Q3 2021: A record quarter in an exceptionally volatile global environment

- Sales increased by 24% to EUR 2,523m (2,028m in Q3 2020)
- Comparable EBIT increased by 98% to EUR 424m, 16.8% of sales (215m, 10.6%)
- Demand for UPM’s products was good, and overall, price increases more than offset the rapid rise in input costs
- Operational efficiency was excellent despite the challenges in logistics and global supply chains
- Good progress in the transformative growth projects
Global economic recovery manifests in volatile business environment

• Strong demand for UPM products in Europe and North America, slowing growth in Asia
• Price increases in all business
• Variable cost increases in all businesses
• Tight energy markets
• Logistics bottlenecks
Comparable EBIT in Q3 2021

<table>
<thead>
<tr>
<th>EURm</th>
<th>Q3/20</th>
<th>Q3/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices</td>
<td>215</td>
<td>307</td>
</tr>
<tr>
<td>Variabe costs</td>
<td>10.6%</td>
<td>12.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EURm</th>
<th>Q2/21</th>
<th>Q3/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices</td>
<td>424</td>
<td>424</td>
</tr>
<tr>
<td>Costs</td>
<td>16.8%</td>
<td>16.8%</td>
</tr>
</tbody>
</table>

Currency, net impact, depreciation, forests, plantations, other.
Comparable EBIT by business area

- **UPM Biorefining**
- **UPM Communication Papers**
- **UPM Specialty Papers**
- **UPM Plywood**
- **UPM Energy**
- **UPM Raflatac**
Robust cash flow

- Q3 2021 operating cash flow was EUR 318m (365m in Q3 2020)
- Working capital increased by EUR 12m (decreased by 122m in Q3 2020)
Strong financial position

- Net debt EUR 667m at the end of Q3 2021
- Cash funds and committed credit facilities EUR 2.5bn at the end of Q3 2021
- UPM issued a EUR 500m Green Bond in Q1 2021
- No financial covenants
Outlook for 2021

• The global economy has started recovering in 2021 from the deep downturn experienced in 2020. World regions will progress at different pace. China has led this development but has recently slowed down to some extent. Demand for most UPM products is influenced by overall economic activity and hence, depends on the shape and rate of the economic recovery.

• The COVID-19 pandemic continues to cause uncertainty in 2021. In 2020, lockdowns had a significant negative impact on graphic paper demand but supported the strong demand for self-adhesive labelling materials and specialty papers. Opening of the economies is likely to allow for some normalisation of these demand impacts.

• Sales prices for many UPM products are expected to increase in H2 2021 from H1 2021, including graphic paper prices in Europe. Pulp sales prices increased rapidly in H1 2021 and are expected to be higher on average in H2 2021 than in H1 2021.

• With improving global economy, many variable cost items are expected to increase in 2021. During H2 2021 the tight energy market situation is expected to cause increased costs both directly and indirectly. UPM will continue to manage margins with product pricing, optimising its product and market mix, efficient use of assets as well as by taking measures to improve variable and fixed cost efficiency.

• UPM’s comparable EBIT is expected to increase both in H2 2021 compared with H1 2021 and increase clearly in the full year 2021 compared with 2020.
Long-term value creation driven by our spearheads for growth

SPECIALTY PACKAGING MATERIALS
- Label materials
- Specialty papers

HIGH VALUE FIBRE
- Forests
- Pulp

MOLECULAR BIOPRODUCTS
- Biofuels
- Biochemicals

Communication papers
Plywood
Energy
Spearheads for growth – improving business mix drives earnings, cash flow and shareholder value

- Operating model: Operating margin 35%, Performance margin 5%
- Balance sheet: 6-year average EBIT margin 20%
- Focused growth: Innovation margin 65%
- Future sales: Growing businesses

*) This is an illustration, not a forecast
Transformation is visible in earnings and balance sheet

**Comparable EBIT**
- Target: EBIT growth

**Comparable ROE**
- Target: 10%

**Net debt and leverage**
- Net debt EURm: 4,500
- Net debt/EBITDA (x): 3.0
- Policy: ≤ 2x

**Comparable EBIT**

**Comparable ROE**

**Net debt and leverage**
Transformative growth projects in the most intensive phase in 2021

Capital expenditure

Capex estimate for 2021

- Total EUR 1,600m
- Includes EUR 1,400m on the transformative growth projects, pulp in Uruguay and biochemicals in Germany
- Operational investment needs consistently low
Progress in UPM Paso de los Toros and the Montevideo port
Progress in UPM Leuna
Commercialisation of the next generation biochemicals is taking significant steps

The Coca-Cola Company

UPM BioMotion™
Renewable Functional Fillers
We deliver positive impact to mitigate climate change and to create long-term value

WE ACT THROUGH FORESTS
We are committed to climate-positive forestry and enhancing biodiversity.

WE ACT THROUGH EFFICIENCY AND EMISSIONS
Our target is to reduce our CO₂ emissions by 65%.

WE ACT THROUGH PRODUCTS
We innovate novel products to provide ever more sustainable alternatives for fossil-based materials.
Leader in responsibility

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

MSCI ESG RATINGS

Global Compact LEAD 2021 PARTICIPANT

Bloomberg Gender-Equality Index 2021
UPM delivers a record quarter in an exceptionally volatile global environment
Biofore strategy drives our transformation as the frontrunner of bioeconomy.

**A FUTURE BEYOND FOSSILS**

**GROWTH**
- We respond to megatrends and meet customers’ changing needs
  - Creating new markets and enabling sustainable choices

**PERFORMANCE**
- Continuous improvement
- Agile operating model

**INNOVATION**
- Creating new business and competitive advantage
- Replacing fossils with biomaterials

**RESPONSIBILITY**
- Renewable & sustainable solutions
- Responsible operations and value chain

**PORTFOLIO**
- Investing in businesses with strong long-term fundamentals for growth and high barriers to entry
  - Effective capital allocation
Business area returns and long-term targets

* Shareholdings in UPM Energy valued at fair value
Timely action to ensure performance

• Competitive costs and good asset utilisation following the timely actions taken
  – Closures of UPM Jyväskylä, UPM Chapelle, UPM Kaipola, conversion of UPM Nordland PM2 to release production
  – Streamlining and cost efficiency actions in UPM Communication Papers, UPM Biorefining, UPM Specialty Papers, UPM Raflatac and global functions
  – Sale of UPM Shotton completed at the end of Q3 2021

• Total graphic papers capacity reduction 1.4 million tonnes

• Total annual cost savings impact of approx. EUR 160 million, of which approx. 80% had been realised in Q3 2021
Strong performance in the specialty packaging materials businesses

- Growing markets in the packaging value chain, driven by global megatrends, sustainability and e-commerce
- Innovation-driven, technically demanding segments, where UPM has strong position and expertise
- UPM Raflatac and UPM Specialty papers comprise 30% of UPM’s 9M 2021 sales and 29% of comparable EBIT
  - Comparable EBIT margins of 15% and 11% in 9M 2021
  - Attractive ROCE %, Raflatac 44%, Specialty Papers 18%
- Focused investments: UPM Nordland PM2 conversion, UPM Changshu expansion, linerless labelstock expansion
UPM invests in a world class pulp mill in Uruguay

USD 3 billion investment in Uruguay

Pulp mill in Paso de los Toros, deep sea port terminal in Montevideo and local community

Pulp is used in tissue, specialty and packaging papers, for example

Total annual capacity of 2.1 million tonnes of eucalyptus pulp

Scheduled to start up in H2 2022
Transformative step in UPM’s pulp business and in UPM’s future earnings

- Significant step for UPM’s future earnings
  - One of the most competitive mills in the world
  - Expected cash cost level of USD 280 per delivered tonne of pulp\(^\ast\))
  - Attractive returns in various market scenarios
  - Carefully prepared to ensure long-term competitiveness and to minimise risks both in the project phase and during continuous operations

- Step change in UPM’s pulp business

\(^\ast\) including variable and fixed costs of plantation operations, wood sourcing, mill operations and logistics delivered to the main markets
UPM invests in next generation biochemicals

EUR 550 million investment at Leuna, Germany

Industrial scale biorefinery

Alternatives to fossil materials in various consumer-driven end-uses

Total annual capacity of 220,000 tonnes

Scheduled to start up by the end of 2022
UPM creates a totally new sustainable business with large growth potential

- Major milestone in UPM’s transformation
- UPM biochemicals respond to the customers’ increasing needs for renewable alternatives
- Current supply is limited and high-quality biochemicals are priced at a premium
- Sustainable wood supply, unique technology, existing infrastructure and proximity to customers enables a good cost position
- Attractive returns: ROCE target of 14% once the facility is fully ramped up and optimised
Growth plans in biofuels progress to the next stage

Basic engineering phase of new biorefinery ongoing

Potential next generation biofuels biorefinery

Products would significantly reduce carbon footprint in the road transport and aviation

Capacity would be 500,000t of renewable fuels incl. sustainable jet fuel

Potential location in Kotka, Finland or Rotterdam, the Netherlands.
UPM Biofuels’ competitive edge to be built on resilient ecosystem and agility to select markets

NEW SUSTAINABLE BIOMASS
Sustainable and uniquely upstream integrated feedstock pool
• Additionality
• Climate-positive land use

Carbon stored to soil in each cycle

CLIMATE-POSITIVE FUELS
Efficient carbon neutral production

Cellulosic fuels
Renewable diesel, gasoline and jet fuel
E-fuels future potential

DECARBONIZED TRANSPORT AND PETROCHEMICALS
Flexibility to create maximum value from several end uses and market geographies
UPM announces its plans to become a significant producer of advanced biofuels

First investment decision UPM Lappeenranta Biorefinery
Renewable diesel made from crude tall oil

UPM Lappeenranta Biorefinery starts commercial production
Sales of UPM BioVerno launched in Finland

Feasibility study EIA-study of a possible new biorefinery at Kotka

Basic engineering starts
Two alternative sites: Kotka and Rotterdam
Several technical scopes
UPM is a large producer and consumer of energy

**Electricity**
Separate market-driven operations at UPM Energy and the energy-consuming businesses

- **Generation**
  - UPM Energy 99% CO₂-free
  - Low-emission combined heat & power plants at mills
  - Total Generation: 13.7 TWh

- **Consumption**
  - Total Consumption: 11.6 TWh

**Fuels**
72% of all fuels are renewable, from the industrial processes

- **Renewable**
  - Total Renewable: 26.1 TWh
- **Natural gas**
  - Total Natural gas: 10.3 TWh
- **Other fossil**

**Hedging**
Approx. 60% of electricity and fuel purchases hedged for the rest of 2021 and 2022

**CO₂**
due to implemented emission reductions, UPM has more emission allowances than it needs

Figures are for 2020. See Annual Report 2020 for more information.
Liquidity on 30 September 2021 was EUR 2.5bn (cash and unused committed credit facilities)

- UPM’s committed credit facilities:
  - EUR 159m rolling committed overdraft facility maturing 2022
  - EUR 750m committed syndicated revolving credit facility of which EUR 50m maturing 2025 and EUR 700m maturing 2026

No financial covenants
Maintenance shutdowns in 2020 and 2021

Significant maintenance shutdowns in 2020 and 2021

<table>
<thead>
<tr>
<th>Timing</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 20</td>
<td>Olkiluoto nuclear power plant</td>
</tr>
<tr>
<td>Q4 20</td>
<td>Kaukas pulp mill</td>
</tr>
<tr>
<td></td>
<td>Pietarsaari pulp mill</td>
</tr>
<tr>
<td>Q2 21</td>
<td>Olkiluoto nuclear power plant</td>
</tr>
<tr>
<td></td>
<td>Fray Bentos pulp mill</td>
</tr>
<tr>
<td>Q4 21</td>
<td>Kymi pulp mill</td>
</tr>
</tbody>
</table>

Maintenance shutdowns have an impact on

- Maintenance costs
- Production volumes
- Operational efficiency
UPM’s main currency exposures

- Key currency exposures USD, GBP and JPY
- Policy to hedge an average of 50% of the estimated net currency cash flow for the next 12 months

<table>
<thead>
<tr>
<th></th>
<th>USD</th>
<th>GBP</th>
<th>JPY</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>EURm</td>
<td>1,000</td>
<td>290</td>
<td>190</td>
<td>230</td>
</tr>
</tbody>
</table>
UPM Biorefining
Chemical pulp market prices

Pulp market prices, EUR

Pulp market prices, USD

Source: FOEX Indexes Ltd
UPM Energy

Cost efficient generation enables robust profitability in changing market environment

Market electricity prices vs UPM sales price

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<thead>
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</thead>
<tbody>
<tr>
<td>Comparable EBIT, EURm</td>
<td>116</td>
<td>91</td>
<td>123</td>
<td>185</td>
<td>171</td>
<td>155</td>
</tr>
<tr>
<td>% of sales</td>
<td>32.7</td>
<td>28.8</td>
<td>31.5</td>
<td>44.4</td>
<td>45.0</td>
<td>45.7</td>
</tr>
</tbody>
</table>
UPM Communication Papers

Graphic paper prices

Europe

North America

China

EUR/t
1100
1000
900
800
700
600
500
400

USD/t
1300
1200
1100
1000
900
800
700
600
500

USD/t
1300
1200
1100
1000
900
800
700
600
500

WFC r (100% chemical pulp)
Uncoated Woodfree Reels (100% chemical pulp)

Sources: PPI, RISI
Paper price vs. cash cost of marginal cost producer

Sources: PPI, RISI, Pöyry