UPM

WE CREATE A FUTURE BEYOND FOSSILS

UPM INTERIM REPORT JANUARY-SEPTEMBER 2021

UPM Interim Report Q3 2021:

UPM delivers a record quarter in an exceptionally volatile global environment

Q3 2021 highlights

- Sales increased by 24% to EUR 2,523 million (2,028 million in Q3 2020)
- Comparable EBIT increased by 98% to EUR 424 million, 16.8% of sales (215 million, 10.6%)
- Operating cash flow was EUR 318 million (365 million)
- Demand for UPM's products was good, and overall, price increases more than offset the rapid rise in input costs
- UPM completed the sale of the UPM Shotton newsprint mill in the UK
- The global sustainability ratings provider EcoVadis recognised UPM on the highest possible Platinum level for its responsible performance in 2021
- UPM was recognised as one of the world's 37 most sustainable companies by the UN Global Compact

Q1–Q3 2021 highlights

- Sales increased by 12% to EUR 7,141 million (6,392 million in Q1–Q3 2020)
- Comparable EBIT increased by 45% to EUR 1,010 million (697 million), and was 14.1% (10.9%) of sales
- Operating cash flow was EUR 844 million (659 million)
- UPM's transformative growth projects made good progress
- Net debt increased to EUR 667 million (89 million) and net debt to EBITDA ratio was 0.38 (0.06)
- Cash funds and unused committed credit facilities totalled EUR 2.5 billion at the end of September
- UPM started the basic engineering phase of a next-generation biofuels refinery in January
- UPM joined The Climate Pledge in February, committed to reach the targets of the Paris Agreement 10 years in advance

Key figures

	Q3/2021	Q3/2020	Q2/2021	Q1–Q3/2021	Q1–Q3/2020	Q1–Q4/2020
Sales, EURm	2,523	2,028	2,384	7,141	6,392	8,580
Comparable EBITDA, EURm	535	331	426	1,351	1,050	1,442
% of sales	21.2	16.3	17.9	18.9	16.4	16.8
Operating profit, EURm	564	117	304	1,147	508	761
Comparable EBIT, EURm	424	215	307	1,010	697	948
% of sales	16.8	10.6	12.9	14.1	10.9	11.1
Profit before tax, EURm	558	109	298	1,128	487	737
Comparable profit before tax, EURm	418	207	301	991	676	924
Profit for the period, EURm	497	83	243	968	378	568
Comparable profit for the period, EURm	359	158	246	832	546	737
Earnings per share (EPS), EUR	0.92	0.15	0.45	1.78	0.70	1.05
Comparable EPS, EUR	0.66	0.29	0.45	1.53	1.01	1.37
Return on equity (ROE), %	19.9	3.5	10.3	12.9	5.1	5.8
Comparable ROE, %	14.3	6.7	10.4	11.1	7.4	7.5
Return on capital employed (ROCE), %	17.9	4.3	10.1	12.5	6.2	6.7
Comparable ROCE, %	13.4	7.9	10.2	11.0	8.5	8.3
Operating cash flow, EURm	318	365	308	844	659	1,005
Operating cash flow per share, EUR	0.60	0.69	0.58	1.58	1.23	1.89
Equity per share at the end of period, EUR	19.08	17.54	17.62	19.08	17.54	17.53
Capital employed at the end of period, EURm	13,039	10,721	12,226	13,039	10,721	11,555
Net debt at the end of period, EURm	667	89	750	667	89	56
Net debt to EBITDA (last 12 months)	0.38	0.06	0.49	0.38	0.06	0.04
Personnel at the end of period	17,085	18,349	17,874	17,085	18,349	18,014

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 2020***

Jussi Pesonen, President and CEO, comments on the Q3 results:

"The third quarter of the year was the best-ever quarter for UPM. At the same time, we have been able to make good progress with our transformative investments. These achievements are remarkable in an exceptionally volatile and uncertain global business environment, and I want to thank all UPMers for the resilience and determination they have shown.

The demand for our products was good, particularly in Europe and North America, and sales prices increased in all our businesses. However, variable costs rose rapidly across the board as well. Most notably the energy markets have changed dramatically in a short period of time. Our operational efficiency was excellent despite the challenges in logistics and global supply chains.

Q3 sales increased by 24% to EUR 2,523 million. Comparable EBIT was up by 98% rising to EUR 424 million from the lockdown affected Q3 of last year. Comparable EBIT margin reached 16.8%. Operating cash flow was EUR 318 million and our financial position remains very strong. Net debt at the end of September was EUR 667 million, 0.38 times EBITDA, and our cash funds and unused committed credit facilities totalled EUR 2.5 billion.

UPM Biorefining reached record quarterly earnings thanks to significantly higher pulp and timber sales prices and excellent operational efficiency. The pulp market continued to be strong in Europe but softened in Asia. Demand for advanced renewable diesel and naphtha was also strong, and our Lappeenranta biorefinery restarted production in early August after the fire related repairs.

UPM Raflatac continued to be one of our star performers. Demand growth was consistently strong across most markets and end-uses. Input costs rose rapidly during the quarter but were mitigated by successful margin management.

The market situation for UPM Specialty Papers was twofold. On the one hand, demand for release, label and packaging papers remained strong in all markets and sales prices increased significantly. On the other hand, fine paper demand in Asia slowed down and prices decreased. High input costs and the exceptional energy market situation in China affected the results.

Despite good market demand in Europe and the implementation of price increases, UPM Communication Papers was loss-making in the quarter. On top of the anticipated cost increases in pulp, recycled fibre and logistics, the emerging energy crisis in Europe resulted in unforeseen cost increases despite hedging. The sale of UPM Shotton newsprint mill was concluded at the end of the quarter.

UPM Energy delivered excellent earnings. The business benefitted from significantly higher electricity sales prices and it successfully implemented optimisation and value creation measures for the volatile markets.

UPM Plywood also achieved record quarterly earnings. Market demand for both spruce and birch plywood continues to be strong and price increases have been successful. The business also made good progress in operational efficiency, reaching higher production volume than a year ago.

In Uruguay, we have now reached peak activity with more than 6,000 workers on our construction sites. The investment project is progressing intensively in all main areas. In Leuna, Germany, our biochemicals investment is making progress both at the construction site and in business preparation. The pandemic and global logistics bottlenecks pose challenges to large projects, and we continue implementing mitigating actions to ensure timely progress.

The commercialisation of the next generation biochemicals is taking significant steps forward. We are especially excited about our cooperation with Coca-Cola Company. UPM's bioMEG from the Leuna biorefinery will enable wood-based, recyclable PET bottles. In addition, we launched UPM BioMotion™ renewable functional fillers to significantly reduce CO_2 footprint and weight of rubber and plastics applications in a variety of end-uses.

On the eve of UN climate change conference COP26, we underline the importance of renewable solutions. Undisputedly the most effective way to mitigate climate change is reducing the use of fossil-based raw materials and energy radically. UPM offers alternatives to fossil-based materials and creates a future beyond fossils, enabling our customers and consumers to make sustainable choices. Our climate action is based on significant emissions reductions, managing forests sustainably and innovating climate-positive products. These actions support the UN Business Ambition for 1.5 degrees to which we are committed."

Outlook for 2021

The global economy has started recovering in 2021 from the deep downturn experienced in 2020. World regions will progress at different pace. China has led this development but has recently slowed down to some extent. Demand for most UPM products is influenced by overall economic activity and hence, depends on the shape and rate of the economic recovery.

The COVID-19 pandemic continues to cause uncertainty in 2021. In 2020, lockdowns had a significant negative impact on graphic paper demand but supported the strong demand for self-adhesive labelling materials and specialty papers. Opening of the economies is likely to allow for some normalisation of these demand impacts.

Sales prices for many UPM products are expected to increase in H2 2021 from H1 2021, including graphic paper prices in Europe. Pulp sales prices increased rapidly in H1 2021 and are expected to be higher on average in H2 2021 than in H1 2021.

With improving global economy, many variable cost items are expected to increase in 2021. During H2 2021 the tight energy market situation is expected to cause increased costs both directly and indirectly. UPM will continue to manage margins with product pricing, optimising its product and market mix, efficient use of assets as well as by taking measures to improve variable and fixed cost efficiency.

UPM's comparable EBIT is expected to increase both in H2 2021 compared with H1 2021 and increase clearly in the full year 2021 compared with 2020.

Impact of the COVID-19 pandemic

The COVID-19 pandemic, the related containment measures around the world and rapid changes in the global economy continue to represent significant uncertainty in 2021.

Global economy
The COVID-19 pandemic and the related containment measures resulted in a sharp decline in the global economy in 2020. During the first phase of the recession, the pandemic containment measures and lockdowns around the world severely limited or temporarily stopped significant parts of the economy. It is uncertain how potent and long-lasting the following recovery will be. Despite progress with vaccinations, additional waves of the epidemic in different parts of the world remain possible.

The recovery in the global economy from the deep downturn last year, combined with the ongoing pandemic have created tightness and disruptions globally in many supply chains, including logistics and energy, causing rising costs and uncertainty on price and availability of many raw materials and energy.

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

So far UPM has been able to protect its employees and business continuity well.

Demand for UPM products
Many of UPM's products serve essential everyday needs and have therefore seen resilient demand during the crisis. These products include pulp, specialty papers and self-adhesive label materials. However, even in these businesses, demand is influenced by general economic activity.

Demand for graphic papers is more prone to be impacted by the lockdowns and the recession. The lockdowns limit a wide range of consumer-driven services and retail, as well as work at the office. This has had a negative impact on printed advertising and graphic paper demand during the pandemic.

The lockdowns and the level of economic activity may also influence demand for electricity, plywood and sawn timber.

In Q2 2020, graphic paper demand in Europe decreased by 32% from the previous year, as particularly advertising-driven paper consumption and office paper demand being impacted by the lockdowns across Europe. These impacts moderated to some extent as the year progressed, and graphic paper demand decreased by 18% in Q3 2020 and by 14% in Q4 2020 year-on-year. During Q1 2021 the pandemic and the related containment measures continued to impact the business environment, and graphic paper demand decreased by 14% from last year. In Q2 2021, as economies in Europe started to gradually open, graphic paper demand increased by 28% from the low comparison base in previous year. In Q3 2021, demand grew by 6% from last year.

Pulp demand has held up relatively well, supported by good demand for tissue and hygiene products as well as for some packaging and specialty paper products. Pulp consumption in graphic paper production has decreased.

Demand for self-adhesive label materials and specialty papers has grown during the pandemic, as consumers have shifted some of their spending from away-from-home categories to packaged daily consumer goods. E-commerce has continued to grow, supporting some labelling and specialty paper applications. Demand for self-adhesive labels in Europe grew by 7% in Q1 2020 and 9% in Q2 2020 year-on-year, decreased by 4% in Q3 2020 due to destocking in the customer value chain, and resumed growth at 6% in Q4 2020. Demand for self-adhesive labels in Europe increased in Q1 2021 by 1% and in Q2 2021 by 9%. In Q3 2021, demand growth is estimated to have continued from last year.

Adjusting to different scenarios
The potential impacts on UPM are likely to differ by business and phase of the pandemic, lockdown measures, changes in consumer behaviour, and the recession and recovery thereof. UPM has used shift arrangements, temporary layoffs, or reduced working hours as required to adjust its operations in different scenarios. During Q3 2020, the company also announced plans to permanently reduce graphic paper production capacity and other plans to improve cost efficiency in different businesses and functions. The UPM Kaipola paper mill was closed in January 2021.

Projects and maintenance shutdowns
The pandemic and the required health and safety measures add challenges 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 and costs of the projects are possible during the pandemic, the related containment measures, or due to the tight global logistics and supply chains. With mitigating actions, the projects are proceeding according to the planned start-up timeline and budget.

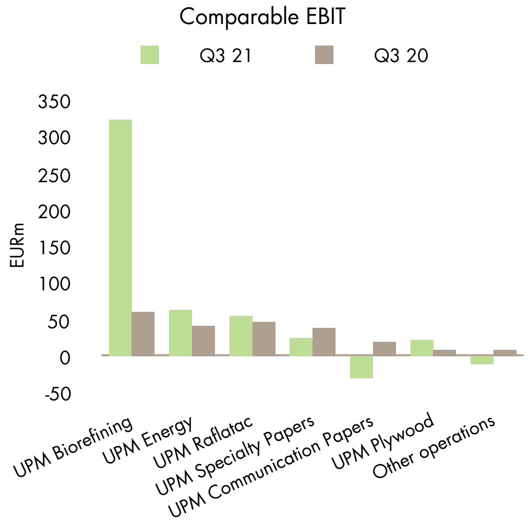
In April 2020 TVO announced that fuel loading into the OL3 reactor would not happen as originally planned in June 2020. TVO announced an updated schedule in August 2020, and the fuel loading was completed in April 2021.

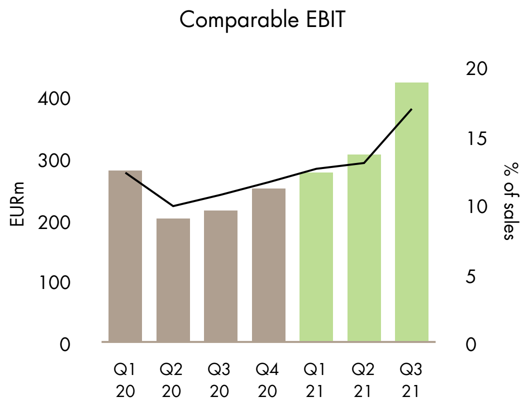
UPM rescheduled two pulp mill maintenance shutdowns from Q2 2020 to Q4 2020 due to the pandemic. Both shutdowns were successfully completed in Q4 with strict health and safety controls. For 2021, UPM has rescheduled the maintenance shutdown at the UPM Kymi pulp mill from Q2 2021 to Q4 2021.

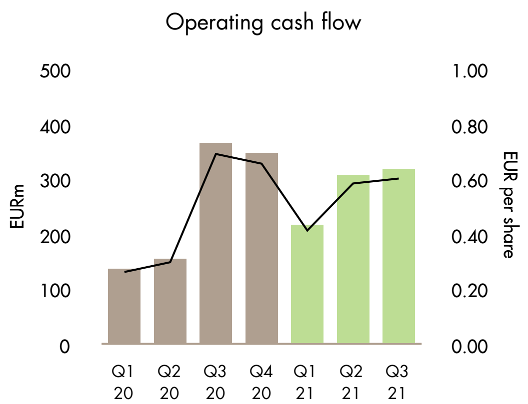
Timing of significant maintenance shutdowns in 2021

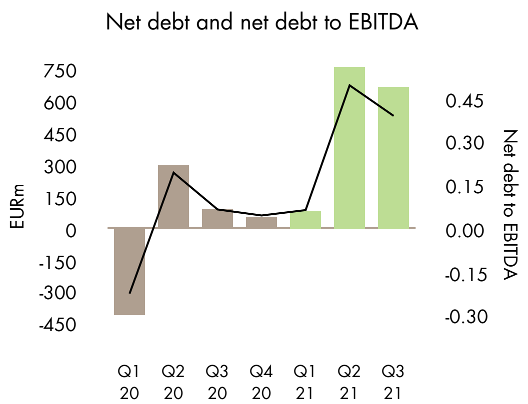
TIMING	UNIT
Q2/2020	Olkiluoto nuclear power plant
Q4/2020	Kaukas pulp mill
	Pietarsaari pulp mill
Q2/2021	Olkiluoto nuclear power plant
	Fray Bentos pulp mill
Q4/2021	Kymi pulp mill

Financing
UPM's financial position is strong. UPM's net debt was EUR 667 million at the end of Q3 2021. Cash funds and unused committed credit facilities totalled EUR 2.5 billion at the end of Q3 2021. This includes the sustainability-linked EUR 750 million committed syndicated revolving credit facility of which EUR 50 million is maturing in 2025 and EUR 700 million is maturing in 2026 and EUR 159 million equivalent rolling overdraft facility. During Q4 2020, UPM successfully issued a EUR 750 million Green Bond under its EMTN (Euro Medium Term Note). A second EUR 500 million Green Bond was issued in Q1 2021. The facilities and UPM's outstanding debt have no financial covenants.









Results

Q3 2021 compared with Q3 2020

Q3 2021 sales were EUR 2,523 million, 24% higher than the EUR 2,028 million in Q3 2020. Sales increased in all business areas, driven by higher sales prices and delivery volumes.

Comparable EBIT increased by 98% to EUR 424 million, which was 16.8% of sales (215 million, 10.6%).

Sales prices increased in all business areas, with the largest increase in UPM Biorefining.

Variable costs increased in all business areas, especially in UPM Communication Papers. At the group level, the positive impact of higher sales prices was larger than the negative impact of higher variable costs.

Delivery volumes increased in most business areas. Fixed costs increased by EUR 12 million.

Depreciation, excluding items affecting comparability, totalled EUR 116 million (117 million), including depreciation of leased assets totalling EUR 18 million (18 million). The change in the fair value of forest assets net of wood harvested was EUR 5 million (-1 million).

Operating profit was EUR 564 million (117 million). Items affecting comparability in operating profit totalled EUR 140 million in the period (-98 million). In Q3 2021, items affecting comparability mainly relate to the EUR 134 million gain on sale of Shotton Mill Ltd in UPM Communication Papers business area. In Q3 2020, items affecting comparability included EUR 99 million charges related to the closure of the UPM Kaipola paper mill, EUR 15 million charges related to restructuring of functions at UPM Communication Papers and earnings of EUR 12 million on the sale of the group's share in Kainuun Voima Oy.

Net interest and other finance income and costs were EUR -6 million (-6 million). Exchange rate and fair value gains and losses were EUR -1 million (-2 million). Income taxes were EUR 61 million (26 million). Items affecting comparability in taxes totalled EUR -1 million (22 million).

Profit for Q3 2021 was EUR 497 million (83 million), and comparable profit was EUR 359 million (158 million).

Q3 2021 compared with Q2 2021

Comparable EBIT increased by 38% to EUR 424 million, which was 16.8% of sales (307 million, 12.9%). Sales prices increased in all business areas, particularly for UPM Biorefining, UPM Communication Papers and UPM Energy.

Variable costs increased in all business areas, especially in UPM Communication Papers, UPM Specialty Papers and UPM Raflatac. Energy costs increased rapidly during Q3 2021, despite hedging. At the group level, the positive impact of higher sales prices more than offset the negative impact of higher variable costs.

Delivery volumes were higher in UPM Biorefining and UPM Communication Papers. Fixed costs decreased by EUR 27 million.

Depreciation, excluding items affecting comparability, totalled EUR 116 million (118 million). The change in the fair value of forest assets net of wood harvested was EUR 5 million (-2 million).

Operating profit was EUR 564 million (304 million)

January–September 2021 compared with January–September 2020

Q1–Q3 2021 sales were EUR 7,141 million, 12% higher than the EUR 6,392 million for Q1–Q3 2020. Sales increased in all business areas, driven by higher sales prices and delivery volumes. Changes in currencies had a negative impact on sales.

Comparable EBIT increased by 45% to EUR 1,010 million, 14.1% of sales (697 million, 10.9%).

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

Variable costs increased in most business areas, especially in UPM Communication Papers and UPM Specialty Papers. At the group level, the positive impact of higher sales prices more than offset the negative impact of higher variable costs.

Delivery volumes grew in all business areas.

Fixed costs increased by EUR 5 million. Scheduled maintenance activity increased costs in the reporting period, whereas costs in the comparison period were reduced by temporary measures to adjust to the COVID-19 pandemic. The industry-wide strike in Finland impacted both delivery volumes and fixed costs in Q1 2020.

Depreciation, excluding items affecting comparability, totalled EUR 350 million (355 million) including depreciation of leased assets totalling EUR 55 million (56 million). The change in the fair value of forest assets net of wood harvested was EUR 8 million (-1 million).

Operating profit totalled EUR 1,147 million (508 million). Items affecting comparability in operating profit totalled EUR 137 million in the period (-189 million) including EUR 134 million gain on sale of Shotton Mill Ltd in UPM Communication Papers business area. In 2020, Items affecting comparability in operating profit included EUR 99 million restructuring charges related to the closure of UPM Kaipola paper mill, EUR 79 million restructuring charges related to closure of UPM Chapelle paper mill, EUR 22 million restructuring charges related to the closure of Jyväskylä plywood mill, EUR 15 million charges related to the restructuring of the functions of UPM Communication Papers and earnings of EUR 12 million on the sale of group's share in Kainuun Voima Oy.

Net interest and other finance costs were EUR -18 million (-19 million). The exchange rate and fair value gains and losses were EUR -1 million (-2 million). Income taxes totalled EUR -160 million (-109 million).

Profit for Q1–Q3 2021 was EUR 968 million (378 million), and comparable profit was EUR 832 million (546 million).

Financing and cash flow

In Q1–Q3 2021 cash flow from operating activities before capital expenditure and financing totalled EUR 844 million (659 million). Working capital increased by EUR 206 million (165 million).

Net debt was EUR 667 million at the end of Q3 2021 (89 million). The gearing ratio as of 30 September 2021 was 6% (1%). The net debt to EBITDA ratio, based on the last 12 month's EBITDA, was 0.38 at the end of the period (0.06).

On 30 September 2021 UPM's cash funds and unused committed credit facilities totalled EUR 2.5 billion. This includes the sustainability-linked five-year EUR 750 million revolving credit facility signed in Q1 2020 and the EUR 159 million equivalent rolling overdraft facility.

On 13 November 2020 UPM issued a EUR 750 million Green Bond and on 15 March 2021 a EUR 500 million Green Bond under its EMTN (Euro Medium Term Note) programme.

A dividend of EUR 1.30 per share (totalling EUR 693 million) was paid on 12 April 2021 for the 2020 financial year.

Capital expenditure

In Q1–Q3 2021, capital expenditure totalled EUR 992 million, which was 13.9% of sales (538 million, 8.4% of sales). Capital expenditure does not include additions to leased assets.

In 2021, UPM's total capital expenditure, excluding investments in shares, is expected to be about EUR 1,600 million, which includes estimated capital expenditure of approximately EUR 1,400 million in transformative projects. Transformative projects consist of the new pulp mill, port operations, local investments outside the mill fence 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 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, 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 in 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 in Leuna, Germany. The facility is scheduled to start up by the end of 2022.

Personnel

In January–September 2021, UPM had an average of 17,688 employees (18,705). At the beginning of the year, the number of employees was 18,014 and at the end of Q3 2021 it was 17,085.

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, 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 459,000 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 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 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, but the overall rail project is delayed, and the railway is scheduled to start operations in May 2023. UPM has a contingency plan in place to ensure logistics with truck transportation during this delay.

UPM is proceeding with the construction of a deep-sea pulp terminal at 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 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 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. The 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

The mill is scheduled to start up in the second half of 2022. The project is proceeding according to the planned schedule. The works at the Paso de los Toros construction site and the Montevideo port terminal are progressing well despite the COVID-19 situation and the labour disputes.

More than 6,000 people are currently working on the project at the various construction sites. Strict COVID-19 protocols have been maintained at all UPM's construction sites.

At the pulp mill site in Paso de los Toros, the assembly phase with mechanical erection continues to progress in all main process areas. Parts of the civil work have been completed. Commissioning works will proceed in the coming months.

Large scale cargo transfers from the UPM Fray Bentos port to the new mill site continue on a weekly basis and include the transports of the machinery, equipment, and structures necessary for the construction of the UPM Paso de los Toros mill.

The temporary and the permanent housing construction has been completed and all housing areas are in use.

At the pulp terminal in Montevideo, works are progressing as planned. A large part of the pulp terminal area has been completed, including the structure and roofing of the pulp warehouse – an area of 50,000 square metres. The unloading line for the railway was also completed and construction of railway has started. Piping, pipe bridge, auxiliary machinery and tank insulation work continues on the port basin.

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 from operating cash flow complemented by regular group financing activities.

Biochemicals refinery investment

On 30 January 2020 UPM announced that it would invest EUR 550 million in a 220,000 tonnes next-generation biochemicals refinery in Leuna, Germany. The biorefinery 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 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. Once the facility is fully ramped up and optimized, it is expected to achieve the ROCE target of 14%.

A combination of sustainable wood supply, a unique technology concept, integration into existing infrastructure at Leuna as well as 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 100 million.

Construction of the biorefinery at Leuna has progressed further. Permitting has proceeded in accordance with German legislation and the first partial permits have been received as planned. Detailed engineering and procurement activities are proceeding at full speed. At the site, utility connections and foundations continue to be built on the main site, while woodchip and bark storage vessels have been erected and the the wood handling area of the yard is being paved. The delivery of equipment for over-ground structures is ongoing and the first heavy-duty transports have arrived, amongst other delivering the distillation columns. The hiring process for the operations teams is ongoing.

Commercial activities are continuing without interruptions. UPM BioMotion™ Renewable Functional Fillers (RFF) were launched on the market in October 2021, creating a completely new category to replace fossils-based carbon black and precipitated silica. Marketing RFF to increase awareness and interest among customers and end-users will be one of the priorities over coming months. Meanwhile, concrete customer cases are advancing in all main product streams and different value chains. In October, UPM's cooperation with the Coca-Cola Company was announced to drive the shift towards more sustainable way of PET-packaging**.** The environmental benefits of the UPM Biorefinery and the UPM Biochemicals portfolio have been acknowledged with nominations as a finalist for the German Sustainability Award and the Chemical Week's sustainability awards.

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 an 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. In the feedstocks, UPM's wood biomass-based residues and side streams play a substantial role. In addition, it 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 estimate the investment need. During the study UPM will also review the operating environment primarily in two locations: Kotka, Finland and Rotterdam, the Netherlands.

The basic engineering phase is proceeding at full speed. The biofuels growth organisation has been strengthened with hires mainly to process design.

The estimated duration of this basic engineering phase is a minimum of 12 months. 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

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.

On 27 March 2021, TVO announced that fuel loading of OL3 had started. Fuel loading was completed in early April. As announced by TVO, electricity production of OL3 was expected to start in October 2021, and regular electricity production in February 2022. On 30 July, 2021 and 20 August, 2021 TVO announced that the regular electricity production of OL3 will be postponed due to turbine overhaul and inspection works. According to TVO's announcement on 20 August, 2021 the start-up of the OL3 reactor, i.e. the first criticality, will take place in January, 2022, first electricity production of OL3 will take place in February 2022 and the regular electricity production in June 2022.

As announced by TVO earlier, Areva, the Supplier party, was preparing a financial solution to ensure necessary funding to complete the OL3 project. TVO and the Supplier also negotiated on the terms of completing the OL3 project. On 17 May 2021 TVO announced that TVO and the Supplier reached a consensus in their negotiations regarding the main principles of the OL3 project completion. The agreements regarding the amendments to the global settlement agreement of 2018 entered into force on 13 July 2021.

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 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 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 CO2 -free and TVO will have a secure solution for the final disposal of used fuel.

Events during the reporting period

On 19 January, UPM announced that it would invest EUR 13 million in UPM Raflatac's new production line in Nowa Wieś, Poland. The investment will increase UPM Raflatac's Direct Thermal (DT) Linerless annual production capacity by 100 million m^2. The new production line is expected to be operational at the end of 2021.

On 28 January, UPM announced that it moves forward with biofuels growth plans and starts the basic engineering phase of a next generation biorefinery.

On 17 February, UPM announced that it has joined The Climate Pledge, a cross-sector community of world-class companies working together to crack the climate crisis and to decarbonise our economy. These companies are committed to reach the targets of the Paris Agreement well in advance.

On 15 March, UPM announced that it has issued a new EUR 500 million Green Bond under its EMTN (Euro Medium Term Note) programme and its Green Finance Framework. The bond matures in March 2031 and pays a fixed coupon of 0.50%.

On 19 March, UPM announced that it has applied for listing of a EUR 500 million Green Bond under its Euro Medium Term Note (EMTN) programme on the Irish Stock Exchange plc, trading as Euronext Dublin.

On 25 March, UPM announced that UPM Timber has completed the employee consultation process that started in early February regarding its plans to improve profitability and strengthen competitiveness. Based on the negotiations, the number of positions at UPM Timber will decrease by 43. In addition, the small log line at the Kaukas sawmill will be closed by the end of June 2021 and the operating model of the Korkeakoski sawmill will be optimised.

On 26 March, the Radiation and Nuclear Safety Authority (STUK) gave a fuel loading permit for the OL3 EPR unit.

On 27 March, the fuel loading of the OL3 EPR unit started.

On 30 March, UPM held its Annual General Meeting.

On 14 April, UPM announced that it aims to increase the efficiency of its global functions by reorganising and streamlining operations in Finland, Germany, and Austria. The employee consultation process was completed in Finland in June and in Germany and Austria in July. As a result, the number of employments will decrease by 35.

On 15 April, UPM announced that it has improved its outlook for 2021.

On 27 April, Emma FitzGerald was appointed as the fourth member of UPM's Audit Committee.

On 7 May, UPM received a rating of AAA in the MSCI ESG Ratings assessment.

On 14 May, UPM announced that is has signed an agreement to sell its Shotton newsprint mill site in North Wales, United Kingdom and all related assets to Eren Paper Ltd.

On 29 June, UPM announced that UPM Raflatac has completed its employee consultation processes. As a result, the number of positions at UPM Raflatac will decrease by 129.

On 6 July, global sustainability ratings provider EcoVadis recognised UPM on the highest possible Platinum level for its responsible performance in 2021. The assessment is based on UPM’s performance as a supplier.

On 20 September, UPM announced that it has been recognised as one of the world’s 37 most sustainable companies by the UN Global Compact. UPM has had LEAD status since 2016.

On 30 September, UPM announced that the transaction of UPM Shotton newsprint mill was closed and newsprint production has ended. The gain on sale of the mill amounted to EUR 134 million.

Events after the balance sheet date

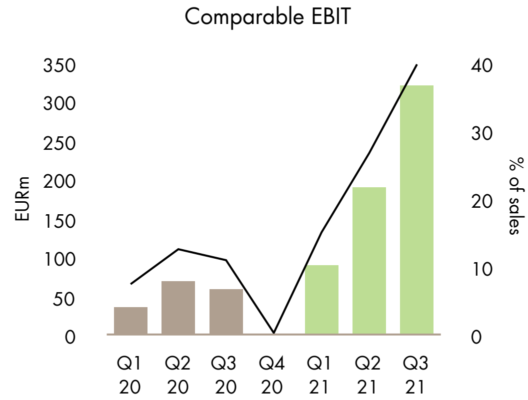
On 12 October, UPM announced that European Commission’s competition authorities had started an unannounced inspection at UPM’s premises. The Commission has concerns that the inspected companies in the wood pulp sector may have violated EU antitrust rules that prohibit cartels and restrictive business practices.

On 15 October, UPM announced that it has signed an agreement to sell its Chapelle Darblay newsprint mill in Grand-Couronne, France, site to a consortium of two partners Samfi and Paprec France SAS. UPM has permanently ceased production at its Chapelle newsprint mill in June 2020.

On 18 October, UPM announced that it has sold the Kaipola mill site in Jämsä, Finland, to Kaipola Green Port Oy. UPM closed the Kaipola paper mill permanently in January 2021.

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. UPM Timber offers certified sawn timber and 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 has three pulp mills in Finland and one mill and plantation operations in Uruguay. UPM operates four sawmills and one biorefinery in Finland.



	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q3/21	Q1–Q3/20	Q1–Q4/20
Sales EURm	811	714	606	569	541	563	509	2,131	1,613	2,183
Comparable EBITDA, EURm	370	239	137	50	104	113	81	746	298	348
% of sales	45.6	33.5	22.6	8.7	19.2	20.1	15.9	35.0	18.5	15.9
Change in fair value of forest assets and wood harvested, EURm	-2	-1	0	-6	-2	0	-1	-3	-2	-8
Share of results of associated companies and joint ventures, EURm	1	0	0	1	0	1	1	1	2	2
Depreciation, amortisation and impairment charges, EURm	-47	-49	-47	-44	-44	-44	-44	-143	-132	-176
Operating profit, EURm	321	190	90	0	58	70	37	601	165	166
% of sales	39.6	26.6	14.9	0.1	10.8	12.4	7.3	28.2	10.2	7.6
Items affecting comparability in operating profit, EURm	—	—	—	—	—	—	—	—	—	—
Comparable EBIT, EURm	321	190	90	0	58	70	37	601	165	166
% of sales	39.6	26.6	14.9	0.1	10.8	12.4	7.3	28.2	10.2	7.6
Capital employed (average), EURm	4,625	4,201	3,910	3,664	3,592	3,664	3,561	4,245	3,605	3,620
Comparable ROCE, %	27.8	18.1	9.2	0.1	6.5	7.6	4.2	18.9	6.1	4.6
Pulp deliveries, 1000 t	957	884	952	925	932	943	864	2,793	2,738	3,664

Pulp mill maintenance shutdowns: Q4 2020 UPM Kaukas, UPM Pietarsaari.

- Record quarter in profitability
- High operational efficiency
- UPM Lappeenranta biorefinery restarted production in early August after the fire related repairs

Results

Q3 2021 compared with Q3 2020

Comparable EBIT for UPM Biorefining increased due to significantly higher pulp and timber sales prices.

The average price in euro for UPM's pulp deliveries increased by 58%.

Q3 2021 compared with Q2 2021

Comparable EBIT increased due to higher pulp and timber sales prices. Fixed costs were lower due to higher maintenance activity in the comparison period.

The average price in euro for UPM's pulp deliveries increased by 12%.

January–September 2021 compared with January–September 2020

Comparable EBIT increased due to higher pulp and timber sales prices. Fixed costs were higher due to the scheduled maintenance shutdown at UPM Fray Bentos in Q2 2021.

The average price in euro for UPM's pulp deliveries increased by 28%.

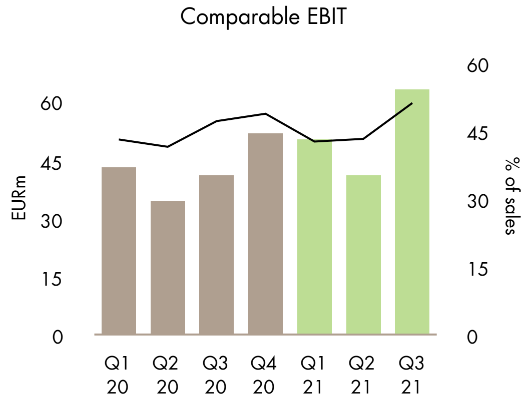
Market environment

- In China, chemical pulp demand growth was slowing down in the first nine months of 2021. In Europe, demand was good.
- In Europe, the market price for both northern bleached softwood kraft (NBSK) pulp and bleached hardwood kraft pulp (BHKP) increased in Q3 2021 compared with Q2 2021.
- In China, the market price for both northern bleached softwood kraft (NBSK) pulp and bleached hardwood kraft pulp (BHKP) decreased in Q3 2021 compared with Q2 2021.
- In Q3 2021, the average European market price in euro was 57% higher for NBSK and 66% higher for BHKP, compared with Q3 2020. In China, the average market price in US dollars was 50% higher for NBSK and 48% higher for BHKP, compared with Q3 2020.
- Strong demand for advanced renewable diesel and naphtha.
- Demand for sawn timber was strong in Q3 2021. Market prices were at a high level.

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.



	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q3/21	Q1–Q3/20	Q1–Q4/20
Sales EURm	124	95	119	107	88	83	101	339	272	379
Comparable EBITDA, EURm	65	43	52	54	43	36	45	160	124	178
% of sales	52.4	44.7	43.9	50.3	48.8	43.6	44.8	47.3	45.7	47.0
Depreciation, amortisation and impairment charges, EURm	-2	-2	-2	-5	-2	-2	-2	-5	-6	-10
Operating profit, EURm	63	41	50	49	58	34	43	155	136	184
% of sales	50.9	43.0	42.4	45.7	66.1	41.2	42.9	45.7	49.9	48.7
Items affecting comparability in operating profit, EURm [1]	—	—	—	-3	17	—	—	—	17	14
Comparable EBIT, EURm	63	41	50	52	41	34	43	155	119	171
% of sales	50.9	43.0	42.4	48.5	46.9	41.2	42.9	45.7	43.7	45.0
Capital employed (average), EURm	2,370	2,278	2,231	2,253	2,229	2,336	2,434	2,293	2,333	2,313
Comparable ROCE, %	10.7	7.2	9.0	9.2	7.4	5.9	7.1	9.0	6.8	7.4
Electricity deliveries, GWh	2,199	2,150	2,411	2,437	2,082	2,162	2,487	6,760	6,731	9,168

[1] In Q4 2020, items affecting comparability relate to restructuring of ownership in Alholmens Kraft. In Q3 2020, items affecting comparability include EUR 12 million gain on sale of group's share in Kainuun Voima Oy and EUR 5 million income relating to reversal of unused restructuring provisions.

- Strong quarter in profitability
- Record high power prices due to high commodity and emission allowance prices and the dry hydrological situation in the Nordic market
- The regular electricity production of OL3 EPR was postponed to June 2022 due to a turbine overhaul

Results

Q3 2021 compared with Q3 2020

Comparable EBIT for UPM Energy increased due to significantly higher electricity sales prices.

UPM's average electricity sales price increased by 37% to EUR 52.8/MWh (38.5/MWh).

Q3 2021 compared with Q2 2021

Comparable EBIT increased due to higher electricity sales prices and higher nuclear generation, as the comparison period was impacted by the maintenance shutdown at the Olkiluoto nuclear power plant. Hydropower generation was lower.

UPM's average electricity sales price increased by 28% to EUR 52.8/MWh (41.2/MWh).

January–September 2021 compared with January–September 2020

Comparable EBIT increased due to higher electricity sales prices.

UPM's average electricity sales price increased by 28% to EUR 45.7/MWh (35.8/MWh).

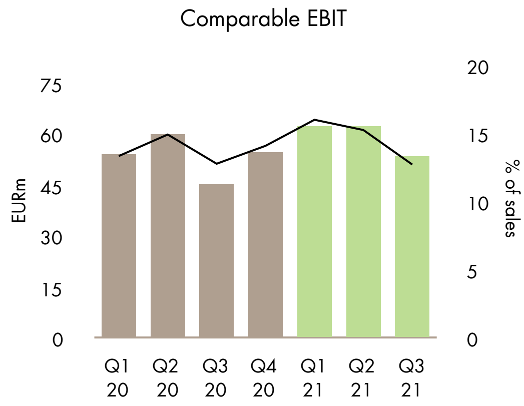
Market environment

- The Nordic hydrological balance was below normal at the end of September. In Finland, the hydrological situation was good.
- The CO_2 emission allowance price of EUR 61,7/tonne at the end of Q3 2021 was significantly higher than at the end of Q3 2020 (EUR 26.9/tonne).
- The average Finnish area spot price on the Nordic electricity exchange in Q3 2021 was EUR 78.6/MWh, 70% higher than in Q2 2021 (46.3/MWh) and 140% higher than in Q3 2020 (32.8/MWh).
- The front-year forward electricity price for the Finnish area closed at EUR 62.5/MWh in September, 62% higher than at the end of Q2 2021 (38.7/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 innovative and sustainable self-adhesive label materials for branding and promotion, information and functional labelling in the food, beverage, personal care, pharmaceutical and logistic segments, for example. UPM Raflatac is the second-largest producer of self-adhesive label materials worldwide.



	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q3/21	Q1–Q3/20	Q1–Q4/20
Sales EURm	425	413	391	390	358	403	408	1,229	1,170	1,560
Comparable EBITDA, EURm	63	72	71	64	55	70	64	205	188	252
% of sales	14.7	17.3	18.2	16.4	15.3	17.2	15.6	16.7	16.1	16.2
Depreciation, amortisation and impairment charges, EURm	-9	-9	-9	-9	-9	-10	-10	-27	-29	-39
Operating profit, EURm	54	61	62	48	45	60	51	178	157	205
% of sales	12.7	14.9	15.9	12.4	12.7	14.9	12.5	14.5	13.4	13.2
Items affecting comparability in operating profit, EURm [1]	—	-1	—	-6	—	—	-3	-1	-3	-9
Comparable EBIT, EURm	54	63	62	55	45	60	54	178	159	214
% of sales	12.6	15.2	15.9	14.0	12.7	14.8	13.3	14.5	13.6	13.7
Capital employed (average), EURm	562	549	523	526	532	560	549	545	547	542
Comparable ROCE, %	38.2	45.6	47.6	41.5	34.1	42.8	39.5	43.7	38.9	39.5

[1] Items affecting comparability relate to restructuring charges.

- Record level quarterly sales growth of 19% from the previous year
- Actions to ensure supply security and mitigate significant raw material cost increases
- Introduced RAFNXT+ as the world's first CarbonNeutral® certified label material

Results

Q3 2021 compared with Q3 2020

Comparable EBIT for UPM Raflatac increased due to higher delivery volumes. Variable costs were significantly higher and more than offset the positive impact of higher sales prices.

Q3 2021 compared with Q2 2021

Comparable EBIT decreased. Variable costs were significantly higher and more than offset the positive impact of higher sales prices.

January–September 2021 compared with January–September 2020

Comparable EBIT increased due to improved mix and margin management. Variable costs were higher.

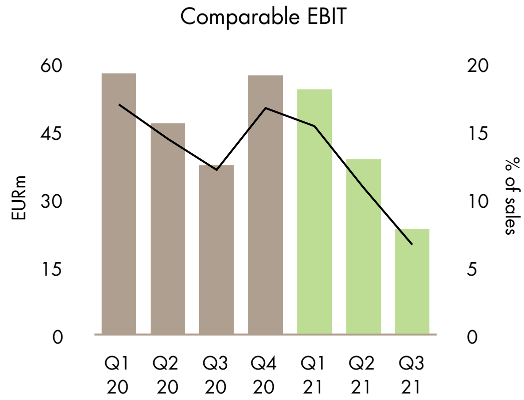
Market environment

- Global demand for self-adhesive label materials continued healthy in Q3 2021. Especially in the Americas the demand growth continued above long-term average growth rates.

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.



	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q3/21	Q1–Q3/20	Q1–Q4/20
Sales EURm	358	361	355	345	311	325	342	1,074	979	1,324
Comparable EBITDA, EURm	43	58	73	76	56	66	75	174	197	273
% of sales	11.9	16.0	20.6	22.0	18.0	20.3	21.8	16.2	20.1	20.6
Depreciation, amortisation and impairment charges, EURm	-19	-19	-19	-19	-18	-19	-17	-57	-55	-73
Operating profit, EURm	23	39	54	57	40	50	58	116	148	206
% of sales	6.5	10.8	15.3	16.6	12.9	15.5	16.9	10.8	15.1	15.5
Items affecting comparability in operating profit, EURm [1]	—	—	—	—	3	4	—	—	6	6
Comparable EBIT, EURm	23	39	54	57	37	47	58	116	142	199
% of sales	6.5	10.8	15.3	16.6	12.0	14.3	16.9	10.8	14.5	15.0
Capital employed (average), EURm	845	853	870	880	871	900	937	856	903	897
Comparable ROCE, %	11.1	18.2	24.9	26.0	17.2	20.7	24.7	18.1	21.0	22.2
Paper deliveries, 1000 t	388	414	434	430	397	382	387	1,236	1,166	1,596

[1] In Q3 and Q2 2020, items affecting comparability include gains on sale of non-current assets.

- Historically high cost increases
- Successful specialty grade price increases globally
- Uninterrupted operations despite of logistic challenges, raw materials availability secured
- Well-managed energy challenge in China

Results

Q3 2021 compared with Q3 2020

Comparable EBIT for UPM Specialty Papers decreased due to higher input costs. Sales prices increased.

Q3 2021 compared with Q2 2021

Comparable EBIT decreased due to higher input costs. Delivery volumes were lower. Sales prices increased. Fixed costs were lower.

January–September 2021 compared with January–September 2020

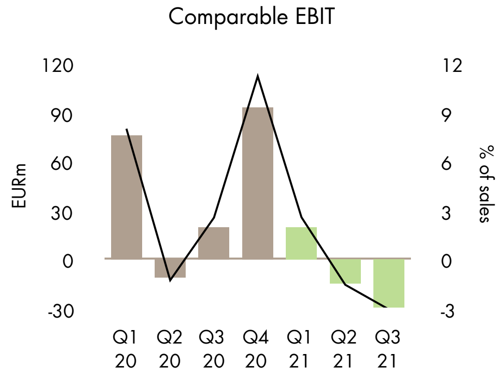
Comparable EBIT decreased due to higher input costs. Sales prices increased and delivery volumes were higher.

Market environment

- Global demand for label, release and packaging paper remained good in Q3 2021. Demand was driven by consumable goods and e-commerce.
- In Q3 2021, fine paper demand in the Asia-Pacific region was soft.
- In Q3 2021, fine paper market prices decreased in China from the previous quarter.

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 13 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.

	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q3/21	Q1–Q3/20	Q1–Q4/20
Sales EURm	945	867	815	842	784	741	966	2,627	2,491	3,333
Comparable EBITDA, EURm	-3	12	47	121	48	21	110	56	179	300
% of sales	-0.4	1.4	5.7	14.4	6.1	2.9	11.4	2.1	7.2	9.0
Share of results of associated companies and joint ventures, EURm	0	0	0	0	1	-1	0	0	0	0
Depreciation, amortisation and impairment charges, EURm	-26	-27	-27	-22	-82	-42	-34	-80	-157	-179
Operating profit, EURm	106	-14	23	110	-95	-37	31	115	-101	9
% of sales	11.2	-1.6	2.8	13.1	-12.1	-5.0	3.2	4.4	-4.0	0.3
Items affecting comparability in operating profit, EURm [1)]	135	—	2	16	-114	-27	-45	138	-187	-170
Comparable EBIT, EURm	-30	-14	20	94	19	-10	76	-23	86	180
% of sales	-3.1	-1.6	2.5	11.1	2.5	-1.3	7.9	-0.9	3.5	5.4
Capital employed (average), EURm	1,283	1,239	1,340	1,367	1,413	1,473	1,529	1,287	1,472	1,446
Comparable ROCE, %	-9.2	-4.5	6.1	27.4	5.5	-2.7	20.0	-2.4	7.8	12.4
Paper deliveries, 1000 t	1,496	1,495	1,396	1,443	1,320	1,188	1,515	4,386	4,023	5,466

1) In Q3 2021, items affecting comparability include the gain on sale of Shotton Mill Ltd amounting to EUR 134 million. In Q1 2021, items affecting comparability relate to prior capacity closures. In Q4 2020, items affecting comparability include EUR 5 million restructuring charges reversals related to Chapelle mill and Kaipola mill closure as well as business functions' restructurings, EUR 6 million impairment charges reversals and EUR 5 million income related to prior capacity closures. In Q3 2020, items affecting comparability include EUR 46 million restructuring charges and EUR 53 million impairment charges related to closure of UPM Kaipola mill and EUR 15 million charges related to business functions' restructuring. In Q2 2020, items affecting comparability include EUR 33 million charges related to closure of UPM Chapelle newsprint mill in France, EUR 5 million gains on sale of non-current assets and EUR 1 million income relating to prior capacity closures. Q1 2020 items affecting comparability relate to closure of UPM Chapelle.

- Good market demand in Europe and successful price increases
- Significant input cost increases continued
- The sale of the UPM Shotton newsprint mill was concluded

Results

Q3 2021 compared with Q3 2020

Comparable EBIT for UPM Communication Papers decreased due to significantly higher variable costs. Fixed costs decreased. Sales prices and delivery volumes were higher.

The average price in euro for UPM's paper deliveries increased by 5%.

Q3 2021 compared with Q2 2021

Comparable EBIT decreased due to significantly higher variable costs. Sales prices were higher.

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

January–September 2021 compared with January–September 2020

Comparable EBIT decreased due to higher variable costs and lower sales prices. Fixed costs decreased. Delivery volumes were higher as the comparison period was impacted by the COVID-19 pandemic and related lockdown measures.

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

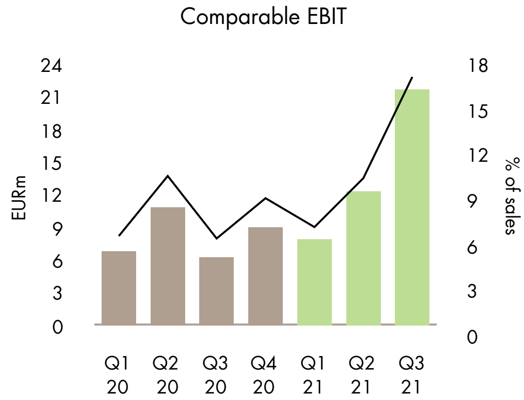
Market environment

- In the first nine months of 2021, demand for graphic papers in Europe was 5% higher than in the first nine months of 2020. Newsprint demand remained unchanged, magazine papers increased by 2% and fine papers increased by 9% compared to the first nine months of 2020.
- In Q3 2021, demand for graphic papers in Europe was 6% higher than in Q3 2020. Newsprint demand increased by 4%, magazine papers by 3% and fine papers by 11% compared with Q3 2020.
- In Q3 2021, publication paper prices in Europe were 13% higher compared with Q2 2021. Compared with Q3 2020 publication paper prices were 6% higher. In Q3 2021, fine paper prices in Europe were 4% higher than in the previous quarter. Compared with Q3 2020, fine paper prices were 3% higher.
- In the first nine months of 2021, demand for magazine papers in North America increased by 1%, compared with the same period last year. The average price in US dollars for magazine papers in Q3 2021 increased by 7% compared with Q2 2021 and by 15% compared with Q3 2020.

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. Production facilities are located in Finland, Estonia and Russia.



	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q3/21	Q1–Q2/20	Q1–Q4/20
Sales EURm	127	119	112	99	98	104	105	358	306	405
Comparable EBITDA, EURm	28	19	14	15	13	18	14	62	44	59
% of sales	22.4	15.8	12.9	15.6	12.9	17.1	13.0	17.2	14.3	14.6
Depreciation, amortisation and impairment charges, EURm	-6	-6	-6	-7	-6	-14	-7	-18	-28	-35
Operating profit, EURm	26	15	8	9	6	-12	7	49	1	10
% of sales	20.5	13.0	7.1	8.8	6.3	-11.1	6.5	13.8	0.5	2.5
Items affecting comparability in operating profit, EURm [1)]	4	3	—	—	—	-22	—	8	-22	-23
Comparable EBIT, EURm	22	12	8	9	6	11	7	42	24	33
% of sales	17.0	10.3	7.1	9.0	6.3	10.4	6.5	11.7	7.8	8.0
Capital employed (average), EURm	282	282	287	280	284	298	307	284	297	292
Comparable ROCE, %	30.5	17.3	11.0	12.7	8.7	14.5	8.8	19.6	10.7	11.2
Plywood deliveries, 1000 m^3	178	198	191	169	168	173	173	566	515	683

1) In Q3 items affecting comparability include EUR 3 million restructuring charges reversals and EUR 1 million impairment reversals related to Jyväskylä plywood mill closure in 2020. In Q2 2021, items affecting comparability include reversals of restructuring charges related to Jyväskylä plywood mill closure in 2020. In Q2 2020, items affecting comparability include EUR 15 million restructuring charges and EUR 8 million impairment charges related to closure of Jyväskylä plywood mill in Finland.

- Record quarter in profitability
- Successful price increases in all end-uses and good market demand
- Raw material costs continued to increase

Results

Q3 2021 compared with Q3 2020

Comparable EBIT for UPM Plywood increased due to higher sales prices. Variable costs increased.

Q3 2021 compared with Q2 2021

Comparable EBIT increased due to higher sales prices. Variable costs increased. Delivery volumes were lower due to scheduled maintenance activity.

January–September 2021 compared with January–September 2020

Comparable EBIT increased due to higher sales prices and delivery volumes. Variable and fixed costs were higher. The comparison period was impacted by a strike in Finland in Q1 2020.

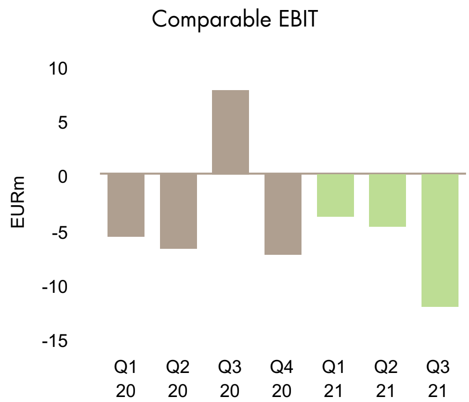
Market environment

- In the first nine months of 2021, demand for spruce plywood was strong, driven by the building and construction industry.
- In the first nine months of 2021, demand for birch plywood was good in panel trading, vehicle flooring and construction-related industrial applications.

Source: UPM

Other operations

Other Operations includes UPM Forest, UPM Biochemicals, UPM Biocomposites and UPM Biomedicals 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.



	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q3/21	Q1–Q3/20	Q1–Q4/20
Sales EURm	74	82	58	58	57	60	50	214	167	225
Comparable EBITDA, EURm	-13	2	-2	19	15	-1	1	-13	14	34
Change in fair value of forest assets and wood harvested, EURm	6	-1	5	-18	1	0	0	11	1	-17
Share of results of associated companies and joint ventures, EURm	0	0	0	0	0	1	0	0	1	1
Depreciation, amortisation and impairment charges, EURm	-6	-6	-6	-9	-8	-7	-6	-19	-21	-30
Operating profit, EURm	-12	-5	-3	-9	7	-7	-6	-21	-5	-15
Items affecting comparability in operating profit, EURm [1)]	—	-1	—	-2	-1	—	—	-1	-1	-3
Comparable EBIT, EURm	-12	-5	-4	-7	8	-7	-6	-20	-4	-12
Capital employed (average), EURm	1,986	1,987	1,944	1,899	1,908	1,916	1,879	1,972	1,901	1,901
Comparable ROCE, %	-2.4	-1.0	-0.8	-1.5	1.6	-1.4	-1.2	-1.4	-0.3	-0.6

[1)] Items affecting comparability relate to restructuring charges.

Results

Q3 2021 compared with Q3 2020

Comparable EBIT for other operations decreased. The change in the fair value of forest assets net of wood harvested was EUR 6 million (1 million). The increase in the fair value of forest assets was EUR 15 million (16 million). The cost of wood harvested from UPM forests was EUR 9 million (15 million).

Q3 2021 compared with Q2 2021

Comparable EBIT decreased. The change in the fair value of forest assets net of wood harvested was EUR 6 million (-1 million). The increase in the fair value of forest assets was EUR 15 million (15 million). The cost of wood harvested from UPM forests was EUR 9 million (16 million).

January–September 2021 compared with January–September 2020

Comparable EBIT decreased. The change in the fair value of forest assets net of wood harvested was EUR 11 million (1 million). The increase in the fair value of forest assets was EUR 46 million (46 million). The cost of wood harvested from UPM forests was EUR 36 million (45 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.

The COVID-19 pandemic continues to cause significant uncertainty. The pandemic resulted in a severe global recession, which impacted practically all parts of the world. The duration of the pandemic and the duration and shape of the recession and the following recovery are uncertain. The pandemic itself, the lockdowns and containment measures, and the resulting impacts on global economy may all impact UPM's operations and supply chain, the demand, supply and pricing of UPM's products and inputs, or progress of UPM's large investment projects. 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 will remain.

Many global commodity prices have recently increased. This, combined with recovering global economy and possible supply restrictions could have an increasing impact on UPM's raw material cost items. The very tight energy market situation in Europe as well as in China have recently added to UPM's energy costs and represent further uncertainty in the coming months and quarters. Current bottlenecks in global logistics represent further challenges for delivering UPM products, sourcing raw materials for UPM businesses and delivering equipment to UPM projects.

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 (Supplier). As stipulated in the plant contract, the consortium companies have joint and several liability for the contractual obligations.

Originally commercial electricity production at OL3 was scheduled to start in April 2009. However, completion of the project has been delayed. Supplier has updated the schedule for the commissioning of OL3 several times.

In March 2018 TVO announced that it had signed a global settlement agreement with Supplier and the Areva Group parent company, Areva SA, a company wholly owned by the French state. The global settlement agreement, which concerns the completion of the OL3 project and related disputes entered into force in late March 2018. According to TVO, pursuant to the global 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 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.

In the global settlement agreement, the Supplier consortium companies committed to ensuring that the funds dedicated to the completion of the OL3 project are sufficient and cover all applicable guarantee periods. Consequently, a trust mechanism was set up funded by Areva companies to secure the funds required to cover Areva's costs for the completion of the OL3 project. TVO announced in its Q2 2021 interim report that the fund has been replenished during the period according to the terms of the agreement, and that TVO has recognized receivables from Supplier amounting to the accumulated compensation in accordance with the global settlement agreement. The EUR 400 million compensation decreases the historical costs of the property, plant and equipment in TVO's balance sheet.

TVO announced on 27 March 2021 that the fuel loading of OL3 had started. Fuel loading was completed in April. According to TVO, as announced earlier, electricity production at OL3 was expected to start in October 2021, and regular electricity production in February 2022. On 30 July, 2021 and 20 August, 2021 TVO announced that the regular electricity production of OL3 will be postponed due to turbine overhaul and inspection works. According to TVO's announcement on 20 August, 2021 the start-up of OL3 reactor, i.e. the first criticality, will take place in January, 2022, first electricity production of OL3 will take place in February 2022 and the regular electricity production in June 2022.

As announced by TVO earlier, Areva, the Supplier party, was preparing a financial solution to ensure necessary funding to complete the OL3. TVO and Supplier also negotiated on the terms of completing the OL3 project. On 17 May 2021 TVO announced that TVO and Supplier reached a consensus in their negotiations regarding the main principles of the OL3 project completion, and the key matters are:

- Areva companies' trust mechanism, set up in the global settlement agreement of 2018, is to be replenished with approximately EUR 600 million as of the beginning of January 2021.
- Both TVO and Supplier are to cover their own costs as of July 2021 until end of February 2022.
- In the case that the Supplier consortium companies would not complete the OL3 project until the end of February 2022, they would pay additional compensation for delays, depending on the date of completion.

On 3 June 2021 TVO announced that it had signed agreements regarding amendments to the global settlement agreement of 2018 with Supplier consortium companies and Areva Group parent company Areva SA. The agreements regarding the amendments to the global settlement agreement of 2018 entered into force on 13 July 2021, when all of the related conditions were fulfilled.

The COVID-19 pandemic may have significantly added uncertainty to the progress of the project. According to TVO, divergent procedures due to the COVID-19 pandemic have been continued at Olkiluoto. Despite COVID-19- related restrictions, work has been able to continue under special arrangements.

On 16 December 2020, TVO announced that the shareholders of TVO, including PVO, have 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 a sufficient liquidity buffer and equity ratio to complete the OL3.

TVO announced on 1 April 2021, that S&P Global Ratings affirmed its long-term credit rating "BB" and changed the outlook from negative to positive.

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 may be higher than the market price of electricity at that time.

The recent development of Renewable Energy Sources Act (EEG) related lawsuits in Germany for alleged non-payment of EEG based surcharges may have an adverse impact on UPM, albeit UPM is not currently a party to any such lawsuits.

In Finland, the labour negotiation practices in the forest industry have changed, and the new terms of employment will be based on agreements between each company and the unions. The new practice presents uncertainty to the progress of the negotiations. The labour negations are discussed later in this report.

The main earnings sensitivities and the group's cost structure are presented on pages 160–161 of the Annual Report 2020. Risks and opportunities are discussed on pages 36–37, and risks and risk management are presented on pages 129–133.

Labour negotiations in Finland

By the decision of its member companies, The Finnish Forest Industries Federation, which has earlier been responsible for the country level collective bargaining among others with the Paperworkers' Union and Industrial Union, discontinued its engagement in the bargaining in November 2020. In the future, the new terms of employment will be based on agreements between each company and the unions. Each company will carry out negotiations based on its own considerations, and, as the negotiation parties change, the terms of previous collective labor agreements will not be applied after their terms expire. UPM's target is to negotiate business specific agreements, and improve the competitiveness of the products and create prerequisites for further development of the units. At the same time, UPM aims to be an attractive employer, with competitive offering to all UPM employees.

In the spring of 2021, UPM sent invitations to the negotiations to the unions and to its own employee representatives. At the same time UPM made a decision on an extensive benefits package, which it offers equally to all employees in Finland, independent of the personnel group or the union agreement applied. The benefits package guarantees support in different life situations, as well as compensation elements. With the benefits package, the actual negotiations could focus on issues related to competitiveness of the businesses, like productivity development, wages and working hours as well as competence development of employees.

Negotiations between the employee representatives and Industrial Union were started in UPM Plywood and UPM Timber in May 2021 and currently continue on a local level.

Paperworkers' Union has declined the invitations sent by UPM Pulp, UPM Communication Papers, UPM Specialty Papers, UPM Raflatac and UPM Biofuels. The union aims to negotiate one group level agreement with the company. Due to the different needs of the various businesses, UPM's starting point is, however, business specific agreements.

In case the new agreements are not reached before the old agreements expire at the end of 2021, UPM is prepared to continue operations based on labour law, UPM practices and personal employment contracts until the business specific agreements are concluded.

Shares

In Q1–Q3 2021 UPM shares worth a total of EUR 6,545 million (7,521 million) were traded on the Nasdaq Helsinki stock exchange. This is estimated to represent more than 70% of the total trading volume in UPM shares. The highest listing was EUR 35.37 in September and the lowest was EUR 29.11 in January.

The Annual General Meeting held on 30 March 2021 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.

The Annual General Meeting held on 30 March 2021 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 authorization to issue shares, convertible bonds or share options.

The number of shares entered in the Trade Register on 30 September 2021 was 533,735,699. Through the issuance authorisation, the number of shares may increase to a maximum of 558,735,699.

On 30 September 2021, 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 Q3 2021.

In October the European Commission conducted an unannounced inspection at UPM's premises. According to the Commission's press release on 12th October, the Commission has concerns that the inspected companies in the wood pulp sector may have violated EU antitrust rules that prohibit cartels and restrictive business practices. Commission states that the unannounced inspections are a preliminary step in an investigation into suspected anticompetitive practices, and the fact that the Commission carries out such inspections does not mean that the companies are guilty of anti-competitive behaviour nor does it prejudge the outcome of the investigation itself. UPM takes any suspected violation of antitrust rules very seriously and has a compliance programme in place to mitigate the risk of such violations. For example, all employees and executives are required to take a training on UPM Code of Conduct, which includes a section regarding antitrust compliance. In addition, UPM has in place e.g. a specific training programme regarding antitrust rules which covers approximately 3,000 employees and executives.

Helsinki, 26 October 2021

UPM-Kymmene Corporation
Board of Directors

Financial statement information

Consolidated income statement

EURm	Q3/2021	Q3/2020	Q1–Q3/2021	Q1–Q3/2020	Q1–Q4/2020
Sales (Note 3)	2,523	2,028	7,141	6,392	8,580
Other operating income	177	36	220	102	116
Costs and expenses	-2,026	-1,778	-5,873	-5,561	-7,371
Change in fair value of forest assets and wood harvested	5	-1	8	-1	-25
Share of results of associated companies and joint ventures	1	1	1	3	3
Depreciation, amortisation and impairment charges	-115	-169	-350	-427	-541
Operating profit	564	117	1,147	508	761
Exchange rate and fair value gains and losses	-1	-2	-1	-2	2
Interest and other finance costs, net	-6	-6	-18	-19	-26
Profit before tax	558	109	1,128	487	737
Income taxes	-61	-26	-160	-109	-169
Profit for the period	497	83	968	378	568
Attributable to:					
Owners of the parent company	488	82	951	373	560
Non-controlling interests	9	1	16	5	8
	497	83	968	378	568
Earnings per share for profit attributable to owners of the parent company					
Basic earnings per share, EUR	0.92	0.15	1.78	0.70	1.05
Diluted earnings per share, EUR	0.92	0.15	1.78	0.70	1.05

Consolidated statement of comprehensive income

EURm	Q3/2021	Q3/2020	Q1–Q3/2021	Q1–Q3/2020	Q1–Q4/2020
Profit for the period	497	83	968	378	568
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	12	0	123	-15	-36
Changes in fair value of energy shareholdings	257	26	328	-186	-251
Items that may be reclassified subsequently to income statement:					
Translation differences	97	-109	228	-152	-262
Net investment hedge	-7	4	-15	1	5
Cash flow hedges	-73	15	-84	-24	-24
Other comprehensive income for the period, net of tax	286	-65	580	-377	-569
Total comprehensive income for the period	784	18	1,548	1	0
Total comprehensive income attributable to:					
Owners of the parent company	772	18	1,526	-1	-7
Non-controlling interests	12	0	22	2	6
	784	18	1,548	1	0

Consolidated balance sheet

EURm	30 SEP 2021	30 SEP 2020	31 DEC 2020
ASSETS			
Goodwill	235	234	229
Other intangible assets	373	367	363
Property, plant and equipment (Note 4)	5,149	4,127	4,316
Leased assets	578	560	561
Forest assets	2,166	2,115	2,077
Energy shareholdings (Note 5)	2,269	1,953	1,936
Other non-current financial assets	141	186	166
Deferred tax assets	413	442	421
Net retirement benefit assets	122	33	26
Investments in associates and joint ventures	34	33	33
Other non-current assets	20	22	21
Non-current assets	11,500	10,072	10,149
Inventories	1,475	1,307	1,285
Trade and other receivables	1,924	1,497	1,534
Other current financial assets	77	102	136
Income tax receivables	24	31	34
Cash and cash equivalents	1,613	886	1,720
Current assets	5,113	3,823	4,709
Assets	16,612	13,895	14,858
EQUITY AND LIABILITIES			
Share capital	890	890	890
Treasury shares	-2	-2	-2
Translation reserve	229	131	25
Other reserves	1,673	1,493	1,430
Reserve for invested non-restricted equity	1,273	1,273	1,273
Retained earnings	6,112	5,570	5,735
Equity attributable to owners of the parent company	10,174	9,353	9,351
Non-controlling interests	241	126	162
Equity	10,414	9,479	9,513
Deferred tax liabilities	535	564	564
Net retirement benefit liabilities	689	758	771
Provisions (Note 8)	172	239	222
Non-current debt	2,545	1,154	1,952
Other non-current financial liabilities	100	96	97
Non-current liabilities	4,041	2,810	3,606
Current debt	80	88	90
Trade and other payables	1,920	1,432	1,571
Other current financial liabilities	67	37	48
Income tax payables	89	48	30
Current liabilities	2,157	1,605	1,740
Liabilities	6,198	4,416	5,345
Equity and liabilities	16,612	13,895	14,858

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 2021	890	-2	25	1,430	1,273	5,735	9,351	162	9,513
Profit for the period	—	—	—	—	—	951	951	16	968
Translation differences	—	—	219	—	—	—	219	9	228
Cash flow hedges - reclassified to income statement, net of tax	—	—	—	16	—	—	16	—	16
Cash flow hedges - reclassified to PPE	—	—	—	-13	—	—	-13	-1	-14
Cash flow hedges - changes in fair value, net of tax	—	—	—	-84	—	—	-84	-2	-85
Net investment hedge, net of tax	—	—	-15	—	—	—	-15	—	-15
Energy shareholdings - changes in fair value, net of tax	—	—	—	328	—	—	328	—	328
Actuarial gains and losses on defined benefit plans, net of tax	—	—	—	—	—	123	123	—	123
Total comprehensive income for the period	—	—	204	247	—	1,075	1,526	22	1,548
Share-based payments, net of tax	—	—	—	-5	—	-6	-10	—	-10
Dividend distribution	—	—	—	—	—	-693	-693	-13	-706
Other items	—	—	—	—	—	1	1	-1	—
Contributions by non-controlling interests	—	—	—	—	—	—	—	70	70
Total transactions with owners for the period	—	—	—	-5	—	-698	-703	56	-647
Value at 30 September 2021	890	-2	229	1,673	1,273	6,112	10,174	241	10,414
Value at 1 January 2020	890	-2	278	1,711	1,273	5,912	10,062	113	10,175
Profit for the period	—	—	—	—	—	373	373	5	378
Translation differences	—	—	-148	—	—	—	-148	-4	-152
Cash flow hedges - reclassified to income statement, net of tax	—	—	—	-16	—	—	-16	—	-16
Cash flow hedges - reclassified to PPE	—	—	—	-1	—	—	-1	—	-1
Cash flow hedges - changes in fair value, net of tax	—	—	—	-8	—	—	-8	2	-7
Net investment hedge, net of tax	—	—	1	—	—	—	1	—	1
Energy shareholdings - changes in fair value, net of tax	—	—	—	-188	—	1	-186	—	-186
Actuarial gains and losses on defined benefit plans, net of tax	—	—	—	—	—	-15	-15	—	-15
Total comprehensive income for the period	—	—	-147	-213	—	360	-1	2	1
Share-based payments, net of tax	—	—	—	-5	—	-9	-14	—	-14
Dividend distribution	—	—	—	—	—	-693	-693	-22	-715
Contributions by non-controlling interests	—	—	—	—	—	—	—	32	32
Total transactions with owners for the period	—	—	—	-5	—	-702	-707	10	-697
Value at 30 September 2020	890	-2	131	1,493	1,273	5,570	9,353	126	9,479

Consolidated cash flow statement

EURm	Q3/2021	Q3/2020	Q1–Q3/2021	Q1–Q3/2020	Q1–Q4/2020
Cash flows from operating activities					
Profit for the period	497	83	968	378	568
Adjustments [1]	-88	187	247	564	721
Interest received	0	1	1	3	3
Interest paid	-5	-5	-20	-19	-37
Dividends received	0	2	1	3	3
Other financial items, net	-5	-2	-9	-11	-14
Income taxes paid	-70	-23	-138	-94	-145
Change in working capital	-12	122	-206	-165	-93
Operating cash flow	318	365	844	659	1,005
Cash flows from investing activities					
Capital expenditure	-358	-173	-994	-515	-818
Additions to forest assets	-7	-8	-55	-47	-57
Investments in energy shareholdings	0	0	0	0	-47
Proceeds from sale of property, plant and equipment and intangible assets, net of tax	1	4	8	23	23
Proceeds from sale of forest assets, net of tax	0	1	6	2	3
Proceeds from disposal of businesses and subsidiaries (Note 9)	76	0	157	0	0
Proceeds from disposal of energy shareholdings	0	0	0	2	2
Proceeds from disposal of joint operations	0	0	0	17	17
Net cash flows from net investment hedges	-3	2	9	-4	-4
Change in other non-current assets	-1	-2	4	1	3
Investing cash flow	-291	-176	-864	-522	-879
Cash flows from financing activities					
Proceeds from non-current debt	0	2	600	14	861
Payments of non-current debt	-2	-9	-13	-26	-31
Lease repayments	-22	-21	-65	-66	-86
Change in current liabilities	0	0	-1	0	-2
Net cash flows from derivatives	6	3	23	-9	-17
Dividends paid to owners of the parent company	0	0	-693	-693	-693
Dividends paid to non-controlling interests	0	0	-12	-23	-23
Contributions paid by non-controlling interests	20	0	71	32	67
Other financing cash flow	2	-2	-1	-2	-4
Financing cash flow	5	-27	-92	-775	71
Change in cash and cash equivalents	32	163	-113	-638	197
Cash and cash equivalents at the beginning of the period	1,578	729	1,720	1,536	1,536
Exchange rate effect on cash and cash equivalents	2	-6	6	-11	-13
Change in cash and cash equivalents	32	163	-113	-638	197
Cash and cash equivalents at the end of the period	1,613	886	1,613	886	1,720

[1] **Adjustments**

EURm	Q3/2021	Q3/2020	Q1–Q3/2021	Q1–Q3/2020	Q1–Q4/2020
Change in fair value of forest assets and wood harvested	-5	1	-8	1	25
Share of results of associated companies and joint ventures	-1	-1	-1	-3	-3
Depreciation, amortisation and impairment charges	115	169	350	427	541
Capital gains and losses on sale of non-current assets	-136	-15	-139	-24	-25
Financial income and expenses	6	8	19	21	24
Income taxes	61	26	160	109	169
Utilised provisions	-21	-11	-66	-31	-55
Non-cash changes in provisions	2	58	-1	128	130
Other adjustments	-110	-48	-67	-64	-86
Total	-88	187	247	564	721

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 2020.

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.

Impact of COVID-19 on the financial statements

The impact of COVID-19 on UPM financial statements has so far been relatively limited. The group uses estimates and makes significant judgements when valuating certain assets and liabilities, including energy shareholdings, forest assets, retirement benefit obligations and provisions. The group has assessed the impact of COVID-19 to balance sheet items by considering indicators of impairment of goodwill and other intangible assets, recoverable amount of property, plant and equipment, recoverability of deferred tax assets, valuation of inventories, and collectability of trade receivables. The expectations of future cash flows, discount rates and other significant valuation inputs were revised to reflect changed economic environment. Based on these assessments, no significant adjustments to the carrying amounts of said assets were made due to COVID-19. However, the increased uncertainty in the economic environment can lead to significant adjustments to the carrying amount of assets.

The group expects that it will continue to operate and meet its liabilities as they fall due. UPM has a strong financial position. Net debt in the balance sheet amounted to EUR 667 million on 30 September 2021.Cash funds and unused committed credit facilities amounted to EUR 2.5 billion. The facilities and UPM's outstanding debt have no financial covenants.

2 Quarterly information by business area

EURm, OR AS INDICATED	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q3/21	Q1–Q3/20	Q1–Q4/20
Sales										
UPM Biorefining	811	714	606	569	541	563	509	2,131	1,613	2,183
UPM Energy	124	95	119	107	88	83	101	339	272	379
UPM Raflatac	425	413	391	390	358	403	408	1,229	1,170	1,560
UPM Specialty Papers	358	361	355	345	311	325	342	1,074	979	1,324
UPM Communication Papers	945	867	815	842	784	741	966	2,627	2,491	3,333
UPM Plywood	127	119	112	99	98	104	105	358	306	405
Other operations	74	82	58	58	57	60	50	214	167	225
Internal sales	-341	-268	-224	-223	-208	-202	-194	-834	-604	-827
Eliminations and reconciliation	1	1	2	1	-1	-1	0	4	-2	-1
Sales, total	2,523	2,384	2,234	2,188	2,028	2,077	2,287	7,141	6,392	8,580
Comparable EBITDA										
UPM Biorefining	370	239	137	50	104	113	81	746	298	348
UPM Energy	65	43	52	54	43	36	45	160	124	178
UPM Raflatac	63	72	71	64	55	70	64	205	188	252
UPM Specialty Papers	43	58	73	76	56	66	75	174	197	273
UPM Communication Papers	-3	12	47	121	48	21	110	56	179	300
UPM Plywood	28	19	14	15	13	18	14	62	44	59
Other operations	-13	2	-2	19	15	-1	1	-13	14	34
Eliminations and reconciliation	-17	-18	-3	-8	-1	-2	9	-39	6	-2
Comparable EBITDA, total	535	426	389	392	331	320	398	1,351	1,050	1,442
Operating profit										
UPM Biorefining	321	190	90	0	58	70	37	601	165	166
UPM Energy	63	41	50	49	58	34	43	155	136	184
UPM Raflatac	54	61	62	48	45	60	51	178	157	205
UPM Specialty Papers	23	39	54	57	40	50	58	116	148	206
UPM Communication Papers	106	-14	23	110	-95	-37	31	115	-101	9
UPM Plywood	26	15	8	9	6	-12	7	49	1	10
Other operations	-12	-5	-3	-9	7	-7	-6	-21	-5	-15
Eliminations and reconciliation	-17	-23	-6	-11	-3	-12	21	-47	6	-4
Operating profit, total	564	304	279	253	117	148	243	1,147	508	761
% of sales	22.4	12.8	12.5	11.6	5.8	7.1	10.6	16.1	7.9	8.9
Items affecting comparability										
UPM Biorefining	—	—	—	—	—	—	—	—	—	—
UPM Energy	—	—	—	-3	17	—	—	—	17	14
UPM Raflatac	—	-1	—	-6	—	—	-3	-1	-3	-9
UPM Specialty Papers	—	—	—	—	3	4	—	—	6	6
UPM Communication Papers	135	—	2	16	-114	-27	-45	138	-187	-170
UPM Plywood	4	3	—	—	—	-22	—	8	-22	-23
Other operations	—	-1	—	-2	-1	—	—	-1	-1	-3
Eliminations and reconciliation [1]	—	-5	-3	-3	-2	-9	12	-8	1	-3
Items affecting comparability in operating profit, total	140	-3	—	2	-98	-55	-36	137	-189	-187
Comparable EBIT										
UPM Biorefining	321	190	90	0	58	70	37	601	165	166
UPM Energy	63	41	50	52	41	34	43	155	119	171
UPM Raflatac	54	63	62	55	45	60	54	178	159	214
UPM Specialty Papers	23	39	54	57	37	47	58	116	142	199
UPM Communication Papers	-30	-14	20	94	19	-10	76	-23	86	180
UPM Plywood	22	12	8	9	6	11	7	42	24	33
Other operations	-12	-5	-4	-7	8	-7	-6	-20	-4	-12
Eliminations and reconciliation	-17	-18	-3	-8	-1	-2	9	-39	6	-2
Comparable EBIT, total	424	307	279	252	215	203	279	1,010	697	948
% of sales	16.8	12.9	12.5	11.5	10.6	9.8	12.2	14.1	10.9	11.1

[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 January–September 2021, items affecting comparability mainly relate to the gain on sale of Shotton Mill Ltd in UPM Communication Papers business area. Please refer to note *>> 9 Assets and liabilities classified as held for sale and disposals* for more information. In 2020, items affecting comparability in UPM Communication Papers business area mainly relate to restructuring charges and impairment charges due to closure of UPM Chapelle paper mill and UPM Kaipola paper mill. In Plywood business area, items affecting comparability relate to restructuring charges from the closure of Jyväskylä plywood mill.

EURm	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q3/21	Q1–Q3/20	Q1–Q4/20
Comparable profit for the period	359	246	228	191	158	157	231	832	546	737
Items affecting comparability										
Impairment charges	1	0	-1	2	-53	-19	0	0	-72	-70
Restructuring charges	5	2	4	3	-57	-34	-48	11	-140	-137
Change in fair value of unrealised cash flow and commodity hedges	0	-5	-3	-3	-2	-9	12	-8	1	-3
Capital gains and losses on sale of non-current assets	134	0	0	0	14	8	0	134	23	23
Total items affecting comparability in operating profit	140	-3	0	2	-98	-55	-36	137	-189	-187
Changes in tax rates	0	0	0	0	0	-4	0	0	-3	-3
Taxes relating to items affecting comparability	-1	1	0	-3	22	4	-2	-1	24	21
Items affecting comparability in taxes	-1	1	0	-2	22	1	-2	-1	21	18
Items affecting comparability, total	139	-3	0	-1	-75	-54	-39	136	-168	-169
Profit for the period	497	243	227	190	83	103	192	968	378	568

3 External sales by major products

BUSINESS AREA	BUSINESS	Q3/2021	Q3/2020	Q1–Q3/2021	Q1–Q3/2020	Q1–Q4/2020
EURm						
UPM Biorefining	UPM Pulp UPM Biofuels UPM Timber	615	420	1,650	1,273	1,720
UPM Energy	UPM Energy	50	50	181	182	252
UPM Raflatac	UPM Raflatac	425	358	1,229	1,170	1,560
UPM Specialty Papers	UPM Specialty Papers	305	276	930	850	1,148
UPM Communication Papers	UPM Communication Papers	934	776	2,598	2,465	3,296
UPM Plywood	UPM Plywood	122	93	342	291	385
Other operations	UPM Forest UPM Biochemicals UPM Biomedicals UPM Biocomposites	72	56	207	164	221
Eliminations and reconciliations		1	-1	4	-2	-1
Total		2,523	2,028	7,141	6,392	8,580

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

4 Changes in property, plant and equipment

EURm	Q1–Q3/2021	Q1–Q3/2020	Q1–Q4/2020
Book value at beginning of period	4,316	4,083	4,083
Reclassification to assets held for sale, net	-13	-2	-2
Capital expenditure	1,006	498	829
Decreases	-10	-7	-7
Depreciation	-277	-290	-383
Impairment charges	-3	-72	-70
Impairment reversal	2	0	0
Translation difference and other changes	130	-84	-135
Book value at end of period	5,149	4,127	4,316

Capital expenditure in January–September 2021and in 2020 mainly relate to the construction of the new pulp mill in Uruguay and the construction of the new biorefinery on Germany. Impairment charges in 2020 mainly relate to closure of UPM Chapelle paper mill in France and UPM Kaipola paper mill in Finland and closure of Jyväskylä plywood mill.

5 Financial assets and liabilities

Financial assets and liabilities measured at fair value

EURm	30 SEP 2021				30 SEP 2020				31 DEC 2020			
	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	—	21	—	21	—	29	—	29	—	32	—	32
Derivatives under hedge accounting	29	156	—	185	7	231	—	238	2	252	—	254
Energy shareholdings	—	—	2,269	2,269	—	—	1,953	1,953	—	—	1,936	1,936
Total	29	177	2,269	2,475	7	260	1,953	2,220	2	284	1,936	2,222
Financial liabilities												
Derivatives non-qualifying hedges	—	19	—	19	—	14	—	14	—	27	—	27
Derivatives under hedge accounting	5	67	—	72	9	20	—	28	2	27	—	29
Total	5	86	—	91	9	34	—	43	2	54	—	56

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–Q3/2021	Q1–Q3/2020	Q1–Q4/2020
Book value at beginning of period	1,936	2,145	2,145
Disposals	0	-2	-2
Fair value changes recognised in other comprehensive income	333	-190	-207
Book value at end of period	2,269	1,953	1,936

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 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 360 million.

The discount rate of 5.47% 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 290 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. In Q4 2020, UPM granted EUR 47 million shareholder loan to PVO to complete the Olkiluoto 3 EPR. In addition, Teollisuuden Voima Oyj (TVO) shareholders signed the addition to the agreement and commitment concerning the shareholder loan arrangement. UPM's share of this commitment amounts to EUR 123 million.

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

Fair value of financial assets and liabilities measured at amortised cost

EURm	30 SEP 2021 Carrying amount	30 SEP 2021 Fair value	30 SEP 2020 Carrying amount	30 SEP 2020 Fair value	31 DEC 2020 Carrying amount	31 DEC 2020 Fair value
Bonds	1,630	1,648	440	415	1,153	1,164
Other non-current debt excl. derivative financial instruments and lease liabilities	423	440	241	253	331	345
Total	2,053	2,088	681	668	1,484	1,509

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 SEP 2021	30 SEP 2020	31 DEC 2020
On behalf of others			
Guarantees	2	2	2
Other own commitments			
Commitments related to off-balance sheet short-term leases	3	4	6
Other commitments	213	98	214
Total	218	105	223

The lease commitments for leases not commenced on 30 September 2021 amounted to EUR 406 million (EUR 412 million on 31.12.2020) and related to long-term charter agreements, railway service agreement in Uruguay and service agreements related to wood handling, wastewater treatment and other utilities in Leuna, Germany.

Capital commitments

EURm	COMPLETION	TOTAL COST	BY 31 DEC 2020	Q1–Q3/2021	AFTER 30 SEP 2021
New biorefinery / Germany	Q4 2022	550	79	87	384
CHP power plant / Germany	Q3 2022	95	28	20	47
New pulp mill / Uruguay	H2 2022	2,730	591	728	1,411
Renovation and modernisation / Kuusankoski hydro power plant	Q4 2022	22	6	3	13

7 Notional amounts of derivative financial instruments

EURm	30 SEP 2021	30 SEP 2020	31 DEC 2020
Interest rate futures	1,361	739	2,391
Interest rate swaps	1,074	320	1,056
Forward foreign exchange contracts	3,525	3,219	3,992
Currency options, bought	—	—	10
Currency options, written	—	—	10
Cross currency swaps	162	170	166
Commodity contracts	1,323	742	791

8 Provisions

EURm	RESTRUCTURING	TERMINATION	ENVIRONMENTAL	EMISSIONS	OTHER	TOTAL
Value at 1 January 2021	52	91	29	21	28	222
Provisions made during the year	2	5	0	40	7	54
Provisions utilised during the year	-14	-47	0	-21	-5	-88
Unused provisions reversed	-7	-6	-1	-2	-1	-17
Reclassifications	0	0	0	0	0	0
Value at 30 September 2021	33	42	28	38	30	172

9 Assets and liabilities classified as held for sale and disposals

There were no assets or liabilities classified as held for sale at the end of Q3 2021, Q3 2020 or Q4 2020.

Sale of Shotton Mill Ltd

In Q3 2021, UPM permanently closed paper production at its Shotton newsprint mill site in North Wales, United Kingdom. The site and all related assets were sold to Eren Paper Ltd, a subsidiary of Modern Karton Sanayi Ve Ticaret A.Ş., the containerboard and corrugated packaging business of the Turkish industrial conglomerate Eren Holding ("Eren"), thereby closing the transaction announced in May 2021.

Reconciliation of gain on sale and net cash arising from the disposal of Shotton Mill Ltd

EURm	Q1–Q3/2021
Reconciliation of gain on sale	
Consideration paid in cash	160
Consideration to be received	3
Net assets sold	-25
Transaction and other costs, net	-3
Gain on disposal	**134**
Consideration paid in cash	160
Cash in company disposed	-2
Net cash arising from disposal	**157**

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.

	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q3/21	Q1–Q3/20	Q1–Q4/20
Sales EURm	2,523	2,384	2,234	2,188	2,028	2,077	2,287	7,141	6,392	8,580
Comparable EBITDA, EURm	535	426	389	392	331	320	398	1,351	1,050	1,442
% of sales	21.2	17.9	17.4	17.9	16.3	15.4	17.4	18.9	16.4	16.8
Comparable EBIT, EURm	424	307	279	252	215	203	279	1,010	697	948
% of sales	16.8	12.9	12.5	11.5	10.6	9.8	12.2	14.1	10.9	11.1
Comparable profit before tax, EURm	418	301	272	248	207	193	276	991	676	924
Capital employed (average, EURm)	12,633	12,080	11,744	11,138	10,744	10,888	11,241	12,297	11,097	11,514
Comparable ROCE, %	13.4	10.2	9.5	9.1	7.9	7.5	10.2	11.0	8.5	8.3
Comparable profit for the period, EURm	359	246	228	191	158	157	231	832	546	737
Total equity, average, EURm	10,011	9,454	9,407	9,496	9,468	9,564	9,923	9,963	9,827	9,844
Comparable ROE, %	14.3	10.4	9.7	8.0	6.7	6.6	9.3	11.1	7.4	7.5
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	533,324
Comparable EPS, EUR	0.66	0.45	0.42	0.35	0.29	0.29	0.43	1.53	1.01	1.37
Items affecting comparability in operating profit, EURm	140	-3	0	2	-98	-55	-36	137	-189	-187
Items affecting comparability in taxes, EURm	-1	1	0	-2	22	1	-2	-1	21	18
Operating cash flow, EURm	318	308	217	347	365	156	137	844	659	1,005
Operating cash flow per share, EUR	0.60	0.58	0.41	0.65	0.69	0.29	0.26	1.58	1.23	1.89
Net debt at the end of period, EURm	667	750	83	56	89	301	-405	667	89	56
Net debt to EBITDA (last 12 m.)	0.38	0.49	0.06	0.04	0.06	0.19	-0.23	0.38	0.06	0.04
Gearing ratio, %	6	8	1	1	1	3	-4	6	1	1
Equity per share at the end of period, EUR	19.08	17.62	17.06	17.53	17.54	17.50	17.90	19.08	17.54	17.53
Capital expenditure, EURm	365	375	252	365	201	173	165	992	538	903
Capital expenditure excluding acquisitions, EURm	365	374	246	364	201	173	165	986	538	902
Equity to assets ratio, %	62.8	61.7	58.5	64.1	68.4	68.3	64.8	62.8	68.4	64.1
Personnel at the end of period	17,085	17,874	17,670	18,014	18,349	19,029	18,573	17,085	18,349	18,014

The definitions of alternative performance measures are presented in other financial information in *» UPM Annual Report 2020*

Reconciliation of key figures to IFRS

EURm, OR AS INDICATED	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q3/21	Q1–Q3/20	Q1–Q4/20
Items affecting comparability										
Impairment charges	1	0	-1	2	-53	-19	0	0	-72	-70
Restructuring charges	5	2	4	3	-57	-34	-48	11	-140	-137
Change in fair value of unrealised cash flow and commodity hedges	0	-5	-3	-3	-2	-9	12	-8	1	-3
Capital gains and losses on sale of non-current assets	134	0	0	0	14	8	0	134	23	23
Total items affecting comparability in operating profit	140	-3	0	2	-98	-55	-36	137	-189	-187
Changes in tax rates	0	0	0	0	0	-4	0	0	-3	-3
Taxes relating to items affecting comparability	-1	1	0	-3	22	4	-2	-1	24	21
Items affecting comparability in taxes	-1	1	0	-2	22	1	-2	-1	21	18
Items affecting comparability, total	139	-3	0	-1	-75	-54	-39	136	-168	-169
Comparable EBITDA										
Operating profit	564	304	279	253	117	148	243	1,147	508	761
Depreciation, amortisation and impairment charges excluding items affecting comparability	116	118	116	116	117	119	120	350	355	471
Change in fair value of forest assets and wood harvested excluding items affecting comparability	-5	2	-5	24	1	-1	1	-8	1	25
Share of result of associates and joint ventures	-1	-1	0	0	-1	-1	-1	-1	-3	-3
Items affecting comparability in operating profit	-140	3	—	-2	98	55	36	-137	189	187
Comparable EBITDA	535	426	389	392	331	320	398	1,351	1,050	1,442
% of sales	21.2	17.9	17.4	17.9	16.3	15.4	17.4	18.9	16.4	16.8
Comparable EBIT										
Operating profit	564	304	279	253	117	148	243	1,147	508	761
Items affecting comparability in operating profit	-140	3	—	-2	98	55	36	-137	189	187
Comparable EBIT	424	307	279	252	215	203	279	1,010	697	948
% of sales	16.8	12.9	12.5	11.5	10.6	9.8	12.2	14.1	10.9	11.1
Comparable profit before tax										
Profit before tax	558	298	272	250	109	138	240	1,128	487	737
Items affecting comparability in operating profit	-140	3	—	-2	98	55	36	-137	189	187
Comparable profit before tax	418	301	272	248	207	193	276	991	676	924
Comparable ROCE, %										
Comparable profit before tax	418	301	272	248	207	193	276	991	676	924
Interest expenses and other financial expenses	6	7	7	4	7	10	11	21	28	33
	424	308	280	253	213	203	288	1,012	704	957
Capital employed, average	12,633	12,080	11,744	11,138	10,744	10,888	11,241	12,297	11,097	11,514
Comparable ROCE, %	13.4	10.2	9.5	9.1	7.9	7.5	10.2	11.0	8.5	8.3
Comparable profit for the period										
Profit for the period	497	243	227	190	83	103	192	968	378	568
Items affecting comparability, total	-139	3	—	1	75	54	39	-136	168	169
Comparable profit for the period	359	246	228	191	158	157	231	832	546	737
Comparable EPS, EUR										
Comparable profit for the period	359	246	228	191	158	157	231	832	546	737
Profit attributable to non-controlling interest	-9	-4	-3	-3	-1	-2	-2	-16	-5	-8
	350	242	224	188	157	155	229	816	541	729
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	533,324
Comparable EPS, EUR	0.66	0.45	0.42	0.35	0.29	0.29	0.43	1.53	1.01	1.37
Comparable ROE, %										
Comparable profit for the period	359	246	228	191	158	157	231	832	546	737
Total equity, average	10,011	9,454	9,407	9,496	9,468	9,564	9,923	9,963	9,827	9,844
Comparable ROE, %	14.3	10.4	9.7	8.0	6.7	6.6	9.3	11.1	7.4	7.5
Net debt										
Non-current debt	2,545	2,542	2,556	1,952	1,154	1,205	1,234	2,545	1,154	1,952
Current debt	80	77	76	90	88	104	105	80	88	90
Total debt	2,625	2,619	2,632	2,042	1,242	1,309	1,338	2,625	1,242	2,042
Non-current interest-bearing assets	155	160	161	181	198	213	219	155	198	181
Cash and cash equivalents	1,613	1,578	2,284	1,720	886	729	1,460	1,613	886	1,720
Other current interest-bearing assets	191	130	104	86	68	66	65	191	68	86
Total interest-bearing assets	1,959	1,869	2,550	1,986	1,152	1,008	1,744	1,959	1,152	1,986
Net debt	667	750	83	56	89	301	-405	667	89	56

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 2020 Annual Report. Risks and opportunities are discussed on pages 36–37 and risks and risk management are presented on pages 129–133 of the report.

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