



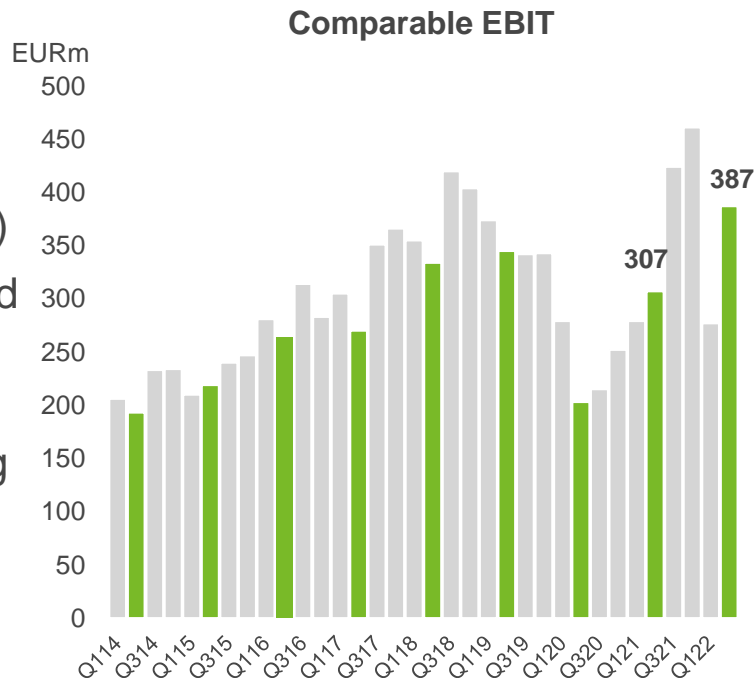
UPM Half Year Financial Report 2022

Jussi Pesonen
President and CEO
21 July 2022

Record Q2 earnings with successful margin management in exceptional business environment

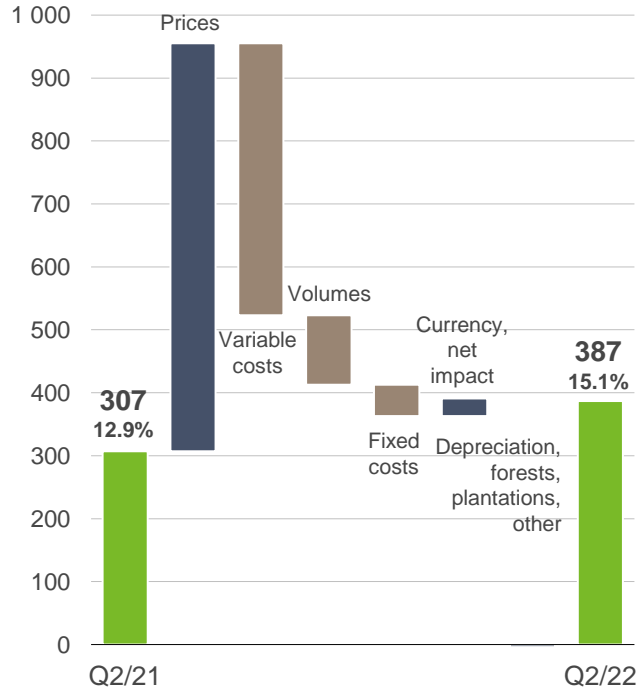


- Sales increased by 7% to EUR 2,562m (2,384m in Q2 2021)
- Comparable EBIT grew by 26% to EUR 387 million, 15.1% of sales (307m, 12.9%)
- Sales prices increased in all business areas and more than offset the negative impact of higher variable costs
- Only one month of normal full production during H1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

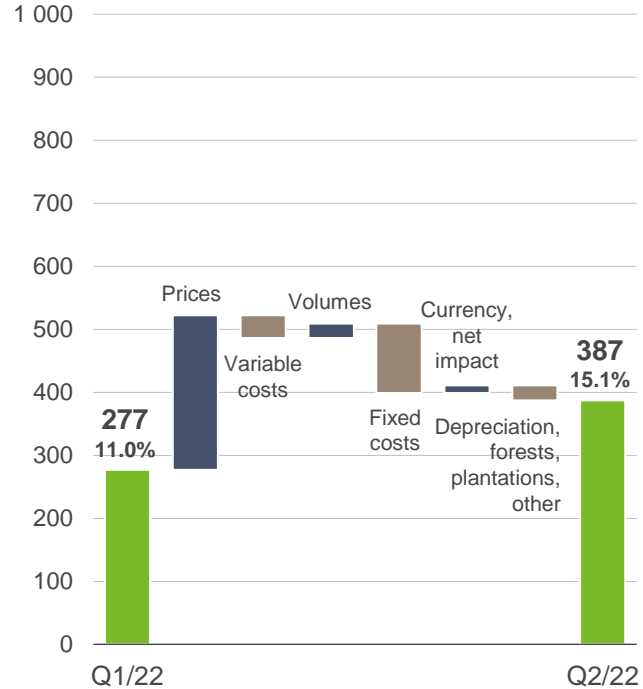


Comparable EBIT in Q2 2022

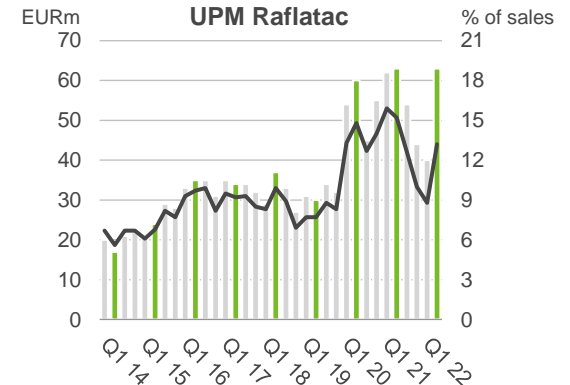
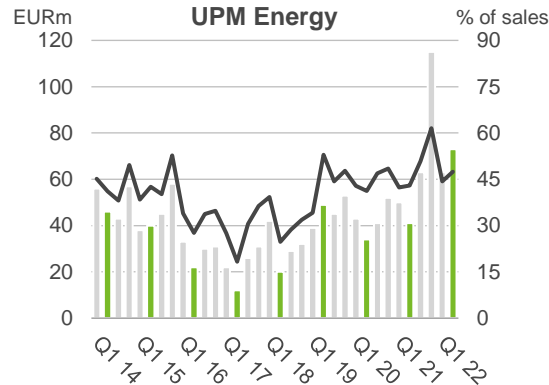
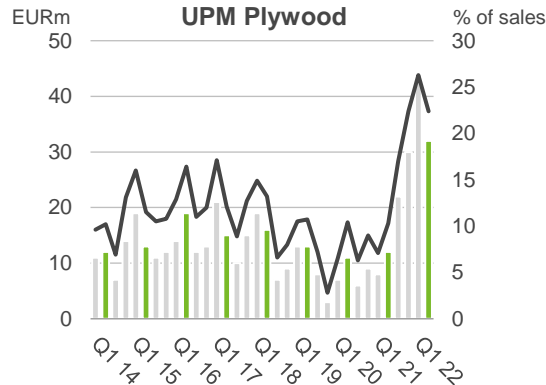
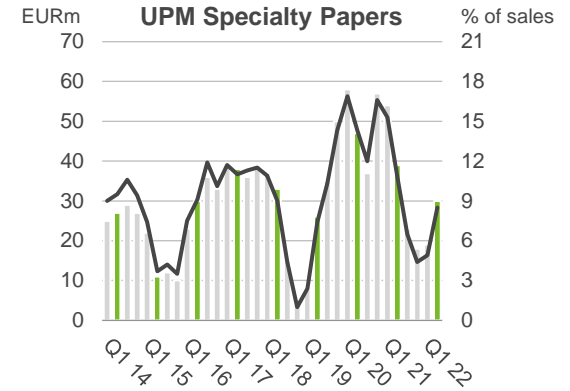
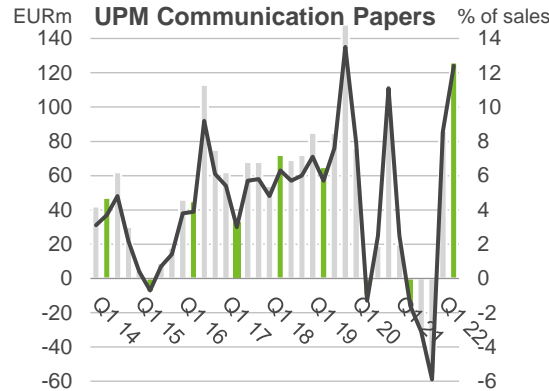
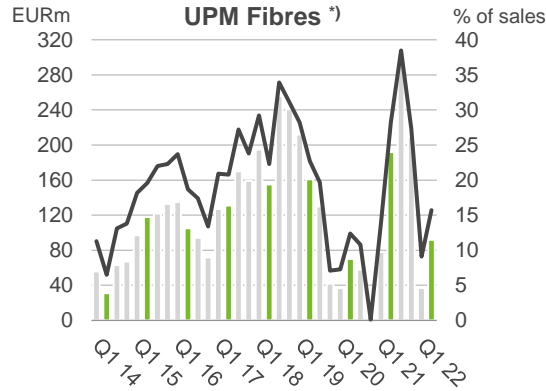
EURm



EURm



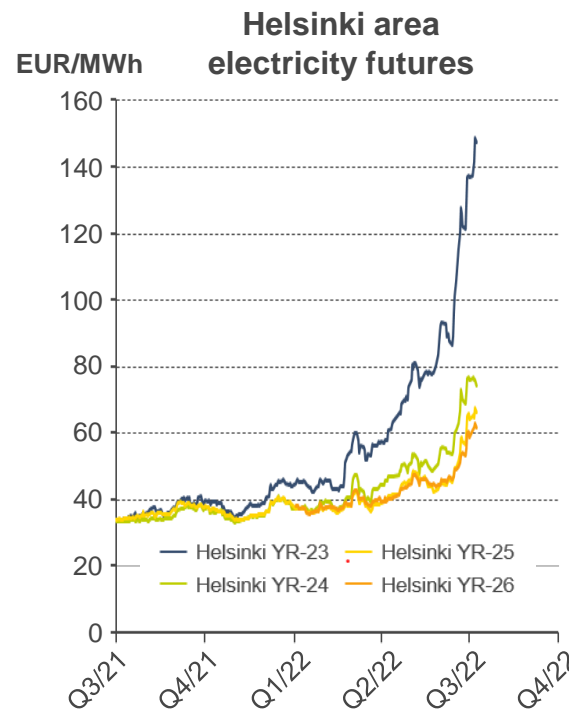
Comparable EBIT by business area



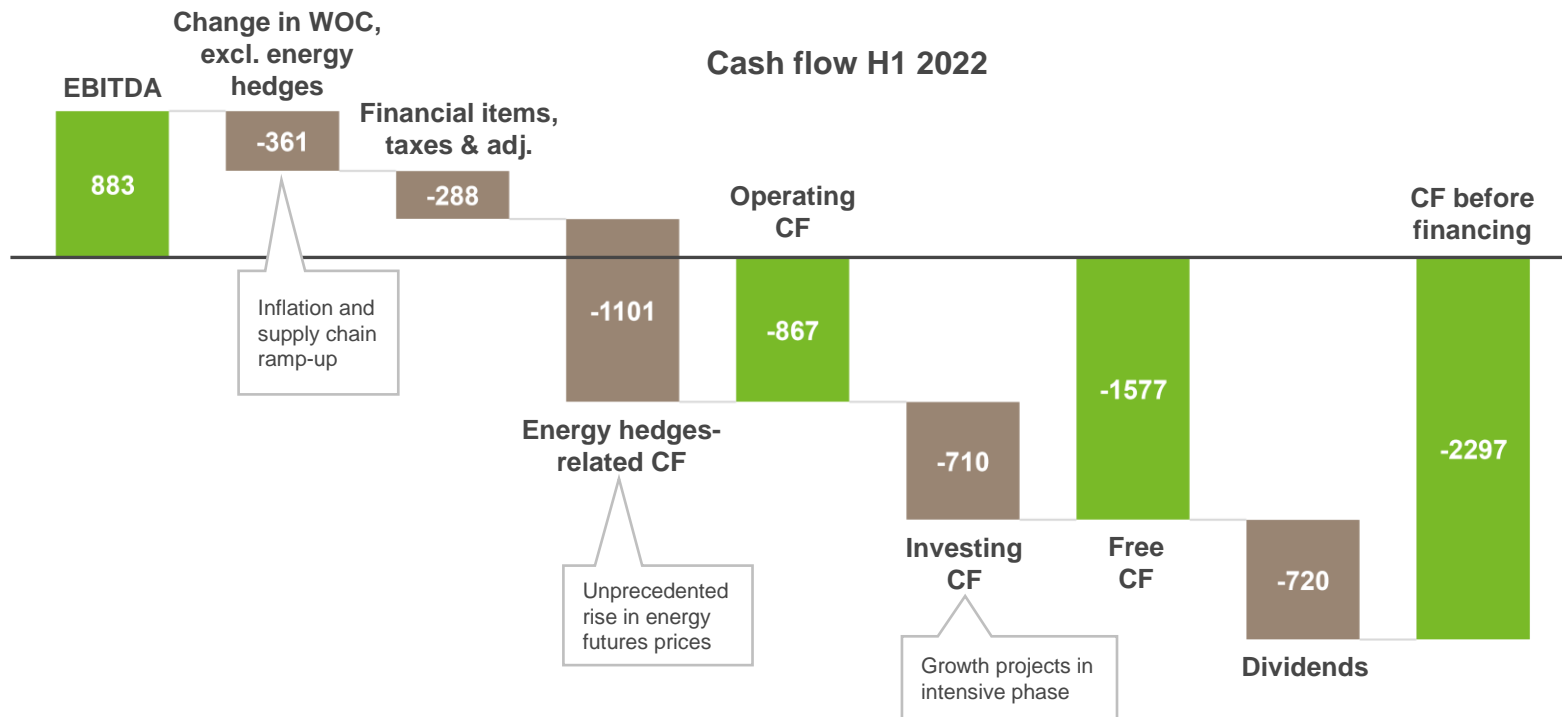
Unprecedented rise in energy futures prices caused short-term cash outflow from energy hedges



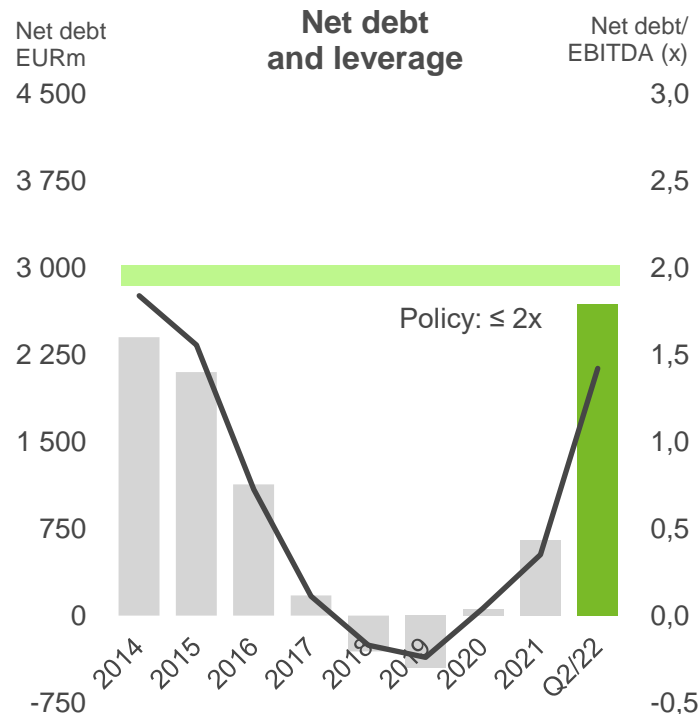
- Unprecedented rise in energy futures prices across the forward curve in Q2 and especially in June
- Cash outflow of energy hedges totalled EUR 1,032m in Q2 2022, or EUR 1,101m in H1 2022
- UPM's energy hedges are only for hedging the existing electricity generation and energy consumption
- The cash outflow will later be offset by a similar cash inflow from the hedges or energy production
- Exceptional uncertainty and tightness in the energy markets indicate strong earnings potential of UPM Energy



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.

Our focus areas



ENSURING PERFORMANCE

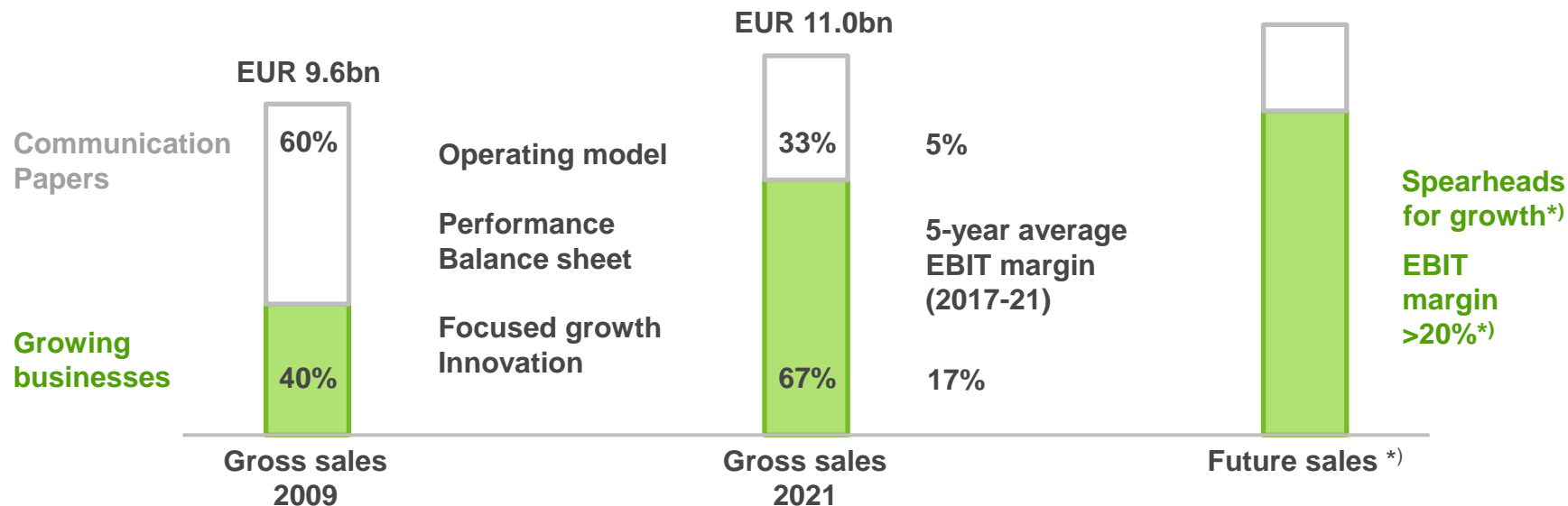


TRANSFORMATIVE GROWTH PROJECTS



Transformation proceeds at full speed

– business mix drives earnings and shareholder value



*) This is an illustration, not a forecast

UPM sells the Steyrermühl site to the HEINZEL GROUP



- Continuously and proactively securing competitiveness of UPM Communication Papers
- The transaction comprises the UPM Steyrermühl site with
 - approx. 400 employees
 - newsprint capacity of 320,000 t/a
 - timber capacity of 370,000 m³/a
- The agreement enables UPM to adapt its newsprint paper production to the long-term market development
- Newsprint production at the mill will stop at the end of 2023



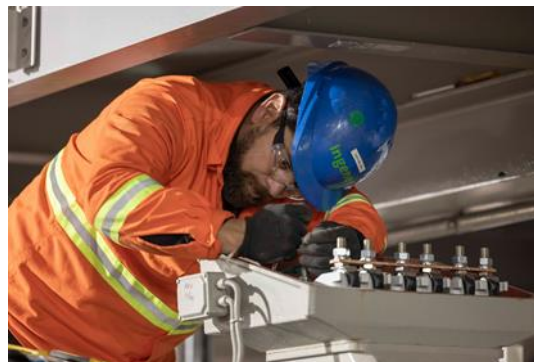
UPM Raflatac accelerates its growth in label materials by acquiring AMC AG



- UPM Raflatac has signed an agreement to acquire AMC AG, a Germany-based company
- The acquisition accelerates UPM Raflatac's growth, strengthens its position in filmic labels, in Central Europe and expands the product offering to new self-adhesive product lines
- The transaction is expected to be closed in Q3 2022, subject to regulatory approvals



Commissioning phase under way in UPM Paso de los Toros



Progress in UPM Leuna



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



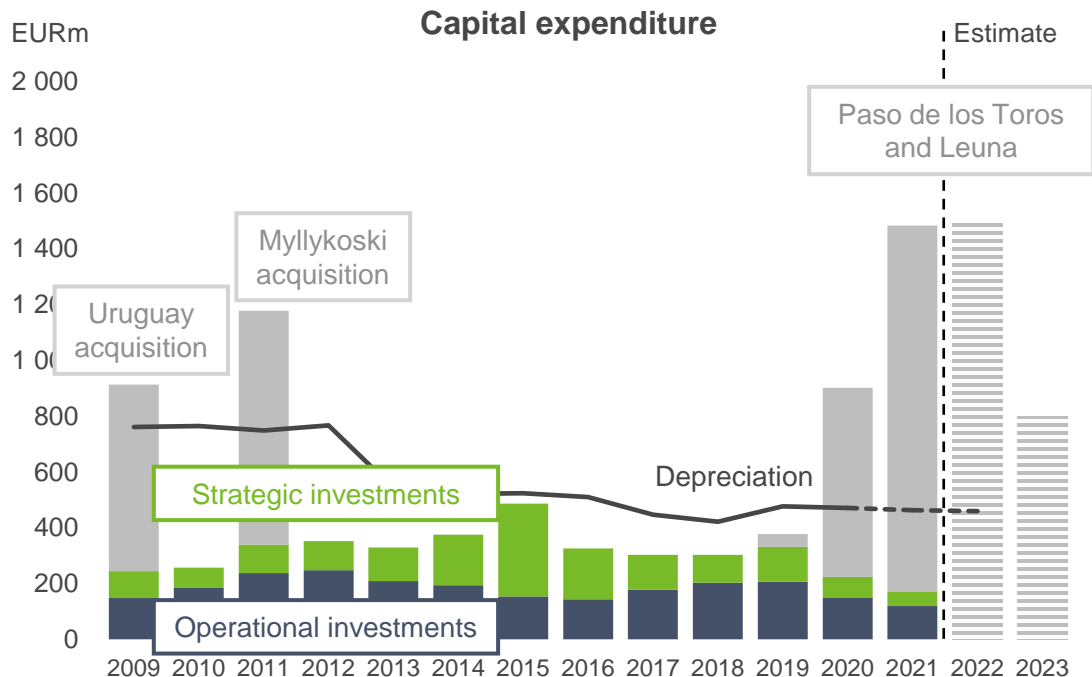
OL3 will increase UPM Energy's carbon free electricity generation by nearly 50%

Reliable CO₂-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%



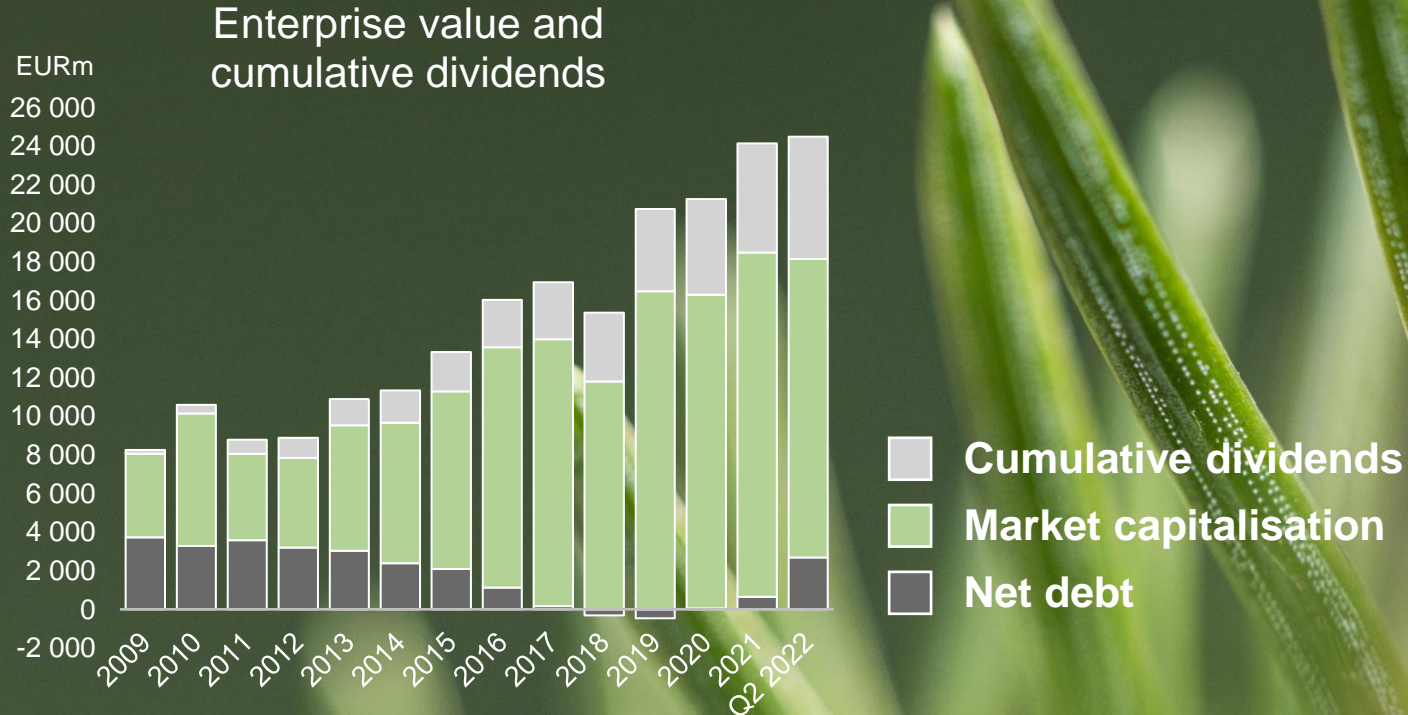
Transformative growth projects in the most intensive phase in 2021-2022



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

Transformation is visible in shareholder value





Welcome to

UPM's Forest and Energy

webcast on 12 September 2022

Summary

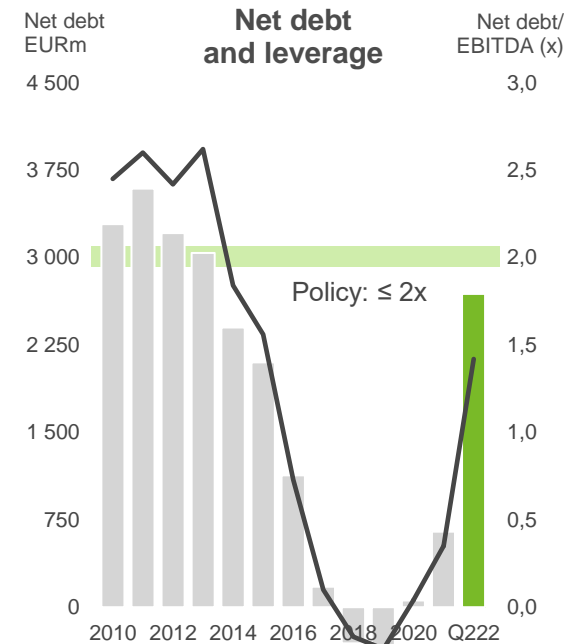
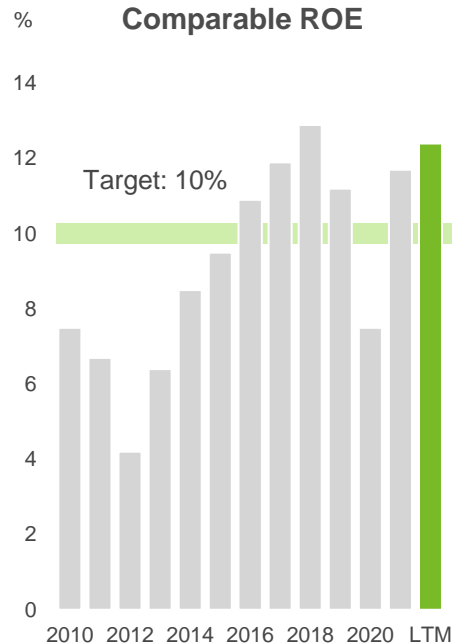
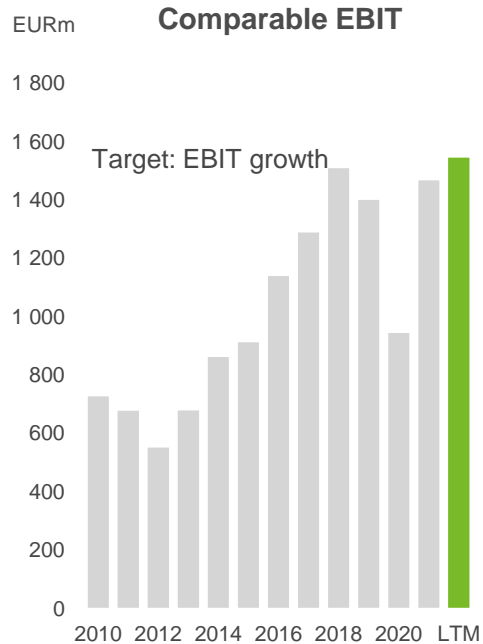


- Record Q2 earnings in an exceptional business environment
- UPM expects record annual earnings in the full year 2022
- Transformative growth projects in Uruguay and in Germany proceed well, commissioning phase under way in UPM Paso de los Toros
- The unprecedented rise in energy futures prices indicate strong earnings potential of UPM Energy. OL3 will increase UPM Energy's carbon free electricity generation by nearly 50% at an opportune time
- In Q2 2022 there was a significant cash outflow of energy hedges. Due to the nature of UPM's hedging activity, this cash flow is expected to reverse in the future

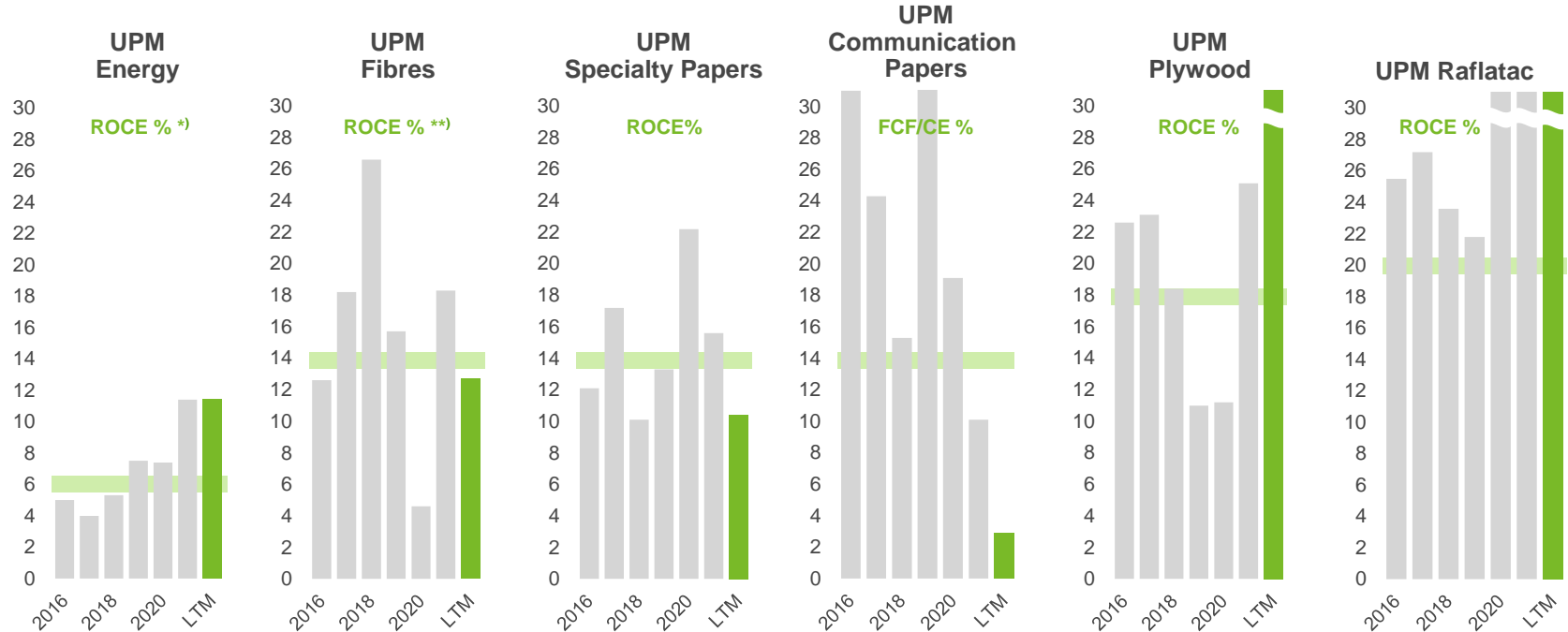
UPM **BIOFORE**
BEYOND FOSSILS



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.

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



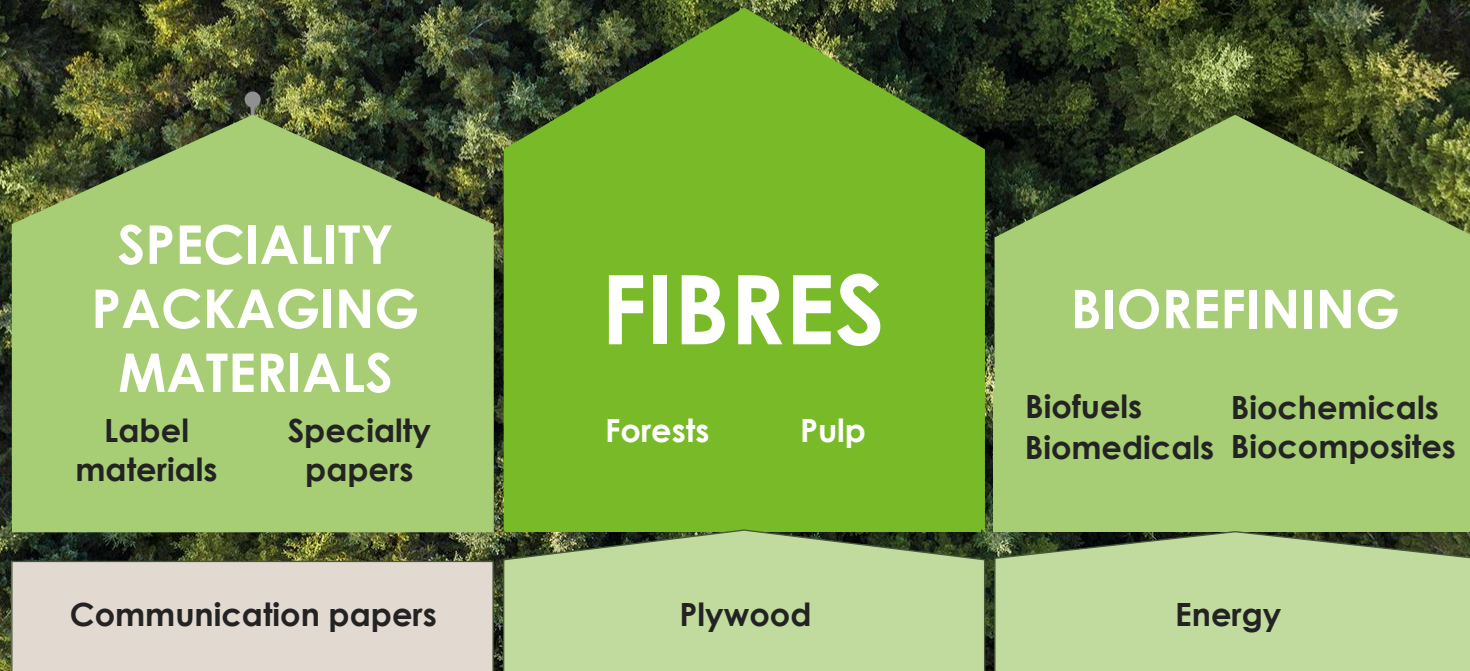
RESPONSIBILITY

- 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



Our climate commitment



WE ACT THROUGH FORESTS

Committed to climate-positive forestry and enhancing biodiversity



WE ACT THROUGH EMISSION REDUCTIONS

-65% from own CO₂ emissions
-30% from CO₂ 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

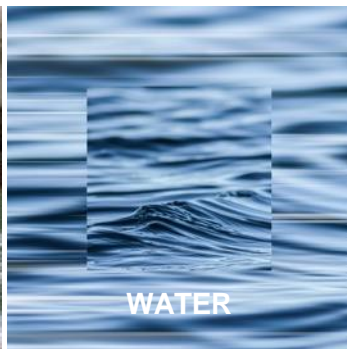
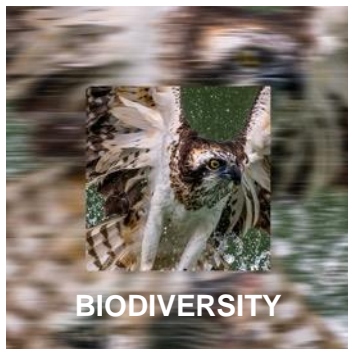


**OUR ONLY
FUTURE**

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

FOREST ACTION

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



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

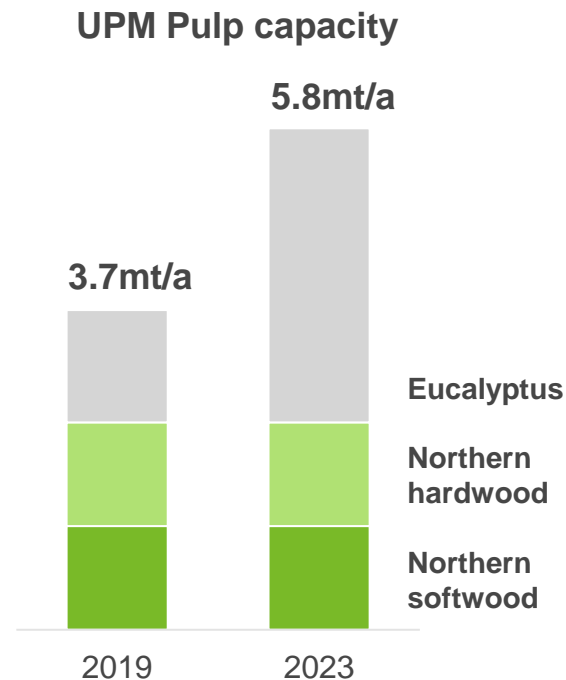


Scheduled to start
up in Q1 2023

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



Moving forward with biofuels growth plans

Basic engineering phase of a next generation biorefinery



Potential industrial scale biofuels biorefinery



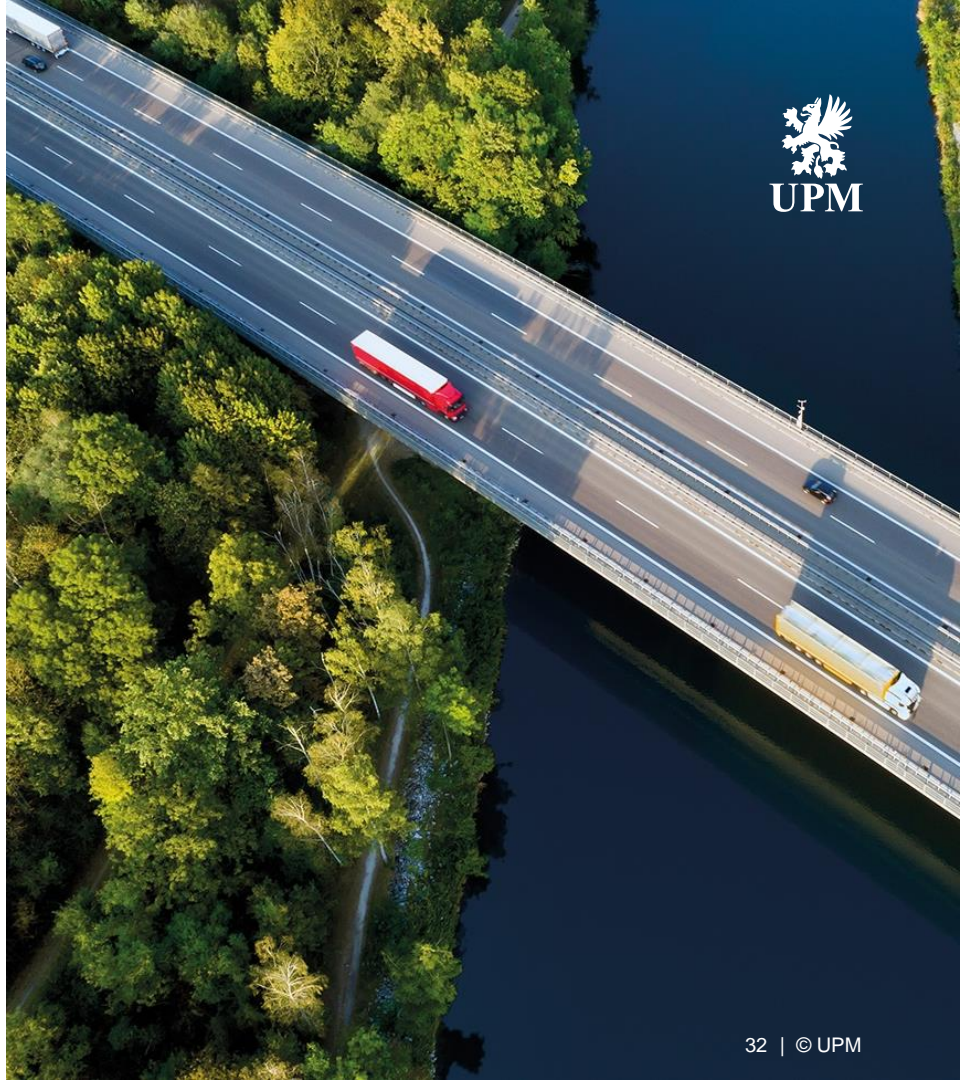
Products would significantly reduce carbon footprint in the road transport and aviation



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



Potential investment in Rotterdam, the Netherlands

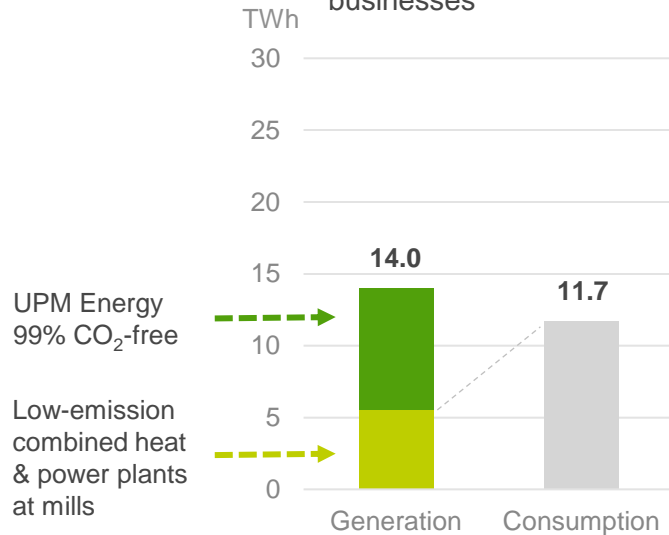


UPM is a large producer and consumer of energy



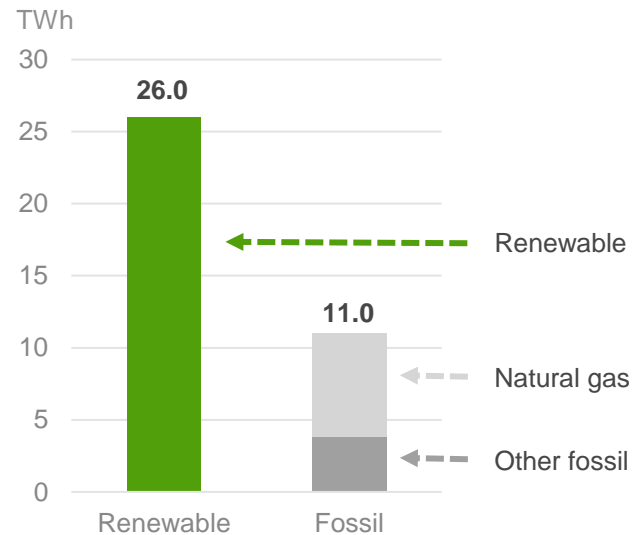
Electricity

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



Fuels

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



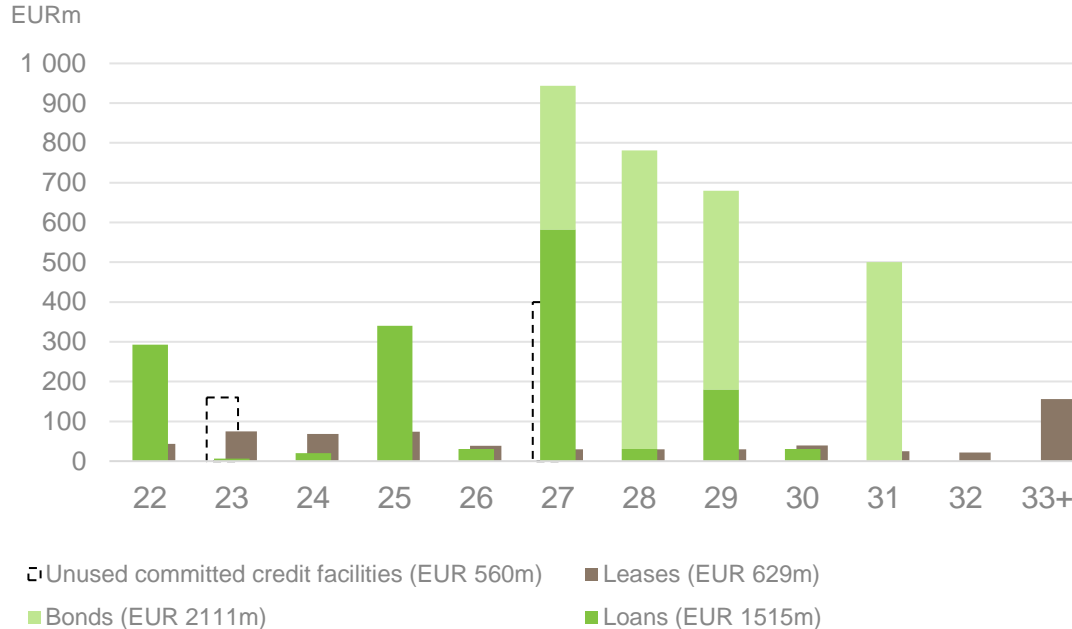
Hedging

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

CO₂

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

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

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

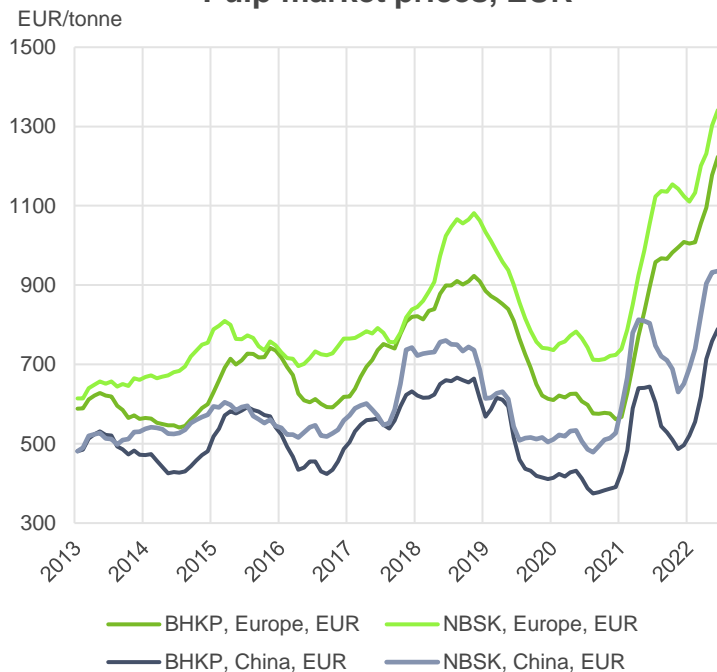
	USD	GBP	JPY	Others
EURm	1,380	350	140	205

UPM Fibres

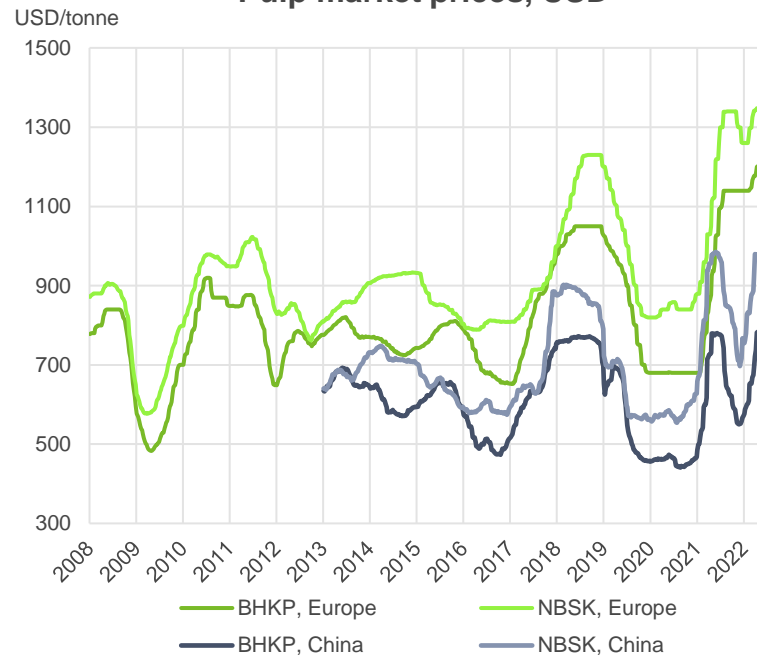
Chemical pulp market prices



Pulp market prices, EUR

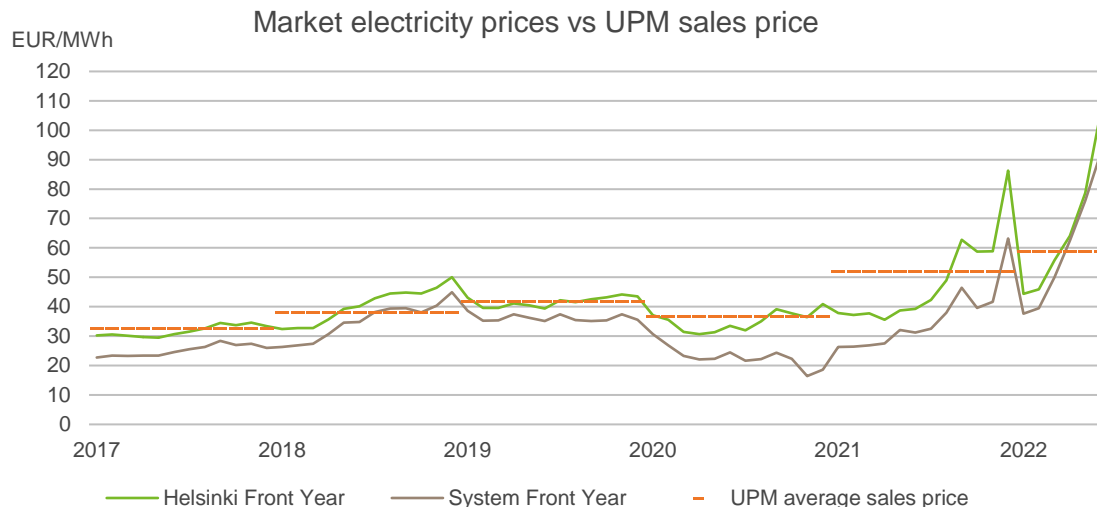


Pulp market prices, USD



Source: FOEX Indexes Ltd

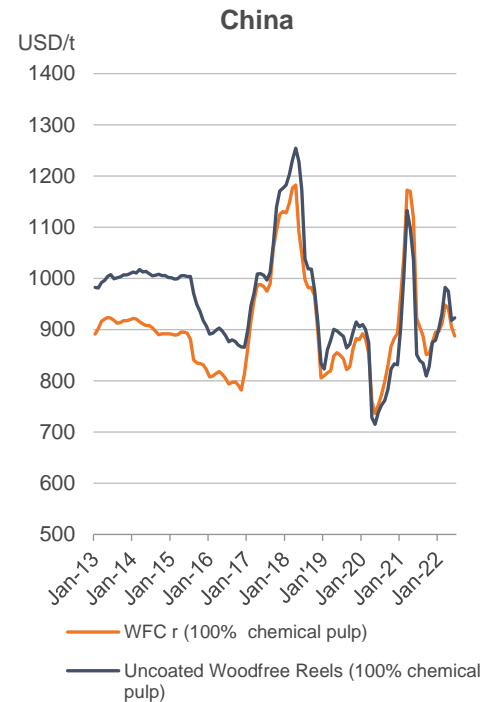
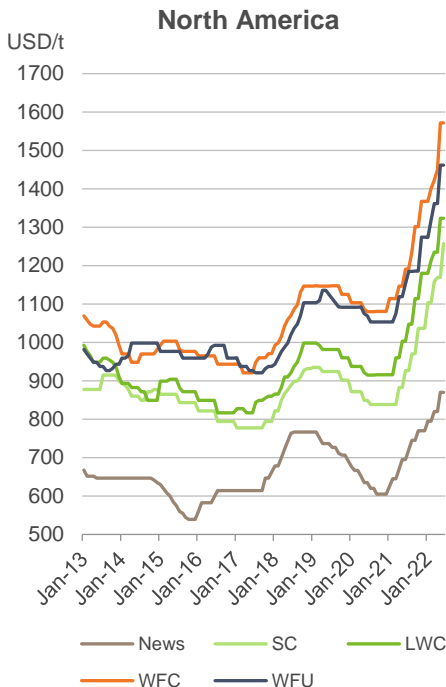
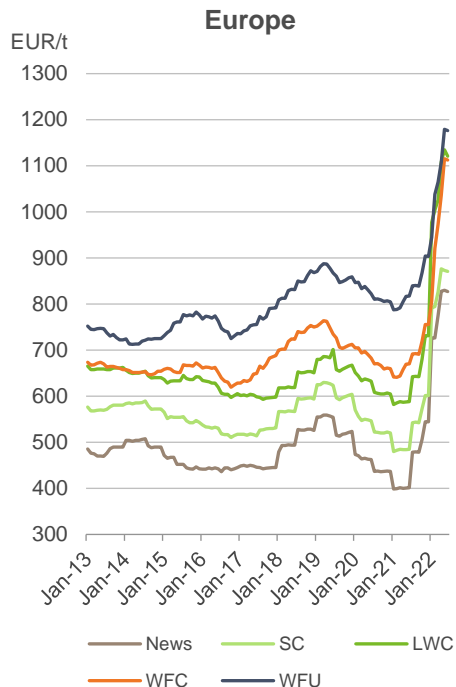
Cost efficient generation enables robust profitability in changing market environment



UPM Energy profitability	2017	2018	2019	2020	2021	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 Communication Papers

Graphic paper prices

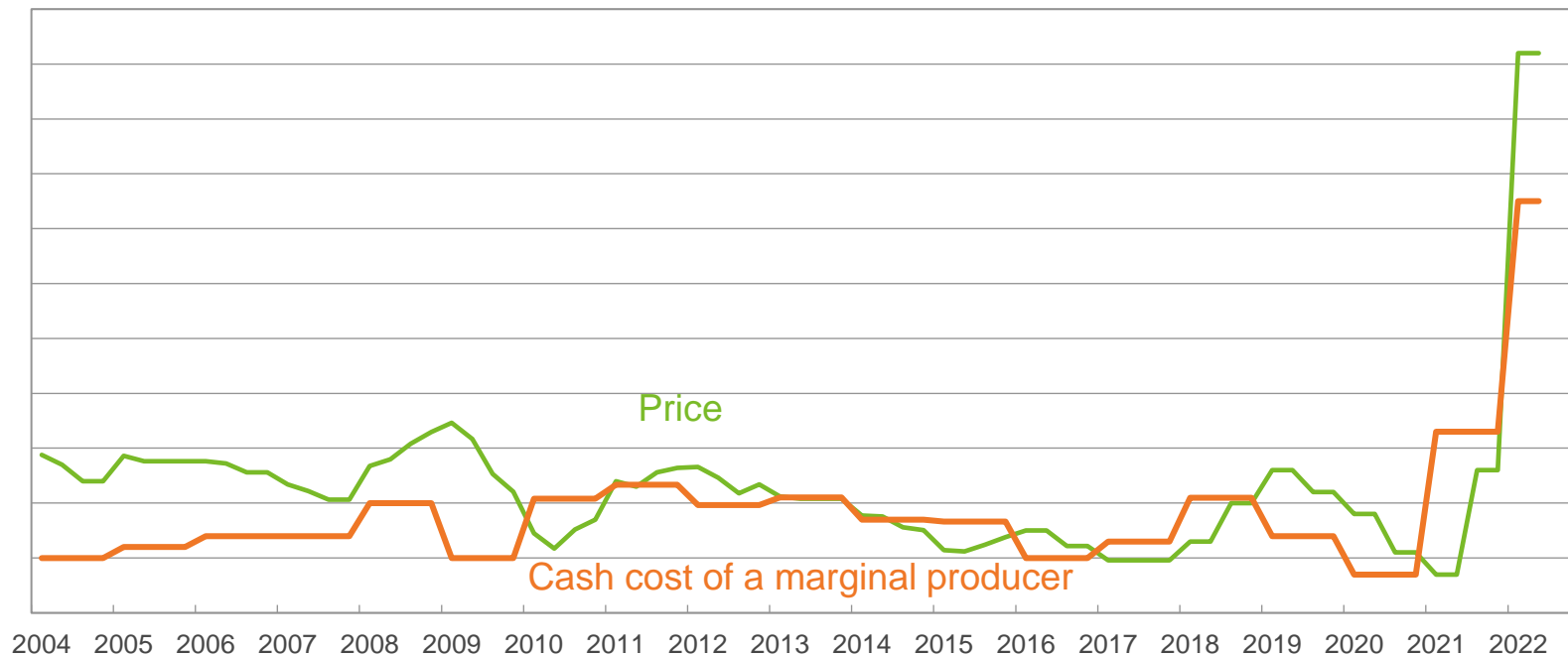


Sources: PPI, RISI

Paper price vs. cash cost of marginal cost producer



EUR/t



Sources: PPI, RISI, Pöyry

UPM **BIOFORE**
BEYOND FOSSILS

