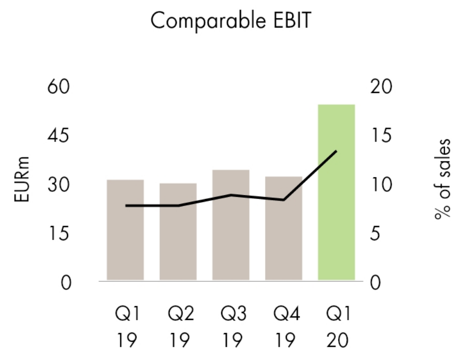
Market environment

- The Nordic hydrological balance was significantly above normal, due to heavy precipitation and mild weather. In Finland, the hydrological situation was exceptionally strong.
- Coal prices in Q1 2020 decreased, compared to the same period in the previous year. The CO_2 emission allowance price of EUR 17.7/tonne at the end of Q1 2020 was lower than in Q1 2019 (EUR 21.5/tonne).
- The average Finnish area spot price on the Nordic electricity exchange in Q1 2020 was EUR 24.0/MWh, 45% lower than in Q4 2019 (43.5/MWh) and 50% lower than in Q1 2019 (47.5/MWh).
- The front-year forward electricity price for the Finnish area closed at EUR 27.4/MWh in March, 29% lower than at the end of Q4 2019 (38.8/MWh).

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

UPM Raflatac

UPM Raflatac manufactures self-adhesive label materials for product and information labelling in the food, beverage, personal care, pharmaceutical and retail segments, for example. UPM Raflatac is the second-largest producer of self-adhesive label materials worldwide.



	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q1–Q4/19
Sales EURm	408	389	382	385	398	1,555
Comparable EBITDA, EURm	64	43	44	40	40	166
% of sales	15.6	10.9	11.4	10.3	10.1	10.7
Depreciation, amortisation and impairment charges, EURm	-10	-10	-10	-10	-10	-40
Operating profit, EURm	51	33	36	30	26	124
% of sales	12.5	8.4	9.3	7.8	6.5	8.0
Items affecting comparability in operating profit, EURm [1)]	-3	1	2	—	-5	-2
Comparable EBIT, EURm	54	32	34	30	31	126
% of sales	13.3	8.3	8.8	7.7	7.7	8.1
Capital employed (average), EURm	549	563	578	590	586	579
Comparable ROCE, %	39.5	22.9	23.4	20.1	20.9	21.8

[1)] In Q1 2020 and Q4 2019, items affecting comparability relate to restructuring charges. In Q3 2019, items affecting comparability include gains on sale of non-current assets. In Q1 2019, items affecting comparability relate to restructuring charges.

- Record profitability
- Actions to secure business continuity and resilience during COVID-19 pandemic
- Continued fixed costs reduction
- Mix improvement actions

Results

Q1 2020 compared with Q1 2019

Comparable EBIT for UPM Raflatac increased due to improved mix and margin management as well as slightly higher delivery volumes. Changes in currencies were favourable.

Q1 2020 compared with Q4 2019

Comparable EBIT increased due to higher delivery volumes, improved mix and seasonally lower fixed costs. Changes in currencies were favourable.

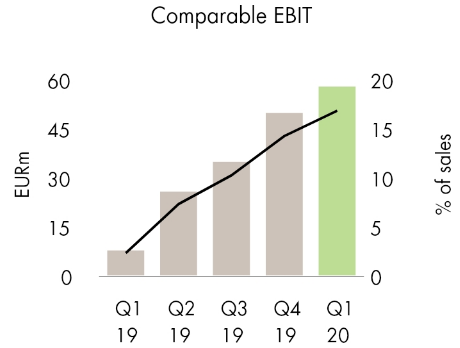
Market environment

- Global demand for self-adhesive label materials continued to grow in the first quarter of 2020.

Sources: UPM, FINAT, TLMI

UPM Specialty Papers

UPM Specialty Papers offers labelling materials and release liner base papers, flexible packaging papers 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.



	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q1–Q4/19
Sales EURm	342	353	344	359	357	1,412
Comparable EBITDA, EURm	75	67	53	45	29	194
% of sales	21.8	18.9	15.4	12.5	8.2	13.7
Depreciation, amortisation and impairment charges, EURm	-17	-16	-18	-19	-21	-74
Operating profit, EURm	58	50	35	26	8	120
% of sales	16.9	14.3	10.3	7.4	2.4	8.5
Items affecting comparability in operating profit, EURm	—	—	—	—	—	—
Comparable EBIT, EURm	58	50	35	26	8	120
% of sales	16.9	14.3	10.3	7.4	2.4	8.5
Capital employed (average), EURm	937	920	895	892	908	904
Comparable ROCE, %	24.7	21.9	15.8	11.8	3.7	13.3
Paper deliveries, 1000 t	387	394	383	390	386	1,552

- Record profitability
- Uninterrupted production in China due to strict internal measures related to COVID-19
- Conversion of UPM Nordland paper machine 2 to glassine paper was completed

Results

Q1 2020 compared with Q1 2019

Comparable EBIT for UPM Specialty Papers increased due to significantly lower input costs. Sales prices were lower.

Q1 2020 compared with Q4 2019

Comparable EBIT increased. Input costs were lower and more than offset the negative impact of lower sales prices. Fixed costs were lower due to seasonality, impact of strike in Finland and COVID-19 implications.

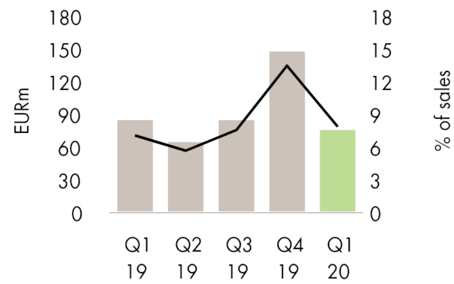
Market environment

- In the Asia-Pacific region, fine paper demand was solid during the first quarter of 2020, though impacted by COVID-19.
- China fine paper market prices remained relatively stable during the first quarter of 2020.
- Demand growth for label, release and packaging paper was healthy in the first quarter of 2020. Sales prices were lower in comparison with the fourth quarter of 2019 but remained quite stable in the first quarter of 2020.

Sources: UPM, RISI, Pöyry, AWA

UPM Communication Papers

UPM Communication Papers offers an extensive product range of graphic papers for advertising and publishing as well as home and office uses. The business has extensive low-cost operations consisting of 15 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.



	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q1–Q4/19
Sales EURm	966	1,098	1,116	1,138	1,200	4,552
Comparable EBITDA, EURm	110	181	117	98	118	513
% of sales	11.4	16.4	10.5	8.6	9.8	11.3
Share of results of associated companies and joint ventures, EURm	0	1	0	0	0	1
Depreciation, amortisation and impairment charges, EURm	-34	-34	-43	-34	-33	-145
Operating profit, EURm	31	147	57	36	85	324
% of sales	3.2	13.3	5.1	3.2	7.1	7.1
Items affecting comparability in operating profit, EURm [1]	-45	-2	-28	-29	—	-58
Comparable EBIT, EURm	76	148	85	65	85	383
% of sales	7.9	13.5	7.6	5.7	7.1	8.4
Capital employed (average), EURm	1,529	1,541	1,627	1,663	1,759	1,647
Comparable ROCE, %	20.0	38.5	20.8	15.6	19.3	23.2
Paper deliveries, 1000 t	1,515	1,681	1,681	1,666	1,746	6,774

[1] In Q1 2020, items affecting comparability relate to sale or potential closure of UPM Chapelle newsprint mill in France. In Q4 2019, items affecting comparability relate to prior capacity closures. In Q3 2019, items affecting comparability include EUR 17 million restructuring charges and EUR 11 million impairment charges related to closure of paper machine 2 at UPM Rauma mill, Finland. In Q2 2019, items affecting comparability include EUR 28 million restructuring charges and EUR 1 million impairment charges related to closure of paper machine 10 at UPM Plattling mill, Germany.

- Strike in Finnish paper mills
- UPM started consultation process for potential closure of UPM Chapelle newsprint mill while continuing the sales process
- UPM signed a long-term Wind Power Purchase agreement with German wind park development company wpd to reduce CO_2 emissions by 200,000 tonnes annually as of 2022

Results

Q1 2020 compared with Q1 2019

Comparable EBIT for UPM Communication Papers decreased slightly due to lower sales prices and delivery volumes more than offsetting the positive impact of lower variable costs. Delivery volumes were affected by the strike in Finland. Fixed costs were lower.

The average price in euro for UPM's paper deliveries decreased by 8%.

Q1 2020 compared with Q4 2019

Comparable EBIT decreased due to lower sales prices and delivery volumes. Delivery volumes were affected by the strike in Finland. Energy costs increased and fixed costs decreased seasonally.

The average price in euro for UPM's paper deliveries decreased by 4%.

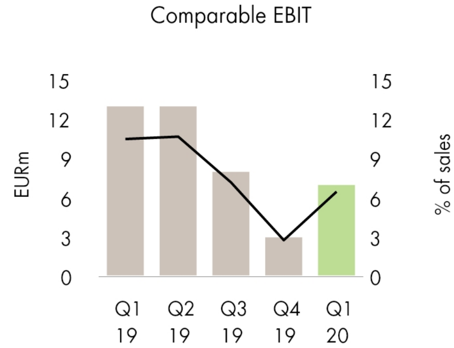
Market environment

- In Q1 2020, demand for graphic papers in Europe was 8% lower than in the first quarter of 2019. Newsprint demand decreased by 11%, magazine paper by 8% and fine paper by 7% compared with the first quarter of 2019.
- In Q1 2020 publication paper prices in Europe were 7% lower than in the fourth quarter of 2019. Compared to Q1 2019 publication paper prices were 11% lower. In Q1 2020 fine paper prices in Europe were 1% lower than in the previous quarter. Compared to Q1 2019 fine paper prices were on average 6% lower.
- In Q1 2020, demand for magazine papers in North America decreased by 11%, compared to the first quarter of 2019. The average price in US dollars for magazine papers in Q1 2020 decreased by 2% when compared to Q4 2019 and by 5% when compared to Q1 2019.

Sources: PPI/RISI, Euro-Graph, PPPC

UPM Plywood

UPM Plywood offers plywood and veneer products, mainly for construction, vehicle flooring and LNG shipbuilding, as well as other industrial applications. Production facilities are located in Finland, Estonia and Russia.



	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q1–Q4/19
Sales EURm	105	101	106	120	123	450
Comparable EBITDA, EURm	14	9	14	19	19	61
% of sales	13.0	9.4	13.0	15.6	15.3	13.5
Depreciation, amortisation and impairment charges, EURm	-7	-7	-6	-6	-6	-25
Operating profit, EURm	7	3	8	13	13	36
% of sales	6.5	2.8	7.2	10.7	10.5	8.0
Items affecting comparability in operating profit, EURm	—	—	—	—	—	—
Comparable EBIT, EURm	7	3	8	13	13	36
% of sales	6.5	2.8	7.2	10.7	10.5	8.0
Capital employed (average), EURm	307	328	332	336	321	329
Comparable ROCE, %	8.8	3.4	9.3	15.2	16.1	11.0
Plywood deliveries, 1000 m^3	173	169	181	193	196	739

- Four weeks strike in Finnish plywood mills impacted production and deliveries
- A new organic soil conditioner was developed from the plywood production side stream, to improve the growth conditions of arable land and to boost carbon absorption in agricultural areas to mitigate the effects of climate change

Results

Q1 2020 compared with Q1 2019

Comparable EBIT for UPM Plywood decreased. Delivery volumes were lower partly due to the strike in Finland and sales prices were slightly lower. Fixed costs were lower mainly due to the strike.

Q1 2020 compared with Q4 2019

Comparable EBIT increased due to lower fixed costs and slightly higher delivery volumes.

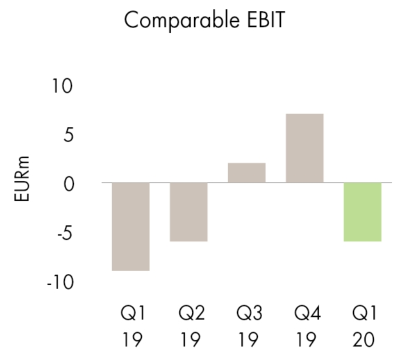
Market environment

- Modest market demand continued in Q1 2020. Demand for spruce plywood and for birch plywood-related industrial applications became weaker except LNG shipbuilding. Demand for construction driven end-uses was stable.

Source: UPM

Other operations

UPM Forest secures competitive wood and biomass for UPM businesses and manages UPM-owned and privately-owned forests in North Europe. In addition, UPM offers forestry services to forest owners and forest investors. UPM Biochemicals, UPM Biocomposites and UPM Biomedicals business units as well as group services are also included in Other operations.



	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q1–Q4/19
Sales EURm	50	62	63	72	68	264
Comparable EBITDA, EURm	1	-17	4	3	-8	-18
Change in fair value of forest assets and wood harvested, EURm	0	31	4	-3	6	38
Share of results of associated companies and joint ventures, EURm	0	0	0	0	0	0
Depreciation, amortisation and impairment charges, EURm	-6	-7	-6	-7	-6	-27
Operating profit, EURm	-6	7	1	-9	-9	-10
Items affecting comparability in operating profit, EURm [1)]	—	—	-1	-2	—	-4
Comparable EBIT, EURm	-6	7	2	-6	-9	-7
Capital employed (average), EURm	1,879	1,864	1,823	1,807	1,801	1,824
Comparable ROCE, %	-1.2	1.4	0.4	-1.4	-2.0	-0.4

[1)] In Q3 2019, items affecting comparability relate to restructuring charges and in Q2 2019 to capital loss on sale of Voikkaa mill site in Finland.

Results

Q1 2020 compared with Q1 2019

Comparable EBIT for other operations increased. The change in the fair value of forest assets net of wood harvested was EUR 0 million (6 million). The increase in the fair value of forest assets was EUR 16 million (15 million). The cost of wood harvested from UPM forests was EUR 16 million (9 million).

Q1 2020 compared with Q4 2019

Comparable EBIT decreased. The change in the fair value of forest assets net of wood harvested was EUR 0 million (31 million). The increase in the fair value of forest assets was EUR 16 million (45 million). The cost of wood harvested from UPM forests was EUR 16 million (14 million).

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 to changes to the main input cost items and currency exchange rates. Most of these items depend on general economic developments.

Currently the COVID-19 pandemic causes significant uncertainties. The uncertainties in the world economy are unprecedented due to the COVID-19 pandemic. Economists expect a global recession, which may be more severe than the global financial crisis, and which impacts practically all parts of the world. The duration of the pandemic and duration and shape of the recession are uncertain. The pandemic itself, the lockdowns and containment measures and the resulting global recession may all impact UPM's operations and supply chain or demand, supply and pricing of UPM's products and inputs. The COVID-19 pandemic and related issues are discussed earlier in this report.

Once the recovery from the current crisis starts, global trade tensions between major economic regions, e.g. the US and China, as well as political uncertainties in several countries remain. The nature of the relationship between the EU and the UK after Brexit remains undefined as well.

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

In Finland, UPM is participating in a project to construct a 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. UPM's indirect share of OL3 is approximately 31%.

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). The consortium companies have under the plant contract joint and several liability for the contractual obligations.

Originally the commercial electricity production of the OL3 was scheduled to start in April 2009. However, the completion of the project has been delayed. Supplier has updated the schedule for the commissioning of OL3 several times. As announced by TVO in December 2019, according to the information received from Supplier, nuclear fuel will be loaded into the reactor in June 2020 and regular electricity generation at the plant unit will commence in March 2021.

In March 2018 TVO announced it had signed a comprehensive settlement agreement with Supplier and Areva Group parent company, Areva SA, a company wholly owned by the French State. The settlement agreement concerns the completion of the OL3 project and related disputes and entered into force in late March. According to TVO, pursuant to the settlement agreement TVO and Supplier jointly withdrew the pending arbitration proceedings under the International Chamber of Commerce (ICC) rules with respect to costs and losses incurred in relation to delays in the construction of the OL3 project.

In July 2018 TVO announced that in June 2018 the ICC tribunal had confirmed the arbitration settlement by a consent award, and the arbitration proceedings had been terminated. The parties also withdrew the pending appeals in the General Court of the European Union.

According to TVO the settlement agreement stipulates as follows: To provide and maintain adequate and competent technical and human resources for the completion of the OL3 project, Areva will source the necessary additional resources from Framatome S.A.S., whose majority owner is EDF.

The supplier consortium companies undertake that the funds dedicated to the completion of the OL3 project will be adequate and will cover all applicable guarantee periods, including setting up a trust mechanism funded by Areva companies to secure the financing of the costs of completion of the OL3 project.

The turnkey principle of the OL3 plant contract and the joint and several liability of the supplier consortium companies remain in full force.

The agreement also noted Supplier's schedule at the time the agreement was signed, according to which regular electricity production in the unit would have commenced in May 2019.

The ICC arbitration concerning the costs and losses caused by the delay of the OL3 project is settled by financial compensation of EUR 450 million to be paid to TVO in two instalments by Supplier.

The parties withdraw all on-going legal actions related to OL3, including the ICC Arbitration and appeals in the General Court of the European Union.

The Supplier consortium companies are entitled to receive an incentive payment, in a maximum amount of EUR 150 million, upon timely completion of the OL3 project. In the event that the Supplier consortium companies fail to complete the OL3 project by the end of 2019, the Supplier consortium companies will pay a penalty to TVO for such delay in an amount which will depend on the actual time of completion of the OL3 project and may not exceed EUR 400 million.

After the period under review TVO has announced that it has on 8 April 2020 submitted a permission application to the Finnish Radiation and Nuclear Safety Authority (STUK) for nuclear fuel loading of the Olkiluoto 3 nuclear power plant unit. TVO estimates that it will take a few months to obtain the permit.

In addition, after the period under review TVO has announced that works at Olkiluoto 3 site have not completely proceeded as planned. There has been a significant amount of measures taken to prevent the spreading of the coronavirus epidemic (COVID-19) in order to minimise the effects of pandemic risk to the OL3 project. The coronavirus pandemic may have significantly added uncertainty to the progress of the project. As announced by TVO, according to the information given to TVO by Supplier, the fuel will not be loaded into the reactor as planned in June 2020, and it is possible that the regular electricity production will be delayed respectively. Supplier will update the schedule for OL3 as soon as spreading and effects of the coronavirus pandemic are known. Areva is currently working on a plan, with support of all parties, to secure funding until the end of the project.

As announced by TVO after the period under review due to COVID-19 related delay in OL3 fuel loading Standard & Poor's (S&P) has 15 April 2020 downgraded TVO's long term credit rating from BB+ to BB; outlook negative.

Further delays to the OL3 project could have an adverse impact on PVO's business and financial position, the fair value of UPM's energy shareholdings in PVO and/or the cost of energy sourced from OL3 when completed. It is possible that the cost of energy sourced from OL3 at the time when it starts regular electricity production will be higher than the market price of electricity at that time.

The main earnings sensitivities and the group's cost structure are presented on pages 160–161 of the Annual Report 2019. Risks and opportunities are discussed on pages 28–29, and risks and risk management are presented on pages 129–131.

Annual General Meeting

The Annual General Meeting held on 31 March 2020 decided that a dividend of EUR 1.30 per share (totalling EUR 693 million) would be paid in respect of the 2019 financial year. The dividend record date was 2 April and the dividend was paid on 16 April 2020.

The Annual General Meeting 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 pre-emptive 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 the special rights. The authorisation will be valid for 18 months from the date of the AGM resolution.

The Annual General Meeting 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 resolution.

Board of Directors

At the Annual General Meeting held on 31 March 2020, the number of members of the Board of Directors was confirmed as ten, and Berndt Brunow, Henrik Ehrnrooth, Piia-Noora Kauppi, Marjan Oudeman, Ari Puheloinen, Veli-Matti Reinikkala, Kim Wahl and Björn Wahlroos were re-elected to the Board. Emma FitzGerald and Martin à Porta were elected as new directors to the Board. The directors' term of office will end upon the closure of the next AGM.

Björn Wahlroos was re-elected as Chair, and Berndt Brunow as Deputy Chair of the Board of Directors of UPM-Kymmene Corporation at the Board of Directors' constitutive meeting that took place following the Annual General Meeting.

In addition, the Board of Directors elected the chairs and other members to the Board committees from among its members. Piia-Noora Kauppi was re-elected to chair the Audit Committee, and Emma FitzGerald, Marjan Oudeman and Kim Wahl were elected as other committee members. Veli-Matti Reinikkala was re-elected to chair the Remuneration Committee, and Henrik Ehrnrooth and Martin à Porta were elected as other committee members. Björn Wahlroos was re-elected to chair the Nomination and Governance Committee, and Berndt Brunow and Ari Puheloinen were re-elected as other committee members.

Shares

In Q1 2020 UPM shares worth a total of EUR 2,977 million (2,438 million) were traded on the NASDAQ Helsinki stock exchange. This is estimated to represent more than 50% of the total trading volume in UPM shares. The highest listing was EUR 31.50 in January and the lowest was EUR 20.31 in March.

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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 31 March 2020 was 533,735,699. Through the issuance authorisation, the number of shares may increase to a maximum of 558,735,699.

On 31 March 2020, 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.

Litigation

The group's management is not aware of any significant litigations in Q1 2020.

Helsinki, 23 April 2020

UPM-Kymmene Corporation
Board of Directors

Financial information

Consolidated income statement

EURm	Q1/2020	Q1/2019	Q1–Q4/2019
Sales	2,287	2,693	10,238
Other operating income	42	19	97
Costs and expenses	-1,967	-2,225	-8,531
Change in fair value of forest assets and wood harvested	-1	5	26
Share of results of associated companies and joint ventures	1	1	3
Depreciation, amortisation and impairment charges	-120	-120	-490
Operating profit	243	373	1,344
Exchange rate and fair value gains and losses	1	0	0
Interest and other finance costs, net	-4	-9	-38
Profit before tax	240	364	1,307
Income taxes	-48	-60	-234
Profit for the period	192	304	1,073
Attributable to:			
Owners of the parent company	190	304	1,061
Non-controlling interests	2	0	12
	192	304	1,073
Earnings per share for profit attributable to owners of the parent company			
Basic earnings per share, EUR	0.36	0.57	1.99
Diluted earnings per share, EUR	0.36	0.57	1.99

Consolidated statement of comprehensive income

EURm	Q1/2020	Q1/2019	Q1–Q4/2019
Profit for the period	192	304	1,073
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	114	-68	-58
Changes in fair value of energy shareholdings	-55	1	-13
Items that may be reclassified subsequently to income statement:			
Translation differences	8	83	67
Net investment hedge	-5	-7	-6
Cash flow hedges	-48	-32	-50
Other comprehensive income for the period, net of tax	13	-24	-58
Total comprehensive income for the period	205	280	1,014
Total comprehensive income attributable to:			
Owners of the parent company	201	280	987
Non-controlling interests	4	0	27
	205	280	1,014

Consolidated balance sheet

EURm	31 MAR 2020	31 MAR 2019	31 DEC 2019
ASSETS			
Goodwill	240	238	238
Other intangible assets	366	323	326
Property, plant and equipment	4,154	4,106	4,083
Leased assets	579	594	590
Forest assets	2,134	1,967	2,097
Energy shareholdings	2,088	2,158	2,145
Other non-current financial assets	209	179	170
Deferred tax assets	403	408	395
Net retirement benefit assets	85	27	38
Investments in associates and joint ventures	33	32	33
Other non-current assets	22	27	23
Non-current assets	10,315	10,060	10,140
Inventories	1,391	1,664	1,367
Trade and other receivables	1,653	1,874	1,576
Other current financial assets	86	82	59
Income tax receivables	28	28	26
Cash and cash equivalents	1,460	1,064	1,536
Current assets	4,619	4,711	4,565
Assets classified as held for sale	18	—	18
Assets	14,951	14,771	14,722
EQUITY AND LIABILITIES			
Share capital	890	890	890
Treasury shares	-2	-2	-2
Translation reserve	276	307	278
Other reserves	1,597	1,733	1,711
Reserve for invested non-restricted equity	1,273	1,273	1,273
Retained earnings	5,515	5,847	5,912
Equity attributable to owners of the parent company	9,549	10,046	10,062
Non-controlling interests	122	5	113
Equity	9,671	10,051	10,175
Deferred tax liabilities	606	532	549
Net retirement benefit liabilities	645	749	759
Provisions	168	129	144
Non-current debt	1,234	1,139	1,195
Other non-current financial liabilities	83	68	83
Non-current liabilities	2,736	2,617	2,730
Current debt	105	127	104
Trade and other payables	2,308	1,861	1,654
Other current financial liabilities	102	93	33
Income tax payables	30	21	27
Current liabilities	2,544	2,103	1,818
Liabilities	5,280	4,720	4,548
Equity and liabilities	14,951	14,771	14,722

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 2020	890	-2	278	1,711	1,273	5,912	10,062	113	10,175
Profit for the period	—	—	—	—	—	190	190	2	192
Translation differences	—	—	3	—	—	—	3	4	8
Cash flow hedges - reclassified to income statement, net of tax	—	—	—	-6	—	—	-6	—	-6
Cash flow hedges - changes in fair value, net of tax	—	—	—	-40	—	—	-40	-2	-42
Net investment hedge, net of tax	—	—	-5	—	—	—	-5	—	-5
Energy shareholdings - changes in fair value, net of tax	—	—	—	-57	—	2	-55	—	-55
Actuarial gains and losses on defined benefit plans, net of tax	—	—	—	—	—	114	114	—	114
Total comprehensive income for the period	—	—	-2	-103	—	305	201	4	205
Share-based payments, net of tax	—	—	—	-11	—	-9	-20	—	-20
Dividend distribution	—	—	—	—	—	-693	-693	—	-693
Contributions by non-controlling interests	—	—	—	—	—	—	—	5	5
Total transactions with owners for the period	—	—	—	-11	—	-702	-713	5	-708
Value at 31 March 2020	890	-2	276	1,597	1,273	5,515	9,549	122	9,671
Value at 1 January 2019	890	-2	232	1,778	1,273	5,617	9,786	5	9,791
Profit for the period	—	—	—	—	—	304	304	—	304
Translation differences	—	—	83	—	—	—	83	—	83
Cash flow hedges - reclassified to income statement, net of tax	—	—	—	3	—	—	3	—	3
Cash flow hedges - changes in fair value, net of tax	—	—	—	-36	—	—	-36	—	-36
Net investment hedge, net of tax	—	—	-7	—	—	—	-7	—	-7
Energy shareholdings - changes in fair value, net of tax	—	—	—	—	—	1	1	—	1
Actuarial gains and losses on defined benefit plans, net of tax	—	—	—	—	—	-68	-68	—	-68
Total comprehensive income for the period	—	—	75	-32	—	237	280	—	280
Share-based payments, net of tax	—	—	—	-12	—	-7	-20	—	-20
Dividend distribution	—	—	—	—	—	—	—	—	—
Total transactions with owners for the period	—	—	—	-12	—	-7	-20	—	-20
Value at 31 March 2019	890	-2	307	1,733	1,273	5,847	10,046	5	10,051

Condensed consolidated cash flow statement

EURm	Q1/2020	Q1/2019	Q1–Q4/2019
Cash flows from operating activities			
Profit for the period	192	304	1,073
Adjustments	190	173	719
Change in working capital	-212	-111	276
Finance costs, net	-6	-1	-45
Income taxes paid	-27	-45	-176
Operating cash flow	137	320	1,847
Cash flows from investing activities			
Capital expenditure	-160	-78	-359
Additions to forest assets	-26	-7	-44
Asset sales and other investing cash flow	6	4	-12
Investing cash flow	-180	-81	-415
Cash flows from financing activities			
Change in loans and other financial items	-8	-43	-29
Lease repayments	-26	-22	-82
Dividends paid	—	—	-693
Contributions by non-controlling interests	5	—	21
Financing cash flow	-29	-66	-783
Change in cash and cash equivalents	-72	174	649
Cash and cash equivalents at beginning of period	1,536	888	888
Exchange rate effect on cash and cash equivalents	-3	2	-1
Change in cash and cash equivalents	-72	174	649
Cash and cash equivalents at end of period	1,460	1,064	1,536

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.

	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q1–Q4/19
Sales EURm	2,287	2,447	2,493	2,605	2,693	10,238
Comparable EBITDA, EURm	398	442	455	466	488	1,851
% of sales	17.4	18.1	18.2	17.9	18.1	18.1
Comparable EBIT, EURm	279	343	342	345	374	1,404
% of sales	12.2	14.0	13.7	13.2	13.9	13.7
Comparable profit before tax, EURm	276	331	345	325	366	1,367
Capital employed (average, EURm)	11,241	11,323	10,996	11,069	10,946	11,024
Comparable ROCE, %	10.2	12.2	12.9	12.2	13.7	12.8
Comparable profit for the period, EURm	231	261	281	271	305	1,119
Total equity, average, EURm	9,923	10,015	9,706	9,804	9,924	9,986
Comparable ROE, %	9.3	10.4	11.6	11.1	12.3	11.2
Average number of shares basic (1,000)	533,324	533,324	533,324	533,324	533,324	533,324
Comparable EPS, EUR	0.43	0.49	0.50	0.51	0.57	2.07
Items affecting comparability in operating profit, EURm	-36	-7	-26	-26	-1	-60
Items affecting comparability in financial items, EURm	0	0	0	0	0	0
Items affecting comparability in taxes, EURm	-2	10	5	-1	0	14
Operating cash flow, EURm	137	592	500	436	320	1,847
Operating cash flow per share, EUR	0.26	1.11	0.94	0.82	0.60	3.46
Net debt at the end of period, EURm	-405	-453	-2	366	-5	-453
Net debt to EBITDA (last 12 m.)	-0.23	-0.24	0.00	0.19	0.00	-0.24
Gearing ratio, %	-4	-4	0	4	0	-4
Equity per share at the end of period, EUR	17.90	18.87	18.28	17.91	18.84	18.87
Capital expenditure, EURm	165	166	79	71	62	378
Capital expenditure excluding acquisitions, EURm	165	166	79	71	62	378
Equity to assets ratio, %	64.8	69.2	68.3	67.9	68.1	69.2
Personnel at the end of period	18,573	18,742	19,020	19,760	19,008	18,742

The definitions of alternative performance measures are presented in other financial information in » *UPM Annual Report 2019.*

Reconciliation of key figures to IFRS

EURm, OR AS INDICATED	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q1–Q4/19
Items affecting comparability						
Impairment charges	0	-1	-11	-1	0	-13
Restructuring charges	-48	0	-18	-28	-5	-52
Change in fair value of unrealised cash flow and commodity hedges	12	-6	1	6	4	5
Capital gains and losses on sale of non-current assets	0	0	2	-2	0	0
Total items affecting comparability in operating profit	-36	-7	-26	-26	-1	-60
Items affecting comparability in taxes	-2	10	5	-1	0	14
Items affecting comparability, total	-39	2	-21	-26	-1	-46
Comparable EBITDA						
Operating profit	243	336	316	319	373	1,344
Depreciation, amortisation and impairment charges excluding items affecting comparability	120	120	119	118	120	477
Change in fair value of forest assets and wood harvested excluding items affecting comparability	1	-19	-5	3	-5	-26
Share of result of associates and joint ventures	-1	-1	-1	-1	-1	-3
Items affecting comparability in operating profit	36	7	26	26	1	60
Comparable EBITDA	398	442	455	466	488	1,851
% of sales	17.4	18.1	18.2	17.9	18.1	18.1
Comparable EBIT						
Operating profit	243	336	316	319	373	1,344
Items affecting comparability in operating profit	36	7	26	26	1	60
Comparable EBIT	279	343	342	345	374	1,404
% of sales	12.2	14.0	13.7	13.2	13.9	13.7
Comparable profit before tax						
Profit before tax	240	324	319	300	364	1,307
Items affecting comparability in operating profit	36	7	26	26	1	60
Comparable profit before tax	276	331	345	325	366	1,367
Comparable ROCE, %						
Comparable profit before tax	276	331	345	325	366	1,367
Interest expenses and other financial expenses	11	14	10	11	8	44
	288	346	355	337	374	1,411
Capital employed, average	11,241	11,323	10,996	11,069	10,946	11,024
Comparable ROCE, %	10.2	12.2	12.9	12.2	13.7	12.8
Comparable profit for the period						
Profit for the period	192	263	260	245	304	1,073
Items affecting comparability, total	39	-2	21	26	1	46
Comparable profit for the period	231	261	281	271	305	1,119
Comparable EPS, EUR						
Comparable profit for the period	231	261	281	271	305	1,119
Profit attributable to non-controlling interest	-2	2	-14	0	0	-12
	229	263	267	271	305	1,106
Average number of shares basic (1,000)	533,324	533,324	533,324	533,324	533,324	533,324
Comparable EPS, EUR	0.43	0.49	0.50	0.51	0.57	2.07
Comparable ROE, %						
Comparable profit for the period	231	261	281	271	305	1,119
Total equity, average	9,923	10,015	9,706	9,804	9,924	9,986
Comparable ROE, %	9.3	10.4	11.6	11.1	12.3	11.2
Net debt						
Non-current debt	1,234	1,195	1,179	1,126	1,139	1,195
Current debt	105	104	137	138	127	104
Total debt	1,338	1,299	1,316	1,264	1,267	1,299
Non-current interest-bearing assets	219	180	201	184	177	180
Cash and cash equivalents	1,460	1,536	1,080	678	1,064	1,536
Other current interest-bearing assets	65	35	38	36	31	35
Total interest-bearing assets	1,744	1,752	1,318	898	1,272	1,752
Net debt	-405	-453	-2	366	-5	-453

Quarterly information by business area

EURm, OR AS INDICATED	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q1–Q4/19
Sales						
UPM Biorefining	509	592	660	708	753	2,712
UPM Energy	101	110	101	93	113	417
UPM Raflatac	408	389	382	385	398	1,555
UPM Specialty Papers	342	353	344	359	357	1,412
UPM Communication Papers	966	1,098	1,116	1,138	1,200	4,552
UPM Plywood	105	101	106	120	123	450
Other operations	50	62	63	72	68	264
Internal sales	-194	-259	-280	-269	-320	-1,129
Eliminations and reconciliation	0	1	1	1	2	4
Sales, total	2,287	2,447	2,493	2,605	2,693	10,238
Comparable EBITDA						
UPM Biorefining	81	96	171	203	254	724
UPM Energy	45	55	48	51	41	195
UPM Raflatac	64	43	44	40	40	166
UPM Specialty Papers	75	67	53	45	29	194
UPM Communication Papers	110	181	117	98	118	513
UPM Plywood	14	9	14	19	19	61
Other operations	1	-17	4	3	-8	-18
Eliminations and reconciliation	9	8	4	8	-4	17
Comparable EBITDA, total	398	442	455	466	488	1,851
Operating profit						
UPM Biorefining	37	42	130	161	212	544
UPM Energy	43	53	45	49	39	184
UPM Raflatac	51	33	36	30	26	124
UPM Specialty Papers	58	50	35	26	8	120
UPM Communication Papers	31	147	57	36	85	324
UPM Plywood	7	3	8	13	13	36
Other operations	-6	7	1	-9	-9	-10
Eliminations and reconciliation	21	2	5	14	0	21
Operating profit, total	243	336	316	319	373	1,344
% of sales	10.6	13.7	12.7	12.3	13.9	13.1
Items affecting comparability in operating profit						
UPM Biorefining	—	—	—	—	—	—
UPM Energy	—	—	—	-1	—	-1
UPM Raflatac	-3	1	2	—	-5	-2
UPM Specialty Papers	—	—	—	—	—	—
UPM Communication Papers	-45	-2	-28	-29	—	-58
UPM Plywood	—	—	—	—	—	—
Other operations	—	—	-1	-2	—	-4
Eliminations and reconciliation [1]	12	-6	1	6	4	5
Items affecting comparability in operating profit, total	-36	-7	-26	-26	-1	-60
Comparable EBIT						
UPM Biorefining	37	42	130	161	212	544
UPM Energy	43	53	45	49	39	185
UPM Raflatac	54	32	34	30	31	126
UPM Specialty Papers	58	50	35	26	8	120
UPM Communication Papers	76	148	85	65	85	383
UPM Plywood	7	3	8	13	13	36
Other operations	-6	7	2	-6	-9	-7
Eliminations and reconciliation	9	8	4	8	-4	17
Comparable EBIT, total	279	343	342	345	374	1,404
% of sales	12.2	14.0	13.7	13.2	13.9	13.7

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

External sales by major products

BUSINESS AREA	BUSINESS	Q1/2020	Q1/2019	Q1–Q4/2019
EURm				
UPM Biorefining	UPM Pulp UPM Biofuels UPM Timber	407	580	2,096
UPM Energy	UPM Energy	71	44	180
UPM Raflatac	UPM Raflatac	408	398	1,555
UPM Specialty Papers	UPM Specialty Papers	295	296	1,203
UPM Communication Papers	UPM Communication Papers	957	1,190	4,516
UPM Plywood	UPM Plywood	100	117	427
Other operations	UPM Forest UPM Biochemicals UPM Biomedicals UPM Biocomposites	48	66	258
Eliminations and reconciliations		0	2	4
Total		2,287	2,693	10,238

BUSINESS	PRODUCT RANGE
UPM Pulp	Softwood, birch and eucalyptus pulp
UPM Biofuels	Wood-based renewable diesel for transport and renewable naphtha for transport and petrochemicals
UPM Timber	Standard and special sawn timber
UPM Energy	Electricity and related services
UPM Raflatac	Self-adhesive paper and film label stock
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 Biochemicals	Lignin products for industrial use
UPM Biomedicals	Wood-based products for biomedical applications
UPM Biocomposites	UPM ProFi decking products and UPM Formi granules

Changes in property, plant and equipment

EURm	Q1/2020	Q1/2019	Q1–Q4/2019
Book value at beginning of period	4,083	4,186	4,186
Reclassification to leased assets (IFRS 16)	—	-91	-71
Reclassification to assets held for sale	—	—	-11
Capital expenditure	158	57	351
Decreases	—	—	-6
Depreciation	-97	-99	-392
Impairment charges	0	0	-13
Translation difference and other changes	10	55	41
Book value at end of period	4,154	4,106	4,083

Financial assets and liabilities measured at fair value

EURm	31 MAR 2020				31 MAR 2019				31 DEC 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets												
Derivatives non-qualifying hedges	—	50	—	50	—	22	—	22	—	17	—	17
Derivatives under hedge accounting	16	209	—	225	61	153	—	214	23	166	—	189
Energy shareholdings	—	—	2,088	2,088	—	—	2,158	2,158	—	—	2,145	2,145
Total	16	259	2,088	2,363	61	175	2,158	2,394	23	183	2,145	2,351
Financial liabilities												
Derivatives non-qualifying hedges	—	11	—	11	—	7	—	7	—	7	—	7
Derivatives under hedge accounting	23	72	—	95	11	78	—	89	7	22	—	28
Total	23	83	—	106	11	85	—	96	7	29	—	36

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.

Fair value measurements using significant unobservable inputs, Level 3

	ENERGY SHAREHOLDINGS		
EURm	Q1/2020	Q1/2019	Q1–Q4/2019
Book value at beginning of period	2,145	2,159	2,159
Disposals	-2	-1	-1
Fair value changes recognised in other comprehensive income	-56	1	-13
Book value at end of period	2,088	2,158	2,145

Fair valuation of energy shareholdings in the 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 fundamental 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 350 million.

The discount rate of 5.52% used in the valuation model is determined using the weighted average cost of capital method. A change of 0.5% in the discount rate would change the total value of the assets by approximately EUR 280 million. Other uncertainties and risk factors in the value of the assets relate to start-up schedule of the fixed price turn-key Olkiluoto 3 EPR nuclear power plant project. UPM's indirect share of the capacity of Olkiluoto 3 EPR is approximately 31%, through its PVO B2 shares. Changes in regulatory environment or taxation could also have an impact on the value of the energy generating assets.

Fair value of financial assets and liabilities measured at carrying amount

EURm	31 MAR 2020	31 MAR 2019	31 DEC 2019
Non-current debt excl. derivative financial instruments and lease liabilities	695	673	682

The fair values of all other financial assets and liabilities approximate their carrying amount.

Commitments and contingencies

EURm	31 MAR 2020	31 MAR 2019	31 DEC 2019
Own commitments			
Mortgages	1	1	1
On behalf of others			
Guarantees	2	2	2
Other own commitments			
Leasing commitments for the next 12 months in accordance with IFRS 16	5	6	6
Other commitments	98	89	104
Total	107	97	113

The lease commitments for leases not commenced at the end of reporting period totals approximately EUR 100 million and these relate to long-term charter agreements.

Capital commitments

EURm	COMPLETION	TOTAL COST	BY 31 DEC 2019	Q1/2020	AFTER 31 MAR 2020
New biorefinery / Germany	Q4 2022	550	—	6	545
CHP power plant / Germany	Q3 2022	95	—	6	88
New pulp mill / Uruguay	Q3 2022	2,730	46	59	2,625
Renovation and modernisation / Kuusankoski hydro power plant	Q4 2022	22	3	0	19

Notional amounts of derivative financial instruments

EURm	31 MAR 2020	31 MAR 2019	31 DEC 2019
Interest rate forward contracts	2,374	2,054	1,729
Interest rate swaps	342	334	334
Forward foreign exchange contracts	2,865	2,536	2,491
Currency options, bought	10	8	14
Currency options, written	9	8	10
Cross currency swaps	177	169	172
Commodity contracts	641	969	913

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 2019.

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.

It should be noted that certain statements herein, which are not historical facts, including, without limitation, those regarding expectations for market growth and developments; expectations for growth and profitability; and statements preceded by "believes", "expects", "anticipates", "foresees", or similar expressions, are forward-looking statements. Since these statements are based on current plans, estimates and projections, they involve risks and uncertainties which may cause actual results to materially differ from those expressed in such forward-looking statements. Such factors include, but are not limited to: (1) **operating factors** such as continued success of manufacturing activities and the achievement of efficiencies therein including the availability and cost of production inputs, continued success of product development, acceptance of new products or services by the Group's targeted customers, success of the existing and future collaboration arrangements, changes in business strategy or development plans or targets, changes in the degree of protection created by the Group's patents and other intellectual property rights, the availability of capital on acceptable terms; (2) **industry conditions**, such as strength of product demand, intensity of competition, prevailing and future global market prices for the Group's products and the pricing pressures thereto, financial condition of the customers and the competitors of the Group, the potential introduction of competing products and technologies by competitors; and (3) **general economic conditions,** such as rates of economic growth in the Group's principal geographic markets or fluctuations in exchange and interest rates. The main earnings sensitivities and the group's cost structure are presented on pages 160–161 of the 2019 Annual Report. Risks and opportunities are discussed on pages 28–29 and risks and risk management are presented on pages 129–131 of the report.

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