UPM

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UPM INTERIM REPORT JANUARY-MARCH 2022

UPM Interim Report Q1 2022:

Strong performance supported by tight markets

Q1 2022 highlights

- Sales increased by 12% to EUR 2,507 million (2,234 million in Q1 2021)
- Comparable EBIT was in line with last year at EUR 277 million, 11.0% of sales (279 million, 12.5%)
- Operating cash flow was EUR 12 million (217 million)
- Net debt increased to EUR 837 million (83 million) and net debt to EBITDA ratio was 0.46 (0.06)
- Sales prices increased in all business areas and more than offset the negative impact of higher variable costs
- The strike in Finland affected production and delivery volumes especially in the pulp, paper and biofuels businesses
- Cash funds and unused committed credit facilities totalled EUR 2.9 billion at the end of Q1 2022
- Transformative growth projects in Uruguay and in Germany proceed well, investment estimate updated for the Leuna biorefinery
- UPM decided to suspend its deliveries to Russia, purchasing of wood in Russia and the UPM Chudovo plywood mill operations
- In April, UPM and Paperworkers' Union agreed on first-ever business-specific collective labour agreements and the strike ended at UPM mills in Finland

Key figures

	Q1/2022	Q1/2021	Q4/2021	Q1–Q4/2021
Sales, EURm	2,507	2,234	2,673	9,814
Comparable EBITDA, EURm	377	389	470	1,821
% of sales	15.0	17.4	17.6	18.6
Operating profit, EURm	183	279	415	1,562
Comparable EBIT, EURm	277	279	461	1,471
% of sales	11.0	12.5	17.2	15.0
Profit before tax, EURm	179	272	420	1,548
Comparable profit before tax, EURm	273	272	466	1,457
Profit for the period, EURm	139	227	340	1,307
Comparable profit for the period, EURm	232	228	373	1,204
Earnings per share (EPS), EUR	0.25	0.42	0.63	2.41
Comparable EPS, EUR	0.42	0.42	0.69	2.22
Return on equity (ROE), %	5.0	9.7	12.6	12.7
Comparable ROE, %	8.4	9.7	13.8	11.7
Return on capital employed (ROCE), %	5.8	9.5	12.7	12.4
Comparable ROCE, %	8.5	9.5	14.1	11.7
Operating cash flow, EURm	12	217	406	1,250
Operating cash flow per share, EUR	0.02	0.41	0.76	2.34
Equity per share at the end of period, EUR	20.11	17.06	20.34	20.34
Capital employed at the end of period, EURm	13,840	11,933	13,759	13,759
Net debt at the end of period, EURm	837	83	647	647
Net debt to EBITDA (last 12 months)	0.46	0.06	0.35	0.35
Personnel at the end of period	16,843	17,670	16,966	16,966

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 2021*

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

"Market demand was strong and UPM businesses performed well. We delivered good Q1 results, on par with the corresponding quarter of last year. Prices increased significantly in all our businesses, more than offsetting the rise in variable costs. The result is a good achievement when viewed against the background of the strikes that took place at most of our Finnish mills and the war in Ukraine.

Quarterly sales increased by 12% to EUR 2,507 million, and comparable EBIT was in line with last year at EUR 277 million, 11.0% of sales. Operating cash flow was EUR 12 million, impacted by inflation and energy-related items in working capital. Net debt at the end of March was EUR 837 million. Cash funds and unused committed credit facilities totalled EUR 2.9 billion. Our strong liquidity and balance sheet are a great strength considering our ongoing transformative growth investments and the unpredictability of the operating environment.

Prices increased in all UPM businesses and the upward trend in market prices continued also for UPM Fibres. Our Uruguay pulp mill and UPM Timber performed very well. However, with two-thirds of our pulp production down because of the strikes in Finnish mills, the business area result was modest in the current markets.

UPM Communication Papers returned to profitable numbers, thanks to tight market as well as timely and successful commercial execution. The business experienced a steep rise in input costs, particularly energy, but was able to increase sales prices accordingly. A third of our graphic paper capacity was down because of the strike in Finland, but UPM Communications Papers was able to cover deliveries partially from existing stock and the mills outside of Finland.

The market for UPM Specialty Papers' release liner and packaging paper continued to be good, and prices increased. However, our delivery volumes were lower than usual due to the strikes in Finland. Fine paper prices increased in Asia. High input costs were met with mitigating actions.

UPM Raflatac's underlying demand and margins continued to be healthy despite significantly higher raw material, energy and logistics costs. Q1 comparable EBIT includes a EUR 13 million provision for expected credit losses related to business in Russia. Delivery volumes decreased as the strikes in Finland caused raw material shortages and production curtailments.

UPM Plywood achieved another record quarter in earnings, thanks to strong demand and high sales prices. The new business-specific collective labour agreement signed in December improved flexibility in production in our Finnish mills. This is particularly important in the current strong markets with declining Russian volumes.

UPM Energy reported strong Q1 results, thanks to continued high prices in the Finnish price area. However, Finnish prices and the business area result came down from the record high levels of Q4. The OL3 nuclear power plant unit was connected to the national grid in March and production is rising steadily. Once the unit starts regular commercial operations in Q3, it will markedly increase UPM's CO_2 free electricity generation. In addition, this will improve Finland's self-sufficiency regarding electricity.

In other operations, UPM Biofuels had no production or deliveries because of the strikes in Finland. The market for advanced renewable fuels continued to be strong.

The geopolitical environment in Europe has changed dramatically after Russia's attack on Ukraine. Consequently, the uncertainties related to European and world economy have increased significantly. Our primary concern are the people suffering from the war, and we have started delivering humanitarian and material aid to Ukraine. UPM ceased its deliveries to Russia and wood sourcing in and from Russia. We also decided to dial down production in our Chudovo plywood mill.

The Paperworkers' Union's long strike at UPM Pulp, UPM Communication Papers, UPM Specialty Papers, UPM Raflatac and UPM Biofuels units in Finland affected our Q1 production volumes greatly. Business-specific collective labour agreements were reached on 22 April, and we are currently ramping up production in the affected mills. Our plywood mills and sawmills have operated as usual during the first quarter.

We entered this negotiation round with a long-term view to ensure the future competitiveness of our businesses. We achieved our goal, seven business-specific agreements, that improve productivity while at the same time offer competitive terms for our employees. In Finland we have more than 6,000 employees and nearly EUR 10 billion of assets. We have the responsibility for enabling our people and businesses prosper in this country. Business-specific collective labour agreements play a key role in this. The new agreements will improve the flexibility of our units and provide opportunities for investments. Improved competitiveness will ultimately benefit our customers, too.

At the same time, we have attractive major growth projects under construction in Uruguay and Germany, and under consideration in the Netherlands. The projects are an important part of our strategy, enabling future value creation and earnings growth.

The pulp mill project in Paso de los Toros is progressing well towards its start-up by the end of Q1 2023. With the very competitive cash cost level of USD 280 per delivered tonne of pulp, the mill will bring significant earnings growth once up and running.

The biochemicals refinery project in Leuna is now also progressing well. We have finalised a new investment estimate of EUR 750 million for the project, considering the scheduled ramp-up by the end of 2023 and the current high-cost environment. Supported by high customer demand, the investment case for the project is attractive and the long-term growth strategy for the biochemicals business looks increasingly appealing. Thus, we already have a team in place planning for the next growth steps beyond the first refinery in Leuna.

In biofuels, the basic engineering phase of a potential new biorefinery is continuing at full pace, now focusing on the site in Rotterdam. The demand for climate solutions is clearly on the rise. At the same time, the dramatically changed geopolitical situation has further underlined the need to rapidly find alternatives for fossil fuels. I believe that UPM can play an important role in decarbonising society and creating a future beyond fossils.

As the latest example of UPM's commitment to sustainability, in March we published the Forest Action Programme that will run until 2030. This programme is steering our global wood sourcing operations and covers our forests in Finland and the United States as well as plantations in Uruguay. Forest Action pushes us beyond current standard requirements and its measures will have a positive impact on all fundamental aspects of sustainable forestry: climate, biodiversity, soil, water and social contribution. By taking concrete actions, we can make the 2020s a decade of sustainable growth."

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 war in Ukraine, the ongoing pandemic, growth in the European and global economy, the energy market situation in Europe and the tight raw material and logistics markets.

Good demand is expected to continue for most UPM products in 2022. In the first half 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, and the two scheduled pulp mill maintenance shutdowns in Finland in Q2.

Sales prices and variable costs are expected to increase in most of UPM businesses in H1 2022. 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. Comparable EBIT in the full year 2022 is expected to be on similar level or higher than in 2021.

Impact of the COVID-19 pandemic

The COVID-19 pandemic, the related containment measures around the world and the 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. In 2021, the global economy 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 of the global economy from the deep downturn in 2020, combined with the ongoing pandemic has created tightness and disruptions globally in many supply chains, including logistics and energy, causing rising costs and uncertainty on the 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 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. 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.

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

In 2020, graphic paper demand in Europe decreased by 18% from the previous year, particularly as advertising-driven paper consumption and office paper demand being impacted by the lockdowns across Europe. In 2021, as economies in Europe started to gradually open, graphic paper demand increased by 4% compared 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.

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 lay-offs, or reduced working hours as required to adjust its operations in different scenarios.

Projects and maintenance shutdowns
The pandemic and the required health and safety measures add 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 tight global logistics and supply chains.

UPM rescheduled the maintenance shutdown at the UPM Kymi pulp mill from Q2 2021 to Q4 2021 due to the pandemic.

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
Q4/2022	UPM Fray Bentos pulp mill
	UPM Lappeenranta Biorefinery

Financing
UPM's financial position is strong. UPM's net debt was EUR 837 million at the end of Q1 2022. Cash funds and unused committed credit facilities totalled EUR 2.9 billion at the end of Q1 2022. This includes the sustainability-linked EUR 750 million committed syndicated revolving credit facility maturing in 2027, sustainability-linked EUR 500 million bilateral revolving credit facilities signed in Q1 2022, of which EUR 300 million matures in 2025 and EUR 200 million in 2027, and a 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.

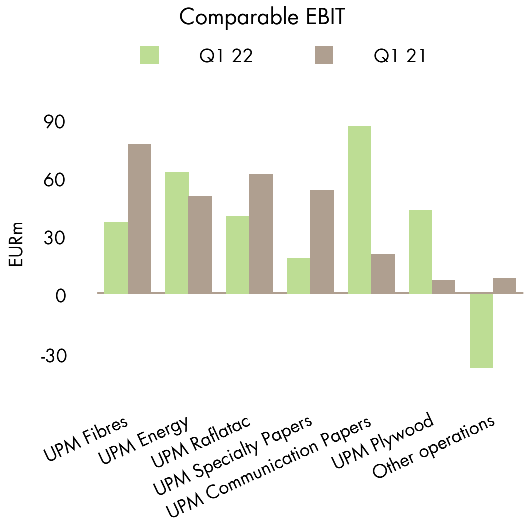
Impact of Russia's war in Ukraine

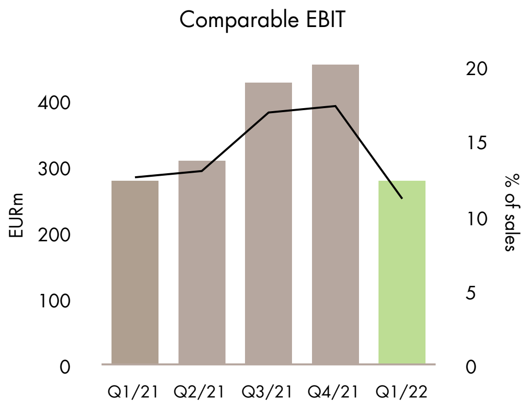
In response to the Russia´s attack on Ukraine, the European Union as well as the United States, the United Kingdom, and other countries have imposed extensive sanctions on Russia, the breakaway regions Donetsk and Luhansk, and Belarus. Since 21 February 2022, these measures include for example asset freezes and travel restrictions on individuals and entities, economic sanctions targeting sectors of the Russian and Belarusian economies, and diplomatic restrictions.

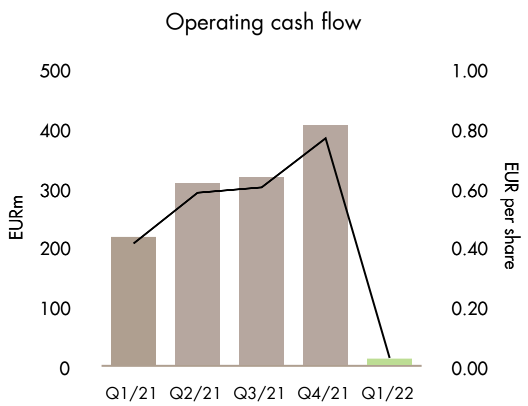
Global economy
While the sanctions primarily target Russia's ability to finance its military operations in Ukraine and cause economic and political costs on people responsible for them, economic uncertainty and cost inflation may accelerate especially in countries that have significant trade with Russia. Import bans concerning various goods categories will restrict the availability of raw materials and drive cost increases in many supply chains that have been under increasing pressure during the COVID-19 pandemic. Export bans will impact industries dependent on Russian market and shift delivery volumes and services to other markets. Fuel prices are exposed to geopolitical uncertainties and because of Russia's attack on Ukraine and the current sanctions imposed on Russian fuels, the volatility on energy costs can increase, especially if the scope of the sanctions increases further to Russian gas and oil.

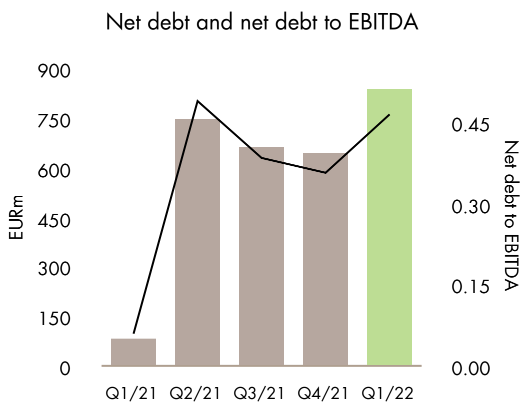
Impact on UPM businesses
The EU has imposed bans on wood product exports and imports, prohibitions of Russian transportation operators entering EU as well as sanctioned several Russian banks. Disruptions in international sales, purchases and payment flows involving Russian counterparties are inevitable. Major forest certification organisations (i.e. FSC™ and PEFC) have also excluded Russian and Belarusian wood from their certification systems. For the time being, UPM businesses have suspended deliveries to Russia as well as wood sourcing in and from Russia. UPM also decided to suspend the UPM Chudovo plywood mill operations following carefully the legislation in Russia and with due consideration of local employees, customers, and stakeholders. Due to the significant uncertainties related to operations in Russia and Ukraine, UPM has recognised a write off of all assets and receivables locating or relating operations in these countries in Q1 2022. Impairment of fixed assets, inventories and other receivables amounting to EUR 95 million was reported as items affecting comparability. In addition, the group increased the general provision for expected credit losses on trade receivables by EUR 17 million that is impacting comparable EBIT. UPM's sales to Russia and Ukraine combined was approximately 2% of UPM's total sales in 2021. Assets in Russia are less than 1% of the group total. In 2021, less than 10% of UPM's wood sourcing to Finland originated from Russia.

Adjusting to different scenarios
The full impact of the current and possible new sanctions and counter-sanctions will be known only as the situation evolves. UPM has implemented mitigation plans to contain and reduce negative consequences to its employees, customers, vendors, and other stakeholders as well as operations affected by the sanctions. The potential further impacts to UPM are likely to differ by business and by the pace, scope and duration of sanctions, market price reactions, development of supply chains' footprint, and the length of the war in Ukraine. UPM monitors the situation closely and prepares plans to adjust its operations in different scenarios accordingly.









Results

Q1 2022 compared with Q1 2021

Q1 2022 sales were EUR 2,507 million, 12% higher than the EUR 2,234 million in Q1 2021. Sales increased in UPM Communication Papers, UPM Raflatac, UPM Plywood, UPM Energy and UPM Specialty Papers business areas driven by higher sales prices. Sales decreased in UPM Fibres business area.

Comparable EBIT was in line with last year at EUR 277 million, which was 11.0% of sales (279 million, 12.5%).

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

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

Delivery volumes decreased in most business areas. The strike in Finland affected volumes especially in UPM Fibres, UPM Communication Papers and UPM Specialty Papers. Fixed costs decreased by EUR 30 million mainly due to the strike.

All in all, it is estimated that the strikes affected the Q1 results by approximately EUR 180-220 million, considering the lost sales, lower fixed costs and various dynamic impacts.

Depreciation, excluding items affecting comparability, totalled EUR 111 million (116 million), including depreciation of leased assets totalling EUR 19 million (18 million). The change in the fair value of forest assets net of wood harvested was EUR 12 million (5 million).

Operating profit was EUR 183 million (279 million). Items affecting comparability in operating profit totalled EUR -94 million in the period (0 million). In Q1 2022, items affecting comparability include the EUR 95 million impairment charges of assets impacted by Russia´s war in Ukraine.

Net interest and other finance income and costs were EUR -5 million (-6 million). The exchange rate and fair value gains and losses were EUR 1 million (0 million). Income taxes were EUR 40 million (45 million). Items affecting comparability in taxes totalled EUR 1 million (0 million).

Profit for Q1 2022 was EUR 139 million (227 million), and comparable profit was EUR 232 million (228 million).

Q1 2022 compared with Q4 2021

Comparable EBIT decreased by 40% to EUR 277 million, which was 11.0% of sales (461 million, 17.2%). The decrease in comparable EBIT took place mainly due to lower delivery volumes and the significantly larger fair value increase of forests in the comparison period.

Delivery volumes were lower in most business areas. The strike in Finland affected volumes especially in UPM Fibres, UPM Communication Papers and UPM Specialty Papers.

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

Variable costs increased in all business areas. At the group level, the positive impact of higher sales prices more than offset the negative impact of higher variable costs.

Fixed costs decreased by EUR 103 million due to seasonal reasons, the scheduled maintenance shutdown at the UPM Kymi pulp mill in Q4 2021 and the strike in Finland in Q1 2022.

Depreciation, excluding items affecting comparability, totalled EUR 111 million (113 million). The change in the fair value of forest assets net of wood harvested was EUR 12 million (103 million).

Operating profit was EUR 183 million (415 million).

Financing and cash flow

In Q1 2022 cash flow from operating activities before capital expenditure and financing totalled EUR 12 million (217 million). Working capital increased by EUR 258 million (122 million), mainly due to inflation and energy-related items.

Net debt was EUR 837 million at the end of Q1 2022 (83 million). The gearing ratio as of 31 March 2022 was 8% (1%). The net debt to EBITDA ratio, based on the last 12 month's EBITDA, was 0.46 at the end of the period (0.06).

On 31 March 2022 UPM's cash funds and unused committed credit facilities totalled EUR 2.9 billion. This includes a sustainability-linked EUR 750 million revolving credit facility maturing in 2027, sustainability-linked EUR 500 million bilateral revolving credit facilities, of which EUR 300 million matures in 2025 and EUR 200 million in 2027, and a EUR 159 million equivalent rolling overdraft facility.

A dividend of EUR 1.30 per share (totalling EUR 693 million) was paid on 7 April 2022 for the 2021 financial year.

Capital expenditure

In Q1 2022, capital expenditure totalled EUR 256 million, which was 10.2% of sales (252 million, 11.3% 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 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, and the total investment estimate is EUR 750 million.

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

Personnel

In Q1 2022, UPM had an average of 16,815 employees (17,704). At the beginning of the year, the number of employees was 16,966 and at the end of Q1 2022 it was 16,843.

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 500,098 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 Uruguayan operations.

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

Significant impact on the Uruguayan economy

Based on independent socio-economic impact studies, the mill is estimated to increase Uruguay's gross national product by about 2% and the annual value of Uruguay's exports by approximately 12% after completion.

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 of the pandemic and tight global supply chains have caused some challenges to the project. Hence, the completion plan for the project was refined in January 2022. 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 7,000 people are currently working on the project at the various construction sites. Strict COVID-19 protocols have been maintained at all of UPM's construction sites and adjusted to the current context in Uruguay.

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. The majority of the large civil works have been completed. The power boiler pressure test was done successfully in December. Commissioning works will start in the near future.

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 required for the construction of the UPM Paso de los Toros mill.

Works at the pulp terminal in the port of Montevideo are progressing. The pier walls, storage tanks and warehouse building are ready, all the rest of the works inside of the concession are in progress and ending by early Q3 2022. Currently the focal ones are dredging of the dock, railway works, pavements, electrical, piping and automation installation, among others.

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 has been increased to EUR 750 million.

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

InfraLeuna GmbH, in the state of Saxony-Anhalt, offers very competitive conditions for constructing a biorefinery with its logistics arrangements and infrastructure for various services and utilities. In October 2020, UPM entered into service agreements with InfraLeuna GmbH related to wood handling, wastewater treatment and other utilities, which will be recognised as lease assets and liabilities under IFRS 16 Leases upon the commencement date. The total amount of such lease assets and liabilities is estimated to be EUR 120 million.

Construction at the biorefinery-site in Leuna continues with visible progress. Major overground structures have been emerging. The erection of pipe racks, casings, tanks and the substation buildings is progressing with good speed. Also, large parts of the reactors, furnaces and columns have been delivered and are stored on site.

The business foundation has been strengthened further. Business function teams are in place and hiring the operations staff has progressed enabling entering to concrete start- and ramp-up preparations from training through process development and concrete operations planning. Also, the research and analytics laboratories are now established in Leuna and the teams are staffed and working – an important step towards quality assurance, process optimisation and to define future development options.

Commercial activities have continued to proceed positively in different product and application areas. After the launch of UPM BioMotion™ Renewable Functional Fillers (RFF) in October 2021, 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 good results regarding both the technical and commercial viability of our product. We made further progress in taking renewable bio-monoethylene glycols (bMEG) to market, advancing sales capabilities and extending pre-commercial discussions with potential customers, as well as end-users in the packaging, textile and automotive end-uses.

The environmental benefits of the biorefinery and the UPM Biochemicals portfolio continue to be 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.

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.

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

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 Q1 2023.

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. According to TVO, the completion of fuel loading meant that OL3 is a nuclear power plant in use. In 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. On 21 December 2021, TVO announced that OL3's reactor started up, i.e. the first criticality of OL3 was reached, and on 12 March, 2022 TVO announced that the electricity production of OL3 started, when OL3 was connected to the national grid. TVO has announced that OL3's regular electricity production starts in July 2022.

As announced by TVO earlier, TVO and the Supplier negotiated since summer 2020 on the terms of completing the OL3 project. Areva, the Supplier party, was preparing a financial solution to ensure necessary funding to complete 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 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 currently affected by the strikes in Finland are UPM Pulp, UPM Biofuels, UPM Communication Papers, UPM Specialty Papers and UPM Raflatac. The duration of the strike has since been extended several times (5 January, 20 January, 4 February, 24 February, 16 March, 31 March and 14 April).

On 1 March, UPM launched a new forest responsibility programme.

On 3 March, UPM announced that it would cease deliveries to Russia.

On 9 March, UPM announced that would suspend the purchasing of wood in and from Russia as well as the UPM Chudovo plywood mill operations for the time being.

On 12 March, electricity production at the OL3 EPR unit began.

On 22 March, UPM announced that a proposal for a settlement to the collective labour agreement negotiations between UPM Pulp and the Paperworkers' Union had been submitted.

On 29 March, UPM held its Annual General Meeting. The decisions of the AGM are presented elsewhere in this report.

Events after the balance sheet date

On 9 April, UPM announced that the conciliator had interrupted the conciliation between UPM Communication Papers and the Paperworkers' Union.

On 11 April, UPM announced that conciliator submits settlement proposals for UPM Specialty Papers and UPM Raflatac.

On 12 April, UPM announced that the conciliator had submitted settlement proposal for UPM Biofuels.

On 14 April, UPM announced that UPM and the Paperworkers' Union had not been able to come to a new collective labour agreements. The union turned down four settlement proposals submitted by the conciliator.

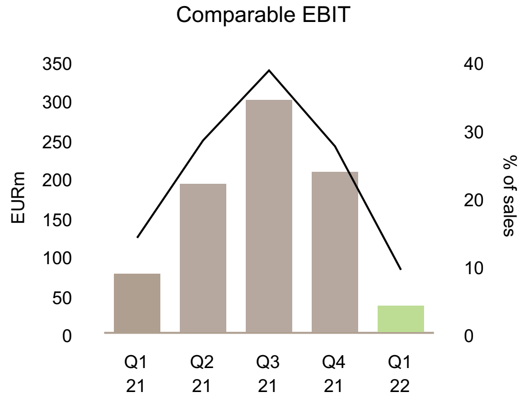
On 21 April, UPM announced that the conciliator has submitted settlement proposals to five businesses in collective bargaining between UPM's businesses and the Paperworkers' Union.

On 22 April, UPM announced that UPM and Paperworkers' Union agreed on first-ever business-specific collective labour agreements and the strike ended at UPM mills in Finland.

On 1 January 2022, UPM has changed its reportable segments composition by moving the UPM Biofuels business into Other Operations. Following the change, Other Operations include UPM Forest, UPM Biofuels, UPM Biochemicals, UPM Biomedicals and UPM Biocomposites businesses as well as group services. UPM Pulp and UPM Timber previously reported under UPM Biorefining are reported as UPM Fibres business area from 1 January 2022. Refer to Note 9 Change in the composition of reportable segments.

UPM Fibres

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



	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21
Sales EURm	404	766	783	682	563	2,794
Comparable EBITDA, EURm	78	258	345	237	120	961
% of sales	19.3	33.7	44.1	34.7	21.4	34.4
Change in fair value of forest assets and wood harvested, EURm	2	-6	-2	-1	0	-9
Share of results of associated companies and joint ventures, EURm	0	0	1	0	0	2
Depreciation, amortisation and impairment charges, EURm	-44	-43	-43	-44	-43	-173
Operating profit, EURm	37	209	301	192	78	781
% of sales	9.1	27.3	38.5	28.2	13.8	27.9
Items affecting comparability in operating profit, EURm	—	—	—	—	—	—
Comparable EBIT, EURm	37	209	301	192	78	781
% of sales	9.1	27.3	38.5	28.2	13.8	27.9
Capital employed (average), EURm	5,158	4,855	4,465	4,041	3,747	4,277
Comparable ROCE, %	2.9	17.3	27.0	19.0	8.3	18.3
Pulp deliveries, 1000 t	461	931	957	884	952	3,724

Pulp mill maintenance shutdowns: Q2 2021 UPM Fray Bentos, Q4 2021 UPM Kymi.

- Strong pulp and timber markets
- The strike in Finland affected production and delivery volumes

Results

Q1 2022 compared with Q1 2021

Comparable EBIT for UPM Fibres decreased. Production and delivery volumes were impacted by the strike in Finland. Pulp and timber sales prices were significantly higher.

The average price in euro for UPM's pulp deliveries increased by 33%.

Q1 2022 compared with Q4 2021

Comparable EBIT decreased. Production and delivery volumes were impacted by the strike in Finland. Fixed costs were lower mainly due to the scheduled maintenance shutdown at the UPM Kymi pulp mill in Finland in the comparison period.

The average price in euro for UPM's pulp deliveries decreased by 7%. The average price was affected by the changes in the production mix due to the strike in Finland.

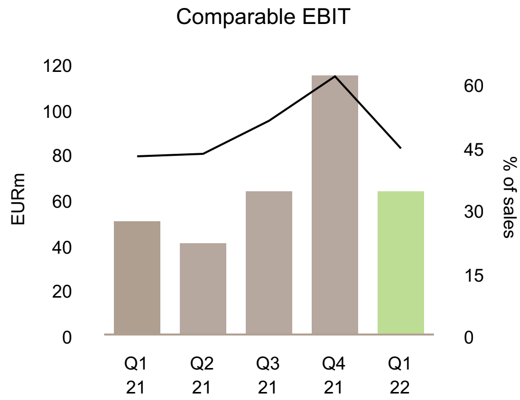
Market environment

- In Q1 2022, chemical pulp demand growth was strong in both China and Europe.
- In Europe, the market price for both northern bleached softwood kraft (NBSK) pulp and bleached hardwood kraft pulp (BHKP) increased in Q1 2022 compared with Q4 2021.
- In China, the market price for both northern bleached softwood kraft (NBSK) pulp and bleached hardwood kraft pulp (BHKP) increased in Q1 2022 compared with Q4 2021.
- In Q1 2022, the average European market price in euro was 45% higher for NBSK and 61% higher for BHKP, compared with Q1 2021. In China, the average market price in US dollars was 3% higher for NBSK and 4% higher for BHKP, compared with Q1 2021.
- In Q1 2022, 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.



	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21
Sales EURm	143	187	124	95	119	526
Comparable EBITDA, EURm	65	117	65	43	52	277
% of sales	45.4	62.5	52.4	44.7	43.9	52.7
Depreciation, amortisation and impairment charges, EURm	-2	-2	-2	-2	-2	-7
Operating profit, EURm	63	115	63	41	50	270
% of sales	44.3	61.5	50.9	43.0	42.4	51.3
Items affecting comparability in operating profit, EURm	—	—	—	—	—	—
Comparable EBIT, EURm	63	115	63	41	50	270
% of sales	44.3	61.5	50.9	43.0	42.4	51.3
Capital employed (average), EURm	2,848	2,622	2,370	2,278	2,231	2,375
Comparable ROCE, %	8.9	17.5	10.7	7.2	9.0	11.4
Electricity deliveries, GWh	2,335	2,540	2,199	2,150	2,411	9,300

- The OL3 EPR unit was connected to the national grid in March 2022

Results

Q1 2022 compared with Q1 2021

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

UPM's average electricity sales price increased by 32% to EUR 56.7/MWh (43.1/MWh).

Q1 2022 compared with Q4 2021

Comparable EBIT decreased due to lower electricity sales prices and lower hydropower generation.

UPM's average electricity sales price decreased by 18% to EUR 56.7/MWh (69.1/MWh).

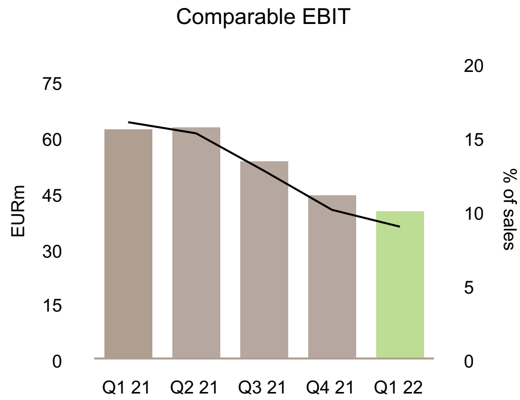
Market environment

- The Nordic hydrological balance was close to the long-term average at the end of March. In Finland, the hydrological situation was close to normal.
- The CO_2 emission allowance price of EUR 77.1/tonne at the end of Q1 2022 was significantly higher than at the end of Q1 2021 (EUR 42.5/tonne).
- The average Finnish area spot price on the Nordic electricity exchange in Q1 2022 was EUR 91.7/MWh, 20% lower than in Q4 2021 (115.0/MWh) and 89% higher than in Q1 2021 (48.6/MWh).
- The front-year forward electricity price for the Finnish area closed at EUR 56.9/MWh in March, 39% lower than at the end of Q4 2021 (92.6/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.



	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21
Sales EURm	451	442	425	413	391	1,671
Comparable EBITDA, EURm	49	53	63	72	71	259
% of sales	10.8	12.0	14.7	17.3	18.2	15.5
Depreciation, amortisation and impairment charges, EURm	-12	-9	-9	-9	-9	-36
Operating profit, EURm	33	44	54	61	62	222
% of sales	7.4	10.0	12.7	14.9	15.9	13.3
Items affecting comparability in operating profit, EURm [1]	-7	—	—	-1	—	-1
Comparable EBIT, EURm	40	44	54	63	62	223
% of sales	8.8	10.0	12.6	15.2	15.9	13.3
Capital employed (average), EURm	581	579	562	549	523	553
Comparable ROCE, %	27.5	30.5	38.2	45.6	47.6	40.2

[1] In Q1 2022 items affecting comparability relate to impairment charges of assets impacted by Russia´s war in Ukraine. In 2021 items affecting to comparability relate to restructuring charges.

- EUR 13 million increase of general provision for expected credit losses related to Russian trade receivables
- Raw material shortages and production curtailments caused by the strike in Finland
- Actions to mitigate significant raw material, energy and logistics costs increases and supply shortages

Results

Q1 2022 compared with Q1 2021

Comparable EBIT for UPM Raflatac decreased, partly due to a provision for expected credit losses related to Russian trade receivables. Variable costs were significantly higher and more than offset the positive impact of higher sales prices. Delivery volumes were lower, held back by raw material supply constraints.

Q1 2022 compared with Q4 2021

Comparable EBIT decreased, mainly due to a provision for expected credit losses related to Russian trade receivables. Sales prices were higher, offsetting the negative impact of higher variable costs and lower delivery volumes. Fixed costs decreased.

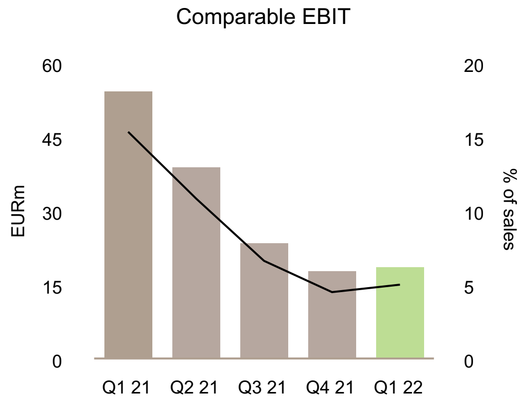
Market environment

- In Q1 2022, demand for self-adhesive label materials was healthy in Europe and North America. However, supply constraints somewhat held back market growth.
- In Q1 2022, demand was softer In Asia.

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.



	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21
Sales EURm	377	407	358	361	355	1,482
Comparable EBITDA, EURm	38	36	43	58	73	209
% of sales	10.0	8.8	11.9	16.0	20.6	14.1
Depreciation, amortisation and impairment charges, EURm	-19	-18	-19	-19	-19	-75
Operating profit, EURm	19	18	23	39	54	135
% of sales	4.9	4.4	6.5	10.8	15.3	9.1
Items affecting comparability in operating profit, EURm	—	—	—	—	—	—
Comparable EBIT, EURm	19	18	23	39	54	135
% of sales	4.9	4.4	6.5	10.8	15.3	9.1
Capital employed (average), EURm	884	889	845	853	870	864
Comparable ROCE, %	8.4	8.1	11.1	18.2	24.9	15.6
Paper deliveries, 1000 t	371	422	388	414	434	1,658

- Production and deliveries were impacted by the strike in Finland
- Actions to mitigate high input costs
- Good development work continues in demanding barrier paper applications

Results

Q1 2022 compared with Q1 2021

Comparable EBIT for UPM Specialty Papers decreased due to higher input costs. Production and delivery volumes were lower due to the strike in Finland. Sales prices increased.

Q1 2022 compared with Q4 2021

Comparable EBIT increased slightly due to higher sales prices. Production and delivery volumes were lower due to the strike in Finland. Input costs were higher. Fixed costs decreased due to the strike.

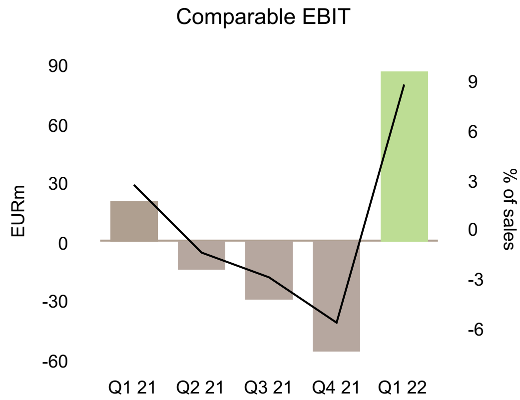
Market environment

- Global demand for label, release and packaging paper was good in Q1 2022. In Asia, demand became softer. Demand was driven by fast moving consumer goods and e-commerce. Market prices increased.
- In Q1 2022, fine paper demand in the Asia-Pacific region was improving. However, fine paper demand was impacted by the COVID-19 lockdowns and containment measures in China.
- In Q1 2022, fine paper market prices in the Asia-Pacific region increased compared to Q4 2021.

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.



	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21
Sales EURm	1,001	950	945	867	815	3,577
Comparable EBITDA, EURm	106	-33	-3	12	47	23
% of sales	10.6	-3.5	-0.4	1.4	5.7	0.6
Share of results of associated companies and joint ventures, EURm	0	0	0	0	0	0
Depreciation, amortisation and impairment charges, EURm	-20	-75	-26	-27	-27	-155
Operating profit, EURm	86	-102	106	-14	23	14
% of sales	8.6	-10.7	11.2	-1.6	2.8	0.4
Items affecting comparability in operating profit, EURm [1]	0	-46	135	—	2	93
Comparable EBIT, EURm	86	-56	-30	-14	20	-79
% of sales	8.6	-5.9	-3.1	-1.6	2.5	-2.2
Capital employed (average), EURm	1,381	1,237	1,283	1,239	1,340	1,275
Comparable ROCE, %	25.0	-18.1	-9.2	-4.5	6.1	-6.2
Paper deliveries, 1000 t	1,113	1,443	1,496	1,495	1,396	5,828

[1] In Q1, items affecting comparability include EUR 1 million gain on sale of non-current assets and EUR 1million impairment charges related to assets impacted by Russia´s war in Ukraine. 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.

- Sales price increases to mitigate cost increases
- Cost management accelerated
- Paper production and deliveries were impacted by the strike in Finland

Results

Q1 2022 compared with Q1 2021

Comparable EBIT for UPM Communication Papers increased. Significantly higher sales prices more than offset the negative impact of higher variable costs especially in energy. Production and delivery volumes were lower due to the strike in Finland. Result was positively impacted by energy refunds related to 2021.

The product and market mix impacted average price in euro for UPM's paper deliveries increased by 54%.

Q1 2022 compared with Q4 2021

Comparable EBIT increased due to significantly higher sales prices. Production and delivery volumes were lower due to the strike in Finland. Variable costs increased. Result was positively impacted by energy refunds related to 2021.

The product and market mix impacted average price in euro for UPM's paper deliveries increased by 36%.

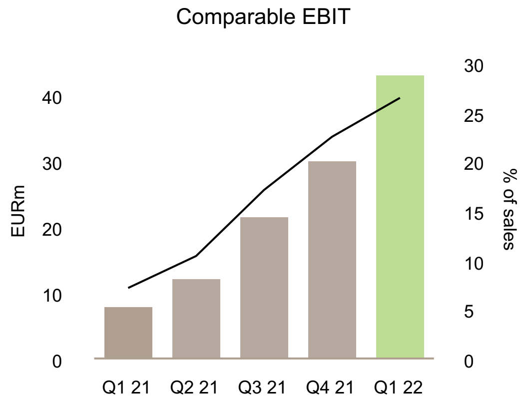
Market environment

- In Q1 2022, demand for graphic papers in Europe was 2% lower than in Q1 2021. Newsprint demand increased by 2%, magazine papers decreased by 7% and fine papers decreased by 1% compared to Q1 2021.
- In Q1 2022, publication paper prices in Europe were 39% higher compared with Q4 2021. Compared with Q1 2021 publication paper prices were 74% higher. In Q1 2022, fine paper prices in Europe were 17% higher than in the previous quarter. Compared with Q1 2021, fine paper prices were 34% higher.
- In Q1 2022, demand for magazine papers in North America increased by 5%, compared with Q1 2021. The average price in US dollars for magazine papers in Q1 2022 increased by 5% compared with Q4 2021 and by 29% compared with Q1 2021.

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.



	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21
Sales EURm	164	134	127	119	112	492
Comparable EBITDA, EURm	50	37	28	19	14	99
% of sales	30.3	27.5	22.4	15.8	12.9	20.0
Depreciation, amortisation and impairment charges, EURm	-52	-7	-6	-6	-6	-25
Operating profit, EURm	-20	30	26	15	8	80
% of sales	-12.2	22.6	20.5	13.0	7.1	16.2
Items affecting comparability in operating profit, EURm [1)]	-63	—	4	3	—	8
Comparable EBIT, EURm	43	30	22	12	8	72
% of sales	26.3	22.4	17.0	10.3	7.1	14.6
Capital employed (average), EURm	274	295	282	282	287	286
Comparable ROCE, %	63.1	40.8	30.5	17.3	11.0	25.1
Plywood deliveries, 1000 m^3	198	172	178	198	191	738

[1)] In Q1 2022 items affecting comparability relate to impairment charges of assets impacted by Russia´s war in Ukraine. 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.

- Record quarter in profitability
- Successful price increases and strong market demand
- UPM announced that it would suspend the UPM Chudovo plywood mill operations in Russia for the time being
- New collective labour agreement implemented, clear improvement in flexibility to increase production

Results

Q1 2022 compared with Q1 2021

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

Q1 2022 compared with Q4 2021

Comparable EBIT increased due to higher sales prices and delivery volumes.

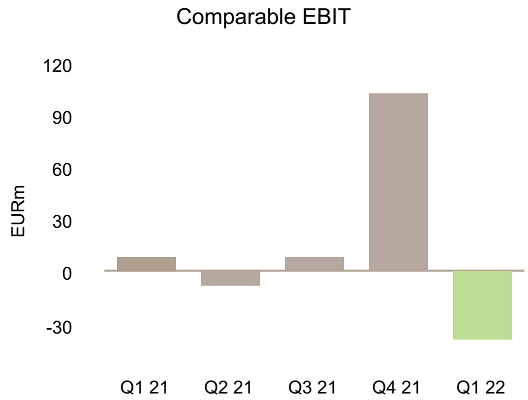
Market environment

- In Q1 2022, demand for spruce plywood was strong, driven by the building and construction industry.
- In Q1 2022, demand for birch plywood was good in panel trading and industrial applications.

Source: UPM

Other operations

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



	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21
Sales EURm	70	133	116	124	110	483
Comparable EBITDA, EURm	-34	5	12	5	14	36
Change in fair value of forest assets and wood harvested, EURm	9	109	6	-1	5	120
Share of results of associated companies and joint ventures, EURm	-1	0	0	0	0	0
Depreciation, amortisation and impairment charges, EURm	-33	-11	-10	-11	-11	-44
Operating profit, EURm	-61	103	8	-8	9	112
Items affecting comparability in operating profit, EURm [1]	-23	—	—	-1	—	-1
Comparable EBIT, EURm	-38	103	8	-7	9	113
Capital employed (average), EURm	2,421	2,209	2,146	2,147	2,106	2,152
Comparable ROCE, %	-6.3	18.7	1.5	-1.4	1.6	5.2

Comparative figures 2021 have been restated due to change in the composition of reportable segments. Refer to Note 9 Change in the composition of reportable segments.

[1] In Q1 2022 items affecting comparability mainly relate to impairment charges of assets impacted by Russia´s war in Ukraine. In 2021, items affecting to comparability relate to restructuring charges.

- UPM Biofuels production and deliveries were impacted by the strike in Finland
- UPM announced that would suspend purchasing of wood in and from Russia for the time being

Results

Q1 2022 compared with Q1 2021

Comparable EBIT for other operations decreased. The change in the fair value of forest assets net of wood harvested was EUR 9 million (5 million). The increase in the fair value of forest assets was EUR 16 million (16 million). The cost of wood harvested from UPM forests was EUR 7 million (10 million).

UPM Biofuels had no production in Q1 2022 due to the strike in Finland.

Q1 2022 compared with Q4 2021

Comparable EBIT decreased. The change in the fair value of forest assets net of wood harvested was EUR 9 million (109 million). The increase in the fair value of forest assets was EUR 16 million (125 million). The cost of wood harvested from UPM forests was EUR 7 million (16 million). In Q4 2021, the increase in fair value was impacted by increased forest growth and higher stumpage price estimates used in valuation.

UPM Biofuels had no production in Q1 2022 due to the strike in Finland.

Market environment

- In Q1 2022, market demand for advanced renewable fuels was strong and prices on attractive level.
- In Q1 2022, interest for bio-based MEG and renewable functional fillers in Europe remained strong. Prices for MEG and carbon black were on a high level.
- In Q1 2022, market demand for biocomposites remained firm in Europe, driven by the continued demand for sustainable products. Market prices increased in response to input cost inflation.
- In UPM Biomedicals, hydrogel demand for cell cultivation is driven by material shortages in market. Hospitals continue to explore new sustainable advanced wound care dressings.

Source: UPM

Risks and near-term uncertainties

The main uncertainties in UPM's earnings relate to the sales prices and delivery volumes of the group's products, as well as 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 vaccinations remain uncertain. The pandemic itself, the lockdowns and containment measures, and the resulting impacts on the global economy may all affect UPM's operations and supply chain, the demand, supply and pricing of UPM's products and the 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 investment projects. The COVID-19 pandemic and related issues are discussed earlier in this report.

The strict COVID-19 containment measures in China may affect economic growth in China and globally, as well as UPM's production in China, its product and raw material markets, and global logistics chains.

Russia's war in Ukraine in Q1 2022 has caused further uncertainty in European and global economic recovery, growth and inflation. The sanctions by EU and the US on Russia, escalated global geopolitical and trade tensions and the resulting impacts on the global economy may all affect UPM's operations and supply chain, the demand, supply and pricing of UPM's products and the inputs, or progress of UPM's large investment projects.

The very tight energy market situation in Europe as well as in China has recently significantly added to UPM's energy costs and represents further uncertainty in the coming months and quarters. In 2021, this was at group level mitigated by a 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. In addition to high and uncertain cost of energy, Russia's war in Ukraine and the related potential future sanctions and counter sanctions may affect availability of certain forms of energy, e.g. natural gas.

Many global commodity prices increased significantly during 2021. This, combined with the recovering global economy and possible supply restrictions could have a further increasing impact on UPM's raw material cost items.

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. The logistics chains may be further affected by Russia's war in Ukraine, and the strict COVID-19 containment measures in China.

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 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 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 in its Annual Report 2021 that replenishing the trust was finished according to the terms of the GSA, but it was replenished according to the amendment agreement, which entered into force in July 2021.

As announced by TVO the fuel loading of OL3 was completed in April 2021. According to TVO, the completion of fuel loading meant that OL3 is a nuclear power plant in use. In 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. On 21 December 2021, TVO announced that the OL3's reactor started up, i.e. the first criticality of OL3 was reached, and on 12 March 2022 TVO announced that the electricity production of OL3 started, when OL3 was connected to the national grid. TVO has announced that OL3's regular electricity production starts in July 2022.

As announced by TVO earlier, Areva, the Supplier party, was preparing a financial solution to ensure the necessary funding to complete the OL3. TVO and the Supplier also negotiated on the terms of completing the OL3 project. In 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 in 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 "amendment agreement") which entered into force on 13 July 2021, when all related conditions were fulfilled.

According to TVO the key matters of the agreement were:

- The Areva companies' trust mechanism, established in the GSA of 2018, was replenished in July with EUR 432.3 million.
- 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.
- In connection with the agreement entering into force, Supplier paid EUR 206.9 million of the EUR 400.0 million delay compensation as agreed in the GSA 2018.

According to TVO, all payments related to the settlement compensations have been recorded in the consolidated balance sheet as property, plant and equipment. At the end of Q4 2021, the current receivables from Supplier were EUR 193.1 million.

TVO announced in its Annual Report that since Supplier will not finish the OL3 project by the end of February 2022 according to the then current schedule, as was stipulated in the amendment agreement of June 2021, Supplier will pay an additional delay compensation to TVO depending on the date of completion as of the beginning of March 2022.

TVO announced in its Annual Report that according to Supplier's latest project schedule, TVO's current cost estimate, and the effects of the GSA, TVO estimates that its total investment in OL3 project will be approximately EUR 5.7 billion.

The COVID-19 pandemic may have significantly added uncertainty to the progress of the project. According to TVO extensive measures 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.

On 21 March 2022, TVO announced that S&P Global Ratings upgraded its long-term credit rating from "BB" to "BB+" and affirmed its positive outlook.

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.

The main earnings sensitivities and the group's cost structure are presented on pages 165–166 of the Annual Report 2021. Risks and opportunities are discussed on pages 34–35, and risks and risk management are presented on pages 131–135.

Labour negotiations in Finland

By 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, improve the competitiveness of products and create prerequisites for the further development of 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 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 declined the invitations sent by UPM Pulp, UPM Communication Papers, UPM Specialty Papers, UPM Raflatac and UPM Biofuels. At that point, the union wanted to negotiate one group level agreement with the corporation. Due to the different needs of the various businesses, UPM's starting point was, 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. The negotiations started slowly. Despite intense business-specific negotiations and official conciliation process during the latter part of Q1 2022, UPM and the Paperworkers' Union were not able to settle on new collective labour agreements. On 22 March 2022, the conciliator gave a settlement proposal in the collective labour agreement negotiations for UPM Pulp. A couple of weeks later on 9 April 2022, the conciliator interrupted the conciliation between UPM Communication Papers and Paperworkers' Union, as the parties' views were still far apart. The conciliation in UPM Specialty Papers, UPM Raflatac and UPM Biofuels continued, and the conciliator gave settlement proposals also for these businesses.

On 14 April 2022, the union turned down all four settlement proposals submitted by the conciliator. The exceptionally long strike at UPM Pulp, UPM Communication Papers, UPM Specialty Papers, UPM Raflatac and UPM Biofuels units in Finland thus continued. UPM would have approved the settlement proposals.

On 21 April 2022, the conciliator gave settlement proposals for all five businesses and parties accepted them the following day. As the agreements were reached on 22 April, strikes at UPM mills in Finland ended.

Annual General Meeting

The Annual General Meeting held on 29 March 2022 decided that a dividend of EUR 1.30 per share (totalling EUR 693 million) would be paid in respect of the 2021 financial year. The dividend record date was 31 March and the dividend was paid on 7 April 2022.

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

The Board of Directors was authorised to decide on the repurchase of a maximum of 50,000,000 of the Company's own shares at market price in public trading using the Company's unrestricted shareholders' equity. The authorisation also includes the right to accept the Company's own shares as a pledge. The authorisation will be valid for 18 months from the date of the AGM resolution and it revoked the repurchase authorisation granted by the previous AGM.

Board of Directors

At the Annual General Meeting held on 29 March 2022, the number of members of the Board of Directors was confirmed as nine, and Henrik Ehrnrooth, Emma FitzGerald, Jari Gustafsson, Piia-Noora Kauppi, Marjan Oudeman, Martin à Porta, Kim

Wahl and Björn Wahlroos were re-elected to the Board. Topi Manner was elected as a new director to the Board. The directors' term of office will end upon the closure of the next AGM.

Björn Wahlroos was re-elected as Chairman, and Henrik Ehrnrooth as Deputy Chairman of the Board of Directors of UPM-Kymmene Corporation at the Board of Directors' constitutive meeting that took place following the Annual General Meeting. Mr Wahlroos has announced that the commencing term will be his last as the Chairman.

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

Shares

In Q1 2022 UPM shares worth a total of EUR 2,742 million (2,562 million) were traded on the Nasdaq Helsinki stock exchange. This is estimated to represent more than 60% of the total trading volume in UPM shares. The highest listing was EUR 35.68 in January and the lowest was EUR 24.85 in March.

The Annual General Meeting held on 29 March 2022 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 29 March 2022 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 March 2022 was 533,735,699. Through the issuance authorisation, the number of shares may increase to a maximum of 558,735,699.

On 31 March 2022, 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 Q1 2022.

In October 2021, 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, 26 April 2022

UPM-Kymmene Corporation
Board of Directors

Financial statement information

Consolidated income statement

EURm	Q1/2022	Q1/2021	Q1–Q4/2021
Sales (Note 3)	2,507	2,234	9,814
Other operating income	72	21	254
Costs and expenses	-2,225	-1,865	-8,104
Change in fair value of forest assets and wood harvested	12	5	111
Share of results of associated companies and joint ventures	-1	0	2
Depreciation, amortisation and impairment charges	-182	-117	-515
Operating profit	183	279	1,562
Exchange rate and fair value gains and losses	1	0	-3
Interest and other finance costs, net	-5	-6	-12
Profit before tax	179	272	1,548
Income taxes	-40	-45	-240
Profit for the period	139	227	1,307
Attributable to:			
Owners of the parent company	133	224	1,286
Non-controlling interests	5	3	22
	139	227	1,307
Earnings per share for profit attributable to owners of the parent company			
Basic earnings per share, EUR	0.25	0.42	2.41
Diluted earnings per share, EUR	0.25	0.42	2.41

Consolidated statement of comprehensive income

EURm	Q1/2022	Q1/2021	Q1–Q4/2021
Profit for the period	139	227	1,307
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	146	56	96
Changes in fair value of energy shareholdings	192	51	632
Items that may be reclassified subsequently to income statement:			
Translation differences	87	161	337
Net investment hedge	-4	-7	-21
Cash flow hedges	44	-20	-127
Other comprehensive income for the period, net of tax	465	241	918
Total comprehensive income for the period	604	469	2,225
Total comprehensive income attributable to:			
Owners of the parent company	593	461	2,194
Non-controlling interests	11	8	31
	604	469	2,225

Consolidated balance sheet

EURm	31 MAR 2022	31 MAR 2021	31 DEC 2021
ASSETS			
Goodwill	239	233	237
Other intangible assets	490	349	366
Property, plant and equipment (Note 4)	5,743	4,571	5,569
Leased assets	594	577	608
Forest assets	2,360	2,109	2,328
Energy shareholdings (Note 5)	2,772	1,990	2,579
Other non-current financial assets	105	147	133
Deferred tax assets	408	415	466
Net retirement benefit assets	188	67	79
Investments in associates and joint ventures	33	33	33
Other non-current assets	19	20	20
Non-current assets	12,951	10,511	12,420
Inventories	1,452	1,327	1,594
Trade and other receivables	2,028	1,721	2,024
Other current financial assets	194	82	139
Income tax receivables	56	20	40
Cash and cash equivalents	1,342	2,284	1,460
Current assets	5,072	5,434	5,257
Assets	18,023	15,944	17,676
EQUITY AND LIABILITIES			
Share capital	890	890	890
Treasury shares	-2	-2	-2
Translation reserve	406	173	329
Other reserves	2,165	1,452	1,938
Reserve for invested non-restricted equity	1,273	1,273	1,273
Retained earnings	5,996	5,316	6,419
Equity attributable to owners of the parent company	10,727	9,101	10,846
Non-controlling interests	310	200	261
Equity	11,037	9,301	11,106
Deferred tax liabilities	618	578	596
Net retirement benefit liabilities	581	729	676
Provisions (Note 8)	158	196	155
Non-current debt	2,534	2,556	2,566
Other non-current financial liabilities	111	100	109
Non-current liabilities	4,004	4,160	4,102
Current debt	269	76	86
Trade and other payables	2,546	2,325	2,254
Other current financial liabilities	126	50	95
Income tax payables	42	32	32
Current liabilities	2,983	2,484	2,468
Liabilities	6,987	6,644	6,570
Equity and liabilities	18,023	15,944	17,676

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 2022	890	-2	329	1,938	1,273	6,419	10,846	261	11,106
Profit for the period	—	—	—	—	—	133	133	5	139
Translation differences	—	—	82	—	—	—	82	5	87
Cash flow hedges - reclassified to income statement, net of tax	—	—	—	46	—	—	46	—	46
Cash flow hedges - reclassified to PPE	—	—	—	-2	—	—	-2	—	-2
Cash flow hedges - changes in fair value, net of tax	—	—	—	—	—	—	—	—	1
Net investment hedge, net of tax	—	—	-4	—	—	—	-4	—	-4
Energy shareholdings - changes in fair value, net of tax	—	—	—	191	—	1	192	—	192
Actuarial gains and losses on defined benefit plans, net of tax	—	—	—	—	—	146	146	—	146
Total comprehensive income for the period	—	—	77	235	—	281	593	11	604
Share-based payments, net of tax	—	—	—	-9	—	-10	-19	—	-19
Dividend distribution	—	—	—	—	—	-693	-693	—	-693
Contributions by non-controlling interests	—	—	—	—	—		—	39	39
Total transactions with owners for the period	—	—	—	-9	—	-704	-712	39	-674
Value at 31 March 2022	890	-2	406	2,165	1,273	5,996	10,727	310	11,037
Value at 1 January 2021	890	-2	25	1,430	1,273	5,735	9,351	162	9,513
Profit for the period	—	—	—	—	—	224	224	3	227
Translation differences	—	—	155	—	—	—	155	7	161
Cash flow hedges - reclassified to income statement, net of tax	—	—	—	3	—	—	3	—	3
Cash flow hedges - reclassified to PPE	—	—	—	-7	—	—	-7	-1	-7
Cash flow hedges - changes in fair value, net of tax	—	—	—	-14	—	—	-14	-2	-16
Net investment hedge, net of tax	—	—	-7	—	—	—	-7	—	-7
Energy shareholdings - changes in fair value, net of tax	—	—	—	51	—	—	51	—	51
Actuarial gains and losses on defined benefit plans, net of tax	—	—	—	—	—	56	56	—	56
Total comprehensive income for the period	—	—	148	33	—	280	461	8	469
Share-based payments, net of tax	—	—	—	-11	—	-6	-17	—	-17
Dividend distribution	—	—	—	—	—	-693	-693	—	-693
Other items	—	—	—	—	—	—	—	—	—
Contributions by non-controlling interests	—	—	—	—	—	—	—	30	30
Total transactions with owners for the period	—	—	—	-11	—	-699	-710	30	-681
Value at 31 March 2021	890	-2	173	1,452	1,273	5,316	9,101	200	9,301

Consolidated cash flow statement

EURm	Q1/2022	Q1/2021	Q1–Q4/2021
Cash flows from operating activities			
Profit for the period	139	227	1,307
Adjustments [1]	160	154	356
Interest received	0	0	1
Interest paid	-10	-12	-26
Dividends received	0	0	2
Other financial items, net	8	1	-2
Income taxes paid	-28	-30	-275
Change in working capital	-258	-122	-115
Operating cash flow	12	217	1,250
Cash flows from investing activities			
Capital expenditure	-325	-267	-1,432
Additions to forest assets	-8	-7	-89
Proceeds from sale of property, plant and equipment and intangible assets, net of tax	2	1	17
Proceeds from sale of forest assets, net of tax	1	5	6
Proceeds from disposal of businesses and subsidiaries	0	0	157
Proceeds from disposal of energy shareholdings	1	0	1
Net cash flows from net investment hedges	0	0	9
Change in other non-current assets	0	5	6
Investing cash flow	-329	-262	-1,323
Cash flows from financing activities			
Proceeds from non-current debt	0	600	600
Payments of non-current debt	-2	-11	-16
Lease repayments	-21	-22	-84
Change in current liabilities	174	-1	0
Net cash flows from derivatives	9	12	34
Dividends paid to owners of the parent company	0	0	-693
Dividends paid to non-controlling interests	0	0	-12
Contributions paid by non-controlling interests	39	30	82
Change in investment funds	0	0	-100
Other financing cash flow	-1	-1	-5
Financing cash flow	198	606	-194
Change in cash and cash equivalents	-119	561	-268
Cash and cash equivalents at the beginning of the period	1,460	1,720	1,720
Exchange rate effect on cash and cash equivalents	1	2	8
Change in cash and cash equivalents	-119	561	-268
Cash and cash equivalents at the end of the period	1,342	2,284	1,460

[1] **Adjustments**

EURm	Q1/2022	Q1/2021	Q1–Q4/2021
Change in fair value of forest assets and wood harvested	-12	-5	-111
Share of results of associated companies and joint ventures	1	0	-2
Depreciation, amortisation and impairment charges	182	117	515
Capital gains and losses on sale of non-current assets	-1	-1	-146
Financial income and expenses	4	6	15
Income taxes	40	45	240
Utilised provisions	-23	-31	-85
Non-cash changes in provisions	7	-3	1
Other adjustments	-37	25	-70
Total	160	154	356

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 2021.

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.

Accounting implications of the effects of the Russia's war in Ukraine

The group has assessed the balance sheet impact of Russia´s war in Ukraine and the related sanctions imposed on Russia, 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 have been revised to reflect changed economic environment.

Due to the significant uncertainties related to operations in Russia and Ukraine, the group has recognised impairment charges of EUR 95 million on property, plant and equipment, leased assets, inventories and other receivables. In addition, the group has increased the general provision for expected credit losses on trade receivables by EUR 17 million.

For the time being, UPM businesses have suspended deliveries to Russia as well as wood sourcing in and from Russia. UPM has also decided to suspend the UPM Chudovo plywood mill operations following carefully the legislation in Russia and with due consideration of local employees, customers, and stakeholders.

The group expects that it will continue to operate and meet its liabilities as they fall due.

2 Quarterly information by business area

EURm, OR AS INDICATED	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21
Sales						
UPM Fibres	404	766	783	682	563	2,794
UPM Energy	143	187	124	95	119	526
UPM Raflatac	451	442	425	413	391	1,671
UPM Specialty Papers	377	407	358	361	355	1,482
UPM Communication Papers	1,001	950	945	867	815	3,577
UPM Plywood	164	134	127	119	112	492
Other operations	70	133	116	124	110	483
Internal sales	-102	-349	-355	-279	-233	-1,215
Eliminations and reconciliation	-1	2	1	1	2	5
Sales, total	2,507	2,673	2,523	2,384	2,234	9,814
Comparable EBITDA						
UPM Fibres	78	258	345	237	120	961
UPM Energy	65	117	65	43	52	277
UPM Raflatac	49	53	63	72	71	259
UPM Specialty Papers	38	36	43	58	73	209
UPM Communication Papers	106	-33	-3	12	47	23
UPM Plywood	50	37	28	19	14	99
Other operations	-34	5	12	5	14	36
Eliminations and reconciliation	27	-3	-17	-18	-3	-42
Comparable EBITDA, total	377	470	535	426	389	1,821
Operating profit						
UPM Fibres	37	209	301	192	78	781
UPM Energy	63	115	63	41	50	270
UPM Raflatac	33	44	54	61	62	222
UPM Specialty Papers	19	18	23	39	54	135
UPM Communication Papers	86	-102	106	-14	23	14
UPM Plywood	-20	30	26	15	8	80
Other operations	-61	103	8	-8	9	112
Eliminations and reconciliation	27	-4	-17	-23	-6	-50
Operating profit, total	183	415	564	304	279	1,562
% of sales	7.3	15.5	22.4	12.8	12.5	15.9
Items affecting comparability						
UPM Fibres	—	—	—	—	—	—
UPM Energy	—	—	—	—	—	—
UPM Raflatac	-7	—	—	-1	—	-1
UPM Specialty Papers	—	—	—	—	—	—
UPM Communication Papers	—	-46	135	—	2	93
UPM Plywood	-63	—	4	3	—	8
Other operations	-23	—	—	-1	—	-1
Eliminations and reconciliation [1]	—	-1	—	-5	-3	-9
Items affecting comparability in operating profit, total	-94	-46	140	-3	—	91
Comparable EBIT						
UPM Fibres	37	209	301	192	78	781
UPM Energy	63	115	63	41	50	270
UPM Raflatac	40	44	54	63	62	223
UPM Specialty Papers	19	18	23	39	54	135
UPM Communication Papers	86	-56	-30	-14	20	-79
UPM Plywood	43	30	22	12	8	72
Other operations	-38	103	8	-7	9	113
Eliminations and reconciliation	27	-3	-17	-18	-3	-42
Comparable EBIT, total	277	461	424	307	279	1,471
% of sales	11.0	17.2	16.8	12.9	12.5	15.0

[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 Q1 2022, items affecting comparability mainly relate to impairment charges of assets impacted by Russia`s war in Ukraine. In 2021, items affecting comparability mainly relate to the gain on sale of Shotton Mill Ltd and impairment charges of newsprint related fixed assets.

EURm	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21
Comparable profit for the period	232	373	359	246	228	1,204
Items affecting comparability						
Impairment charges	-95	-52	1	0	-1	-52
Restructuring charges	0	0	5	2	4	11
Change in fair value of unrealised cash flow and commodity hedges	0	0	0	-5	-3	-8
Capital gains and losses on sale of non-current assets	1	7	134	0	0	140
Other non-operational items	0	0	0	0	0	0
Total items affecting comparability in operating profit	-94	-46	140	-3	0	91
Taxes relating to items affecting comparability	1	13	-1	1	0	12
Items affecting comparability in taxes	1	13	-1	1	0	12
Items affecting comparability, total	-93	-33	139	-3	0	103
Profit for the period	139	340	497	243	227	1,307

3 External sales by major products

BUSINESS AREA	BUSINESS	Q1/2022	Q1/2021	Q1–Q4/2021
EURm				
UPM Fibres	UPM Pulp UPM Timber	390	430	2,092
UPM Energy	UPM Energy	132	77	290
UPM Raflatac	UPM Raflatac	451	391	1,671
UPM Specialty Papers	UPM Specialty Papers	322	311	1,275
UPM Communication Papers	UPM Communication Papers	987	807	3,536
UPM Plywood	UPM Plywood	159	107	471
Other operations	UPM Forest UPM Biofuels UPM Biochemicals UPM Biomedicals UPM Biocomposites	69	109	474
Eliminations and reconciliations		-1	2	5
Total		2,507	2,234	9,814

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

4 Changes in property, plant and equipment

EURm	Q1/2022	Q1/2021	Q1–Q4/2021
Book value at beginning of period	5,569	4,316	4,316
Reclassification to assets held for sale, net	—	—	-13
Capital expenditure	255	252	1,515
Decreases	—	—	-12
Depreciation	-88	-92	-368
Impairment charges	-56	-2	-54
Impairment reversal	1	1	2
Translation difference and other changes	62	97	184
Book value at end of period	5,743	4,571	5,569

Capital expenditure in Q1 2022 and in 2021 mainly relate to the construction of the new pulp mill in Uruguay and the construction of the new biorefinery in Germany. Impairment charges in Q1 2022 relate to assets impacted by the Russia´s war in Ukraine and in 2021 mainly to newsprint fixed assets.

5 Financial assets and liabilities

Financial assets and liabilities measured at fair value

EURm	31 MAR 2022				31 MAR 2021				31 DEC 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets												
Investment funds	—	100	—	100	—	—	—	—	—	100	—	100
Derivatives non-qualifying hedges	—	30	—	30	—	36	—	36	—	13	—	13
Derivatives under hedge accounting	22	136	—	159	3	179	—	182	1	148	—	149
Energy shareholdings	—	—	2,772	2,772	—	—	1,990	1,990	—	—	2,579	2,579
Total	23	266	2,772	3,061	3	215	1,990	2,208	1	261	2,579	2,841
Financial liabilities												
Derivatives non-qualifying hedges	1	44	—	44	—	20	—	20	—	20	—	20
Derivatives under hedge accounting	13	160	—	174	1	47	—	48	6	102	—	108
Total	14	204	—	218	1	67	—	68	6	122	—	128

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	Q1/2022	Q1/2021	Q1–Q4/2021
Book value at beginning of period	2,579	1,936	1,936
Disposals	-1	0	-1
Fair value changes recognised in other comprehensive income	195	53	643
Book value at end of period	2,772	1,990	2,579

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 380 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.

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 MAR 2022 Carrying amount	31 MAR 2022 Fair value	31 MAR 2021 Carrying amount	31 MAR 2021 Fair value	31 DEC 2021 Carrying amount	31 DEC 2021 Fair value
Bonds	1,564	1,508	1,631	1,678	1,624	1,633
Other non-current debt excl. derivative financial instruments and lease liabilities	403	422	426	444	414	436
Total	1,967	1,930	2,057	2,122	2,038	2,069

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 MAR 2022	31 MAR 2021	31 DEC 2021
On behalf of others			
Guarantees	2	2	2
Other own commitments			
Commitments related to off-balance sheet short-term leases	3	5	4
Other commitments	205	210	213
Total	211	218	220

The lease commitments for leases not commenced on 31 March 2022 amounted to EUR 389 million (EUR 409 million on 31 December 2021) 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

EUR	COMPLETION	TOTAL COST	BY 31 DEC 2021	Q1/2022	AFTER 31 MAR 2022
New biorefinery / Germany	Q4 2023	750	235	41	474
CHP power plant / Germany	Q3 2022	95	63	8	24
New pulp mill / Uruguay	Q1 2023	3,062	1,656	183	1,223
Renovation and modernisation / Kuusankoski hydro power plant	Q4 2022	22	12	1	9
Mill development / Plywood Joensuu	Q4 2023	10	2	0	7

7 Notional amounts of derivative financial instruments

EURm	31 MAR 2022	31 MAR 2021	31 DEC 2021
Interest rate futures	1,903	993	2,280
Interest rate swaps	1,088	1,070	1,081
Forward foreign exchange contracts	4,255	3,880	3,550
Currency options, bought	—	5	—
Currency options, written	—	10	—
Cross currency swaps	155	162	161
Commodity contracts	1,673	787	1,508

8 Provisions

EURm	RESTRUCTURING	TERMINATION	ENVIRONMENTAL	EMISSIONS	OTHER	TOTAL
Value at 1 January 2022	24	36	30	39	26	155
Provisions made during the year	3	0	0	33	11	47
Provisions utilised during the year	-5	-16	0	-13	-9	-44
Unused provisions reversed	0	0	0	0	0	-1
Value at 31 March 2022	22	21	29	59	28	158

9 Change in the composition of reportable segments

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

UPM has formed 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 has inherited the name UPM Biorefining and is reported as part of Other operations. UPM Pulp and UPM Timber priorly reported under UPM Biorefining are reported as UPM Fibres business area from 1 January 2022.

Following the change, Other Operations include UPM Forest, UPM Biofuels, UPM Biochemicals, UPM Biomedicals and UPM Biocomposites businesses as well as group services. The change has impacted KPIs of UPM Biorefining (1.1.2022 UPM Fibres) reportable segment and Other Operations. The comparative periods have been 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	33.2	45.6	33.5	22.6	34.5	33.7	44.1	34.7	21.4	34.4
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	26.6	39.6	26.6	14.9	27.8	27.3	38.5	28.2	13.8	27.9
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, %	17.2	27.8	18.1	9.2	18.4	17.3	27.0	19.0	8.3	18.3

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, %	18.8	-2.4	-1.0	-0.8	3.8	18.7	1.5	-1.4	1.6	5.2

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.

	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21
Sales EURm	2,507	2,673	2,523	2,384	2,234	9,814
Comparable EBITDA, EURm	377	470	535	426	389	1,821
% of sales	15.0	17.6	21.2	17.9	17.4	18.6
Comparable EBIT, EURm	277	461	424	307	279	1,471
% of sales	11.0	17.2	16.8	12.9	12.5	15.0
Comparable profit before tax, EURm	273	466	418	301	272	1,457
Capital employed (average, EURm)	13,799	13,399	12,633	12,080	11,744	12,657
Comparable ROCE, %	8.5	14.1	13.4	10.2	9.5	11.7
Comparable profit for the period, EURm	232	373	359	246	228	1,204
Total equity, average, EURm	11,071	10,760	10,011	9,454	9,407	10,310
Comparable ROE, %	8.4	13.8	14.3	10.4	9.7	11.7
Average number of shares basic (1,000)	533,324	533,324	533,324	533,324	533,324	533,324
Comparable EPS, EUR	0.42	0.69	0.66	0.45	0.42	2.22
Items affecting comparability in operating profit, EURm	-94	-46	140	-3	0	91
Items affecting comparability in taxes, EURm	1	13	-1	1	0	12
Operating cash flow, EURm	12	406	318	308	217	1,250
Operating cash flow per share, EUR	0.02	0.76	0.60	0.58	0.41	2.34
Net debt at the end of period, EURm	837	647	667	750	83	647
Net debt to EBITDA (last 12 m.)	0.46	0.35	0.38	0.49	0.06	0.35
Gearing ratio, %	8	6	6	8	1	6
Equity per share at the end of period, EUR	20.11	20.34	19.08	17.62	17.06	20.34
Capital expenditure, EURm	256	491	365	375	252	1,483
Capital expenditure excluding acquisitions, EURm	256	491	365	374	246	1,477
Equity to assets ratio, %	61.3	62.9	62.8	61.7	58.5	62.9
Personnel at the end of period	16,843	16,966	17,085	17,874	17,670	16,966

The definitions of alternative performance measures are presented in other financial information in *» UPM Annual Report 2021*

Reconciliation of key figures to IFRS

EURm, OR AS INDICATED	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21
Items affecting comparability						
Impairment charges	-95	-52	1	0	-1	-52
Restructuring charges	0	0	5	2	4	11
Change in fair value of unrealised cash flow and commodity hedges	0	0	0	-5	-3	-8
Capital gains and losses on sale of non-current assets	1	7	134	0	0	140
Total items affecting comparability in operating profit	-94	-46	140	-3	0	91
Changes in tax rates	0	0	0	0	0	0
Taxes relating to items affecting comparability	1	13	-1	1	0	12
Items affecting comparability in taxes	1	13	-1	1	0	12
Items affecting comparability, total	-93	-33	139	-3	0	103
Comparable EBITDA						
Operating profit	183	415	564	304	279	1,562
Depreciation, amortisation and impairment charges excluding items affecting comparability	111	113	116	118	116	463
Change in fair value of forest assets and wood harvested excluding items affecting comparability	-12	-103	-5	2	-5	-111
Share of result of associates and joint ventures	1	-1	-1	-1	0	-2
Items affecting comparability in operating profit	94	46	-140	3	—	-91
Comparable EBITDA	377	470	535	426	389	1,821
% of sales	15.0	17.6	21.2	17.9	17.4	18.6
Comparable EBIT						
Operating profit	183	415	564	304	279	1,562
Items affecting comparability in operating profit	94	46	-140	3	—	-91
Comparable EBIT	277	461	424	307	279	1,471
% of sales	11.0	17.2	16.8	12.9	12.5	15.0
Comparable profit before tax						
Profit before tax	179	420	558	298	272	1,548
Items affecting comparability in operating profit	94	46	-140	3	—	-91
Comparable profit before tax	273	466	418	301	272	1,457
Comparable ROCE, %						
Comparable profit before tax	273	466	418	301	272	1,457
Interest expenses and other financial expenses	21	6	6	7	7	26
	294	471	424	308	280	1,483
Capital employed, average	13,799	13,399	12,633	12,080	11,744	12,657
Comparable ROCE, %	8.5	14.1	13.4	10.2	9.5	11.7
Comparable profit for the period						
Profit for the period	139	340	497	243	227	1,307
Items affecting comparability, total	93	33	-139	3	—	-103
Comparable profit for the period	232	373	359	246	228	1,204
Comparable EPS, EUR						
Comparable profit for the period	232	373	359	246	228	1,204
Profit attributable to non-controlling interest	-5	-5	-9	-4	-3	-22
	226	367	350	242	224	1,183
Average number of shares basic (1,000)	533,324	533,324	533,324	533,324	533,324	533,324
Comparable EPS, EUR	0.42	0.69	0.66	0.45	0.42	2.22
Comparable ROE, %						
Comparable profit for the period	232	373	359	246	228	1,204
Total equity, average	11,071	10,760	10,011	9,454	9,407	10,310
Comparable ROE, %	8.4	13.8	14.3	10.4	9.7	11.7
Net debt						
Non-current debt	2,534	2,566	2,545	2,542	2,556	2,566
Current debt	269	86	80	77	76	86
Total debt	2,803	2,652	2,625	2,619	2,632	2,652
Non-current interest-bearing assets	120	148	155	160	161	148
Cash and cash equivalents	1,342	1,460	1,613	1,578	2,284	1,460
Other current interest-bearing assets	504	398	191	130	104	398
Total interest-bearing assets	1,966	2,006	1,959	1,869	2,550	2,006
Net debt	837	647	667	750	83	647

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 165-166 of the 2021 Annual Report. Risks and opportunities are discussed on pages 34–35 and risks and risk management are presented on pages 131–135 of the report.

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