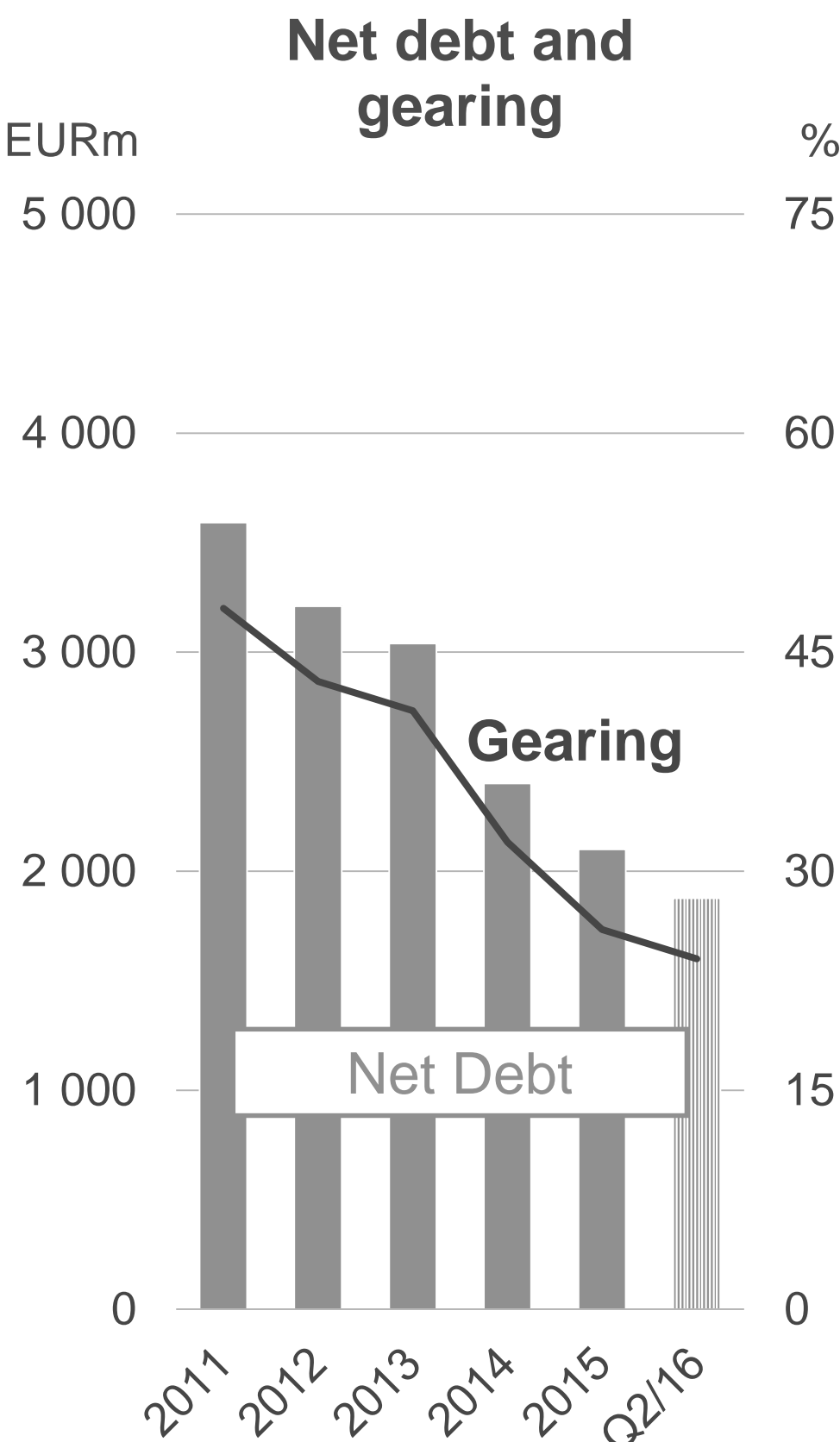
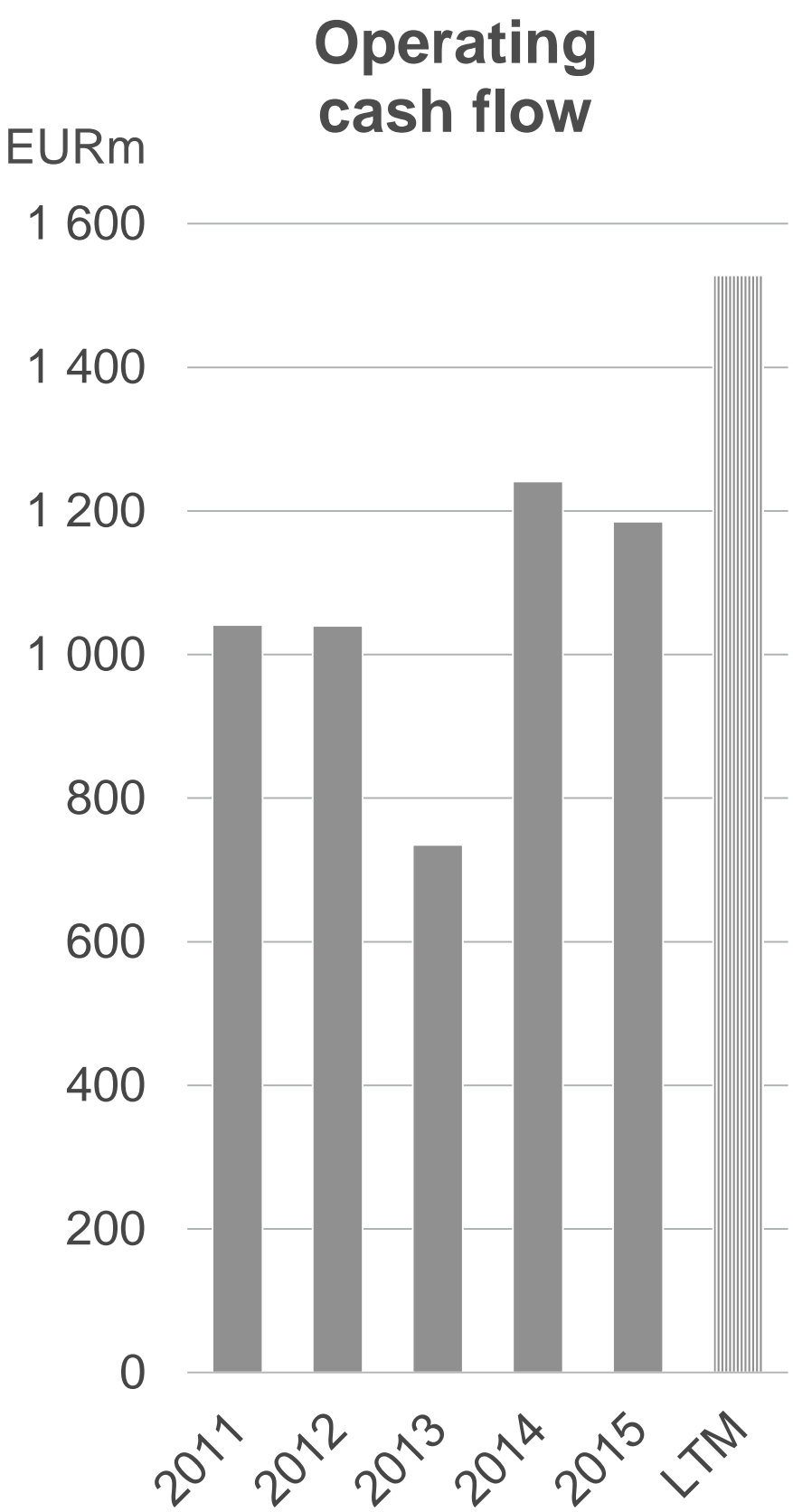
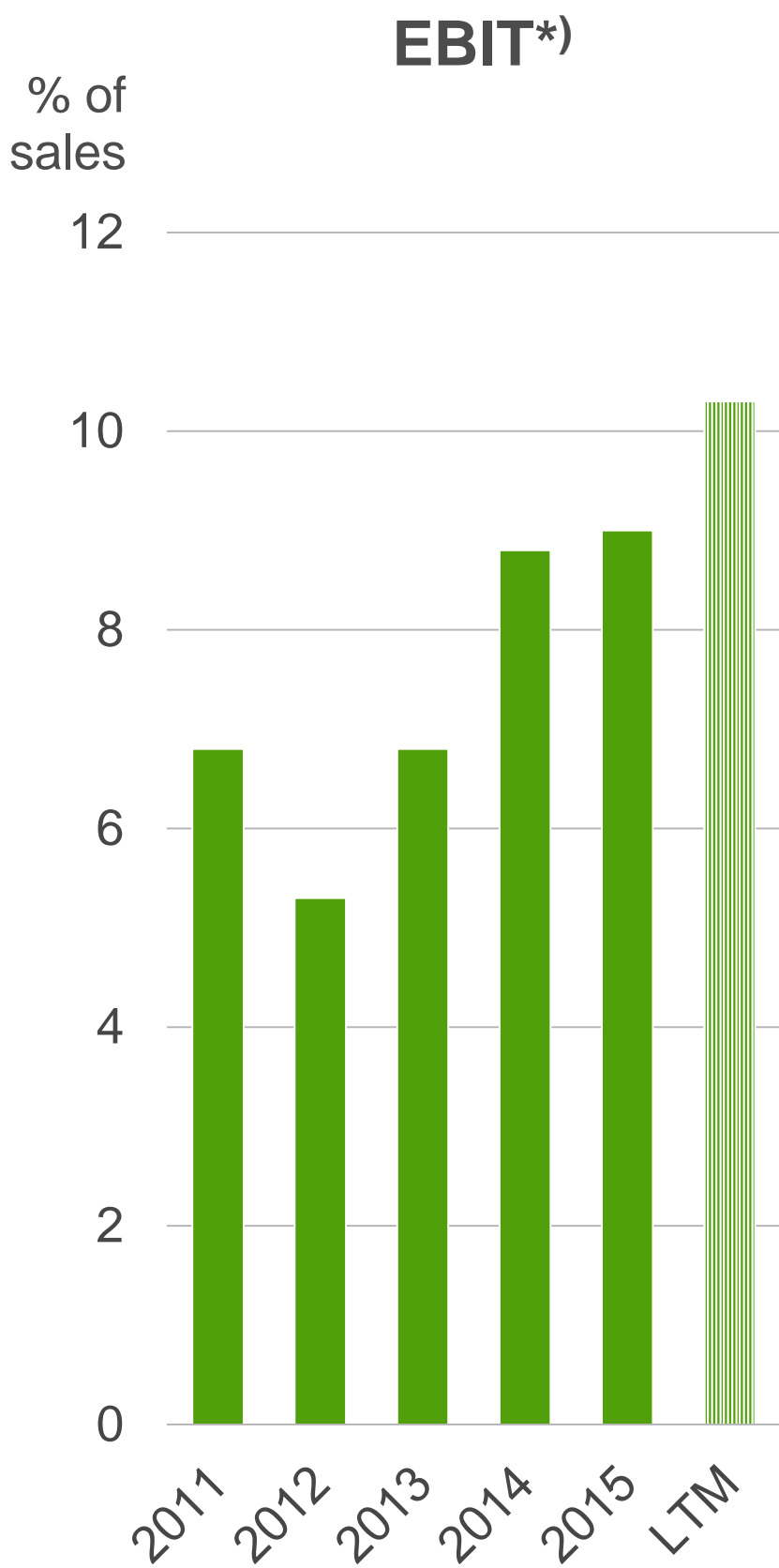


PERFORMANCE AND VALUE CREATION

Tapio Korpeinen
CFO



Group financial performance



^{*)} comparable figures for 2015 and 2014, excluding special items for earlier years



Drivers for the improved financial performance

Business actions

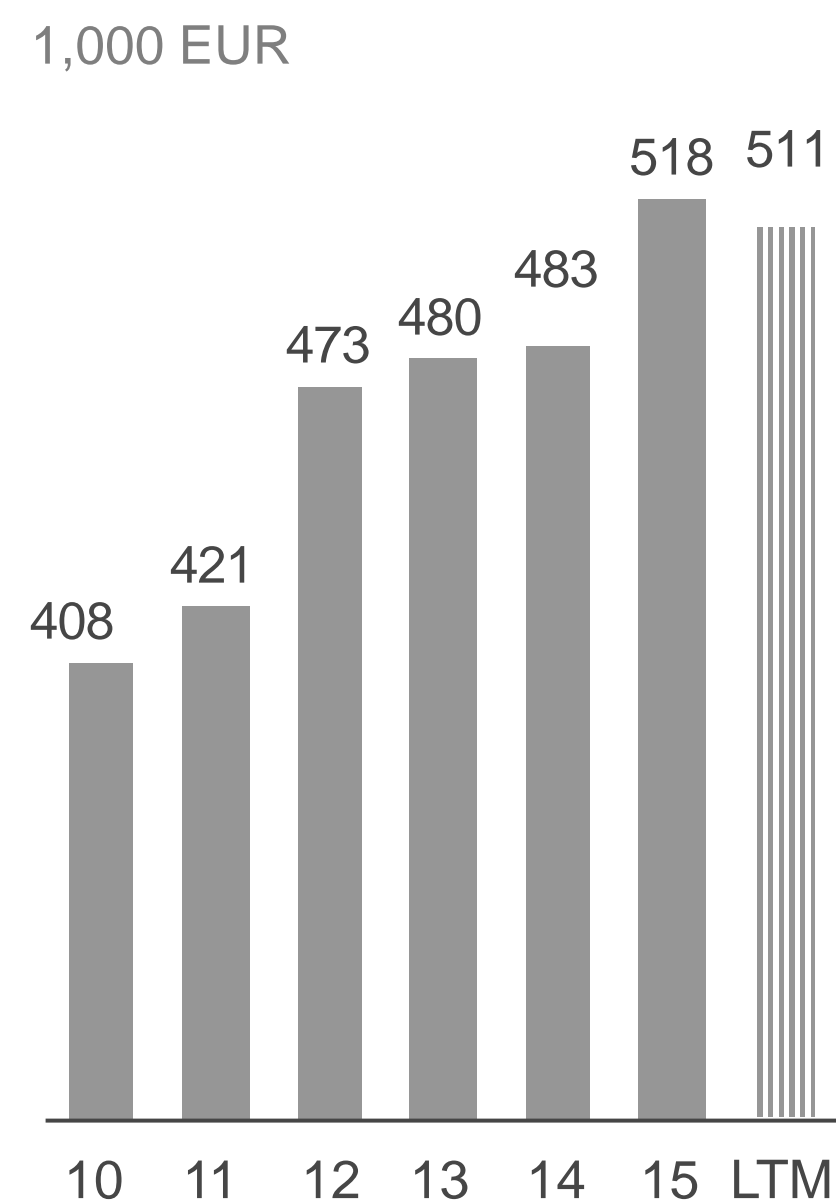
- Commercial strategies
- Operational system efficiency
- Focused growth investments
- Efficient use of assets, including restructuring

Group-wide initiatives implemented in businesses

- Variable cost reduction measures – **SmartSpend**
- Maintenance and site management – **SmartMaint, SmartSite**
- Working capital management – **SmartCash**

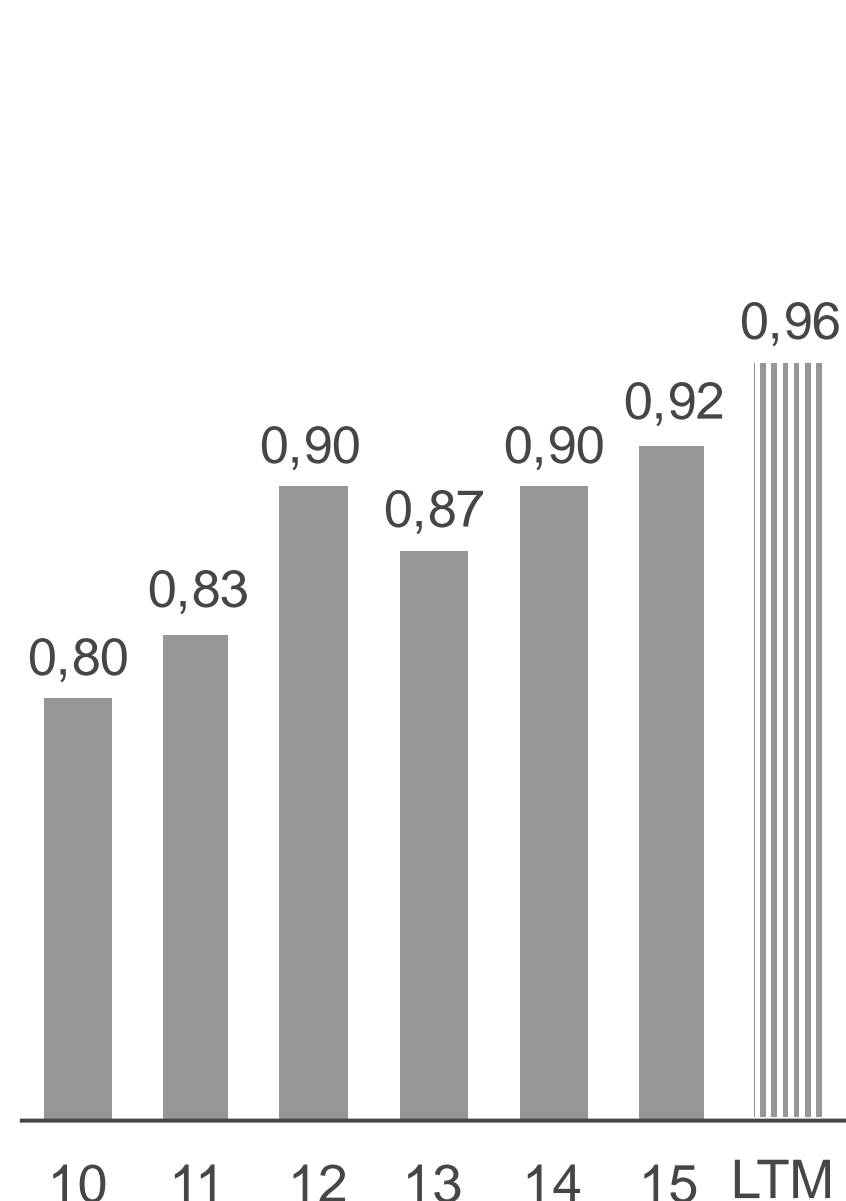
Consistent improvement

Productivity
Sales / employee



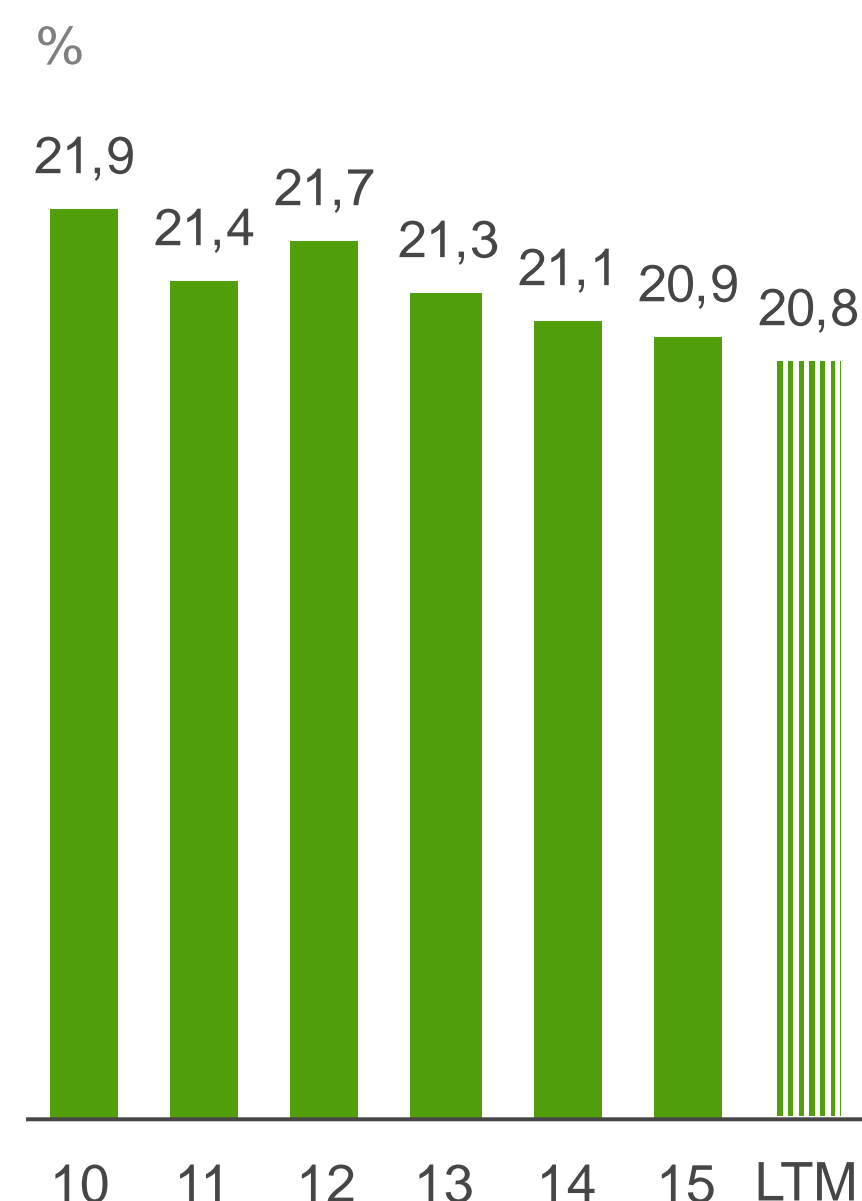
Commercial strategies
Efficient use of assets
Focused investments

Capital turnover
Sales / CE



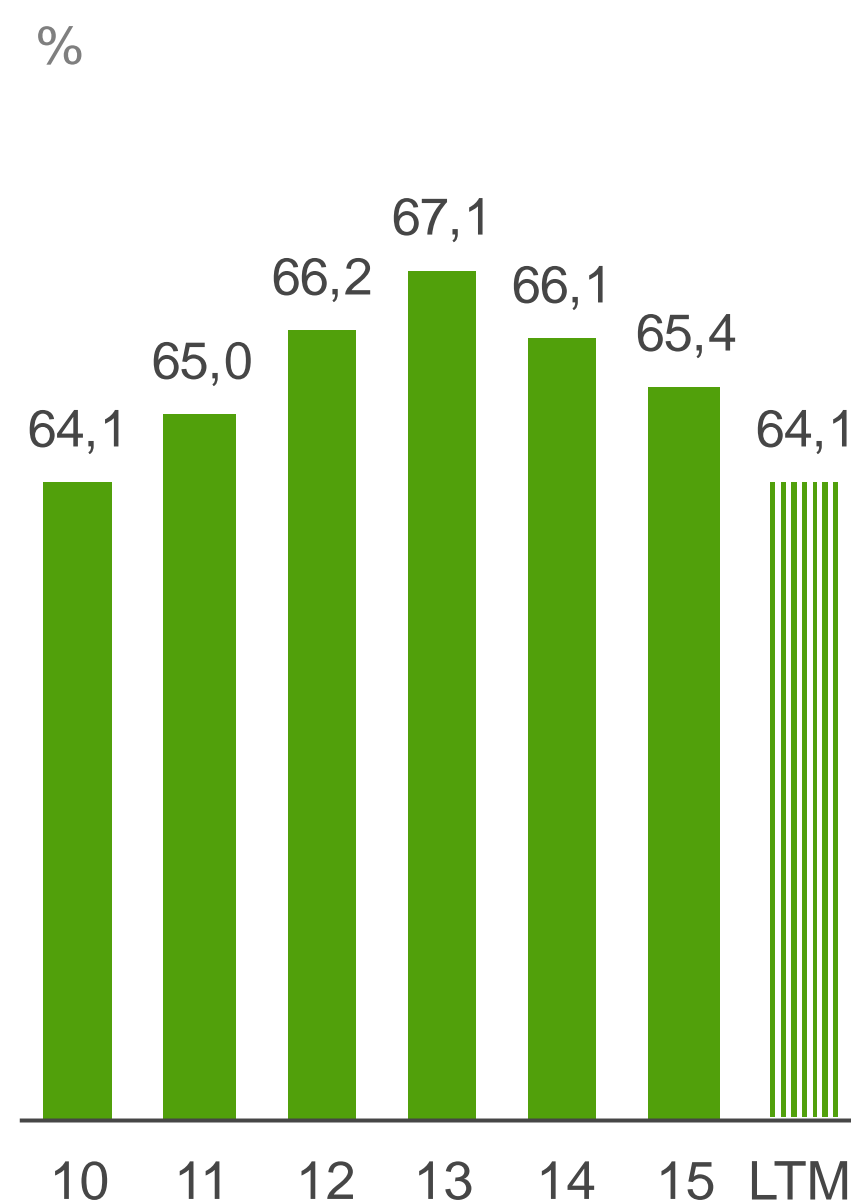
Capital allocation
Focused investments
Efficient use of assets
WOC management

Fixed costs
Fixed cost / sales



Commercial strategies
Efficient use of assets
Restructuring
Maintenance

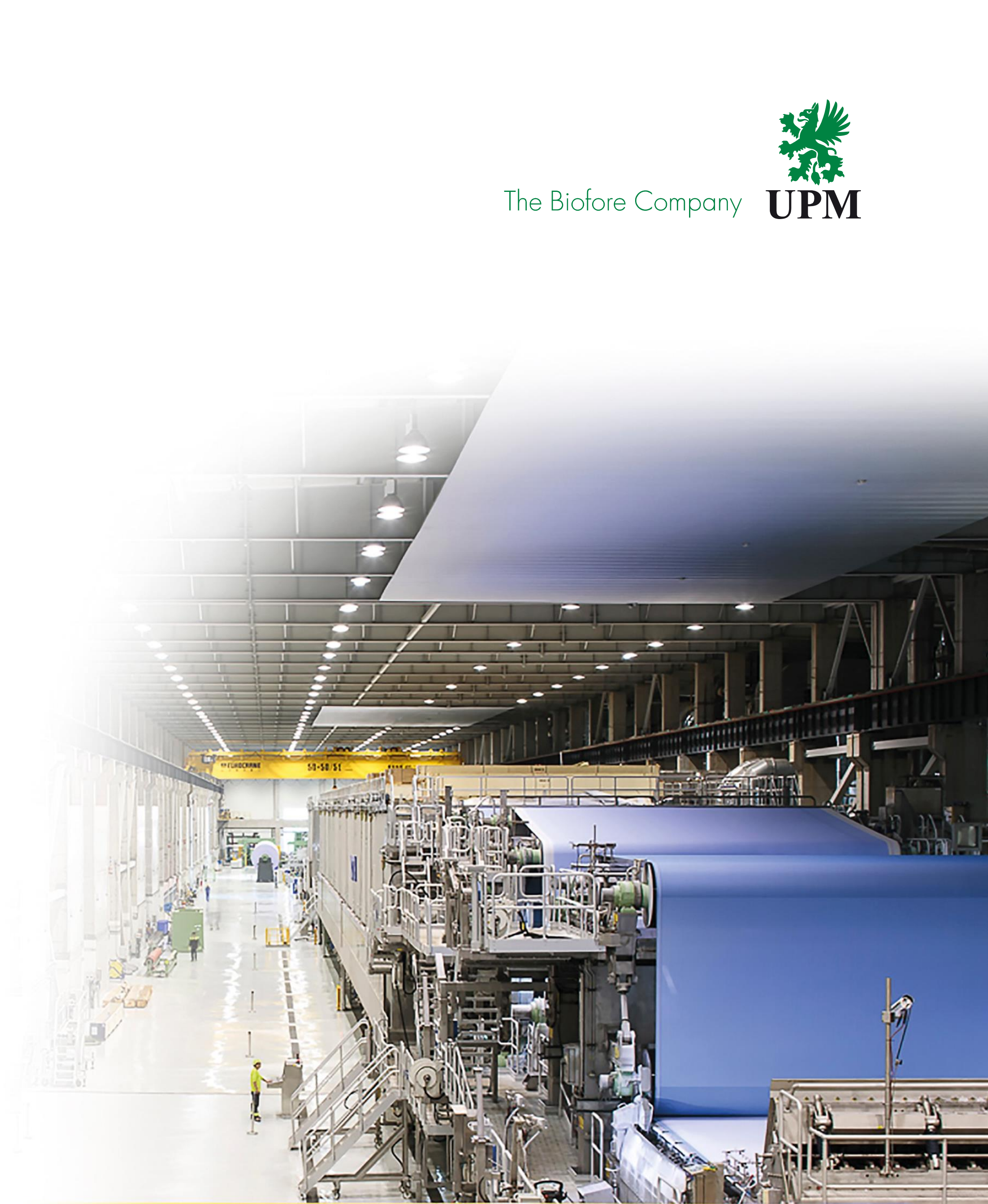
Variable costs
Variable cost / sales



Variable cost measures
Materials efficiency
Energy efficiency
Efficient use of assets

FOCUSED GROWTH INVESTMENTS

Delivering earnings
and volume growth



Current focused growth investments targeting to exceed EUR 200m in additional EBITDA



Fully contributing in H1 2016

- Pietarsaari pulp mill expansion
- Fray Bentos pulp mill expansion
- Kymi pulp mill expansion
- Raflatac expansion in APAC, Poland

Capex EUR 220m
Capacity ~340kt



Ramp-up progressing well

- Lappeenranta biorefinery
- Changshu speciality papers

Capex EUR 460m
Capacity ~460kt

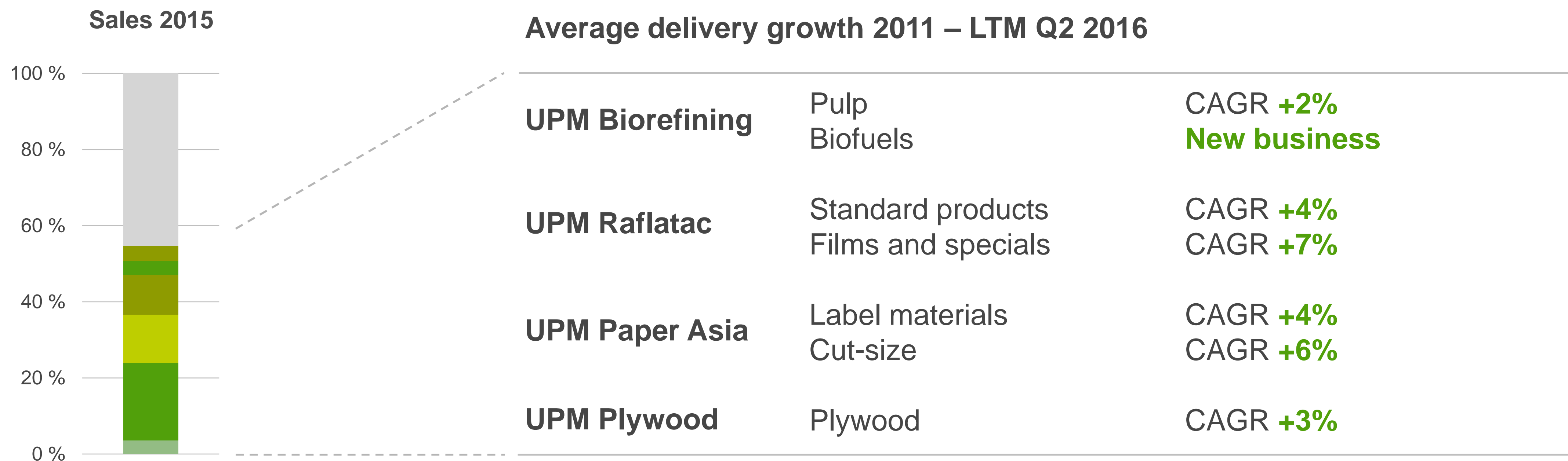


Under construction, in schedule and budget

- Otepää plywood mill expansion
- Kaukas pulp mill efficiency
- Kymi pulp mill expansion

Capex 190m
Capacity ~200kt

Focused investments are delivering growth

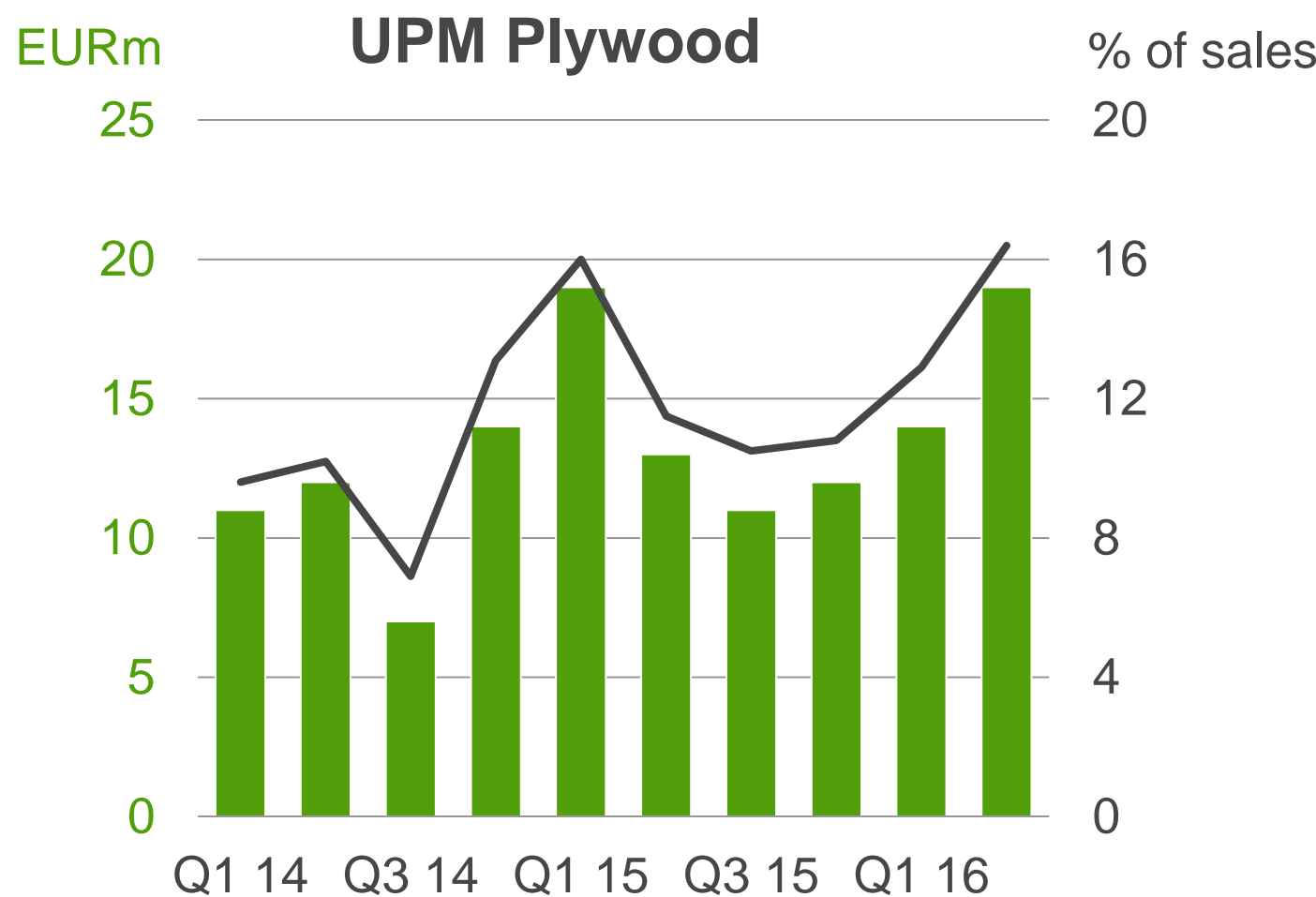
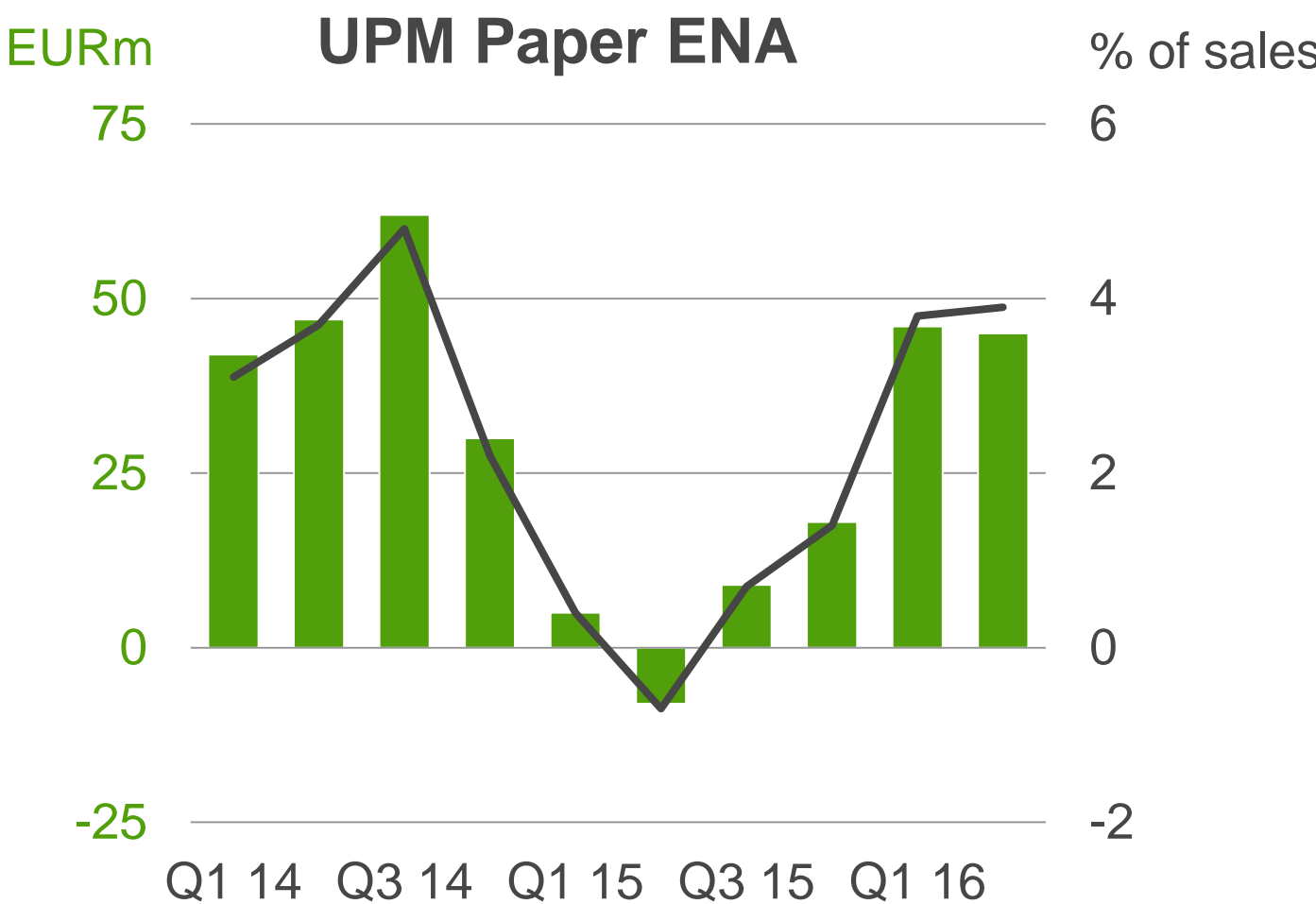
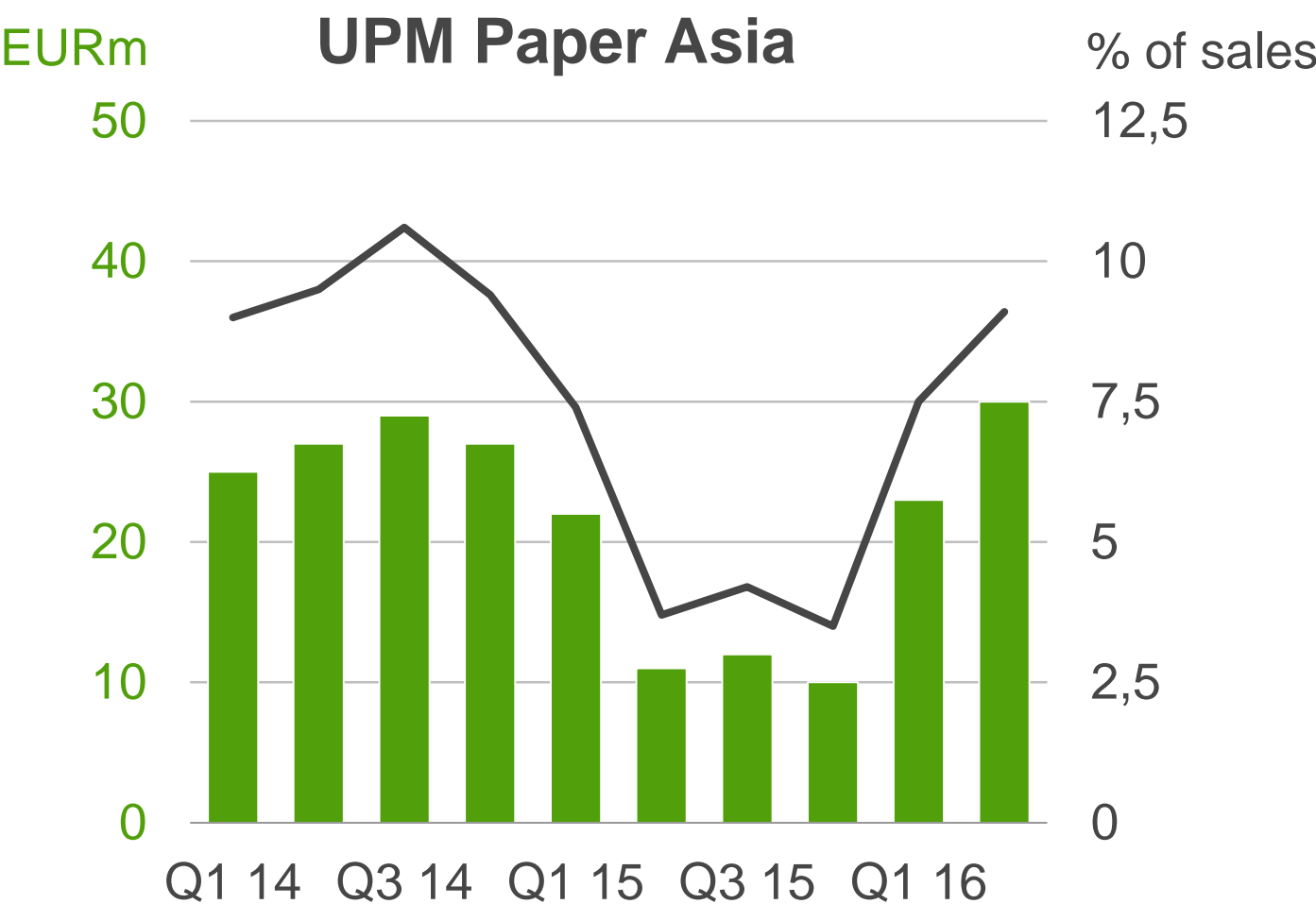
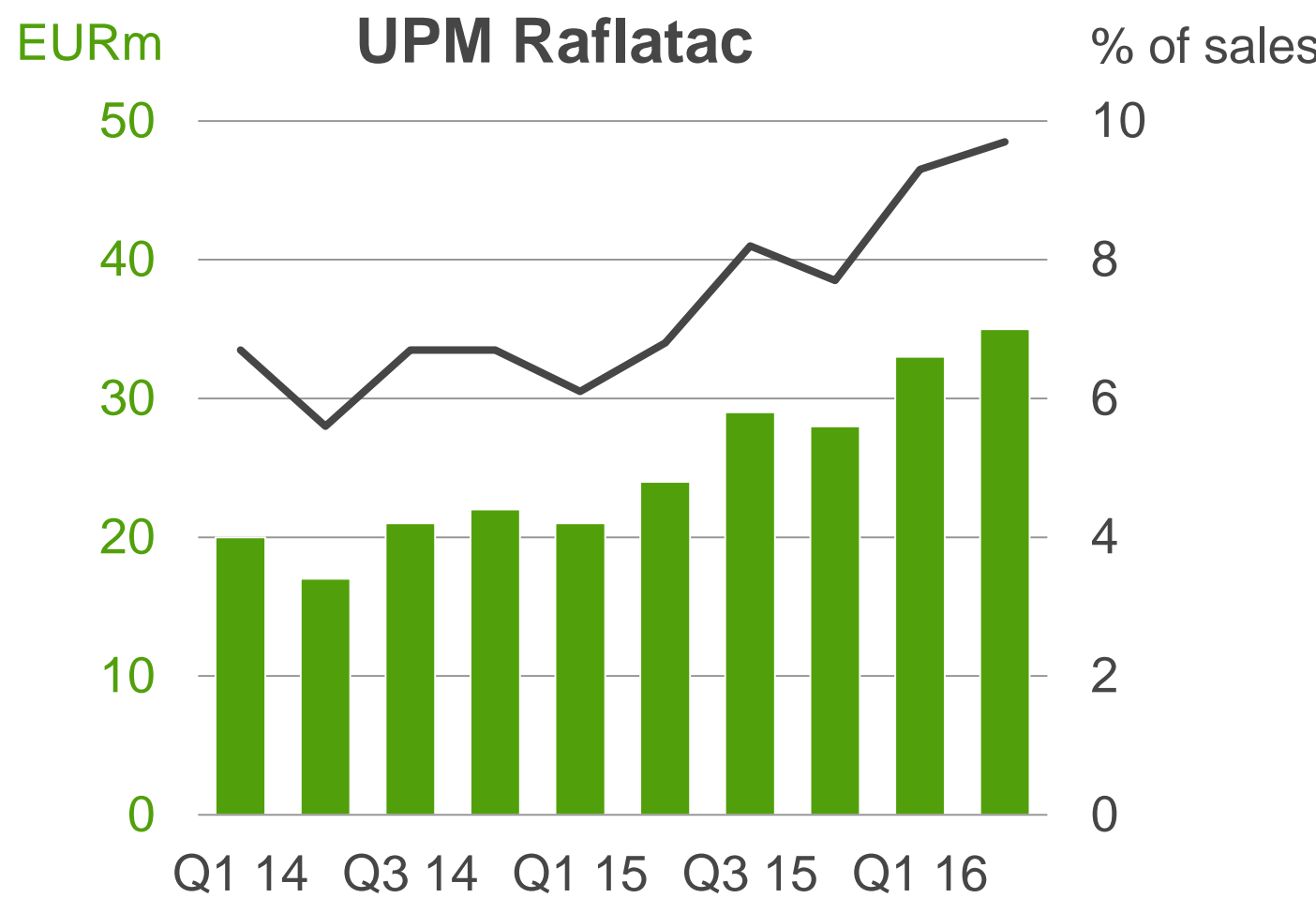
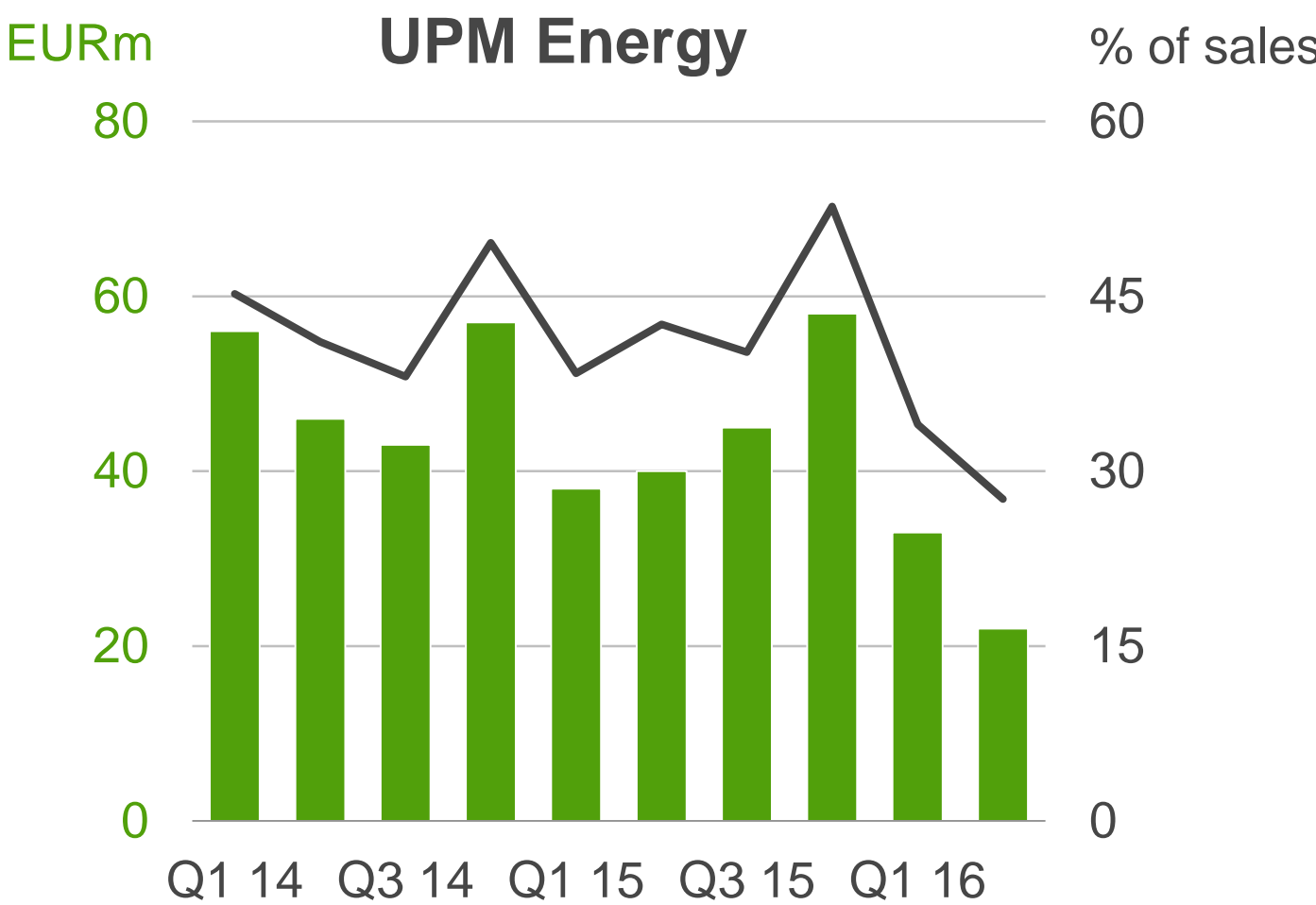
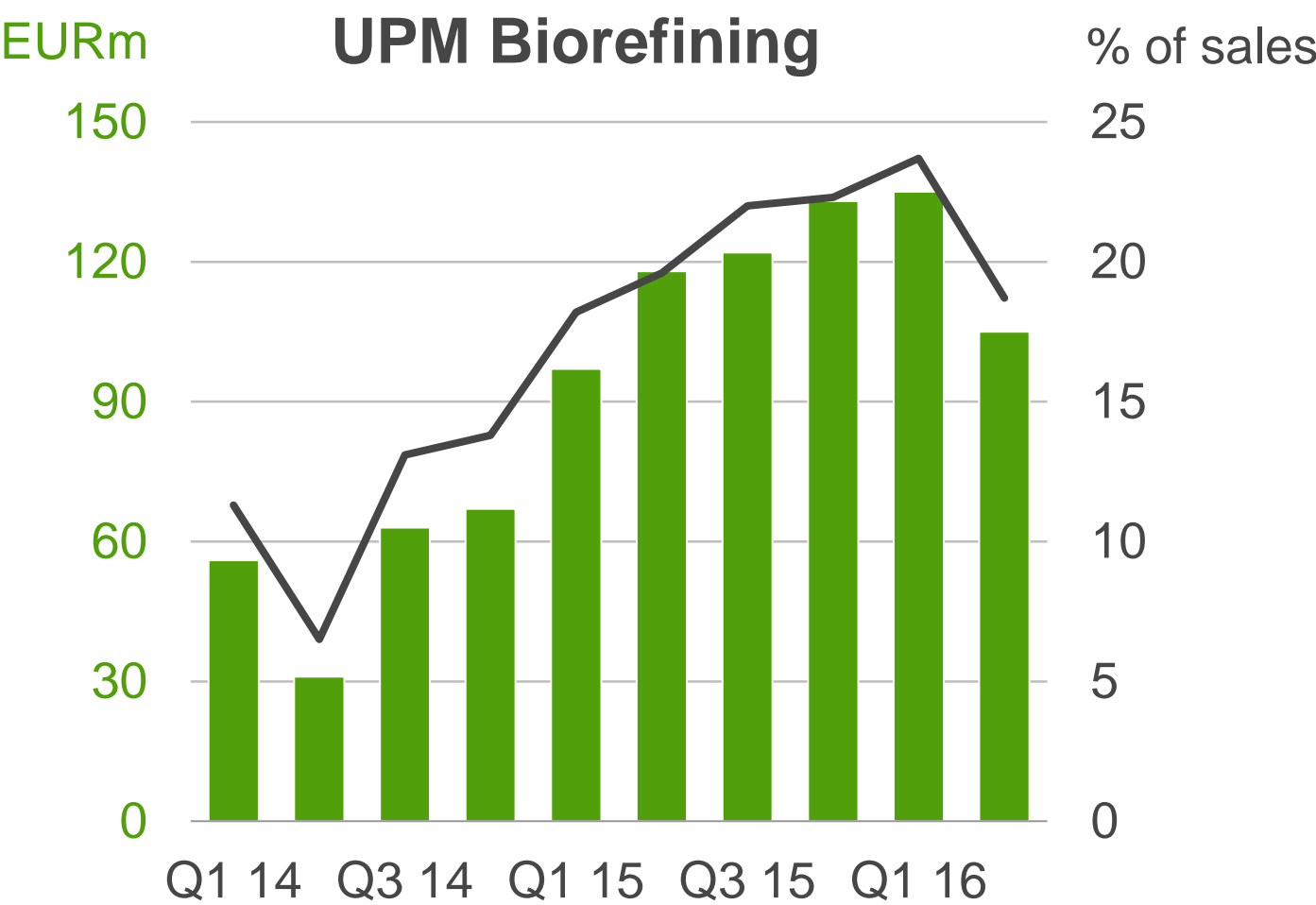


BUSINESS PERFORMANCE

Targeting top performance

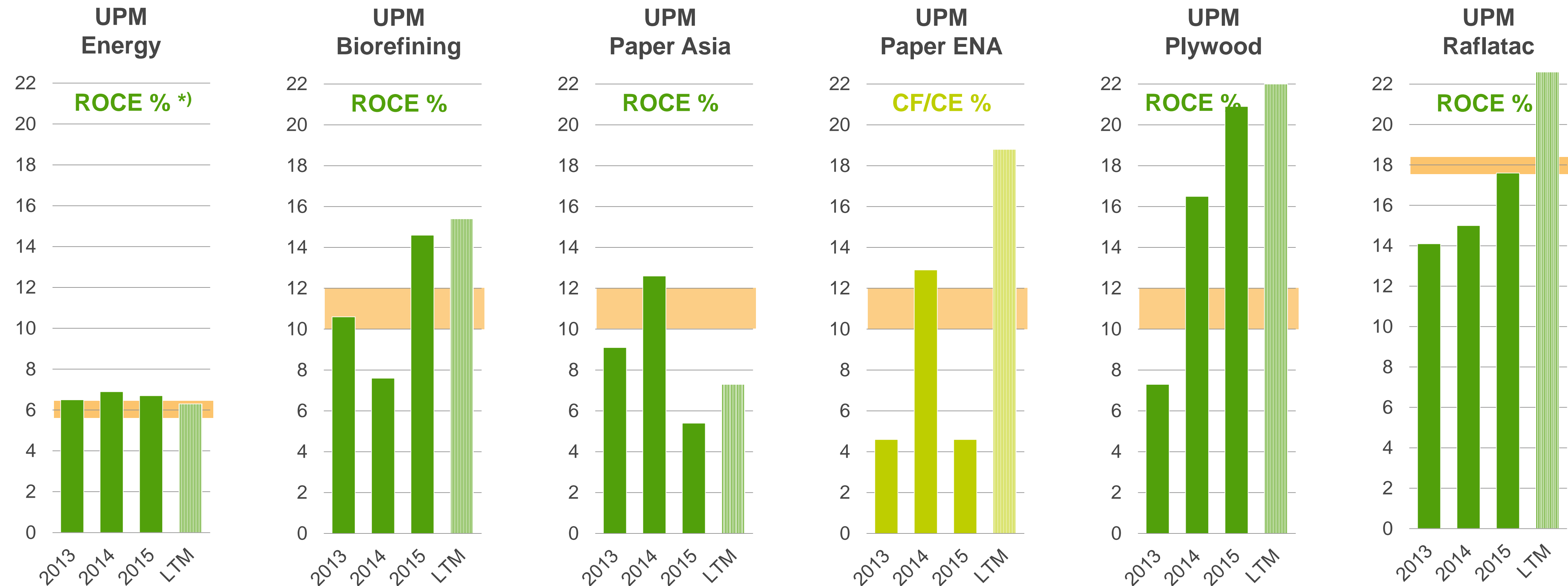


Comparable EBIT by business area





Business area returns and targets



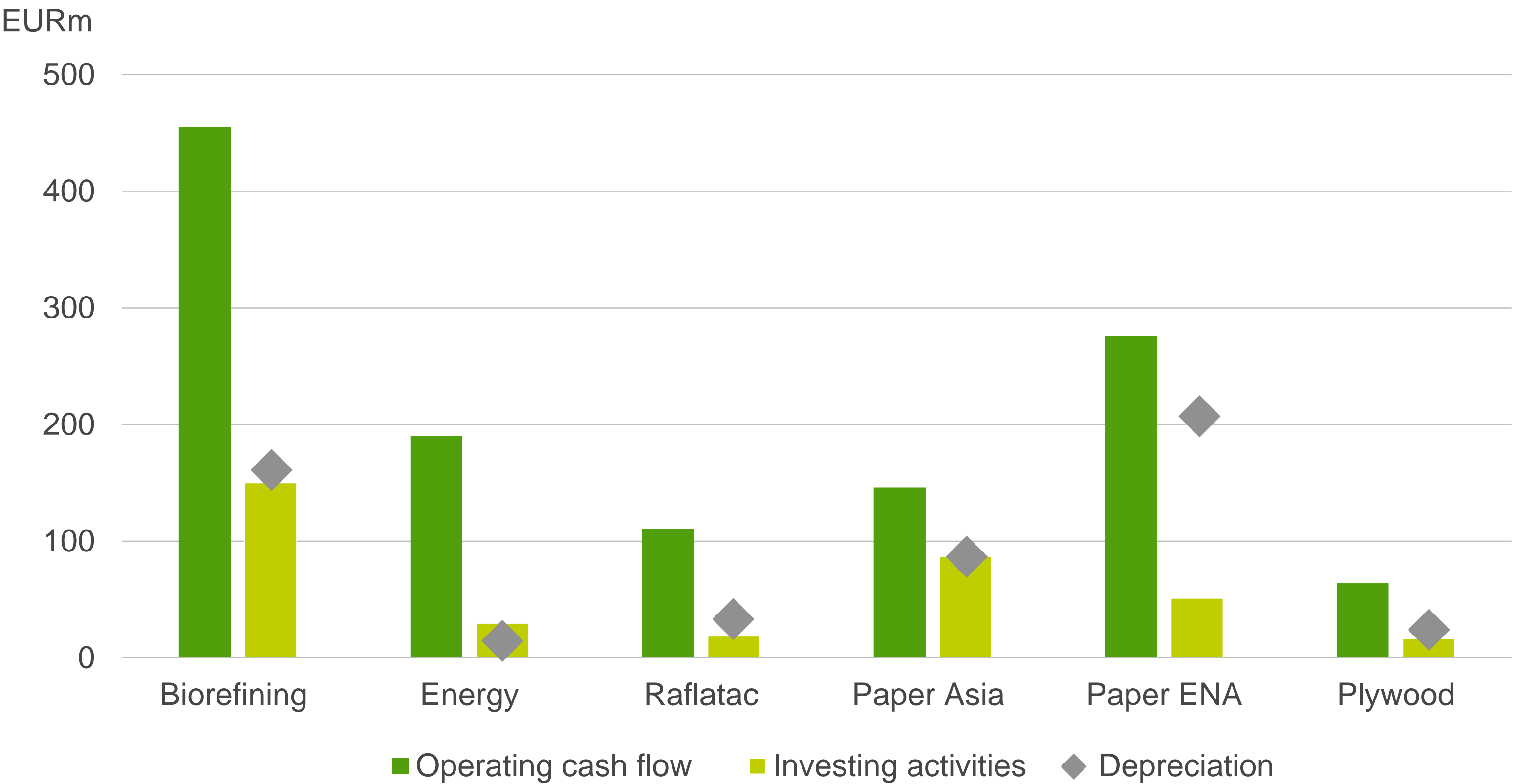
Each business targets top relative performance in their respective markets

*) shareholdings in UPM Energy valued at fair value

Long-term return target

Robust cash flow, with all businesses generating free cash flow

Average annual operating cash flow and capex in 2013–H1 2016



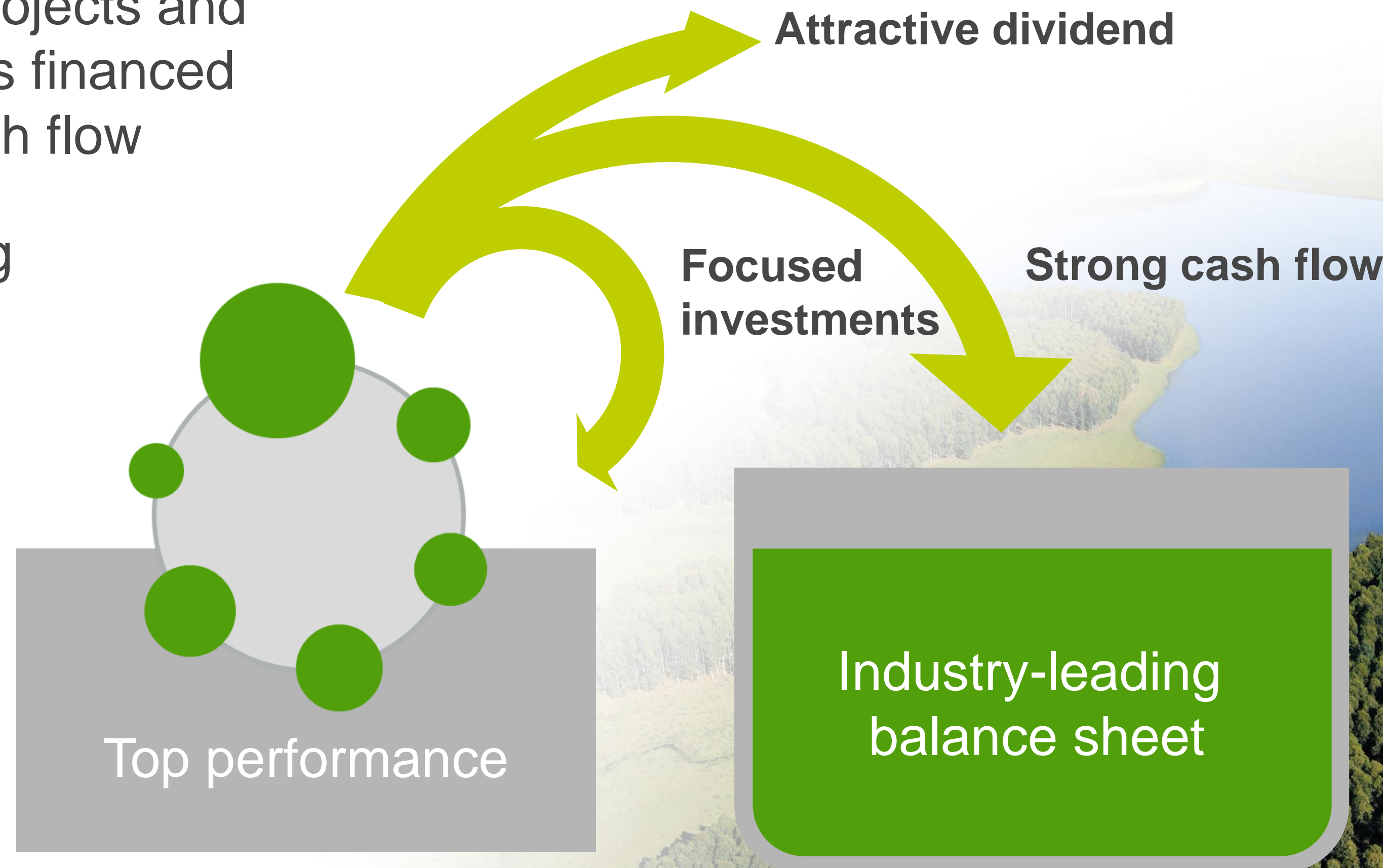


DISCIPLINED CAPITAL ALLOCATION

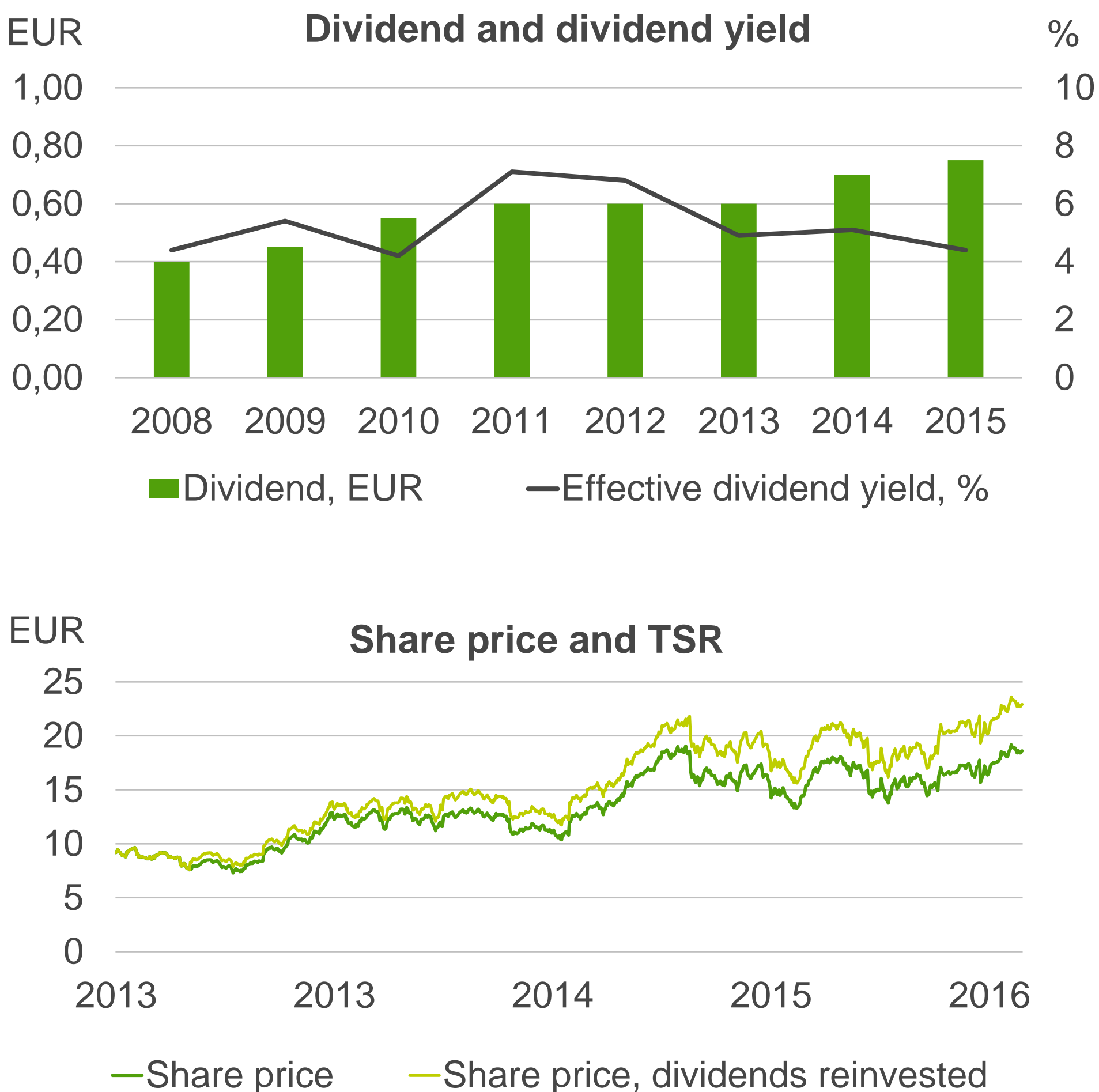
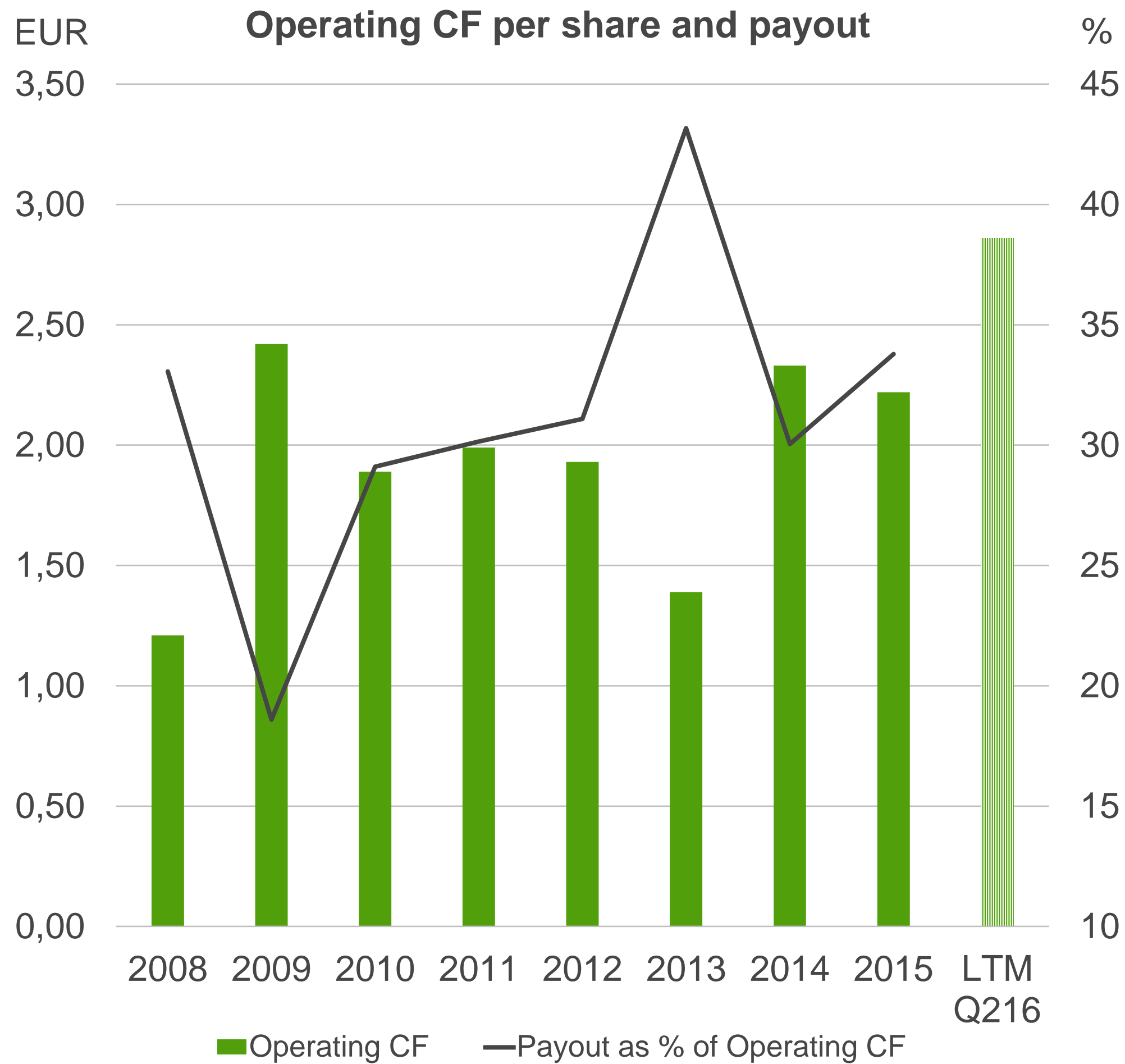
Disciplined capital allocation

Focused growth projects and attractive dividends financed from operating cash flow

Consistently strong balance sheet



Shareholder returns



EUR

25

20

15

10

5

0

Share price and TSR

Share price

Share price, dividends reinvested

2013

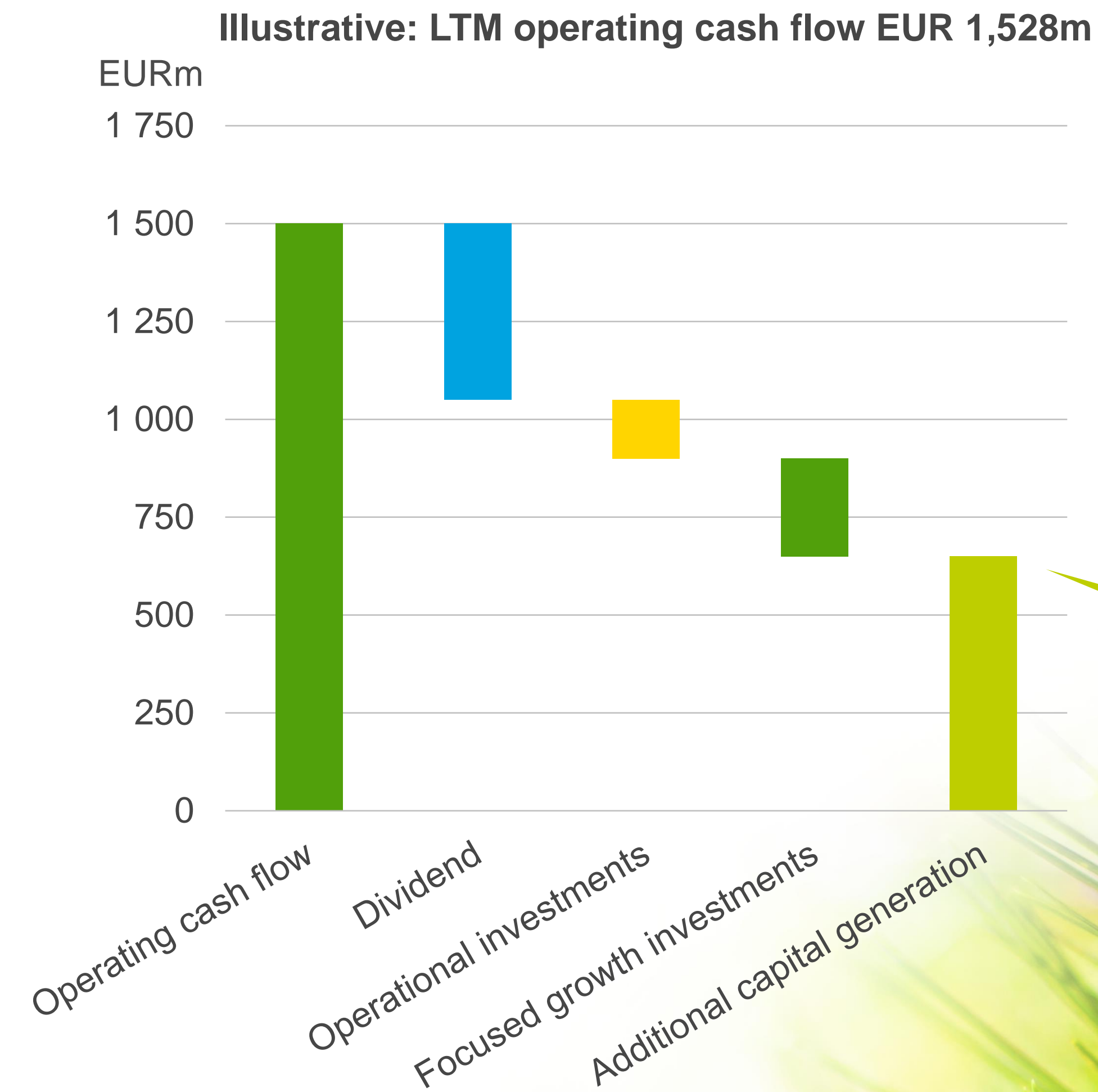
2013

2014

2015

2016

Continuous free cash flow generation opens value creation options



Robust cash flow

- Operating cash flow in 2014–LTM EUR 1.2bn–1.5bn

Capital allocation

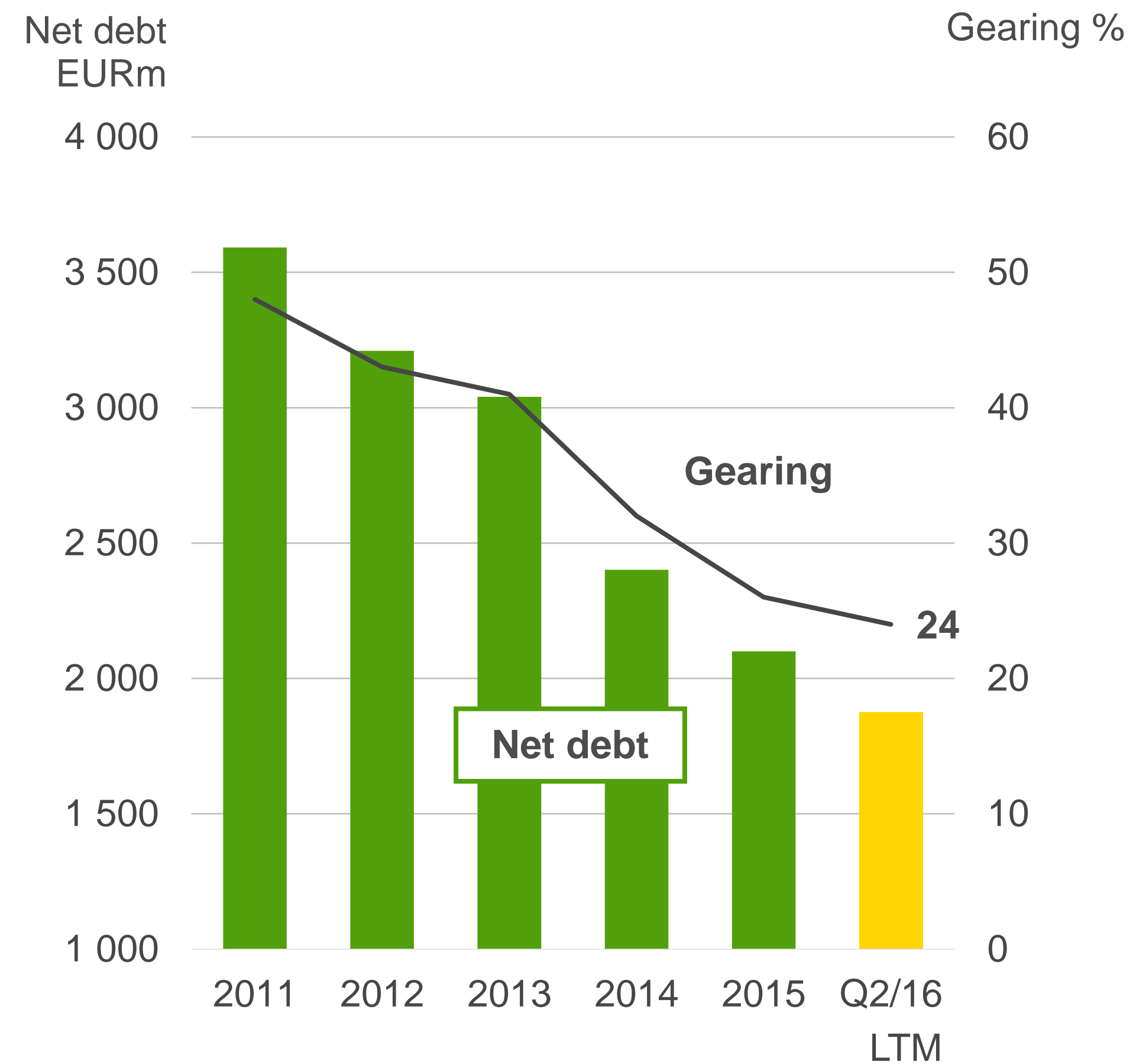
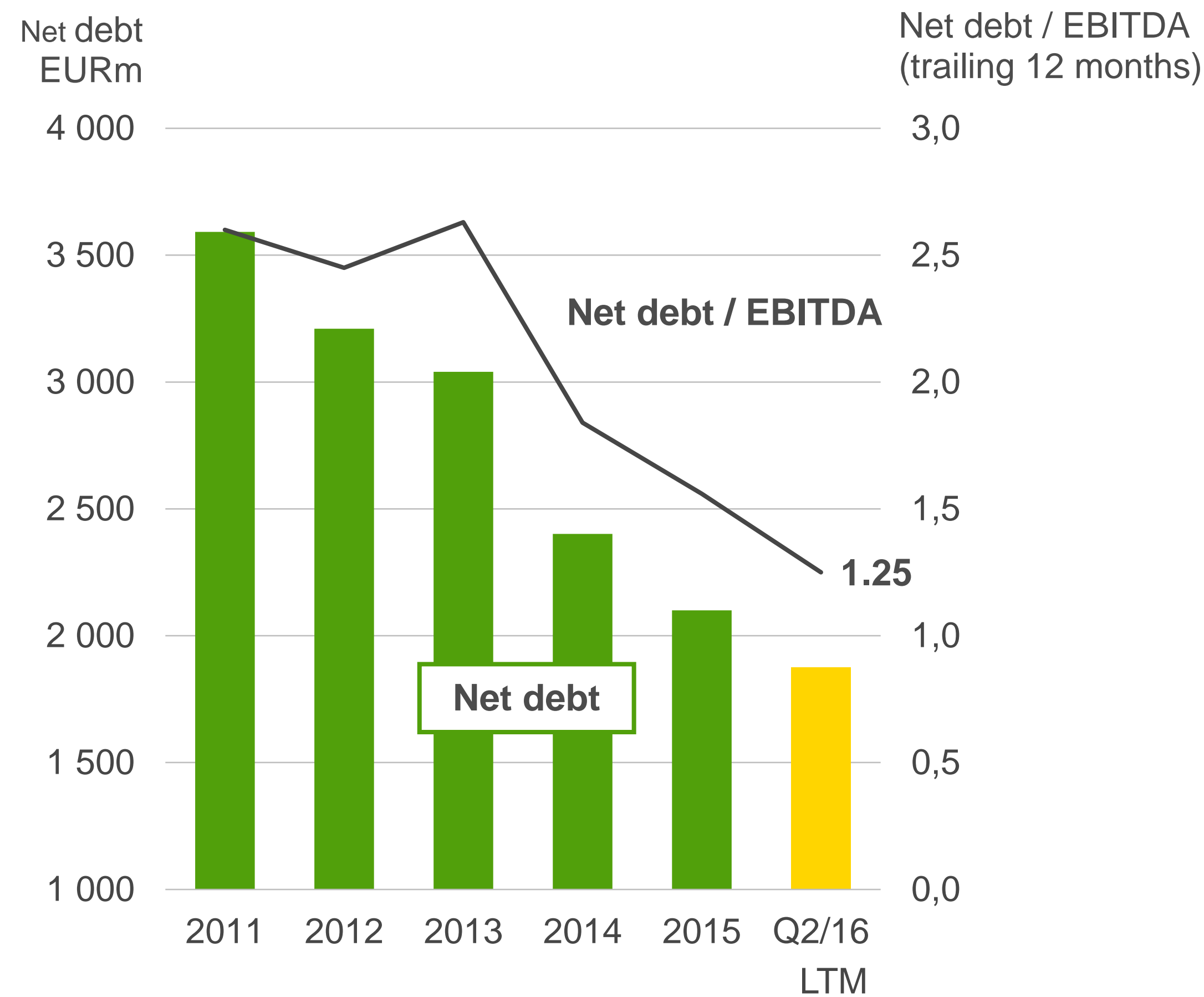
- Ordinary dividend 30–40% of operating cash flow
- Low operational capex needs
- Focused growth investments

Additional capital generation

- EUR 400–650m per annum

Cash flow, balance sheet open value creation options

UPM aims to maintain an investment grade profile





RESPONSIBILITY IS GOOD BUSINESS

Risk mitigation
Competitive advantage
Value creation

Responsibility is good business

MORE WITH BIOFORE



Creating value through
products and innovation



Creating competitive advantage
and long-term value by efficiency



Risk mitigation by responsible
value chain and production

"We believe that
customers, investors
and other stakeholders
value responsible
operations that keep
risks under control and
add to our business
opportunities,
thereby increasing
the company value."

UPM Annual Report 2015

Risk mitigation by responsible value chain



Raw material spend
qualified against UPM
Supplier Code

92%

Share of
certified
wood

84%



Risk mitigation by responsible production



100%

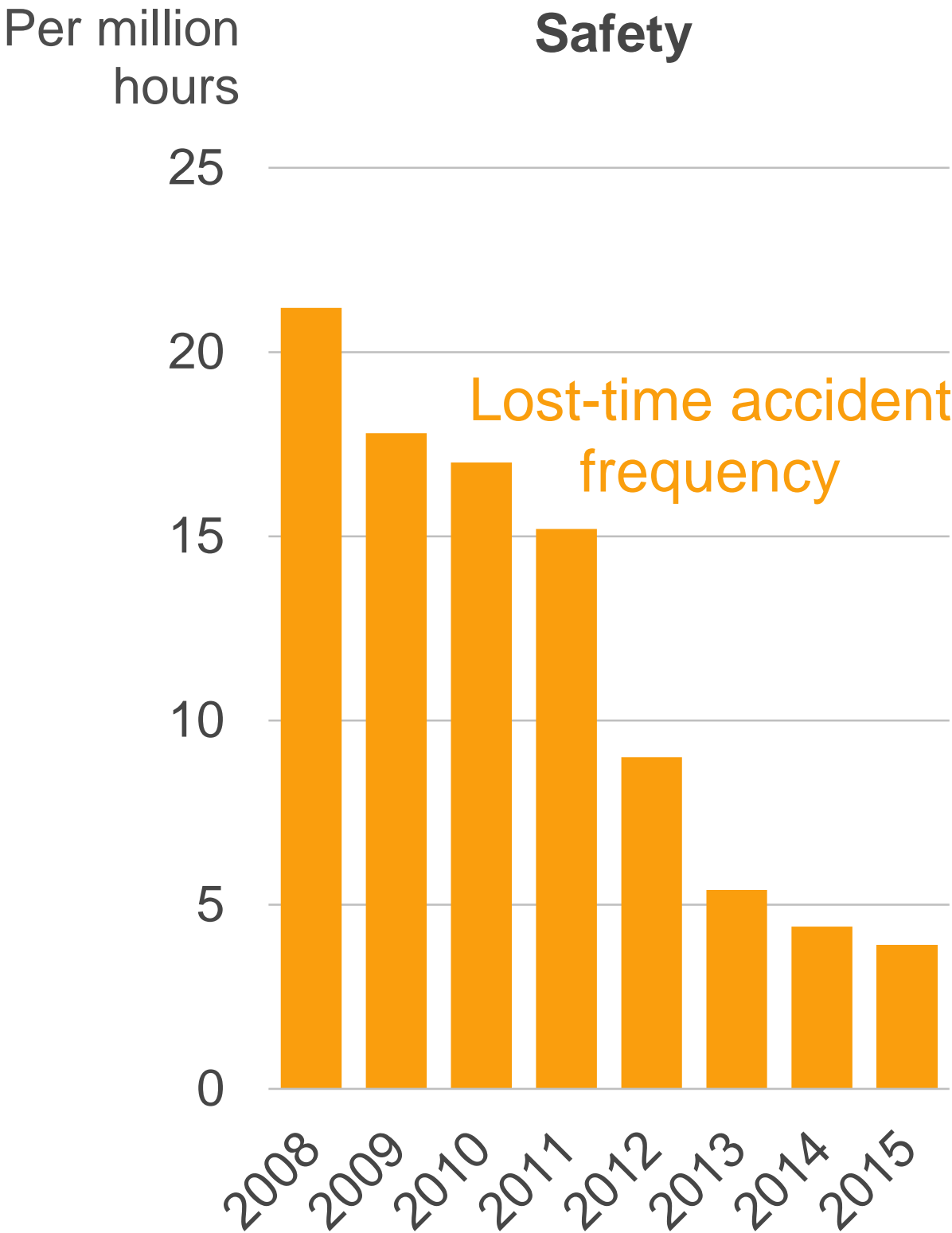
production units with
ISO 14001 or EMAS
Management System

-70%

in environmental deviations
at pulp and paper mills
in three years



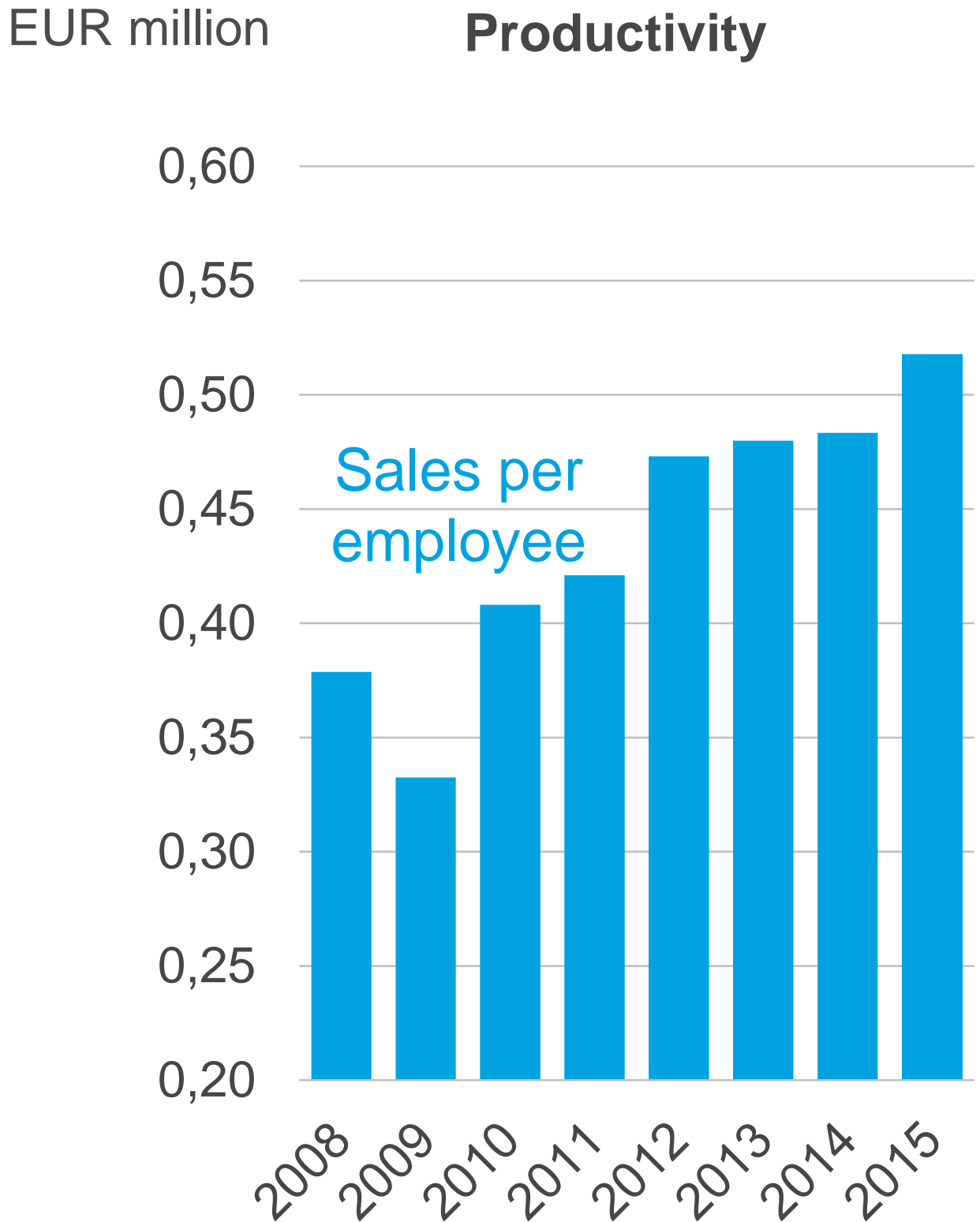
Creating competitive advantage and long-term value by engagement



5-year change:
-77%



5-year change:
+11



5-year CAGR:
-5%

Creating competitive advantage and long-term value by efficiency

Case: UPM Changshu mill in China



Water
-60%
Per tonne of paper



Energy
-30%
Per tonne of paper



Waste to landfill
-60%
Per tonne of paper



Certified fibre
85%
In 2015

2015 compared to 2005



COD in effluent
-75%
Per tonne of paper



SO₂ emission
-90%
Per tonne of paper



Source: UPM

Creating value through products and innovation



77%

of UPM products with third party verified ecolabel

UPM ProFi® raw material for decking
– turning former waste
into high-quality raw material



Creating value through products and innovation



UPM BioVerno – turning residue into high-quality renewable diesel

–80%

fossil CO₂ emissions

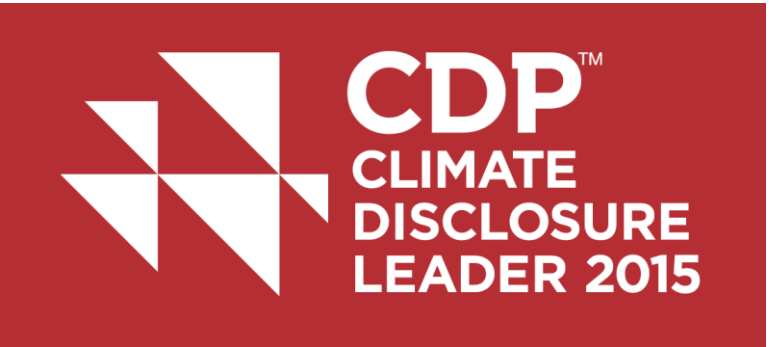
100%

wood-based material



Consistent long-term work receives external recognition

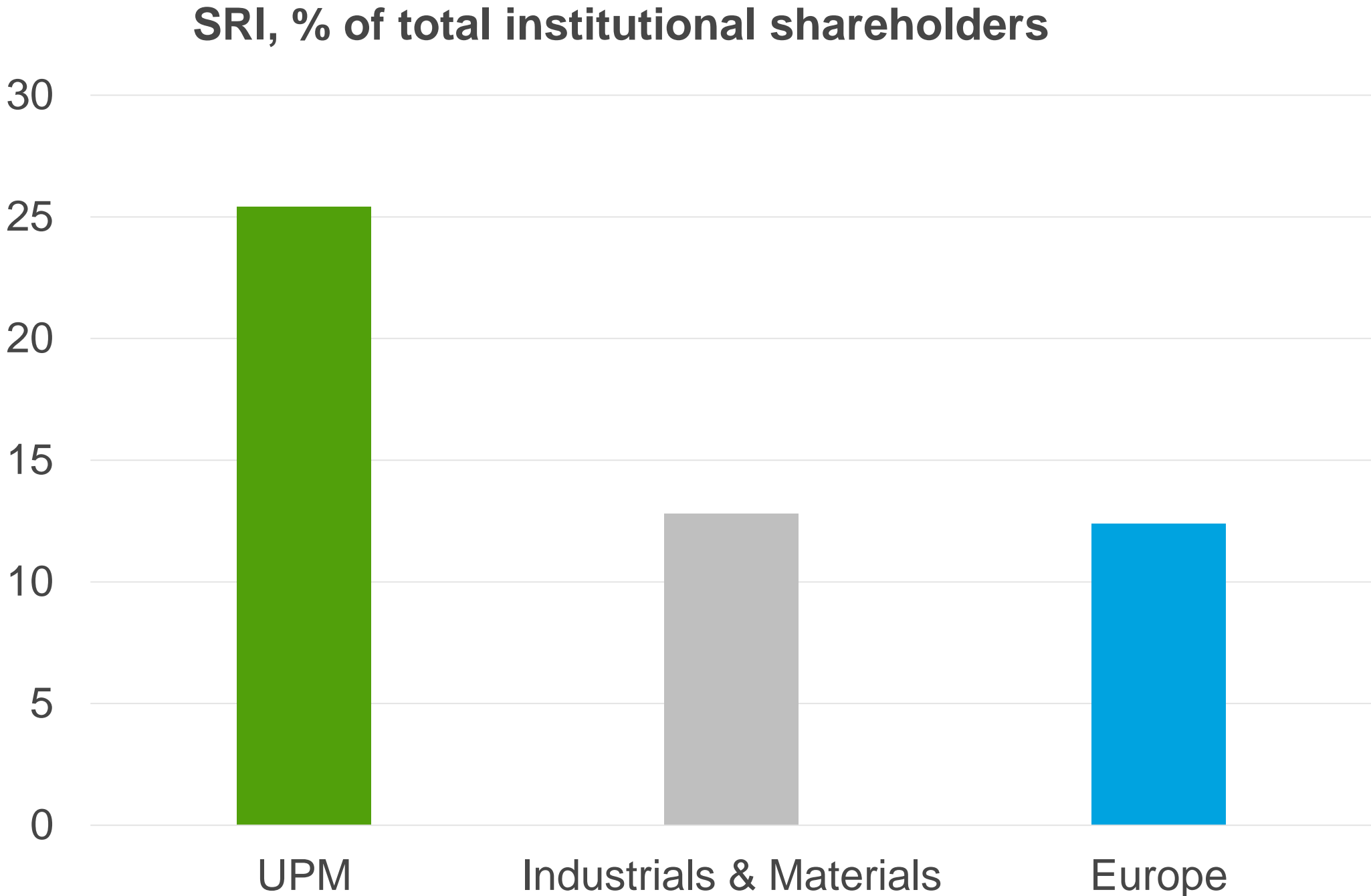
UPM in sustainability indices



**MORE WITH
BIOFORE**



Sustainable and Responsible (SRI) investors form a significant part of UPM's shareholders



Source: Nasdaq, October 2015



UPM

The Biofore
Company