

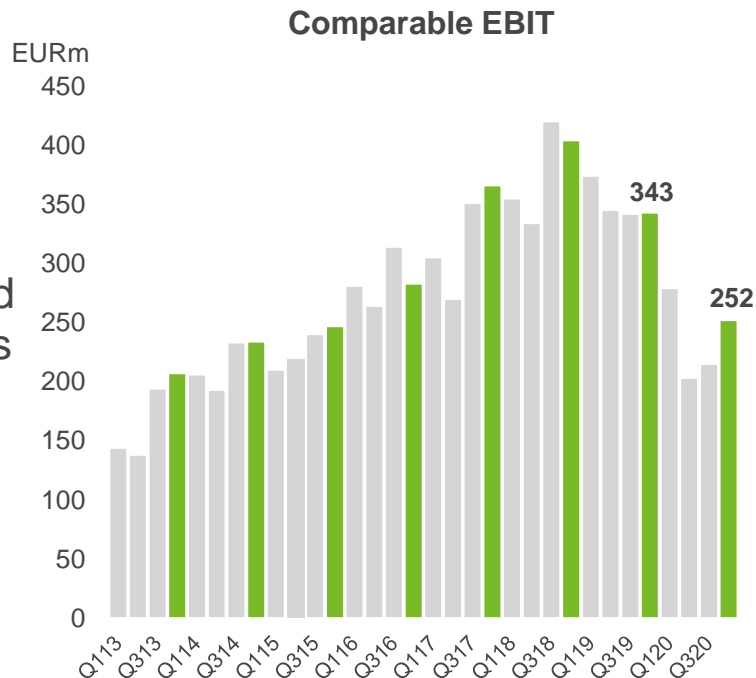
UPM financial statements release 2020

Jussi Pesonen
President and CEO
28 January 2021

Q4 2020: positive finish to the exceptional year – transformative projects on budget and on schedule



- Sales decreased by 11% to EUR 2,188m (2,447m in Q4 2019)
- Comparable EBIT was EUR 252m, 11.5% of sales, down 27% from last year (343m)
- Successful health and safety measures enabled uninterrupted business operations and progress in transformative growth projects
- The year ended on a positive note, with good demand for UPM's products



Our focus areas during the exceptional year 2020



ENSURING PERFORMANCE



TRANSFORMATIVE GROWTH PROJECTS



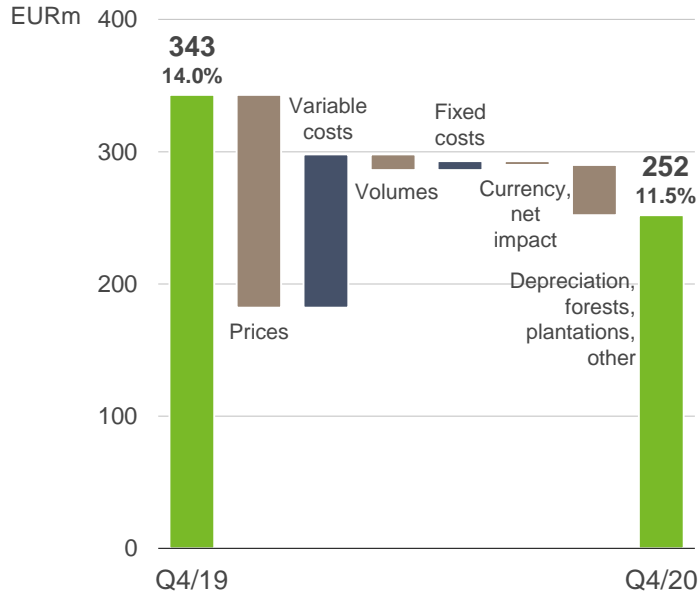
Mixed COVID-19-related demand impacts

- UPM Communication Papers' market demand most affected by lockdowns and other containment measures
 - Demand in Europe -8% in Q1, -32% in Q2, -18% in Q3 and -14% in Q4 y-o-y.
- UPM Raflatac and UPM Specialty Papers benefited from strong demand for daily consumer goods and growth in e-commerce
 - Demand for self-adhesive labels in Europe +7% in Q1, +10% in Q2, -3% in Q3 due to destocking, and +7% in Q4 y-o-y.
- Pulp demand held up well, supported by good demand for tissue and many packaging and specialty paper products. China led the demand growth.

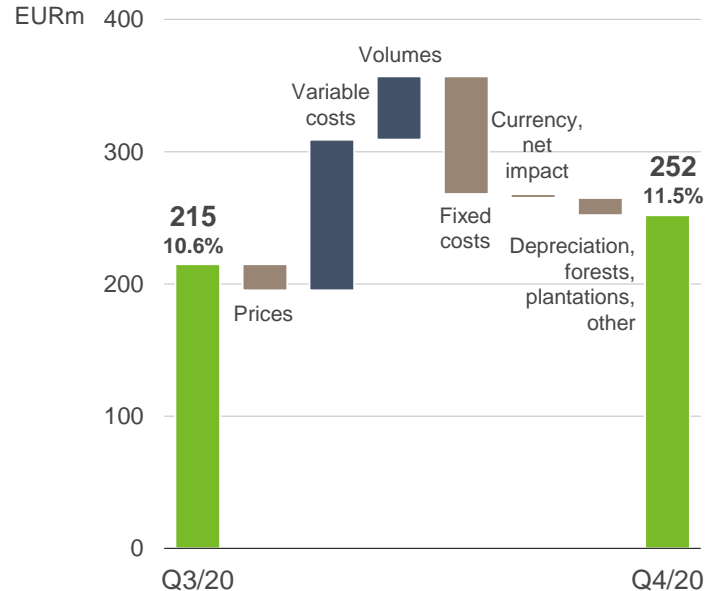


Comparable EBIT in Q4 2020

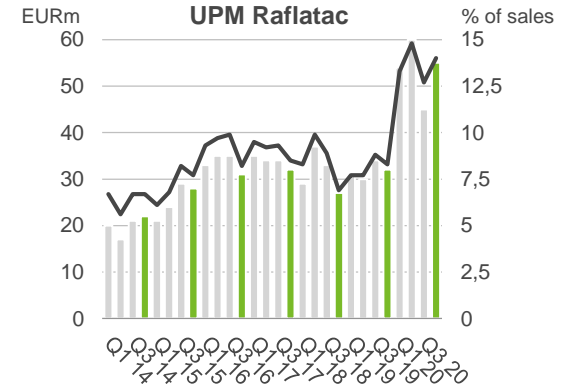
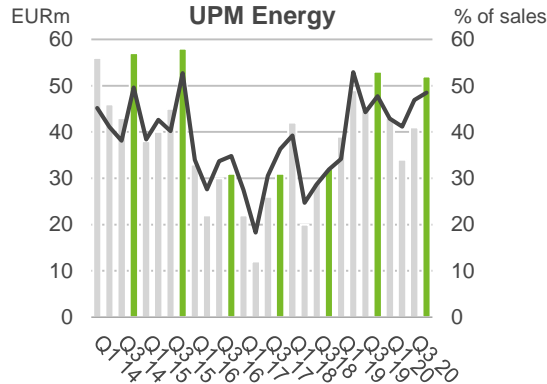
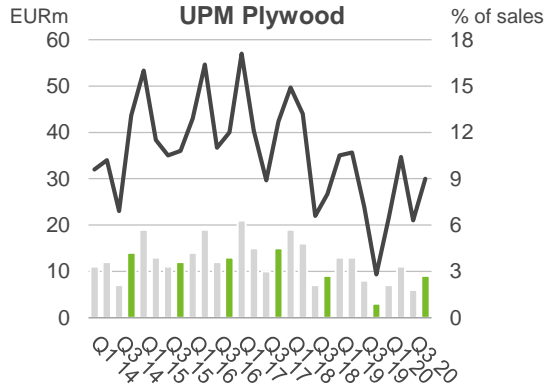
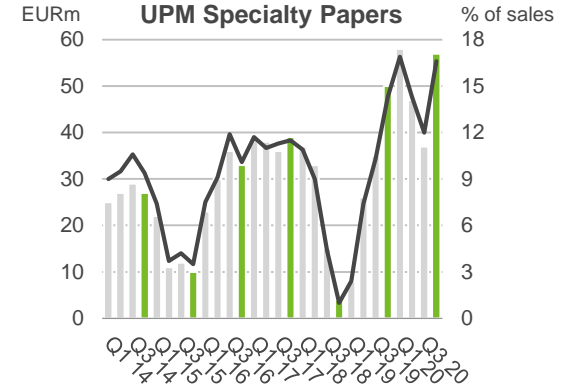
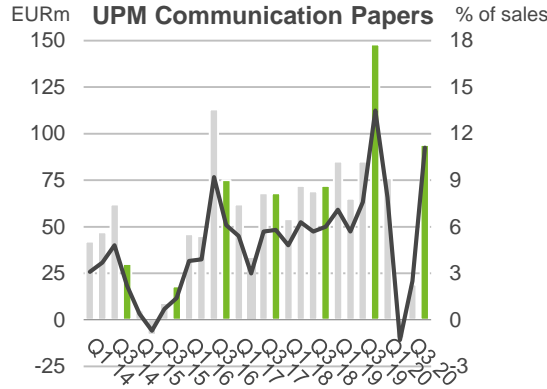
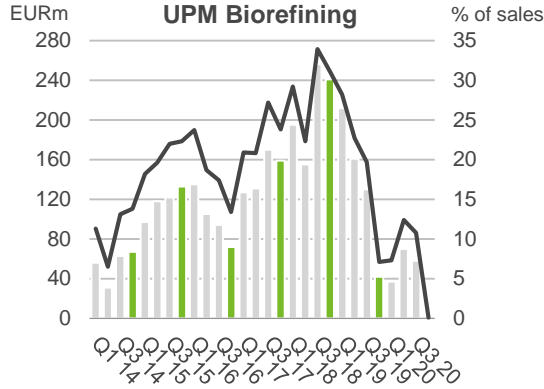
Sales prices decreased, outweighing the impact of lower variable costs. Deliveries decreased for Communication Papers but grew for other businesses.



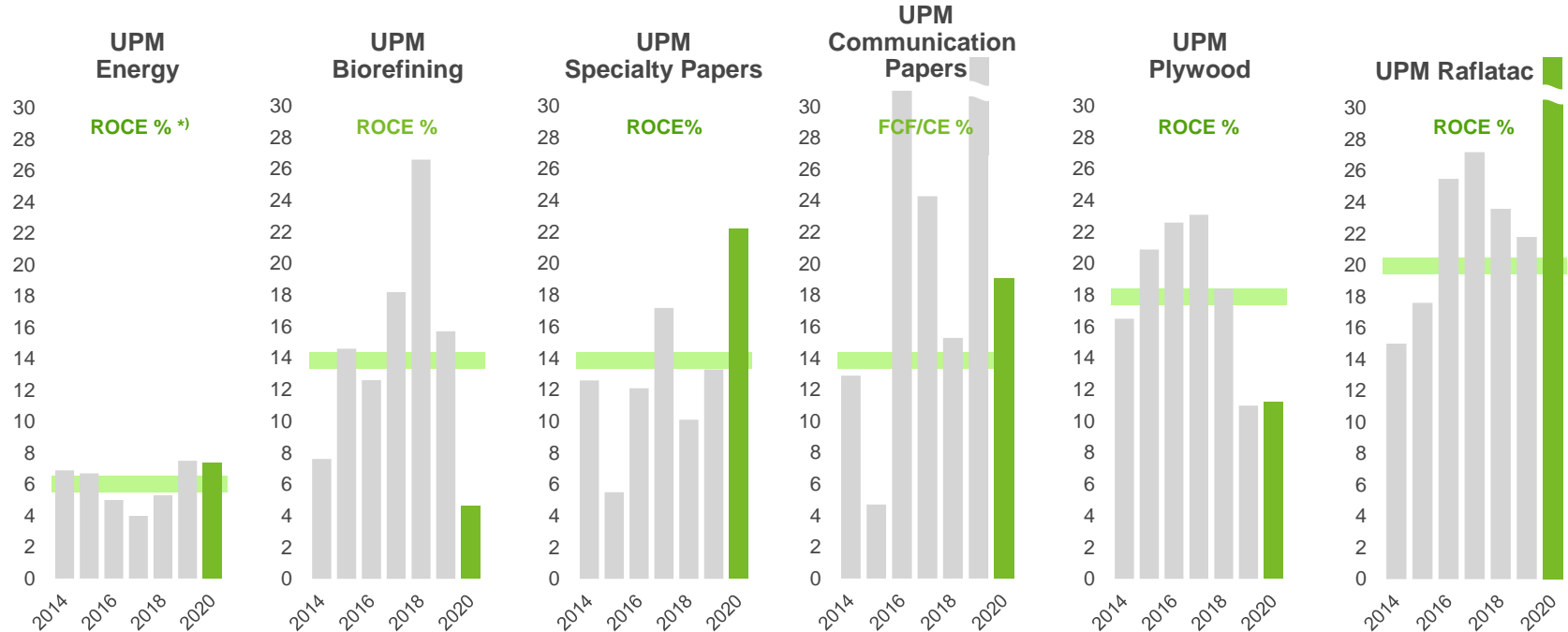
Variable costs decreased and deliveries increased, both partly seasonally. Fixed costs significantly higher due to high maintenance activity and seasonal reasons.



Comparable EBIT by business area



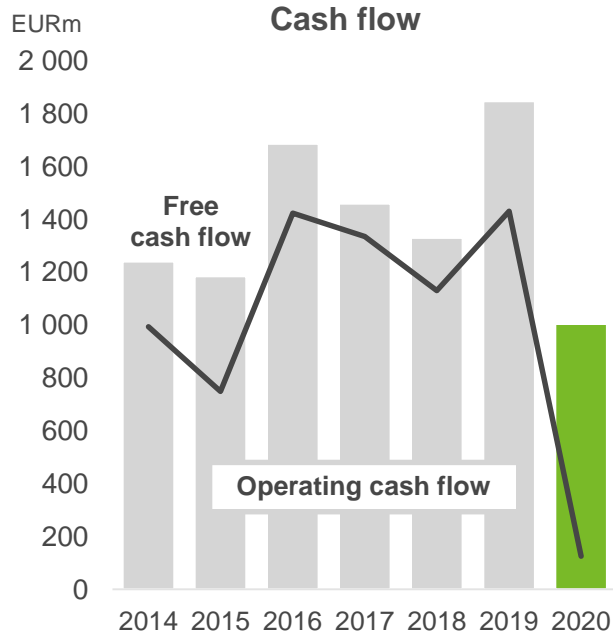
Business area returns and long-term targets



*) shareholdings in UPM Energy
valued at fair value

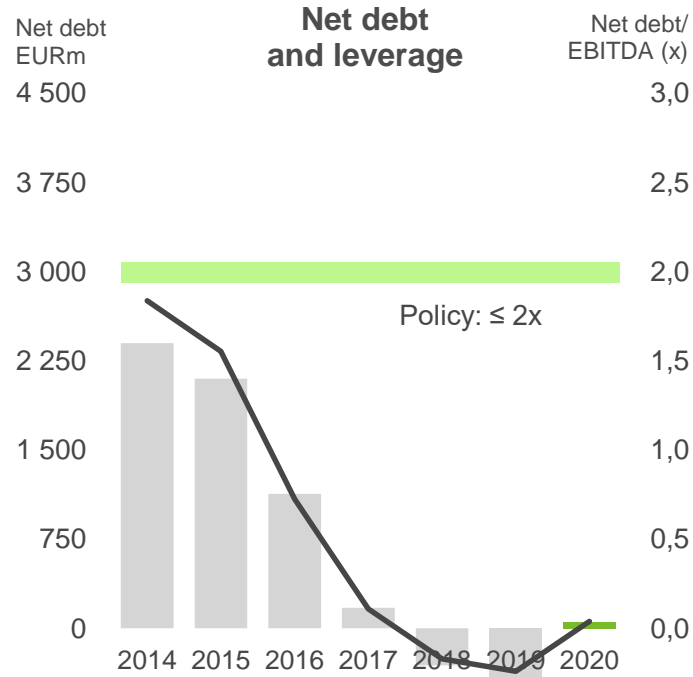
Long-term return target

Robust cash flow



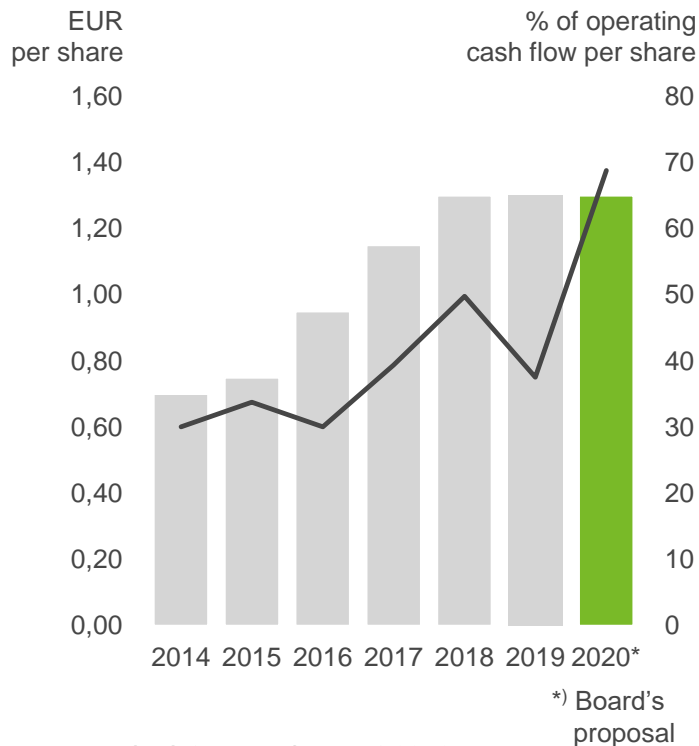
- Q4/20: operating cash flow was EUR 347m (592m in Q4/19)
 - Working capital decreased by EUR 72m (decreased by 227m in Q4/19)
- 2020: operating cash flow was EUR 1,005m (record of EUR 1,847m in 2019)
 - Working capital increased by EUR 93m (decreased by 276m in 2019)

Strong financial position



- Net debt EUR 56m at the end of 2020
- Cash funds and committed credit facilities EUR 3.2bn at the end of Q4
- UPM issued a EUR 750m Green Bond in Q4
- Liquidity includes a EUR 750m sustainability-linked revolving credit facility signed in Q1 and bilateral committed credit facilities totalling EUR 550m signed in Q2
- No financial covenants

Dividend proposal: unchanged at EUR 1.30 per share



Long term dividend policy

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

Dividend proposal for 2020

- EUR 1.30 (1.30) per share, totalling EUR 693m
- 69% of 2020 operating cash flow

Outlook for 2021



- The global economy is expected to start recovering in 2021 from the deep downturn experienced in 2020. World regions will progress at different pace, and China is leading this development. Demand for most UPM products is influenced by overall economic activity and hence, depends on the shape and rate of the economic recovery.
- The COVID-19 pandemic continues to cause significant uncertainty in 2021. In 2020, lockdowns had a significant negative impact on graphic paper demand but supported the strong demand for self-adhesive labelling materials and specialty papers. Opening of the economies is likely to allow for some normalisation of these demand impacts. However, further waves of the pandemic and related lockdowns remain possible.
- In the beginning of 2021, pulp prices are expected to increase compared with Q4 2020. Paper prices are expected to decrease moderately, compared with Q4 2020.
- UPM will continue to implement measures to decrease fixed and variable costs.
- UPM's comparable EBIT in H1 2021 is expected to be lower than in H1 2020, due to lower paper prices and higher maintenance activity. Comparable EBIT is expected to recover in H2 2021.

Our focus areas in the coming quarters



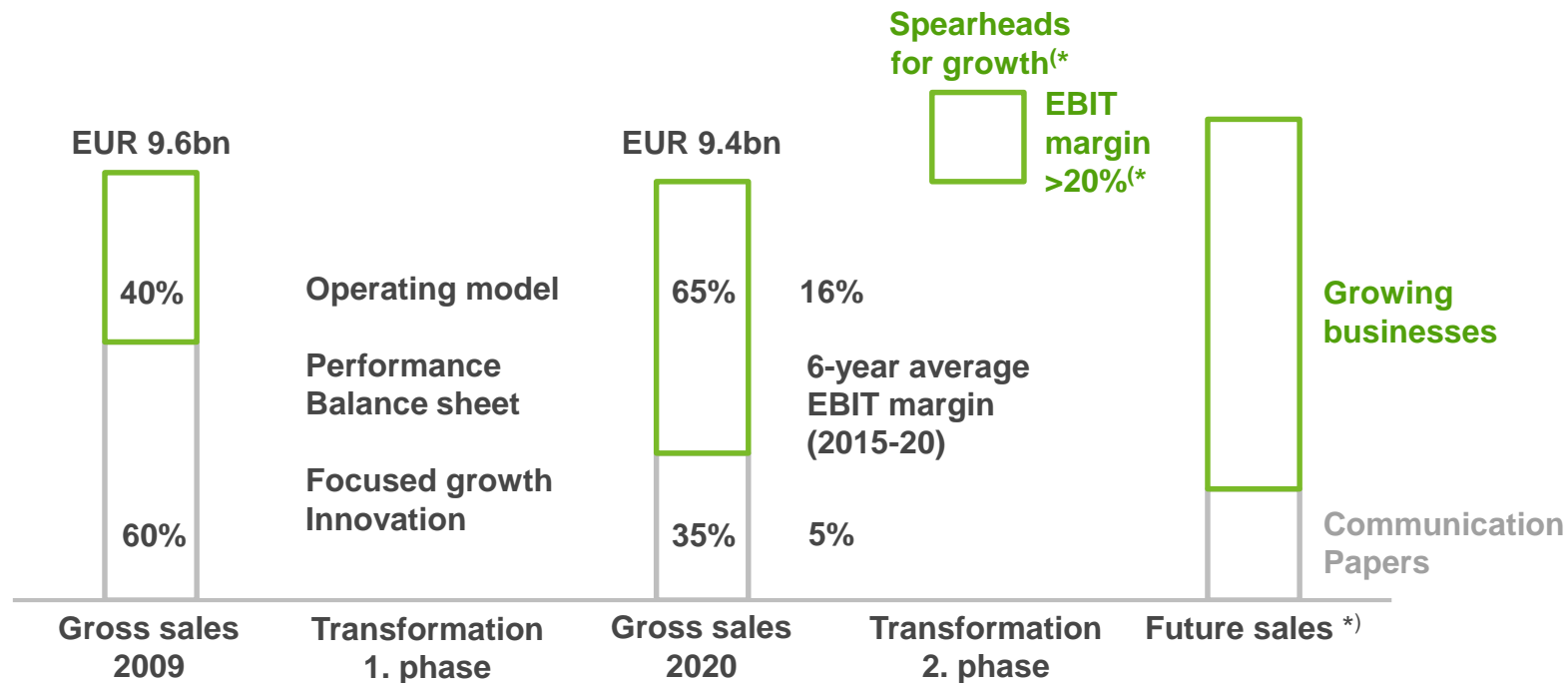
ENSURING PERFORMANCE



TRANSFORMATIVE GROWTH PROJECTS

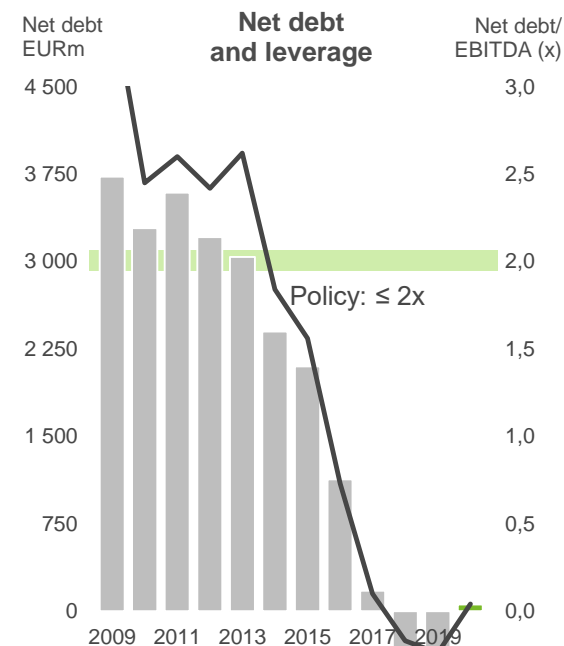
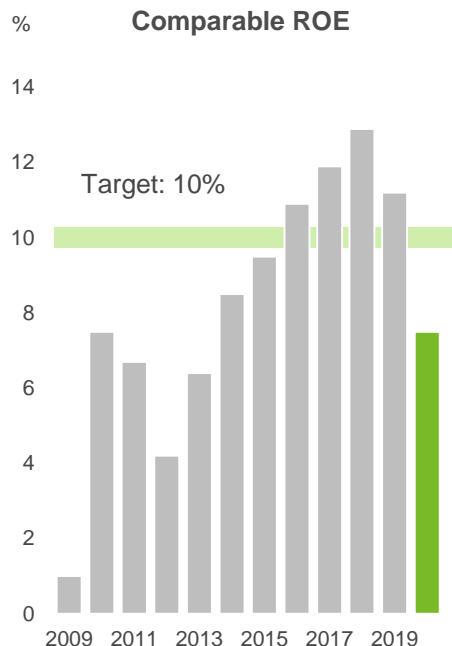
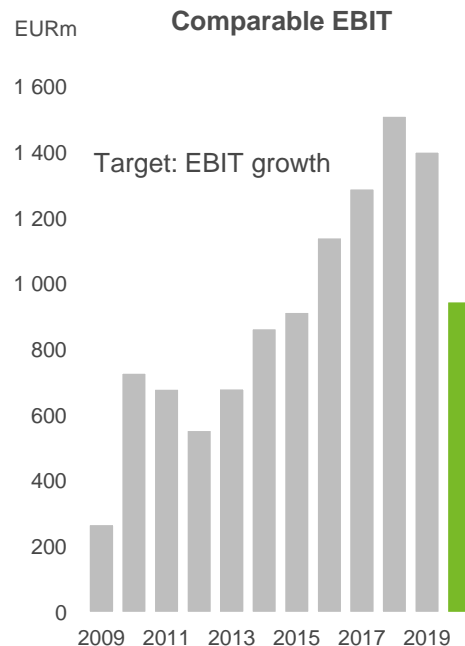


Spearheads for growth – improving business mix drives earnings, cash flow and shareholder value

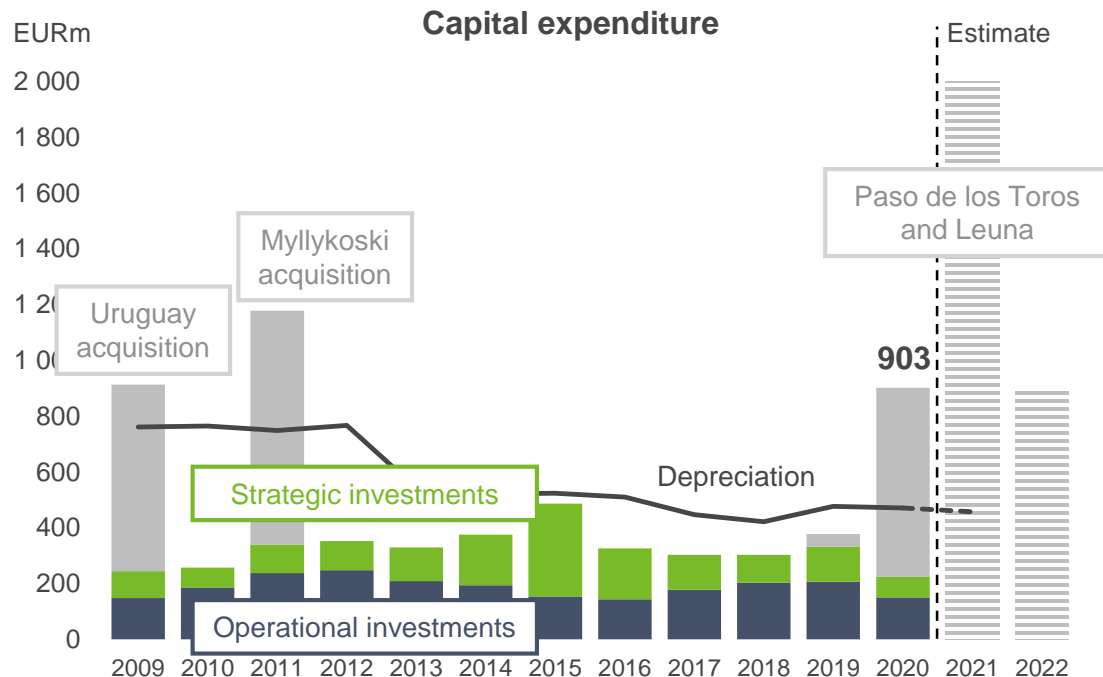


^(*) This is an illustration, not a forecast

Transformation is visible in earnings and balance sheet



Transformative growth projects in the most intensive phase in 2021



Capex estimate for 2021

- Total EUR 2,000m
- Includes EUR 1,800m on the transformative growth projects, pulp in Uruguay and biochemicals in Germany
- Operational investment needs consistently low

Progress in UPM Paso de los Toros and the Montevideo port



UPM's growth plans in biofuels progress to the next stage



UPM starts the basic engineering phase of a potential next generation biorefinery, with annual capacity of 500,000t of high-quality renewable fuels, including sustainable jet fuel.

The products would significantly reduce carbon footprint in road transport and aviation, as well as replace fossil raw materials with renewables in chemicals and bioplastics.

The planned biorefinery would scale up UPM's successful biofuels business. It would further improve long term competitiveness and sustainability performance of UPM Biofuels by introducing several sustainable feedstocks and achieving uniquely high CO₂ reduction compared to biofuels currently on the market.

Primary locations: Kotka, Finland and Rotterdam, the Netherlands

The estimated duration of the basic engineering phase: minimum 12 months



Long-term value creation driven by our spearheads for growth



SPECIALTY PACKAGING MATERIALS

Label
materials

Specialty
papers

Communication papers

HIGH VALUE FIBRE

Forests

Pulp

Plywood

MOLECULAR BIOPRODUCTS

Biofuels

Biochemicals

Energy

UPM's climate commitment – driving long-term value creation



UPM **BIOFORE-BEYOND** FOSSILS



We act through **FORESTS**
Climate-positive forestry



We act through **EMISSIONS**
65% less CO₂ emissions



We act through **PRODUCTS**
Innovate novel products

**BUSINESS
AMBITION FOR**

1.5°C



**OUR ONLY
FUTURE**



Industry leader in responsibility



CLIMATE FORESTS WATER

Member of
**Dow Jones
Sustainability Indices**

Powered by the S&P Global CSA



Global Compact
LEAD
2020 PARTICIPANT

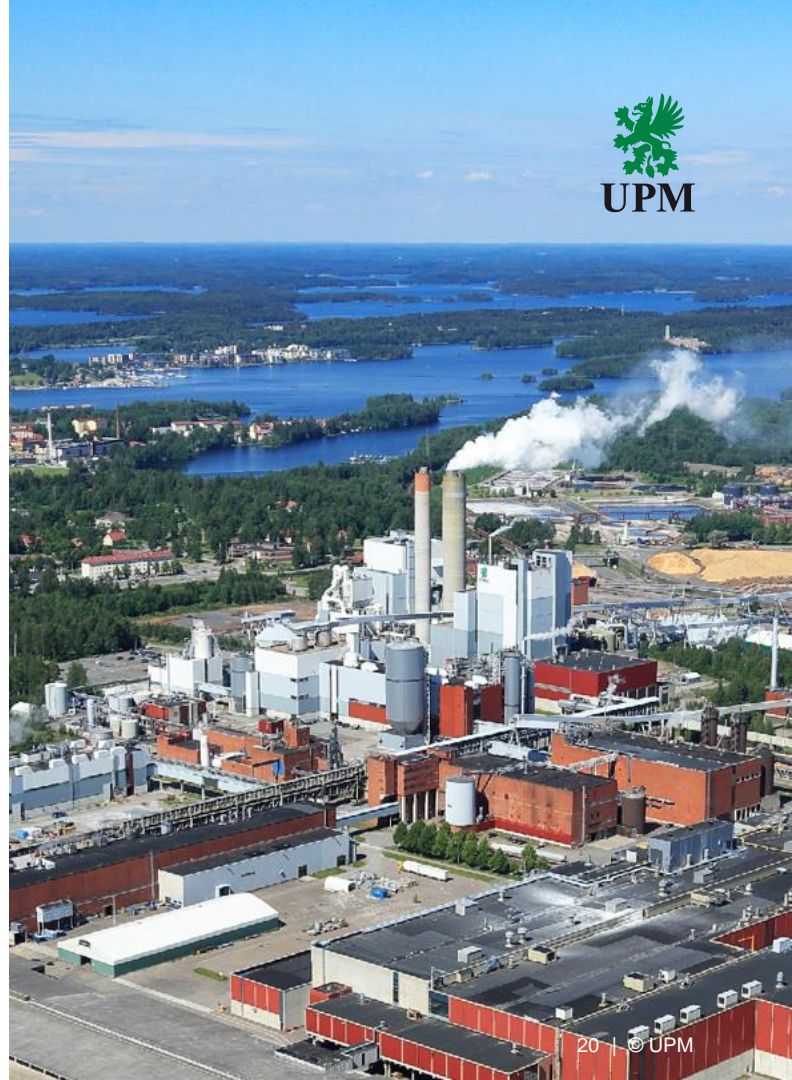
MSCI
ESG RATINGS



CCC	B	BB	BBB	A	AA	AAA
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UPM **BIOFORE-BEYOND** FOSSILS



Summary



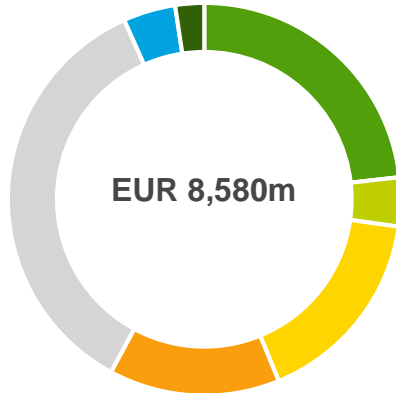
- 2020 ended on a positive note, with good demand for UPM's products and sequentially improved earnings
- In the beginning of 2021, pulp prices are expected to increase but graphic paper prices are expected to decrease moderately compared with Q4 2020
- UPM's financial standing is very strong
- Spearheads for growth drive future earnings growth and improved company position
 - UPM Raflatac and UPM Specialty Papers achieved record earnings in 2020
 - The transformative growth projects in Uruguay and in Germany are on budget and on schedule
 - Basic engineering phase started for a next generation biofuels refinery

UPM **BIOFORE**
BEYOND FOSSILS

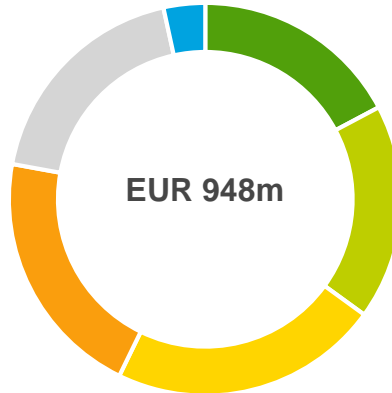


UPM by business area in 2020

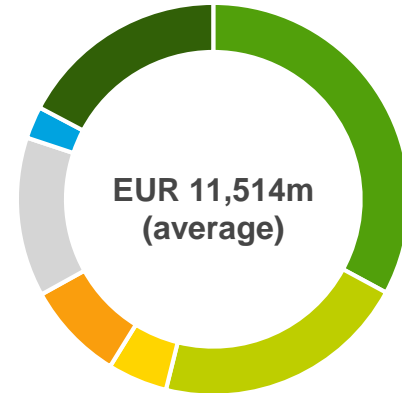
Sales



Comparable EBIT



Capital employed



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

2020 earnings impacted by fall in graphic paper demand due to lockdowns and low pulp prices



2020 vs. 2019:

Sales

EUR 8,580m ▼ -16%

EBITDA

EUR 1,442m ▼ -22%

Comparable EBIT

EUR 948m ▼ -32%

Comparable EPS

EUR 1.37 ▼ -34%

Comparable ROE

7.5% ▼ -3.7pp

Operating cash flow

EUR 1,005m ▼ -842m

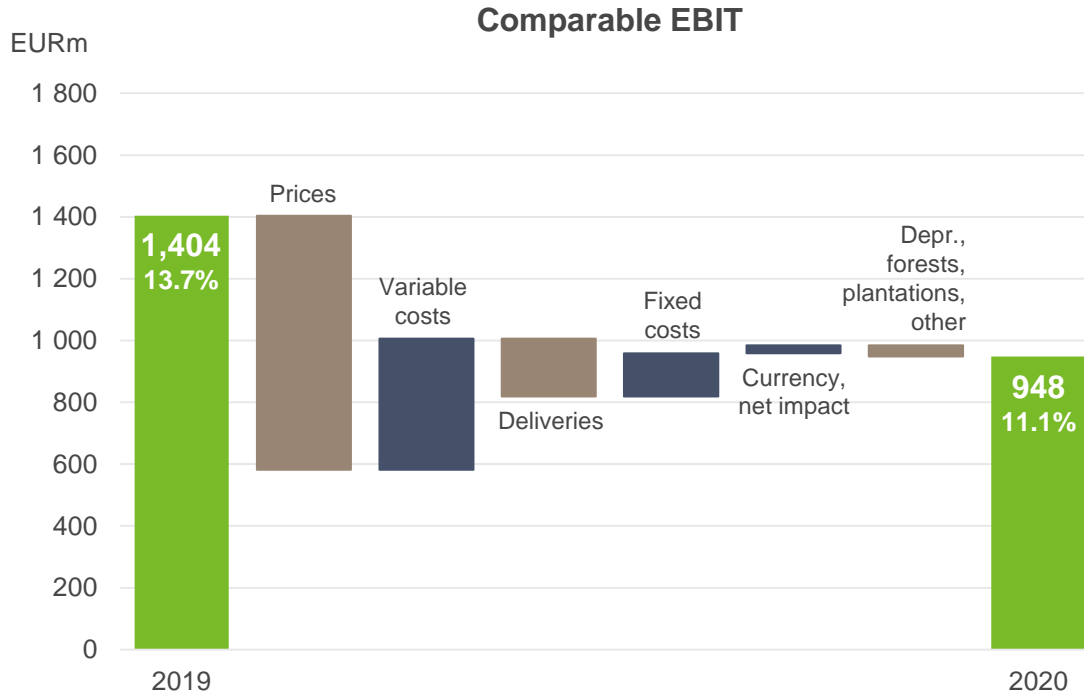
Net debt

EUR 56m ▲ +509m

Net debt / EBITDA

0.04x ▲ +0.28x

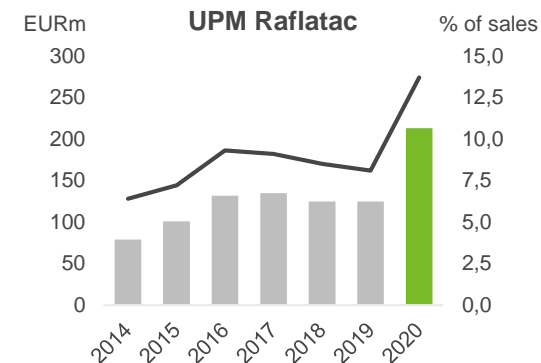
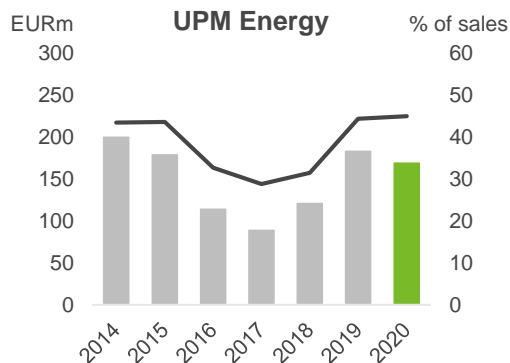
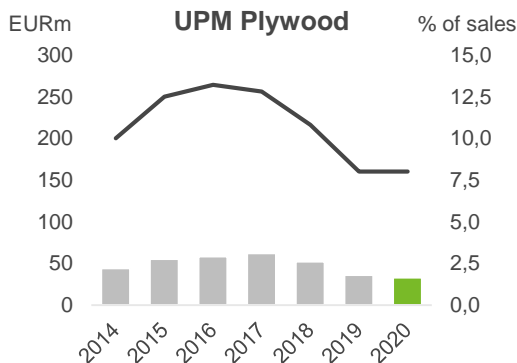
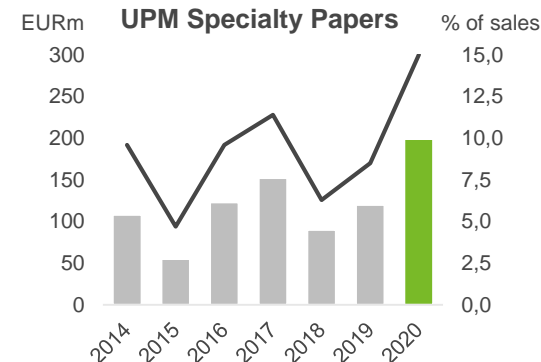
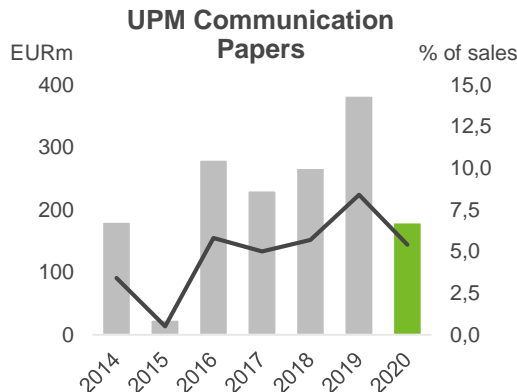
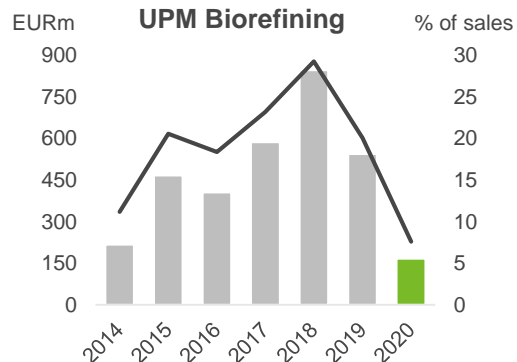
Comparable EBIT in 2020 vs. 2019



UPM business model delivers performance also in exceptional circumstances



Comparable EBIT by business area



Taking action to ensure performance – expected annual cost savings of approx. EUR 130 million



- UPM Jyväskylä (plywood)
closed in Q3 2020
 - UPM Chapelle (newsprint)
-240kt, closed in Q3 2020
 - UPM Kaipola (newsprint, LWC)
-720kt, closed in Q1 2021
 - UPM Shotton (newsprint)
-250kt, planned sale
 - Streamlining and cost efficiency actions in
UPM Biorefining, UPM Specialty Papers, UPM Raflatac
and global functions
-
- Growth investment: UPM Nordland PM2 (fine)
-200kt, conversion to release liner in Q1 2020



UPM invests in a world class pulp mill in Uruguay



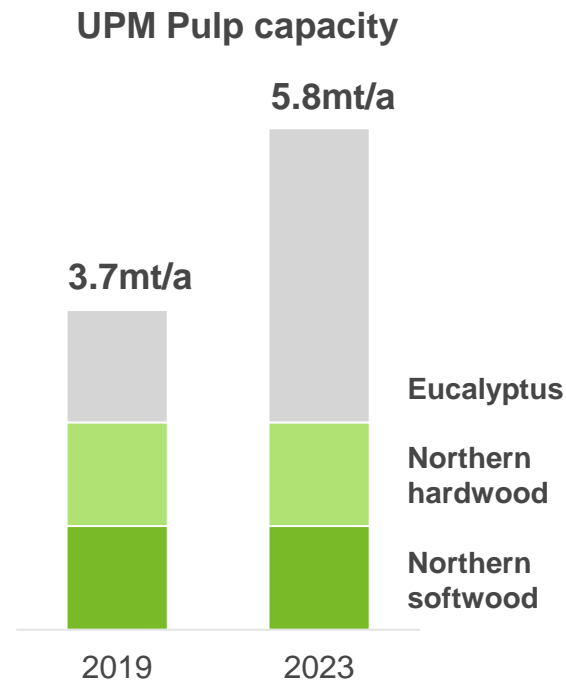
- A highly competitive new pulp mill with annual production capacity of 2.1 million tonnes of eucalyptus pulp
- Mill investment of USD 2.7 billion
- Investments in port operations in Montevideo, local facilities in Paso de los Toros of USD 350 million
- Scheduled start-up in H2 2022
- Industry-leading safety and sustainability performance of the value chain from plantations to customers



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 invests in next generation biochemicals



- EUR 550 million investment in an industrial scale biorefinery at Leuna, Germany
- 100% wood-based biochemicals provide alternatives to fossil materials in various consumer-driven end-uses
- Total annual capacity of 220,000 tonnes
- Scheduled to start up by the end of 2022
- Safety and sustainability of the value chain based on UPM's high standards

UPM creates a totally new sustainable business with large growth potential



- Major milestone in UPM's transformation
- UPM biochemicals respond to the customers' increasing needs for renewable alternatives
- Current supply is limited and high-quality biochemicals are priced at a premium
- Sustainable wood supply, unique technology, existing infrastructure and proximity to customers enables a good cost position
- Attractive returns: ROCE target of 14% once the facility is fully ramped up and optimised



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 fuel

E-fuels future potential

DECARBONIZED TRANSPORT AND PETROCHEMICALS

Flexibility to create maximum value from several end uses and market geographies



Strong track record in biofuels



2006

UPM announces its plans to become a **significant producer of advanced biofuels**



2012

First investment decision UPM Lappeenranta Biorefinery

Renewable diesel made from crude tall oil



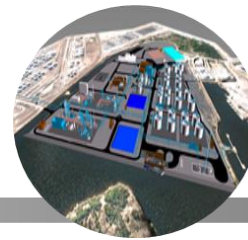
2015

UPM Lappeenranta Biorefinery starts commercial production
Sales of UPM BioVerno launched in Finland



2018

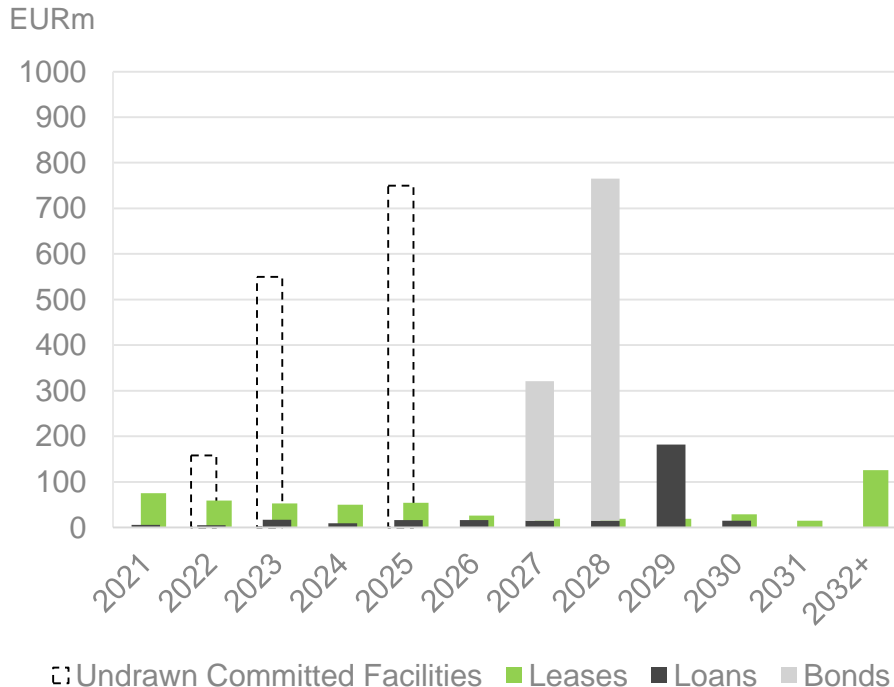
Feasibility study
EIA-study of a possible new biorefinery at Kotka



2021 →

Basic engineering starts
Two alternative sites: Kotka and Rotterdam
Several technical scopes

Maturity profile and liquidity



Liquidity on 31 December 2020 was
EUR 3.2bn (cash and unused credit facilities)

UPM's committed facilities:

- EUR 158m rolling credit facility maturing 2022
- EUR 550m bilateral facilities maturing 2023
- EUR 750m syndicated facility maturing 2025

No financial covenants

Maintenance shutdowns in 2020 and 2021

Significant maintenance shutdowns
in 2020 and 2021

Timing	Unit
Q2 20	Olkiluoto nuclear power plant
Q4 20	Kaukas pulp mill Pietarsaari pulp mill
Q2 21	Olkiluoto nuclear power plant Fray Bentos pulp mill Kymi pulp mill

Maintenance shutdowns have an impact on

- Maintenance costs
- Production volumes
- Operational efficiency

UPM's main currency exposures

- Key currency exposures USD, GBP and JPY
- Policy to hedge an average of 50% of the estimated net currency cash flow for the next 12 months

Estimated annual foreign currency net cash flow, before hedging

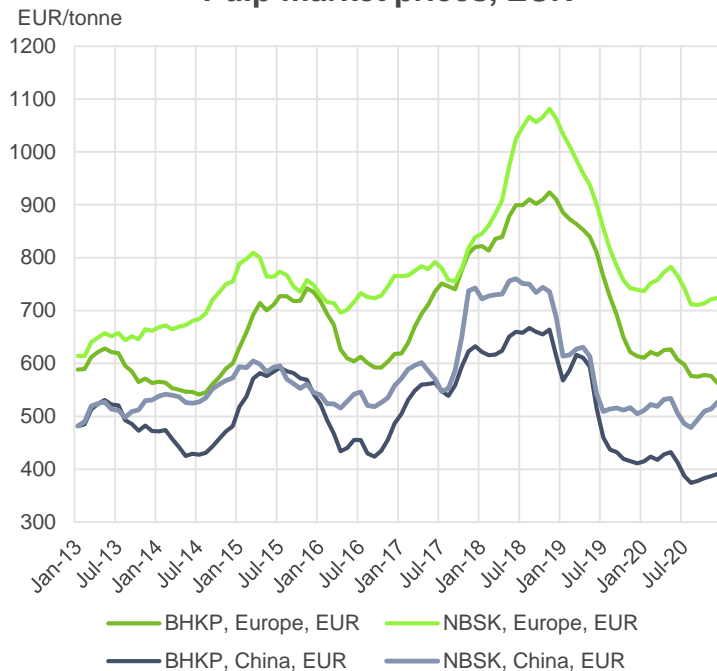
	USD	GBP	JPY	Others
EURm	775	160	190	200

UPM Biorefining

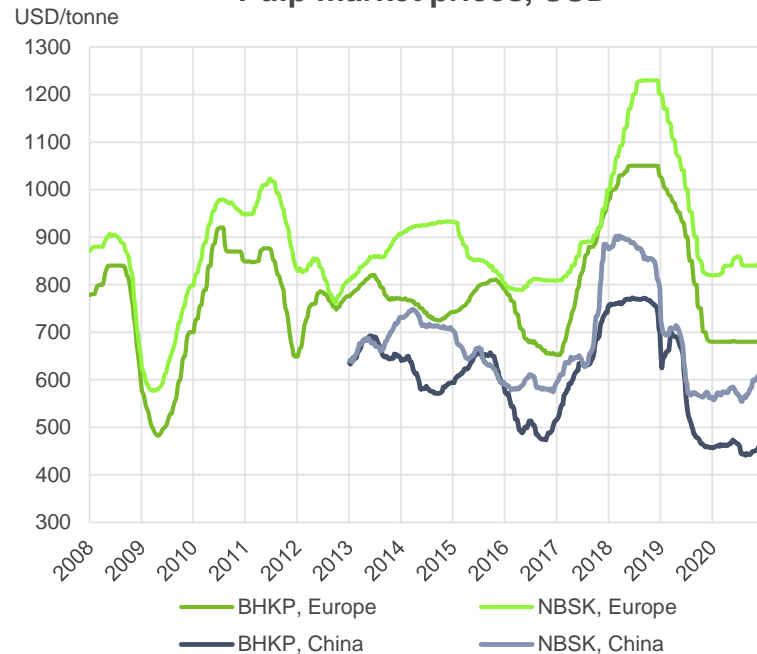
Chemical pulp market prices



Pulp market prices, EUR

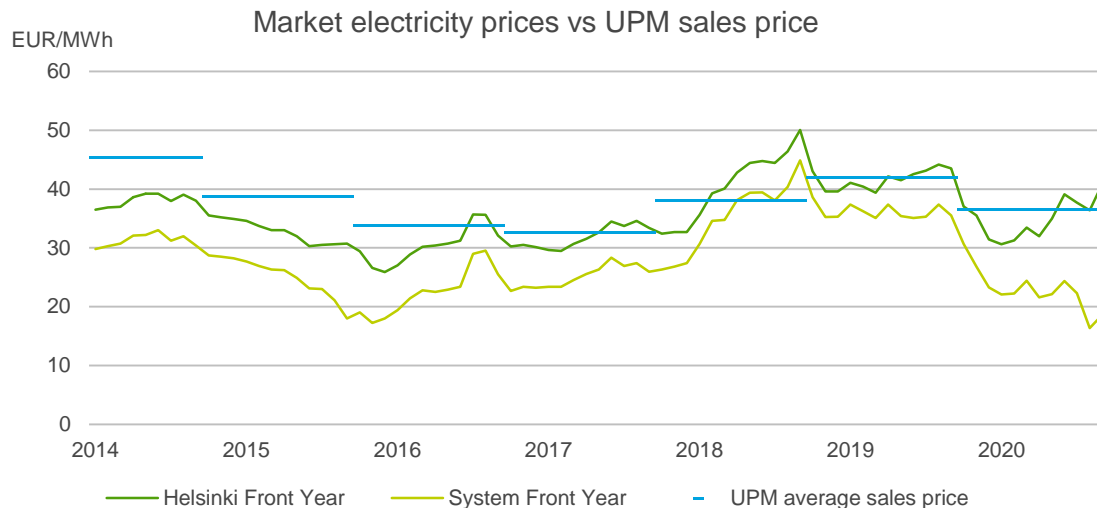


Pulp market prices, USD



Source: FOEX Indexes Ltd

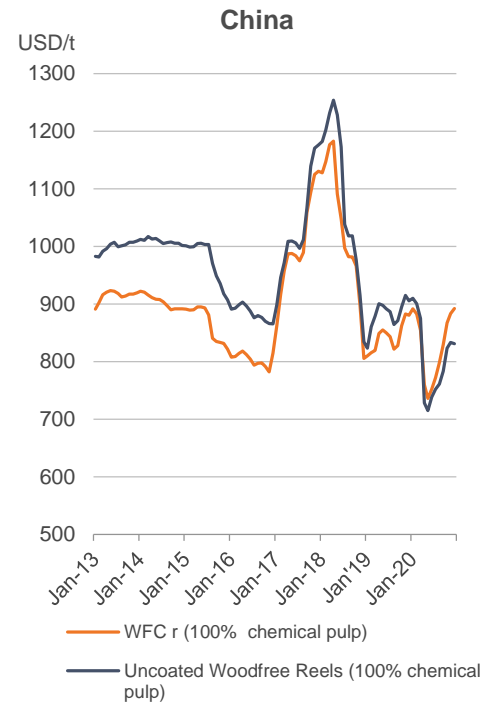
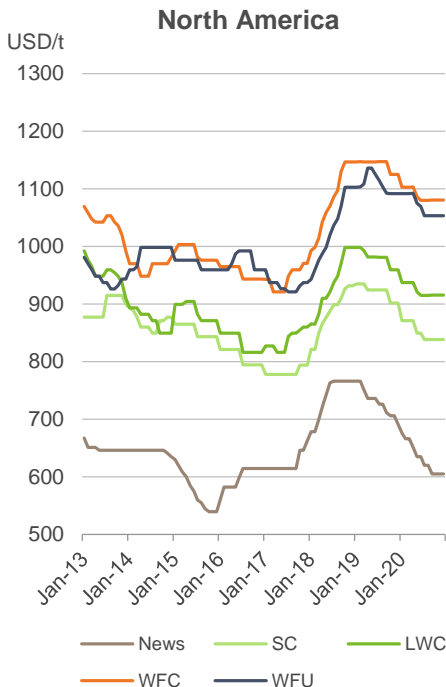
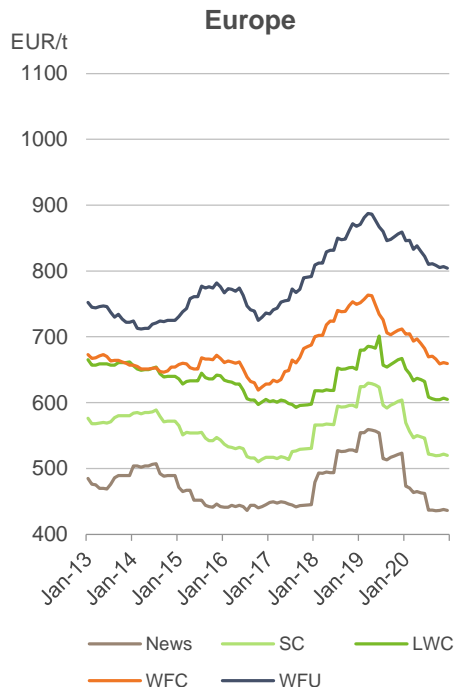
Cost efficient generation enables robust profitability in changing market environment



UPM Energy profitability	2015	2016	2017	2018	2019	2020
Comparable EBIT, EURm	181	116	91	123	185	171
% of sales	43.6	32.7	28.8	31.5	44.4	45.0

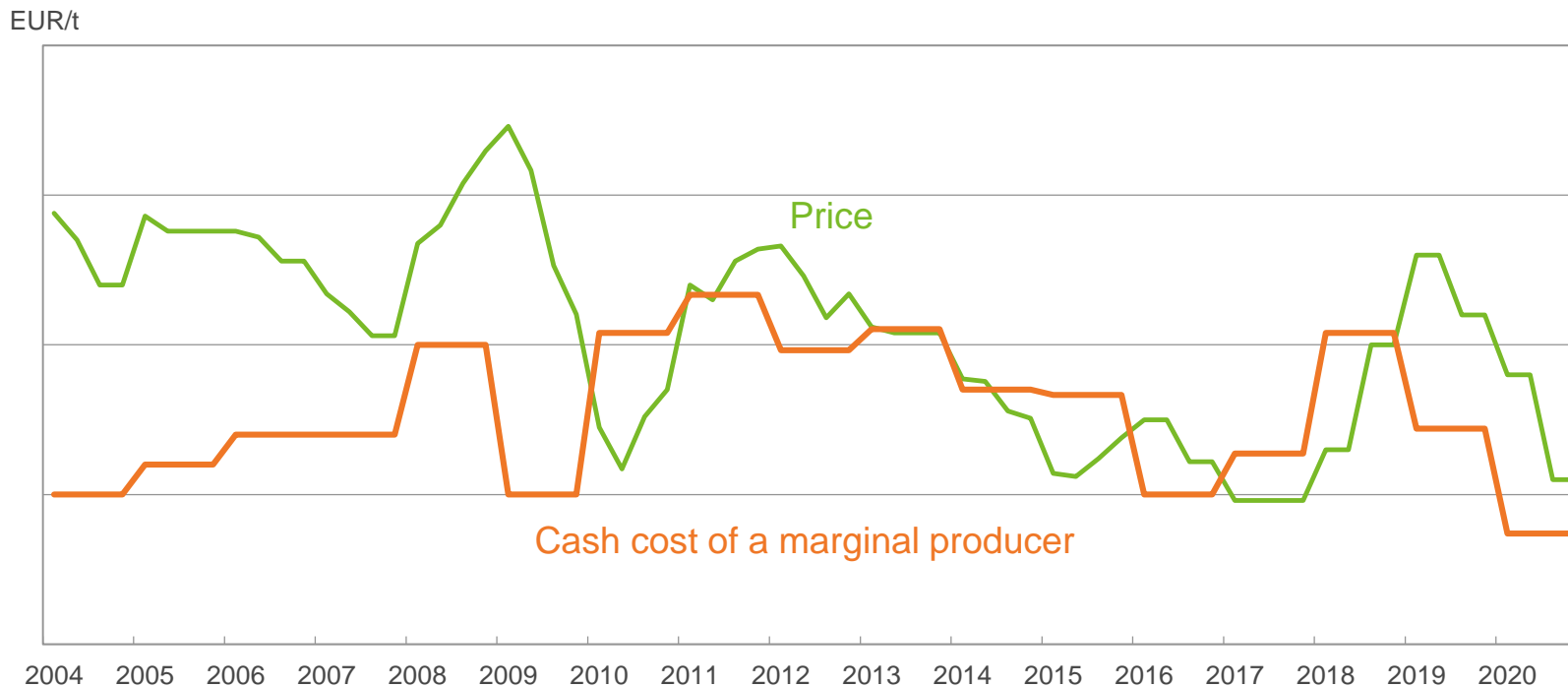
UPM Communication Papers

Graphic paper prices



Sources: PPI, RISI

Paper price vs. cash cost of marginal cost producer



Sources: PPI, RISI, Pöyry

UPM **BIOFORE**
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