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

Q2/21 | Q2/22
--- | ---
Prices | 307 | 387
Variable costs | 12.9% | 15.1%
Volumes | 307 | 387
Currency, net impact | 15.1% | 15.1%
Depreciation, forests, plantations, other | 277 | 387

EURm

Q1/22 | Q2/22
--- | ---
Prices | 277 | 387
Variable costs | 11.0% | 15.1%
Depreciation, forests, plantations, other | 277 | 387
Fixed costs | 387 | 387
Depreciation, forests, plantations, other | 387 | 387
Comparable EBIT by business area

- **UPM Fibres**: Year 2021 restated, UPM Biofuels moved to Other Operations as of 1 January 2022

- **UPM Communication Papers**

- **UPM Specialty Papers**

- **UPM Plywood**

- **UPM Energy**

- **UPM Raflatac**

(*) Year 2021 restated, UPM Biofuels moved to Other Operations as of 1 January 2022
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

EBITDA

Change in WOC, excl. energy hedges

Financial items, taxes & adj.

Operating CF

Energy hedges-related CF

Unprecedented rise in energy futures prices

Inflation and supply chain ramp-up

Operating CF

-1101

-867

Investing CF

-710

Free CF

-1577

-2297

Growth projects in intensive phase

Dividends

-720

CF before financing

-1577

-2297
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.

- **Gross sales 2009**
  - Communication Papers: EUR 9.6bn (60%)
  - Growing businesses: EUR 9.6bn (40%)

- **Gross sales 2021**
  - Operating model: EUR 11.0bn (33%)
  - Performance: EUR 11.0bn (5%)
  - Balance sheet: EUR 11.0bn (67%)

- **Future sales**
  - Spearheads for growth: EUR 11.0bn
  - EBIT margin >20%

*) 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 CO$_2$-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

Enterprise value and cumulative dividends

-2000 0 2000 4000 6000 8000 10000 12000 14000 16000 18000 20000 22000 24000 26000

EURm

Cumulative dividends
Market capitalisation
Net debt
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
Earnings back to strong pre-pandemic levels

Comparable EBIT

Comparable ROE

Net debt and leverage

Target: EBIT growth

Target: 10%

Policy: ≤ 2x

Target: 10%

Target: EBIT growth

Policy: ≤ 2x

Target: 10%

Net debt/EBITDA (x)

Target: 10%
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

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

**FIBRES**
- Forests
- Pulp

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

**Communication papers**

**Plywood**

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

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

Sustainability Award
Gold Class 2022
S&P Global

PLATINUM 2021
ecovadis Sustainability Rating

Bloomberg Gender Equality Index 2022

CDP A LIST 2021 FORESTS
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

*) including variable and fixed costs of plantation operations, wood sourcing, mill operations and logistics delivered to the main markets
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

<table>
<thead>
<tr>
<th>Generation</th>
<th>Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>TWh</td>
<td>TWh</td>
</tr>
<tr>
<td>UPM Energy</td>
<td>14.0</td>
</tr>
<tr>
<td>99% CO₂-free</td>
<td></td>
</tr>
<tr>
<td>Low-emission combined heat &amp; power plants at mills</td>
<td>11.7</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Renewable</th>
<th>Fossil</th>
</tr>
</thead>
<tbody>
<tr>
<td>TWh</td>
<td>TWh</td>
</tr>
<tr>
<td>26.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Natural gas</td>
<td></td>
</tr>
<tr>
<td>Other fossil</td>
<td></td>
</tr>
</tbody>
</table>

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

Figures are for 2021. See Annual Report 2021 for more information.
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
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>Q4 22</td>
<td>UPM Fray Bentos pulp mill</td>
</tr>
<tr>
<td></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>1,380</td>
<td>350</td>
<td>140</td>
<td>205</td>
</tr>
</tbody>
</table>
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

Market electricity prices vs UPM sales price

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Comparable EBIT, EURm</td>
<td>91</td>
<td>123</td>
<td>185</td>
<td>171</td>
<td>270</td>
<td>136</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>45.9</td>
</tr>
</tbody>
</table>
UPM Communication Papers

Graphic paper prices

**Europe**

**North America**

**China**

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

Sources: PPI, RISI, Pöyry