



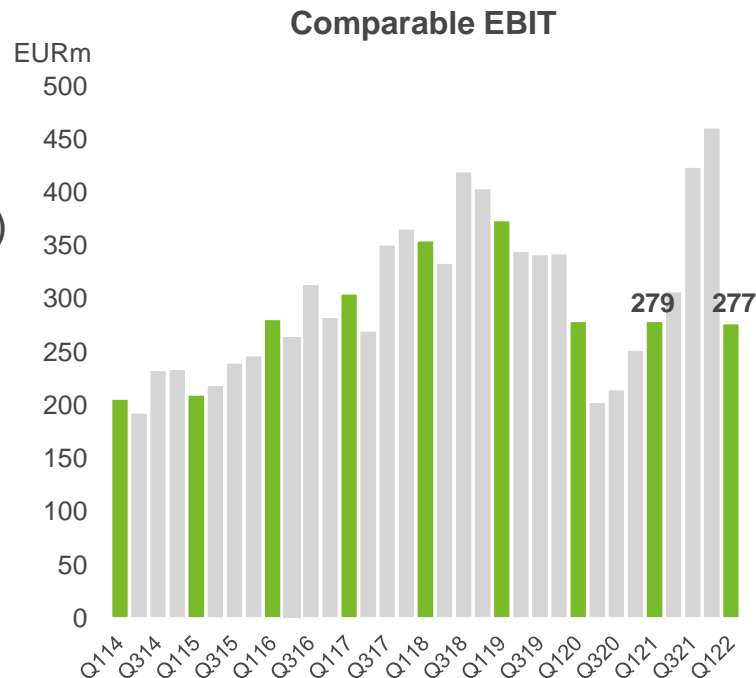
# UPM Interim Report Q1 2022

Jussi Pesonen  
President and CEO  
26 April 2022

# Q1 2022: Strong performance supported by tight markets

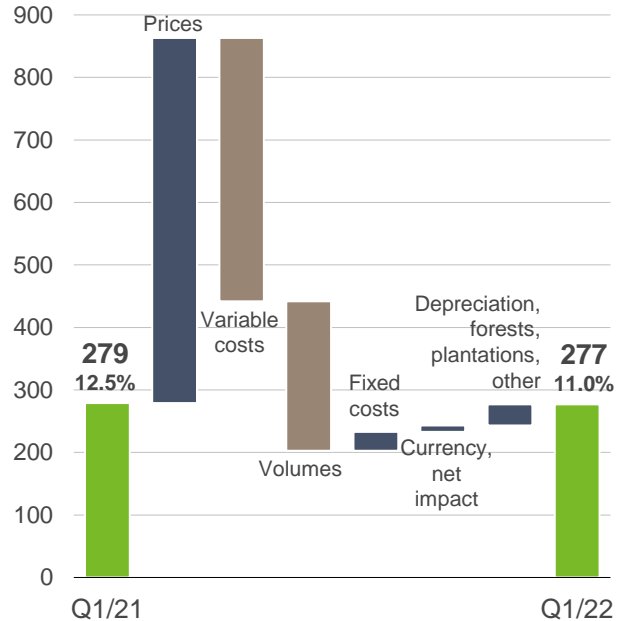


- Sales increased by 12% to EUR 2,507m (2,234m in Q1 2021)
- Comparable EBIT was in line with last year at EUR 277 million, 11.0% of sales (279m, 12.5%)
- Sales prices increase in all business areas and more than offset the negative impact of higher variable costs
- The strike in Finland affected production and delivery volumes especially in pulp and paper
- Transformative growth projects in Uruguay and in Germany proceed well

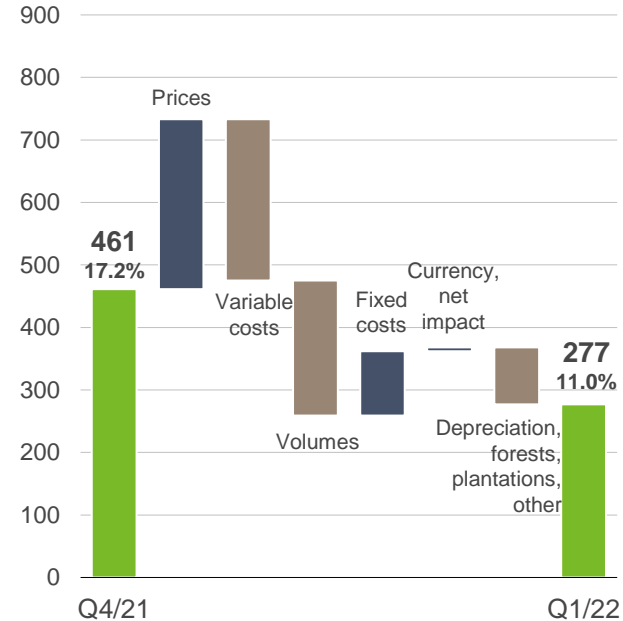


# Comparable EBIT in Q1 2022

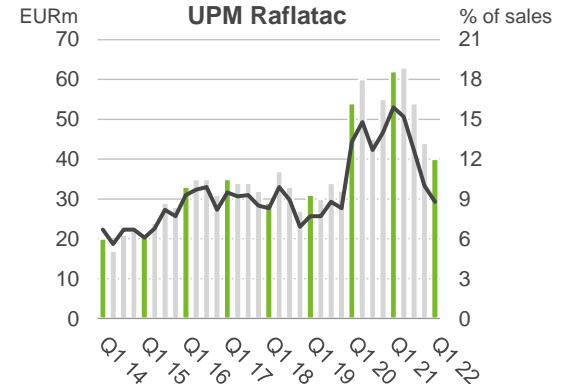
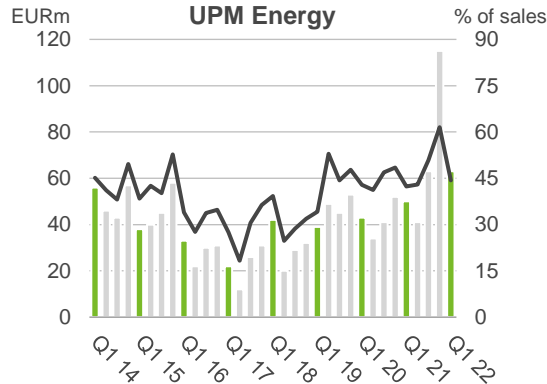
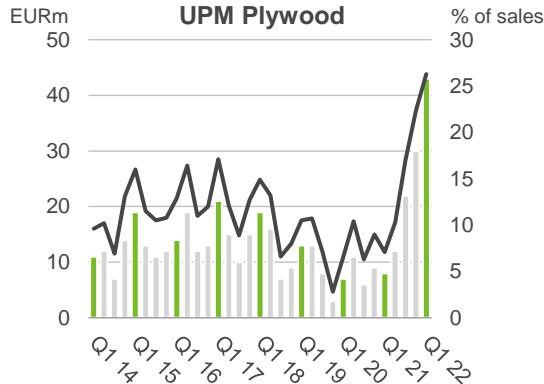
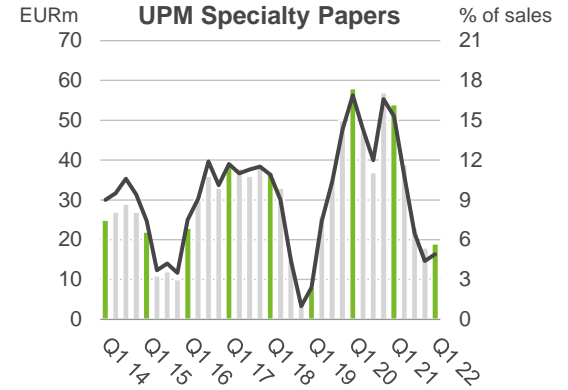
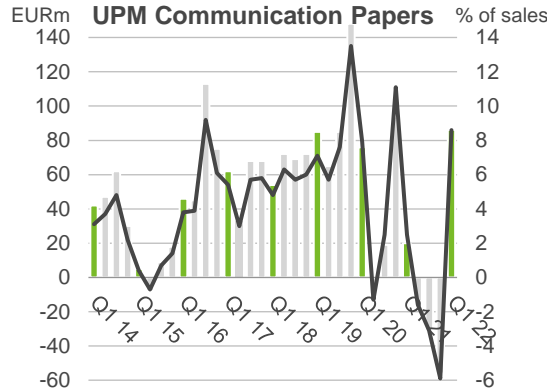
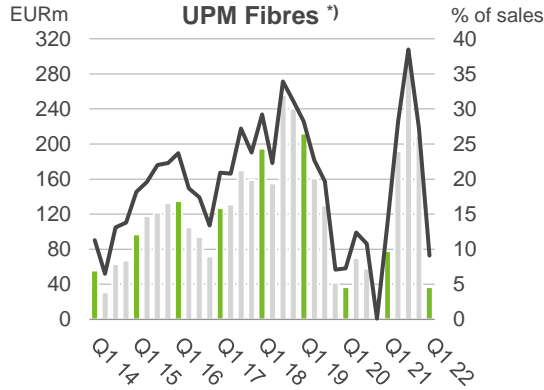
EURm



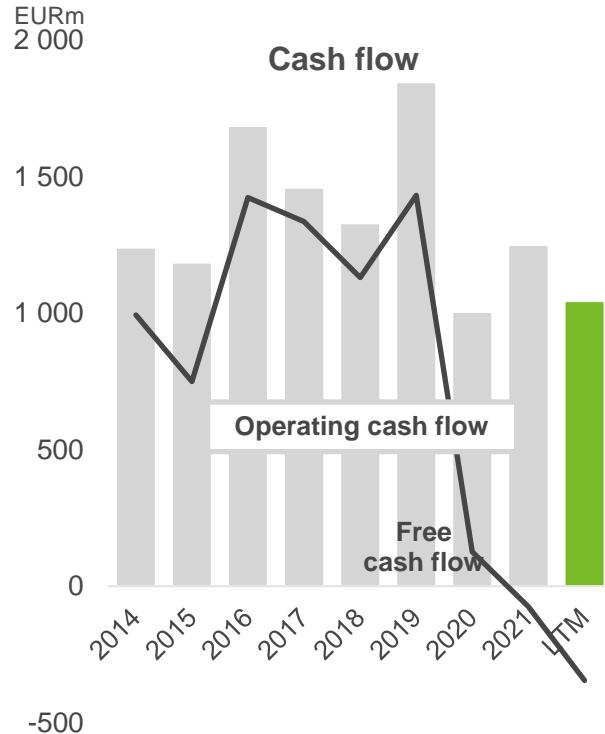
EURm



# Comparable EBIT by business area

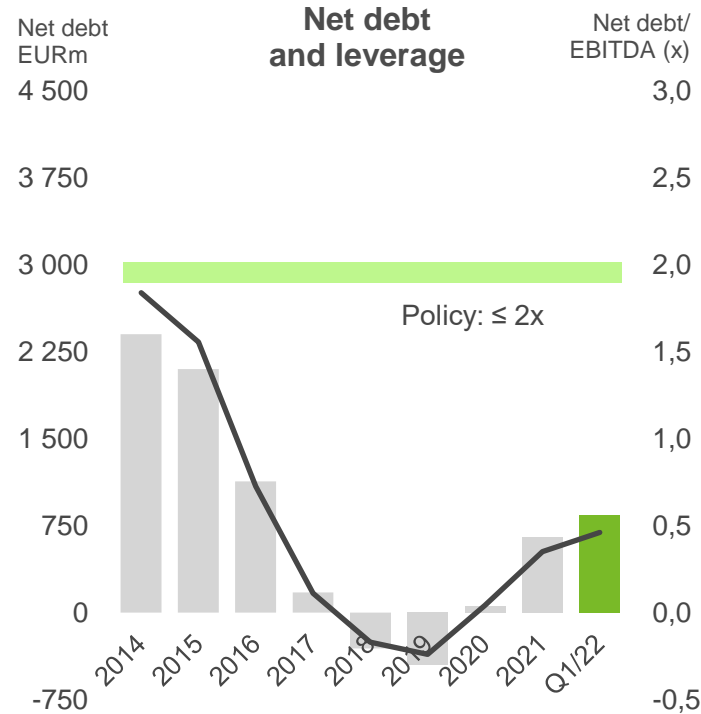


# Cash flow impacted by higher working capital



- Q1 2022 operating cash flow was EUR 12m (217m in Q1 2021)
- Working capital increased by EUR 258m (increased by 122m in Q1 2021), impacted by inflation and energy-related items

# Strong financial position



- Net debt EUR 837m at the end of Q1 2022
- Cash funds and committed credit facilities EUR 2.9bn at the end of Q1 2022
- No financial covenants

# 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



# 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 war in Ukraine, the ongoing pandemic, growth in the European and global economy, the energy market situation in Europe and the tight raw material and logistics markets.
- Good demand is expected to continue for most UPM products in 2022. In the first half 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, and the two scheduled pulp mill maintenance shutdowns in Finland in Q2.
- Sales prices and variable costs are expected to increase in most of UPM businesses in H1 2022. 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. Comparable EBIT in the full year 2022 is expected to be on similar level or higher than in 2021.



# Our focus areas



## ENSURING PERFORMANCE



## TRANSFORMATIVE GROWTH PROJECTS



# Long-term development

UPM's long-standing goal has been to take collective bargaining to a level where the conditions of the work are best known, i.e. the individual businesses.

**EK** Confederation of Finnish industries no longer participates in any negotiations for tripartite agreements

2017

2020

The Finnish Forest Industries Federation **discontinues** its engagement in the bargaining

UPM's preparations for **company-level** approach:

- Business-specific goals
- UPM benefits

2021

The CLA of Finnish Forest Industries Federation expires

2022

**UPM Plywood and UPM Timber** agreements with the Industrial Union

UPM's **business-specific negotiations** with the Paperworkers' Union  
➔ **Business-specific CLAs**

**UPM Finland 2030 vision**



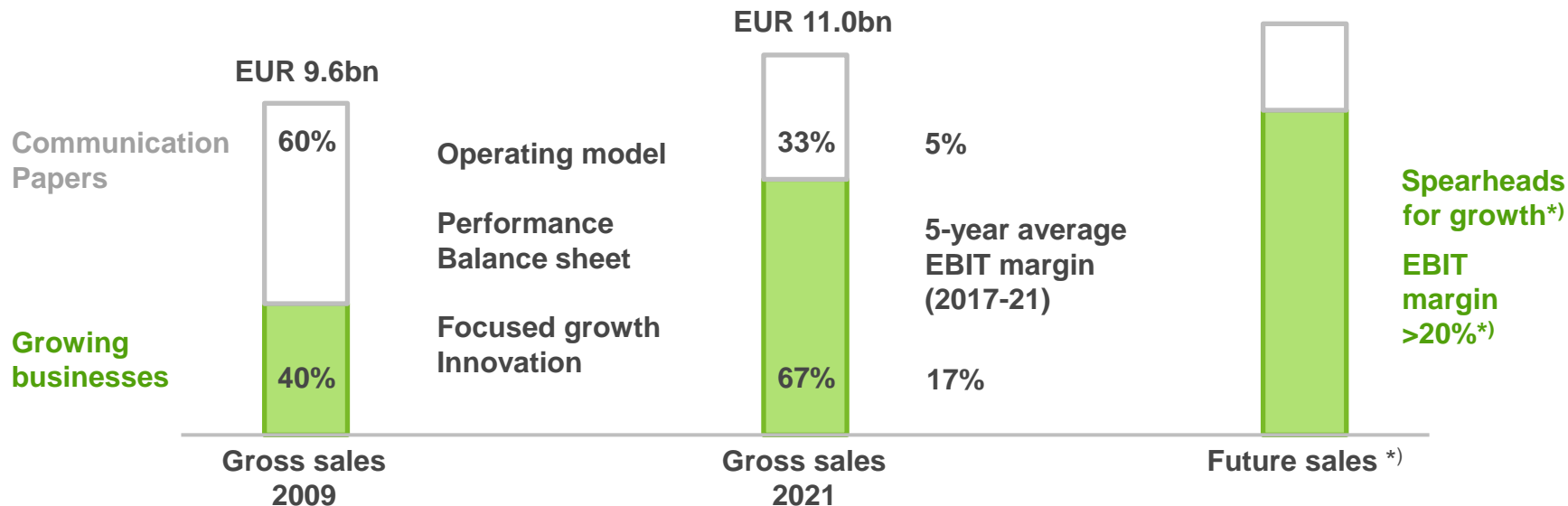
## Five new agreements



- UPM and the Paperworkers' Union agreed on first-ever business-specific collective labour agreements on 22 April 2022
- The Union's strike at UPM mills in Finland ended
- Business-specific agreements will strengthen productivity and competitiveness of our businesses and units
- UPM will restart customer deliveries as soon as possible
- UPM now has business-specific agreements for all its businesses in Finland

# Transformation proceeds at full speed

## – business mix drives earnings and shareholder value





# Progress in UPM Paso de los Toros

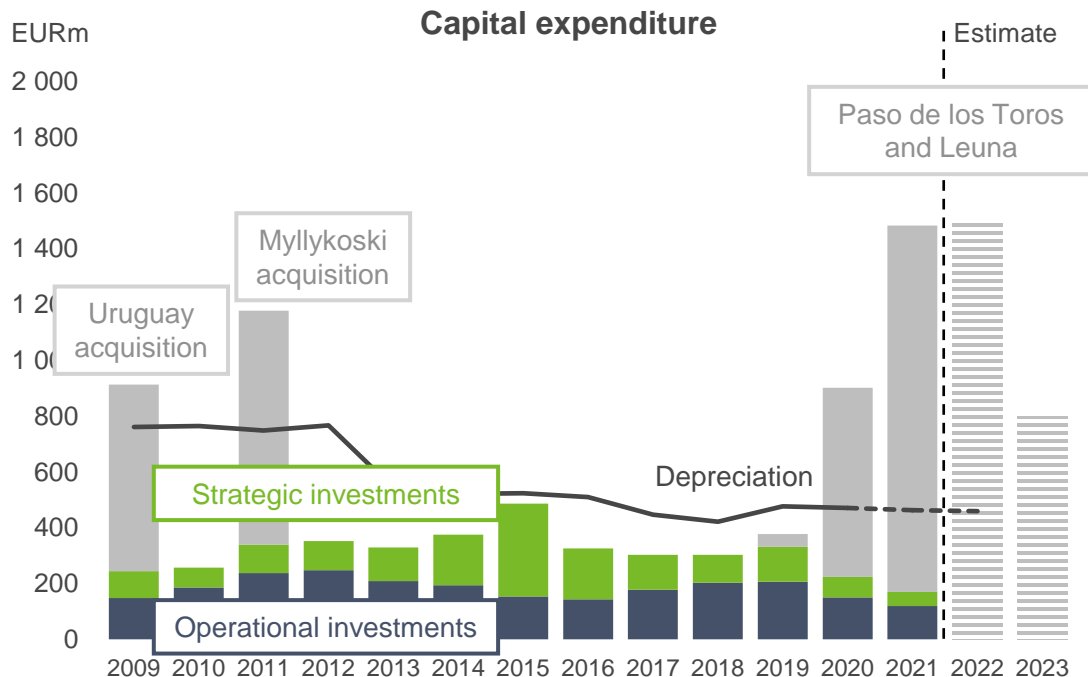


# Progress in UPM Leuna, the capital expenditure estimate increased to EUR 750 million





# 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

# Moving forward with biofuels growth plans

## Basic engineering phase of a next generation biorefinery



Potential industrial scale biofuels biorefinery



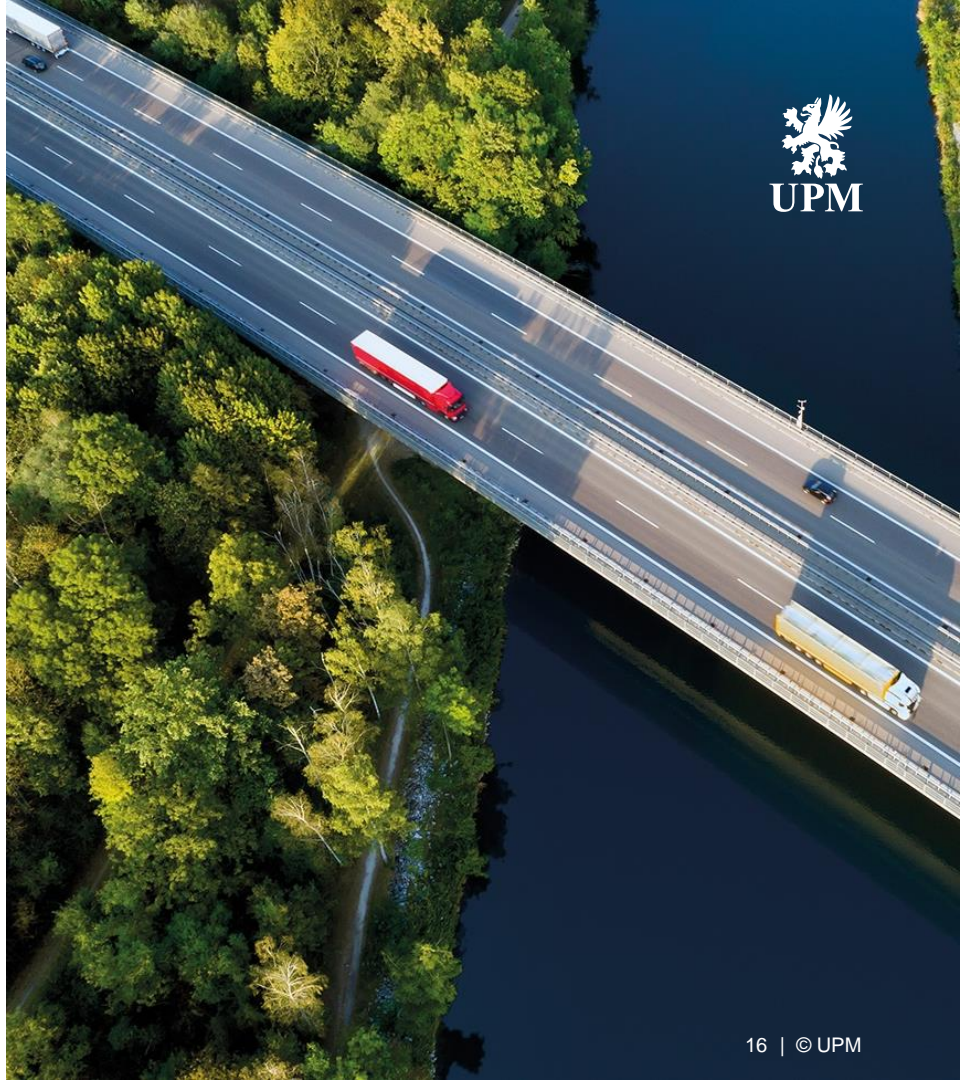
Products would significantly reduce carbon footprint in the road transport and aviation



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



Potential investment in Rotterdam, the Netherlands



# Olkiluoto 3 EPR – Finland's largest climate action



Significant growth step for UPM Energy – our indirect share is about 31%

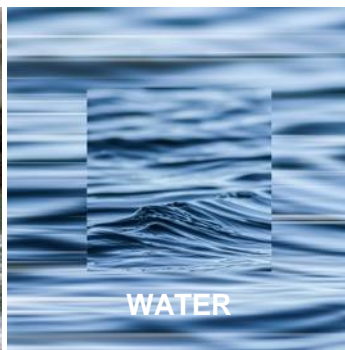
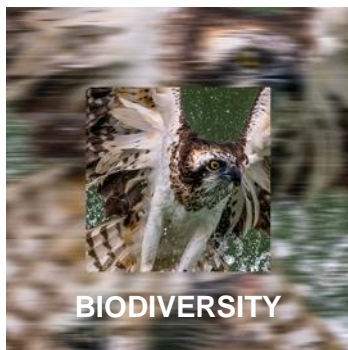
Reliable CO<sub>2</sub> free baseload energy to support the electrification of the society

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



# FOREST ACTION

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





# Summary



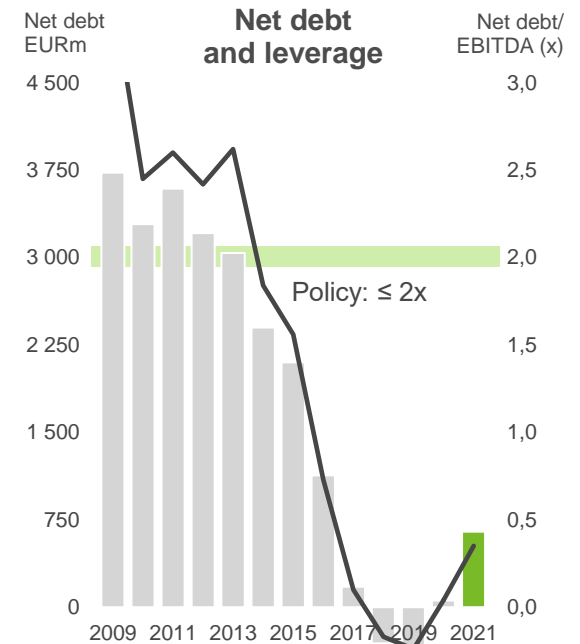
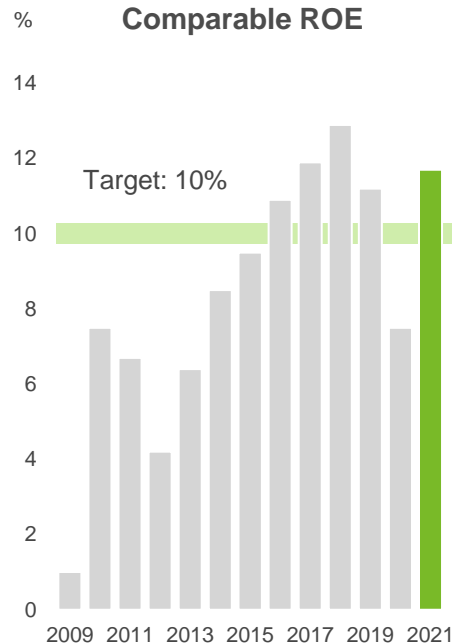
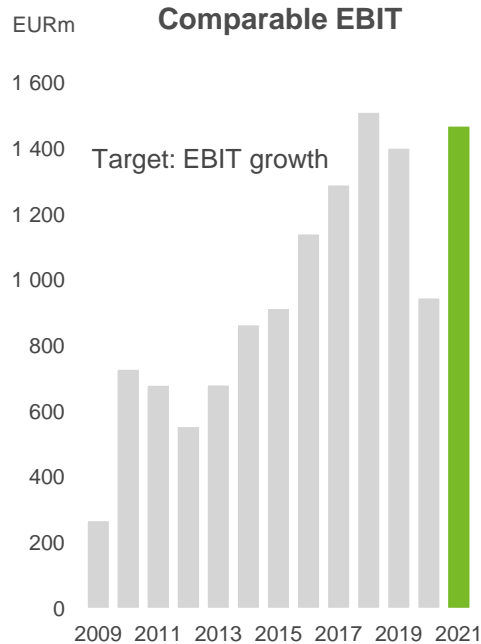
- Strong performance supported by tight markets – sales prices increased significantly in all business areas, more than offsetting the rise in variable costs.
- The strike in Finland affected production and delivery volumes in Q1 2022. In April, UPM and Paperworkers' Union agreed on first-ever business-specific collective labour agreements and the strike ended at UPM mills in Finland.
- Transformative growth projects in Uruguay and in Germany proceed well, investment estimate updated for the Leuna biorefinery.
- UPM's comparable EBIT in H1 2022 is expected to be on similar level compared to H1 2021. Comparable EBIT in the full year 2022 is expected to be on similar level or higher than in 2021.

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

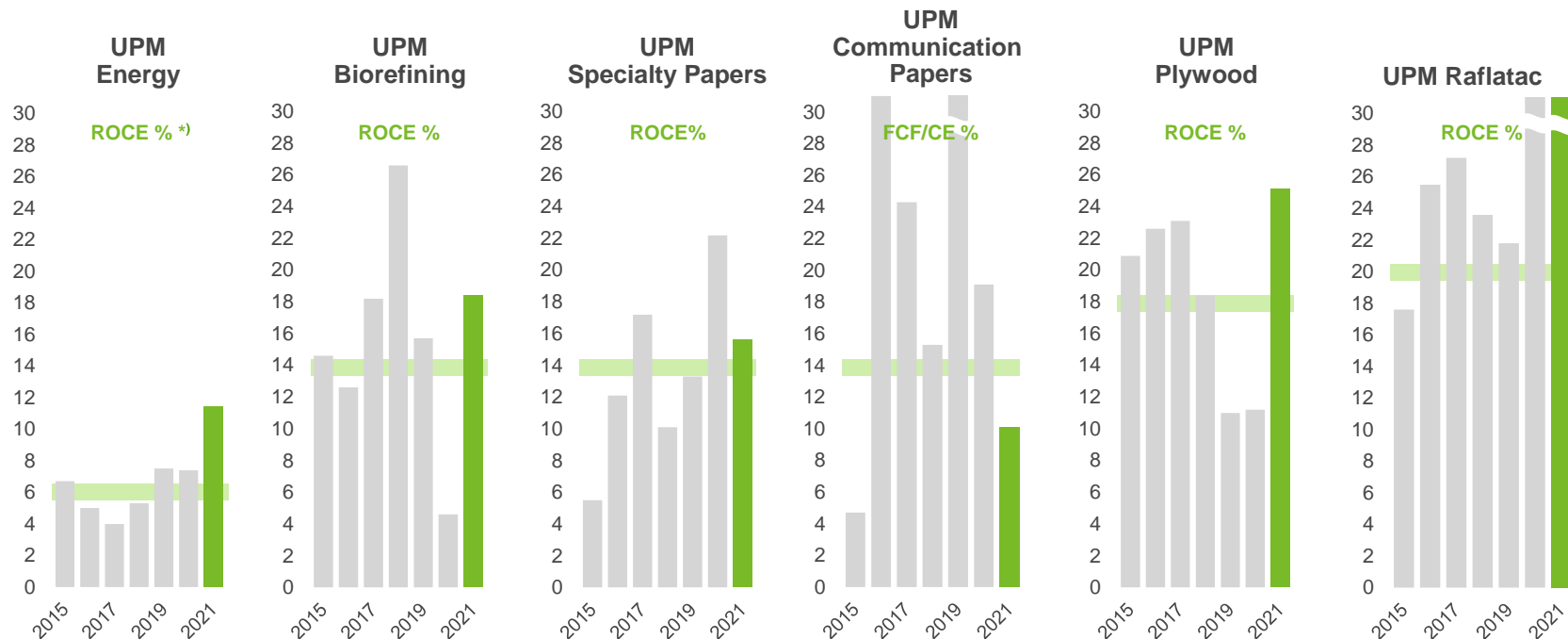




# Earnings back to strong pre-pandemic levels



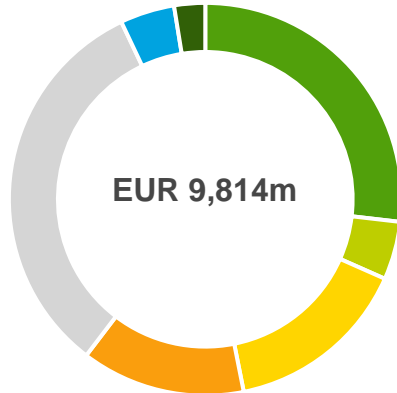
# Five out of six business areas exceeded their long-term return targets



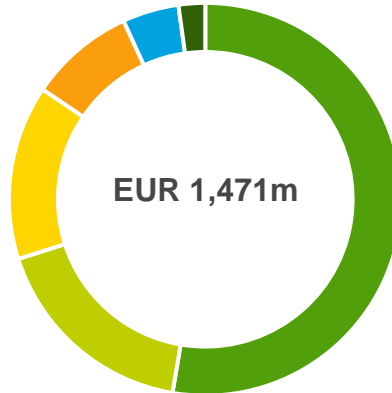
\*) shareholdings in UPM Energy valued at fair value

# UPM by business area in 2021

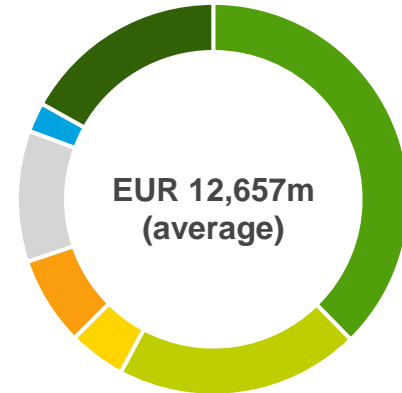
Sales



Comparable EBIT



Capital employed

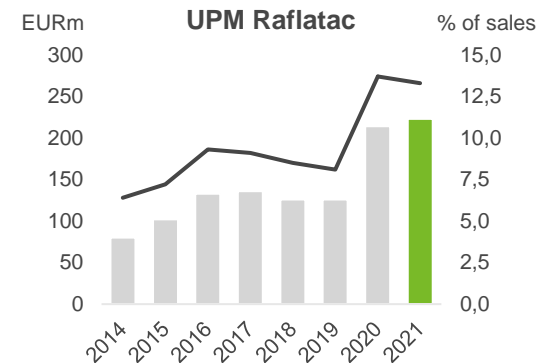
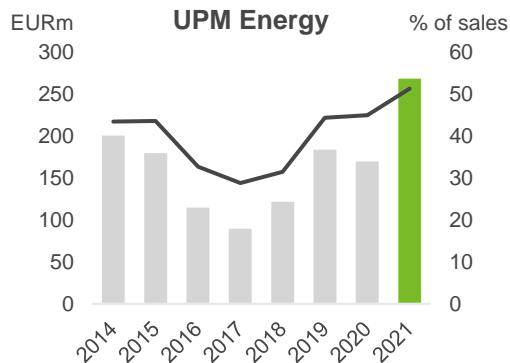
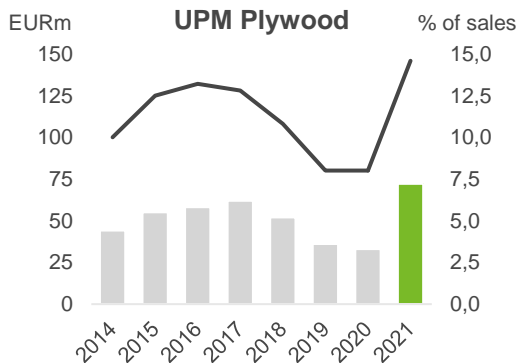
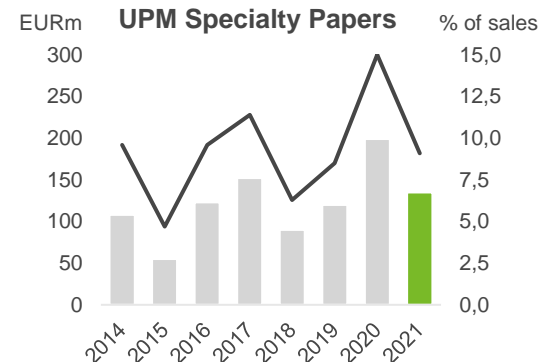
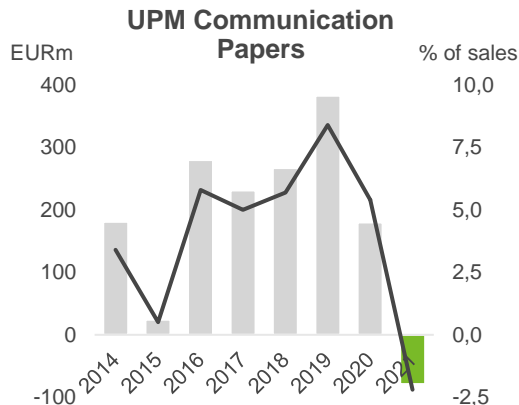
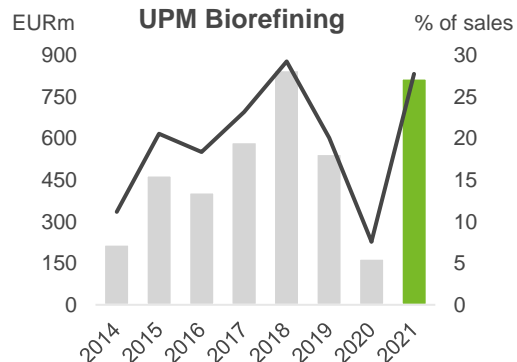


■ Biorefining 
 ■ Energy 
 ■ Raflatac 
 ■ Specialty Papers 
 ■ Communication Papers 
 ■ Plywood 
 ■ Other

# UPM business model delivers performance also in exceptional circumstances



## Comparable EBIT by business area



# 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

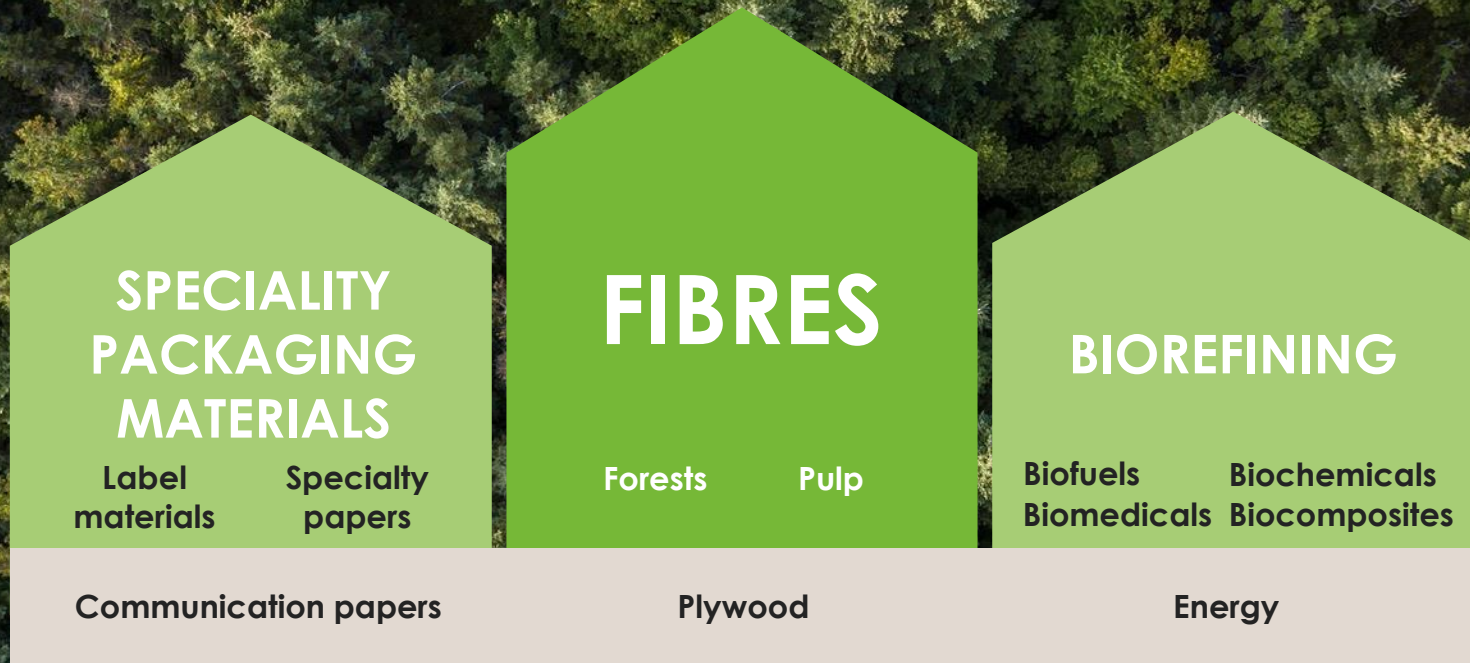
- Renewable & sustainable solutions
- Responsible operations and value chain

### PORTFOLIO

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

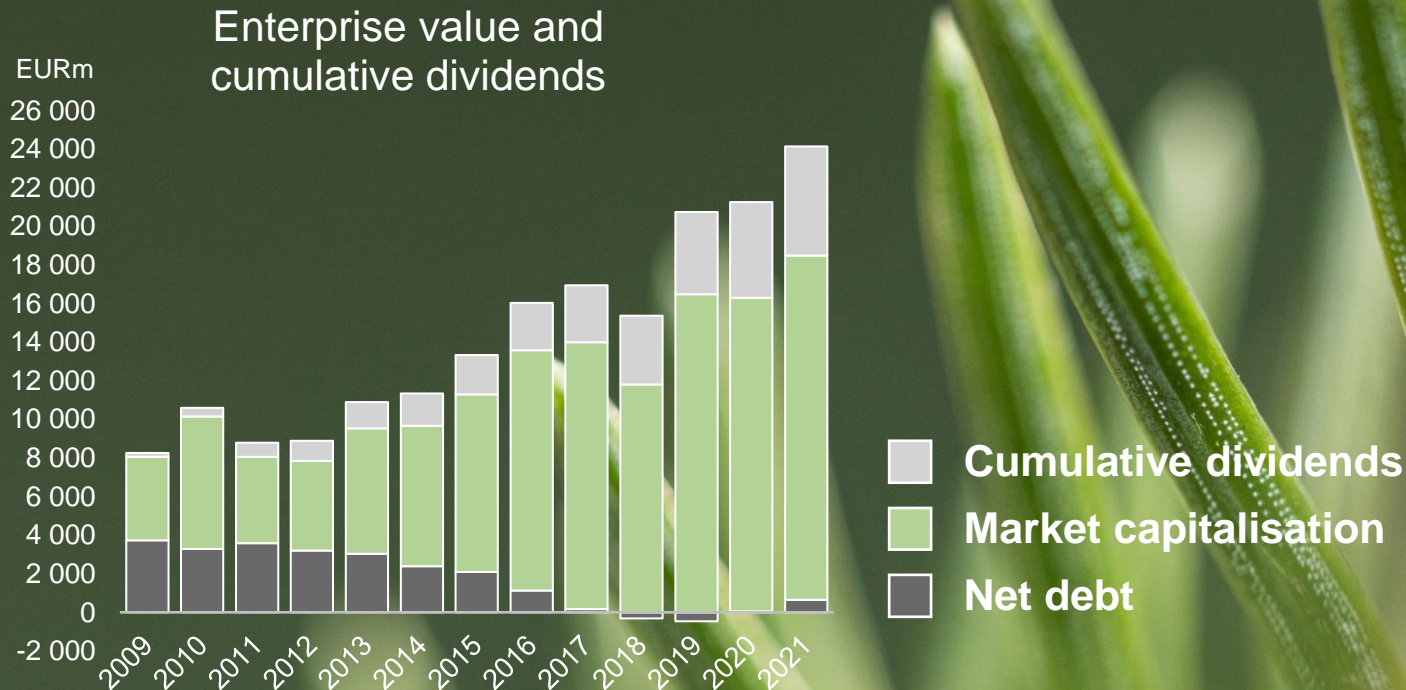


# Long-term value creation driven by our spearheads for growth





# Transformation is visible in shareholder value



# 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**



# 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



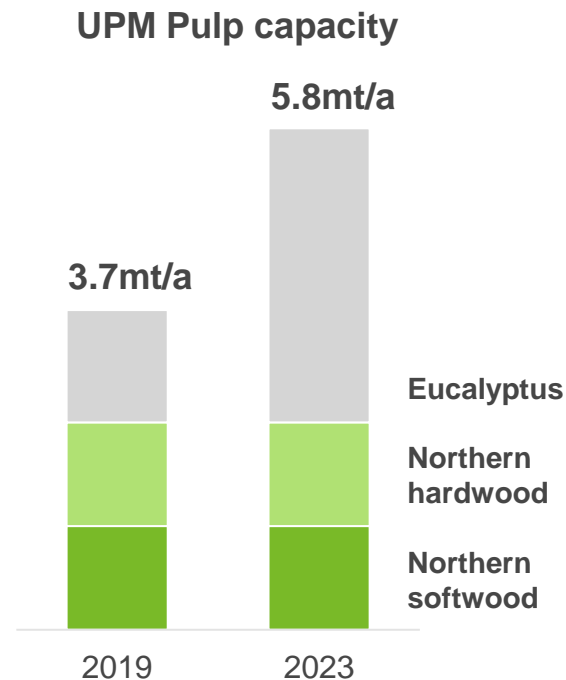
Scheduled to start  
up in Q1 2023



# 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\*)
  - 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





# 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 optimised

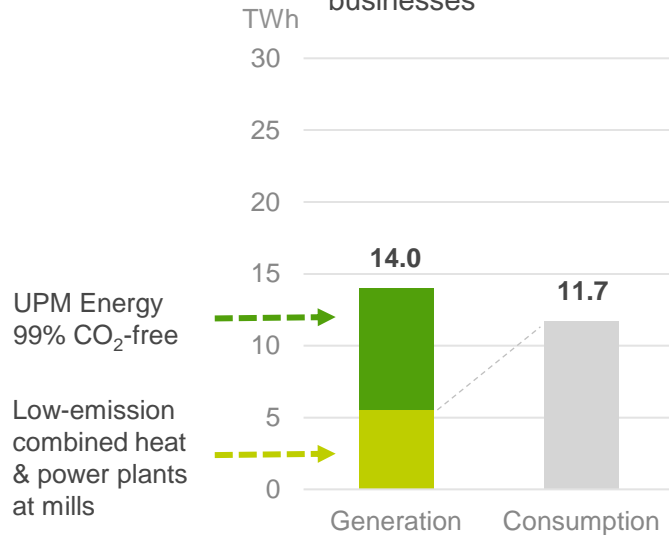


# UPM is a large producer and consumer of energy



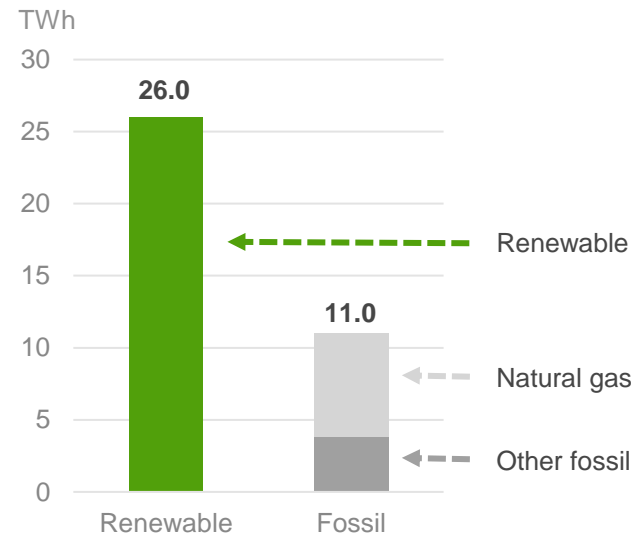
## Electricity

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



## Fuels

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



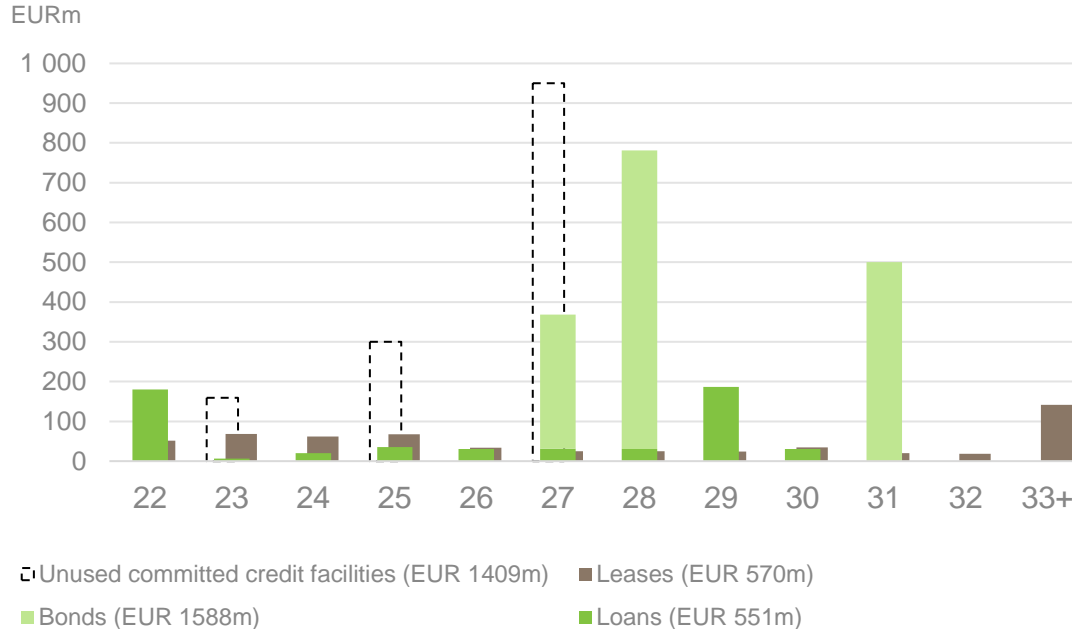
## Hedging

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

# Maturity profile and liquidity



Liquidity on 31 March 2022 was EUR 2.9bn (cash, funds and unused committed credit facilities)

UPM's committed credit facilities:

- EUR 159m 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

# Maintenance shutdowns in 2021 and 2022

Significant maintenance shutdowns  
in 2021 and 2022

Timing	Unit
Q2 21	Olkiluoto nuclear power plant UPM Fray Bentos pulp mill
Q4 21	UPM Kymi pulp mill
Q2 22	Olkiluoto nuclear power plant UPM Kaukas pulp mill UPM Pietarsaari pulp mill
Q4 22	UPM Fray Bentos pulp mill UPM Lappeenranta Biorefinery

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

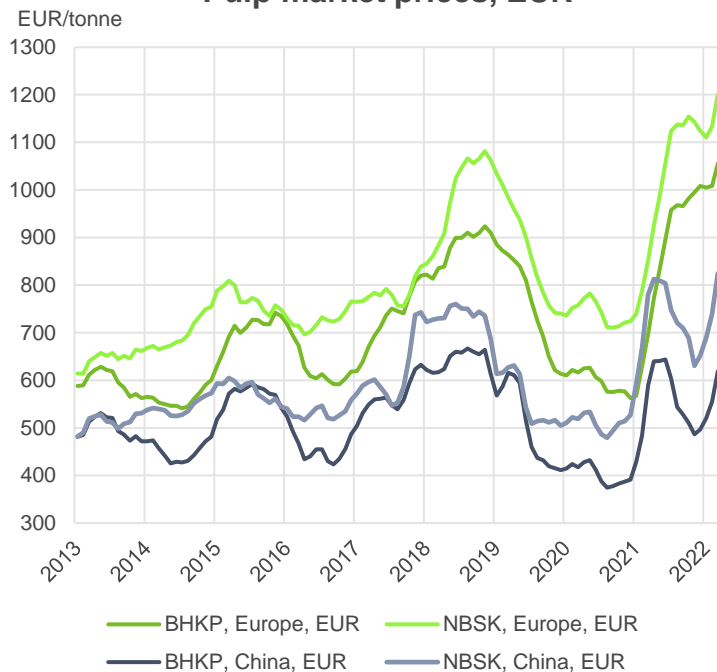
	USD	GBP	JPY	Others
EURm	1,190	360	160	160

# UPM Fibres

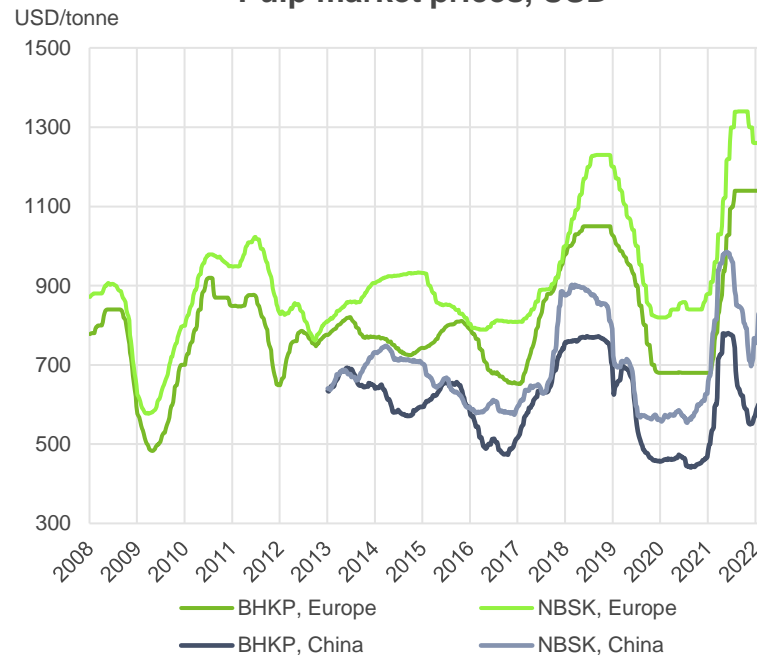
## Chemical pulp market prices



### Pulp market prices, EUR

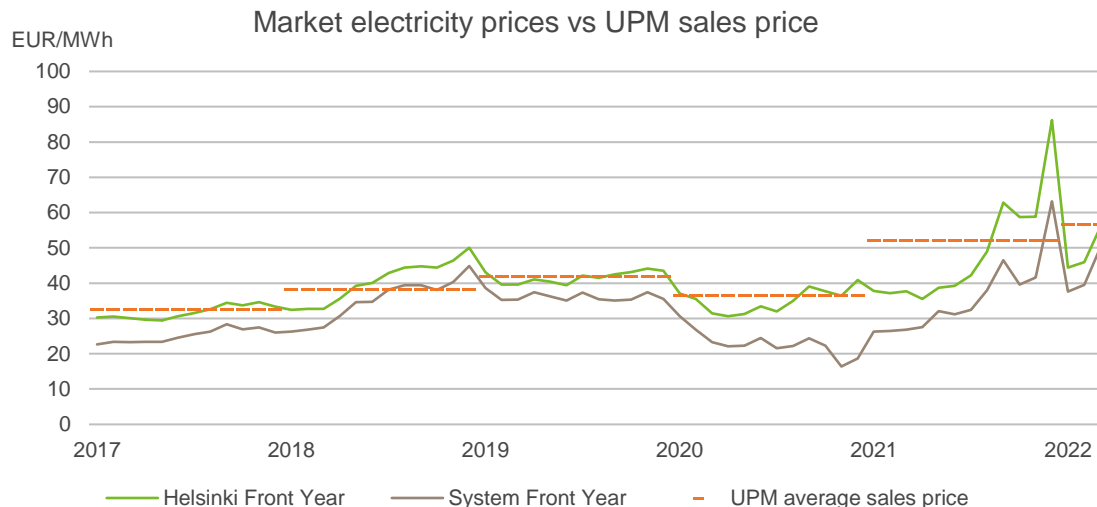


### Pulp market prices, USD



Source: FOEX Indexes Ltd

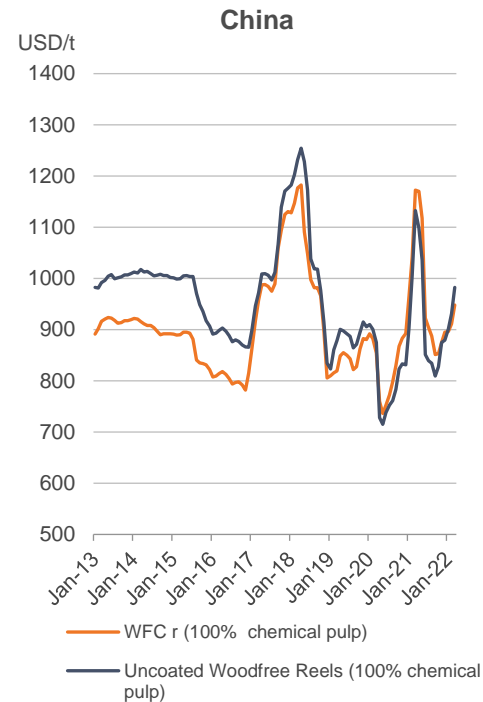
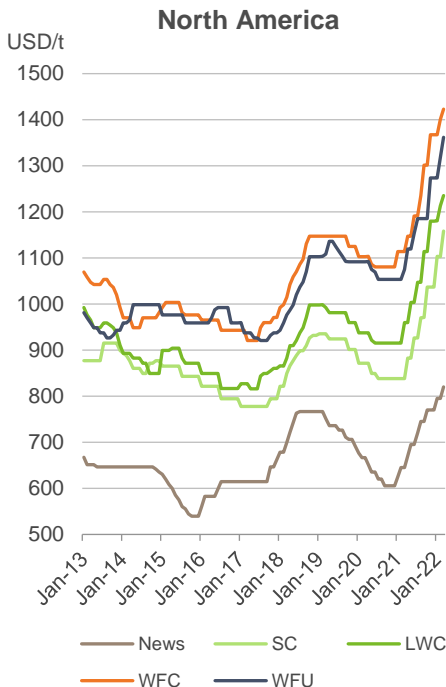
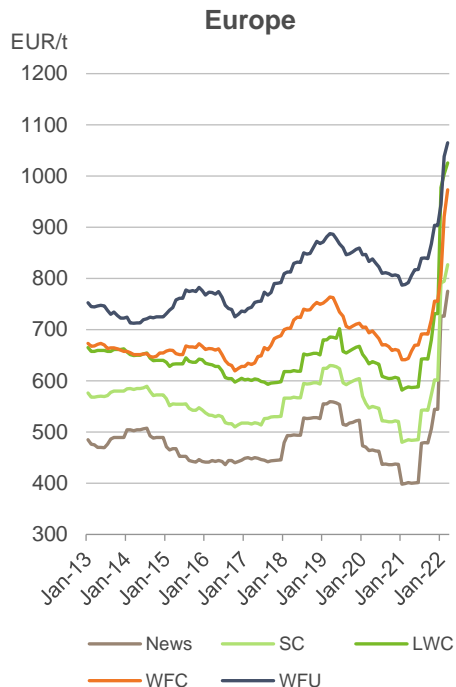
# Cost efficient generation enables robust profitability in changing market environment



UPM Energy profitability	2017	2018	2019	2020	2021	Q1/2022
Comparable EBIT, EURm	91	123	185	171	270	63
% of sales	32.7	28.8	31.5	44.4	45.0	44.3

# UPM Communication Papers

## Graphic paper prices



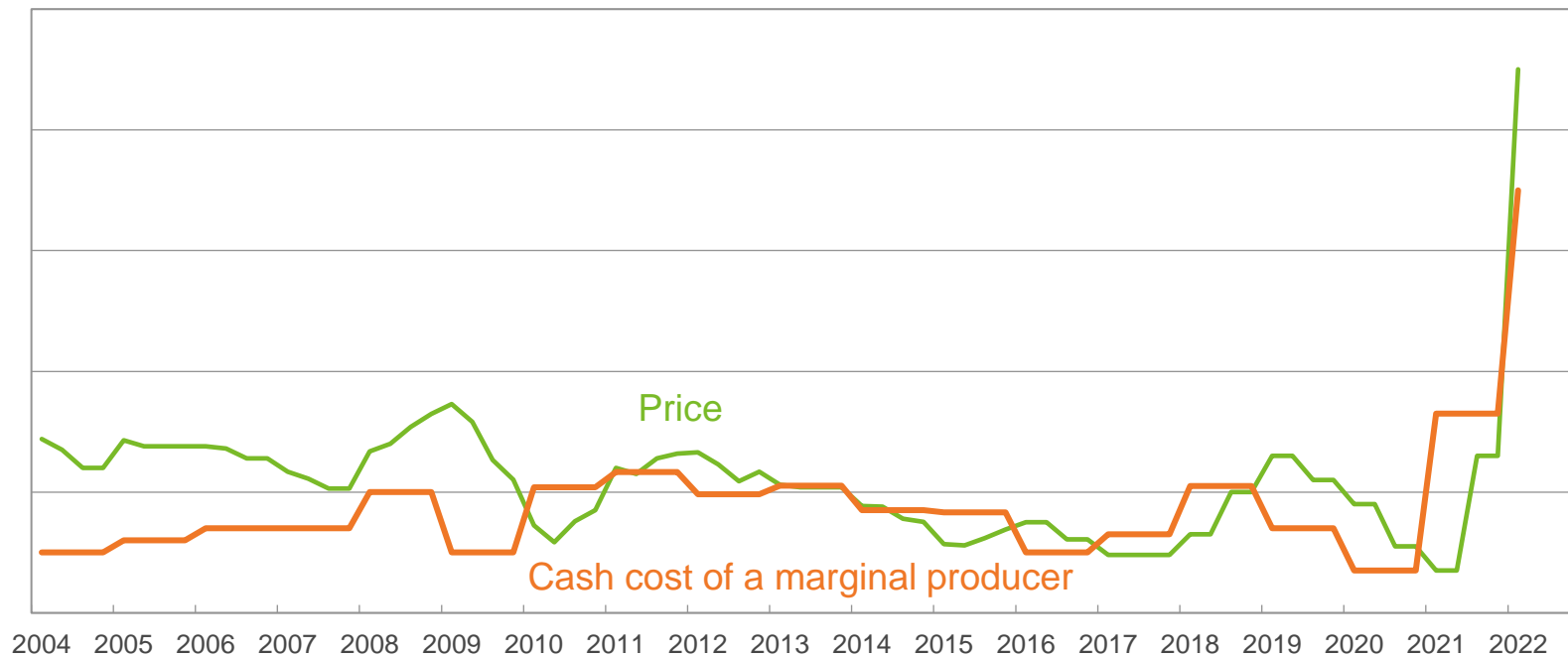
Sources: PPI, RISI



# Paper price vs. cash cost of marginal cost producer



EUR/t



Sources: PPI, RISI, Pöyry

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