

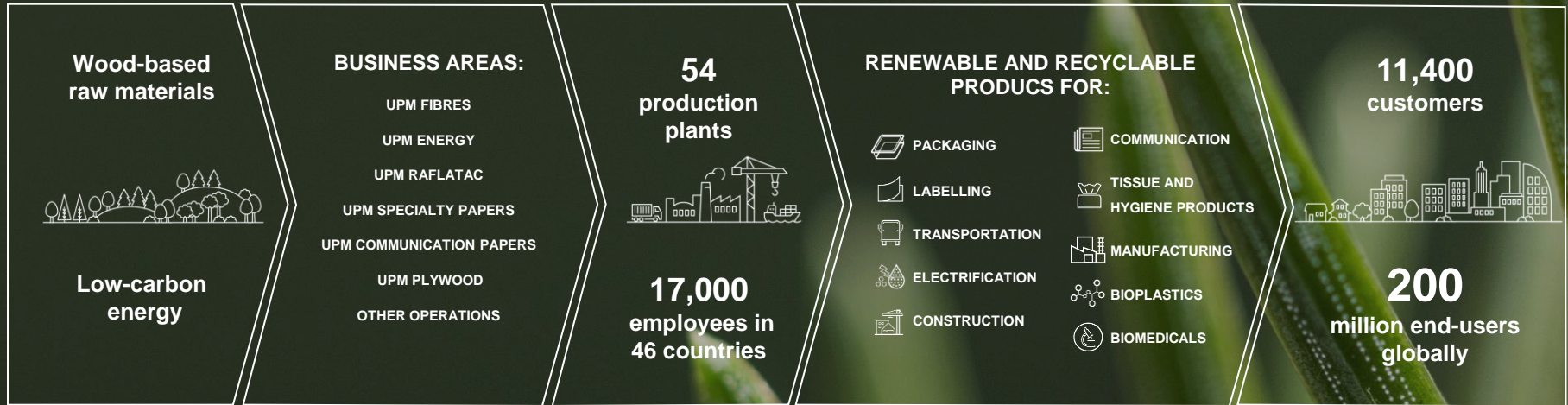
WE CREATE A FUTURE BEYOND FOSSILS

Investor presentation
February 2023



This is UPM

SALES 2022
EUR 11.7 BILLION



Our businesses



UPM Pulp
A versatile range of chemical pulp for many growing end uses



UPM Timber
Certified sawn timber



UPM Forest
Sourcing wood raw material for sustainable and recyclable products



UPM Energy
Low-emission electricity generation of hydro, nuclear and thermal power



UPM Raflatac
Self-adhesive label materials for promotion, information and functional labelling



UPM Specialty Papers
Labelling materials, release base papers, flexible packaging papers, office and graphic papers



UPM Communication Papers
Magazine paper, newsprint and fine papers for a wide range of end uses



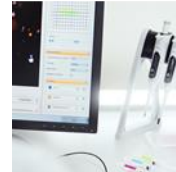
UPM Plywood
Plywood and veneer products for construction, vehicle flooring and LNG shipbuilding



UPM Biofuels
Wood-based renewable diesel and naphtha



UPM Biochemicals
Glycols, lignin products, renewable functional fillers



UPM Biomedicals
Wood-based biomedical products for medical and life science applications



UPM Biocomposites
UPM ProFi decking materials and UPM Formi composite material

Biofore strategy

Biofore strategy drives our transformation as a bioeconomy frontrunner.

We seek sustainable growth by enabling our customers and consumers to make more sustainable choices.

High performance, innovations and world-leading responsibility are the cornerstones. We create a future beyond fossils.

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

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

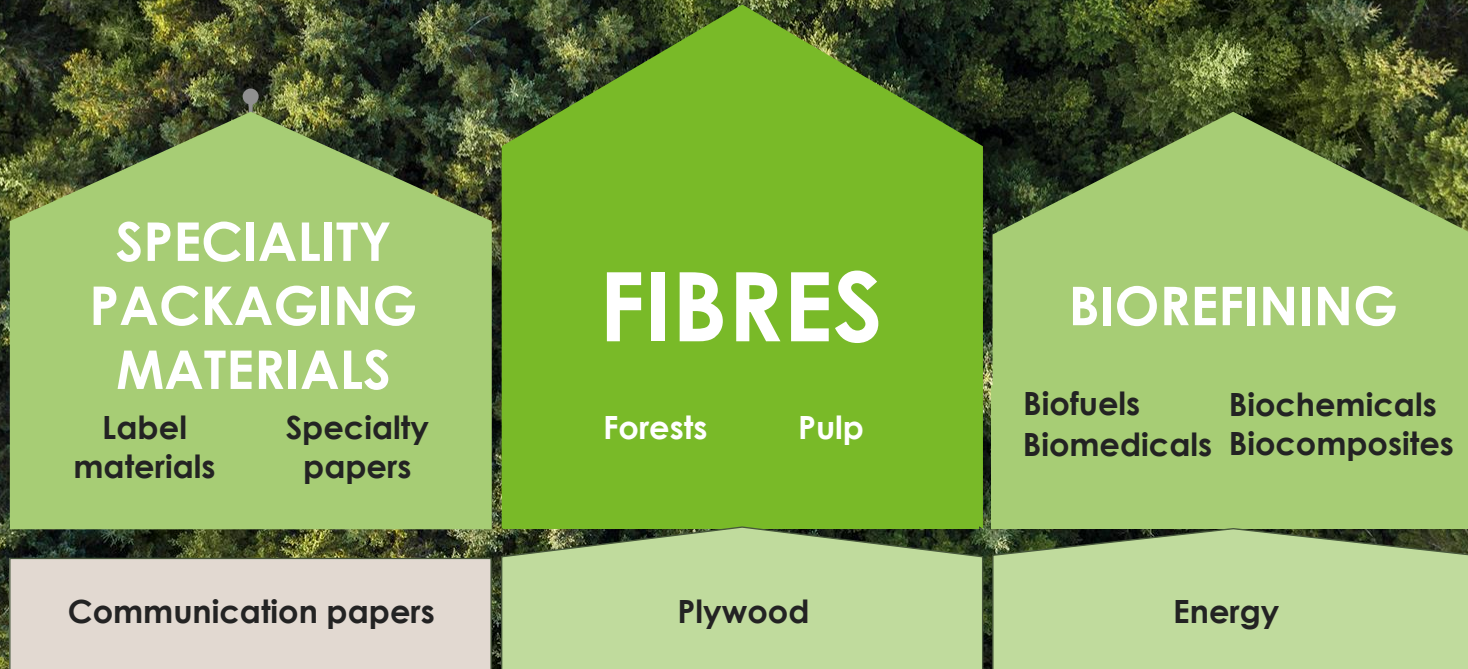
VALUES

Trust and be trusted

Achieve together

Renew with courage

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



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

BUSINESS AMBITION FOR 1.5°C   **OUR ONLY FUTURE**

THE Paris... CLIMATE PLEDGE 10 years Early



Leader in responsibility

MSCI
ESG RATINGS



Global Compact
LEAD
2021 PARTICIPANT

Member of
Dow Jones
Sustainability Indices

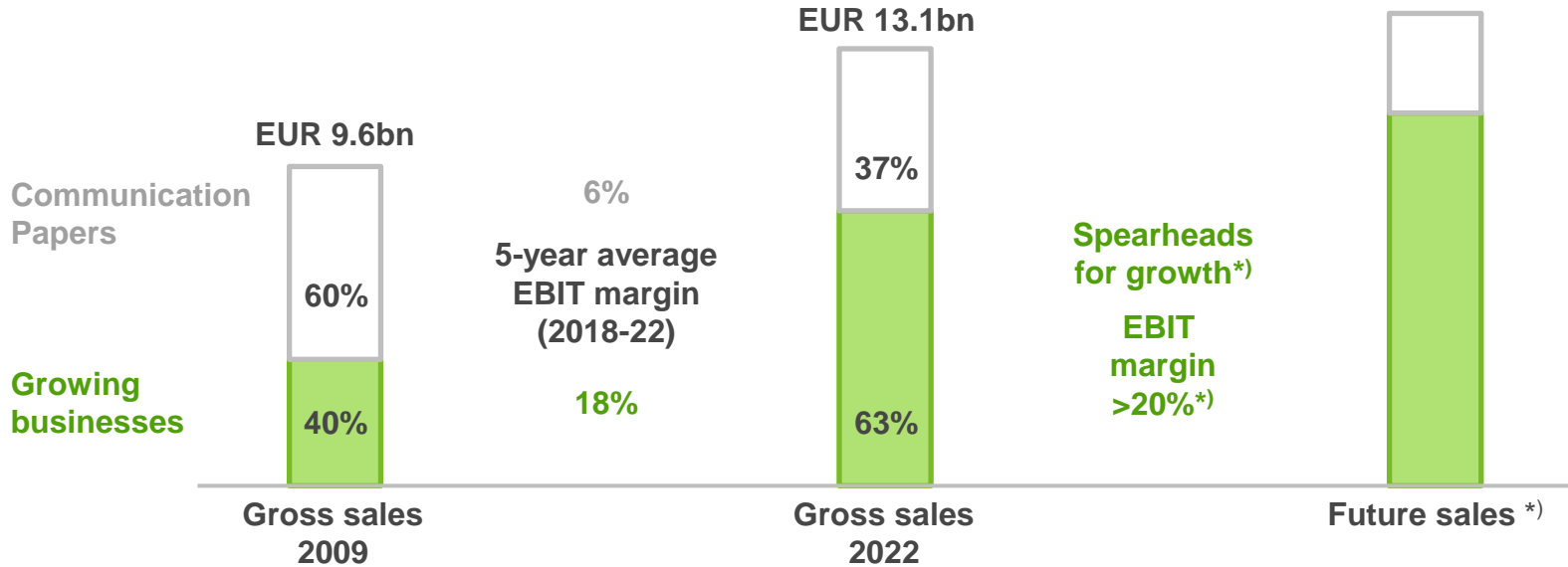
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Sustainability Award
Gold Class 2022

S&P Global



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

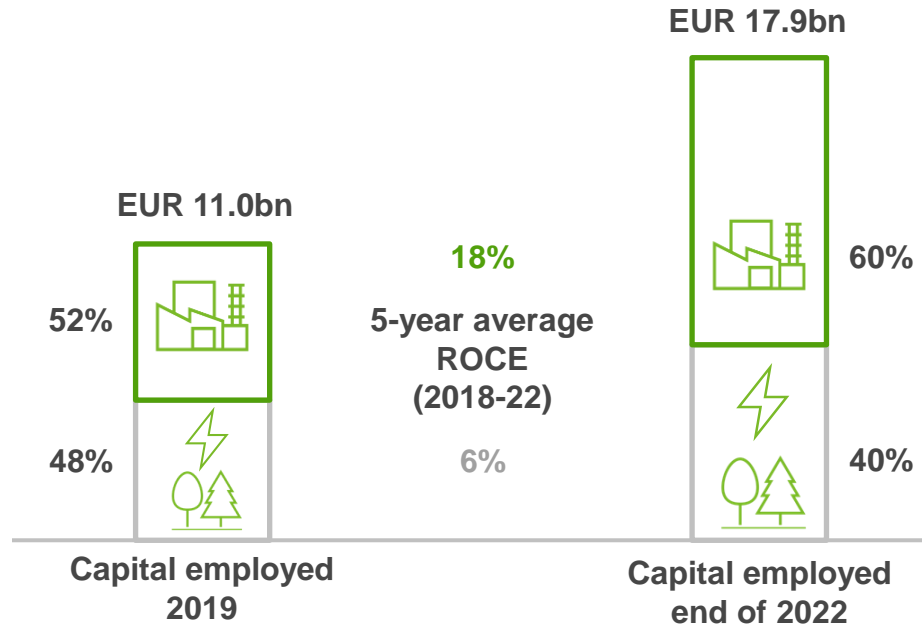


Growth investments have increased capital employed, significant earnings potential as they start to contribute

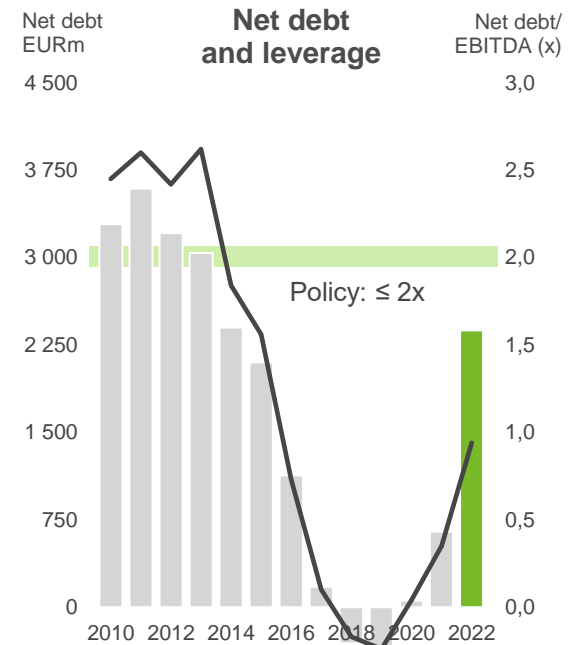
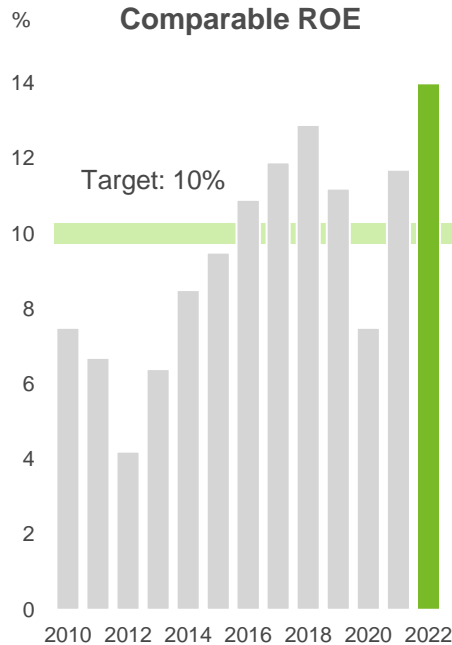
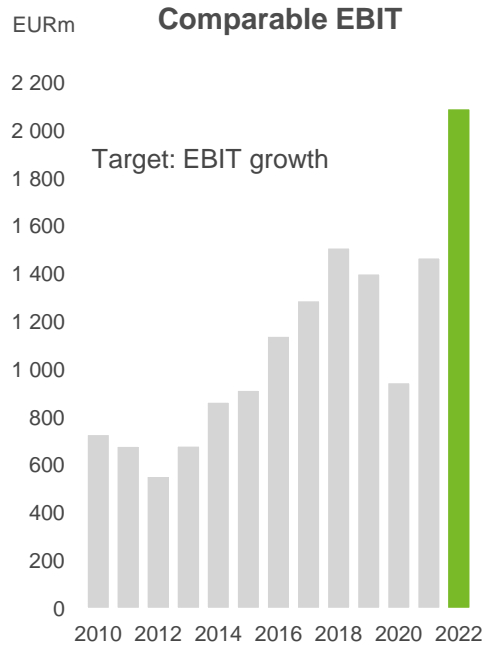


Industrial operations:
Further growth,
attractive return targets

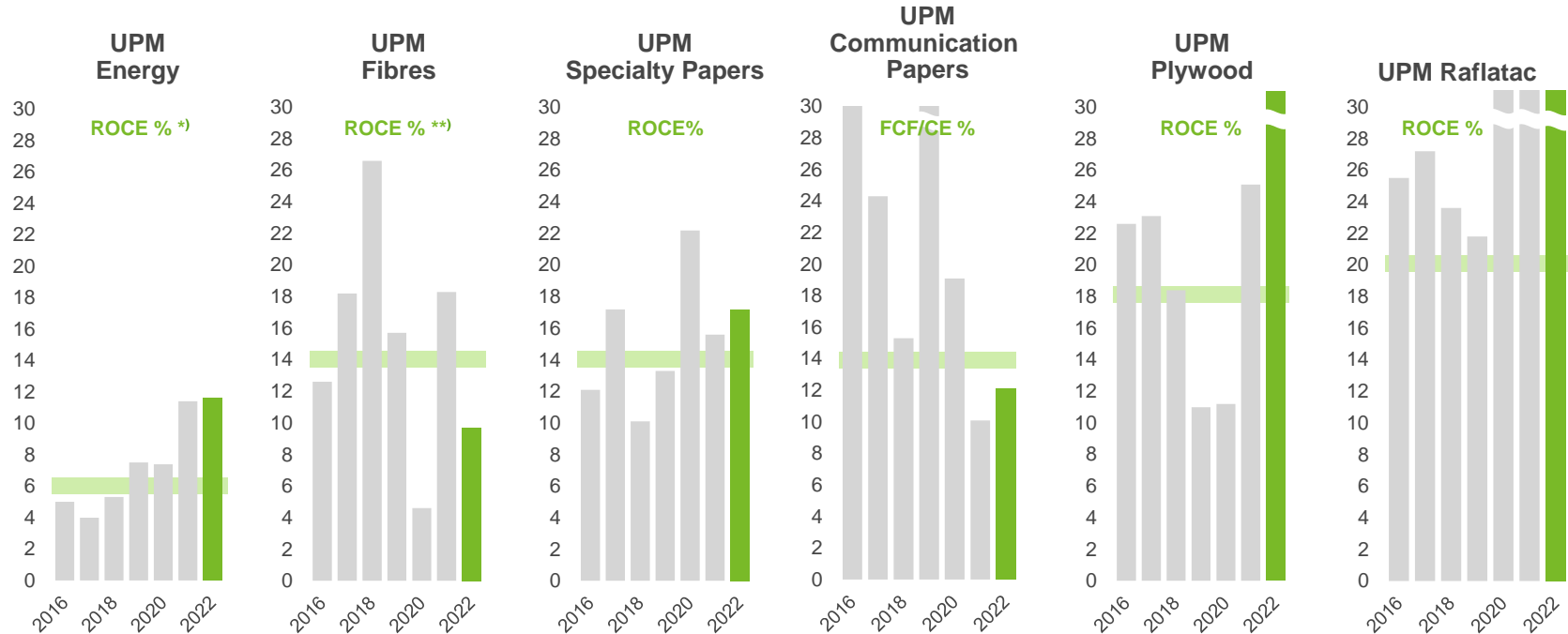
Forest and energy assets:
Sustainable value creation



New record in annual earnings



Business area long-term return targets



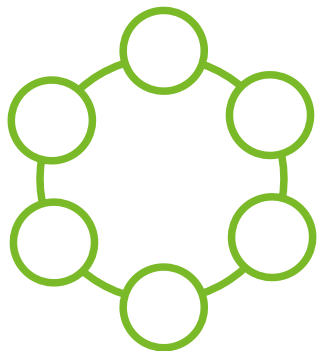
*) shareholdings in UPM Energy valued at fair value

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

Long-term return target

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

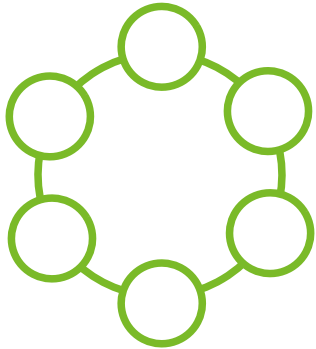
**Net debt/
EBITDA
< 2x**

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

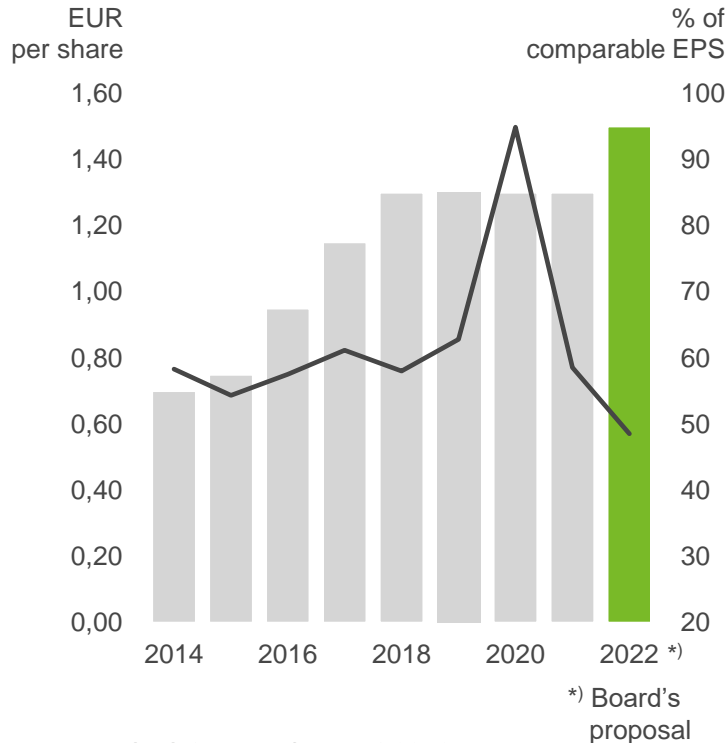
Strong balance sheet

**Net debt/
EBITDA
< 2x**

Maintain headroom

*) This is not a forecast

Dividend proposal: 15% increase to EUR 1.50 per share



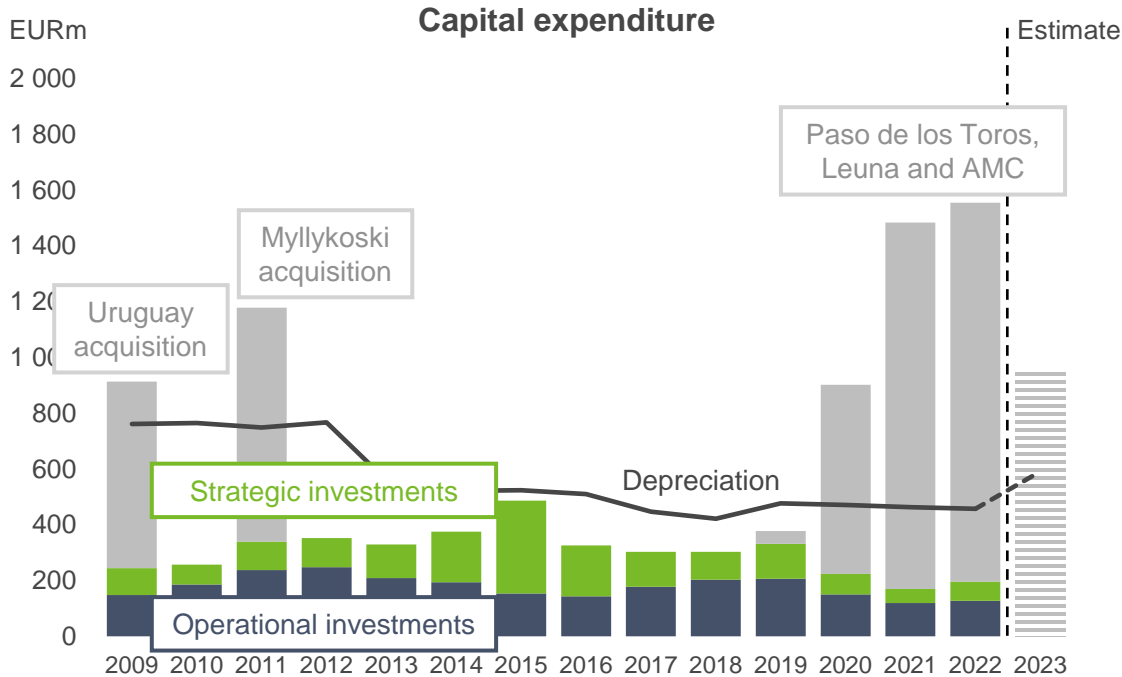
Dividend policy

- 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

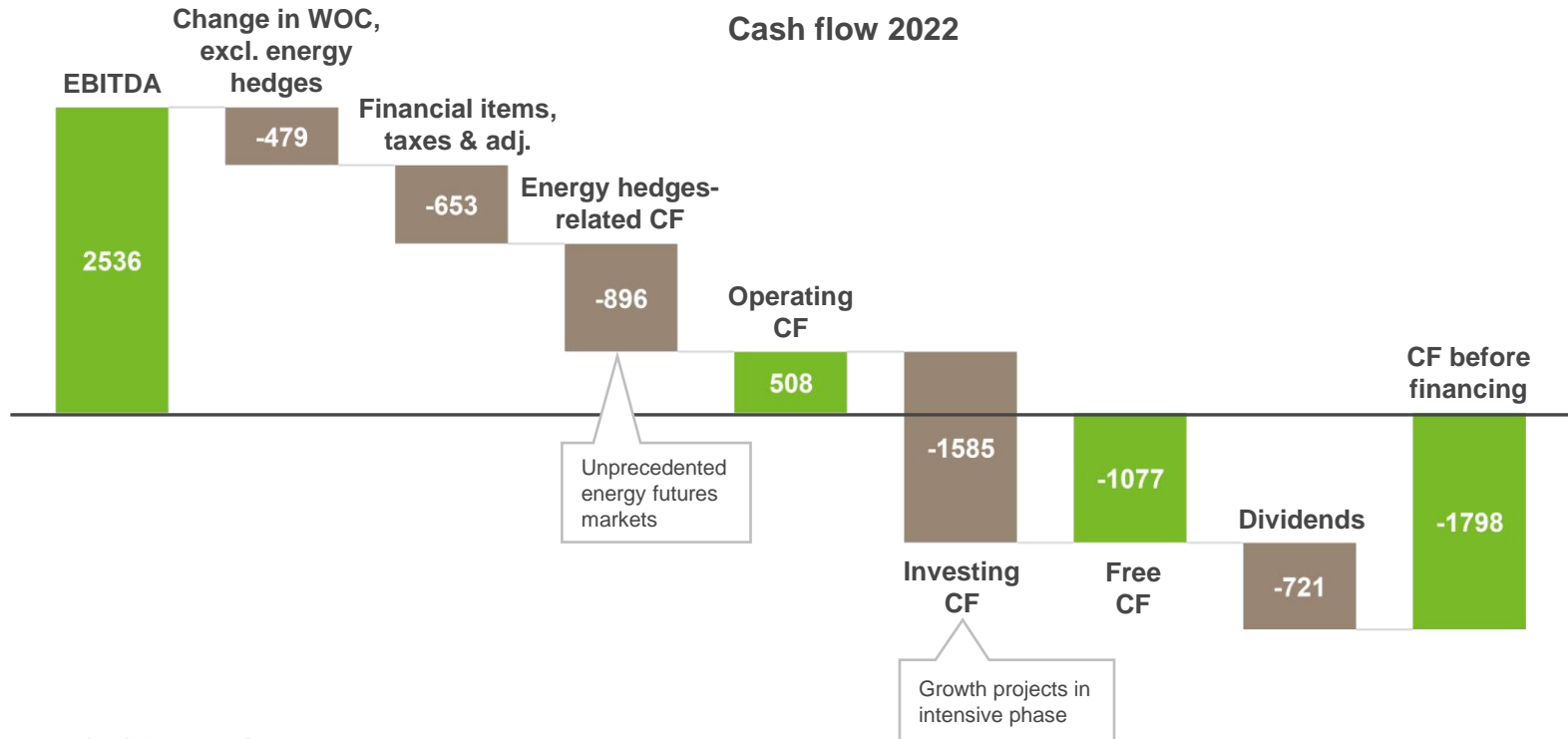
Transformative growth projects in the most intensive phase in 2021-2022



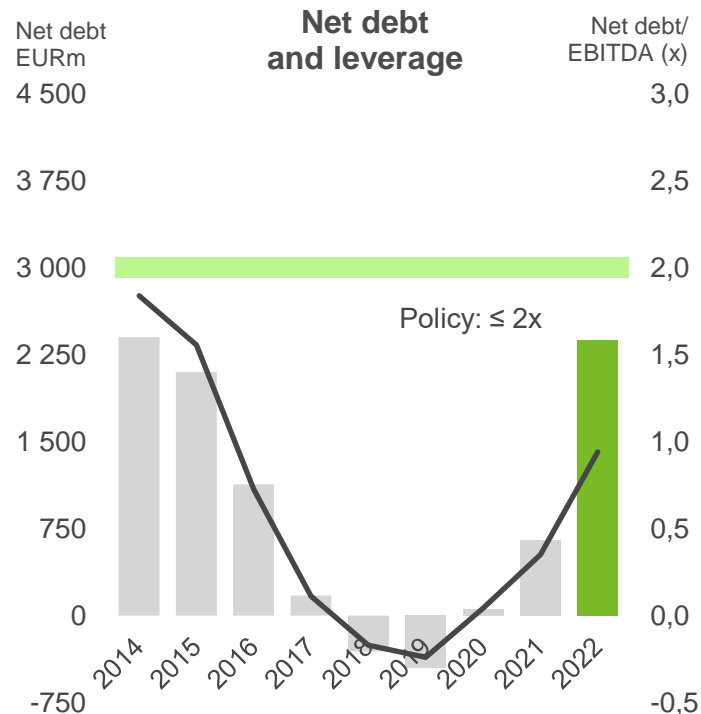
Capex estimate for 2023

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

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

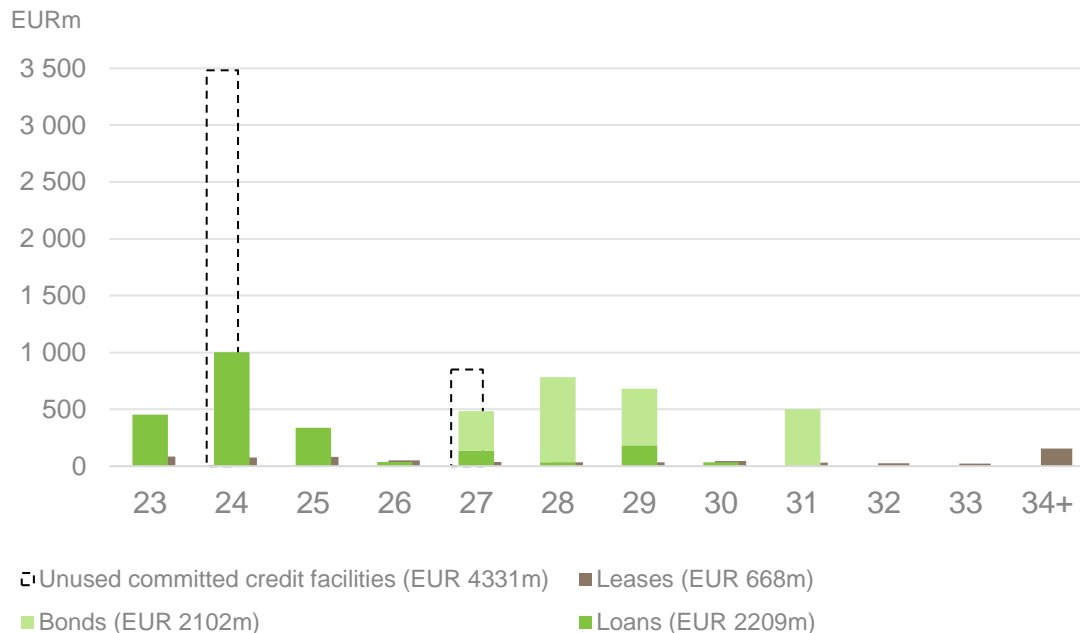


Strong financial position, net debt temporarily impacted by the timing of cash flows



- 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

Maturity profile and liquidity



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

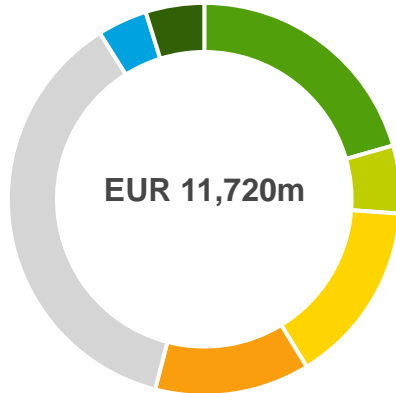
UPM's committed credit facilities:

- 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

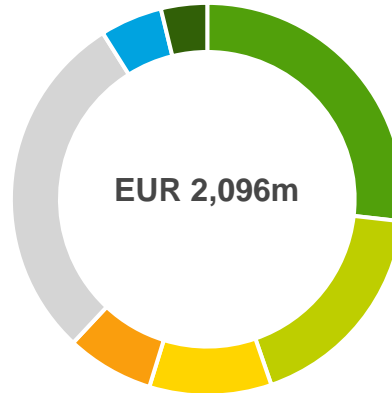
No financial covenants

UPM by business area in 2022

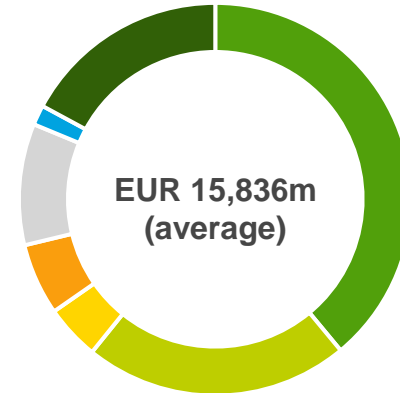
Sales



Comparable EBIT



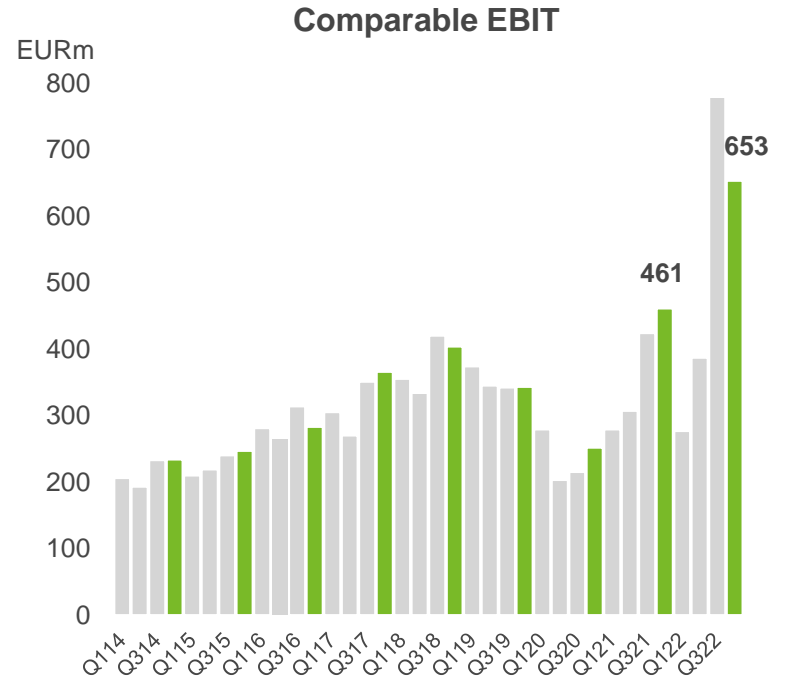
Capital employed



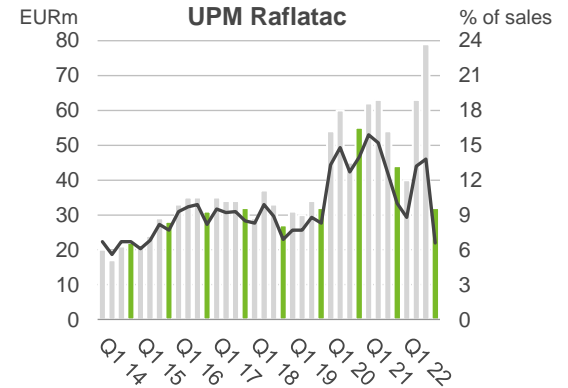
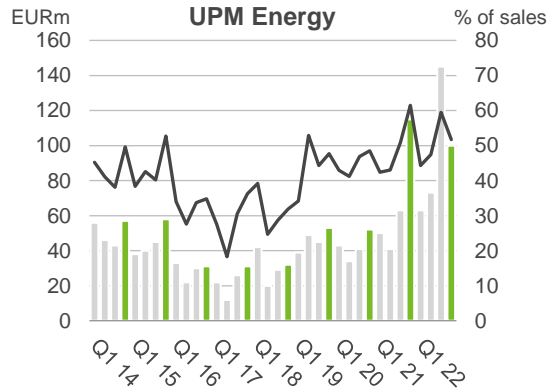
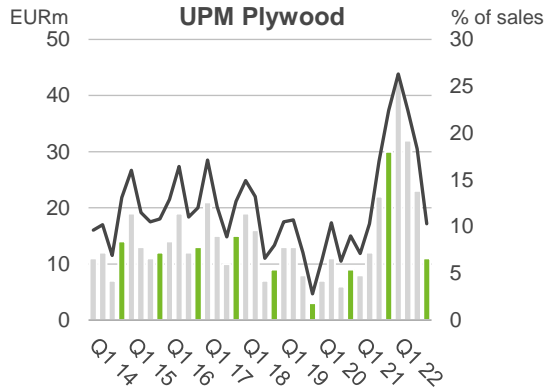
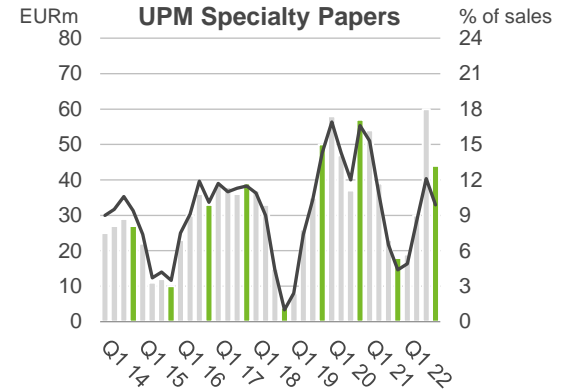
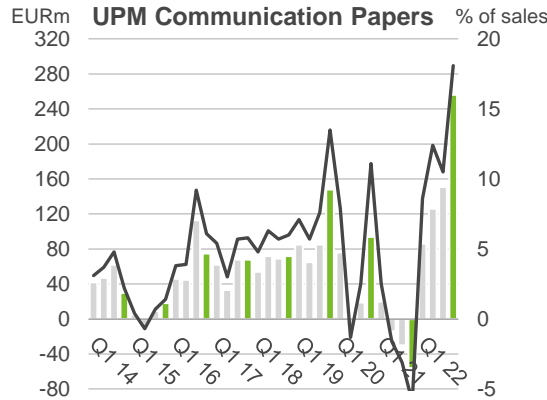
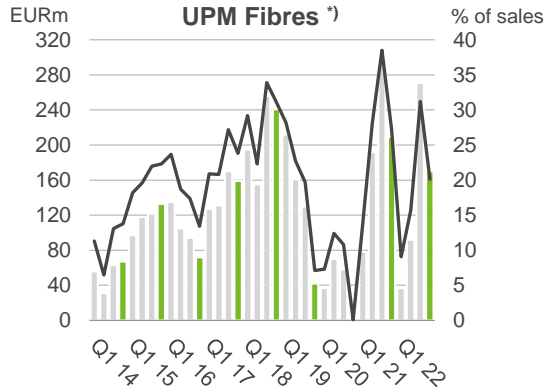
■ Fibres
 ■ Energy
 ■ Raflatac
 ■ Specialty Papers
 ■ Communication Papers
 ■ Plywood
 ■ Other

Q4 2022: strong end for the record year

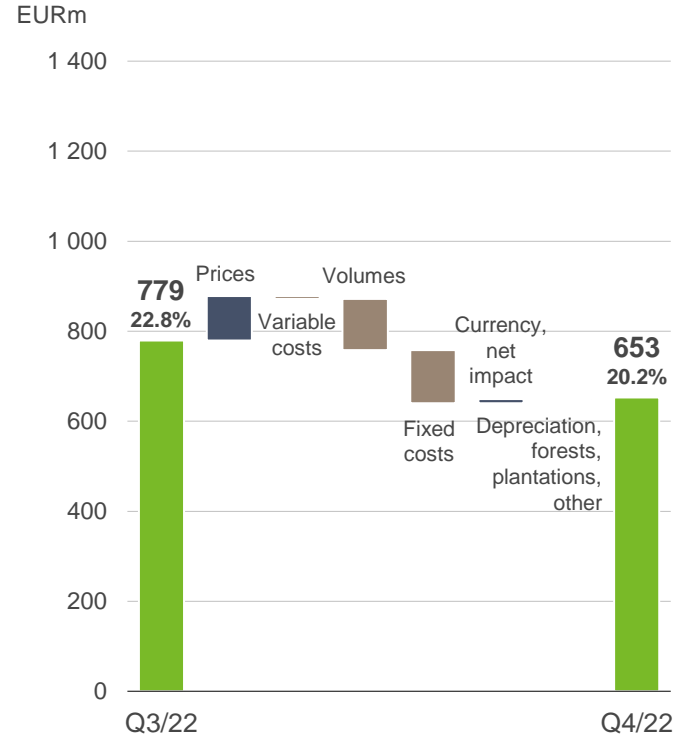
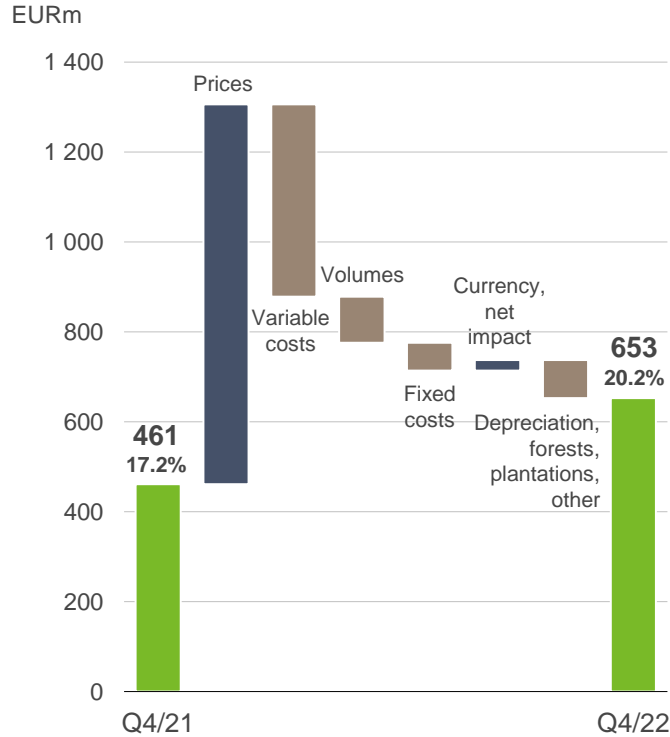
- Sales increased by 21% to EUR 3,231m (2,673m in Q4 2021)
- Comparable EBIT grew by 42% to EUR 653 million, 20.2% of sales (461m, 17.2%)
- Sales prices increased in all business areas, and more than offset the impact of higher variable costs
- Delivery volumes were impacted by destocking in various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



Comparable EBIT by business area



Comparable EBIT in Q4 2022



Outlook for 2023



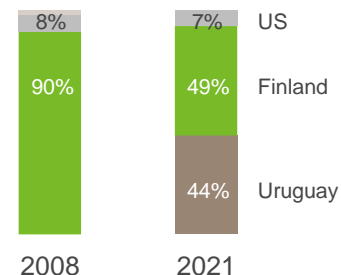
- UPM reached record earnings in 2022, and 2023 is expected to be another year of strong financial performance. UPM's comparable EBIT is expected to increase in H1 2023 from H1 2022.
- In 2023, UPM's delivery volumes are expected to benefit from the ramp up of the UPM Paso de los Toros pulp mill and 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.

Developing our forest assets

UPM forests and plantations

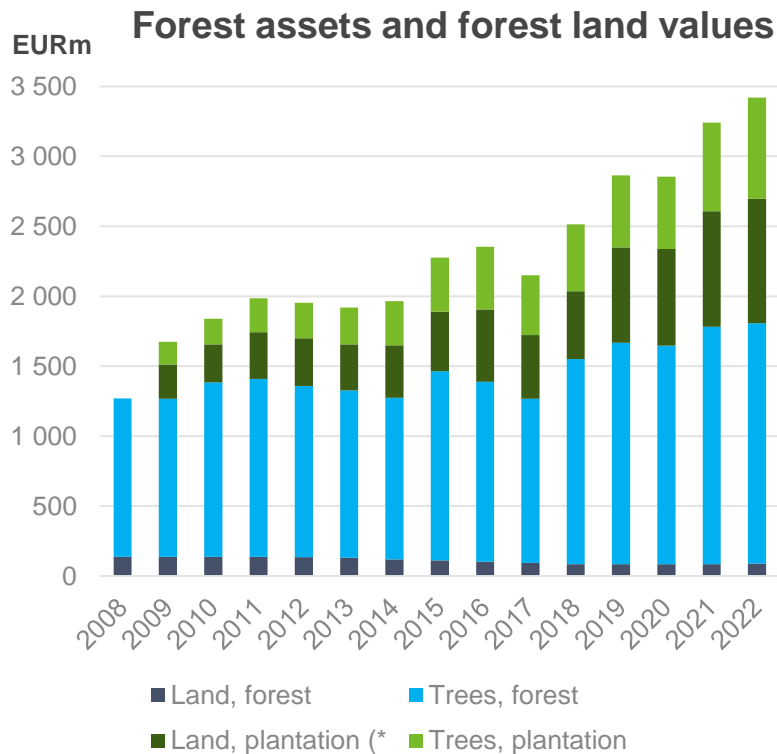
	2008	2021
Forest and plantation land (own and leased) (1,000 ha)	1,012	1,057
Forest growth (million m ³)	4.3	8.8
Wood sourced from UPM forests and plantations (million m ³)	2.2	3.6
Value of forests and plantations, including land (EURm)	1,270	3,241

Area distribution



Investing in strategic forest assets in Uruguay
 Releasing capital from forests far from our mills
 Productivity with active management and nurseries
 Strong commitment to sustainability

Active forest strategy – UPM’s forest assets are increasingly productive and valuable



Uruguay plantations

“fast turnover, low inventory”

- Value EUR 1.6bn
- Continuous productivity improvement (pulp tonnes/ha)
- Investing in strategic forest assets

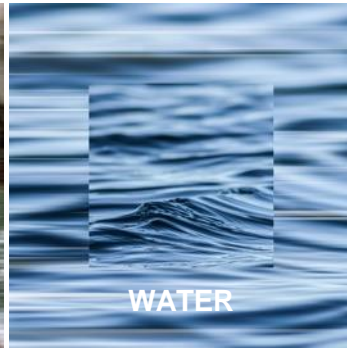
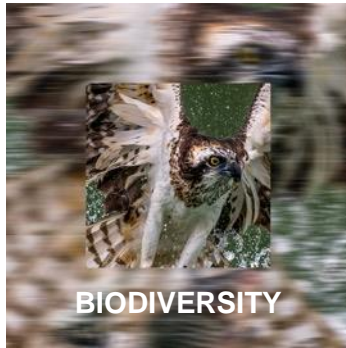
Finland and other northern forests

“slow turnover, high inventory”

- Value EUR 1.8bn (+43% since 2008, EUR/ha +140% since 2008)
- Decreased area (-42% since 2008), focusing on forests close to mills
- Improved growth (m³/ha)
- Trend price (EUR/m³)

FOREST ACTION

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



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
ROCE target of 14%



Scheduled to start up by the end of 2023

Renewable product range



- **Bio-monoethylene glycol (bMEG)**
for textiles, PET bottles, packaging, deicing fluids
- **Renewable functional fillers**
for rubber applications as a sustainable, light-weight and high-purity alternative to carbon black and silica
- **Bio-monopropylene glycol (bMPG)**
for composites, pharma, cosmetics, detergents
- **Industrial sugars**
for various applications in chemicals industry



Large growth markets – unique sustainability value



- The global glycols market is more than 30 million tonnes, with expected annual growth of approx. 4%
- The global market of carbon black and silica is more than 15 million tonnes, with expected annual growth of approx. 3%
- Current market supply based on non-renewable raw materials
- Customers increasingly committed to sustainable solutions
- UPM's renewable raw material and new technologies provide significant reduction in carbon footprint
- UPM biochemicals fit directly into customers' processes and the existing recycling infrastructure

UPM Fibres

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



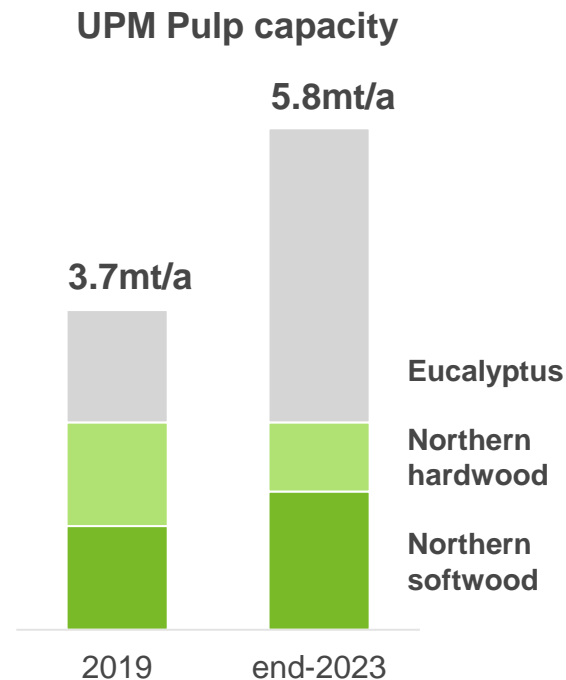
Scheduled to start up in Q1 2023



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



UPM Fibres

Competitive wood supply



Eucalyptus availability secured through UPM's own and leased plantations and wood sourcing agreements with private partners

UPM's own, leased and managed plantations in Uruguay cover 504,773 hectares, supplying both UPM Fray Bentos and the new Paso de los Toros mill

30 years experience of sustainably managed and productive plantations

Status: Expansion ready



Efficient logistics set-up



USD 280 million investment to a **deep sea pulp terminal** in Montevideo port

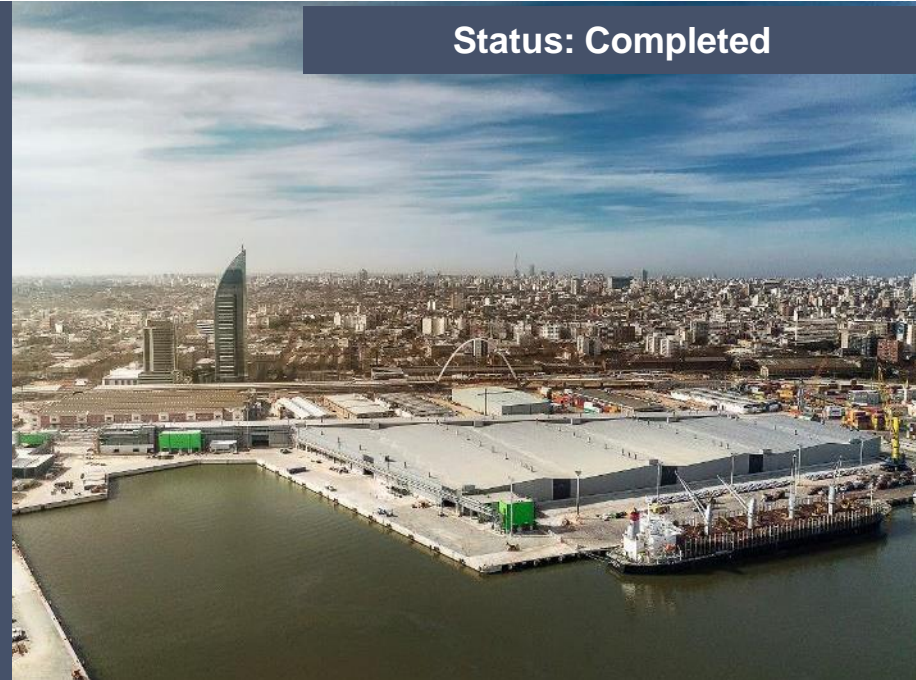
- Direct rail access from the mill with 4-6 trains/day + 1 chemical train/day to the mill
 - Operating 24/7
 - >50,000 m warehouse for ~2 million pulp tonnes
 - Deep sea port with 100 pulp ships a year
- ➔ **Direct, efficient access to global markets**

Railway modernisation

- Public-private-partnership agreement by the government and the construction company

Road improvements

Status: Completed



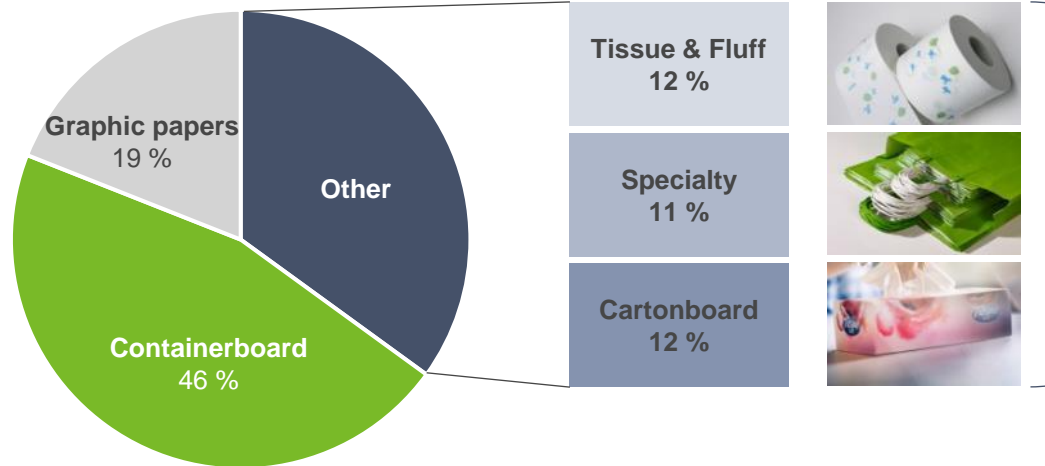
Market pulp consumed in growing end-uses – alternative white fibre demand overcoming graphical paper decline



↓ **Graphic papers**
Based on white fibre



↑ Growing end-uses of white fibre



Based on
65% white fibre
35% brown fibre

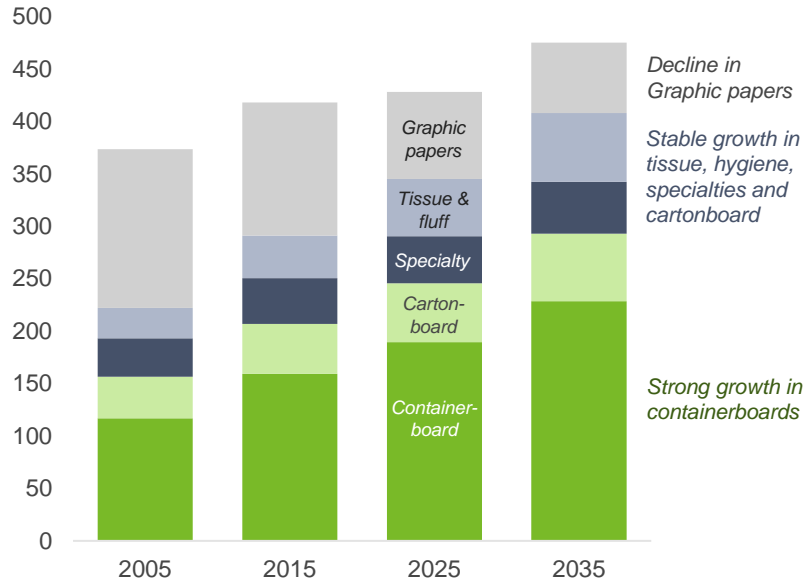
↑ **Containerboard**
Based on brown fibre



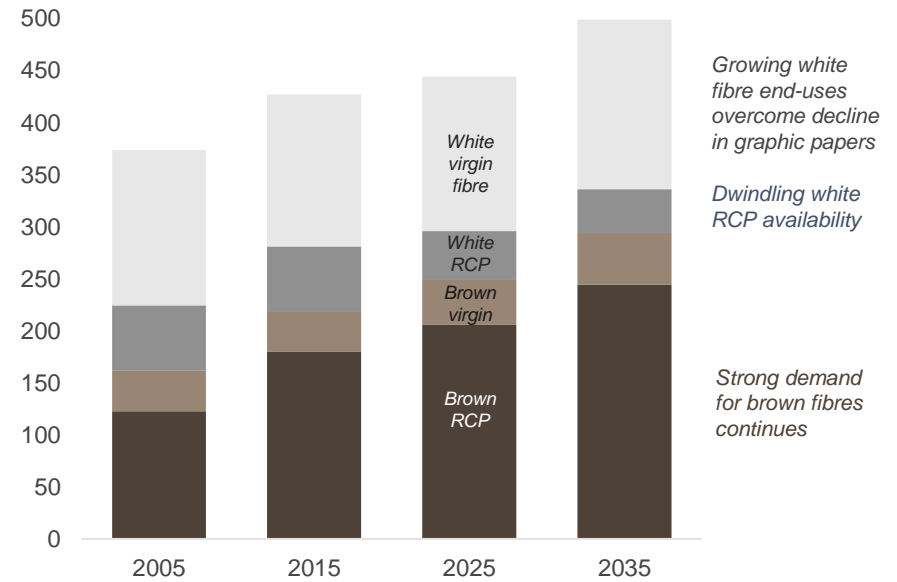
Total fibre consumption (2020): 421 million tonnes

COVID-19 shocked the world, but fibre consumption growth has resumed and will continue in years to come

Global consumption of end-uses
in million tonnes



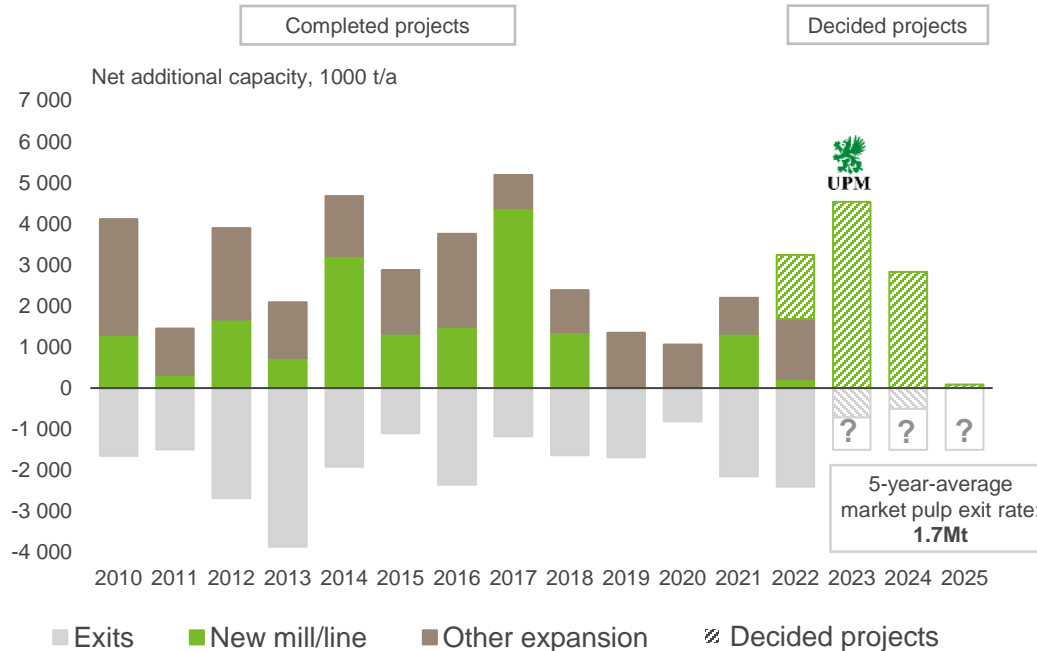
Global consumption of fibres
in million tonnes



Moderate numbers of decided projects in the short-term and expansion mainly in BHKP



Entry of bleached market pulp capacity



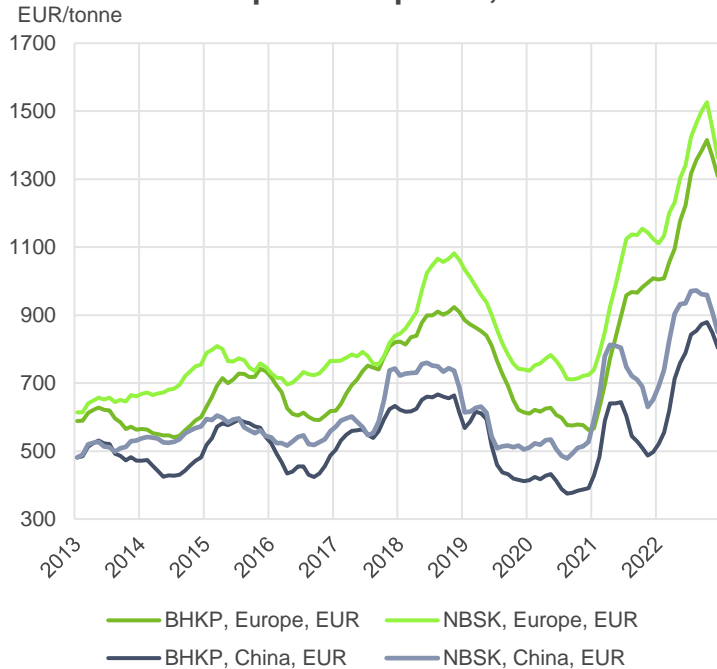
Note: including BHKP, BSKP, excluding fluff and dissolving

UPM Fibres

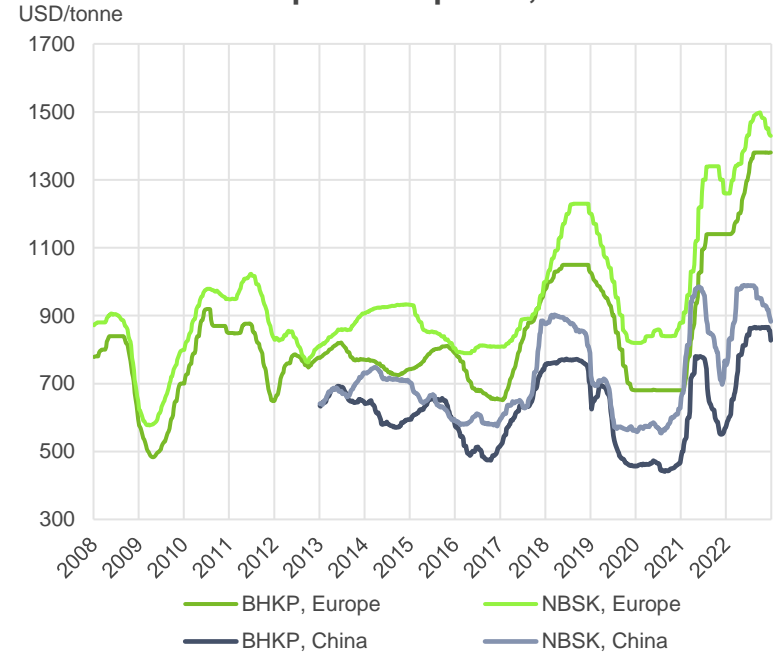
Chemical pulp market prices



Pulp market prices, EUR



Pulp market prices, USD



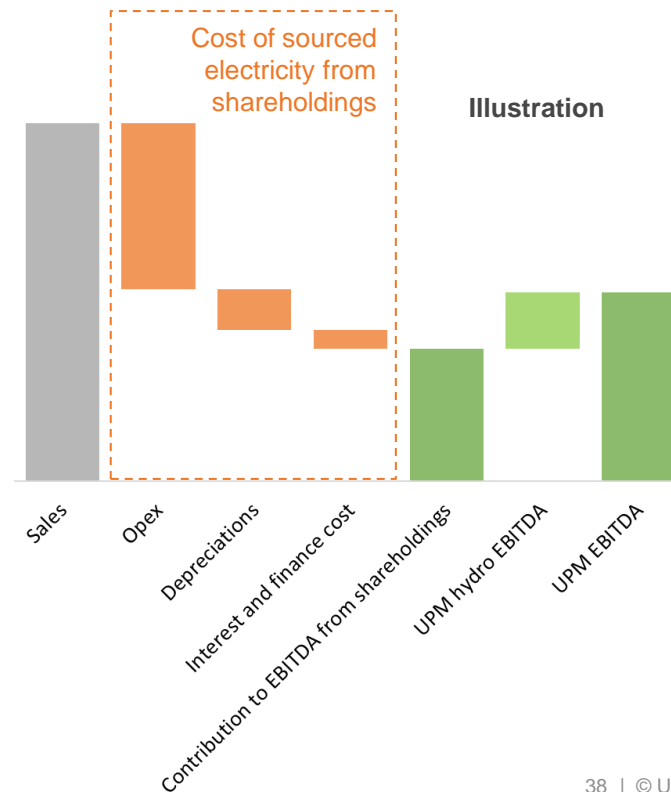
Source: FOEX Indexes Ltd

UPM Energy

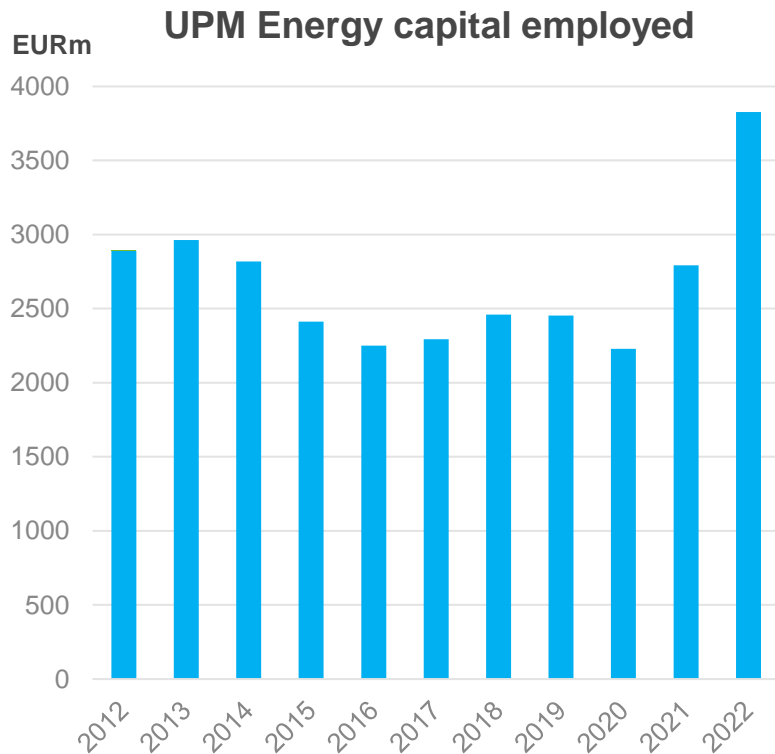


UPM Energy's power generation	MW	EURm
Hydropower holdings	552	1,176
Nuclear power OL1 and OL2	588	2,016
Nuclear power OL3 (PTO 03/2023)	494	454
Thermal power	154	1
UPM Energy's shareholdings in total, valued at fair value	1,786	3,647
UPM own hydropower assets	166	
UPM Energy's in total (incl. OL3)	1,957	
UPM Energy capital employed		3,764

UPM Energy sources electricity from part owned energy companies at full cost (cost-price principle, mankala principle)



UPM Energy's assets are competitive, CO₂-free and increasingly valuable



Hydropower

- Flexible generation, crucial to balance the volatile system
- Renewable, CO₂-free
- Value EUR 1.3bn

Nuclear power

- Reliable baseload generation
- CO₂-free
- Unique and safe solution for final disposal of spent fuel
- Value EUR 2.5bn

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



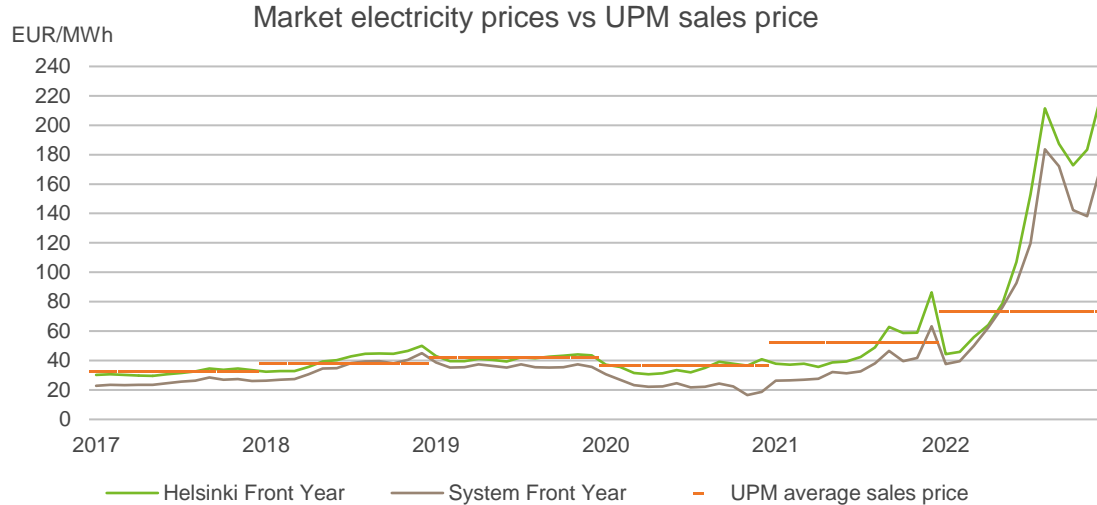
Reliable CO₂-free baseload energy to support the electrification of the society

Unique and safe solution for final disposal of spent fuel

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



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 Raflatac Self-adhesive labels in end-use



Pharmaceuticals



Wine, spirits & craft beverage



Food



Personal care



Home care



Durables



Transport & logistics



Industrial Chemical



Retail



A4 & cut-size



Security & brand protection



Tyre

The labelstock markets have solid long term demand growth trends – short term can be more volatile



The long term demand growth outlook remains a solid 3-4% p.a.

However in the short term the demand changes can be more dynamic

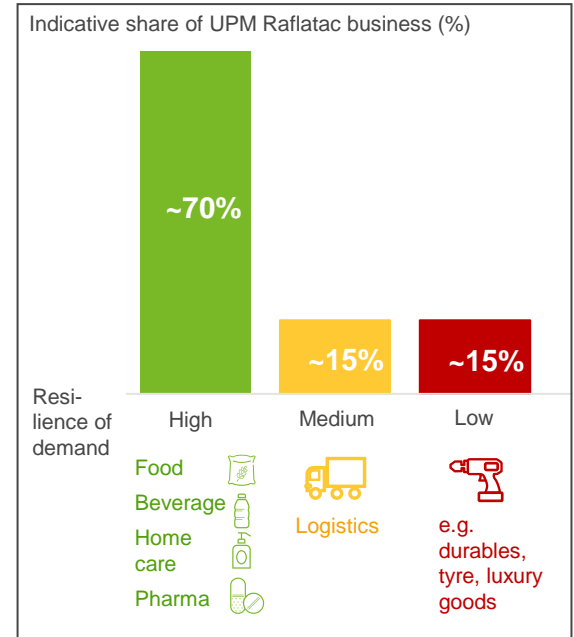
The demand of UPM Raflatac’s end use portfolio is relatively resilient

Growth drivers

- Packaging unit growth in Food, Personal Care, Beverage
- E-Commerce growth & parcel logistics
- Niche segments (e.g. pharmaceuticals)
- Further trends benefitting labelstock: **sustainability**, wet glue substitution

Impact to labelstock demand

- Consumer **stockpiling**
- Lockdowns**
- Value chain **inventory cycle**
- Private consumption changes**



Early signs of recycling impacts: Packaging decisions to favour labelstock



Source: Euromonitor September 2020; UPM Raflatac perspective

Focus on global Labelling materials, Packaging in Europe and Office paper in APAC



UPM Specialty Papers is well positioned for growth in the selected markets



LABEL & RELEASE

Leading position in growing global label and release paper markets



PACKAGING PAPERS

Selective approach in consumer packaging area. Well positioned for future growth.

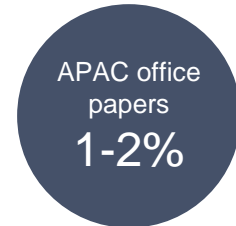
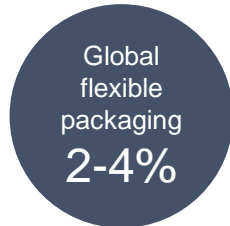
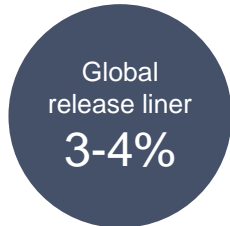


APAC FINE PAPERS

One of the leading players in office papers, focused niche player in graphic papers



Market growth forecast, CAGR 2020-2025

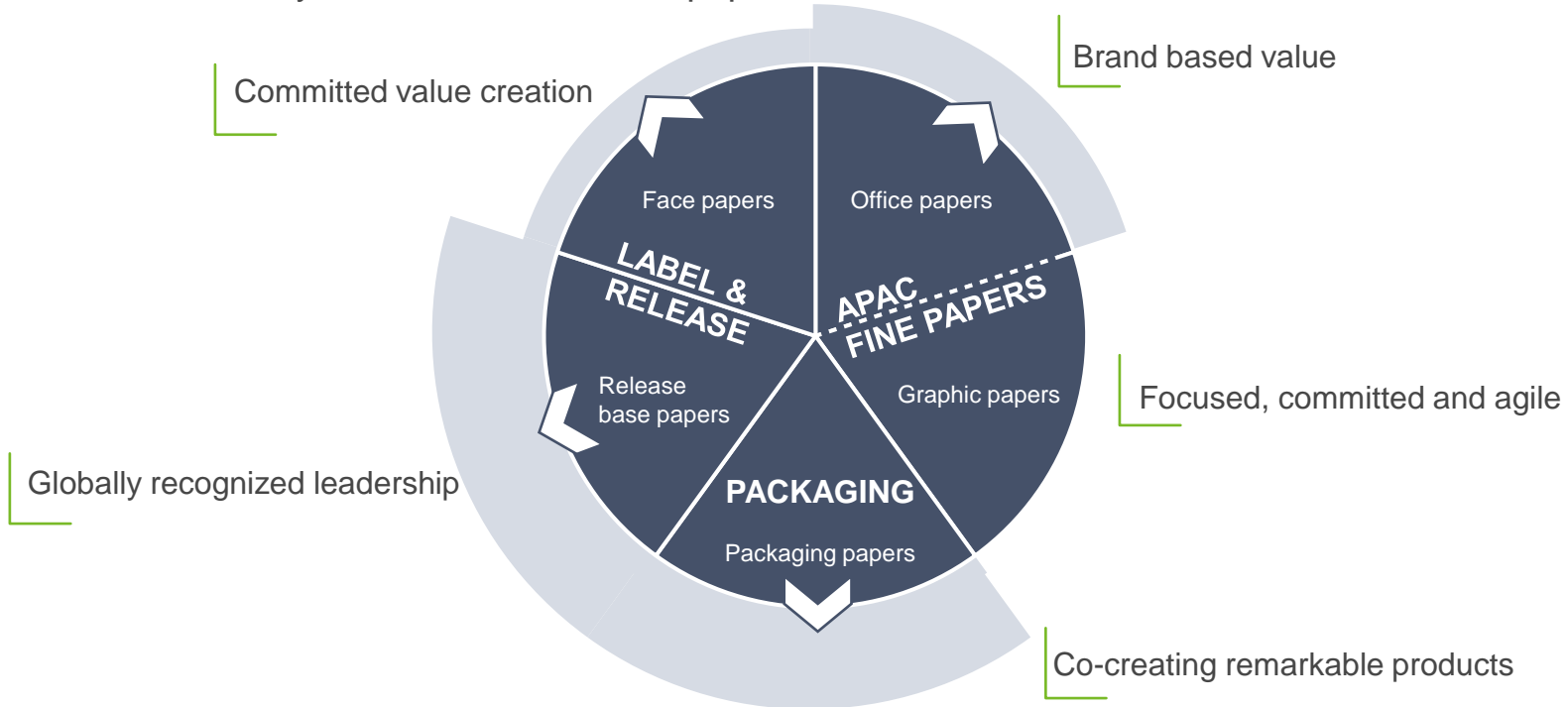


UPM Specialty Papers

UPM Specialty Papers **GROWTH STRATEGY**

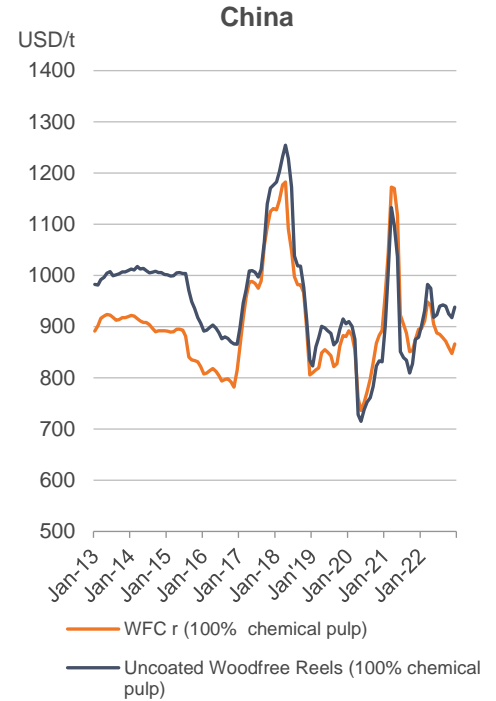
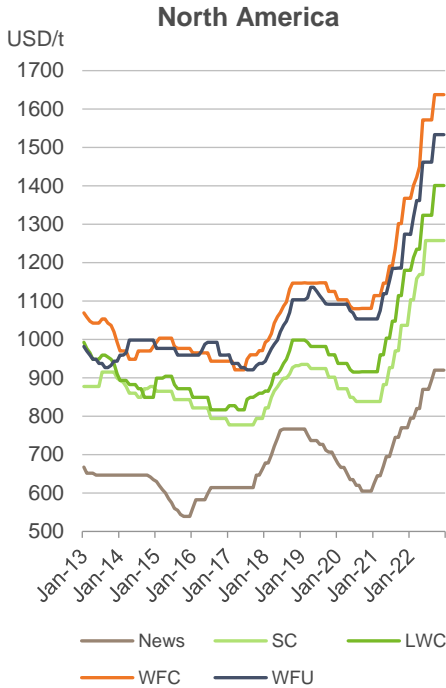
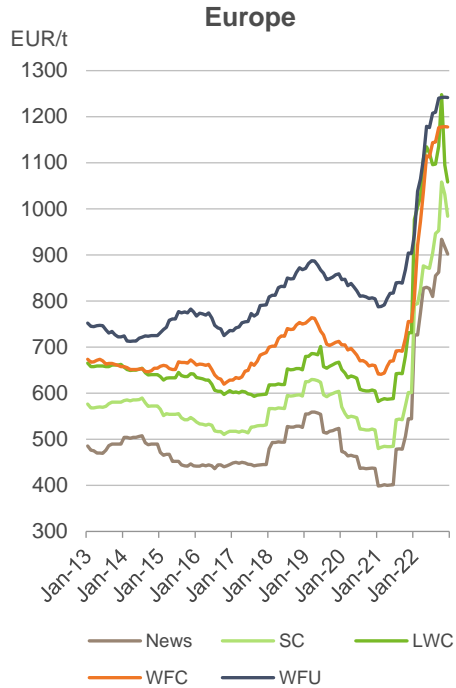


We co-create a future beyond fossils with renewable, recyclable and remarkable papers



UPM Communication Papers

Graphic paper prices

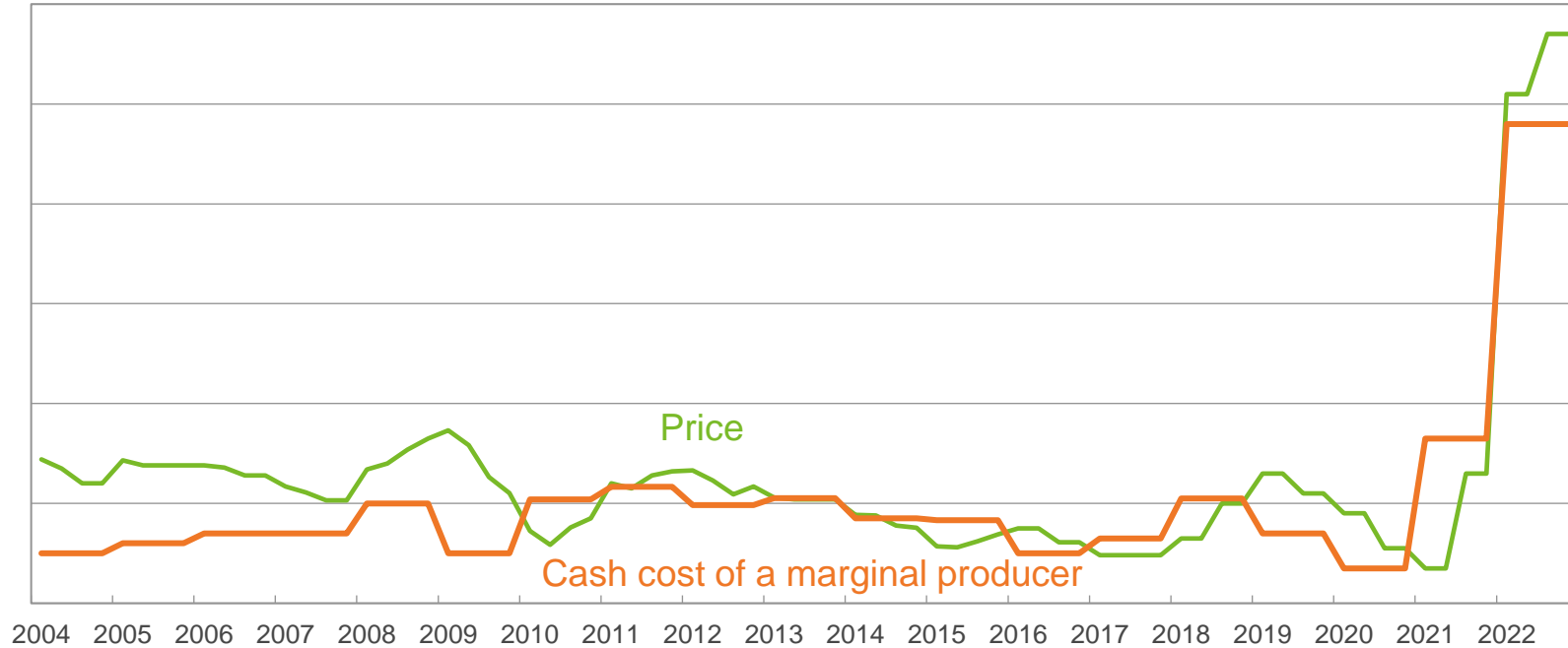


Sources: PPI, RISI

Paper price vs. cash cost of marginal cost producer



EUR/t



Sources: PPI, RISI, AFRY

UPM Plywood focuses on three end use segments



Construction



UPM's position and direction

- Leading position in high and medium range standard products in Europe through well established distribution network providing easy access to WISA® plywood
- Uncompromised sustainability, certified products and operations
- New growth sought by strengthening position in selected emerging markets

Vehicle flooring



UPM's position and direction

- Leading position in Europe
- Competitive edge built on smoothly running operations and needs-based product design creating value to both vehicle manufacturers and operators
- Growth sought by expanding to new markets and related end use segments

LNG shipbuilding



UPM's position and direction

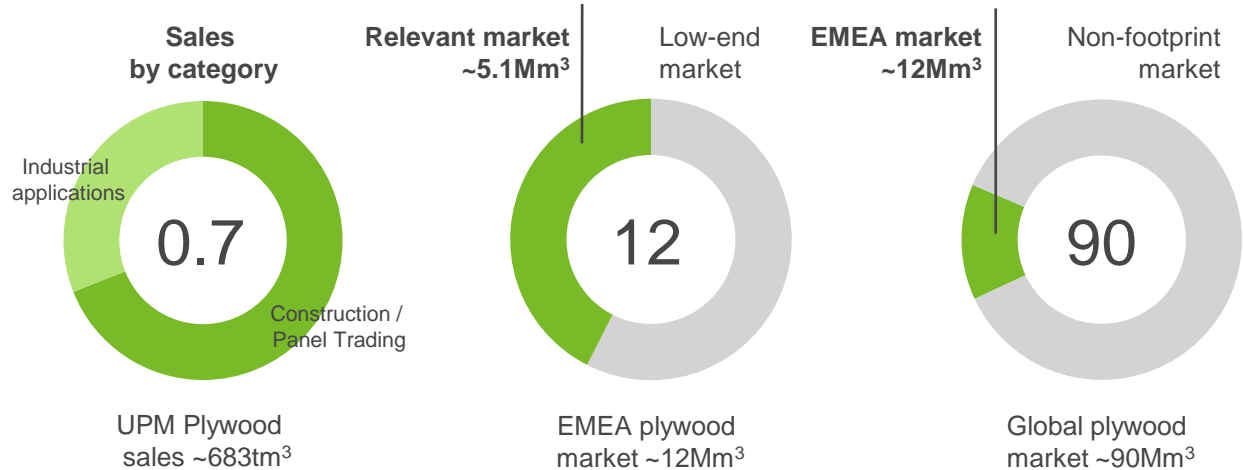
- Leading supplier in LNG plywood
- Competitive edge based on right quality and accurate on-time deliveries
- Long term commitment and benchmark service level
- Focus to secure leading position in LNG carriers and to extend offering into related applications using the same technologies (e.g. land storage tanks)

UPM's key markets are in the high and mid segments primarily in EMEA region



Strategic choices

1. Demanding industrial applications
2. High and medium range standard products
3. Selected customers
4. EMEA region and LNG business globally



Moving forward with biofuels growth plans

Basic engineering phase of a next generation biorefinery



Potential industrial scale biofuels biorefinery



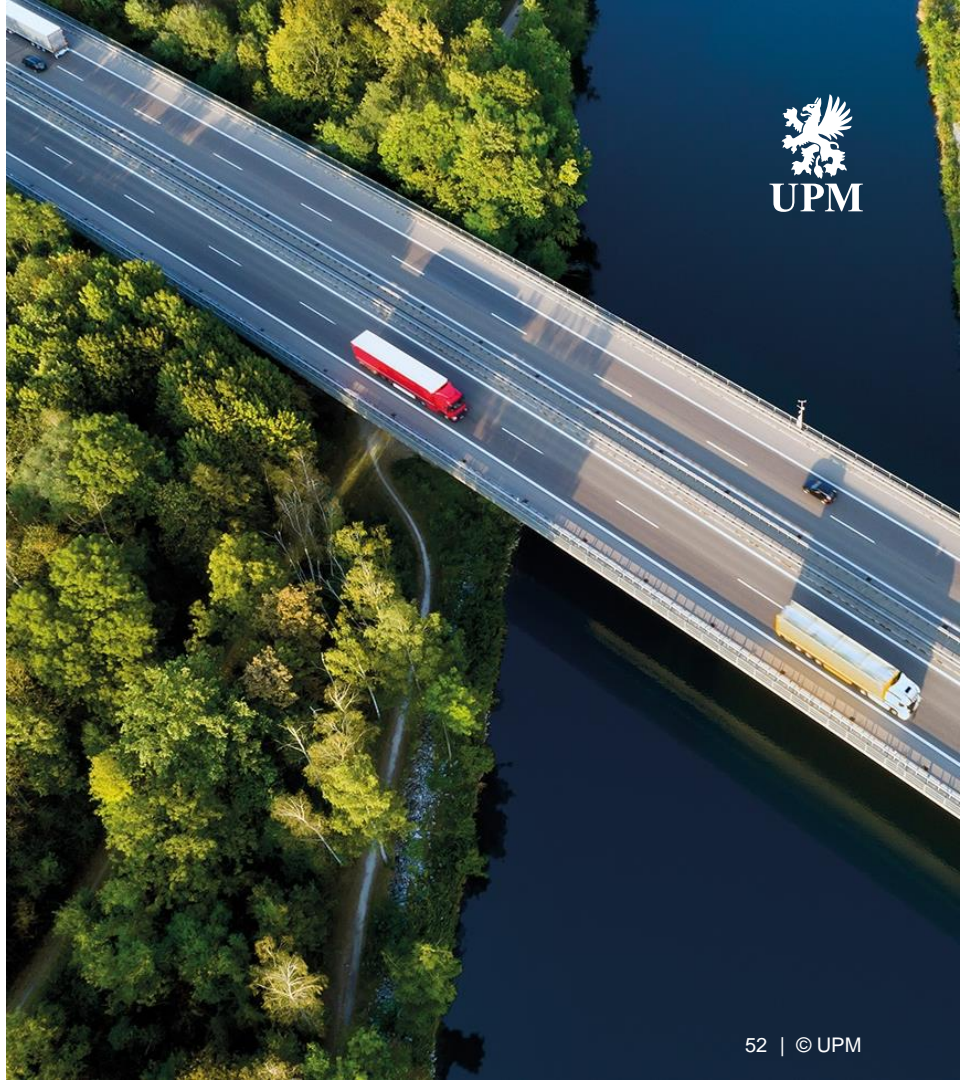
Products would significantly reduce carbon footprint in the road transport and aviation



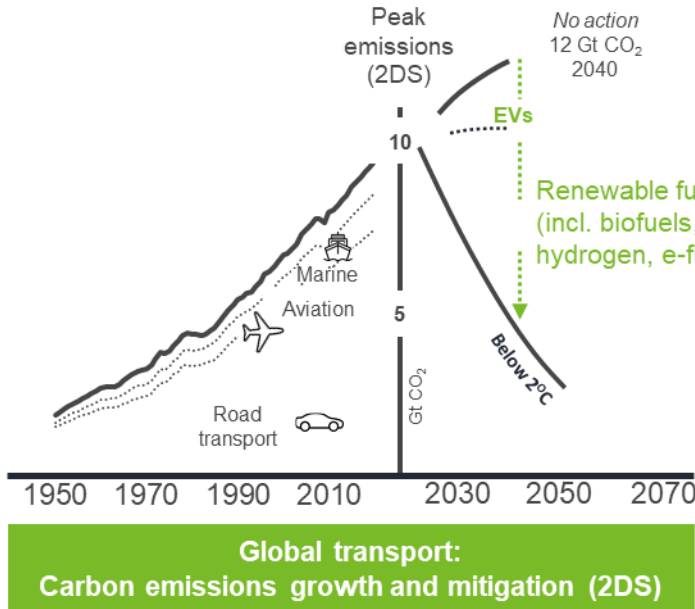
Capacity would be up to 500,000t of renewable fuels incl. sustainable jet fuel



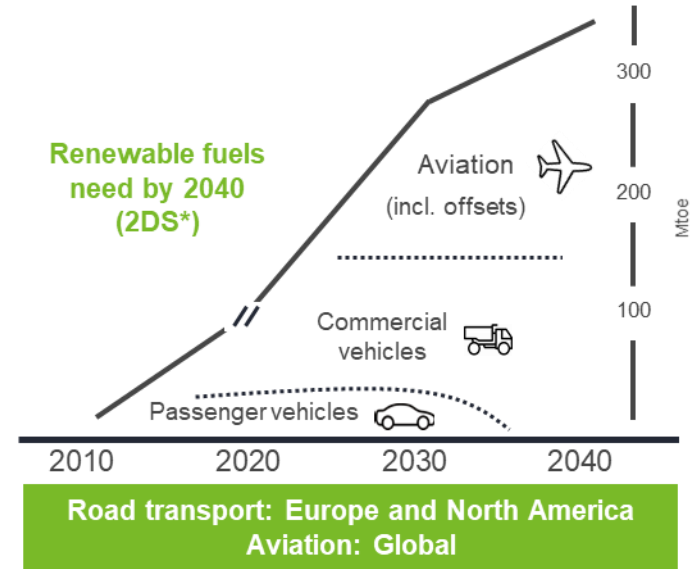
Potential investment in Rotterdam, the Netherlands



Carbon mitigation in transport is dependent on renewable fuels despite recent decline in fuel consumption



Source: UPM based on IEA, EIA, Bloomberg



*The two degree scenario (2DS) is calculated vs. 2005 reference per sector (-30% 2030, -40% 2040, -50% 2050)

Source: UPM based on WoodMackenzie, Bloomberg, ICAO, EIA

UPM Biofuels' competitive edge to be built on resilient ecosystem and agility to select markets



NEW SUSTAINABLE BIOMASS

Sustainable and uniquely upstream integrated feedstock pool

- Additionality
- Climate positive land use



Carbon stored to soil in each cycle

CLIMATE-POSITIVE FUELS

Efficient carbon neutral production



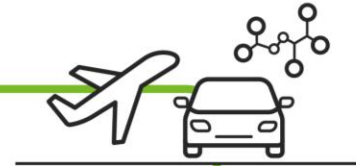
Cellulosic fuels

Renewable diesel, gasoline and jet

E-fuels future potential

DECARBONIZED TRANSPORT AND PETROCHEMICALS

Flexibility to create maximum value from several end uses and market geographies



UPM and hydrogen – growth opportunities in large-scale green hydrogen solutions

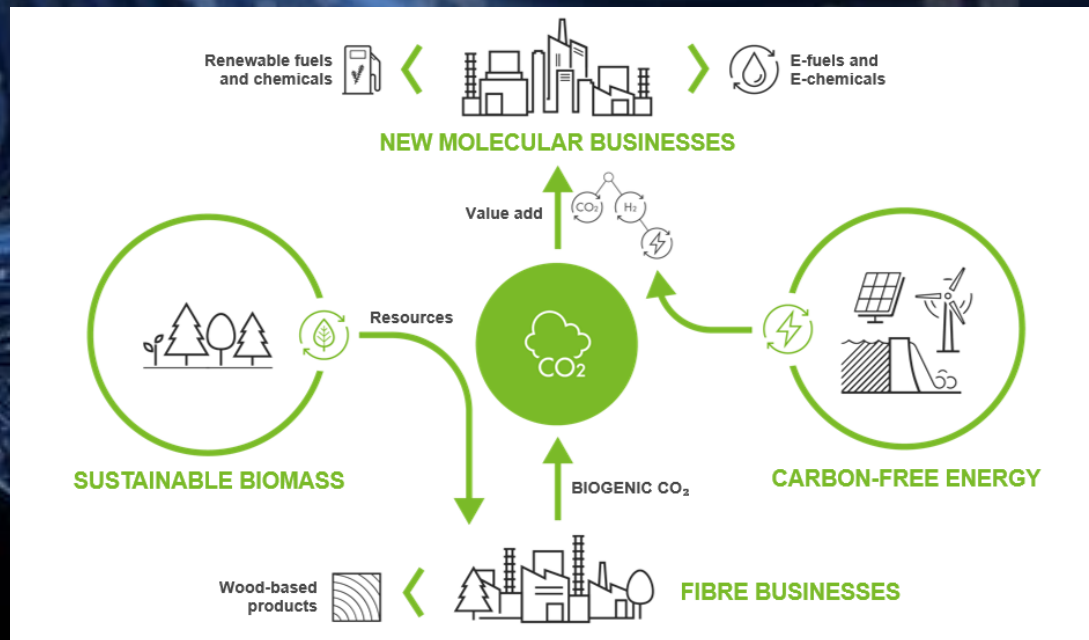


Decarbonisation will require synthetic fuels and new low-emission electricity generation

- demand for e-fuels will be driven by regulation and EU's target to decrease dependency on Russian fossil fuels

UPM has competitive advantage

- experience and in-depth knowledge on energy markets
- decarbonisation and energy optimization tools and skills
- experience on biorefinery operations
- available biogenic CO₂ needed in the production of some e-fuels



UPM **BIOFORE**
BEYOND FOSSILS

