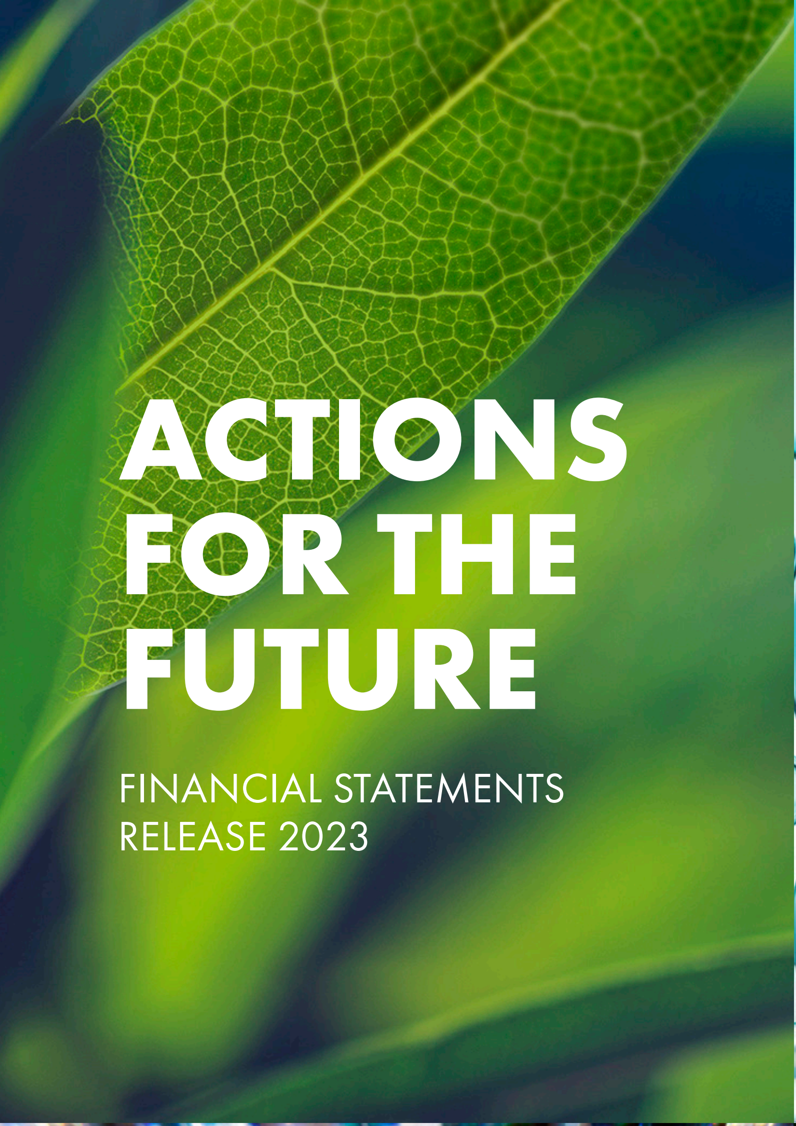
ACTIONS FOR THE FUTURE

FINANCIAL STATEMENTS
RELEASE 2023



UPM financial statements release 2023:

UPM's earnings recovery continued in Q4, growth projects set to deliver

Q4 2023 highlights

- Sales decreased by 22% to EUR 2,531 million (3,231 million in Q4 2022)
- Comparable EBIT decreased by 51% to EUR 323 million, 12.8% of sales (653 million, 20.2%)
- Operating cash flow was EUR 456 million (1,576 million), supported by cash inflow from working capital
- Net debt was EUR 2,432 million (2,374 million) and the net debt to EBITDA ratio was 1.55 (0.94)
- Pulp and electricity sales prices significantly lower than in the previous year, impacting UPM Fibres and UPM Energy. Successful margin management in other business areas
- Demand for many of UPM's products continued to gradually recover from previous quarters
- UPM Paso de los Toros pulp mill and the OL3 nuclear power plant unit contributed significantly to UPM's deliveries
- Permanent closure of UPM Plattling paper mill, Germany in November and the sale of the Steyrermühl site, Austria in January 2024
- In December, UPM was listed as the only forest and paper industry company in the Dow Jones Global and European Sustainability Indices (DJSI) for the years 2023–2024

2023 highlights

- Sales decreased by 11% to EUR 10,460 million (11,720 million in 2022)
- Comparable EBIT decreased by 52% to EUR 1,013 million (2,096 million), and was 9.7% (17.9%) of sales
- Operating cash flow was record strong at EUR 2,269 million (508 million), supported by cash inflow from energy hedges
- Cash funds and unused committed credit facilities totalled EUR 3.6 billion at the end of 2023
- The Board proposes a dividend of EUR 1.50 (1.50) per share for 2023
- UPM Paso de los Toros pulp mill in Uruguay started production in Q2 2023
- The OL3 nuclear power plant unit began regular commercial electricity production in Q2 2023
- UPM Leuna biochemicals refinery project is progressing at full speed
- Permanent closures of PM6 at UPM Schongau, Germany, PM4 at UPM Steyrermühl, Austria and UPM Plattling paper mill, Germany
- UPM received platinum in the EcoVadis responsibility assessment with a high industry score
- UPM joined the UN Global Compact Forward Faster Initiative

Key figures

	Q4/2023	Q4/2022	Q3/2023	Q1–Q4/2023	Q1–Q4/2022
Sales, EURm	2,531	3,231	2,584	10,460	11,720
Comparable EBITDA, EURm	465	759	376	1,573	2,536
% of sales	18.4	23.5	14.6	15.0	21.6
Operating profit (loss), EURm	211	675	-29	608	1,974
Comparable EBIT, EURm	323	653	220	1,013	2,096
% of sales	12.8	20.2	8.5	9.7	17.9
Profit (loss) before tax, EURm	180	638	-52	464	1,944
Comparable profit before tax, EURm	293	616	196	934	2,066
Profit (loss) for the period, EURm	161	503	-28	394	1,556
Comparable profit for the period, EURm	248	489	149	755	1,679
Earnings per share (EPS), EUR	0.30	0.93	-0.05	0.73	2.86
Comparable EPS, EUR	0.46	0.91	0.28	1.40	3.09
Return on equity (ROE), %	5.5	16.0	-0.9	3.2	13.0
Comparable ROE, %	8.5	15.5	5.1	6.2	14.0
Return on capital employed (ROCE), %	5.9	15.0	-0.5	3.5	12.8
Comparable ROCE, %	8.9	14.5	6.0	6.4	13.6
Operating cash flow, EURm	456	1,576	641	2,269	508
Operating cash flow per share, EUR	0.85	2.95	1.20	4.25	0.95
Equity per share at the end of period, EUR	20.93	23.44	21.42	20.93	23.44
Capital employed at the end of period, EURm	14,916	17,913	15,171	14,916	17,913
Net debt at the end of period, EURm	2,432	2,374	2,363	2,432	2,374
Net debt to EBITDA (last 12 months)	1.55	0.94	1.27	1.55	0.94
Personnel at the end of period	16,573	17,236	16,831	16,573	17,236

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

Massimo Reynaudo, President and CEO, comments on the results:

"UPM delivered solid 2023 results in a very challenging operating environment as the world went through an exceptional economic cycle. During the first half of the year, we experienced an exceptionally sharp downturn, especially in European markets. Unprecedented destocking significantly affected market deliveries and was combined with falling pulp and energy prices. As the year progressed, there were signs of gradual recovery in many product markets, and we were able to deliver improving earnings.

Our Q4 comparable EBIT increased when compared to the previous quarter by 47% to EUR 323 million and comparable EBIT margin was at a good level of 12.8%.

Looking at full year 2023, we succeeded well in margin management and took decisive action to reduce variable and fixed costs and to adjust our capacity to the low demand. Cash flow was at a record level, and our financial position is strong.

The highlight of the year was the completion of two of our transformative investments that will generate material growth and value for years to come. The UPM Paso de los Toros pulp mill in Uruguay started production in Q2. During the same quarter, the OL3 nuclear power plant unit in Finland began commercial production. These milestone investments increased our pulp and energy capacity by about 50% and contributed to our deliveries already during the second half of the year.

UPM Communications Papers achieved strong results in Q4 and the full year 2023. The business generated a record-high cash flow and strong results despite low capacity utilisation rates. Margin management was successful, cost containment actions were taken, and production capacity was aligned to low demand. In November, UPM Plattling in Germany was closed permanently. In 2023, the annual energy-related refunds in Europe particularly contributed to Q4 earnings.

UPM Fibres' results improved in comparison to the previous quarter as market prices for pulp were on the rise and variable costs decreased. Production at the UPM Paso de los Toros pulp mill remained at the same level as in Q3 due to ramp-up issues. The issues holding back production in Q4 have been resolved and 2024 has started with good production volumes. The mill's production reached about 850,000 tonnes in 2023 and this is expected to more than double over the course of 2024. The mill was EBITDA positive in H2 2023 and is expected to turn EBIT positive during H1 2024.

Modest improvement in market demand continued for our two businesses in the packaging value chain as destocking is largely over. UPM Specialty Papers' results improved and were at a good level. UPM Raflatac's performance was seasonally weaker, and the business continued cost reductions and adjusting capacity to current demand.

UPM Energy's results were stronger than in the last two quarters, as energy consumption and prices increased due to wintry weather across the Nordic region. Our hydro and nuclear power generation volumes were good. As was the case for the entire year, energy consumption in Europe was exceptionally low and prices were much lower than in the previous year.

UPM Plywood's results were stable in slow markets. The business implemented temporary layoffs at all mills to align capacity to demand.

In Other operations, prices developed unfavourably for UPM Biofuels. On a positive note, UPM Biofuels initiated proceedings to qualify its renewable fuel as sustainable aviation fuel. The detailed commercial and basic engineering phase of the potential Rotterdam biorefinery continues.

Our transformative biochemicals refinery project in Leuna, Germany, is progressing at full speed. We are excited about our partnerships, which confirm the keen interest in wood-based products of our new biorefinery. The start of production by the end of 2024 will be one of the highlights of this year.

Our products enable customers and consumers to achieve their sustainability targets, and here we have a strong track record of tangible actions. In Q4, we were again listed on the Dow Jones Global and European Sustainability Indices for 2023–2024 as the sole company in our industry. We updated our Green Finance Framework and received the highest possible rating for it. Earlier in the year, we joined the UN Global Compact Forward Faster Initiative to accelerate our progress towards the UN Sustainable Development Goals.

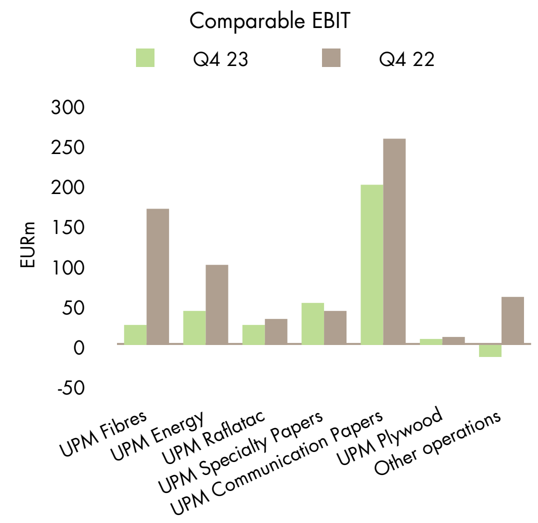
All in all, 2023 was tough in many ways, particularly in the first half. I would like to thank all UPMers for their perseverance and contribution to our solid results under these exceptional circumstances. Now at the beginning of 2024, our operating environment remains marked by uncertainties in the global economy and geopolitics. At UPM, we focus on performance, margin management and making sure our growth investments deliver. We are well positioned for when the markets recover; and we have an excellent operating model and platforms for growth in place. Together with all UPMers, we will continue to create a future beyond fossils and long-term value for our stakeholders.

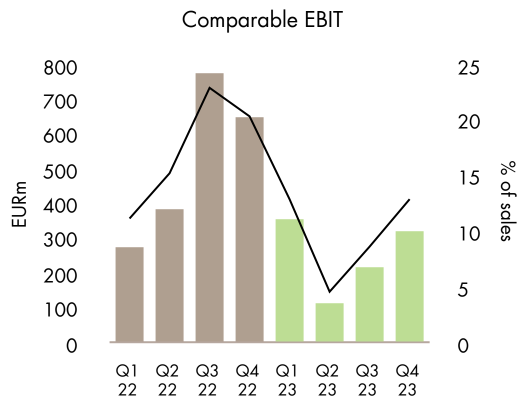
Confident in the company's strong financial position and future performance, UPM's Board of Directors has today proposed a dividend of EUR 1.50 (1.50) per share for 2023 to our Annual General Meeting."

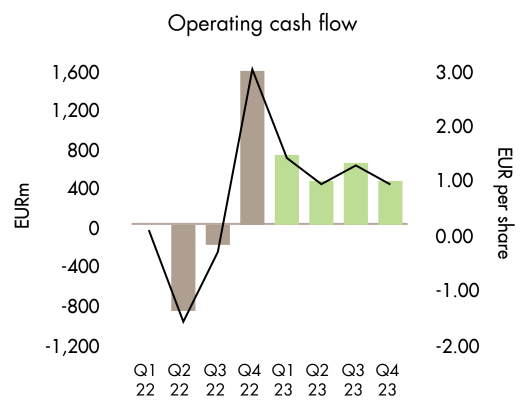
Outlook for 2024

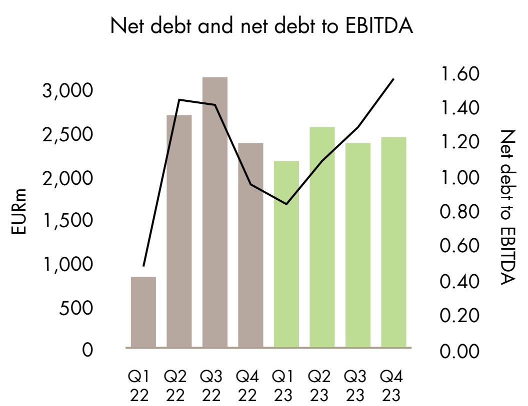
UPM's full-year 2024 comparable EBIT is expected to increase from 2023, supported by higher delivery volumes, continued ramp-up and optimisation of the UPM Paso de los Toros pulp mill and lower fixed costs. Demand for many UPM products is expected to continue to improve gradually as the destocking seen in 2023 is largely over. The year starts with lower price level for advanced renewable fuels than last year. UPM continues to manage margins and take actions to reduce variable and fixed costs.

In H1 2024, comparable EBIT is expected to be lower than in H2 2023, due to the timing of the energy-related refunds in Q4 2023 and unusually high maintenance activity in H1 2024. Planned maintenance shutdowns will take place in UPM Paso de los Toros, UPM Fray Bentos and UPM Pietarsaari pulp mills and all three units of the Olkiluoto nuclear power plant.









Results

Q4 2023 compared with Q4 2022

Q4 2023 sales were EUR 2,531 million, 22% lower than the EUR 3,231 million in Q4 2022. Sales decreased in all business areas and the most in UPM Communication Papers business area.

Comparable EBIT decreased by 51% to EUR 323 million, which was 12.8% of sales (653 million, 20.2%).

Sales prices decreased in UPM Energy, UPM Fibres, UPM Communication Papers, UPM Specialty Papers and UPM Raflatac business areas and remained unchanged in UPM Plywood business area.

Variable costs decreased in UPM Communication Papers, UPM Specialty Papers, UPM Fibres, UPM Raflatac and UPM Plywood business areas and increased in UPM Energy business area. At the group level, the lower sales prices, most notably pulp and energy, had a significantly larger negative impact than the lower variable costs.

Delivery volumes increased in UPM Fibres and UPM Energy and decreased in the other business areas. The new pulp mill UPM Paso de los Toros and the OL3 nuclear power plant unit contributed significantly to deliveries. Fixed costs decreased by EUR 8 million.

Depreciation, excluding items affecting comparability, totalled EUR 152 million (119 million), including depreciation of leased assets totalling EUR 23 million (24 million). The change in the fair value of forest assets net of wood harvested in comparable EBIT was EUR 10 million (12 million).

Operating profit was EUR 211 million (675 million). Items affecting comparability in operating profit totalled EUR -113 million in the period (22 million). In Q4 2023, items affecting comparability include an EUR 86 million decrease in the fair value of forest assets in Finland resulting from changes in estimates and increase in discount rate, EUR 10 million addition to restructuring charges related to the closure of the UPM Plattling paper mill in Germany and EUR 3 million charges related to the impairment of the Sierilä power plant project in Finland. In Q4 2022, items affecting comparability include EUR 13 million gains on the sale of other non-current assets, EUR 7 million restructuring costs and a EUR 8 million addition to environmental provisions related to prior capacity closures in Finland.

Net interest and other finance income and costs were EUR -27 million (-23 million). The exchange rate and fair value gains and losses were EUR -3 million (-14 million). Income taxes were EUR -19 million (-135 million). Items affecting comparability in taxes totalled EUR 26 million (-8 million).

Profit for Q4 2023 was EUR 161 million (503 million), and comparable profit was EUR 248 million (489 million).

Q4 2023 compared with Q3 2023

Comparable EBIT increased by 47% to EUR 323 million, which was 12.8% of sales (220 million, 8.5%).

Variable costs decreased in most business areas, most notably in UPM Communication Papers partly due to the timing of energy-related refunds. Delivery volumes increased in UPM Energy, UPM Communication Papers, UPM Raflatac and UPM Specialty Papers business areas.

Sales prices increased in UPM Fibres, UPM Energy and UPM Specialty Papers business areas and decreased in UPM Communication Papers, UPM Raflatac and UPM Plywood business areas.

Fixed costs increased by EUR 46 million mainly due to higher maintenance activity and other seasonal variations.

Depreciation, excluding items affecting comparability, totalled EUR 152 million (152 million). The change in the fair value of forest assets net of wood harvested in comparable EBIT was EUR 10 million (-5 million).

Operating profit was EUR 211 million (operating loss -29 million).

Full year 2023 compared with year 2022

2023 sales were EUR 10,460 million, 11% lower than the EUR 11,720 million for 2022. Sales decreased in UPM Communication Papers, UPM Raflatac, UPM Specialty Papers, UPM Plywood and UPM Energy business areas. Sales increased in UPM Fibres and Other Operations.

Comparable EBIT decreased by 52% to EUR 1,013 million, 9.7% of sales (2,096 million, 17.9%).

On the group level, sales prices had a large negative earnings impact, most notably from pulp and energy prices. Variable costs were higher as well.

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

Variable costs increased in UPM Energy, UPM Raflatac and UPM Plywood business areas and in Other Operations. Variable costs decreased in UPM Communication Papers, UPM Specialty Papers and UPM Fibres business areas.

Delivery volumes increased for UPM Fibres, UPM Energy and UPM Biofuels and decreased for UPM Communication Papers, UPM Raflatac, UPM Plywood and UPM Specialty Papers. Market demand for many products was soft, and delivery volumes were further held back by destocking in the various product value chains. UPM Paso de los Toros pulp mill and the OL3 nuclear power plant unit contributed to deliveries in 2023, whereas the strike in Finland in January-April 2022 affected delivery volumes in the comparison period.

Fixed costs increased by EUR 203 million partly due to the growth projects and higher maintenance activity. Employee costs in the comparison period were lower partly due to the strike in Finland.

Depreciation, excluding items affecting comparability, totalled EUR 543 million (457 million) including depreciation of leased assets totalling EUR 87 million (80 million). The change in the fair value of forest assets net of wood harvested in comparable EBIT was EUR -17 million (12 million).

Operating profit totalled EUR 608 million (1,974 million). Items affecting comparability in operating profit totalled EUR -405 million in the period (-122 million). In 2023, items affecting comparability include EUR 120 million restructuring charges and EUR 112 million impairment charges of fixed and leased assets related to the closure of the UPM Plattling paper mill in Germany and EUR 13 million restructuring charges and EUR 2 million impairment charges related to restructuring measures at the UPM Raflatac Nancy factory in France, EUR 86 million decrease in the fair value of forest assets in Finland resulting from changes in estimates and increase in discount rate, EUR 30 million restructuring charges relating to the closure of paper machine 6 at the UPM Schongau mill in Germany, EUR 10 million charges related to the sale of the Steyrermühl site in Austria, EUR 23 million of other restructuring charges, EUR 3 million charges related to Sierilä power plant project impairment in Finland, EUR 6 million capital loss resulting from the sale of Russian operations and EUR 5 million capital gains on sale of other non-current assets. In 2022, items affecting comparability include EUR 80 million impairment charges of assets impacted by Russia´s war in Ukraine, EUR 69 million settlement loss resulting from replacement of a defined benefit pension plan in Finland with defined contribution plan, EUR 8 million capital gain on the sale of Chapelle mill site in France, EUR 11 million reversal of restructuring provisions related to the Chapelle paper mill, EUR 26 million gain on the sale of other non-current assets, EUR 18 million restructuring costs and EUR 8 million addition to environmental provisions in Finland.

Net interest and other finance income and costs were EUR -70 million (-55 million). The exchange rate and fair value gains and losses were EUR -74 million (25 million). Items affecting comparability in finance costs totalled EUR -65 million including EUR 71 million exchange rate losses relating to the sale of Russian operations. Income taxes totalled EUR -71 million (-388 million).

Profit for 2023 was EUR 394 million (1,556 million), and comparable profit was EUR 755 million (1,679 million).

Financing and cash flow

In 2023 cash flow from operating activities before capital expenditure and financing totalled EUR 2,269 million (508 million). Working capital decreased by EUR 417 million (increased by 687 million). In 2022, the energy futures markets experienced an unprecedented rise in futures prices, followed by a return to lower levels in 2023. As a result, the cash outflow of UPM's unrealised energy hedges totalled EUR -0.9 billion in 2022, whereas cash inflow totalled EUR 1.0 billion in 2023.

Net debt was EUR 2,432 million at the end of Q4 2023 (2,374 million). The gearing ratio as of 31 December 2023 was 21% (18%). The net debt to EBITDA ratio, based on the last 12 month's EBITDA, was 1.55 at the end of the period (0.94).

On 31 December 2023 UPM's cash funds and unused committed credit facilities totalled EUR 3.6 billion. The total amount of committed credit facilities was EUR 2.9 billion of which EUR 259 million maturing in 2025 and EUR 2.7 billion maturing in 2026 or beyond.

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

Capital expenditure

In 2023, capital expenditure totalled EUR 1,122 million, which was 10.7% of sales (1,555 million, 13.3% of sales). Capital expenditure does not include additions to leased assets.

In 2024, UPM's total capital expenditure, excluding investments in shares, is expected to be about EUR 550 million, which includes estimated capital expenditure of approximately EUR 300 million in the biochemicals biorefinery in Germany.

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

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

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

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

Personnel

In 2023 UPM had an average of 17,109 employees (17,176). At the beginning of the year, the number of employees was 17,236 and at the end of Q4 2023 it was 16,573.

Uruguay pulp mill investment

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

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

With a combination of competitive wood supply, scale, best available techniques and efficient logistics, the mill is expected to reach a highly competitive cash cost level of approximately USD 280 per delivered tonne of pulp. This figure includes the variable and fixed costs of plantation operations, wood sourcing, mill operations and logistics delivered to the main markets. Furthermore, the safety and sustainability performance of the value chain from plantations to customer delivery is expected to be on an industry-leading level.

Competitive wood supply

Eucalyptus availability for the mill is secured through UPM's own and leased plantations, as well as through wood sourcing agreements with private partners. The plantations that UPM owns, leases or manages in Uruguay covers 505,159 hectares. They supply the current UPM Fray Bentos mill and the new UPM Paso de los Toros mill.

State of the art mill design

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

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

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

Efficient logistics set-up

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

The Public-Private-Partnership agreement between the government and the construction company for the construction of the central railway was signed in May 2019. The construction of the central railway was completed in December 2023 and the railway will start operations during H1 after mandatory tests have been carried out. UPM has ensured logistics with truck transportation until rail logistics are fully operational.

UPM's new deep-sea pulp terminal at Montevideo port went operational in October 2022. Direct rail access from the mill to the pulp specialised deep-sea port terminal will create an efficient supply chain to world markets. The Montevideo deep-sea port also enables synergies in ocean logistics with UPM's all 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%. According to June 2023 data from government agency Uruguay XXI, eucalyptus pulp has become the country's main export.

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

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

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

Project schedule and capital outflow

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

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

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

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

Biochemicals refinery investment

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

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

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

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

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

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

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

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

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

Commercial activities are proceeding

Commercial activities have continued to proceed positively in different product and application areas. We have made strong progress in qualifying our products for key end-uses, successfully launched commercial partnerships both for UPM BioPura™ renewable bio-monoethylene glycols (bMEG) and UPM BioMotion™ Renewable Functional Fillers (RFF) products. We have a robust commercial pipeline upon start-up of the UPM Biochemicals business. After the launch of UPM BioMotion™ in 2021, joint product development activities with potential customers in the rubber value chain have progressed further as have discussions with especially automotive OEMs, with good results regarding both the technical and commercial viability of the product.

We made further progress in taking UPM BioPura™ bMEG, to market, advancing sales capabilities and extending pre-commercial discussions with potential customers, as well as brand owners in the packaging, textile and automotive end-uses. In July 2023 we launched a partnership with the German sustainable outdoor apparel brand VAUDE to produce the world's first polyester fleece jackets containing renewable chemicals made by UPM. In September and October 2023 we closed and announced the first larger scale sales contracts for our UPM BioPura™ with our partners Dongsung and Brenntag.

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

Biofuels business development

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

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

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

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

OL3 power plant project

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

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

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

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

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

OL3 increases UPM Energy's electricity generation capacity significantly. The new power plant unit is highly efficient and meets the highest safety standards. Its power generation is CO_2 -free and TVO has a secure solution for the final disposal of used fuel.

Events during the reporting period

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

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

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

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

On 12 April, UPM held its Annual General Meeting.

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

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

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

On 28 June, UPM announced that employee consultation processes at UPM Schongau, Germany, had been completed and the number of persons affected was 136 for the site. Uncoated publication paper machine 6 was permanently closed. Newsprint paper machine 4 at UPM Steyrermühl, Austria, was also permanently closed.

On 25 July, UPM Communication Papers announced plans to permanently close its Plattling mill in Germany. The planned closure of UPM Plattling's two paper machines would lead to a permanent reduction of 380,000 tonnes of uncoated publication paper and 215,000 tonnes of coated publication paper by the end of 2023. The number of UPM employees affected is 401.

On 4 August, UPM announced that it has received platinum in the EcoVadis responsibility assessment with a high industry score based on the company's sustainability performance in the following four categories: Environment, Labour and Human Rights, Ethics and Sustainable Procurement.

On 19 September, UPM announced that it was joining the UN Global Compact Forward Faster Initiative, which calls upon business leaders all over the world to take measurable action to accelerate the progress of the Sustainable Development Goals. UPM is committed to promoting gender equality, paying living wages and operating in line with an ambitious net-zero emissions target.

On 20 October, UPM announced that the participation process with employee representatives had been concluded and UPM decided to close the Plattling mill in Germany. The mill ceased production in November 2023.

On 24 October, UPM announced that Massimo Reynaudo had been appointed as President and CEO of UPM-Kymmene Corporation as of 1 January 2024.

On 6 November, UPM announced that it had published an updated Green Finance Framework. UPM's updated Green Finance Framework received the highest "Dark Green" shading from S&P Global Ratings, in line with the framework established in 2020.

On 11 December, UPM announced that it had been listed as the only forest and paper industry company in the Dow Jones Global and European Sustainability Indices (DJSI) for the years 2023–2024.

Events after the balance sheet date

On 2 January 2024, UPM announced that it had completed the sale of the Steyrermühl site and all related assets to HEINZEL GROUP, thereby closing the transaction announced in June 2022.

Timing of significant maintenance shutdowns in 2024

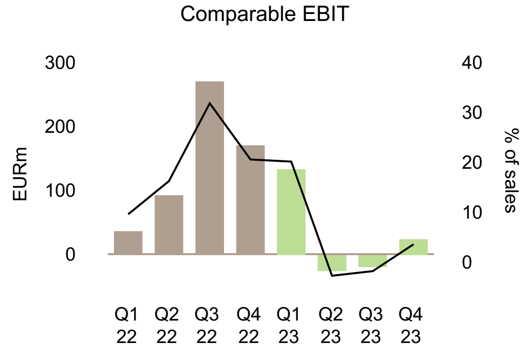
TIMING	UNIT
Q2/2023	Olkiluoto nuclear power plant OL1 and OL2
	UPM Lappeenranta Biorefinery turnaround
	UPM Kymi pulp mill
Q3-Q4/2023	UPM Kaukas pulp mill
Q1-Q2/2024	Olkiluoto nuclear power plant OL1, OL2 and OL3
Q2 2024	UPM Paso de los Toros pulp mill
	UPM Fray Bentos pulp mill
	UPM Pietarsaari pulp mill

Dividend proposal for 2023

The Board of Directors proposes to the Annual General Meeting convening on 4 April 2024 that a dividend of EUR 1.50 per share be paid in respect of the 2023 financial year (1.50). The proposed dividend represents 107% of UPM's comparable earnings per share for 2023. It is proposed that the dividend is paid in two equal instalments, the first instalment of EUR 0.75 per share on 16 April 2024 and the second instalment of EUR 0.75 per share on 7 November 2024. On 31 December 2023, the distributable funds of the parent company were EUR 3,289.8 million.

UPM Fibres

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



	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q4/23	Q1–Q4/22
Sales EURm	781	817	764	683	850	866	584	404	3,044	2,704
Comparable EBITDA, EURm	109	69	42	188	213	313	139	78	407	743
% of sales	13.9	8.4	5.5	27.5	25.1	36.2	23.7	19.3	13.4	27.5
Change in fair value of forest assets and wood harvested, EURm	-1	-5	-8	-6	5	3	1	2	-20	11
Share of results of associated companies and joint ventures, EURm	1	1	1	0	0	1	1	0	2	3
Depreciation, amortisation and impairment charges, EURm	-84	-82	-59	-48	-48	-47	-49	-44	-273	-187
Operating profit, EURm	25	-18	-24	134	177	271	32	37	116	517
% of sales	3.1	-2.2	-3.1	19.6	20.8	31.3	5.5	9.1	3.8	19.1
Items affecting comparability in operating profit, EURm [1]	—	—	—	—	7	—	-60	—	—	-53
Comparable EBIT, EURm	25	-18	-24	134	170	271	92	37	116	570
% of sales	3.1	-2.2	-3.1	19.6	20.1	31.3	15.7	9.1	3.8	21.1
Capital employed (average), EURm	6,995	6,949	6,843	6,571	6,404	6,290	5,615	5,158	6,839	5,867
Comparable ROCE, %	1.4	-1.0	-1.4	8.2	10.6	17.2	6.5	2.9	1.7	9.7
Pulp deliveries, 1000 t	1,153	1,319	974	692	832	859	609	461	4,139	2,761

Pulp mill maintenance shutdowns: Q3-Q4 2023 UPM Kaukas, Q2 2023 UPM Kymi, Q4 2022 UPM Fray Bentos, Q2 2022 UPM Kaukas and UPM Pietarsaari.
[1] Q4 2022 items affecting comparability include EUR 5 million settlement adjustment resulting from replacement of defined benefit pension plan with defined contribution plan in Finland and EUR 2 million reversal of environmental provisions related to prior capacity closures. Q2 2022 includes settlement loss resulting from replacement of defined benefit pension plan in Finland with defined contribution plan.

- The ramp-up of the UPM Paso de los Toros pulp mill in Uruguay progresses and the mill contributes positive EBITDA
- UPM Timber invests nearly EUR 10 million in modernisation of Korkeakoski sawmill

Results

Q4 2023 compared with Q4 2022

Comparable EBIT for UPM Fibres decreased due to lower pulp sales prices. Delivery volumes were higher and were supported by the UPM Paso de los Toros ramp-up. Variable costs were lower. Fixed costs and depreciation increased.

The average price in euro for UPM's pulp deliveries decreased by 40%.

Q4 2023 compared with Q3 2023

Comparable EBIT increased due to higher sales prices and lower variable costs. Delivery volumes were lower. Fixed costs increased.

The average price in euro for UPM's pulp deliveries increased by 7%.

Full year 2023 compared with year 2022

Comparable EBIT decreased due to lower pulp and timber sales prices. Delivery volumes increased and were supported by the UPM Paso de los Toros ramp-up.

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

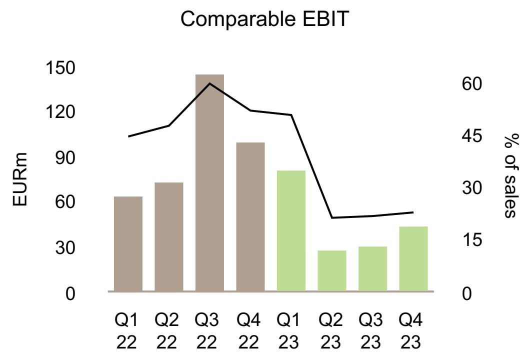
Market environment

- In 2023, global chemical pulp demand was solid. In China, chemical pulp demand varied depending on the end-use and improved in H2 due to restocking. In Europe, chemical pulp demand was weak.
- In Europe, the market price for both northern bleached softwood kraft (NBSK) pulp and bleached hardwood kraft pulp (BHKP) increased in Q4 2023 compared with Q3 2023.
- In China, the market price for both northern bleached softwood kraft (NBSK) pulp and bleached hardwood kraft pulp (BHKP) increased in Q4 2023 compared with Q3 2023.
- In 2023, the average European market price in euro was 12% lower for NBSK and 21% lower for BHKP, compared with 2022. In China, the average market price in US dollars was 19% lower for NBSK and 23% lower for BHKP, compared with 2022.
- In 2023, demand for sawn timber was weak and market prices were at a low level.

Sources: FOEX, UPM

UPM Energy

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



	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q4/23	Q1–Q4/22
Sales EURm	192	142	134	159	193	244	154	143	628	734
Comparable EBITDA, EURm	45	32	30	82	102	147	75	65	189	388
% of sales	23.5	22.7	22.3	51.6	52.7	60.2	48.5	45.4	30.2	52.9
Depreciation, amortisation and impairment charges, EURm	-2	-2	-2	-2	-2	-2	-2	-2	-7	-7
Operating profit, EURm	40	30	31	80	100	145	73	63	182	381
% of sales	21.0	21.3	23.4	50.5	51.7	59.5	47.4	44.3	29.1	52.0
Items affecting comparability in operating profit, EURm [1]	-3	—	3	—	—	—	—	—	—	—
Comparable EBIT, EURm	43	30	28	80	100	145	73	63	182	381
% of sales	22.5	21.4	20.9	50.5	51.7	59.5	47.4	44.3	29.0	52.0
Capital employed (average), EURm	2,645	2,770	3,112	3,640	3,727	3,423	3,148	2,848	3,042	3,286
Comparable ROCE, %	6.5	4.4	3.6	8.8	10.7	16.9	9.3	8.9	6.0	11.6
Electricity deliveries, GWh	3,480	3,019	3,056	2,504	2,354	2,380	2,373	2,335	12,059	9,442

[1] Q4 2023 items affecting comparability include charges related to impairment of the Sierilä power plant project. Q2 2023 includes EUR 3 million capital gain on sale of other non-current assets.

- Nordic electricity consumption high driven by cold weather

Results

Q4 2023 compared with Q4 2022

Comparable EBIT for UPM Energy decreased mainly due to lower electricity sales price. Power generation volumes were higher due to the OL3 nuclear power plant unit.

UPM's average electricity sales price decreased by 31% to EUR 53.5/MWh (77.2/MWh).

Q4 2023 compared with Q3 2023

Comparable EBIT increased mainly due to higher electricity sales price. Hydro and nuclear power generation volumes were higher.

UPM's average electricity sales price increased by 17% to EUR 53.5/MWh (45.6/MWh).

Full year 2023 compared with year 2022

Comparable EBIT decreased due to lower electricity sales price. Power generation volumes were higher due to the OL3 nuclear power plant unit.

UPM's average electricity sales price decreased by 33% to EUR 49.2/MWh (73.3/MWh).

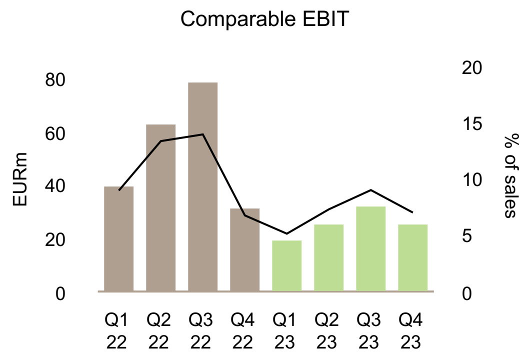
Market environment

- The Nordic hydrological balance was below the long-term average at the end of December. In Finland, the hydrological situation was close to the long-term average.
- The CO_2 emission allowance price of EUR 78.1/tonne at the end of Q4 2023 was lower than at the end of Q4 2022 (EUR 81.5/tonne).
- The average Finnish area spot price on the Nordic electricity exchange in Q4 2023 was EUR 61.1/MWh, 38% higher than in Q3 2023 (EUR 44.2/MWh) and 67% lower than in Q4 2022 (EUR 185.0/MWh).
- The average Finnish area spot price on the Nordic electricity exchange in 2023 was EUR 56.5/MWh, 63% lower than in 2022 (EUR 154.0/MWh).
- The front-year forward electricity price for the Finnish area closed at EUR 64.9/MWh in December, 33% higher than at the end of Q3 2023 (48.8/MWh).

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

UPM Raflatac

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



	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q4/23	Q1–Q4/22
Sales EURm	367	367	357	395	479	573	479	451	1,485	1,982
Comparable EBITDA, EURm	36	43	36	30	42	89	72	49	146	251
% of sales	9.9	11.8	10.2	7.7	8.8	15.5	15.0	10.8	9.8	12.7
Depreciation, amortisation and impairment charges, EURm	-11	-13	-12	-10	-10	-10	-9	-12	-47	-41
Operating profit, EURm	26	13	23	19	31	77	61	33	81	203
% of sales	7.2	3.6	6.4	4.8	6.5	13.5	12.8	7.4	5.5	10.3
Items affecting comparability in operating profit, EURm [1]	1	-19	-3	-1	-1	-2	-2	-7	-22	-11
Comparable EBIT, EURm	25	33	26	20	32	79	63	40	103	214
% of sales	6.9	8.9	7.2	5.0	6.6	13.8	13.2	8.8	7.0	10.8
Capital employed (average), EURm	704	716	746	784	823	719	599	581	737	681
Comparable ROCE, %	14.4	18.2	13.7	10.1	15.5	44.0	42.3	27.5	14.0	31.5

1) Q4 2023 items affecting comparability include EUR 2 million income relating to restructuring measures in Nancy factory in France and EUR 1 million other restructuring charges. Q3 2023 includes restructuring charges of EUR 16 million and impairment charges of EUR 2 million relating to restructuring measures in Nancy factory in France and EUR 1 million other restructuring costs. Q2 2023, Q1 2023 and Q4 2022 include restructuring costs. Q3 2022 includes EUR 2 million of AMC acquisition-related costs. Q2 and Q1 2022 items affecting comparability relate mainly to impairment charges of assets impacted by Russia´s war in Ukraine.

- Continued margin management actions
- Cost reductions and alignment of capacity to demand
- UPM Raflatac reached its goal of all papers certified under a credible third-party forest certification scheme, six years ahead target

Results

Q4 2023 compared with Q4 2022

Comparable EBIT for UPM Raflatac decreased due to lower delivery volumes. Lower variable costs more than offset the negative impact of lower sales prices.

Q4 2023 compared with Q3 2023

Comparable EBIT decreased. Modest volume growth was outweighed by seasonally weaker mix and seasonally higher fixed costs.

Full year 2023 compared with year 2022

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

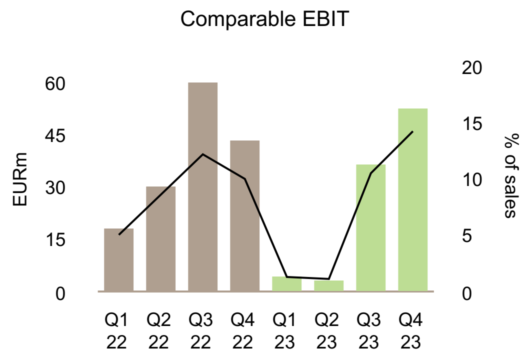
Market environment

- In 2023, global demand for self-adhesive label materials declined compared with 2022 mainly due to destocking in the value chain.
- Global market deliveries of self-adhesive label materials have been sequentially and modestly recovering since Q2 2023.

Sources: UPM, FINAT, TLMI

UPM Specialty Papers

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



	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q4/23	Q1–Q4/22
Sales EURm	374	357	349	404	441	502	357	377	1,485	1,677
Comparable EBITDA, EURm	71	55	22	24	62	81	50	38	172	230
% of sales	19.0	15.5	6.3	5.9	14.0	16.1	13.9	10.0	11.6	13.7
Depreciation, amortisation and impairment charges, EURm	-18	-18	-19	-19	-18	-20	-19	-19	-74	-77
Operating profit, EURm	53	37	4	5	44	60	30	19	98	153
% of sales	14.1	10.4	1.0	1.2	10.0	12.0	8.5	4.9	6.6	9.1
Items affecting comparability in operating profit, EURm	—	—	—	—	—	—	—	—	—	—
Comparable EBIT, EURm	53	37	4	5	44	60	30	19	98	153
% of sales	14.1	10.4	1.0	1.2	9.9	12.1	8.5	4.9	6.6	9.1
Capital employed (average), EURm	828	863	855	954	933	895	843	884	875	889
Comparable ROCE, %	25.5	17.2	1.7	2.0	18.7	27.0	14.4	8.4	11.2	17.2
Paper deliveries, 1000 t	370	371	327	340	339	399	323	371	1,407	1,431

- Focus on margin management continued
- Modest recovery in specialty grades volumes

Results

Q4 2023 compared with Q4 2022
Comparable EBIT for UPM Specialty Papers increased. The positive impact of lower input costs more than offset the negative impact of lower sales prices. Delivery volumes increased.

Q4 2023 compared with Q3 2023
Comparable EBIT increased due to lower input costs and higher average sales prices.

Full year 2023 compared with year 2022
Comparable EBIT decreased due to lower sales prices and lower delivery volumes. Input costs decreased.

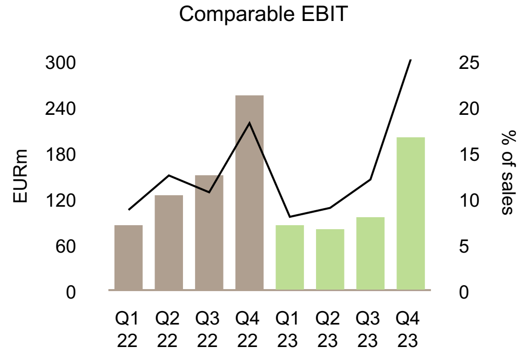
Market environment

- In 2023, global demand for label, release base and packaging papers was soft and impacted by destocking in the value chain and lower consumer confidence. However, demand was improving towards the end of the year.
- Fine paper demand was solid in China and in the rest of the Asia-Pacific region.
- In 2023, market prices decreased compared to 2022.

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 11 efficient paper mills in Europe and the United States, a global sales network and an efficient logistic system. The main customers are publishers, cataloguers, retailers, printers and merchants.



	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q4/23	Q1–Q4/22
Sales EURm	799	807	909	1,083	1,419	1,428	1,017	1,001	3,598	4,866
Comparable EBITDA, EURm	218	119	101	105	276	170	145	106	544	697
% of sales	27.3	14.8	11.1	9.7	19.5	11.9	14.3	10.6	15.1	14.3
Share of results of associated companies and joint ventures, EURm	0	0	0	0	1	1	1	0	-1	3
Depreciation, amortisation and impairment charges, EURm	-20	-134	-21	-20	-21	-20	-20	-20	-195	-80
Operating profit, EURm	185	-127	67	49	258	149	139	86	174	631
% of sales	23.1	-15.7	7.4	4.6	18.2	10.4	13.6	8.6	4.8	13.0
Items affecting comparability in operating profit, EURm [1)]	-15	-223	-13	-36	1	-2	13	—	-288	12
Comparable EBIT, EURm	200	96	80	85	256	151	126	86	462	619
% of sales	25.0	11.9	8.8	7.9	18.1	10.5	12.4	8.6	12.8	12.7
Capital employed (average), EURm	1,291	1,318	1,459	1,627	1,648	1,599	1,396	1,381	1,424	1,506
Comparable ROCE, %	61.9	29.2	22.0	20.9	62.2	37.7	36.1	25.0	32.4	41.1
Paper deliveries, 1000 t	856	839	885	947	1,233	1,356	1,001	1,113	3,528	4,703

1) Q4 2023 items affecting comparability include EUR 9 million addition to restructuring charges and EUR 1 million impairment charges related to closure of UPM Plattling paper mill in Germany, EUR 5 million addition to restructuring charges related to closure of paper machine 6 at UPM Schongau mill in Germany, EUR 2 million income related to restructuring charges in Steyrermühl site in Austria and EUR 2 million other restructuring charges. Q3 2023 includes EUR 111 million restructuring charges and EUR 111 million impairments of fixed and leased assets related to closure of Plattling mill, EUR 2 million of capital gains on sale of non-current assets and EUR 3 million restructuring charges. Q2 2023 includes EUR 9 million restructuring charges, EUR 2 million charges related to sale of Steyrermühl site, EUR 1 million impairment charges and EUR 1 million charges related to prior capacity closures. Q1 2023 includes EUR 26 million restructuring charges related to closure of paper machine 6 at UPM Schongau mill, EUR 9 million charges related to sale of Steyrermühl site and EUR 1 million charges related to prior capacity closures. Q4 2022 includes EUR 8 million gain on sale of other non-current assets and EUR 7 million restructuring charges. Q3 2022 includes EUR 4 million of restructuring charges and EUR 2 million gain on sale of non-current assets. Q2 2022 includes EUR 11 million settlement loss resulting from replacement of a defined benefit pension plan in Finland with defined contribution plan, EUR 8 million capital gain on sale of Chapelle mill site in France, EUR 11 million reversal of restructuring provisions related to Chapelle paper mill, EUR 7 million gain on sale of non-current assets and EUR 3 million charges related to prior capacity closures. Q1 2022 includes EUR 1 million gain on sale of non-current assets and EUR 1million impairment charges related to assets impacted by Russia´s war in Ukraine.

- UPM Plattling mill in Germany permanently closed
- Continued cost containment actions and alignment of production to current demand
- Timing of energy-related refunds in Europe contributed positively to earnings

Results

Q4 2023 compared with Q4 2022

Comparable EBIT for UPM Communication Papers decreased due to lower delivery and production volumes. The positive impact of lower variable costs offset the negative impact of lower sales prices. Fixed costs decreased.

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

Q4 2023 compared with Q3 2023

Comparable EBIT increased. Variable costs were lower mainly due to the timing of energy-related refunds in Europe.

The average price in euro for UPM's paper deliveries decreased by 3%.

Full year 2023 compared with year 2022

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

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

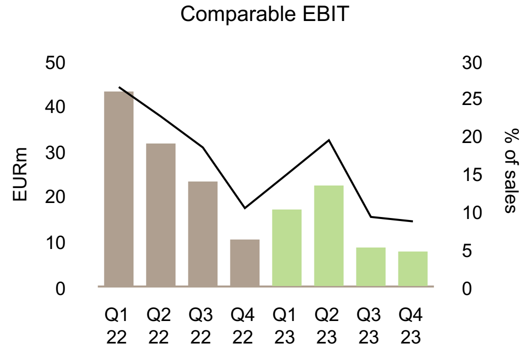
Market environment

- In 2023, demand for graphic papers in Europe was 24% lower than in 2022. Newsprint demand decreased by 22%, magazine papers by 24% and fine papers by 25% compared to 2022.
- In Q4 2023, demand for graphic papers in Europe was 9% lower than in Q4 2022. Newsprint demand decreased by 16%, magazine papers decreased by 12% and fine papers decreased by 3% compared to Q4 2022.
- In Q4 2023, publication paper prices in Europe were 3% lower compared to Q3 2023 and 27% lower compared to Q4 2022. In Q4 2023, fine paper prices in Europe were 1% lower than in the previous quarter and 11% lower compared to Q4 2022.
- In 2023, publication paper prices in Europe were 12% lower and fine paper prices 1% higher compared to 2022.
- In 2023, demand for magazine papers in North America decreased by 35%, compared to 2022. The average price in US dollars for magazine papers in Q4 2023 decreased by 1% compared to Q3 2023 and by 3% compared to Q4 2022. In 2023, the average price in US dollars for magazine papers increased by 4% compared to 2022.

Sources: PPI/RISI, Euro-Graph, PPPC

UPM Plywood

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



	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q4/23	Q1–Q4/22
Sales EURm	91	96	117	118	104	127	143	164	422	539
Comparable EBITDA, EURm	13	14	28	23	17	29	37	50	77	133
% of sales	14.3	14.7	23.8	19.1	16.0	22.5	26.2	30.3	18.4	24.6
Depreciation, amortisation and impairment charges, EURm	-5	-5	-5	-5	-4	-5	-5	-52	-21	-67
Operating profit, EURm	8	9	21	12	5	26	33	-20	50	44
% of sales	9.0	9.1	18.2	10.3	4.8	20.6	23.0	-12.2	11.9	8.2
Items affecting comparability in operating profit, EURm [1)]	—	—	-1	-5	-6	3	1	-63	-6	-65
Comparable EBIT, EURm	8	9	22	17	11	23	32	43	56	109
% of sales	8.5	9.1	19.3	14.8	10.3	18.3	22.4	26.3	13.4	20.3
Capital employed (average), EURm	249	252	258	255	253	231	230	274	254	247
Comparable ROCE, %	12.5	13.9	34.8	27.4	17.0	40.5	55.8	63.1	22.2	44.3
Plywood deliveries, 1000 m^3	97	97	118	117	110	140	168	198	429	616

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

- Temporary layoffs at all mills to align capacity to demand
- Low but towards the year end improving demand in spruce plywood

Results

Q4 2023 compared with Q4 2022

Comparable EBIT for UPM Plywood decreased due to lower delivery volumes. Variable and fixed costs decreased.

Q4 2023 compared with Q3 2023

Comparable EBIT decreased due to slightly lower sales prices. Variable costs decreased.

Full year 2023 compared with year 2022

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

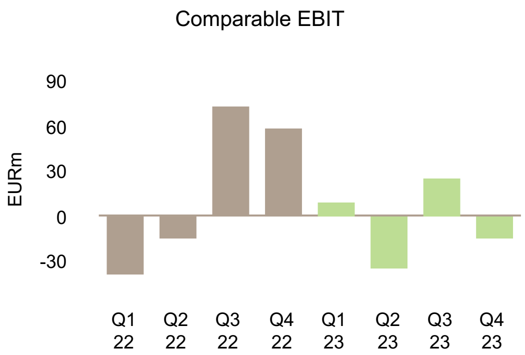
Market environment

- In 2023, demand for spruce plywood and veneer was weak due to low activity in the building and construction industry.
- Demand for birch plywood in panel trading and industrial applications was good in H1 and moderate in H2 2023. In LNG end-use demand for birch plywood was good.
- Destocking in the value chain had an impact on demand, especially in Europe.
- The European birch plywood balance was impacted by leakage of illegal Russian plywood to Europe.

Source: UPM

Other operations

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



	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q4/23	Q1–Q4/22
Sales EURm	192	251	158	200	218	236	110	70	802	634
Comparable EBITDA, EURm	-11	36	-16	21	66	90	4	-34	29	126
Change in fair value of forest assets and wood harvested, EURm	-76	1	-8	1	7	-6	-9	9	-82	2
Share of results of associated companies and joint ventures, EURm	0	0	0	-2	-1	0	0	-1	-2	-2
Depreciation, amortisation and impairment charges, EURm	-12	-11	-10	-11	-14	-8	-9	-33	-44	-64
Operating profit, EURm	-100	25	-35	8	65	74	-14	-61	-101	64
Items affecting comparability in operating profit, EURm [1)]	-86	-1	—	-1	6	—	1	-23	-87	-16
Comparable EBIT, EURm	-14	26	-35	9	59	74	-14	-38	-14	81
Capital employed (average), EURm	3,002	2,994	2,832	2,858	2,734	2,646	2,504	2,421	2,922	2,577
Comparable ROCE, %	-1.8	3.4	-4.9	1.3	8.7	11.2	-2.3	-6.3	-0.5	3.1

1) Q4 2023 items affecting comparability include EUR 86 million decrease in the fair value of forest assets in Finland resulting from changes in estimates and increase in discount rate. Q3 2023 includes transaction costs of acquisition of SunCoal Industries shares. Q1 2023 includes EUR 1 million capital loss resulting from sale of Russian operations. Q4 2022 includes EUR 5 million gain on sale of other non-current assets and EUR 1 million adjustment to impairment charges of assets impacted by Russia's war in Ukraine. Q3 2022 includes EUR 2 million of AMC acquisition-related costs and EUR 2 million of impairment reversals related to assets impacted by Russia's war in Ukraine. Q2 2022 includes settlement loss of EUR 3 million resulting from replacement of defined benefit pension plan in Finland with defined contribution plan and EUR 3 million capital gain on sale of non-current assets. Q1 2022 items affecting comparability mainly relate to impairment charges of assets impacted by Russia´s war in Ukraine.

- Weaker market in biofuels in Europe
- As part of the growth related activities, UPM Biofuels continues exploring additional product streams, including Sustainable Aviation Fuels (SAF)

Results

Q4 2023 compared with Q4 2022

Comparable EBIT for other operations decreased. The change in the fair value of forest assets net of wood harvested was EUR -76 million (7 million). The change in the fair value of forest assets was EUR -47 million (39 million). In 2023, this amount includes EUR 86 million decrease in the fair value of forest assets resulting from changes in estimates and increase in discount rate. The cost of wood harvested from UPM forests was EUR 29 million (31 million).

Biofuels sales prices decreased, weakening profitability.

Q4 2023 compared with Q3 2023

Comparable EBIT decreased. The change in the fair value of forest assets net of wood harvested was EUR -76 million (1 million). The change in the fair value of forest assets was EUR -47 million (18 million). In 2023, this amount includes EUR 86 million decrease in the fair value of forest assets resulting from changes in estimates and increase in discount rate. The cost of wood harvested from UPM forests was EUR 29 million (17 million).

Biofuels sales prices decreased, weakening profitability.

Full year 2023 compared with year 2022

Comparable EBIT decreased. The change in the fair value of forest assets net of wood harvested was EUR -82 million (2 million). The change in the fair value of forest assets was EUR 5 million (85 million). In 2023, this amount includes EUR 86 million decrease in the fair value of forest assets resulting from changes in estimates and increase in discount rate. The cost of wood harvested from UPM forests was EUR 88 million (84 million).

Market environment

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

Risks and near-term uncertainties

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

In 2023 economies relevant to UPM were impacted by higher interest rates and high, albeit decreasing inflation. Particularly in Europe, consumer demand was soft, and consumers shifted some of their spending towards services. Industrial production was low in most sectors and construction activity decreased. In most product value chains, unusually large destocking further reduced market deliveries of goods, including many UPM products. Although it is estimated that the destocking has largely come to an end, it remains uncertain how quickly consumer spending and demand for various UPM products will recover. In a potential persistent low-demand environment it is possible that pressure on unit margins would increase, impacting UPM's earnings.

Geopolitical tensions, including Russia's ongoing war in Ukraine, recent emerging conflicts in the Middle East, and tensions between major economies, e.g. China and the US continue to cause high uncertainty in the operating environment, which may impact economic growth, inflation and global trade. The EU and US sanctions on Russia, escalated global geopolitical and trade tensions and the resulting impacts on the global economy may all affect UPM's operations and the supply chain, demand, supply and pricing of UPM's products, inputs or resources, or the progress of UPM's large investment projects.

The energy crisis in Europe added significantly to UPM's energy costs in 2021–2022. This was mitigated at Group level by the very strong performance of UPM Energy. However, this may not always be the case, due to geographical differences in UPM's energy sales and purchases. The energy markets calmed down during 2023 but continue to represent uncertainty to both energy costs for UPM's energy consuming businesses and earnings for UPM Energy. In addition to the uncertain price of energy, Russia's war in Ukraine and the related potential future sanctions and countersanctions may affect the availability of certain forms of energy, e.g. natural gas. The energy markets in the EU, for example, have yet to transition fully away from Russian or other fossil fuels.

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

The crises in the Middle East have increased geopolitical tensions and reintroduced uncertainty related to global logistics and supply chains. This is likely to increase logistics costs, but it may also disrupt trade flows and supply chains and possibly impact demand supply dynamics of various globally traded products in different markets. Bottlenecks in global logistics could impact delivering UPM products, the sourcing of raw materials for UPM businesses and delivering equipment for UPM's investments projects.

During 2024, a number of important elections will be held around the world. With polarised politics in many regions, these elections pose uncertainties in the operating environment, and the geopolitical landscape.

Many global commodity prices increased significantly during 2021 and 2022 and moderated to some extent during 2023. However, the halting of wood imports from Russia, combined with investments by competitors have impacted the wood markets in the Baltic Rim. It is possible that wood raw material costs in Finland, could stay elevated even if product markets were slow to recover.

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

UPM's business operations depend on the availability of supporting information systems and network services. Unplanned interruptions in critical information system services can cause disruptions to the continuity of operations. The information systems may be exposed to a cyber-intrusion that could cause leakage of sensitive information, violation of data privacy regulations, theft of intellectual property, AI-generated misinformation or disinformation, production outages or damage to reputation.

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

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

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

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

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

TVO announced in its Interim Report Q3 2023 that the final payment of approximately EUR 193 million in delay compensation agreed upon in 2018 was set off against the final payment installment of the Areva companies under the plant contract in May 2023. Long-term receivables include the additional delay compensation of EUR 56.7 million to TVO, agreed upon in 2021, will become due during the final takeover of OL3 in April 2025 at the earliest.

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

TVO announced in its Interim Report Q3 2023 that total investment in the OL3 project was approximately EUR 5.8 billion. EUR 250.0 million was transferred from the OL3 investment to operating-time fuel (inventories) when the OL3 plant unit entered commercial operation.

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

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

TVO announced in its Interim Report Q3 2023 that Finnish grid operator Fingrid Oyj (Fingrid) has limited OL3's production to a maximum of 1,570 MW. After reporting period on 12 January 2024, the Energy Authority issued a decision (1347/040200/2022) considering TVO's investigation request on the main grid protection system for OL3. The decision states that Fingrid acted in breach of electricity market regulations when transferring obligations related to the maintenance of OL3's operational reliability to TVO and when adopting terms and conditions and determination principles for fees without the Energy Authority's confirmation. The Energy Authority requires that Fingrid submits the determination principles for fees related to system protection or a proposal for another mechanism for confirmation by 11 April 2024.

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

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

As of the UPM Financial Statements Release 2020 it was reported that the Renewable Energy Sources Act (EEG) related lawsuits in Germany for alleged non-payment of EEG based surcharges could have had an adverse impact on UPM, albeit UPM was not party to any such lawsuits. However, the lawsuits that could have impacted UPM were concluded in Q2 2023 without adverse impact on UPM.

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

Impact of Russia's war in Ukraine

In response to Russia´s attack on Ukraine, the European Union as well as the United States, the United Kingdom, and other countries imposed extensive sanctions on Russia, the breakaway regions of Donetsk and Luhansk and the oblasts of Zaporizhzhia and Kherson, and Belarus. Since 21 February 2022, these measures have included for example asset freezes and travel restrictions on individuals and entities, economic sanctions targeting sectors of the Russian and Belarusian economies, and diplomatic restrictions. Russia has also implemented several countermeasures affecting especially foreign companies' operations within Russia and with Russian counterparties. While the sanctions primarily target Russia's ability to finance its military operations in Ukraine and cause economic and political costs on the people responsible for them, there are limited signs of a peaceful resolution to the war in Ukraine. Economic and geopolitical uncertainty and inflation have accelerated around the world.

Impact on UPM businesses

The economic sanctions and Russia's countermeasures have rendered it unviable for UPM to continue operations in Russia or trade with Russian counterparties. UPM businesses suspended deliveries to Russia as well as wood sourcing in and from Russia. In Q1 2023 UPM completed a full withdrawal of its businesses from Russia by selling all its Russian operations, including the Chudovo plywood mill.

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

Shares

In 2023, UPM shares worth a total of EUR 8,752 million (9,680 million) were traded on the Nasdaq Helsinki stock exchange. This is estimated to represent approximately 70% of the total trading volume in UPM shares. The highest listing was EUR 35.99 in January and the lowest was EUR 26.62 in June.

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

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

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

The number of shares entered in the Trade Register on 31 December 2023 was 533,735,699. Through the issuance authorisation, the number of shares may increase to a maximum of 558,735,699.

On 31 December 2023, the Company held 411,653 of its own shares, representing approximately 0.08% of the total number of Company shares and voting rights. The Board of Directors may decide to retain, transfer or cancel the treasury shares.

Legal proceedings

The Group's management is not aware of any significant litigation at the end of Q4 2023.

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

Helsinki, 1 February 2024

UPM-Kymmene Corporation

Board of Directors

Financial statement information

Consolidated income statement

EURm	Q4/2023	Q4/2022	Q1–Q4/2023	Q1–Q4/2022
Sales (Note 3)	2,531	3,231	10,460	11,720
Other operating income	40	69	228	231
Costs and expenses	-2,132	-2,522	-9,316	-9,470
Change in fair value of forest assets and wood harvested	-76	12	-103	12
Share of results of associated companies and joint ventures	0	1	-1	4
Depreciation, amortisation and impairment charges	-153	-116	-660	-522
Operating profit (loss)	211	675	608	1,974
Exchange rate and fair value gains and losses	-3	-14	-74	25
Interest and other finance costs, net	-27	-23	-70	-55
Profit (loss) before tax	180	638	464	1,944
Income taxes	-19	-135	-71	-388
Profit (loss) for the period	161	503	394	1,556
Attributable to:				
Owners of the parent company	160	498	388	1,526
Non-controlling interests	1	5	6	31
	161	503	394	1,556
Earnings per share for profit attributable to owners of the parent company				
Basic earnings per share, EUR	0.30	0.93	0.73	2.86
Diluted earnings per share, EUR	0.30	0.93	0.73	2.86

Consolidated statement of comprehensive income

EURm	Q4/2023	Q4/2022	Q1–Q4/2023	Q1–Q4/2022
Profit (loss) for the period	161	503	394	1,556
Other comprehensive income for the period, net of tax				
Items that will not be reclassified to income statement:				
Actuarial gains and losses on defined benefit obligations	-39	-139	-10	192
Changes in fair value of energy shareholdings	-172	159	-1,351	1,051
Items that may be reclassified subsequently to income statement:				
Translation differences	-195	-481	-120	150
Net investment hedge	5	25	6	-15
Cash flow hedges	-42	492	539	-531
Other comprehensive income for the period, net of tax	-443	56	-936	847
Total comprehensive income for the period	-282	559	-542	2,403
Total comprehensive income attributable to:				
Owners of the parent company	-268	578	-536	2,358
Non-controlling interests	-14	-19	-7	45
	-282	559	-542	2,403

Consolidated balance sheet

EURm	31 DEC 2023	31 DEC 2022
ASSETS		
Goodwill	283	282
Other intangible assets	715	553
Property, plant and equipment (Note 4)	7,053	6,733
Leased assets	683	713
Forest assets	2,355	2,442
Energy shareholdings (Note 5)	2,283	3,652
Other non-current financial assets	60	70
Deferred tax assets	431	485
Net retirement benefit assets	1	1
Investments in associates and joint ventures	23	27
Other non-current assets	26	20
Non-current assets	13,913	14,977
Inventories	1,948	2,289
Trade and other receivables	1,782	2,696
Other current financial assets	64	118
Income tax receivables	27	61
Cash and cash equivalents	632	2,067
Current assets	4,454	7,230
Assets classified as held for sale (Note 9)	106	—
Assets	18,473	22,207
EQUITY AND LIABILITIES		
Share capital	890	890
Treasury shares	-2	-2
Translation reserve	347	449
Other reserves	1,655	2,460
Reserve for invested non-restricted equity	1,273	1,273
Retained earnings	6,998	7,433
Equity attributable to owners of the parent company	11,161	12,502
Non-controlling interests	370	376
Equity	11,531	12,879
Deferred tax liabilities	616	636
Net retirement benefit liabilities	502	527
Provisions (Note 8)	266	134
Non-current debt	3,056	4,476
Other non-current financial liabilities	157	103
Non-current liabilities	4,596	5,876
Current debt	327	558
Trade and other payables	1,883	2,720
Other current financial liabilities	51	102
Income tax payables	28	73
Current liabilities	2,290	3,452
Liabilities related to assets classified as held for sale (Note 9)	56	—
Liabilities	6,942	9,329
Equity and liabilities	18,473	22,207

Consolidated statement of changes in equity

EURm	SHARE CAPITAL	TREASURY SHARES	TRANSLATION RESERVE	OTHER RESERVES	RESERVE FOR INVESTED NON-RESTRICTED EQUITY	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Value at 1 January 2023	890	-2	449	2,460	1,273	7,433	12,502	376	12,879
Profit for the period	—	—	—	—	—	388	388	6	394
Translation differences	—	—	-108	—	—	—	-108	-13	-120
Cash flow hedges - reclassified to income statement, net of tax	—	—	—	94	—	—	94	—	94
Cash flow hedges - reclassified to PPE	—	—	—	1	—	—	1	—	1
Cash flow hedges - changes in fair value, net of tax	—	—	—	444	—	—	444	—	444
Net investment hedge, net of tax	—	—	6	—	—	—	6	—	6
Energy shareholdings - changes in fair value, net of tax	—	—	—	-1,350	—	-1	-1,351	—	-1,351
Actuarial gains and losses on defined benefit plans, net of tax	—	—	—	—	—	-10	-10	—	-10
Total comprehensive income for the period	—	—	-102	-811	—	377	-536	-7	-542
Share-based payments, net of tax	—	—	—	6	—	-11	-5	—	-5
Dividend distribution	—	—	—	—	—	-800	-800	-35	-835
Other items	—	—	—	—	—	—	—	—	—
Contributions by non-controlling interests	—	—	—	—	—	—	—	35	35
Total transactions with owners for the period	—	—	—	6	—	-811	-805	—	-805
Value at 31 December 2023	890	-2	347	1,655	1,273	6,998	11,161	370	11,531
Value at 1 January 2022	890	-2	329	1,938	1,273	6,419	10,846	261	11,106
Profit for the period	—	—	—	—	—	1,526	1,526	31	1,556
Translation differences	—	—	136	—	—	—	136	14	150
Cash flow hedges - reclassified to income statement, net of tax	—	—	—	376	—	—	376	—	376
Cash flow hedges - reclassified to PPE	—	—	—	25	—	—	25	2	27
Cash flow hedges - changes in fair value, net of tax	—	—	—	-932	—	—	-932	-2	-934
Net investment hedge, net of tax	—	—	-15	—	—	—	-15	—	-15
Energy shareholdings - changes in fair value, net of tax	—	—	—	1,050	—	1	1,051	—	1,051
Actuarial gains and losses on defined benefit plans, net of tax	—	—	—	—	—	192	192	—	192
Total comprehensive income for the period	—	—	121	519	—	1,718	2,358	45	2,403
Share-based payments, net of tax	—	—	—	3	—	-10	-7	—	-7
Dividend distribution	—	—	—	—	—	-693	-693	-27	-721
Other items	—	—	—	—	—	-1	-1	—	-1
Contributions by non-controlling interests	—	—	—	—	—	—	—	98	98
Total transactions with owners for the period	—	—	—	3	—	-704	-701	70	-631
Value at 31 December 2022	890	-2	449	2,460	1,273	7,433	12,502	376	12,879

Consolidated cash flow statement

EURm	Q4/2023	Q4/2022	Q1–Q4/2023	Q1–Q4/2022
Cash flows from operating activities				
Profit (loss) for the period	161	503	394	1,556
Adjustments [1]	216	684	1,760	35
Interest received	11	6	37	8
Interest paid	-46	-18	-116	-43
Dividends received	1	2	3	3
Other financial items, net	-7	-17	-44	-52
Income taxes paid	-53	-129	-181	-313
Change in working capital	172	546	417	-687
Operating cash flow	456	1,576	2,269	508
Cash flows from investing activities				
Capital expenditure	-171	-403	-1,026	-1,398
Additions to forest assets	-14	-13	-54	-79
Acquisition of businesses and subsidiaries, net of cash acquired	0	0	-20	-138
Proceeds from sale of property, plant and equipment and intangible assets, net of tax	1	15	7	41
Proceeds from sale of forest assets, net of tax	2	4	10	7
Proceeds from disposal of businesses and subsidiaries and advances received	0	0	1	15
Proceeds from disposal of shares in associates and joint ventures	1	11	1	11
Proceeds from disposal of energy shareholdings	0	0	0	2
Net cash flows from net investment hedges	0	0	10	-47
Change in other non-current assets	1	2	-5	3
Investing cash flow	-180	-385	-1,076	-1,585
Cash flows from financing activities				
Proceeds from non-current debt	0	1,387	100	4,402
Payments of non-current debt	-2	-2,113	-1,506	-2,550
Lease repayments	-24	-24	-99	-91
Change in current liabilities	55	40	-260	439
Net cash flows from derivatives	7	2	6	20
Dividends paid to owners of the parent company	-399	0	-799	-693
Dividends paid to non-controlling interests	0	0	-36	-27
Contributions paid by non-controlling interests	-2	15	35	97
Change in investment funds	0	0	0	99
Other financing cash flow	-6	-2	-14	-9
Financing cash flow	-371	-695	-2,573	1,687
Change in cash and cash equivalents	-96	495	-1,379	610
Cash and cash equivalents at the beginning of the period	773	1,591	2,067	1,460
Exchange rate effect on cash and cash equivalents	-6	-19	-16	-3
Change in cash and cash equivalents	-96	495	-1,379	610
Cash and cash equivalents classified as held for sale (Note 9)	-39	0	-39	0
Cash and cash equivalents at the end of the period	632	2,067	632	2,067

[1] **Adjustments**

EURm	Q4/2023	Q4/2022	Q1–Q4/2023	Q1–Q4/2022
Change in fair value of forest assets and wood harvested	76	-12	103	-12
Share of results of associated companies and joint ventures	0	-1	1	-4
Depreciation, amortisation and impairment charges	153	116	660	522
Capital gains and losses on sale of non-current assets	-1	-12	-2	-35
Financial income and expenses	30	37	144	30
Income taxes	19	135	71	388
Utilised provisions	-27	-16	-42	-52
Non-cash changes in provisions	7	14	179	7
Other adjustments [2]	-42	423	646	-808
Total	216	684	1,760	35

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

Notes to the financial statements

1 Basis of preparation and accounting policies

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

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

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

IFRS 17 Insurance contracts

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

2 Quarterly information by business area

EURm, OR AS INDICATED	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q4/23	Q1–Q4/22
Sales										
UPM Fibres	781	817	764	683	850	866	584	404	3,044	2,704
UPM Energy	192	142	134	159	193	244	154	143	628	734
UPM Raflatac	367	367	357	395	479	573	479	451	1,485	1,982
UPM Specialty Papers	374	357	349	404	441	502	357	377	1,485	1,677
UPM Communication Papers	799	807	909	1,083	1,419	1,428	1,017	1,001	3,598	4,866
UPM Plywood	91	96	117	118	104	127	143	164	422	539
Other operations	192	251	158	200	218	236	110	70	802	634
Internal sales	-265	-251	-229	-255	-472	-557	-286	-102	-1,000	-1,416
Eliminations and reconciliation	-1	-1	-1	1	-1	1	4	-1	-3	2
Sales, total	2,531	2,584	2,558	2,787	3,231	3,420	2,562	2,507	10,460	11,720
Comparable EBITDA										
UPM Fibres	109	69	42	188	213	313	139	78	407	743
UPM Energy	45	32	30	82	102	147	75	65	189	388
UPM Raflatac	36	43	36	30	42	89	72	49	146	251
UPM Specialty Papers	71	55	22	24	62	81	50	38	172	230
UPM Communication Papers	218	119	101	105	276	170	145	106	544	697
UPM Plywood	13	14	28	23	17	29	37	50	77	133
Other operations	-11	36	-16	21	66	90	4	-34	29	126
Eliminations and reconciliation	-16	7	12	5	-19	-24	-15	27	8	-31
Comparable EBITDA, total	465	376	255	477	759	894	506	377	1,573	2,536
Operating profit										
UPM Fibres	25	-18	-24	134	177	271	32	37	116	517
UPM Energy	40	30	31	80	100	145	73	63	182	381
UPM Raflatac	26	13	23	19	31	77	61	33	81	203
UPM Specialty Papers	53	37	4	5	44	60	30	19	98	153
UPM Communication Papers	185	-127	67	49	258	149	139	86	174	631
UPM Plywood	8	9	21	12	5	26	33	-20	50	44
Other operations	-100	25	-35	8	65	74	-14	-61	-101	64
Eliminations and reconciliation	-27	2	21	10	-5	-20	-19	27	6	-18
Operating profit, total	211	-29	108	318	675	781	335	183	608	1,974
% of sales	8.3	-1.1	4.2	11.4	20.9	22.8	13.1	7.3	5.8	16.8
Items affecting comparability										
UPM Fibres	—	—	—	—	7	—	-60	—	—	-53
UPM Energy	-3	—	3	—	—	—	—	—	—	—
UPM Raflatac	1	-19	-3	-1	-1	-2	-2	-7	-22	-11
UPM Specialty Papers	—	—	—	—	—	—	—	—	—	—
UPM Communication Papers	-15	-223	-13	-36	1	-2	13	—	-288	12
UPM Plywood	—	—	-1	-5	-6	3	1	-63	-6	-65
Other operations	-86	-1	—	-1	6	—	1	-23	-87	-16
Eliminations and reconciliation [1]	-10	-5	8	5	14	3	-4	—	-2	13
Items affecting comparability in operating profit, total	-113	-249	-5	-38	22	2	-52	-94	-405	-122
Comparable EBIT										
UPM Fibres	25	-18	-24	134	170	271	92	37	116	570
UPM Energy	43	30	28	80	100	145	73	63	182	381
UPM Raflatac	25	33	26	20	32	79	63	40	103	214
UPM Specialty Papers	53	37	4	5	44	60	30	19	98	153
UPM Communication Papers	200	96	80	85	256	151	126	86	462	619
UPM Plywood	8	9	22	17	11	23	32	43	56	109
Other operations	-14	26	-35	9	59	74	-14	-38	-14	81
Eliminations and reconciliation	-16	7	12	5	-19	-24	-15	27	8	-31
Comparable EBIT, total	323	220	114	356	653	779	387	277	1,013	2,096
% of sales	12.8	8.5	4.5	12.8	20.2	22.8	15.1	11.0	9.7	17.9

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

Items affecting comparability

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

EURm	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q4/23	Q1–Q4/22
Comparable profit for the period	248	149	77	281	489	629	329	232	755	1,679
Items affecting comparability										
Impairment charges	-1	-113	-2	-1	5	7	4	-95	-117	-80
Restructuring charges	-15	-132	-15	-37	-15	-6	5	0	-199	-15
Change in fair value of unrealised cash flow and commodity hedges	-10	-5	8	5	14	3	-4	0	-2	13
Capital gains and losses on sale of non-current assets	0	2	3	-6	13	2	18	1	0	34
Fair value changes of forest assets resulting from changes in estimates	-86	—	—	—	—	—	—	—	-86	—
Other non-operational items	—	—	—	—	5	-5	-74	—	—	-74
Total items affecting comparability in operating profit	-113	-249	-5	-38	22	2	-52	-94	-405	-122
Items affecting comparability in financial items	0	1	1	-67	0	0	0	0	-65	0
Tax provisions	2	0	0	0	0	-10	0	0	2	-10
Taxes relating to items affecting comparability	24	71	4	8	-8	1	15	1	107	9
Items affecting comparability in taxes	26	71	4	8	-8	-9	15	1	109	-1
Items affecting comparability, total	-87	-177	0	-97	14	-7	-37	-93	-361	-122
Profit (loss) for the period	161	-28	77	183	503	622	292	139	394	1,556

3 External sales by major products

BUSINESS AREA	BUSINESS	Q4/2023	Q4/2022	Q1–Q4/2023	Q1–Q4/2022
EURm					
UPM Fibres	UPM Pulp UPM Timber	620	606	2,452	2,052
UPM Energy	UPM Energy	156	68	486	343
UPM Raflatac	UPM Raflatac	367	479	1,485	1,981
UPM Specialty Papers	UPM Specialty Papers	328	371	1,300	1,423
UPM Communication Papers	UPM Communication Papers	792	1,401	3,570	4,792
UPM Plywood	UPM Plywood	87	99	402	518
Other operations	UPM Forest UPM Biofuels UPM Biochemicals UPM Biomedicals UPM Biocomposites	182	210	768	608
Eliminations and reconciliations		-1	-1	-3	2
Total		2,531	3,231	10,460	11,720

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

4 Changes in property, plant and equipment

EURm	Q1–Q4/2023	Q1–Q4/2022
Book value at beginning of period	6,733	5,569
Reclassification to assets held for sale, net	-21	0
Capital expenditure	1,074	1,366
Companies acquired	1	56
Decreases	-2	-9
Depreciation	-422	-357
Impairment charges	-20	-54
Impairment reversal	0	1
Reclassifications	-141	0
Translation difference and other changes	-149	160
Book value at end of period	7,053	6,733

Capital expenditure in 2023 and 2022 mainly relate to the construction of the new pulp mill in Uruguay and the construction of the new biorefinery in Germany. Companies acquired in 2022 relates to the acquisition of AMC AG. Impairment charges in 2023 mainly relate to the closure of Plattling mill in Germany and impairment charges in 2022 relate to assets impacted by the Russia´s war in Ukraine. Reclassification to assets held for sale relates to agreement to sell 100% of the shares of the Austrian subsidiary UPM-Kymmene Austria GmbH. *>> Refer Note 9* Assets and liabilities classified as held for sale for more information. Reclassifications include a reclassification of EUR 140 million to intangible assets, which relates to the start-up and final classification of assets in the Uruguay pulp mill investment.

5 Financial assets and liabilities

Financial assets and liabilities measured at fair value

EURm	31 DEC 2023				31 DEC 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Investment funds	—	1	—	1	—	1	—	1
Derivatives non-qualifying hedges	—	19	—	19	—	17	—	17
Derivatives under hedge accounting	4	91	—	95	12	150	—	162
Energy shareholdings	—	—	2,283	2,283	—	—	3,652	3,652
Total	4	111	2,283	2,398	12	168	3,652	3,832
Financial liabilities								
Derivatives non-qualifying hedges	—	46	—	46	—	37	—	37
Derivatives under hedge accounting	6	128	—	134	46	192	—	238
Total	6	174	—	180	46	229	—	275

There have been no transfers between levels.

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

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

Fair value measurements using significant unobservable inputs, Level 3

	ENERGY SHAREHOLDINGS	
EURm	Q1–Q4/2023	Q1–Q4/2022
Book value at beginning of period	3,652	2,579
Disposals	0	-2
Fair value changes recognised in other comprehensive income	-1,369	1,074
Book value at end of period	2,283	3,652

Fair valuation of energy shareholdings in UPM Energy (Pohjolan Voima Oyj's A, B, B2, C, C2, M and V-shares, Kemijoki Oy shares, and Länsi-Suomen Voima Oy shares) is based on discounted cash flows model. The electricity price estimate is based on future electricity forward prices and a simulation of the Finnish area electricity price. A change of 5% in the electricity price used in the model would change the total value of the assets by approximately EUR 180 (390 in Q4 2022) million.

The discount rate of 8.01% (7.13% in Q4 2022) used in the valuation model is determined using the weighted average cost of capital method. A change of 0.5 percentage points in the discount rate would change the total value of the assets by approximately EUR 100 (230 in Q4 2022) million.

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

The decrease in fair value during reporting period was mainly due to the decrease in electricity forward market prices and the increase in discount rate.

Fair value of financial assets and liabilities measured at amortised cost

EURm	31 DEC 2023 Carrying amount	31 DEC 2023 Fair value	31 DEC 2022 Carrying amount	31 DEC 2022 Fair value
Bonds	2,002	1,906	1,974	1,813
Other non-current debt excl. derivative financial instruments and lease liabilities	348	355	1,783	1,795
Total	2,350	2,261	3,756	3,607

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

6 Commitments and contingencies

EURm	31 DEC 2023	31 DEC 2022
On behalf of others		
Guarantees	—	2
Other own commitments		
Commitments related to off-balance sheet short-term leases	2	2
Other commitments	99	219
Total	101	223

The lease commitments for leases not commenced on 31 December 2023 amounted to EUR 176 million (EUR 245 million on 31 December 2022) and are mainly related to a railway service agreement in Uruguay and a service agreement related to wastewater treatment in Leuna, Germany.

The decrease in other commitments during the period is mainly due to the PVO loan commitment, which matured at the end of 2023.

Capital commitments

EURm	COMPLETION	TOTAL COST	BY 31 DEC 2022	Q1–Q4/2023	AFTER 31 DEC 2023
New biorefinery / Germany	Q4 2024	1,180	493	324	363

7 Notional amounts of derivative financial instruments

EURm	31 DEC 2023	31 DEC 2022
Interest rate futures	1,691	1,969
Interest rate swaps	1,089	1,102
Forward foreign exchange contracts	3,308	3,913
Currency options, bought	—	—
Currency options, written	—	—
Cross currency swaps	134	149
Commodity contracts	591	1,744

8 Provisions

EURm	RESTRUCTURING	TERMINATION	ENVIRONMENTAL	EMISSIONS	OTHER	TOTAL
Value at 1 January 2023	14	22	29	53	15	134
Provisions made during the year	53	129	2	69	5	258
Provisions utilised during the year	-6	-30	-3	-65	-12	-116
Unused provisions reversed	-1	-4	-2	0	-2	-10
Reclassifications	-1	0	1	-1	0	-1
Translation differences	0	0	0	0	0	0
Value at 31 December 2023	59	117	27	56	6	266

Restructuring and termination provisions made during the year mainly related to closure of paper machine 6 at the UPM Schongau mill, closure of UPM Plattling mill and restructuring measures in UPM Raflatac Nancy factory.

9 Assets and liabilities classified as held for sale and disposals

Assets and liabilities classified as held for sale as at 31 December 2023 relate to agreement to sell 100% of the shares of Austrian subsidiary UPM-Kymmene Austria GmbH to the HEINZEL GROUP as announced in June 2022. The transaction comprises the UPM Steyrermühl site and the Steyrermühl sawmill operations. UPM Communication Papers ended the newspaper production at Steyrermühl paper mill in June 2023.

The following assets and liabilities were reclassified as held for sale in relation to the sale of UPM-Kymmene Austria GmbH as of 31 December 2023. On 2 January 2024, UPM announced that it has completed the sale.

EURm	31 DEC 2023
Other intangible assets	2
Property, plant and equipment	21
Leased assets	1
Other non-current financial assets	5
Deferred tax assets	13
Non-current assets	41
Inventories	7
Trade and other receivables	15
Other current financial assets	4
Cash and cash equivalents	39
Current assets	65
Assets classified as held for sale	106
Net retirement benefit liabilities	36
Provisions	1
Non-current debt	2
Non-current liabilities	39
Trade and other payables	17
Current liabilities	17
Liabilities classified as held for sale	56

There were no assets or liabilities classified as held for sale as at 31 December 2022.

10 Business combinations

On 1 August 2023, it was announced that UPM Biochemicals has acquired SunCoal Industries GmbH. The acquisition enables UPM Biochemicals to strengthen the role as a leading supplier of sustainable, renewable functional fillers (RFF) to the rubber and plastic markets. UPM Biochemicals expects to realize significant synergies through the acquisition.

If the transaction had occurred on 1 January 2023, UPM's sales for January–December 2023 would have been EUR 10,461 million and profit for the period EUR 393 million. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiaries to reflect the amortisation that would have been charged assuming application of fair value adjustments to other intangible assets from 1 January 2023, together with the consequential tax effects.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

EURm	
Cash paid	21
Deferred consideration	2
Total purchase consideration	**23**

EURm	31 JUL 2023
Other intangible assets	22
Property, plant and equipment	1
Leased assets	0
Trade and other receivables	1
Cash and cash equivalents	1
Total assets	**25**
Deferred tax liabilities	5
Provisions	0
Non-current debt	0
Trade and other payables	1
Total liabilities	**7**
Net identifiable assets acquired	17
Goodwill arising from acquisition	**5**

Acquisition-related costs of EUR 1 million are included in other operating expenses and are reported as items affecting comparability in UPM Biochemicals business in Other Operations.

Information on the amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated income statement for the reporting period is not disclosed because it would be impracticable. The acquired business has been included in the group since 31 July 2023, and the effects of the revenues and profit or loss thereof are not considered material for disclosure purposes.

The fair values of net identifiable assets acquired are provisional and dependent on final fair valuations.

Alternative performance measures

Quarterly key figures

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

	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q4/23	Q1–Q4/22
Sales EURm	2,531	2,584	2,558	2,787	3,231	3,420	2,562	2,507	10,460	11,720
Comparable EBITDA, EURm	465	376	255	477	759	894	506	377	1,573	2,536
% of sales	18.4	14.6	10.0	17.1	23.5	26.1	19.7	15.0	15.0	21.6
Comparable EBIT, EURm	323	220	114	356	653	779	387	277	1,013	2,096
% of sales	12.8	8.5	4.5	12.8	20.2	22.8	15.1	11.0	9.7	17.9
Comparable profit before tax, EURm	293	196	101	344	616	764	413	273	934	2,066
Capital employed (average, EURm)	15,044	15,246	15,900	17,196	17,983	16,845	14,738	13,799	16,414	15,836
Comparable ROCE, %	8.9	6.0	3.1	8.4	14.5	18.6	11.5	8.5	6.4	13.6
Comparable profit for the period, EURm	248	149	77	281	489	629	329	232	755	1,679
Total equity, average, EURm	11,670	11,751	12,290	12,883	12,589	11,799	11,167	11,071	12,205	11,992
Comparable ROE, %	8.5	5.1	2.5	8.7	15.5	21.3	11.8	8.4	6.2	14.0
Average number of shares basic (1,000)	533,324	533,324	533,324	533,324	533,324	533,324	533,324	533,324	533,324	533,324
Comparable EPS, EUR	0.46	0.28	0.15	0.51	0.91	1.16	0.60	0.42	1.40	3.09
Items affecting comparability in operating profit, EURm	-113	-249	-5	-38	22	2	-52	-94	-405	-122
Items affecting comparability in financial items, EURm	—	1	1	-67	—	—	—	—	-65	—
Items affecting comparability in taxes, EURm	26	71	4	8	-8	-9	15	1	109	-1
Operating cash flow, EURm	456	641	459	714	1,576	-201	-879	12	2,269	508
Operating cash flow per share, EUR	0.85	1.20	0.86	1.34	2.95	-0.38	-1.65	0.02	4.25	0.95
Net debt at the end of period, EURm	2,432	2,363	2,557	2,167	2,374	3,133	2,688	837	2,432	2,374
Net debt to EBITDA (last 12 m.)	1.55	1.27	1.07	0.82	0.94	1.39	1.42	0.46	1.55	0.94
Gearing ratio, %	21	20	22	17	18	25	24	8	21	18
Equity per share at the end of period, EUR	20.93	21.42	21.24	23.42	23.44	22.35	20.57	20.11	20.93	23.44
Capital expenditure, EURm	173	196	482	270	445	495	360	256	1,122	1,555
Capital expenditure excluding acquisitions, EURm	173	169	482	270	445	338	359	256	1,094	1,399
Equity to assets ratio, %	62.5	61.9	61.0	64.4	58.1	55.3	58.4	61.3	62.5	58.1
Personnel at the end of period	16,573	16,831	17,571	16,985	17,236	17,289	17,601	16,843	16,573	17,236

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

Reconciliation of key figures to IFRS

EURm, OR AS INDICATED	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q1–Q4/23	Q1–Q4/22
Items affecting comparability										
Impairment charges	-1	-113	-2	-1	5	7	4	-95	-117	-80
Restructuring charges	-15	-132	-15	-37	-15	-6	5	0	-199	-15
Change in fair value of unrealised cash flow and commodity hedges	-10	-5	8	5	14	3	-4	0	-2	13
Capital gains and losses on sale of non-current assets	0	2	3	-6	13	2	18	1	0	34
Fair value changes of forest assets resulting from changes in estimates	-86	0	0	0	0	0	0	0	-86	0
Other non-operational items	0	0	0	0	5	-5	-74	0	0	-74
Total items affecting comparability in operating profit	-113	-249	-5	-38	22	2	-52	-94	-405	-122
Items affecting comparability in financial items	0	1	1	-67	0	0	0	0	-65	0
Tax provisions	2	0	0	0	0	-10	0	0	2	-10
Taxes relating to items affecting comparability	24	71	4	8	-8	1	15	1	107	9
Items affecting comparability in taxes	26	71	4	8	-8	-9	15	1	109	-1
Items affecting comparability, total	-87	-177	0	-97	14	-7	-37	-93	-361	-122
Comparable EBITDA										
Operating profit (loss)	211	-29	108	318	675	781	335	183	608	1,974
Depreciation, amortisation and impairment charges excluding items affecting comparability	152	152	125	114	119	114	113	111	543	457
Change in fair value of forest assets and wood harvested excluding items affecting comparability	-10	5	16	5	-12	3	8	-12	17	-12
Share of result of associates and joint ventures	0	0	0	1	-1	-2	-2	1	1	-4
Items affecting comparability in operating profit	113	249	5	38	-22	-2	52	94	405	122
Comparable EBITDA	465	376	255	477	759	894	506	377	1,573	2,536
% of sales	18.4	14.6	10.0	17.1	23.5	26.1	19.7	15.0	15.0	21.6
Comparable EBIT										
Operating profit (loss)	211	-29	108	318	675	781	335	183	608	1,974
Items affecting comparability in operating profit	113	249	5	38	-22	-2	52	94	405	122
Comparable EBIT	323	220	114	356	653	779	387	277	1,013	2,096
% of sales	12.8	8.5	4.5	12.8	20.2	22.8	15.1	11.0	9.7	17.9
Comparable profit before tax										
Profit (loss) before tax	180	-52	96	239	638	766	361	179	464	1,944
Items affecting comparability in operating profit	113	249	5	38	-22	-2	52	94	405	122
Items affecting comparability in financial items	0	-1	-1	67	—	—	—	—	65	—
Comparable profit before tax	293	196	101	344	616	764	413	273	934	2,066
Comparable ROCE, %										
Comparable profit before tax	293	196	101	344	616	764	413	273	934	2,066
Interest expenses and other financial expenses	40	33	22	17	34	20	9	21	112	85
	333	229	123	361	651	784	422	294	1,046	2,151
Capital employed, average	15,044	15,246	15,900	17,196	17,983	16,845	14,738	13,799	16,414	15,836
Comparable ROCE, %	8.9	6.0	3.1	8.4	14.5	18.6	11.5	8.5	6.4	13.6
Comparable profit for the period										
Profit (loss) for the period	161	-28	77	183	503	622	292	139	394	1,556
Items affecting comparability, total	87	177	—	97	-14	7	37	93	361	122
Comparable profit for the period	248	149	77	281	489	629	329	232	755	1,679
Comparable EPS, EUR										
Comparable profit for the period	248	149	77	281	489	629	329	232	755	1,679
Profit attributable to non-controlling interest	-1	2	1	-7	-5	-11	-9	-5	-6	-31
	246	151	78	273	484	618	320	226	749	1,648
Average number of shares basic (1,000)	533,324	533,324	533,324	533,324	533,324	533,324	533,324	533,324	533,324	533,324
Comparable EPS, EUR	0.46	0.28	0.15	0.51	0.91	1.16	0.60	0.42	1.40	3.09
Comparable ROE, %										
Comparable profit for the period	248	149	77	281	489	629	329	232	755	1,679
Total equity, average	11,670	11,751	12,290	12,883	12,589	11,799	11,167	11,071	12,205	11,992
Comparable ROE, %	8.5	5.1	2.5	8.7	15.5	21.3	11.8	8.4	6.2	14.0
Net debt										
Non-current debt	3,056	3,090	3,176	3,098	4,476	5,234	3,940	2,534	3,056	4,476
Current debt	329	272	453	493	558	520	399	269	329	558
Total debt	3,385	3,362	3,629	3,592	5,034	5,753	4,339	2,803	3,385	5,034
Non-current interest-bearing assets	71	64	73	88	84	96	112	120	71	84
Cash and cash equivalents	632	773	768	1,016	2,067	1,591	938	1,342	632	2,067
Other current interest-bearing assets	250	162	231	321	510	934	601	504	250	510
Total interest-bearing assets	953	999	1,072	1,424	2,660	2,620	1,650	1,966	953	2,660
Net debt	2,432	2,363	2,557	2,167	2,374	3,133	2,688	837	2,432	2,374

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 173–174 of the 2022 Annual Report. Risks and opportunities are discussed on pages 32–33 and risks and risk management are presented on pages 132–137 of the report.

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