

ANNUAL GENERAL MEETING 2016

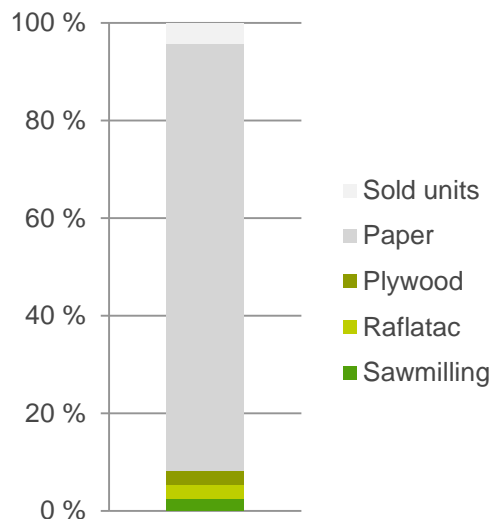
Jussi Pesonen
President and CEO



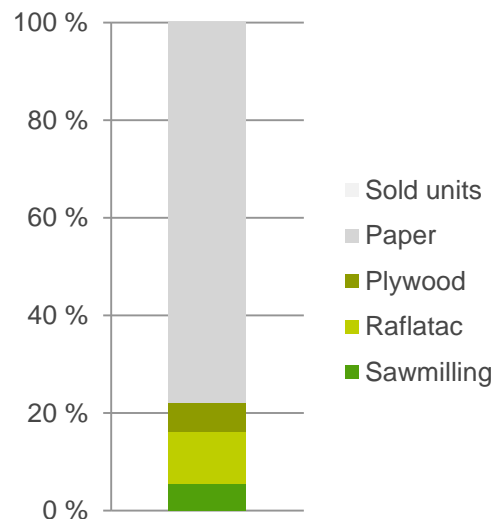
UPM in transformation

Business portfolio, sales

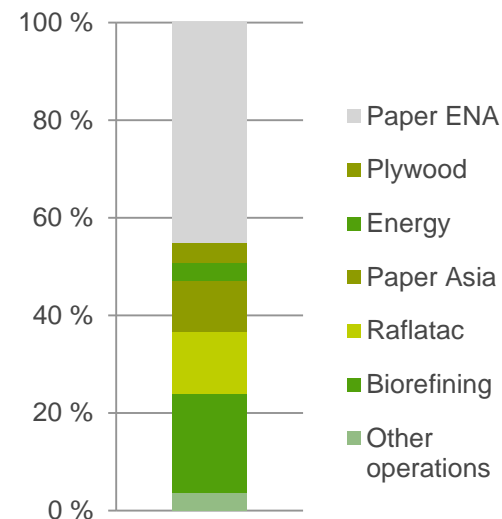
2003:
integrated paper company



2008:
towards market-driven businesses



2015:
six separate businesses



Sales EUR 9.8bn
 EBIT (*) EUR 429m
 Net debt EUR 4.9bn
 Market cap EUR 7.9bn
 Personnel 34,500

Sales EUR 9.5bn
 EBIT EUR 513m
 Net debt EUR 4.3bn
 Market cap EUR 4.7bn
 Personnel 25,000

Sales EUR 10.1bn
 EBIT EUR 898m
 Net debt EUR 2.1bn
 Market cap EUR 9.2bn
 Personnel 19,600

*) excluding special items. EUR 265 million forest fair value increase in 2015 excluded for comparability



The Biofore Company **UPM**

UPM business portfolio today^(*)

UPM PLYWOOD
Plywood, veneer
#1 in Europe

UPM PAPER ENA
Graphic papers
Leading in Europe

UPM PAPER ASIA
Labelling materials, fine papers
Label papers: #1 globally
High-end office papers: #1 in China

UPM RAFLATAC
Self-adhesive label materials
#2 globally

UPM ENERGY
Electricity
#2 in Finland

Growth drivers:
Private consumption
Sustainability
Population growth
Urbanisation
Retail, e-commerce
Construction and transportation

UPM BIOREFINING
Pulp
Biofuels
Timber
6 globally



UPM **transformation continues** to ensure long-term sustainable value creation.

UPM aims to **increase profitability, growth outlook and value** of its business portfolio.





Contents

- Results 2015
- UPM strategy in action
 1. Performance
 2. Growth
 3. Portfolio
 4. Innovation
- Risks and opportunities
- Responsibility is good business
- Summary





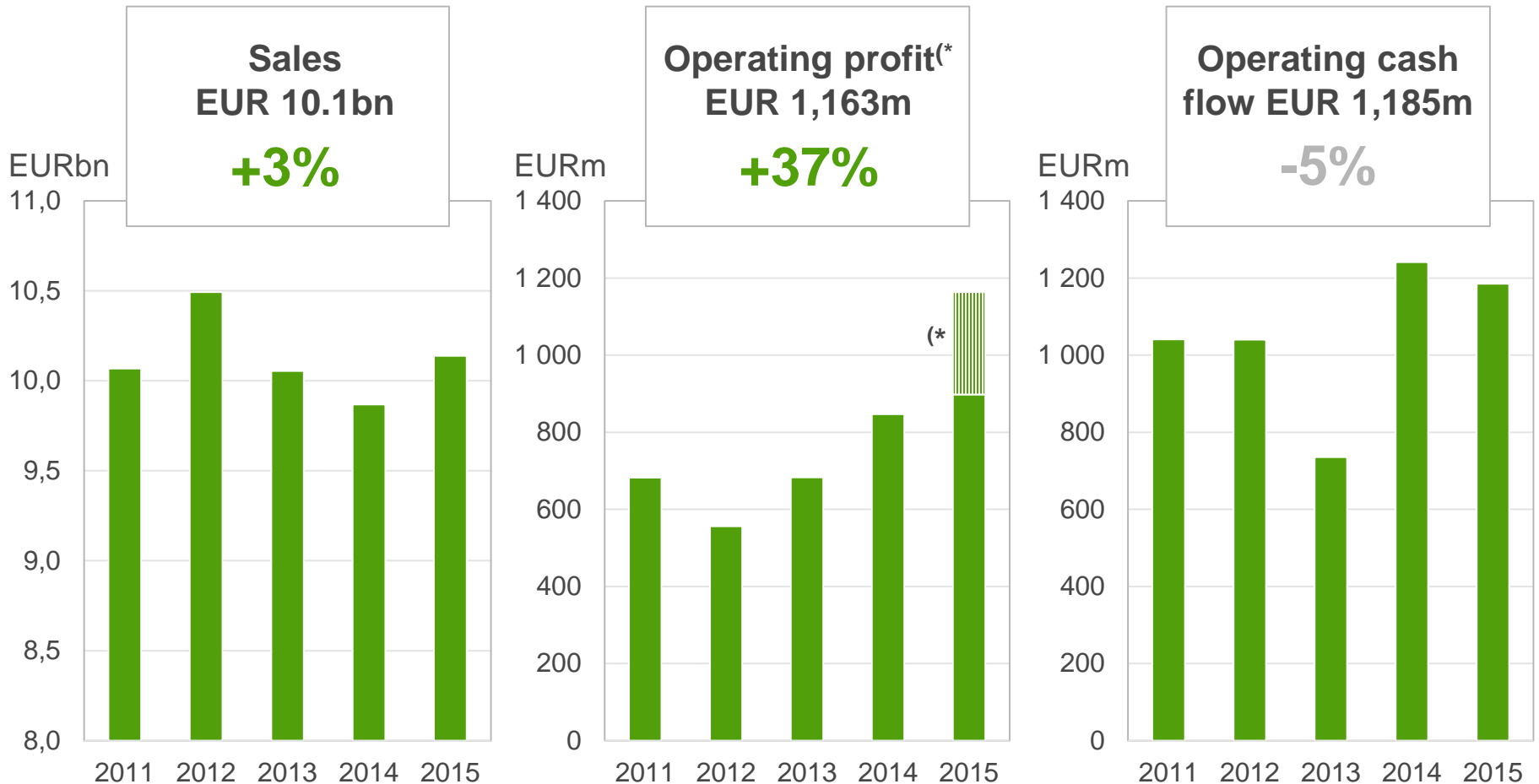
The Biofore Company UPM

RESULTS 2015

Performance improvement and
transformation continued



UPM key financial indicators 1(2)

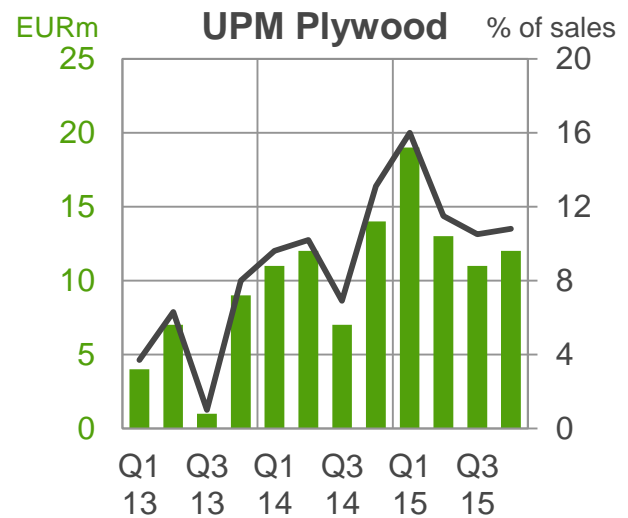
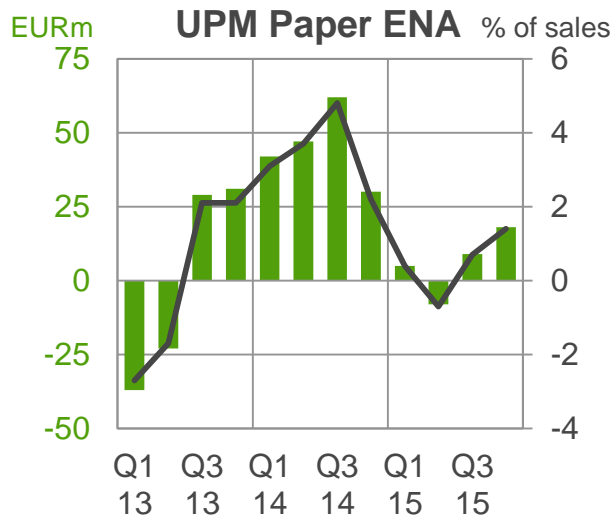
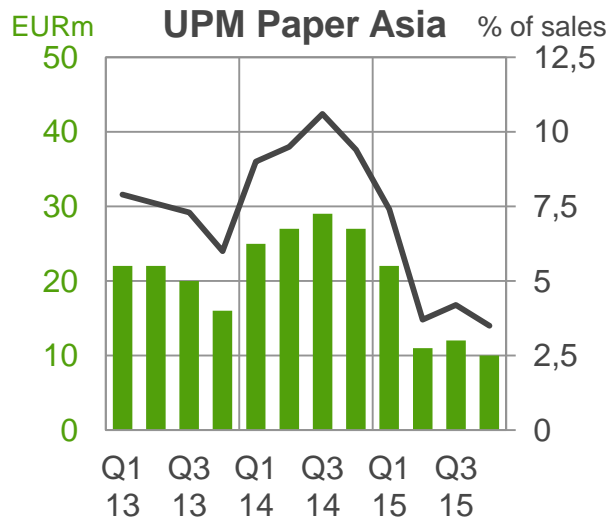
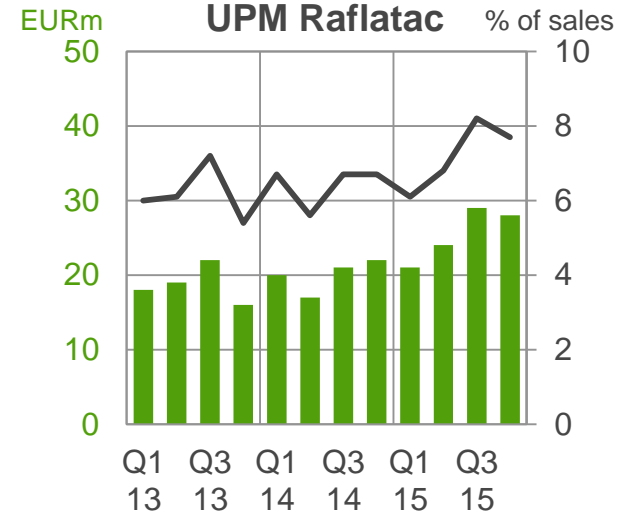
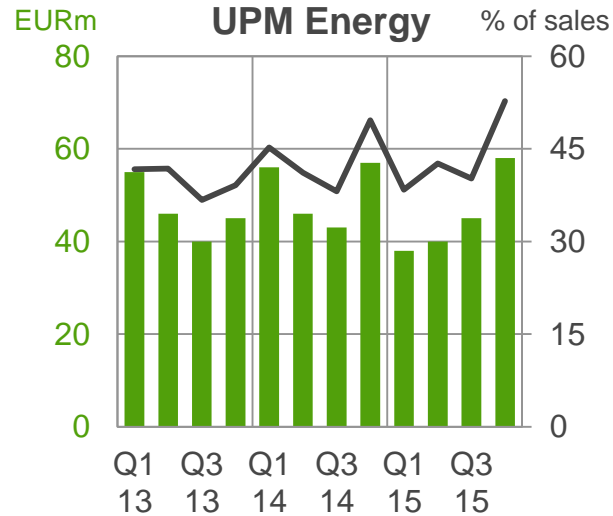
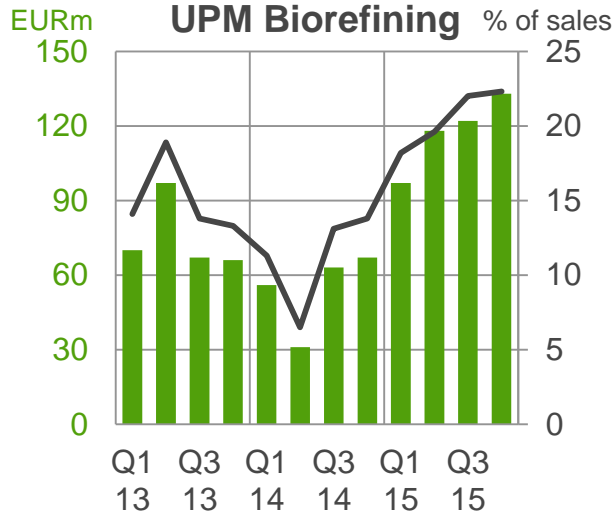


(* excluding special items. The figures include the EUR 265 million increase in the fair value of the forests in Finland in Q3 2015.)



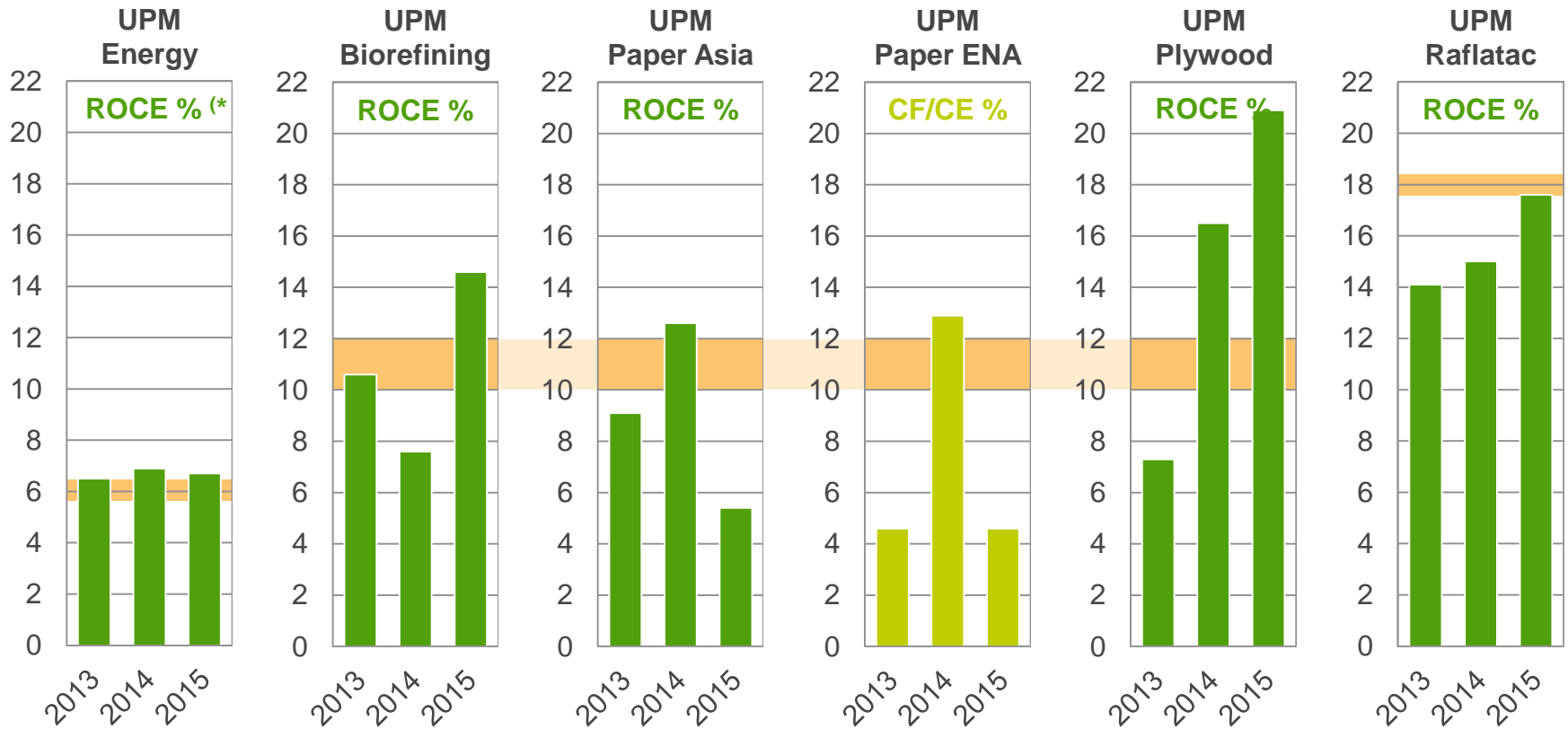
The Biofore Company **UPM**

Operating profit ^{*)} by business area





Business area returns and long-term targets

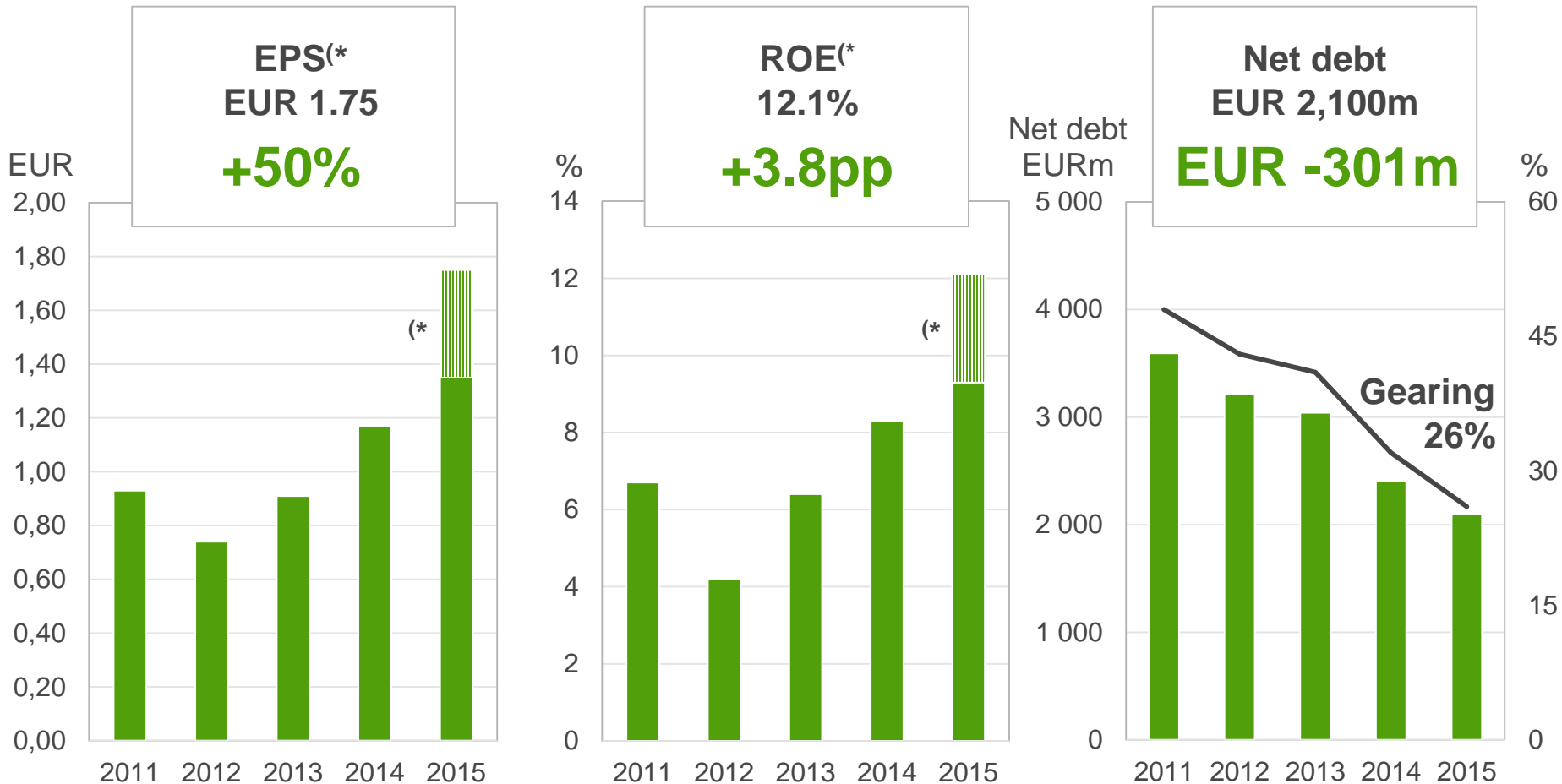


(* shareholdings in UPM Energy valued at fair value)

Long-term return target



UPM key financial indicators 2(2)



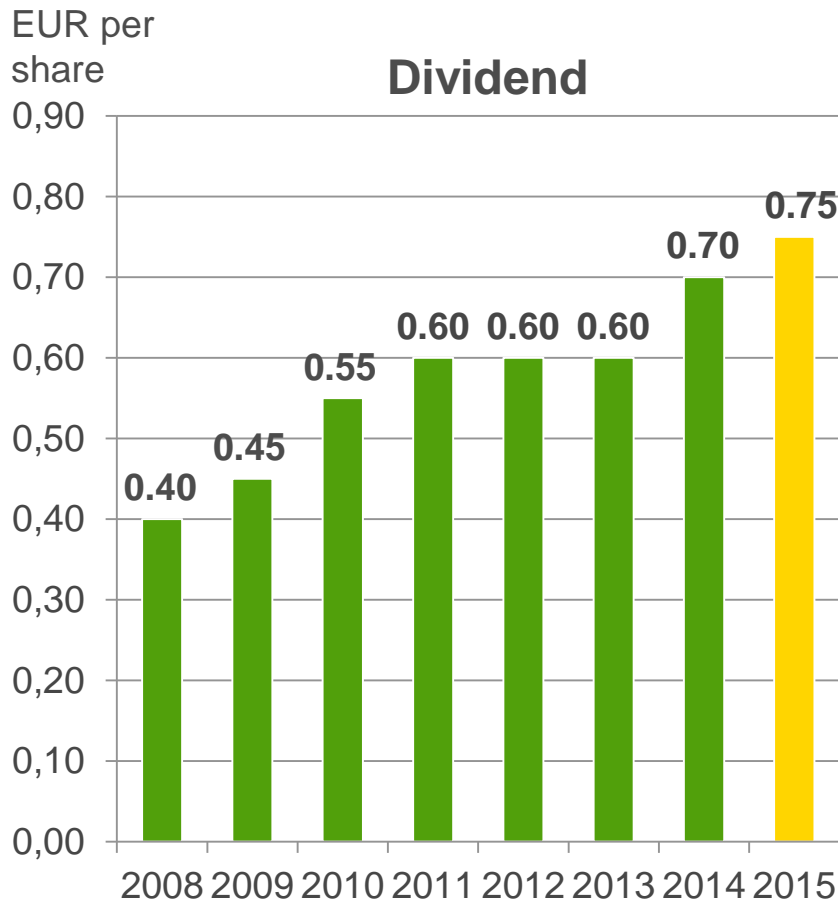
(* excluding special items. The figures include the EUR 265 million increase in the fair value of the forests in Finland in Q3 2015.

Outlook for 2016

- UPM's profitability improvement is expected to continue in 2016.
- The business performance in 2016 is underpinned by the company's growth projects and continuous cost efficiency measures.



Dividend proposal



Dividend policy

- UPM aims to pay an attractive dividend, 30-40% of operating cash flow per share

Board's dividend proposal for 2015

- EUR 0.75 (0.70) per share
- 34% of 2015 operating cash flow per share



The Biofore Company **UPM**

UPM STRATEGY IN ACTION





Business Area strategic direction

UPM PLYWOOD

Profitability, growth

- High value products and service offering



UPM BIOREFINING

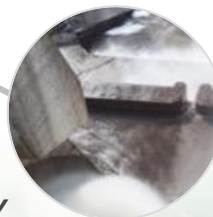
Profitability, growth

- Competitive, versatile pulp offering, leading in sustainability
- Advanced biofuels

UPM PAPER ASIA

Profitability, growth

- Speciality and office paper offering
- Customer experience, leading in sustainability



UPM ENERGY

Profitability, growth

- Nordic CO₂-emission free electricity market

UPM PAPER ENA

Profitability, cash flow

- Best customer offering: reliability, quality and services
- Low-cost operations



UPM RAFLATAC

Profitability, growth

- High value added films and special products
- Fast growing markets

UPM strategic focus areas



1 Performance

Continuous improvement in performance

“Profit improvement programme EUR 165m”



2 Growth

Focused growth projects

“EBITDA target for growth projects EUR 200m”



3 Portfolio

Business portfolio development and value creation

“Net debt reduction EUR 301m”



4 Innovation

New business and product development

“Biofuels commercial ramp-up”



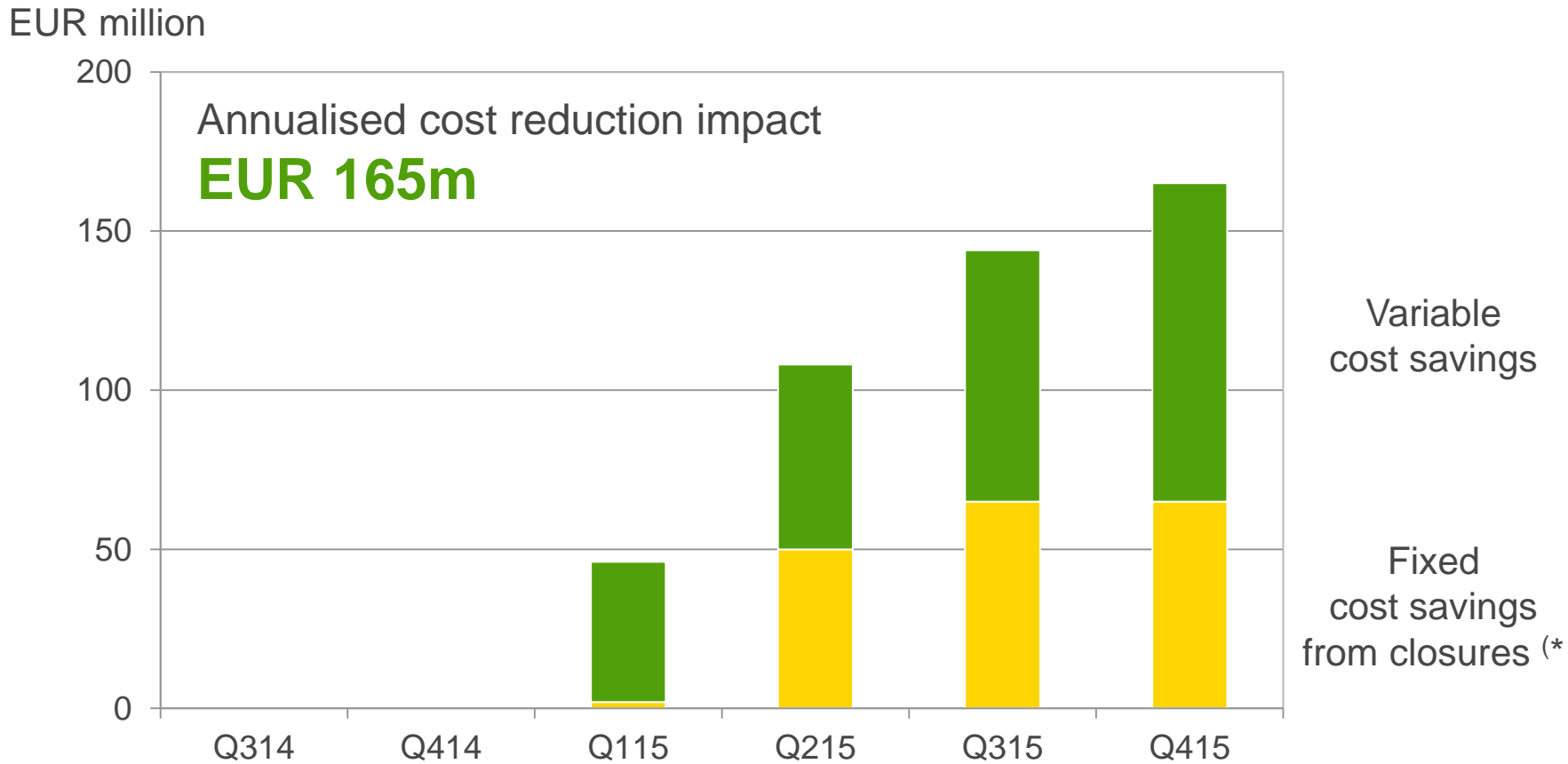
The Biofore Company **UPM**

1. PERFORMANCE

Continuous improvement in financial,
social and environmental performance



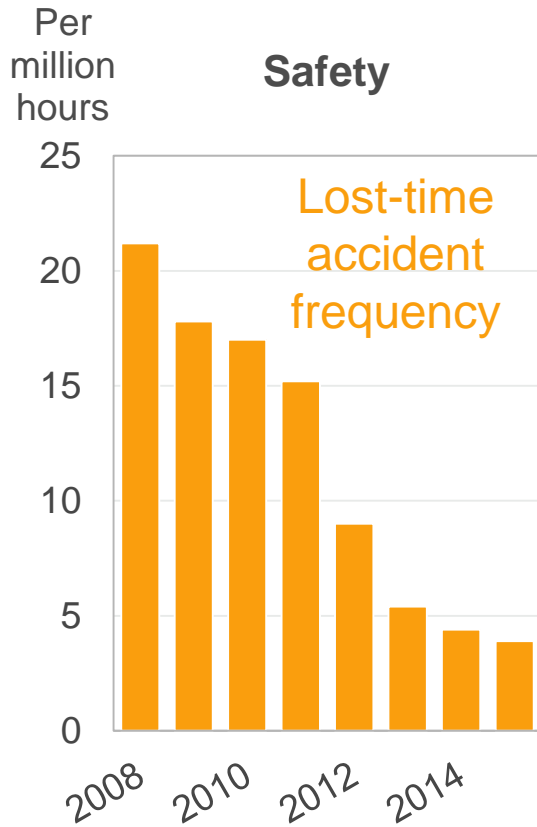
Profit improvement programme exceeded its target by 10% – the work continues in 2016



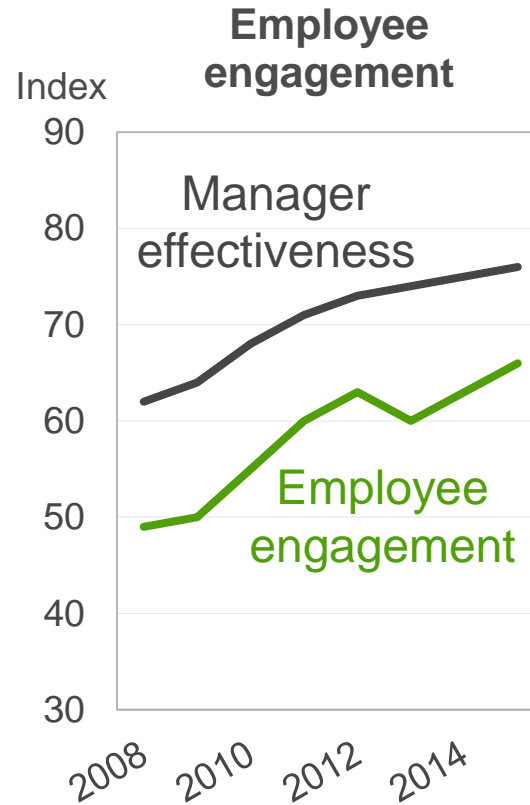
(* 800,000 tonnes of publication paper capacity in Europe)

Growing with Biofore

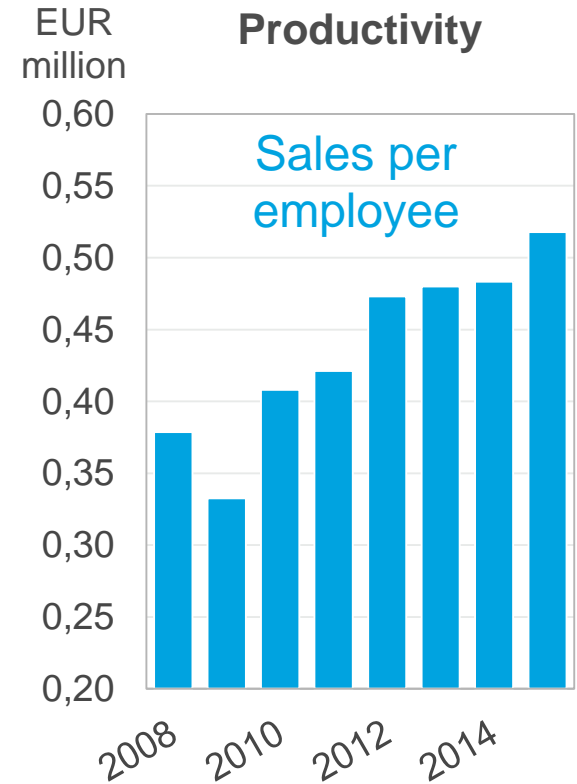
– engaged high-performing people



5-year change:
-77%

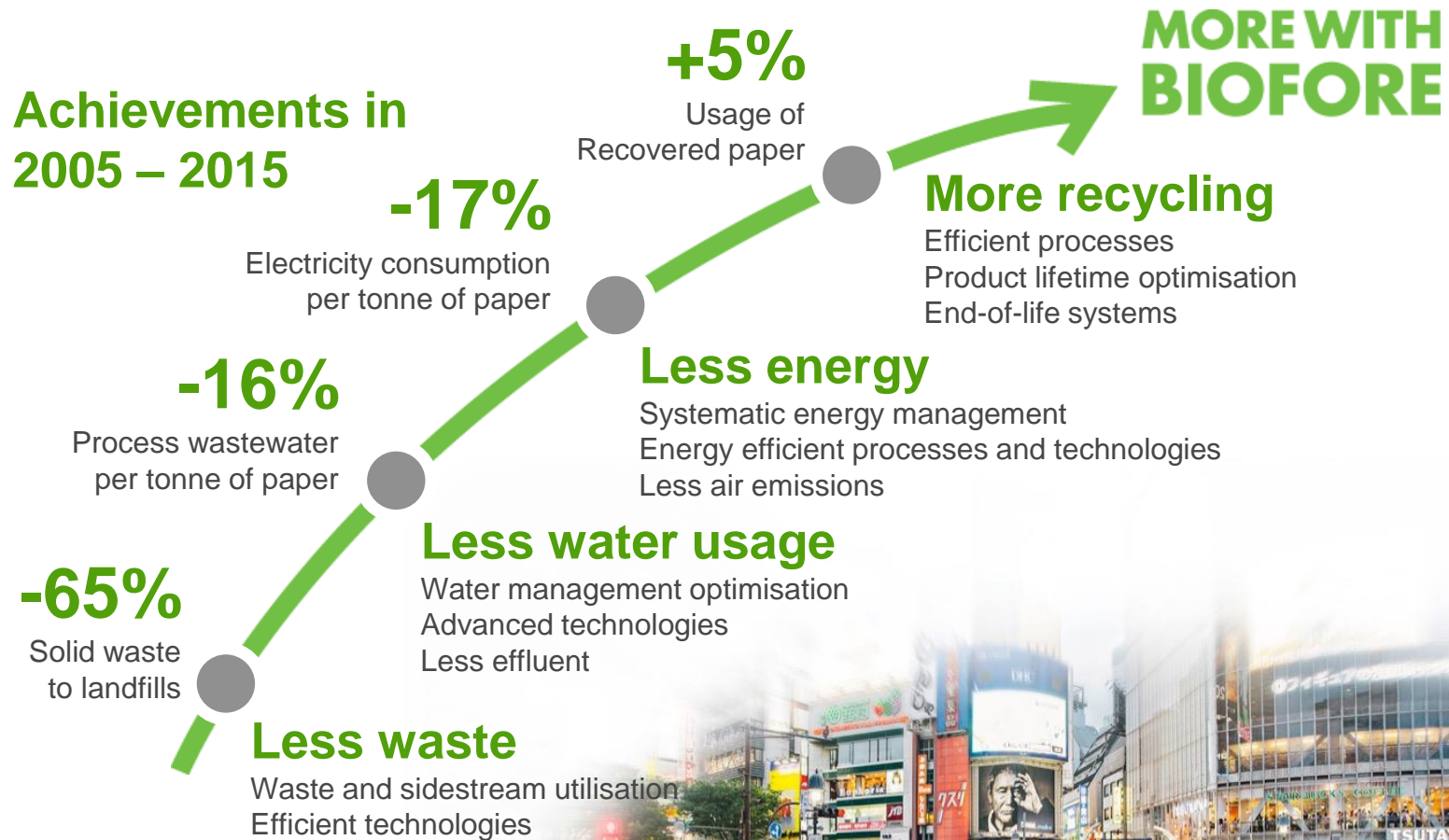


5-year change:
+11



5-year CAGR:
+5%

More with Biofore – creating more with less





The Biofore Company **UPM**

2. GROWTH

Focused high-return growth projects



Several growth projects completed – focus turns to reaping the benefits in 2016 and beyond

Pietarsaari
pulp mill expansion
70,000t

Fray Bentos
pulp mill expansion
100,000t

Lappeenranta
biorefinery
120m litres of
renewable diesel

Kymi
pulp mill expansion
170,000t

Kaukas
pulp mill efficiency
improvement, paper and
pulp decoupling completed



Capex so far EUR 660m

Remaining capex EUR 110m

Q2
2014

Q3
2014

Q4
2014

Q1
2015

Q2
2015

Q3
2015

**Q4
2015**

Q1
2016

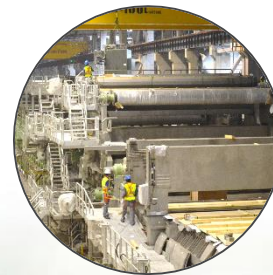
Q2
2016

Q3
2016

Q4
2016



UPM Raflatac
50% expansion in
APAC, growth in filmic
labelstock in Poland

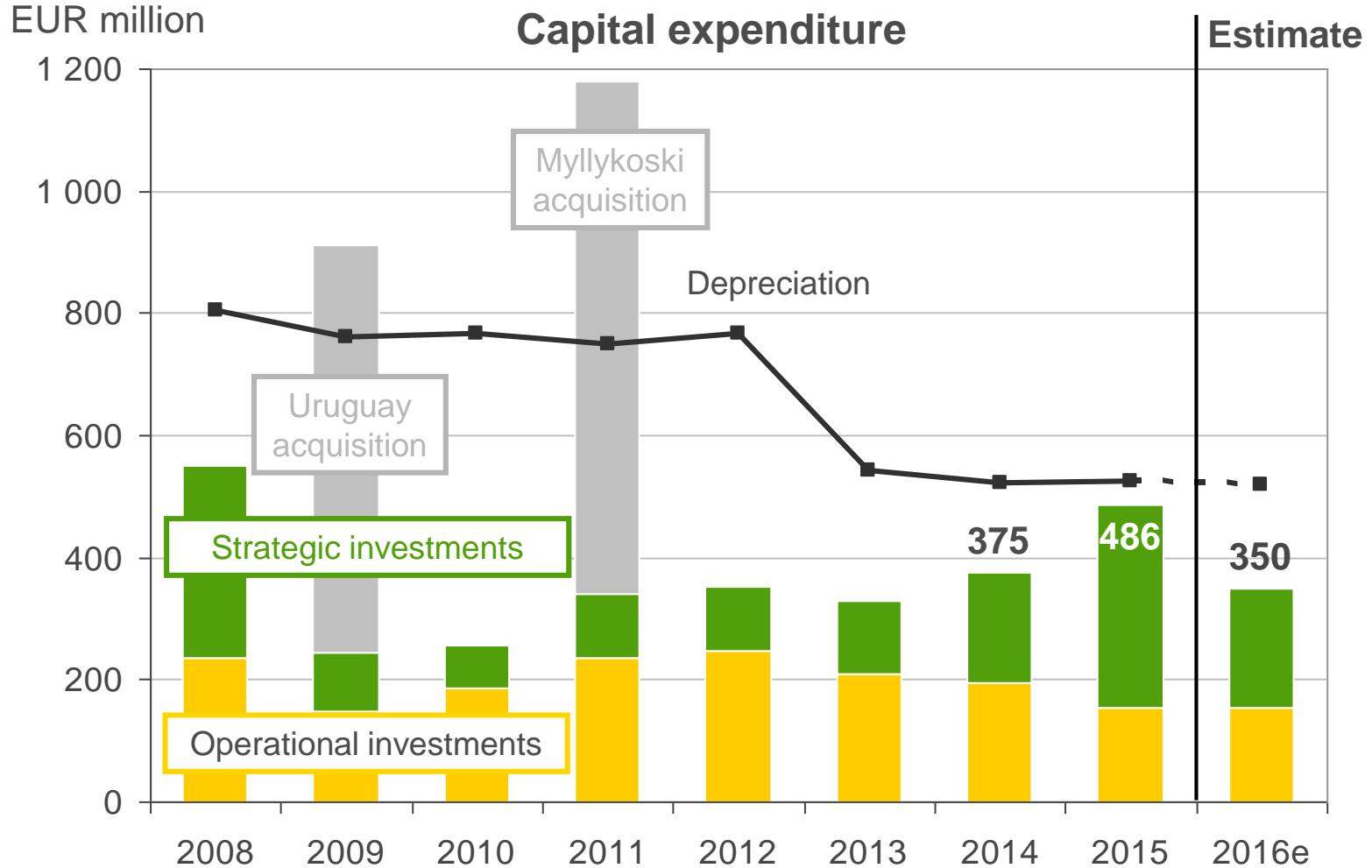


UPM Paper Asia
Changshu
new speciality
paper machine
360,000t



UPM Plywood
Otepää mill
expansion
to 90,000m³

Low investment needs in existing assets allow growth projects with modest total capex





The Biofore Company **UPM**

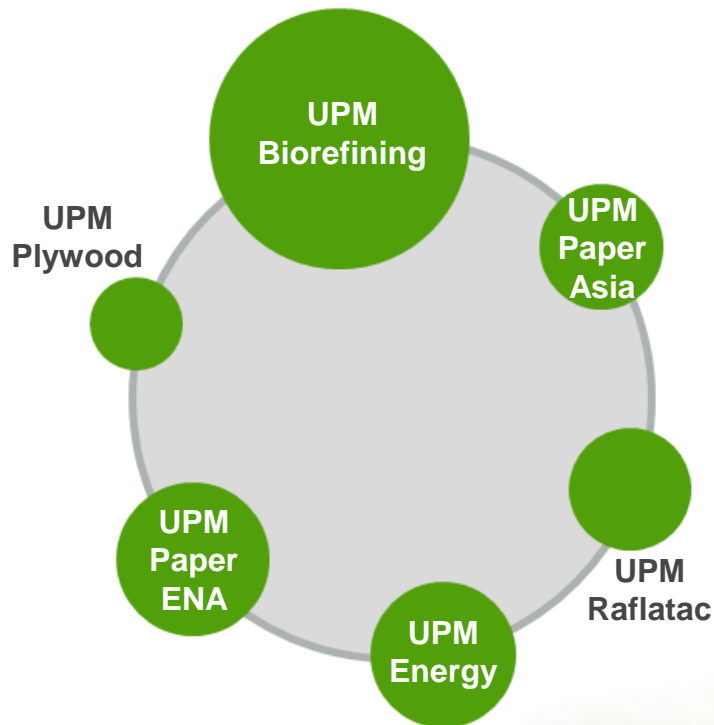
3. PORTFOLIO

Enhancing value, long-term profitability
and growth outlook



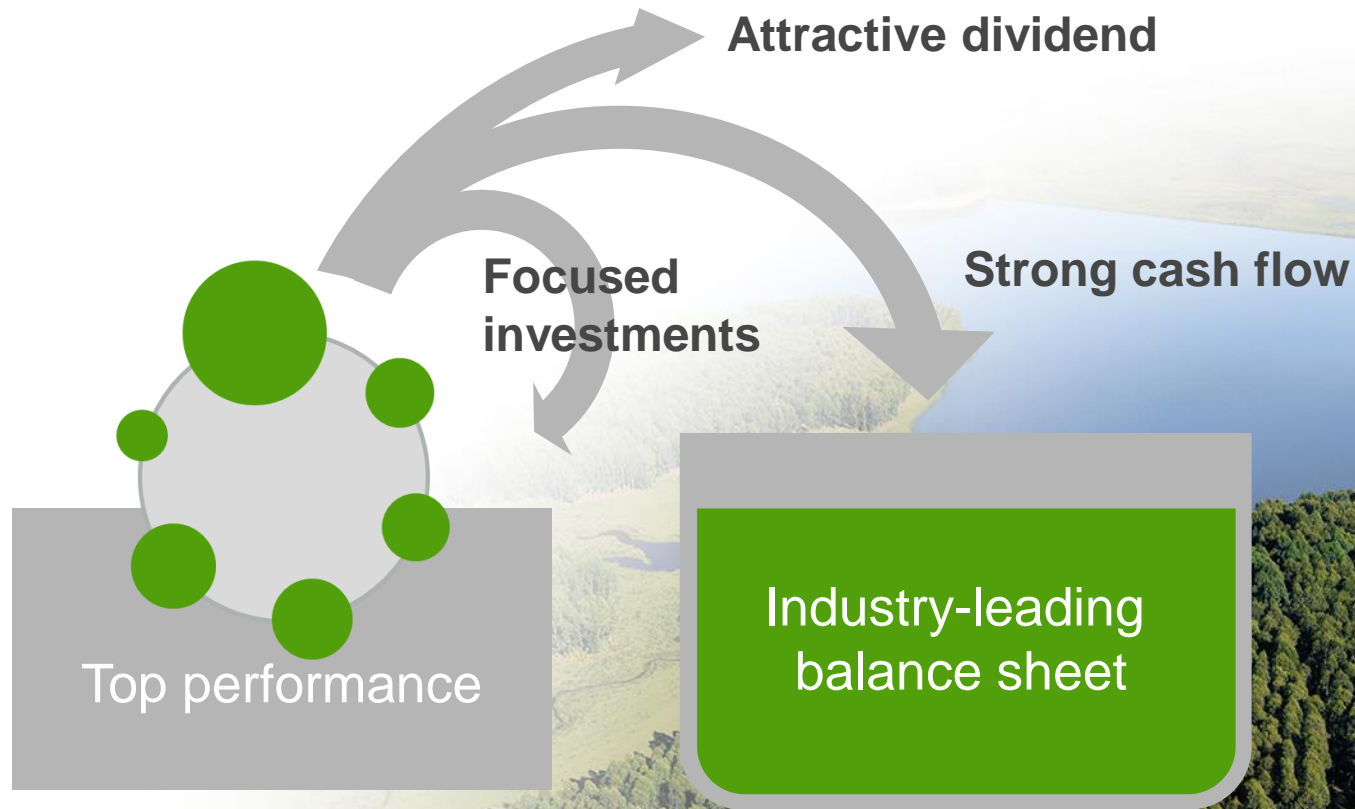


Portfolio development and value creation



- **Performance:** targeting top performance in each business
- **Grow** businesses with strong long-term fundamentals: focused investments and synergistic M&A
- **Simplify:** best value realisation for UPM
- **Consolidation** in European paper market, without increasing capital

Strengths of UPM's model





The Biofore Company **UPM**

4. INNOVATION

Developing new businesses and improving the competitiveness of current businesses



Innovations in new and existing businesses





The Biofore Company **UPM**

RISKS AND OPPORTUNITIES

The operating environment
exposes UPM to risks and
opportunities



Risks and opportunities



China

Risk

Economic slowdown

Opportunity

Private consumption
Urbanisation
Competitive businesses
Strong balance sheet

Pulp

Risk

Demand/supply cycle

Opportunity

Competitive pulp business
Versatile sustainable offering
Limited net exposure
Strong balance sheet

Paper

Risk

Demand decrease pace

Opportunity

Competitive paper business
with optimisation opportunities
More attractive end-uses
Best customer offering:
reliability, quality and services

Outlook for 2016

- UPM's profitability improvement is expected to continue in 2016.
- The business performance in 2016 is underpinned by the company's growth projects and continuous cost efficiency measures.



The Biofore Company **UPM**

RESPONSIBILITY IS GOOD BUSINESS

Responsibility is a source of
competitive advantage and growth



Responsibility is good business Consistent long-term work receives external recognition and attracts responsible investors

- UPM in sustainability indices



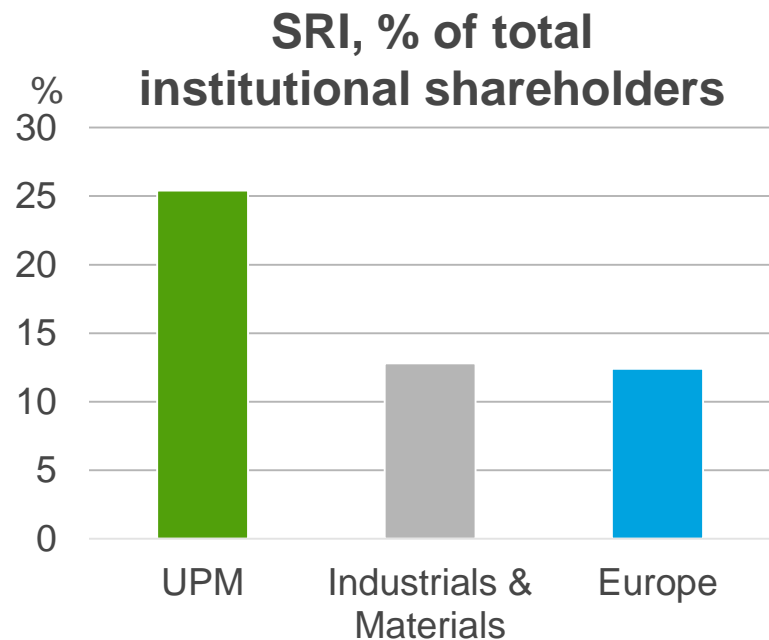
MEMBER OF

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM



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



Source: Nasdaq, October 2015



The Biofore Company **UPM**

SUMMARY





Key performance indicators 2015

Sales
EUR 10.1 billion

+3%

Operating profit *)
EUR 1,163 million

+37%

**Operating cash
flow per share**
EUR 2.22

-5%

EPS *)
EUR 1.75

+50%

ROE *)
12.1%

+3.8pp

Gearing
26%

-6pp

*) excluding special items



Key performance indicators 2015

Empl. completed
Code of Conduct
training 90%

+2pp

Employee
engagement
66%

+3pp

LTA frequency
3.9

-11%

Supplier Code
qualified supplier
spend 79%

+12pp

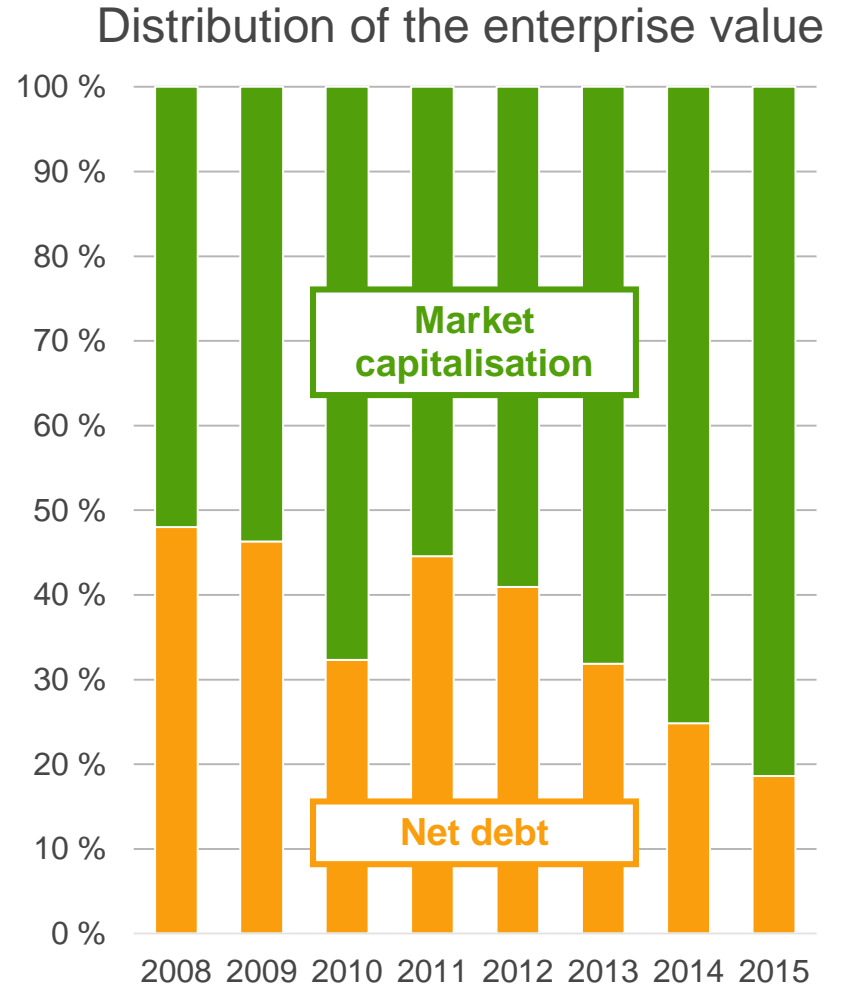
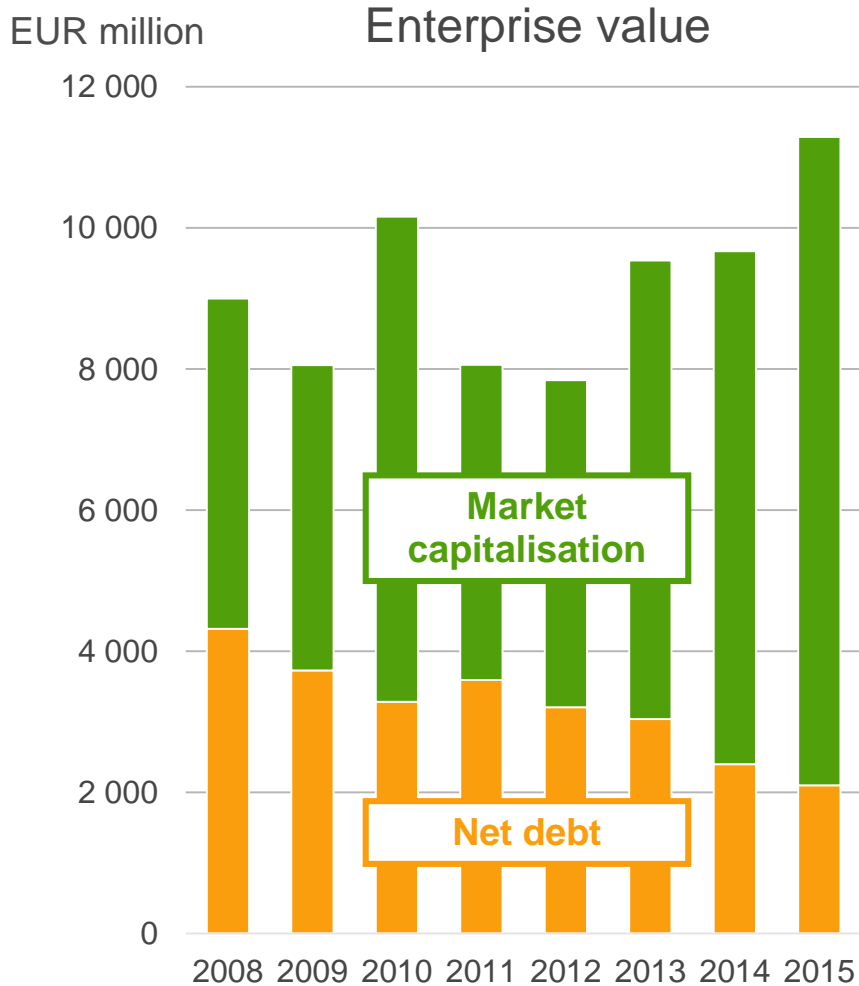
Share of
certified wood
84%

+1pp

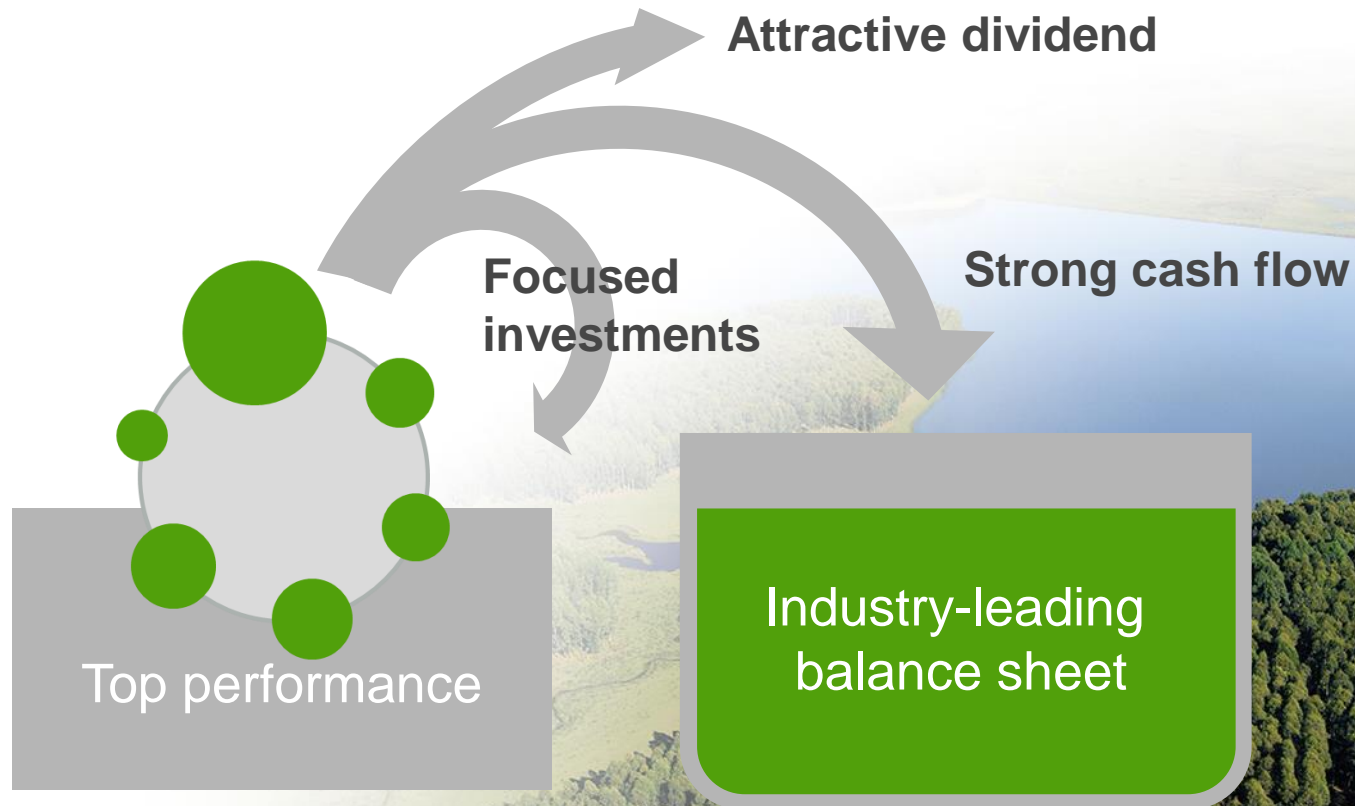
Share of eco-
labelled products
77%

+1pp

UPM's enterprise value and shareholders' share of it has increased



Strengths of UPM's model





UPM

The Biofore
Company