



# Review by the President and CEO

President and CEO  
Jussi Pesonen  
29 March 2022



# We create a future beyond fossils



# It's a renewable material world

## WHAT WE OFFER



A sustainable and healthy lifestyle – Meeting daily consumer needs



Innovation for a better future – Replacing fossil fuels and materials



Providing solutions –  
Low-carbon  
construction



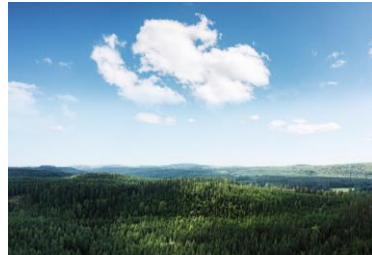
Driving the transition –  
low-emission energy

# Sustainable choices

## HOW WE MAKE A POSITIVE IMPACT



Enabling sustainable  
consumer choices



Mitigating  
climate change



Improving  
biodiversity



Advancing a circular  
bioeconomy

# Results

# Our focus areas



## ENSURING PERFORMANCE



## TRANSFORMATIVE GROWTH PROJECTS



# 2021 was a strong year for UPM

## 2021 vs. 2020:

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Sales  
EUR 9,814m

 +14%

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EBITDA  
EUR 1,821m

 +26%

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Comparable EBIT  
EUR 1,471m

 +55%

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Comparable EPS  
EUR 2.22

 +62%

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Comparable ROE  
11.7%

 +4.2pp

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Operating cash flow  
EUR 1,250m

 +245m.

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Net debt  
EUR 647m

 +591m

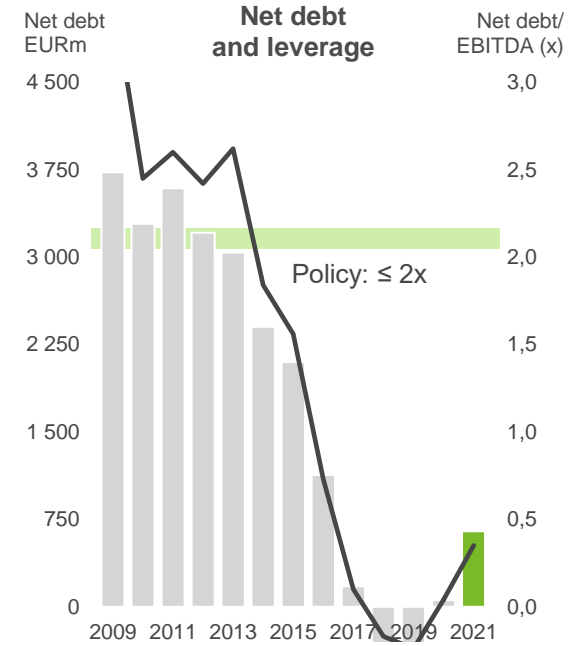
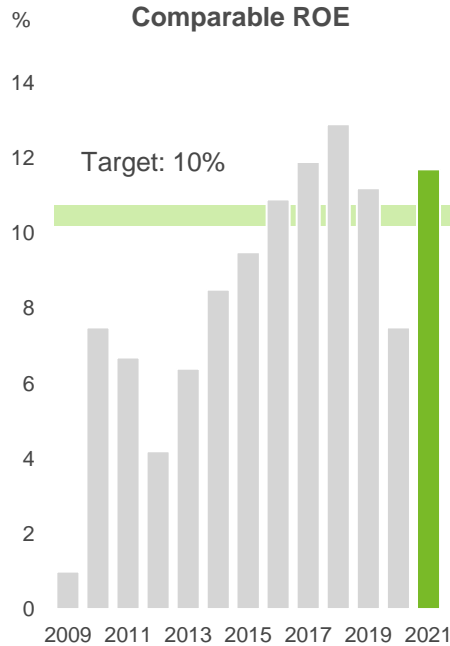
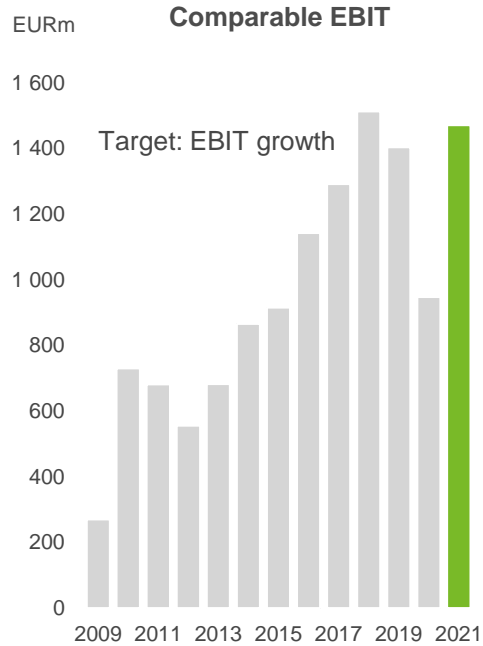
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Net debt / EBITDA  
0.35x

 +0.31x

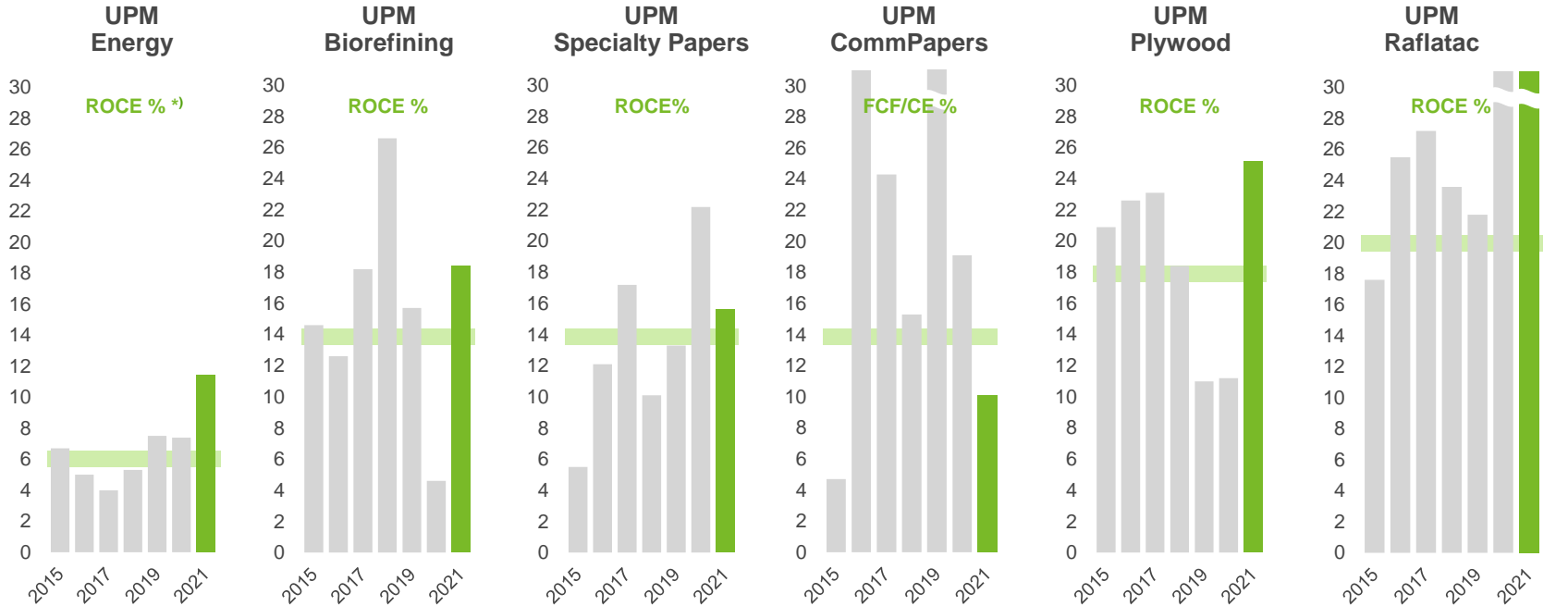
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# Earnings back to strong pre-pandemic levels





# Five out of six business areas exceeded their long-term return targets

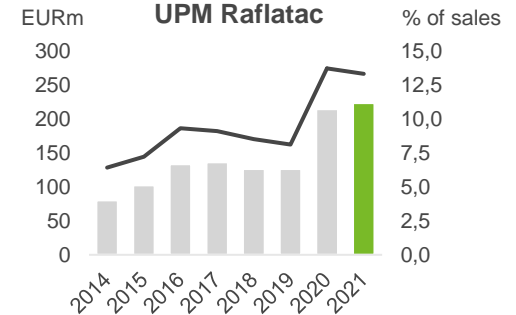
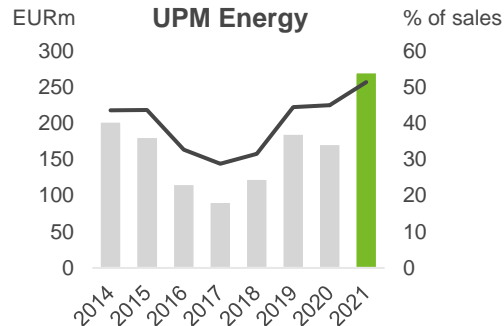
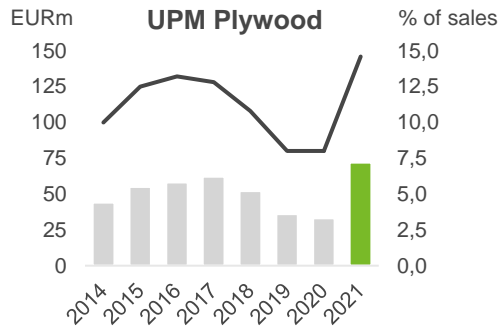
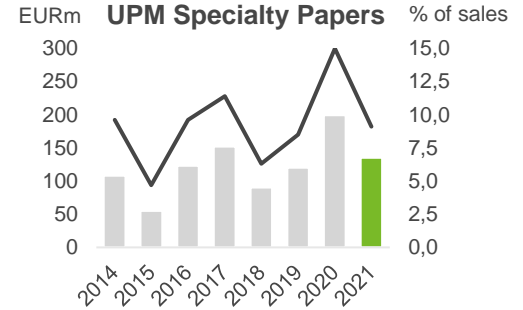
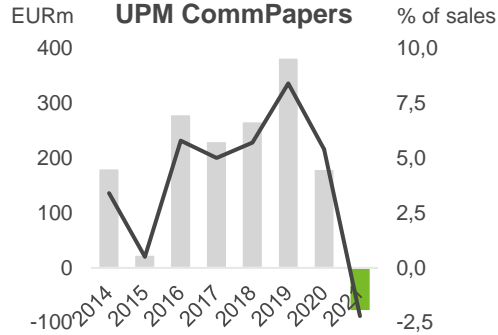
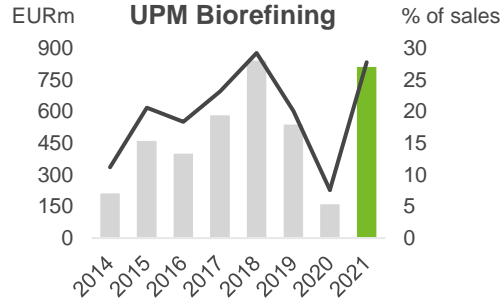


\*) shareholdings in UPM Energy valued at fair value

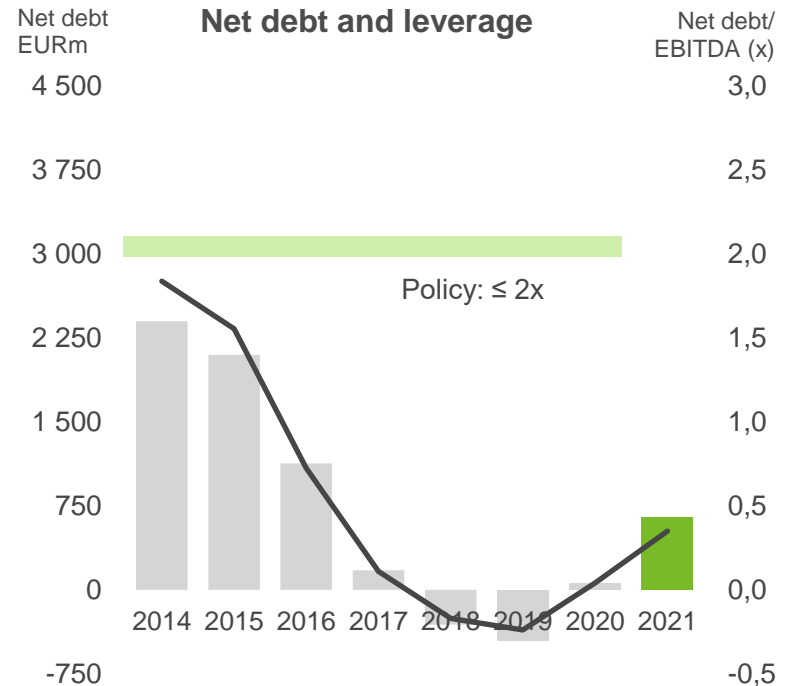
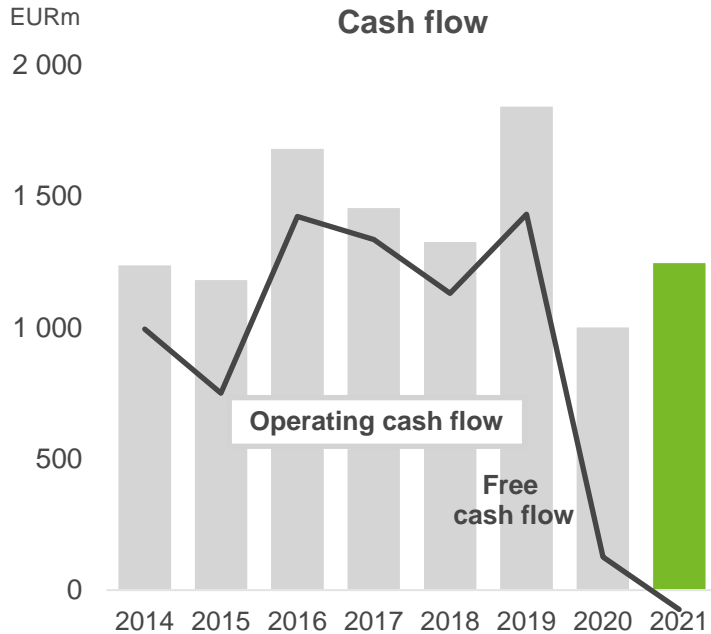
Long-term return target

# UPM business model delivers performance

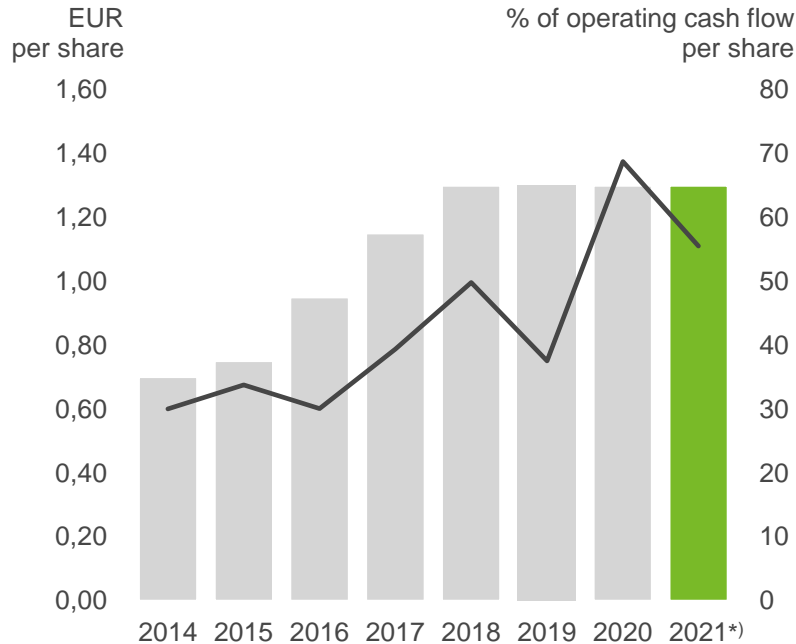
Comparable EBIT by business area



# Strong financial position



# Dividend proposal: EUR 1.30 per share



\*) Hallituksen ehdotus

## Long term dividend policy

- UPM aims to pay an attractive dividend, 30–40% of operating cash flow per share

## Dividend proposal for 2021

- EUR 1.30 (1.30) per share, totalling EUR 693m
- 55% of 2021 operating cash flow

# Current topics

# UPM in Russia and Ukraine

We have started providing humanitarian and material support to Ukraine

UPM Raflatac's distribution terminal in the Kyiv region has been closed until further notice

For the time being, UPM has decided to suspend:

- its deliveries to Russia
- purchasing of wood in and from Russia
- operations at its Chudovo plywood mill

In 2021, UPM's sales to Russia and Ukraine combined was approx. 2%

Assets in Russia were less than 1%

Less than 10% of UPM's wood sourcing to Finland originated from Russia

# Labour markets in Finland – creating future competitiveness

- In the new labour market situation, we aim to negotiate business-specific agreements with focus on mutually beneficial outcomes that will enable each business and their employees to prosper well into the future.
- At UPM Plywood and UPM Timber, agreements benefitting both the employees and the businesses were signed with the Industrial Union in December 2021.
- UPM Pulp, UPM Biofuels, UPM Communication Papers, UPM Specialty Papers and UPM Raflatac have invited the Paperworkers' Union to negotiations since spring 2021 without result. The strike began in the beginning of 2022, and intensive negotiation phase in February. The conciliator submitted a CLA proposal to UPM Pulp towards the end of March.
- UPM aims to be an attractive employer, with competitive offering for all UPM employees.



# What effect does the collective agreement between UPM Plywood and the Industrial Union have in Finland right now?



- The new agreement makes it possible for plywood mills to run seven days a week
- As a result, there is flexibility to increase the production
- The employees get compensation for the weekends and religious holidays, UPM hires more people to work in shifts, and the annual working times for the employees working continuous full run operations (24/7/365) will be shorter
- The old agreement would not have allowed such flexibility





# Creating a sustainable future

# Our climate commitment



## WE ACT THROUGH FORESTS

Committed to climate-positive forestry and enhancing biodiversity



## WE ACT THROUGH EMISSION REDUCTIONS

-65% from own CO<sub>2</sub> emissions  
-30% from CO<sub>2</sub> emissions of supply chain



## WE ACT THROUGH PRODUCTS

Innovative products  
Scientifically verifying the climate impact of all our products

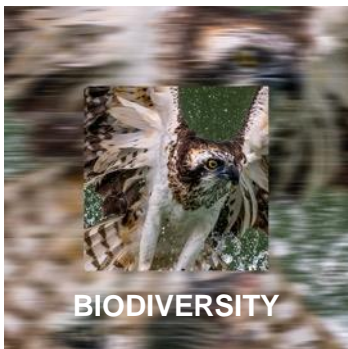


**BUSINESS AMBITION FOR 1.5°C**   **OUR ONLY FUTURE**

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

# FOREST ACTION

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



# Our 2030 social responsibility targets renewed

- We have strengthened our commitments to ensure fair, equitable and competitive rewarding for employees
- New targets for living wage and gender pay equity
- New target on building diversity and inclusion into the working place



# Responsibility performance measures set for the long-term remuneration

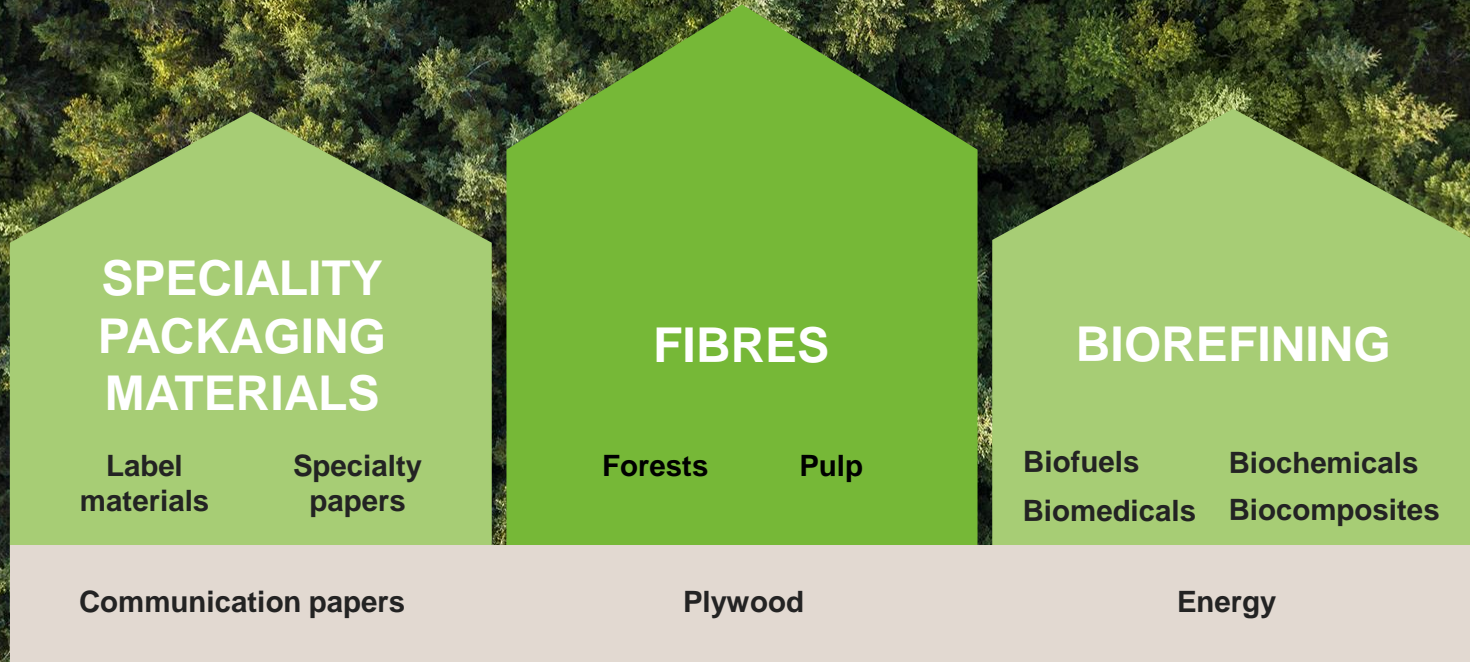


The earning criteria for the earning period 2022–2024 of the Performance Share Plan are:

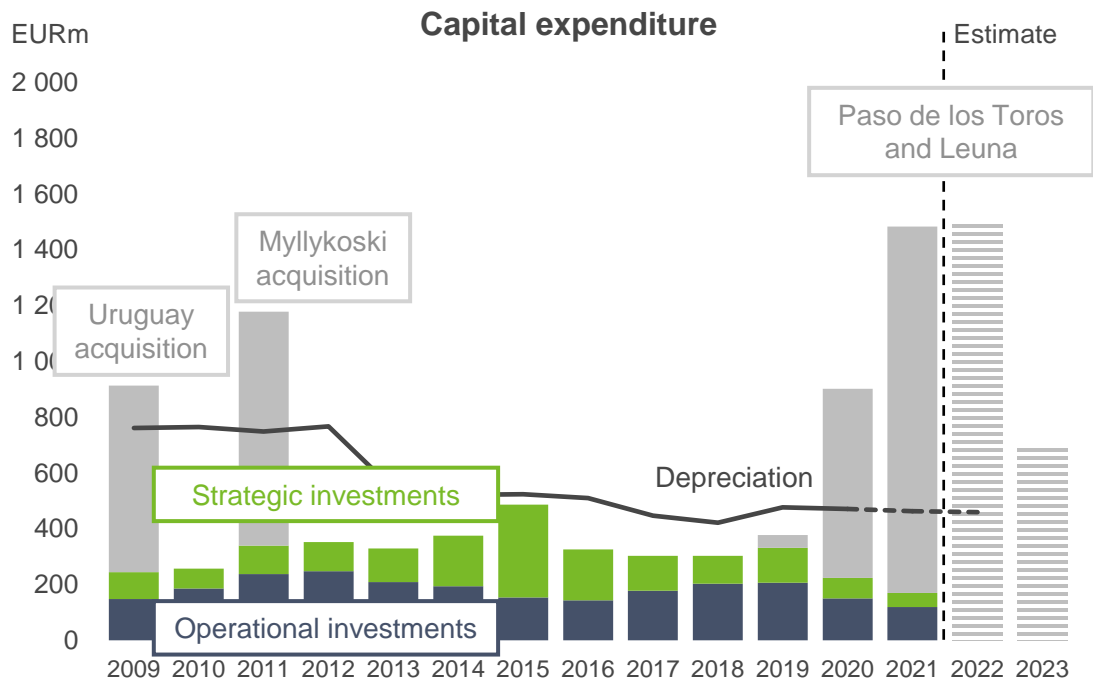
- The total shareholder return (80%)
- Responsibility performance measures (20%): the reduction of fossil CO<sub>2</sub> emissions, the achievement of a net positive impact on biodiversity and the achievement of gender pay equity

# Growth and transformation

# Long-term value creation driven by our spearheads for growth



# Transformative growth projects in the most intensive phase in 2021-22

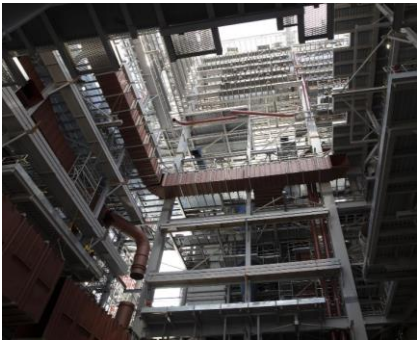


## Capex estimate for 2022

- Total EUR 1,500m
- Includes EUR 1,300m on the transformative growth projects, pulp in Uruguay and biochemicals in Germany
- Operational investment needs consistently low



# VIDEO: UPM Paso de los Toros



# UPM Paso de los Toros – World-class pulp mill

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

# 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 550 million investment  
Total annual capacity of 220,000 tonnes



Scheduled to start up by the end of 2023



# Moving forward with biofuels growth plans

## Basic engineering phase of a next generation biorefinery



Potential industrial scale biofuels biorefinery



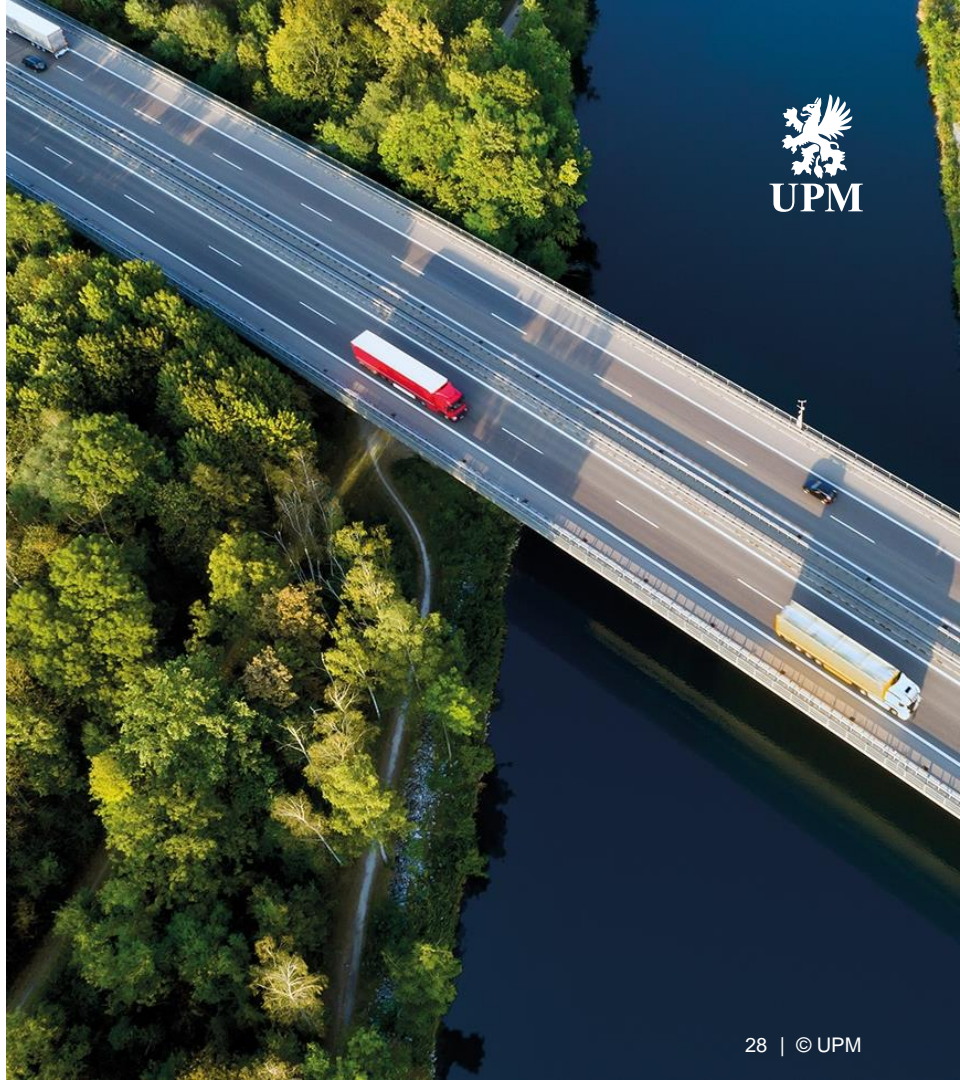
Products would significantly reduce carbon footprint in the road transport and aviation



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



Potential investment in Rotterdam, the Netherlands



# Olkiluoto 3 EPR – Finland's largest climate action



- Significant growth step for UPM Energy – our indirect share is about 31%
- Reliable CO<sub>2</sub>-free baseload energy to support the electrification of the society
- OL3 will significantly improve Finland's self-sufficiency in electricity, and raises the share of Finland's carbon neutral electricity generation to about 90%

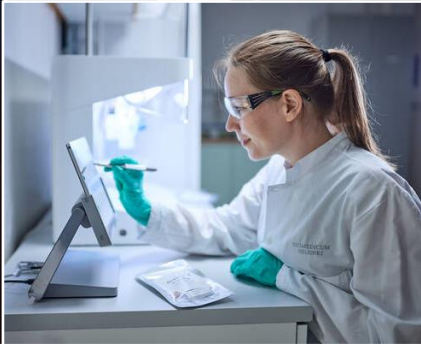


# Innovating for the future

We innovate climate-positive products and turn them into growing businesses.



# VIDEO: UPM Biochemicals – UPM Biofuels – UPM Biomedicals – UPM Biocomposites



# Creating shareholder value



# Our shareholders

**123,000**

shareholders in 30 countries

**46.5%**

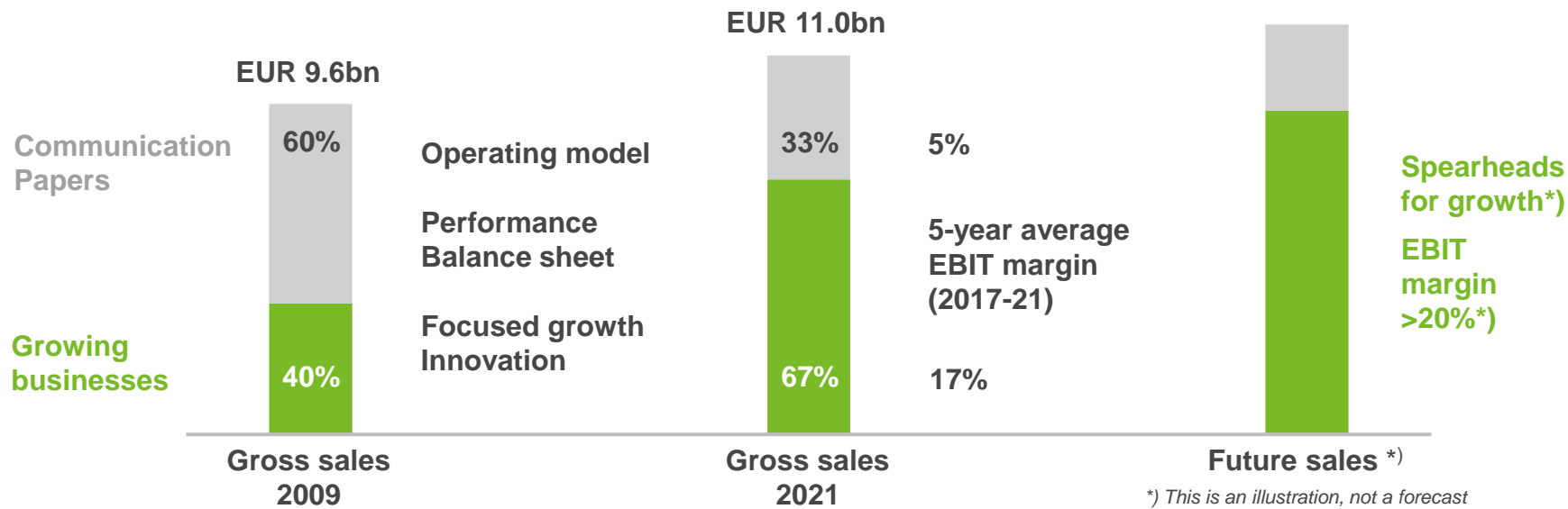
ESG investors<sup>(\*)</sup>

**31.2%**

growth investors<sup>(\*)</sup>

<sup>\*)</sup> of institutional shareholders, source Nasdaq Q4 2021

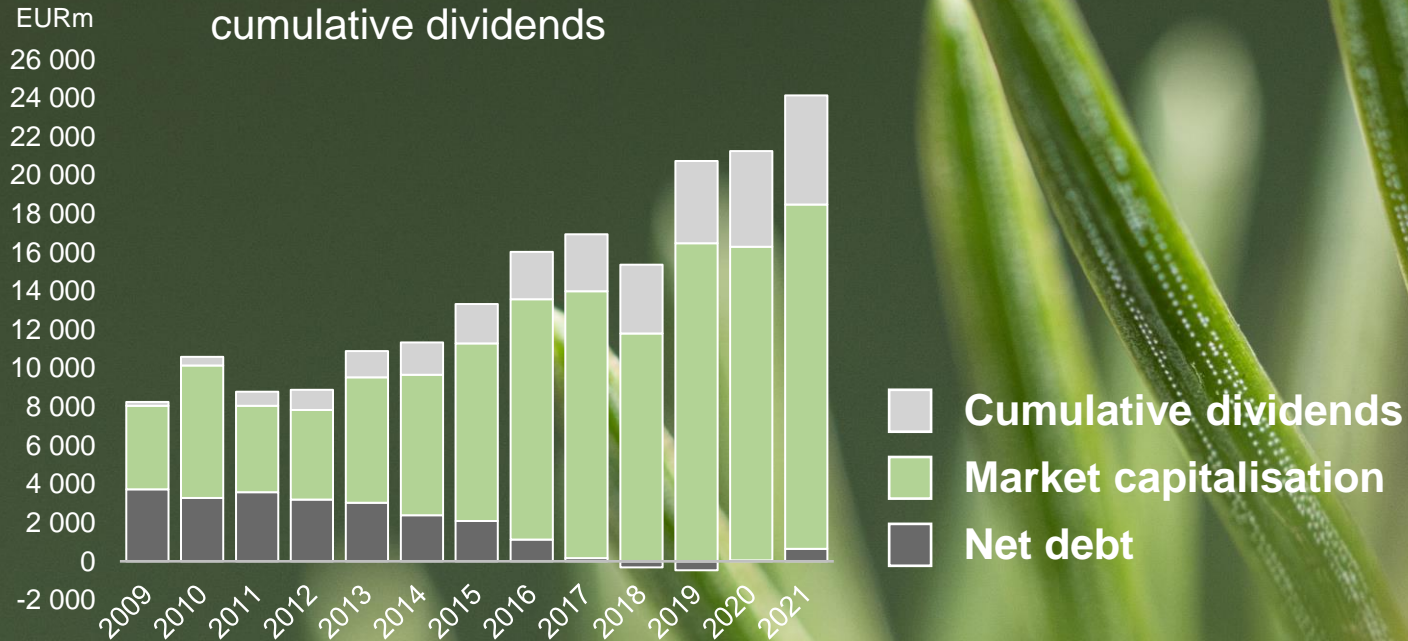
# Transformation proceeds at full speed – business mix drives earnings and shareholder value



\*) This is an illustration, not a forecast

# Transformation is visible in shareholder value

Enterprise value and cumulative dividends



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

