## 2021 was a strong year for UPM

### 2021 vs. 2020:

<table>
<thead>
<tr>
<th>Category</th>
<th>2021</th>
<th>Change</th>
<th>2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>EUR 9,814m</td>
<td>+14%</td>
<td>EUR 9,153m</td>
<td>+14%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>EUR 1,821m</td>
<td>+26%</td>
<td>EUR 1,446m</td>
<td>+26%</td>
</tr>
<tr>
<td>Comparable EBIT</td>
<td>EUR 1,471m</td>
<td>+55%</td>
<td>EUR 949m</td>
<td>+55%</td>
</tr>
<tr>
<td>Comparable EPS</td>
<td>EUR 2.22</td>
<td>+62%</td>
<td>EUR 1.38</td>
<td>+62%</td>
</tr>
<tr>
<td>Comparable ROE</td>
<td>11.7%</td>
<td>+4.2pp</td>
<td>7.5%</td>
<td>+4.2pp</td>
</tr>
<tr>
<td>Operating cash flow</td>
<td>EUR 1,250m</td>
<td>+245m</td>
<td>EUR 971m</td>
<td>+245m</td>
</tr>
<tr>
<td>Net debt</td>
<td>EUR 647m</td>
<td>+591m</td>
<td>EUR 65m</td>
<td>+591m</td>
</tr>
<tr>
<td>Net debt / EBITDA</td>
<td>0.35x</td>
<td>+0.31x</td>
<td>0.38x</td>
<td>+0.31x</td>
</tr>
</tbody>
</table>
Our focus areas

ENSURING PERFORMANCE

TRANSFORMATIVE GROWTH PROJECTS
Earnings back to strong pre-pandemic levels

- **Comparable EBIT**
  - Target: EBIT growth

- **Comparable ROE**
  - Target: 10%

- **Net debt and leverage**
  - Target: EBIT growth policy: ≤ 2x
  - Net debt/EBITDA (x): 3.0
Five out of six business areas exceeded their long-term return targets

<table>
<thead>
<tr>
<th>Year</th>
<th>UPM Energy</th>
<th>UPM Biorefining</th>
<th>UPM Specialty Papers</th>
<th>UPM Communication Papers</th>
<th>UPM Plywood</th>
<th>UPM Raflatac</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>6</td>
<td>4</td>
<td>4</td>
<td>8</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>2017</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>2019</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>2021</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>

* Shareholdings in UPM Energy valued at fair value
Dividend proposal: EUR 1.30 per share

Long term dividend policy
• UPM aims to pay an attractive dividend, 30–40% of operating cash flow per share

Dividend proposal for 2021
• EUR 1.30 (1.30) per share, totalling EUR 693m
  • 55% of 2021 operating cash flow
Q4 2021: earnings back to strong pre-pandemic levels

• Sales increased by 22% to EUR 2,673m (2,188m in Q4 2020)
• Comparable EBIT increased by 83% to EUR 461m, 17.2% of sales (252m, 11.5%)
• Operating cash flow was EUR 406 million (347 million)
• The unprecedented energy market situation enabled UPM Energy to reach record earnings but added to the paper businesses' costs
• The fair value of UPM's sustainably managed forests increased by EUR 103m due to higher wood volume, growth, and price estimates
Comparable EBIT in Q4 2021

<table>
<thead>
<tr>
<th></th>
<th>Q4/20</th>
<th>Q4/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices</td>
<td>252</td>
<td>424</td>
</tr>
<tr>
<td>Volumes</td>
<td>11.5%</td>
<td>16.8%</td>
</tr>
<tr>
<td>Currency, net impact</td>
<td>461</td>
<td>17.2%</td>
</tr>
<tr>
<td>Fixed costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation, forests, plantations, other</td>
<td>461</td>
<td>17.2%</td>
</tr>
</tbody>
</table>
Comparable EBIT by business area
Labour markets in Finland – focus on mutually beneficial outcomes to support future growth and competitiveness

• We aim to negotiate business-specific agreements with focus on mutually beneficial outcomes that will enable each business and their employees to prosper well into the future, into the 2030s.

• At UPM Plywood and UPM Timber, agreements benefitting both the employees and the businesses were signed with the Industrial Union in December 2021.

• The Paperworkers’ Union is aiming to negotiate a single group-level agreement with the corporation. Unfortunately, this has led to a strike lasting several weeks.

• During the strike we have been serving our customers from our mills outside Finland as much as possible.
Outlook for 2022

- UPM’s earnings recovered to the strong pre-pandemic level in 2021 and overall, 2022 is expected to be another good year for the company.

- There are significant uncertainties in the outlook for 2022, related to the ongoing pandemic, continuation of the global economic recovery, the unusual energy market situation, tight raw material supply chains and the labour negotiations in Finland.

- Good demand is expected to continue for most UPM products in 2022. In the early part of the year, production and earnings are affected by the strike at the Finnish units of UPM Pulp, UPM Biofuels, UPM Raflatac, UPM Specialty Papers and UPM Communication Papers.

- Sales prices for many UPM products are expected to increase in the beginning of 2022, most notably the graphic and specialty paper prices. Sales prices for pulp and energy are expected to continue on good levels in the early part of the year.

- Many variable cost items are expected to increase in 2022 or stay at elevated level. UPM will continue to manage margins with product pricing, optimising its product and market mix, efficient use of assets as well as by taking measures to improve variable and fixed cost efficiency.

- UPM’s comparable EBIT in H1 2022 is expected to be on similar level compared to H1 2021.
Transformation proceeds at full speed – business mix drives earnings and shareholder value

Spearheads for growth

Operating model

Performance
Balance sheet

Focused growth
Innovation

Communication
Papers

Growing
businesses

Gross sales 2009

Gross sales 2021

Future sales *

EUR 9.6bn

EUR 11.0bn

60%

33%

67%

5%

5-year average EBIT margin (2017-21)

17%

Spearheads for growth*)

EBIT margin >20%*)

*) This is an illustration, not a forecast
UPM Paso de los Toros completion plan refined, strong investment case confirmed

One of the most competitive mills in the world with cash cost level of USD 280 per delivered tonne of pulp

USD 3.47 billion investment in Uruguay

Pulp mill in Paso de los Toros, deep seaport 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 by the end of Q1 2023

Pulp is used in tissue, specialty and packaging papers, for example
Progress in UPM Paso de los Toros and the Montevideo port
UPM Leuna project schedule updated, keen market interest confirms the growth strategy

100% wood-based biochemicals refinery responding to strongly growing demand for sustainable solutions

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 2023
Progress in UPM Leuna
Transformative growth projects in the most intensive phase in 2021-22

Capex estimate for 2022

- Total EUR 1,500m
- Includes EUR 1,300m on the transformative growth projects, pulp in Uruguay and biochemicals in Germany
- Operational investment needs consistently low
Site assessment completed for the potential next generation biofuels refinery

- Work continues in Rotterdam, where the operating environment is more favourable for the biofuels business
- The current investment environment is very challenging for major projects like this. Therefore, we are not planning to make further decisions until the end of 2022
Building business platform for the innovation-driven businesses as of Q1 2022

**UPM FIBRES**

- **UPM Pulp**  
  pulp for tissue, specialty and packaging papers.

- **UPM Timber**  
  certified sawn timber for joinery, packaging, furniture and construction.

**UPM BIOREFINING** (reported as part of Other operations)

- **UPM Biofuels**  
  renewable diesel for all diesel engines and renewable naphtha for petrochemical industry.

- **UPM Biochemicals**  
  wood-based biochemicals for replacing fossil-based raw materials.

- **UPM Biomedicals**  
  wood-based biomedical products for a variety of uses.

- **UPM Biocomposites**  
  composite decking materials based on recycled waste.
Long-term value creation driven by our spearheads for growth

**SPECIALITY PACKAGING MATERIALS**
- Label materials
- Specialty papers

**FIBRES**
- Forests
- Pulp

**BIOREFINING**
- Biofuels
- Biochemicals
- Biomedicals
- Biocomposites

- Communication papers
- Plywood
- Energy
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.
Summary

- 2021 earnings returned back to strong pre-pandemic levels and performance exceeded the financial targets
- 2022 is expected to be another good year for UPM
- In the labour negotiations in Finland, UPM aims for mutually beneficial outcomes that support future growth and competitiveness
- The investment cases for UPM’s Paso de los Toros pulp mill and Leuna biochemicals projects remain very attractive
- UPM updates the projects’ completion schedules owing to the successive waves of the pandemic and global supply chain bottlenecks
UPM by business area in 2021

Sales
- Biorefining
- Energy
- Raflatac
- Specialty Papers
- Communication Papers
- Plywood
- Other

Comparable EBIT
- Biorefining
- Energy
- Raflatac
- Specialty Papers
- Communication Papers
- Plywood
- Other

Capital employed
- Biorefining
- Energy
- Raflatac
- Specialty Papers
- Communication Papers
- Plywood
- Other

EUR 9,814m
EUR 1,471m
EUR 12,657m (average)
UPM business model delivers performance also in exceptional circumstances

Comparable EBIT by business area

- **UPM Biorefining**
  - EURm: 900 to 750
  - % of sales: 30 to 10
  - Years: 2014 to 2021

- **UPM Communication Papers**
  - EURm: 400 to 300
  - % of sales: 10.0 to 0
  - Years: 2014 to 2021

- **UPM Specialty Papers**
  - EURm: 300 to 250
  - % of sales: 15.0 to 0
  - Years: 2014 to 2021

- **UPM Plywood**
  - EURm: 150 to 125
  - % of sales: 15.0 to 12.5
  - Years: 2014 to 2021

- **UPM Energy**
  - EURm: 300 to 250
  - % of sales: 60 to 50
  - Years: 2014 to 2021

- **UPM Raflatac**
  - EURm: 300 to 250
  - % of sales: 15.0 to 12.5
  - Years: 2014 to 2021
Comparable EBIT in 2021 vs. 2020

<table>
<thead>
<tr>
<th>Component</th>
<th>2020</th>
<th>2021</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices</td>
<td>948</td>
<td>1,471</td>
<td>523</td>
<td>15.0%</td>
</tr>
<tr>
<td>Variable costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volumes</td>
<td>1,100</td>
<td>1,471</td>
<td>371</td>
<td>33.7%</td>
</tr>
<tr>
<td>Fixed costs</td>
<td>222</td>
<td>221</td>
<td>-1</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Currency, net impact</td>
<td>140</td>
<td>140</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Depr., forests, plantations, other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Comparable EBIT in EURm.
Robust cash flow

- Q4 2021 operating cash flow was EUR 406m (347m in Q4 2020)
- Working capital decreased by EUR 91m (decreased by 72m in Q4 2020)
- 2021 operating cash flow was EUR 1,250m (1,005m in 2020)
- Working capital increased by EUR 115m (increased by 93m)
Strong financial position

- Net debt EUR 647m at the end of 2021
- Cash funds and committed credit facilities EUR 2.5bn at the end of 2021
- UPM issued a EUR 500m Green Bond in Q1 2021
- No financial covenants
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
Industry leader in responsibility
### UPM Fibres Q1-Q4/21 restated

<table>
<thead>
<tr>
<th>UPM Biorefining (1.1.2022 UPM Fibres)</th>
<th>Q1-Q4/21 as published</th>
<th>Q1-Q4/21 restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales EURm</td>
<td>2,945</td>
<td>2,794</td>
</tr>
<tr>
<td>Comparable EBITDA, EURm</td>
<td>1,016</td>
<td>961</td>
</tr>
<tr>
<td>% of sales</td>
<td>35</td>
<td>34</td>
</tr>
<tr>
<td>Comparable EBIT, EURm</td>
<td>817</td>
<td>781</td>
</tr>
<tr>
<td>% of sales</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Capital employed (average), EURm</td>
<td>4,437</td>
<td>4,277</td>
</tr>
<tr>
<td>Comparable ROCE, %</td>
<td>18</td>
<td>18</td>
</tr>
</tbody>
</table>
## Other operations Q1-Q4/21 restated

<table>
<thead>
<tr>
<th>Other operations</th>
<th>Q1-Q4/21 as published</th>
<th>Q1-Q4/21 restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales EURm</td>
<td>280</td>
<td>483</td>
</tr>
<tr>
<td>Comparable EBITDA, EURm</td>
<td>-19</td>
<td>36</td>
</tr>
<tr>
<td>Comparable EBIT, EURm</td>
<td>76</td>
<td>113</td>
</tr>
<tr>
<td>Capital employed (average), EURm</td>
<td>1,992</td>
<td>2,152</td>
</tr>
<tr>
<td>Comparable ROCE, %</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
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*)
  – 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

*) including variable and fixed costs of plantation operations, wood sourcing, mill operations and logistics delivered to the main markets
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 Rotterdam, the Netherlands
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: 13.7 TWh (99% CO₂-free)
  - Low-emission combined heat & power plants at mills: 5.0 TWh

- **Consumption**
  - 11.6 TWh

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

- **Renewable**
  - 26.1 TWh

- **Fossil**
  - 10.3 TWh

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 31 December 2021 was EUR 2.5bn (cash, funds and unused committed credit facilities)

UPM’s committed credit facilities:
- EUR 159m rolling committed overdraft facility maturing 2023
- EUR 750m committed syndicated revolving credit facility of which EUR 50m maturing 2025 and EUR 700m maturing 2026

No financial covenants
Maintenance shutdowns in 2021 and 2022

Significant maintenance shutdowns in 2021 and 2022

<table>
<thead>
<tr>
<th>Timing</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 21</td>
<td>Olkiluoto nuclear power plant</td>
</tr>
<tr>
<td></td>
<td>UPM Fray Bentos pulp mill</td>
</tr>
<tr>
<td>Q4 21</td>
<td>UPM Kymi pulp mill</td>
</tr>
<tr>
<td>Q2 22</td>
<td>Olkiluoto nuclear power plant</td>
</tr>
<tr>
<td></td>
<td>UPM Kaukas pulp mill</td>
</tr>
<tr>
<td></td>
<td>UPM Pietarsaari pulp mill</td>
</tr>
<tr>
<td>Q3 22</td>
<td>UPM Fray Bentos pulp mill</td>
</tr>
<tr>
<td>Q4 22</td>
<td>UPM Lappeenranta Biorefinery</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

Estimated annual foreign currency net cash flow, before hedging

<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>1,170</td>
<td>360</td>
<td>170</td>
<td>180</td>
</tr>
</tbody>
</table>
UPM Biorefining

Chemical pulp market prices

Pulp market prices, EUR

Pulp market prices, USD

Source: FOEX Indexes Ltd
Cost efficient generation enables robust profitability in changing market environment

![Graph showing market electricity prices vs UPM sales price]

### UPM Energy Profitability

<table>
<thead>
<tr>
<th>Year</th>
<th>Comparable EBIT, EURm</th>
<th>% of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>116</td>
<td>32.7</td>
</tr>
<tr>
<td>2017</td>
<td>91</td>
<td>28.8</td>
</tr>
<tr>
<td>2018</td>
<td>123</td>
<td>31.5</td>
</tr>
<tr>
<td>2019</td>
<td>185</td>
<td>44.4</td>
</tr>
<tr>
<td>2020</td>
<td>171</td>
<td>45.0</td>
</tr>
<tr>
<td>2021</td>
<td>270</td>
<td>51.3</td>
</tr>
</tbody>
</table>
Graphic paper prices

**Europe**

- News
- SC
- LWC
- WFC
- WFU

**North America**

- News
- SC
- LWC
- WFC
- WFU

**China**

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

Sources: PPI, RISI
UPM Communication Papers

Paper price vs. cash cost of marginal cost producer

Sources: PPI, RISI, Pöyry