



Review by the President and CEO

Jussi Pesonen
President and CEO
31 March 2020

Milestone year since last AGM



- Uruguay pulp mill investment
- Biochemicals refinery investment
- Climate commitment for 1.5°C with tangible actions
- Good business performance maintained
- Record-strong cash flow and balance sheet
- Distinguished recognitions for our responsibility performance

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Financials 2019

2019: good performance and record cash flow

2019 vs. 2018:


Sales
EUR 10,238m  - 2%

EBITDA
EUR 1,851m  -17m

Comparable EBIT
EUR 1,404m  -109m

Comparable EPS
EUR 2.07  -0.17

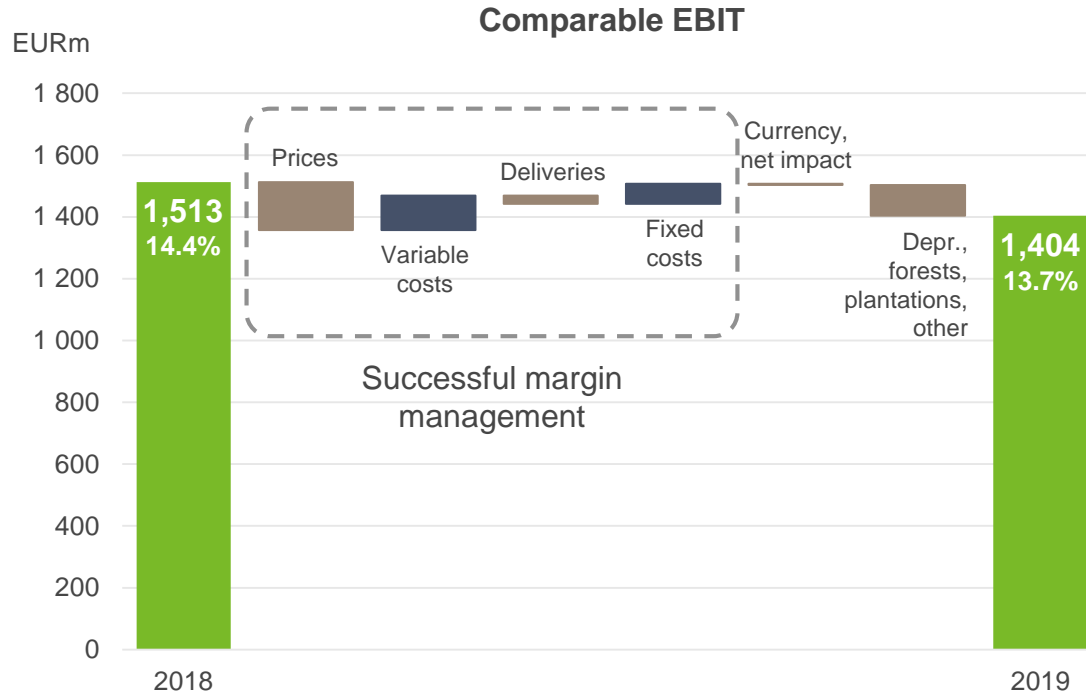
Comparable ROE
11.2%  -1.7pp

Operating cash flow
EUR 1,847m  +517m

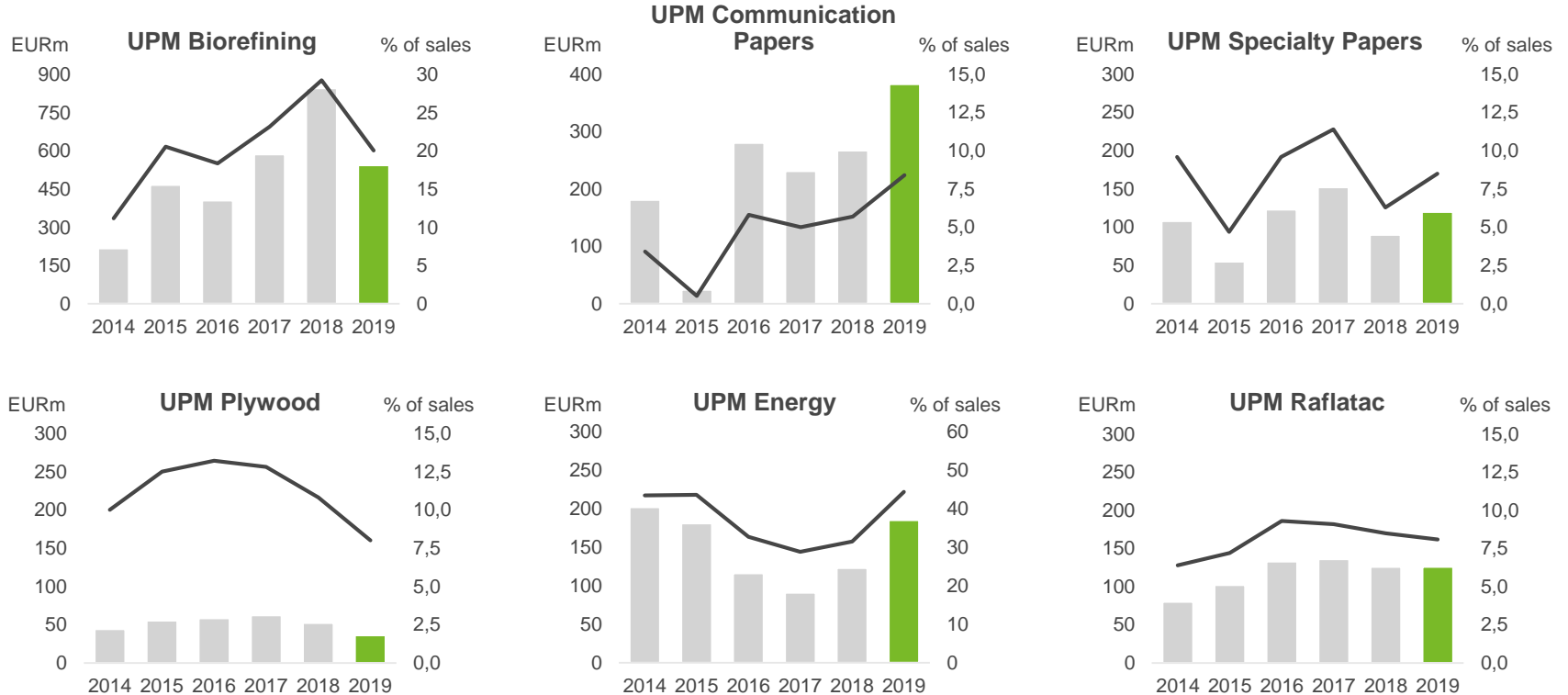
Net debt
EUR -453m  -142m

Net debt / EBITDA
-0.24x  -0.07x

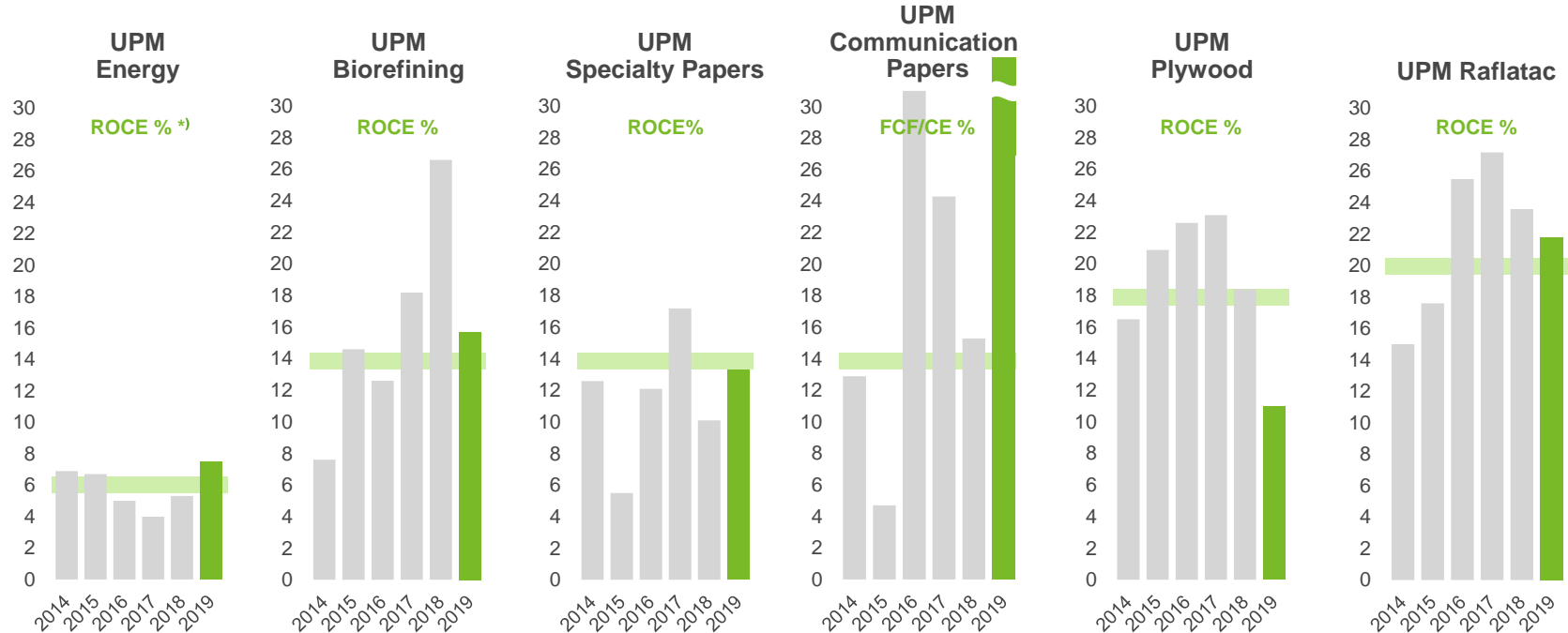
Comparable EBIT in 2019 vs. 2018



Comparable EBIT by business area

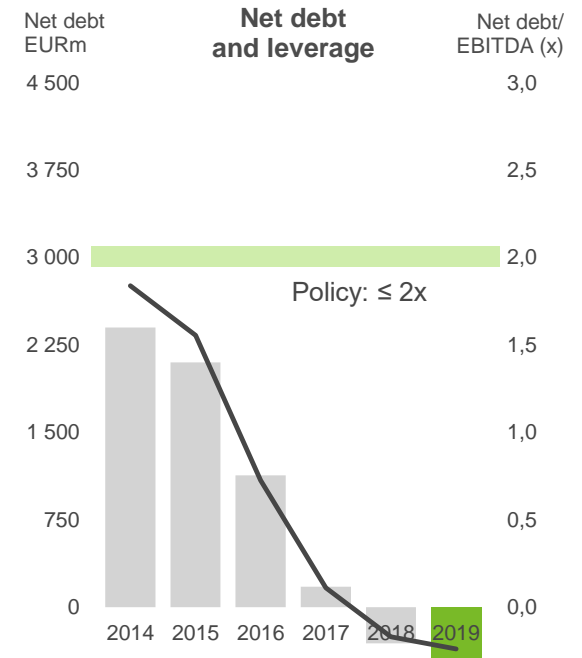
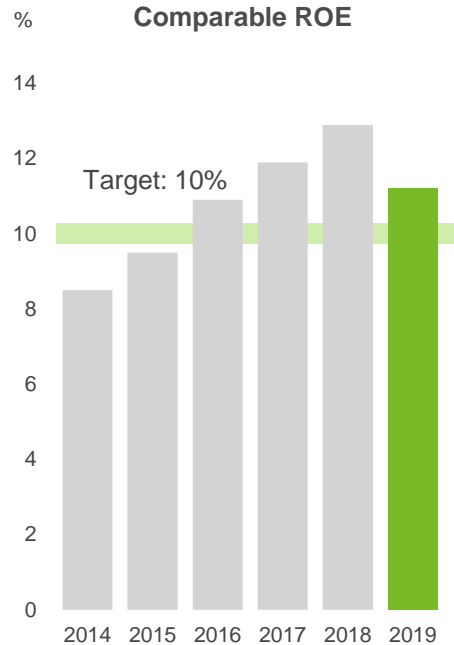
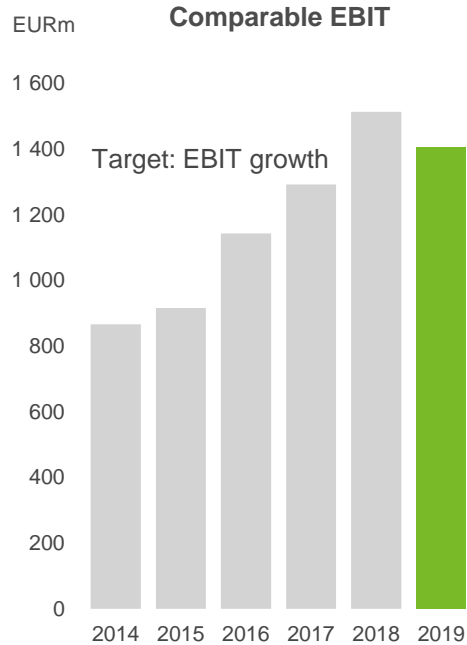


Business area returns and long-term targets

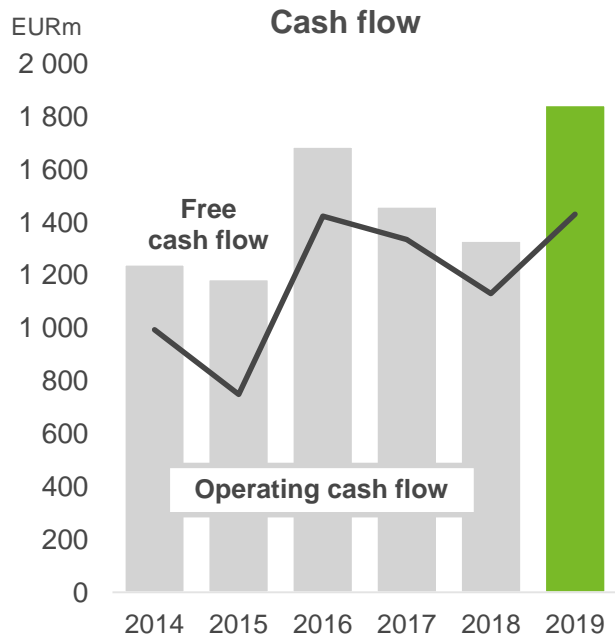


*) shareholdings in UPM Energy
valued at fair value

Group financial performance

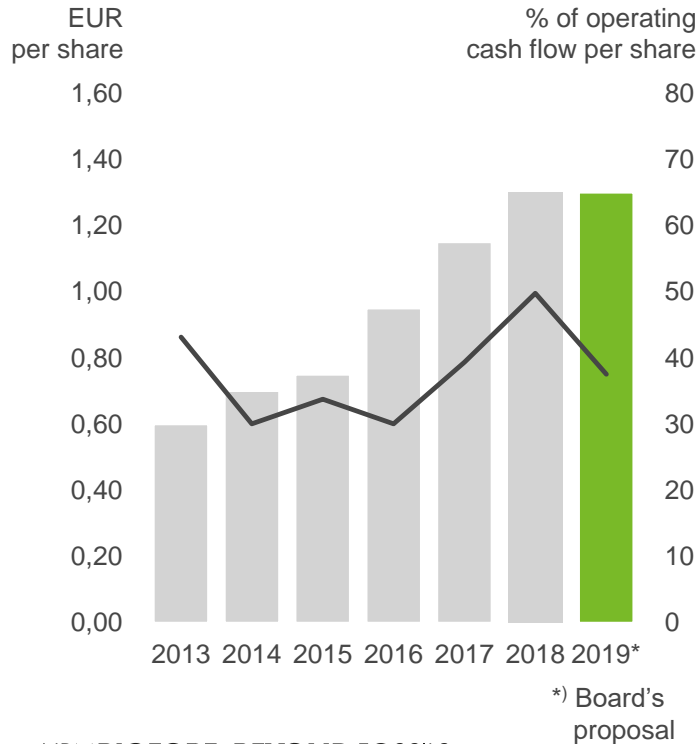


Consistently strong cash flow



- 2019: record annual operating cash flow at EUR 1,847m (1,330m)
- Working capital decreased by EUR 276m (increased by 209m)

Dividend proposal: 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 2019

- EUR 1.30 (1.30) per share, totalling EUR 693m
- 38% of 2019 operating cash flow

Industry leader in responsibility



MEMBER OF

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM



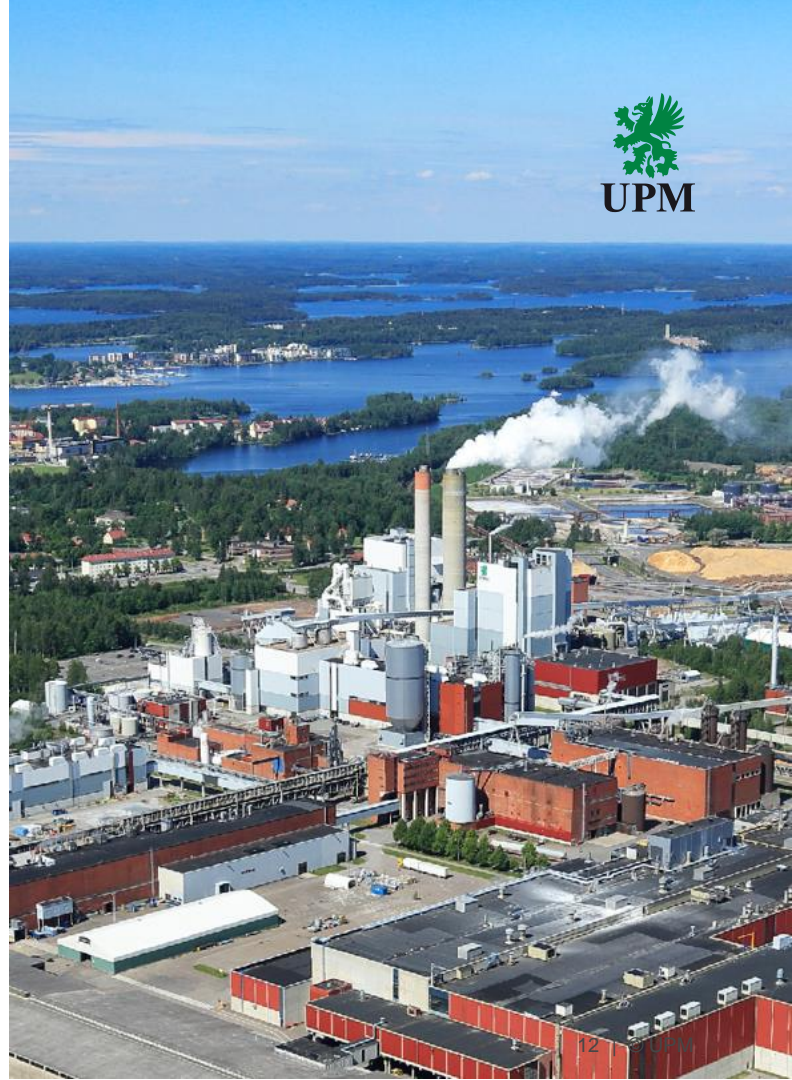
Global Compact
LEAD
2019 PARTICIPANT

MSCI
ESG RATINGS



Sustainability Award
Gold Class 2020

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2020 and the COVID-19 pandemic



During Q1/20 UPM businesses have not been adversely impacted by the pandemic and the customer demand has been on expected level.

UPM's financial position is strong. UPM has net cash in the balance sheet and high liquidity reserves.

UPM is taking extensive precautions to protect the health and safety of its employees and to ensure business continuity.

Despite these efforts it is possible that during an extended pandemic the operation of one or more units or the supply chain and logistics could be disrupted.

Although many UPM products serve essential everyday needs, it is likely that the customer demand for some UPM products would deteriorate due to the slowing world economy.

Future beyond fossils

Biofore strategy

We create value by seizing the limitless potential of bioeconomy



PERFORMANCE



GROWTH



RESPONSIBILITY



INNOVATION

Strong long-term fundamentals for demand growth and high barriers to entry

Driving long-term value creation – mitigating climate change



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

Our focus areas for growth

SPECIALTY PACKAGING MATERIALS

Label
materials

Specialty
papers

Communication papers

HIGH VALUE FIBRE

Forests

Pulp

Plywood

MOLECULAR BIOPRODUCTS

Biofuels

Biochemicals

Energy

UPM Paso de los Toros

UPM invests in a world class pulp mill in Uruguay



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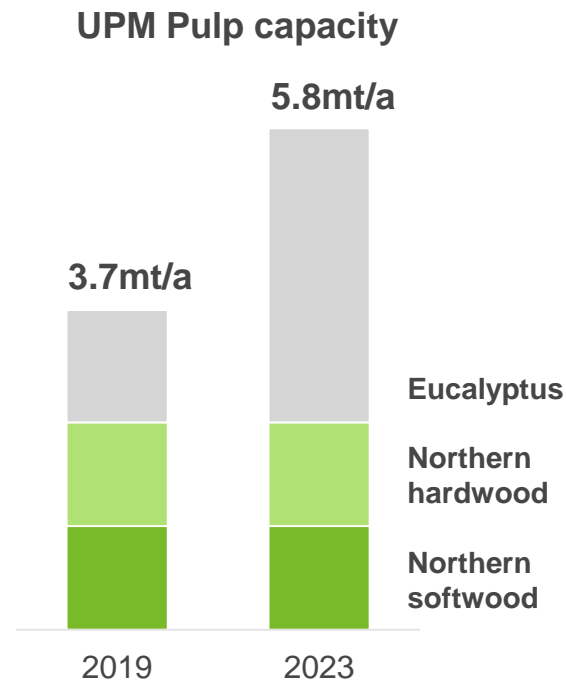
- A highly competitive new pulp mill with annual production capacity of 2.1 million tonnes of eucalyptus pulp
- Mill investment of USD 2.7 billion
- Investments in port operations in Montevideo, local facilities in Paso de los Toros of USD 350 million
- Scheduled start-up in H2 2022
- Industry-leading 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 Biochemicals

Switch from fossil raw materials
to renewable solutions

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 optimized



Renewable product range

- **Bio-monoethylene glycol (bMEG):**
textiles, PET bottles, packaging, deicing fluids
- **Bio-monopropylene glycol (bMPG):**
composites, pharma, cosmetics, detergents
- **Renewable functional fillers:**
rubber applications, a sustainable, light-weight and high-purity alternative to carbon black and silica
- **Industrial sugars:**
various applications in chemicals industry

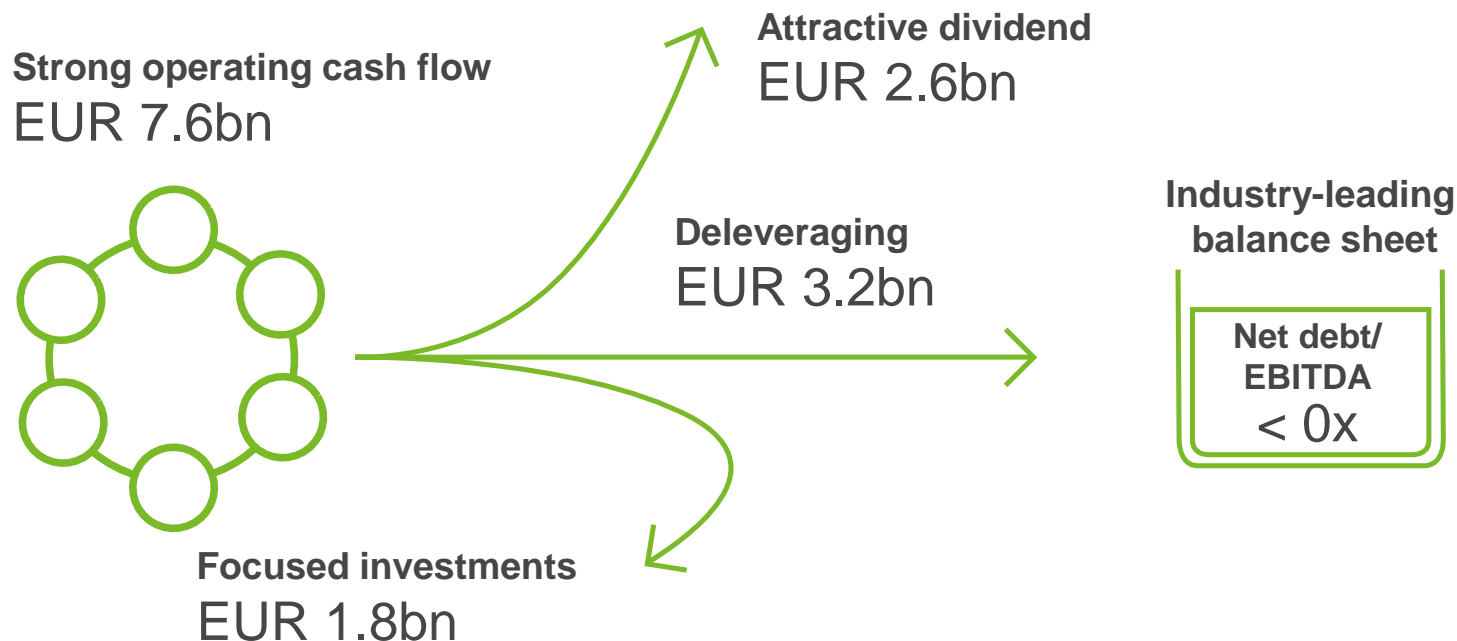


Effective capital allocation



UPM **BIOFORE-BEYOND** FOSSILS

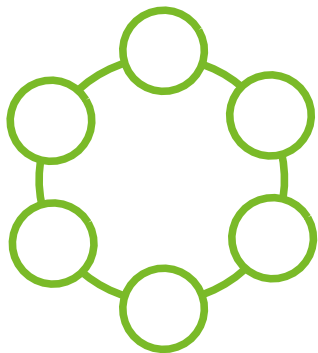
5-year cumulative cash flow (2015–2019) – efficient capital allocation in action



Illustrative capital allocation ^{*)} for the next 5 years



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

^{*)} This is not a forecast

UPM **BIOFORE**
BEYOND FOSSILS

