



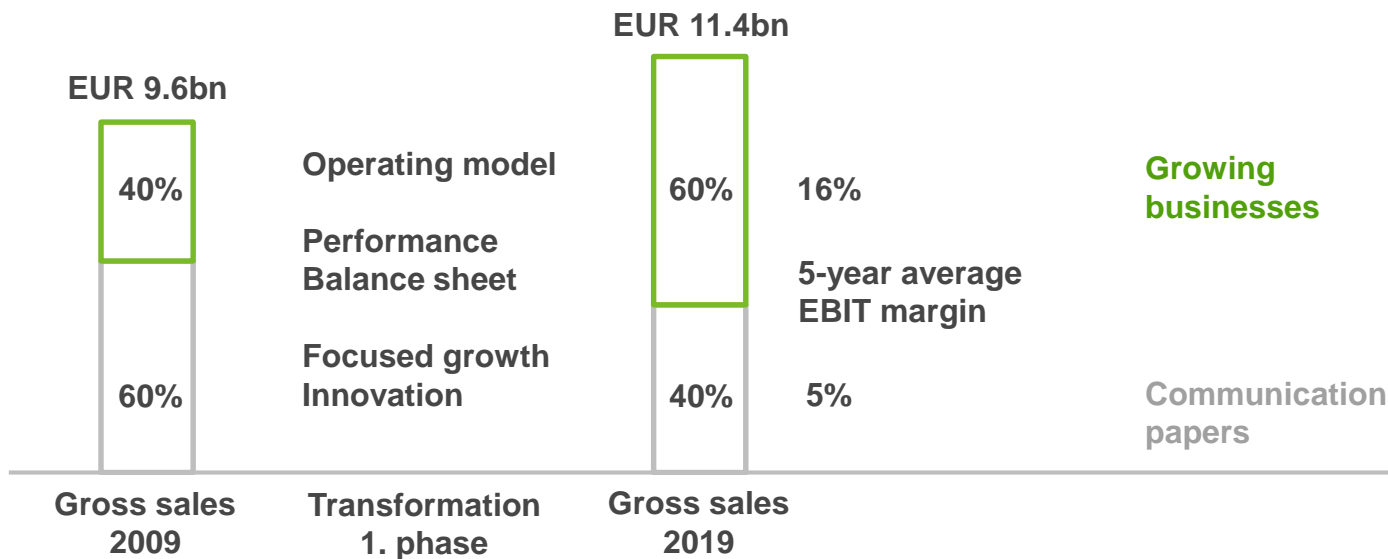
# Driving performance

Tapio Korpeinen

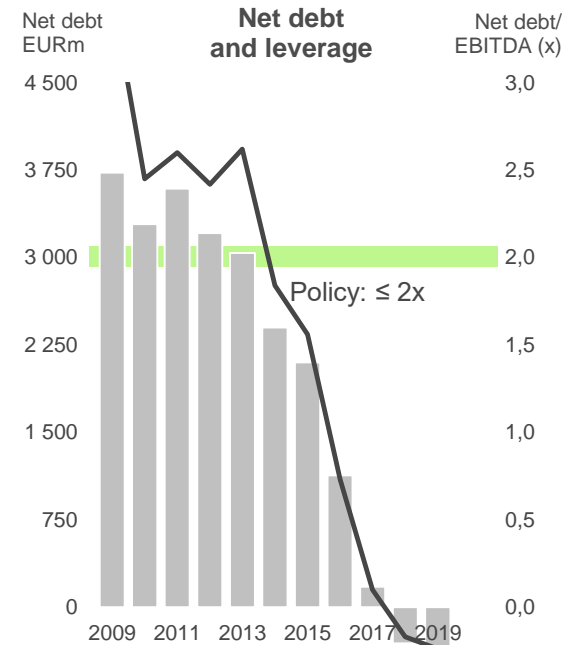
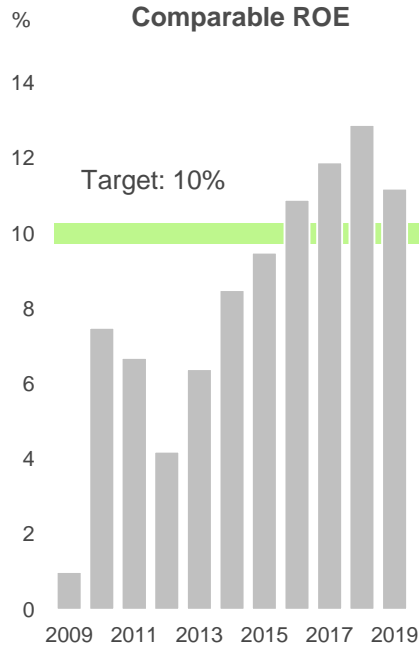
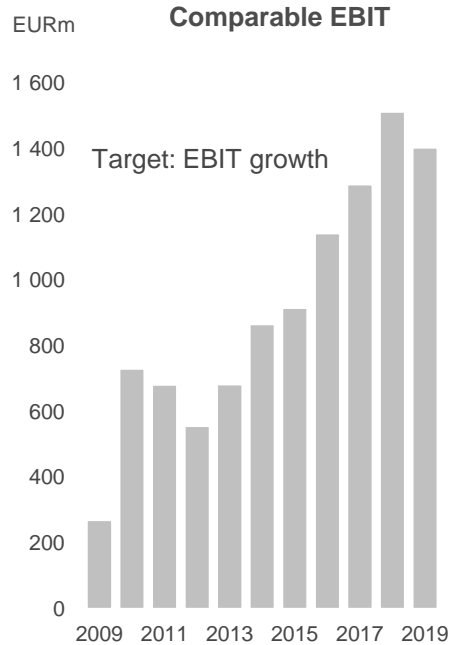
CFO, Executive Vice President, UPM Energy

9 September 2020

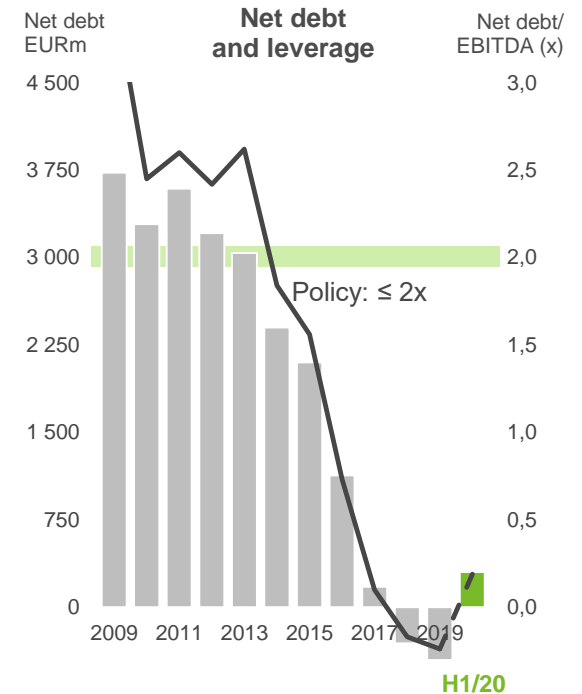
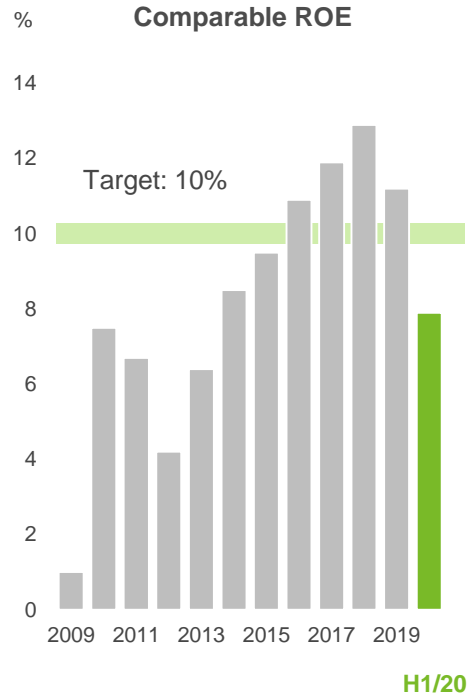
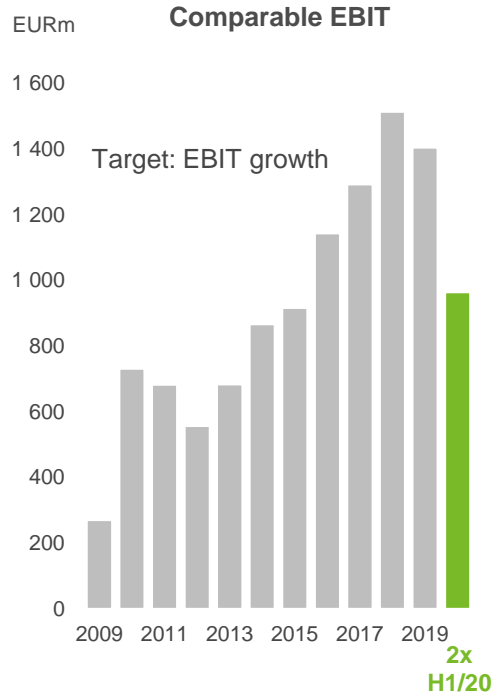
# Transformation – driving performance, fixing the balance sheet and preparing the growth platform



# Transformation is visible in financial performance



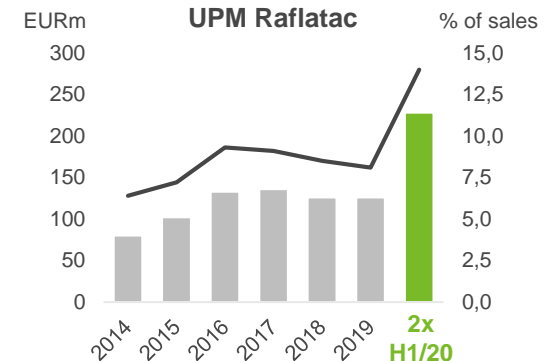
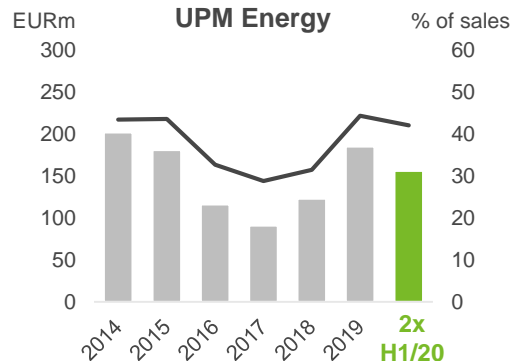
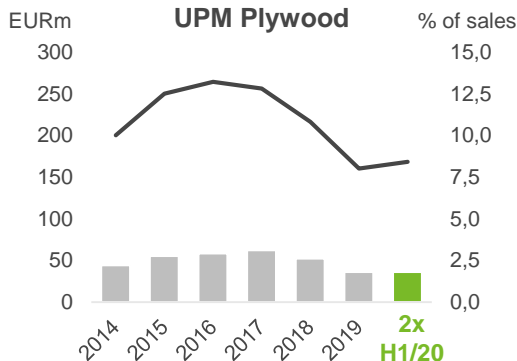
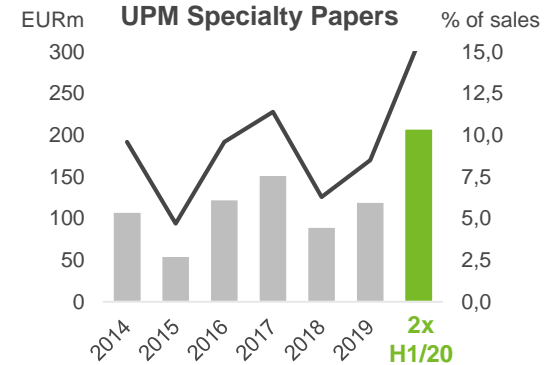
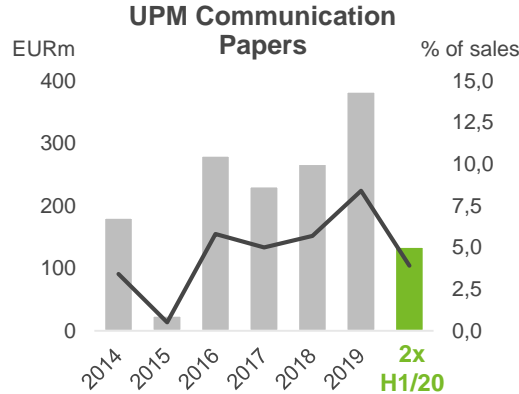
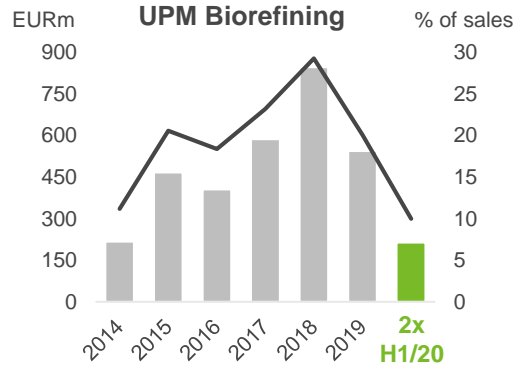
# COVID-19 crisis is not the new normal



# UPM business model delivers performance also in exceptional circumstances



## Comparable EBIT by business area



# Continuously taking action to ensure performance



## UPM Communication Papers

- UPM Plattling PM 10 (LWC)  
-155kt closed down in Q3 2019
- UPM Rauma PM 2 (SC)  
-265kt, closed down in Q4 2019
- UPM Nordland PM2 (fine)  
-200kt, conversion to release liner in Q1 2020
- UPM Chapelle (newsprint)  
-240kt, closed down in Q3 2020
- UPM Kaipola (newsprint, LWC)  
-720kt, planned closure in Q4 2020
- UPM Shotton (newsprint)  
-250kt, planned sale
- New power plant in UPM Nordland  
in Q3 2022

Annual  
cost savings  
vs. H1 2020  
**EUR 120m**

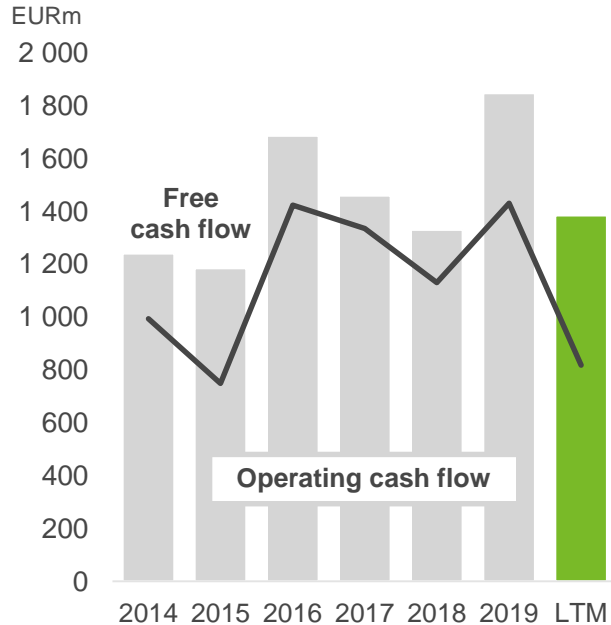
## All business areas and functions

- UPM Jyväskylä plywood mill closure  
in Q3 2020
- Planned cost efficiency actions in UPM Biorefining,  
UPM Specialty Papers, UPM Raflatac
- Continuous improvement programmes for  
variable costs, working capital, commercial  
strategies, maintenance costs, safety,  
environmental performance
- Efficient use of assets
- Fixed cost reduction
- Product and mix development
- Digitalisation  
Customer interface, planning, data analytics



# Robust cash flow

# Robust cash flow

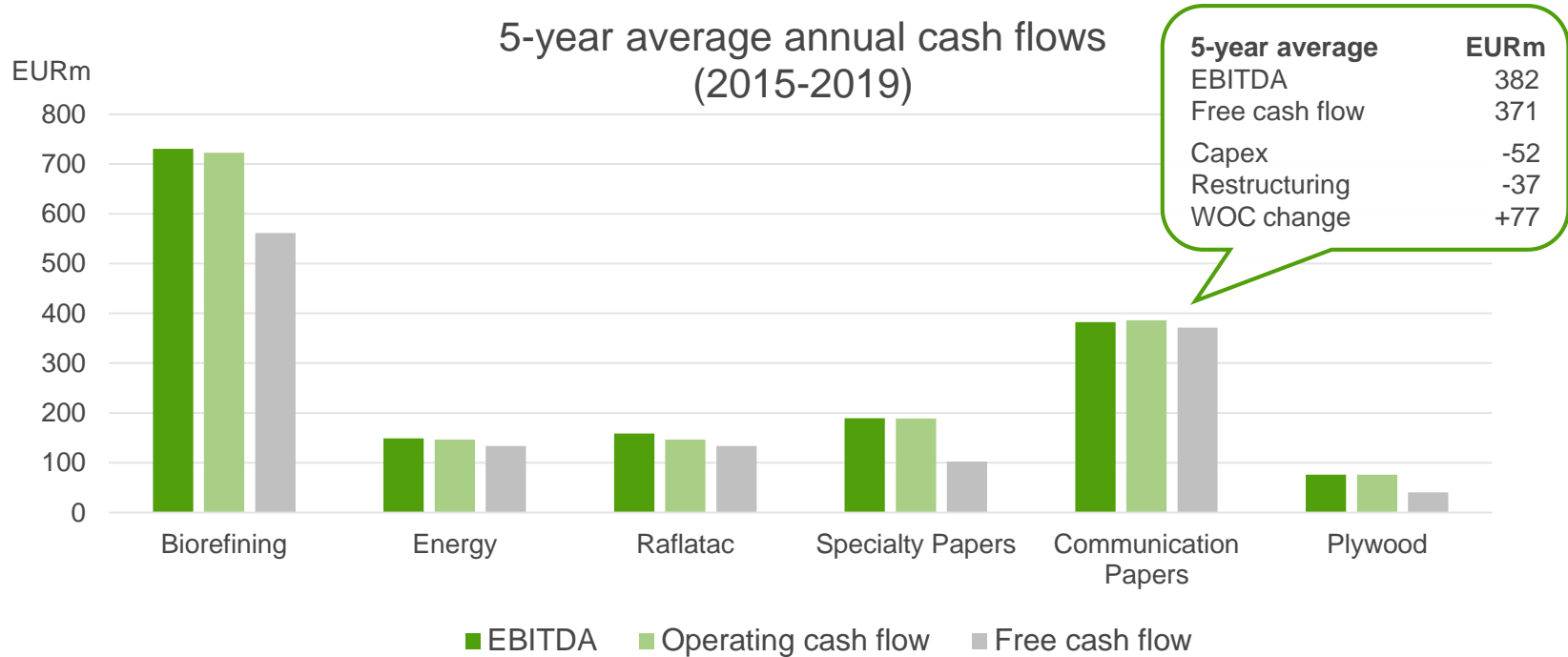


## 5-year average annual cash flows (2015-2019)

EBITDA	EUR 1,661m
Restructuring costs	EUR -39m
Working capital release	EUR +69m
Finance costs and taxes	EUR -214m
Operating cash flow	EUR 1,502m
Free cash flow	EUR 1,215m

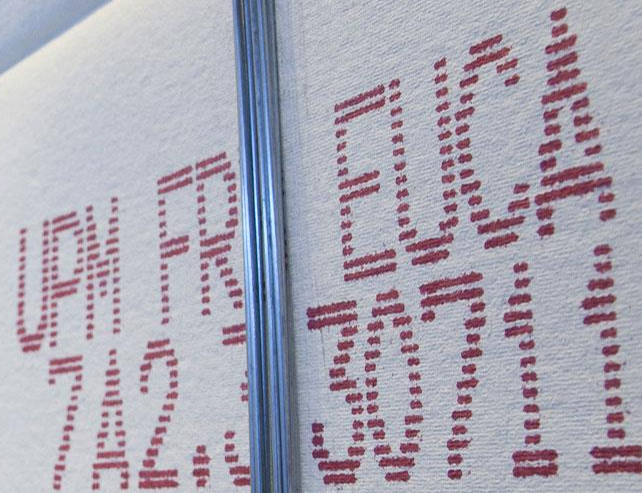


# All UPM businesses are cash generative





UPM

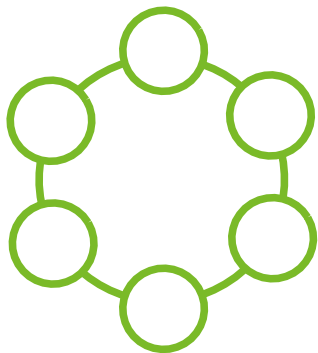


# Capital allocation

# Our view on capital allocation for the next 5 years\*) is intact



Performance focus  
Strong cash flow



Attractive dividend  
EUR ~3.5–4bn

High return  
investments  
EUR ~4-4.5bn

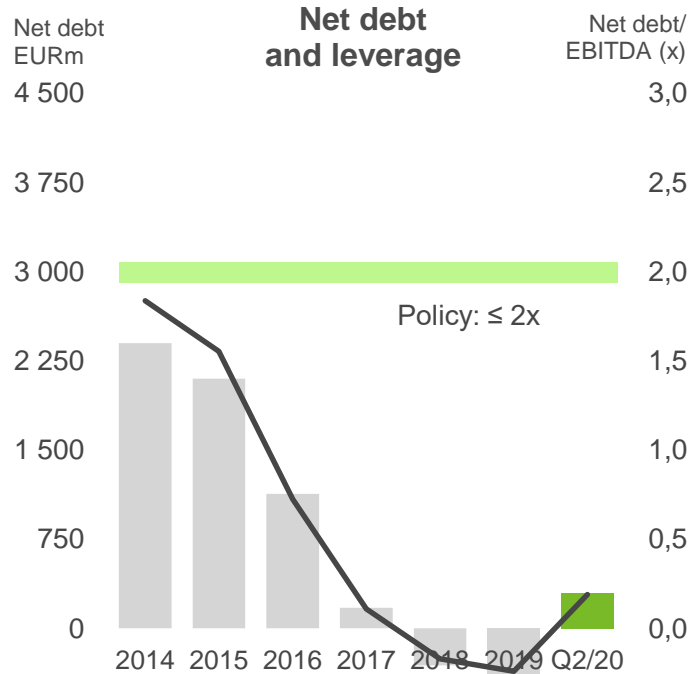
Industry-leading  
balance sheet

Net debt/  
EBITDA  
< 2X

Maintain headroom

\*) Illustration,  
this is not a forecast

# Strong financial position

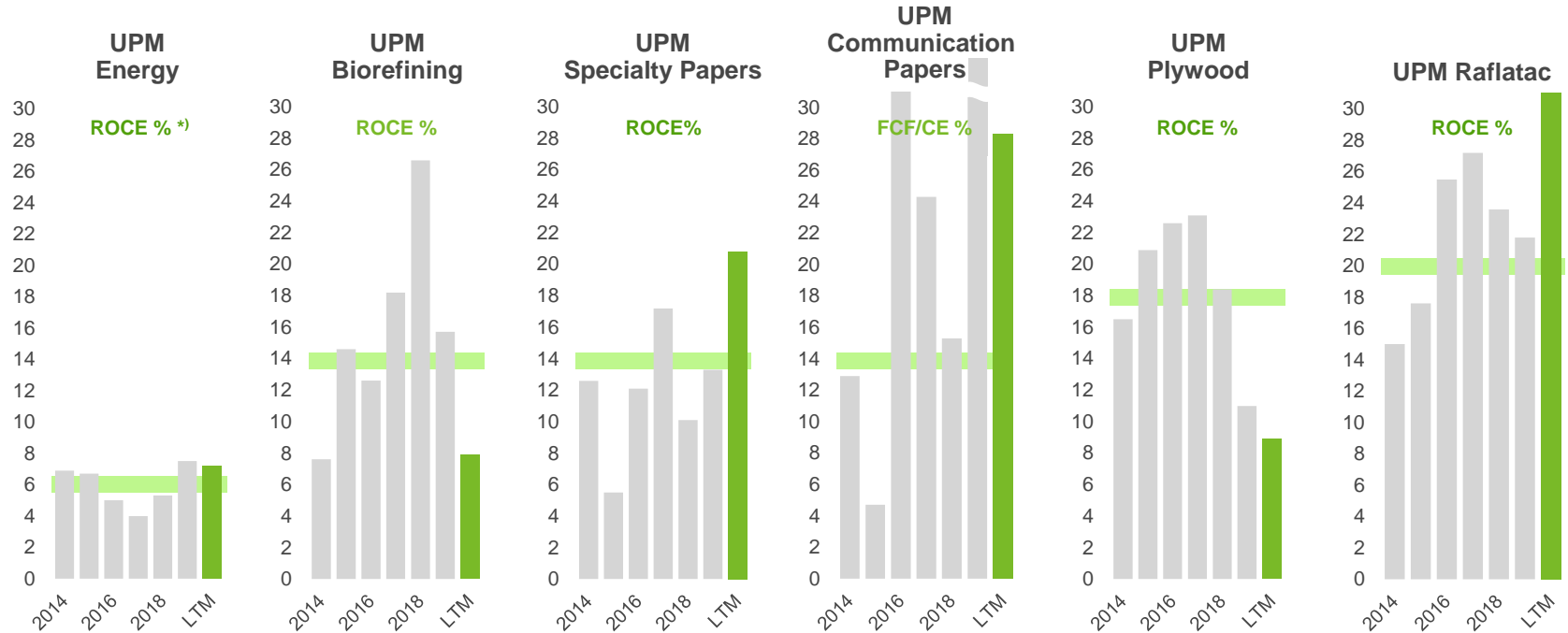


- Net debt EUR 301m at the end of Q2
- Cash funds and committed credit facilities EUR 2.0bn at the end of Q2
- No financial covenants
- Investment grade ratings
  - Moody's Baa1 Stable outlook
  - S&P BBB Stable outlook



# Attractive returns

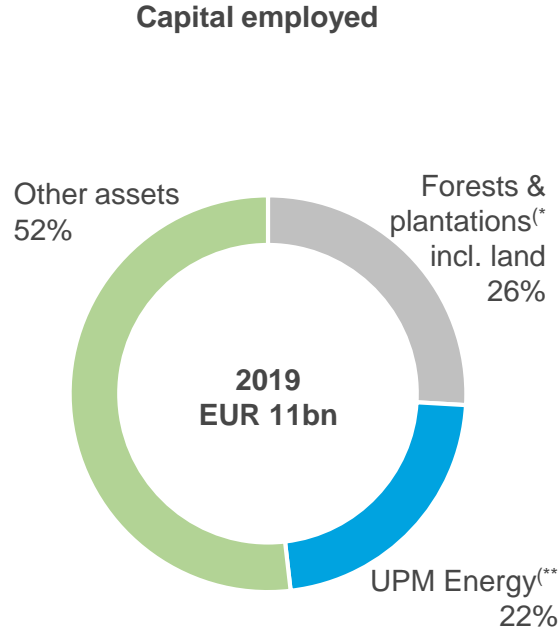
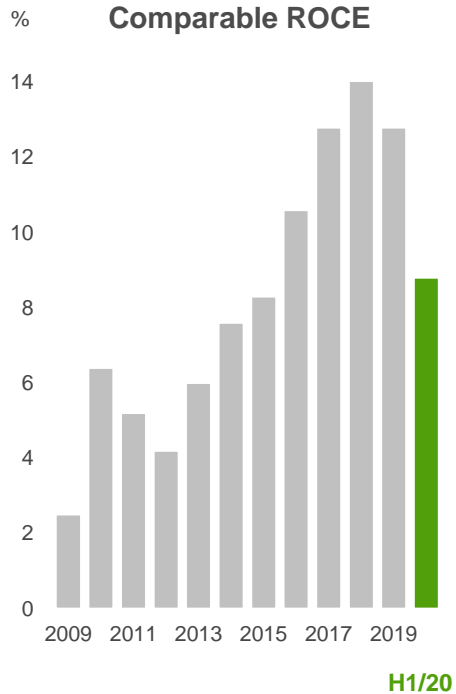
# Business area returns and long-term targets



\*) shareholdings in UPM Energy valued at fair value

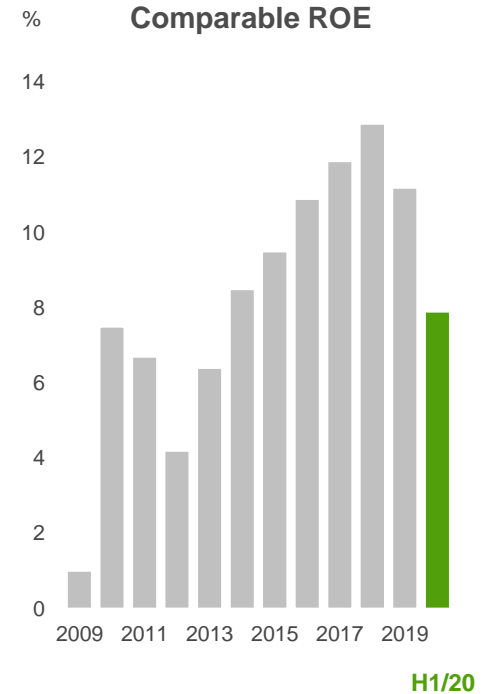
Long-term return target

# Group returns influenced by forests, plantations, energy assets and debt-free balance sheet



\*) growing trees valued at fair value

\*\*) energy shareholdings valued at fair value

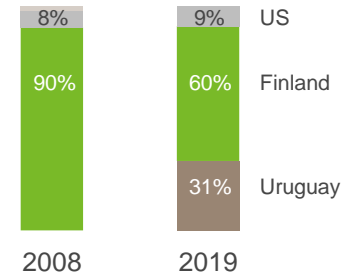


# Developing our forest assets

## UPM forests and plantations

	2008	2019
Forest and plantation land (own and rented) (1,000 ha)	1,012	991
Forest growth (million m <sup>3</sup> )	4.3	8.9
Wood sourced from UPM forests and plantations (million m <sup>3</sup> )	2.2	3.7
Value of forests and plantations, including land (EURm)	1,270	2,864

## 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





# UPM Energy ROCE

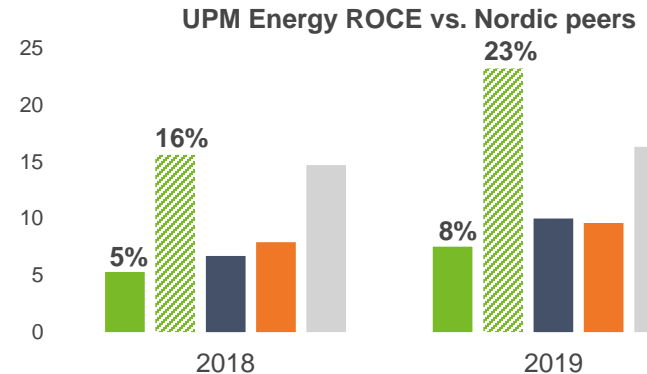
UPM Energy assets are cost competitive and nearly CO<sub>2</sub>-free

UPM Energy shareholdings are valued at fair value

Energy market transformation is ongoing

- UPM Energy comparable ROCE: shareholdings at fair value
- ▨ UPM Energy ROCE if calculated based on acquisition cost
- Fortum
- Vattenfall
- Statkraft

Source: Companies' financial reports, UPM



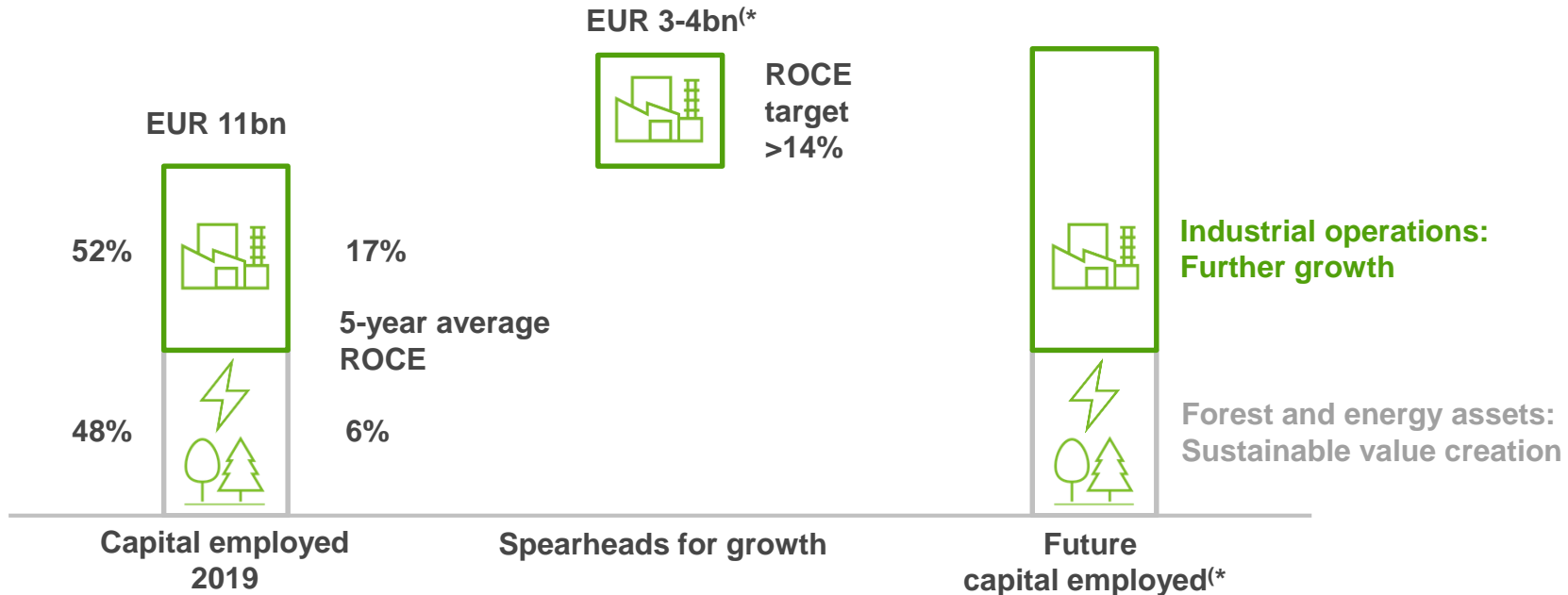


# Summary



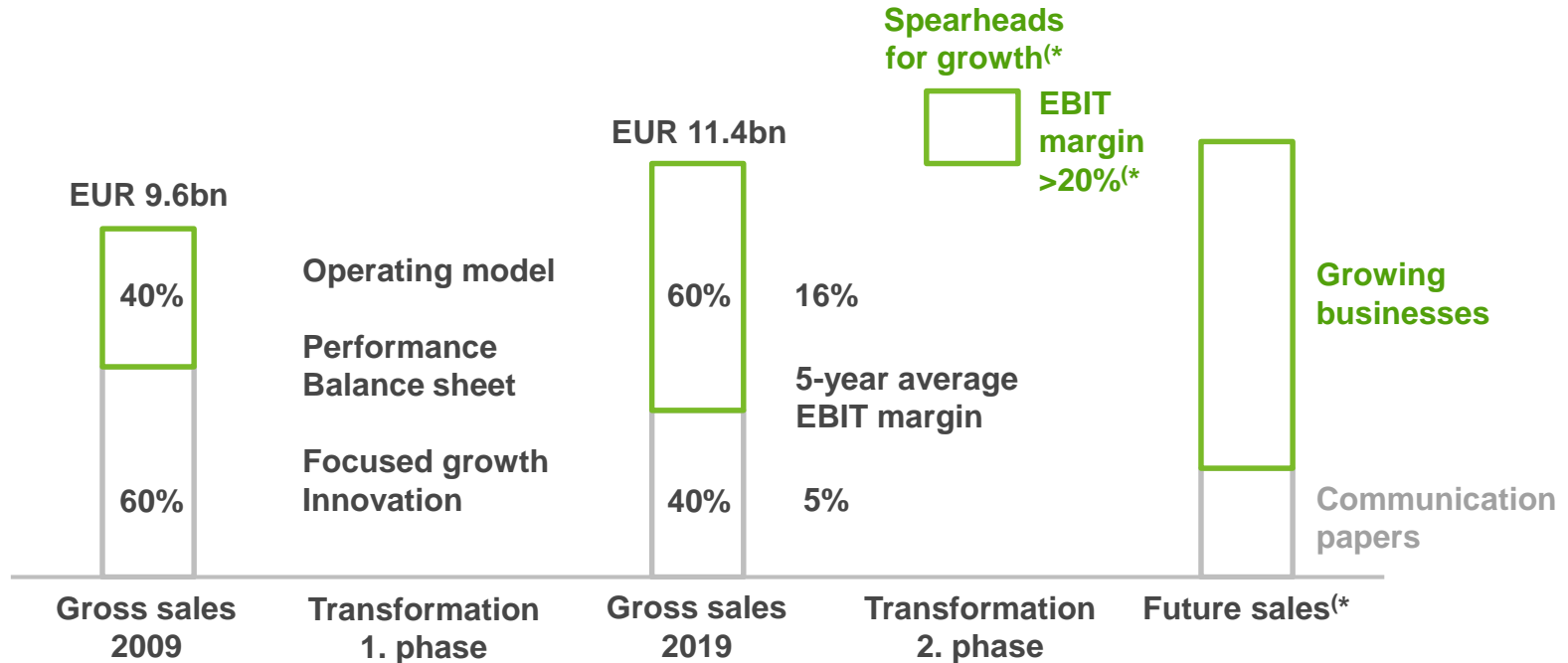
UPM **BIOFORE-BEYOND** FOSSILS

# Transformation improves UPM's asset mix, driving returns



\*) This is an illustration, not a forecast

# Spearheads for growth – improving business mix drives earnings, cash flow and shareholder value



\*) This is an illustration, not a forecast

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**BEYOND** FOSSILS

