UPM

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UPM FINANCIAL STATEMENTS RELEASE 2022

UPM financial statements release 2022:

UPM had a pivotal year – all-time record results and poised to deliver significant growth

Q4 2022 highlights

- Sales increased by 21% to EUR 3,231 million (2,673 million in Q4 2021)
- Comparable EBIT grew by 42% to EUR 653 million, 20.2% of sales (461 million, 17.2%)
- Sales prices increased in all business areas, and more than offset the negative impact of higher variable costs
- Delivery volumes were impacted by destocking in various product value chains
- Operating cash flow was EUR 1,576 million (406 million), further supported by cash inflow from energy hedges
- Cash funds and unused committed credit facilities totalled EUR 6.4 billion at the end of Q4 2022
- In December, UPM was listed on the Dow Jones European and World Sustainability Indices (DJSI) for 2022-2023 as the only company in its industry
- In December, UPM was recognised with a triple 'A' score for its performance and transparent reporting on climate change, forests and water security by the global environmental non-profit CDP
- The growth project in Uruguay is getting ready for the start-up and the new pulp terminal in the port of Montevideo is operational since October

2022 highlights

- Sales increased by 19% to EUR 11,720 million (9,814 million in 2021)
- Comparable EBIT increased by 42% to EUR 2,096 million (1,471 million), and was 17.9% (15.0%) of sales
- Operating cash flow was EUR 508 million (1,250 million), impacted by cash outflows from energy hedges in highly exceptional energy markets
- Net debt increased to EUR 2,374 million (647 million) and the net debt to EBITDA ratio was 0.94 (0.35). A significant part of the increase in net debt is temporary, due to the cash flow impacts of energy hedges and future energy generation
- The Board has decided on a new, earnings-based dividend policy and proposes a dividend of EUR 1.50 (1.30) per share
- UPM decided to suspend its deliveries to Russia, the purchasing of wood in Russia and the UPM Chudovo plywood mill operations
- In April, UPM and the Paperworkers' Union agreed on the first-ever business-specific collective labour agreements
- In June, UPM announced the sale of the Steyrermühl site in Austria to secure competitiveness and adapt newsprint production to long-term market development
- In August, EcoVadis recognised UPM on Platinum level based on the company's sustainability performance
- In September, UPM Raflatac completed the acquisition of AMC AG

Key figures

	Q4/2022	Q4/2021	Q3/2022	Q1–Q4/2022	Q1–Q4/2021
Sales, EURm	3,231	2,673	3,420	11,720	9,814
Comparable EBITDA, EURm	759	470	894	2,536	1,821
% of sales	23.5	17.6	26.1	21.6	18.6
Operating profit, EURm	675	415	781	1,974	1,562
Comparable EBIT, EURm	653	461	779	2,096	1,471
% of sales	20.2	17.2	22.8	17.9	15.0
Profit before tax, EURm	638	420	766	1,944	1,548
Comparable profit before tax, EURm	616	466	764	2,066	1,457
Profit for the period, EURm	503	340	622	1,556	1,307
Comparable profit for the period, EURm	489	373	629	1,679	1,204
Earnings per share (EPS), EUR	0.93	0.63	1.15	2.86	2.41
Comparable EPS, EUR	0.91	0.69	1.16	3.09	2.22
Return on equity (ROE), %	16.0	12.6	21.1	13.0	12.7
Comparable ROE, %	15.5	13.8	21.3	14.0	11.7
Return on capital employed (ROCE), %	15.0	12.7	18.7	12.8	12.4
Comparable ROCE, %	14.5	14.1	18.6	13.6	11.7
Operating cash flow, EURm	1,576	406	-201	508	1,250
Operating cash flow per share, EUR	2.95	0.76	-0.38	0.95	2.34
Equity per share at the end of period, EUR	23.44	20.34	22.35	23.44	20.34
Capital employed at the end of period, EURm	17,913	13,759	18,052	17,913	13,759
Net debt at the end of period, EURm	2,374	647	3,133	2,374	647
Net debt to EBITDA (last 12 months)	0.94	0.35	1.39	0.94	0.35
Personnel at the end of period	17,236	16,966	17,289	17,236	16,966

UPM presents certain measures of performance, financial position and cash flows, which are alternative performance measures in accordance with the guidance issued by the European Securities and Markets Authority (ESMA). The definitions of alternative performance measures are presented in *» UPM Annual Report 2021*

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

"2022 was a pivotal year for UPM. We delivered all-time high annual sales and earnings, driven by success across all of our businesses. At the same time, our transformative growth projects proceeded as planned, getting ready to deliver growth already this year. This remarkable achievement shows UPM's resilience in an exceptional environment marked by high inflation, Russia's war in Ukraine, and the European energy crisis. These challenges were met with commercial and operational agility. I am very proud of the company and all UPMers.

Results for Q4 were excellent, too. The quarter was the second best-ever quarter for the company, paling by comparison only to the previous quarter. Quarterly sales grew by 21% to EUR 3,231 million, and comparable EBIT increased by 42% to EUR 653 million. Operating cash flow was EUR 1,576 million, which this time was positively impacted by cash inflow from energy hedges.

Our net debt at the end of the year was EUR 2,374 million. The net debt to EBITDA ratio was 0.94, at a good level. Cash funds and unused committed credit facilities at the end of the year totalled EUR 6.4 billion. Our financial position is therefore very strong.

In most businesses, margins continued to improve even from the record strong Q3. As a result, prices and margins in Q4 were at record highs. Towards the end of the year, we saw significant destocking in many product value chains, especially in Europe, which held our delivery volumes back in UPM Communication Papers, UPM Raflatac and UPM Specialty Papers. However, in UPM Communication Papers the effects of destocking were offset by declining input costs, especially energy costs, bringing about excellent Q4 earnings.

UPM Energy reported excellent results, however they were down from Q3 and from the same quarter of the previous year. The energy crisis in Europe eased somewhat during Q4, and the electricity markets functioned well, allowing Finland and Sweden to enjoy the lowest annual average prices in Europe. The OL3 nuclear power plant unit was still in the testing phase with very limited contribution to our volumes. The unit is expected to reach commercial production in March, increasing UPM Energy's CO2-free electricity output by nearly 50%.

UPM Fibres' quarterly results reflect high pulp prices but were impacted by rising input costs and the maintenance shutdown of the UPM Fray Bentos pulp mill in Uruguay. Sales prices in sawn timber were affected by the slowdown in construction end-uses.

UPM Plywood finished its record-breaking year with a solid quarter. The markets in industrial applications remained strong, whereas markets in construction end-uses slowed down.

In Other businesses, UPM Biofuels achieved excellent quarterly earnings. The business achieved record results for the full year, despite the Lappeenranta biorefinery having only been operational for seven months.

Our large investment project in Uruguay is nearing completion. The pulp terminal in Montevideo was inaugurated in October, and the construction of the Paso de los Toros pulp mill was finalised at the turn of the year. The mill is now solidly on track in the commissioning stage and the start-up will take place by the end of Q1. The cash cost level of approximately USD 280 per delivered tonne of pulp will make it one of the most competitive pulp mills in the world and increase our pulp output more than 50% to 5.8 million tonnes annually.

In UPM Biorefining, the biochemicals refinery project in Leuna, Germany, is progressing at a good pace. There is a keen interest in the products of the new biorefinery, confirming the business opportunity and growth strategy to replace fossil-based materials with renewable alternatives for many end-uses. Detailed commercial and basic engineering studies of the potential biofuels refinery in Rotterdam continues at intensive pace.

Stakeholder interest in mitigating climate change and fostering biodiversity has been growing year on year. UPM has ambitious, science-based targets and a strong track record of tangible actions in both respects. In Q4 our performance and transparent reporting on climate change, forests and water security was recognised with a triple 'A' score by the global environmental non-profit CDP. We were also listed on the Dow Jones European and World Sustainability Indices (DJSI) for 2022–2023 as the only company in our industry. Responsibility is an integral part of our Biofore strategy and a driver for future success.

The Board has decided on a new, earnings-based dividend policy in line with our transformative growth strategy. With confidence in our financial position and future earnings, UPM's Board of Directors has today proposed a dividend of EUR 1.50 (1.30) per share for 2022 to our Annual General Meeting.

Outlook for 2023

UPM reached record earnings in 2022, and 2023 is expected to be another year of strong financial performance. UPM's comparable EBIT is expected to increase in H1 2023 from H1 2022.

In 2023, UPM's delivery volumes are expected to benefit from the ramp up of the UPM Paso de los Toros pulp mill and the OL3 nuclear power plant unit and having no strike impact when compared to 2022. In the early part of the year, however, demand for many UPM products is expected to be held back by destocking in various product value chains. The opening of the Chinese economy from the COVID lockdowns and easing inflation in other key economies represent potential for increasing demand as the year progresses.

Year 2023 is starting with high cost level for many inputs, while the lower demand is exerting pressure on product prices. However, several input costs have also progressed past their peak. UPM will continue to manage margins with product pricing, by optimising its product and market mix and by taking measures to improve variable and fixed cost efficiency.

There are significant uncertainties, both positive and negative, in the outlook for 2023, related to the European, Chinese and global economy, Russia's war in Ukraine, the remaining effects of the pandemic, energy prices and related regulation in Europe, and the ramp-up of the OL3 power plant unit.

Impact of the COVID-19 pandemic

The COVID-19 pandemic, the related containment measures around the world and the rapid changes in the global economy impacted the operating environment also in 2022 and continue to represent uncertainty.

Global economy
The COVID-19 pandemic and the related containment measures resulted in a sharp decline in the global economy in 2020. In 2021, the global economy started to recover, but it is uncertain how long-lasting the recovery will be. Despite progress with vaccinations, additional waves of the pandemic in different parts of the world remain possible.

The recovery of the global economy from the deep downturn in 2020, combined with the ongoing pandemic created tightness and disruptions globally in many supply chains, including logistics and energy. This caused rising costs and uncertainty about the price and availability of many raw materials and energy. China adopted a zero-covid policy that held back its economic growth through 2022. However, it opened up restrictions in December. This represents uncertainties regarding surging infections in the country, but also represents the potential to increase economic activity.

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

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

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

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

Adjusting to different scenarios
The potential impacts on UPM are likely to differ by business and phase and waves of the pandemic, lockdown measures, changes in consumer behaviour, and the recession and recovery thereof. UPM has used shift arrangements, temporary lay-offs, or reduced working hours as required to adjust its operations in different scenarios.

Projects and maintenance shutdowns
The pandemic and the required health and safety measures add challenges to large investment projects and maintenance shutdowns. UPM's transformative pulp project in Uruguay and biochemicals project in Germany are proceeding with strict health and safety controls. Despite these efforts, some changes to the detailed timeline and costs of such projects are possible during the pandemic, the related containment measures, or due to tight global logistics and supply chains.

Timing of significant maintenance shutdowns in 2023

TIMING	UNIT
Q2/2022	Olkiluoto nuclear power plant
	UPM Kaukas pulp mill
	UPM Pietarsaari pulp mill
Q4/2022	UPM Fray Bentos pulp mill
	UPM Lappeenranta Biorefinery maintenance
Q2/2023	Olkiluoto nuclear power plant
	UPM Lappeenranta Biorefinery turnaround
	UPM Kymi pulp mill
Q3/2023	UPM Kaukas pulp mill

Financing
UPM’s financial position is strong. UPM's net debt was EUR 2,374 million at the end of Q4 2022. Net debt has been impacted by energy hedging derivative market value payments, which are driven by the increase in energy futures prices and volatility in the energy markets. Cash funds and unused committed credit facilities totalled EUR 6.4 billion at the end of Q4 2022. The total amount of committed credit facilities was EUR 5.7 billion of which EUR 4.5 billion maturing in 2024, EUR 300 million maturing in 2025 and EUR 950 million maturing in 2027. The facilities and UPM's outstanding debt have no financial covenants.

Impact of Russia's war in Ukraine

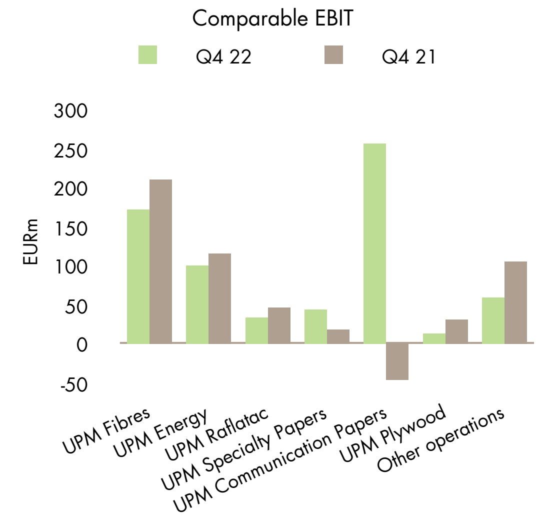
In response to Russia´s attack on Ukraine, the European Union as well as the United States, the United Kingdom, and other countries have imposed extensive sanctions on Russia, the breakaway regions Donetsk and Luhansk and more recently the oblasts of Zaporizhzhia and Kherson, and Belarus. Since 21 February 2022, these measures include for example asset freezes and travel restrictions on individuals and entities, economic sanctions targeting sectors of the Russian and Belarusian economies, and diplomatic restrictions. Russia has also implemented several countermeasures affecting especially foreign companies’ operations within Russia and with Russian counterparties. Further escalation of the conflict has involved Russia’s attempted illegal annexation of four partially occupied regions in Ukraine based on sham referenda, mobilisation of military reservists in Russia, issuance of open nuclear threats and explosions in Russia-to-Germany gas pipelines under the Baltic Sea, which have all increased geopolitical tensions between Russia and several other countries and triggered further sanctions packages against Russia.

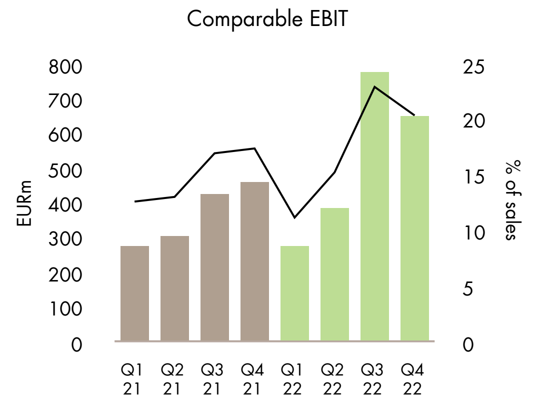
Global economy
While the sanctions primarily target Russia’s ability to finance its military operations in Ukraine and cause economic and political costs on the people responsible for them, economic and geopolitical uncertainty and inflation may accelerate around the world. Import bans on various goods categories will restrict the availability of raw materials and drive cost and lead time increases in many supply chains that have been under increasing pressure during the COVID-19 pandemic. Export bans will impact industries dependent on Russian markets and shift delivery volumes and services to other markets. Fuel prices are exposed to geopolitical uncertainties. Because of Russia’s attack on Ukraine, the sanctions imposed on the Russian energy sector and Russia’s countermeasures on gas and electricity deliveries, energy price levels and volatility may increase, especially in Europe if the scope of EU sanctions expands to further fossil fuels such as natural gas.

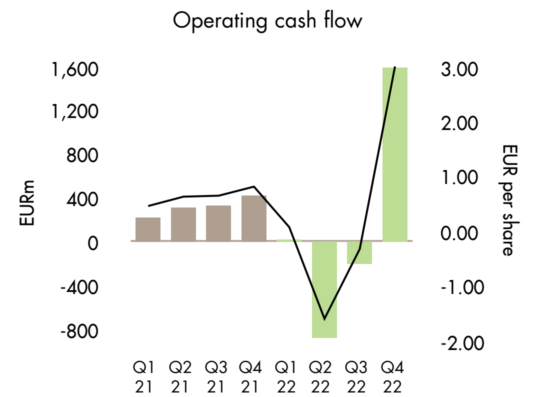
Impact on UPM businesses
The EU has imposed export and import bans on several forest industry product categories, prohibitions on Russian transportation operators entering the EU and has sanctioned several Russian banks. Disruptions in international sales,

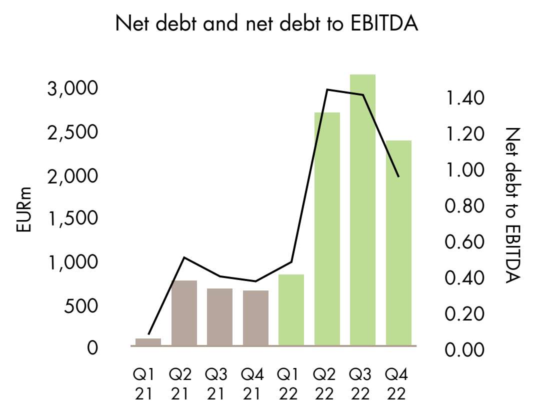
purchases and payment flows involving Russian counterparties are inevitable. The EU has also imposed restrictions on Russian seaborne crude oil, certain petroleum products and oil transportation services and agreed in December 2022 to impose a cap of USD 60 per barrel on the price of Russian oil. Russia has also introduced legislation restricting non-Russian companies to repatriate dividends and loan payments and has caused friction in collecting customer payments from Russia. Russia has also restricted or suspended the flow of natural gas or electricity from Russia. These restrictions have impacted several European countries where UPM has production locations and caused increases in the price of power and gas. The unprecedented increase in energy futures prices has impacted cash flows from energy hedges, temporarily tying liquidity. EU energy ministers also adopted a new temporary regulation (applicable from 1 December 2022 to 30 June 2023) on the reduction of electricity use, the capping of revenues of electricity producers, and mandatory solidarity contributions from fossil fuel businesses. To implement the revenue cap of electricity producers, on 29 December 2022 the Finnish government has made a proposal for an additional profit tax on energy companies, commonly referred to as the windfall tax. The additional and temporary 30% tax would apply to Finnish electricity generating companies' profits exceeding a 10% return on adjusted shareholder's equity in the fiscal year 2023. According to the proposal, group internal electricity profits would not be taken into account when calculating the taxable net profit for the temporary profit tax. The government proposal is still in the parliamentary decision-making process and the final decision is expected by the end of February 2023 at the earliest. Major forest certification organisations (i.e. FSC™ and PEFC) have also excluded Russian and Belarusian wood from their certification systems. UPM businesses have suspended deliveries to Russia as well as wood sourcing in and from Russia. UPM also decided to suspend the UPM Chudovo plywood mill operations. UPM Raflatac's Kiev terminal has been closed down since March 2022 until further notice. Due to the significant uncertainties related to operations in Russia and Ukraine, UPM recognised a write off of all operating assets and uninsured receivables locating or relating to operations in these countries in Q1 2022. Impairment of fixed assets, inventories and other receivables amounting to EUR 95 million was reported as items affecting comparability. In addition, in Q1 the group increased the general provision for expected credit losses on trade receivables by EUR 17 million, which is impacting comparable EBIT. At the end of 2022, the impairment was EUR 80 million and the credit loss provision was EUR 8 million. UPM's sales to Russia and Ukraine combined was in 2022 less than 1% (2.3%) of UPM's total sales. Assets in Russia were less than 1% of the group total assets. In 2022, 3% (less than 10%) of UPM's wood sourcing to Finland originated from Russia.

Adjusting to different scenarios
The full impact of current and possible new sanctions, counter-sanctions and market development will be known only 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 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 any geographic escalation of the war develops. UPM is monitoring the situation closely and preparing plans to adjust its operations in different scenarios accordingly.









Results

Q4 2022 compared with Q4 2021

Q4 2022 sales were EUR 3,231 million, 21% higher than the EUR 2,673 million in Q4 2021. Sales increased in UPM Communication Papers, UPM Fibres, UPM Raflatac, UPM Specialty Papers, UPM Energy business areas and Other operations, driven by higher sales prices. Sales decreased in UPM Plywood.

Comparable EBIT increased by 42% to EUR 653 million, which was 20.2% of sales (461 million, 17.2%).

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

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

Delivery volumes decreased in all business areas. Fixed costs increased by EUR 62 million.

Depreciation, excluding items affecting comparability, totalled EUR 119 million (113 million), including depreciation of leased assets totalling EUR 24 million (19 million). The change in the fair value of forest assets net of wood harvested was EUR 12 million (103 million).

Operating profit was EUR 675 million (415 million). Items affecting comparability in operating profit totalled EUR 22 million in the period (-46 million). 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 EUR 8 million addition to environmental provisions related to prior capacity closures in Finland. In Q4 2021, items affecting comparability include EUR 50 million impairment charges of newsprint related fixed assets.

Net interest and other finance income and costs were EUR -23 million (6 million). The exchange rate and fair value gains and losses were EUR -14 million (-1 million). Income taxes were EUR -135 million (-80 million). Items affecting comparability in taxes totalled EUR -8 million (13 million).

Profit for Q4 2022 was EUR 503 million (340 million), and comparable profit was EUR 489 million (373 million).

Q4 2022 compared with Q3 2022

Comparable EBIT decreased by 16% to EUR 653 million, which was 20.2% of sales (779 million, 22.8%). Delivery volumes were lower in all business areas. Sales prices increased for most business areas, particularly for UPM Communication Papers.

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

Fixed costs increased by EUR 118 million mainly due to scheduled maintenance activity and other seasonal variations.

Depreciation, excluding items affecting comparability, totalled EUR 119 million (114 million). The change in the fair value of forest assets net of wood harvested was EUR 12 million (-3 million).

Operating profit was EUR 675 million (781 million).

Full year 2022 compared with year 2021

2022 sales were EUR 11,720 million, 19% higher than the EUR 9,814 million for 2021. Sales increased in UPM Communication Papers, UPM Raflatac, UPM Energy, UPM Specialty Papers and UPM Plywood business areas and decreased in UPM Fibres.

Comparable EBIT increased by 42% to EUR 2,096 million, 17.9% of sales (1,471 million, 15.0%).

Sales prices increased significantly for all business areas, with the largest impact in UPM Communication Papers.

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

Delivery volumes were lower in all business areas. The strike in Finland in January-April significantly affected delivery volumes especially in UPM Fibres, UPM Communication Papers, UPM Specialty Papers and UPM Biofuels.

The strike affected the January-June results through lost production and sales, lower fixed costs and various dynamic impacts. The full-year earnings impact was not material.

Fixed costs increased by EUR 100 million mainly due to scheduled maintenance activity and costs related to the transformative projects.

Depreciation, excluding items affecting comparability, totalled EUR 457 million (463 million) including depreciation of leased assets totalling EUR 80 million (74 million). The change in the fair value of forest assets net of wood harvested was EUR 12 million (111 million).

Operating profit totalled EUR 1,974 million (1,562 million). Items affecting comparability in operating profit totalled EUR -122 million in the period (91 million). 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. In 2021, items affecting comparability include the EUR 133 million gain on the sale of Shotton Mill Ltd in the Communication Papers business area and EUR 50 million impairment charges of newsprint related fixed assets.

Net interest and other finance costs were EUR -55 million (-12 million). The exchange rate and fair value gains and losses were EUR 25 million (-3 million). Income taxes totalled EUR -388 million (-240 million).

Profit for 2022 was EUR 1,556 million (1,307 million), and comparable profit was EUR 1,679 million (1,204 million).

Financing and cash flow

In 2022 cash flow from operating activities before capital expenditure and financing totalled EUR 508 million (1,250 million). Working capital increased by EUR 687 million (115 million), mainly due to inflation and energy-related items. In 2022, particularly in June-August, the energy futures markets experienced an unprecedented rise in futures prices. Due to this, the cash outflow of UPM's unrealised energy hedges totalled EUR -0.9 billion in 2022. As UPM's energy hedges are only for hedging the existing electricity generation and energy consumption, this cash outflow will later be offset by a similar cash inflow from hedges or production. Approximately 23% of the energy hedging cash outflow during 2022 is included in the change in working capital above.

Net debt was EUR 2,374 million at the end of Q4 2022 (647 million). The gearing ratio as of 31 December 2022 was 18% (6%). The net debt to EBITDA ratio, based on the last 12 month's EBITDA, was 0.94 at the end of the period (0.35).

On 31 December 2022 UPM's cash funds and unused committed credit facilities totalled EUR 6.4 billion. The total amount of committed credit facilities was EUR 5.7 billion of which EUR 4.5 billion maturing in 2024, EUR 300 million maturing in 2025 and EUR 950 million maturing in 2027.

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

Capital expenditure

In 2022, capital expenditure totalled EUR 1,555 million, which was 13.3% of sales (1,483 million, 15.1% of sales). Capital expenditure does not include additions to leased assets.

In 2023, UPM's total capital expenditure, excluding investments in shares, is expected to be about EUR 950 million, which includes estimated capital expenditure of approximately EUR 750 million in transformative projects. Transformative projects consist of the new pulp mill in Uruguay and the biochemicals biorefinery in Germany.

In January 2019, UPM announced that it would invest in the refurbishment of the Kuusankoski hydropower plant in Finland. The average annual production of the Kuusankoski plant is expected to increase from the current 180 GWh to 195 GWh. The investment will be completed 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 is scheduled to start up by the end of Q1 2023, and the total investment estimate is USD 3.47 billion.

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

In January 2020, UPM announced that it would invest in a 220,000 tonnes next-generation biochemicals biorefinery in Leuna, Germany. The facility is scheduled to start up by the end of 2023, and the total investment estimate is EUR 750 million.

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

Personnel

In 2022, UPM had an average of 17,176 employees (17,512). At the beginning of the year, the number of employees was 16,966 and at the end of Q4 2022 it was 17,236.

Uruguay pulp mill investment

On 23 July 2019, UPM announced that it would invest USD 2.72 billion in a 2.1 million tonne greenfield eucalyptus pulp mill near Paso de los Toros, central Uruguay. Additionally, UPM would invest approximately USD 280 million in port operations in Montevideo and USD 70 million in local investments outside the mill fence, including a new residential area in Paso de los Toros. In May 2020, an electrical grid reinforcement investment of USD 70 million was added to the scope of the project to fully utilise and sell the surplus energy of the mill.

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

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

Competitive wood supply

Eucalyptus availability for the mill is secured through UPM's own and leased plantations, as well as through wood sourcing agreements with private partners. The plantations that UPM owns, leases or manages in Uruguay cover 504,773 hectares. They will supply the current UPM Fray Bentos mill and the new mill near Paso de los Toros.

State of the art mill design

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

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

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

Efficient logistics set-up

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

The Public-Private-Partnership agreement between the government and the construction company for the construction of the central railway was signed in May 2019. Works on the central railway are proceeding, but the overall rail project is delayed, and the railway is scheduled to start operations in May 2023. UPM has a contingency plan in place to ensure logistics with truck transportation before the rail logistics are commissioned.

UPM has completed the construction of a deep-sea pulp terminal at Montevideo port with an investment of approximately USD 240 million. Direct rail access from the mill to a modern 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 existing Uruguayan operations.

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

Significant impact on the Uruguayan economy

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

In the most intensive construction phase, more than 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.

When completed, approximately 10,000 permanent jobs are estimated to be created in the Uruguayan economy of which approximately 4,000 would involve direct employment by UPM and its subcontractors. About 600 companies are estimated to be working in the value chain.

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

Project schedule and capital outflow

The start-up will take place by the end of Q1 2023, and the total investment estimate is USD 3.47 billion.

In December, UPM finalised construction works at the Paso de los Toros mill site and is in its final phases of the project. The project now proceeds with the finalisation of the electrical, instrumental and automation works and commissioning. The auxiliary boilers and power boilers have been commissioned. The water intake and water treatment process as well as the process air system are already in use. The recovery boiler testing has started and is advancing well, and commissioning is progressing in all process areas. As the project has entered its final phases, the number of people working on the project has significantly reduced and continues to rapidly decline.

Works at the pulp terminal in the port of Montevideo have been completed. The railway connection from the port to the Central Railroad is in progress.

The total capital expenditure of USD 3.47 billion will take place in 2019-2023, with 2021 and 2022 being the most intensive years. UPM will hold 91% ownership of the project and a local long-term partner which has also been involved in UPM Fray Bentos, owns 9%. UPM's investment will mainly be financed from operating cash flow complemented by regular group financing activities.

Biochemicals refinery investment

On 30 January 2020 UPM announced that it would invest EUR 550 million in a 220,000 tonnes next-generation biochemicals refinery in Leuna, Germany. Originally, the biorefinery was scheduled to start up by the end of 2022. However, the pandemic has slowed down the completion of the detailed engineering in Leuna. Disruptions to global supply chains have affected both the availability and costs of critical construction materials. Hence the start-up schedule has been updated to take place by the end of 2023. The capital expenditure estimate has been increased to EUR 750 million.

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

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

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

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

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

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

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

The environmental benefits of the biorefinery and the UPM Biochemicals portfolio continue to be publicly acknowledged with nominations as finalist in the 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 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 of the potential biofuels refinery was completed in January 2022 and Rotterdam in the Netherlands has been 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

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

On 12 March 2022, TVO announced that the electricity production at OL3 had started, when OL3 was connected to the national grid. In June 2022 TVO announced that according to information received from Supplier, OL3's regular electricity production would start in December 2022. In August 2022, TVO announced that after completion of maintenance and repair activities and automation updates the test production continued with tests at a power level of 60 percent. Tests at an 80 percent power level were started on 9 September 2022. On 30 September 2022, TVO announced that the commissioning of OL3 proceeded to the full electrical power level of approximately 1,600 MW.

On 18 October 2022, TVO announced that damage had been detected in the internals of the feedwater pumps located in turbine island. Cracks of a few centimeters were identified in all four of OL3's feedwater pumps.

On 7 November 2022, TVO announced that the investigations were still ongoing and it was not possible to set a date for the continuation of the test production programme. The feedwater pumps were delivered for the turbine island by a proven pump supplier that supplies pumps to several nuclear power plants.

On 21 November 2022, TVO announced that the investigation into the damage at OL 3's feedwater pumps would continue still for some weeks, and its impact on the schedule cannot be estimated. According to information TVO received from Supplier, electricity production will continue on 11 December 2022 at the earliest, and as such regular electricity production starts at the end of January 2023 at the earliest.

On 9 December 2022, TVO announced that the investigation into the damage in OL3's feedwater pumps proceeded into its final stages, and that according to Supplier, electricity production would continue on 25 December 2022 at the earliest. Regular electricity production would start in February 2023. According to TVO there were still uncertainties related to the schedule.

On 21 December 2022, TVO announced that the electricity production of OL3 will be continued on 27 December 2022. During test production, approximately 1.3 terawatt hours of electricity will be produced. Around ten significant tests still remain. Regular electricity production is to start on 8 March 2023.

After the end of the reporting period, TVO announced on 4 January 2023 that after the production tests, production at the plant unit is discontinued in January 2023 for planned inspections of the impellers of the feedwater pumps.

On 20 January 2023, TVO announced that the impellers of OL3 feedwater pumps will be replaced with impellers with more robust measurements during the ongoing production break. After this, electricity production will continue mainly at full power. Regular electricity production starts in March 2023. Supplier is obligated to complete the plant unit in accordance with the Plant Contract and the settlement agreements.

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

OL3 will increase UPM Energy's electricity generation capacity significantly. The new power plant unit is expected to be highly efficient and meet the highest safety standards. Its power generation will be CO2 -free and TVO will have a secure solution for the final disposal of used fuel.

Events during the reporting period

On 1 January, UPM announced that members of the Paperworkers' Union, the Finnish Electrical Workers' Union and the Trade Union Pro had started strikes at UPM mills in Jämsänkoski, Kouvola, Lappeenranta, Pietarsaari, Rauma, Tampere and Valkeakoski. UPM businesses affected by the strikes in Finland were UPM Pulp, UPM Biofuels, UPM Communication Papers, UPM Specialty Papers and UPM Raflatac. The duration of the strike was extended several times (5 January, 20 January, 4 February, 24 February, 16 March, 31 March and 14 April).

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

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

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

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

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

On 29 March, UPM held its Annual General Meeting.

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

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

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

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

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

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

On 16 May, UPM announced that it had issued a new EUR 500 million Green Bond under its EMTN (Euro Medium Term Note) programme and its Green Finance Framework. The bond matures in May 2029 and pays a fixed coupon of 2.25%.

On 23 May, UPM announced that it had applied for listing of a EUR 500 million Green Bond under its Euro Medium Term Note (EMTN) programme to Irish Stock Exchange plc, trading as Euronext Dublin.

On 27 May, UPM announced that UPM Raflatac had signed an agreement to acquire AMC AG (Advanced Methods of Coating), a Germany-based company. The transaction was expected to be closed in Q3 2022 at the latest.

On 14 June, UPM announced that it had raised its earnings outlook for H1 2022 and for the full year 2022.

On 21 June, UPM announced that it had signed an agreement to sell 100% of the shares of its Austrian subsidiary UPM-Kymmene Austria GmbH to the HEINZEL GROUP. The transaction comprises the UPM Steyrermühl site with approx. 400 employees, including the newsprint paper machine with an annual capacity of 320,000 tonnes and the Steyrermühl sawmill operations with an annual timber capacity of 370,000 cubic metres.

On 18 August, UPM announced that EcoVadis had recognised UPM on a Platinum level based on the company's sustainability performance. Only one percent of the 90,000 global companies assessed received the Platinum score.

On 15 September, UPM Raflatac announced that it had completed the acquisition of AMC AG.

On 5 October, UPM announced that it had inaugurated its new pulp terminal in the port of Montevideo, Uruguay.

On 13 October, UPM announced that it had substantiated its positive outlook following the record strong Q3 2022 results.

On 18 October, UPM announced that UPM's President and CEO Jussi Pesonen would retire during 2024. Jussi Pesonen was appointed as UPM's President and CEO in 2004. Before that he served UPM in several management positions since 1987.

On 12 December, UPM announced that it had been listed on the Dow Jones European and World Sustainability Indices (DJSI) for 2022-2023 as the only company in its industry.

On 13 December UPM announced that it had been recognised with a triple 'A' score for its performance and transparent reporting on climate change, forests and water security by the global environmental non-profit CDP.

On 23 December, UPM announced that it is finalising the construction works of the new pulp mill in Uruguay and enters the final phases of the project.

Events after the balance sheet date

On 2 February 2023, 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.

Dividend proposal for 2022

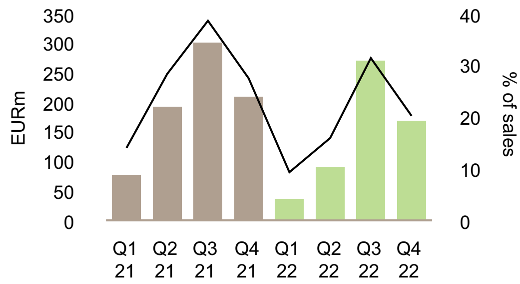
The Board of Directors proposes to the Annual General Meeting convening on 12 April 2023 that a dividend of EUR 1.50 per share be paid in respect of the 2022 financial year (1.30). The proposed dividend represents 49% of UPM's comparable earnings per share for 2022. It is proposed that the dividend is paid in two equal instalments, the first instalment of EUR 0.75 per share on 21 April 2023 and the second instalment of EUR 0.75 per share on 2 November 2023. On 31 December 2022, the distributable funds of the parent company were EUR 2,415.6 million.

On 1 January 2022, UPM has changed its reportable segments composition by moving the UPM Biofuels business into Other Operations. Following the change, Other Operations include UPM Forest, UPM Biofuels, UPM Biochemicals, UPM Biomedicals and UPM Biocomposites businesses as well as group services. UPM Pulp and UPM Timber previously reported under UPM Biorefining are reported as UPM Fibres business area from 1 January 2022. Refer to Note 10 Change in the composition of reportable segments.

UPM Fibres

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

Comparable EBIT



	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/22	Q1–Q4/21
Sales EURm	850	866	584	404	766	783	682	563	2,704	2,794
Comparable EBITDA, EURm	213	313	139	78	258	345	237	120	743	961
% of sales	25.1	36.2	23.7	19.3	33.7	44.1	34.7	21.4	27.5	34.4
Change in fair value of forest assets and wood harvested, EURm	5	3	1	2	-6	-2	-1	0	11	-9
Share of results of associated companies and joint ventures, EURm	0	1	1	0	0	1	0	0	3	2
Depreciation, amortisation and impairment charges, EURm	-48	-47	-49	-44	-43	-43	-44	-43	-187	-173
Operating profit, EURm	177	271	32	37	209	301	192	78	517	781
% of sales	20.8	31.3	5.5	9.1	27.3	38.5	28.2	13.8	19.1	27.9
Items affecting comparability in operating profit, EURm [1]	7	—	-60	—	—	—	—	—	-53	—
Comparable EBIT, EURm	170	271	92	37	209	301	192	78	570	781
% of sales	20.1	31.3	15.7	9.1	27.3	38.5	28.2	13.8	21.1	27.9
Capital employed (average), EURm	6,404	6,290	5,615	5,158	4,855	4,465	4,041	3,747	5,867	4,277
Comparable ROCE, %	10.6	17.2	6.5	2.9	17.3	27.0	19.0	8.3	9.7	18.3
Pulp deliveries, 1000 t	832	859	609	461	931	957	884	952	2,761	3,724

Pulp mill maintenance shutdowns: Q4 2022 UPM Fray Bentos, Q2 2022 UPM Kaukas and UPM Pietarsaari, Q2 2021 UPM Fray Bentos, Q4 2021 UPM Kymi.
[1] In 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. In Q2 2022, items affecting comparability include settlement loss resulting from replacement of defined benefit pension plan in Finland with defined contribution plan.

- The growth project in Uruguay is getting ready for the start-up
- The scheduled maintenance shutdown at the UPM Fray Bentos pulp mill
- Input costs continued to increase

Results

Q4 2022 compared with Q4 2021

Comparable EBIT for UPM Fibres decreased due to higher variable costs, lower delivery volumes and lower timber sales prices. Pulp sales prices were higher.

The average price in euro for UPM's pulp deliveries increased by 36%.

Q4 2022 compared with Q3 2022

Comparable EBIT decreased due to higher variable costs, lower delivery volumes and lower timber sales prices. Fixed costs were higher due to the scheduled maintenance shutdown at the UPM Fray Bentos pulp mill.

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

Full year 2022 compared with year 2021

Comparable EBIT decreased. Pulp production and delivery volumes were lower due to the strike in Finland in January-April. Sales prices were higher offsetting the negative impact of higher variable costs. Fixed costs increased partly due to scheduled maintenance activity and partly in preparation for the start-up of the UPM Paso de los Toros mill.

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

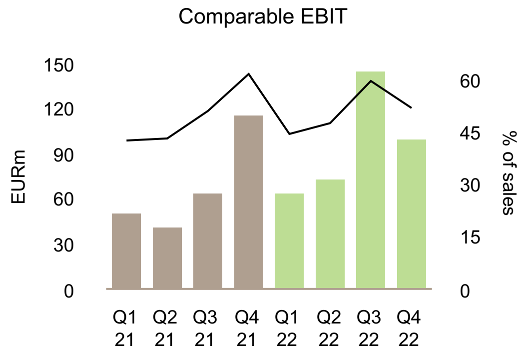
Market environment

- In 2022, global chemical pulp demand growth was good. In China, COVID-19 restrictions held back market growth. In Europe, chemical pulp demand was strong in H1. However, European demand growth was slowing down towards the end of the year due to weakening economic sentiment.
- In Europe, the market price for northern bleached softwood kraft (NBSK) pulp decreased in Q4 2022 compared with Q3 2022. The market price for bleached hardwood kraft pulp (BHKP) increased in Q4 2022 compared with Q3 2022.
- In China, the market price for northern bleached softwood kraft (NBSK) pulp decreased in Q4 2022 compared with Q3 2022. The market price for bleached hardwood kraft pulp (BHKP) remained unchanged in Q4 2022 compared with Q3 2022.
- In 2022, the average European market price in euro was 32% higher for NBSK and 43% higher for BHKP, compared with 2021. In China, the average market price in US dollars was 10% higher for NBSK and 21% higher for BHKP, compared with 2021.
- In H1 2022, demand for sawn timber was strong and market prices were at high level. In Q3, demand weakened but stabilised towards year end in Q4. In H2, market prices decreased from the peak 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.



	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/22	Q1–Q4/21
Sales EURm	193	244	154	143	187	124	95	119	734	526
Comparable EBITDA, EURm	102	147	75	65	117	65	43	52	388	277
% of sales	52.7	60.2	48.5	45.4	62.5	52.4	44.7	43.9	52.9	52.7
Depreciation, amortisation and impairment charges, EURm	-2	-2	-2	-2	-2	-2	-2	-2	-7	-7
Operating profit, EURm	100	145	73	63	115	63	41	50	381	270
% of sales	51.7	59.5	47.4	44.3	61.5	50.9	43.0	42.4	52.0	51.3
Items affecting comparability in operating profit, EURm	—	—	—	—	—	—	—	—	—	—
Comparable EBIT, EURm	100	145	73	63	115	63	41	50	381	270
% of sales	51.7	59.5	47.4	44.3	61.5	50.9	43.0	42.4	52.0	51.3
Capital employed (average), EURm	3,727	3,423	3,148	2,848	2,622	2,370	2,278	2,231	3,286	2,375
Comparable ROCE, %	10.7	16.9	9.3	8.9	17.5	10.7	7.2	9.0	11.6	11.4
Electricity deliveries, GWh	2,354	2,380	2,373	2,335	2,540	2,199	2,150	2,411	9,442	9,300

- Dry hydrological situation in the Nordic market
- Test production phase of OL3 was interrupted in October and resumed in December. Regular electricity production schedule was updated and regular production is expected to start in March 2023.

Results

Q4 2022 compared with Q4 2021

Comparable EBIT for UPM Energy decreased mainly due to lower hydropower generation.

UPM's average electricity sales price increased by 12% to EUR 77.2/MWh (69.1/MWh).

Q4 2022 compared with Q3 2022

Comparable EBIT decreased due to lower energy sales price.

UPM's average electricity sales price decreased by 22% to EUR 77.2/MWh (98.5/MWh).

Full year 2022 compared with year 2021

Comparable EBIT increased due to significantly higher electricity sales prices.

UPM's average electricity sales price increased by 41% to EUR 73.3/MWh (52.1/MWh).

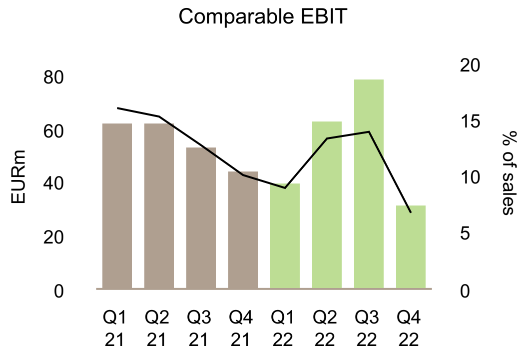
Market environment

- The Nordic hydrological balance was below the long-term average at the end of December. In Finland, the hydrological situation was somewhat below the long-term average.
- The CO_2 emission allowance price of EUR 82.3/tonne at the end of 2022 was higher than at the end of 2021 (EUR 80.1/tonne).
- The average Finnish area spot price on the Nordic electricity exchange in Q4 2022 was EUR 185.0/MWh, 16% lower than in Q3 2022 (220.2/MWh) and 61% higher than in Q4 2021 (115.0/MWh).
- The average Finnish area spot price on the Nordic electricity exchange in 2022 was EUR 154.0/MWh, 113% higher than in 2021 (72.3/MWh).
- The front-year forward electricity price for the Finnish area closed at EUR 165.3/MWh in December, 20% lower than at the end of Q3 2022 (207.3/MWh).

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

UPM Raflatac

UPM Raflatac offers innovative and sustainable self-adhesive paper, film and graphic materials for branding and promotion, information and functional labeling. UPM Raflatac is the second-largest producer of self-adhesive label materials worldwide.



	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/22	Q1–Q4/21
Sales EURm	479	573	479	451	442	425	413	391	1,982	1,671
Comparable EBITDA, EURm	42	89	72	49	53	63	72	71	251	259
% of sales	8.8	15.5	15.0	10.8	12.0	14.7	17.3	18.2	12.7	15.5
Depreciation, amortisation and impairment charges, EURm	-10	-10	-9	-12	-9	-9	-9	-9	-41	-36
Operating profit, EURm	31	77	61	33	44	54	61	62	203	222
% of sales	6.5	13.5	12.8	7.4	10.0	12.7	14.9	15.9	10.3	13.3
Items affecting comparability in operating profit, EURm [1)]	-1	-2	-2	-7	—	—	-1	—	-11	-1
Comparable EBIT, EURm	32	79	63	40	44	54	63	62	214	223
% of sales	6.6	13.8	13.2	8.8	10.0	12.6	15.2	15.9	10.8	13.3
Capital employed (average), EURm	823	719	599	581	579	562	549	523	681	553
Comparable ROCE, %	15.5	44.0	42.3	27.5	30.5	38.2	45.6	47.6	31.5	40.2

[1)] In Q4 2022 items affecting comparability relate to restructuring costs. In Q3 2022, items affecting comparability include EUR 2 million of AMC acquisition-related costs. In Q2 and Q1 2022 items affecting comparability relate mainly to impairment charges of assets impacted by Russia´s war in Ukraine. In 2021 items affecting to comparability relate to restructuring charges.

- Significant destocking in the value chain
- Continued actions to mitigate raw material, energy and logistics cost increases
- Sales prices increased
- Integration actions of acquired AMC AG

Results

Q4 2022 compared with Q4 2021

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

Q4 2022 compared with Q3 2022

Comparable EBIT decreased due to lower delivery volumes. Variable costs were higher and offset the positive impact of higher sales prices. Fixed costs increased.

Full year 2022 compared with year 2021

Comparable EBIT decreased. Variable costs were higher, offsetting the positive impact of higher sales prices. Q1 2022 was affected by a provision for expected credit losses related to Russian trade receivables.

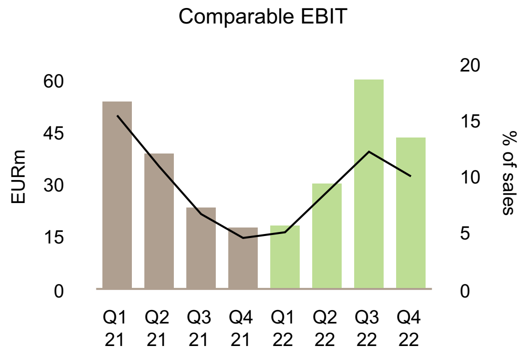
Market environment

- In Q1-Q3 2022, demand for self-adhesive label materials was solid in Europe (excl. Russia) and North America while the markets were somewhat impacted by supply constraints.
- In Q4 2022, demand for self-adhesive label materials declined in Europe and North America due to significant destocking in the value chain. Destocking was especially significant in Europe, resulting in 25% lower market deliveries during the quarter.
- Demand in Asia was relatively soft throughout the year 2022.

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.



	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/22	Q1–Q4/21
Sales EURm	441	502	357	377	407	358	361	355	1,677	1,482
Comparable EBITDA, EURm	62	81	50	38	36	43	58	73	230	209
% of sales	14.0	16.1	13.9	10.0	8.8	11.9	16.0	20.6	13.7	14.1
Depreciation, amortisation and impairment charges, EURm	-18	-20	-19	-19	-18	-19	-19	-19	-77	-75
Operating profit, EURm	44	60	30	19	18	23	39	54	153	135
% of sales	10.0	12.0	8.5	4.9	4.4	6.5	10.8	15.3	9.1	9.1
Items affecting comparability in operating profit, EURm	—	—	—	—	—	—	—	—	—	—
Comparable EBIT, EURm	44	60	30	19	18	23	39	54	153	135
% of sales	9.9	12.1	8.5	4.9	4.4	6.5	10.8	15.3	9.1	9.1
Capital employed (average), EURm	933	895	843	884	889	845	853	870	889	864
Comparable ROCE, %	18.7	27.0	14.4	8.4	8.1	11.1	18.2	24.9	17.2	15.6
Paper deliveries, 1000 t	339	399	323	371	422	388	414	434	1,431	1,658

- Sales prices increased
- Almost undisturbed operations in China despite COVID-19 situation
- Actions to mitigate high input costs

Results

Q4 2022 compared with Q4 2021

Comparable EBIT for UPM Specialty Papers increased. The positive impact of higher sales prices more than offset the negative impact of higher input costs. Delivery volumes were lower.

Q4 2022 compared with Q3 2022

Comparable EBIT decreased due to lower volumes. Sales prices were higher, offsetting the negative impact of higher input costs,

Full year 2022 compared with year 2021

Comparable EBIT increased. The positive impact of higher sales prices more than offset the negative impact of higher input costs and lower delivery volumes.

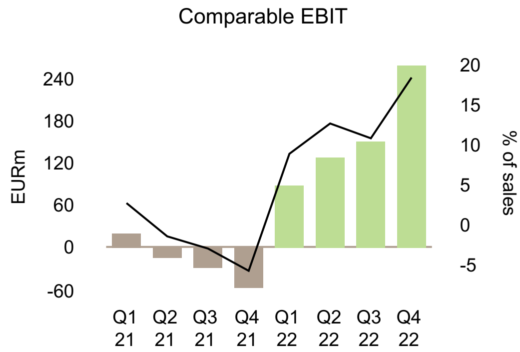
Market environment

- Global demand for label, release base and packaging papers was good during 2022, though demand became softer towards the end of the year and was impacted by destocking in the value chain. Demand was driven by fast moving consumer goods and e-commerce. Market prices increased.
- Fine paper demand was impacted by the COVID-19 lockdowns and containment measures in China.
- In 2022, fine paper market prices in the Asia-Pacific region increased compared to 2021.

Sources: UPM, RISI, AFRY, AWA

UPM Communication Papers

UPM Communication Papers offers an extensive product range of sustainably produced graphic papers for advertising and publishing as well as home and office uses. The business has extensive low-cost operations consisting of 13 efficient paper mills in Europe and the United States, a global sales network and an efficient logistic system. The main customers are publishers, cataloguers, retailers, printers and merchants.



	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/22	Q1–Q4/21
Sales EURm	1,419	1,428	1,017	1,001	950	945	867	815	4,866	3,577
Comparable EBITDA, EURm	276	170	145	106	-33	-3	12	47	697	23
% of sales	19.5	11.9	14.3	10.6	-3.5	-0.4	1.4	5.7	14.3	0.6
Share of results of associated companies and joint ventures, EURm	1	1	1	0	0	0	0	0	3	0
Depreciation, amortisation and impairment charges, EURm	-21	-20	-20	-20	-75	-26	-27	-27	-80	-155
Operating profit, EURm	258	149	139	86	-102	106	-14	23	631	14
% of sales	18.2	10.4	13.6	8.6	-10.7	11.2	-1.6	2.8	13.0	0.4
Items affecting comparability in operating profit, EURm [1]	1	-2	13	—	-46	135	—	2	12	93
Comparable EBIT, EURm	256	151	126	86	-56	-30	-14	20	619	-79
% of sales	18.1	10.5	12.4	8.6	-5.9	-3.1	-1.6	2.5	12.7	-2.2
Capital employed (average), EURm	1,648	1,599	1,396	1,381	1,237	1,283	1,239	1,340	1,506	1,275
Comparable ROCE, %	62.2	37.7	36.1	25.0	-18.1	-9.2	-4.5	6.1	41.1	-6.2
Paper deliveries, 1000 t	1,233	1,356	1,001	1,113	1,443	1,496	1,495	1,396	4,703	5,828

[1] In Q4 2022, items affecting comparability include EUR 8 million gain on sale of other non-current assets and EUR 7 million restructuring charges. In Q3 2022, items affecting comparability include 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. Q4 2021 includes EUR 50 million impairment charges of newsprint fixed assets, EUR 6 million gain on sale of non-current assets and EUR 2 million restructuring charges. Q3 2021includes the gain on sale of Shotton Mill Ltd amounting to EUR 133 million. Q1 2021 items affecting comparability relate to prior capacity closures.

- A new combined heat and power (CHP) plant at UPM Nordland Papier mill in Germany was inaugurated
- Sales price increases and cost containment measures to mitigate cost increases

Results

Q4 2022 compared with Q4 2021

Comparable EBIT for UPM Communication Papers increased. Significantly higher sales prices more than offset the negative impact of higher variable costs.

The average price in euro for UPM's paper deliveries increased by 76%.

Q4 2022 compared with Q3 2022

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

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

Full year 2022 compared with year 2021

Comparable EBIT increased. Significantly higher sales prices more than offset the negative impact of higher variable costs. Production and delivery volumes were lower, partly due to the strike in Finland in January-April 2022.

The average price in euro for UPM's paper deliveries increased by 71%.

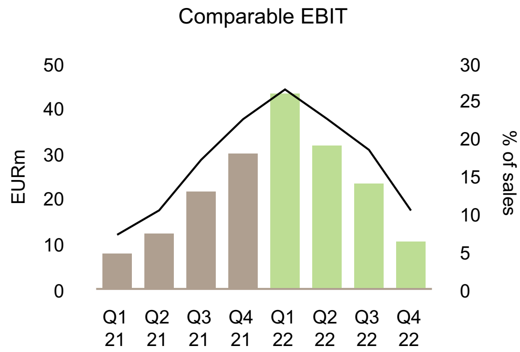
Market environment

- In 2022, demand for graphic papers in Europe was 12% lower than in 2021. Newsprint demand decreased by 8%, magazine papers by 18% and fine papers by 10% compared to 2021.
- In Q4 2022, demand for graphic papers in Europe was 26% lower than in Q4 2021. Newsprint demand decreased by 15%, magazine papers decreased by 32% and fine papers decreased by 29% compared to Q4 2021.
- In Q4 2022, publication paper prices in Europe were 7% higher compared with Q3 2022. Compared with Q4 2021 publication paper prices were 67% higher. In Q4 2022, fine paper prices in Europe were 2% higher than in the previous quarter. Compared with Q4 2021, fine paper prices were 48% higher.
- In 2022, publication paper prices in Europe were 76% higher and fine paper prices were 47% higher compared to 2021.
- In 2022, demand for magazine papers in North America increased by 5%, compared with the same period in the previous year. The average price in US dollars for magazine papers in Q4 2022 increased by 2% compared with Q3 2022 and by 21% compared with Q4 2021. In 2022, the average price in US dollars for magazine papers increased by 28% compared to 2021.

Sources: PPI/RISI, Euro-Graph, PPPC

UPM Plywood

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



	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/22	Q1–Q4/21
Sales EURm	104	127	143	164	134	127	119	112	539	492
Comparable EBITDA, EURm	17	29	37	50	37	28	19	14	133	99
% of sales	16.0	22.5	26.2	30.3	27.5	22.4	15.8	12.9	24.6	20.0
Depreciation, amortisation and impairment charges, EURm	-4	-5	-5	-52	-7	-6	-6	-6	-67	-25
Operating profit, EURm	5	26	33	-20	30	26	15	8	44	80
% of sales	4.8	20.6	23.0	-12.2	22.6	20.5	13.0	7.1	8.2	16.2
Items affecting comparability in operating profit, EURm [1)]	-6	3	1	-63	—	4	3	—	-65	8
Comparable EBIT, EURm	11	23	32	43	30	22	12	8	109	72
% of sales	10.3	18.3	22.4	26.3	22.4	17.0	10.3	7.1	20.3	14.6
Capital employed (average), EURm	253	231	230	274	295	282	282	287	247	286
Comparable ROCE, %	17.0	40.5	55.8	63.1	40.8	30.5	17.3	11.0	44.3	25.1
Plywood deliveries, 1000 m^3	110	140	168	198	172	178	198	191	616	738

1) In Q4 2022, items affecting comparability include 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. In Q3 2021 items affecting comparability include EUR 3 million restructuring charges reversals and EUR 1 million impairment reversals related to Jyväskylä plywood mill closure in 2020. In Q2 2021, items affecting comparability include reversals of restructuring charges related to Jyväskylä plywood mill closure in 2020.

- Sales prices increased in all end-uses
- Demand in birch related end-uses was strong
- Demand in spruce plywood became weaker
- Optimisation of energy efficiency and consumption
- UPM Plywood signed a significant contract to supply LNG plywood to Korean LNG tanker manufacturer

Results

Q4 2022 compared with Q4 2021

Comparable EBIT for UPM Plywood decreased due to lower delivery volumes. Higher sales prices offset the impact of increased variable costs.

Q4 2022 compared with Q3 2022

Comparable EBIT decreased due to lower delivery volumes. Variable costs were higher and more than offset the positive impact of higher sales prices. Fixed costs increased.

Full year 2022 compared with year 2021

Comparable EBIT increased due to significantly higher sales prices. Variable costs increased and delivery volumes were lower. Fixed costs increased.

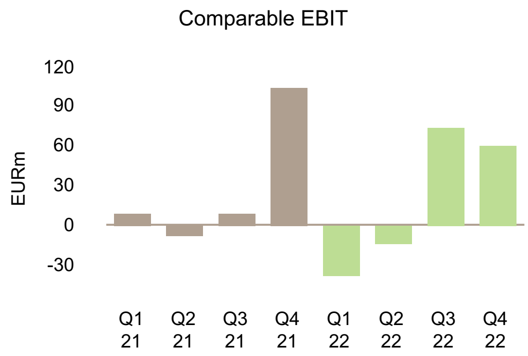
Market environment

- In H1 2022, demand for spruce plywood was strong. In H2, demand became weaker due to lower activity in the building and construction industry. Uncertainty around economic development increased cautious purchasing behavior.
- In 2022, demand for birch plywood was strong in panel trading and industrial applications.

Source: UPM

Other operations

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



	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/22	Q1–Q4/21
Sales EURm	218	236	110	70	133	116	124	110	634	483
Comparable EBITDA, EURm	66	90	4	-34	5	12	5	14	126	36
Change in fair value of forest assets and wood harvested, EURm	7	-6	-9	9	109	6	-1	5	2	120
Share of results of associated companies and joint ventures, EURm	-1	0	0	-1	0	0	0	0	-2	0
Depreciation, amortisation and impairment charges, EURm	-14	-8	-9	-33	-11	-10	-11	-11	-64	-44
Operating profit, EURm	65	74	-14	-61	103	8	-8	9	64	112
Items affecting comparability in operating profit, EURm [1)]	6	—	1	-23	—	—	-1	—	-16	-1
Comparable EBIT, EURm	59	74	-14	-38	103	8	-7	9	81	113
Capital employed (average), EURm	2,734	2,646	2,504	2,421	2,209	2,146	2,147	2,106	2,577	2,152
Comparable ROCE, %	8.7	11.2	-2.3	-6.3	18.7	1.5	-1.4	1.6	3.1	5.2

Comparative figures 2021 have been restated due to change in the composition of reportable segments. Refer to Note 10 Change in the composition of reportable segments.

[1)] In Q4 2022, items affecting comparability include 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. In Q3 2022, items affecting comparability include 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. In 2021, items affecting to comparability relate to restructuring charges.

Results

Q4 2022 compared with Q4 2021

Comparable EBIT for other operations decreased. The change in the fair value of forest assets net of wood harvested was EUR 7 million (109 million). The increase in the fair value of forest assets was EUR 39 million (125 million). The cost of wood harvested from UPM forests was EUR 31 million (16 million).

Biofuels sales prices were significantly higher.

Q4 2022 compared with Q3 2022

Comparable EBIT decreased. The change in the fair value of forest assets net of wood harvested was EUR 7 million (-6 million). The increase in the fair value of forest assets was EUR 39 million (16 million). The cost of wood harvested from UPM forests was EUR 31 million (22 million).

Biofuels delivery volumes remained unchanged. There was a scheduled maintenance shutdown at the UPM Lappeenranta Biorefinery.

Full year 2022 compared with year 2021

Comparable EBIT for other operations decreased. The change in the fair value of forest assets net of wood harvested was EUR 2 million (120 million). The increase in the fair value of forest assets was EUR 85 million (171 million). The cost of wood harvested from UPM forests was EUR 84 million (51 million).

Biofuels sales prices were significantly higher. In January-May 2022, biofuels production and deliveries were impacted by the strike and the long ramp-up of the process.

Market environment

- In 2022, market demand for advanced renewable fuels was strong and prices were at a high level.
- In 2022, interest for bio-based MEG and renewable functional fillers in Europe remained strong. 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 2022, market demand for biocomposites remained firm in Europe, driven by the continued demand for sustainable products. However, delivered volumes in construction related applications decreased in H2 due to highly uncertain business environment. Market prices increased in response to input cost inflation.
- In UPM Biomedicals, hydrogel demand for cell cultivation is driven by material shortages in market. Hospitals continue to explore new sustainable advanced wound care dressings.

Source: UPM

Risks and near-term uncertainties

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

The COVID-19 pandemic continues to cause significant uncertainty. The pandemic and the related containment measures resulted in a severe global recession in 2020. In 2021 the economic recovery was fast, although uneven in different parts of the world. The rapid economic recovery supported demand and pricing for UPM products. However, it also led to tight global supply and logistics chains and was accompanied by increasing inflation and inflation expectations. For UPM, variable cost increases were significant across most raw materials and energy.

The duration and changing nature of the pandemic with new virus variants and progressing vaccinations remain uncertain. The pandemic itself, the lockdowns and containment measures, and the resulting impacts on the global economy may all affect UPM's operations and supply chain, the demand for, supply and pricing of UPM's products and the inputs, or progress of UPM's large investment projects. More fast-spreading variants could temporarily disrupt operations in some of UPM's units, its supply or logistics chains or progress in investment projects. The COVID-19 pandemic and related issues are discussed earlier in this report.

The strict COVID-19 containment measures in China through most of 2022 held back economic growth in China. In December 2022 China decided to lift these containment measures. On the one hand, this represents risks of widely spreading epidemic in China, possibly affecting the economy as well as UPM's production in China, its product and raw material markets, and global logistics chains. However, the opening of the Chinese economy also represents significant potential for economic recovery, as well as demand growth for many UPM products.

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

The very tight energy market situation in Europe has added significantly to UPM's energy costs and represents further uncertainty in the coming months and quarters. In 2021-22, this was mitigated at Group level by very strong performance in UPM Energy. However, this may not always be the case, due to geographical differences in UPM's energy sales and purchases. In addition to the high and uncertain cost of energy, Russia's war in Ukraine and related potential future sanctions and counter sanctions may affect the availability of certain forms of energy, e.g. natural gas.

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

EU energy ministers also adopted a new temporary regulation (applicable from 1 December 2022 to 30 June 2023) on the reduction of electricity use, capping of revenues of electricity producers, and mandatory solidarity contributions from fossil fuel businesses. It is still uncertain, how this will be implemented in each of the operating countries relevant for UPM.

In December 2022, the Finnish Government has published the law proposal for a temporary profit tax on the electricity sector. The proposed additional tax would be 30% of companies' net profits generated from the electricity operations in Finland in fiscal year 2023 exceeding a 10% annual return on adjusted shareholder's equity in the electricity business. According to the proposal, group internal electricity profits would not be taken into account when calculating the taxable net profit for the temporary profit tax. The tax would become payable in early 2024. The government proposal is still in political decision making in the Finnish Parliament, where final approval is expected by the end of February 2023 at the earliest.

Many global commodity prices increased significantly during 2021 and 2022. This, combined with possible supply restrictions could have a further increasing impact on UPM's raw material cost items.

Bottlenecks in global logistics represent further challenges to delivering UPM products, sourcing raw materials for UPM businesses and delivering equipment to UPM's investments projects. The logistics chains may be further affected by Russia's war in Ukraine, and COVID-19 situation in China.

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

In Finland, UPM is participating in a project to construct a new nuclear power plant unit, Olkiluoto 3 EPR (OL3), through its shareholdings in Pohjolan Voima Oyj. Pohjolan Voima Oyj is a majority shareholder of Teollisuuden Voima Oyj (TVO), holding 58.5% of its shares. UPM's indirect share of OL3 is approximately 31%.

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

In March 2018, TVO announced that it had signed a Global Settlement Agreement (the GSA) with the Supplier and the Areva Group parent company, Areva SA, a company wholly owned by the French state. The Global Settlement Agreement, which concerns the completion of the OL3 project and related disputes entered into force in late March 2018. 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 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.

According to TVO the key matters of the amendment agreements to the GSA are:

- The Areva companies' trust mechanism, established in the GSA of 2018, was replenished in July 2021 with EUR 432.3 million.
- Both TVO and the Supplier are to cover their own costs as of July 2021 until end of February 2022.
- In the case that the Supplier consortium companies would not complete the OL3 project by the end of February 2022, they would pay additional compensation for delays, depending on the date of completion.
- In connection with the amendment of GSA entering into force, the Supplier paid EUR 206.9 million of the EUR 400.0 million delay compensation as agreed in the GSA 2018.

Due to OL3 additional delay in 2022 in interim report Q3 2022 TVO announced that TVO had recorded receivables from the Supplier for the additional delay compensation accumulated by the end of Q3 2022 in accordance with the amended GSA. The additional delay compensation has been recorded as EUR 56.7 million at the end of Q3 2022. At the end of Q3 2022, TVO has recognised current receivables of EUR 249.8 million from the Supplier.

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 2022 that the trust, which was replenished in July 2021, has been used to cover costs incurred to Areva companies for the completion of the OL3 project in accordance with the GSA. Also, TVO mentioned, that TVO's right to terminate the plant contract in accordance with the GSA was postponed until 31 March 2023. In addition, the payment of approximately EUR 193 million of the delay compensation agreed in the GSA of 2018 was postponed until the completion of OL3, up to 31 March 2023 at the latest.

On 12 March 2022, TVO announced that the electricity production at OL3 had started, when OL3 was connected to the national grid. In June 2022 TVO announced that according to information received from Supplier, OL3's regular electricity production would start in December 2022. In August 2022, TVO announced that after completion of maintenance and repair activities and automation updates the test production continued with tests at a power level of 60 percent. Tests at an 80 percent power level were started on 9 September 2022. On 30 September 2022, TVO announced that the commissioning of OL3 proceeded to the full electrical power level of approximately 1,600 MW.

On 18 October 2022, TVO announced that damage had been detected in the internals of the feedwater pumps located in turbine island. Cracks of a few centimeters were identified in all four of OL3's feedwater pumps. A schedule estimate on an effect on the continuation of OL 3's nuclear commissioning and the start of regular electricity production is to be completed during the upcoming days.

On 7 November 2022, TVO announced that the investigations were still ongoing, and it was not possible to set a date for the continuation of the test production programme. The feedwater pumps were delivered for the turbine island by a proven pump supplier that supplies pumps to several nuclear power plants.

On 21 November 2022, TVO announced that the investigation into the damage at OL 3's feedwater pumps would continue still for some weeks, and its impact on the schedule cannot be estimated. According to information TVO received from the Supplier, electricity production will continue on 11 December 2022 at the earliest, and as such regular electricity production starts at the end of January 2023 at the earliest.

On 9 December 2022, TVO announced that the investigation into the damage in OL3's feedwater pumps proceeded into its final stages, and that according to the Supplier, electricity production would continue on 25 December 2022 at the earliest. Regular electricity production would start in February 2023. According to TVO there were still uncertainties related to the schedule.

On 21 December 2022, TVO announced that the electricity production of OL3 will be continued on 27 December 2022. During test production, approximately 1.3 terawatt hours of electricity will be produced. Around ten significant tests still remain. Regular electricity production is to start on 8 March 2023.

After the end of the reporting period, TVO announced on 4 January 2023 that after the production tests, production at the plant unit is discontinued in January 2023 for planned inspections of the impellers of the feedwater pumps.

On 20 January 2023, TVO announced that the impellers of OL3 feedwater pumps will be replaced with impellers with more robust measurements during the ongoing production break. After this, electricity production will continue mainly at full power. Regular electricity production starts in March 2023. The Supplier is obligated to complete the OL3 plant unit in accordance with the Plant Contract and the settlement agreements.

TVO announced in its Q3 2022 Interim Report that according to the Supplier's latest project schedule, TVO's current cost estimate, and the effects of the GSA, TVO estimates that its total investment in the OL3 project will be approximately EUR 5.8 (5.7) billion.

Also, in Q3 2022 Interim Report TVO presented that as the OL3 project is still ongoing, no assurance can be given that further delays would not materialise prior completion of the project. According to TVO a failure by one or more of the Supplier to meet their respective obligations according to the Plant Contract or the Global Settlement Agreement may subject to new legal proceedings or new negotiations with the Supplier which have joint and several liability. In addition, TVO said that restrictions caused by the main grid may have an impact on OL3's electricity production.

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 new subordinated shareholder loan agreements. According to TVO with the new shareholder loan commitment, TVO is preparing to maintain a sufficient liquidity buffer and equity ratio to complete OL3. On 30 November 2022, TVO announced that the shareholder loan commitment of EUR 400 million, originally agreed in December 2020, has been extended by one year until the end of 2023.

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

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

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

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

Labour negotiations in Finland

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

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

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

Meanwhile the Paperworkers' Union declined the invitations sent by UPM Pulp, UPM Communication Papers, UPM Specialty Papers, UPM Raflatac and UPM Biofuels. At that point, the union wanted to negotiate one group level agreement with the corporation. Due to the different needs of the various businesses, UPM's starting point was, however, business-specific agreements.

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

The Paperworkers' Union started a strike in five of UPM's businesses in Finland as of 1 January 2022. The negotiations started slowly. Despite intense business-specific negotiations and official conciliation process during the latter part of Q1 2022, UPM and the Paperworkers' Union were not able to settle on new collective labour agreements. On 22 March 2022, the conciliator gave a settlement proposal in the collective labour agreement negotiations for UPM Pulp. A couple of weeks later on 9 April 2022, the conciliator interrupted the conciliation between UPM Communication Papers and Paperworkers' Union, as the parties' views were still far apart. The conciliation in UPM Specialty Papers, UPM Raflatac and UPM Biofuels continued, and the conciliator gave settlement proposals also for these businesses.

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

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

Shares

In 2022, UPM shares worth a total of EUR 9,680 million (8,435 million) were traded on the Nasdaq Helsinki stock exchange. This is estimated to represent more than 60% of the total trading volume in UPM shares. The highest listing was EUR 37.14 in December and the lowest was EUR 24.85 in March.

The Annual General Meeting held on 29 March 2022 authorised the Board of Directors to decide on the repurchase of a maximum of 50,000,000 of the Company's own shares. The authorisation will be valid for 18 months from the date of the AGM's resolution.

The Annual General Meeting held on 29 March 2022 authorised the Board of Directors to decide on the issuance of new shares, the transfer of treasury shares and the issuance of special rights entitling to shares in proportion to the shareholders' existing holdings in the Company, or in a directed share issue, deviating from the shareholder's preemptive subscription right. The Board of Directors may also decide on a share issue without payment to the Company itself. The aggregate maximum number of new shares that may be issued and treasury shares that may be transferred is 25,000,000, including the number of shares that can be received on the basis of special rights. The authorisation will be valid for 18 months from the date of the AGM resolution.

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

The number of shares entered in the Trade Register on 31 December 2022 was 533,735,699. Through the issuance authorisation, the number of shares may increase to a maximum of 558,735,699.

On 31 December 2022, the Company held 411,653 of its own shares, representing approximately 0.08% of the total number of company shares and voting rights. The Board of Directors may decide to retain, transfer or cancel the treasury shares.

Legal proceedings

The Group's management is not aware of any significant litigation at the end of Q4 2022.

In October 2021, the European Commission conducted an unannounced inspection at UPM's premises. According to the Commission's press release on 12 October 2021, the Commission has concerns that the inspected companies in the wood pulp sector may have violated EU antitrust rules that prohibit cartels and restrictive business practices. The Commission states that the unannounced inspections are a preliminary step in an investigation into suspected anticompetitive practices, and the fact that the Commission carries out such inspections does not mean that the companies are guilty of anti-competitive behaviour nor does it prejudge the outcome of the investigation itself. UPM takes any suspected violation of antitrust rules very seriously and has a compliance programme in place to mitigate the risk of such violations. For example, all employees and executives are required to take training on the UPM Code of Conduct, which includes a section regarding antitrust compliance. In addition, UPM has also in place a specific training programme regarding antitrust rules which covers approximately 3,000 employees and executives.

Helsinki, 2 February 2023

UPM-Kymmene Corporation
Board of Directors

Financial statement information

Consolidated income statement

EURm	Q4/2022	Q4/2021	Q1–Q4/2022	Q1–Q4/2021
Sales (Note 3)	3,231	2,673	11,720	9,814
Other operating income	69	33	231	254
Costs and expenses	-2,522	-2,230	-9,470	-8,104
Change in fair value of forest assets and wood harvested	12	103	12	111
Share of results of associated companies and joint ventures	1	1	4	2
Depreciation, amortisation and impairment charges	-116	-165	-522	-515
Operating profit	675	415	1,974	1,562
Exchange rate and fair value gains and losses	-14	-1	25	-3
Interest and other finance costs, net	-23	6	-55	-12
Profit before tax	638	420	1,944	1,548
Income taxes	-135	-80	-388	-240
Profit for the period	503	340	1,556	1,307
Attributable to:				
Owners of the parent company	498	334	1,526	1,286
Non-controlling interests	5	5	31	22
	503	340	1,556	1,307
Earnings per share for profit attributable to owners of the parent company				
Basic earnings per share, EUR	0.93	0.63	2.86	2.41
Diluted earnings per share, EUR	0.93	0.63	2.86	2.41

Consolidated statement of comprehensive income

EURm	Q4/2022	Q4/2021	Q1–Q4/2022	Q1–Q4/2021
Profit for the period	503	340	1,556	1,307
Other comprehensive income for the period, net of tax				
Items that will not be reclassified to income statement:				
Actuarial gains and losses on defined benefit obligations	-139	-27	192	96
Changes in fair value of energy shareholdings	159	304	1,051	632
Items that may be reclassified subsequently to income statement:				
Translation differences	-481	110	150	337
Net investment hedge	25	-7	-15	-21
Cash flow hedges	492	-43	-531	-127
Other comprehensive income for the period, net of tax	56	338	847	918
Total comprehensive income for the period	559	677	2,403	2,225
Total comprehensive income attributable to:				
Owners of the parent company	578	669	2,358	2,194
Non-controlling interests	-19	9	45	31
	559	677	2,403	2,225

Consolidated balance sheet

EURm	31 DEC 2022	31 DEC 2021
ASSETS		
Goodwill	282	237
Other intangible assets	553	366
Property, plant and equipment (Note 4)	6,733	5,569
Leased assets	713	608
Forest assets	2,442	2,328
Energy shareholdings (Note 5)	3,652	2,579
Other non-current financial assets	70	133
Deferred tax assets	485	466
Net retirement benefit assets	1	79
Investments in associates and joint ventures	27	33
Other non-current assets	20	20
Non-current assets	14,977	12,420
Inventories	2,289	1,594
Trade and other receivables	2,696	2,024
Other current financial assets	118	139
Income tax receivables	61	40
Cash and cash equivalents	2,067	1,460
Current assets	7,230	5,257
Assets	22,207	17,676
EQUITY AND LIABILITIES		
Share capital	890	890
Treasury shares	-2	-2
Translation reserve	449	329
Other reserves	2,460	1,938
Reserve for invested non-restricted equity	1,273	1,273
Retained earnings	7,433	6,419
Equity attributable to owners of the parent company	12,502	10,846
Non-controlling interests	376	261
Equity	12,879	11,106
Deferred tax liabilities	636	596
Net retirement benefit liabilities	527	676
Provisions (Note 8)	134	155
Non-current debt	4,476	2,566
Other non-current financial liabilities	103	109
Non-current liabilities	5,876	4,102
Current debt	558	86
Trade and other payables	2,720	2,254
Other current financial liabilities	102	95
Income tax payables	73	32
Current liabilities	3,452	2,468
Liabilities	9,329	6,570
Equity and liabilities	22,207	17,676

Consolidated statement of changes in equity

EURm	SHARE CAPITAL	TREASURY SHARES	TRANSLATION RESERVE	OTHER RESERVES	RESERVE FOR INVESTED NON-RESTRICTED EQUITY	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Value at 1 January 2022	890	-2	329	1,938	1,273	6,419	10,846	261	11,106
Profit for the period	—	—	—	—	—	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
Value at 1 January 2021	890	-2	25	1,430	1,273	5,735	9,351	162	9,513
Profit for the period	—	—	—	—	—	1,286	1,286	22	1,307
Translation differences	—	—	325	—	—	—	325	13	337
Cash flow hedges - reclassified to income statement, net of tax	—	—	—	63	—	—	63	—	63
Cash flow hedges - reclassified to PPE	—	—	—	-14	—	—	-14	-1	-16
Cash flow hedges - changes in fair value, net of tax	—	—	—	-172	—	—	-172	-2	-174
Net investment hedge, net of tax	—	—	-21	—	—	—	-21	—	-21
Energy shareholdings - changes in fair value, net of tax	—	—	—	632	—	1	632	—	632
Actuarial gains and losses on defined benefit plans, net of tax	—	—	—	—	—	96	96	—	96
Total comprehensive income for the period	—	—	304	508	—	1,382	2,194	31	2,225
Share-based payments, net of tax	—	—	—	-1	—	-6	-6	—	-6
Dividend distribution	—	—	—	—	—	-693	-693	-13	-706
Other items	—	—	—	—	—	—	—	-1	—
Contributions by non-controlling interests	—	—	—	—	—	—	—	82	82
Total transactions with owners for the period	—	—	—	-1	—	-698	-699	68	-632
Value at 31 December 2021	890	-2	329	1,938	1,273	6,419	10,846	261	11,106

Consolidated cash flow statement

EURm	Q4/2022	Q4/2021	Q1–Q4/2022	Q1–Q4/2021
Cash flows from operating activities				
Profit for the period	503	340	1,556	1,307
Adjustments [1]	684	110	35	356
Interest received	6	1	8	1
Interest paid	-18	-6	-43	-26
Dividends received	2	1	3	2
Other financial items, net	-17	7	-52	-2
Income taxes paid	-129	-137	-313	-275
Change in working capital	546	91	-687	-115
Operating cash flow	1,576	406	508	1,250
Cash flows from investing activities				
Capital expenditure	-403	-438	-1,398	-1,432
Additions to forest assets	-13	-33	-79	-89
Acquisition of businesses and subsidiaries, net of cash acquired	0	0	-138	0
Proceeds from sale of property, plant and equipment and intangible assets, net of tax	15	9	41	17
Proceeds from sale of forest assets, net of tax	4	0	7	6
Proceeds from disposal of businesses and subsidiaries and advances received	0	0	15	157
Proceeds from disposal of shares in associates and joint ventures	11	0	11	0
Proceeds from disposal of energy shareholdings	0	1	2	1
Net cash flows from net investment hedges	0	0	-47	9
Change in other non-current assets	2	2	3	6
Investing cash flow	-385	-459	-1,585	-1,323
Cash flows from financing activities				
Proceeds from non-current debt	1,387	0	4,402	600
Payments of non-current debt	-2,113	-3	-2,550	-16
Lease repayments	-24	-20	-91	-84
Change in current liabilities	40	1	439	0
Net cash flows from derivatives	2	12	20	34
Dividends paid to owners of the parent company	0	0	-693	-693
Dividends paid to non-controlling interests	0	0	-27	-12
Contributions paid by non-controlling interests	15	12	97	82
Change in investment funds	0	-100	99	-100
Other financing cash flow	-2	-4	-9	-5
Financing cash flow	-695	-102	1,687	-194
Change in cash and cash equivalents	495	-155	610	-268
Cash and cash equivalents at the beginning of the period	1,591	1,613	1,460	1,720
Exchange rate effect on cash and cash equivalents	-19	2	-3	8
Change in cash and cash equivalents	495	-155	610	-268
Cash and cash equivalents at the end of the period	2,067	1,460	2,067	1,460

[1] **Adjustments**

EURm	Q4/2022	Q4/2021	Q1–Q4/2022	Q1–Q4/2021
Change in fair value of forest assets and wood harvested	-12	-103	-12	-111
Share of results of associated companies and joint ventures	-1	-1	-4	-2
Depreciation, amortisation and impairment charges	116	165	522	515
Capital gains and losses on sale of non-current assets	-12	-7	-35	-146
Financial income and expenses	37	-5	30	15
Income taxes	135	80	388	240
Utilised provisions	-16	-19	-52	-85
Non-cash changes in provisions	14	2	7	1
Other adjustments [2]	423	-3	-808	-70
Total	684	110	35	356

[2] 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 2021.

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

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

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

The group has assessed the balance sheet impact of Russia´s war in Ukraine and the related sanctions imposed on Russia, by considering indicators of impairment of goodwill and other intangible assets, recoverable amount of property, plant and equipment, recoverability of deferred tax assets, valuation of inventories, and collectability of trade receivables. The expectations of future cash flows have been revised to reflect changed economic environment.

Due to the significant uncertainties related to operations in Russia and Ukraine, UPM recognised a write off of all operating assets and uninsured receivables locating or relating to operations in these countries in Q1 2022. Impairment of fixed assets, inventories and other receivables amounting to EUR 95 million was reported as items affecting comparability. In addition, in Q1 the group increased the general provision for expected credit losses on trade receivables by EUR 17 million, which is impacting comparable EBIT. At the end of 2022, the impairment was EUR 80 million and the credit loss provision was EUR 8 million.

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

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

2 Quarterly information by business area

EURm, OR AS INDICATED	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/22	Q1–Q4/21
Sales										
UPM Fibres	850	866	584	404	766	783	682	563	2,704	2,794
UPM Energy	193	244	154	143	187	124	95	119	734	526
UPM Raflatac	479	573	479	451	442	425	413	391	1,982	1,671
UPM Specialty Papers	441	502	357	377	407	358	361	355	1,677	1,482
UPM Communication Papers	1,419	1,428	1,017	1,001	950	945	867	815	4,866	3,577
UPM Plywood	104	127	143	164	134	127	119	112	539	492
Other operations	218	236	110	70	133	116	124	110	634	483
Internal sales	-472	-557	-286	-102	-349	-355	-279	-233	-1,416	-1,215
Eliminations and reconciliation	-1	1	4	-1	2	1	1	2	2	5
Sales, total	3,231	3,420	2,562	2,507	2,673	2,523	2,384	2,234	11,720	9,814
Comparable EBITDA										
UPM Fibres	213	313	139	78	258	345	237	120	743	961
UPM Energy	102	147	75	65	117	65	43	52	388	277
UPM Raflatac	42	89	72	49	53	63	72	71	251	259
UPM Specialty Papers	62	81	50	38	36	43	58	73	230	209
UPM Communication Papers	276	170	145	106	-33	-3	12	47	697	23
UPM Plywood	17	29	37	50	37	28	19	14	133	99
Other operations	66	90	4	-34	5	12	5	14	126	36
Eliminations and reconciliation	-19	-24	-15	27	-3	-17	-18	-3	-31	-42
Comparable EBITDA, total	759	894	506	377	470	535	426	389	2,536	1,821
Operating profit										
UPM Fibres	177	271	32	37	209	301	192	78	517	781
UPM Energy	100	145	73	63	115	63	41	50	381	270
UPM Raflatac	31	77	61	33	44	54	61	62	203	222
UPM Specialty Papers	44	60	30	19	18	23	39	54	153	135
UPM Communication Papers	258	149	139	86	-102	106	-14	23	631	14
UPM Plywood	5	26	33	-20	30	26	15	8	44	80
Other operations	65	74	-14	-61	103	8	-8	9	64	112
Eliminations and reconciliation	-5	-20	-19	27	-4	-17	-23	-6	-18	-50
Operating profit, total	675	781	335	183	415	564	304	279	1,974	1,562
% of sales	20.9	22.8	13.1	7.3	15.5	22.4	12.8	12.5	16.8	15.9
Items affecting comparability										
UPM Fibres	7	—	-60	—	—	—	—	—	-53	—
UPM Energy	—	—	—	—	—	—	—	—	—	—
UPM Raflatac	-1	-2	-2	-7	—	—	-1	—	-11	-1
UPM Specialty Papers	—	—	—	—	—	—	—	—	—	—
UPM Communication Papers	1	-2	13	—	-46	135	—	2	12	93
UPM Plywood	-6	3	1	-63	—	4	3	—	-65	8
Other operations	6	—	1	-23	—	—	-1	—	-16	-1
Eliminations and reconciliation [1]	14	3	-4	—	-1	—	-5	-3	13	-9
Items affecting comparability in operating profit, total	22	2	-52	-94	-46	140	-3	—	-122	91
Comparable EBIT										
UPM Fibres	170	271	92	37	209	301	192	78	570	781
UPM Energy	100	145	73	63	115	63	41	50	381	270
UPM Raflatac	32	79	63	40	44	54	63	62	214	223
UPM Specialty Papers	44	60	30	19	18	23	39	54	153	135
UPM Communication Papers	256	151	126	86	-56	-30	-14	20	619	-79
UPM Plywood	11	23	32	43	30	22	12	8	109	72
Other operations	59	74	-14	-38	103	8	-7	9	81	113
Eliminations and reconciliation	-19	-24	-15	27	-3	-17	-18	-3	-31	-42
Comparable EBIT, total	653	779	387	277	461	424	307	279	2,096	1,471
% of sales	20.2	22.8	15.1	11.0	17.2	16.8	12.9	12.5	17.9	15.0

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

Items affecting comparability

Certain non-operational or non-cash valuation transactions with significant income statement impact are considered as items affecting comparability and reported separately to reflect the underlying business performance and to enhance comparability from period to period. In Q4 2022 restructuring charges include additions to environmental provisions of EUR 8 million related to prior capacity closures in Finland. In Q3 2022, items affecting comparability in taxes mainly relate to a tax dispute. In Q2 2022, other non-operational items affecting comparability relate to settlement loss resulting from replacement of a defined benefit pension plan in Finland with defined contribution plan. Capital gains relate to sale of Chapelle mill site in France and other non-current assets sales in Finland. Q1 2022, items affecting comparability mainly relate to impairment charges of assets impacted by Russia`s war in Ukraine. In 2021, items affecting comparability mainly relate to the gain on sale of Shotton Mill Ltd and impairment charges of newsprint related fixed assets.

EURm	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/22	Q1–Q4/21
Comparable profit for the period	489	629	329	232	373	359	246	228	1,679	1,204
Items affecting comparability										
Impairment charges	5	7	4	-95	-52	1	0	-1	-80	-52
Restructuring charges	-15	-6	5	0	0	5	2	4	-15	11
Change in fair value of unrealised cash flow and commodity hedges	14	3	-4	0	0	0	-5	-3	13	-8
Capital gains and losses on sale of non-current assets	13	2	18	1	7	134	0	0	34	140
Other non-operational items	5	-5	-74	0	0	0	0	0	-74	0
Total items affecting comparability in operating profit	22	2	-52	-94	-46	140	-3	0	-122	91
Tax provisions	0	-10	0	0	0	0	0	0	-10	0
Taxes relating to items affecting comparability	-8	1	15	1	13	-1	1	0	9	12
Items affecting comparability in taxes	-8	-9	15	1	13	-1	1	0	-1	12
Items affecting comparability, total	14	-7	-37	-93	-33	139	-3	0	-122	103
Profit for the period	503	622	292	139	340	497	243	227	1,556	1,307

3 External sales by major products

BUSINESS AREA	BUSINESS	Q4/2022	Q4/2021	Q1–Q4/2022	Q1–Q4/2021
EURm					
UPM Fibres	UPM Pulp UPM Timber	606	579	2,052	2,092
UPM Energy	UPM Energy	68	109	343	290
UPM Raflatac	UPM Raflatac	479	442	1,981	1,671
UPM Specialty Papers	UPM Specialty Papers	371	344	1,423	1,275
UPM Communication Papers	UPM Communication Papers	1,401	938	4,792	3,536
UPM Plywood	UPM Plywood	99	129	518	471
Other operations	UPM Forest UPM Biofuels UPM Biochemicals UPM Biomedicals UPM Biocomposites	210	130	608	474
Eliminations and reconciliations		-1	2	2	5
Total		3,231	2,673	11,720	9,814

BUSINESS	PRODUCT RANGE
UPM Pulp	Softwood, birch and eucalyptus pulp
UPM Timber	Standard and special sawn timber
UPM Energy	Electricity and related services
UPM Raflatac	Self-adhesive paper, 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–Q4/2022	Q1–Q4/2021
Book value at beginning of period	5,569	4,316
Reclassification to assets held for sale, net	—	-13
Capital expenditure	1,366	1,515
Companies acquired	56	—
Decreases	-9	-12
Depreciation	-357	-368
Impairment charges	-54	-54
Impairment reversal	1	2
Translation difference and other changes	160	184
Book value at end of period	6,733	5,569

Capital expenditure in 2022 and 2021 mainly relate to the construction of the new pulp mill in Uruguay and the construction of the new biorefinery in Germany. Companies acquired relates to the acquisition of AMC. Refer to Note 11 Business combinations for more information. Impairment charges in 2022 relate to assets impacted by the Russia´s war in Ukraine and in 2021 mainly to newsprint fixed assets.

5 Financial assets and liabilities

Financial assets and liabilities measured at fair value

EURm	31 DEC 2022				31 DEC 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Investment funds	—	1	—	1	—	100	—	100
Derivatives non-qualifying hedges	—	17	—	17	—	13	—	13
Derivatives under hedge accounting	12	150	—	162	1	148	—	149
Energy shareholdings	—	—	3,652	3,652	—	—	2,579	2,579
Total	12	168	3,652	3,832	1	261	2,579	2,841
Financial liabilities								
Derivatives non-qualifying hedges	—	37	—	37	—	20	—	20
Derivatives under hedge accounting	46	192	—	238	6	102	—	108
Total	46	229	—	275	6	122	—	128

There have been no transfers between Levels.

Specific valuation techniques used to value financial instruments at level 2 include the following methods:
Interest forward rate agreements (FRA) are fair valued based on quoted market rates on the balance sheet date. Forward foreign exchange contracts are fair valued based on the contract forward rates at the balance sheet date.
Foreign currency options are fair valued based on quoted market rates and market volatility rates on the balance sheet date by using the Black&Scholes option valuation model.
Interest and currency swap instruments are fair valued as present value of the estimated future cash flows based on observable yield curves. Commodity swaps are fair valued based on forward curve quotations received from service providers. Valuation of investment funds is based on quoted prices (unadjusted) for identical assets in markets that are not active.

Fair value measurements using significant unobservable inputs, Level 3

	ENERGY SHAREHOLDINGS	
EURm	Q1–Q4/2022	Q1–Q4/2021
Book value at beginning of period	2,579	1,936
Disposals	-2	-1
Fair value changes recognised in other comprehensive income	1,074	643
Book value at end of period	3,652	2,579

Fair valuation of energy shareholdings in UPM Energy (Pohjolan Voima Oyj's A, B, B2, C, C2, M and V-shares, Kemijoki Oy shares, and Länsi-Suomen Voima Oy shares) is based on discounted cash flows model. The electricity price estimate is based on 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 390 (370) million.

The discount rate of 7.13% (5.08%) used in the valuation model is determined using the weighted average cost of capital method.

A change of 0.5 percentage points in the discount rate would change the total value of the assets by approximately EUR 230 (330) million.

Other uncertainties and risk factors in the value of the assets relate to start-up schedule of the fixed price turn-key Olkiluoto 3 EPR nuclear power plant project. UPM's indirect share of the capacity of Olkiluoto 3 EPR is approximately 31%, through its PVO B2 shares. In Q4 2022, Teollisuuden Voima Oyj (TVO) shareholders signed an extension to the existing shareholder loan commitment. UPM's share of this commitment amounts to EUR 123 million and it now matures at the end of 2023.

The increase in fair value during reporting period was mainly due to the increase in electricity forward rates, which was partly offset by the change in discount rate.

Fair value of financial assets and liabilities measured at amortised cost

EURm	31 DEC 2022 Carrying amount	31 DEC 2022 Fair value	31 DEC 2021 Carrying amount	31 DEC 2021 Fair value
Bonds	1,974	1,813	1,624	1,633
Other non-current debt excl. derivative financial instruments and lease liabilities	1,783	1,795	414	436
Total	3,756	3,607	2,038	2,069

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

6 Commitments and contingencies

EURm	31 DEC 2022	31 DEC 2021
On behalf of others		
Guarantees	2	2
Other own commitments		
Commitments related to off-balance sheet short-term leases	2	4
Other commitments	219	213
Total	223	220

The lease commitments for leases not commenced on 31 December 2022 amounted to EUR 245 million (EUR 409 million on 31 December 2021) and are related to long-term charter agreements, railway service agreement in Uruguay and service agreements related to wastewater treatment and other utilities in Leuna, Germany.

Capital commitments

EURm	COMPLETION	TOTAL COST	BY 31 DEC 2021	Q1–Q4/2022	AFTER 31 DEC 2022
New biorefinery / Germany	Q4 2023	750	235	258	257
New pulp mill / Uruguay	Q1 2023	3,062	1,656	913	493
Renovation and modernisation / Kuusankoski hydro power plant	Q1 2023	22	12	4	6
Mill development / Plywood Joensuu	Q4 2023	10	2	3	4

7 Notional amounts of derivative financial instruments

EURm	31 DEC 2022	31 DEC 2021
Interest rate futures	1,969	2,280
Interest rate swaps	1,102	1,081
Forward foreign exchange contracts	3,913	3,550
Currency options, bought	—	—
Currency options, written	—	—
Cross currency swaps	149	161
Commodity contracts	1,744	1,508

8 Provisions

EURm	RESTRUCTURING	TERMINATION	ENVIRONMENTAL	EMISSIONS	OTHER	TOTAL
Value at 1 January 2022	24	36	30	39	26	155
Provisions made during the year	5	11	11	69	21	117
Provisions utilised during the year	-12	-23	-1	-54	-30	-121
Unused provisions reversed	-3	-2	-11	0	-2	-18
Value at 31 December 2022	14	22	29	53	15	134

9 Assets and liabilities classified as held for sale and disposals

There were no assets or liabilities classified as held for sale at the end of Q4 2022 or Q4 2021.

10 Change in the composition of reportable segments

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

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

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

UPM Biorefining (1.1.2022 UPM Fibres)

	UPM Biorefining as published					UPM Fibres restated				
	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21
Sales EURm	813	811	714	606	2,945	766	783	682	563	2,794
Comparable EBITDA, EURm	270	370	239	137	1,016	258	345	237	120	961
% of sales	33.2	45.6	33.5	22.6	34.5	33.7	44.1	34.7	21.4	34.4
Change in fair value of forest assets and wood harvested, EURm	-6	-2	-1	—	-9	-6	-2	-1	—	-9
Share of results of associated companies and joint ventures, EURm	—	1	—	—	2	—	1	—	—	2
Depreciation, amortisation and impairment charges, EURm	-48	-47	-49	-47	-191	-43	-43	-44	-43	-173
Operating profit, EURm	216	321	190	90	817	209	301	192	78	781
% of sales	26.6	39.6	26.6	14.9	27.8	27.3	38.5	28.2	13.8	27.9
Comparable EBIT, EURm	216	321	190	90	817	209	301	192	78	781
% of sales	26.6	39.6	26.6	14.9	27.8	27.3	38.5	28.2	13.8	27.9
Capital employed (average), EURm	5,013	4,625	4,201	3,910	4,437	4,855	4,465	4,041	3,747	4,277
Comparable ROCE, %	17.2	27.8	18.1	9.2	18.4	17.3	27.0	19.0	8.3	18.3

Other Operations

	As published					Restated				
	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/21
Sales EURm	66	74	82	58	280	133	116	124	110	483
Comparable EBITDA, EURm	-7	-13	2	-2	-19	5	12	5	14	36
Change in fair value of forest assets and wood harvested, EURm	109	6	-1	5	120	109	6	-1	5	120
Depreciation, amortisation and impairment charges, EURm	-7	-6	-6	-6	-25	-11	-10	-11	-11	-44
Operating profit, EURm	96	-12	-5	-3	75	103	8	-8	9	112
Items affecting comparability in operating profit, EURm	—	—	-1	—	-1	—	—	-1	—	-1
Comparable EBIT, EURm	96	-12	-5	-4	76	103	8	-7	9	113
Capital employed (average), EURm	2,050	1,986	1,987	1,944	1,992	2,209	2,146	2,147	2,106	2,152
Comparable ROCE, %	18.8	-2.4	-1.0	-0.8	3.8	18.7	1.5	-1.4	1.6	5.2

11 Business combinations

On 15 September 2022, UPM Raflatac completed the acquisition of AMC AG (Advanced Methods of Coating). The acquisition announced in May 2022 was closed after regulatory clearances. AMC AG employs more than 300 people and has two production sites in Northern Germany, in Kaltenkirchen and in Hagenow. UPM Raflatac expects to realize significant synergies through the acquisition.

If the transaction had occurred on 1 January 2022, UPM's sales for January–December 2022 would have been EUR 11,794 million and profit for the period EUR 1,558 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiaries to reflect the depreciation, amortisation and expenses that would have been charged assuming application of fair value adjustments to other intangible assets, property, plant and equipment and inventories from 1 January 2022, together with the consequential tax effects.

Goodwill arising from the acquisition is mainly attributable to the expected synergies and skilful assembled workforce. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

EURm	
Cash paid	150
Total purchase consideration	**150**

EURm	15 SEP 2022
Customer relationships	42
Trademarks	9
Technology	11
Other intangible assets	0
Property, plant and equipment	56
Leased assets	0
Inventories	20
Trade and other receivables	22
Income tax receivables	0
Cash and cash equivalents	12
Total assets	**172**
Deferred tax liabilities	26
Non-current debt	20
Current debt	2
Trade and other payables	10
Income tax payables	2
Total liabilities	**60**
Net identifiable assets acquired	112
Net assets belonging to non-controlling interest	0
Goodwill arising from acquisition	**38**

The fair value of trade and other receivables included trade receivables with a fair value of EUR 21 million. At the date of acquisition, the gross contractual amount for trade receivables was EUR 21 million, of which EUR 0 million was expected to be uncollectible.

Acquisition-related costs of EUR 5 million are included in other operating expenses and are reported as items affecting comparability in UPM Raflatac business area and 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 15 September 2022, 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.

	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/22	Q1–Q4/21
Sales EURm	3,231	3,420	2,562	2,507	2,673	2,523	2,384	2,234	11,720	9,814
Comparable EBITDA, EURm	759	894	506	377	470	535	426	389	2,536	1,821
% of sales	23.5	26.1	19.7	15.0	17.6	21.2	17.9	17.4	21.6	18.6
Comparable EBIT, EURm	653	779	387	277	461	424	307	279	2,096	1,471
% of sales	20.2	22.8	15.1	11.0	17.2	16.8	12.9	12.5	17.9	15.0
Comparable profit before tax, EURm	616	764	413	273	466	418	301	272	2,066	1,457
Capital employed (average, EURm)	17,983	16,845	14,738	13,799	13,399	12,633	12,080	11,744	15,836	12,657
Comparable ROCE, %	14.5	18.6	11.5	8.5	14.1	13.4	10.2	9.5	13.6	11.7
Comparable profit for the period, EURm	489	629	329	232	373	359	246	228	1,679	1,204
Total equity, average, EURm	12,589	11,799	11,167	11,071	10,760	10,011	9,454	9,407	11,992	10,310
Comparable ROE, %	15.5	21.3	11.8	8.4	13.8	14.3	10.4	9.7	14.0	11.7
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	0.91	1.16	0.60	0.42	0.69	0.66	0.45	0.42	3.09	2.22
Items affecting comparability in operating profit, EURm	22	2	-52	-94	-46	140	-3	0	-122	91
Items affecting comparability in taxes, EURm	-8	-9	15	1	13	-1	1	0	-1	12
Operating cash flow, EURm	1,576	-201	-879	12	406	318	308	217	508	1,250
Operating cash flow per share, EUR	2.95	-0.38	-1.65	0.02	0.76	0.60	0.58	0.41	0.95	2.34
Net debt at the end of period, EURm	2,374	3,133	2,688	837	647	667	750	83	2,374	647
Net debt to EBITDA (last 12 m.)	0.94	1.39	1.42	0.46	0.35	0.38	0.49	0.06	0.94	0.35
Gearing ratio, %	18	25	24	8	6	6	8	1	18	6
Equity per share at the end of period, EUR	23.44	22.35	20.57	20.11	20.34	19.08	17.62	17.06	23.44	20.34
Capital expenditure, EURm	445	495	360	256	491	365	375	252	1,555	1,483
Capital expenditure excluding acquisitions, EURm	445	338	359	256	491	365	374	246	1,399	1,477
Equity to assets ratio, %	58.1	55.3	58.4	61.3	62.9	62.8	61.7	58.5	58.1	62.9
Personnel at the end of period	17,236	17,289	17,601	16,843	16,966	17,085	17,874	17,670	17,236	16,966

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

Reconciliation of key figures to IFRS

EURm, OR AS INDICATED	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q1–Q4/22	Q1–Q4/21
Items affecting comparability										
Impairment charges	5	7	4	-95	-52	1	0	-1	-80	-52
Restructuring charges	-15	-6	5	0	0	5	2	4	-15	11
Change in fair value of unrealised cash flow and commodity hedges	14	3	-4	0	0	0	-5	-3	13	-8
Capital gains and losses on sale of non-current assets	13	2	18	1	7	134	0	0	34	140
Other non-operational items	5	-5	-74	0	0	0	0	0	-74	0
Total items affecting comparability in operating profit	22	2	-52	-94	-46	140	-3	0	-122	91
Tax provisions	—	-10	—	—	—	—	—	—	-10	—
Taxes relating to items affecting comparability	-8	1	15	1	13	-1	1	0	9	12
Items affecting comparability in taxes	-8	-9	15	1	13	-1	1	0	-1	12
Items affecting comparability, total	14	-7	-37	-93	-33	139	-3	0	-122	103
Comparable EBITDA										
Operating profit	675	781	335	183	415	564	304	279	1,974	1,562
Depreciation, amortisation and impairment charges excluding items affecting comparability	119	114	113	111	113	116	118	116	457	463
Change in fair value of forest assets and wood harvested excluding items affecting comparability	-12	3	8	-12	-103	-5	2	-5	-12	-111
Share of result of associates and joint ventures	-1	-2	-2	1	-1	-1	-1	0	-4	-2
Items affecting comparability in operating profit	-22	-2	52	94	46	-140	3	—	122	-91
Comparable EBITDA	759	894	506	377	470	535	426	389	2,536	1,821
% of sales	23.5	26.1	19.7	15.0	17.6	21.2	17.9	17.4	21.6	18.6
Comparable EBIT										
Operating profit	675	781	335	183	415	564	304	279	1,974	1,562
Items affecting comparability in operating profit	-22	-2	52	94	46	-140	3	—	122	-91
Comparable EBIT	653	779	387	277	461	424	307	279	2,096	1,471
% of sales	20.2	22.8	15.1	11.0	17.2	16.8	12.9	12.5	17.9	15.0
Comparable profit before tax										
Profit before tax	638	766	361	179	420	558	298	272	1,944	1,548
Items affecting comparability in operating profit	-22	-2	52	94	46	-140	3	—	122	-91
Comparable profit before tax	616	764	413	273	466	418	301	272	2,066	1,457
Comparable ROCE, %										
Comparable profit before tax	616	764	413	273	466	418	301	272	2,066	1,457
Interest expenses and other financial expenses	34	20	9	21	6	6	7	7	85	26
	651	784	422	294	471	424	308	280	2,151	1,483
Capital employed, average	17,983	16,845	14,738	13,799	13,399	12,633	12,080	11,744	15,836	12,657
Comparable ROCE, %	14.5	18.6	11.5	8.5	14.1	13.4	10.2	9.5	13.6	11.7
Comparable profit for the period										
Profit for the period	503	622	292	139	340	497	243	227	1,556	1,307
Items affecting comparability, total	-14	7	37	93	33	-139	3	—	122	-103
Comparable profit for the period	489	629	329	232	373	359	246	228	1,679	1,204
Comparable EPS, EUR										
Comparable profit for the period	489	629	329	232	373	359	246	228	1,679	1,204
Profit attributable to non-controlling interest	-5	-11	-9	-5	-5	-9	-4	-3	-31	-22
	484	618	320	226	367	350	242	224	1,648	1,183
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	0.91	1.16	0.60	0.42	0.69	0.66	0.45	0.42	3.09	2.22
Comparable ROE, %										
Comparable profit for the period	489	629	329	232	373	359	246	228	1,679	1,204
Total equity, average	12,589	11,799	11,167	11,071	10,760	10,011	9,454	9,407	11,992	10,310
Comparable ROE, %	15.5	21.3	11.8	8.4	13.8	14.3	10.4	9.7	14.0	11.7
Net debt										
Non-current debt	4,476	5,234	3,940	2,534	2,566	2,545	2,542	2,556	4,476	2,566
Current debt	558	520	399	269	86	80	77	76	558	86
Total debt	5,034	5,753	4,339	2,803	2,652	2,625	2,619	2,632	5,034	2,652
Non-current interest-bearing assets	84	96	112	120	148	155	160	161	84	148
Cash and cash equivalents	2,067	1,591	938	1,342	1,460	1,613	1,578	2,284	2,067	1,460
Other current interest-bearing assets	510	934	601	504	398	191	130	104	510	398
Total interest-bearing assets	2,660	2,620	1,650	1,966	2,006	1,959	1,869	2,550	2,660	2,006
Net debt	2,374	3,133	2,688	837	647	667	750	83	2,374	647

It should be noted that certain statements herein, which are not historical facts, including, without limitation, those regarding expectations for market growth and developments; expectations for growth and profitability; and statements preceded by "believes", "expects", "anticipates", "foresees", or similar expressions, are forward-looking statements. Since these statements are based on current plans, estimates and projections, they involve risks and uncertainties which may cause actual results to materially differ from those expressed in such forward-looking statements. Such factors include, but are not limited to: (1) **operating factors** such as continued success of manufacturing activities and the achievement of efficiencies therein including the availability and cost of production inputs, continued success of product development, acceptance of new products or services by the Group's targeted customers, success of the existing and future collaboration arrangements, changes in business strategy or development plans or targets, changes in the degree of protection created by the Group's patents and other intellectual property rights, the availability of capital on acceptable terms; (2) **industry conditions**, such as strength of product demand, intensity of competition, prevailing and future global market prices for the Group's products and the pricing pressures thereto, financial condition of the customers and the competitors of the Group, the potential introduction of competing products and technologies by competitors; and (3) **general economic conditions,** such as rates of economic growth in the Group's principal geographic markets or fluctuations in exchange and interest rates. The main earnings sensitivities and the group's cost structure are presented on pages 165-166 of the 2021 Annual Report. Risks and opportunities are discussed on pages 34–35 and risks and risk management are presented on pages 131–135 of the report.

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