



UPM Biofore Beyond Fossils

Investor presentation
August 2024

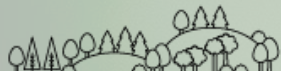
UPM **BIOFORE-BEYOND** FOSSILS



This is UPM

SALES 2023
EUR 10.5 BILLION

Wood-based
raw materials



Low-emission
energy

BUSINESSES:

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

54
production
plants



16,600
employees in
43 countries

RENEWABLE AND RECYCLABLE PRODUCTS FOR:

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

11,000
customers



180
million end-users
globally

Our businesses



UPM Pulp

A versatile range of chemical pulp for many growing end uses



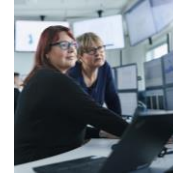
UPM Timber

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



UPM Forest

Sourcing wood raw material for sustainable and recyclable products



UPM Energy

Carbon-free 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 papers, 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 clinical 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

Performance

- Continuous improvement
- Agile operating model
- Corporate synergies

Innovation

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

Responsibility

- Renewable & sustainable solutions
- Responsible operations and value chain

Portfolio choices

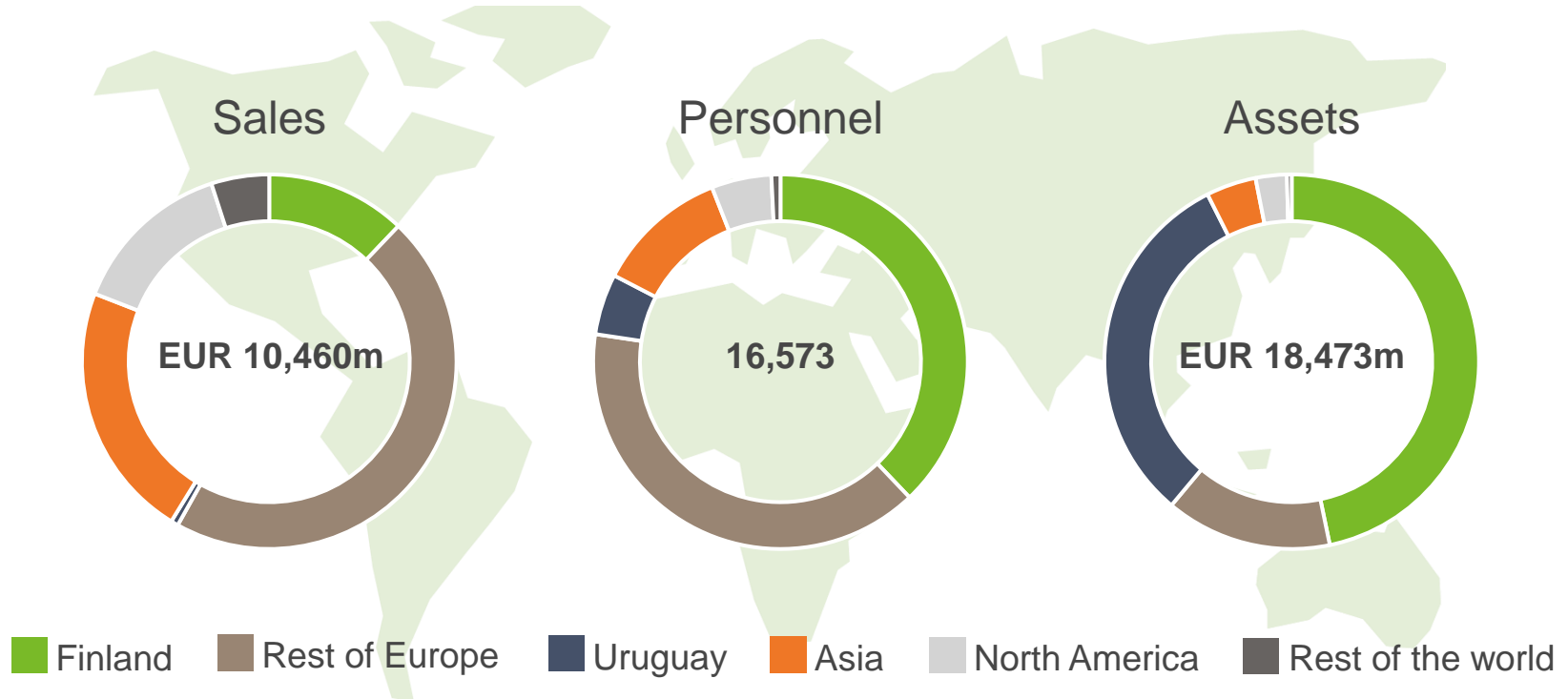
- Strategic access to sustainable renewable raw materials
- Investing in businesses with strong long-term fundamentals for growth and high barriers to entry
- Effective capital allocation with attractive returns

Spearheads for growth

– strong business platforms for growth

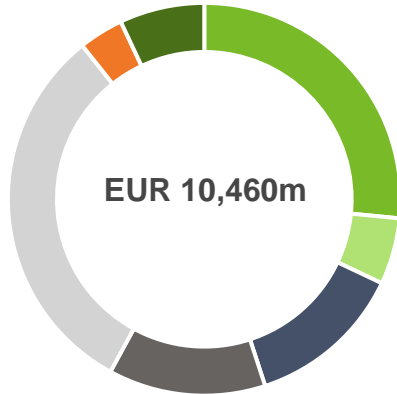


Global strengths and opportunities

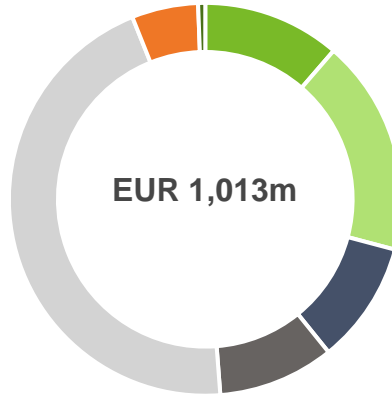


UPM by business area in 2023

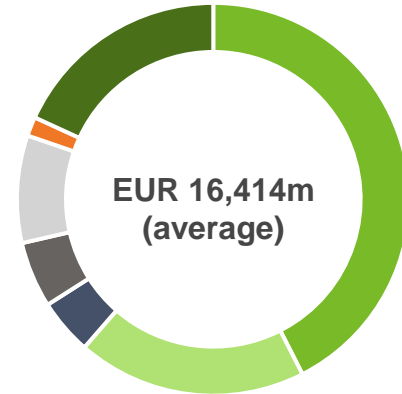
Sales



Comparable EBIT



Capital employed



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

Our climate commitment



WE ACT THROUGH FORESTS

Committed to climate-positive forestry and enhancing biodiversity



WE ACT THROUGH EMISSION REDUCTIONS

-65% from own CO₂ emissions
-30% from CO₂ emissions of supply chain



WE ACT THROUGH PRODUCTS

Innovative products
Scientifically verifying the climate impact of all our products



THE Paris...
CLIMATE 10 years
PLEDGE Early

Towards net-zero emissions (UPM 2023)



WE ACT THROUGH FORESTS

-4.8
MtCO₂eq

Carbon sink
Carbon absorbed in
trees and soil

**Long-term
carbon storage**
Long-term storage
in trees and soils

WE ACT THROUGH EMISSION REDUCTIONS (SCOPE 1, 2, 3)

+3.7
MtCO₂

**Scope 1 and 2
emissions**
from own energy
generation and
purchased energy

+7.6
MtCO₂eq

Scope 3 emissions
from value chain
(purchased goods and
services, logistics, etc.)

WE ACT THROUGH PRODUCTS

-5.4
MtCO₂

**Carbon
substitution**
Fossil energy
substitution

+1.5
MtCO₂

**Temporary
carbon storage**
Carbon stored in
wood-based
products' lifetime

-5.2
MtCO₂

Carbon substitution
Avoided emissions by
replacing fossil-
based products

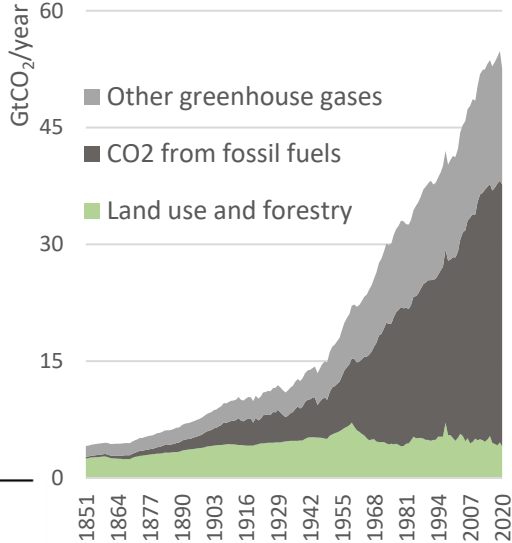
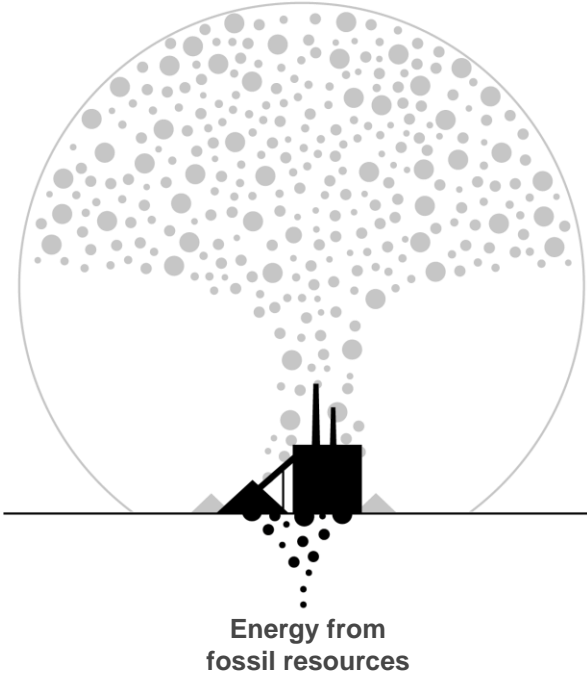
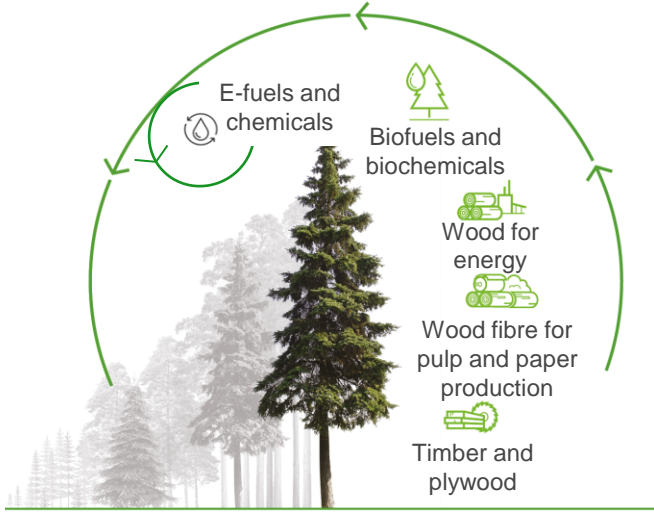
Bioeconomy offers a sustainable alternative to fossil-based economy



Biomass use is not increasing CO₂ to carbon cycle

Use of fossil resources increases CO₂ amount

Use of fossils has increased global CO₂ -emissions



Source: IEA, Our World in Data



UPM

External recognitions

Member of
**Dow Jones
Sustainability Indices**

Powered by the S&P Global CSA

MSCI
ESG RATINGS



CCC B BB BBB A AA **AAA**



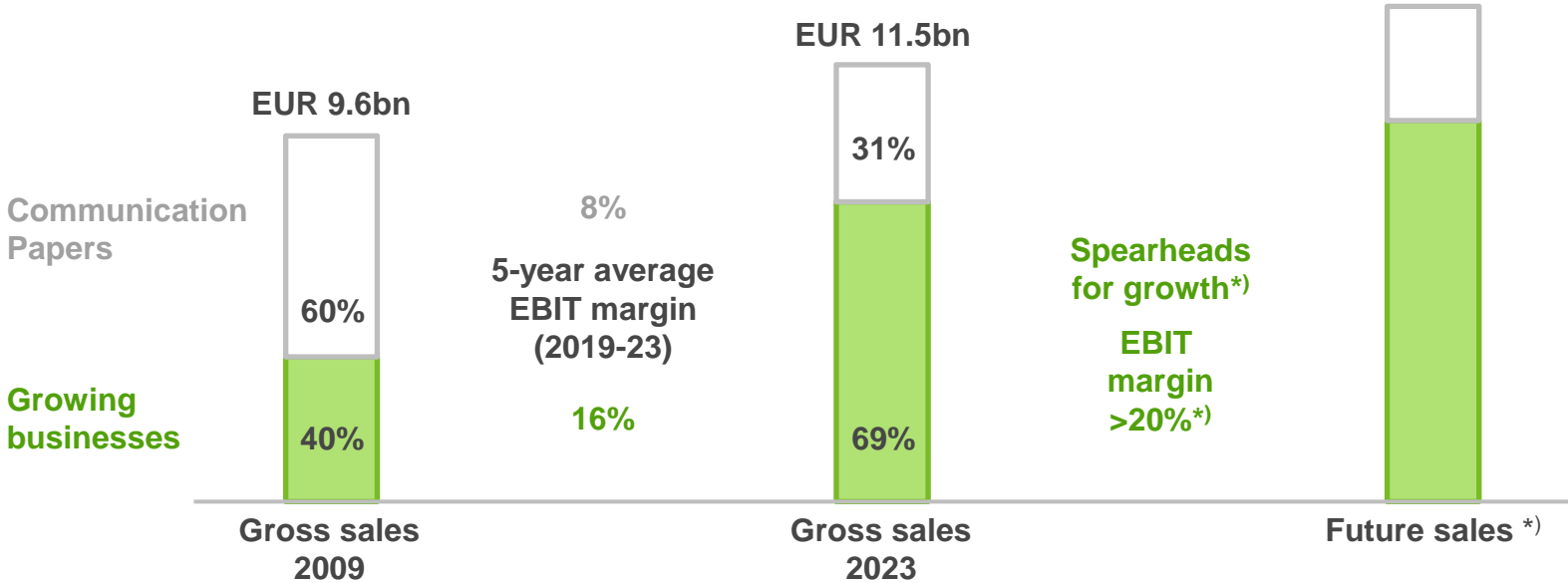
CLIMATE FORESTS



**World
Benchmarking
Alliance**



Transformation continues – business mix drives earnings and shareholder value



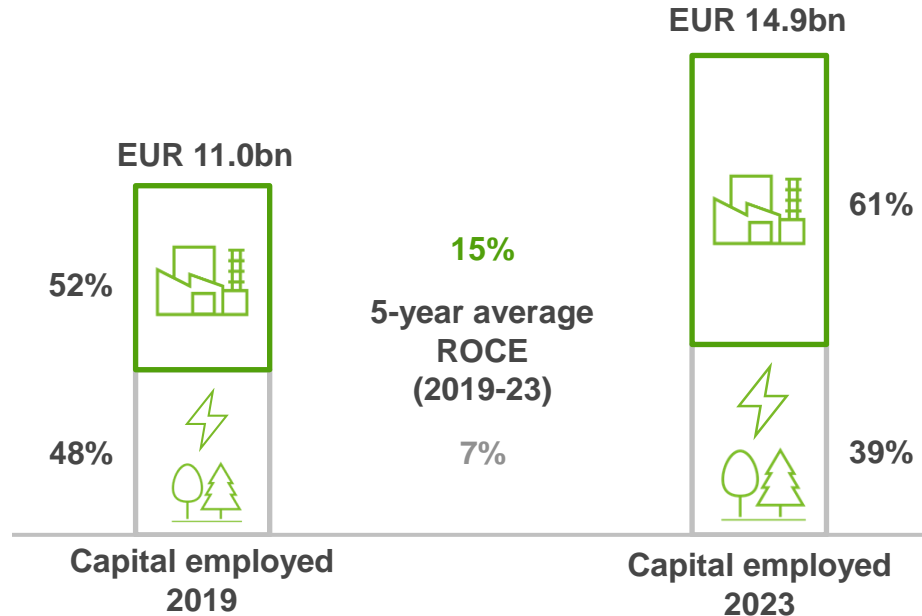
*) This is an illustration, not a forecast

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

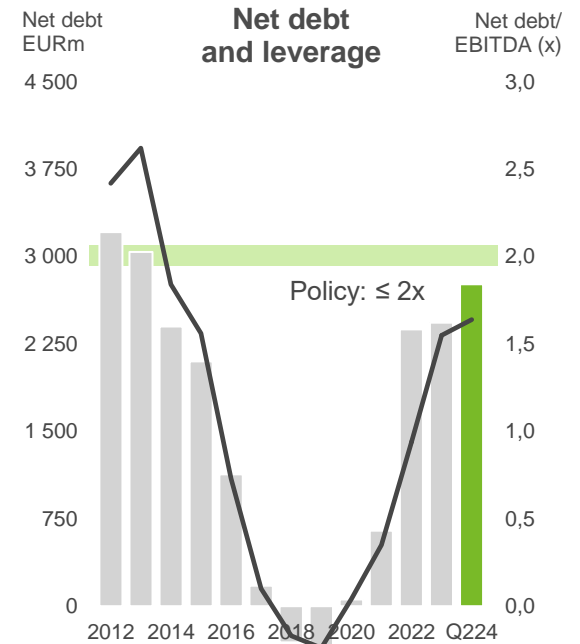
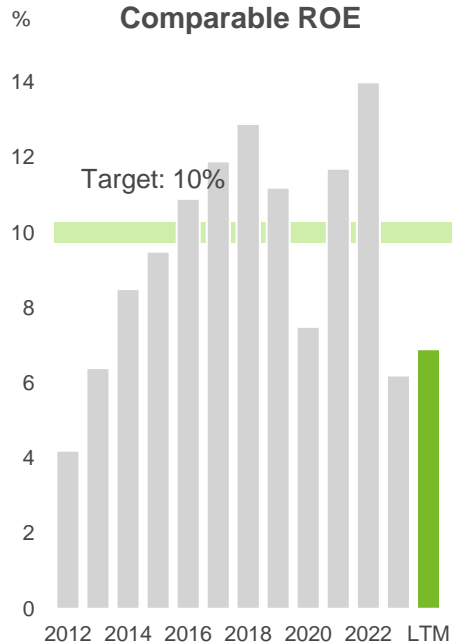
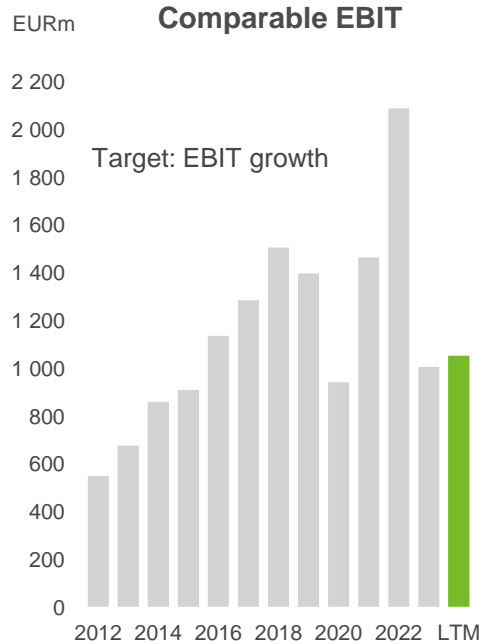


Industrial operations:
Further growth,
attractive return targets

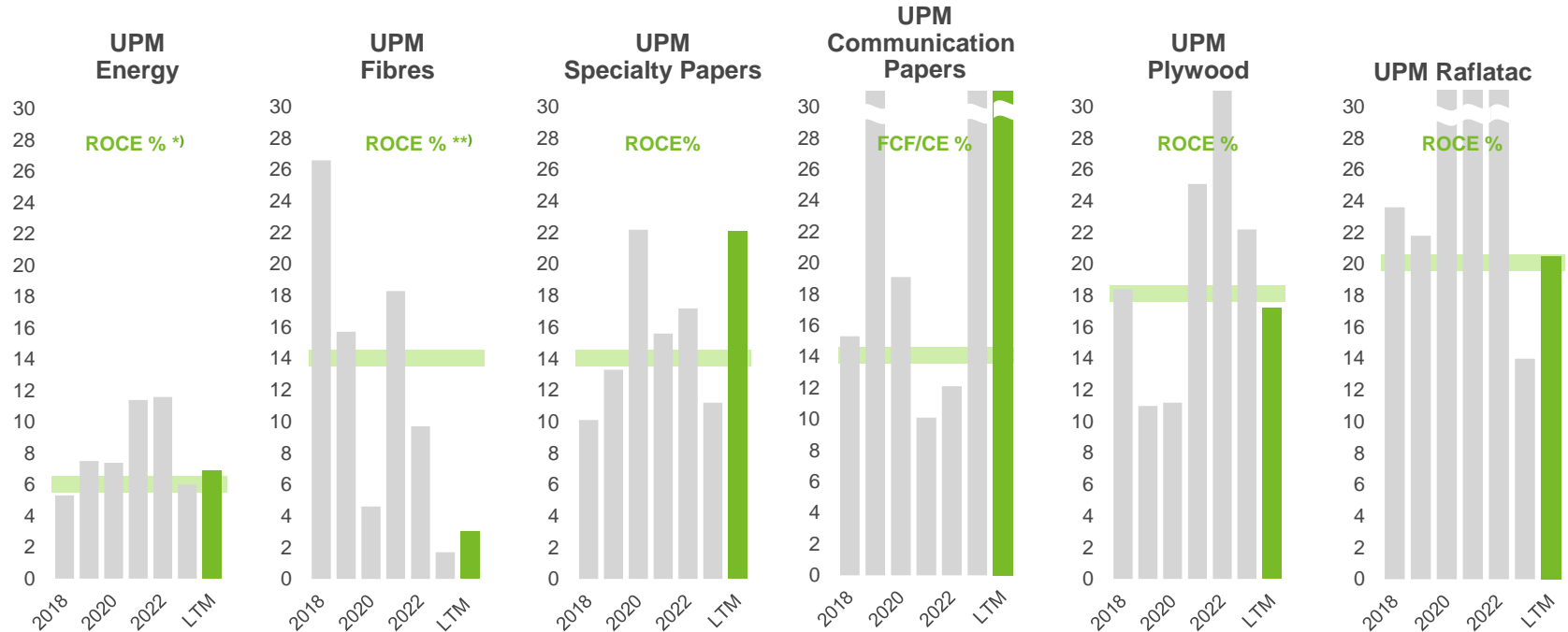
Forest and energy assets:
Sustainable value creation



Group financial performance and 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

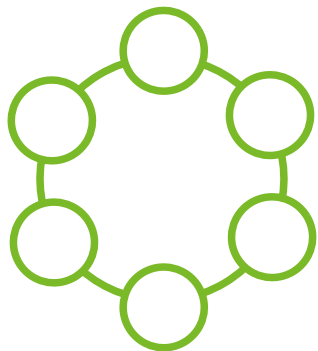
Dividend policy and capital allocation



- **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.

Illustrative 5-year capital allocation^{*)} (2023–2027)

Performance focus
Strong operating cash flow



Attractive dividend
EUR ~4–4.5bn

High return investments
EUR ~3.5–4.5bn

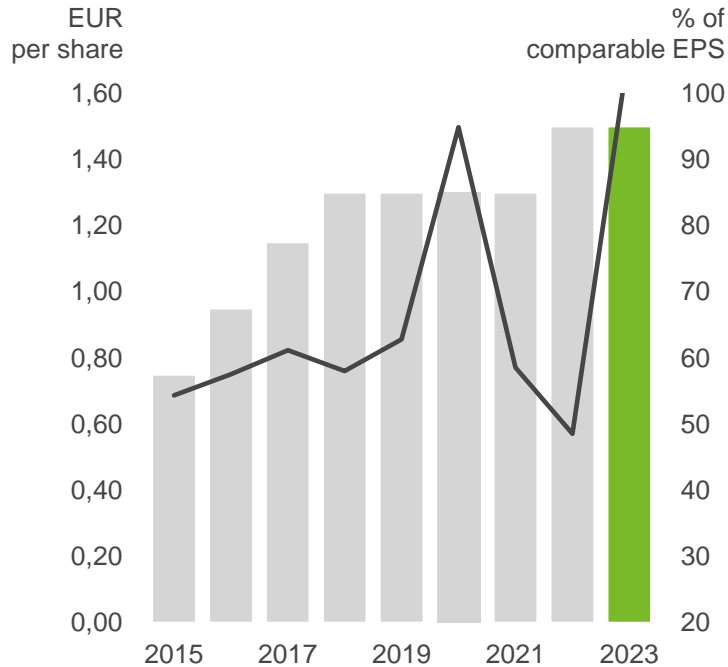
Strong balance sheet

Net debt/
EBITDA
< 2X

Maintain headroom

^{*)} This is not a forecast

Dividend for 2023: EUR 1.50 per share



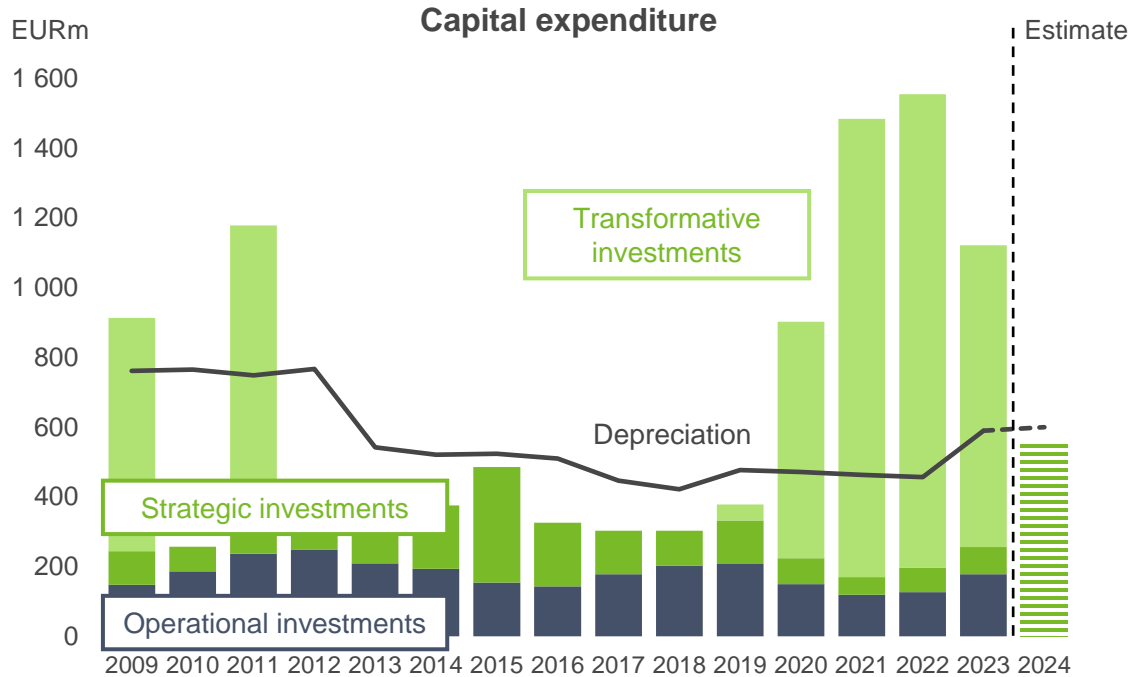
Dividend policy

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

Dividend for 2023

- EUR 1.50 (1.50) per share, totalling EUR 800m
- 107% of 2023 comparable EPS

Major investment cycle coming to an end



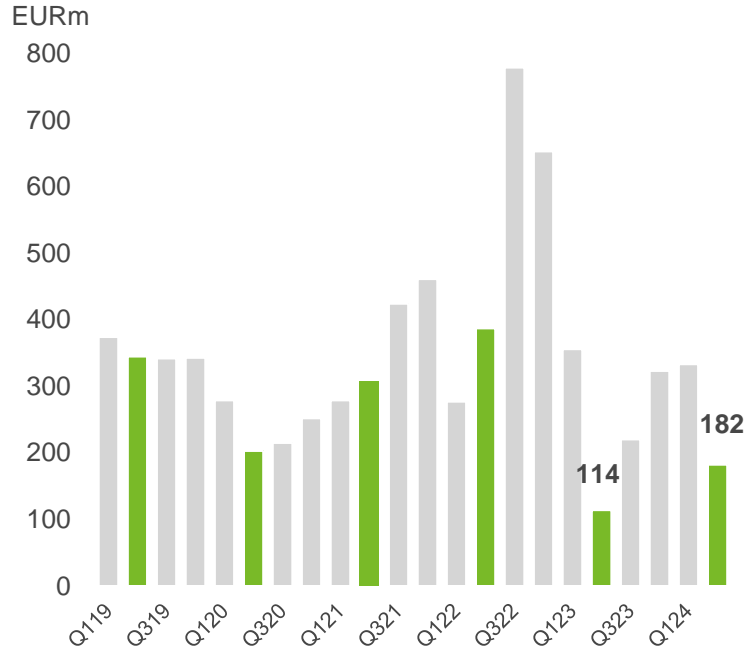
Capex estimate for 2024

- Total EUR 550m
- Includes EUR 300m on the UPM Leuna biochemicals project in Germany
- Operational investment needs consistently low

Q2 2024: Comparable EBIT +60% from last year, UPM Paso de los Toros reached full capacity



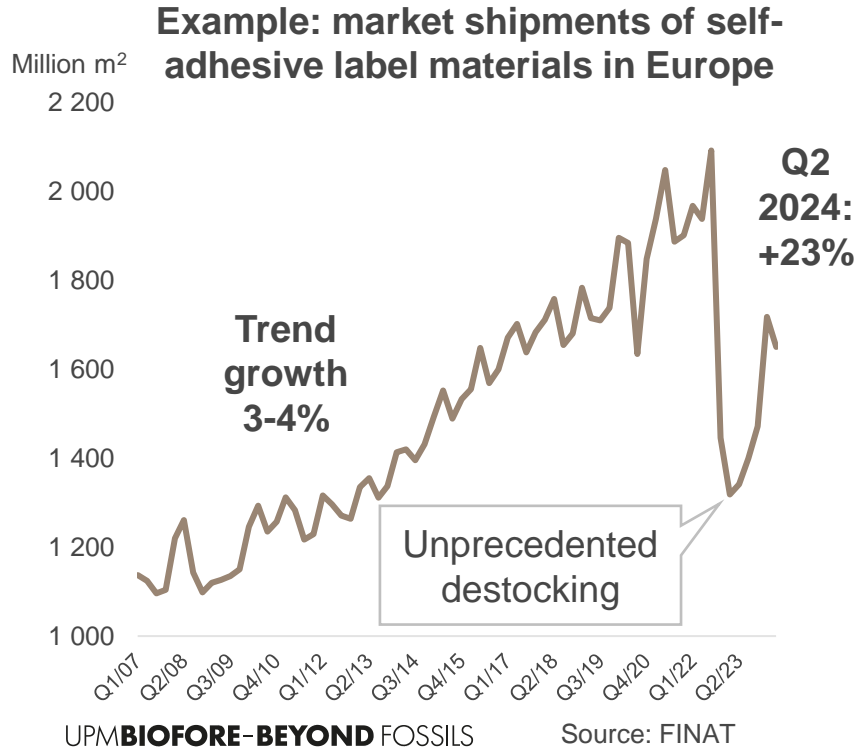
Comparable EBIT



Q2 2024 in brief

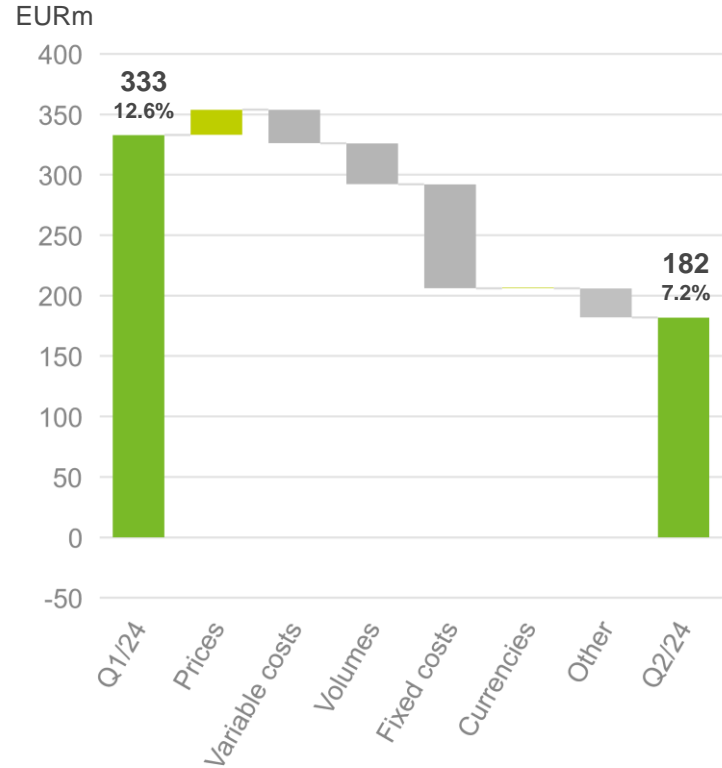
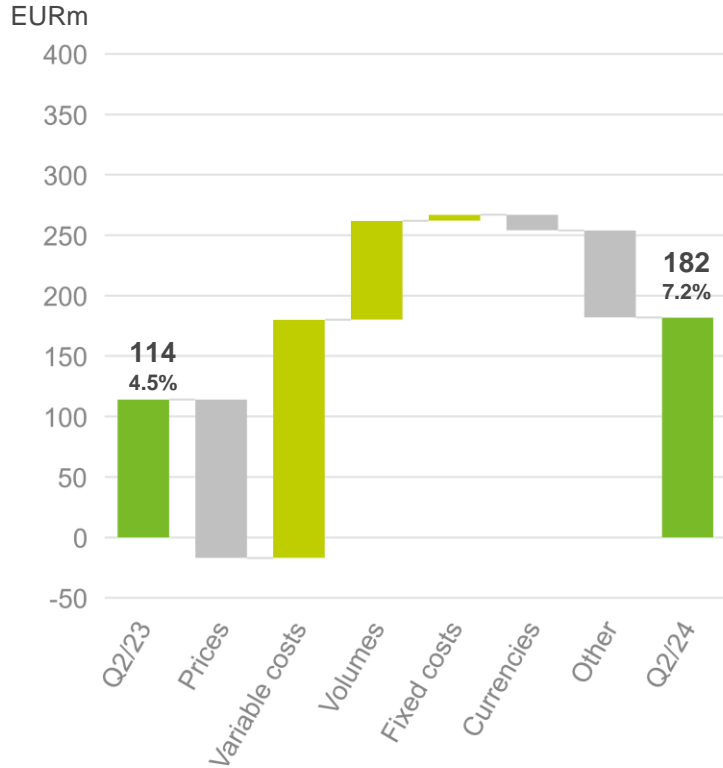
- Sales totalled EUR 2,546m (2,558m in Q2 2023)
- Comparable EBIT increased by 60% to EUR 182m, 7.2% of sales (114m, 4.5%)
- Moderate recovery in many product markets
- UPM Paso de los Toros pulp mill reached nominal capacity before its first maintenance shutdown in June
- Unusually high maintenance activity with three pulp mills and all nuclear power plant units having scheduled maintenance

Moderate market recovery

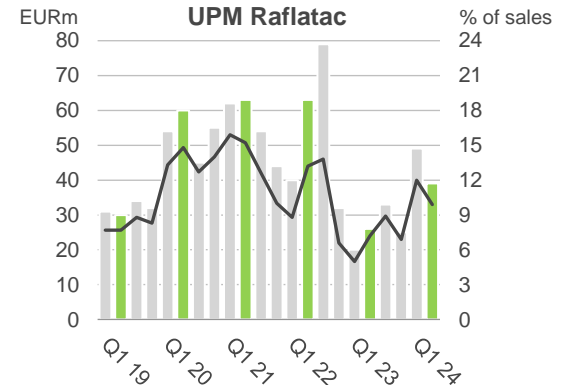
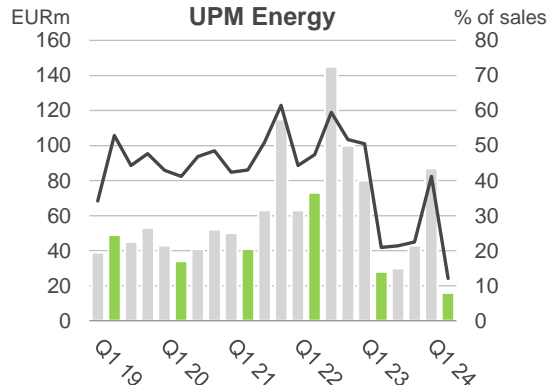
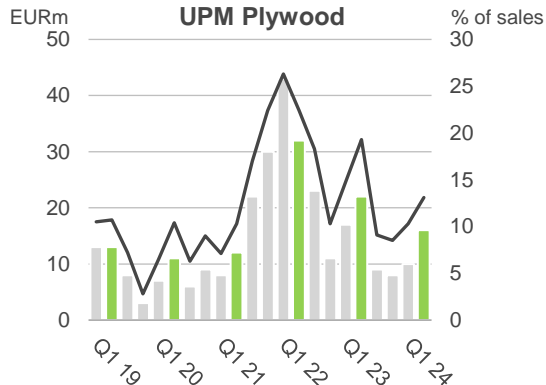
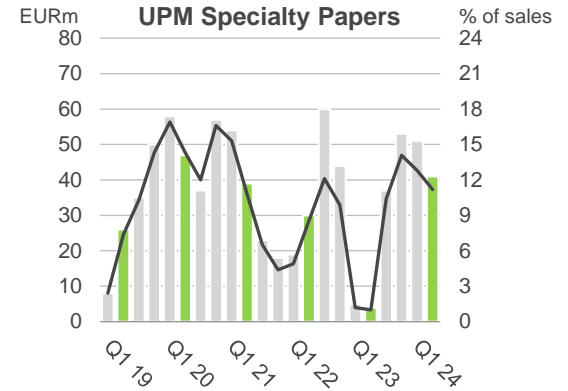
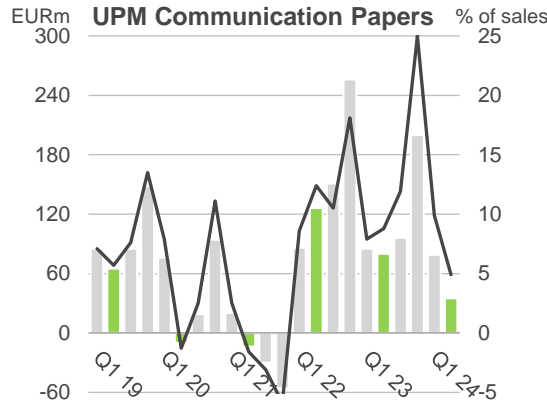
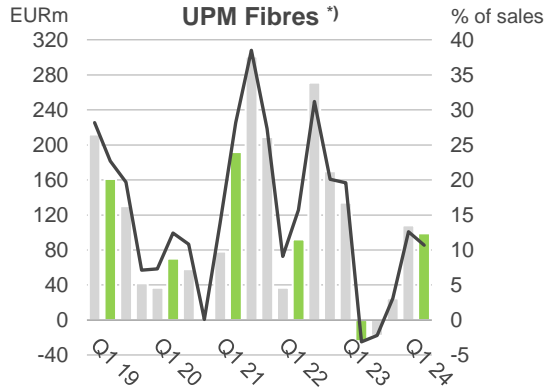


- Gradual recovery in most product markets during H1 2024
- Demand development moderated in Q2 2024 after the strong Q1
- Underlying consumer demand moderately improving
- Global pulp markets were further tightened by supply-side restrictions

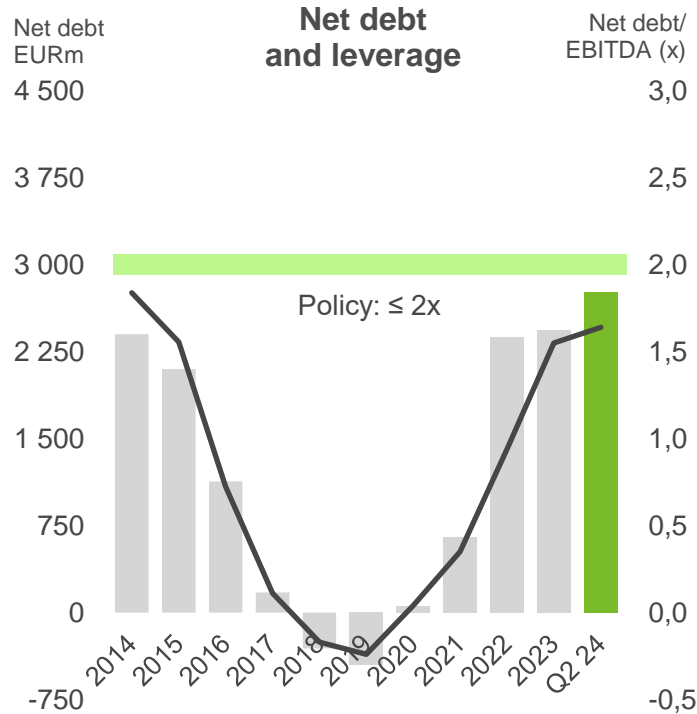
Comparable EBIT in Q2 2024



Comparable EBIT by business area



Strong financial position



- Net debt EUR 2,763m at the end of Q2 2024
- Net debt / EBITDA 1.64
- Cash funds and committed credit facilities EUR 3.3bn at the end of Q2 2024
- No financial covenants
- The first dividend instalment for year 2023 (EUR 400m) was paid in Q2 2024

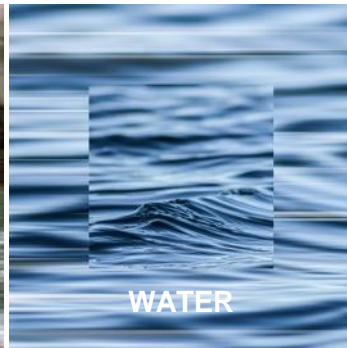
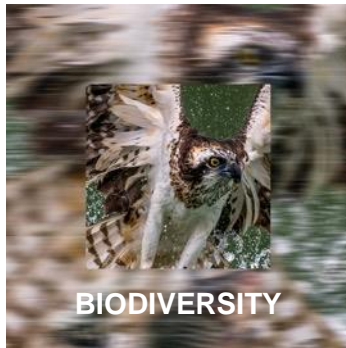
Outlook for 2024



- UPM's full-year 2024 comparable EBIT is expected to increase from 2023, supported by higher delivery volumes, the ramp-up and optimisation of the UPM Paso de los Toros pulp mill, and lower fixed costs. Demand for many UPM products is expected to gradually improve as the destocking seen in 2023 is over. The market conditions for renewable fuels are expected to be weaker than last year. UPM continues to manage margins and take actions to reduce variable and fixed costs.
- In H2 2024, comparable EBIT is expected to be higher than in H1 2024. This improvement is expected to come especially from UPM Fibres, with the full pulp capacity available and pulp price levels starting at a higher level than at the start of the year.
- There are no major maintenance shutdowns scheduled for the company in H2 2024, whereas H1 2024 was impacted by unusually high maintenance activity and political strikes in Finland. The timing of the annual energy-related refunds is expected to support the result in Q4.

FOREST ACTION

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

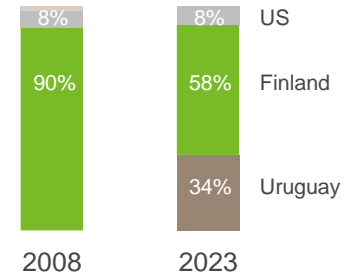


Developing our forest assets

UPM forests and plantations

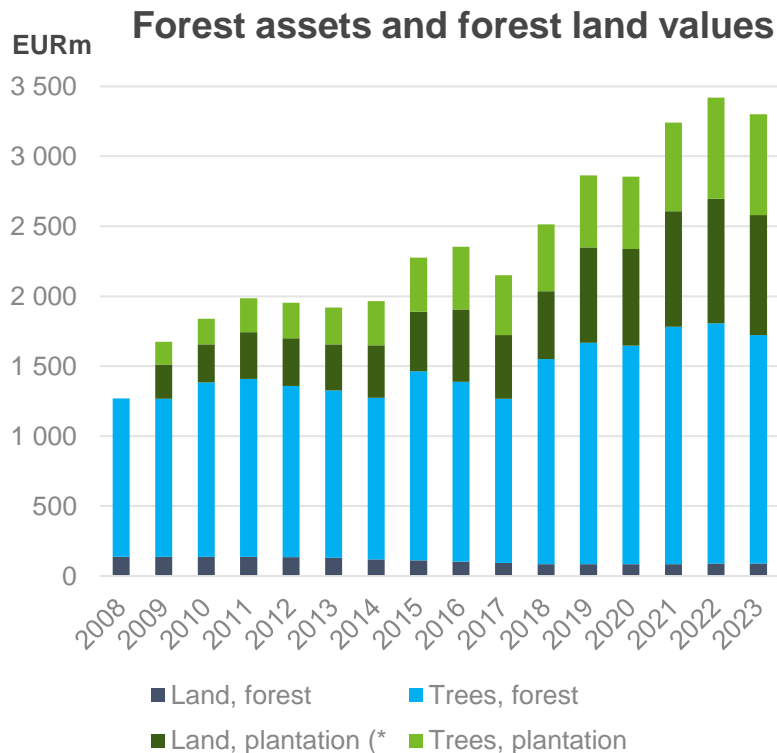
	2008	2023
Forest and plantation land (own and leased) (1,000 ha)	1,012	1,073
Forest growth (million m ³)	4.3	11.5
Wood sourced from UPM forests and plantations (million m ³)	2.2	7.0
Value of forests and plantations, including land (EURm)	1,270	3,301

Area distribution



- Climate-positive forestry and maintenance of carbon sinks
- Investing in strategic forest assets in Uruguay
- Productivity with active management and nurseries
- Enhancing 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 1.7bn (+36% since 2008, EUR/ha +129% since 2008)
- Decreased area (-41% since 2008), focusing on forests close to mills
- Improved growth (m³/ha)
- Trend price (EUR/m³)

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



Scheduled to start up by the end of 2024



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 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



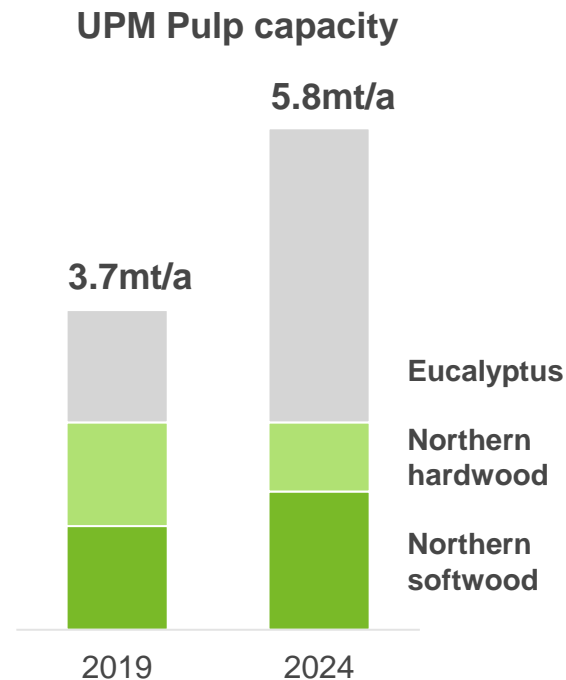
Started up in April 2023



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 505,159 hectares, supplying both UPM Fray Bentos and the new Paso de los Toros mill

30 years experience of sustainably managed and productive plantations



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



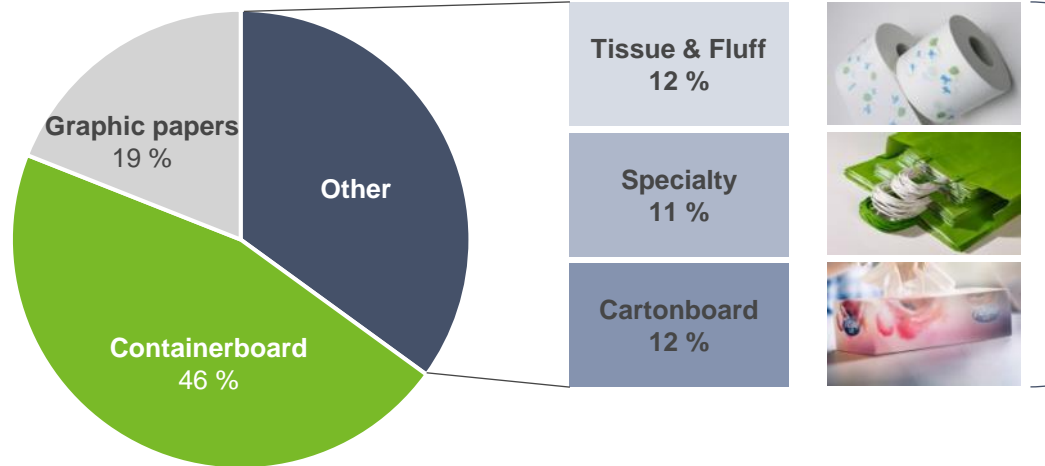
Market pulp consumed in growing end-uses – alternative white fibre demand overcoming graphical paper decline



↓ **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

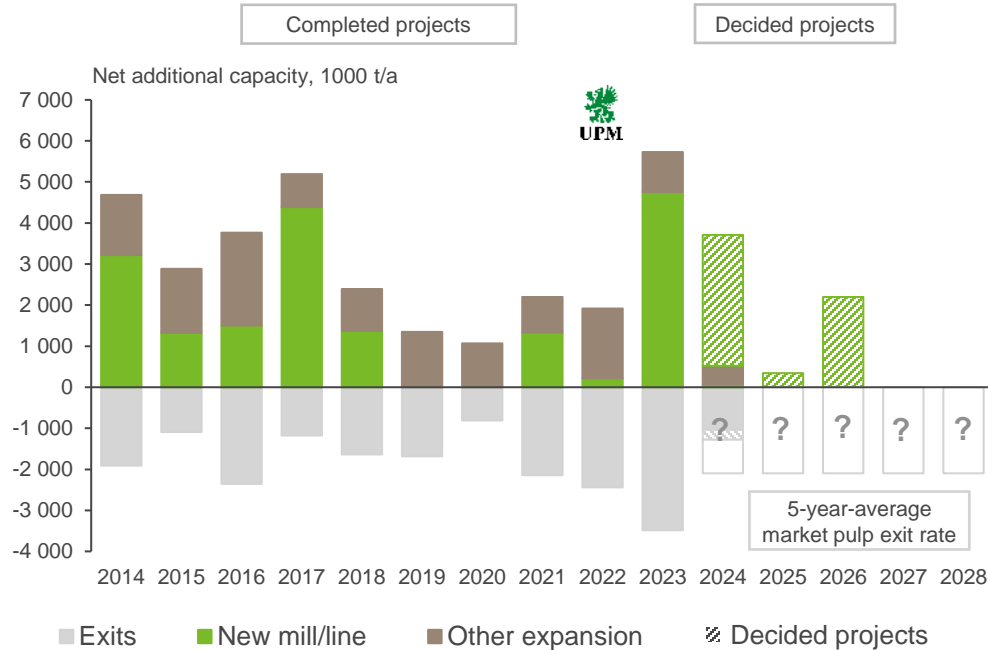


Total fibre consumption (2020): 421 million tonnes

Expansion cycle coming to an end with no major confirmed projects after 2026



Entry of market bleached pulp capacity



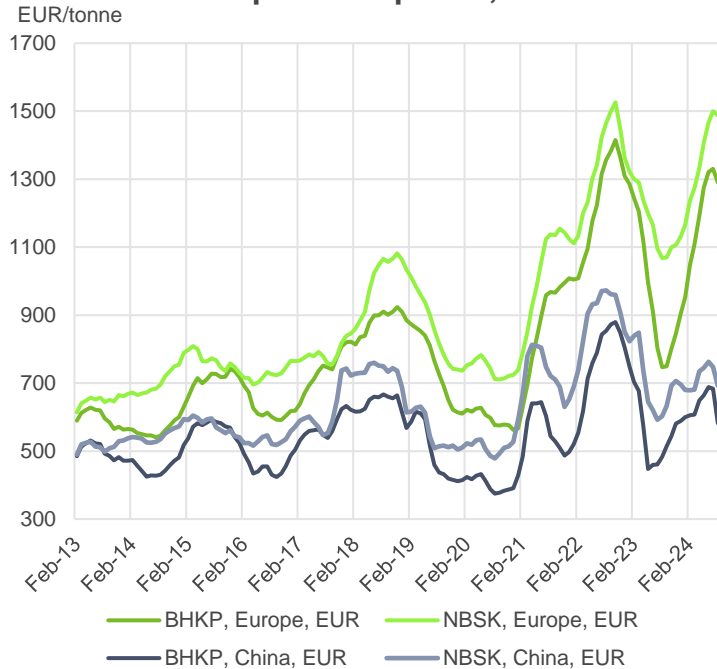
Note: including BHKP, BSKP, excluding fluff and dissolving

UPM Fibres

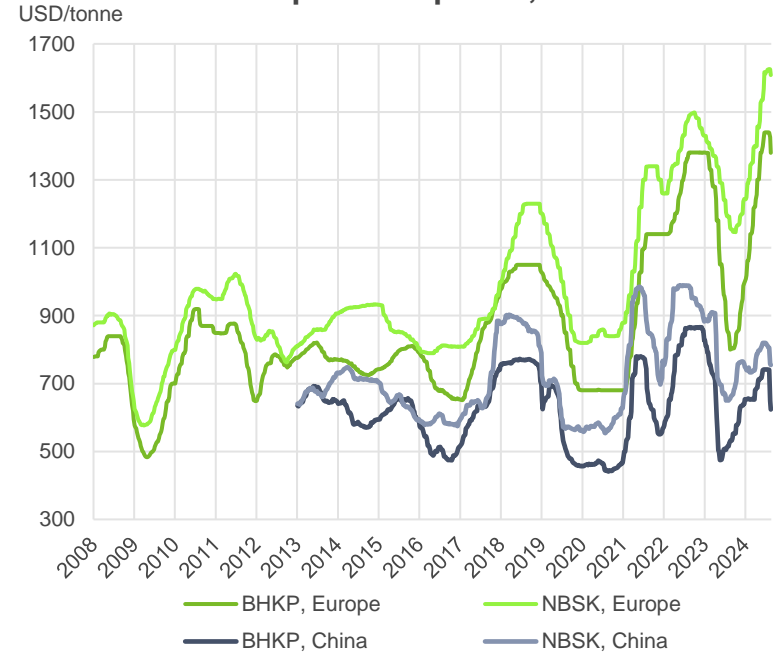
Chemical pulp market prices



Pulp market prices, EUR



Pulp market prices, USD



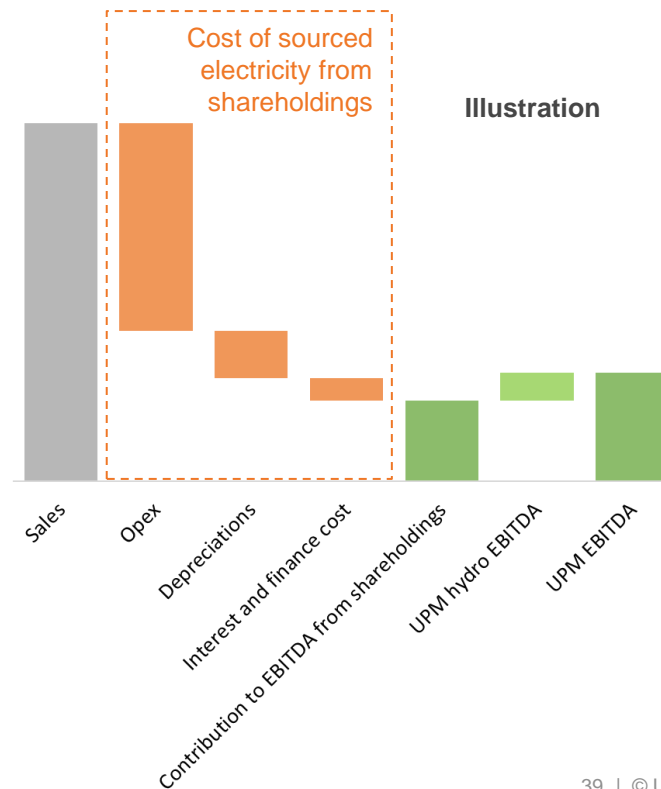
Source: FOEX Indexes Ltd

UPM Energy



UPM Energy's power generation	MW	EURm
Hydropower holdings	552	976
Nuclear power OL1 and OL2	588	1,302
Nuclear power OL3 (PTO 05/2023)	494	0
Thermal power	133	1
UPM Energy's shareholdings in total, valued at fair value	1,765	2,278
UPM own hydropower assets	170	
UPM Energy's in total (incl. OL3)	1,936	
UPM Energy capital employed		2,501

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



OL3 in regular commercial electricity production

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

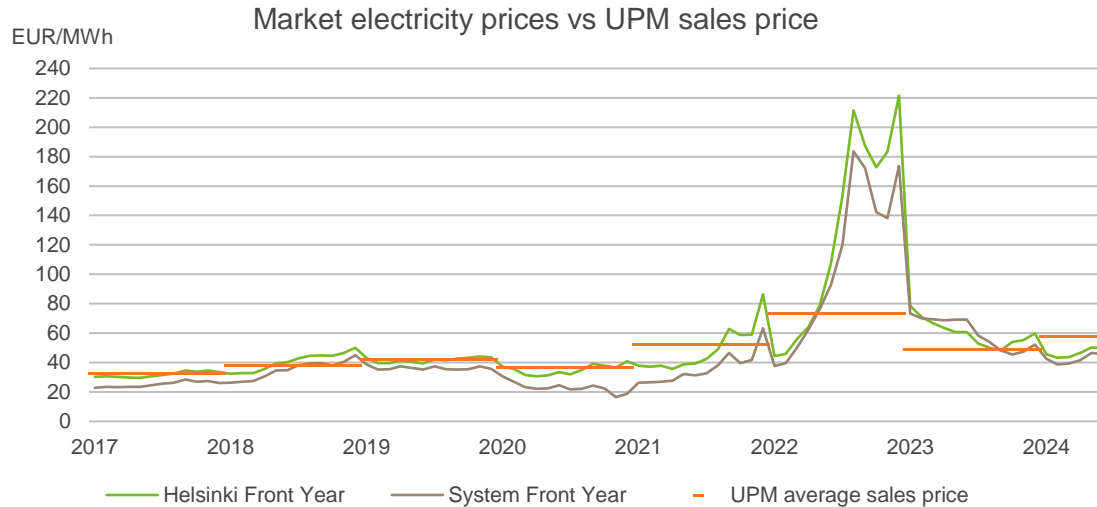
Reliable CO₂-free baseload energy to support the electrification of the society

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	2019	2020	2021	2022	2023	H1/2024
Comparable EBIT, EURm	185	171	270	381	182	102
% of sales	44.4	45.0	51.3	52.0	29.0	30.1

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

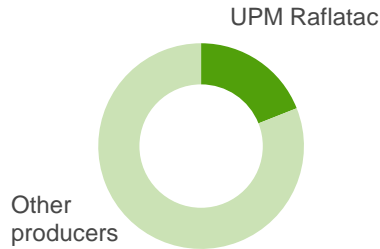
UPM Raflatac

The self-adhesive labelstock market

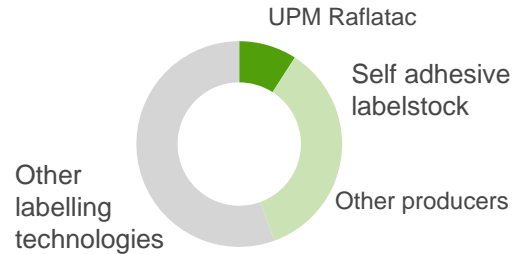
- >EUR 10bn global market
- ~3-4% p.a. growth
- Private consumption driven
- Largest of the labelling technologies
- <25% of total self adhesive materials markets



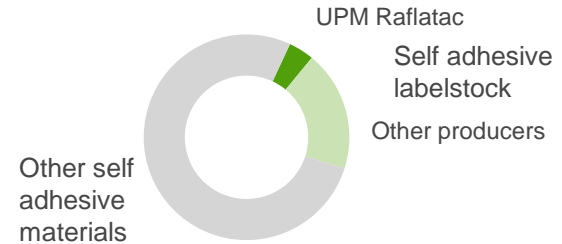
Self-adhesive labelstock market



All labelling technologies



All self adhesive materials



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



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

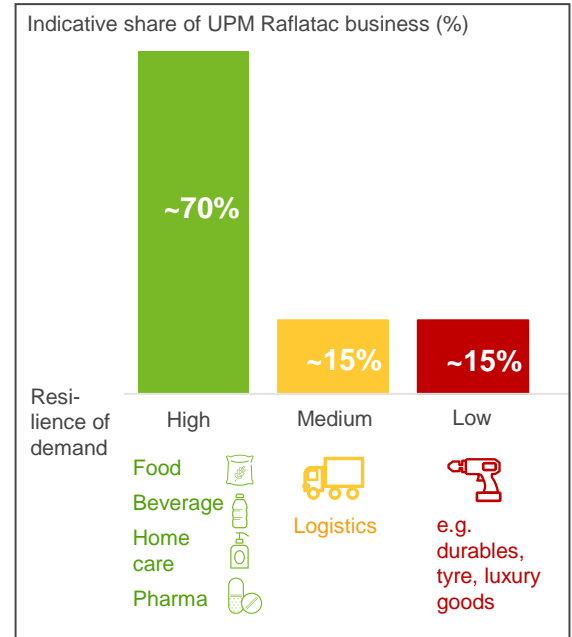
The demand of UPM Raflatac’s end use portfolio is relatively resilient

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**



UPM Specialty Papers

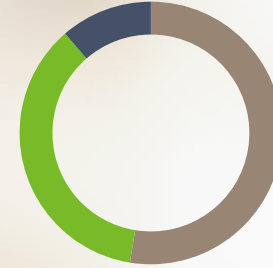


Sales
1,485 M€
in 2023

EBITDA
172 M€
in 2023

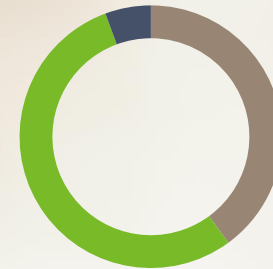
ROCE
11.2%
in 2023

Sales by market*



■ APAC ■ EMEIA ■ North America & LATAM

Sales by product*



■ Fine ■ Label & release ■ Packaging

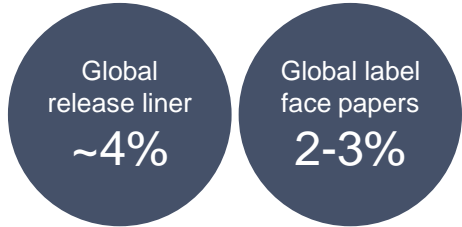
*2021 figures

Growth expected to continue in main markets



LABEL & RELEASE

Market development forecast,
CAGR 2021-2026

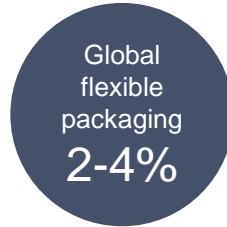


UPM Specialty Paper

Leading position in growing global label and release paper markets



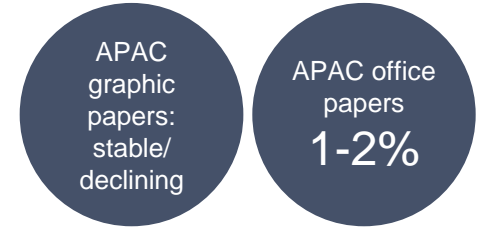
PACKAGING PAPERS



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



Source: AWA, Pira, UPM

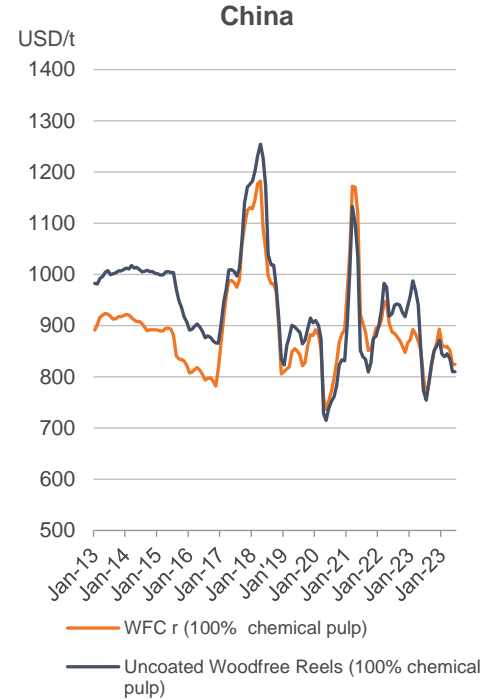
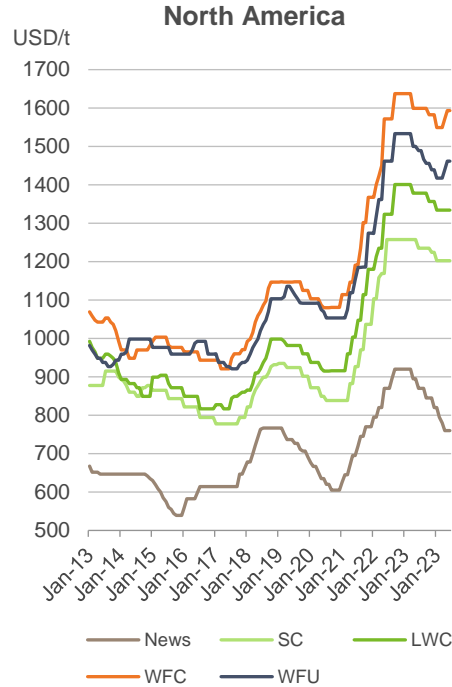
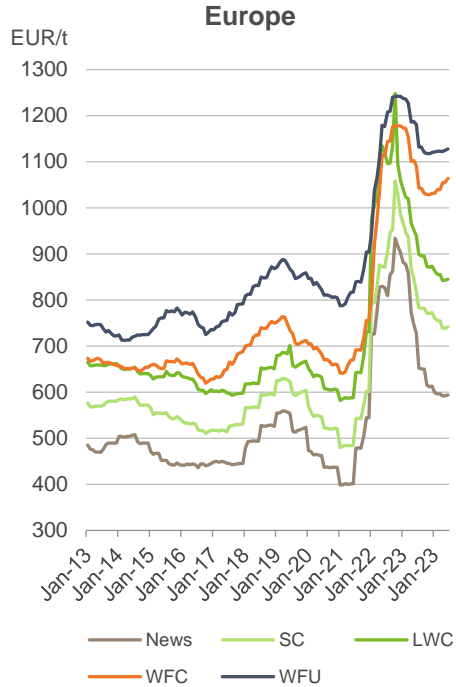
UPM Specialty Papers **GROWTH STRATEGY**

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



UPM Communication Papers

Graphic paper prices

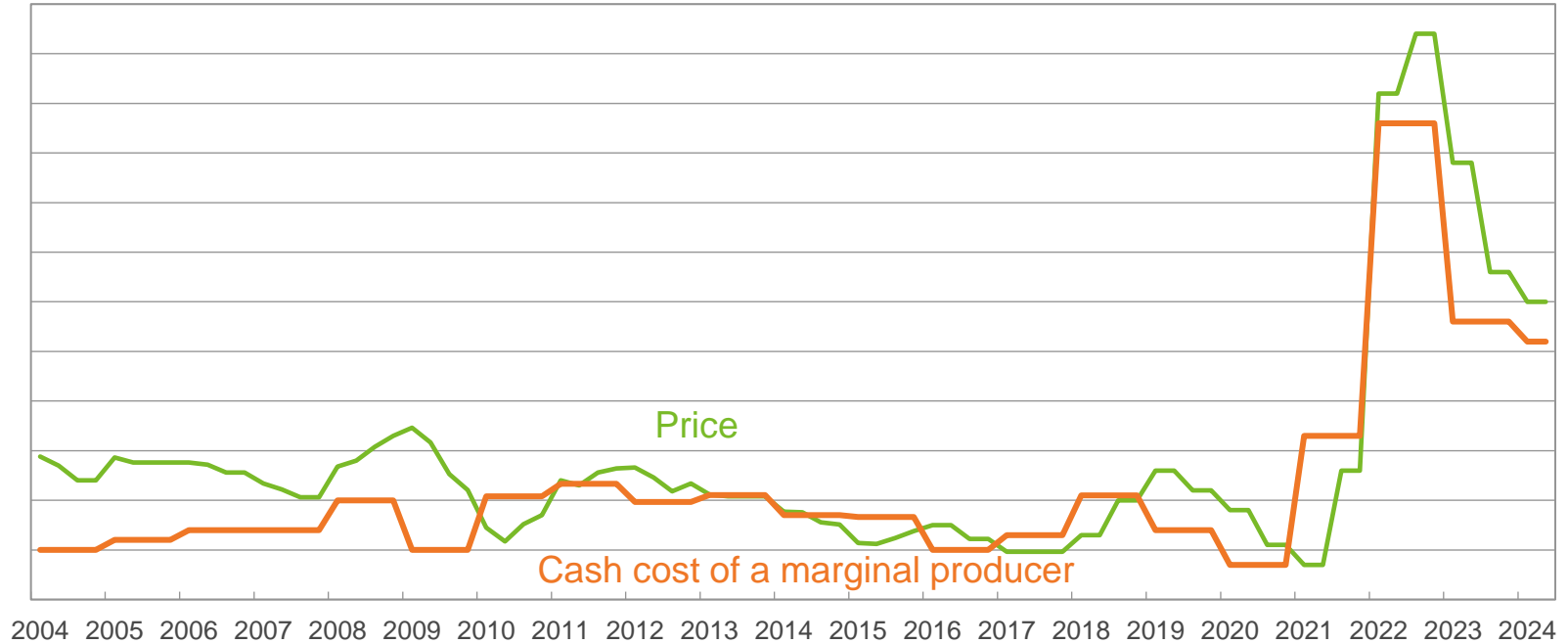


Sources: PPI, RISI

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

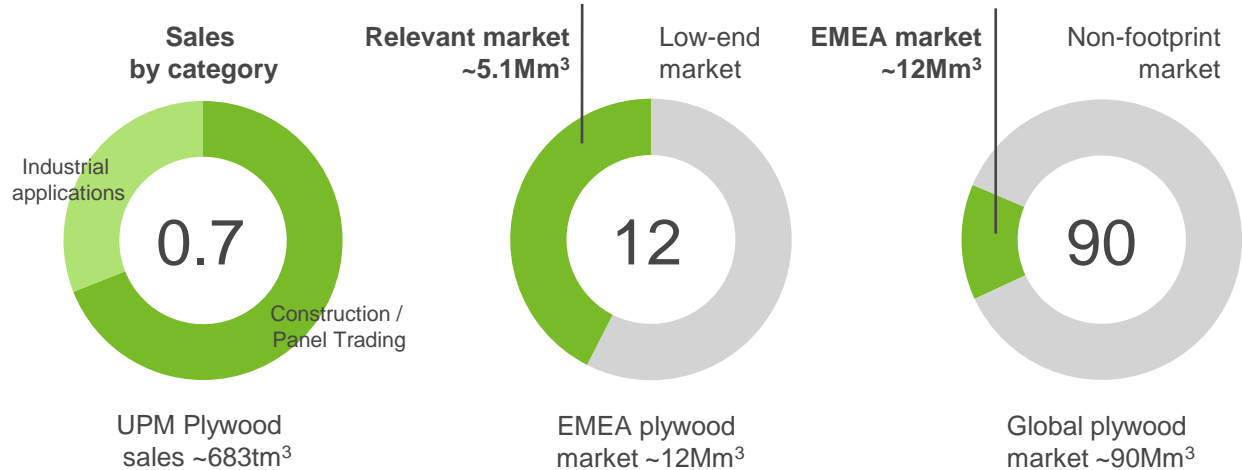
- Leading supplier in LNG plywood
- Competitive edge based on right quality and accurate on-time deliveries
- Long term commitment and benchmark service level
- Focus to secure leading position in LNG carriers and to extend offering into related applications using the same technologies (e.g. land storage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



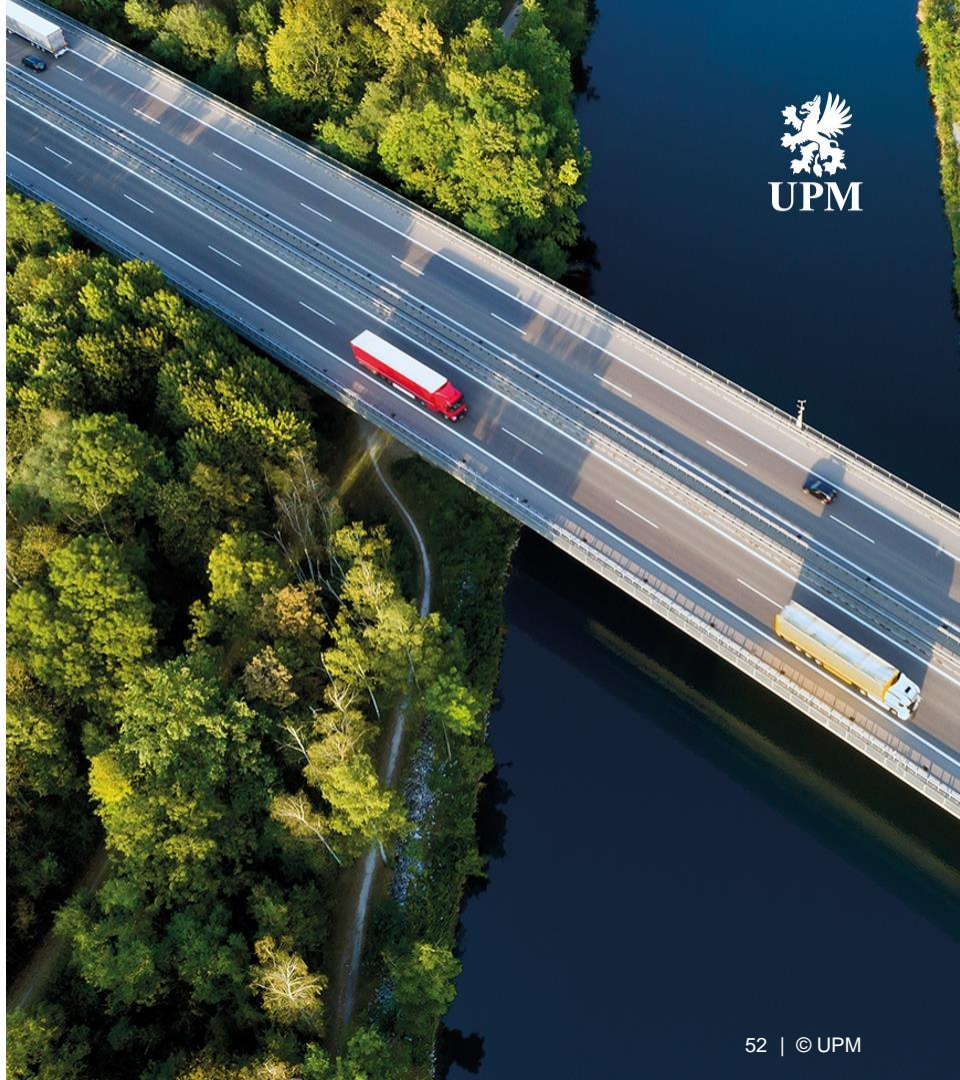
Products would significantly reduce carbon footprint in the road transport and aviation



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



Potential investment in Rotterdam, the Netherlands



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



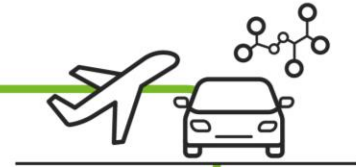
Cellulosic fuels

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

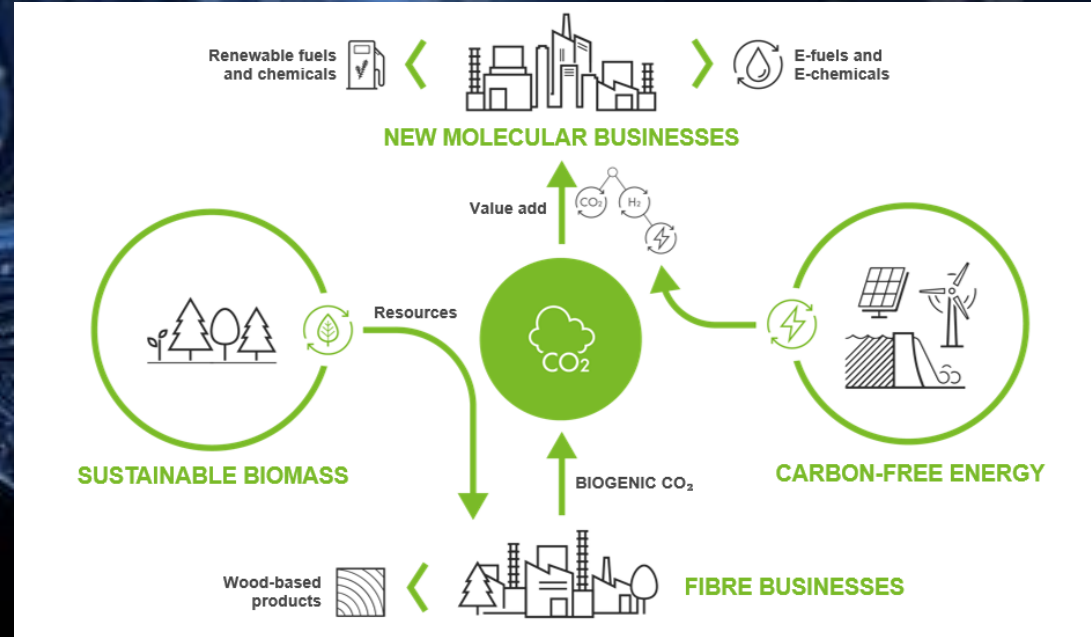


Decarbonisation will require synthetic fuels and new low-emission electricity generation

- 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



CREATING THE FUTURE

UPM CAPITAL MARKETS DAY

5 SEPTEMBER 2024

VENUE:

LSEG (London Stock Exchange Group) and through a webcast

UPM **BIOFORE**
BEYOND FOSSILS

