WE CREATE A FUTURE BEYOND FOSSILS

UPM FINANCIAL STATEMENTS RELEASE 2021

UPM financial statements release 2021:

Earnings back to strong pre-pandemic levels, refined completion plan for Uruguay project ready

UPM

Q4 2021 highlights

- Sales increased by 22% to EUR 2,673 million (2,188 million in Q4 2020)
- Comparable EBIT increased by 83% to EUR 461 million, 17.2% of sales (252 million, 11.5%)
- Operating cash flow was EUR 406 million (347 million)
- Net debt increased to EUR 647 million (56 million) and net debt to EBITDA ratio was 0.35 (0.04)
- The unprecedented energy market situation enabled UPM Energy to reach record earnings but added to the paper businesses' costs
- The fair value of UPM's sustainably managed forests increased due to higher wood volume, growth, and price estimates
- Refined completion plan for the Uruguay project ready and investment case confirmed, start-up scheduled by the end of Q1 2023
- UPM was listed in the Dow Jones European and World Sustainability Indices (DJSI) for 2021-2022 as the only company in its industry
- UPM was recognized with a CDP 'A' score for its sustainable forestry operations.

2021 highlights

- Sales increased by 14% to EUR 9,814 million (8,580 million in 2020)
- Comparable EBIT increased by 55% to EUR 1,471 million (948 million), and was 15.0% (11.1%) of sales
- Operating cash flow was EUR 1,250 million (1,005 million)
- Cash funds and unused committed credit facilities totalled EUR 2.5 billion at the end of December
- UPM Board of Directors proposes a dividend of EUR 1.30 per share be paid in respect of the 2021 financial year (1.30)
- UPM started the basic engineering phase of a next-generation biofuels refinery in January
- UPM sold 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
- UPM joined The Climate Pledge in February, committed to reach the targets of the Paris Agreement 10 years in advance

Key figures

	Q4/2021	Q4/2020	Q3/2021	Q1–Q4/2021	Q1–Q4/2020
Sales, EURm	2,673	2,188	2,523	9,814	8,580
Comparable EBITDA, EURm	470	392	535	1,821	1,442
% of sales	17.6	17.9	21.2	18.6	16.8
Operating profit, EURm	415	253	564	1,562	761
Comparable EBIT, EURm	461	252	424	1,471	948
% of sales	17.2	11.5	16.8	15.0	11.1
Profit before tax, EURm	420	250	558	1,548	737
Comparable profit before tax, EURm	466	248	418	1,457	924
Profit for the period, EURm	340	190	497	1,307	568
Comparable profit for the period, EURm	373	191	359	1,204	737
Earnings per share (EPS), EUR	0.63	0.35	0.92	2.41	1.05
Comparable EPS, EUR	0.69	0.35	0.66	2.22	1.37
Return on equity (ROE), %	12.6	8.0	19.9	12.7	5.8
Comparable ROE, %	13.8	8.0	14.3	11.7	7.5
Return on capital employed (ROCE), %	12.7	9.1	17.9	12.4	6.7
Comparable ROCE, %	14.1	9.1	13.4	11.7	8.3
Operating cash flow, EURm	406	347	318	1,250	1,005
Operating cash flow per share, EUR	0.76	0.65	0.60	2.34	1.89
Equity per share at the end of period, EUR	20.34	17.53	19.08	20.34	17.53
Capital employed at the end of period, EURm	13,759	11,555	13,039	13,759	11,555
Net debt at the end of period, EURm	647	56	667	647	56
Net debt to EBITDA (last 12 months)	0.35	0.04	0.38	0.35	0.04
Personnel at the end of period	16,966	18,014	17,085	16,966	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 Q4 results:

"2021 was a strong year for UPM. We successfully managed to navigate an exceptional operating environment, delivering performance that exceeded UPM's financial targets. Our earnings returned to strong pre-pandemic levels, and five out of our six business areas surpassed their long-term financial targets. The world economy recovered quickly from the previous year's deep slowdown. Demand for our products was strong in all business areas. We improved our margins, despite significant raw material and energy cost increases.

The year ended with a solid Q4. Demand for our products was good and the upward trend in sales prices and variable costs continued. The defining feature of the quarter was the unprecedented energy market situation, which had a significant effect on our paper businesses, yet allowed our energy business to achieve record earnings. In net terms, high energy prices had a negative effect on our results. The results also included a notable increase in the value of our sustainably managed forests as a result of higher volume, growth and price estimates.

Quarterly sales increased by 22% to EUR 2,673 million, and comparable EBIT increased by 83% to EUR 461 million. Operating cash flow was EUR 406 million, which is a clear increase from the same quarter last year. Our net debt at the end of the year was EUR 647 million. Cash funds and unused committed credit facilities totalled EUR 2.5 billion. Our solid balance sheet is a great strength in light of our ongoing transformative growth investments and the unpredictability of the operating environment.

UPM Biorefining reported solid results, even though they were held back by the scheduled maintenance shutdown at the UPM Kymi pulp mill. Pulp, timber and biofuel prices remained at good levels throughout Q4, and full year pulp production reached an all-time high.

UPM Energy benefitted from the exceptional situation in the energy markets and achieved its best quarterly results ever by far. Such excellent performance was the result of both record-high prices of electricity and successful hydropower optimisation in volatile markets. The Olkiluoto 3 nuclear reactor reached first criticality in December, making progress towards the scheduled start of electricity generation in February 2022.

UPM Communication Papers continued making losses throughout Q4. The main reason for this was the exceptional increase in energy costs. Owing to existing customer contracts, we were unable to adjust paper prices at the same pace, despite tight paper markets.

Earnings for UPM Specialty Papers were also affected by the high cost of fibre and energy. Demand for label, release and packaging paper remained strong, driven by fast-moving consumer goods and e-commerce. Fine paper markets in Asia remained soft.

Profitability at UPM Raflatac was once again good, and well above pre-pandemic levels. Demand continued to remain strong, and prices increased, but unexpectedly rapid cost inflation and supply chain bottlenecks have necessitated mitigating actions.

UPM Plywood had a record quarter and year in earnings. Demand was strong for spruce plywood and good for birch plywood, and sales prices were higher both in quarterly and yearly terms.

In Finland, we have a new labour market situation as the forest products companies are now carrying out negotiations directly with the unions. At UPM Plywood and UPM Timber, agreements benefiting both the employees and the businesses were signed with the Industrial Union in December 2021.

Meanwhile the Paperworkers' Union has declined invitations to the negotiations sent by UPM Pulp, UPM Communication Papers, UPM Specialty Papers, UPM Raflatac and UPM Biofuels. The union is aiming to negotiate a single group-level agreement with the corporation. UPM has a unique portfolio of versatile businesses, and so our starting point is to negotiate business-specific agreements in order to support growth and competitiveness.

Unfortunately, this has led to a strike lasting several weeks. We aim to start negotiations as soon as possible and to look for solutions together. Our focus is not on next month or next year, but rather on pursuing mutually beneficial outcomes that will enable each business and their employees to prosper well into the future, into the 2030s.

During the strike we have been serving our customers from our mills outside Finland as much as possible. At this point in time, we are not disclosing estimates of the economic impact of the strike.

Looking at our large investment projects, the construction of the Paso de los Toros pulp mill is now at a point where we can fine-tune the project's completion plan. The main equipment and key resources have arrived in Uruguay, and so the most material uncertainties have now been resolved. At the same time, successive waves in the pandemic and tight global supply chains have continued to challenge the project. A minor delay in the start-up schedule is inevitable, and the mill will start production by the end of Q1 2023, with a 10% increase in the updated investment estimate. Most importantly, the investment case remains strong, and we can confirm the cash cost level of approximately USD 280 per delivered tonne of pulp is intact.

Business preparation at UPM Biochemicals is moving at good pace, and there is keen interest in the various products of the new biorefinery, confirming the business opportunity and longer-term growth strategy. However, the pandemic has materially slowed down the completion of the detailed engineering in Leuna. Disruptions to global supply chains have affected both the availability and costs of critical construction materials. As a result, we are updating our plans and estimate that the start-up would take place by the end of 2023. The capital expenditure estimate will be updated in due course.

Basic engineering of the next-generation biofuels refinery is now at a point where we have completed site assessments in Kotka and Rotterdam. Work continues in Rotterdam, where the operating environment is more favourable for the biofuels business. The current investment environment is very challenging for new major projects like this in terms of resourcing, schedules and costs. Therefore, we are not planning to make further decisions before the end of this year.

Meanwhile, we are continuing to build the business platform for our new innovation-driven businesses. As the next step, we are forming a new business unit by combining UPM Biofuels, UPM Biochemicals, UPM Biomedicals and UPM Biocomposites businesses. The aim is to speed up business growth and to leverage the capabilities and competences across projects efficiently. This unit will inherit the name UPM Biorefining and will be reported as part of Other operations for the time being. At the same time, UPM Pulp and UPM Timber will be reported as UPM Fibres business area. UPM Fibres continues to be led by Bernd Eikens and Winfried Schaur leads UPM Biorefining; both are members of UPM's Group Executive Team. These changes will take place as of Q1 2022.

In 2021, stakeholder interest in mitigating climate change and fostering biodiversity reached new levels. At UPM we have ambitious, science-based targets and a strong track record in taking tangible actions in both areas. During the first half of 2022 we will be publishing our new, even more ambitious global forest responsibility programme. Responsibility is an integral part of our Biofore strategy and a driver for our future success.

I would like to thank all UPMers for their contributions and commitment throughout the year. Strong performance in 2021 will also benefit our employees worldwide as our incentive system will reward them with short-term incentives this April, totalling approximately EUR 60 million. Every UPMer will receive on average approximately EUR 3,500.

With confidence in our financial position and future cash generation, UPM's Board of Directors has today proposed a dividend of EUR 1.30 (1.30) per share for 2021 to our Annual General Meeting."

Outlook for 2022

UPM's earnings recovered to the strong pre-pandemic level in 2021 and overall, 2022 is expected to be another good year for the company.

There are significant uncertainties in the outlook for 2022, related to the ongoing pandemic, continuation of the global economic recovery, the unusual energy market situation, tight raw material supply chains and the labour negotiations in Finland.

Good demand is expected to continue for most UPM products in 2022. In the early part of the year, production and earnings are affected by the strike at the Finnish units of UPM Pulp, UPM Biofuels, UPM Raflatac, UPM Specialty Papers and UPM Communication Papers.

Sales prices for many UPM products are expected to increase in the beginning of 2022, most notably the graphic and specialty paper prices. Sales prices for pulp and energy are expected to continue on good levels in the early part of the year.

Many variable cost items are expected to increase in 2022 or stay at elevated level. 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 in H1 2022 is expected to be on similar level compared to H1 2021.

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.

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. In 2021, the global economy has started to recover, but it is uncertain how long-lasting the 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 in 2020, 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 economic cycles. 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% and in Q4 2021 by 4% from the previous 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 decreased in 2020, but improved in 2021.

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 grew by 15% from last year and in Q4 by 3%, somewhat impacted by the supply chain constraints.

Adjusting to different scenarios

The potential impacts on UPM are likely to differ by business and phase and waves 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.

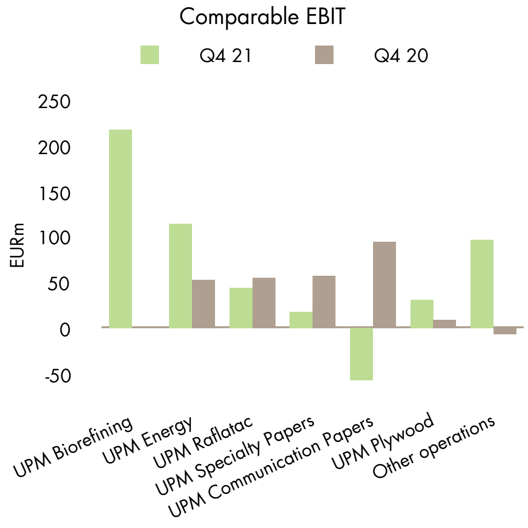
In April 2020 TVO announced that fuel loading into the OL3 reactor would not happen as originally planned in June 2020. TVO announced an updated schedule in August 2020, and the fuel loading was completed in April 2021.

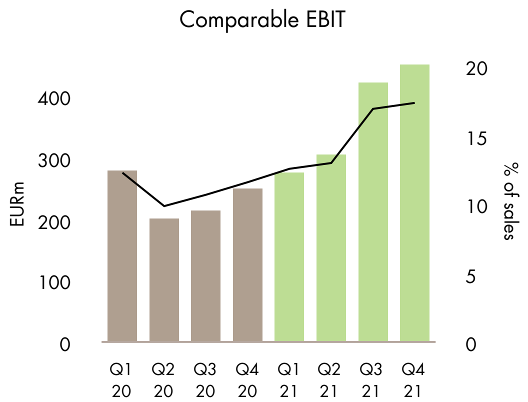
UPM rescheduled two pulp mill maintenance shutdowns from Q2 2020 to Q4 2020 due to the pandemic. Both shutdowns were successfully completed in Q4 with strict health and safety controls. For 2021, UPM rescheduled the maintenance shutdown at the UPM Kymi pulp mill from Q2 2021 to Q4 2021.

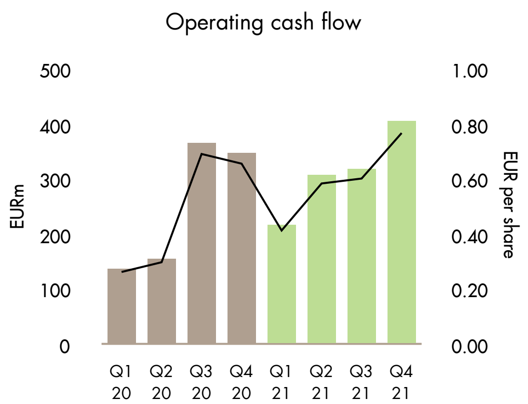
Timing of significant maintenance shutdowns in 2022

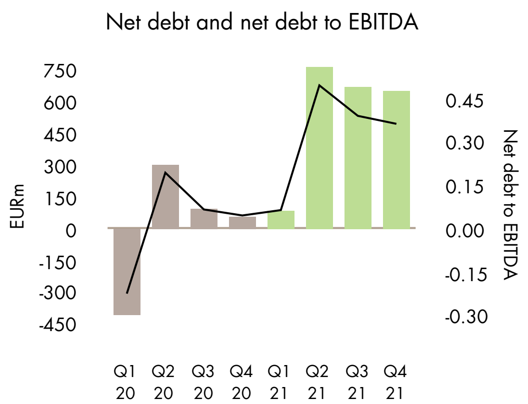
TIMING	UNIT
Q2/2021	Olkiluoto nuclear power plant
	UPM Fray Bentos pulp mill
Q4/2021	UPM Kymi pulp mill
Q2/2022	Olkiluoto nuclear power plant
	UPM Kaukas pulp mill
	UPM Pietarsaari pulp mill
Q3/2022	UPM Fray Bentos pulp mill
Q4/2022	UPM Lappeenranta Biorefinery

Financing
UPM’s financial position is strong. UPM's net debt was EUR 647 million at the end of Q4 2021. Cash funds and unused committed credit facilities totalled EUR 2.5 billion at the end of Q4 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

Q4 2021 compared with Q4 2020

Q4 2021 sales were EUR 2,673 million, 22% higher than the EUR 2,188 million in Q4 2020. Sales increased in all business areas, driven mainly by higher sales prices.

Comparable EBIT increased by 83% to EUR 461 million, which was 17.2% of sales (252 million, 11.5%).

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

Variable costs also increased in all business areas, especially in UPM Communication Papers, UPM Specialty Papers and UPM Raflatac. Energy costs in particular increased significantly, despite hedging. At the group level, the negative impact of higher variable costs broadly offset the positive impact of higher sales prices.

Delivery volumes increased slightly. Fixed costs decreased by EUR 7 million.

Depreciation, excluding items affecting comparability, totalled EUR 113 million (116 million), including depreciation of leased assets totalling EUR 19 million (17 million). The change in the fair value of forest assets net of wood harvested was EUR 103 million (-24 million).

Operating profit was EUR 415 million (253 million). Items affecting comparability in operating profit totalled EUR -46 million in the period (2 million). In Q4 2021, items affecting comparability include EUR 50 million impairment charges of newsprint related fixed assets.

Net interest and other finance income and costs were EUR 6 million (-7 million). The exchange rate and fair value gains and losses were EUR -1 million (4 million). Income taxes were EUR 80 million (60 million). Items affecting comparability in taxes totalled EUR 13 million (-2 million).

Profit for Q4 2021 was EUR 340 million (190 million), and comparable profit was EUR 373 million (191 million).

Q4 2021 compared with Q3 2021

Comparable EBIT increased by 9% to EUR 461 million, which was 17.2% of sales (424 million, 16.8%). Sales prices increased for UPM Energy, UPM Communication Papers, UPM Raflatac, UPM Plywood and UPM Specialty Papers and decreased for UPM Biorefining.

Variable costs increased in most business areas, especially in UPM Communication Papers, UPM Raflatac and UPM Specialty Papers. Energy costs continued to increase rapidly during Q4 2021, despite hedging. At the group level, the negative impact of higher variable costs more than offset the positive impact of higher sales prices.

Delivery volumes were higher in UPM Energy and UPM Specialty Papers. Fixed costs increased by EUR 69 million partly due to the scheduled maintenance shutdown at the UPM Kymi pulp mill.

Depreciation, excluding items affecting comparability, totalled EUR 113 million (116 million). The change in the fair value of forest assets net of wood harvested was EUR 103 million (5 million).

Operating profit was EUR 415 million (564 million).

Full year 2021 compared with year 2020

2021 sales were EUR 9,814 million, 14% higher than the EUR 8,580 million for 2020. Sales increased in all business areas, driven by higher sales prices and delivery volumes.

Comparable EBIT increased by 55% to EUR 1,471 million, 15.0% of sales (948 million, 11.1%).

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 all business areas, especially in UPM Communication Papers, UPM Specialty Papers and UPM

Raflatac. 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 all business areas. Fixed costs decreased by EUR 2 million. 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 463 million (471 million) including depreciation of leased assets totalling EUR 74 million (73 million). The change in the fair value of forest assets net of wood harvested was EUR 111 million (-25 million).

Operating profit totalled EUR 1,562 million (761 million). Items affecting comparability in operating profit totalled EUR 91 million in the period (-187 million) including the EUR 133 million gain on the sale of Shotton Mill Ltd in UPM Communication Papers business area and EUR 50 million impairment charges of newsprint related fixed assets. In 2020, Items affecting comparability in operating profit included EUR 90 million in restructuring charges related to the closure of the UPM Kaipola paper mill, EUR 85 million in restructuring charges related to closure of the UPM Chapelle paper mill, EUR 23 million in restructuring charges related to the closure of the Jyväskylä plywood mill, EUR 6 million in charges related to the restructuring of the functions of UPM Communication Papers, EUR 9 million in charges related to restructuring of the functions of UPM Raflatac, earnings of EUR 12 million on the sale of the group's share in Kainuun Voima Oy and earnings of EUR 11 million on the sale of other non-current assets.

Net interest and other finance income and costs were EUR -12 million (-26 million). The exchange rate and fair value gains and losses were EUR -3 million (2 million). Income taxes totalled EUR -240 million (-169 million).

Profit for 2021 was EUR 1,307 million (568 million), and comparable profit was EUR 1,204 million (737 million).

Financing and cash flow

In 2021 cash flow from operating activities before capital expenditure and financing totalled EUR 1,250 million (1,005 million). Working capital increased by EUR 115 million (93 million).

Net debt was EUR 647 million at the end of Q4 2021 (56 million). The gearing ratio as of 31 December 2021 was 6% (1%). The net debt to EBITDA ratio, based on the last 12 month's EBITDA, was 0.35 at the end of the period (0.04).

On 31 December 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 2021, capital expenditure totalled EUR 1,483 million, which was 15.1% of sales (903 million, 10.5% of sales). Capital expenditure does not include additions to leased assets.

In 2022, UPM's total capital expenditure, excluding investments in shares, is expected to be about EUR 1,500 million, which includes estimated capital expenditure of approximately EUR 1,300 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 in a 2.1 million tonne greenfield eucalyptus pulp mill near Paso de los Toros, central Uruguay. Additionally, UPM will invest in port operations in Montevideo and in local investments outside the mill fence. The updated schedule for the start-up of the mill is by the end of Q1 2023, and the total investment estimate is USD 3.47 billion.

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 updated schedule for the start-up of the facility is by the end of 2023.

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

Personnel

In 2021, UPM had an average of 17,512 employees (18,557). At the beginning of the year, the number of employees was 18,014 and at the end of Q4 2021 it was 16,966.

Uruguay pulp mill investment

On 23 July 2019, UPM announced that it would invest USD 2.72 billion in a 2.1 million tonne greenfield eucalyptus pulp mill near Paso de los Toros, central Uruguay. Additionally, UPM would 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. In May 2020, an electrical grid reinforcement investment of USD 70 million was added to the scope of the project to fully utilize and sell the surplus energy of the mill.

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 466,000 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 was originally scheduled to start up in the second half of 2022. The successive waves in the pandemic and tight global supply chains have caused some challenges to the project. Hence, the completion plan for the project has been refined. The start-up will take place by the end of Q1 2023, and the total investment estimate has been increased by 10% to USD 3.47 billion.

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 installation phase with mechanical erection continues to progress in all main process areas and EIA erection works have started. Majority of large civil works have been completed. Power boiler pressure test was done successfully in December. Commissioning works will proceed in the coming months.

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

A large part of the pulp terminal area in Montevideo has been completed, including the structure and roofing of the pulp warehouse – an area of 50,000 square meters. The unloading lines for the railway were also completed and construction of railway has continued. Piping, pipe bridge, auxiliary machinery and electrical installation work continues on the port basin.

The total capital expenditure of USD 3.47 billion will take place in 2019-2023, with 2021 and 2022 being the most intensive years. UPM will hold 91% ownership of the project and a local long-term partner which has also been involved in UPM Fray Bentos, owns 9%. 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. Originally, the biorefinery was scheduled to start up by the end of 2022. However, the pandemic has slowed down the completion of the detailed engineering in Leuna. Disruptions to global supply chains have affected both the availability and costs of critical construction materials. Hence the start-up schedule has been updated to take place by the end of 2023. The capital expenditure estimate will be updated in due course.

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 at biorefinery-site in Leuna continues and we have now started erecting the overground structures. Permitting has proceeded in accordance with German legislation.

Commercial activities continue to proceed positively in different product and application areas. After the launch of UPM BioMotion™ Renewable Functional Fillers (RFF) in October, joint product development activities with potential customers in the rubber value chain have progressed further as have discussions with OEMs, especially in the automotive sector, with promising results regarding both technical and commercial viability of our product. We made further progress in taking renewable monoethylene glycols (bMEG) to market, advancing sales capabilities and also in this category extending pre-commercial discussions with potential customers as well as end-users in packaging, textile and automotive end-uses.

The environmental benefits of the UPM Biorefinery and the UPM Biochemicals portfolio continue being publicly acknowledged with nominations as finalist for the German Sustainability Award and the Chemical Week's sustainability awards and an improved sustainability ranking in the European Rubber Journal.

Research and development facilities on site in Leuna are being extended and application development centres for rubber and glycols are now operational. The hiring process for the operations teams has progressed and we have started a comprehensive training and simulation programme for our new operations teams based on the Digital Twin solution of biorefinery and its processes.

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, 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 sustainable feedstock mix and estimate the investment need.

During the study UPM has completed site assessments in two locations: Kotka, Finland and Rotterdam, the Netherlands. Work continues in Rotterdam, where the operating environment is more favourable for the biofuels business.

If all preparations are concluded successfully, UPM would initiate the company's standard procedure of analysing and preparing an investment decision. Due to the current challenging investment environment for new major projects like this, further decisions are not planned before the end of 2022.

OL3 power plant project

Teollisuuden Voima Oyj (TVO) is in the process of constructing a third nuclear power plant unit, OL3 EPR, at the Olkiluoto site (OL3). UPM participates in OL3 through its shareholding in Pohjolan Voima Oyj (PVO), which is the majority shareholder in TVO. UPM's indirect share of OL3 is approximately 31%. The OL3 plant supplier, a consortium consisting of AREVA GmbH, AREVA NP SAS and Siemens AG (Supplier), is constructing OL3 as a turnkey project.

The start of regular electricity production, originally scheduled for April 2009, has been revised several times by the Supplier.

As announced by TVO, fuel loading of OL3 was completed in early April 2021. On 16 December 2021, TVO announced that the Radiation and Nuclear Safety Authority in Finland (STUK) had granted the permission for making the OL3's reactor critical and conducting lower power tests. The electricity production of OL3 is scheduled to start in February 2022, and the regular electricity production in June 2022. On 21 December 2021, TVO announced that OL3's reactor started up, i.e. the first criticality of OL3 was reached.

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 start-up of the new production line was 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 133 million.
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.
On 15 November, UPM announced that it has been listed in the Dow Jones European and World Sustainability Indices (DJSI) for 2021-2022 as the only company in its industry.
On 7 December, UPM announced that it has been recognized with a CDP ‘A’ score for its sustainable forestry operations.
On 13 December, UPM announced that it is investing EUR 10 million in the development of UPM Plywood's plywood mill in Joensuu, Finland. The investment includes new production lines, new workspaces and 720 square meters of completely new production space.
On 14 December, UPM announced that the Finnish Paperworkers’ Union has issued a strike announcement to UPM, declaring a three week's strike to all work under the expiring paper industry collective agreement at UPM.
On 21 December, the OL3 EPR unit started up.

Events after the balance sheet date

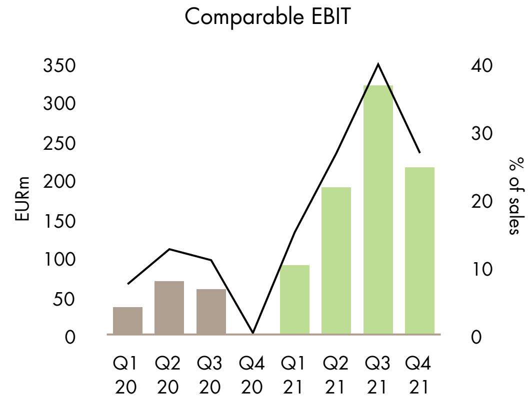
On 1 January, UPM announced that members of the Paperworkers’ Union, the Finnish Electrical Workers´ Union and the Trade Union Pro have started strikes at UPM mills in Jämsänkoski, Kouvola, Lappeenranta, Pietarsaari, Rauma, Tampere and Valkeakoski. UPM businesses falling under the strikes in Finland are UPM Pulp, UPM Biofuels, UPM Communication Papers, UPM Specialty Papers and UPM Raflatac. According to the unions, the strikes would continue until 22 January 2022 unless a new collective labour agreement is reached before that. The duration of the strike has since been extended twice (on 5 January and 20 January) by the Paperworker's union and currently is due to last until 19 February 2022, unless new agreements are reached before that.

Dividend proposal for 2021

The Board of Directors proposes to the Annual General Meeting convening on 29 March 2022 that a dividend of EUR 1.30 per share be paid in respect of the 2021 financial year (1.30). The proposed dividend represents 55% of UPM's operating cash flow per share for 2021. It is proposed that the dividend is paid on 7 April 2022. On 31 December 2021, the distributable funds of the parent company were EUR 3,299.2 million.

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.



	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q4/21	Q1–Q4/20
Sales EURm	813	811	714	606	569	541	563	509	2,945	2,183
Comparable EBITDA, EURm	270	370	239	137	50	104	113	81	1,016	348
% of sales	33.2	45.6	33.5	22.6	8.7	19.2	20.1	15.9	34.5	15.9
Change in fair value of forest assets and wood harvested, EURm	-6	-2	-1	0	-6	-2	0	-1	-9	-8
Share of results of associated companies and joint ventures, EURm	0	1	0	0	1	0	1	1	2	2
Depreciation, amortisation and impairment charges, EURm	-48	-47	-49	-47	-44	-44	-44	-44	-191	-176
Operating profit, EURm	216	321	190	90	0	58	70	37	817	166
% of sales	26.6	39.6	26.6	14.9	0.1	10.8	12.4	7.3	27.8	7.6
Items affecting comparability in operating profit, EURm	—	—	—	—	—	—	—	—	—	—
Comparable EBIT, EURm	216	321	190	90	0	58	70	37	817	166
% of sales	26.6	39.6	26.6	14.9	0.1	10.8	12.4	7.3	27.8	7.6
Capital employed (average), EURm	5,013	4,625	4,201	3,910	3,664	3,592	3,664	3,561	4,437	3,620
Comparable ROCE, %	17.2	27.8	18.1	9.2	0.1	6.5	7.6	4.2	18.4	4.6
Pulp deliveries, 1000 t	931	957	884	952	925	932	943	864	3,724	3,664

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

- Full year pulp production at all-time high
- Scheduled maintenance shutdown at UPM Kymi pulp mill in Finland in Q4

Results

Q4 2021 compared with Q4 2020

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

The average price in euro for UPM's pulp deliveries increased by 56%.

Q4 2021 compared with Q3 2021

Comparable EBIT decreased. Fixed costs were higher and production volumes were lower due to the scheduled maintenance shutdown at the UPM Kymi pulp mill in Finland. Variable costs were higher. Pulp sales prices were lower.

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

Full year 2021 compared with year 2020

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

The average price in euro for UPM's pulp deliveries increased by 35%.

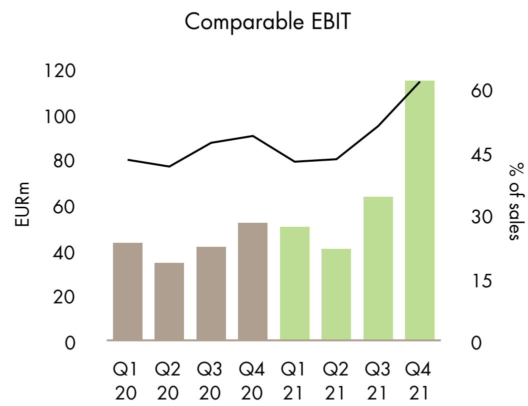
Market environment

- In China, chemical pulp demand growth was slowing down in 2021 though showing some improvement at the end of the year. 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 Q4 2021 compared with Q3 2021.
- In China, the market price for both northern bleached softwood kraft (NBSK) pulp and bleached hardwood kraft pulp (BHKP) decreased in Q4 2021 compared with Q3 2021.
- In 2021, the average European market price in euro was 37% higher for NBSK and 44% higher for BHKP, compared with 2020. In China, the average market price in US dollars was 46% higher for NBSK and 42% higher for BHKP, compared with 2020.
- Strong demand for advanced renewable diesel and naphtha.
- In 2021, demand for sawn timber was strong. 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.



	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q4/21	Q1–Q4/20
Sales EURm	187	124	95	119	107	88	83	101	526	379
Comparable EBITDA, EURm	117	65	43	52	54	43	36	45	277	178
% of sales	62.5	52.4	44.7	43.9	50.3	48.8	43.6	44.8	52.7	47.0
Depreciation, amortisation and impairment charges, EURm	-2	-2	-2	-2	-5	-2	-2	-2	-7	-10
Operating profit, EURm	115	63	41	50	49	58	34	43	270	184
% of sales	61.5	50.9	43.0	42.4	45.7	66.1	41.2	42.9	51.3	48.7
Items affecting comparability in operating profit, EURm [1)]	—	—	—	—	-3	17	—	—	—	14
Comparable EBIT, EURm	115	63	41	50	52	41	34	43	270	171
% of sales	61.5	50.9	43.0	42.4	48.5	46.9	41.2	42.9	51.3	45.0
Capital employed (average), EURm	2,622	2,370	2,278	2,231	2,253	2,229	2,336	2,434	2,375	2,313
Comparable ROCE, %	17.5	10.7	7.2	9.0	9.2	7.4	5.9	7.1	11.4	7.4
Electricity deliveries, GWh	2,540	2,199	2,150	2,411	2,437	2,082	2,162	2,487	9,300	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.

- Record quarter in profitability
- High power prices due to high commodity and emission allowance prices and the dry hydrological situation in the Nordic market
- Start-up of the OL3 EPR unit in December, the unit is scheduled to be connected to the national grid in February 2022

Results

Q4 2021 compared with Q4 2020

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

UPM's average electricity sales price increased by 81% to EUR 69.1/MWh (38.2/MWh).

Q4 2021 compared with Q3 2021

Comparable EBIT increased due to higher electricity sales prices and higher hydropower and nuclear power generation.

UPM's average electricity sales price increased by 31% to EUR 69.1/MWh (52.8/MWh).

Full year 2021 compared with year 2020

Comparable EBIT increased due to higher electricity sales prices. Nuclear power generation was lower due to longer maintenance breaks in 2021.

UPM's average electricity sales price increased by 43% to EUR 52.1/MWh (36.5/MWh).

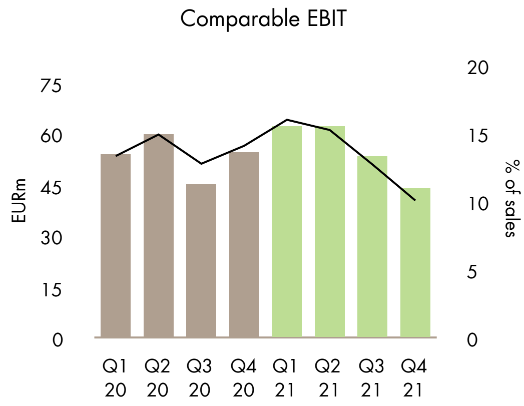
Market environment

- The Nordic hydrological balance was below normal at the end of December. In Finland, the hydrological situation was close to normal.
- The CO_2 emission allowance price of EUR 80,1 tonne at the end of 2021 was significantly higher than at the end of 2020 (EUR 32.7/tonne).
- The average Finnish area spot price on the Nordic electricity exchange in Q4 2021 was EUR 115.0/MWh, 46% higher than in Q3 2021 (78.6/MWh) and 252% higher than in Q4 2020 (32.7/MWh).
- The front-year forward electricity price for the Finnish area closed at EUR 92.6/MWh in December, 48% higher than at the end of Q3 2021 (62.5/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.



	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q4/21	Q1–Q4/20
Sales EURm	442	425	413	391	390	358	403	408	1,671	1,560
Comparable EBITDA, EURm	53	63	72	71	64	55	70	64	259	252
% of sales	12.0	14.7	17.3	18.2	16.4	15.3	17.2	15.6	15.5	16.2
Depreciation, amortisation and impairment charges, EURm	-9	-9	-9	-9	-9	-9	-10	-10	-36	-39
Operating profit, EURm	44	54	61	62	48	45	60	51	222	205
% of sales	10.0	12.7	14.9	15.9	12.4	12.7	14.9	12.5	13.3	13.2
Items affecting comparability in operating profit, EURm [1]	—	—	-1	—	-6	—	—	-3	-1	-9
Comparable EBIT, EURm	44	54	63	62	55	45	60	54	223	214
% of sales	10.0	12.6	15.2	15.9	14.0	12.7	14.8	13.3	13.3	13.7
Capital employed (average), EURm	579	562	549	523	526	532	560	549	553	542
Comparable ROCE, %	30.5	38.2	45.6	47.6	41.5	34.1	42.8	39.5	40.2	39.5

[1] Items affecting comparability relate to restructuring charges.

- Actions to mitigate significant raw material, energy and logistics costs increases and bottlenecks
- Start-up of new Linerless labelling materials production line in Nowa Wieś, Poland
- UPM Raflatac first to launch thermal paper labels with 100% recycled fibres

Results

Q4 2021 compared with Q4 2020

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

Q4 2021 compared with Q3 2021

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

Full year 2021 compared with year 2020

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

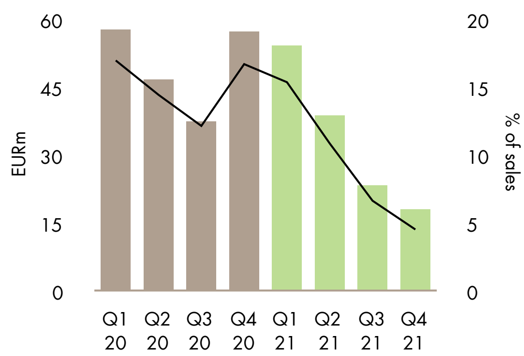
Market environment

- Global demand for self-adhesive label materials continued healthy in 2021. However, supply constraints towards end of the year held back market growth somewhat.
- In Asia, demand was particularly strong in H1 2021. In H2, demand softened.
- In Europe and in the Americas, the robust demand growth continued from the previous year.

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.



	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q4/21	Q1–Q4/20
Sales EURm	407	358	361	355	345	311	325	342	1,482	1,324
Comparable EBITDA, EURm	36	43	58	73	76	56	66	75	209	273
% of sales	8.8	11.9	16.0	20.6	22.0	18.0	20.3	21.8	14.1	20.6
Depreciation, amortisation and impairment charges, EURm	-18	-19	-19	-19	-19	-18	-19	-17	-75	-73
Operating profit, EURm	18	23	39	54	57	40	50	58	135	206
% of sales	4.4	6.5	10.8	15.3	16.6	12.9	15.5	16.9	9.1	15.5
Items affecting comparability in operating profit, EURm [1]	—	—	—	—	—	3	4	—	—	6
Comparable EBIT, EURm	18	23	39	54	57	37	47	58	135	199
% of sales	4.4	6.5	10.8	15.3	16.6	12.0	14.3	16.9	9.1	15.0
Capital employed (average), EURm	889	845	853	870	880	871	900	937	864	897
Comparable ROCE, %	8.1	11.1	18.2	24.9	26.0	17.2	20.7	24.7	15.6	22.2
Paper deliveries, 1000 t	422	388	414	434	430	397	382	387	1,658	1,596

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

- High input costs and a challenging energy market continued to affect the result
- Strong growth in label and packaging grades, good development in demanding barrier paper grades

Results

Q4 2021 compared with Q4 2020

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

Q4 2021 compared with Q3 2021

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

Full year 2021 compared with year 2020

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

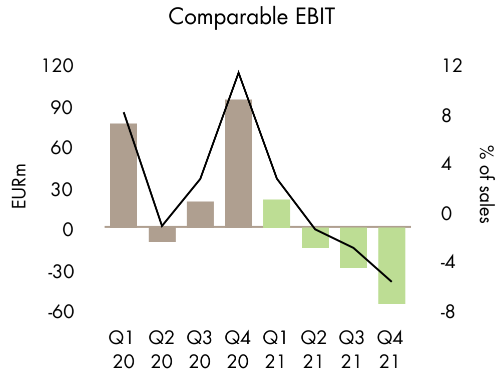
Market environment

- Global demand for label, release and packaging paper was good in 2021. Demand was driven by fast moving consumer goods and e-commerce. Market prices increased.
- In H1 2021, fine paper demand in the Asia-Pacific region was good but in H2 2021 demand became weaker.
- In H1 2021, fine paper market prices in China increased sharply from the previous year. However, in H2 2021 market prices decreased below long-term average price levels.

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.



	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q4/21	Q1–Q4/20
Sales EURm	950	945	867	815	842	784	741	966	3,577	3,333
Comparable EBITDA, EURm	-33	-3	12	47	121	48	21	110	23	300
% of sales	-3.5	-0.4	1.4	5.7	14.4	6.1	2.9	11.4	0.6	9.0
Share of results of associated companies and joint ventures, EURm	0	0	0	0	0	1	-1	0	0	0
Depreciation, amortisation and impairment charges, EURm	-75	-26	-27	-27	-22	-82	-42	-34	-155	-179
Operating profit, EURm	-102	106	-14	23	110	-95	-37	31	14	9
% of sales	-10.7	11.2	-1.6	2.8	13.1	-12.1	-5.0	3.2	0.4	0.3
Items affecting comparability in operating profit, EURm [1)]	-46	135	—	2	16	-114	-27	-45	93	-170
Comparable EBIT, EURm	-56	-30	-14	20	94	19	-10	76	-79	180
% of sales	-5.9	-3.1	-1.6	2.5	11.1	2.5	-1.3	7.9	-2.2	5.4
Capital employed (average), EURm	1,237	1,283	1,239	1,340	1,367	1,413	1,473	1,529	1,275	1,446
Comparable ROCE, %	-18.1	-9.2	-4.5	6.1	27.4	5.5	-2.7	20.0	-6.2	12.4
Paper deliveries, 1000 t	1,443	1,496	1,495	1,396	1,443	1,320	1,188	1,515	5,828	5,466

[1)] In Q4 2021, items affecting comparability include EUR 50 million impairment charges of newsprint fixed assets, EUR 6 million gain on sale of non-current assets and EUR 2 million restructuring charges. In Q3 2021, items affecting comparability include the gain on sale of Shotton Mill Ltd amounting to EUR 133 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.

- Successful price increases and good market demand in Europe
- Significant cost increases continued particularly in energy

Results

Q4 2021 compared with Q4 2020

Comparable EBIT for UPM Communication Papers decreased due to significantly higher variable costs, especially for fibre and energy. Sales prices were higher. Fixed costs decreased.

The average price in euro for UPM's paper deliveries increased by 13%.

Q4 2021 compared with Q3 2021

Comparable EBIT decreased due to significantly higher variable costs, especially for energy. Sales prices were higher. Fixed costs decreased.

The average price in euro for UPM's paper deliveries increased by 6%.

Full year 2021 compared with year 2020

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

The average price in euro for UPM's paper deliveries decreased by 1%.

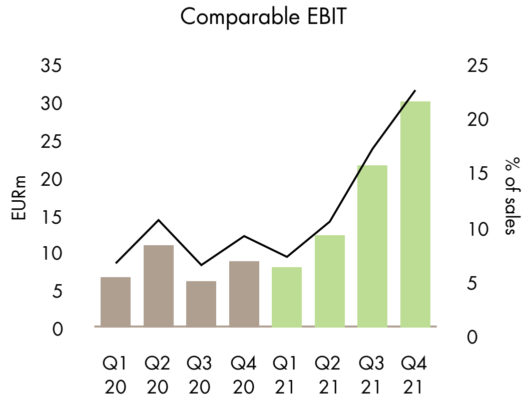
Market environment

- In 2021, demand for graphic papers in Europe was 4% higher than in 2020. Newsprint demand decreased by 1%, magazine papers increased by 1% and fine papers increased by 10% compared to 2020.
- In Q4 2021, demand for graphic papers in Europe was 2% higher than in Q4 2020. Newsprint demand decreased by 5%, magazine papers by 1% and fine papers increased by 8% compared with Q4 2020.
- In Q4 2021, publication paper prices in Europe were 10% higher compared with Q3 2021. Compared with Q4 2020 publication paper prices were 18% higher. In Q4 2021, fine paper prices in Europe were 7% higher than in the previous quarter. Compared with Q4 2020, fine paper prices were 12% higher.
- In 2021, demand for magazine papers in North America is estimated to have increased by 1%, compared with the previous year. The average price in US dollars for magazine papers in Q4 2021 increased by 8% compared with Q3 2021 and by 25% compared with Q4 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.



	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q4/21	Q1–Q4/20
Sales EURm	134	127	119	112	99	98	104	105	492	405
Comparable EBITDA, EURm	37	28	19	14	15	13	18	14	99	59
% of sales	27.5	22.4	15.8	12.9	15.6	12.9	17.1	13.0	20.0	14.6
Depreciation, amortisation and impairment charges, EURm	-7	-6	-6	-6	-7	-6	-14	-7	-25	-35
Operating profit, EURm	30	26	15	8	9	6	-12	7	80	10
% of sales	22.6	20.5	13.0	7.1	8.8	6.3	-11.1	6.5	16.2	2.5
Items affecting comparability in operating profit, EURm [1]	—	4	3	—	—	—	-22	—	8	-23
Comparable EBIT, EURm	30	22	12	8	9	6	11	7	72	33
% of sales	22.4	17.0	10.3	7.1	9.0	6.3	10.4	6.5	14.6	8.0
Capital employed (average), EURm	295	282	282	287	280	284	298	307	286	292
Comparable ROCE, %	40.8	30.5	17.3	11.0	12.7	8.7	14.5	8.8	25.1	11.2
Plywood deliveries, 1000 m^3	172	178	198	191	169	168	173	173	738	683

[1] In Q3 2021 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 and year in profitability
- UPM Plywood and the Industrial Union signed a business specific three-year collective labour agreement
- Investment in the development of UPM Plywood's plywood mill in Joensuu, Finland
- Successful sales of new products and WISA® BioBond scaling up for spruce plywood products started

Results

Q4 2021 compared with Q4 2020

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

Q4 2021 compared with Q3 2021

Comparable EBIT increased due to higher sales prices. Variable costs increased.

Full year 2021 compared with year 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.

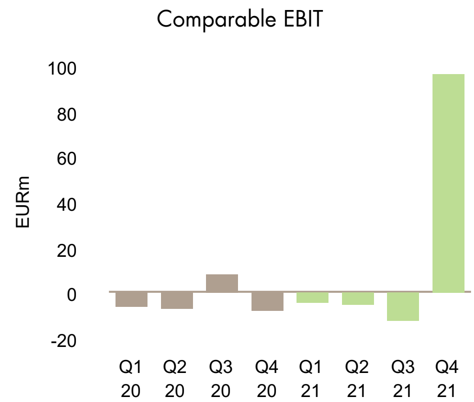
Market environment

- In 2021, demand for spruce plywood was strong, driven by the building and construction industry.
- In 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.



	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q4/21	Q1–Q4/20
Sales EURm	66	74	82	58	58	57	60	50	280	225
Comparable EBITDA, EURm	-7	-13	2	-2	19	15	-1	1	-19	34
Change in fair value of forest assets and wood harvested, EURm	109	6	-1	5	-18	1	0	0	120	-17
Share of results of associated companies and joint ventures, EURm	0	0	0	0	0	0	1	0	0	1
Depreciation, amortisation and impairment charges, EURm	-7	-6	-6	-6	-9	-8	-7	-6	-25	-30
Operating profit, EURm	96	-12	-5	-3	-9	7	-7	-6	75	-15
Items affecting comparability in operating profit, EURm [1]	—	—	-1	—	-2	-1	—	—	-1	-3
Comparable EBIT, EURm	96	-12	-5	-4	-7	8	-7	-6	76	-12
Capital employed (average), EURm	2,050	1,986	1,987	1,944	1,899	1,908	1,916	1,879	1,992	1,901
Comparable ROCE, %	18.8	-2.4	-1.0	-0.8	-1.5	1.6	-1.4	-1.2	3.8	-0.6

[1] Items affecting comparability relate to restructuring charges.

Results

Q4 2021 compared with Q4 2020

Comparable EBIT for other operations increased. The change in the fair value of forest assets net of wood harvested was EUR 109 million (-18 million). The increase in the fair value of forest assets was EUR 125 million (17 million). The cost of wood harvested from UPM forests was EUR 16 million (35 million). In 2021, the increase in fair value was impacted by increased forest growth and higher stumpage price estimates used in valuation.

Q4 2021 compared with Q3 2021

Comparable EBIT increased. The change in the fair value of forest assets net of wood harvested was EUR 109 million (6 million). The increase in the fair value of forest assets was EUR 125 million (15 million). The cost of wood harvested from UPM forests was EUR 16 million (9 million).

Full year 2021 compared with year 2020

Comparable EBIT increased. The change in the fair value of forest assets net of wood harvested was EUR 120 million (-17 million). The increase in the fair value of forest assets was EUR 171 million (63 million). The cost of wood harvested from UPM forests was EUR 51 million (81 million). In 2021, the increase in fair value was impacted by increased forest growth and higher stumpage price estimates used in valuation.

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 and the related containment measures resulted in a severe global recession in 2020. In 2021 the economic recovery was fast, although uneven in different parts of the world. The rapid economic recovery supported demand and pricing for UPM products. However, it also lead to tight global supply and logistics chains and was accompanied by increasing inflation and inflation expectations. For UPM, variable cost increases were significant across most raw materials and energy.

The duration and changing nature of the pandemic with new virus variants and progressing vaccination remain 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 fast spreading omicron-variant could temporarily disrupt operations in some of UPM's units, its supply or logistics chains or progress in the investment projects. The COVID-19 pandemic and related issues are discussed earlier in this report.

Meanwhile, the global trade and geopolitical tensions e.g. relating to the US, China, and Russia continue to cause uncertainty in the global economy and related to UPM's product and input markets.

Many global commodity prices increased significantly during 2021. This, combined with recovering global economy and possible supply restrictions could have a further 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 significantly to UPM's energy costs and represent further uncertainty in the coming months and quarters. In 2021, this was at group level mitigated by very strong performance in UPM Energy. However, this may not always be the case, due to geographical differences in UPM's energy sales and purchases.

Current bottlenecks in global logistics represent further challenges for delivering UPM products, sourcing raw materials for UPM businesses and delivering equipment to UPM's investments 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 (the 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. The 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 (the 2018 GSA) with the 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.

In the 2018 GSA, 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 Q3 2021 interim report that replenishing the trust was finished according to the terms of the 2018 GSA, but it was replenished according to the amendment agreement, which entered into force in July 2021. By the end of the Q3 2021 review period, a total of EUR 400 million has been recorded in additional compensation, which is the compensation in full**.** The EUR 400 million compensation decreases the historical costs of the property, plant and equipment in TVO's balance sheet.

As announced by TVO the fuel loading of OL3 was completed in April 2021. On 16 December 2021, TVO announced that the Radiation and Nuclear Safety Authority in Finland (STUK) had granted permission for making the OL3's reactor critical and conducting lower power tests. The electricity production of OL3 is scheduled to start in February 2022, and the regular electricity production in June 2022. On 21 December 2021, TVO announced that the OL3's reactor started up, i.e. the first criticality of OL3 was reached.

As announced by TVO earlier, Areva, the Supplier party, was preparing a financial solution to ensure necessary funding to complete the OL3. 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, and the key matters are:

- The 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 the 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 by 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 the Supplier consortium companies and the 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 related conditions were fulfilled.

The COVID-19 pandemic may have significantly added uncertainty to the progress of the project. According to TVO extensive measure have been taken to prevent the spread of COVID-19 infections 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 labour agreements will not be applied after their terms expire. UPM's target is to negotiate business specific agreements and improve the competitiveness of products and create prerequisites for the further development of the units. At the same time, UPM aims to be an attractive employer, with competitive offering for 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 decided 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 the competitiveness of the businesses, like productivity development, wages and working hours as well as the competence development of employees.

Negotiations with the employee representatives and Industrial Union started in UPM Plywood and UPM Timber in May 2021 and the agreement was signed in each business in December 2021.

Meanwhile the 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 corporation. Due to the different needs of the various businesses, UPM's starting point is, however, business specific agreements.

As the new agreements were not reached before the old agreements expired at the end of 2021, UPM communicated well in time temporary terms of labour, which are based on labour law, UPM practices and personal employment contracts. They would be applied until the business specific agreements would be concluded.

The Paperworkers' Union started a strike in five of UPM's businesses in Finland as of 1 January 2022. According to the current announcement, the strike would continue until 19 February 2022.

Shares

In 2021 UPM shares worth a total of EUR 8,435 million (9,921 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 31 December 2021 was 533,735,699. Through the issuance authorisation, the number of shares may increase to a maximum of 558,735,699.

On 31 December 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 Q4 2021.

In October, the European Commission conducted an unannounced inspection at UPM's premises. According to the Commission's press release on 12 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. The 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 training on the UPM Code of Conduct, which includes a section regarding antitrust compliance. In addition, UPM has also in place a specific training programme regarding antitrust rules which covers approximately 3,000 employees and executives.

Helsinki, 27 January 2022

UPM-Kymmene Corporation
Board of Directors

Financial statement information

Consolidated income statement

EURm	Q4/2021	Q4/2020	Q1–Q4/2021	Q1–Q4/2020
Sales (Note 3)	2,673	2,188	9,814	8,580
Other operating income	33	14	254	116
Costs and expenses	-2,230	-1,810	-8,104	-7,371
Change in fair value of forest assets and wood harvested	103	-24	111	-25
Share of results of associated companies and joint ventures	1	0	2	3
Depreciation, amortisation and impairment charges	-165	-114	-515	-541
Operating profit	415	253	1,562	761
Exchange rate and fair value gains and losses	-1	4	-3	2
Interest and other finance costs, net	6	-7	-12	-26
Profit before tax	420	250	1,548	737
Income taxes	-80	-60	-240	-169
Profit for the period	340	190	1,307	568
Attributable to:				
Owners of the parent company	334	187	1,286	560
Non-controlling interests	5	3	22	8
	340	190	1,307	568
Earnings per share for profit attributable to owners of the parent company				
Basic earnings per share, EUR	0.63	0.35	2.41	1.05
Diluted earnings per share, EUR	0.63	0.35	2.41	1.05

Consolidated statement of comprehensive income

EURm	Q4/2021	Q4/2020	Q1–Q4/2021	Q1–Q4/2020
Profit for the period	340	190	1,307	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	-27	-21	96	-36
Changes in fair value of energy shareholdings	304	-64	632	-251
Items that may be reclassified subsequently to income statement:				
Translation differences	110	-110	337	-262
Net investment hedge	-7	4	-21	5
Cash flow hedges	-43	0	-127	-24
Other comprehensive income for the period, net of tax	338	-192	918	-569
Total comprehensive income for the period	677	-2	2,225	0
Total comprehensive income attributable to:				
Owners of the parent company	669	-6	2,194	-7
Non-controlling interests	9	4	31	6
	677	-2	2,225	0

Consolidated balance sheet

EURm	31 DEC 2021	31 DEC 2020
ASSETS		
Goodwill	237	229
Other intangible assets	366	363
Property, plant and equipment (Note 4)	5,569	4,316
Leased assets	608	561
Forest assets	2,328	2,077
Energy shareholdings (Note 5)	2,579	1,936
Other non-current financial assets	133	166
Deferred tax assets	466	421
Net retirement benefit assets	79	26
Investments in associates and joint ventures	33	33
Other non-current assets	20	21
Non-current assets	12,420	10,149
Inventories	1,594	1,285
Trade and other receivables	2,024	1,534
Other current financial assets	139	136
Income tax receivables	40	34
Cash and cash equivalents	1,460	1,720
Current assets	5,257	4,709
Assets	17,676	14,858
EQUITY AND LIABILITIES		
Share capital	890	890
Treasury shares	-2	-2
Translation reserve	329	25
Other reserves	1,938	1,430
Reserve for invested non-restricted equity	1,273	1,273
Retained earnings	6,419	5,735
Equity attributable to owners of the parent company	10,846	9,351
Non-controlling interests	261	162
Equity	11,106	9,513
Deferred tax liabilities	596	564
Net retirement benefit liabilities	676	771
Provisions (Note 8)	155	222
Non-current debt	2,566	1,952
Other non-current financial liabilities	109	97
Non-current liabilities	4,102	3,606
Current debt	86	90
Trade and other payables	2,254	1,571
Other current financial liabilities	95	48
Income tax payables	32	30
Current liabilities	2,468	1,740
Liabilities	6,570	5,345
Equity and liabilities	17,676	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	—	—	—	—	—	1,286	1,286	22	1,307
Translation differences	—	—	325	—	—	—	325	13	337
Cash flow hedges - reclassified to income statement, net of tax	—	—	—	63	—	—	63	—	63
Cash flow hedges - reclassified to PPE	—	—	—	-14	—	—	-14	-1	-16
Cash flow hedges - changes in fair value, net of tax	—	—	—	-172	—	—	-172	-2	-174
Net investment hedge, net of tax	—	—	-21	—	—	—	-21	—	-21
Energy shareholdings - changes in fair value, net of tax	—	—	—	632	—	1	632	—	632
Actuarial gains and losses on defined benefit plans, net of tax	—	—	—	—	—	96	96	—	96
Total comprehensive income for the period	—	—	304	508	—	1,382	2,194	31	2,225
Share-based payments, net of tax	—	—	—	-1	—	-6	-6	—	-6
Dividend distribution	—	—	—	—	—	-693	-693	-13	-706
Other items	—	—	—	—	—	—	—	-1	—
Contributions by non-controlling interests	—	—	—	—	—		—	82	82
Total transactions with owners for the period	—	—	—	-1	—	-698	-699	68	-632
Value at 31 December 2021	890	-2	329	1,938	1,273	6,419	10,846	261	11,106
Value at 1 January 2020	890	-2	278	1,711	1,273	5,912	10,062	113	10,175
Profit for the period	—	—	—	—	—	560	560	8	568
Translation differences	—	—	-258	—	—	—	-258	-4	-262
Cash flow hedges - reclassified to income statement, net of tax	—	—	—	-34	—	—	-34	—	-34
Cash flow hedges - reclassified to PPE	—	—	—	-5	—	—	-5	—	-5
Cash flow hedges - changes in fair value, net of tax	—	—	—	11	—	—	11	3	14
Net investment hedge, net of tax	—	—	5	—	—	—	5	—	5
Energy shareholdings - changes in fair value, net of tax	—	—	—	-252	—	1	-251	—	-251
Actuarial gains and losses on defined benefit plans, net of tax	—	—	—	—	—	-36	-36	—	-36
Total comprehensive income for the period	—	—	-253	-279	—	525	-7	6	—
Share-based payments, net of tax	—	—	—	-2	—	-9	-11	—	-11
Dividend distribution	—	—	—	—	—	-693	-693	-21	-714
Other items	—	—	—	—	—	—	—	—	-1
Contributions by non-controlling interests	—	—	—	—	—	—	—	64	64
Total transactions with owners for the period	—	—	—	-2	—	-702	-704	43	-662
Value at 31 December 2020	890	-2	25	1,430	1,273	5,735	9,351	162	9,513

Consolidated cash flow statement

EURm	Q4/2021	Q4/2020	Q1–Q4/2021	Q1–Q4/2020
Cash flows from operating activities				
Profit for the period	340	190	1,307	568
Adjustments [1)]	110	157	356	721
Interest received	1	1	1	3
Interest paid	-6	-19	-26	-37
Dividends received	1	0	2	3
Other financial items, net	7	-3	-2	-14
Income taxes paid	-137	-52	-275	-145
Change in working capital	91	72	-115	-93
Operating cash flow	406	347	1,250	1,005
Cash flows from investing activities				
Capital expenditure	-438	-303	-1,432	-818
Additions to forest assets	-33	-10	-89	-57
Investments in energy shareholdings	0	-47	0	-47
Proceeds from sale of property, plant and equipment and intangible assets, net of tax	9	1	17	23
Proceeds from sale of forest assets, net of tax	0	1	6	3
Proceeds from disposal of businesses and subsidiaries (Note 9)	0	0	157	0
Proceeds from disposal of energy shareholdings	1	0	1	2
Proceeds from disposal of joint operations	0	0	0	17
Net cash flows from net investment hedges	0	0	9	-4
Change in other non-current assets	2	1	6	3
Investing cash flow	-459	-357	-1,323	-879
Cash flows from financing activities				
Proceeds from non-current debt	0	848	600	861
Payments of non-current debt	-3	-5	-16	-31
Lease repayments	-20	-20	-84	-86
Change in current liabilities	1	-2	0	-2
Net cash flows from derivatives	12	-8	34	-17
Dividends paid to owners of the parent company	0	0	-693	-693
Dividends paid to non-controlling interests	0	0	-12	-23
Contributions paid by non-controlling interests	12	35	82	67
Change in investment funds	-100	0	-100	0
Other financing cash flow	-4	-2	-5	-4
Financing cash flow	-102	846	-194	71
Change in cash and cash equivalents	-155	835	-268	197
Cash and cash equivalents at the beginning of the period	1,613	886	1,720	1,536
Exchange rate effect on cash and cash equivalents	2	-2	8	-13
Change in cash and cash equivalents	-155	835	-268	197
Cash and cash equivalents at the end of the period	1,460	1,720	1,460	1,720

[1)] **Adjustments**

EURm	Q4/2021	Q4/2020	Q1–Q4/2021	Q1–Q4/2020
Change in fair value of forest assets and wood harvested	-103	24	-111	25
Share of results of associated companies and joint ventures	-1	0	-2	-3
Depreciation, amortisation and impairment charges	165	114	515	541
Capital gains and losses on sale of non-current assets	-7	-1	-146	-25
Financial income and expenses	-5	3	15	24
Income taxes	80	60	240	169
Utilised provisions	-19	-23	-85	-55
Non-cash changes in provisions	2	1	1	130
Other adjustments	-3	-22	-70	-86
Total	110	157	356	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 647 million on 31 December 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	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q4/21	Q1–Q4/20
Sales										
UPM Biorefining	813	811	714	606	569	541	563	509	2,945	2,183
UPM Energy	187	124	95	119	107	88	83	101	526	379
UPM Raflatac	442	425	413	391	390	358	403	408	1,671	1,560
UPM Specialty Papers	407	358	361	355	345	311	325	342	1,482	1,324
UPM Communication Papers	950	945	867	815	842	784	741	966	3,577	3,333
UPM Plywood	134	127	119	112	99	98	104	105	492	405
Other operations	66	74	82	58	58	57	60	50	280	225
Internal sales	-329	-341	-268	-224	-223	-208	-202	-194	-1,163	-827
Eliminations and reconciliation	2	1	1	2	1	-1	-1	0	5	-1
Sales, total	2,673	2,523	2,384	2,234	2,188	2,028	2,077	2,287	9,814	8,580
Comparable EBITDA										
UPM Biorefining	270	370	239	137	50	104	113	81	1,016	348
UPM Energy	117	65	43	52	54	43	36	45	277	178
UPM Raflatac	53	63	72	71	64	55	70	64	259	252
UPM Specialty Papers	36	43	58	73	76	56	66	75	209	273
UPM Communication Papers	-33	-3	12	47	121	48	21	110	23	300
UPM Plywood	37	28	19	14	15	13	18	14	99	59
Other operations	-7	-13	2	-2	19	15	-1	1	-19	34
Eliminations and reconciliation	-3	-17	-18	-3	-8	-1	-2	9	-42	-2
Comparable EBITDA, total	470	535	426	389	392	331	320	398	1,821	1,442
Operating profit										
UPM Biorefining	216	321	190	90	0	58	70	37	817	166
UPM Energy	115	63	41	50	49	58	34	43	270	184
UPM Raflatac	44	54	61	62	48	45	60	51	222	205
UPM Specialty Papers	18	23	39	54	57	40	50	58	135	206
UPM Communication Papers	-102	106	-14	23	110	-95	-37	31	14	9
UPM Plywood	30	26	15	8	9	6	-12	7	80	10
Other operations	96	-12	-5	-3	-9	7	-7	-6	75	-15
Eliminations and reconciliation	-4	-17	-23	-6	-11	-3	-12	21	-50	-4
Operating profit, total	415	564	304	279	253	117	148	243	1,562	761
% of sales	15.5	22.4	12.8	12.5	11.6	5.8	7.1	10.6	15.9	8.9
Items affecting comparability										
UPM Biorefining	—	—	—	—	—	—	—	—	—	—
UPM Energy	—	—	—	—	-3	17	—	—	—	14
UPM Raflatac	—	—	-1	—	-6	—	—	-3	-1	-9
UPM Specialty Papers	—	—	—	—	—	3	4	—	—	6
UPM Communication Papers	-46	135	—	2	16	-114	-27	-45	93	-170
UPM Plywood	—	4	3	—	—	—	-22	—	8	-23
Other operations	—	—	-1	—	-2	-1	—	—	-1	-3
Eliminations and reconciliation [1]	-1	—	-5	-3	-3	-2	-9	12	-9	-3
Items affecting comparability in operating profit, total	-46	140	-3	—	2	-98	-55	-36	91	-187
Comparable EBIT										
UPM Biorefining	216	321	190	90	0	58	70	37	817	166
UPM Energy	115	63	41	50	52	41	34	43	270	171
UPM Raflatac	44	54	63	62	55	45	60	54	223	214
UPM Specialty Papers	18	23	39	54	57	37	47	58	135	199
UPM Communication Papers	-56	-30	-14	20	94	19	-10	76	-79	180
UPM Plywood	30	22	12	8	9	6	11	7	72	33
Other operations	96	-12	-5	-4	-7	8	-7	-6	76	-12
Eliminations and reconciliation	-3	-17	-18	-3	-8	-1	-2	9	-42	-2
Comparable EBIT, total	461	424	307	279	252	215	203	279	1,471	948
% of sales	17.2	16.8	12.9	12.5	11.5	10.6	9.8	12.2	15.0	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 2021, items affecting comparability mainly relate to the gain on sale of Shotton Mill Ltd in UPM Communication Papers business area and impairment charges of newsprint related fixed assets. 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	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q4/21	Q1–Q4/20
Comparable profit for the period	373	359	246	228	191	158	157	231	1,204	737
Items affecting comparability										
Impairment charges	-52	1	0	-1	2	-53	-19	0	-52	-70
Restructuring charges	0	5	2	4	3	-57	-34	-48	11	-137
Change in fair value of unrealised cash flow and commodity hedges	0	0	-5	-3	-3	-2	-9	12	-8	-3
Capital gains and losses on sale of non-current assets	7	134	0	0	0	14	8	0	140	23
Total items affecting comparability in operating profit	-46	140	-3	0	2	-98	-55	-36	91	-187
Changes in tax rates	0	0	0	0	0	0	-4	0	0	-3
Taxes relating to items affecting comparability	13	-1	1	0	-3	22	4	-2	12	21
Items affecting comparability in taxes	13	-1	1	0	-2	22	1	-2	12	18
Items affecting comparability, total	-33	139	-3	0	-1	-75	-54	-39	103	-169
Profit for the period	340	497	243	227	190	83	103	192	1,307	568

3 External sales by major products

BUSINESS AREA	BUSINESS	Q4/2021	Q4/2020	Q1–Q4/2021	Q1–Q4/2020
EURm					
UPM Biorefining	UPM Pulp UPM Biofuels UPM Timber	640	447	2,289	1,720
UPM Energy	UPM Energy	109	70	290	252
UPM Raflatac	UPM Raflatac	442	390	1,671	1,560
UPM Specialty Papers	UPM Specialty Papers	344	298	1,275	1,148
UPM Communication Papers	UPM Communication Papers	938	832	3,536	3,296
UPM Plywood	UPM Plywood	129	93	471	385
Other operations	UPM Forest UPM Biochemicals UPM Biomedicals UPM Biocomposites	69	57	277	221
Eliminations and reconciliations		2	1	5	-1
Total		2,673	2,188	9,814	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–Q4/2021	Q1–Q4/2020
Book value at beginning of period	4,316	4,083
Reclassification to assets held for sale, net	-13	-2
Capital expenditure	1,515	829
Decreases	-12	-7
Depreciation	-368	-383
Impairment charges	-54	-70
Impairment reversal	2	0
Translation difference and other changes	183	-135
Book value at end of period	5,569	4,316

Capital expenditure in 2021 and in 2020 mainly relate to the construction of the new pulp mill in Uruguay and the construction of the new biorefinery in Germany. Impairment charges in 2021 include EUR 50 million impairment charges of newsprint fixed assets. In 2020, impairment charges mainly relate to the closure of UPM Chapelle paper mill in France and UPM Kaipola paper mill in Finland and to the closure of Jyväskylä plywood mill.

5 Financial assets and liabilities

Financial assets and liabilities measured at fair value

EURm	31 DEC 2021				31 DEC 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Investment funds	—	100	—	100	—	—	—	—
Derivatives non-qualifying hedges	—	13	—	13	—	32	—	32
Derivatives under hedge accounting	1	148	—	149	2	252	—	254
Energy shareholdings	—	—	2,579	2,579	—	—	1,936	1,936
Total	1	261	2,579	2,841	2	284	1,936	2,222
Financial liabilities								
Derivatives non-qualifying hedges	—	20	—	20	—	27	—	27
Derivatives under hedge accounting	6	102	—	108	2	27	—	29
Total	6	122	—	128	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. Valuation of investment funds is based on quoted prices (unadjusted) for identical assets in markets that are not active.

Fair value measurements using significant unobservable inputs, Level 3

	ENERGY SHAREHOLDINGS	
EURm	Q1–Q4/2021	Q1–Q4/2020
Book value at beginning of period	1,936	2,145
Disposals	-1	-2
Fair value changes recognised in other comprehensive income	643	-207
Book value at end of period	2,579	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 370 million.

The discount rate of 5.08% 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 330 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	31 DEC 2021 Carrying amount	31 DEC 2021 Fair value	31 DEC 2020 Carrying amount	31 DEC 2020 Fair value
Bonds	1,624	1,633	1,153	1,164
Other non-current debt excl. derivative financial instruments and lease liabilities	414	436	331	345
Total	2,038	2,069	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	31 DEC 2021	31 DEC 2020
On behalf of others		
Guarantees	2	2
Other own commitments		
Commitments related to off-balance sheet short-term leases	4	6
Other commitments	213	214
Total	220	223

The lease commitments for leases not commenced on 31 December 2021 amounted to EUR 409 million (EUR 412 million) 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–Q4/2021	AFTER 31 DEC 2021
New biorefinery / Germany	Q4 2023	550	79	156	315
CHP power plant / Germany	Q3 2022	95	28	35	32
New pulp mill / Uruguay	Q1 2023	3,062	591	1,065	1,406
Renovation and modernisation / Kuusankoski hydro power plant	Q4 2022	22	6	6	10
Mill development / Plywood Joensuu	Q4 2023	10	0	2	8

7 Notional amounts of derivative financial instruments

EURm	31 DEC 2021	31 DEC 2020
Interest rate futures	2,280	2,391
Interest rate swaps	1,081	1,056
Forward foreign exchange contracts	3,550	3,992
Currency options, bought	—	10
Currency options, written	—	10
Cross currency swaps	161	166
Commodity contracts	1,508	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	5	6	2	41	11	64
Provisions utilised during the year	-22	-53	-1	-21	-10	-107
Unused provisions reversed	-11	-8	-1	-2	-2	-25
Value at 31 December 2021	24	36	30	39	26	155

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 Q4 2021 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–Q4/2021
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	**133**
Consideration paid in cash	160
Cash in company disposed	-2
Net cash arising from disposal	**157**

10 Change in the composition of reportable segments

The group will change its reportable segments composition by moving the UPM Biofuels business into Other Operations on 1 January 2022.

UPM is forming a new business unit by combining UPM Biofuels, UPM Biochemicals, UPM Biomedicals and UPM Biocomposites businesses. The aim is to speed up business growth and to leverage the capabilities and competences across projects efficiently. This unit will inherit the name UPM Biorefining and will be reported as part of Other operations. UPM Pulp and UPM Timber currently reported under UPM Biorefining will be reported as UPM Fibres business area from 1 January 2022.

Following the change, Other Operations will include UPM Forest, UPM Biofuels, UPM Biochemicals, UPM Biomedicals and UPM Biocomposites businesses as well as group services. The change will impact KPIs of UPM Biorefining (1.1.2022 UPM Fibres) reportable segment and Other Operations. The comparative periods will be restated according to the new reporting principles. The reporting change has no impact on group financial result or balance sheet.

UPM Biorefining (1.1.2022 UPM Fibres)

	UPM Biorefining as published					UPM Fibres restated				
	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21
Sales EURm	813	811	714	606	2,945	766	783	682	563	2,794
Comparable EBITDA, EURm	270	370	239	137	1,016	258	345	237	120	961
% of sales	33	46	34	23	35	34	44	35	21	34
Change in fair value of forest assets and wood harvested, EURm	-6	-2	-1	—	-9	-6	-2	-1	—	-9
Share of results of associated companies and joint ventures, EURm	—	1	—	—	2	—	1	—	—	2
Depreciation, amortisation and impairment charges, EURm	-48	-47	-49	-47	-191	-43	-43	-44	-43	-173
Operating profit, EURm	216	321	190	90	817	209	301	192	78	781
% of sales	27	40	27	15	28	27	38	28	14	28
Items affecting comparability in operating profit, EURm	—	—	—	—	—	—	—	—	—	—
Comparable EBIT, EURm	216	321	190	90	817	209	301	192	78	781
% of sales	27	40	27	15	28	27	38	28	14	28
Capital employed (average), EURm	5,013	4,625	4,201	3,910	4,437	4,855	4,465	4,041	3,747	4,277
Comparable ROCE, %	17	28	18	9	18	17	27	19	8	18

Other Operations

	As published					Restated				
	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21
Sales EURm	66	74	82	58	280	133	116	124	110	483
Comparable EBITDA, EURm	-7	-13	2	-2	-19	5	12	5	14	36
Change in fair value of forest assets and wood harvested, EURm	109	6	-1	5	120	109	6	-1	5	120
Depreciation, amortisation and impairment charges, EURm	-7	-6	-6	-6	-25	-11	-10	-11	-11	-44
Operating profit, EURm	96	-12	-5	-3	75	103	8	-8	9	112
Items affecting comparability in operating profit, EURm	—	—	-1	—	-1	—	—	-1	—	-1
Comparable EBIT, EURm	96	-12	-5	-4	76	103	8	-7	9	113
Capital employed (average), EURm	2,050	1,986	1,987	1,944	1,992	2,209	2,146	2,147	2,106	2,152
Comparable ROCE, %	19	-2	-1	-1	4	19	2	-1	2	5

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.

	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q4/21	Q1–Q4/20
Sales EURm	2,673	2,523	2,384	2,234	2,188	2,028	2,077	2,287	9,814	8,580
Comparable EBITDA, EURm	470	535	426	389	392	331	320	398	1,821	1,442
% of sales	17.6	21.2	17.9	17.4	17.9	16.3	15.4	17.4	18.6	16.8
Comparable EBIT, EURm	461	424	307	279	252	215	203	279	1,471	948
% of sales	17.2	16.8	12.9	12.5	11.5	10.6	9.8	12.2	15.0	11.1
Comparable profit before tax, EURm	466	418	301	272	248	207	193	276	1,457	924
Capital employed (average, EURm)	13,399	12,633	12,080	11,744	11,138	10,744	10,888	11,241	12,657	11,514
Comparable ROCE, %	14.1	13.4	10.2	9.5	9.1	7.9	7.5	10.2	11.7	8.3
Comparable profit for the period, EURm	373	359	246	228	191	158	157	231	1,204	737
Total equity, average, EURm	10,760	10,011	9,454	9,407	9,496	9,468	9,564	9,923	10,310	9,844
Comparable ROE, %	13.8	14.3	10.4	9.7	8.0	6.7	6.6	9.3	11.7	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	0.69	0.66	0.45	0.42	0.35	0.29	0.29	0.43	2.22	1.37
Items affecting comparability in operating profit, EURm	-46	140	-3	0	2	-98	-55	-36	91	-187
Items affecting comparability in taxes, EURm	13	-1	1	0	-2	22	1	-2	12	18
Operating cash flow, EURm	406	318	308	217	347	365	156	137	1,250	1,005
Operating cash flow per share, EUR	0.76	0.60	0.58	0.41	0.65	0.69	0.29	0.26	2.34	1.89
Net debt at the end of period, EURm	647	667	750	83	56	89	301	-405	647	56
Net debt to EBITDA (last 12 m.)	0.35	0.38	0.49	0.06	0.04	0.06	0.19	-0.23	0.35	0.04
Gearing ratio, %	6	6	8	1	1	1	3	-4	6	1
Equity per share at the end of period, EUR	20.34	19.08	17.62	17.06	17.53	17.54	17.50	17.90	20.34	17.53
Capital expenditure, EURm	491	365	375	252	365	201	173	165	1,483	903
Capital expenditure excluding acquisitions, EURm	491	365	374	246	364	201	173	165	1,477	902
Equity to assets ratio, %	62.9	62.8	61.7	58.5	64.1	68.4	68.3	64.8	62.9	64.1
Personnel at the end of period	16,966	17,085	17,874	17,670	18,014	18,349	19,029	18,573	16,966	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	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q1–Q4/21	Q1–Q4/20
Items affecting comparability										
Impairment charges	-52	1	0	-1	2	-53	-19	0	-52	-70
Restructuring charges	0	5	2	4	3	-57	-34	-48	11	-137
Change in fair value of unrealised cash flow and commodity hedges	0	0	-5	-3	-3	-2	-9	12	-8	-3
Capital gains and losses on sale of non-current assets	7	134	0	0	0	14	8	0	140	23
Total items affecting comparability in operating profit	-46	140	-3	0	2	-98	-55	-36	91	-187
Changes in tax rates	0	0	0	0	0	0	-4	0	0	-3
Taxes relating to items affecting comparability	13	-1	1	0	-3	22	4	-2	12	21
Items affecting comparability in taxes	13	-1	1	0	-2	22	1	-2	12	18
Items affecting comparability, total	-33	139	-3	0	-1	-75	-54	-39	103	-169
Comparable EBITDA										
Operating profit	415	564	304	279	253	117	148	243	1,562	761
Depreciation, amortisation and impairment charges excluding items affecting comparability	113	116	118	116	116	117	119	120	463	471
Change in fair value of forest assets and wood harvested excluding items affecting comparability	-103	-5	2	-5	24	1	-1	1	-111	25
Share of result of associates and joint ventures	-1	-1	-1	0	0	-1	-1	-1	-2	-3
Items affecting comparability in operating profit	46	-140	3	0	-2	98	55	36	-91	187
Comparable EBITDA	470	535	426	389	392	331	320	398	1,821	1,442
% of sales	17.6	21.2	17.9	17.4	17.9	16.3	15.4	17.4	18.6	16.8
Comparable EBIT										
Operating profit	415	564	304	279	253	117	148	243	1,562	761
Items affecting comparability in operating profit	46	-140	3	—	-2	98	55	36	-91	187
Comparable EBIT	461	424	307	279	252	215	203	279	1,471	948
% of sales	17.2	16.8	12.9	12.5	11.5	10.6	9.8	12.2	15.0	11.1
Comparable profit before tax										
Profit before tax	420	558	298	272	250	109	138	240	1,548	737
Items affecting comparability in operating profit	46	-140	3	—	-2	98	55	36	-91	187
Comparable profit before tax	466	418	301	272	248	207	193	276	1,457	924
Comparable ROCE, %										
Comparable profit before tax	466	418	301	272	248	207	193	276	1,457	924
Interest expenses and other financial expenses	6	6	7	7	4	7	10	11	26	33
	471	424	308	280	253	213	203	288	1,483	957
Capital employed, average	13,399	12,633	12,080	11,744	11,138	10,744	10,888	11,241	12,657	11,514
Comparable ROCE, %	14.1	13.4	10.2	9.5	9.1	7.9	7.5	10.2	11.7	8.3
Comparable profit for the period										
Profit for the period	340	497	243	227	190	83	103	192	1,307	568
Items affecting comparability, total	33	-139	3	—	1	75	54	39	-103	169
Comparable profit for the period	373	359	246	228	191	158	157	231	1,204	737
Comparable EPS, EUR										
Comparable profit for the period	373	359	246	228	191	158	157	231	1,204	737
Profit attributable to non-controlling interest	-5	-9	-4	-3	-3	-1	-2	-2	-22	-8
	367	350	242	224	188	157	155	229	1,183	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	0.69	0.66	0.45	0.42	0.35	0.29	0.29	0.43	2.22	1.37
Comparable ROE, %										
Comparable profit for the period	373	359	246	228	191	158	157	231	1,204	737
Total equity, average	10,760	10,011	9,454	9,407	9,496	9,468	9,564	9,923	10,310	9,844
Comparable ROE, %	13.8	14.3	10.4	9.7	8.0	6.7	6.6	9.3	11.7	7.5
Net debt										
Non-current debt	2,566	2,545	2,542	2,556	1,952	1,154	1,205	1,234	2,566	1,952
Current debt	86	80	77	76	90	88	104	105	86	90
Total debt	2,652	2,625	2,619	2,632	2,042	1,242	1,309	1,338	2,652	2,042
Non-current interest-bearing assets	148	155	160	161	181	198	213	219	148	181
Cash and cash equivalents	1,460	1,613	1,578	2,284	1,720	886	729	1,460	1,460	1,720
Other current interest-bearing assets	398	191	130	104	86	68	66	65	398	86
Total interest-bearing assets	2,006	1,959	1,869	2,550	1,986	1,152	1,008	1,744	2,006	1,986
Net debt	647	667	750	83	56	89	301	-405	647	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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