UPM Biofore Beyond Fossils

Investor presentation
July 2023

UPM BIOFORE – BEYOND FOSSILS

This is UPM

SALES 2022
EUR 11.7 BILLION

Wood-based raw materials

Low-carbon energy

BUSINESSES:

- UPM FIBRES
- UPM ENERGY
- UPM RAFLATAC
- UPM SPECIALTY PAPERS
- UPM COMMUNICATION PAPERS
- UPM PLYWOOD
- UPM BIOREFINING

55 production plants

17,200 employees in 44 countries

RENEWABLE AND RECYCLABLE PRODUCTS FOR:

- PACKAGING
- LABELLING
- TRANSPORTATION
- ELECTRIFICATION
- CONSTRUCTION
- COMMUNICATION
- TISSUE AND HYGIENE PRODUCTS
- MANUFACTURING
- BIOPLASTICS
- BIOMEDICALS

10,500 customers

170 million end-users globally

Our businesses

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

UPM Timber
Certified sawn timber for joinery, packaging, furniture, planing and construction

UPM Forest
Sourcing wood raw material for sustainable and recyclable products

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

UPM Raflatac
Self-adhesive paper and film products incl. label materials, graphics solutions and removable self-adhesive products.

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

UPM Communication Papers
Magazine paper, news-print 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
Composite decking materials and wood-based biocomposites

We create a future beyond fossils

Biofore strategy drives stakeholder value creation and our transformation as the frontrunner of bioeconomy

Growth
- We respond to megatrends and meet customers' changing needs
- Creating new markets and enabling sustainable choices

Innovation
- Creating new business and competitive advantage
- Replacing fossils with biomaterials

Performance
- Continuous improvement
- Agile operating model
- Corporate synergies

Responsibility
- Renewable & sustainable solutions
- Responsible operations and value chain

Portfolio choices
- Strategic access to sustainable renewable raw materials
- Investing in businesses with strong long-term fundamentals for growth and high barriers to entry
- Effective capital allocation with attractive returns

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

UPM

WE ACT THROUGH FORESTS

Committed to climate-positive forestry and enhancing biodiversity

WE ACT THROUGH EMISSION REDUCTIONS

-65% from own CO_2 emissions

-30% from CO_2 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

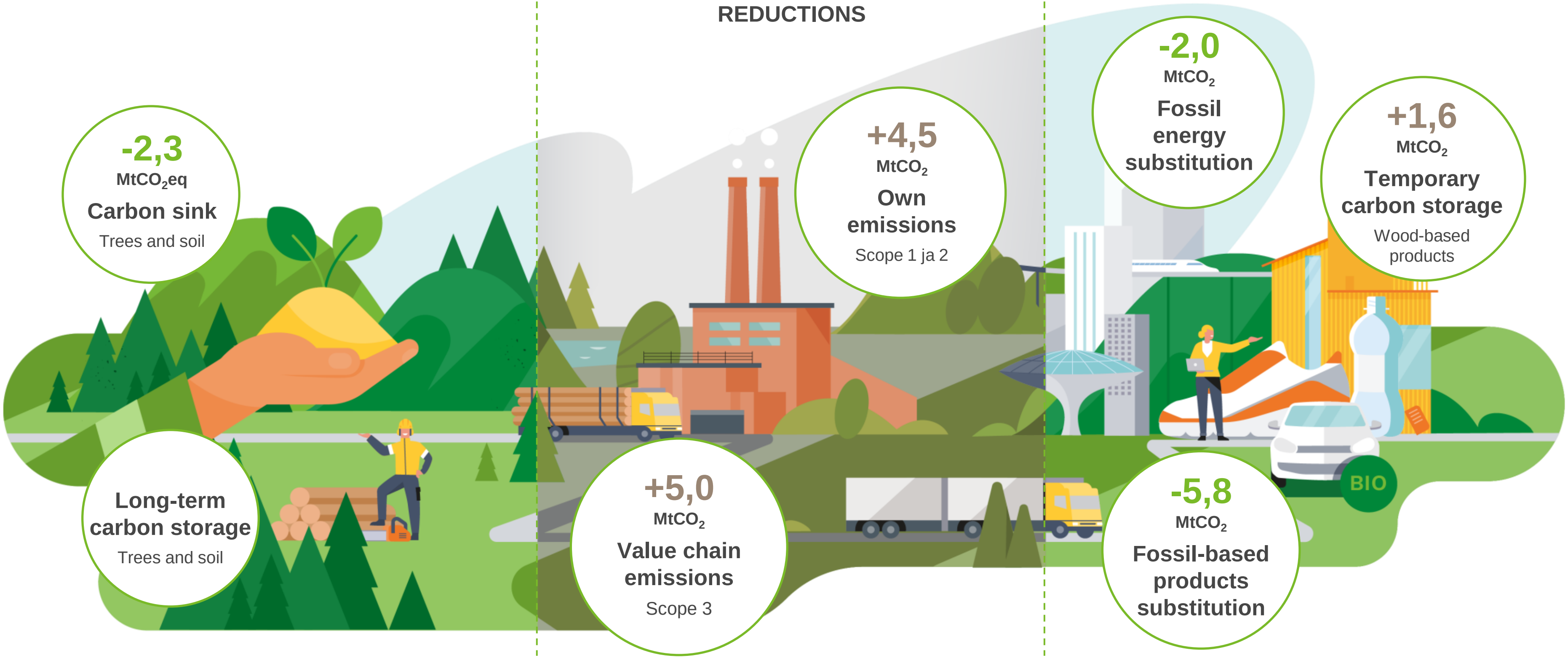
THE CLIMATE PLEDGE Paris... 10 years Early

Towards net-zero emissions
(UPM 2022)

WE ACT THROUGH FORESTS

WE ACT THROUGH EMISSION REDUCTIONS

WE ACT THROUGH PRODUCTS



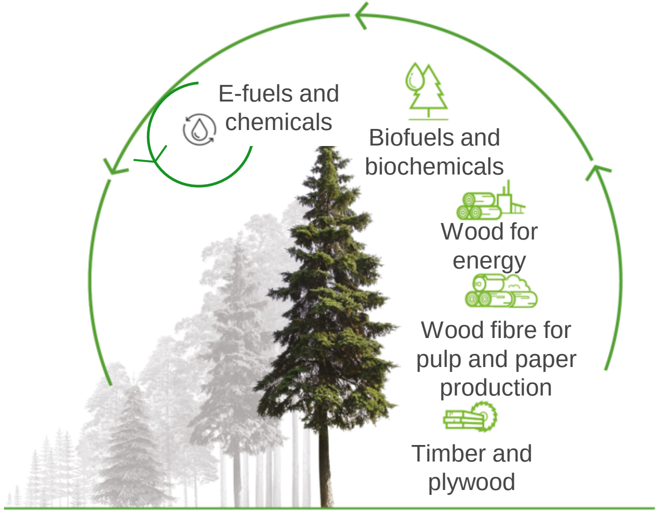
UPMBIOFORE–BEYOND FOSSILS

Research partners: LUKE, SYKE, IFEU

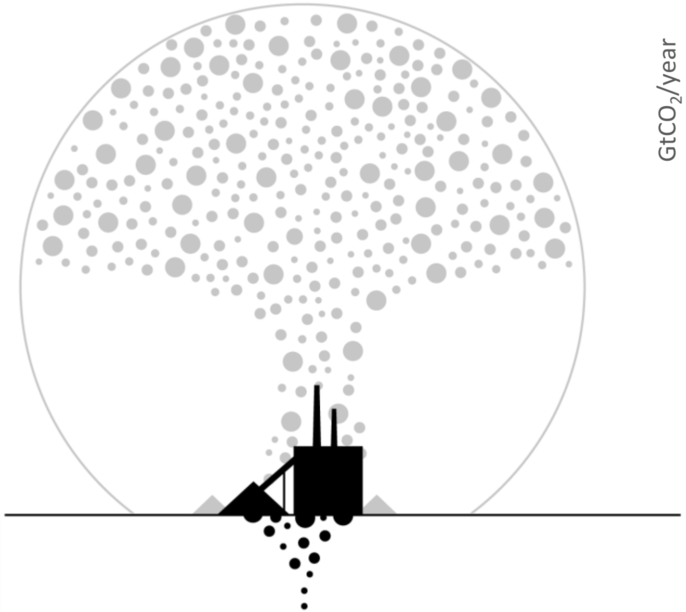
Bioeconomy offers a sustainable alternative to fossil-based economy

UPM

Biomass use is not increasing CO_2 to carbon cycle

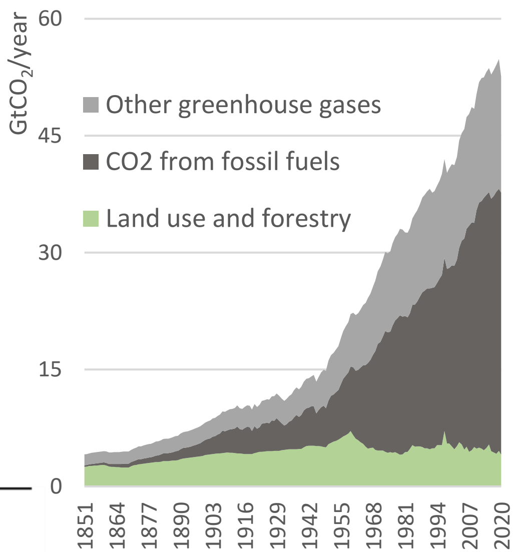


Use of fossil resources increases CO_2 amount



Energy from fossil resources

Use of fossils has increased global CO_2 -emissions



Source: IEA, Our World in Data

Leader in responsibility

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

MSCI
ESG RATINGS
AAA

CCC	B	BB	BBB	A	AA	AAA

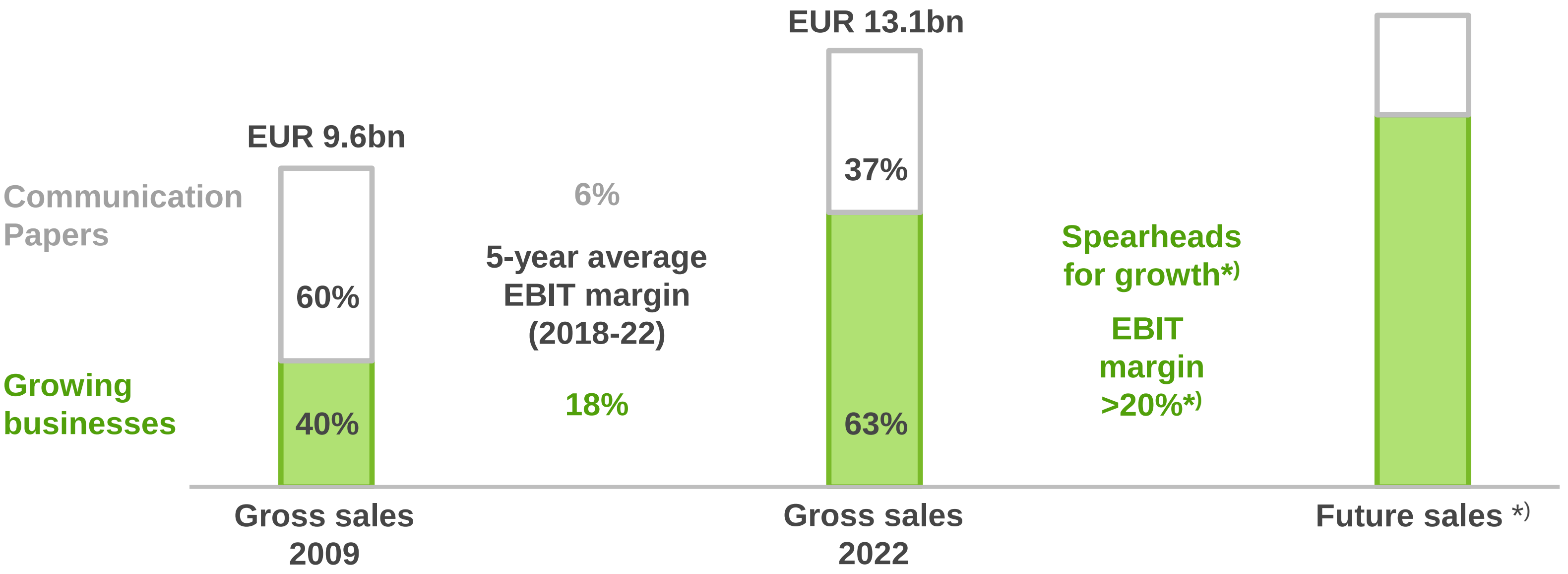
UPM-Kymmene Corporation
Top 1%
S&P Global ESG Score 2022
83 /100
S&P Global

CDP
DISCLOSURE INSIGHT ACTION
A LIST
2022
CLIMATE FORESTS WATER

PLATINUM Top 1%
2022
ecovadis
Sustainability Rating

Bloomberg
Gender-Equality Index
2023
Member

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

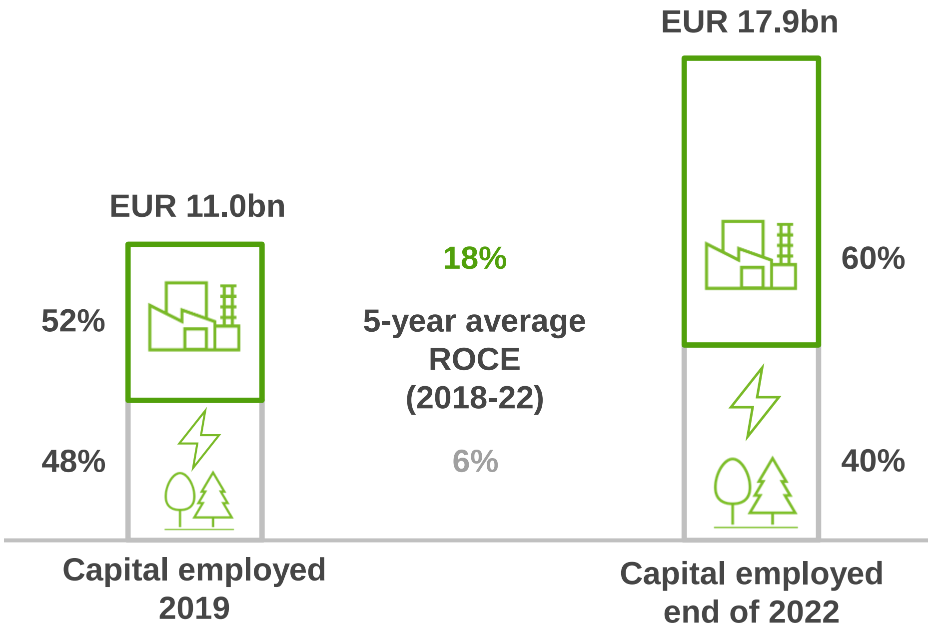


*) This is an illustration, not a forecast

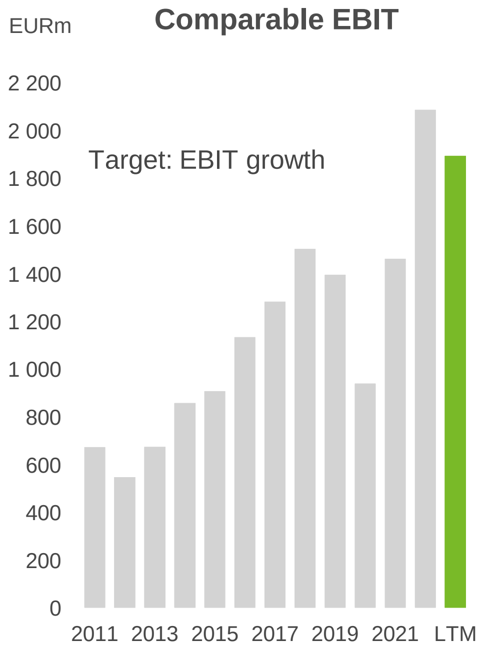
Growth investments have increased capital employed, significant earnings potential as they start to contribute

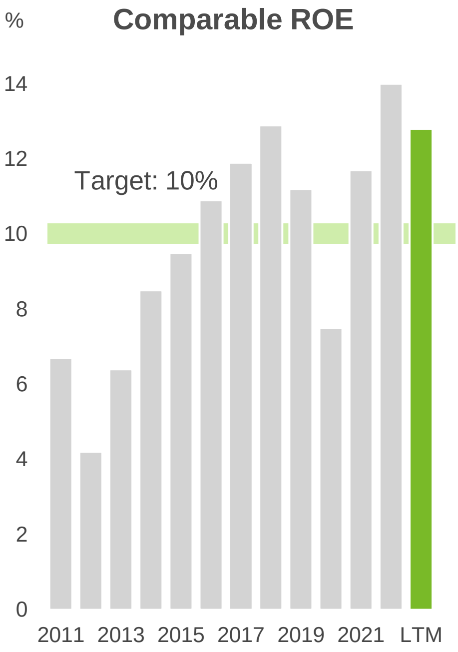
Industrial operations: Further growth, attractive return targets

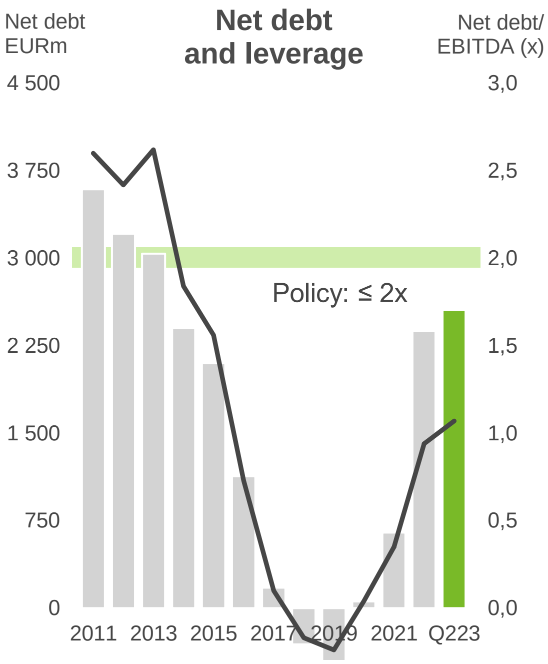
Forest and energy assets: Sustainable value creation



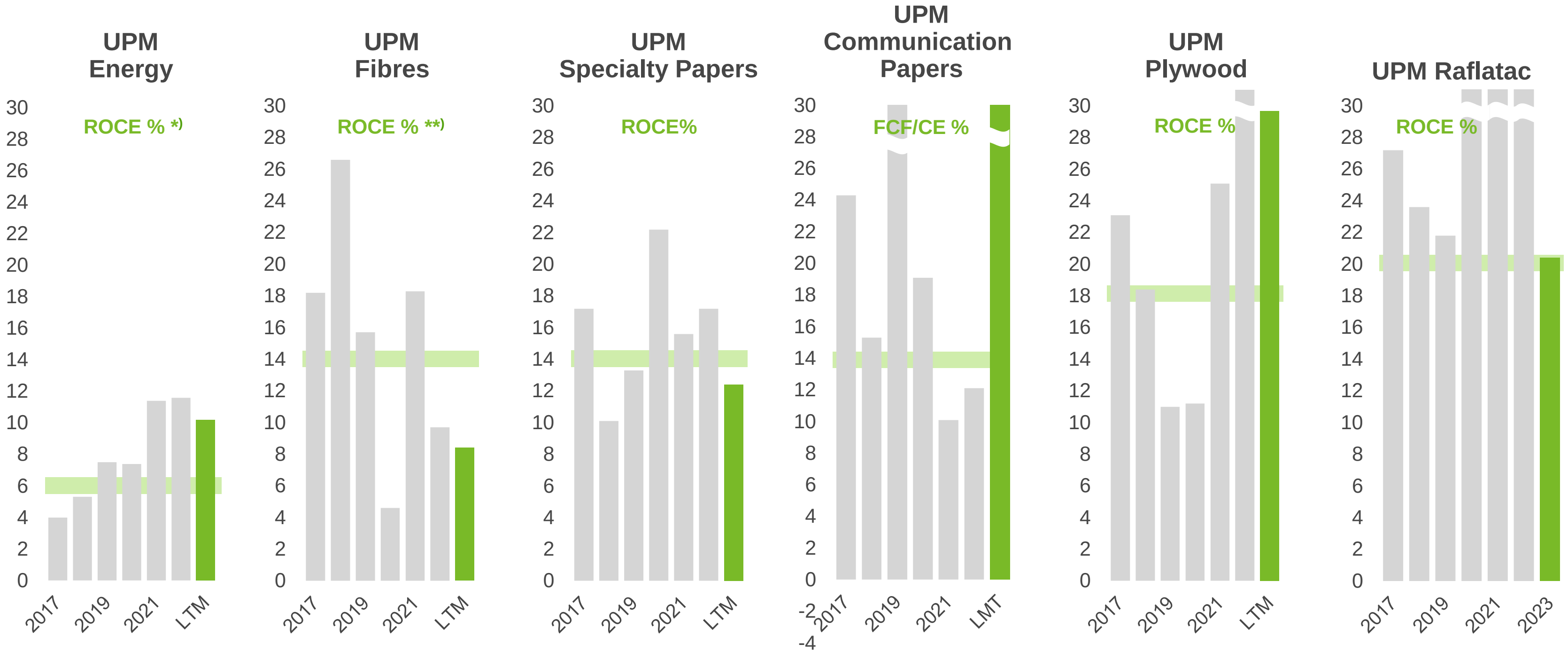
Group financial targets







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.

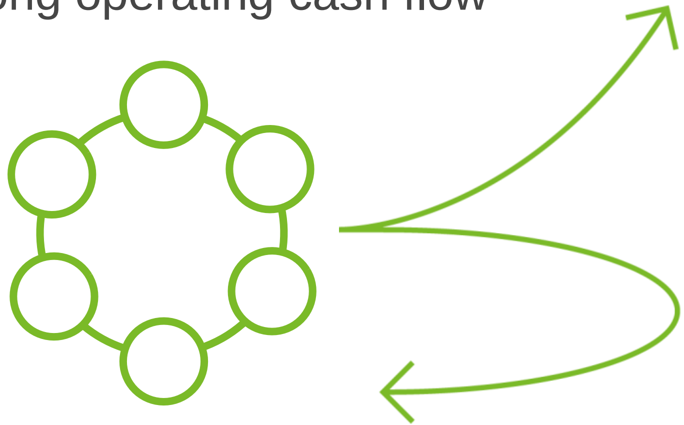
Long-term return target

5-year capital allocation for 2018-2022

UPM

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

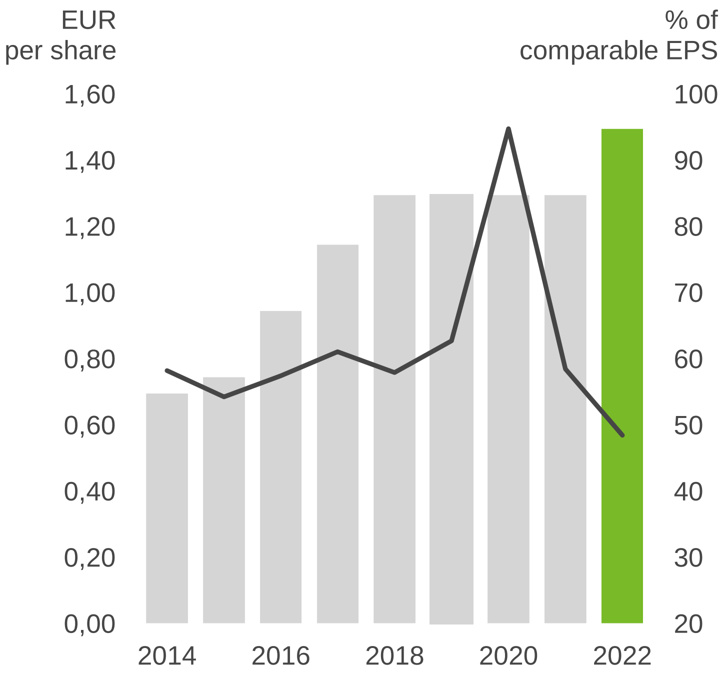
Maintain headroom

*) This is not a forecast

Dividend policy and capital allocation

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

Dividend: 15% increase to EUR 1.50 per share



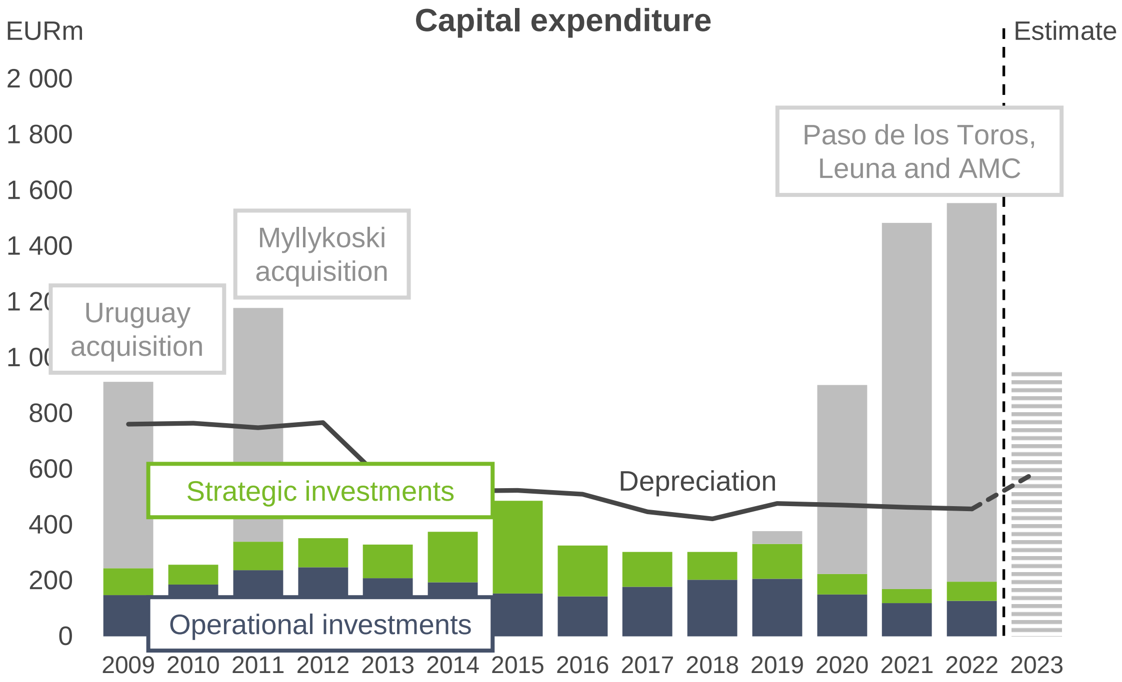
Dividend policy

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

Dividend for 2022

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

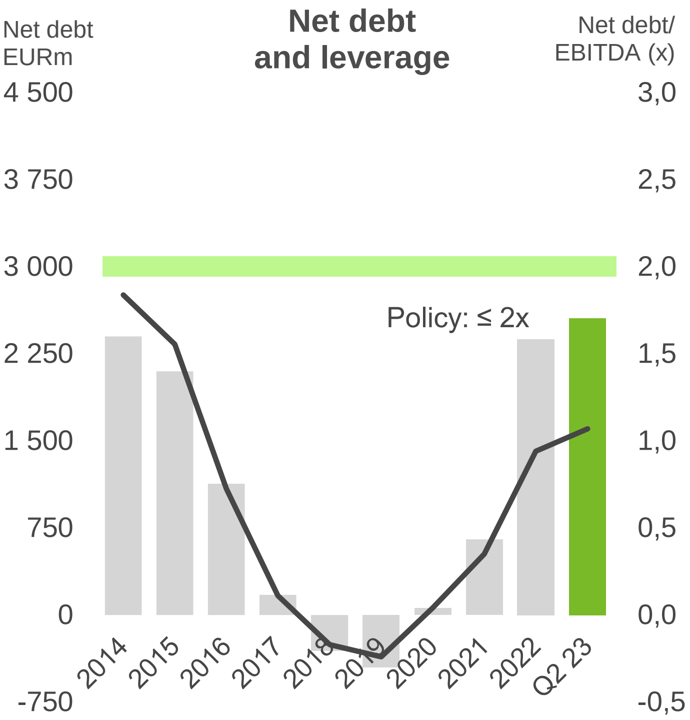
Transformative growth projects in the most intensive phase in 2021-2022



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

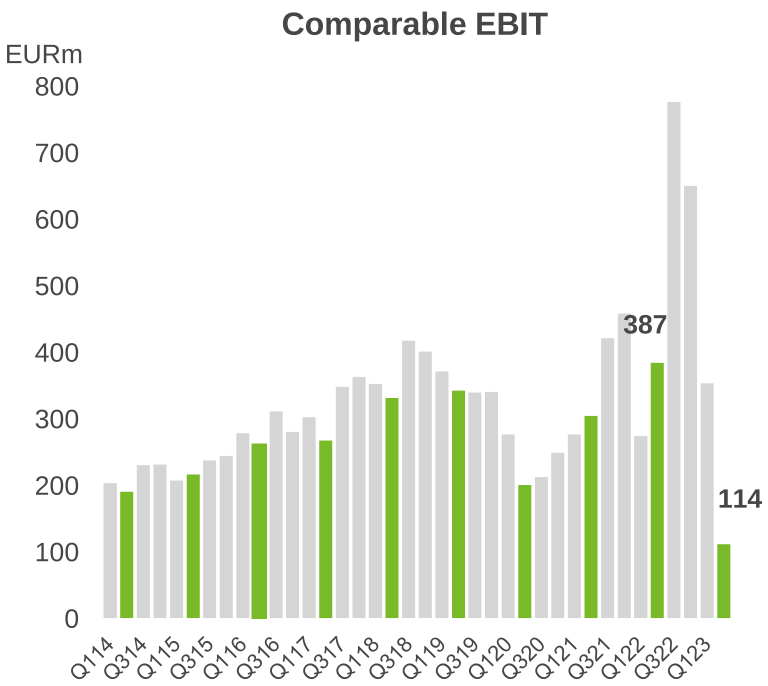
Strong financial position



- Net debt EUR 2,557m at the end of Q2 2023
- Net debt / EBITDA 1.07
- Cash funds and committed credit facilities EUR 6.4bn at the end of Q2 2023
- No financial covenants

Q2 2023: Strong downturn in markets pushed Q2 results to exceptional lows – transformation continues

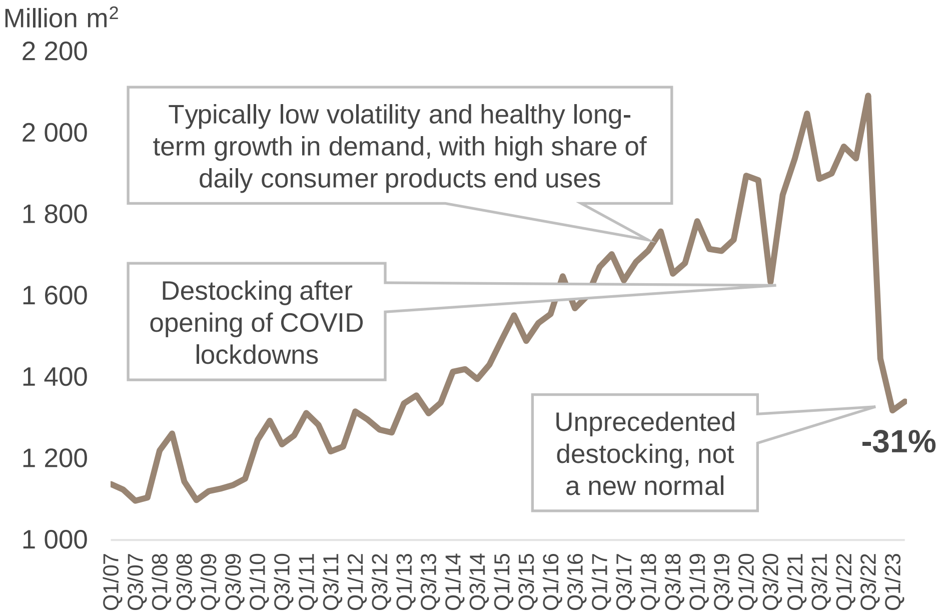
- Sales were EUR 2,558m (2,562m in Q2 2022)
- Comparable EBIT decreased by 71% to EUR 114m, 4.5% of sales (387m, 15.1%)
- Delivery volumes impacted by destocking in various product value chains
- Pulp and energy prices decreased to cyclical bottom levels
- Operating cash flow was EUR 459m (-879m), supported by cash inflow from energy hedges
- UPM Paso de los Toros pulp mill in Uruguay ramping up production according to the plan
- The OL3 nuclear power plant unit began regular commercial electricity production



Focus on margin management during exceptionally low volumes

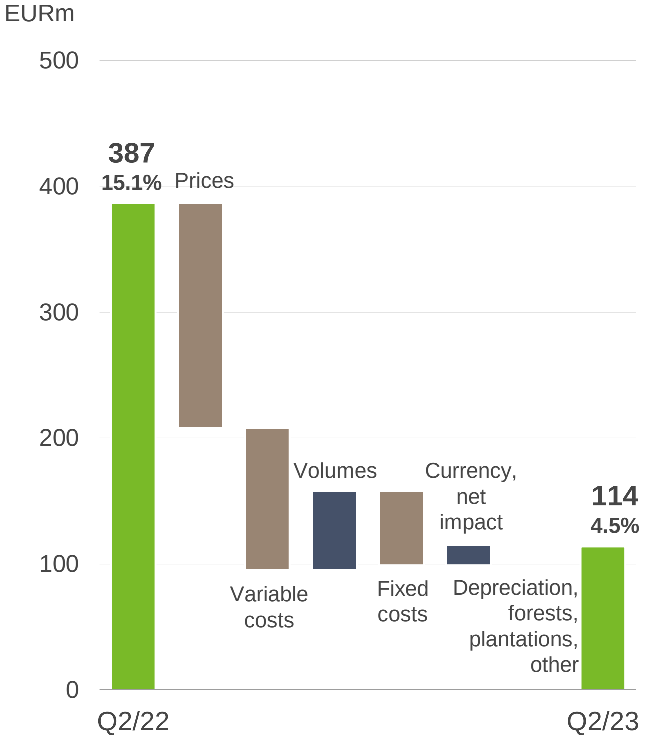
- H1 market shipments in most products well below end-use demand and long-term trends due to destocking
- Consumers impacted by inflation, interest rates and uncertainty, affecting underlying end use-demand
- The impact of destocking is expected to gradually phase out during H2 2023
- The long-term growth prospects remain intact and attractive
- Variable costs are expected to decrease in H2 2023 compared to H1 2023.

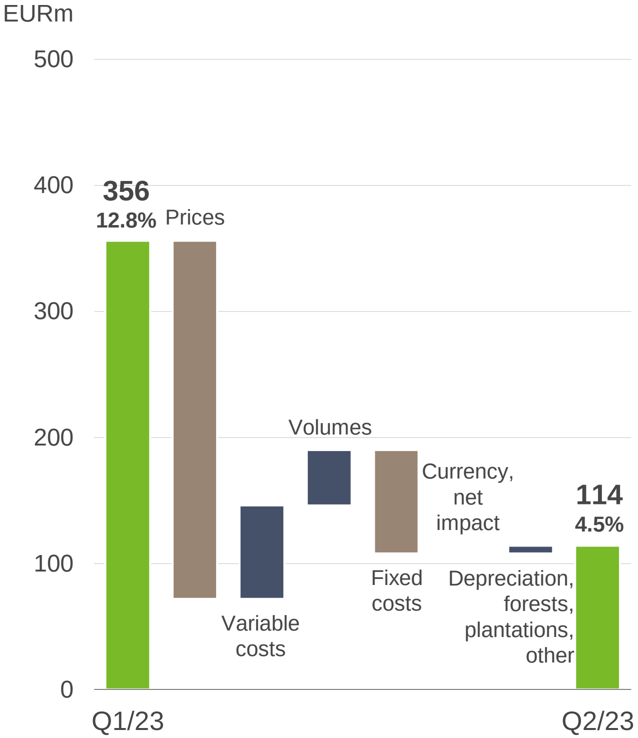
Example: market shipments of self-adhesive label materials in Europe impacted by destocking



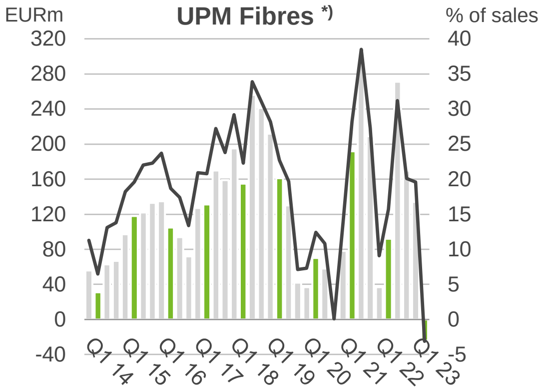
Source: FINAT

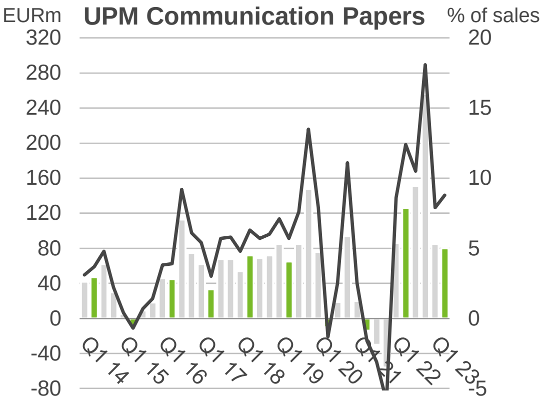
Comparable EBIT in Q2 2023

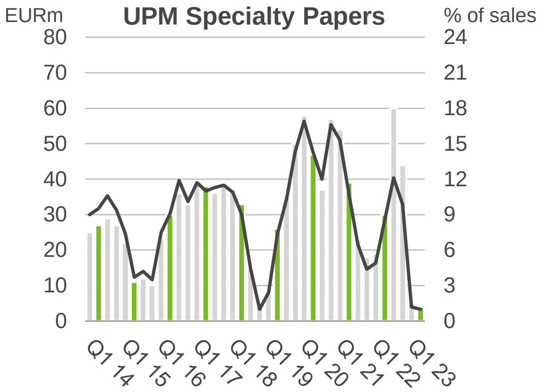


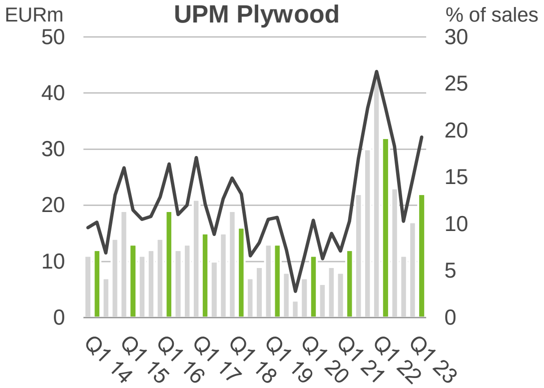


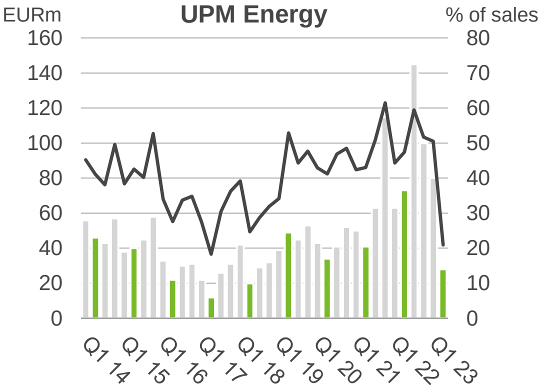
Comparable EBIT by business area

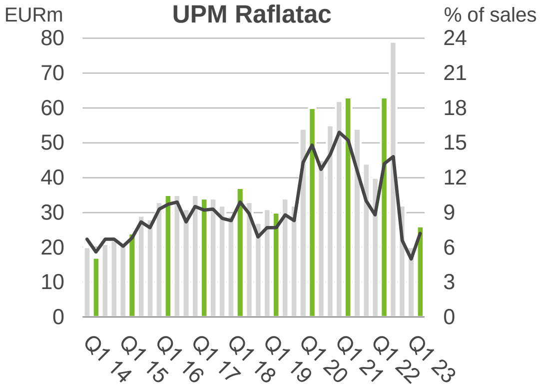












*) Year 2021 restated, UPM Biofuels moved to Other Operations as of 1 January 2022

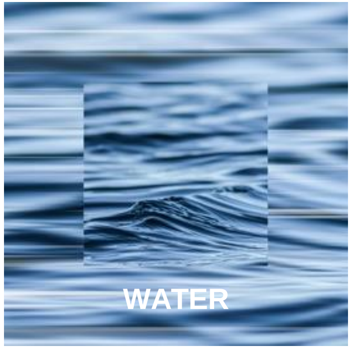
Outlook for 2023

- Full-year 2023 comparable EBIT is expected to decrease from 2022. UPM’s comparable EBIT in H2 2023 is expected to be on similar level or increase compared to H1 2023.
- UPM’s delivery volumes are expected to increase in H2 2023 from H1 2023. Deliveries were unusually low during H1 2023, held back by significant destocking in the various product value chains. Destocking is expected to gradually phase out during H2 2023, enabling UPM’s deliveries to recover towards the underlying end-use demand. The production ramp-up of the UPM Paso de los Toros pulp mill and the OL3 nuclear power plant unit will add to UPM’s deliveries in H2 2023.
- Chemical pulp and electricity market prices were historically high during H2 2022 and declined rapidly to estimated bottom-of-the-cycle levels during H1 2023. H2 2023 starts with low pulp and electricity prices, impacting these commodity price-driven businesses. In the other businesses UPM continues to manage margins.
- Variable costs are expected to decrease in H2 2023 compared to H1 2023. In addition, UPM is implementing measures to reduce fixed and variable costs.

UPM

FOREST ACTION

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

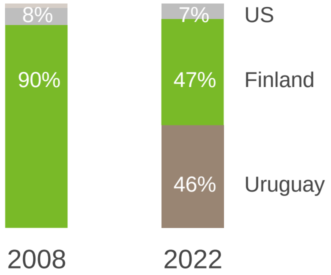


Developing our forest assets

UPM

UPM forests and plantations	2008	2022
Forest and plantation land (own and leased) (1,000 ha)	1,012	1,070
Forest growth (million m^3)	4.3	6.7
Wood sourced from UPM forests and plantations (million m^3)	2.2	4.5
Value of forests and plantations, including land (EURm)	1,270	3,421

Area distribution



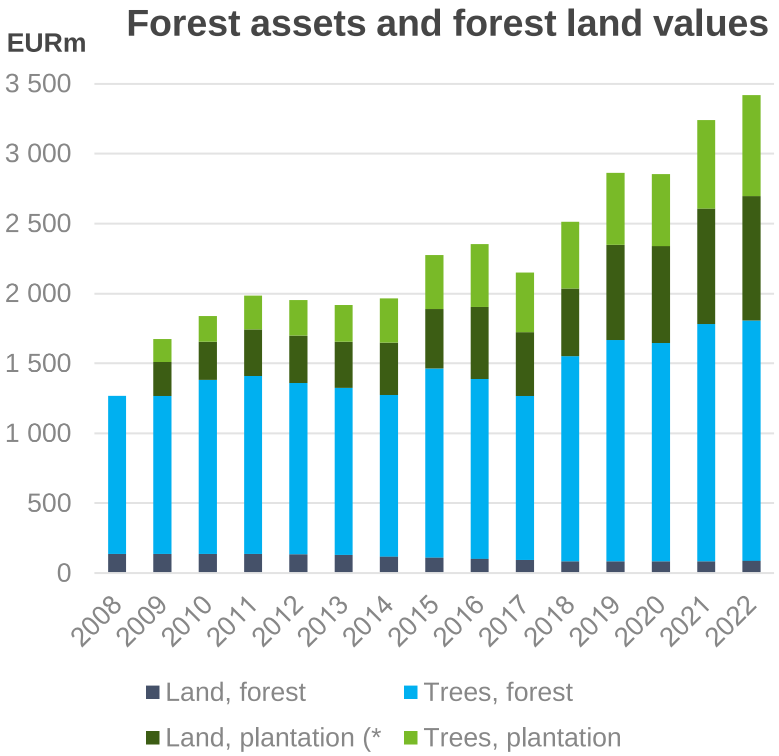
Climate-positive forestry and maintenance of carbon sinks

Investing in strategic forest assets in Uruguay

Productivity with active management and nurseries

Enhanching biodiversity

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 (m^3/ha)
- Trend price (EUR/m^3)

*) leased land included from 2019

New business in wood-based biochemicals

Responding to strongly growing demand for sustainable solutions

Industrial scale biorefinery in Leuna, Germany

Alternatives to fossil materials in various consumer-driven end-uses

EUR 1 180 million investment

Total annual capacity of 220,000 tonnes

8

Scheduled to start up by the end of 2024

UPM Leuna biochemicals refinery project schedule and capex updated

- Operating permit obtained in May
- The civil construction on the site will be completed in Q3 2023
- The commissioning will be implemented in phases starting in Q4 2023
- Start-up expected by the end of 2024
- Investment estimate is EUR 1,180 million
- We have full confidence in profitable biochemicals business, and the technologies used in UPM Leuna
- Interest for our renewable products replacing fossil materials has proven to be high

UPM Biochemicals

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

UPM Biochemicals

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 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

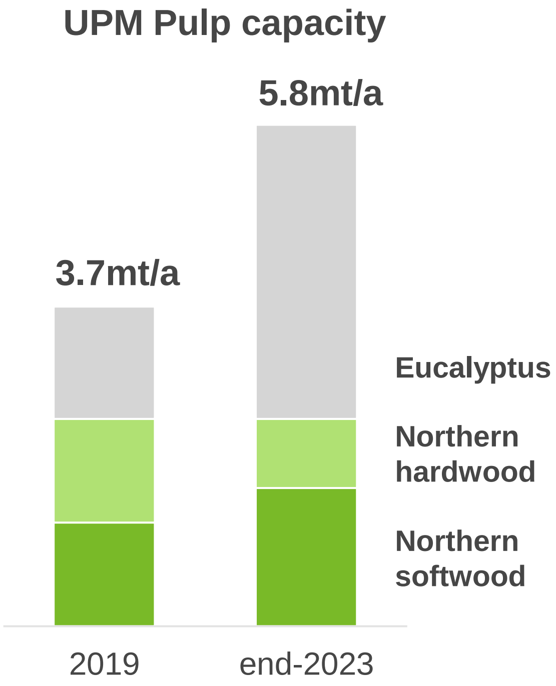
Total annual capacity of 2.1 million tonnes of eucalyptus pulp

8

Started up in April

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

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

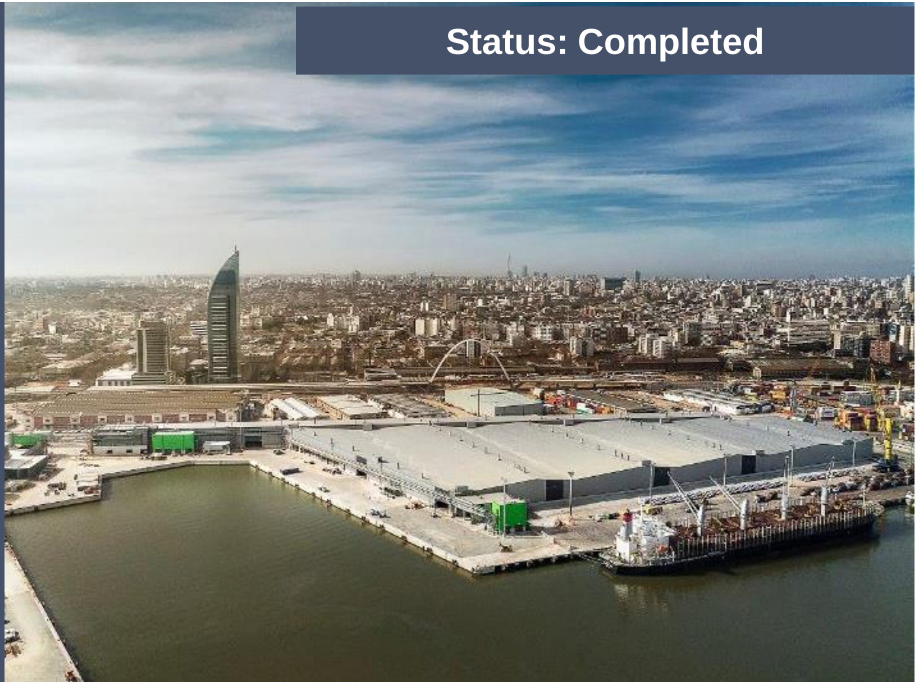
USD 280 million investment to a **deep sea pulp terminal** in Montevideo port
- Direct rail access from the mill with 4-6 trains/day + 1 chemical train/day to the mill
- Operating 24/7
- >50,000 m warehouse for ~2 million pulp tonnes
- Deep sea port with 100 pulp ships a year

➔ **Direct, efficient access to global markets**

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

Road improvements

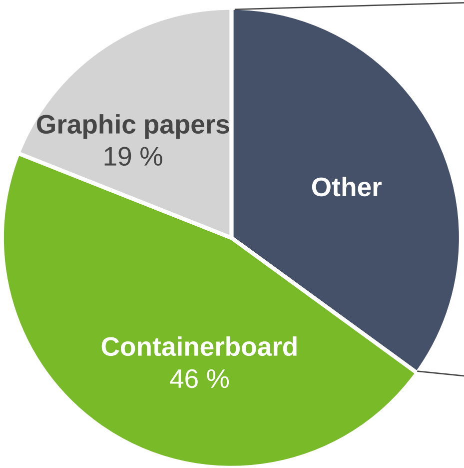
Status: Completed



UPM Fibres

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

Tissue & Fluff
12 %

Specialty
11 %

Cartonboard
12 %

Based on
65% white fibre
35% brown fibre

Containerboard
Based on brown fibre

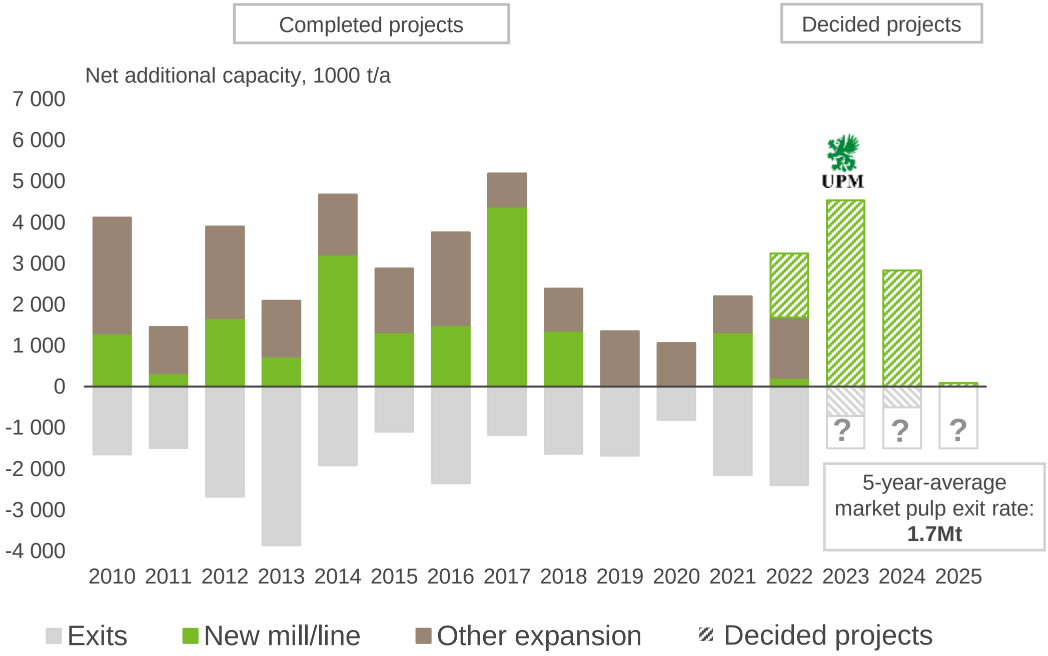
Total fibre consumption (2020): 421 million tonnes

Sources: AFRY, UPM estimate

UPM Fibres

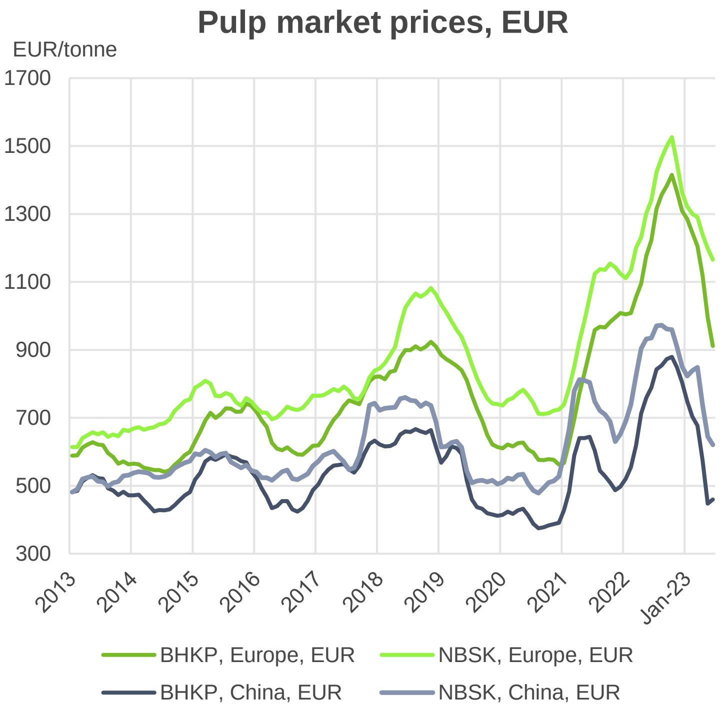
Moderate numbers of decided projects in the short-term and expansion mainly in BHKP

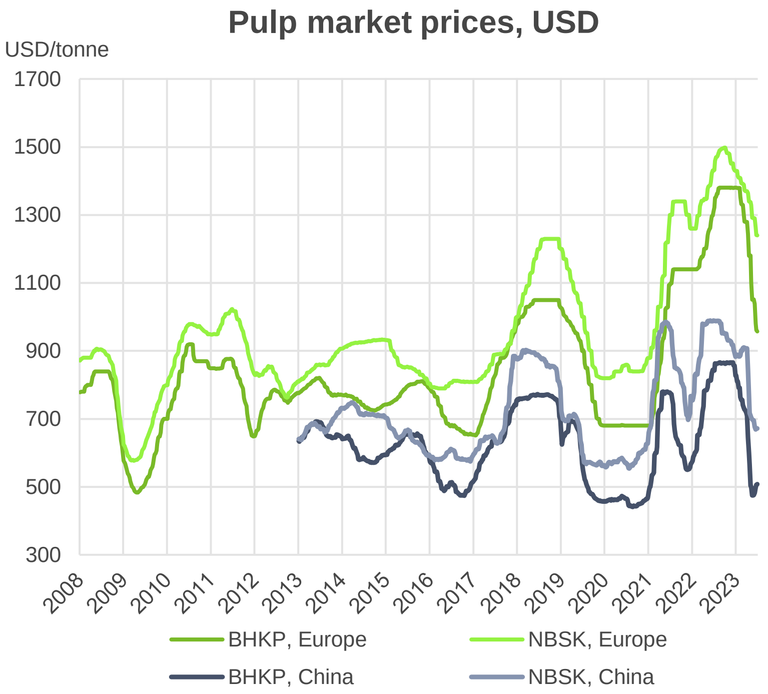
Entry of bleached market pulp capacity



Note: including BHKP, BSKP, excluding fluff and dissolving

Chemical pulp market prices



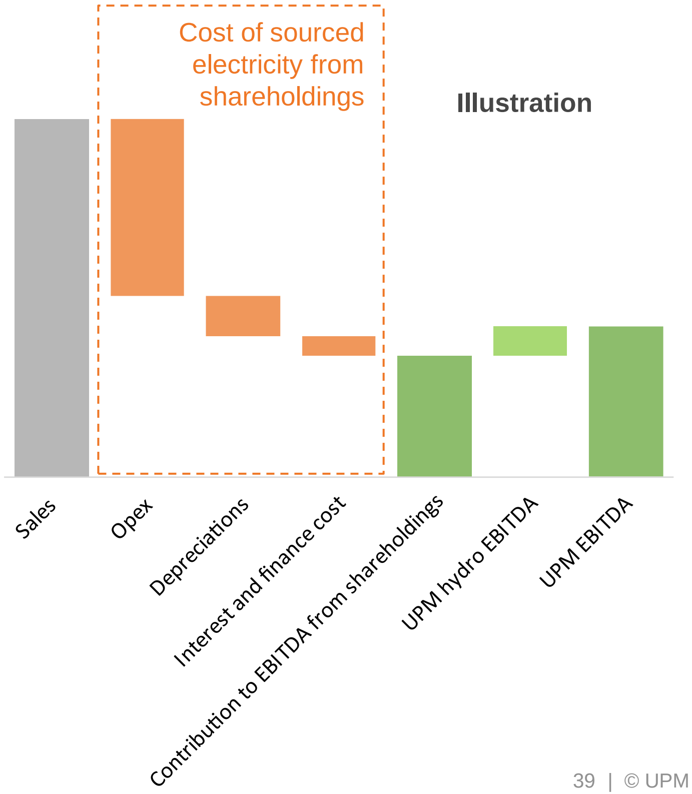


Source: FOEX Indexes Ltd

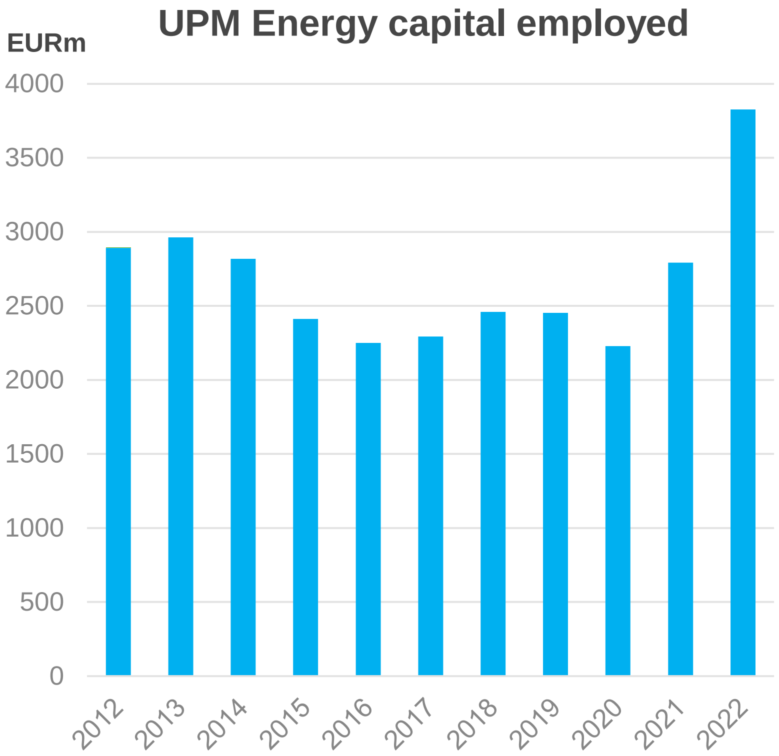
UPM Energy

UPM Energy's power generation	MW	EURm
Hydropower holdings	552	1,014
Nuclear power OL1 and OL2	588	1,666
Nuclear power OL3 (PTO 03/2023)	494	312
Thermal power	133	1
UPM Energy's shareholdings in total, valued at fair value	1,765	2,993
UPM own hydropower assets	170	
UPM Energy's in total (incl. OL3)	1,936	
UPM Energy capital employed		3,291

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



UPM Energy's assets are competitive, CO_2-free and increasingly valuable



Hydropower

- Flexible generation, crucial to balance the volatile system
- Renewable, CO_2-free
- Value EUR 1.3bn

Nuclear power

- Reliable baseload generation
- CO_2-free
- Unique and safe solution for final disposal of spent fuel
- Value EUR 2.5bn

OL3 in regular commercial electricity production

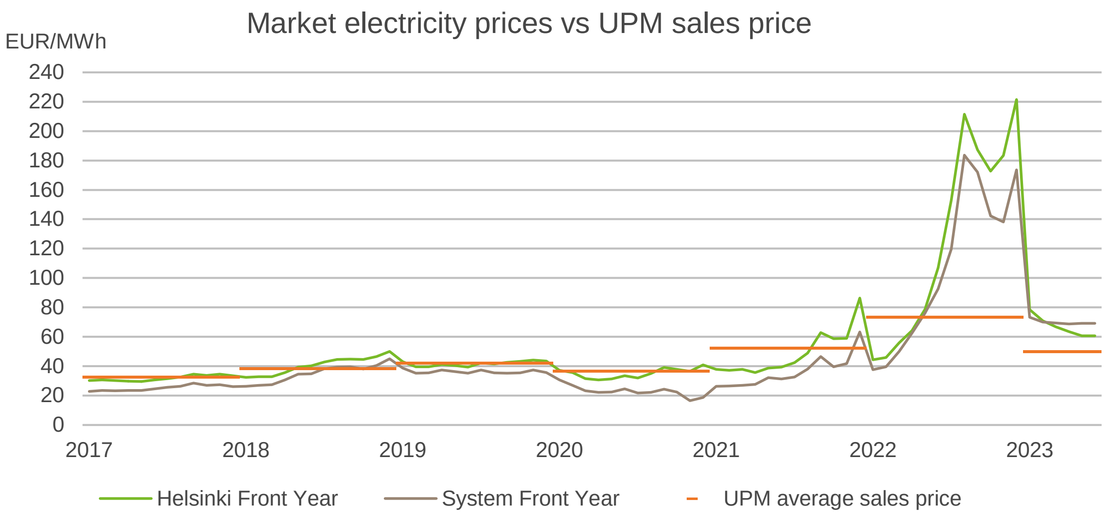
We create a future beyond fossils: OL3 grows UPM Energy’s carbon free electricity generation by nearly 50%

Reliable CO_2-free baseload energy to support the electrification of the society

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

UPM’s agile and competitive energy business platform opens growth opportunities in the green transition

Cost efficient generation enables robust profitability in changing market environment



UPM Energy profitability	2018	2019	2020	2021	2022	H123
Comparable EBIT, EURm	123	185	171	270	381	108
% of sales	31.5	44.4	45.0	51.3	52.0	37.0

UPM Raflatac

Self adhesive labels in various end-uses

Food

Wine, spirits & beverage

Pharmaceuticals

Personal care

Home care

Durables

Transport & logistics

Industrial Chemical

Retail

A4 & cut-size

Security & brand protection

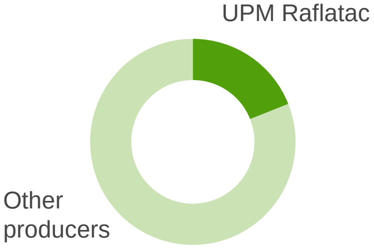
Tyre

UPM Raflatac

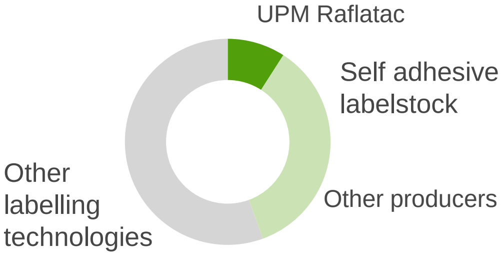
The self-adhesive labelstock market

- >EUR 10bn global market
- ~3-4% p.a. growth
- Private consumption driven
- Largest of the labelling technologies
- <25% of total self adhesive materials markets

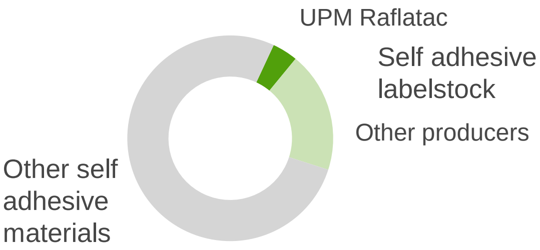
Self-adhesive labelstock market



All labelling technologies



All self adhesive materials



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

UPM

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

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

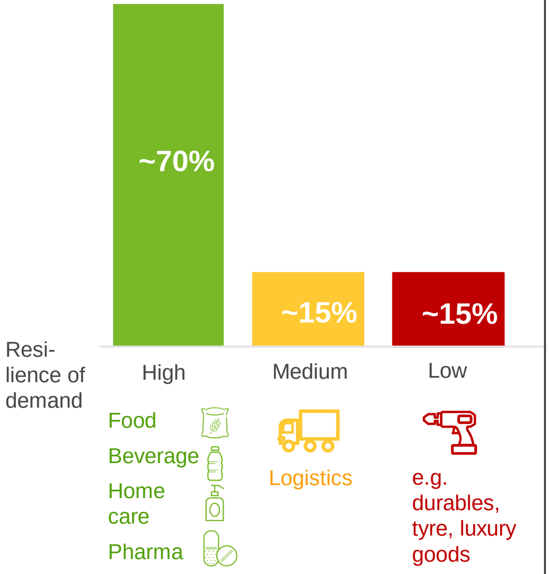
However in the short term the demand changes can be more dynamic

Impact to labelstock demand

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

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

Indicative share of UPM Raflatac business (%)



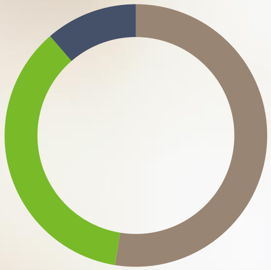
UPM Specialty Papers

Sales
1,677 M€
in 2022

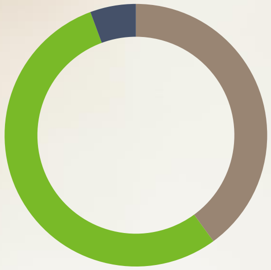
EBITDA
230 M€
in 2022

ROCE
17.2%
in 2022

Sales by market*



Sales by product*



*2021 figures

UPM Specialty Papers

Growth expected to continue in main markets

LABEL & RELEASE

Market development forecast, CAGR 2021-2026

Global release liner
~4%

Global label face papers
2-3%

UPM Specialty Paper

Leading position in growing global label and release paper markets

PACKAGING PAPERS

Global flexible packaging
2-4%

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

APAC FINE PAPERS

APAC graphic papers: stable/ declining

APAC office papers
1-2%

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

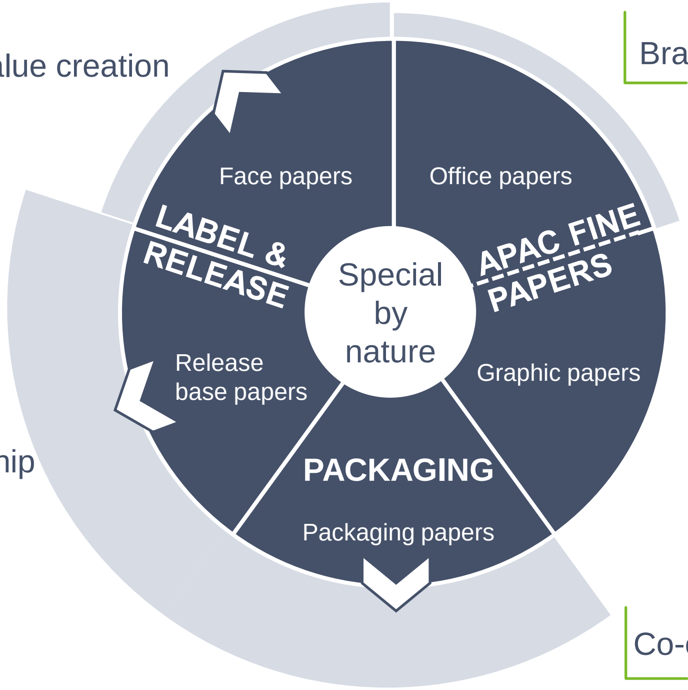
Source: AWA, Pira, UPM

UPM Specialty Papers GROWTH STRATEGY

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

Committed value creation

Globally recognized leadership



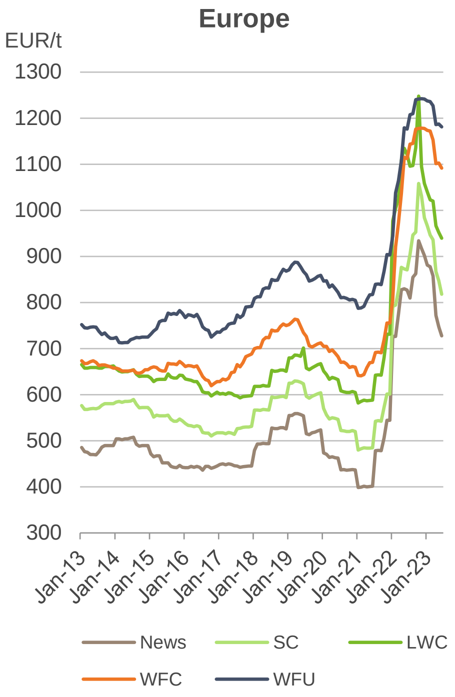
Brand based value

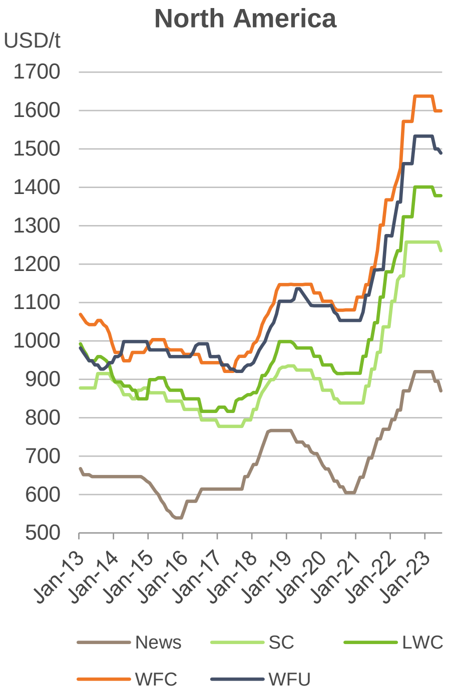
Focused, committed and agile

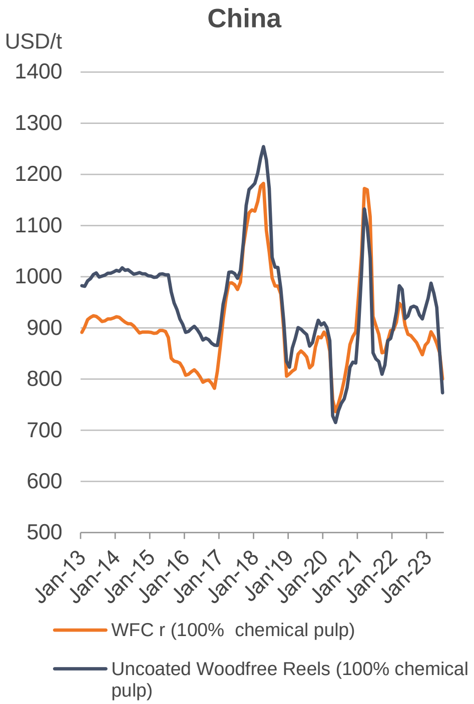
Co-creating remarkable products

UPM Communication Papers

Graphic paper prices

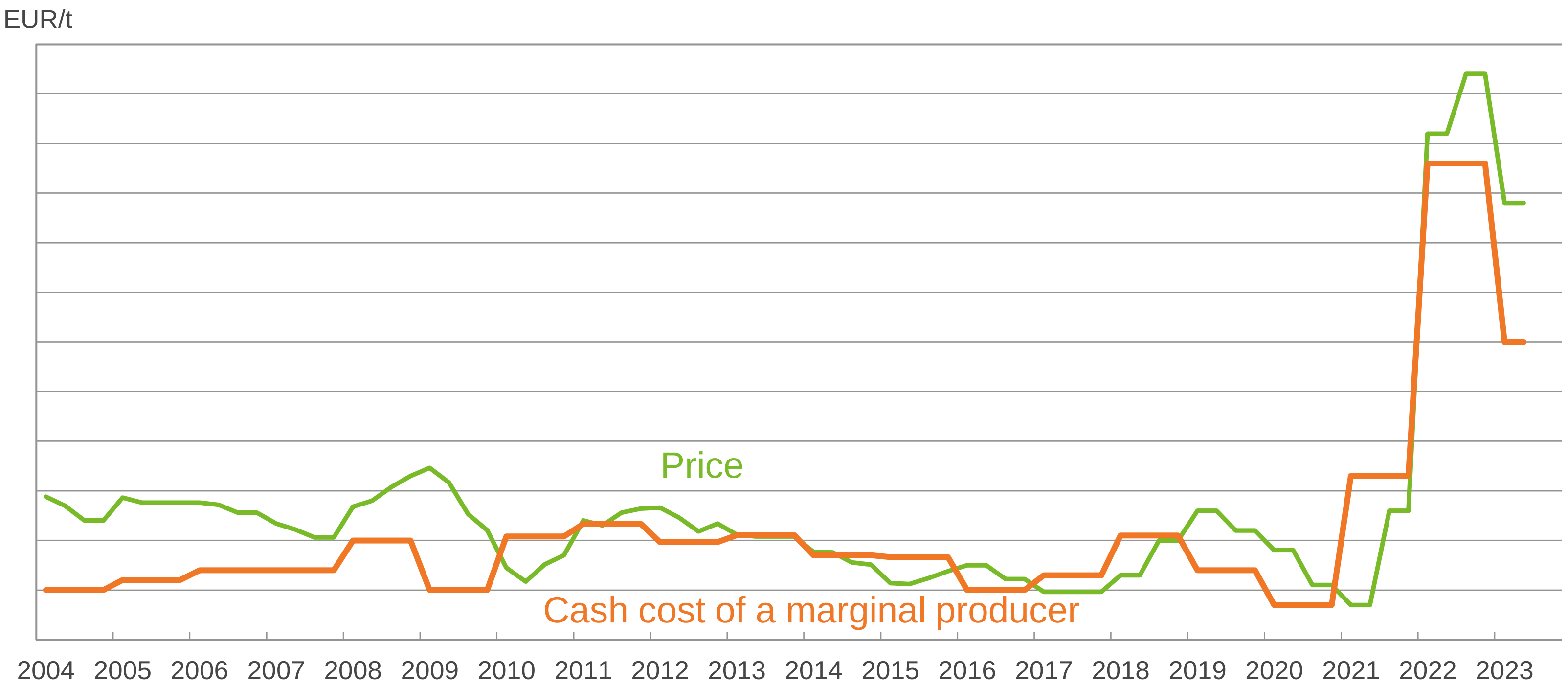






Sources: PPI, RISI

Paper price vs. cash cost of marginal cost producer



Sources: PPI, RISI, AFRY

UPM Plywood focuses on three end use segments

UPM

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

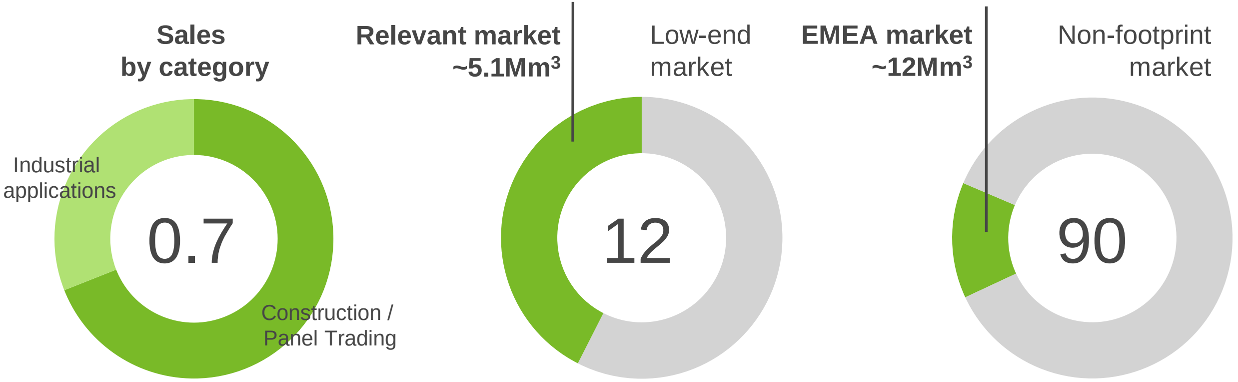
UPM's position and direction

- 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



UPM Plywood sales ~683tm^3

EMEA plywood market ~12Mm^3

Global plywood market ~90Mm^3

Moving forward with biofuels growth plans

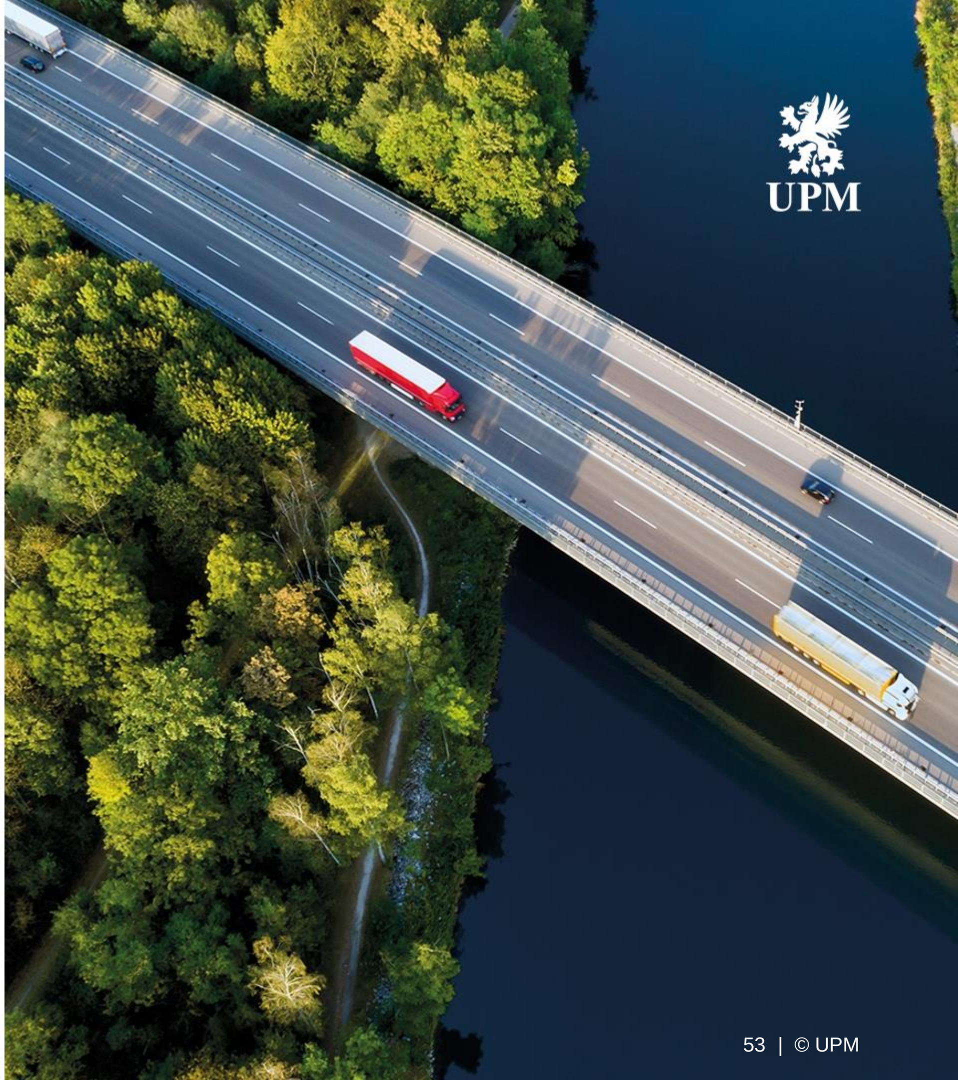
Basic engineering phase of a next generation biorefinery

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

NEW SUSTAINABLE BIOMASS

Sustainable and uniquely upstream integrated feedstock pool

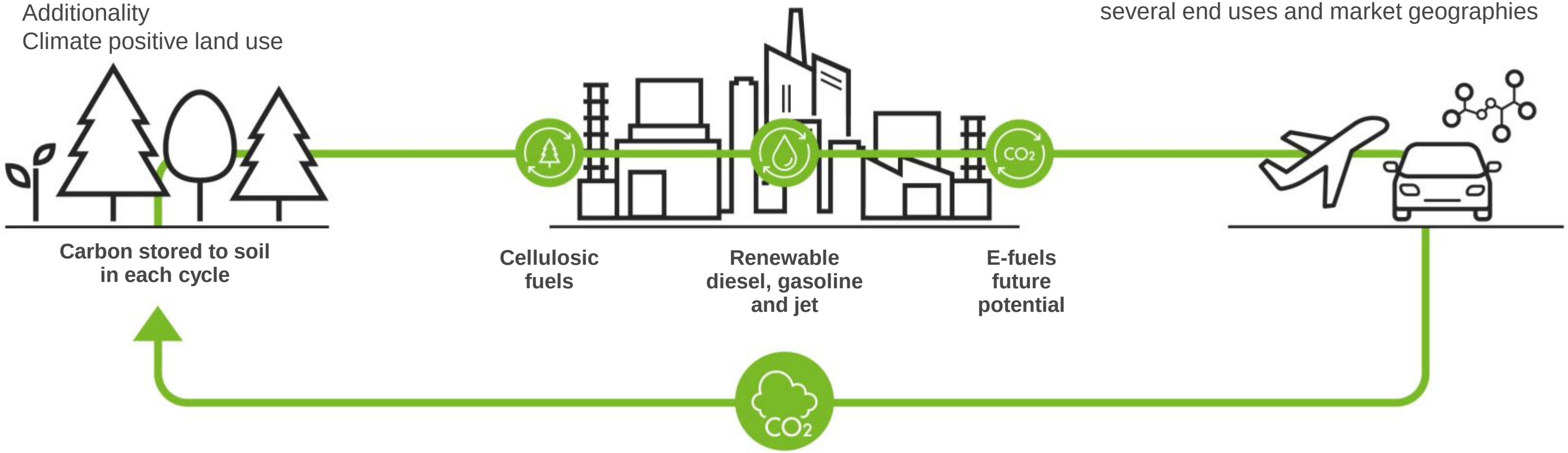
- Additionality
- Climate positive land use

CLIMATE-POSITIVE FUELS

Efficient carbon neutral production

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

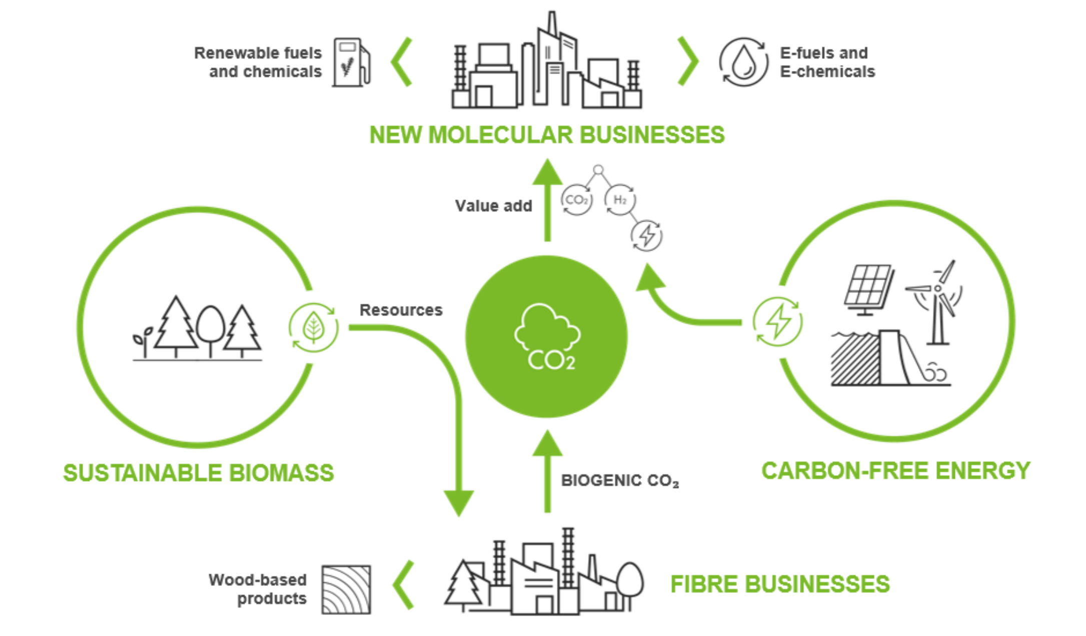
UPM

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 CO_2 needed in the production of some e-fuels



UPM**BIOFORE**
BEYOND FOSSILS