

FOREST OF NEW OPPORTUNITIES

Jussi Pesonen
President and CEO





What are we targeting?

- More than 50% of sales from well performing growth businesses in 5+ years
 - Drive strong cash flow through improved margin, release capital from mature businesses
 - Maintain solid balance sheet and strong cash flow
- ➔ Increase UPM's earnings and valuation

Contents

- **Results delivered since 2008**
- Strategic direction
- Summary



UPM business structure and strategic direction launched in 2008

Energy and pulp

- Expand in cost competitive low-emission energy
- Develop 2G biofuels
- Grow in cost competitive pulp
- Secure competitive biomass

Paper

- Focus on European profitability
- Consolidation in Europe
- Growth in China and other developing markets

Engineered materials

- Profitable growth in self-adhesive label materials
- Plywood renewal
- Drive product renewal and develop new businesses



Actions since launching the strategy

BA	Actions	
Energy	<ul style="list-style-type: none">• Expand in cost competitive low-emission energy	<ul style="list-style-type: none">• Acquisition of PVO shares• OL3 investment, OL4 permit and planning
Biofuels	<ul style="list-style-type: none">• Develop 2G biofuels	<ul style="list-style-type: none">• Kaukas CTO-based biofuels investment• BTL technology ready
Pulp	<ul style="list-style-type: none">• Grow in cost competitive pulp	<ul style="list-style-type: none">• Acquisition of Uruguay operations• Plantation development• Closure of Tervasaari pulp mill
Forest & Timber	<ul style="list-style-type: none">• Secure competitive biomass	<ul style="list-style-type: none">• Finnish forestry development• Restructuring of Timber operations

Note: CTO = Crude Tall Oil, OL = Olkiluoto nuclear power plant

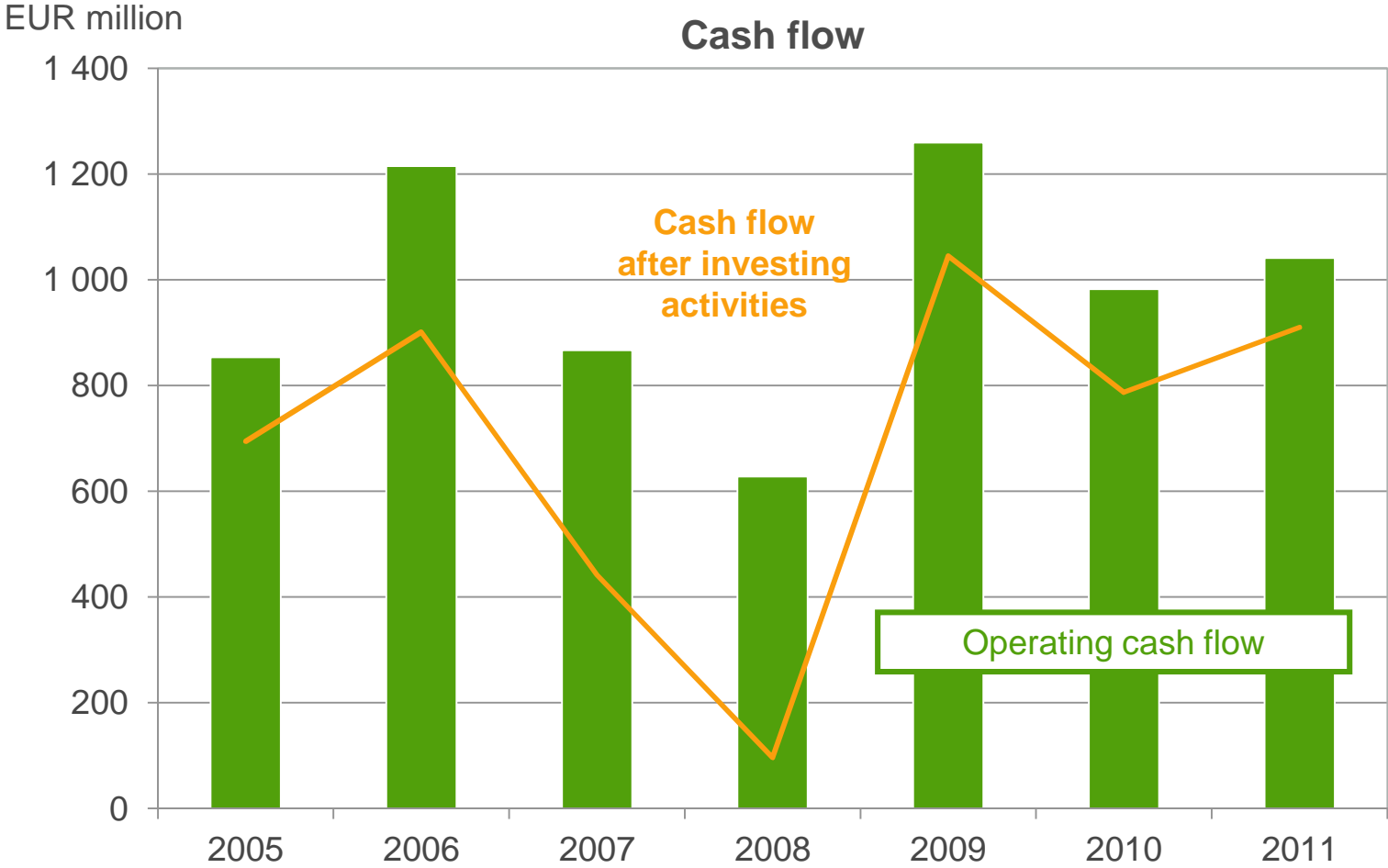
Actions since launching the strategy

BA	Actions	
Paper	<ul style="list-style-type: none"> • Consolidation in Europe • European profitability • Asian growth 	<ul style="list-style-type: none"> • MY acquisition, sale of Packaging papers • Restructuring of organisation, closures of Kajaani, Myllykoski, and Albbbruck mills • Mill CHP investment (e.g. Schongau, Kaukas, Caledonian) • Permit for Changshu expansion
Label	<ul style="list-style-type: none"> • Label product renewal • Growth in emerging markets 	<ul style="list-style-type: none"> • Expansion in Poland and filmic labels, new speciality product lines • Speciality labels acquisition in Europe • Acquisition of Brazilian business, investments in emerging market operations
Plywood	<ul style="list-style-type: none"> • Improve profitability • New products and/or markets 	<ul style="list-style-type: none"> • Restructuring of Plywood operations in Finland • Formable plywood

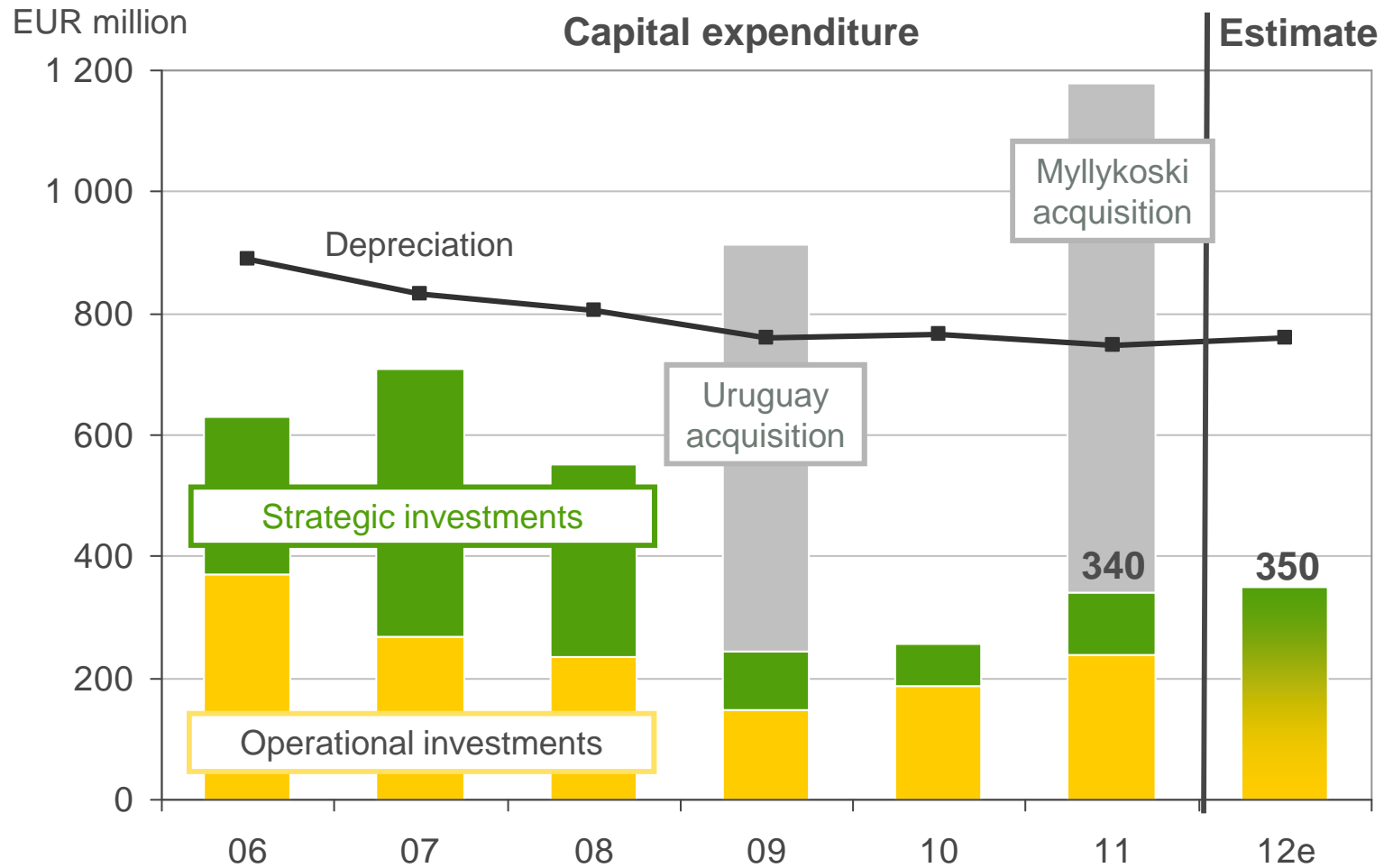
Profitability over two economic slowdowns



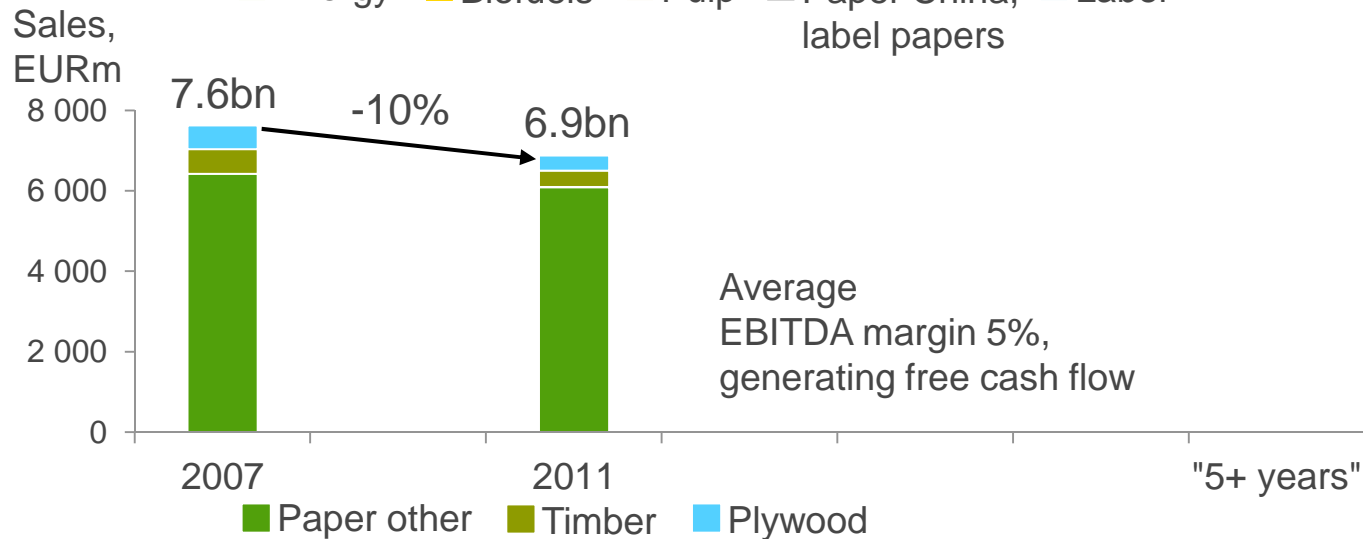
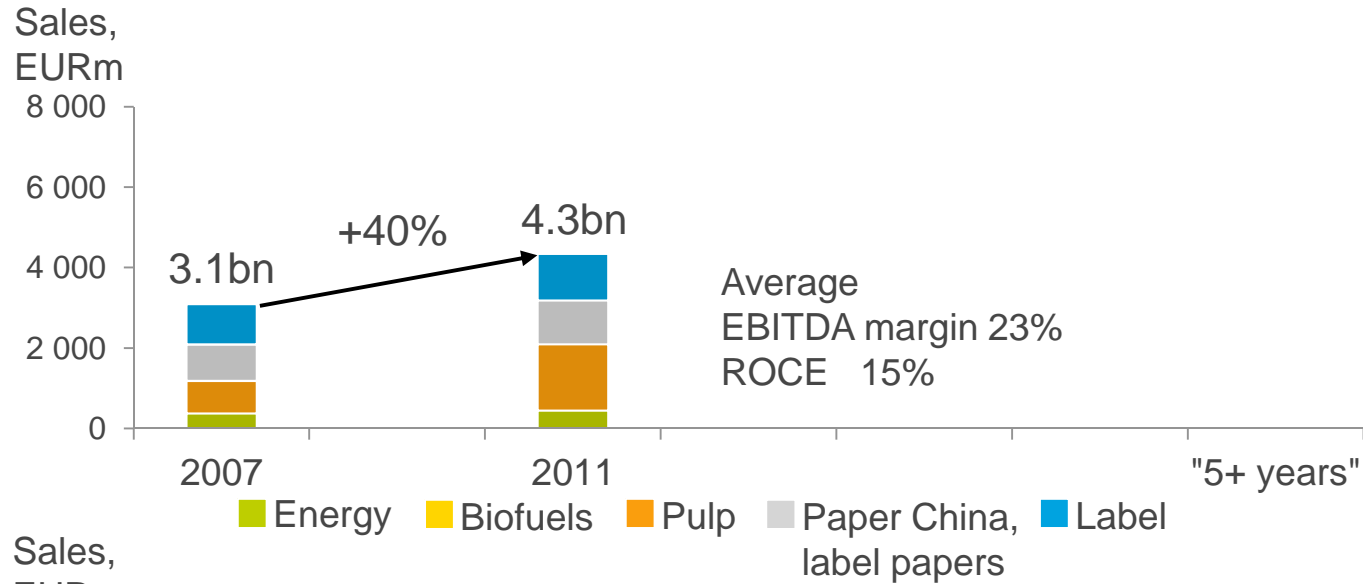
Consistently strong cash flow



Low operational investments free resources for portfolio renewal



Actions have already reshaped the business portfolio



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- Results delivered since 2008
- **Strategic direction**
- Summary



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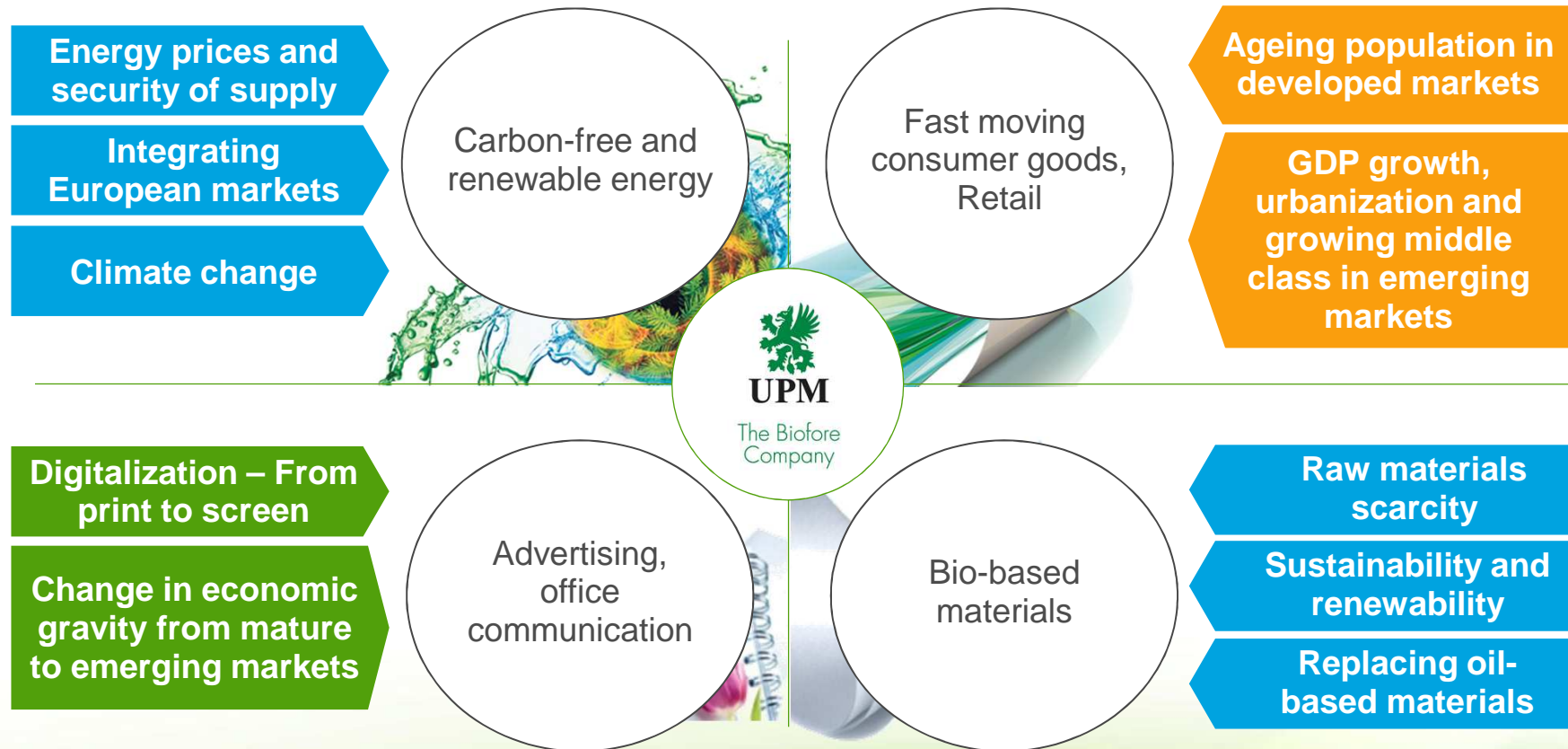
World is changing

Resource scarcity
Power shift in global economy
Climate change
Digitalisation

Biofore growth and competitiveness

Materials and energy efficiency
Renewable and recyclable products
Innovation and new businesses

Drivers for UPM's businesses



Strategic direction for different businesses

Energy

Grow in advanced biofuels
Expand in low emission power generation



Engineered materials

Grow globally in Label

Paper

Improve margins to maximize cash flow in Europe
Grow in emerging markets

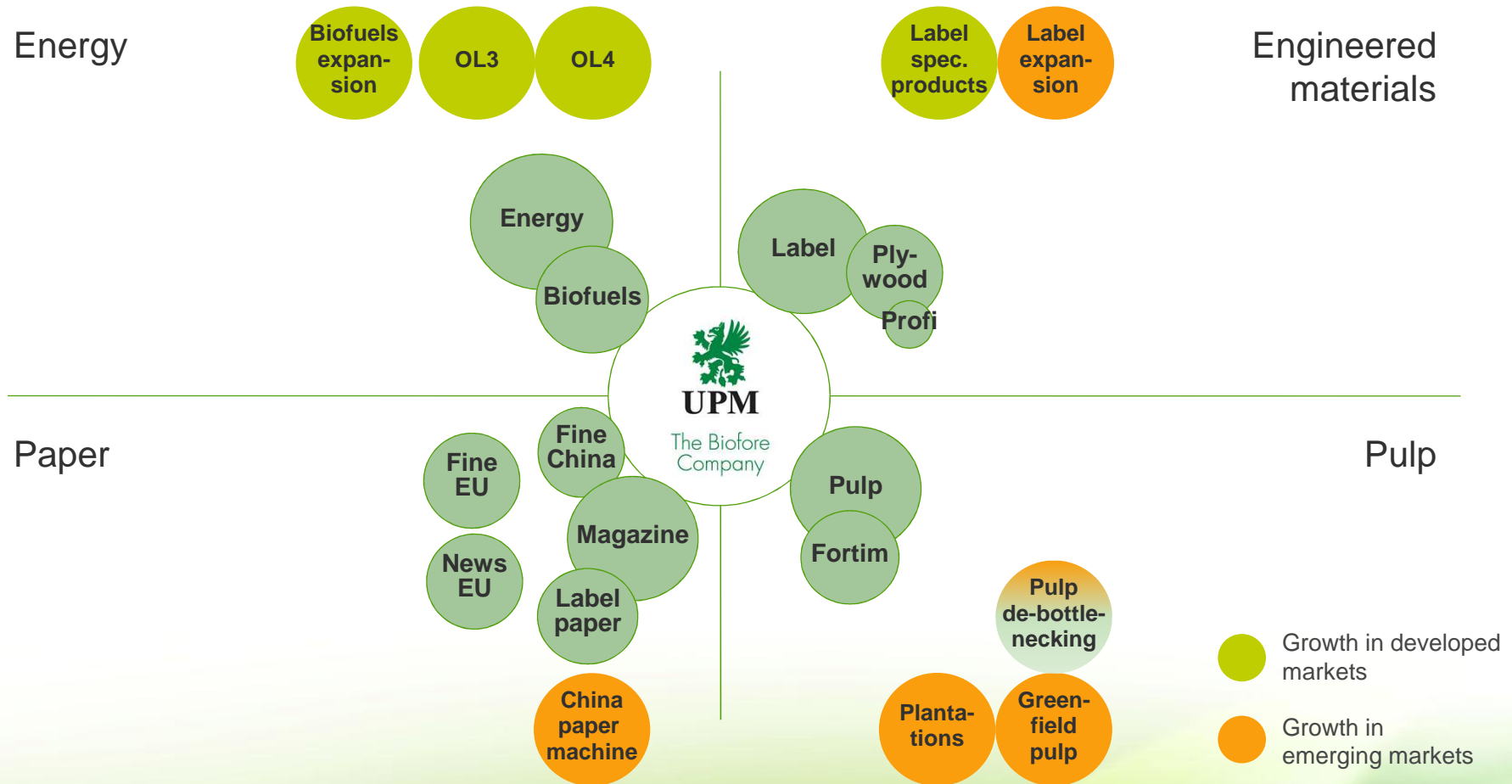


Pulp

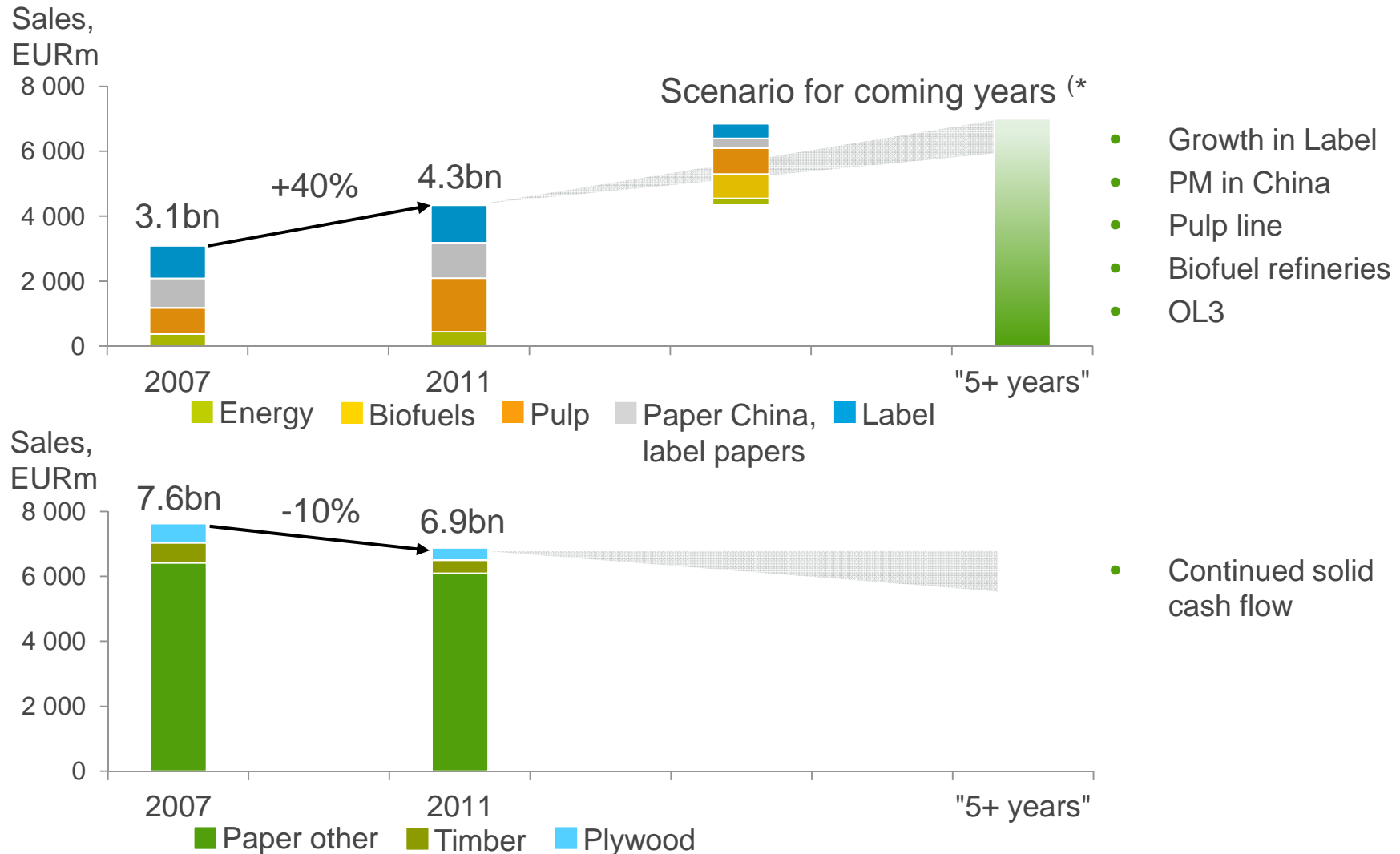
Grow globally in Pulp

Develop new businesses

Concrete growth opportunities in each business

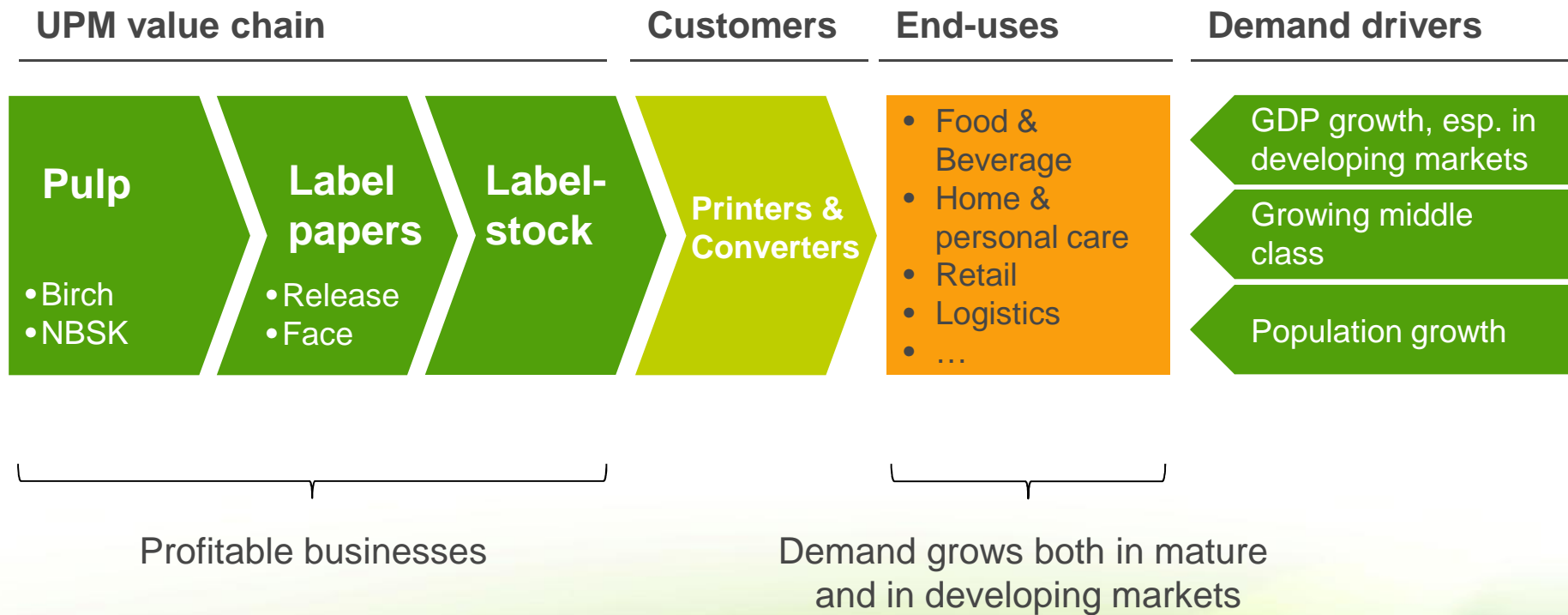


Expanding well performing growth businesses with cash flow from mature businesses



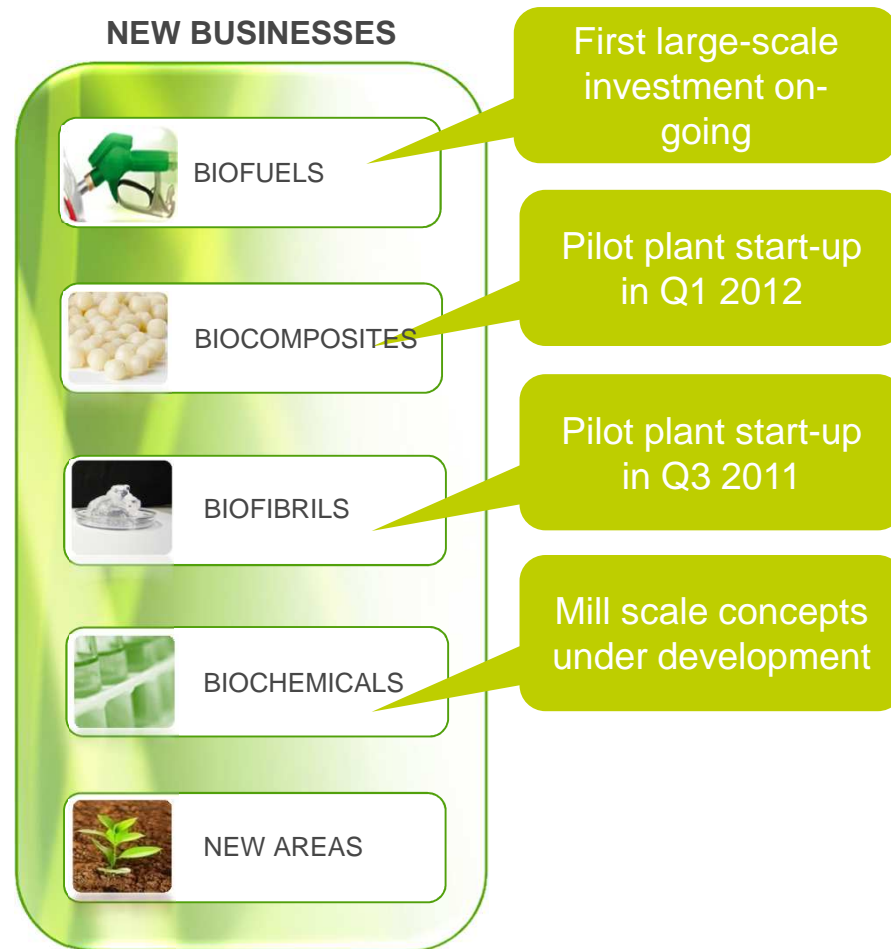
*) This is not a forecast, but one scenario from some of UPM's existing growth opportunities

Attractive value chain in label materials



Biofore in action

New opportunities for the future



- UPM is developing a range of new businesses
- Potential for increasing value added in UPM's value chain
- Large target markets with potentially healthy profitability and sustainable competitive advantage
- New businesses based on UPM's in-house development and synergies with existing businesses

Biofore in action



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Strategic direction

Energy

Grow in advanced biofuels
Expand in low emission power generation



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Pulp

Grow globally in Pulp



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UPM

The Biofore
Company