

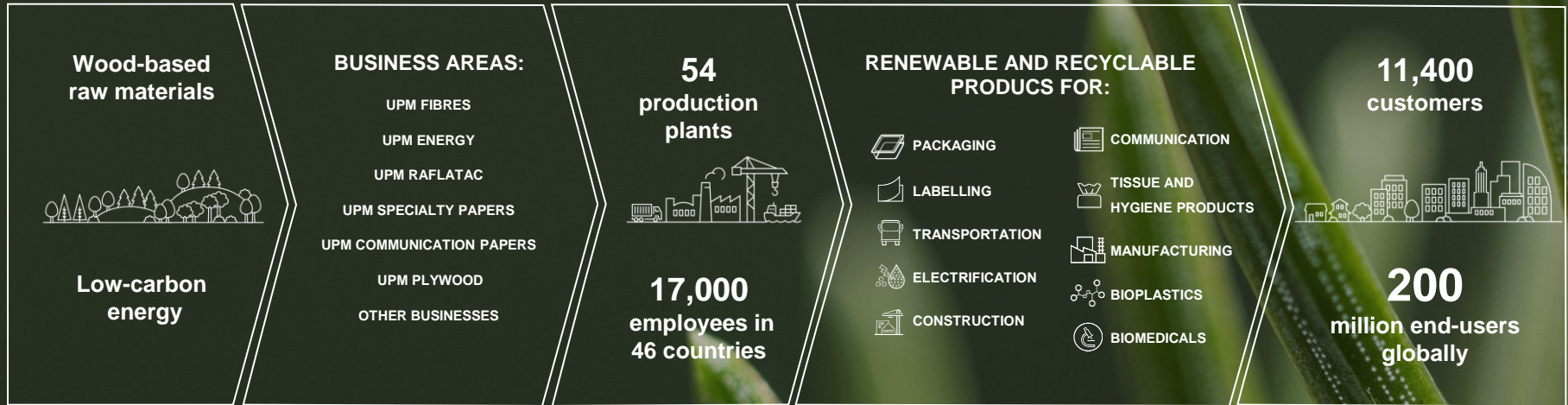
# WE CREATE A FUTURE BEYOND FOSSILS

Investor presentation  
July 2022



# This is UPM

SALES 2021  
EUR 9.8 BILLION







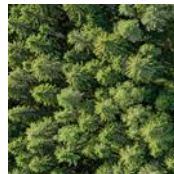
# Our businesses



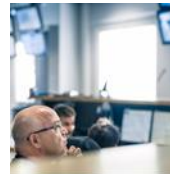
**UPM Pulp**  
A versatile range of chemical pulp for many growing end uses



**UPM Timber**  
Certified sawn timber



**UPM Forest**  
Sourcing wood raw material for sustainable and recyclable products



**UPM Energy**  
Low-emission electricity generation of hydro, nuclear and thermal power



**UPM Raflatac**  
Self-adhesive label materials for promotion, information and functional labelling



**UPM Specialty Papers**  
Labelling materials, release base papers, flexible packaging papers, office and graphic papers



**UPM Communication Papers**  
Magazine paper, newsprint and fine papers for a wide range of end uses



**UPM Plywood**  
Plywood and veneer products for construction, vehicle flooring and LNG shipbuilding



**UPM Biofuels**  
Wood-based renewable diesel and naphtha



**UPM Biochemicals**  
Glycols, lignin products, renewable functional fillers



**UPM Biomedicals**  
Wood-based biomedical products for medical and life science applications



**UPM Biocomposites**  
UPM ProFi decking materials and UPM Formi composite material

# Biofore strategy

Biofore strategy drives our transformation as a bioeconomy frontrunner.

We seek sustainable growth by enabling our customers and consumers to make more sustainable choices.

High performance, innovations and world-leading responsibility are the cornerstones. We create a future beyond fossils.

## 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

- Effective capital allocation
- Investing in businesses with strong long-term fundamentals for growth and high barriers to entry

### VALUES

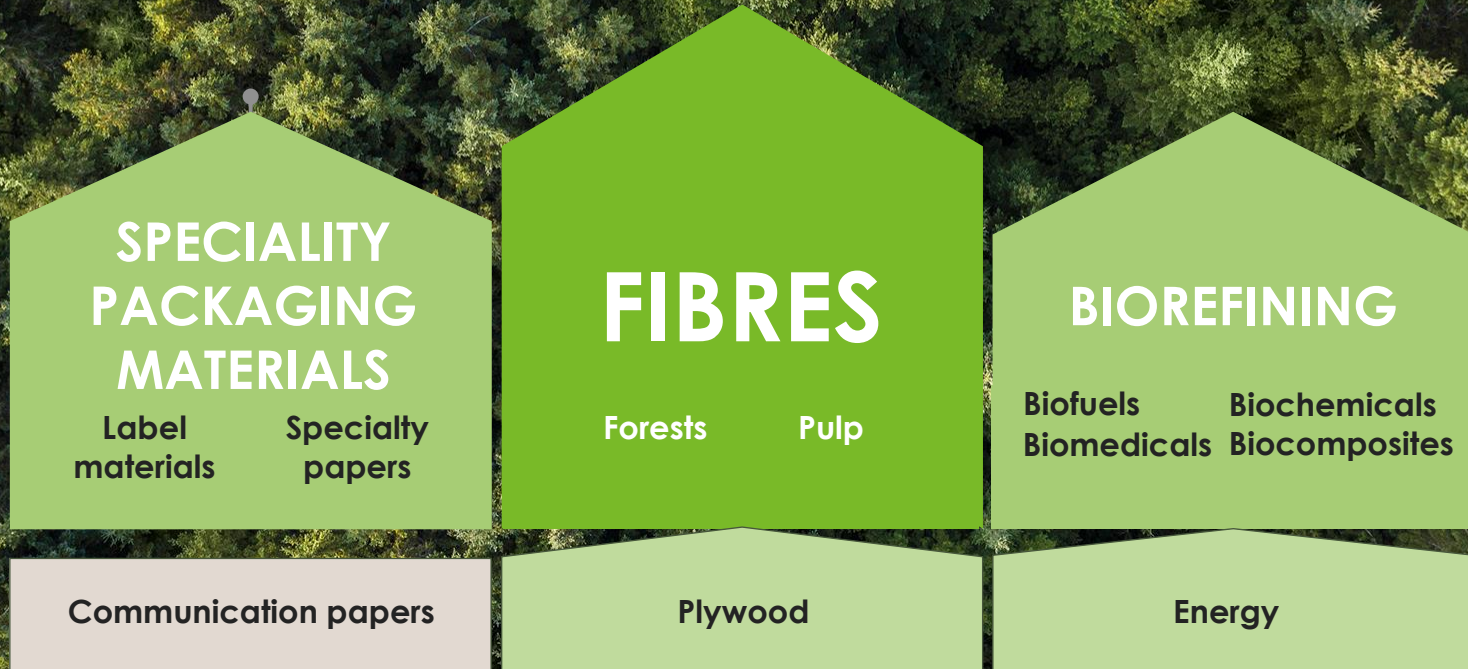
Trust and be trusted

Achieve together

Renew with courage



# Long-term value creation driven by our spearheads for growth





# Our climate commitment



## WE ACT THROUGH FORESTS

Committed to climate-positive forestry and enhancing biodiversity



## WE ACT THROUGH EMISSION REDUCTIONS

-65% from own CO<sub>2</sub> emissions  
-30% from CO<sub>2</sub> emissions of supply chain



## WE ACT THROUGH PRODUCTS

Innovative products  
Scientifically verifying the climate impact of all our products



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

**BUSINESS AMBITION FOR 1.5°C**   **OUR ONLY FUTURE**

**THE Paris...  
CLIMATE 10 years  
PLEDGE Early**



# Leader in responsibility

**MSCI**  
ESG RATINGS



Global Compact  
**LEAD**  
2021 PARTICIPANT

Member of  
**Dow Jones**  
**Sustainability Indices**

Powered by the S&P Global CSA

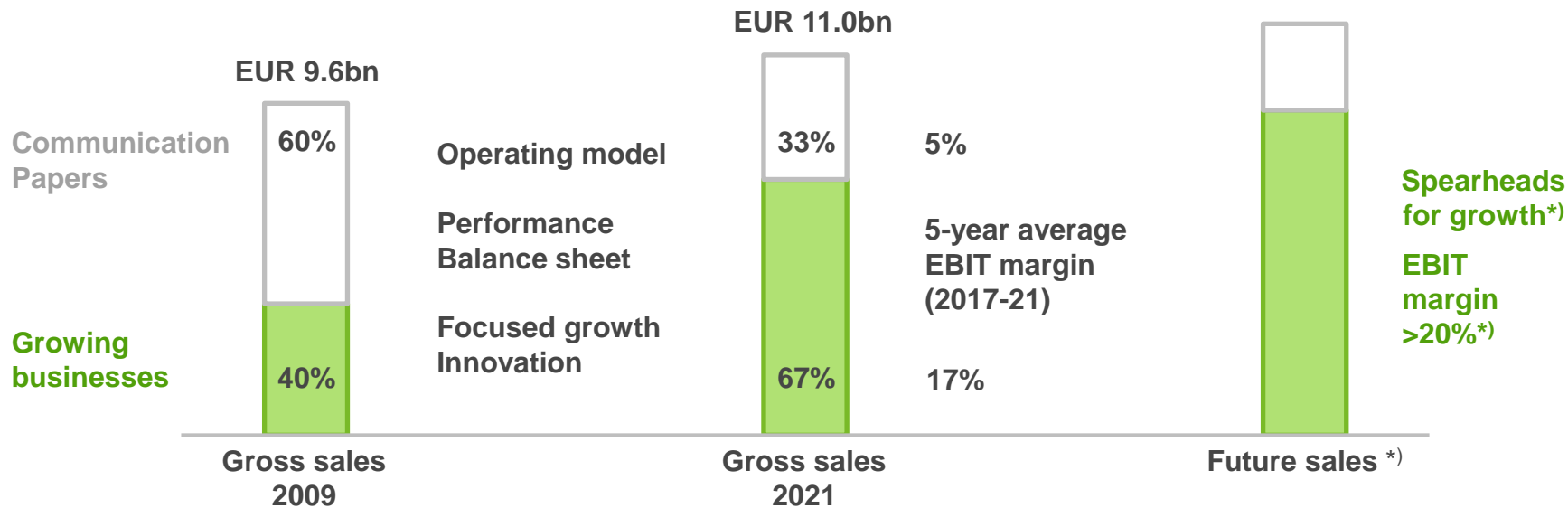
**Sustainability Award**  
Gold Class 2022

**S&P Global**





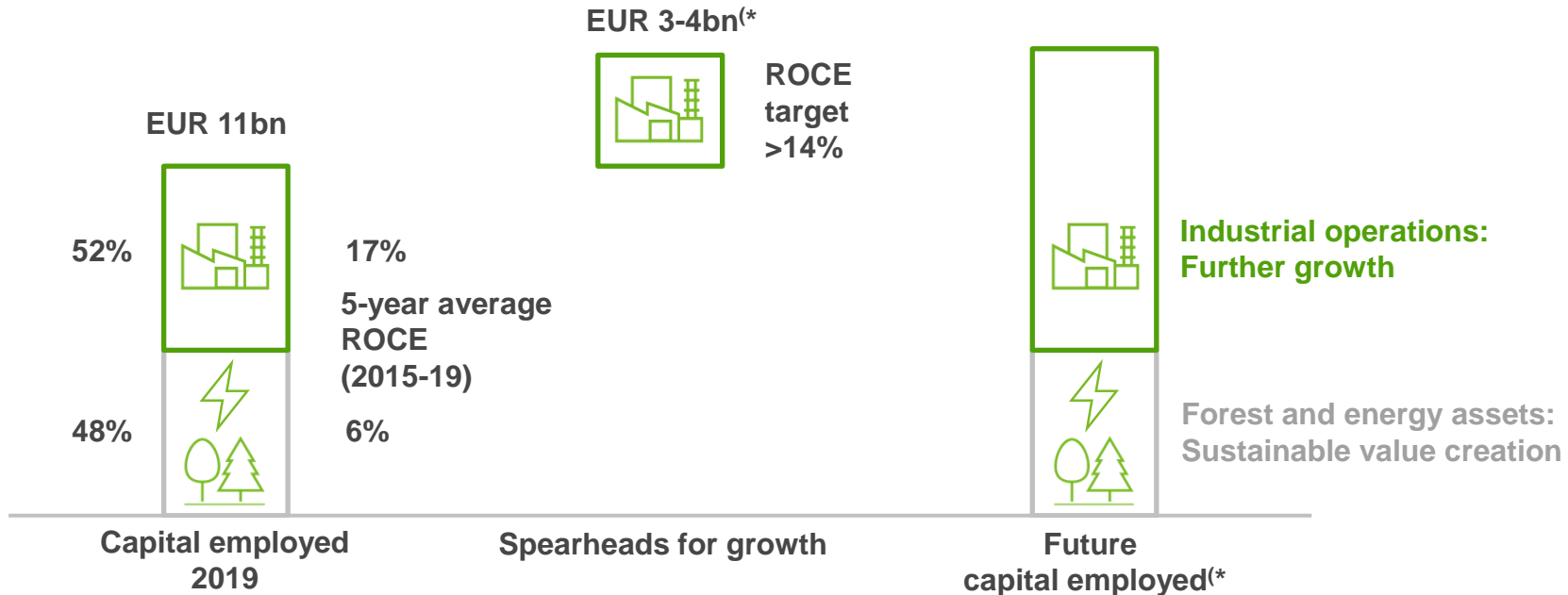
# Transformation proceeds at full speed – business mix drives earnings and shareholder value



\*) This is an illustration, not a forecast

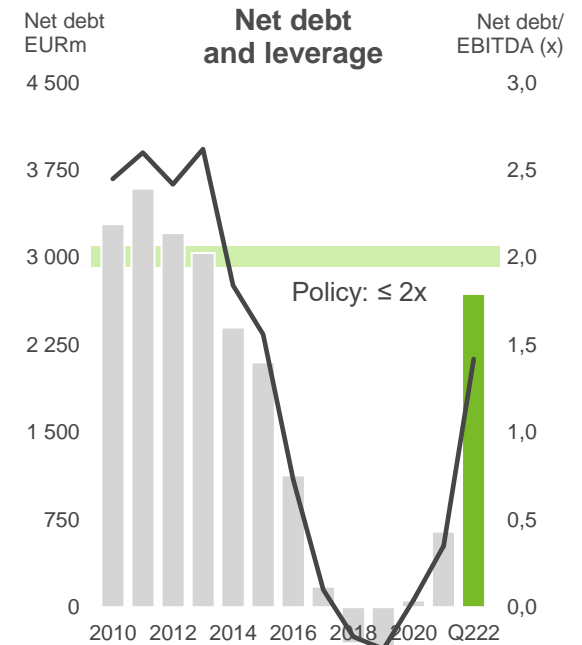
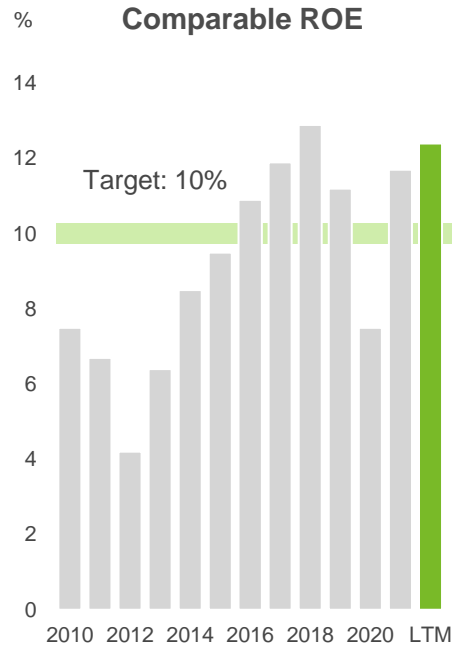
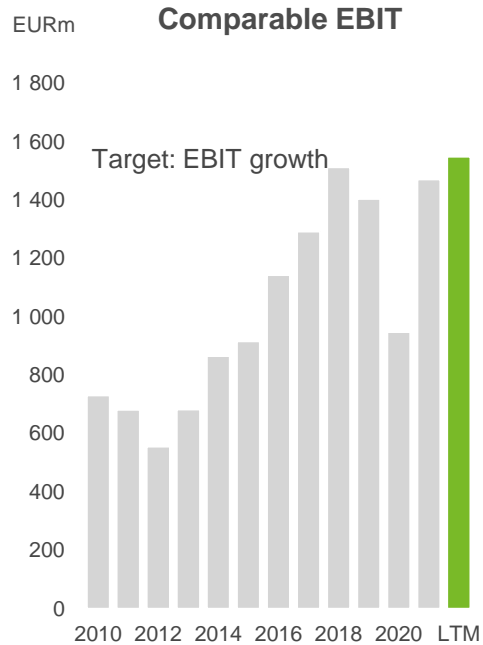


# Transformation improves UPM's asset mix, driving returns



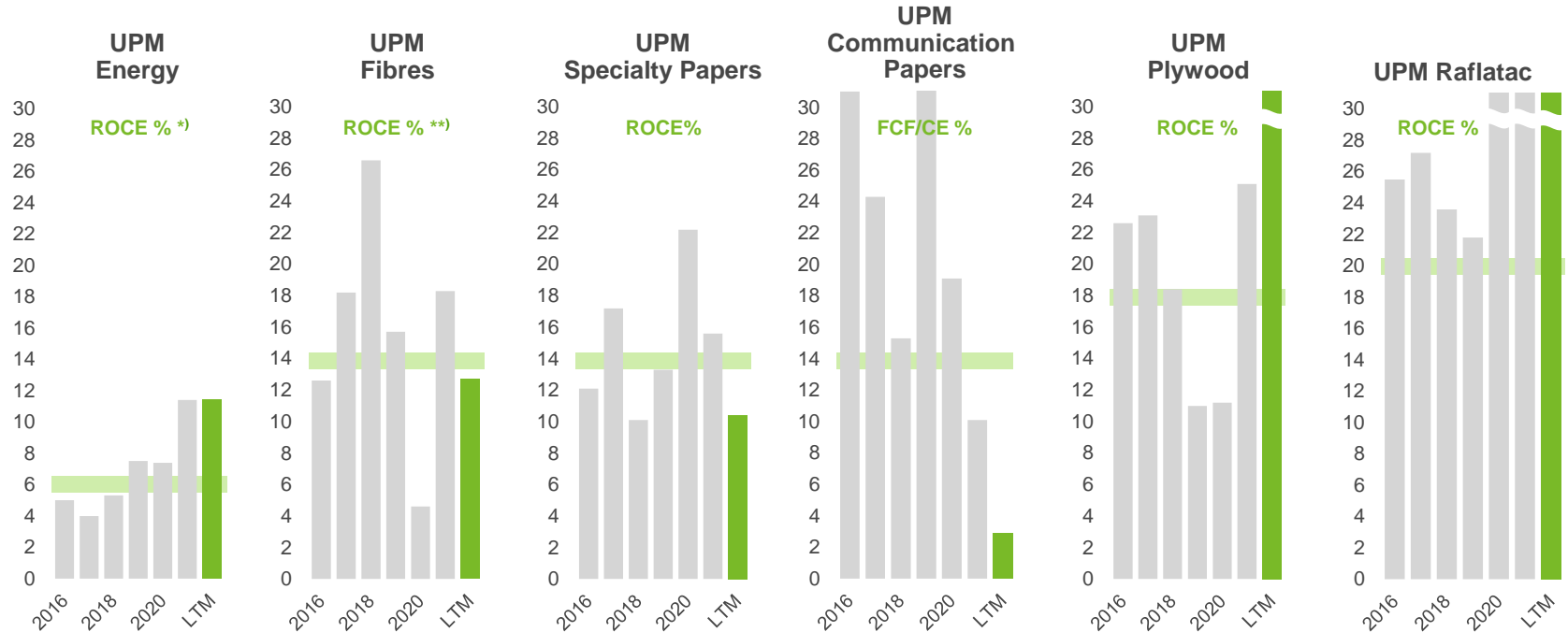
<sup>(\*)</sup> This is an illustration, not a forecast

# Earnings back to strong pre-pandemic levels





# Business area long-term return targets



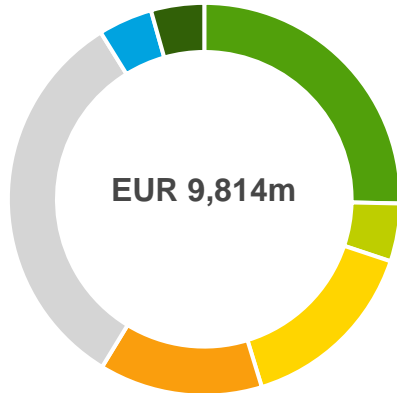
\*) shareholdings in UPM Energy valued at fair value

\*\*) Year 2021 restated, UPM Biofuels moved into Other Operations as of 1 January 2022.

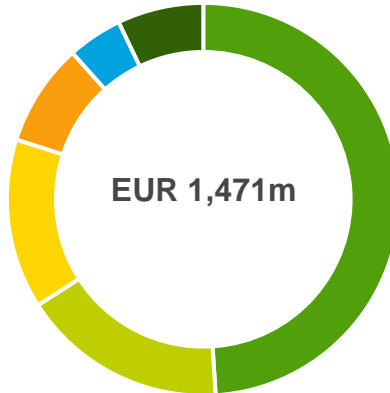
Long-term return target

# UPM by business area in 2021

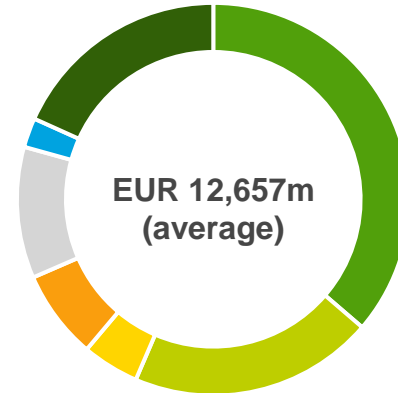
Sales



Comparable EBIT



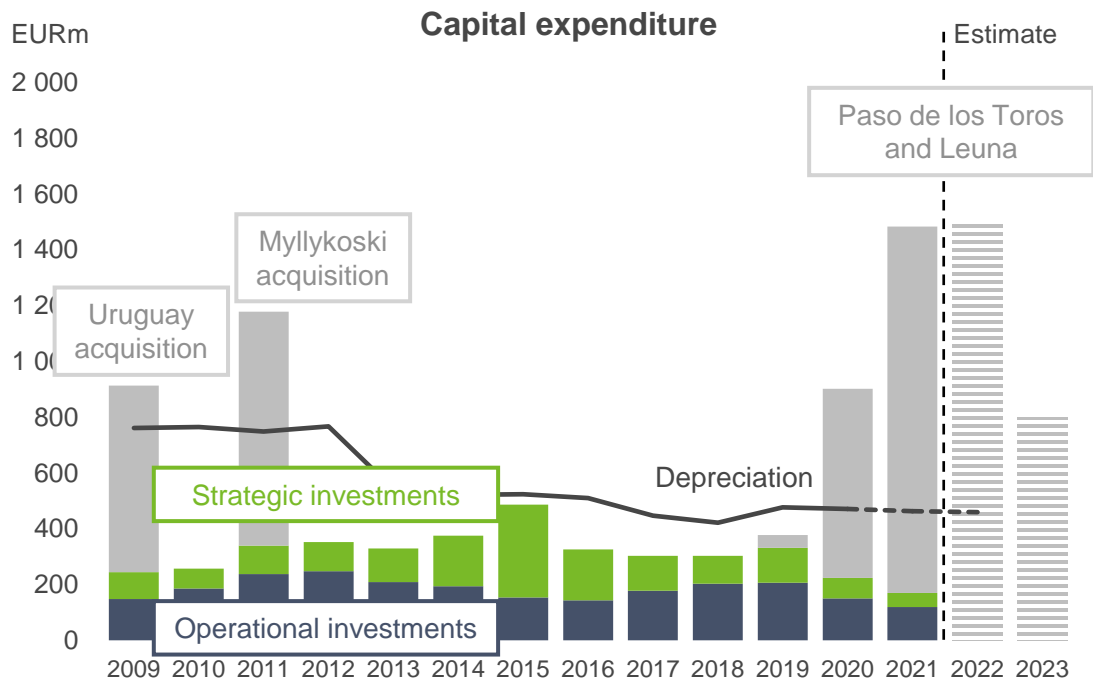
Capital employed



■ Biorefining 
 ■ Energy 
 ■ Raflatac 
 ■ Specialty Papers 
 ■ Communication Papers 
 ■ Plywood 
 ■ Other



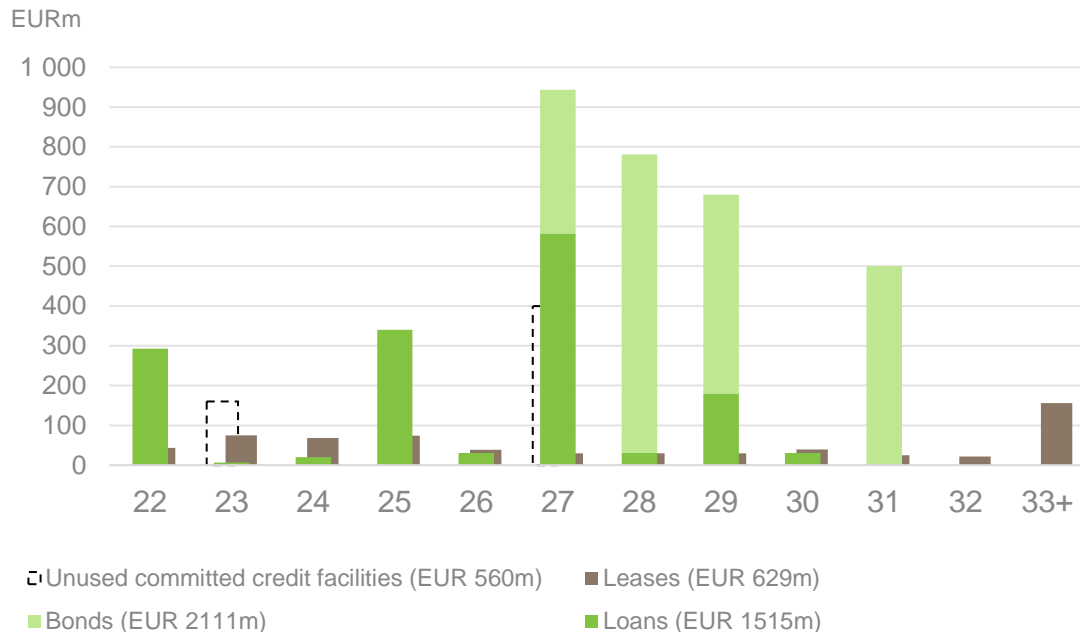
# Transformative growth projects in the most intensive phase in 2021-2022



## 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

# Maturity profile and liquidity



Liquidity on 30 June 2022 was EUR 1.5bn (cash funds and unused committed credit facilities)

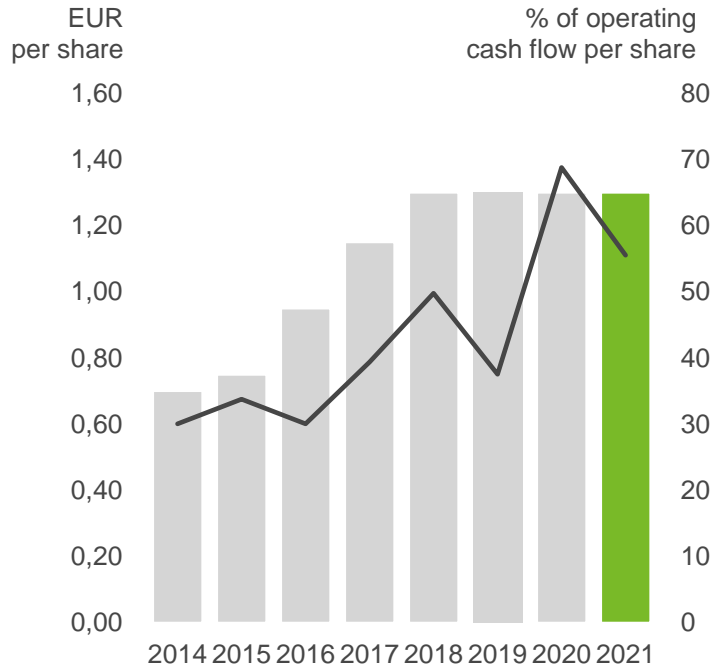
UPM's committed credit facilities:

- EUR 160m rolling committed overdraft facility maturing 2023
- EUR 500m bilateral revolving credit facilities (EUR 300m maturing 2025 and EUR 200m maturing 2027)
- EUR 750m committed syndicated revolving credit facility maturing 2027

No financial covenants



# Dividend: EUR 1.30 per share



## Long term dividend policy

- UPM aims to pay an attractive dividend, 30–40% of operating cash flow per share

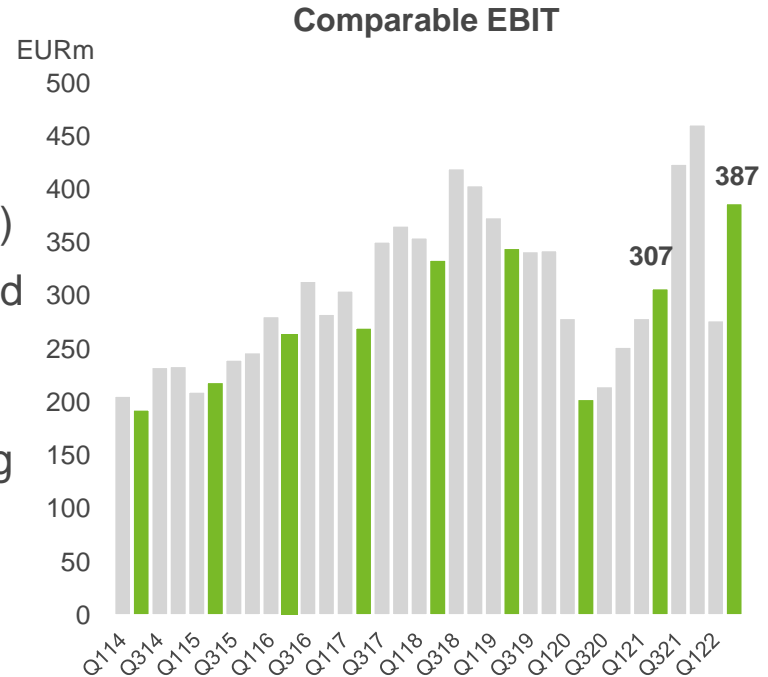
## Dividend for 2021

- EUR 1.30 (1.30) per share, totalling EUR 693m
- 55% of 2021 operating cash flow

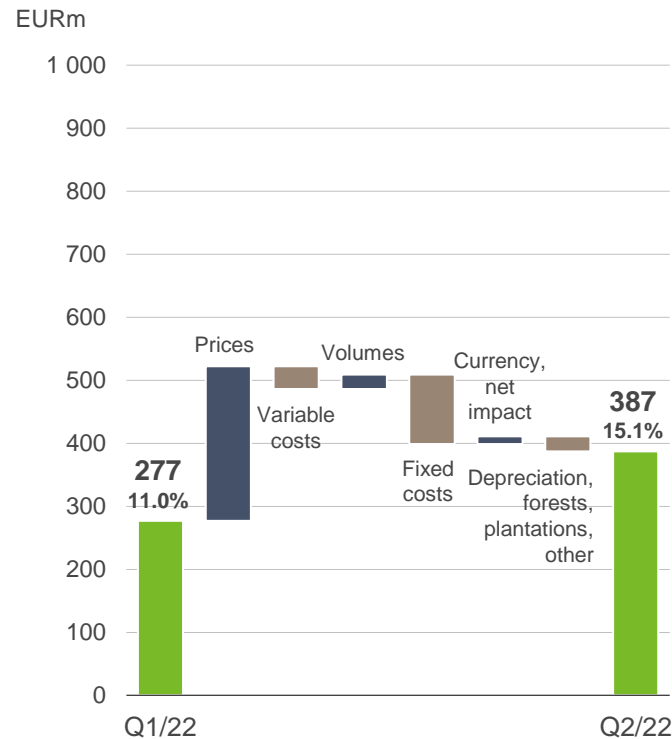
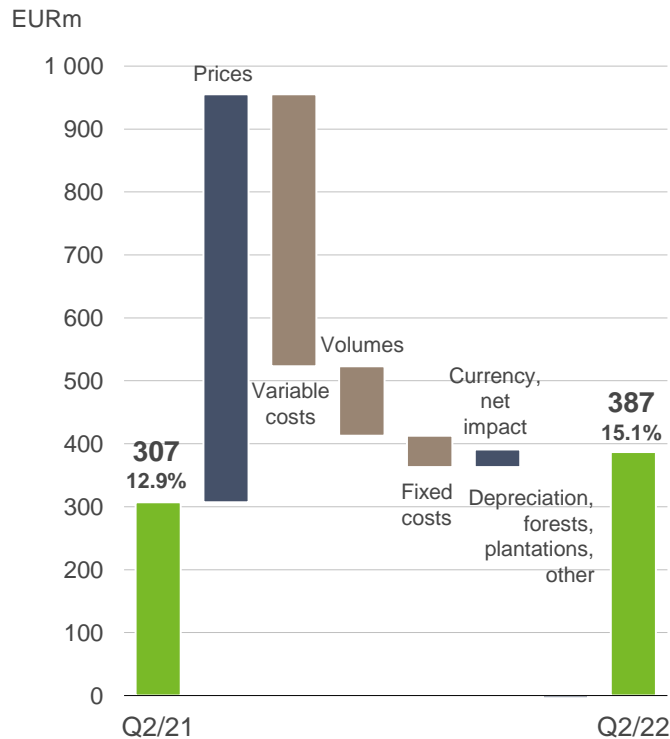
# Record Q2 earnings with successful margin management in exceptional business environment



- Sales increased by 7% to EUR 2,562m (2,384m in Q2 2021)
- Comparable EBIT grew by 26% to EUR 387 million, 15.1% of sales (307m, 12.9%)
- Sales prices increased in all business areas and more than offset the negative impact of higher variable costs
- Only one month of normal full production during H1 2022
- Transformative growth projects in Uruguay and in Germany proceed well



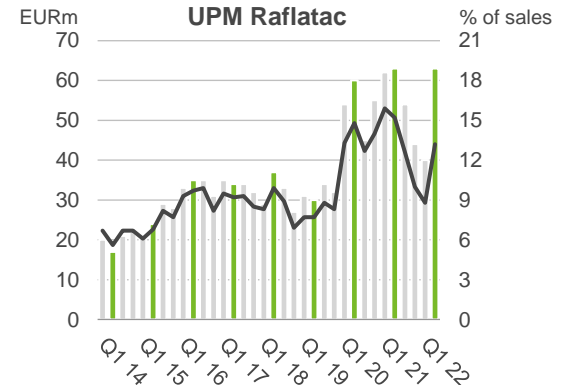
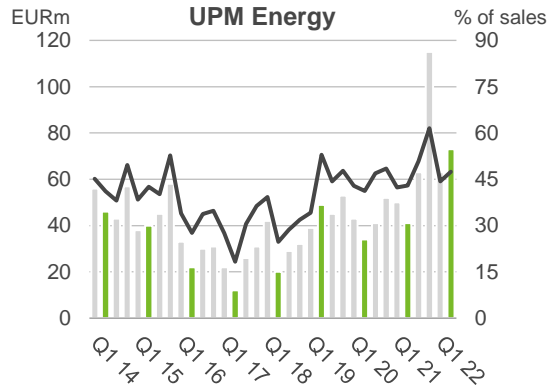
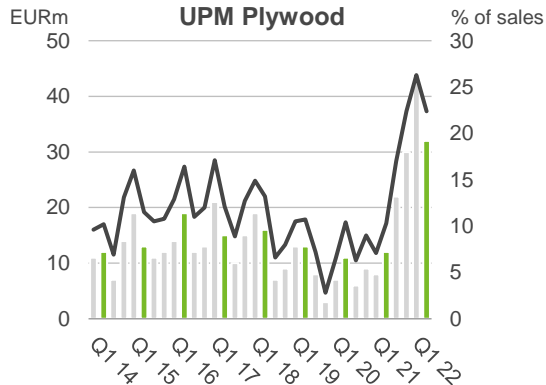
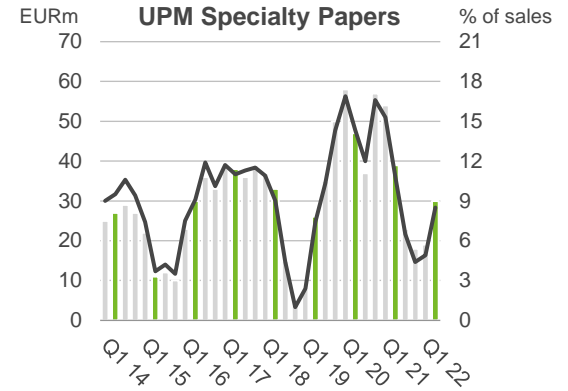
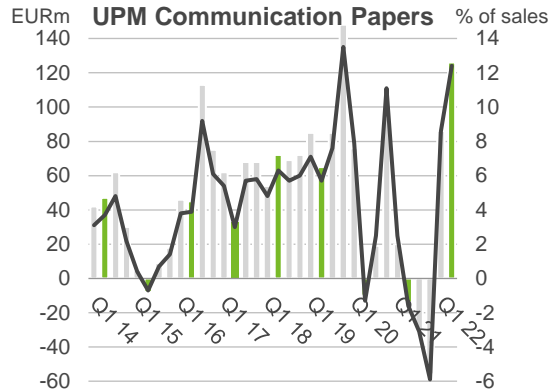
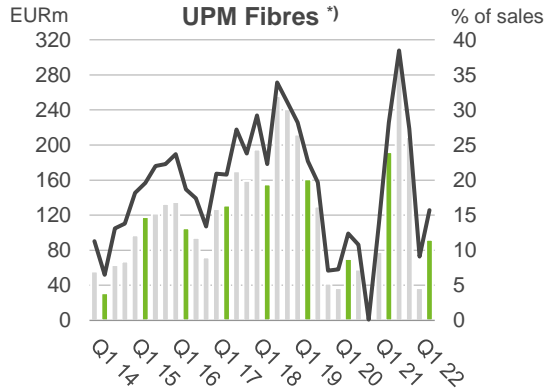
# Comparable EBIT in Q2 2022



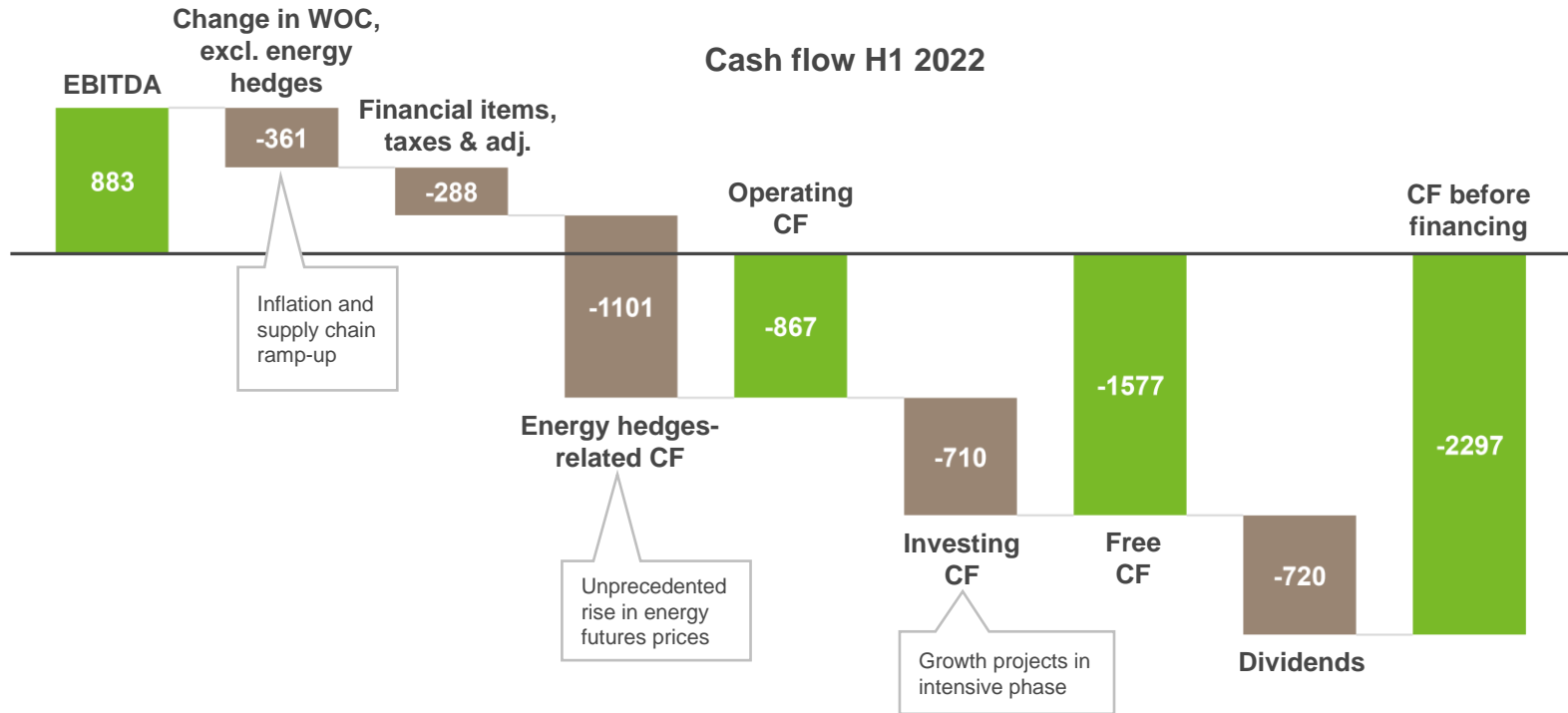




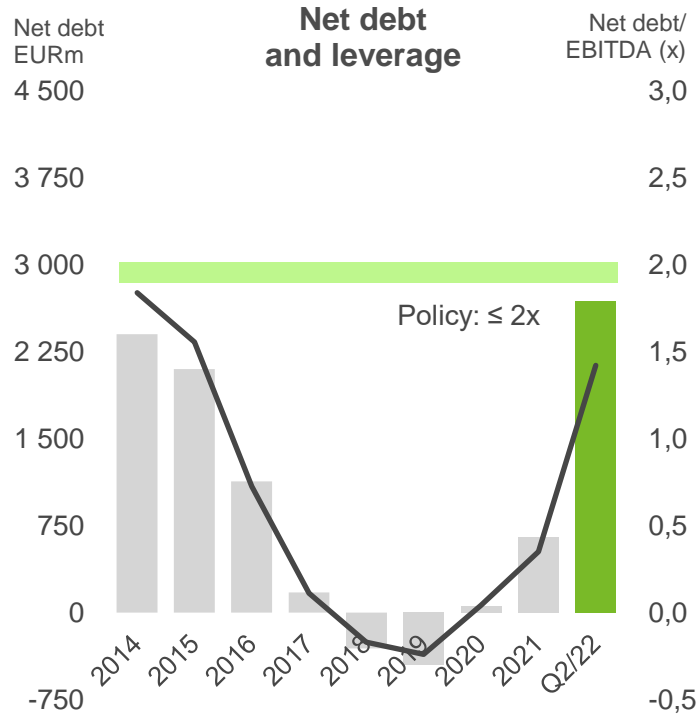
# Comparable EBIT by business area



# H1 2022 cash flow impacted by unprecedented rise in energy futures prices



# Strong financial position, net debt temporarily impacted by the timing of cash flows



- Net debt EUR 2,688m at the end of Q2 2022
- Net debt / EBITDA 1.42
- Cash funds and committed credit facilities EUR 1.5bn at the end of Q2 2022
- Additional two credit facilities signed in July totalling EUR 0.5bn
- No financial covenants



# Outlook for 2022



- UPM's comparable EBIT is expected to increase in 2022 from 2021, and in H2 2022 from H2 2021.
- Significant uncertainties remain in the outlook for 2022, related to the war in Ukraine, the ongoing pandemic, growth in the European and global economy, the energy prices and availability in Europe, the start-up of the OL3 power plant unit, and the tight raw material and logistics markets.
- In the first half of the year, production was significantly affected by the strike at the Finnish units of UPM Pulp, UPM Biofuels, UPM Raflatac, UPM Specialty Papers and UPM Communication Papers. This no longer limits production and as a result, UPM's delivery volumes are expected to increase in H2 2022 from H1 2022. In the full-year 2022 result, the estimated impact of the strike is not material.
- Sales prices and variable costs are expected to be higher in H2 2022 than in H1 2022 in most of UPM businesses. 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 impacts of Russia's war in Ukraine

We have started providing humanitarian and material support to Ukraine

UPM Raflatac's distribution terminal in the Kyiv region has been closed until further notice

For the time being, UPM has decided to suspend:

- its deliveries to Russia
- purchasing of wood in and from Russia
- operations at its Chudovo plywood mill

In 2021, UPM's sales to Russia and Ukraine combined was approx. 2%

Assets in Russia were less than 1%

Less than 10% of UPM's wood sourcing to Finland originated from Russia

Q1/22 items affecting comparability: EUR 95m impairment charges

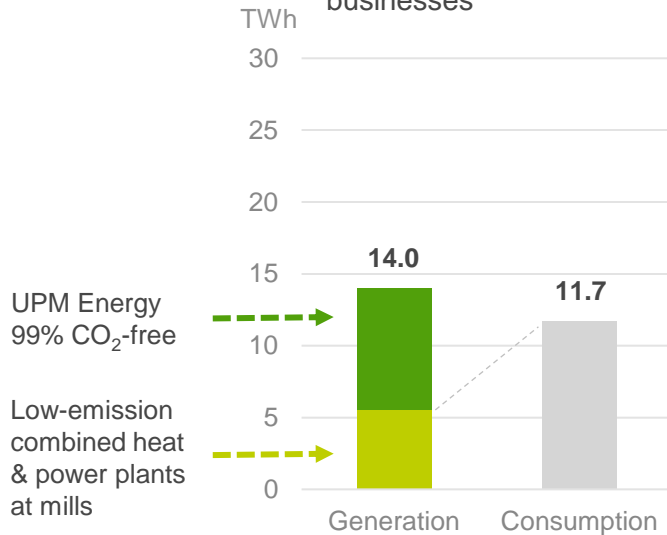
Q1/22 comparable EBIT: EUR 17m provision on expected credit losses

# UPM is a large producer and consumer of energy



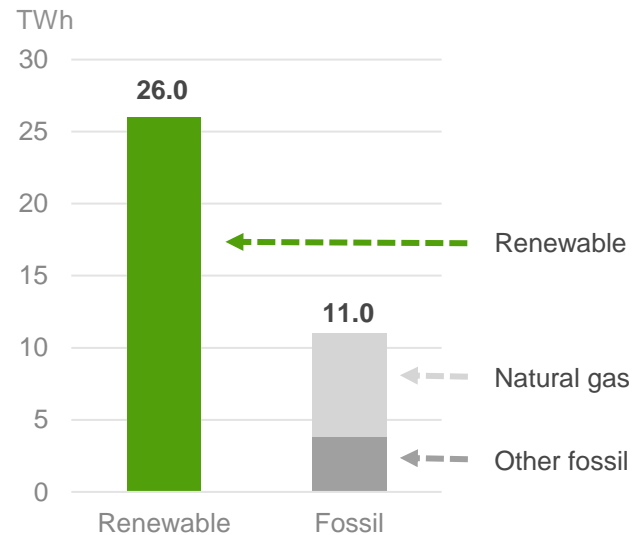
## Electricity

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



## Fuels

70% of all fuels are renewable, from the industrial processes



## Hedging

Approx. 60% of electricity and fuel purchases hedged for 2022

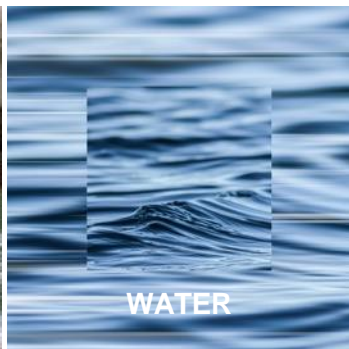
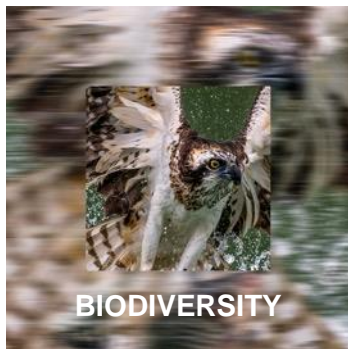
## CO<sub>2</sub>

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



# FOREST ACTION

The **UPM Forest Action** programme takes a holistic view, covering the five fundamentals of responsible forestry:

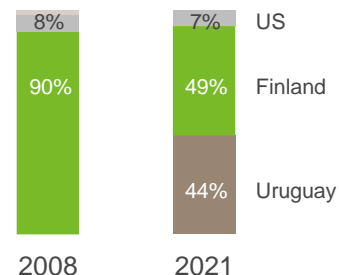


# Developing our forest assets

## UPM forests and plantations

	2008	2021
Forest and plantation land (own and leased) (1,000 ha)	1,012	1,057
Forest growth (million m <sup>3</sup> )	4.3	8.8
Wood sourced from UPM forests and plantations (million m <sup>3</sup> )	2.2	3.6
Value of forests and plantations, including land (EURm)	1,270	3,241

## Area distribution



Investing in strategic forest assets in Uruguay  
 Releasing capital from forests far from our mills  
 Productivity with active management and nurseries  
 Strong commitment to sustainability

# New business in wood-based biochemicals

Responding to strongly growing demand for sustainable solutions



Industrial scale 100 % wood-based biorefinery in Leuna, Germany



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



EUR 750 million investment  
Total annual capacity of 220,000 tonnes



Scheduled to start up by the end of 2023

# 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 optimized





# Renewable product range



- **Bio-monoethylene glycol (bMEG)**  
for textiles, PET bottles, packaging, deicing fluids
- **Renewable functional fillers**  
for rubber applications as a sustainable, light-weight and high-purity alternative to carbon black and silica
- **Bio-monopropylene glycol (bMPG)**  
for composites, pharma, cosmetics, detergents
- **Industrial sugars**  
for various applications in chemicals industry



# Large growth markets – unique sustainability value



- The global glycols market is more than 30 million tonnes, with expected annual growth of approx. 4%
- The global market of carbon black and silica is more than 15 million tonnes, with expected annual growth of approx. 3%
- Current market supply based on non-renewable raw materials
- Customers increasingly committed to sustainable solutions
- UPM's renewable raw material and new technologies provide significant reduction in carbon footprint
- UPM biochemicals fit directly into customers' processes and the existing recycling infrastructure

UPM Fibres

# UPM Paso de los Toros – World-class pulp mill

Highly competitive cash cost of  
USD 280 per delivered tonne of pulp



Pulp mill and deep seaport terminal in Montevideo  
Jobs and other opportunities for the residents of the region



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



USD 3.47 billion investment  
Total annual capacity of 2.1 million tonnes of eucalyptus pulp



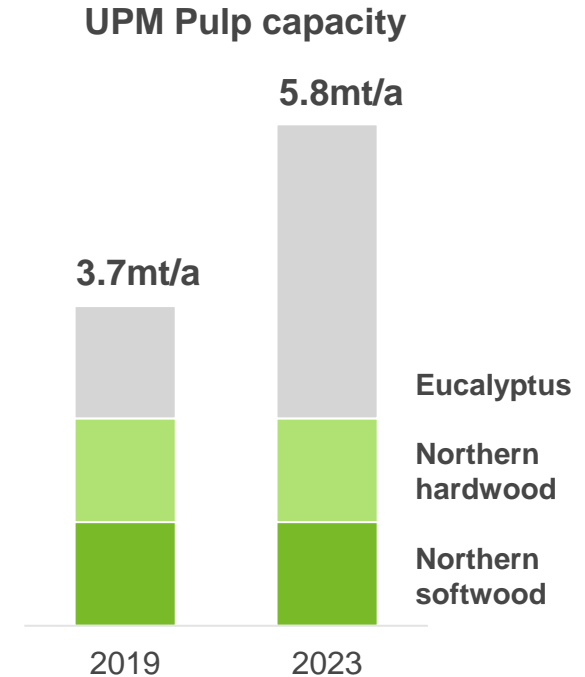
Scheduled to start up in Q1 2023



# 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<sup>(\*)</sup>
  - 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





UPM Fibres

# State of the art mill design



Initial production capacity of 2.1 million tonnes of eucalyptus pulp, with further potential

World-class single line pulp mill and Best Available Techniques (BAT)

Excellent safety

Proven high environmental performance

High availability and maintainability

High energy output, surplus renewable electricity 110 MW

Low costs



UPM Fibres

# Competitive wood supply



Eucalyptus availability secured through UPM's own and leased plantations and wood sourcing agreements with private partners

UPM's own and leased plantations in Uruguay cover 500,098 hectares, supplying both UPM Fray Bentos and the new mill near Paso de los Toros

30 years experience of sustainably managed and productive plantations



UPM Fibres

# Efficient logistics set-up



UPM will invest USD 280 million to construct a deep sea pulp terminal in Montevideo port

Direct rail access from the mill to a modern port terminal creates an efficient supply chain to world markets

Synergies with the UPM Fray Bentos mill

Agreed railway modernisation

Public-private-partnership agreement between the government and the construction company

Agreed road improvements



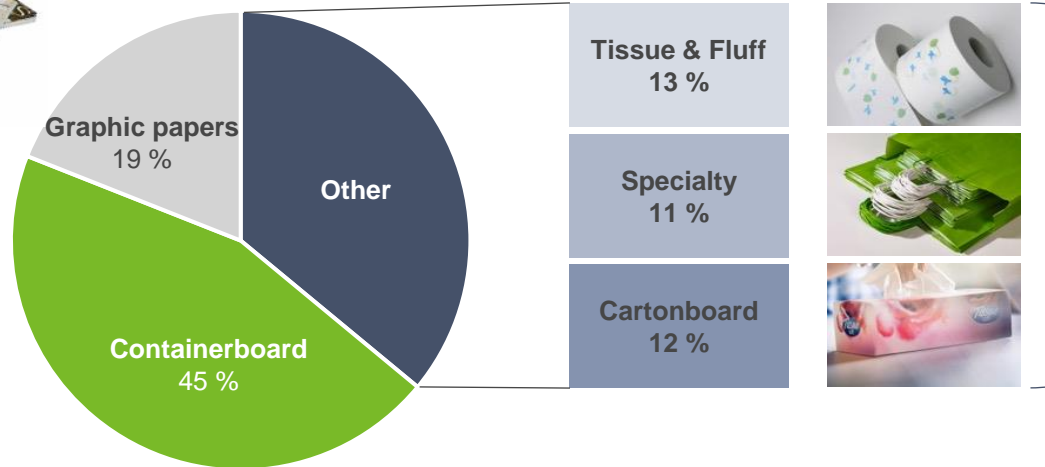
# Market pulp consumed in growing end-uses – alternative white fibre demand overcoming graphical paper decline



↓ **Graphic papers**  
Based on white fibre



↑ **Growing end-uses of white fibre**



Based on  
65% white fibre  
35% brown fibre

↑ **Containerboard**  
Based on brown fibre



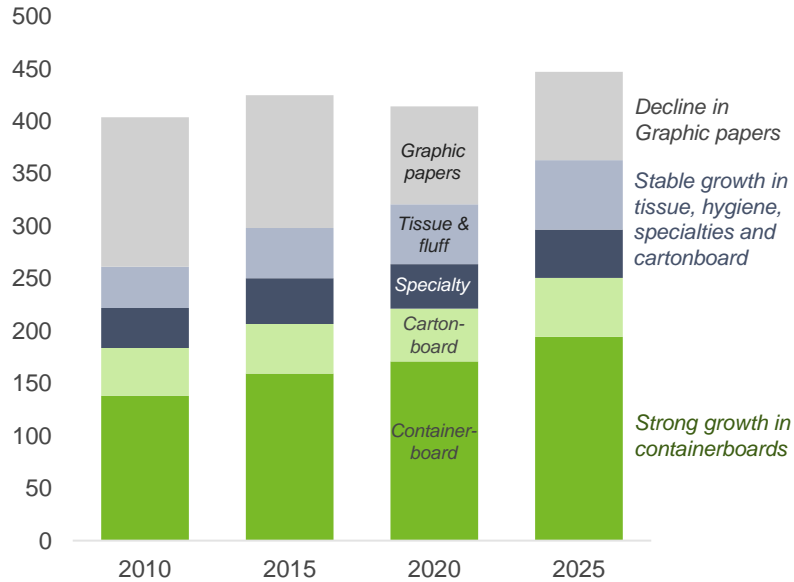
**Total fibre consumption (2020): 419 million tonnes**



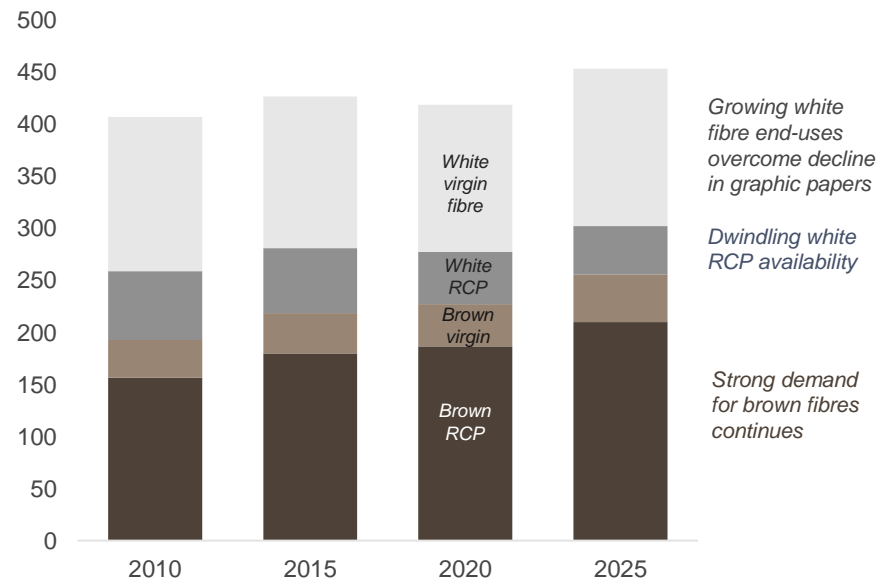
# Pulp demand outlook



**Global consumption of end-uses**  
in million tonnes



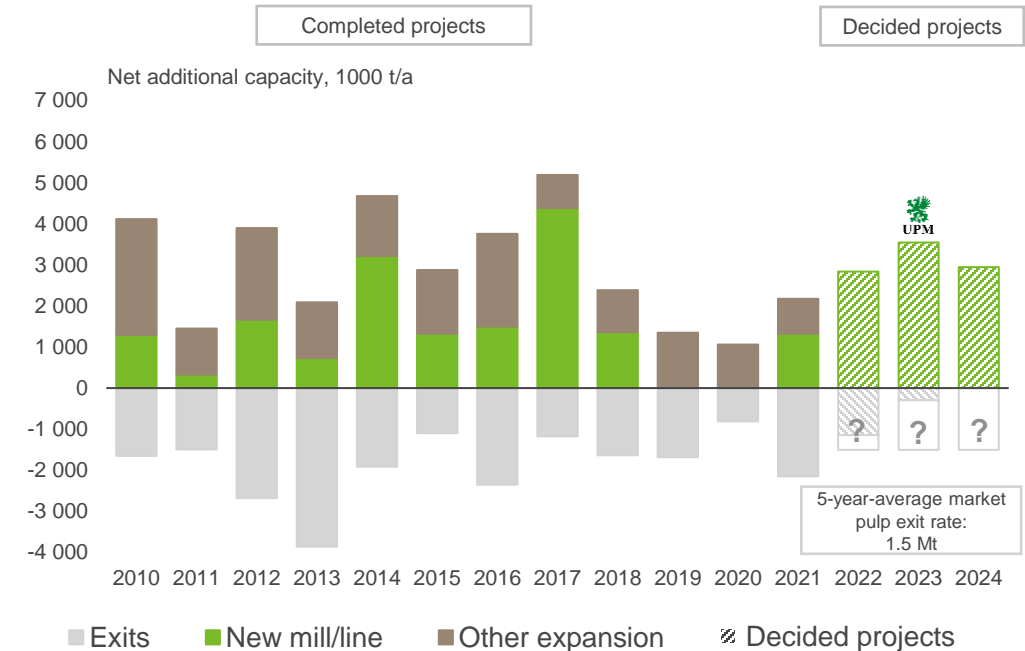
**Global consumption of fibres**  
in million tonnes



# Moderate numbers of decided projects in the short-term



## Entry of market bleached pulp capacity



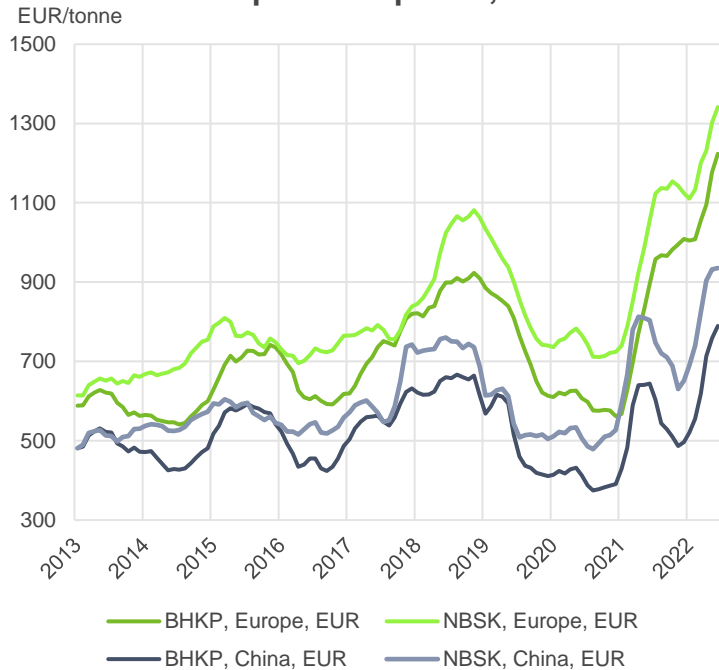
Note: including BHKP, BSKP, excluding fluff and dissolving

# UPM Fibres

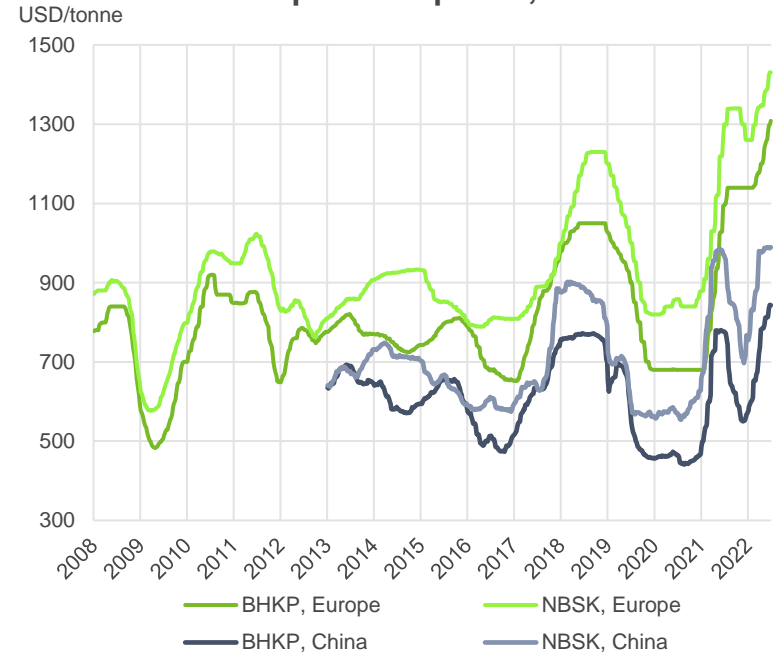
## Chemical pulp market prices



### Pulp market prices, EUR



### Pulp market prices, USD

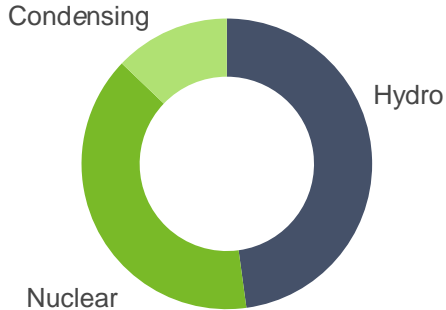


Source: FOEX Indexes Ltd

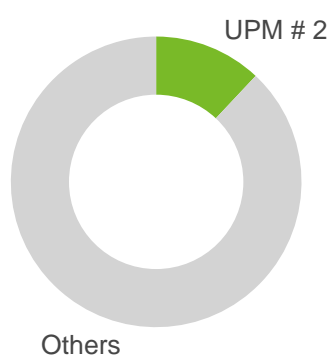
# UPM's power generation – competitive in all market conditions



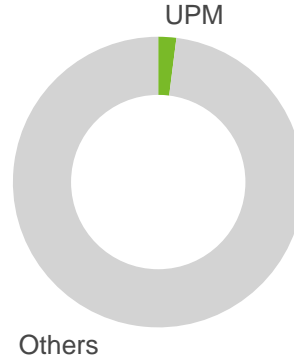
UPM's power generation assets



UPM in Finland



UPM in Nordics





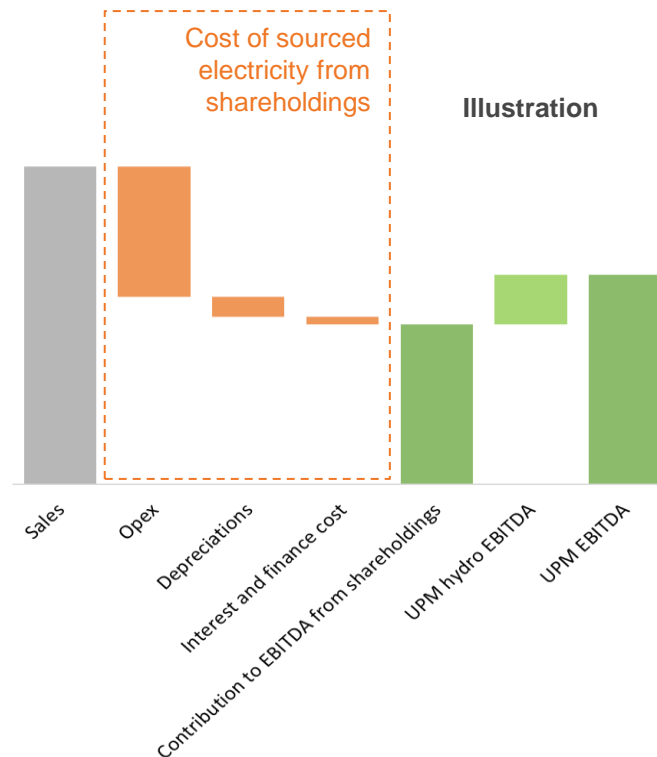
# UPM Energy

## UPM Energy



UPM Energy's power generation	MW	EURm
Hydropower holdings	560	1,092
Nuclear power OL1 and OL2	588	1,561
Nuclear power OL3 (PTO 12/2022)	494	499
Thermal power	154	1
UPM Energy's shareholdings in total, valued at fair value	1,796	3,152
UPM own hydropower assets	166	
UPM Energy's in total (incl. OL3)	1,962	
UPM Energy capital employed		3,276

UPM Energy sources electricity from part owned energy companies at full cost (cost-price principle, mankala principle)



# Olkiluoto 3 EPR – significant growth step for UPM Energy and Finland’s largest climate action



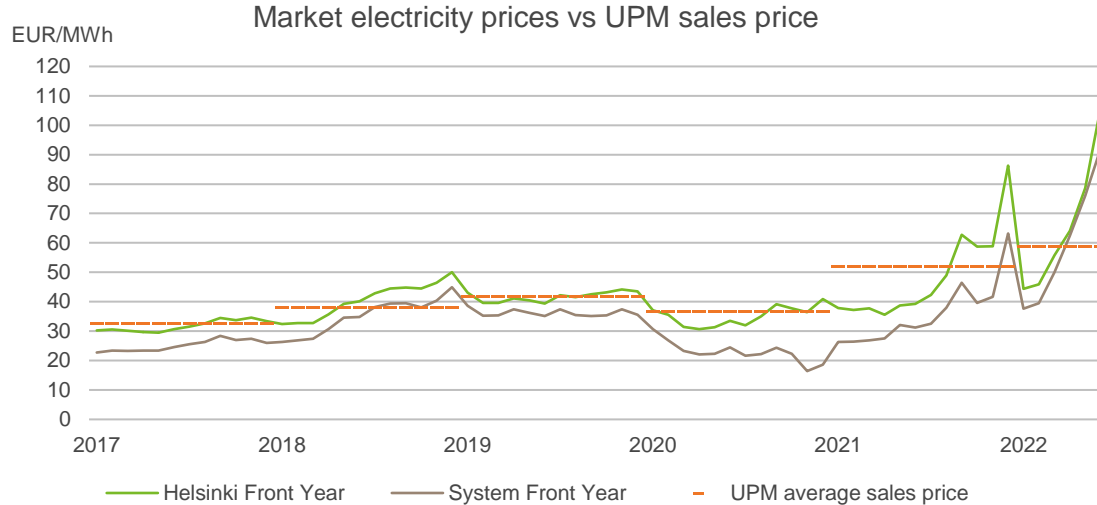
OL3 will increase UPM Energy’s carbon free electricity generation by nearly 50%

Reliable CO<sub>2</sub>-free baseload energy to support the electrification of the society

OL3 will significantly improve Finland's self-sufficiency in electricity, and raises the share of Finland’s carbon neutral electricity generation to about 90%



# Cost efficient generation enables robust profitability in changing market environment



UPM Energy profitability	2017	2018	2019	2020	2021	H1/2022
Comparable EBIT, EURm	91	123	185	171	270	136
% of sales	32.7	28.8	31.5	44.4	45.0	45.9

# UPM Raflatac Self-adhesive labels in end-use



Pharmaceuticals



Wine, spirits & craft beverage



Food



Personal care



Home care



Durables



Transport & logistics



Industrial Chemical



Retail



A4 & cut-size



Security & brand protection



Tyre

# The labelstock markets have solid long term demand growth trends – short term can be more volatile



The long term demand growth outlook remains a solid 3-4% p.a.

However in the short term the demand changes can be more dynamic

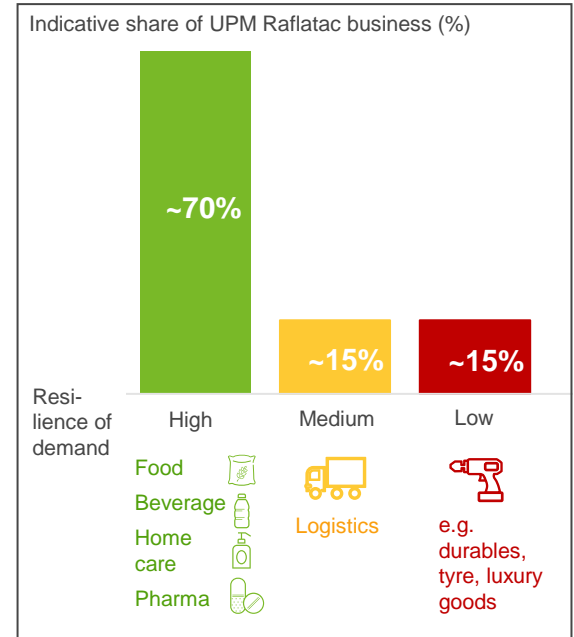
The demand of UPM Raflatac's end use portfolio is relatively resilient

Growth drivers

- Packaging unit growth in Food, Personal Care, Beverage
- E-Commerce growth & parcel logistics
- Niche segments (e.g. pharmaceuticals)
- Further trends benefitting labelstock: **sustainability**, wet glue substitution

Impact to labelstock demand

- Consumer **stockpiling**
- Lockdowns**
- Value chain **inventory cycle**
- Private consumption changes**





# Early signs of recycling impacts: Packaging decisions to favour labelstock



Source: Euromonitor September 2020; UPM Raflatac perspective

# Focus on global Labelling materials, Packaging in Europe and Office paper in APAC



# UPM Specialty Papers is well positioned for growth in the selected markets



## LABEL & RELEASE

Leading position in growing global label and release paper markets



## PACKAGING PAPERS

Selective approach in consumer packaging area. Well positioned for future growth.

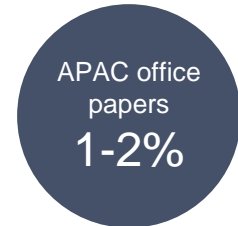
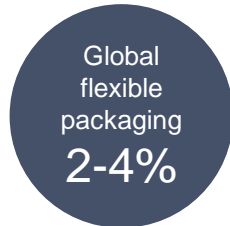
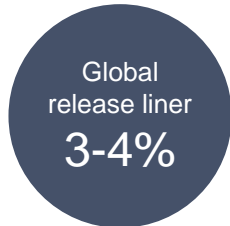


## APAC FINE PAPERS

One of the leading players in office papers, focused niche player in graphic papers



Market growth forecast, CAGR 2020-2025

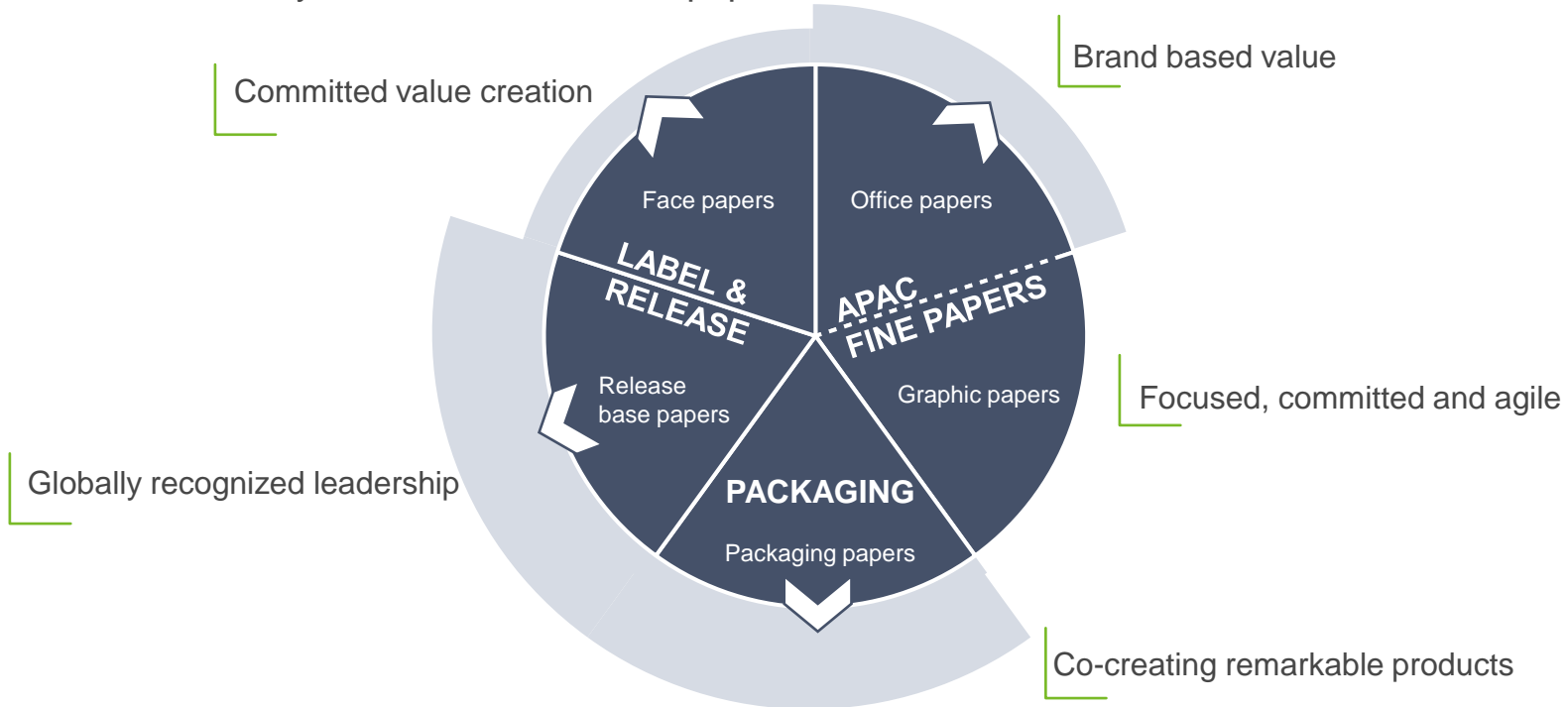


UPM Specialty Papers

# UPM Specialty Papers **GROWTH STRATEGY**

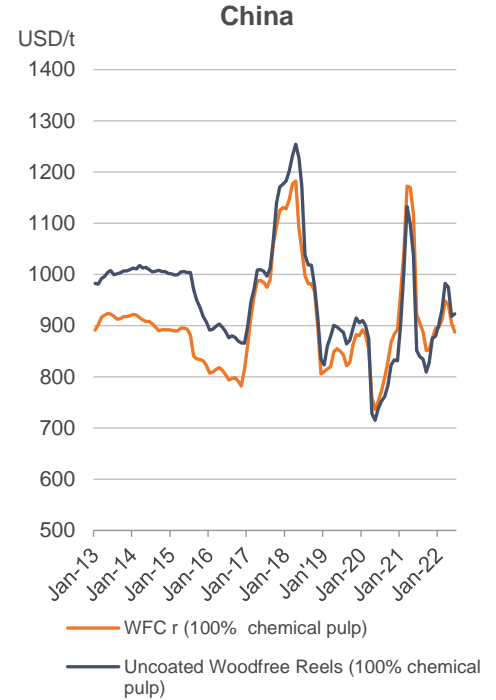
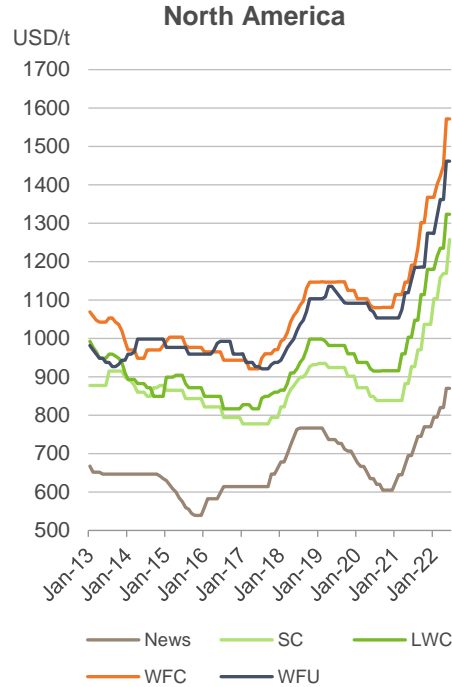
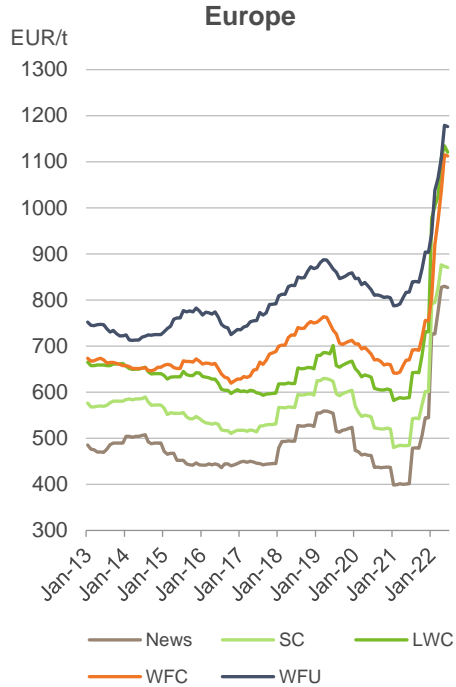


We co-create a future beyond fossils with renewable, recyclable and remarkable papers



# UPM Communication Papers

## Graphic paper prices



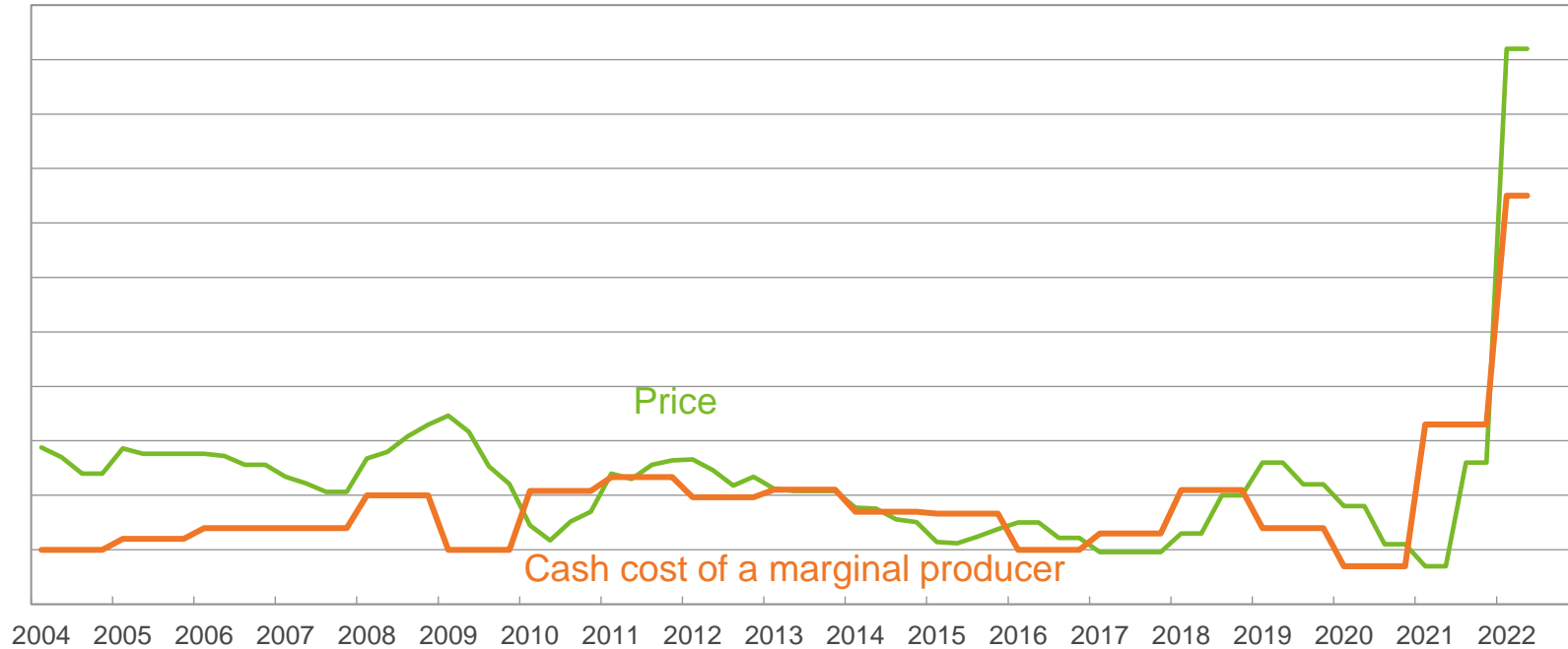
Sources: PPI, RISI



# Paper price vs. cash cost of marginal cost producer



EUR/t



Sources: PPI, RISI, Pöyry

# UPM Plywood focuses on three end use segments



## Construction



### UPM's position and direction

- Leading position in high and medium range standard products in Europe through well established distribution network providing easy access to WISA® plywood
- Uncompromised sustainability, certified products and operations
- New growth sought by strengthening position in selected emerging markets

## Vehicle flooring



### UPM's position and direction

- Leading position in Europe
- Competitive edge built on smoothly running operations and needs-based product design creating value to both vehicle manufacturers and operators
- Growth sought by expanding to new markets and related end use segments

## LNG shipbuilding



### UPM's position and direction

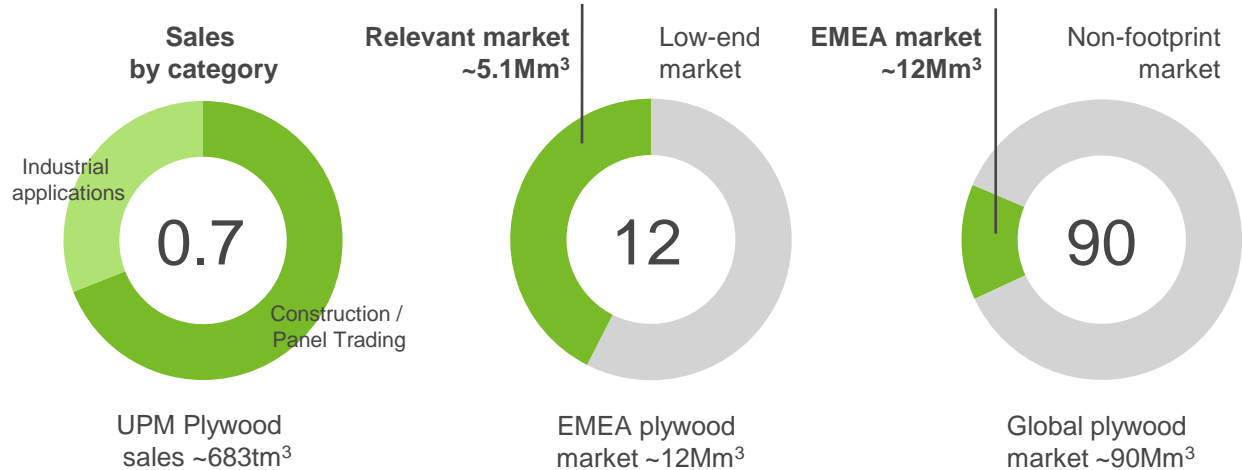
- Leading supplier in LNG plywood
- Competitive edge based on right quality and accurate on-time deliveries
- Long term commitment and benchmark service level
- Focus to secure leading position in LNG carriers and to extend offering into related applications using the same technologies (e.g. land storage tanks)

# UPM's key markets are in the high and mid segments primarily in EMEA region



## Strategic choices

1. Demanding industrial applications
2. High and medium range standard products
3. Selected customers
4. EMEA region and LNG business globally



# Moving forward with biofuels growth plans

## Basic engineering phase of a next generation biorefinery



Potential industrial scale biofuels biorefinery



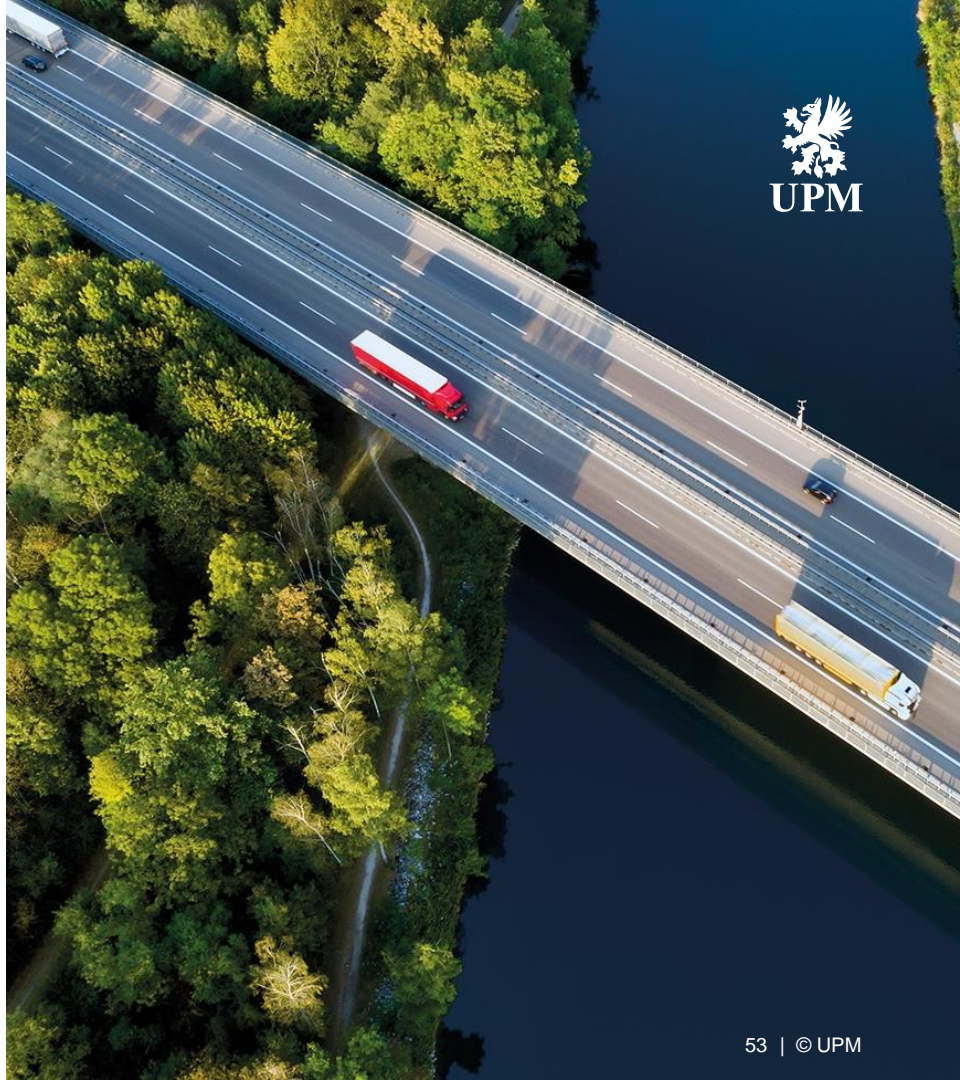
Products would significantly reduce carbon footprint in the road transport and aviation



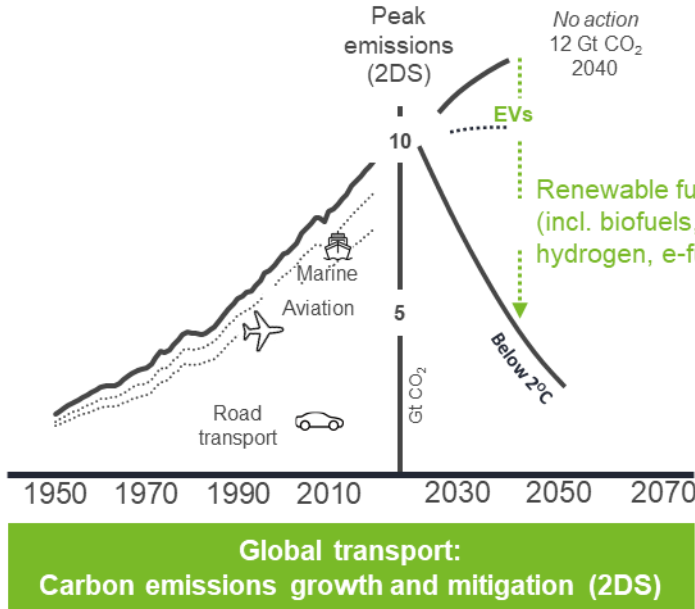
Capacity would be 500,000t of renewable fuels incl. sustainable jet fuel



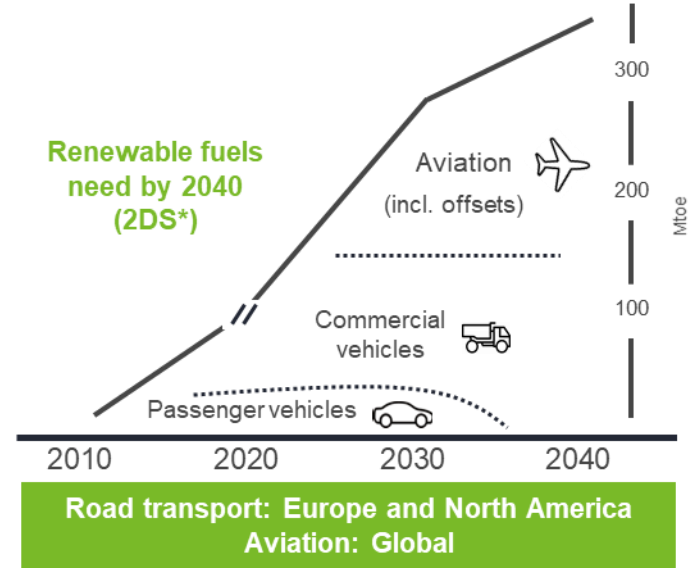
Potential investment in Rotterdam, the Netherlands



# Carbon mitigation in transport is dependent on renewable fuels despite recent decline in fuel consumption



Source: UPM based on IEA, EIA, Bloomberg



\*The two degree scenario (2DS) is calculated vs. 2005 reference per sector (-30% 2030, -40% 2040, -50% 2050)

Source: UPM based on WoodMackenzie, Bloomberg, ICAO, EIA



# 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

E-fuels future potential

## DECARBONIZED TRANSPORT AND PETROCHEMICALS

Flexibility to create maximum value from several end uses and market geographies



UPM **BIOFORE**  
**BEYOND** FOSSILS

