



Ensuring Performance

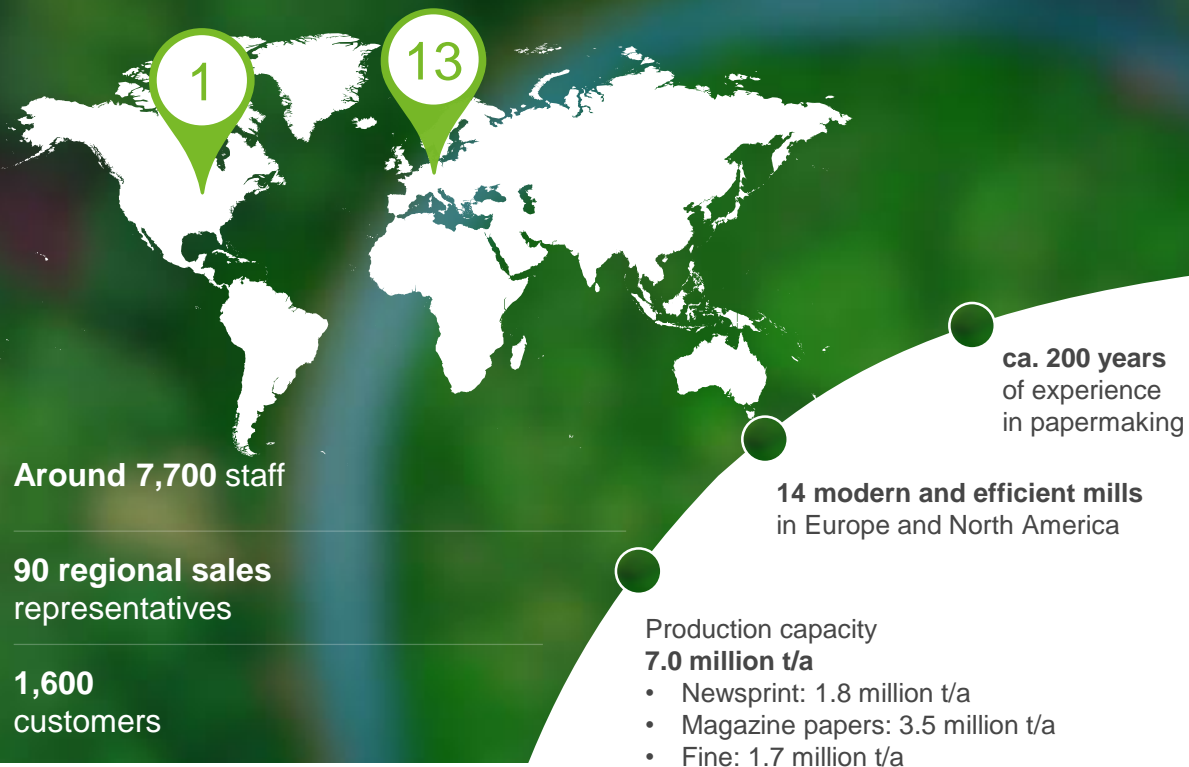
UPM Communication Papers

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EVP, UPM Communication Papers

9 September 2020

We are committed to paper



WE MAKE
BUSINESS EASIER.

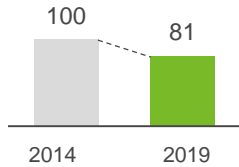
WE ARE HERE FOR YOU
GUARANTEED.

WE HELP YOU TO
GENERATE VALUE.

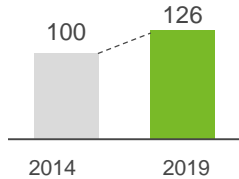
A 5-year track record of cost control and improving profits in a challenging business environment



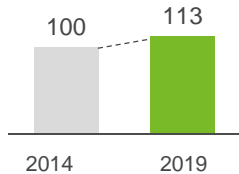
Demand (E-G Deliv.)



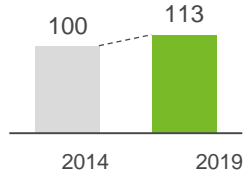
Pulp



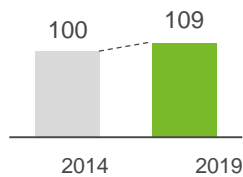
Wood



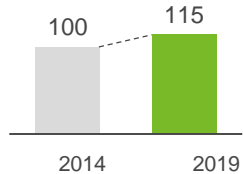
Paper Price (EU)



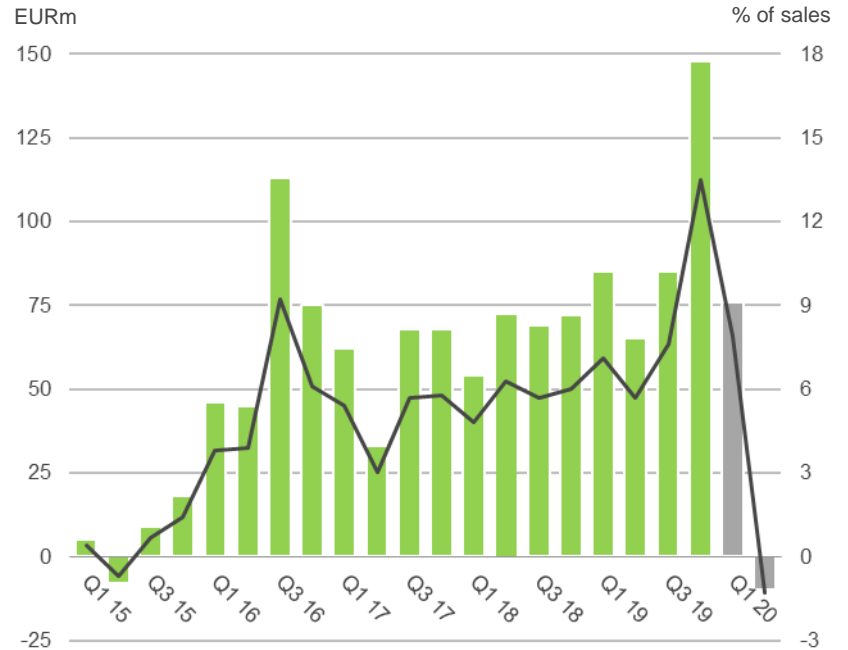
RCP



Market electricity



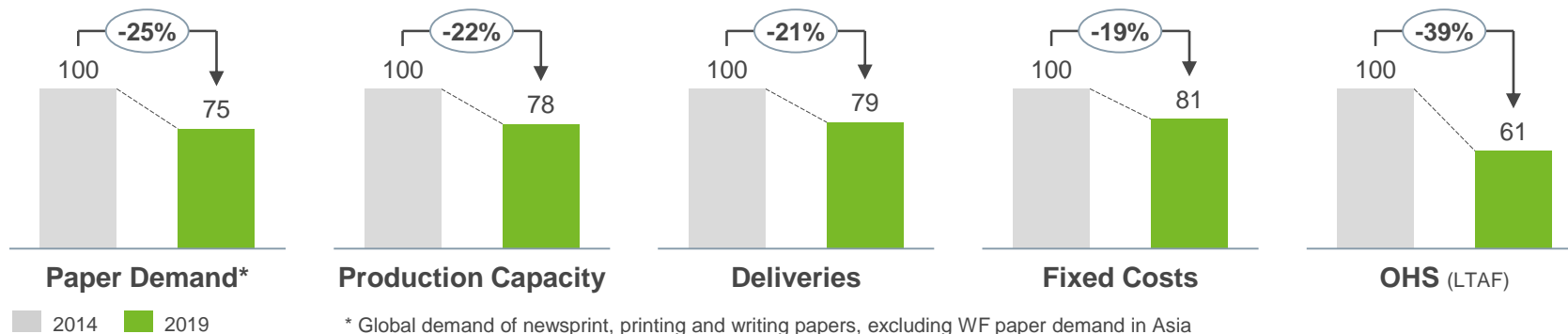
UPM Communication Papers EBIT
(excluding items affecting comparability)



Sources: RISI, PIX/FOEX, EEX, LUKE, Euro-Graph

UPM **BIOFORE-BEYOND** FOSSILS

We have continued to deliver according to our strategy with uncompromising cost competitiveness



... building the basis for continued profitable performance

- ✓ Efficient and modern assets & high asset utilization
- ✓ Tight grip on costs
- ✓ Broad product portfolio
- ✓ Strong geographical footprint
- ✓ Commercial focus

5-year (2015-19)
cumulative free cash flow

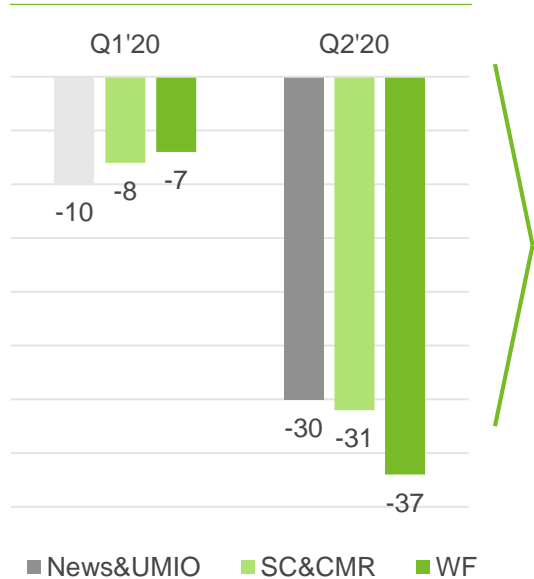
EUR 1.9bn

Source: Internal calculation and analyses based on data from Euro-Graph, PPPC, AFRY

Covid-19 – primarily a demand crisis for our business, underlining the need for cost competitiveness



Demand development in Europe in 2020 vs. 2019, %



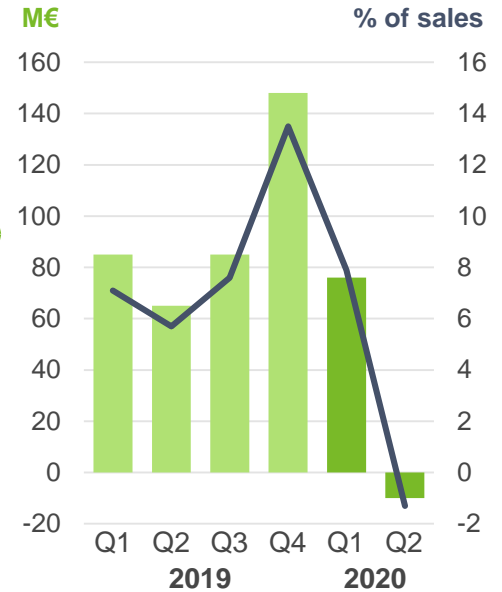
Demand effect

- Significant overall effect in Q2 market demand. Overall, UPM volume performance slightly better than the market
- Volume drop most significant for
 - Commercial print, office, non-food retail
 - For publishing in countries with high share of freesheets, kiosk and newsstand sales
 - Countries with the strictest lock-down measures

Ensuring health and safe operating conditions

- Operations were able to be continued in every mill and throughout the supply chain
- Customer service and office staff to remote work mode
- Most offices locations have reopened from June/July

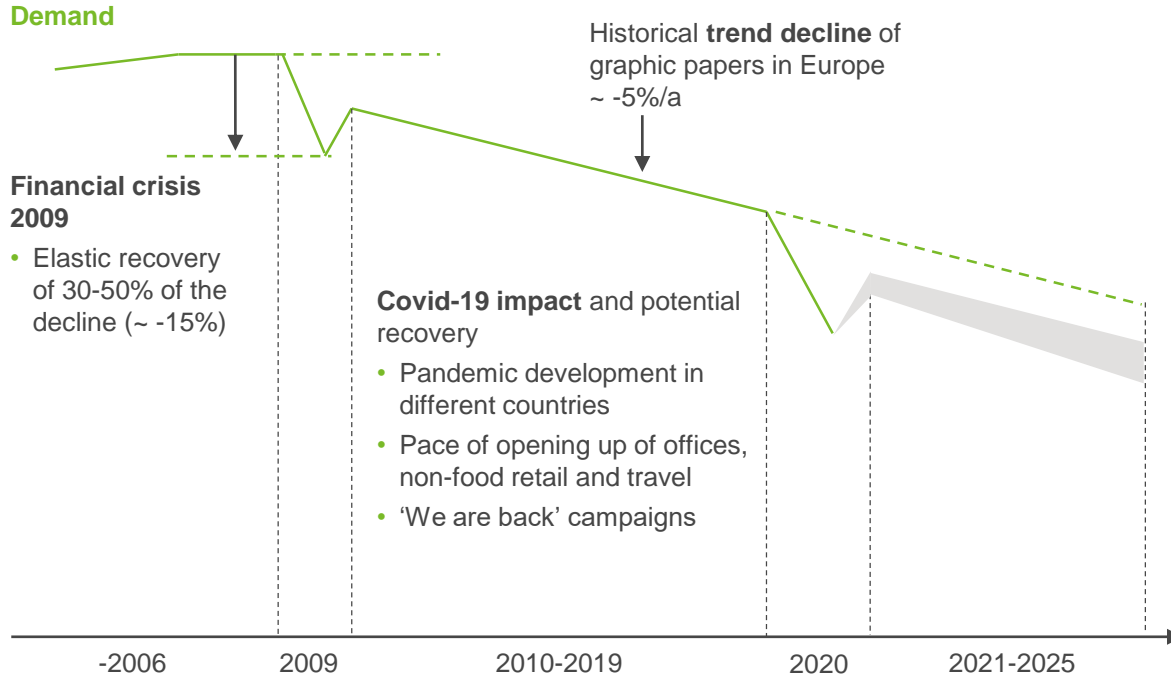
UPM Communication Papers EBIT* by Q in 2020 and 2019



* excl. items affecting comparability

Source: Euro-Graph

Paper demand impacted by the lockdowns, economic activity and structural changes^{*)}

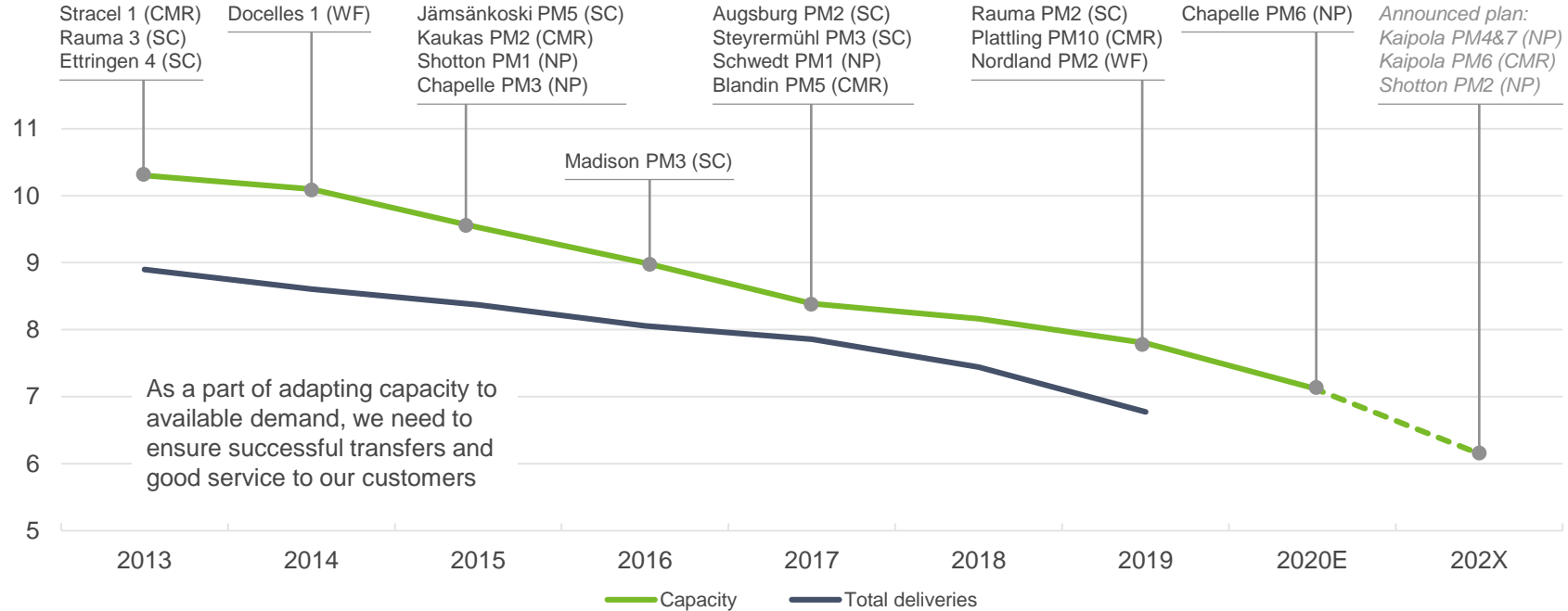


- Uncertainties for demand recovery and drivers in demand decline trend**
- Uncertain economic recovery
 - Perpetuation of “new” consumption and digitalization trends
 - Trend towards digital publishing and subscription models, cost of distribution
 - Growth of e-commerce, digital customer engagement and promo in retail
 - Adaption of digital records and work flows in administration, business and education
 - Paper as ‘chill media’ for healthy offline time
 - Trust in media, effectiveness of print promo

Adapting to demand decline trend requires active capacity management and cost competitiveness



UPM Communication Papers capacity and deliveries, Mt - PM exits in recent years and announced plans



Applying digital technologies to improve customer experience, productivity, cost efficiency and safety



Customer experience



- Online ordering service available 24/7
- Use of AI

Quality, productivity and cost efficiency



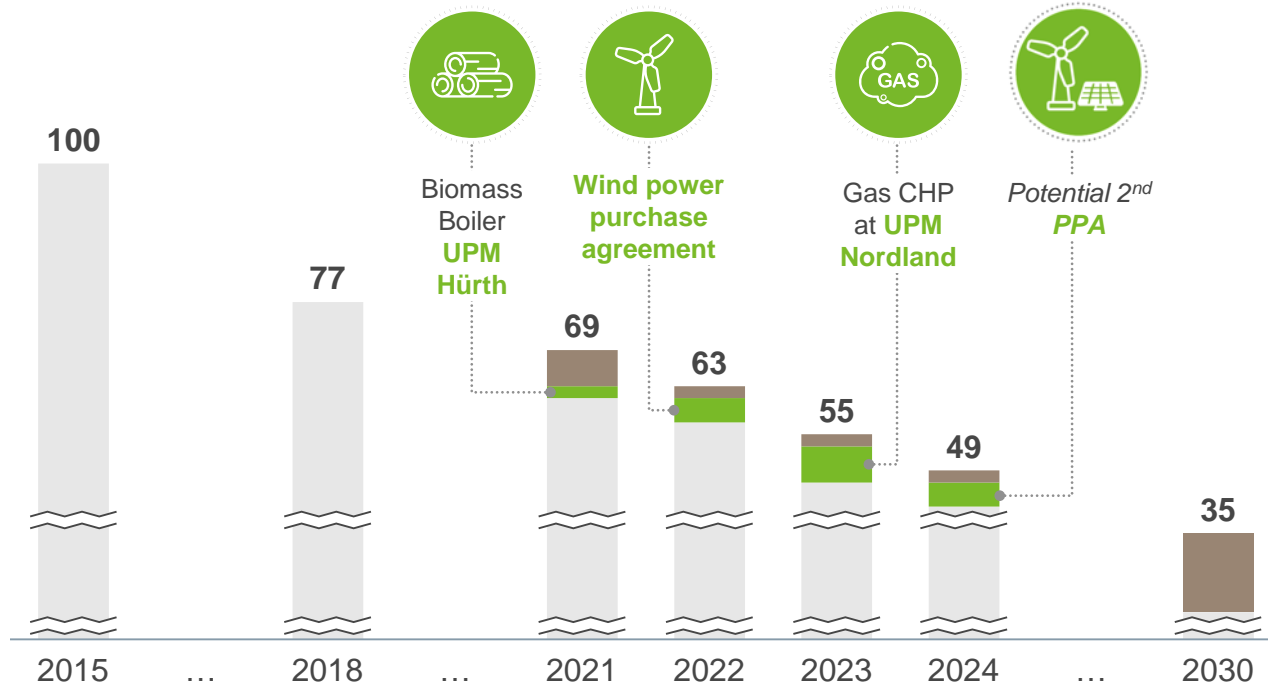
- Process control, predictive maintenance
- Improved productivity, faster response
- Reduced need of human intervention or interpretation
- Releasing employee time from repeating administrative tasks
- Process efficiency and compliancy
- Safety

UPM Communication Papers – Made of sustainability

Planned measures for CO₂ reduction



UPM Communication Papers CO₂ emissions, index 100% in 2015



UPM Communication Papers has committed to a clear CO₂ reduction path and will reduce its overall CO₂ emissions by 65% by 2030

Summary of key messages



- We are the industry leading company and committed to paper
- Communication Papers has proven it can deliver a solid financial performance with uncompromising cost competitiveness
- Covid-19 is primarily a demand crisis for our business which we can address by capacity management, cost efficiency actions and good customer care
- The market reality has been firmly embedded in the business strategy
- Performance focus remains at the heart of everything we do
- We innovate and develop our business to secure our strong market position, improve operational efficiency, customer experience and safety
- Our energy agenda and actions reduce emissions and strengthen competitiveness
- With the graphic paper market of exceeding 70Mt globally and over 20Mt in Europe, we remain convinced that there is a profitable future for competitive players

UPM **BIOFORE**
BEYOND FOSSILS

