

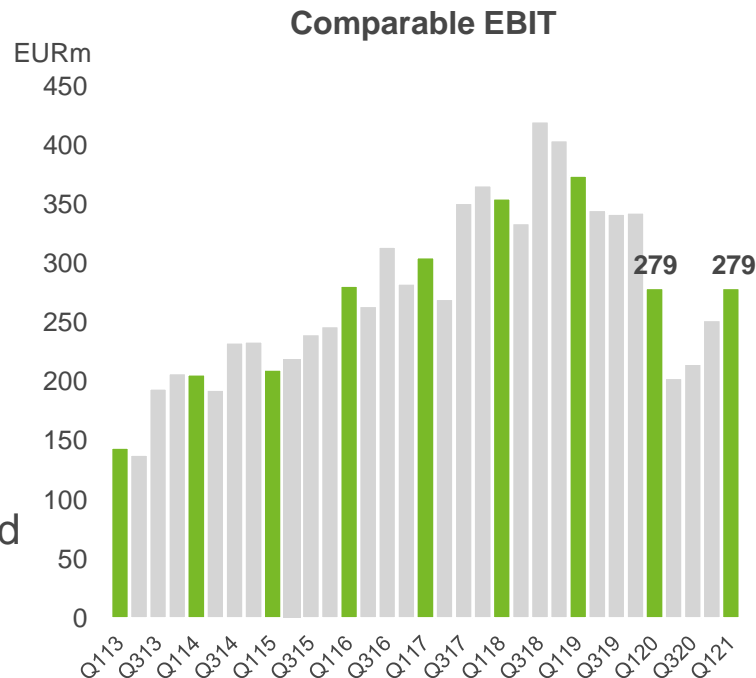
UPM Interim Report Q1 2021

Jussi Pesonen
President and CEO
27 April 2021

Q1 2021: market turn and efficiency improvement boost UPM's earnings



- Sales decreased by 2% to EUR 2,234m (2,287m in Q1 2020)
- Comparable EBIT was EUR 279m, 12.5% of sales, in line with last year (279m, 12.2%)
- Good demand for almost all UPM products, rapidly increasing pulp prices
- Competitive costs and good asset utilisation following the timely actions taken in H2 2020
- Transformative growth projects on schedule and on budget.



Our focus areas



ENSURING PERFORMANCE



TRANSFORMATIVE GROWTH PROJECTS



Improving markets with mixed COVID-19-related demand impacts



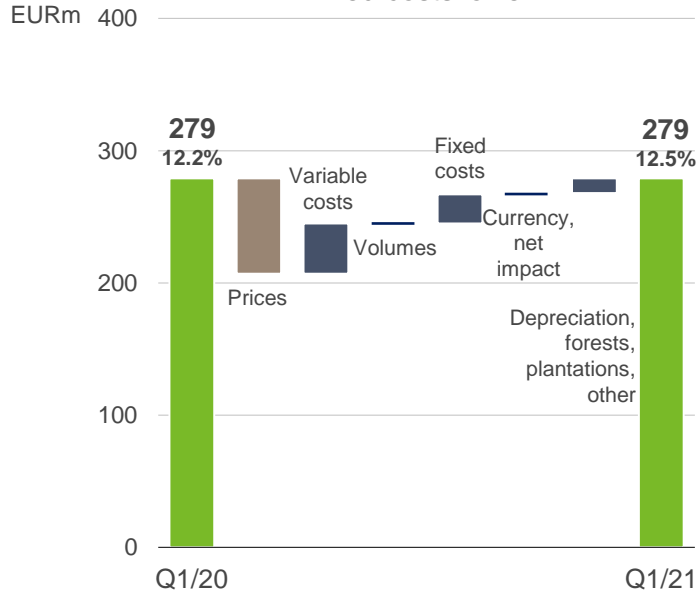
- UPM Raflatac and UPM Specialty Papers benefit from strong demand for daily consumer goods and growth in e-commerce
 - Q1 2021 demand for self-adhesive labels in Europe +1% y-o-y
 - 2020: +7% in Q1, +9% in Q2, -4% in Q3 and +6% in Q4
- Strong pulp demand, supported by good demand for tissue and many packaging and specialty paper products
- Strong demand for plywood and timber in construction end uses, improving demand in industrial end uses
- UPM Communication Papers' market demand affected by lockdowns and other containment measures
 - Q1 2021 demand for graphic papers in Europe -14% y-o-y
 - 2020: -8% in Q1, -32% in Q2, -18% in Q3 and -14% in Q4



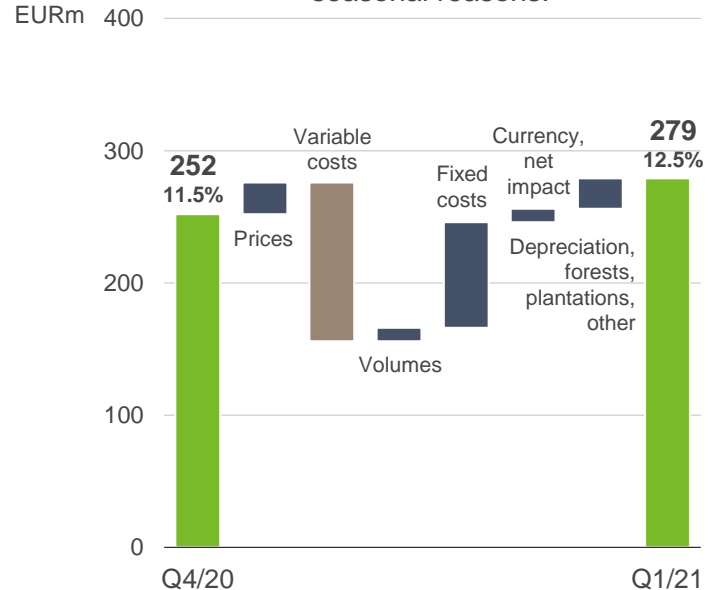
Comparable EBIT in Q1 2021

Paper prices decreased, outweighing the impact of lower variable costs. Most businesses grew deliveries, whereas Communication Paper deliveries decreased.

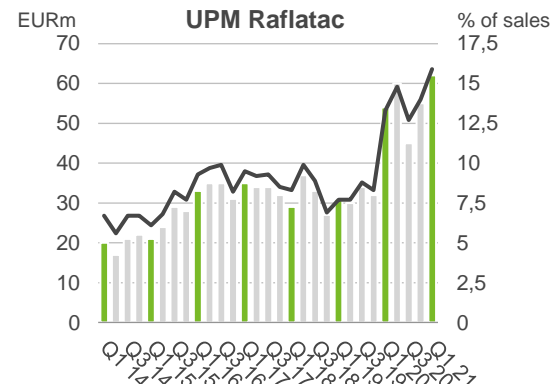
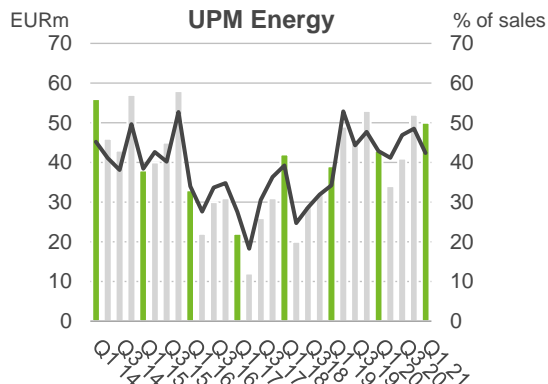
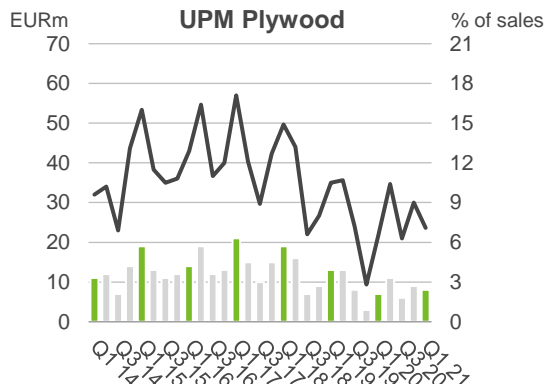
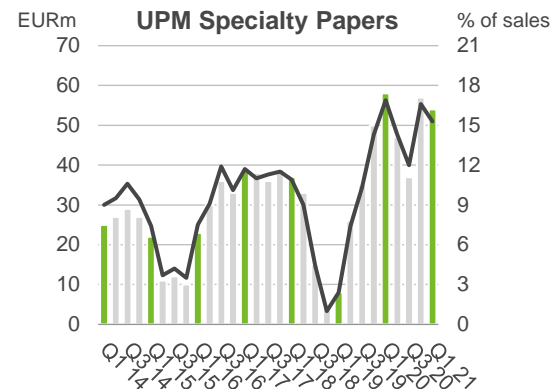
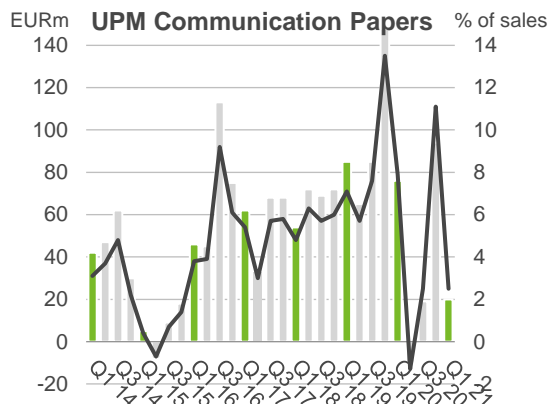
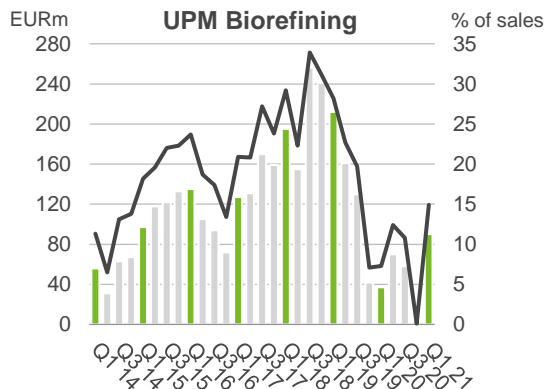
Fixed costs lower.



Prices and volumes increased. Variable costs increased partly seasonally. Fixed costs significantly lower due to high maintenance activity in the comparison period, and seasonal reasons.



Comparable EBIT by business area



Strong performance in the specialty packaging materials businesses



- Growing markets in the packaging value chain, driven by global megatrends, sustainability and e-commerce
- Innovation-driven, technically demanding segments, where UPM has strong position and expertise
- UPM Raflatac and UPM Specialty papers represent 31% of UPM's Q1 2021 sales
 - Comparable EBIT margins over 15% in Q1 2021
 - Attractive ROCE, Raflatac 48%, Specialty Papers 25%
- Focused investments: UPM Nordland PM2 conversion, UPM Changshu expansion, linerless labelstock expansion

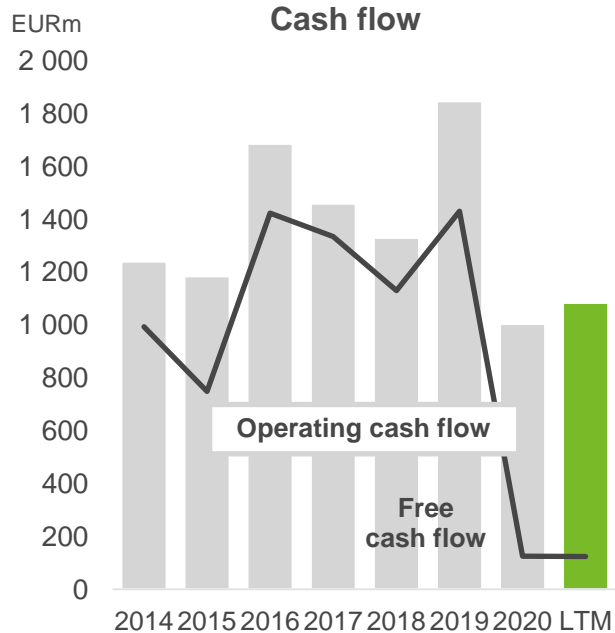


Timely action to ensure performance

- Competitive costs and good asset utilisation following the timely actions taken in H2 2020
 - Closures of UPM Jyväskylä, UPM Chapelle, UPM Kaipola, conversion of UPM Nordland PM2, planned sale of UPM Shotton
 - Streamlining and cost efficiency actions in UPM Biorefining, UPM Specialty Papers, UPM Raflatac and global functions
- Total graphic papers capacity reduction 1.4 million tonnes
- Total annual cost savings of approx. EUR 130 million

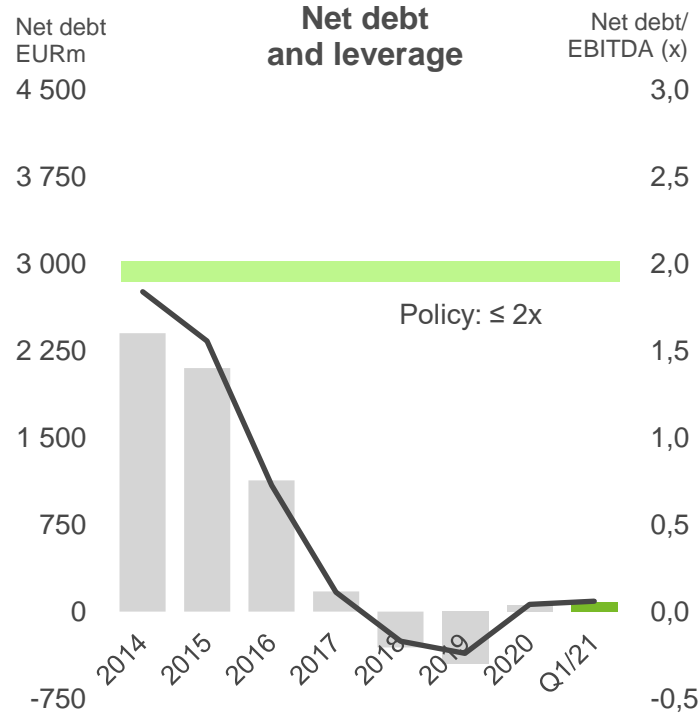


Robust cash flow



- Q1 2021 operating cash flow was EUR 217m (137m in Q1 2020)
- Working capital increased seasonally by EUR 122m (increased by 212m in Q1 2020)

Strong financial position



- Net debt EUR 83m at the end of Q1 2021
- Cash funds and committed credit facilities EUR 3.2bn at the end of Q1 2021
- UPM issued a EUR 500m Green Bond in Q1 2021
- No financial covenants

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 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.
- Pulp demand has continued to be good and pulp prices have increased rapidly. At the same time, strong markets have continued for labelling materials, specialty papers and energy. Demand and pricing for communication papers have materialised as expected, decreasing from the comparison periods.
- With improving global economy, many variable cost items are expected to increase in 2021. UPM will continue to manage margins with product pricing, optimising its product and market mix, efficient use of assets as well as by taking measures to improve variable and fixed cost efficiency.
- UPM's comparable EBIT is expected to increase both in H1 2021 compared with H1 2020, and in the full year 2021 compared with 2020.

Our focus areas in the coming quarters



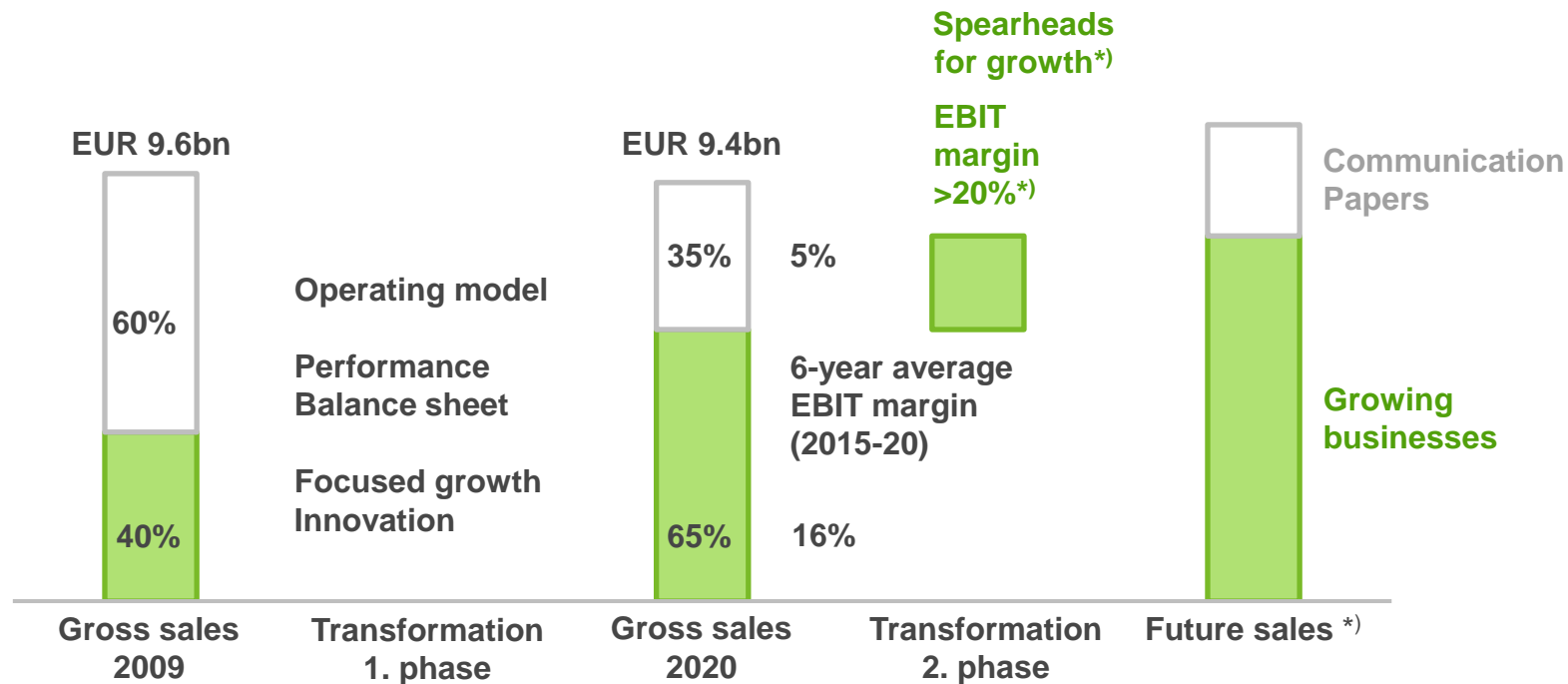
ENSURING PERFORMANCE



TRANSFORMATIVE GROWTH PROJECTS

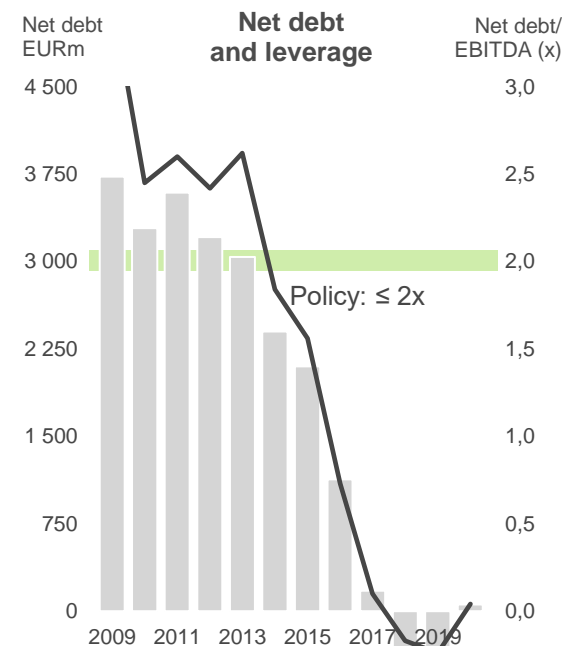
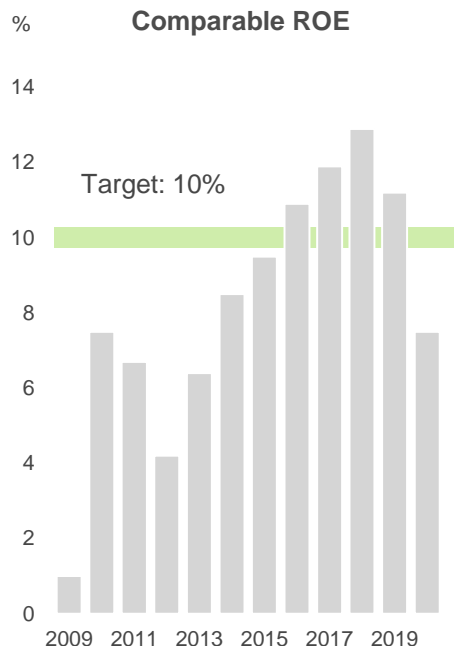
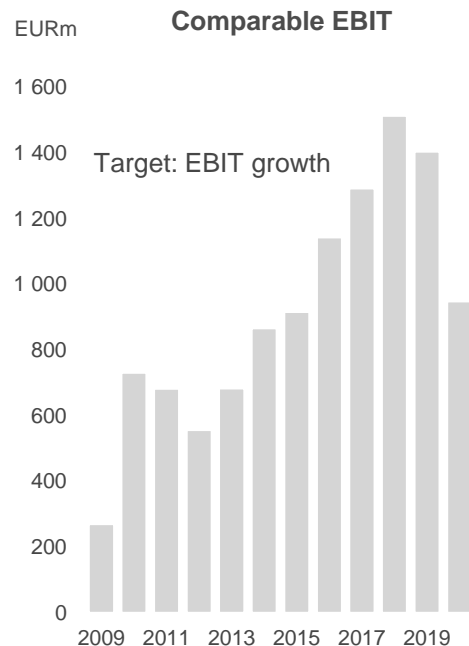


Spearheads for growth – improving business mix drives earnings, cash flow and shareholder value

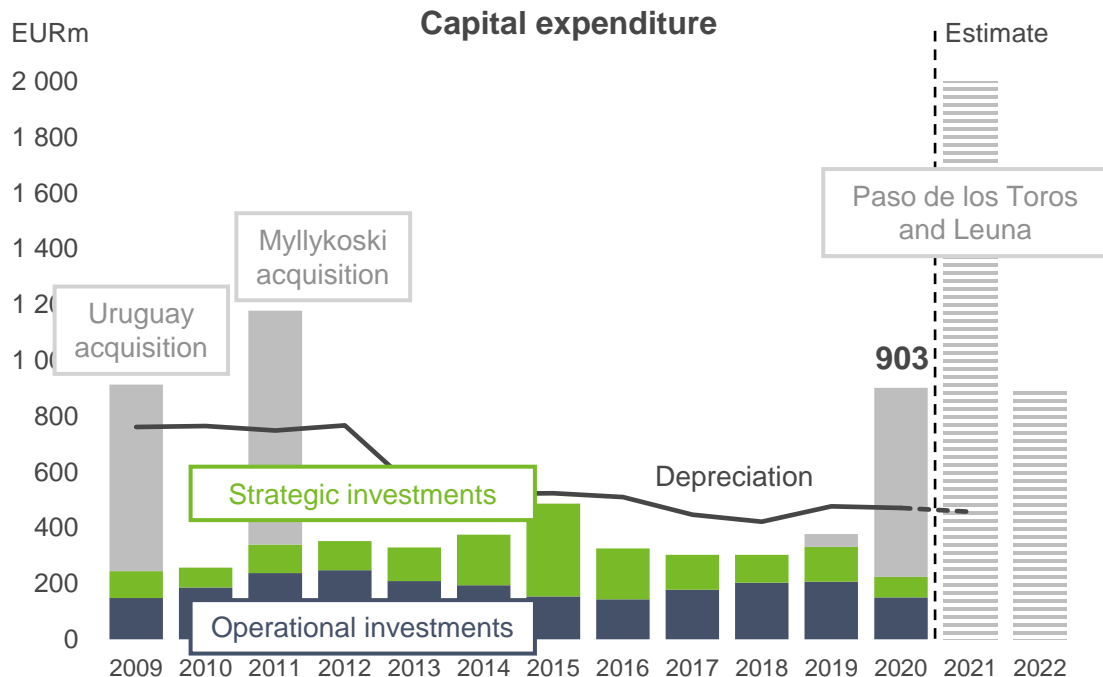


^{*)} This is an illustration, not a forecast

Transformation is visible in earnings and balance sheet



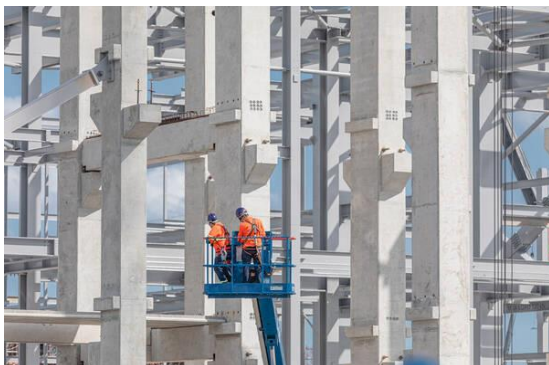
Transformative growth projects in the most intensive phase in 2021



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



Progress in UPM Leuna



Growth plans in biofuels progress to the next stage



Basic engineering phase of new biorefinery ongoing



Potential next generation 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 location in Kotka, Finland or Rotterdam, the Netherlands.

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

We deliver positive impact to mitigate climate change and to create long-term value



WE ACT THROUGH FORESTS

We are committed to climate-positive forestry and enhancing biodiversity.



WE ACT THROUGH EFFICIENCY AND EMISSIONS

Our target is to reduce our CO₂ emissions by 65%.



WE ACT THROUGH PRODUCTS

We innovate novel products to provide ever more sustainable alternatives for fossil-based materials.



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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

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

Summary



- UPM entered 2021 well prepared, having taken timely actions during H2 2020
- Q1 2021 showed good demand for almost all products and rapidly increasing pulp prices
- Q1 2021 earnings recovered to the pre-pandemic level
- UPM's comparable EBIT is expected to increase in 2021 from 2020
- UPM's financial standing is very strong
- Transformative growth projects progress on schedule and on budget

UPM **BIOFORE**
BEYOND FOSSILS



Biofore strategy drives our transformation as the frontrunner of bioeconomy

A FUTURE BEYOND FOSSILS

GROWTH

- We respond to megatrends and meet customers' changing needs
- Creating new markets and enabling sustainable choices



PERFORMANCE

- Continuous improvement
- Agile operating model



INNOVATION

- Creating new business and competitive advantage
- Replacing fossils with biomaterials



RESPONSIBILITY

- Renewable & sustainable solutions
- Responsible operations and value chain

PORTFOLIO

- Investing in businesses with strong long-term fundamentals for growth and high barriers to entry
- Effective capital allocation

Our positive impact receives recognition



CLIMATE FORESTS WATER

Member of
**Dow Jones
Sustainability Indices**

Powered by the S&P Global CSA



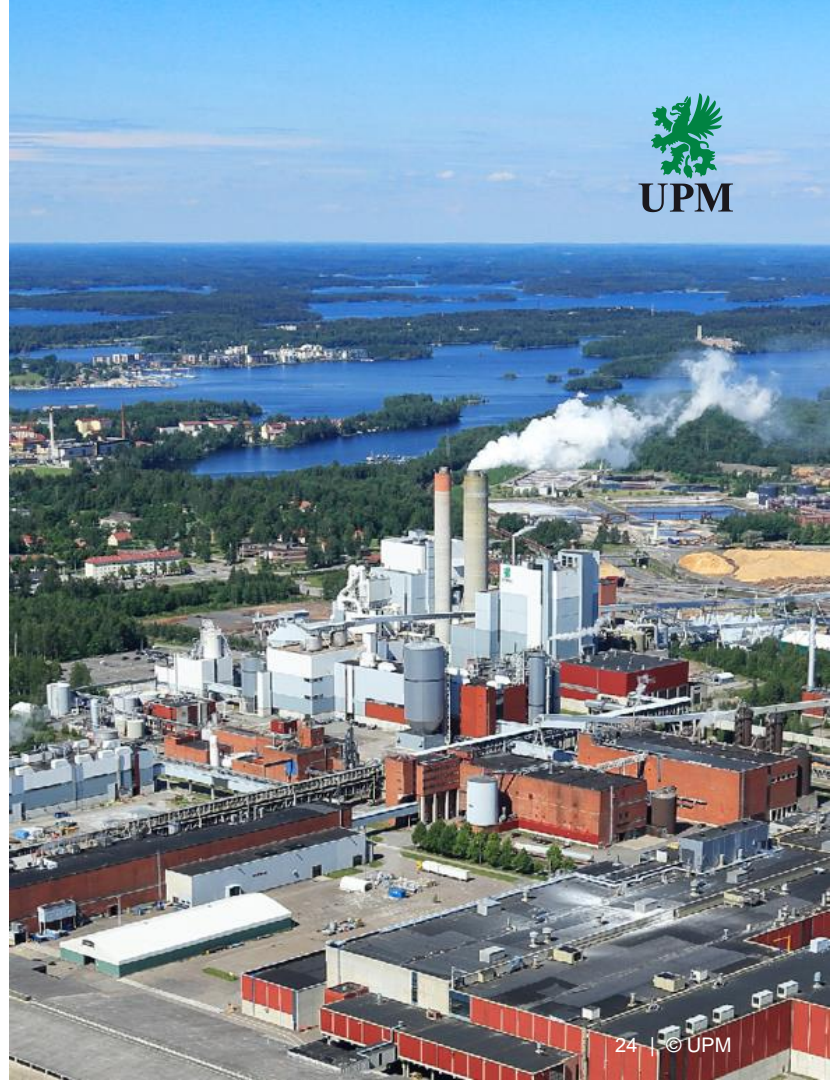
MSCI
ESG RATINGS



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



UPM invests in a world class pulp mill in Uruguay



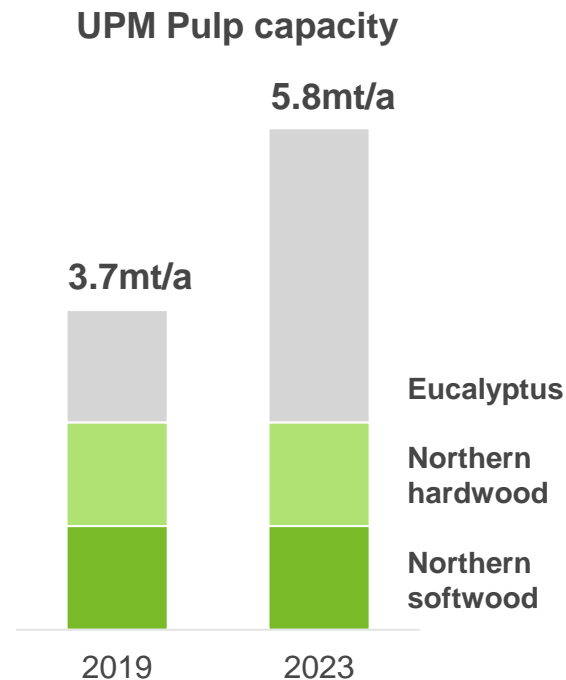
- A highly competitive new pulp mill with annual production capacity of 2.1 million tonnes of eucalyptus pulp
- Mill investment of USD 2.7 billion
- Investments in port operations in Montevideo, local facilities in Paso de los Toros of USD 350 million
- Scheduled start-up in H2 2022
- Industry-leading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



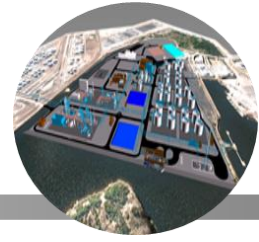
2015

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



2018

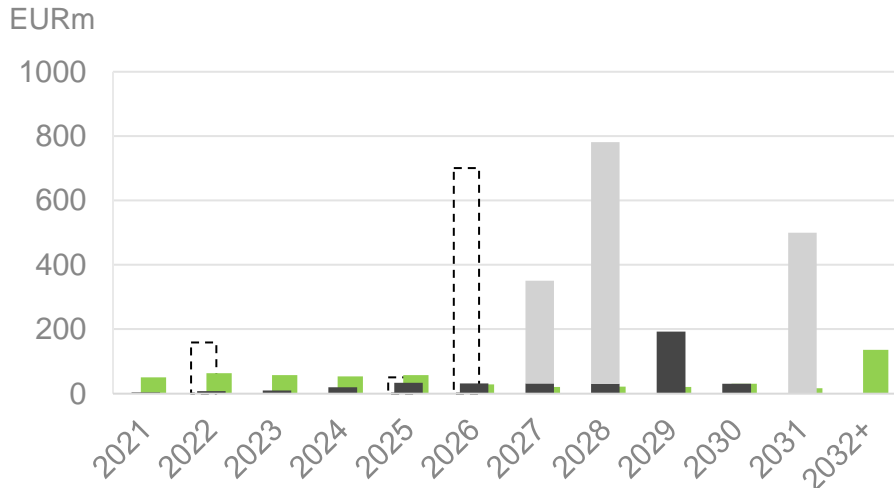
Feasibility study
EIA-study of a possible new biorefinery at Kotka



2021 →

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

Maturity profile and liquidity



Unused committed credit facilities (EUR 909m)

Leases (EUR 553m)

Bonds (EUR 1570m)

Loans (EUR 390m)

Liquidity on 31 March 2021 was EUR 3.2bn (cash and unused credit facilities)

UPM's committed facilities:

- EUR 159m rolling credit facility maturing 2022
- EUR 750m syndicated facility of which EUR 50m maturing 2025 and EUR 700m maturing 2026

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
Q4 21	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

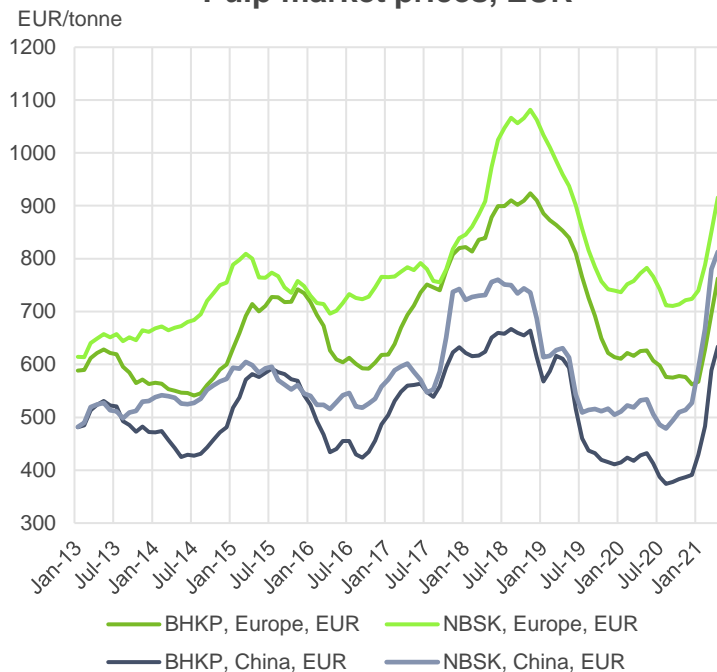
	USD	GBP	JPY	Others
EURm	850	220	180	280

UPM Biorefining

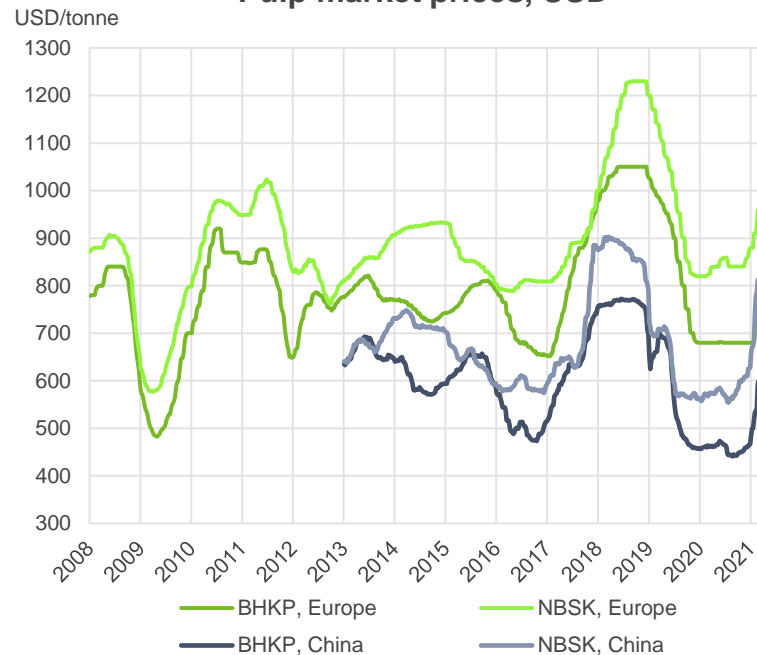
Chemical pulp market prices



Pulp market prices, EUR

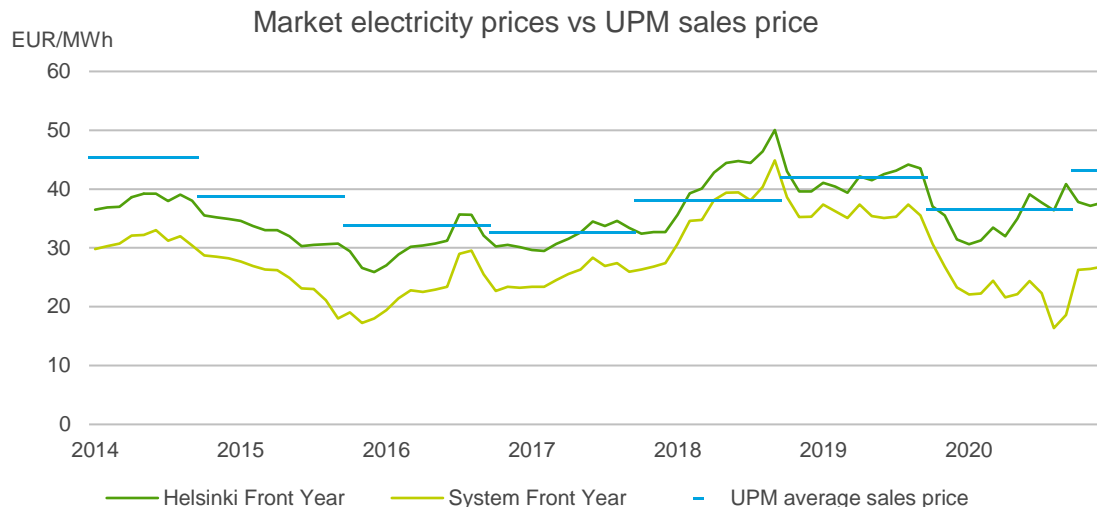


Pulp market prices, USD



Source: FOEX Indexes Ltd

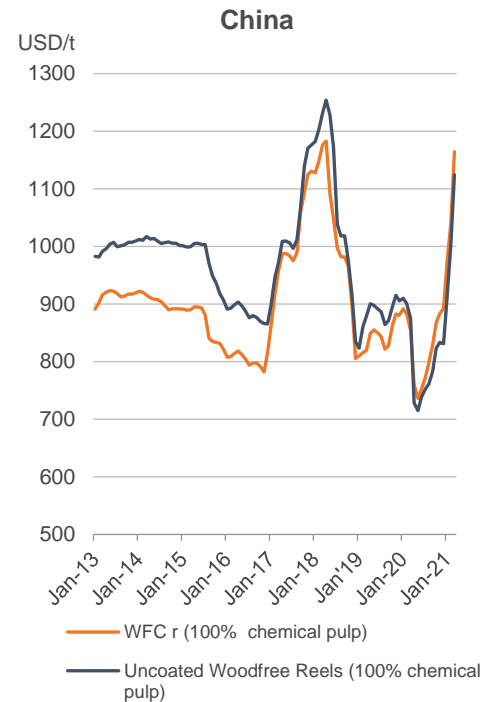
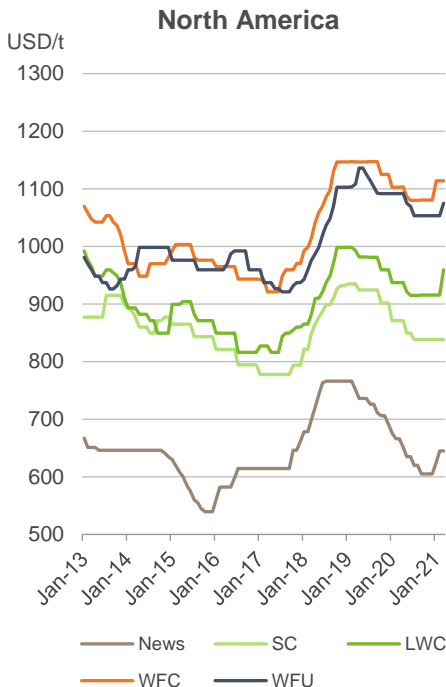
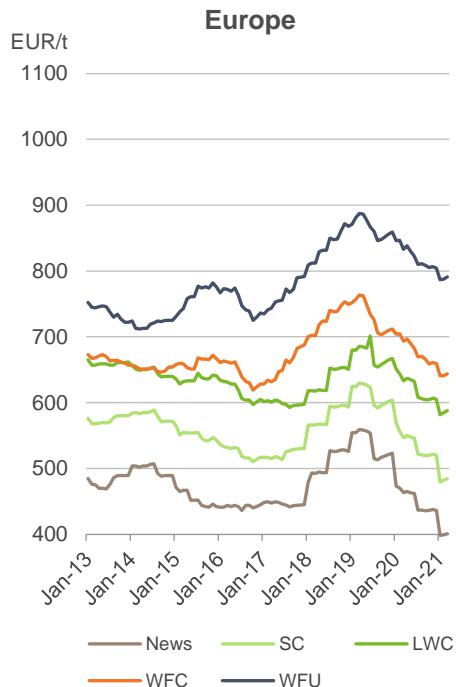
Cost efficient generation enables robust profitability in changing market environment



UPM Energy profitability	2016	2017	2018	2019	2020	Q1/2021
Comparable EBIT, EURm	116	91	123	185	171	50
% of sales	32.7	28.8	31.5	44.4	45.0	42.4

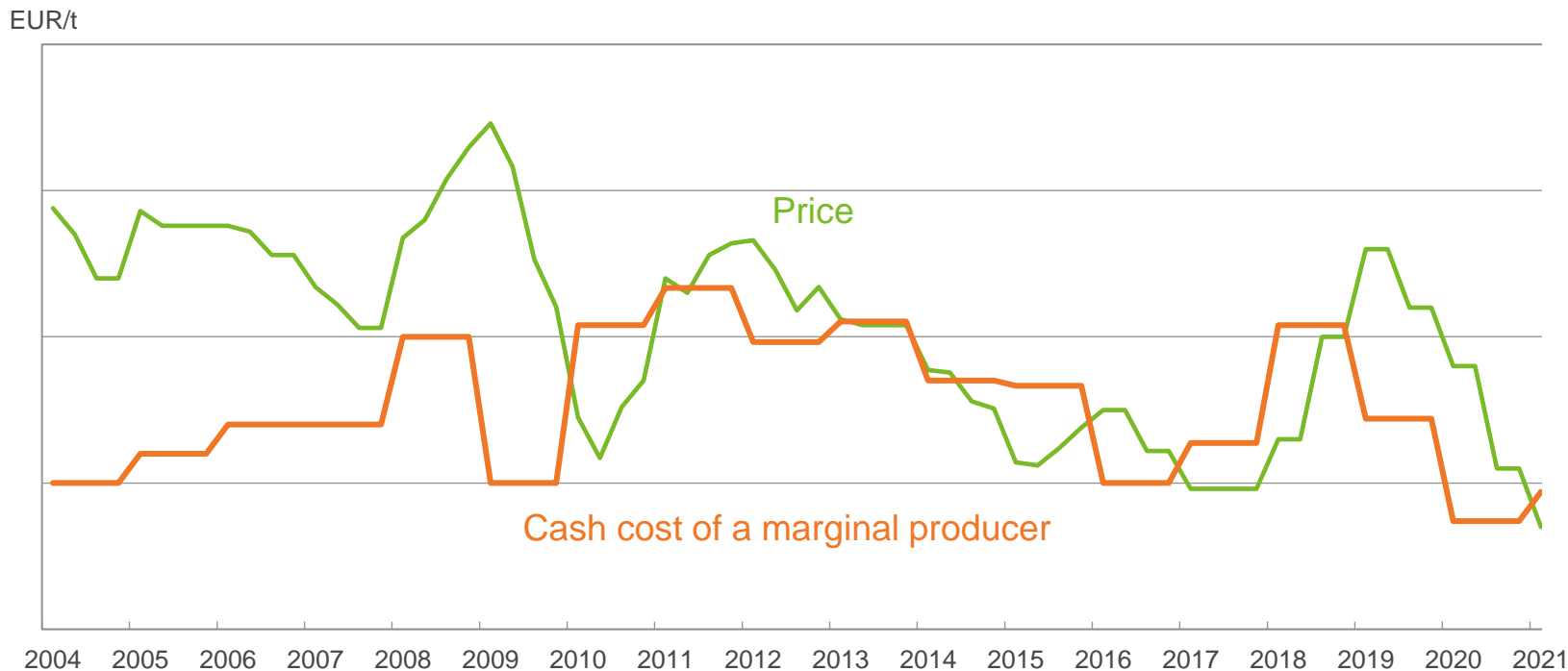
UPM Communication Papers

Graphic paper prices



Sources: PPI, RISI

Paper price vs. cash cost of marginal cost producer



Sources: PPI, RISI, AFRY

UPM **BIOFORE**
BEYOND FOSSILS

