



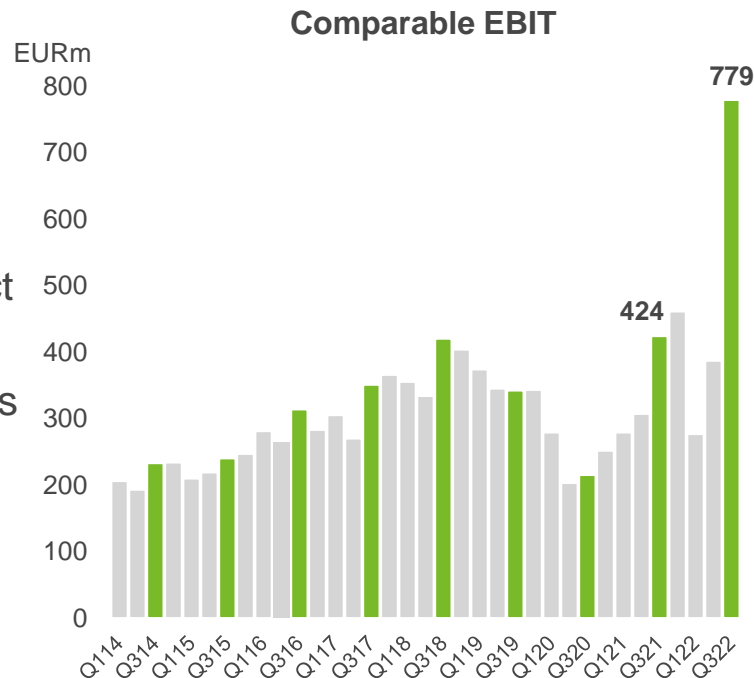
# UPM Interim Report Q3 2022

Jussi Pesonen  
President and CEO  
25 October 2022

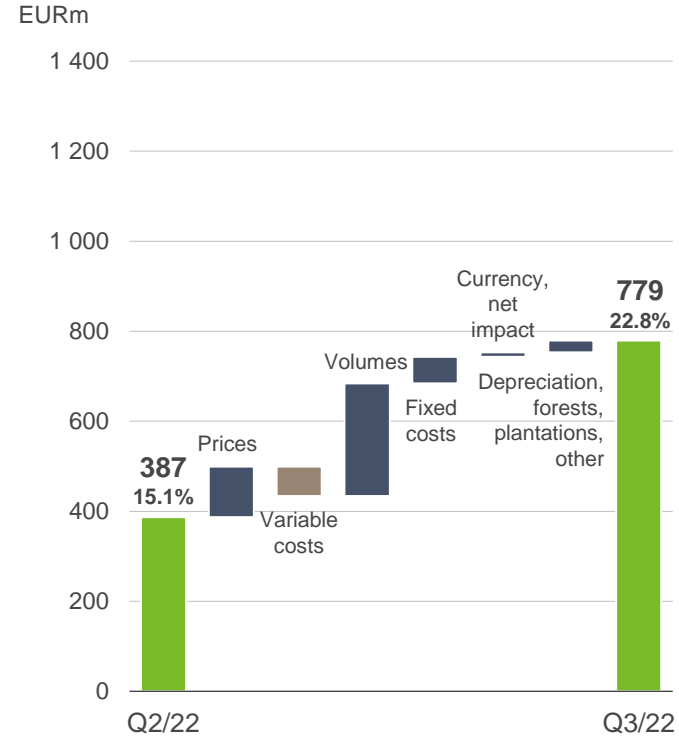
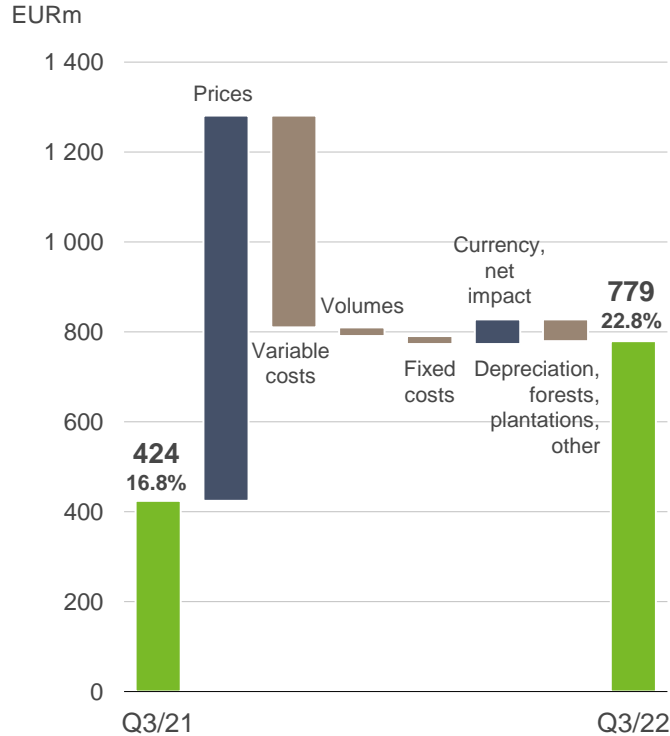
# Q3 2022: all-time high quarterly results with excellent performance in all businesses



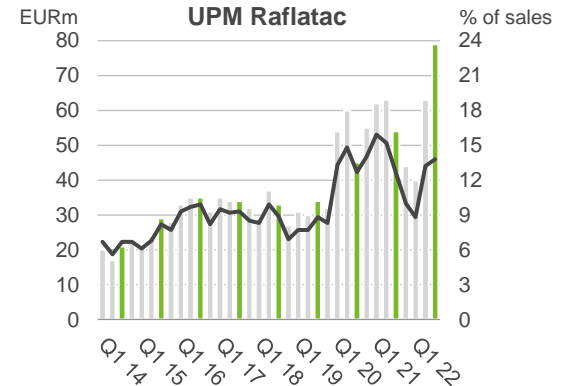
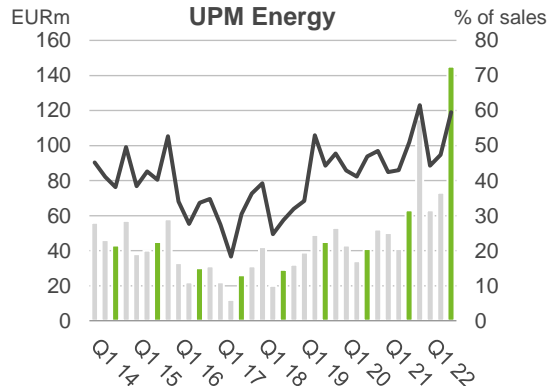
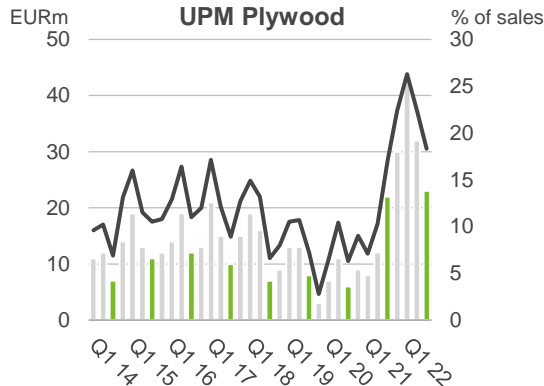
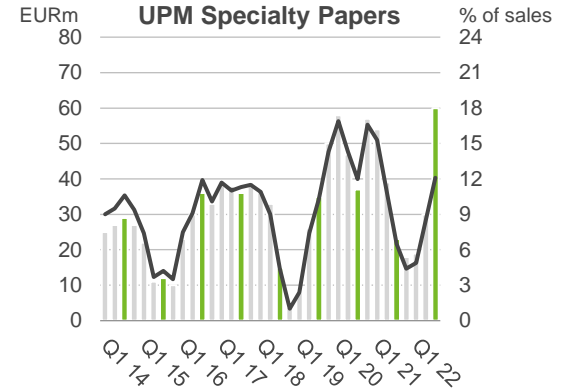
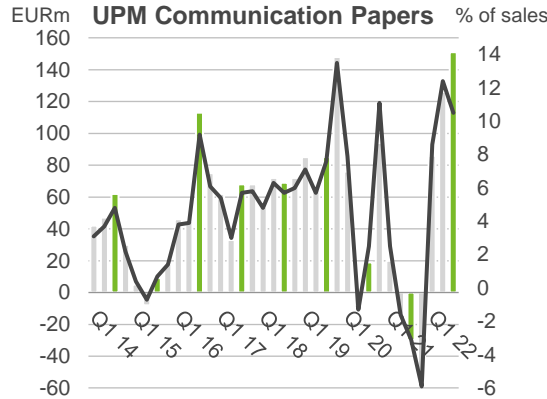
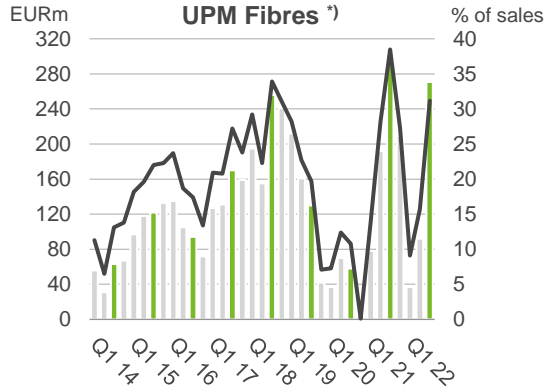
- Sales increased by 36% to EUR 3,420m (2523m in Q3 2021)
- Comparable EBIT grew by 84% to EUR 779 million, 22.8% of sales (424m, 16.8%)
- Sales prices more than offset the negative impact of higher variable costs
- Five businesses achieved record quarterly results
- EcoVadis recognised UPM on a Platinum level based on its sustainability performance
- The new deep sea pulp terminal in the port of Montevideo in Uruguay was inaugurated



# Comparable EBIT in Q3 2022

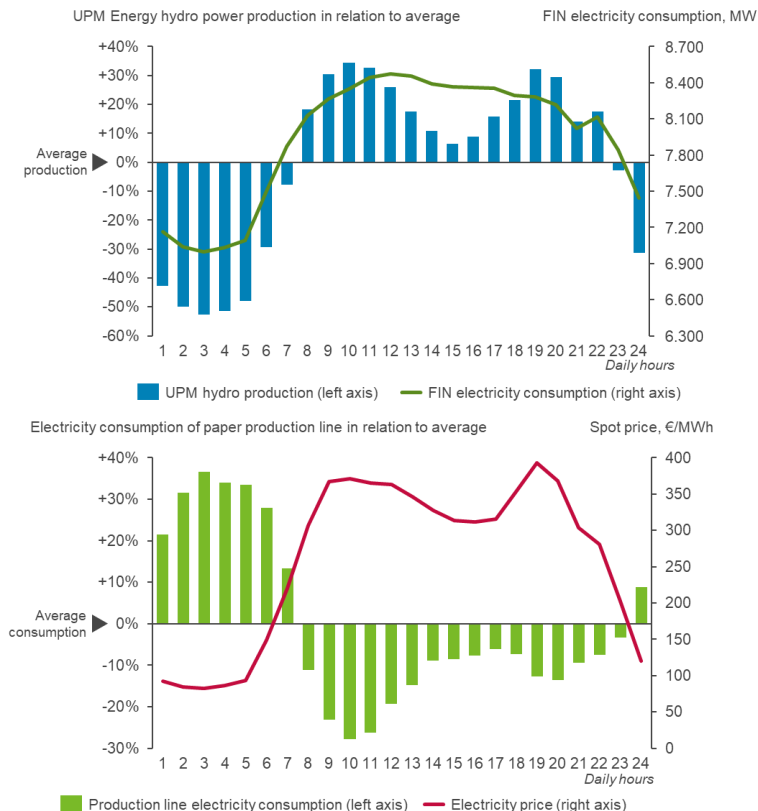


# Comparable EBIT by business area



# Electricity market prices drive UPM's electricity consumption and production

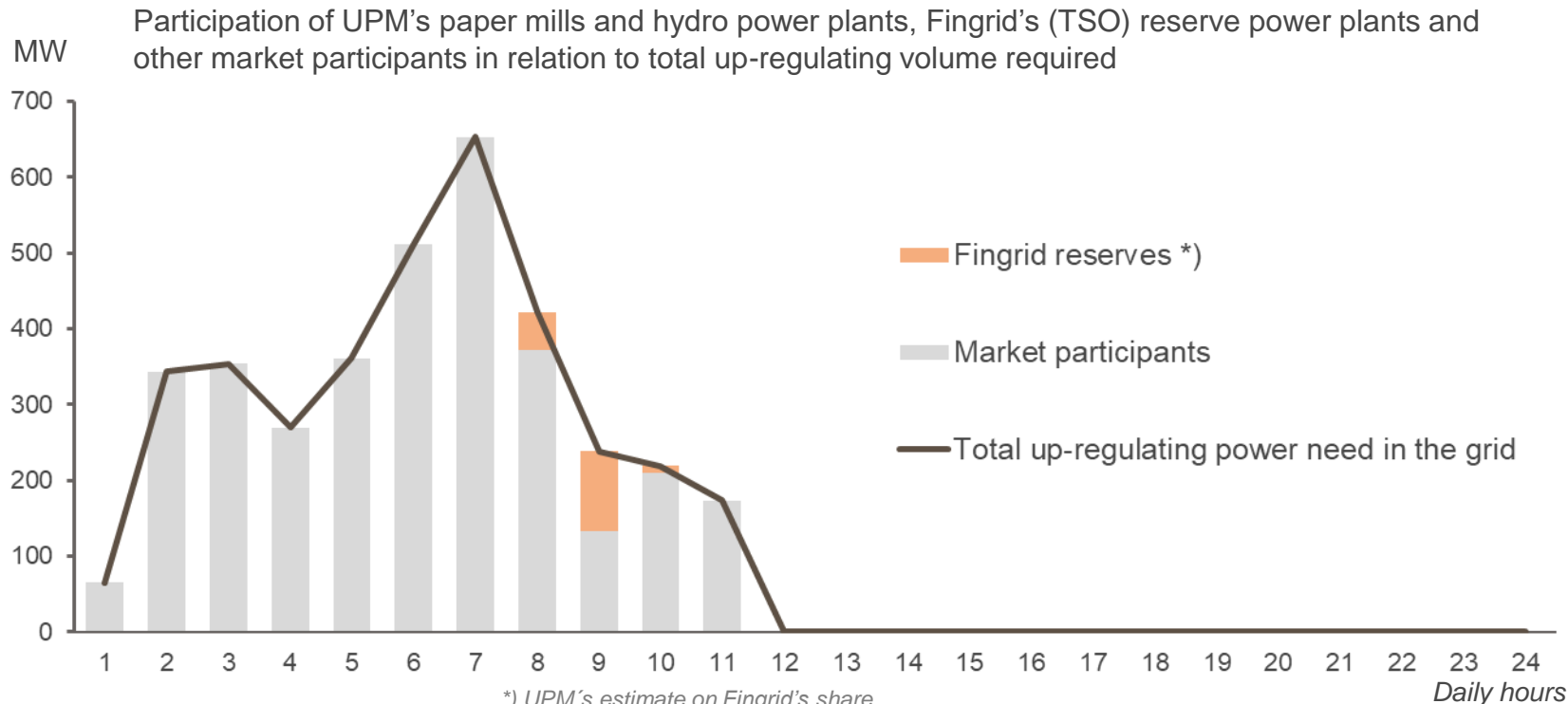
Example of our average daily variation in August 2022



- Day-ahead demand and supply forecasts are affecting the electricity market offers
- Changes within the day e.g. in wind power production cause an additional need to balance the electricity system
- Hydro power is the largest source of balancing power in Finland
- UPM is offering balancing hydro power to the electricity markets according to market forecasts and intra-day needs
- Electricity consumption of UPM's mills is optimised based on market forecasts and intra-day needs

# Functioning of the Finnish electricity grid is dependent on market participants

Example of intra-day market balancing, 8 September 2022

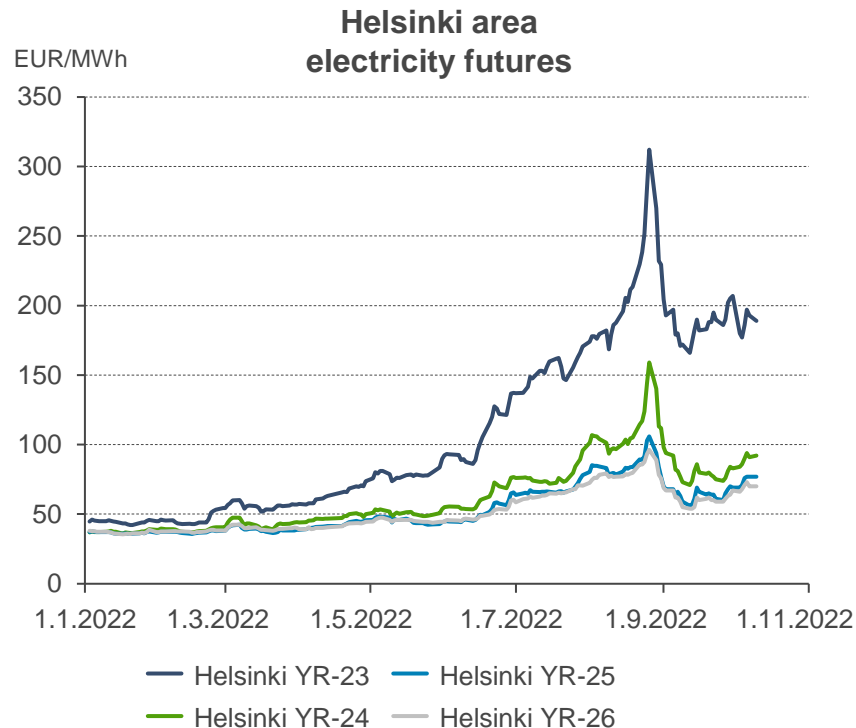


\*) UPM's estimate on Fingrid's share  
Sources: Fingrid, UPM

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



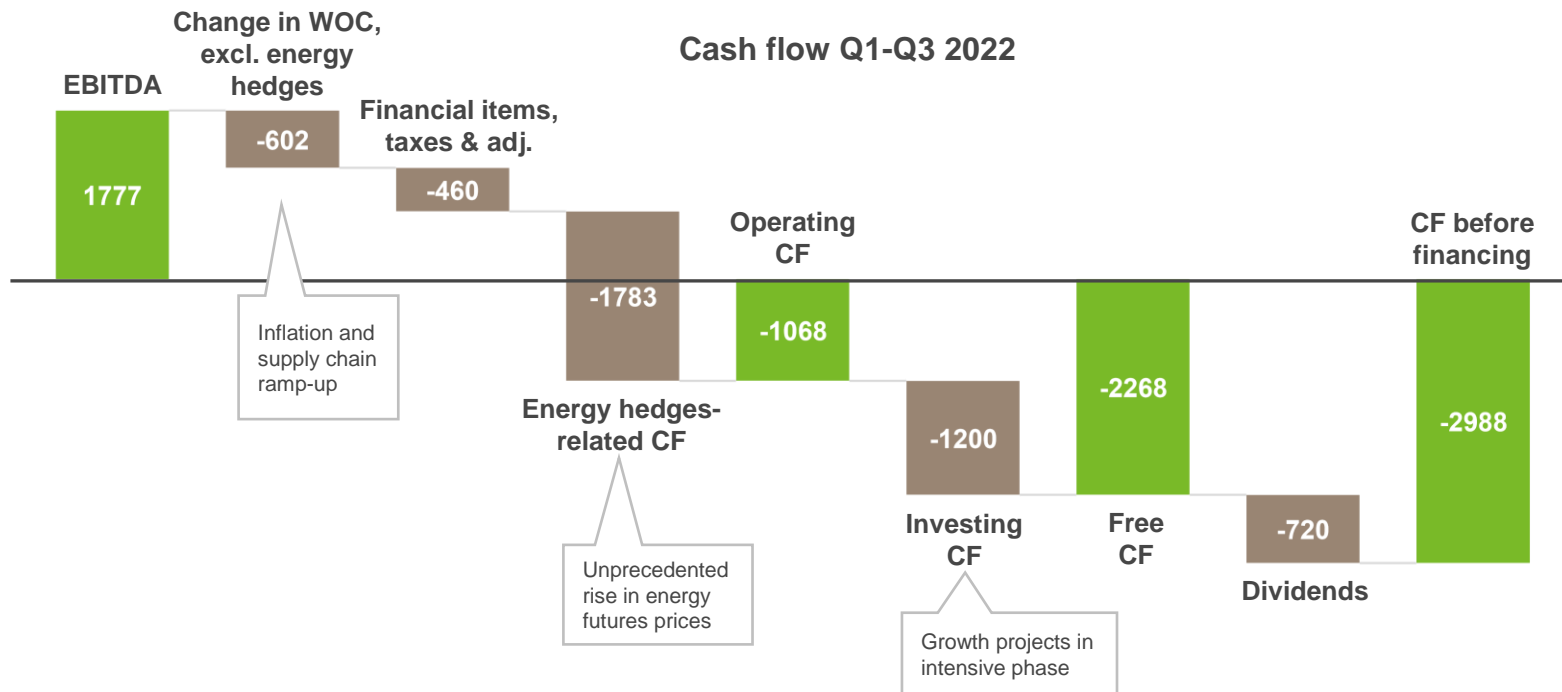
- The rise and volatility in energy futures prices across the forward curve continued in Q3
- Cash outflow of energy hedges totalled EUR 681m in Q3 2022, or EUR 1,783m in Q1-Q3 2022
- UPM's energy hedges are only for hedging the existing electricity generation and energy consumption
- The cash outflow will later be offset by a similar or larger cash inflow from the hedges or energy production
- UPM signed EUR 4.3bn of credit facilities during Q3
- Exceptional energy market situation indicates strong earnings potential of UPM Energy



Source: NASDAQ OMX

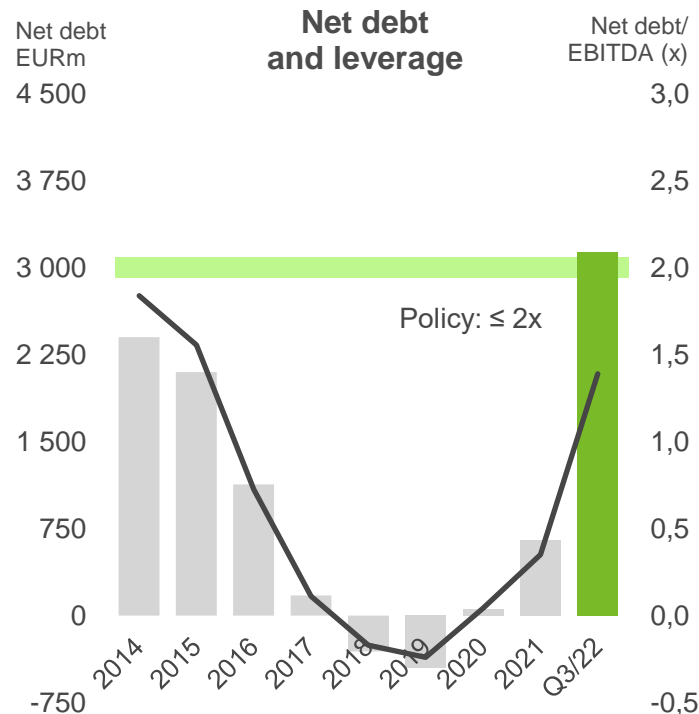
7 | © UPM

# Q1-Q3 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 3,133m at the end of Q3 2022
- Net debt / EBITDA 1.39
- Cash funds and committed credit facilities EUR 5.2bn at the end of Q3 2022
- Additional credit facilities signed during Q3 totalling EUR 4.3bn
- No financial covenants

# Outlook for 2022



- UPM's comparable EBIT is expected to increase in 2022 from 2021. Following the record strong Q3 2022 results, UPM's financial performance is expected to continue above last year's level.
- Significant uncertainties remain in the outlook, related to the war in Ukraine, the remaining effects of the pandemic, growth in the European and global economy, energy prices and availability, as well as related regulation in Europe, the start-up of the OL3 power plant unit, and the tight raw material and logistics markets.
- 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, by optimising its product and market mix, through efficient use of assets as well as by taking measures to improve variable and fixed cost efficiency.

# Our focus areas



## ENSURING PERFORMANCE

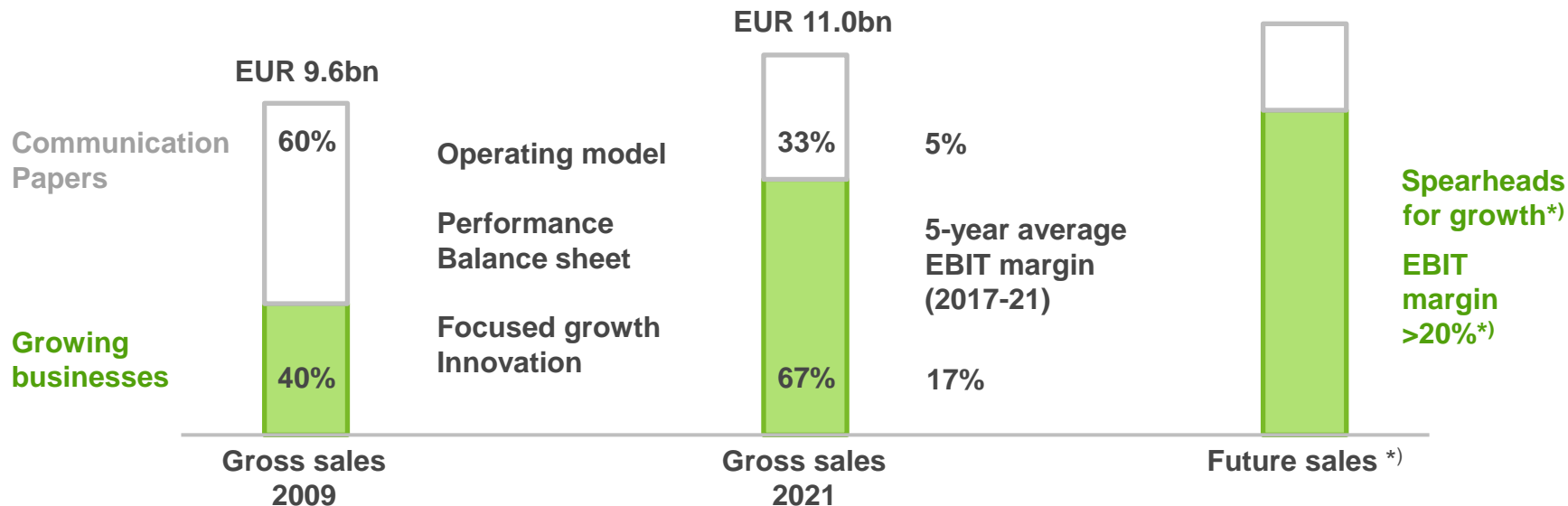


## TRANSFORMATIVE GROWTH PROJECTS



# Transformation proceeds at full speed

## – business mix drives earnings and shareholder value

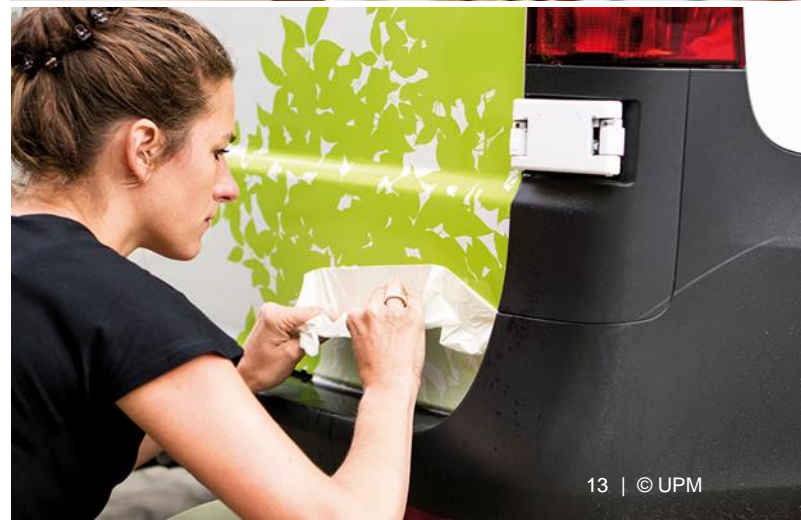


\*) This is an illustration,  
not a forecast

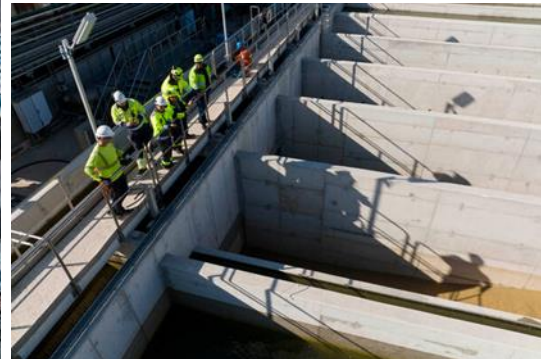


# UPM Raflatac accelerates its growth by acquiring AMC AG

- UPM Raflatac has acquired AMC AG, a Germany-based company
- The acquisition
  - expands the product offering, incl. to Viscom/Graphics materials and removable self-adhesive stationary products
  - strengthens UPM Raflatac's position in filmic labels and in Central Europe
  - is expected to result into significant synergies



# The deep-sea pulp terminal at Montevideo port completed, commissioning phase in UPM Paso de los Toros progressing





# Progress in UPM Leuna



# Olkiluoto 3 EPR – will grow 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

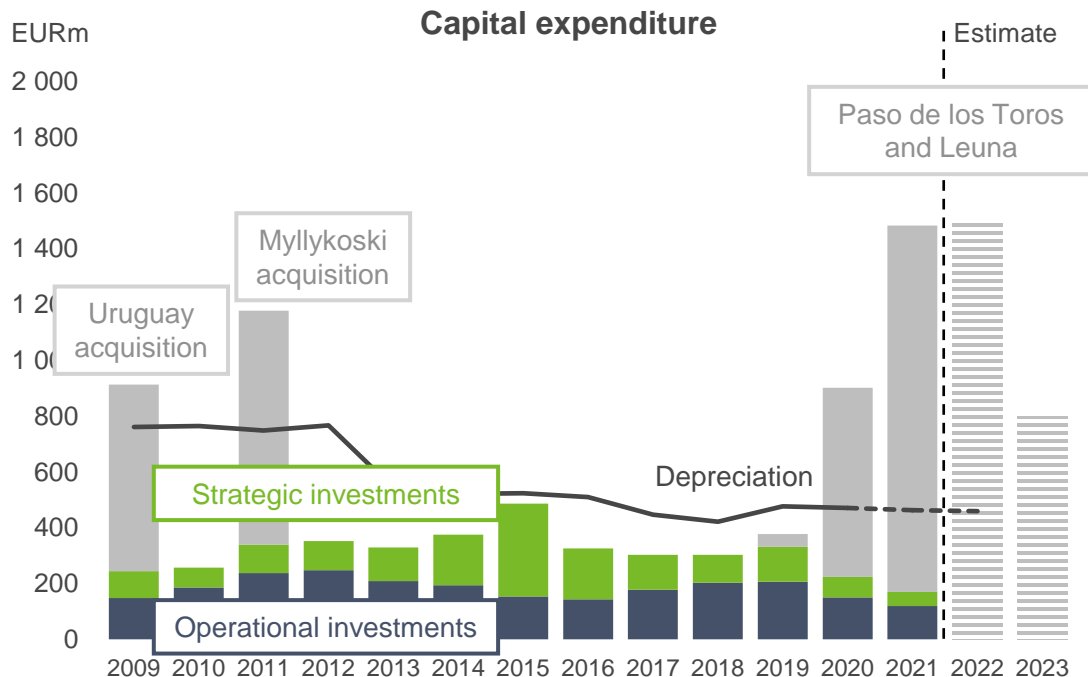
Unique and safe solution for final disposal of spent fuel

Finland's electricity self-sufficiency significantly improved, carbon neutral generation to about 90%





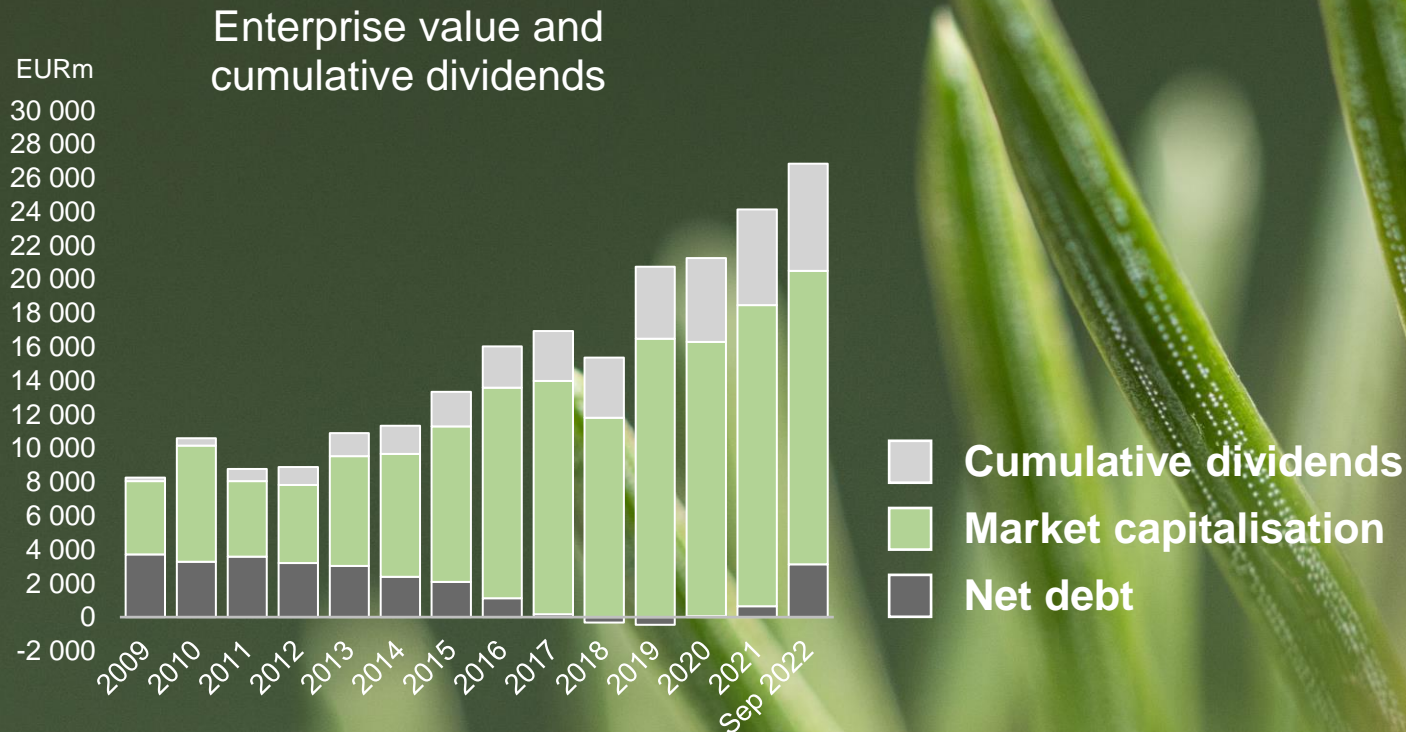
# Transformative growth projects in the most intensive phase in 2021-2022



## 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



# Summary

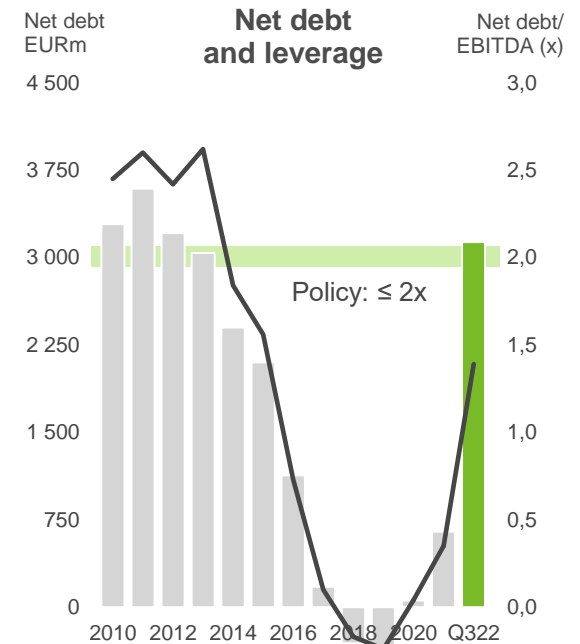
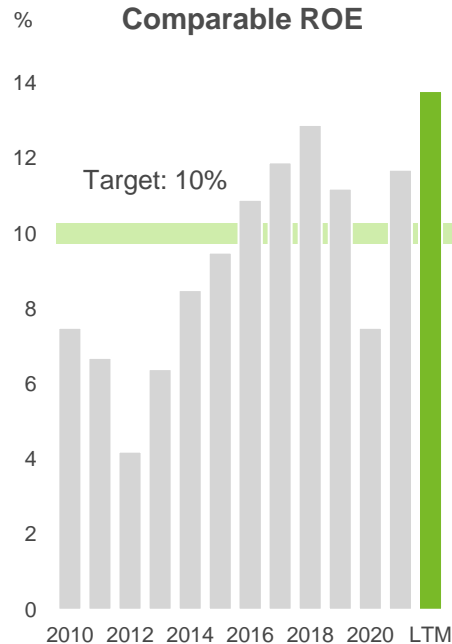


- Q3 2022: all-time high quarterly results with excellent performance in all businesses
- UPM expects record annual earnings in the full year 2022
- Transformative growth projects in Uruguay and in Germany proceed well, testing period under way in OL3 nuclear power plant unit
- The unprecedented rise in energy futures prices indicate strong earnings potential of UPM Energy. OL3 will increase UPM Energy's carbon free electricity generation by nearly 50%
- Market price signals are crucially important both for the energy system as a whole and for steering UPM's energy production and consumption.

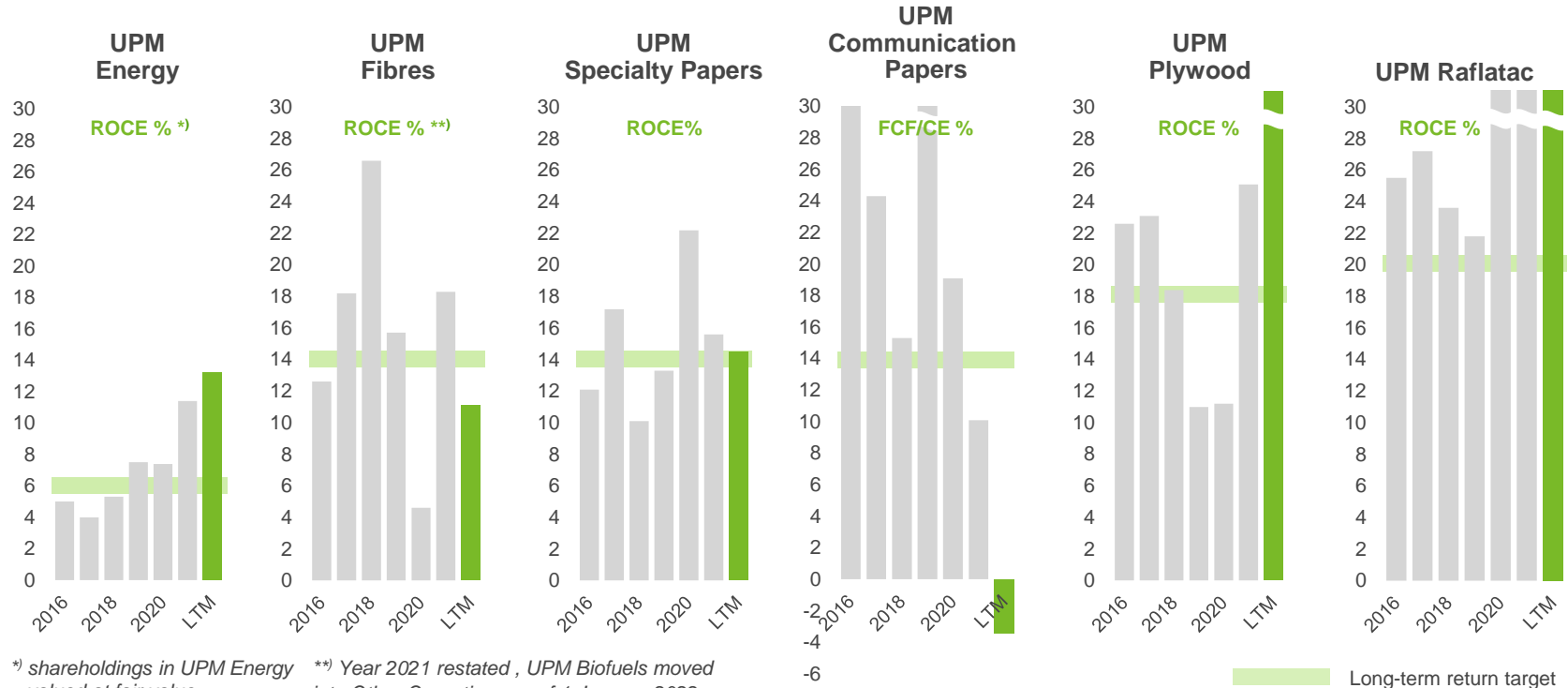
UPM **BIOFORE**  
**BEYOND** FOSSILS



# Earnings above pre-pandemic levels



# Business area long-term return targets





# 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

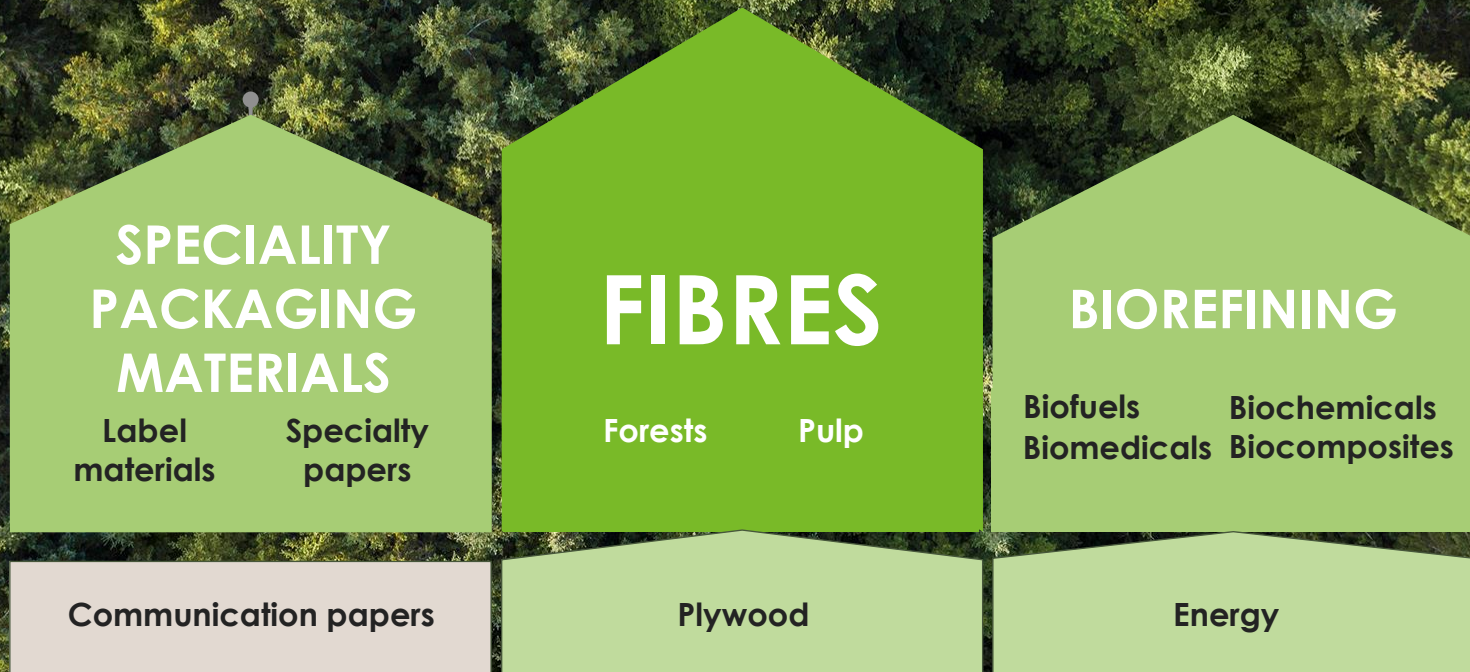
- Renewable & sustainable solutions
- Responsible operations and value chain

### 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 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**

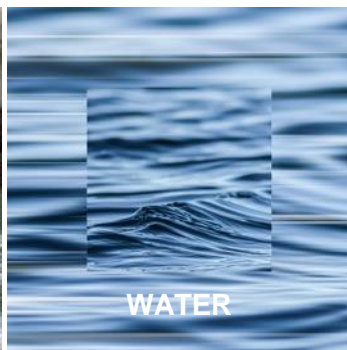
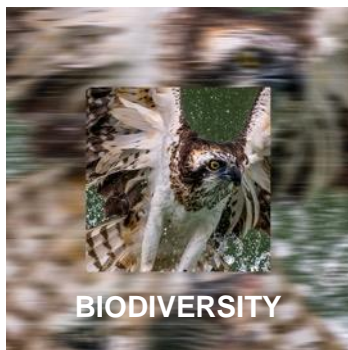


**OUR ONLY  
FUTURE**

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

# 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 – will grow UPM Pulp by over 50%

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



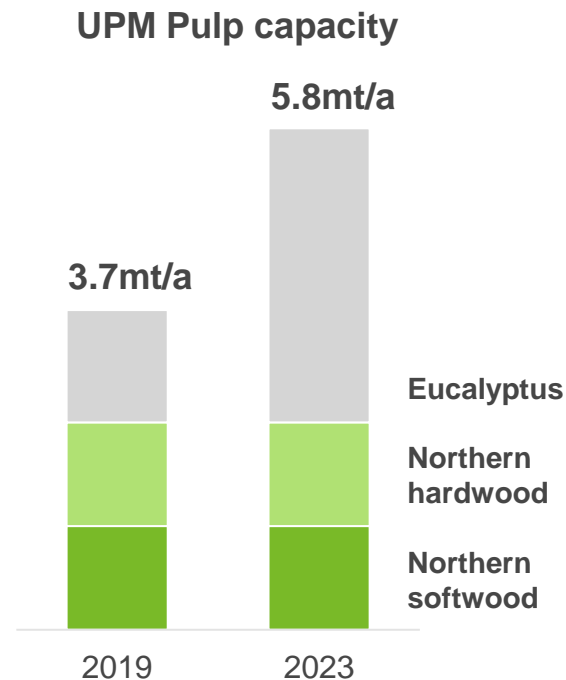
Scheduled to start up in Q1 2023



# 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



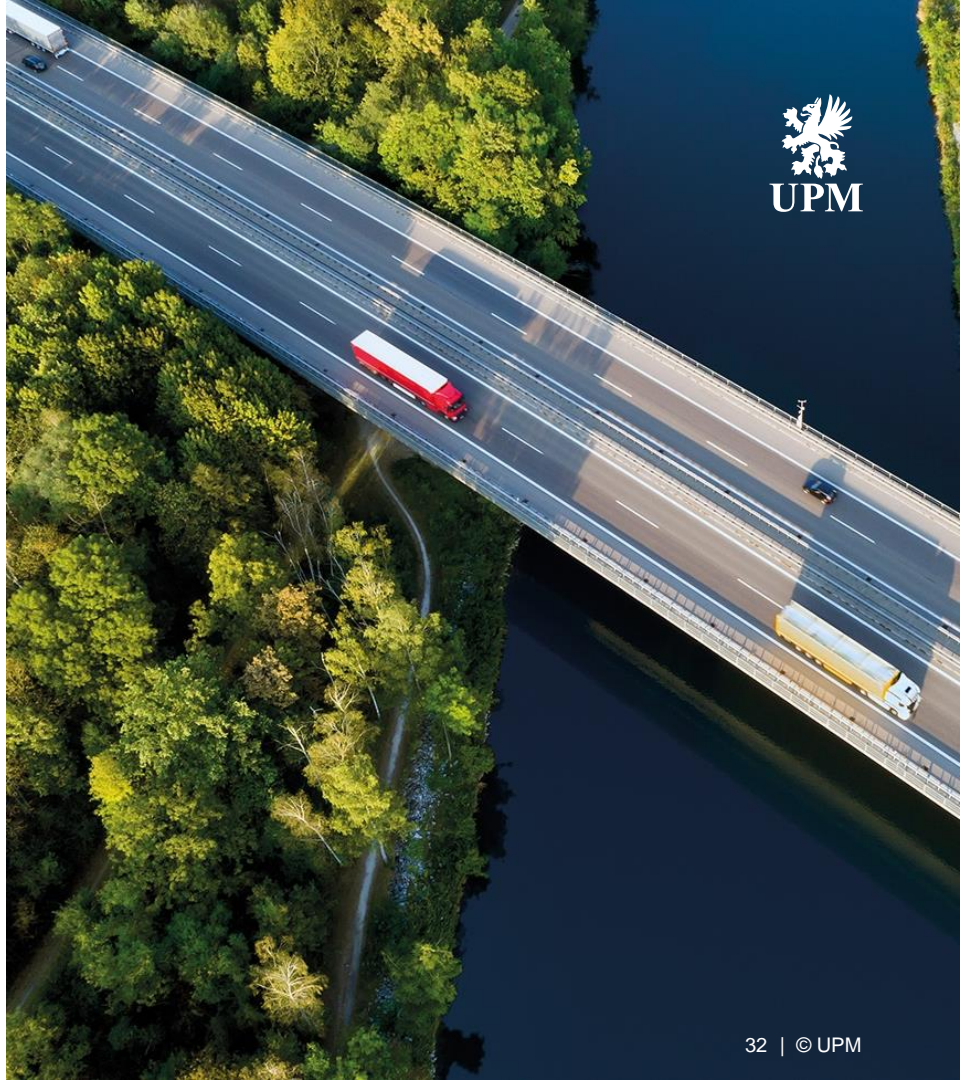
Products would significantly reduce carbon footprint in the road transport and aviation



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



Potential investment in Rotterdam, the Netherlands





# 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 m<sup>3</sup>/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



# Policy map of EU's high energy cost agenda

Gas  
market

Electricity  
market

## Consumption reduction targets

A voluntary 15% gas demand reduction target, which becomes mandatory in case of a 'Union alert' on security of supply \*

A 10% voluntary reduction target for electricity consumption \*

A mandatory reduction target of 5% of the electricity consumption in peak hours

## Temporary market intervention

A mandatory temporary solidarity contribution on the profits of businesses active in the crude petroleum, natural gas, coal, and refinery sectors \*

A new complementary benchmark for LNG \*

A dynamic price limit for transactions on the TTF gas exchange \*

A temporary cap revenue on electricity produced at €180 per MWh for inframarginal producers of electricity such as wind, solar and nuclear \*

A new temporary intra-day price spike collar / volatility management mechanism \*

## Supply measures

New legal tools to jointly purchase gas to negotiate prices \*

Enhance transparency of intended and concluded gas supply purchases \*

Default solidarity rules between Member States \*

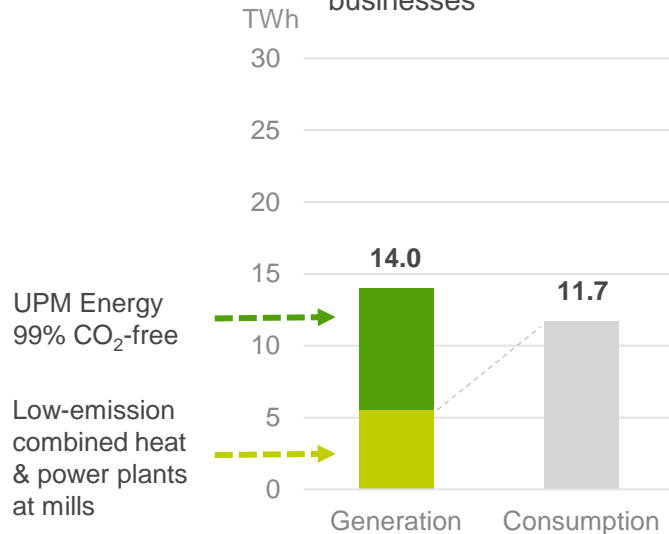
Measures to make the operation of pipelines and LNG terminals more efficient \*

# UPM is a large producer and consumer of energy



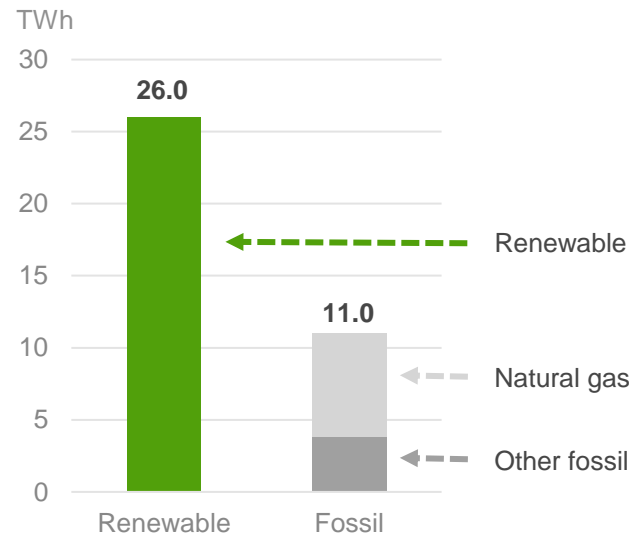
## Electricity

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



## Fuels

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



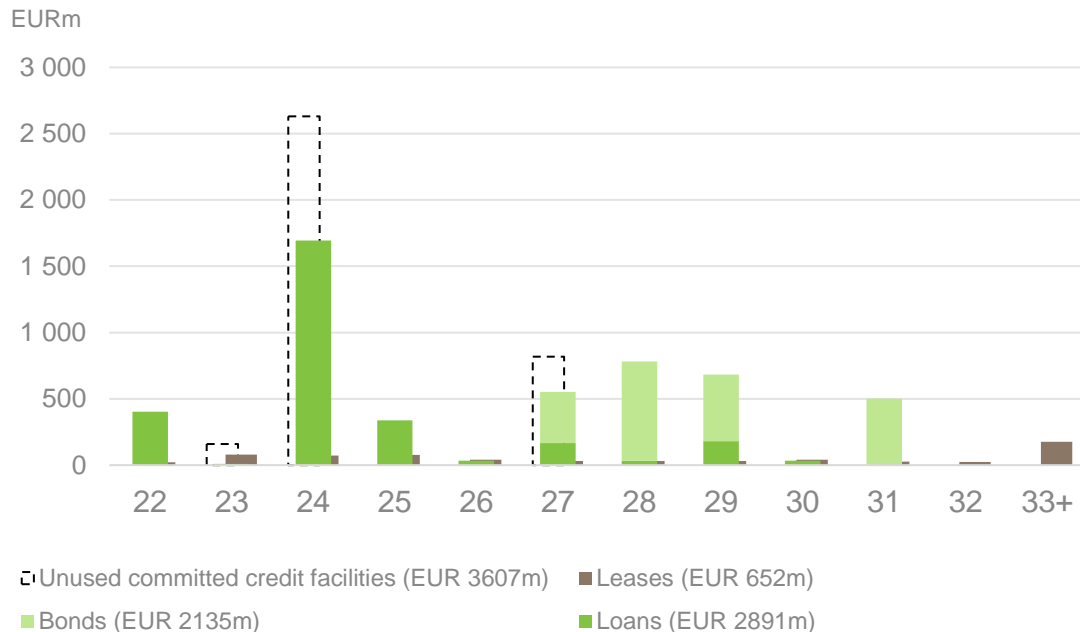
## Hedging

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 30 September 2022 was EUR 5.2bn (cash funds and unused committed credit facilities)

UPM's committed credit facilities:

- EUR 160m rolling committed overdraft facility maturing 2023
- EUR 1 500m bilateral revolving credit facilities (EUR 1 000m maturing 2024, EUR 300m maturing 2025 and EUR 200m maturing 2027)
- EUR 3 300m committed revolving credit facility maturing 2024
- 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

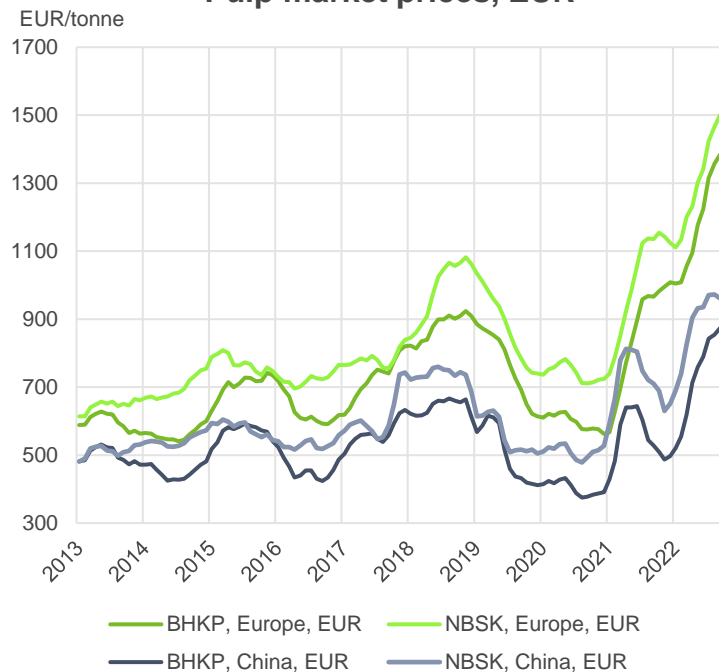
	USD	GBP	JPY	Others
EURm	1,920	350	150	260

# UPM Fibres

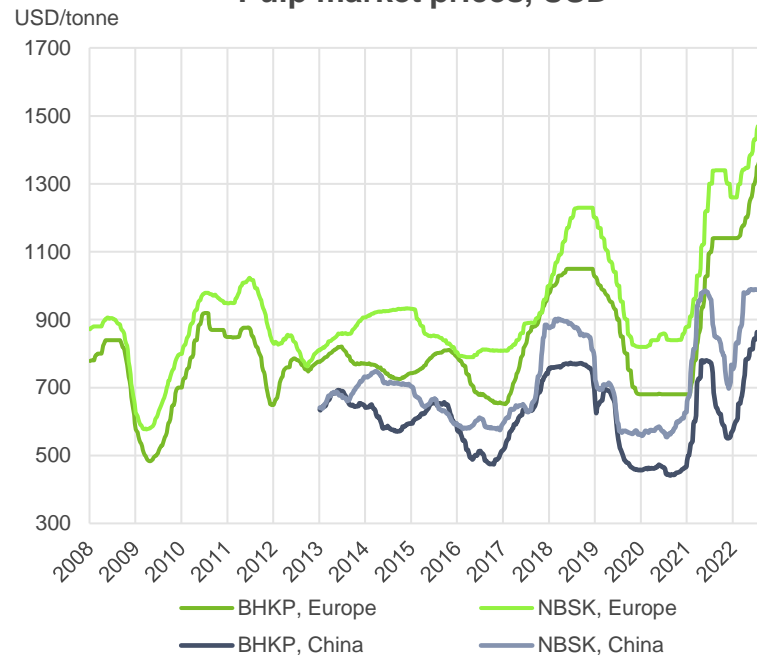
## Chemical pulp market prices



### Pulp market prices, EUR

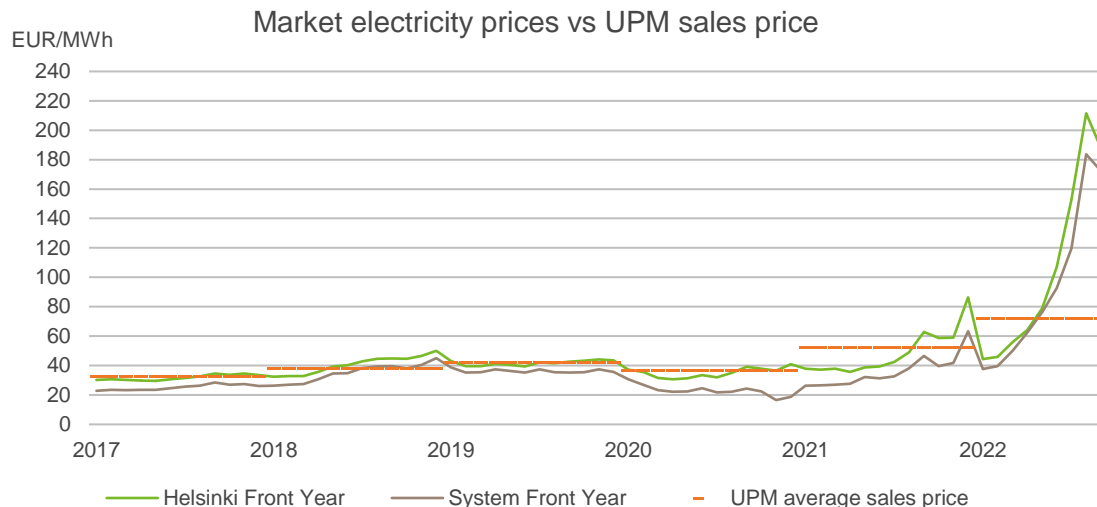


### Pulp market prices, USD



Source: FOEX Indexes Ltd

# Cost efficient generation enables robust profitability in changing market environment

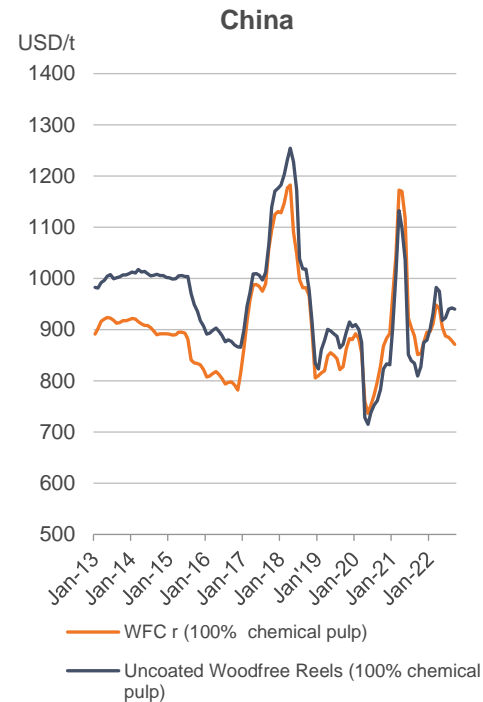
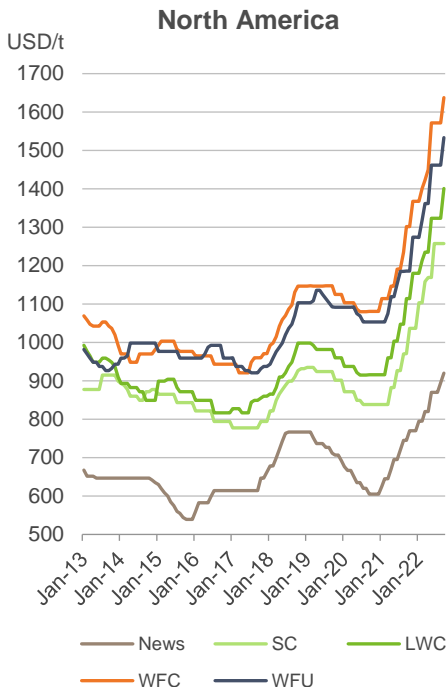
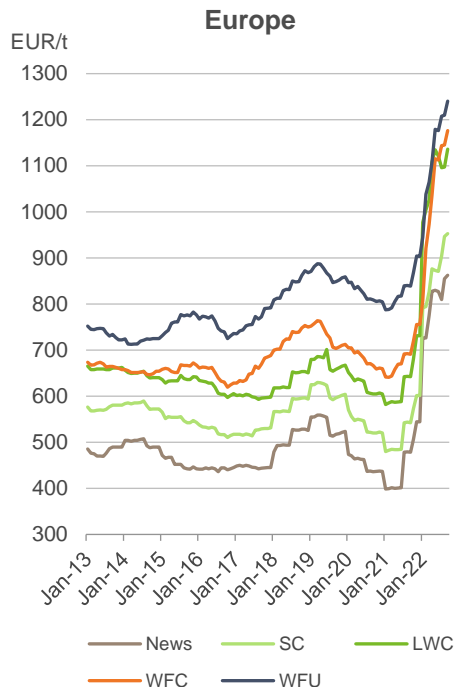


UPM Energy profitability	2017	2018	2019	2020	2021	1-9/2022
Comparable EBIT, EURm	91	123	185	171	270	281
% of sales	28.8	31.5	44.4	45.0	51.3	52.0



# UPM Communication Papers

## Graphic paper prices

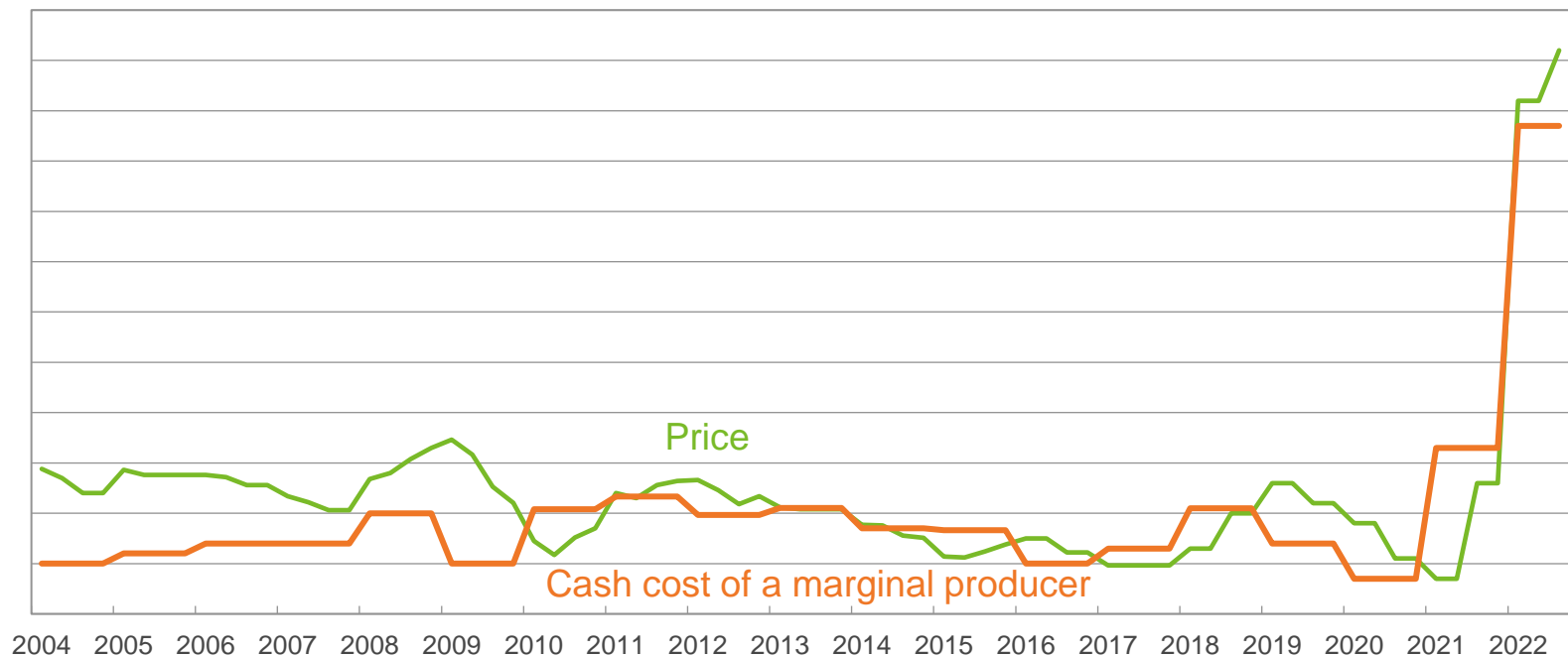


Sources: PPI, RISI

# Paper price vs. cash cost of marginal cost producer



EUR/t



Sources: PPI, RISI, AFRY

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