



UPM financial statements release 2022

Jussi Pesonen
President and CEO
2 February 2023

2022: all-time record results and poised to deliver significant growth



2022 vs. 2021:

Sales

EUR 11,720m  +19%

EBITDA

EUR 2,536m  +39%

Comparable EBIT

EUR 2,096m  +42%

Comparable EPS

EUR 3.09  +39%

Comparable ROE

14.0%  +2.3pp

Operating cash flow

EUR 508m  -742m

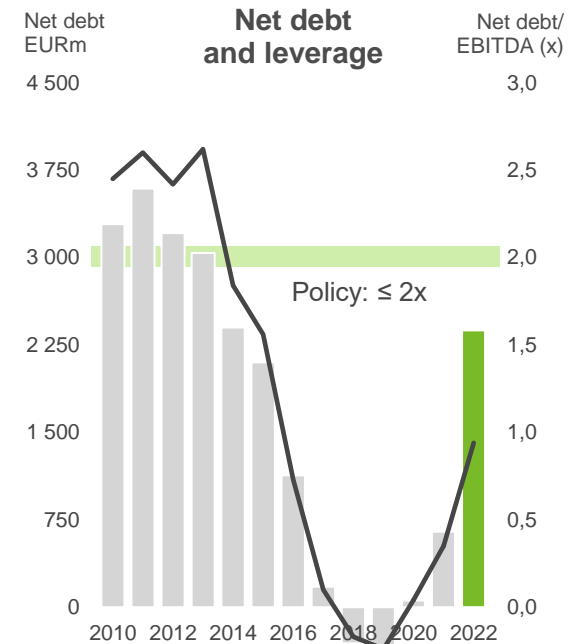
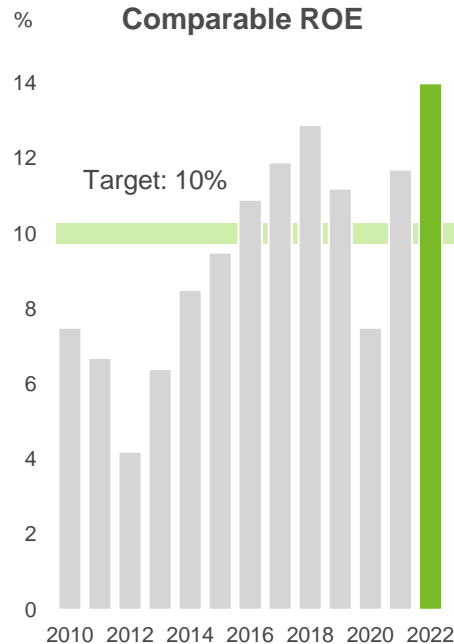
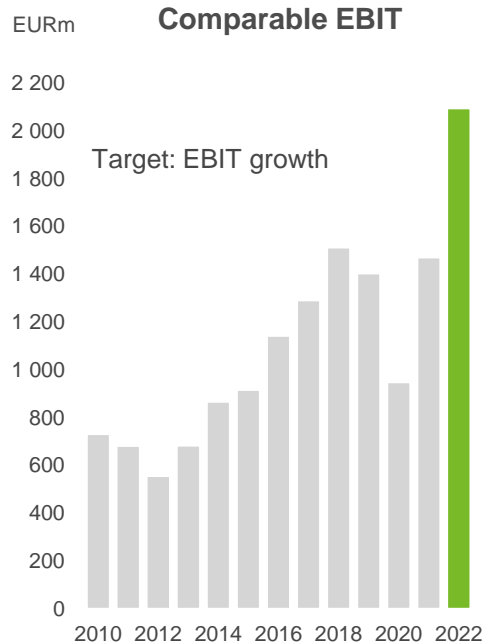
Net debt

EUR 2,374m  +1,727m

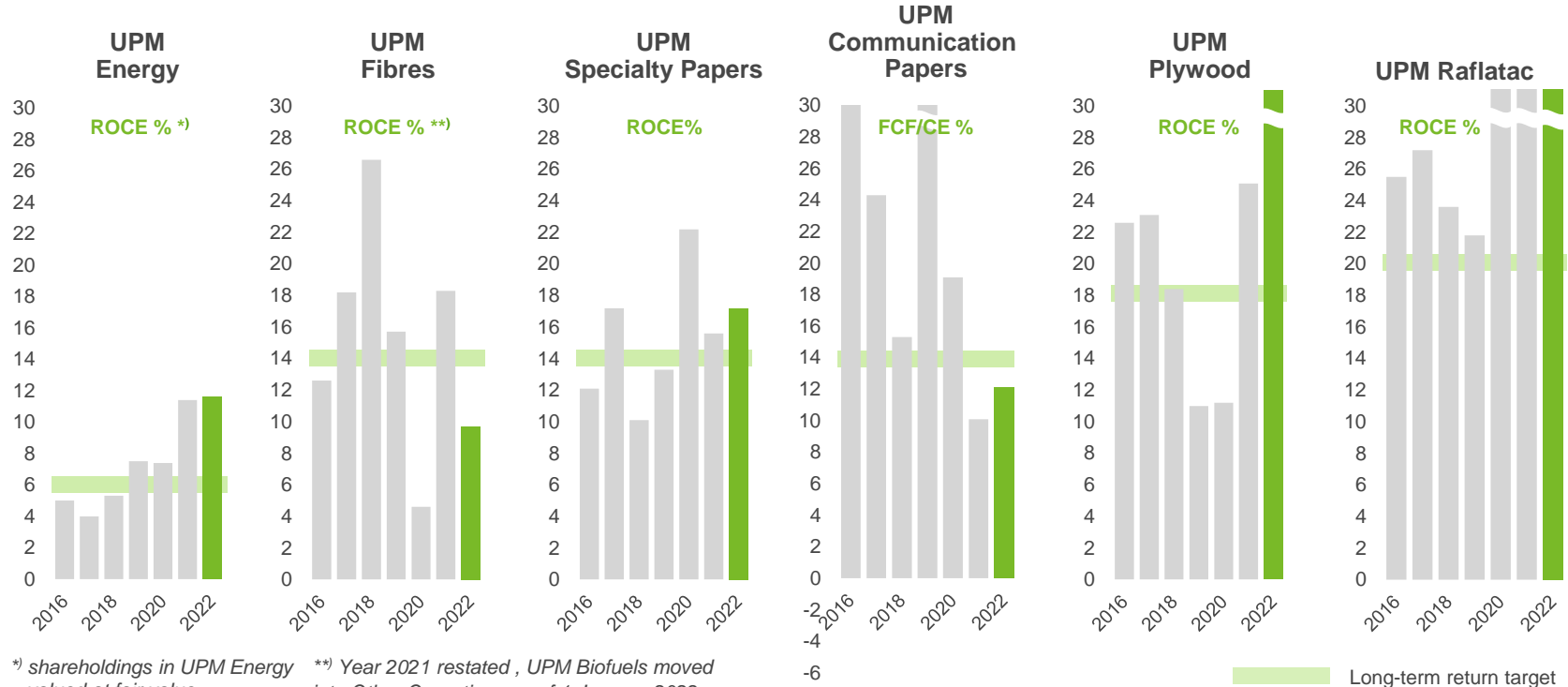
Net debt / EBITDA

0.94x  +0.59x

New record in annual earnings

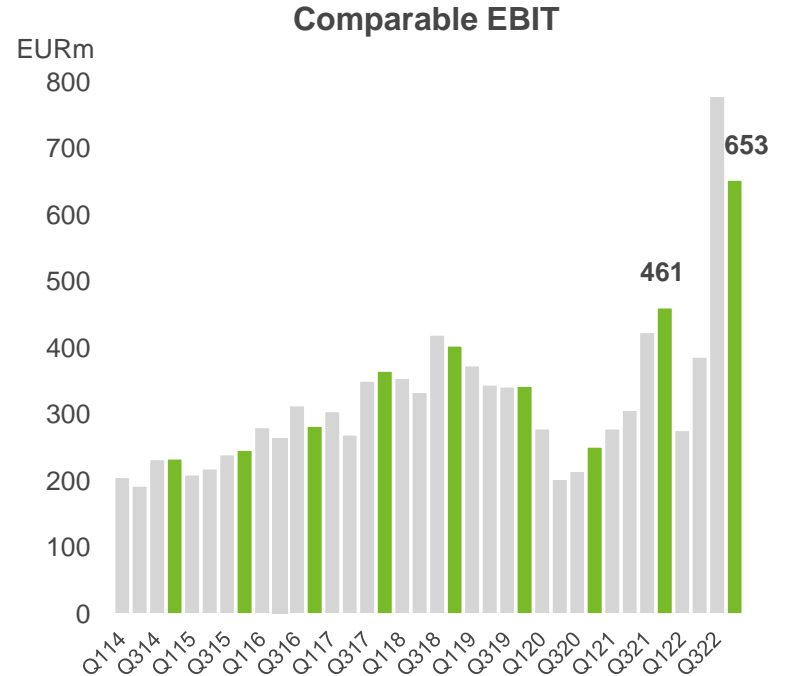


Business area long-term return targets

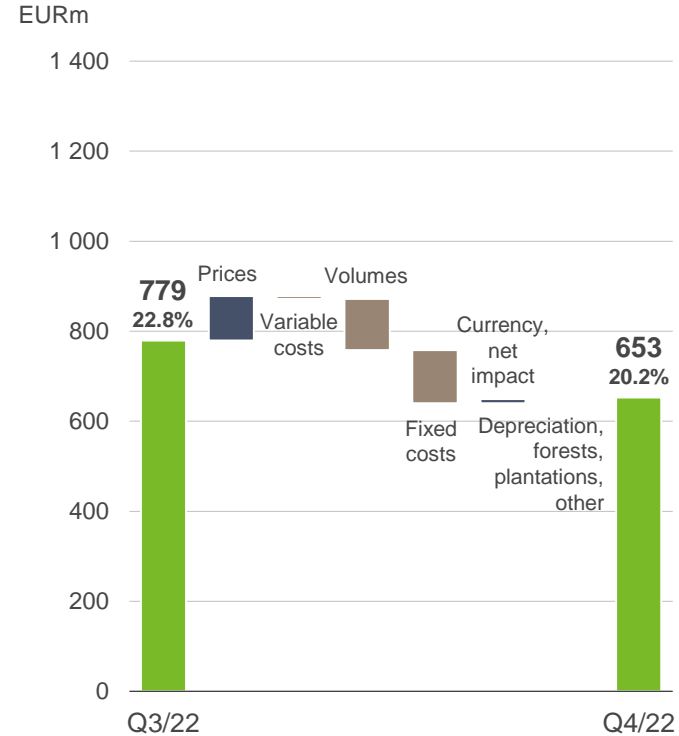
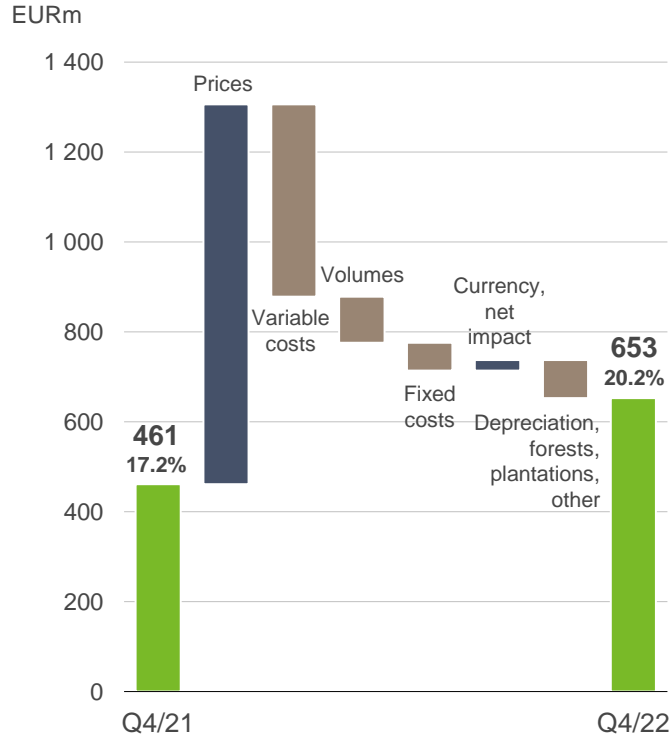


Q4 2022: strong end for the record year

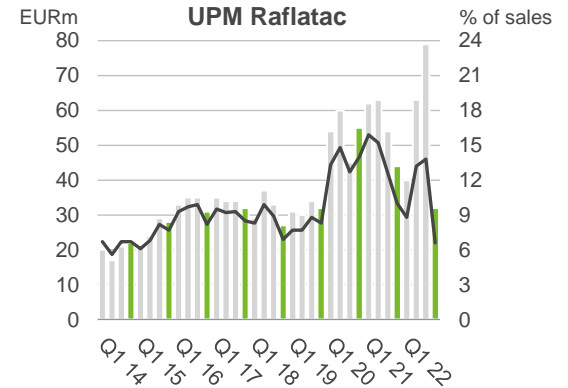
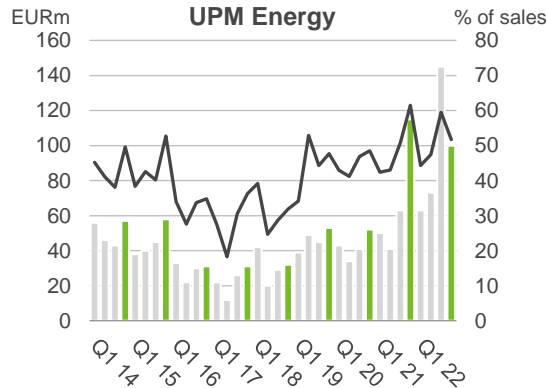
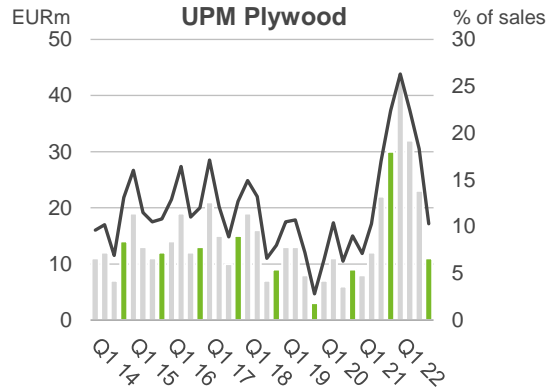
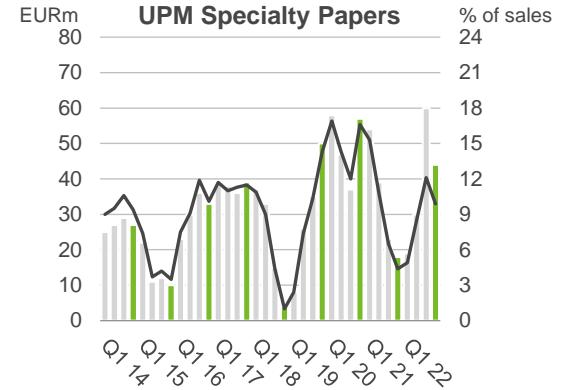
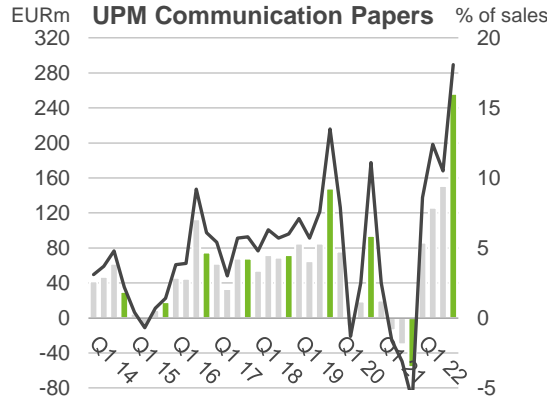
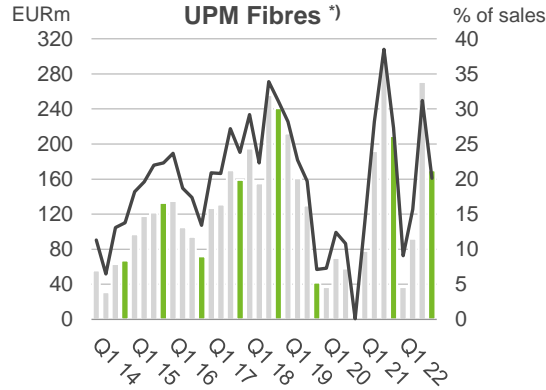
- Sales increased by 21% to EUR 3,231m (2,673m in Q4 2021)
- Comparable EBIT grew by 42% to EUR 653 million, 20.2% of sales (461m, 17.2%)
- Sales prices increased in all business areas, and more than offset the impact of higher variable costs
- Delivery volumes were impacted by destocking in various product value chains



Comparable EBIT in Q4 2022



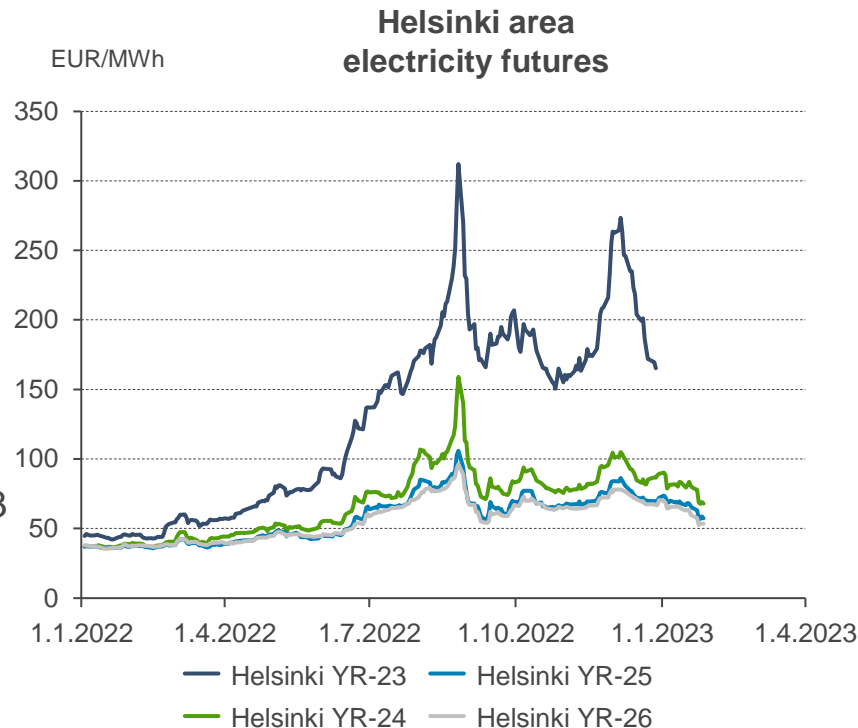
Comparable EBIT by business area



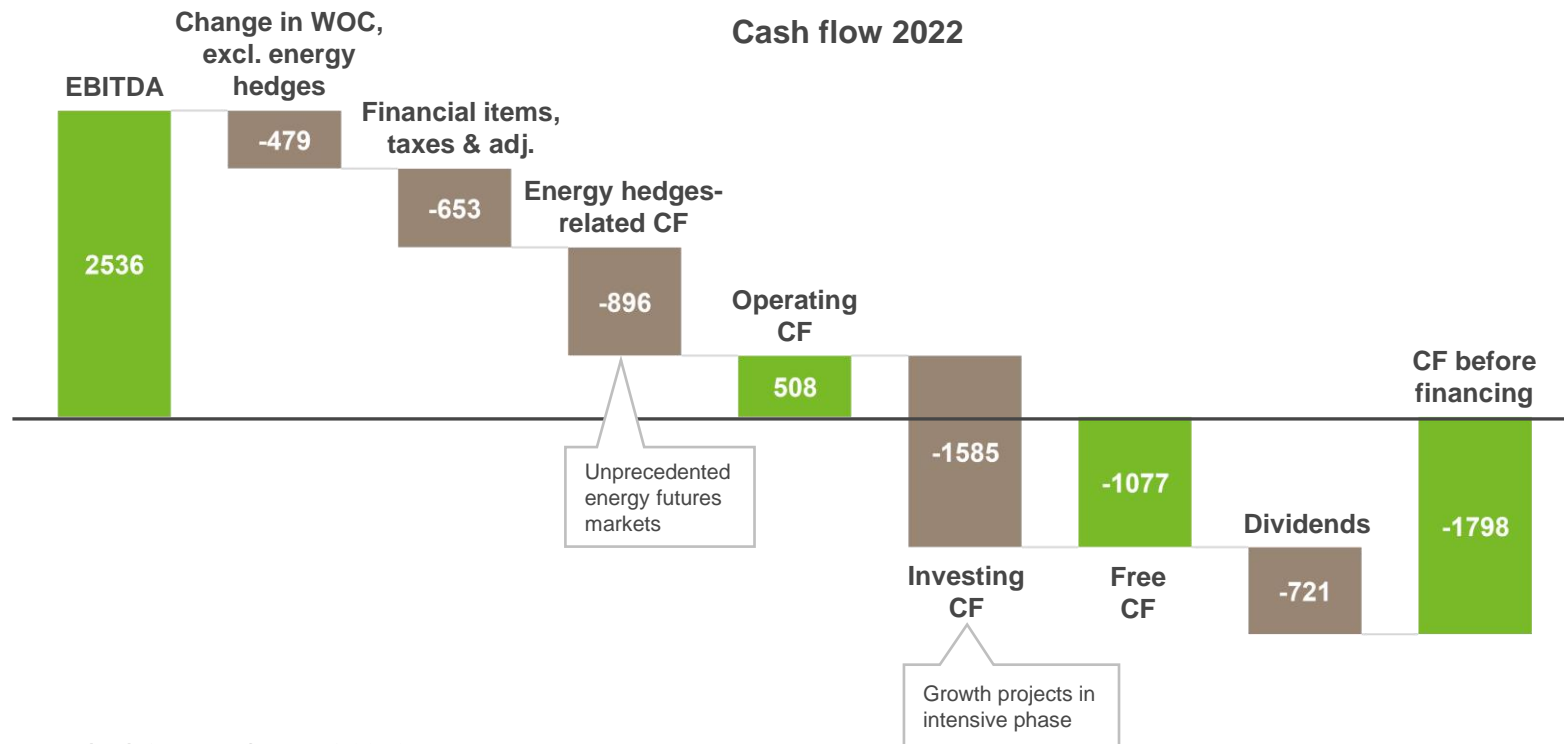
Unprecedented volatility in energy futures prices has caused volatility of cash flows from energy hedges



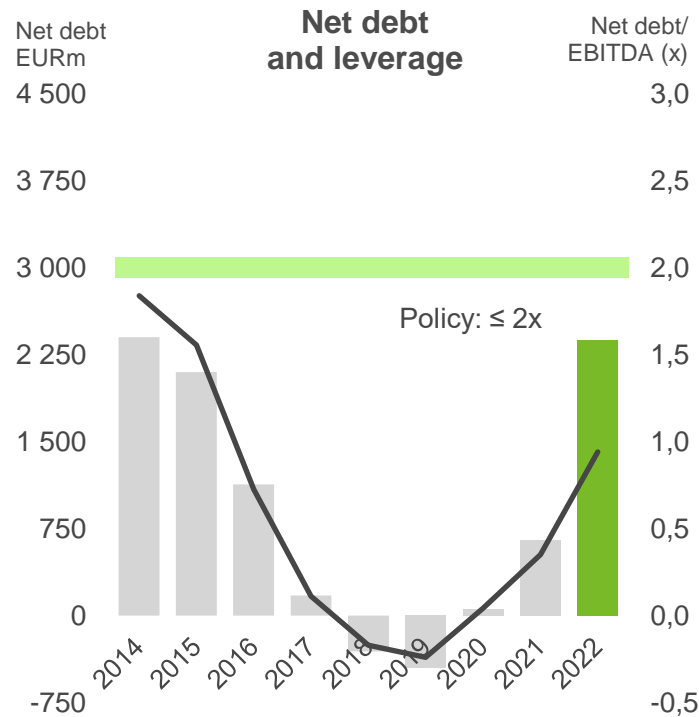
- The volatility in energy futures prices across the forward curve continued in Q4
- Cash flow of energy hedges totalled EUR +886m in Q4 2022, or EUR -896m in full-year 2022
- UPM's energy hedges are only for hedging the existing electricity generation and energy consumption
- The cash outflow will later be offset by a similar cash inflow from the hedges or energy production
- UPM signed EUR 4.3bn of credit facilities during Q3
- Exceptional energy market situation indicates good earnings potential of UPM Energy



Cash flow 2022 impacted by unprecedented volatility on energy futures, significant growth investments



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



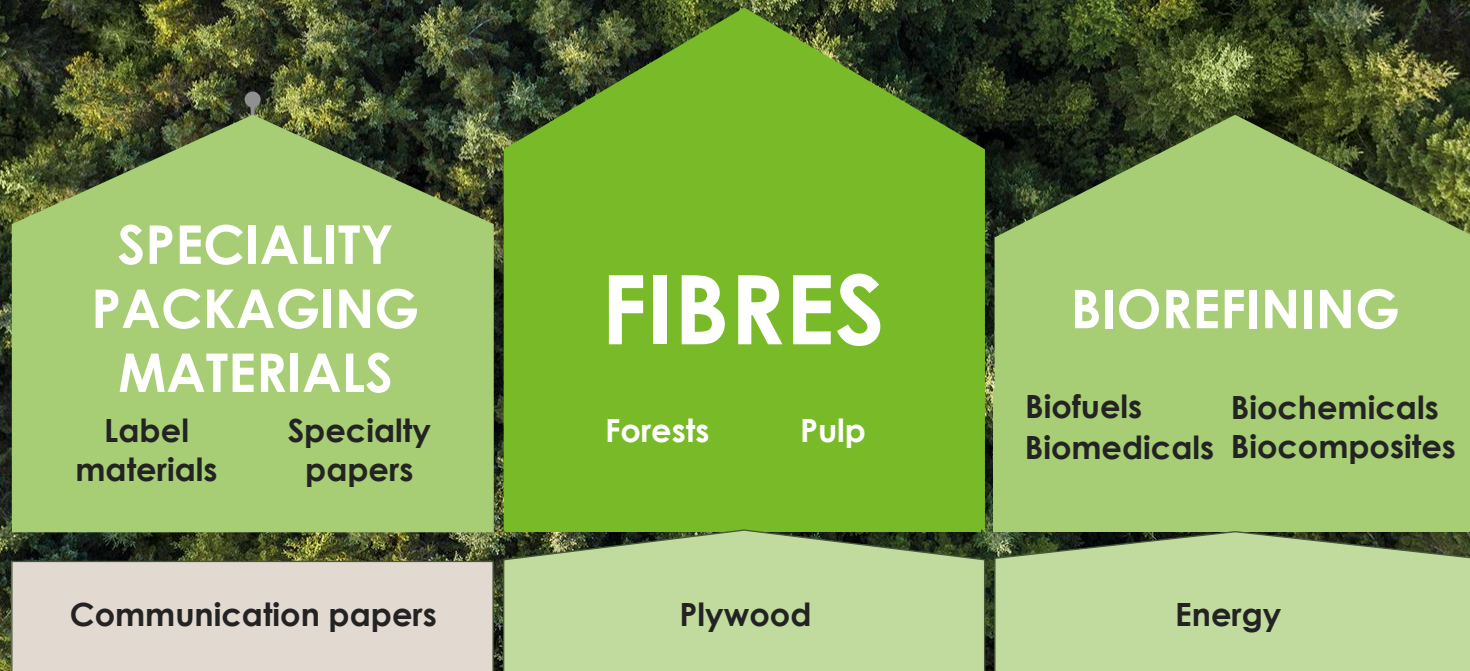
- Net debt EUR 2,374m at the end of 2022
- Net debt / EBITDA 0.94
- Cash funds and committed credit facilities EUR 6.4bn at the end of 2022
- No financial covenants

Outlook for 2023

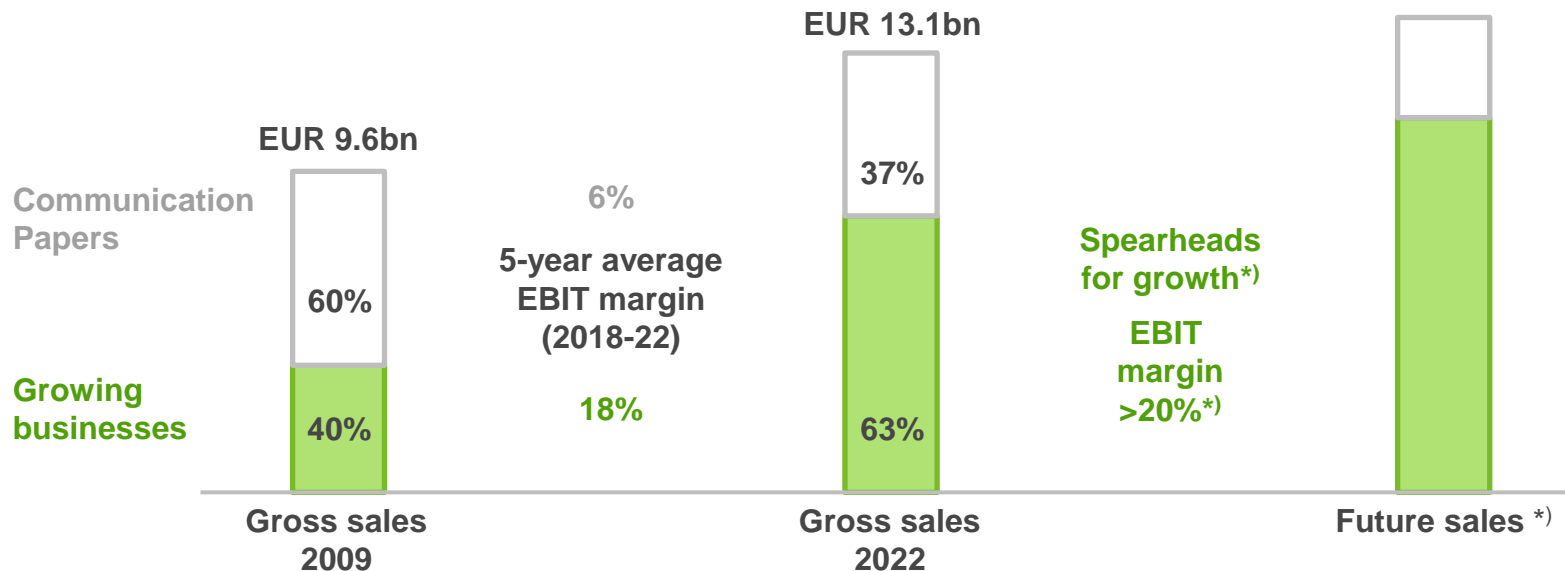


- UPM reached record earnings in 2022, and 2023 is expected to be another year of strong financial performance. UPM's comparable EBIT is expected to increase in H1 2023 from H1 2022.
- In 2023, UPM's delivery volumes are expected to benefit from the ramp up of the UPM Paso de los Toros pulp mill and the OL3 nuclear power plant unit and having no strike impact when compared to 2022. In the early part of the year, however, demand for many UPM products is expected to be held back by destocking in various product value chains. The opening of the Chinese economy from the COVID lockdowns and easing inflation in other key economies represent potential for increasing demand as the year progresses.
- Year 2023 is starting with high cost level for many inputs, while the lower demand is exerting pressure on product prices. However, several input costs have also progressed past their peak. UPM will continue to manage margins with product pricing, by optimising its product and market mix and by taking measures to improve variable and fixed cost efficiency.
- There are significant uncertainties, both positive and negative, in the outlook for 2023, related to the European, Chinese and global economy, Russia's war in Ukraine, the remaining effects of the pandemic, energy prices and related regulation in Europe, and the ramp-up of the OL3 power plant unit.

Long-term value creation driven by our spearheads for growth



Transformation in growth phase – business mix drives earnings and shareholder value

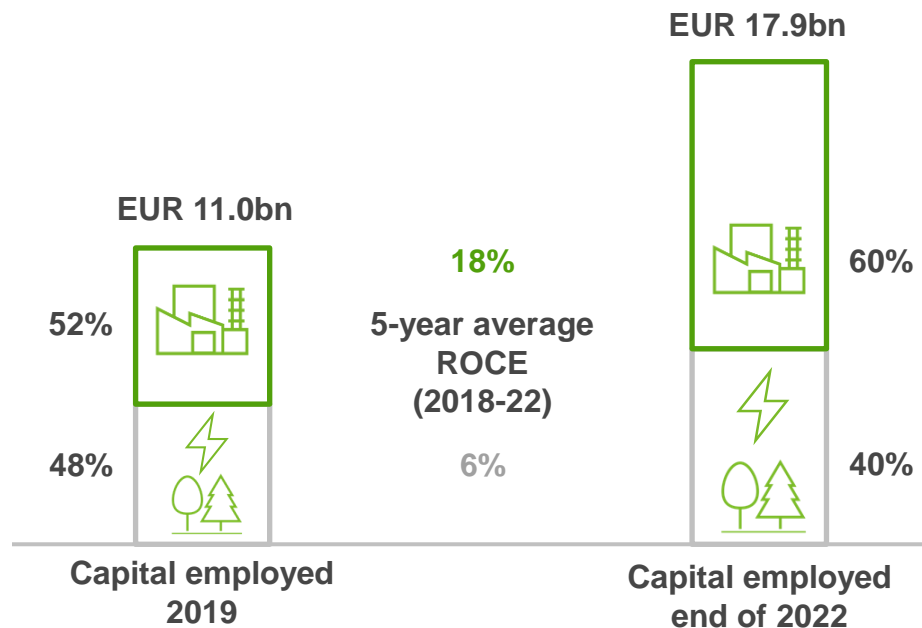


Growth investments have increased capital employed, significant earnings potential as they start to contribute



Industrial operations:
Further growth,
attractive return targets

Forest and energy assets:
Sustainable value creation



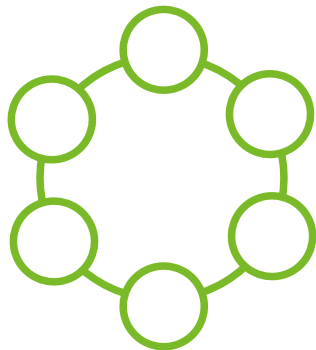
UPM renews its dividend policy



- The Board of Directors has revised the dividend policy to be based on earnings instead of cash flow. This aligns the policy with the company's transformative growth strategy.
- **UPM aims to pay attractive dividends, targeting at least half of the comparable earnings per share over time.**
- Dividends are an integral part of capital allocation. UPM plans to allocate capital to
 - *Invest to grow the company and its earnings.* UPM targets growth in comparable EBIT and comparable return on equity exceeding 10%.
 - *Pay attractive dividends.* The targeted earnings growth drives dividend growth over time.
 - *Maintain a strong balance sheet.* Net debt to EBITDA ratio to be less than 2.
 - *Share buybacks.* They are a complementing tool that may be used relative to investment opportunities and company valuation.

5-year capital allocation for 2018-2022

Performance focus
Strong operating cash flow



Attractive dividend
EUR 3.4bn

**High return
investments**
EUR 4.6bn

**Strong
balance sheet**
Net debt increase EUR 2.2bn

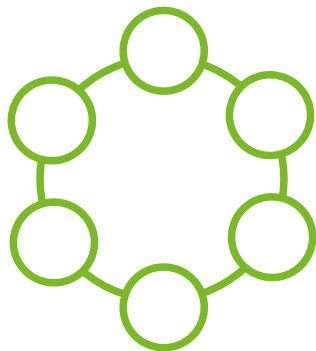
**Net debt/
EBITDA
< 2x**

Net debt / EBITDA
0.94x
at the end of 2022

Illustrative capital allocation^{*)} for the next 5 years (2023-2027)



Performance focus
Strong operating cash flow



Attractive dividend
EUR ~4–4.5bn

High return investments
EUR ~3.5–4.5bn

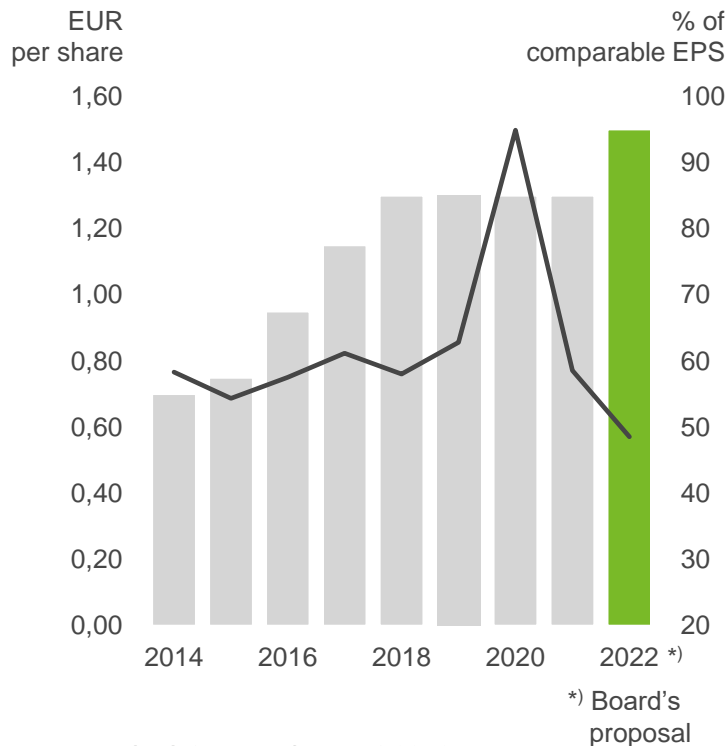
Strong balance sheet

Net debt/
EBITDA
< 2x

Maintain headroom

^{*)} This is not a forecast

Dividend proposal: 15% increase to EUR 1.50 per share



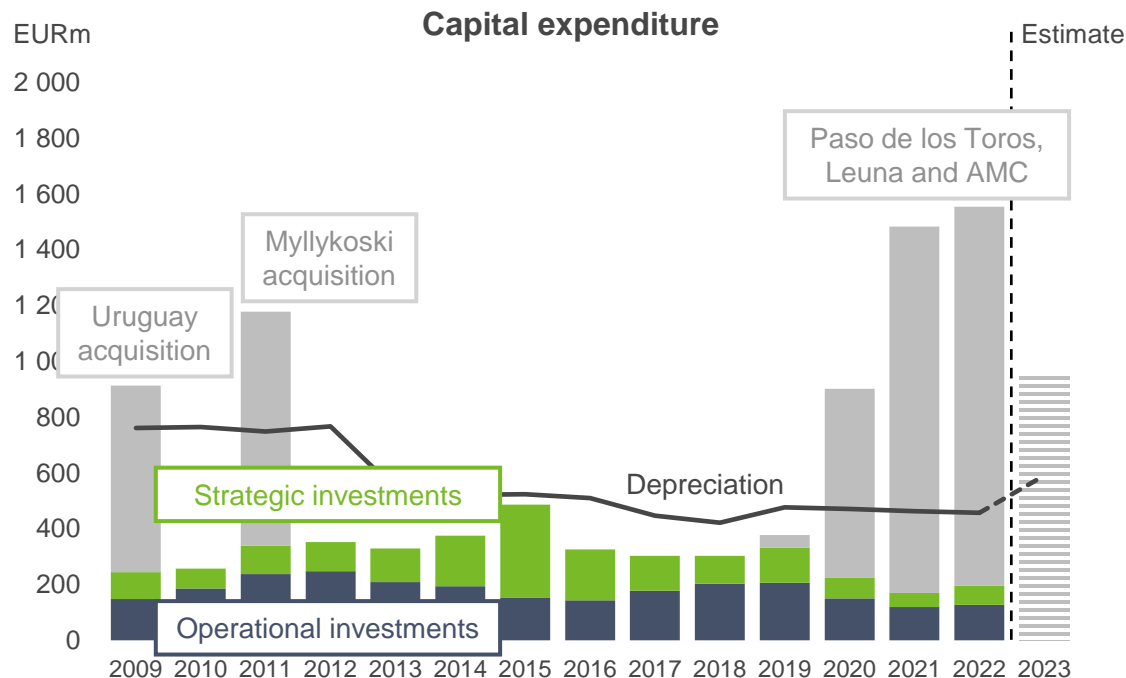
Dividend policy

- UPM aims to pay attractive dividends, targeting at least half of the comparable earnings per share over time

Dividend proposal for 2022

- EUR 1.50 (1.30) per share, totalling EUR 800m
- 49% of 2022 comparable EPS

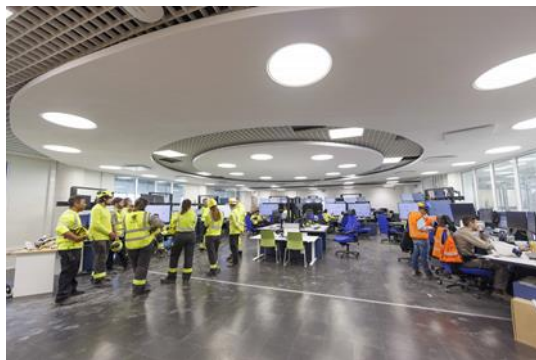
Transformative growth projects in the most intensive phase in 2021-2022



Capex estimate for 2023

- Total EUR 950m
- Includes EUR 750m on the transformative growth projects, pulp in Uruguay and biochemicals in Germany
- Operational investment needs consistently low

UPM Paso de los Toros pulp mill is getting ready for the start-up by the end of Q1 2023



UPM Leuna biochemicals refinery progressing at a good pace



Olkiluoto 3 EPR – will grow UPM Energy's carbon free electricity generation by nearly 50%



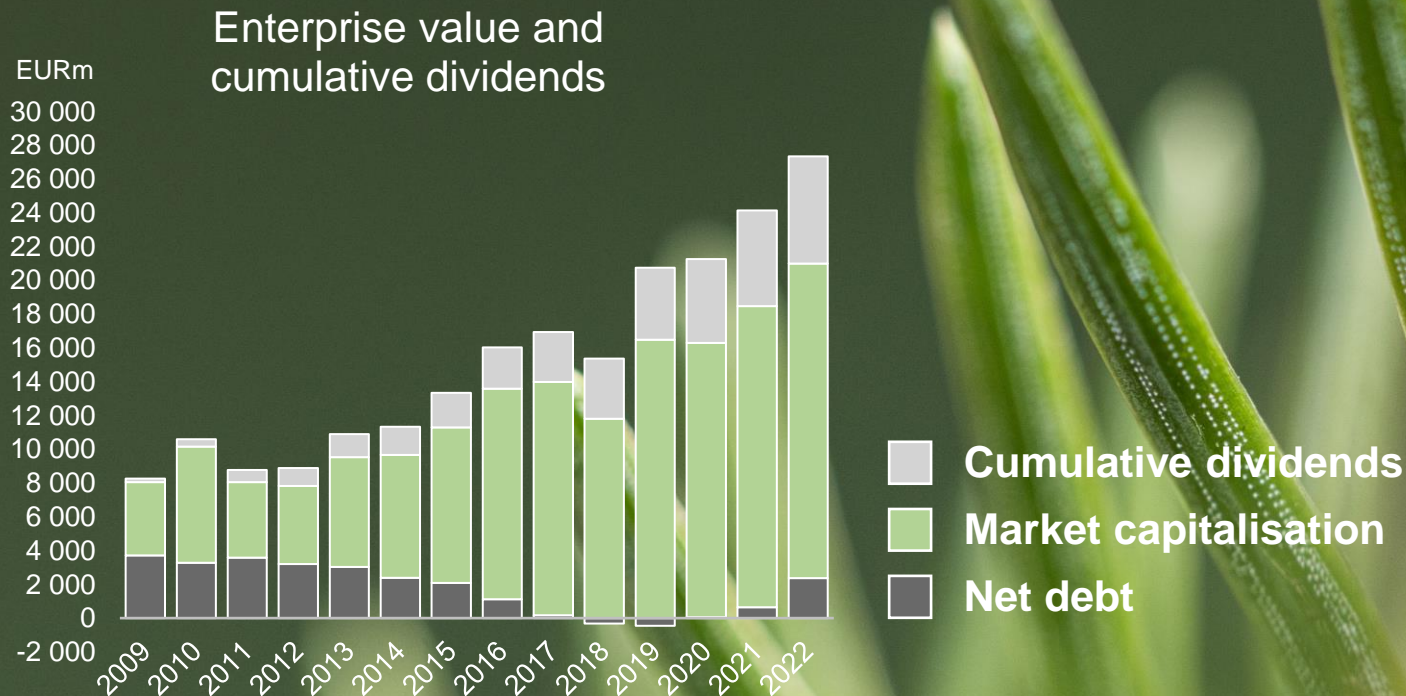
Reliable CO₂-free baseload energy to support the electrification of the society

Unique and safe solution for final disposal of spent fuel

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



Transformation is visible in shareholder value



Summary



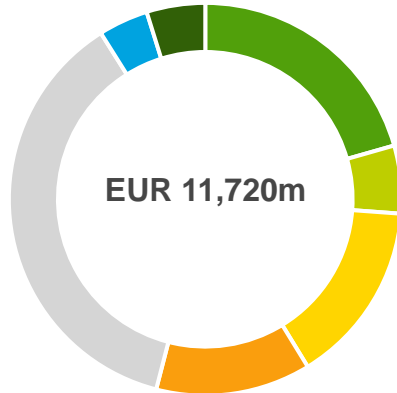
- 2022 was a pivotal year for UPM – all-time record results and poised to deliver significant growth
- Q4 2022: the second-best quarterly results with high margins, deliveries impacted by destocking in many product value chains
- UPM expects another year of strong financial performance in 2023
- The UPM Paso de los Toros pulp mill project in Uruguay is getting ready for the start-up by the end of Q1 2023
- The OL3 nuclear power plant unit scheduled to start commercial production in March 2023
- The UPM Leuna biochemicals project in Germany progresses at good pace

UPM **BIOFORE**
BEYOND FOSSILS

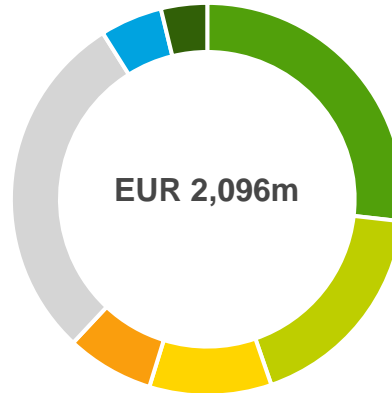


UPM by business area in 2022

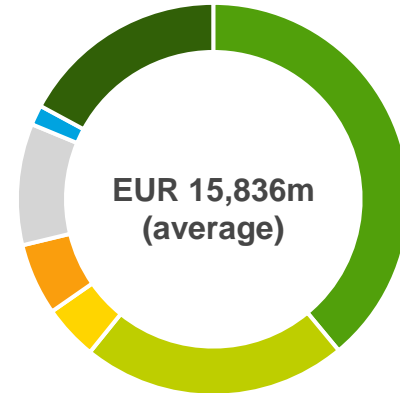
Sales



Comparable EBIT



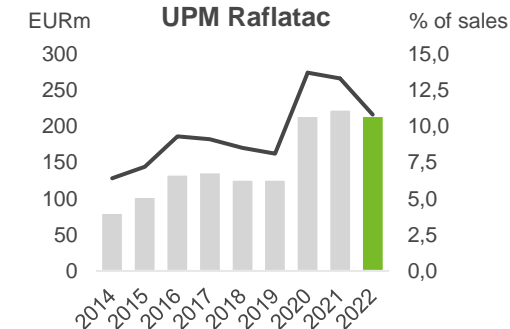
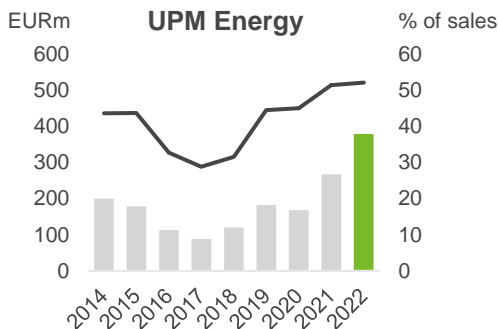
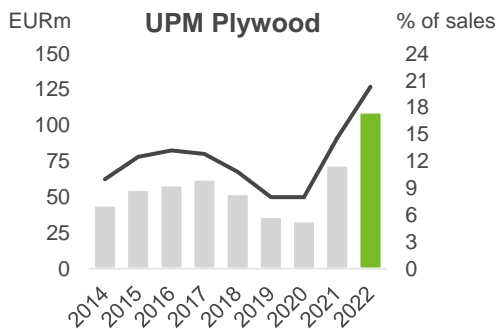
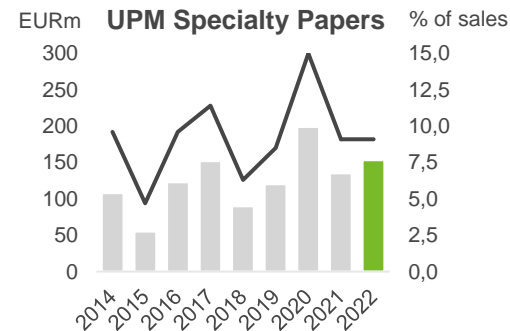
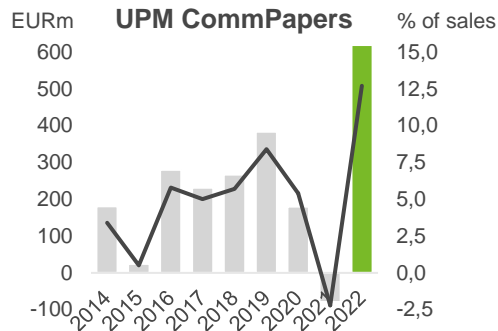
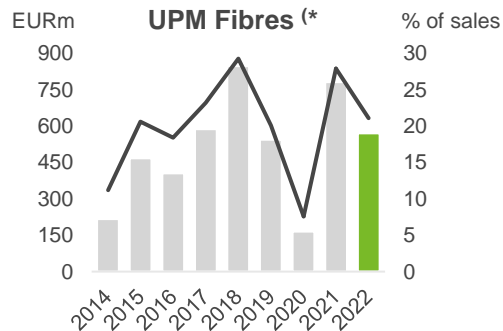
Capital employed



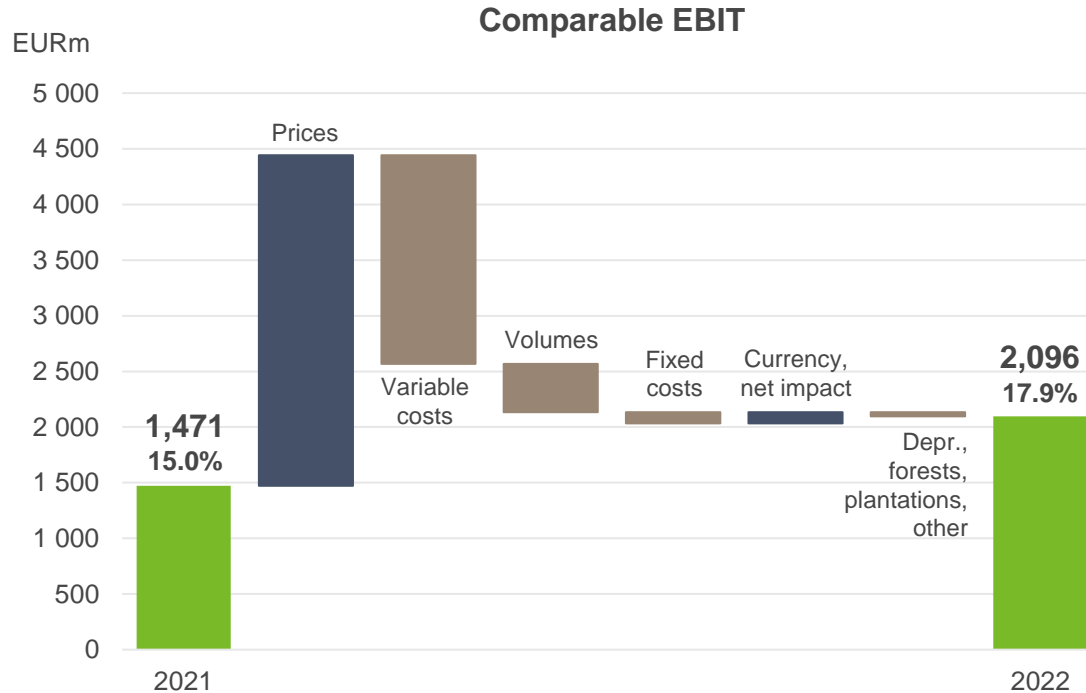
■ Fibres
 ■ Energy
 ■ Raflatac
 ■ Specialty Papers
 ■ Communication Papers
 ■ Plywood
 ■ Other

UPM business model delivers performance

Comparable EBIT by business area



Comparable EBIT in 2022 vs. 2021



Biofore strategy drives our transformation as the frontrunner of biomaterials

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

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

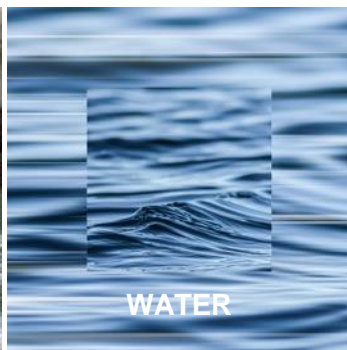
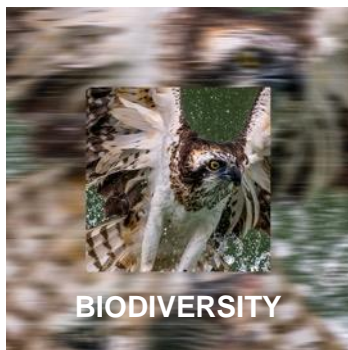


**OUR ONLY
FUTURE**

**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 – 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



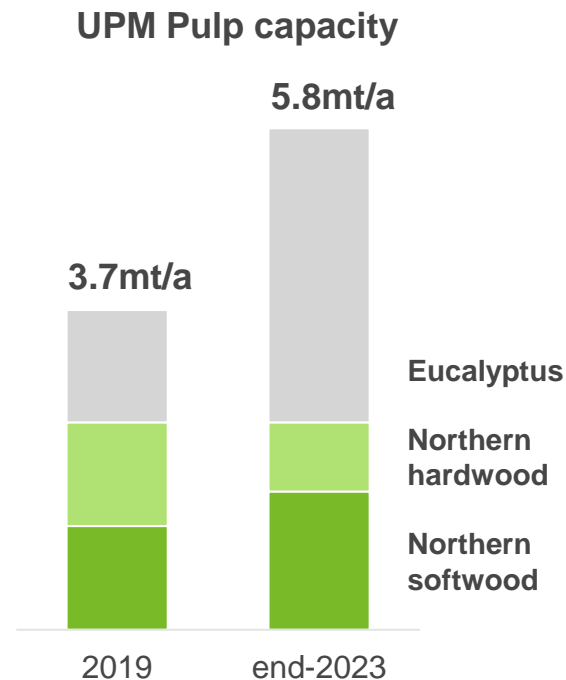
Scheduled to start up in Q1 2023



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



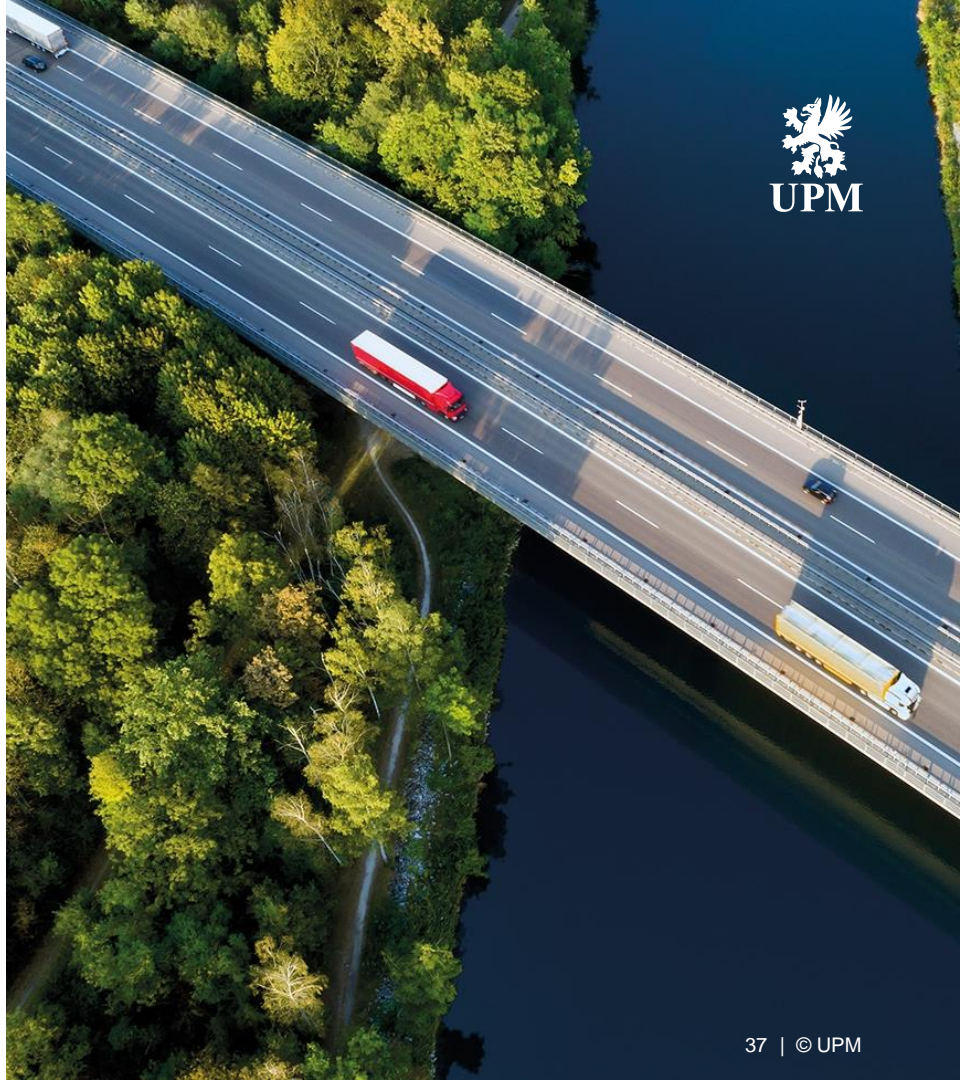
Products would significantly reduce carbon footprint in the road transport and aviation



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

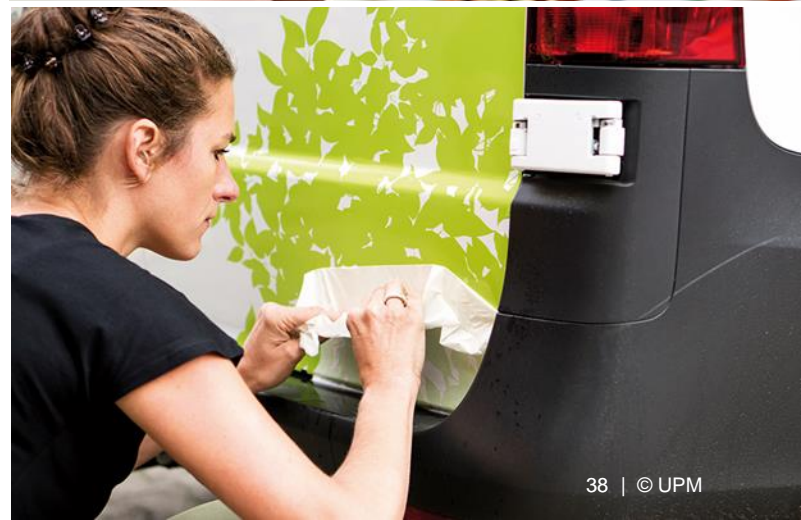


Potential investment in Rotterdam, the Netherlands



UPM 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



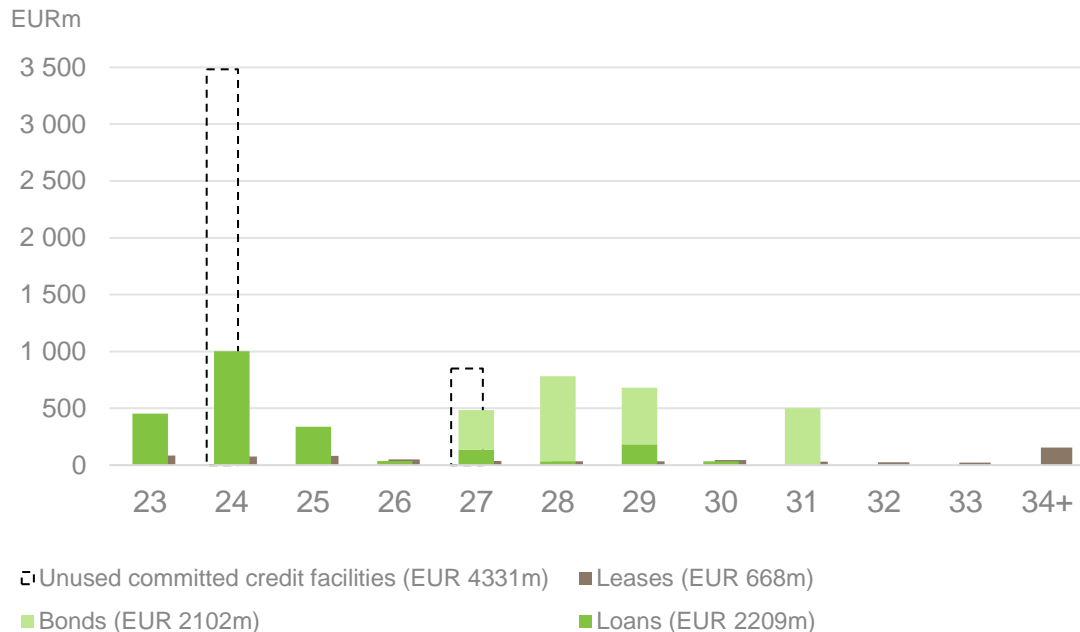
UPM sells the Steyrermühl site to the HEINZEL GROUP



- 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



Maturity profile and liquidity



Liquidity on 31 December 2022 was EUR 6.4bn (cash funds and unused committed credit facilities)

UPM's committed credit facilities:

- EUR 159m rolling committed overdraft facility maturing 2024
- EUR 500m bilateral revolving credit facilities (EUR 300m maturing 2025 and EUR 200m maturing 2027)
- EUR 4 300m committed revolving credit facility maturing 2024
- EUR 750m committed syndicated revolving credit facility maturing 2027

No financial covenants

Maintenance shutdowns in 2022 and 2023

Significant maintenance shutdowns
in 2022 and 2023

Timing	Unit
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)
Q2 23	Olkiluoto nuclear power plant UPM Lappeenranta Biorefinery (turnaround) UPM Kymi pulp mill
Q3 23	UPM Kaukas pulp mill

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

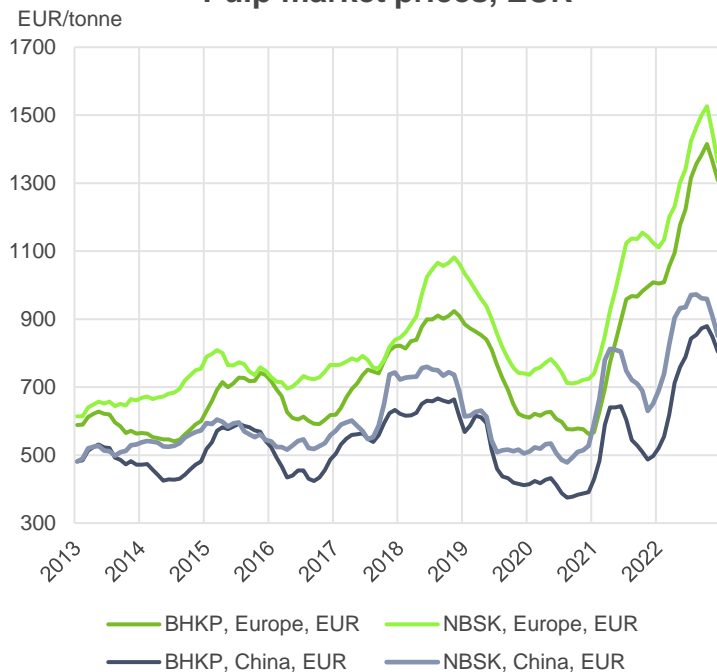
Estimated annual foreign currency net cash flow, before hedging

	USD	GBP	JPY	Others
EURm	1,630	330	170	160

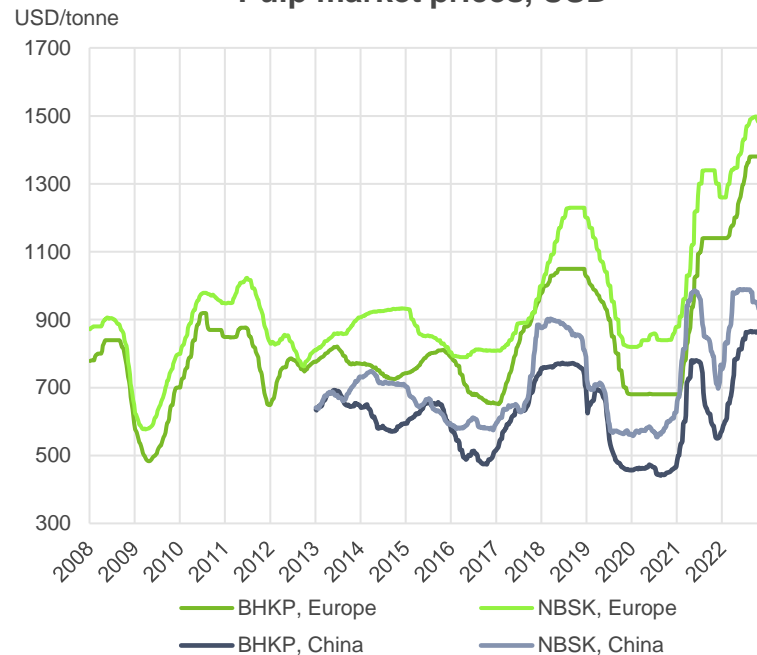
Chemical pulp market prices



Pulp market prices, EUR

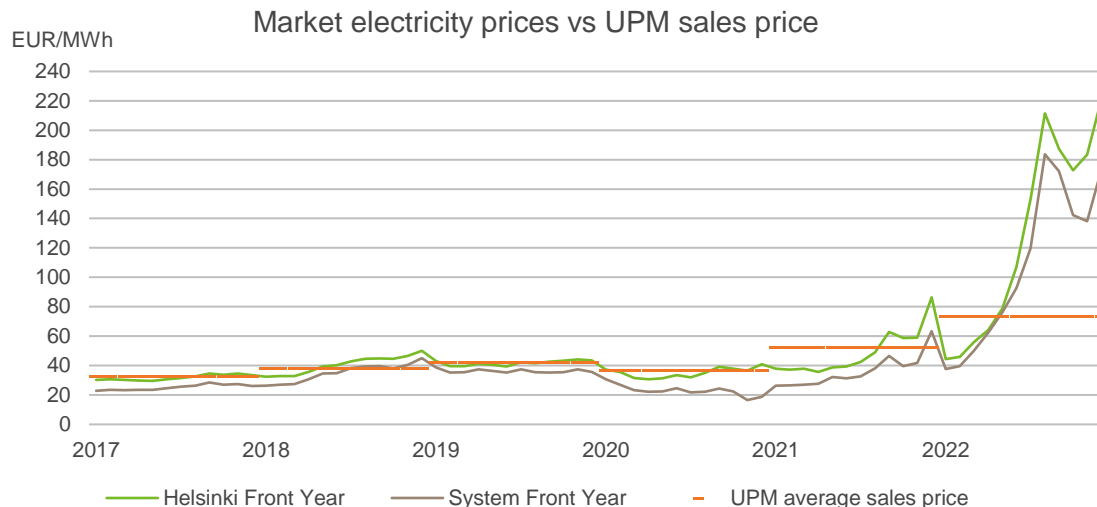


Pulp market prices, USD



Source: FOEX Indexes Ltd

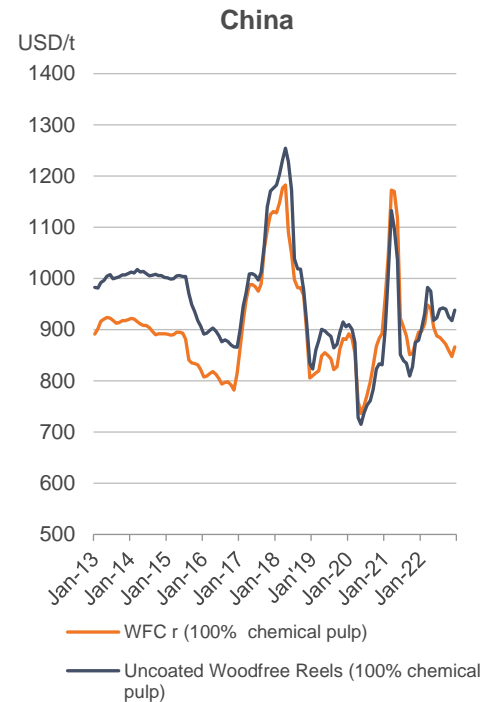
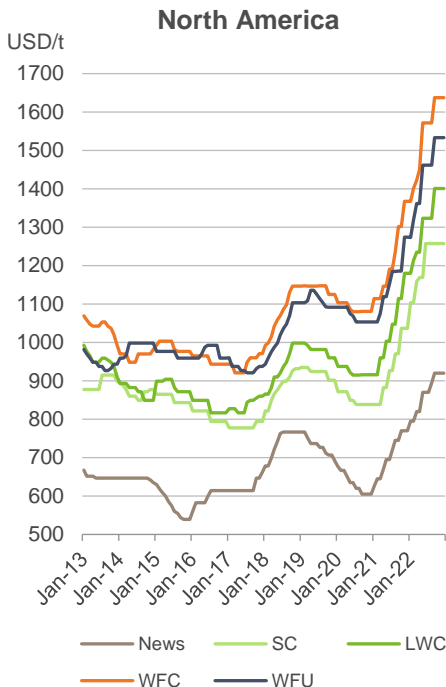
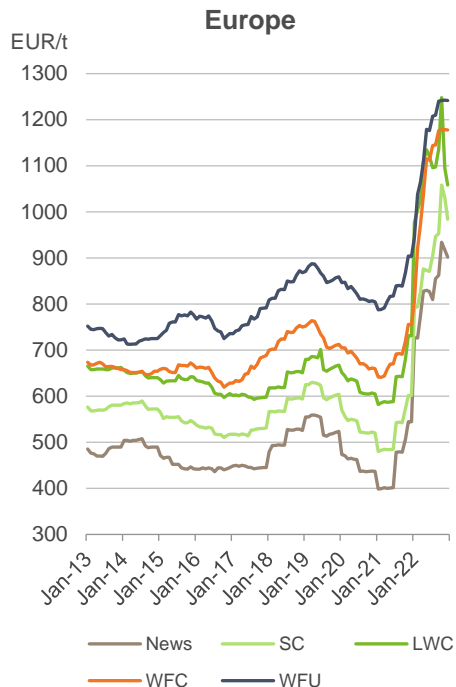
Cost efficient generation enables robust profitability in changing market environment



UPM Energy profitability	2017	2018	2019	2020	2021	2022
Comparable EBIT, EURm	91	123	185	171	270	381
% of sales	28.8	31.5	44.4	45.0	51.3	52.0

UPM Communication Papers

Graphic paper prices

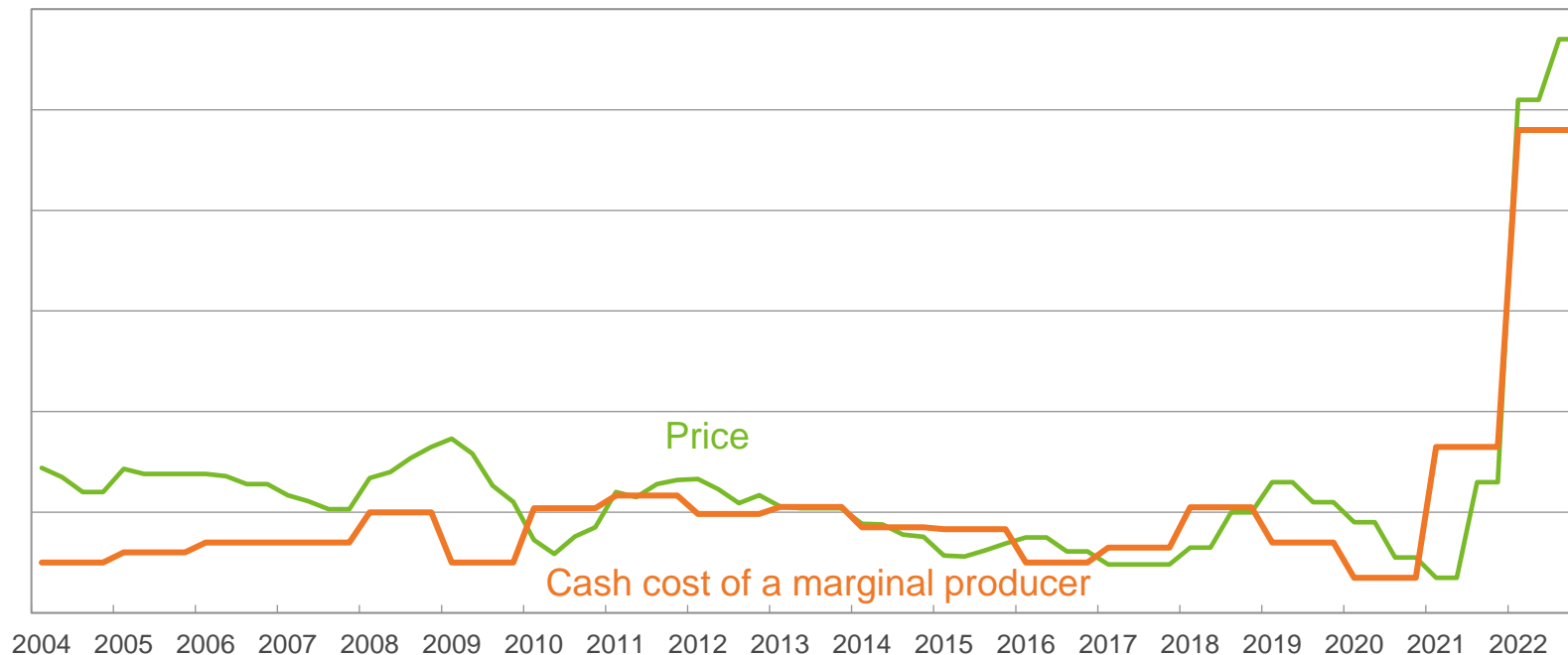


Sources: PPI, RISI

Paper price vs. cash cost of marginal cost producer



EUR/t



Sources: PPI, RISI, AFRY

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