

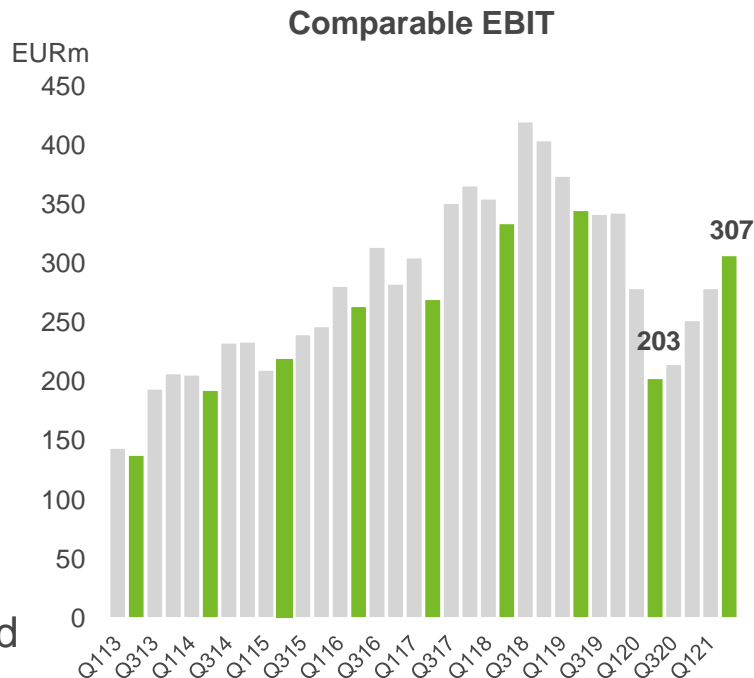
UPM Half Year Financial Report 2021

Jussi Pesonen
President and CEO
22 July 2021

Q2 2021: earnings improved rapidly, UPM is fit for future growth



- Sales grew by 15% to EUR 2,384m (2,077m in Q2 2020)
- Comparable EBIT increased by 51% to EUR 307m, 12.9% of sales (203m, 9.8%)
- Demand for UPM's products was strong and overall, price increases more than offset rising input costs
- Following the timely actions taken in H2 2020 costs were competitive and asset utilisation good
- Transformative growth projects on schedule and on budget



Our focus areas



ENSURING PERFORMANCE



TRANSFORMATIVE GROWTH PROJECTS



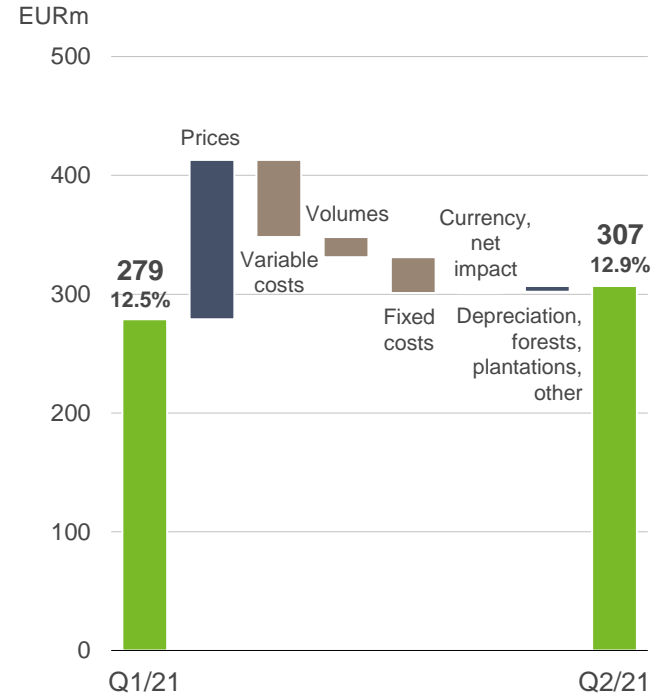
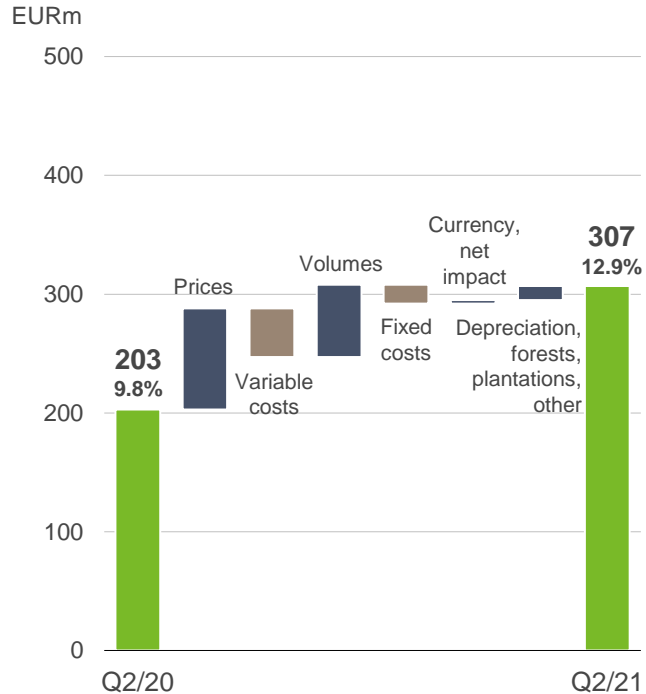
Strong market demand for most UPM products, with mixed COVID-19-related impacts



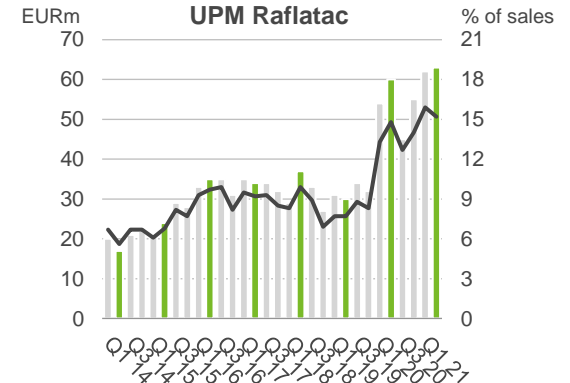
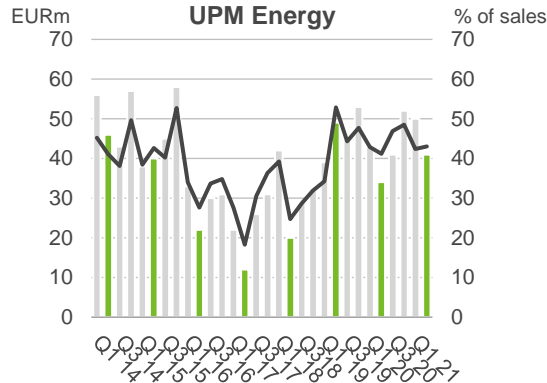
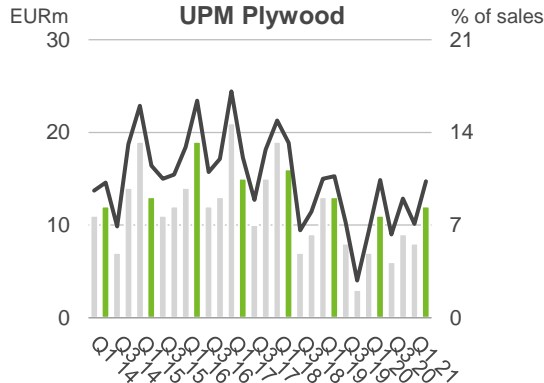
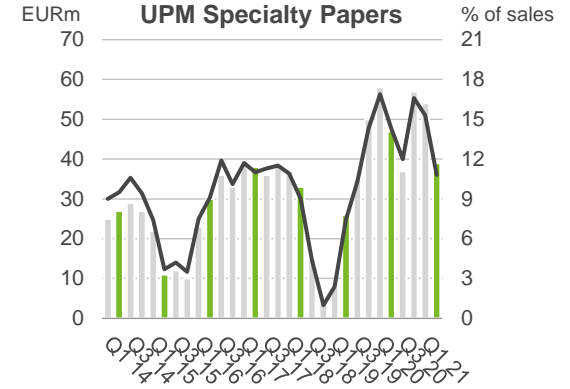
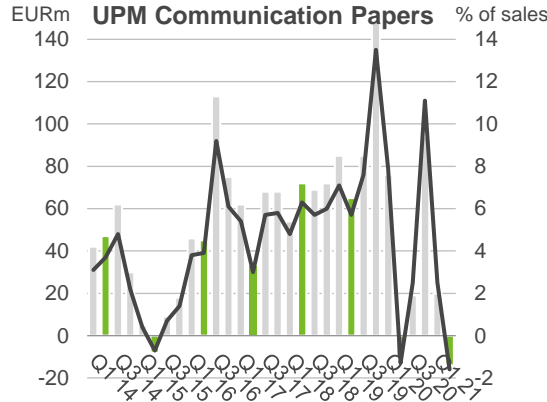
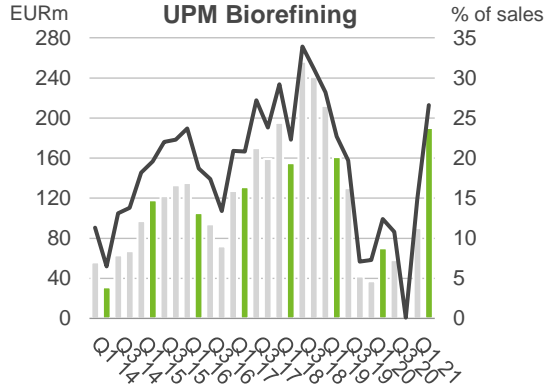
- UPM Raflatac and UPM Specialty Papers benefit from strong demand for daily consumer goods and growth in e-commerce
 - 2021: self-adhesive label demand growth in Europe is estimated to have continued in Q2 from last year's good level, +1% in Q1
 - 2020: +7% in Q1, +9% in Q2, -4% in Q3 and +6% in Q4
- Good pulp demand in Europe, slowing demand growth in China in H1 2021, after strong year 2020
- Strong demand for plywood and timber in construction end uses, improving demand in industrial applications
- UPM Communication Papers' market demand was good
 - 2021 graphic paper demand in Europe: +28% in Q2, -14% in Q1
 - 2020: -8% in Q1, -32% in Q2, -18% in Q3 and -14% in Q4



Comparable EBIT in Q2 2021



Comparable EBIT by business area

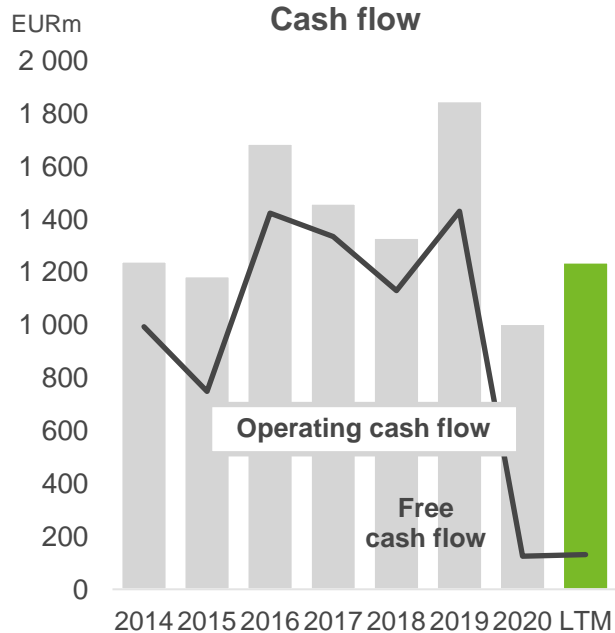


Timely action to ensure performance

- 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
 - Streamlining and cost efficiency actions in UPM Communication Papers, UPM Biorefining, UPM Specialty Papers, UPM Raflatac and global functions
 - Upcoming sale of UPM Shotton by the end of Q3 2021
- Total graphic papers capacity reduction 1.4 million tonnes
- Total annual cost savings impact of approx. EUR 160 million, of which approx. 75% had been realised in Q2 2021

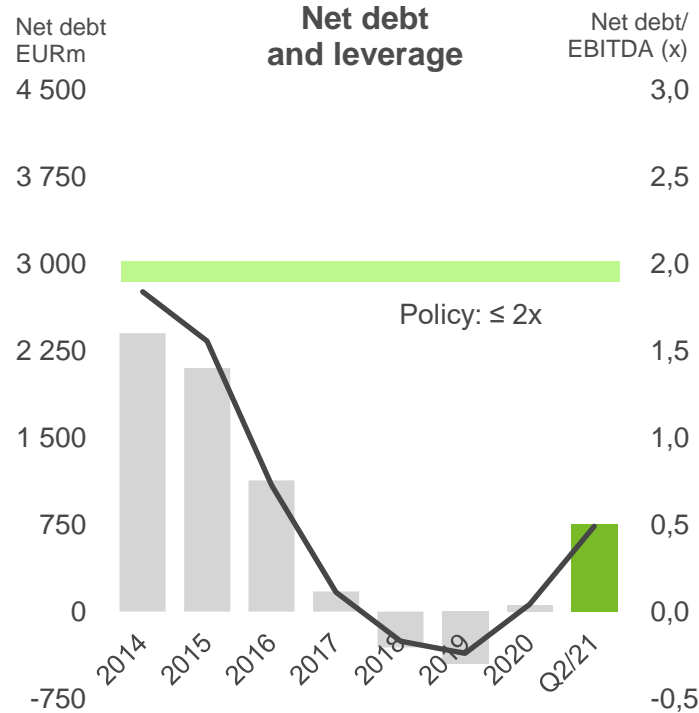


Robust cash flow



- Q2 2021 operating cash flow was EUR 308m (156m in Q2 2020)
- Working capital increased seasonally by EUR 72m (increased by 75m in Q2 2020)

Strong financial position



- Net debt EUR 750m at the end of Q2 2021
- Cash funds and committed credit facilities EUR 2.5bn at the end of Q2 2021
- UPM issued a EUR 500m Green Bond in Q1 2021
- No financial covenants

Outlook for 2021



- The global economy has started recovering in 2021 from the deep downturn experienced in 2020. World regions will progress at different pace, and China has led 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.
- Sales prices for many UPM products are expected to increase in H2 2021 from H1 2021, including graphic paper prices in Europe. Pulp sales prices increased rapidly in H1 2021 and are expected to be higher on average in H2 2021 than in H1 2021.
- 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 H2 2021 compared with H1 2021 and increase clearly in the full year 2021 compared with 2020.

Our focus areas in the coming quarters



ENSURING PERFORMANCE



TRANSFORMATIVE GROWTH PROJECTS



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

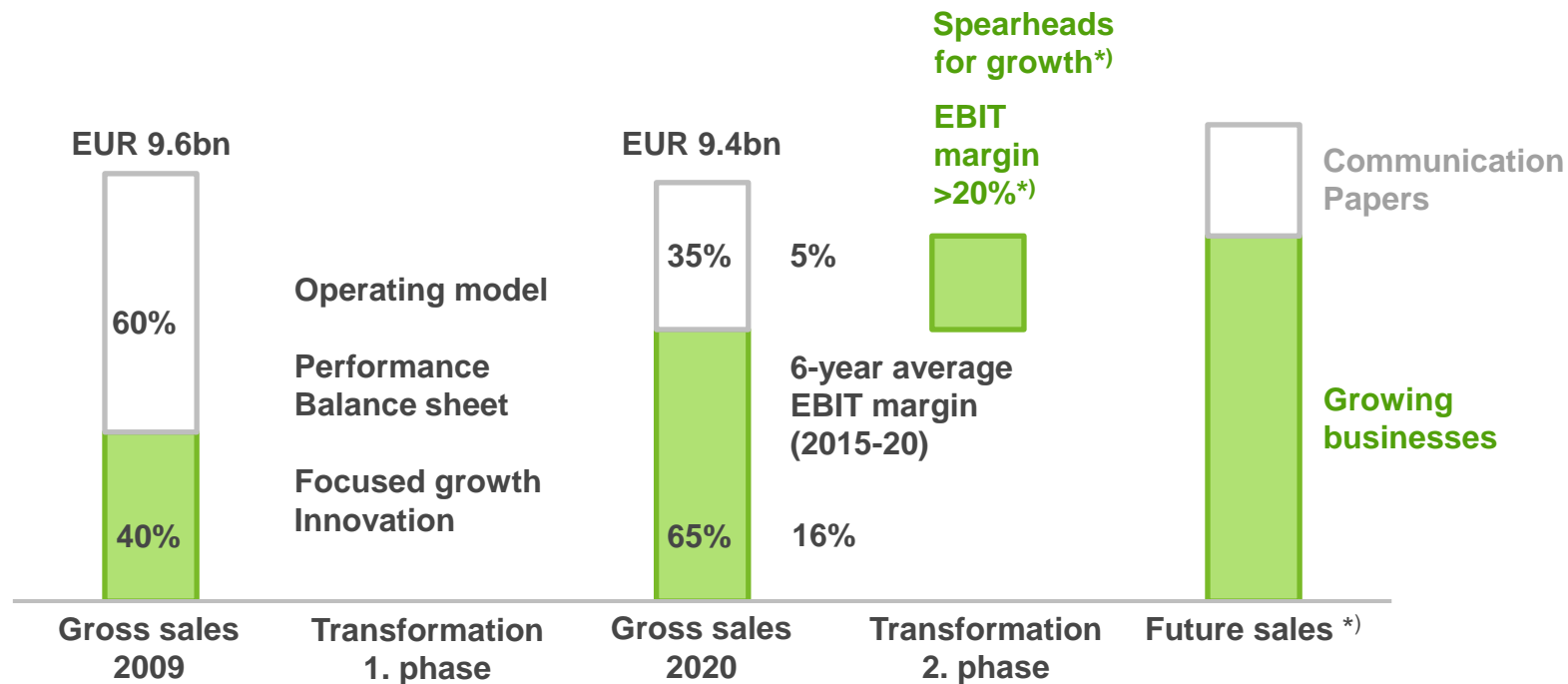
MOLECULAR BIOPRODUCTS

Biofuels

Biochemicals

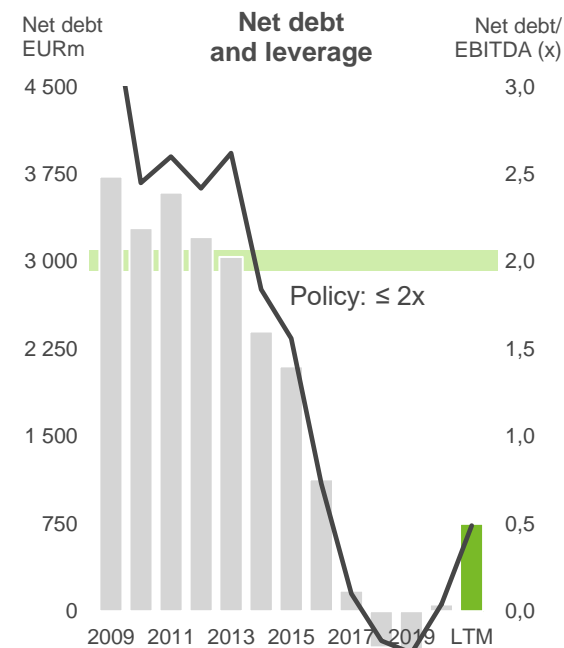
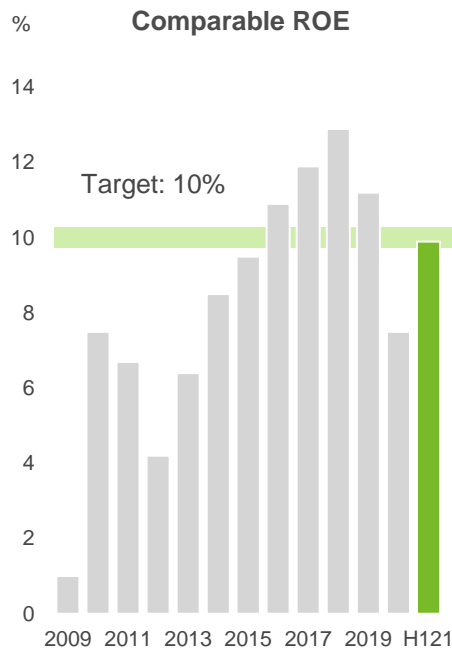
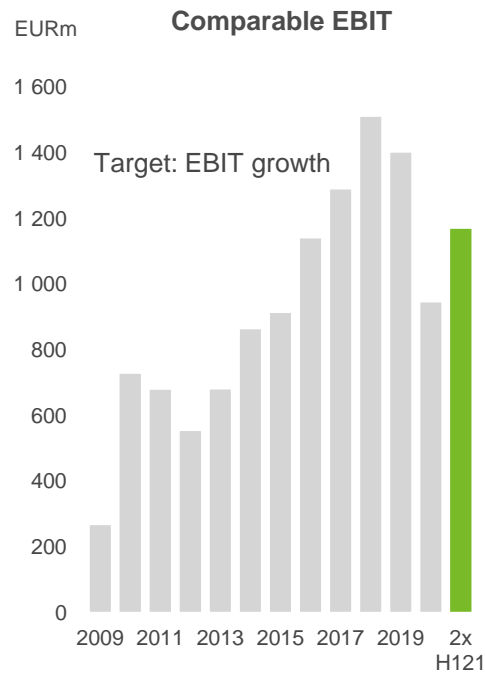
Energy

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

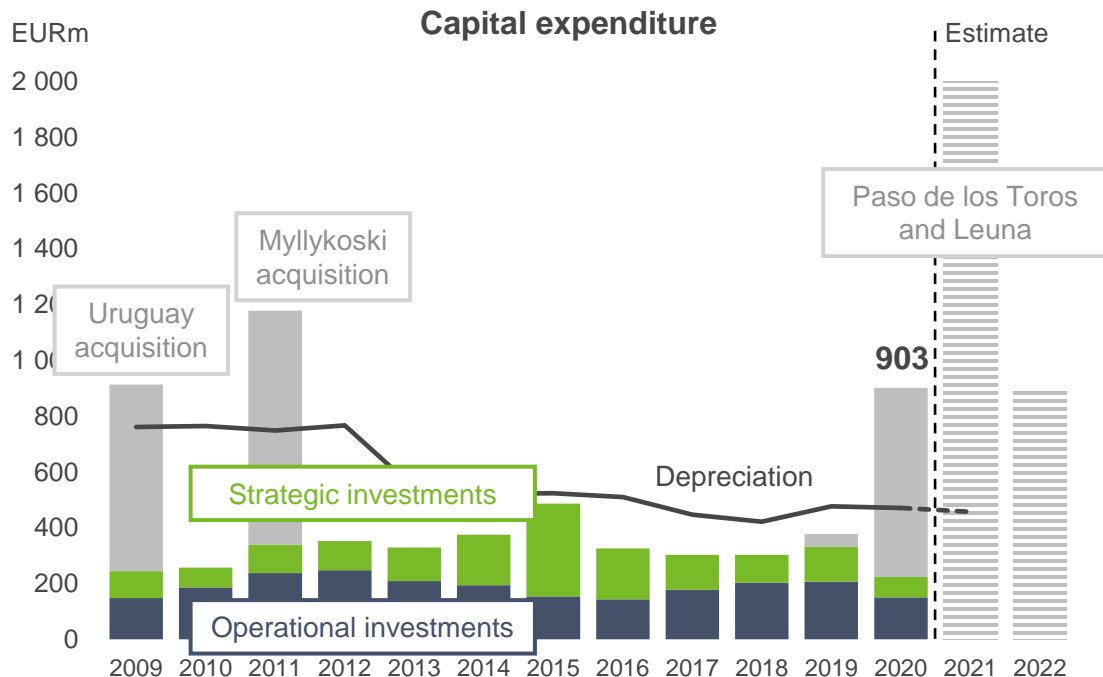


^{*)} This is an illustration, not a forecast

Transformation is visible in earnings and balance sheet



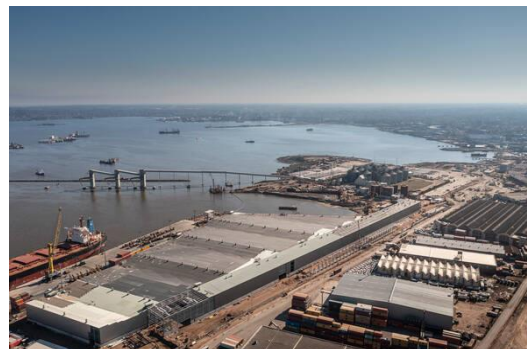
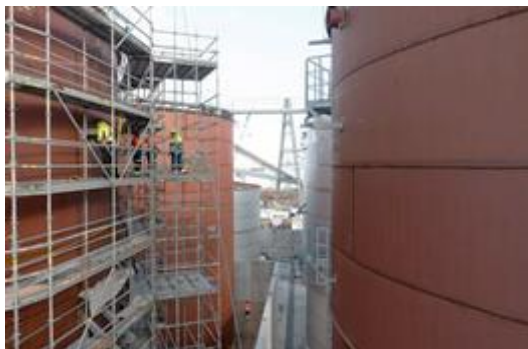
Transformative growth projects in the most intensive phase in 2021



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



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 comprise 31% of UPM's H1 2021 sales and 37% of comparable EBIT
 - Comparable EBIT margins of 16% and 13% in H1 2021
 - Attractive ROCE, Raflatac 47%, Specialty Papers 22%
- Focused investments: UPM Nordland PM2 conversion, UPM Changshu expansion, linerless labelstock expansion



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 improved its earnings rapidly in Q2 2021 – comparable EBIT is expected to increase clearly in 2021 from 2020
- Q2 2021 showed strong demand for most UPM products
- Overall, price increases more than offset rising input costs
- Competitive costs and good asset utilisation following the timely actions taken in H2 2020
- Transformative growth projects progress on schedule and on budget
- UPM is committed to providing solutions for mitigating climate change

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



Global Compact
LEAD
2020 PARTICIPANT

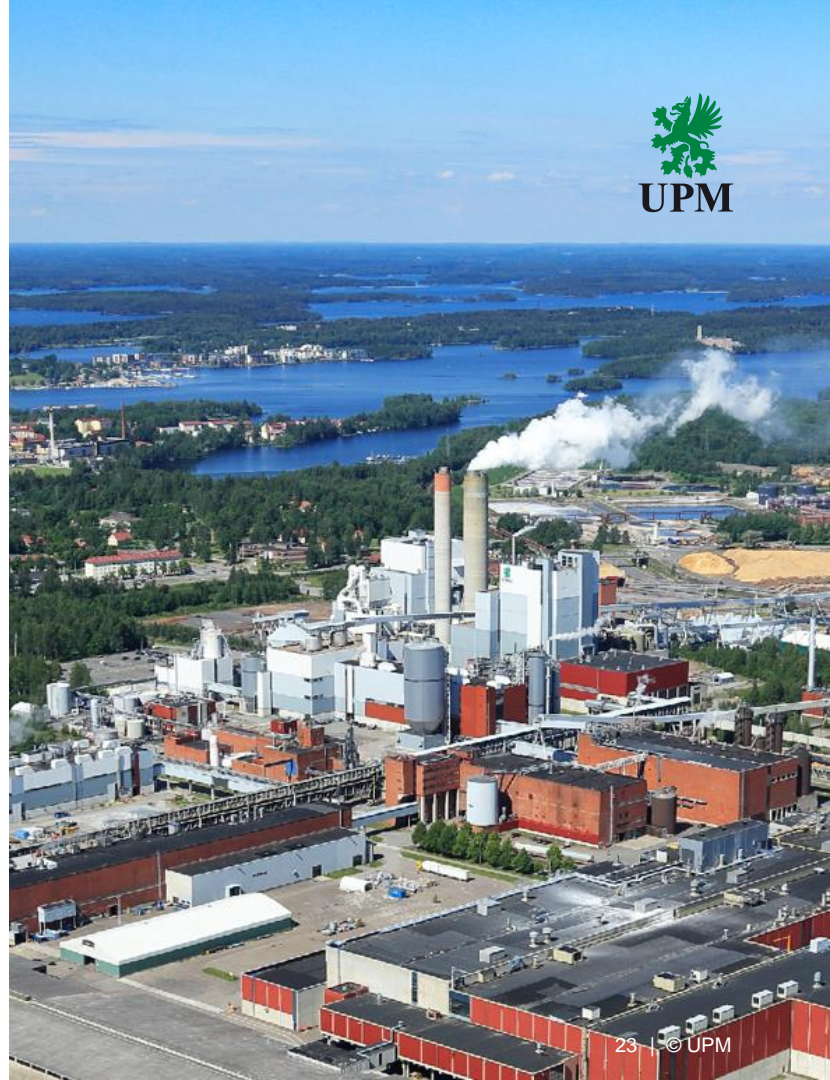
MSCI
ESG RATINGS



CCC	B	BB	BBB	A	AA	AAA
-----	---	----	-----	---	----	-----



UPM **BIOFORE-BEYOND** FOSSILS



UPM invests in a world class pulp mill in Uruguay

USD 3 billion investment in Uruguay



Pulp mill in Paso de los Toros, deep sea port terminal in Montevideo and local community



Pulp is used in tissue, specialty and packaging papers, for example



Total annual capacity of 2.1 million tonnes of eucalyptus pulp

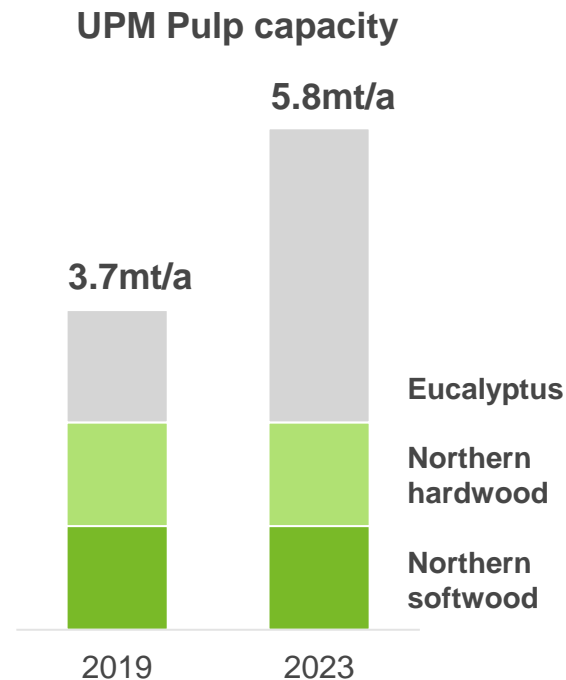


Scheduled to start up in H2 2022

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



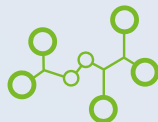
UPM invests in next generation biochemicals



**EUR 550
million
investment
at Leuna,
Germany**



Industrial scale
biorefinery



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

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



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.

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



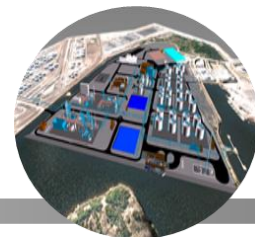
2015

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



2018

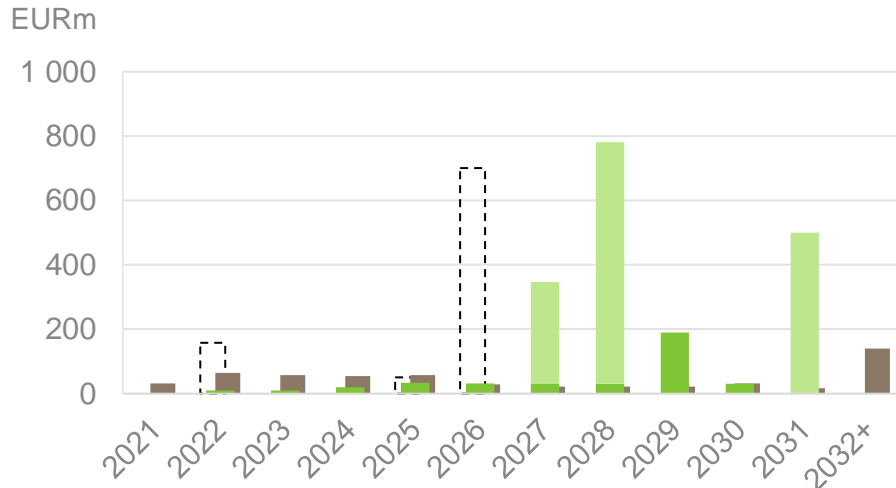
Feasibility study
EIA-study of a possible new biorefinery at Kotka



2021 →

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

Maturity profile and liquidity



▬ Unused committed credit facilities (EUR 908m)

■ Leases (EUR 545m)

■ Bonds (EUR 1566m)

■ Loans (EUR 387m)

Liquidity on 30 June 2021 was
EUR 2.5bn (cash and unused committed credit facilities)

UPM's committed credit facilities:

- EUR 158m rolling committed overdraft facility maturing 2022
- EUR 750m committed syndicated revolving credit 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

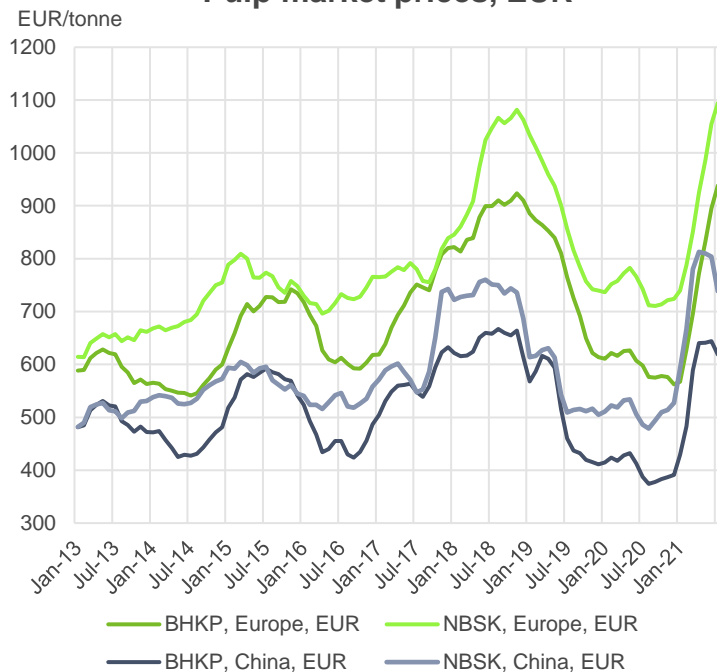
	USD	GBP	JPY	Others
EURm	905	300	180	270

UPM Biorefining

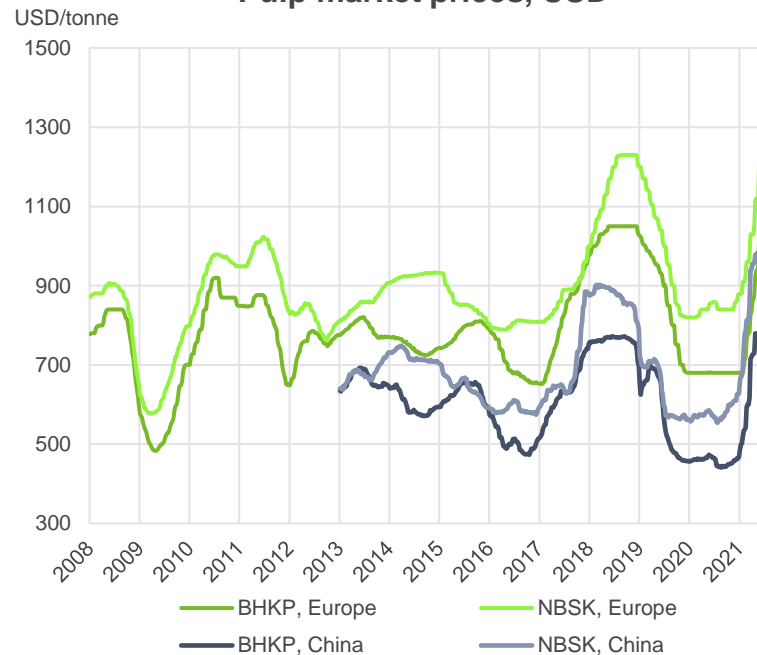
Chemical pulp market prices



Pulp market prices, EUR

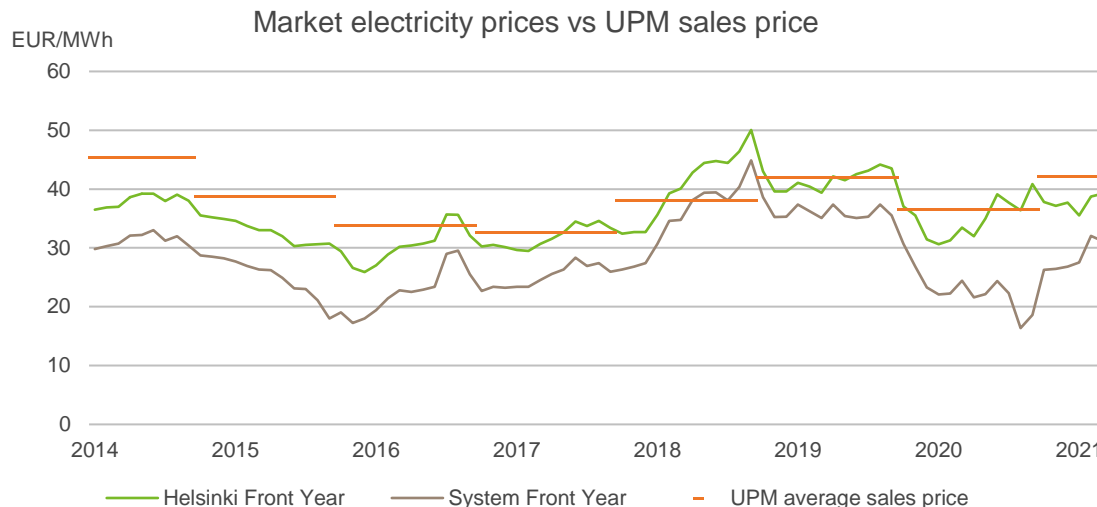


Pulp market prices, USD



Source: FOEX Indexes Ltd

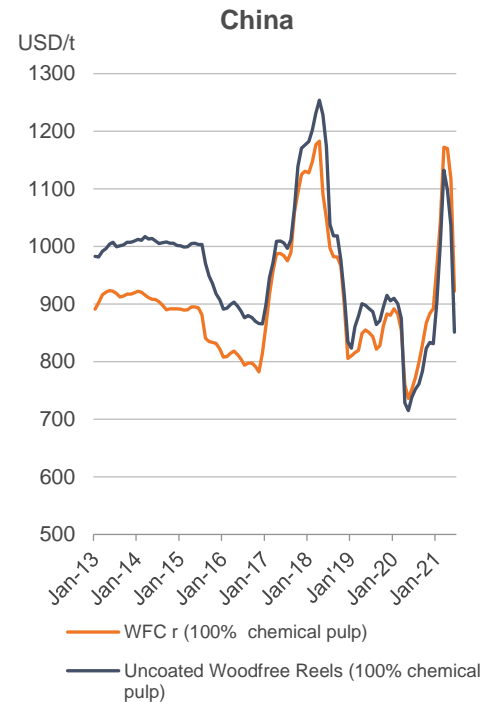
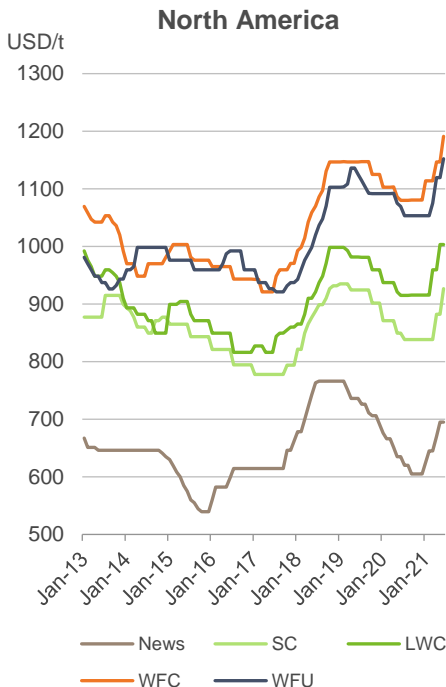
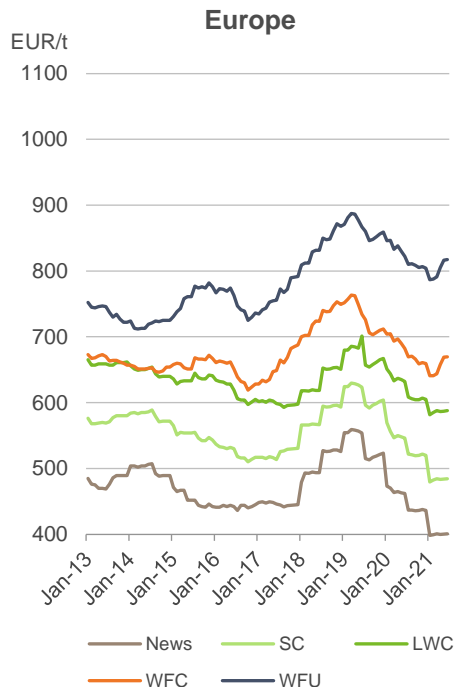
Cost efficient generation enables robust profitability in changing market environment



UPM Energy profitability	2016	2017	2018	2019	2020	H1/2021
Comparable EBIT, EURm	116	91	123	185	171	91
% of sales	32.7	28.8	31.5	44.4	45.0	42.7

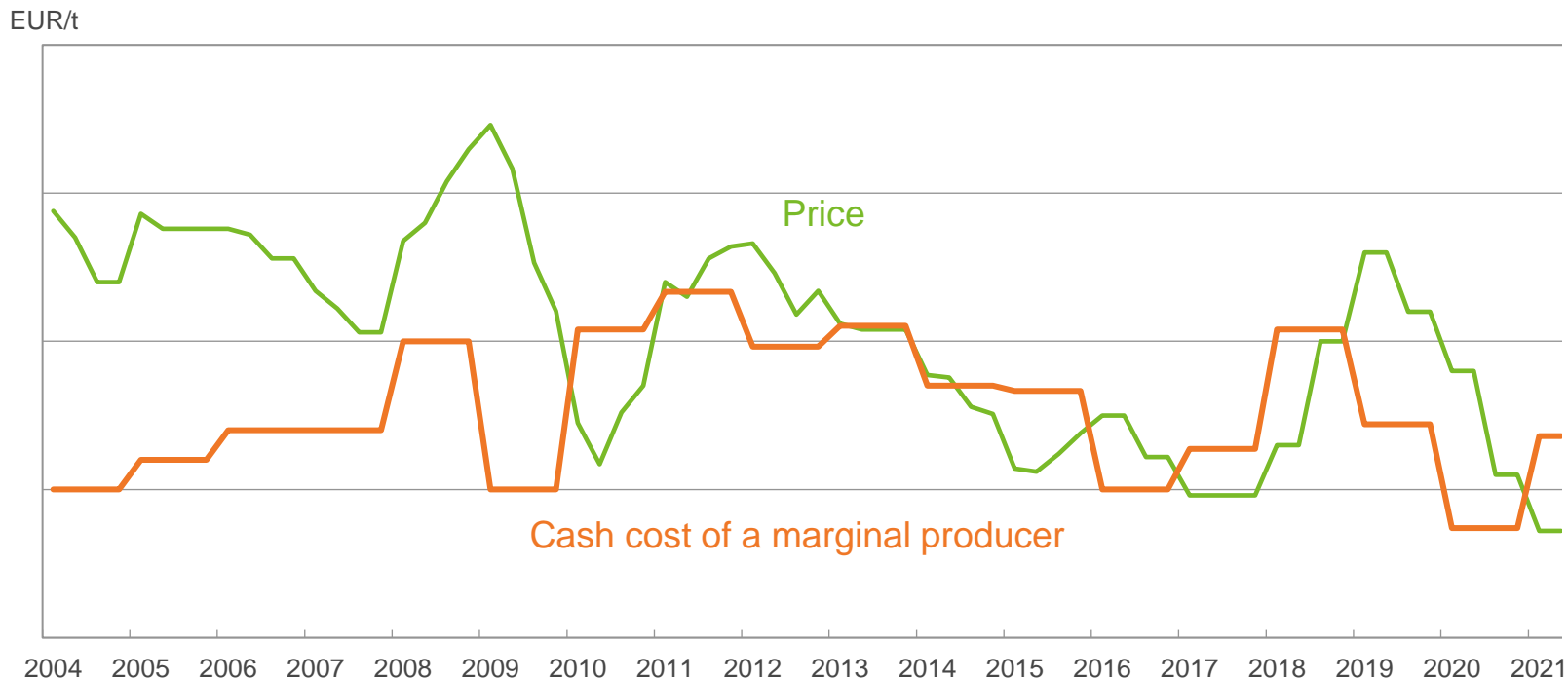
UPM Communication Papers

Graphic paper prices



Sources: PPI, RISI

Paper price vs. cash cost of marginal cost producer



Sources: PPI, RISI, AFRY

UPM **BIOFORE**
BEYOND FOSSILS

