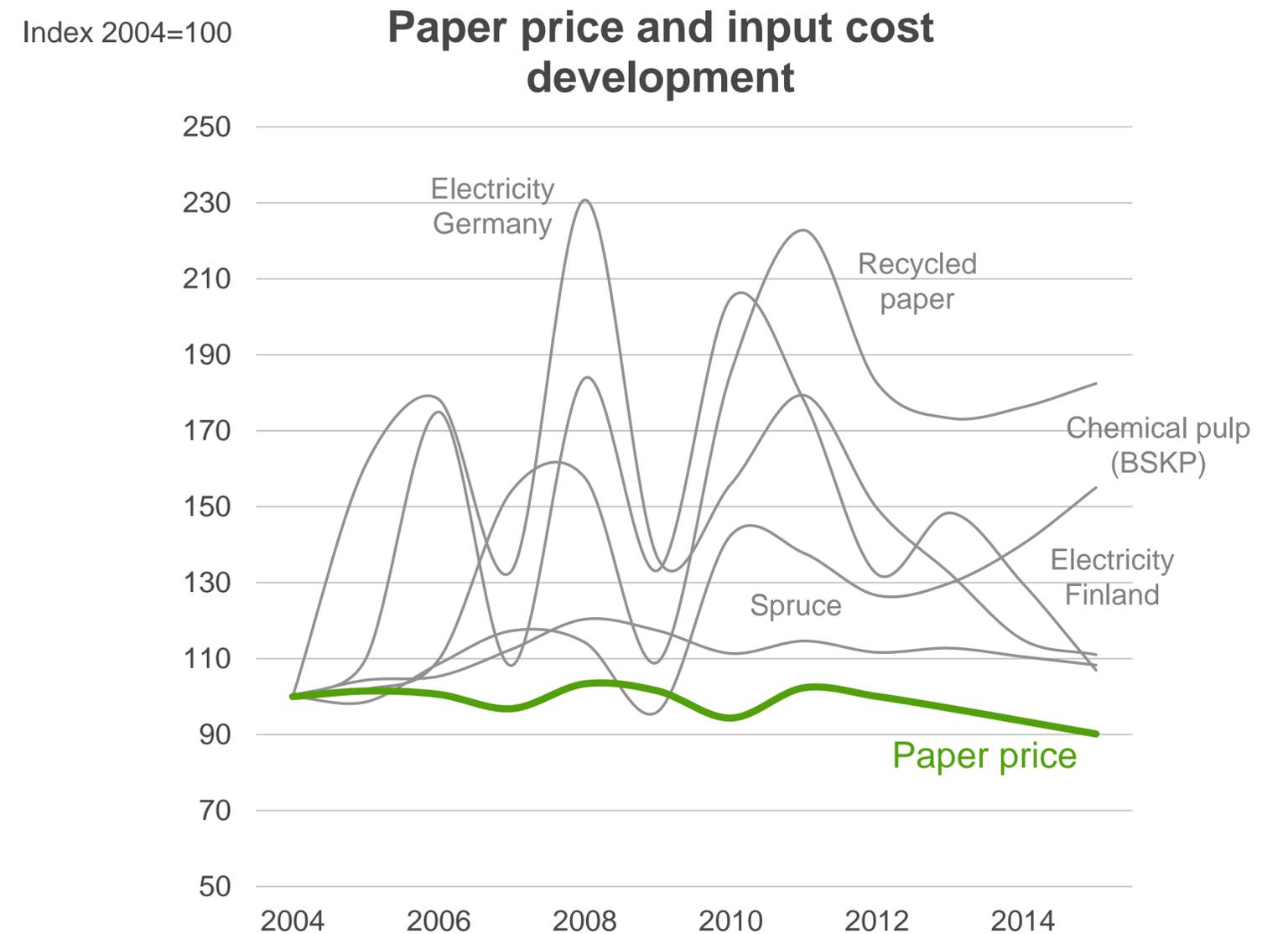
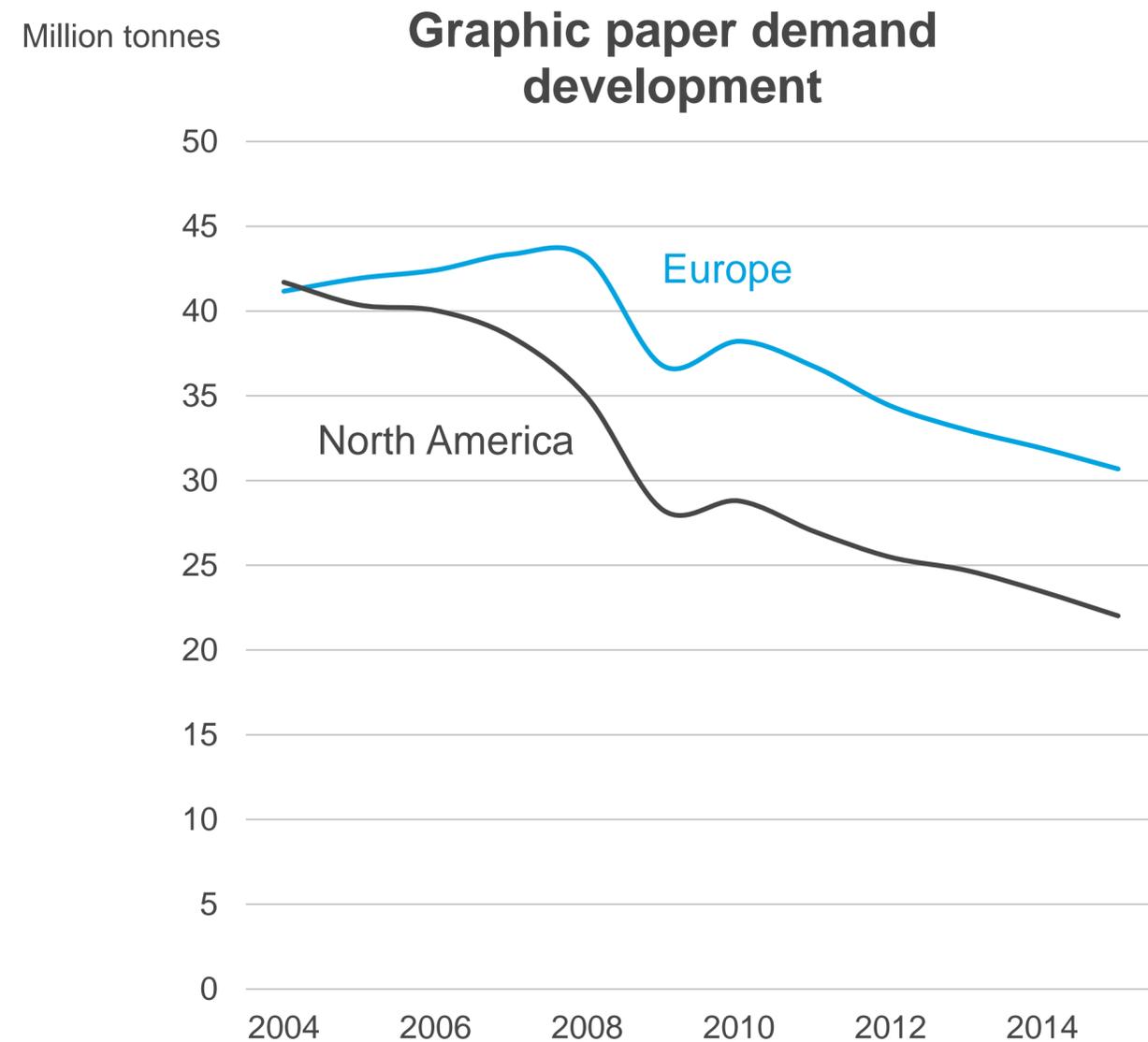




# MASTERING PERFORMANCE IN A DECLINING MARKET

Winfried Schaur  
EVP, UPM Paper ENA

# Graphic Paper market environment



Sources: Euro-Graph, PPPC, Pöyry, RISI, Foex, EEX, NordPool, UPM

# Paper demand by end use – different trends



Source: Euro-Graph

- Historically Home & Office end-use has been the **most resilient** to structural changes
- Despite the digital alternatives personal preferences (way of working and learning), regulation (archiving) and lack of common standards have mitigated the change
- **A moderate decline** has taken place in Direct marketing end-use
- Paper based marketing is still recognized to be the **most effective medium** for retailers and cataloguers
- **Steady decline** in Magazine Publishing circulation and pagination, however number of titles increasing
- Publishers still **rely heavily on the revenues** from print
- Newspaper publishing being historically the **most vulnerable** to structural changes but remarkable differences between countries
- **Monetizing digital circulation for Magazines and Newspapers continue to be challenging**

# What does it take to perform in challenging markets?



1

Assets

“stringent capacity management”



2

Sales

“profound customer- and market understanding”



3

Cost base

“smart initiatives in push mode”



4

Cash flow

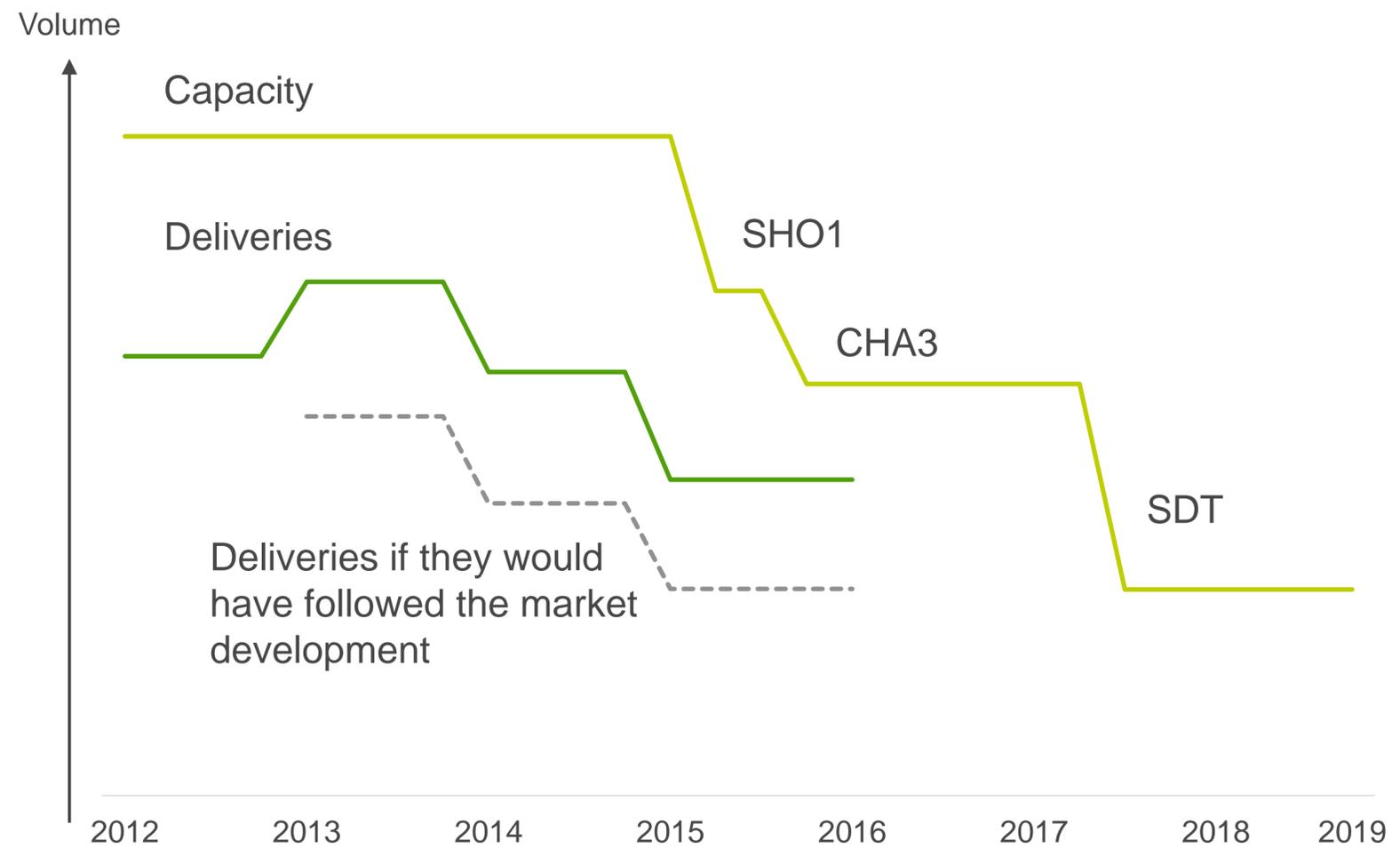
“performance management and discipline”

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## Efficient use of assets



### Development of capacity and volumes – case news



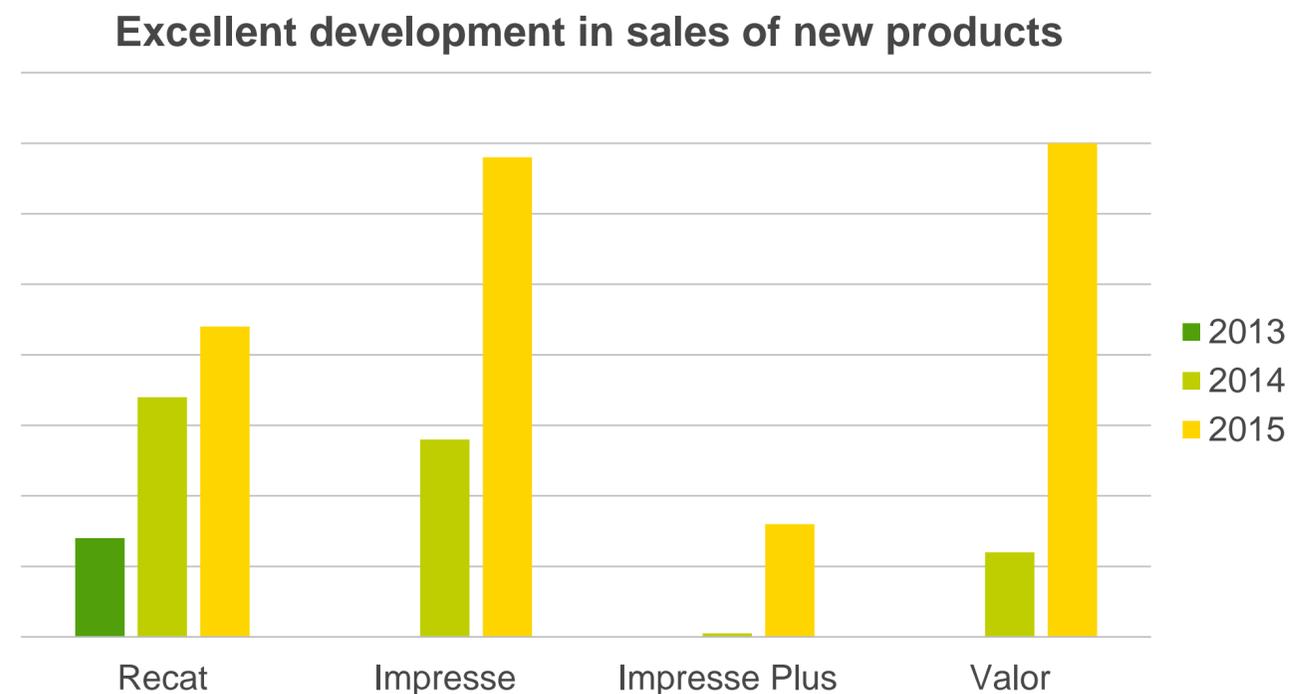
# Differentiated commercial strategies



**2** Sales

“profound customer-  
and market  
understanding”

- Focused profitable market growth
- Smart pricing
- Supply Chain excellence
- New products



# Ultimate cost competitiveness



**3** Cost base

“smart initiatives in push mode”

Group-wide programs actively managed within Paper ENA to further improve our cost competitiveness

- **SmartSpend** – production costs
- **SmartMaint** – maintenance costs
- **SmartSite** – site management

Specific mill programs, based on benchmarking

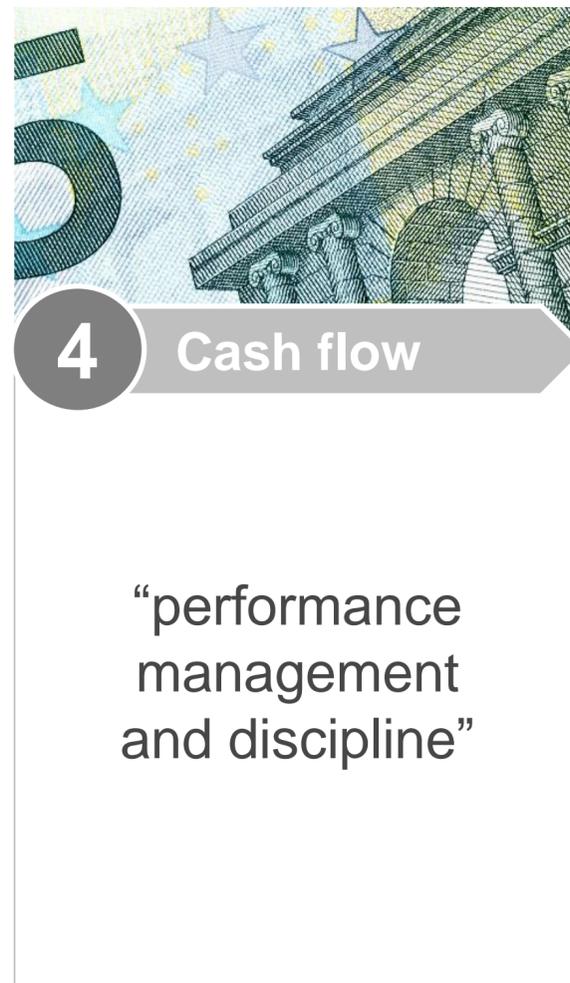
Realized savings e.g. from **SmartSpend** exceeded for two consecutive years our ambitious expectations, continues to look very promising for 2016!

OPERATION  
**SMARTSPEND**



## UPM Paper ENA

# Strong cash flow



### Important basics in place

- Strong EBITDA
- Low operational investment needs (Capex)

### Special focus on

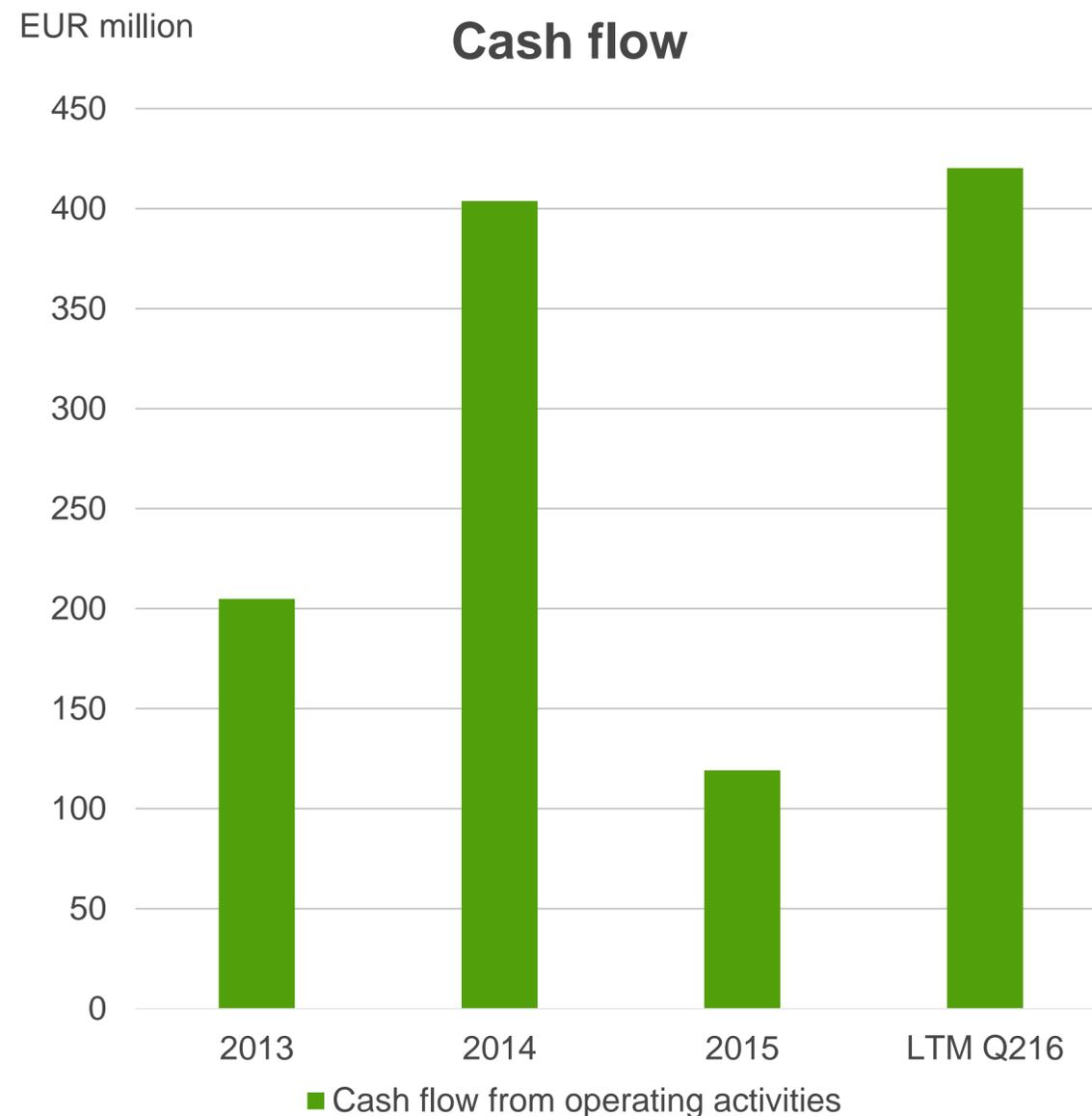
- Professional WOC management to achieve sustainable improvements
- Cash release opportunities
- Sale of (non-core) assets

OPERATION  
SMARTCASH



# UPM Paper ENA

## Key messages



- Paper ENA has proven the ability to generate good results
- Strong focus on performance at all fronts resulting in attractive cash flow
- Not only “WHAT” we do matters, but also “HOW” we do matters
- Granular understanding of end use trends combined with an efficient use of a large operative platform continues to offer optimization opportunities



**UPM**

The Biofore  
Company