



TRANSFORMING TOGETHER

HALF YEAR FINANCIAL
REPORT 2024



UPM Half Year Financial Report 2024:

Comparable EBIT increased by 60% in Q2, UPM Paso de los Toros reached full capacity



Q2 2024 highlights

- Sales totalled EUR 2,546 million (2,558 million in Q2 2023)
- Comparable EBIT increased by 60% to EUR 182 million, 7.2% of sales (114 million, 4.5%)
- Operating cash flow was EUR 204 million (459 million)
- Moderate recovery in many product markets
- UPM Paso de los Toros pulp mill reached nominal capacity before its first maintenance shutdown in June
- Unusually high maintenance activity with three pulp mills and all nuclear power plant units having scheduled maintenance

H1 2024 highlights

- Sales decreased by 3% to EUR 5,186 million (5,345 million in H1 2023)
- Comparable EBIT increased by 10% to EUR 515 million (470 million), and was 9.9% (8.8%) of sales
- Operating cash flow was EUR 539 million (1,173 million)
- Net debt increased to EUR 2,763 million (2,557 million) and the net debt to EBITDA ratio was 1.64 (1.07)
- Cash funds and unused committed credit facilities totalled EUR 3.3 billion at the end of Q2 2024
- Sale of the Steyrmühl site, Austria in January
- CDP recognised UPM with double 'A' score for transparency on climate change and forests

Key figures

	Q2/2024	Q2/2023	Q1/2024	Q1-Q2/2024	Q1-Q2/2023	Q1-Q4/2023
Sales, EURm	2,546	2,558	2,640	5,186	5,345	10,460
Comparable EBITDA, EURm	359	255	489	848	732	1,573
% of sales	14.1	10.0	18.5	16.3	13.7	15.0
Operating profit (loss), EURm	50	108	354	404	426	608
Comparable EBIT, EURm	182	114	333	515	470	1,013
% of sales	7.2	4.5	12.6	9.9	8.8	9.7
Profit (loss) before tax, EURm	28	96	332	360	336	464
Comparable profit before tax, EURm	163	101	311	474	445	934
Profit (loss) for the period, EURm	33	77	279	312	261	394
Comparable profit for the period, EURm	131	77	258	389	358	755
Earnings per share (EPS), EUR	0.05	0.15	0.51	0.56	0.48	0.73
Comparable EPS, EUR	0.23	0.15	0.47	0.70	0.66	1.40
Return on equity (ROE), %	1.1	2.5	9.6	5.5	4.2	3.2
Comparable ROE, %	4.6	2.5	8.9	6.9	5.8	6.2
Return on capital employed (ROCE), %	1.6	3.0	9.6	5.7	4.5	3.5
Comparable ROCE, %	5.2	3.1	9.1	7.2	5.8	6.4
Operating cash flow, EURm	204	459	335	539	1,173	2,269
Operating cash flow per share, EUR	0.38	0.86	0.63	1.01	2.20	4.25
Equity per share at the end of period, EUR	20.10	21.24	21.42	20.10	21.24	20.93
Capital employed at the end of period, EURm	14,590	15,322	15,028	14,590	15,322	14,916
Net debt at the end of period, EURm	2,763	2,557	2,312	2,763	2,557	2,432
Net debt to EBITDA (last 12 months)	1.64	1.07	1.46	1.64	1.07	1.55
Personnel at the end of period	16,776	17,571	16,132	16,776	17,571	16,573

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 2023](#)

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

"In Q2, our comparable EBIT increased by 60% on last year, in line with our expectations. The continued improvement was sustained by a moderate recovery in our product markets as well as a greater contribution from the UPM Paso de los Toros pulp mill in Uruguay. Our Q2 performance was held back by an exceptional amount of maintenance at our pulp mills and nuclear power plant units. The shutdowns were successful, and our assets are now in an excellent position to serve our customers in the second half of the year, operating at full capacity.

Our Q2 sales were EUR 2,546 million and our comparable EBIT was EUR 182 million. Our operating cash flow was EUR 204 million and our net debt increased slightly to EUR 2,763 million. During the quarter we paid out the first instalment of dividends for the previous financial year, totalling EUR 400 million.

In UPM Fibres, pulp demand was good, and prices continued to increase. A very important milestone was reached in the UPM Paso de los Toros pulp mill in Uruguay, where production reached nominal capacity for a full month already before the first maintenance shutdown in June. The quarter was impacted by maintenance at both pulp mills in Uruguay and at UPM Pietarsaari, Finland.

UPM Specialty Papers delivered good results despite higher pulp prices. In UPM Raflatac, global demand for self-adhesive label materials recovered from last year's lows. Both businesses implemented successful margin management actions.

UPM Communication Papers' profitability decreased due to delivery volumes that were impacted by lower demand after the restocking in Q1, and the political strikes in Finland. Margins in Q2 were burdened as fibre cost increases materialised more quickly than price increases. In May, we announced plans to close the Hürth newsprint mill in Germany and to shut down one fine paper machine (PM3) at Nordland Papier, also in Germany. Tight margin management and productivity improvements will be the key focus in the second half of the year.

UPM Energy had a weak quarter of seasonally lower electricity prices and prolonged maintenance activities at Olkiluoto nuclear power plant units.

UPM Plywood continued its steady performance in a seasonally good quarter with all plywood mills running at full capacity. EU anti-dumping measures on the imports of birch plywood from Russia entered into force and had a positive impact on the European market.

In Other operations, the European market for advanced renewable fuels continued to be soft and the performance of our biofuels business remained at the level of the previous quarter.

We have made further progress with the design for the potential biofuels refinery in Rotterdam and completed a major part of the basic engineering. The plan includes new proprietary technology related to processing the desired UPM integrated feedstocks, which we have validated at a demonstration scale. Before the potential investment decision, our focus will be on testing the new technologies on flexible feedstock options at a larger scale, and securing the feedstock supply. This will be essential to ensure differentiation and support the long-term competitiveness of the business case. We expect this work to take approximately two years.

We remain confident that the future growth in demand for advanced renewable fuels is attractive. The recent market turmoil only confirms our view that a differentiated, competitive and sustainable feedstock range will be the key to ensuring profitability over market cycles and potential regulatory developments.

Our entry to the highly attractive biochemicals market is approaching. The UPM Biochemicals refinery in Leuna, Germany, is moving steadily towards the start of production by the end of the year. Commissioning continued in Q2 and the commercial interest for wood-based products remained strong. In June, we announced an exciting partnership with Nokian Tyres, a leading manufacturer of premium tyres, which will start using UPM BioMotion™ renewable functional fillers in its production.

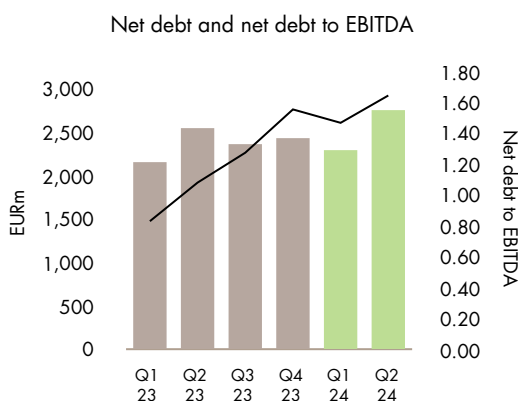
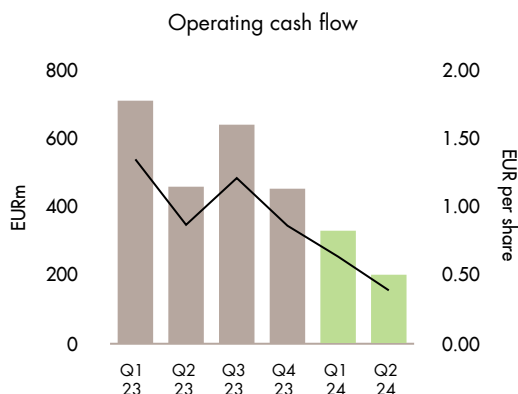
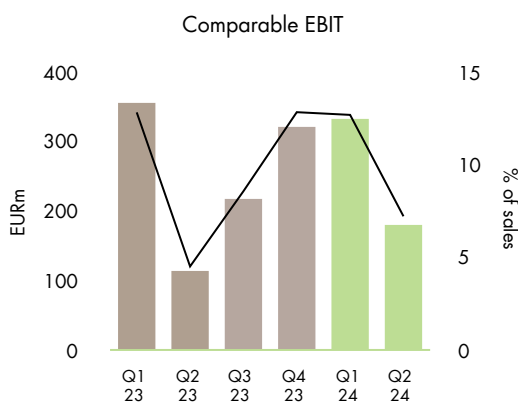
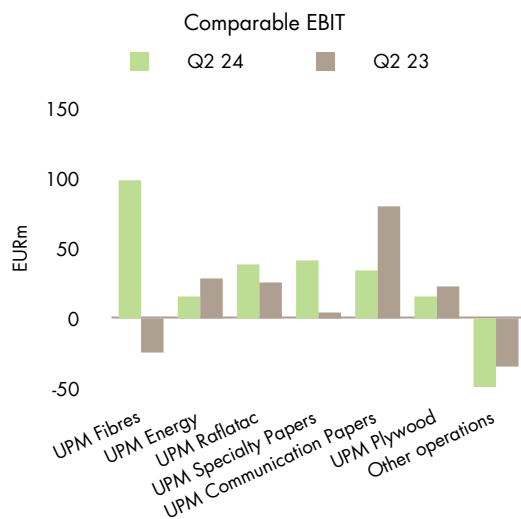
During the quarter, we struck five new business-specific collective labour agreements in Finland in good co-operation with employee representatives. These mutually beneficial agreements support our long-term competitiveness and ability to serve our customers.

For the second half of the year, we anticipate strong run and improving results. Our biggest investment ever, the UPM Paso de los Toros pulp mill, has moved from ramp-up to regular production. With our competitive Uruguay platform operating at scale, we expect the increased pulp deliveries to improve our second-half results. With our portfolio of competitive businesses in expanding markets, UPM is set to perform well while we prepare for the next phase of growth."

Outlook for 2024

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

In H2 2024, comparable EBIT is expected to be higher than in H1 2024. This improvement is expected to come especially from UPM Fibres, with the full pulp capacity available and pulp price levels starting at a higher level than at the start of the year. There are no major maintenance shutdowns scheduled for the company in H2 2024, whereas H1 2024 was impacted by unusually high maintenance activity and political strikes in Finland. The timing of the annual energy-related refunds is expected to support the result in Q4.



Results

Q2 2024 compared with Q2 2023

Q2 2024 sales were EUR 2,546 million, decreasing slightly from EUR 2,558 million in Q2 2023. Sales increased in UPM Fibres, UPM Raflatac, UPM Specialty Papers and UPM Plywood business areas and in Other operations reporting segment. Sales decreased in UPM Communication Papers and UPM Energy business areas.

Comparable EBIT increased by 60% to EUR 182 million, which was 7.2% of sales (114 million, 4.5%). On group level, the positive impact of lower variable costs was larger than the negative impact of decreased sales prices, and delivery volumes increased. Maintenance activity was high during the quarter, impacting fixed costs and production volumes. The maintenance impact was larger than last year, although maintenance was concentrated to Q2 also last year.

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

Sales prices decreased in UPM Communication Papers business area, Other operations reporting segment, UPM Raflatac, UPM Specialty Papers and UPM Plywood business areas. Sales prices increased in UPM Fibres and UPM Energy business areas.

Delivery volumes increased in UPM Fibres, UPM Raflatac, UPM Specialty Papers and UPM Plywood business areas and Other operations reporting segment. Delivery volumes decreased in UPM Energy and UPM Communication Papers business areas. Delivery volumes were impacted by scheduled maintenance shutdowns at the UPM Paso de los Toros, UPM Fray Bentos and UPM Pietarsaari pulp mills and at the Olkiluoto 1, 2 and 3 nuclear power plant units.

Fixed costs decreased by EUR 5 million.

Depreciation, amortisation and impairment charges excluding items affecting comparability, totalled EUR 151 million (125 million), including depreciation of leased assets totalling EUR 21 million (21 million). The change in the fair value of forest assets net of wood harvested in comparable EBIT was EUR -27 million (-16 million).

Operating profit was EUR 50 million (108 million). Items affecting comparability in operating profit totalled EUR -132 million in the period (-5 million). In Q2 2024, items affecting comparability include EUR 43 million of restructuring and impairment charges related to the planned closure of Hürth newsprint mill in Germany, EUR 70 million restructuring and impairment charges related to the planned closure of Nordland fine paper machine 3 in Germany, EUR 11 million restructuring and impairment charges related to the planned closure of the UPM Biocomposites business and EUR 5 million capital gain on the sale of other non-current assets. In Q2 2023, items affecting comparability include EUR 17 million restructuring charges.

Net interest and other finance income and costs were EUR -23 million (-13 million). The exchange rate and fair value gains and losses were EUR 1 million (1 million). Items affecting comparability in finance costs totalled EUR -3 million (EUR 1 million). Income taxes were EUR 5 million (-19 million). Items affecting comparability in taxes totalled EUR 37 million (4 million).

Profit for Q2 2024 was EUR 33 million (77 million), and comparable profit was EUR 131 million (77 million).

Q2 2024 compared with Q1 2024

Comparable EBIT decreased by 45% to EUR 182 million, which was 7.2% of sales (333 million, 12.6%). The decrease in comparable EBIT was mainly due to high maintenance activity in the quarter. The major scheduled maintenance

shutdowns in Q2 resulted in maintenance costs reported in fixed costs below, and no production during the shutdowns.

Fixed costs increased by EUR 86 million mainly due to scheduled maintenance shutdowns at UPM Paso de los Toros, UPM Fray Bentos and UPM Pietarsaari pulp mills and at Oulkuoto 1, 2 and 3 nuclear power plant units.

Delivery volumes were lower in UPM Fibres, UPM Communication Papers, UPM Energy, UPM Specialty Papers and UPM Raflatac business areas and increased in UPM Plywood business area.

Sales prices increased in UPM Fibres and UPM Specialty Papers business areas and decreased in other business areas.

Variable costs increased in UPM Energy, UPM Communication Papers, UPM Specialty Papers and UPM Fibres business areas. On group level, the impact of increased variable costs was offset by higher sales prices.

Depreciation, amortisation and impairment charges excluding items affecting comparability, totalled EUR 151 million (147 million). The change in the fair value of forest assets net of wood harvested in comparable EBIT was EUR -27 million (-8 million).

Operating profit was EUR 50 million (354 million). Items affecting comparability in operating profit totalled EUR -132 million in the period (21 million). In Q2 2024, items affecting comparability include EUR 43 million of restructuring and impairment charges related to the planned closure of Hürth newsprint mill in Germany, EUR 70 million restructuring and impairment charges related to the planned closure of Nordland fine paper machine 3 in Germany, EUR 11 million restructuring and impairment charges related to the planned closure of the UPM Biocomposites business and EUR 5 million capital gain on the sale of other non-current assets. In Q1 2024, items affecting comparability included a EUR 21 million capital gain on the sale of UPM-Kymmene Austria GmbH to HEINZEL GROUP and EUR 3 million capital gain on sale of other non-current assets.

January-June 2024 compared with January-June 2023

H1 2024 sales were EUR 5,186 million, 3% lower than the EUR 5,345 million for H1 2023. Sales decreased in UPM Communication Papers business area, Other operations reporting segment and UPM Plywood business area. Sales increased in UPM Fibres, UPM Raflatac, UPM Energy and UPM Specialty Papers business areas.

Comparable EBIT increased by 10% to EUR 515 million, 9.9 % of sales (470 million, 8.8%). Comparable EBIT was supported by higher delivery volumes and lower fixed costs, whereas the negative impact of lower sales prices was larger than the positive impact of decreased variable costs.

Delivery volumes increased in the UPM Fibres, UPM Raflatac, UPM Specialty Papers and UPM Plywood business areas, remained unchanged in the UPM Energy business area and decreased in the UPM Communication Papers business area.

Variable costs decreased in most business areas, especially for UPM Communication Papers, UPM Specialty Papers and UPM Raflatac business areas. Variable costs increased in UPM Energy business area.

Sales prices decreased mostly for UPM Communication Papers, UPM Specialty Papers and UPM Raflatac business areas and for Other operations reporting segment. Sales prices increased in UPM Energy business area.

Fixed costs decreased by EUR 15 million.

Depreciation, amortisation and impairment charges excluding items affecting comparability, totalled EUR 298 million (239 million) including depreciation of leased assets totalling EUR 41 million (43 million). The change in the fair value of forest assets net of wood harvested was EUR -35 million (-22 million).

Operating profit totalled EUR 404 million (426 million). Items affecting comparability in operating profit totalled EUR -111 million in the period (-43 million). In 2024, items affecting comparability include EUR 43 million of restructuring and impairment charges related to the planned closure of Hürth newsprint mill in Germany, EUR 70 million restructuring and impairment charges related to the planned closure of Nordland fine paper machine 3 in Germany, EUR 11 million restructuring and impairment charges related to the planned closure of the UPM Biocomposites business, a EUR 21 million capital gain on the sale of UPM-Kymmene Austria GmbH to HEINZEL GROUP and EUR 8 million capital gain on the sale of other non-current assets. In 2023, items affecting comparability include EUR 26 million restructuring charges relating to the closure of paper machine 6 at the UPM Schongau mill in Germany, EUR 12 million charges related to the sale of the Steyermühl site in Austria, EUR 16 million restructuring charges, EUR 6 million capital loss resulting from the sale of Russian operations and EUR 3 million capital gain on sale of other non-current assets.

Net interest and other finance costs were EUR -44 million (-19 million). The exchange rate and fair value gains and losses were EUR -1 million (-71 million). Items affecting comparability in finance costs totalled EUR -3 million (-66 million). In 2023, items affecting comparability in finance costs included EUR 71 million exchange rate losses relating to the sale of Russian operations. Income taxes totalled EUR -48 million (-75 million).

Profit for H1 2024 was EUR 312 million (261 million), and comparable profit was EUR 389 million (358 million).

Financing and cash flow

In H1 2024 cash flow from operating activities before capital expenditure and financing totalled EUR 539 million (1,173 million). Working capital increased by EUR 187 million (decreased by 82 million).

Net debt was EUR 2,763 million at the end of Q2 2024 (2,557 million). The gearing ratio as of 30 June 2024 was 25% (22%). The net debt to EBITDA ratio, based on the last 12 months' EBITDA, was 1.64 at the end of the period (1.07).

On 30 June 2024 UPM's cash funds and unused committed credit facilities totalled EUR 3.3 billion. The total amount of committed credit facilities was EUR 2.8 billion of which EUR 159 million maturing in 2025, EUR 1.6 billion maturing in 2026 and EUR 1.1 billion maturing in 2027 or beyond.

For the 2023 financial year, the dividend of EUR 1.50 per share is being paid in two equal instalments. The first instalment of EUR 0.75 per share (totaling EUR 400 million) was paid on 16 April 2024 and the second instalment of EUR 0.75 per share will be paid on 7 November 2024 (totaling EUR 400 million).

Capital expenditure

In H1 2024, capital expenditure totalled EUR 267 million, which was 5.1% of sales (752 million, 14.1% of sales). Capital expenditure does not include additions to leased assets.

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

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

This half year financial report is unaudited

Personnel

In H1 2024 UPM had an average of 16,352 employees (17,298). At the beginning of the year, the number of employees was 16,573 and at the end of Q2 2024 it was 16,776.

Biochemicals refinery investment

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

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

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

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

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

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

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

Construction at the Leuna biorefinery is ongoing and heavy focus is on commissioning and ensuring technical readiness. Work is progressing according to the plan and in budget. The biorefinery obtained the permission to operate according to the German Emission Regulation in May 2023. Currently we are in the final stages of piping, have increased commissioning activities and trial runs in multiple parts of the refinery. We are confident to begin sequential start-up of the refinery by the end of 2024 and to then gradually ramp up production.

Business function teams and the future operations team are in place and the core processes required to run the future Biochemicals business are established. The research, analytics and application development laboratories are also established in Leuna and the teams are working to support the commissioning and start-up, future performance improvements

and the development of new market applications for the Leuna products.

Commercial activities are proceeding

Commercial activities have continued to proceed positively in different product and application areas. We have made strong progress in qualifying our products for key end-uses, successfully launched commercial partnerships both for UPM BioPura™ renewable bio-monoethylene glycols (BioMEG) and UPM BioMotion™ Renewable Functional Fillers (RFF) products.

After the launch of UPM BioMotion™ in 2021, joint product development activities with potential customers in the rubber value chain have progressed further as have discussions with especially automotive OEMs, with good results regarding both the technical and commercial viability of the product. Most noticeably, the partnership with Nokian Tyres announced earlier in June 2024 has been an important commercial milestone as it enables UPM to enter the large volume tyre markets with its Renewable Functional Fillers (RFF) at a global scale.

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

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

Biofuels business development

In January 2021, UPM started the basic engineering phase of a next generation biofuels refinery. The planning for the potential biorefinery in Rotterdam, the Netherlands, is based on annual capacity of up to 500,000 tonnes of high-quality renewable fuels including advanced biofuels and possibly sustainable jet fuels, as well as renewable chemicals. 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 would focus on UPM integrated feedstocks from the company's own ecosystem, including various wood-based residues and potential carbon farming.

The design for the potential biorefinery has progressed, and major part of the basic engineering has been completed. The chosen technology has been validated at a demonstration scale. Before the potential investment decision, the focus will be on testing the novel, proprietary technology at a larger scale and on flexible feedstock options that will ensure differentiation and support the long-term competitiveness of the business case. This work is expected to take approximately two years, until 2026.

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

The future demand growth for advanced renewable fuels is attractive. A differentiated, competitive and sustainable feedstock range will be the key to ensuring profitability over market cycles and potential regulatory developments.

In Q4 2023, UPM Biofuels started the registration process for tall oil-based biofuels for jet engine use with ASTM (American Society for Testing and Materials) – a necessary step to enter into the production of sustainable aviation fuels which is one of the potential products of a potential next biofuels refinery. The registration process and discussions with technical partners in the aviation space are ongoing.

Events during the reporting period

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

On 6 February, UPM announced that it had been recognised by the CDP receiving a double 'A' score for transparency on climate change and forests.

On 4 April, UPM held its Annual General Meeting.

On 29 May, UPM announced that it plans to permanently close its Hürth newsprint mill and shut down one fine paper machine at Nordland Papier (PM 3) in Dörpen, Germany.

On 18 June, UPM announced that it plans to discontinue UPM Biocomposites business and close biocomposites production units in Lahti, Finland and in Bruchsal, Germany.

Events after the balance sheet date

The Group's management is not aware of any significant events occurring after 30 June 2024.

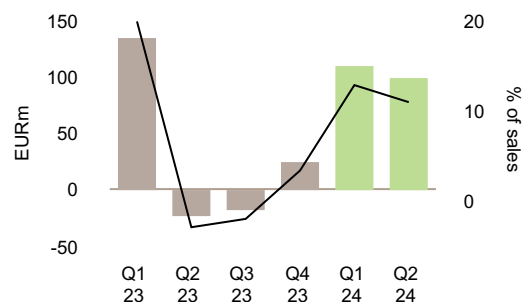
Timing of significant maintenance shutdowns in 2024

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

UPM Fibres

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

Comparable EBIT



	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q1-Q2/24	Q1-Q2/23	Q1-Q4/23
Sales EURm	922	861	781	817	764	683	1,784	1,447	3,044
Comparable EBITDA, EURm	194	193	109	69	42	188	387	230	407
% of sales	21.0	22.4	13.9	8.4	5.5	27.5	21.7	15.9	13.4
Change in fair value of forest assets and wood harvested, EURm	-8	-5	-1	-5	-8	-6	-13	-14	-20
Share of results of associated companies and joint ventures, EURm	0	0	1	1	1	0	1	1	2
Depreciation, amortisation and impairment charges, EURm	-87	-80	-84	-82	-59	-48	-167	-106	-273
Operating profit, EURm	99	108	25	-18	-24	134	207	110	116
% of sales	10.7	12.6	3.1	-2.2	-3.1	19.6	11.6	7.6	3.8
Items affecting comparability in operating profit, EURm	—	—	—	—	—	—	—	—	—
Comparable EBIT, EURm	99	108	25	-18	-24	134	207	110	116
% of sales	10.7	12.6	3.1	-2.2	-3.1	19.6	11.6	7.6	3.8
Capital employed (average), EURm	7,112	7,079	6,995	6,949	6,843	6,571	7,096	6,707	6,839
Comparable ROCE, %	5.6	6.1	1.4	-1.0	-1.4	8.2	5.8	3.3	1.7
Pulp deliveries, 1000 t	1,126	1,185	1,153	1,319	974	692	2,311	1,667	4,139

Pulp mill maintenance shutdowns: Q2 2024 UPM Paso de los Toros, UPM Fray Bentos and UPM Pietarsaari. Q3-Q4 2023 UPM Kaukas, Q2 2023 UPM Kymi.

- Scheduled maintenance shutdowns at the UPM Paso de los Toros, UPM Fray Bentos and UPM Pietarsaari pulp mills
- UPM Paso de los Toros reached nominal capacity
- Ramp-up of railway from Paso de los Toros to Montevideo is proceeding well
- New collective labour agreement in Finland

Results

Q2 2024 compared with Q2 2023

Comparable EBIT for UPM Fibres increased due to higher pulp sales prices. Delivery volumes increased from the comparison period but were impacted by scheduled maintenance shutdowns at the UPM Paso de los Toros, UPM Fray Bentos and UPM Pietarsaari pulp mills. Variable costs were lower, with higher share of production in Uruguay. Fixed costs and depreciation increased.

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

Q2 2024 compared with Q1 2024

Comparable EBIT decreased. Fixed costs were higher and delivery volumes were lower due to the scheduled maintenance shutdowns at the UPM Paso de los Toros, UPM Fray Bentos and UPM Pietarsaari pulp mills. Sales prices increased.

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

January-June 2024 compared with January-June 2023

Comparable EBIT increased due to higher delivery volumes and lower variable costs, with higher share of production in Uruguay. Fixed costs increased due to higher scheduled maintenance activities.

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

Market environment

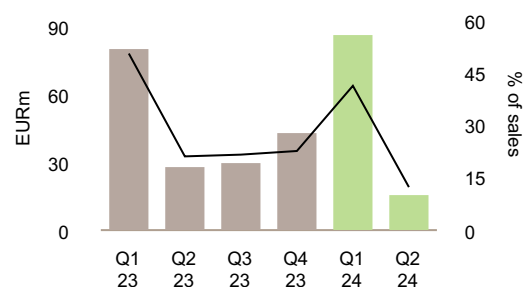
- In Q2 2024, global chemical pulp demand was good and varied depending on end-use in all the main markets.
- In Europe, the market price for both northern bleached softwood kraft (NBSK) pulp and bleached hardwood kraft pulp (BHKP) increased in Q2 2024 compared with Q1 2024.
- In China, the market price increased for northern bleached softwood kraft (NBSK) pulp and bleached hardwood kraft pulp (BHKP) in Q2 2024 compared with Q1 2024.
- In Q2 2024, the average European market price in euro was 16% higher for NBSK and 25% higher for BHKP, compared with Q2 2023. In China, the average market price in US dollars was 12% higher for NBSK and 34% higher for BHKP, compared with Q2 2023.
- In Q2 2024, demand for sawn timber was weak and market prices were at a low level.

Sources: FOEX, UPM

UPM Energy

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

Comparable EBIT



	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q1- Q2/24	Q1- Q2/23	Q1- Q4/23
Sales EURm	130	210	192	142	134	159	340	293	628
Comparable EBITDA, EURm	17	88	45	32	30	82	106	112	189
% of sales	13.4	42.0	23.5	22.7	22.3	51.6	31.1	38.2	30.2
Depreciation, amortisation and impairment charges, EURm	-2	-2	-2	-2	-2	-2	-3	-4	-7
Operating profit, EURm	16	87	40	30	31	80	102	112	182
% of sales	12.1	41.2	21.0	21.3	23.4	50.5	30.1	38.1	29.1
Items affecting comparability in operating profit, EURm ¹⁾	—	—	-3	—	3	—	—	3	—
Comparable EBIT, EURm	16	87	43	30	28	80	102	108	182
% of sales	12.1	41.2	22.5	21.4	20.9	50.5	30.1	37.0	29.0
Capital employed (average), EURm	2,362	2,471	2,645	2,770	3,112	3,640	2,416	3,376	3,042
Comparable ROCE, %	2.6	14.0	6.5	4.4	3.6	8.8	8.5	6.4	6.0
Electricity deliveries, GWh	2,532	2,945	3,480	3,019	3,056	2,504	5,477	5,560	12,059

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

- Scheduled maintenance shutdown at the Olkiluoto 1, 2 and 3 nuclear power plant units

Results

Q2 2024 compared with Q2 2023

Comparable EBIT for UPM Energy decreased. Nuclear power generation volumes were lower due to the maintenance shutdown at the Olkiluoto 1, 2 and 3 nuclear power plant units. Electricity sales price was higher.

UPM's electricity sales price increased by 12% to EUR 47.1/MWh (41.9/MWh).

Q2 2024 compared with Q1 2024

Comparable EBIT decreased due to lower electricity sales price. Nuclear power generation was impacted by a maintenance shutdown at the Olkiluoto 1, 2 and 3 nuclear power plant units. Hydropower generation volumes were higher.

UPM's average electricity sales price decreased by 29% to EUR 47.1/MWh (66.5/MWh).

January-June 2024 compared with January-June 2023

Comparable EBIT decreased. Nuclear power generation volumes were lower due to the maintenance shutdown at the Olkiluoto 1, 2 and 3 nuclear power plant units. Hydropower generation volumes increased.

UPM's average electricity sales price increased by 15% to EUR 57.5/MWh (49.8/MWh).

Market environment

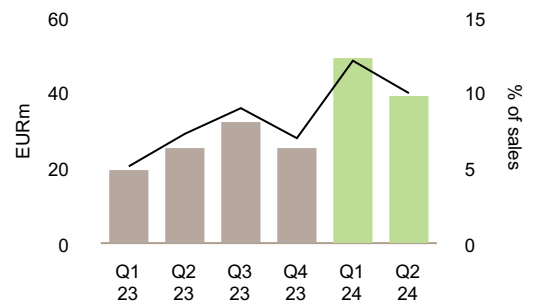
- The Nordic hydrological balance was slightly below the long-term average at the end of June. In Finland, the hydrological situation was close to the long-term average.
- The CO₂ emission allowance price of EUR 67.5/tonne at the end of Q2 2024 was lower than at the end of Q2 2023 (EUR 89.1/tonne).
- The average Finnish area spot price on the Nordic electricity exchange in Q2 2024 was EUR 40.0/MWh, 45% lower than in Q1 2024 (EUR 72.9/MWh) and 8% lower than in Q2 2023 (EUR 43.3/MWh).
- The front-year forward electricity price for the Finnish area closed at EUR 47.7/MWh in June, 8% higher than at the end of Q1 2024 (EUR 44.3/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 high-quality self-adhesive paper and film products including label materials, graphics solutions and removable self-adhesive products. UPM Raflatac is the second-largest producer of self-adhesive label materials worldwide.

Comparable EBIT



	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q1-Q2/24	Q1-Q2/23	Q1-Q4/23
Sales EURm	397	409	367	367	357	395	806	751	1,485
Comparable EBITDA, EURm	50	60	36	43	36	30	110	66	146
% of sales	12.7	14.6	9.9	11.8	10.2	7.7	13.7	8.8	9.8
Depreciation, amortisation and impairment charges, EURm	-11	-11	-11	-13	-12	-10	-22	-22	-47
Operating profit, EURm	39	51	26	13	23	19	89	42	81
% of sales	9.8	12.4	7.2	3.6	6.4	4.8	11.1	5.6	5.5
Items affecting comparability in operating profit, EURm ¹⁾	—	1	1	-19	-3	-1	1	-4	-22
Comparable EBIT, EURm	39	49	25	33	26	20	89	45	103
% of sales	9.9	12.0	6.9	8.9	7.2	5.0	11.0	6.1	7.0
Capital employed (average), EURm	723	707	704	716	746	784	715	765	737
Comparable ROCE, %	21.7	27.9	14.4	18.2	13.7	10.1	24.8	11.9	14.0

¹⁾ Q1 2024 items affecting comparability relate to restructuring measures. Q4 2023 items affecting comparability include EUR 2 million income relating to restructuring measures in Nancy factory in France and EUR 1 million other restructuring charges. Q3 2023 includes restructuring charges of EUR 16 million and impairment charges of EUR 2 million relating to restructuring measures in Nancy factory in France and EUR 1 million other restructuring costs. Q2 2023 and Q1 2023 include restructuring costs.

- Successful margin management actions
- New collective labour agreement in Finland

Results

Q2 2024 compared with Q2 2023

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

Q2 2024 compared with Q1 2024

Comparable EBIT decreased. Delivery volumes were lower and fixed costs increased.

January-June 2024 compared with January-June 2023

Comparable EBIT increased mainly due to higher delivery volumes. Lower variable costs and an improved product mix more than offset the negative impact of lower sales prices.

Market environment

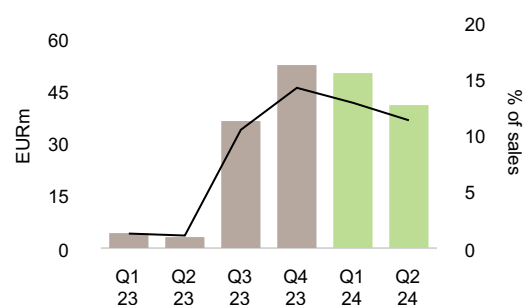
- In Q2 2024, global demand for self-adhesive label materials continued to recover compared with Q2 2023 and was seasonally softer compared with Q1 2024.

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.

Comparable EBIT



	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q1- Q2/24	Q1- Q2/23	Q1- Q4/23
Sales EURm	367	397	374	357	349	404	764	753	1,485
Comparable EBITDA, EURm	58	72	71	55	22	24	130	46	172
% of sales	15.8	18.2	19.0	15.5	6.3	5.9	17.0	6.1	11.6
Depreciation, amortisation and impairment charges, EURm	-17	-21	-18	-18	-19	-19	-38	-37	-74
Operating profit, EURm	38	51	53	37	4	5	89	8	98
% of sales	10.3	12.8	14.1	10.4	1.0	1.2	11.6	1.1	6.6
Items affecting comparability in operating profit, EURm ¹⁾	-3	—	—	—	—	—	-3	—	—
Comparable EBIT, EURm	41	51	53	37	4	5	92	8	98
% of sales	11.2	12.8	14.1	10.4	1.0	1.2	12.0	1.1	6.6
Capital employed (average), EURm	796	806	828	863	855	954	801	905	875
Comparable ROCE, %	20.7	25.2	25.5	17.2	1.7	2.0	22.9	1.9	11.2
Paper deliveries, 1000 t	358	387	370	371	327	340	745	666	1,407

¹⁾ Q2 2024 items affecting comparability relate to restructuring measures.

- Focus on margin management
- Focus on cost saving actions in variable and fixed costs
- New collective labour agreement in Finland

Results

Q2 2024 compared with Q2 2023

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

Q2 2024 compared with Q1 2024

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

January-June 2024 compared with January-June 2023

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

Market environment

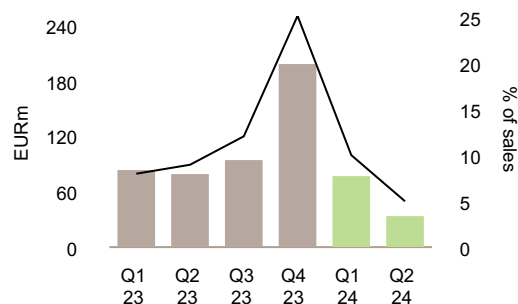
- In Q2 2024, global demand for label, release base and packaging papers was good.
- Fine paper demand stabilised in China and the rest of the Asia-Pacific region.
- In Q2 2024, market prices decreased compared to Q2 2023 and increased compared to Q1 2024, especially for Spec grades.

Sources: UPM, RISI, AFRY, AWA

UPM Communication Papers

UPM Communication Papers offers an extensive product range of sustainably produced graphic papers for advertising and publishing as well as home and office uses. The business has extensive low-cost operations consisting of 11 efficient paper mills in Europe and the United States, a global sales network and an efficient logistic system. The main customers are publishers, cataloguers, retailers, printers and merchants.

Comparable EBIT



	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q1-Q2/24	Q1-Q2/23	Q1-Q4/23
Sales EURm	711	802	799	807	909	1,083	1,514	1,992	3,598
Comparable EBITDA, EURm	51	95	218	119	101	105	147	206	544
% of sales	7.2	11.9	27.3	14.8	11.1	9.7	9.7	10.3	15.1
Share of results of associated companies and joint ventures, EURm	0	0	0	0	0	0	0	0	-1
Depreciation, amortisation and impairment charges, EURm	-57	-16	-20	-134	-21	-20	-73	-42	-195
Operating profit, EURm	-77	100	185	-127	67	49	23	117	174
% of sales	-10.9	12.5	23.1	-15.7	7.4	4.6	1.5	5.9	4.8
Items affecting comparability in operating profit, EURm ¹⁾	-112	21	-15	-223	-13	-36	-91	-49	-288
Comparable EBIT, EURm	35	79	200	96	80	85	114	166	462
% of sales	4.9	9.9	25.0	11.9	8.8	7.9	7.5	8.3	12.8
Capital employed (average), EURm	1,120	1,215	1,291	1,318	1,459	1,627	1,167	1,543	1,424
Comparable ROCE, %	12.4	26.1	61.9	29.2	22.0	20.9	19.5	21.5	32.4
Paper deliveries, 1000 t	790	879	856	839	885	947	1,668	1,832	3,528

¹⁾ Q2 2024 items affecting comparability include EUR 72 million restructuring charges and EUR 40 million impairment charges related to planned closure of Hürth newsprint mill and planned closure of paper machine 3 at Nordland in Germany. Q1 2024 items affecting comparability include EUR 21 million capital gain on sale of UPM-Kymmene Austria GmbH. Q4 2023 items affecting comparability include EUR 9 million addition to restructuring charges and EUR 1 million impairment charges related to closure of UPM Plattling paper mill in Germany, EUR 5 million addition to restructuring charges related to closure of paper machine 6 at UPM Schongau mill in Germany, EUR 2 million income related to restructuring charges in Steyermühl site in Austria and EUR 2 million other restructuring charges. Q3 2023 includes EUR 111 million restructuring charges and EUR 111 million impairments of fixed and leased assets related to closure of Plattling mill, EUR 2 million of capital gains on sale of non-current assets and EUR 3 million restructuring charges. Q2 2023 includes EUR 9 million restructuring charges, EUR 2 million charges related to sale of Steyermühl site, EUR 1 million impairment charges and EUR 1 million charges related to prior capacity closures. Q1 2023 includes EUR 26 million restructuring charges related to closure of paper machine 6 at UPM Schongau mill, EUR 9 million charges related to sale of Steyermühl site and EUR 1 million charges related to prior capacity closures.

- Announced plans to close Hürth newsprint mill and to shut down one fine paper machine (PM3) at Nordland Papier in Germany
- Lower volumes impacted by lower demand after the restocking in Q1 and the political strikes in Finland
- Margin management actions in the high-cost environment
- New collective labour agreement in Finland

Results

Q2 2024 compared with Q2 2023

Comparable EBIT for UPM Communication Papers decreased due to lower sales prices. Delivery volumes were lower. Variable and fixed costs decreased.

The average price in euro for UPM's paper deliveries decreased by 12%.

Q2 2024 compared with Q1 2024

Comparable EBIT decreased due to higher variable costs and lower delivery volumes.

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

January-June 2024 compared with January-June 2023

Comparable EBIT decreased due to lower sales prices. Variable and fixed costs decreased.

The average price in euro for UPM's paper deliveries decreased by 17%.

Market environment

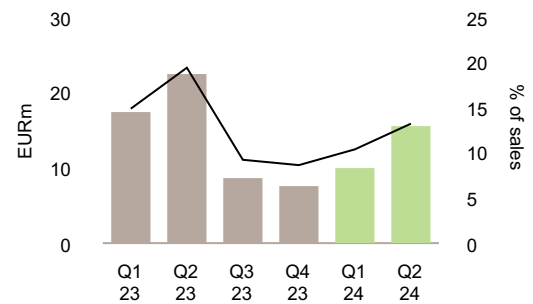
- In the first half of 2024, demand for graphic papers in Europe was 5% higher than in the first half of 2023. Newsprint demand increased by 1%, magazine papers decreased by 6% and fine papers increased by 14% compared with the first half of 2023.
- In Q2 2024, publication paper prices in Europe were 2% lower compared to Q1 2024 and 15% lower compared with Q2 2023. In Q2 2024, fine paper prices in Europe were 1% higher than in the previous quarter and 4% lower compared with Q2 2023.
- In January-May 2024, demand for magazine papers in North America was 8% higher compared with January-May 2023. The average price in US dollars for magazine papers in Q2 2024 increased by 1% compared with Q1 2024 and decreased by 2% compared with Q2 2023.

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.

Comparable EBIT



	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q1- Q2/24	Q1- Q2/23	Q1- Q4/23
Sales EURm	120	98	91	96	117	118	218	235	422
Comparable EBITDA, EURm	21	16	13	14	28	23	37	50	77
% of sales	17.6	15.8	14.3	14.7	23.8	19.1	16.8	21.5	18.4
Depreciation, amortisation and impairment charges, EURm	-5	-5	-5	-5	-5	-5	-11	-10	-21
Operating profit, EURm	16	10	8	9	21	12	26	33	50
% of sales	13.1	10.4	9.0	9.1	18.2	10.3	11.9	14.2	11.9
Items affecting comparability in operating profit, EURm ¹⁾	—	—	—	—	-1	-5	—	-7	-6
Comparable EBIT, EURm	16	10	8	9	22	17	26	40	56
% of sales	13.1	10.3	8.5	9.1	19.3	14.8	11.8	17.0	13.4
Capital employed (average), EURm	241	243	249	252	258	255	242	257	254
Comparable ROCE, %	26.1	16.6	12.5	13.9	34.8	27.4	21.3	31.1	22.2
Plywood deliveries, 1000 m ³	139	110	97	97	118	117	248	235	429

¹⁾ Q2 2023 items affecting comparability relate to restructuring costs. Q1 2023 includes EUR 5 million capital loss resulting from sale of Russian operations.

- Full run operations in seasonally good market

Results

Q2 2024 compared with Q2 2023

Comparable EBIT for UPM Plywood decreased due to lower sales prices and change in the mix. Delivery volumes increased.

Q2 2024 compared with Q1 2024

Comparable EBIT increased due to higher delivery volumes. Fixed costs increased.

January-June 2024 compared with January-June 2023

Comparable EBIT decreased due to lower sales prices and change in the mix. Delivery volumes increased.

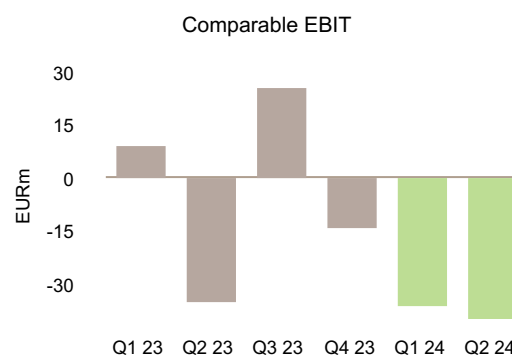
Market environment

- In Q2 2024, demand for spruce plywood in panel trading and veneer improved.
- In Q2 2024, demand for birch plywood in panel trading improved. In the LNG end-use demand for birch plywood market deliveries was impacted by project schedules.
- EU anti-dumping measures on the imports of Russian-origin birch plywood from Türkiye and Kazakhstan entered into force with a positive impact on the European market.

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.



	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q1- Q2/24	Q1- Q2/23	Q1- Q4/23
Sales EURm	172	153	192	251	158	200	325	359	802
Comparable EBITDA, EURm	-24	-20	-11	36	-16	21	-45	4	29
Change in fair value of forest assets and wood harvested, EURm	-19	-3	-76	1	-8	1	-22	-7	-82
Share of results of associated companies and joint ventures, EURm	0	-1	0	0	0	-2	-1	-2	-2
Depreciation, amortisation and impairment charges, EURm	-15	-12	-12	-11	-10	-11	-27	-21	-44
Operating profit, EURm	-61	-34	-100	25	-35	8	-95	-26	-101
Items affecting comparability in operating profit, EURm ¹⁾	-6	2	-86	-1	—	-1	-4	-1	-87
Comparable EBIT, EURm	-55	-36	-14	26	-35	9	-90	-25	-14
Capital employed (average), EURm	3,115	3,070	3,002	2,994	2,832	2,858	3,092	2,845	2,922
Comparable ROCE, %	-7.0	-4.7	-1.8	3.4	-4.9	1.3	-5.9	-1.8	-0.5

¹⁾ Q2 2024, items affecting comparability include EUR 6 million addition to restructuring charges and EUR 6 million impairment charges related to plans to close UPM Biocomposites business, and EUR 5 million capital gain on sale of non-current assets. Q1 2024, items affecting comparability include EUR 2 million capital gain on sale of non-current assets. Q4 2023 items affecting comparability include EUR 86 million decrease in the fair value of forest assets in Finland resulting from changes in estimates and increase in discount rate. Q3 2023 includes transaction costs of acquisition of SunCoal Industries shares. Q1 2023 includes EUR 1 million capital loss resulting from sale of Russian operations.

- Announced plans to discontinue UPM Biocomposites business and close biocomposites production units in Lahti, Finland and in Bruchsal, Germany
- New collective labour agreement for UPM Biofuels in Finland

Results

Q2 2024 compared with Q2 2023

Comparable EBIT for Other operations decreased. The change in the fair value of forest assets net of wood harvested was EUR -19 million (-8 million). The change in the fair value of forest assets was EUR 16 million (17 million). The cost of wood harvested from UPM forests was EUR 35 million (25 million).

Biofuels sales prices decreased.

Q2 2024 compared with Q1 2024

Comparable EBIT decreased. The change in the fair value of forest assets net of wood harvested was EUR -19 million (-3 million). The change in the fair value of forest assets was EUR 16 million (20 million). The cost of wood harvested from UPM forests was EUR 35 million (23 million).

Biofuels sales prices decreased.

January-June 2024 compared with January-June 2023

Comparable EBIT decreased. The change in the fair value of forest assets net of wood harvested was EUR -22 million (-7 million). The change in the fair value of forest assets was EUR 36 million (35 million). The cost of wood harvested from UPM forests was EUR 58 million (42 million).

Biofuels sales prices decreased.

Market environment

- In Q2 2024, the European market for advanced renewable fuels remained soft as fuels imported to Europe continued to supply the market.
- In Q2 2024, interest in bio-based MEG and renewable functional fillers continued strong in Europe. Strong interest in more sustainable solutions from consumers and brand owners is driving demand for bio-based glycols and renewable functional fillers.
- In Q2 2024, market demand for biocomposites stabilised at a moderate level in Europe. Market prices were solid and input costs stable.
- For life science products, demand is driven by the need to implement automated 3D cell based models and to replace animal models in drug development. For clinical products, hospitals continue to explore new sustainable advanced wound care dressings.

Source: UPM

Risks and near-term uncertainties

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

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

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

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

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

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

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

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

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

UPM's business operations depend on the availability of supporting information systems and network services. Unplanned

interruptions in critical information system services can cause disruptions to the continuity of operations. The information systems may be exposed to a cyber-intrusion that could cause leaks of sensitive information, violation of data privacy regulations, theft of intellectual property, AI-generated misinformation or disinformation, production outages or damage to reputation.

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

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

TVO procured OL3 as a fixed-price turnkey project from a consortium (Plant Supplier) formed by Areva GmbH, Areva NP SAS and Siemens AG. As stipulated in the Plant Contract, the consortium companies have joint and several liability for the contractual obligations. The test operation for OL3 concluded in April 2023, when regular electricity production at the plant unit started.

According to TVO, they confirmed the provisional takeover of the plant unit for the warranty period by submitting the Provisional Takeover Certificate to the Plant Supplier in April 2023. The final takeover of the plant unit will take place after the conclusion of the two-year warranty period. Even after this, the Plant Supplier's liabilities under the warranty will remain in force up to a maximum of eight (8) years to a certain extent.

A Global Settlement Agreement (GSA) was signed in March 2018 and amended in June 2021 concerning the completion of the OL3 project and related disputes. During 2023, the fund established in accordance with the GSA and funded by the Areva companies has been used to cover costs incurred to the Areva companies for the completion of the OL3 project in accordance with the GSA.

According to TVO's financial statements from 2023 total investment in OL3 was approximately EUR 5.8 billion.

TVO has announced that regular electricity production, which started after the conclusion of the test operation programme in April 2023, and commercial operation, which started in May 2023, transferred the responsibility for OL3 to TVO. The Plant Supplier retains the responsibilities according to the Plant Contract for warranty periods and for the unfinished work, which has been agreed to be done later at the Plant Supplier's expense.

According to TVO, during 2023, several risk management measures have been taken in relation to the OL3's warranty period that improve the process flow during the warranty period and ensure that the prerequisites for the warranty period under the Plant Contract are met. TVO is closely monitoring compliance with the conditions set in the Settlement Agreement signed in March 2018 and supplemented in June 2021 and the progress of the OL3 warranty period and ascertaining that actions are taken in accordance with the Plant Supplier's schedule while ensuring financial and technical resources.

TVO has announced that even though there have been few interruptions to electricity generation at OL3 following the conclusion of the test operation programme, there are uncertainties related to the availability of OL3 during the first operating cycle due to the possibility of unexpected events. These uncertainties are managed by means of systematic maintenance and monitoring of the plant unit. If OL3 fails to achieve the planned load factor or operating cost structure, the Finnish national grid limits its power level or the costs incurred by TVO due to grid load limitation make it unprofitable to

This half year financial report is unaudited

operate at full power, there is a risk of production costs exceeding the target.

The main earnings sensitivities and the Group's cost structure are presented on pages 178–179 of the Annual Report 2023. Risks and opportunities are discussed on pages 34–35, and risks and risk management are presented on pages 133–137.

Impact of Russia's war in Ukraine

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

Impact on UPM businesses

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

The potential further impacts for UPM are likely to differ for each business and depend on the pace, scope and duration of sanctions, market price reactions, supply chain development, and the length of the war in Ukraine and whether there is any geographic escalation of the war. UPM is monitoring the situation closely and preparing plans to adjust its operations in different scenarios accordingly.

Shares

In January–June 2024, UPM shares worth a total of EUR 4,050 million (4,972 million) were traded on the Nasdaq Helsinki

stock exchange. This is estimated to represent approximately 70% of the total trading volume in UPM shares. The highest listing was EUR 35.77 in May and the lowest was EUR 28.33 in February.

The Annual General Meeting held on 4 April 2024 authorised the Board of Directors to resolve 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 4 April 2024 authorised the Board of Directors to resolve on the issuance of new shares, transfer of treasury shares and issuance of special rights entitling to shares in proportion to the shareholders' existing holdings in the Company, or in a directed share issue, deviating from the shareholder's pre-emptive subscription right. The Board of Directors may also decide on a share issue without payment to the Company itself. The aggregate maximum number of new shares that may be issued and treasury shares that may be transferred is 25,000,000 including also the number of shares that can be received on the basis of the special rights. The authorisation is 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 30 June 2024 was 533,735,699. Through the issuance authorisation, the number of shares may increase to a maximum of 558,735,699.

On 30 June 2024, 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 Q2 2024.

Helsinki, 23 July 2024
UPM-Kymmene Corporation
Board of Directors

Financial statement information

Consolidated income statement

EURm	Q2/2024	Q2/2023	Q1-Q2/2024	Q1-Q2/2023	Q1-Q4/2023
Sales (Note 3)	2,546	2,558	5,186	5,345	10,460
Other operating income	10	58	49	104	228
Costs and expenses	-2,285	-2,363	-4,454	-4,758	-9,316
Change in fair value of forest assets and wood harvested	-27	-16	-35	-22	-103
Share of results of associated companies and joint ventures	1	0	0	-1	-1
Depreciation, amortisation and impairment charges	-194	-127	-341	-242	-660
Operating profit (loss)	50	108	404	426	608
Exchange rate and fair value gains and losses	1	1	-1	-71	-74
Interest and other finance costs, net	-23	-13	-44	-19	-70
Profit (loss) before tax	28	96	360	336	464
Income taxes	5	-19	-48	-75	-71
Profit (loss) for the period	33	77	312	261	394
Attributable to:					
Owners of the parent company	26	78	298	254	388
Non-controlling interests	6	-1	14	6	6
	33	77	312	261	394
Earnings per share for profit attributable to owners of the parent company					
Basic earnings per share, EUR	0.05	0.15	0.56	0.48	0.73
Diluted earnings per share, EUR	0.05	0.15	0.56	0.48	0.73

Consolidated statement of comprehensive income

EURm	Q2/2024	Q2/2023	Q1-Q2/2024	Q1-Q2/2023	Q1-Q4/2023
Profit (loss) for the period	33	77	312	261	394
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	13	3	14	25	-10
Changes in fair value of energy shareholdings	19	-464	-180	-1,105	-1,351
Items that may be reclassified subsequently to income statement:					
Translation differences	55	-16	166	-52	-120
Net investment hedge	-5	0	-7	5	6
Cash flow hedges	-13	44	86	505	539
Other comprehensive income for the period, net of tax	70	-433	78	-622	-936
Total comprehensive income for the period	103	-355	390	-361	-542
Total comprehensive income attributable to:					
Owners of the parent company	93	-355	366	-361	-536
Non-controlling interests	10	-1	25	0	-7
	103	-355	390	-361	-542

Consolidated balance sheet

EURm	30 JUN 2024	30 JUN 2023	31 DEC 2023
ASSETS			
Goodwill	286	280	283
Other intangible assets	595	540	715
Property, plant and equipment (Note 4)	7,289	7,177	7,053
Leased assets	675	763	683
Forest assets	2,367	2,429	2,355
Energy shareholdings (Note 5)	2,097	2,531	2,283
Other non-current financial assets	50	62	60
Deferred tax assets	460	335	431
Net retirement benefit assets	0	1	1
Investments in associates and joint ventures	30	24	23
Other non-current assets	24	30	26
Non-current assets	13,873	14,174	13,913
Inventories	2,091	2,167	1,948
Trade and other receivables	2,005	1,855	1,782
Other current financial assets	45	118	64
Income tax receivables	41	103	27
Cash and cash equivalents	558	768	632
Current assets	4,740	5,011	4,454
Assets classified as held for sale (Note 9)	—	35	106
Assets	18,613	19,220	18,473
EQUITY AND LIABILITIES			
Share capital	890	890	890
Treasury shares	-2	-2	-2
Translation reserve	495	409	347
Other reserves	1,548	1,858	1,655
Reserve for invested non-restricted equity	1,273	1,273	1,273
Retained earnings	6,517	6,902	6,998
Equity attributable to owners of the parent company	10,720	11,329	11,161
Non-controlling interests	376	364	370
Equity	11,095	11,693	11,531
Deferred tax liabilities	623	612	616
Net retirement benefit liabilities	479	453	502
Provisions (Note 8)	94	60	170
Non-current debt	2,992	3,176	3,056
Other non-current financial liabilities	159	207	157
Non-current liabilities	4,347	4,508	4,501
Current debt	503	452	327
Trade and other payables	2,347	2,354	1,883
Provisions (note 8)	216	92	96
Other current financial liabilities	60	41	51
Income tax payables	46	42	28
Current liabilities	3,171	2,981	2,385
Liabilities related to assets classified as held for sale (Note 9)	—	38	56
Liabilities	7,517	7,527	6,942
Equity and liabilities	18,613	19,220	18,473

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 2024	890	-2	347	1,655	1,273	6,998	11,161	370	11,531
Profit for the period	—	—	—	—	—	298	298	14	312
Translation differences	—	—	155	—	—	—	155	11	166
Cash flow hedges - reclassified to income statement, net of tax	—	—	—	25	—	—	25	—	25
Cash flow hedges - reclassified to PPE	—	—	—	—	—	—	—	—	—
Cash flow hedges - changes in fair value, net of tax	—	—	—	60	—	—	60	—	60
Net investment hedge, net of tax	—	—	-7	—	—	—	-7	—	-7
Energy shareholdings - changes in fair value, net of tax	—	—	—	-184	—	4	-180	—	-180
Actuarial gains and losses on defined benefit plans, net of tax	—	—	—	—	—	14	14	—	14
Total comprehensive income for the period	—	—	148	-98	—	316	366	25	390
Share-based payments, net of tax	—	—	—	-9	—	2	-7	—	-7
Dividend distribution	—	—	—	—	—	-800	-800	-19	-819
Other items	—	—	—	—	—	-1	-1	—	-1
Contributions by non-controlling interests	—	—	—	—	—	—	—	—	—
Total transactions with owners for the period	—	—	—	-9	—	-798	-807	-19	-826
Value at 30 June 2024	890	-2	495	1,548	1,273	6,517	10,720	376	11,095
Value at 1 January 2023	890	-2	449	2,460	1,273	7,433	12,502	376	12,879
Profit for the period	—	—	—	—	—	254	254	6	261
Translation differences	—	—	-45	—	—	—	-45	-7	-52
Cash flow hedges - reclassified to income statement, net of tax	—	—	—	44	—	—	44	—	44
Cash flow hedges - reclassified to PPE	—	—	—	1	—	—	1	—	1
Cash flow hedges - changes in fair value, net of tax	—	—	—	459	—	—	459	—	460
Net investment hedge, net of tax	—	—	5	—	—	—	5	—	5
Energy shareholdings - changes in fair value, net of tax	—	—	—	-1,105	—	—	-1,105	—	-1,105
Actuarial gains and losses on defined benefit plans, net of tax	—	—	—	—	—	25	25	—	25
Total comprehensive income for the period	—	—	-40	-601	—	280	-361	—	-361
Share-based payments, net of tax	—	—	—	-1	—	-11	-12	—	-12
Dividend distribution	—	—	—	—	—	-800	-800	-36	-836
Other items	—	—	—	—	—	—	—	—	—
Contributions by non-controlling interests	—	—	—	—	—	—	—	23	23
Total transactions with owners for the period	—	—	—	-1	—	-811	-812	-13	-825
Value at 30 June 2023	890	-2	409	1,858	1,273	6,902	11,329	364	11,693

Consolidated cash flow statement

EURm	Q2/2024	Q2/2023	Q1- Q2/2024	Q1- Q2/2023	Q1- Q4/2023
Cash flows from operating activities					
Profit (loss) for the period	33	77	312	261	394
Adjustments ¹⁾	308	240	562	1,048	1,760
Interest received	8	9	15	17	37
Interest paid	-56	-46	-69	-61	-116
Dividends received	2	0	3	1	3
Other financial items, net	0	-11	-3	-29	-44
Income taxes paid	-52	-108	-93	-146	-181
Change in working capital	-39	298	-187	82	417
Operating cash flow	204	459	539	1,173	2,269
Cash flows from investing activities					
Capital expenditure	-171	-277	-299	-568	-1,026
Additions to forest assets	-20	-18	-28	-28	-54
Acquisition of businesses and subsidiaries, net of cash acquired	0	0	0	0	-20
Acquisition of associates and joint ventures	-7	0	-7	0	0
Proceeds from sale of property, plant and equipment and intangible assets, net of tax	-1	6	6	6	7
Proceeds from sale of forest assets, net of tax	2	1	5	5	10
Proceeds from disposal of businesses and subsidiaries and advances received	0	1	18	1	1
Proceeds from disposal of shares in associates and joint ventures	0	0	0	0	1
Proceeds from disposal of energy shareholdings	5	0	5	0	0
Net cash flows from net investment hedges	-1	10	-1	10	10
Change in other non-current assets	0	-3	0	-4	-5
Investing cash flow	-194	-279	-302	-578	-1,076
Cash flows from financing activities					
Proceeds from non-current debt	0	100	0	100	100
Payments of non-current debt	-3	-14	-3	-1,403	-1,506
Lease repayments	-23	-22	-49	-47	-99
Change in current liabilities	288	-51	130	-121	-260
Net cash flows from derivatives	0	-1	3	3	6
Dividends paid to owners of the parent company	-400	-400	-401	-400	-799
Dividends paid to non-controlling interests	-19	-36	-19	-36	-36
Contributions paid by non-controlling interests	0	2	0	23	35
Change in investment funds	0	0	0	0	0
Other financing cash flow	-4	-2	-8	-5	-14
Financing cash flow	-160	-423	-347	-1,886	-2,573
Change in cash and cash equivalents	-150	-244	-111	-1,291	-1,379
Cash and cash equivalents at the beginning of the period	710	1,016	632	2,067	2,067
Exchange rate effect on cash and cash equivalents	-2	-4	-3	-8	-16
Change in cash and cash equivalents	-150	-244	-111	-1,291	-1,379
Change in cash and cash equivalents classified as held for sale (Note 9)	0	0	39	0	-39
Cash and cash equivalents at the end of the period	558	768	558	768	632

¹⁾ Adjustments

EURm	Q2/2024	Q2/2023	Q1- Q2/2024	Q1- Q2/2023	Q1- Q4/2023
Change in fair value of forest assets and wood harvested	27	16	35	22	103
Share of results of associated companies and joint ventures	-1	0	0	1	1
Depreciation, amortisation and impairment charges	194	127	341	242	660
Capital gains and losses on sale of non-current assets	-6	-4	-29	2	-2
Financial income and expenses	22	12	44	91	144
Income taxes	-5	19	48	75	71
Utilised provisions	-16	-3	-66	-6	-42
Non-cash changes in provisions	92	9	90	43	179
Other adjustments	0	63	99	579	646
Total	308	240	562	1,048	1,760

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 2023.

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

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

Income tax – OECD Pillar Two model rules

The group is in the scope of the OECD Pillar Two model rules, and it applies the IAS 12 exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. Pillar Two legislation was enacted in Finland, the jurisdiction in which the company is incorporated, and came into effect from 1 January 2024. The group expects to incur top-up taxes for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate. Income tax expense recognised in the consolidated income statement for the reporting period ending 30 June 2024 includes tax expense of EUR 3.6 million (2023: not applicable) related to Pillar Two income taxes. This component of current tax expense mainly relates to profits earned in Uruguay and is based on currently available information and analysis regarding the interpretation of the rules, for which additional guidance is still being developed by the OECD.

Reclassification of provisions in the balance sheet

The group has reclassified current provisions to the current liabilities section. Previously both current and non-current provisions were presented within the non-current liabilities section of the balance sheet. This adjustment ensures better alignment with IFRS Accounting Standards accounting and facilitates a clearer understanding of short-term obligations. The comparative periods have been restated according to the new reporting principles. The reporting change has no impact on group financial result. Reclassification of provisions was reported on the group financial statements in 2023.

Liabilities in the balance sheet

As published	Q4/23	Q3/23	Q2/23	Q1/23
Deferred tax liabilities	616	642	612	622
Net retirement benefit liabilities	502	445	453	495
Provisions	266	282	151	181
Non-current debt	3,056	3,090	3,176	3,098
Other non-current financial liabilities	157	189	207	95
Non-current liabilities	4,596	4,650	4,600	4,491
Current debt	327	271	452	493
Trade and other liabilities	1,883	2,237	2,354	2,046
Provisions	—	—	—	—
Other current financial liabilities	51	59	41	59
Income tax payables	28	46	42	79
Current liabilities	2,290	2,614	2,890	2,678
Liabilities related to assets classified as held for sale	56	38	38	—
Liabilities	6,942	7,302	7,527	7,168

Restated	Q4/23	Q3/23	Q2/23	Q1/23
Deferred tax liabilities	616	642	612	622
Net retirement benefit liabilities	502	445	453	495
Provisions	170	157	60	45
Non-current debt	3,056	3,090	3,176	3,098
Other non-current financial liabilities	157	189	207	95
Non-current liabilities	4,501	4,524	4,508	4,355
Current debt	327	271	452	493
Trade and other liabilities	1,883	2,237	2,354	2,046
Provisions	96	125	92	136
Other current financial liabilities	51	59	41	59
Income tax payables	28	46	42	79
Current liabilities	2,385	2,740	2,981	2,813
Liabilities related to assets classified as held for sale	56	38	38	—
Liabilities	6,942	7,302	7,527	7,168

2 Quarterly information by business area

EURm, OR AS INDICATED	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q1- Q2/24	Q1- Q2/23	Q1- Q4/23
Sales									
UPM Fibres	922	861	781	817	764	683	1,784	1,447	3,044
UPM Energy	130	210	192	142	134	159	340	293	628
UPM Rafflatac	397	409	367	367	357	395	806	751	1,485
UPM Specialty Papers	367	397	374	357	349	404	764	753	1,485
UPM Communication Papers	711	802	799	807	909	1,083	1,514	1,992	3,598
UPM Plywood	120	98	91	96	117	118	218	235	422
Other operations	172	153	192	251	158	200	325	359	802
Internal sales	-272	-291	-265	-251	-229	-255	-563	-484	-1,000
Eliminations and reconciliation	-1	-1	-1	-1	-1	1	-2	-1	-3
Sales, total	2,546	2,640	2,531	2,584	2,558	2,787	5,186	5,345	10,460
Comparable EBITDA									
UPM Fibres	194	193	109	69	42	188	387	230	407
UPM Energy	17	88	45	32	30	82	106	112	189
UPM Rafflatac	50	60	36	43	36	30	110	66	146
UPM Specialty Papers	58	72	71	55	22	24	130	46	172
UPM Communication Papers	51	95	218	119	101	105	147	206	544
UPM Plywood	21	16	13	14	28	23	37	50	77
Other operations	-24	-20	-11	36	-16	21	-45	4	29
Eliminations and reconciliation	-8	-15	-16	7	12	5	-24	17	8
Comparable EBITDA, total	359	489	465	376	255	477	848	732	1,573
Operating profit									
UPM Fibres	99	108	25	-18	-24	134	207	110	116
UPM Energy	16	87	40	30	31	80	102	112	182
UPM Rafflatac	39	51	26	13	23	19	89	42	81
UPM Specialty Papers	38	51	53	37	4	5	89	8	98
UPM Communication Papers	-77	100	185	-127	67	49	23	117	174
UPM Plywood	16	10	8	9	21	12	26	33	50
Other operations	-61	-34	-100	25	-35	8	-95	-26	-101
Eliminations and reconciliation	-19	-18	-27	2	21	10	-37	30	6
Operating profit, total	50	354	211	-29	108	318	404	426	608
% of sales	2.0	13.4	8.3	-1.1	4.2	11.4	7.8	8.0	5.8
Items affecting comparability									
UPM Fibres	—	—	—	—	—	—	—	—	—
UPM Energy	—	—	-3	—	3	—	—	3	—
UPM Rafflatac	—	1	1	-19	-3	-1	1	-4	-22
UPM Specialty Papers	-3	—	—	—	—	—	-3	—	—
UPM Communication Papers	-112	21	-15	-223	-13	-36	-91	-49	-288
UPM Plywood	—	—	—	—	-1	-5	—	-7	-6
Other operations	-6	2	-86	-1	—	-1	-4	-1	-87
Eliminations and reconciliation ¹⁾	-10	-3	-10	-5	8	5	-14	13	-2
Items affecting comparability in operating profit, total	-132	21	-113	-249	-5	-38	-111	-43	-405
Comparable EBIT									
UPM Fibres	99	108	25	-18	-24	134	207	110	116
UPM Energy	16	87	43	30	28	80	102	108	182
UPM Rafflatac	39	49	25	33	26	20	89	45	103
UPM Specialty Papers	41	51	53	37	4	5	92	8	98
UPM Communication Papers	35	79	200	96	80	85	114	166	462
UPM Plywood	16	10	8	9	22	17	26	40	56
Other operations	-55	-36	-14	26	-35	9	-90	-25	-14
Eliminations and reconciliation	-8	-15	-16	7	12	5	-24	17	8
Comparable EBIT, total	182	333	323	220	114	356	515	470	1,013
% of sales	7.2	12.6	12.8	8.5	4.5	12.8	9.9	8.8	9.7

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 2024, items affecting comparability include EUR 21 million capital gain on sale of UPM-Kymmene Austria GmbH. Restructuring and impairment charges relate to planned closure of Hürth newsprint mill and planned closure of Nordland fine paper machine 3 in Germany in Communication Papers, and plans to close UPM Biocomposites business in Other operations. Items affecting comparability in finance costs included EUR 3 million impairment from shareholding in ASD associated company.

In 2023, items affecting comparability include decrease in the fair value of forest assets in Finland resulting from changes in

estimates and increase in discount rate. Restructuring and impairment charges relate to closure of UPM Plattling mill in Germany, restructuring measures in UPM Raflatac Nancy factory, closure of paper machine 6 at UPM Schongau mill in Germany, sale of Steyermühl site in Austria and restructurings in UPM Communication Papers, UPM Raflatac and UPM Plywood. Capital gains and losses include losses of EUR 6 million relating to sale of Russian operations. Impairment charges relate mainly to closure of UPM Plattling mill. Items affecting comparability in financial items include EUR 71 million exchange rate losses relating to sale of Russian operations and EUR 5 million income on termination of lease agreement.

EURm	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q1-Q2/24	Q1-Q2/23	Q1-Q4/23
Comparable profit for the period	131	258	248	149	77	281	389	358	755
Items affecting comparability									
Impairment charges	-44	0	-1	-113	-2	-1	-44	-3	-117
Restructuring charges	-83	2	-15	-132	-15	-37	-82	-52	-199
Change in fair value of unrealised cash flow and commodity hedges	-10	-3	-10	-5	8	5	-14	13	-2
Capital gains and losses on sale of non-current assets	5	22	0	2	3	-6	28	-2	0
Fair value changes of forest assets resulting from changes in estimates	—	—	-86	—	—	—	—	—	-86
Total items affecting comparability in operating profit	-132	21	-113	-249	-5	-38	-111	-43	-405
Items affecting comparability in financial items	-3	0	0	1	1	-67	-3	-66	-65
Tax provisions	—	—	2	—	—	—	—	—	2
Taxes relating to items affecting comparability	37	0	24	71	4	8	37	12	107
Items affecting comparability in taxes	37	0	26	71	4	8	37	12	109
Items affecting comparability, total	-98	21	-87	-177	0	-97	-77	-97	-361
Profit (loss) for the period	33	279	161	-28	77	183	312	261	394

3 External sales by major products

BUSINESS AREA	BUSINESS	Q2/2024	Q2/2023	Q1-Q2/2024	Q1-Q2/2023	Q1-Q4/2023
EURm						
UPM Fibres	UPM Pulp UPM Timber	749	620	1,448	1,160	2,452
UPM Energy	UPM Energy	96	106	257	229	486
UPM Raflatac	UPM Raflatac	397	357	806	751	1,485
UPM Specialty Papers	UPM Specialty Papers	323	307	665	661	1,300
UPM Communication Papers	UPM Communication Papers	705	907	1,498	1,977	3,570
UPM Plywood	UPM Plywood	115	111	209	223	402
Other operations	UPM Forest UPM Biofuels UPM Biochemicals UPM Biomedicals UPM Biocomposites	162	151	304	344	768
Eliminations and reconciliations		-1	-1	-2	-1	-3
Total		2,546	2,558	5,186	5,345	10,460

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-Q2/2024	Q1-Q2/2023	Q1-Q4/2023
Book value at beginning of period	7,053	6,733	6,733
Reclassification to assets held for sale, net	—	-21	-21
Capital expenditure	248	745	1,074
Companies acquired	—	—	1
Decreases	-2	—	-2
Depreciation	-232	-184	-422
Impairment charges	-51	-3	-20
Impairment reversal	—	—	0
Reclassifications	136	—	-141
Translation difference and other changes	136	-92	-149
Book value at end of period	7,289	7,177	7,053

Capital expenditure in 2024 mainly relate to the construction of of the new biorefinery in Germany and in 2023 to the construction of the new pulp mill in Uruguay and new biorefinery in Germany. Impairment charges in 2024 mainly relate to the planned closure of Hürth newsprint mill and planned closure of paper machine 3 at Nordland in Germany. Impairment charges

in 2023 mainly relate to the closure of Plattling mill in Germany. Reclassifications in 2024 and 2023 relate to final classification of assets in the Uruguay pulp mill investment. Reclassification to assets held for sale in 2023 relates to agreement to sell 100% of the shares of the Austrian subsidiary UPM-Kymmene Austria GmbH. The sale was completed in 2024.

5 Financial assets and liabilities

Financial assets and liabilities measured at fair value

EURm	30 JUN 2024				30 JUN 2023				31 DEC 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets												
Investment funds	—	1	—	1	—	1	—	1	—	1	—	1
Derivatives non-qualifying hedges	—	9	—	9	—	26	—	26	—	19	—	19
Derivatives under hedge accounting	3	74	—	77	2	141	—	142	4	91	—	95
Energy shareholdings	—	—	2,097	2,097	—	—	2,531	2,531	—	—	2,283	2,283
Total	3	84	2,097	2,183	2	167	2,531	2,699	4	111	2,283	2,398
Financial liabilities												
Derivatives non-qualifying hedges	—	79	—	79	—	43	—	43	—	46	—	46
Derivatives under hedge accounting	1	132	—	133	25	142	—	167	6	128	—	134
Total	1	211	—	212	25	185	—	210	6	174	—	180

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

EURm	ENERGY SHAREHOLDINGS		
	Q1-Q2/2024	Q1-Q2/2023	Q1-Q4/2023
Book value at beginning of period	2,283	3,652	3,652
Disposals	-1	0	0
Fair value changes recognised in other comprehensive income	-185	-1,121	-1,369
Book value at end of period	2,097	2,531	2,283

Fair valuation of energy shareholdings in UPM Energy (Pohjolan Voima Oyj's A, B, B2, and C-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 170 (330 in Q2 2023) million.

The discount rate of 8.36% (7.83% in Q2 2023) 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 90 (220 in Q2 2023) million.

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

Fair value of financial assets and liabilities measured at amortised cost

EURm	30 JUN 2024		30 JUN 2023		31 DEC 2023	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	2,002	1,905	1,970	1,822	2,002	1,906
Other non-current debt excl. derivative financial instruments and lease liabilities	318	321	468	481	348	355
Total	2,320	2,226	2,438	2,303	2,350	2,261

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

6 Commitments and contingencies

EURm	30 JUN 2024	30 JUN 2023	31 DEC 2023
On behalf of others			
Guarantees	0	0	0
Other own commitments			
Commitments related to off-balance sheet short-term leases	1	2	2
Other commitments	99	220	99
Total	101	222	101

The lease commitments for leases not commenced on 30 June 2024 amounted to EUR 175 million (EUR 176 million on 31 December 2023) and are mainly related to a railway service agreement in Uruguay and a service agreement related to wastewater treatment in Leuna, Germany.

Capital commitments

EURm	COMPLETION	TOTAL COST	BY 31 DEC 2023	Q1-Q2/2024	AFTER 30 JUN 2024
New biorefinery / Germany	Q4 2024	1,180	817	146	217

7 Notional amounts of derivative financial instruments

EURm	30 JUN 2024	30 JUN 2023	31 DEC 2023
Interest rate futures	1,943	1,963	1,691
Interest rate swaps	1,100	1,095	1,089
Forward foreign exchange contracts	3,430	3,442	3,308
Currency options, bought	—	—	—
Currency options, written	—	—	—
Cross currency swaps	122	134	134
Commodity contracts	498	665	591

8 Provisions

EURm	RESTRUCTURING	TERMINATION	ENVIRONMENTAL	EMISSIONS	OTHER	TOTAL
Value at 1 January 2024	59	117	28	56	6	266
Provisions made during the year	16	61	0	42	16	134
Provisions utilised during the year	-17	-49	0	-17	-1	-83
Unused provisions reversed	-3	-1	-1	-2	0	-7
Reclassifications	4	-4	0	0	0	0
Translation differences	0	0	0	0	0	0
Value at 30 June 2024	59	124	27	79	21	310

9 Assets and liabilities classified as held for sale and disposals

There were no assets or liabilities classified as held for sale as at 30 June 2024. Assets and liabilities classified as held for sale as at 30 June 2023 and 31 December 2023 relate to agreement to sell 100% of the shares of Austrian subsidiary UPM Kymmene-Austria GmbH to the HEINZEL GROUP as announced in June 2022.

Sale of UPM Kymmene-Austria GmbH

On 2 January 2024, UPM announced that it has completed the sale of UPM Kymmene-Austria GmbH. The transaction comprises the UPM Steyrermühl site and the Steyrermühl sawmill operations. UPM Communication Papers ended the newspaper production at Steyrermühl paper mill in June 2023.

Reconciliation of gain on sale and net cash arising from the disposal of UPM Kymmene-Austria GmbH

EURm	Q1-Q2/2024
Reconciliation of gain on sale	
Consideration paid in advance	15
Consideration paid in cash	57
Consideration to be repaid	-1
Net assets sold	-50
Transaction and other costs, net	0
Gain on disposal	21
Consideration paid in cash	57
Cash in company disposed	-39
Net cash arising from disposal	19

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.

	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q1- Q2/24	Q1- Q2/23	Q1- Q4/23
Sales EURm	2,546	2,640	2,531	2,584	2,558	2,787	5,186	5,345	10,460
Comparable EBITDA, EURm	359	489	465	376	255	477	848	732	1,573
% of sales	14.1	18.5	18.4	14.6	10.0	17.1	16.3	13.7	15.0
Comparable EBIT, EURm	182	333	323	220	114	356	515	470	1,013
% of sales	7.2	12.6	12.8	8.5	4.5	12.8	9.9	8.8	9.7
Comparable profit before tax, EURm	163	311	293	196	101	344	474	445	934
Capital employed (average, EURm)	14,809	14,972	15,044	15,246	15,900	17,196	14,753	16,617	16,414
Comparable ROCE, %	5.2	9.1	8.9	6.0	3.1	8.4	7.2	5.8	6.4
Comparable profit for the period, EURm	131	258	248	149	77	281	389	358	755
Total equity, average, EURm	11,451	11,669	11,670	11,751	12,290	12,883	11,313	12,286	12,205
Comparable ROE, %	4.6	8.9	8.5	5.1	2.5	8.7	6.9	5.8	6.2
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
Comparable EPS, EUR	0.23	0.47	0.46	0.28	0.15	0.51	0.70	0.66	1.40
Items affecting comparability in operating profit, EURm	-132	21	-113	-249	-5	-38	-111	-43	-405
Items affecting comparability in financial items, EURm	-3	—	—	1	1	-67	-3	-66	-65
Items affecting comparability in taxes, EURm	37	0	26	71	4	8	37	12	109
Operating cash flow, EURm	204	335	456	641	459	714	539	1,173	2,269
Operating cash flow per share, EUR	0.38	0.63	0.85	1.20	0.86	1.34	1.01	2.20	4.25
Net debt at the end of period, EURm	2,763	2,312	2,432	2,363	2,557	2,167	2,763	2,557	2,432
Net debt to EBITDA (last 12 m.)	1.64	1.46	1.55	1.27	1.07	0.82	1.64	1.07	1.55
Gearing ratio, %	25	20	21	20	22	17	25	22	21
Equity per share at the end of period, EUR	20.10	21.42	20.93	21.42	21.24	23.42	20.10	21.24	20.93
Capital expenditure, EURm	184	83	173	196	482	270	267	752	1,122
Capital expenditure excluding acquisitions, EURm	174	83	173	169	482	270	257	752	1,094
Equity to assets ratio, %	59.6	64.0	62.5	61.9	61.0	64.4	59.6	61.0	62.5
Personnel at the end of period	16,776	16,132	16,573	16,831	17,571	16,985	16,776	17,571	16,573

The definitions of alternative performance measures are presented in other financial information in » [UPM Annual Report 2023](#)

Reconciliation of key figures to IFRS

EURm, OR AS INDICATED	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q1- Q2/24	Q1- Q2/23	Q1- Q4/23
Items affecting comparability									
Impairment charges	-44	0	-1	-113	-2	-1	-44	-3	-117
Restructuring charges	-83	2	-15	-132	-15	-37	-82	-52	-199
Change in fair value of unrealised cash flow and commodity hedges	-10	-3	-10	-5	8	5	-14	13	-2
Capital gains and losses on sale of non-current assets	5	22	0	2	3	-6	28	-2	0
Fair value changes of forest assets resulting from changes in estimates	0	0	-86	0	0	0	0	0	-86
Total items affecting comparability in operating profit	-132	21	-113	-249	-5	-38	-111	-43	-405
Items affecting comparability in financial items	-3	0	0	1	1	-67	-3	-66	-65
Tax provisions	0	0	2	0	0	0	0	0	2
Taxes relating to items affecting comparability	37	0	24	71	4	8	37	12	107
Items affecting comparability in taxes	37	0	26	71	4	8	37	12	109
Items affecting comparability, total	-98	21	-87	-177	0	-97	-77	-97	-361
Comparable EBITDA									
Operating profit (loss)	50	354	211	-29	108	318	404	426	608
Depreciation, amortisation and impairment charges excluding items affecting comparability	151	147	152	152	125	114	298	239	543
Change in fair value of forest assets and wood harvested excluding items affecting comparability	27	8	-10	5	16	5	35	22	17
Share of result of associates and joint ventures	-1	1	0	0	0	1	0	1	1
Items affecting comparability in operating profit	132	-21	113	249	5	38	111	43	405
Comparable EBITDA	359	489	465	376	255	477	848	732	1,573
% of sales	14.1	18.5	18.4	14.6	10.0	17.1	16.3	13.7	15.0
Comparable EBIT									
Operating profit (loss)	50	354	211	-29	108	318	404	426	608
Items affecting comparability in operating profit	132	-21	113	249	5	38	111	43	405
Comparable EBIT	182	333	323	220	114	356	515	470	1,013
% of sales	7.2	12.6	12.8	8.5	4.5	12.8	9.9	8.8	9.7
Comparable profit before tax									
Profit (loss) before tax	28	332	180	-52	96	239	360	336	464
Items affecting comparability in operating profit	132	-21	113	249	5	38	111	43	405
Items affecting comparability in financial items	3	—	—	-1	-1	67	3	66	65
Comparable profit before tax	163	311	293	196	101	344	474	445	934
Comparable ROCE, %									
Comparable profit before tax	163	311	293	196	101	344	474	445	934
Interest expenses and other financial expenses	29	28	40	33	22	17	58	39	112
	192	339	333	229	123	361	531	484	1,046
Capital employed, average	14,809	14,972	15,044	15,246	15,900	17,196	14,753	16,617	16,414
Comparable ROCE, %	5.2	9.1	8.9	6.0	3.1	8.4	7.2	5.8	6.4
Comparable profit for the period									
Profit (loss) for the period	33	279	161	-28	77	183	312	261	394
Items affecting comparability, total	98	-21	87	177	—	97	77	97	361
Comparable profit for the period	131	258	248	149	77	281	389	358	755
Comparable EPS, EUR									
Comparable profit for the period	131	258	248	149	77	281	389	358	755
Profit attributable to non-controlling interest	-6	-7	-1	2	1	-7	-14	-6	-6
	125	251	246	151	78	273	376	352	749
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
Comparable EPS, EUR	0.23	0.47	0.46	0.28	0.15	0.51	0.70	0.66	1.40
Comparable ROE, %									
Comparable profit for the period	131	258	248	149	77	281	389	358	755
Total equity, average	11,451	11,669	11,670	11,751	12,290	12,883	11,313	12,286	12,205
Comparable ROE, %	4.6	8.9	8.5	5.1	2.5	8.7	6.9	5.8	6.2
Net debt									
Non-current debt	2,992	3,045	3,056	3,090	3,176	3,098	2,992	3,176	3,056
Current debt	503	176	329	272	453	493	503	453	329
Total debt	3,494	3,221	3,385	3,362	3,629	3,592	3,494	3,629	3,385
Non-current interest-bearing assets	56	62	71	64	73	88	56	73	71
Cash and cash equivalents	558	710	632	773	768	1,016	558	768	632
Other current interest-bearing assets	117	136	250	162	231	321	117	231	250
Total interest-bearing assets	731	909	953	999	1,072	1,424	731	1,072	953
Net debt	2,763	2,312	2,432	2,363	2,557	2,167	2,763	2,557	2,432

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 178–179 of the 2023 Annual Report. Risks and opportunities are discussed on pages 34–35 and risks and risk management are presented on pages 133–137 of the report.



UPM-Kymmene Corporation

Alvar Aallon katu 1

PO Box 380

FI-00101 Helsinki, Finland

Tel. +358 2041 5111

Fax +358 2041 5110

ir@upm.com