



# UPM – THE BIOFORE COMPANY

Jussi Pesonen  
President and CEO  
May 2016



# Contents

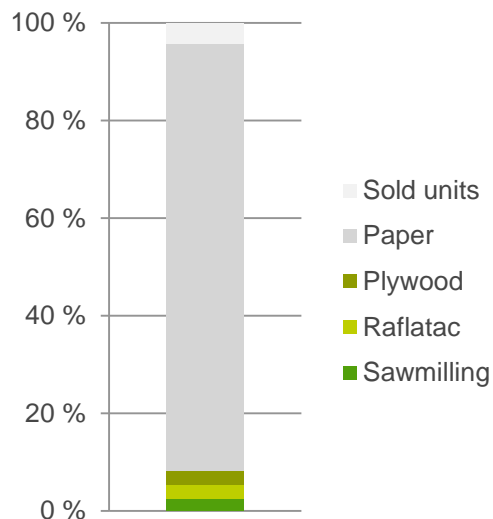
- UPM in transformation
- UPM strategic focus areas
  1. Performance
  2. Growth
  3. Portfolio
  4. Innovation
- Q1 2016 results
- Summary



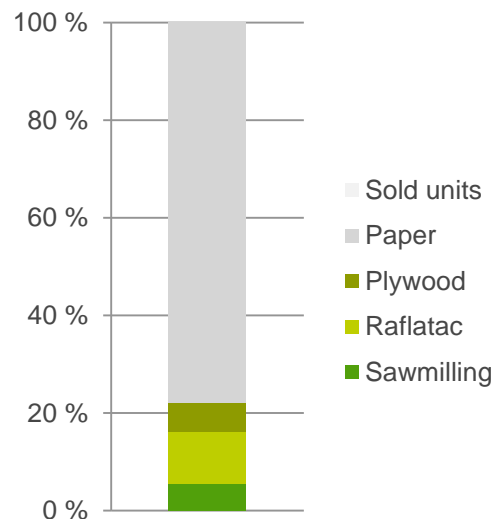
# UPM in transformation

Business portfolio, sales

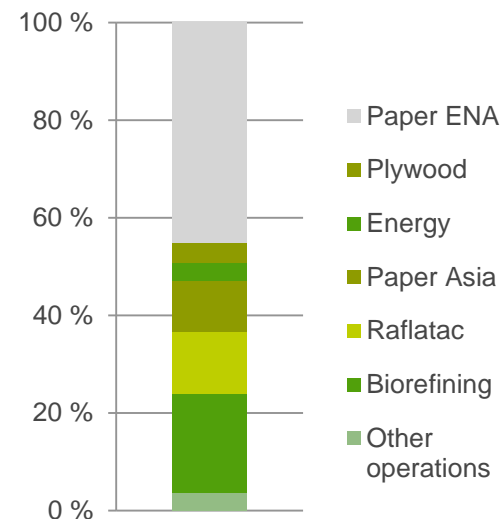
**2003:**  
integrated paper company



**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 916m  
 Net debt EUR 2.1bn  
 Market cap EUR 9.2bn  
 Personnel 19,600

\*) comparable EBIT for 2015, operating profit excluding special items for earlier years



The Biofore Company **UPM**

# UPM business portfolio today<sup>(\*)</sup>



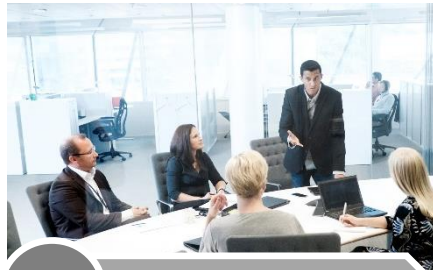


The Biofore Company **UPM**

# UPM STRATEGIC FOCUS AREAS



# UPM strategic focus areas



## 1 Performance

Continuous improvement in performance

“Cost efficiency measures”



## 2 Growth

Focused growth projects

“EBITDA target for growth projects EUR 200m”



## 3 Portfolio

Business portfolio development and value creation

“Net debt reduction EUR 546m”



## 4 Innovation

New business and product development

“Biofuels commercial ramp-up”



The Biofore Company **UPM**

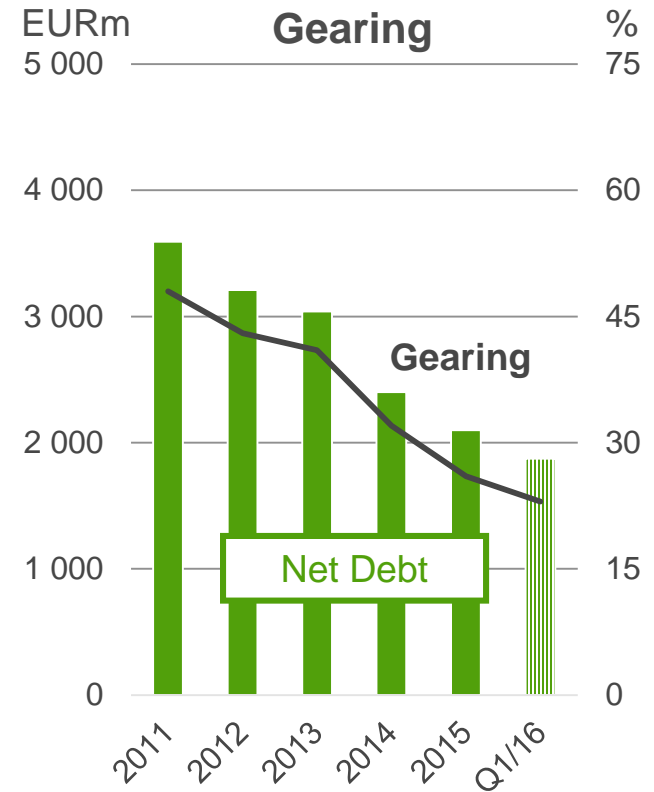
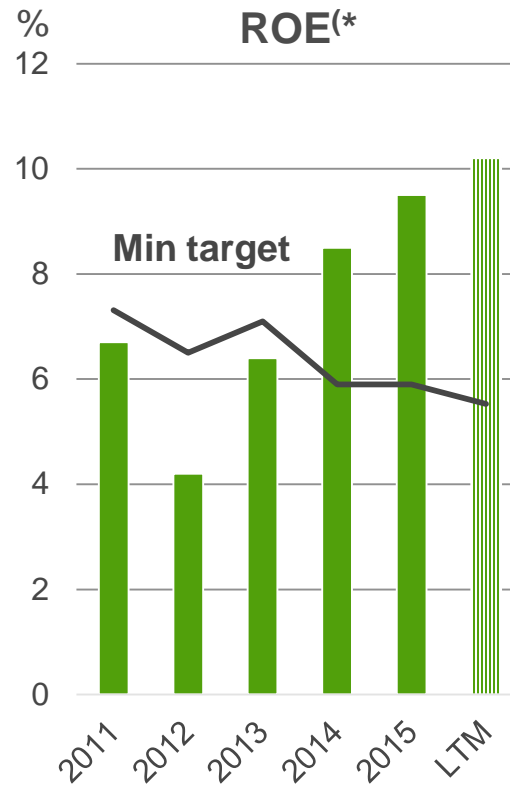
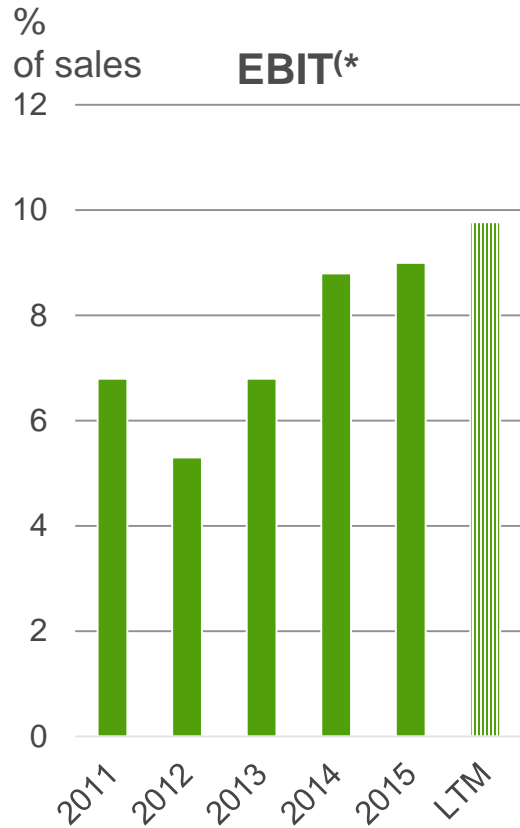
# 1. PERFORMANCE

Continuous improvement in financial,  
social and environmental performance





# Group profitability and targets

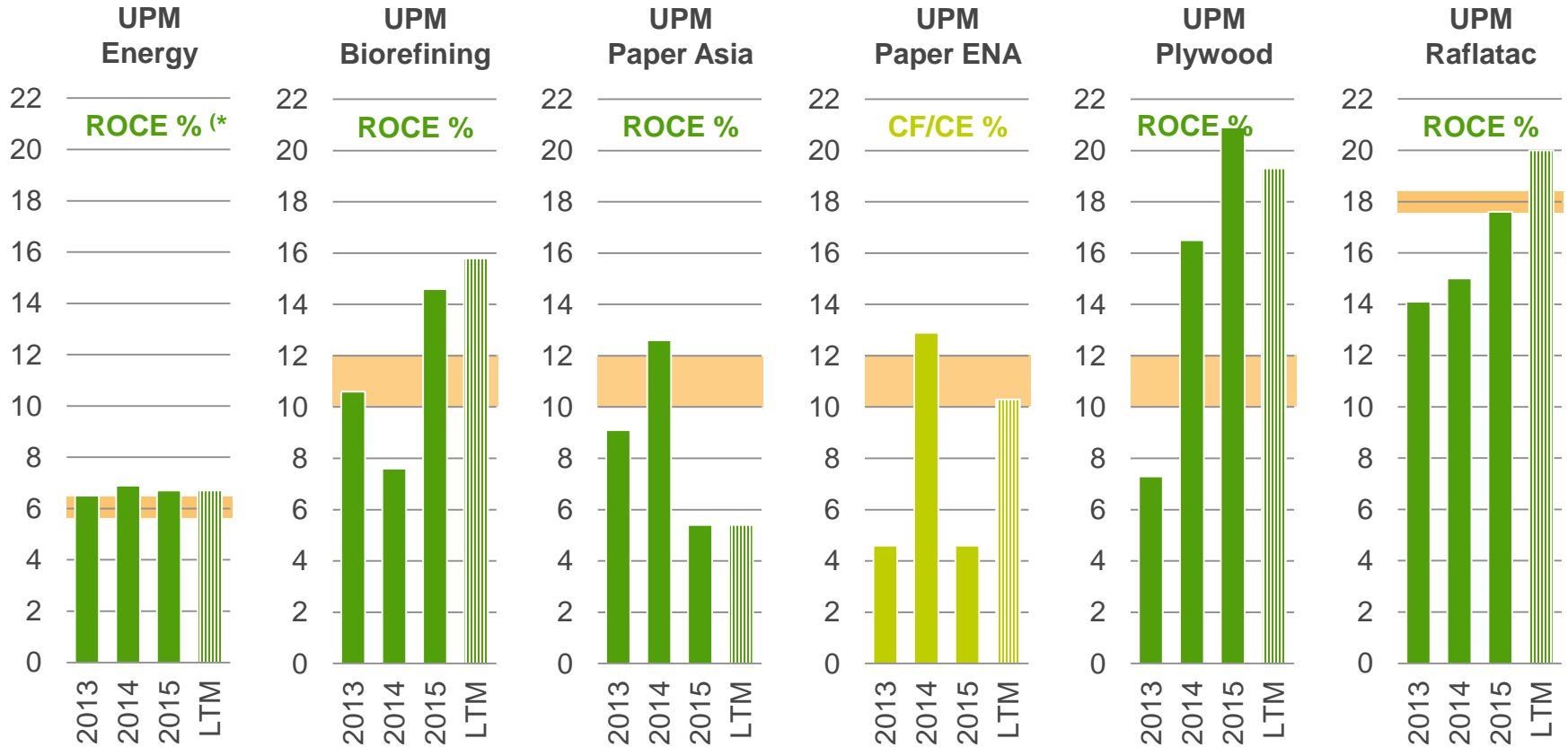


(\* comparable figures for 2015 and 2014, excluding special items for earlier years)





# Business area returns and long-term targets

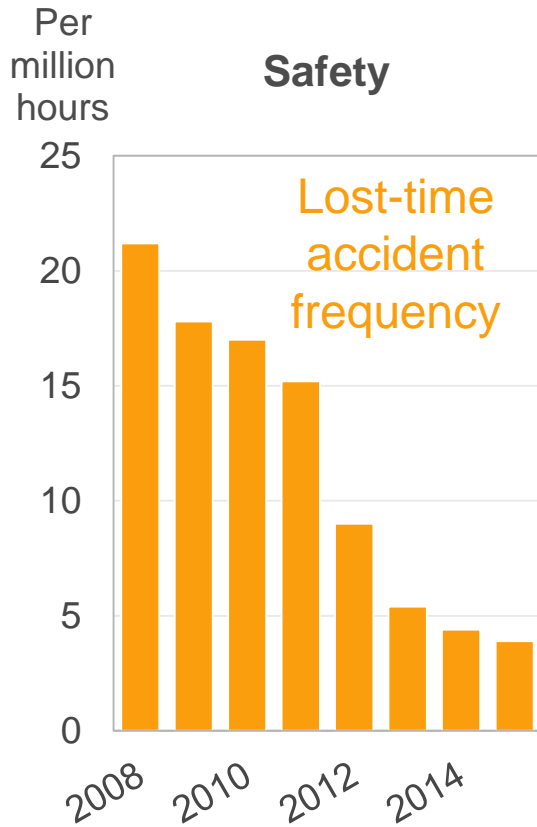


(\* shareholdings in UPM Energy valued at fair value)

Long-term return target

# Growing with Biofore

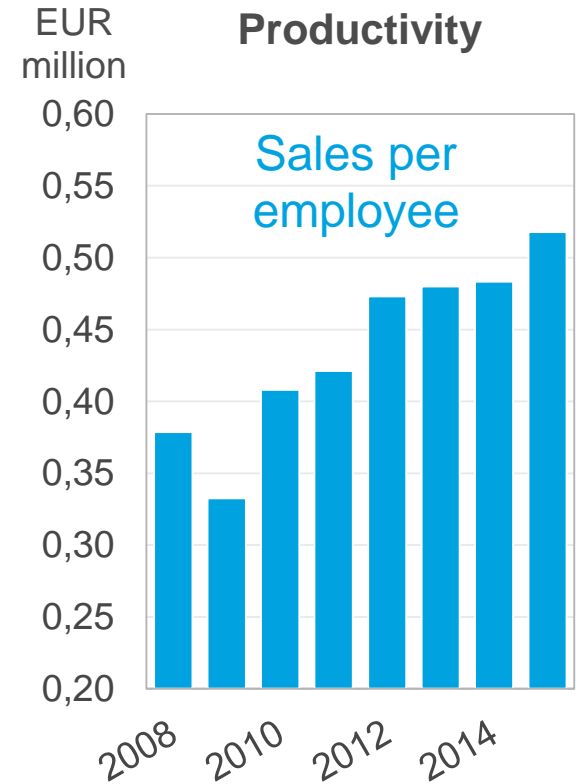
## – engaged high-performing people



5-year change:  
**-77%**

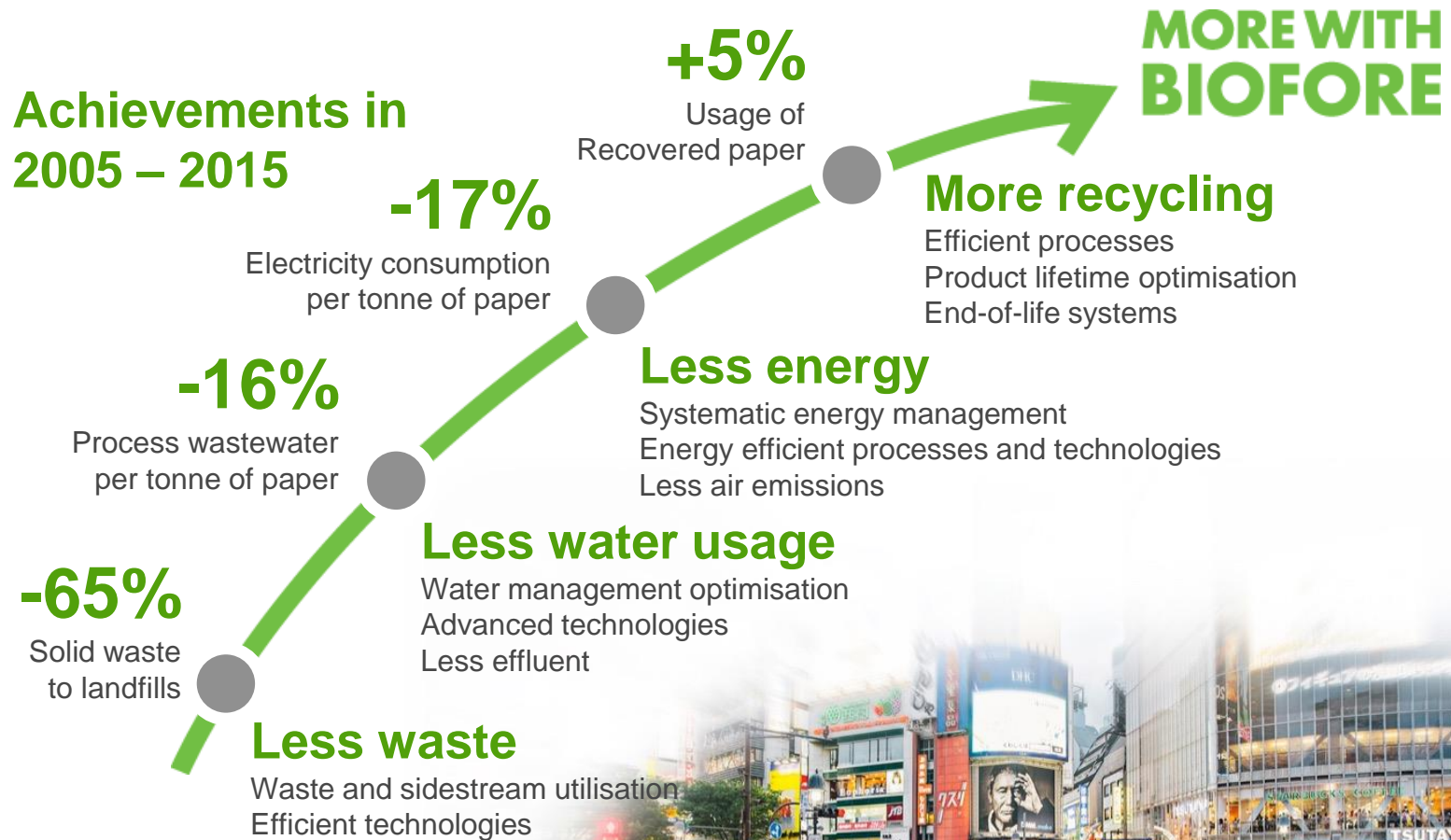


5-year change:  
**+11**



5-year CAGR:  
**+5%**

# More with Biofore – creating more with less





The Biofore Company **UPM**

## 2. GROWTH

Focused high-return growth projects



# Growth projects ramping up and contributing to earnings 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 680m

Remaining EUR 90m

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

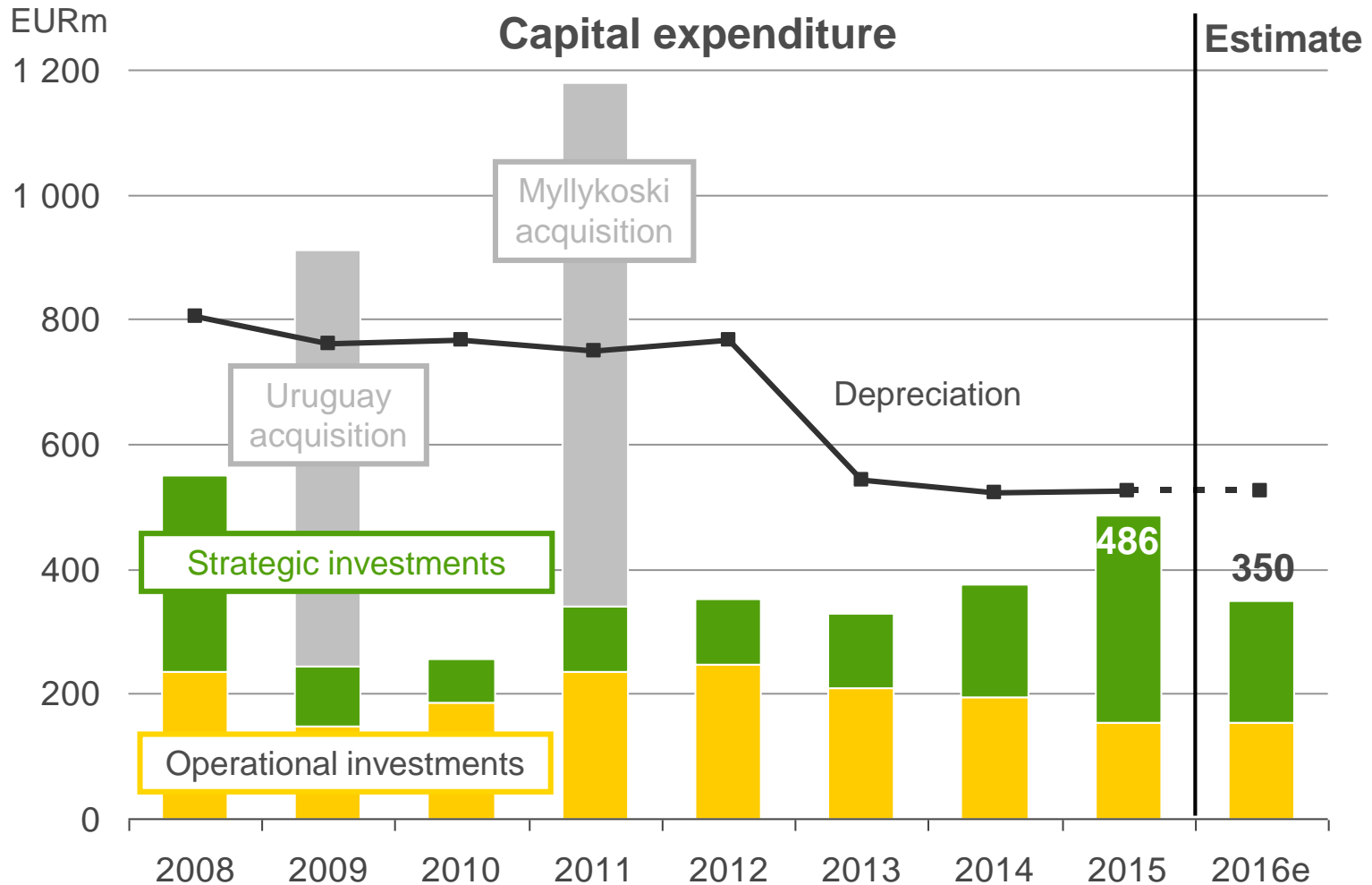


**UPM Paper Asia**  
Changshu new speciality paper machine  
360,000t



**UPM Plywood**  
Otepää mill expansion to 90,000m<sup>3</sup>

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





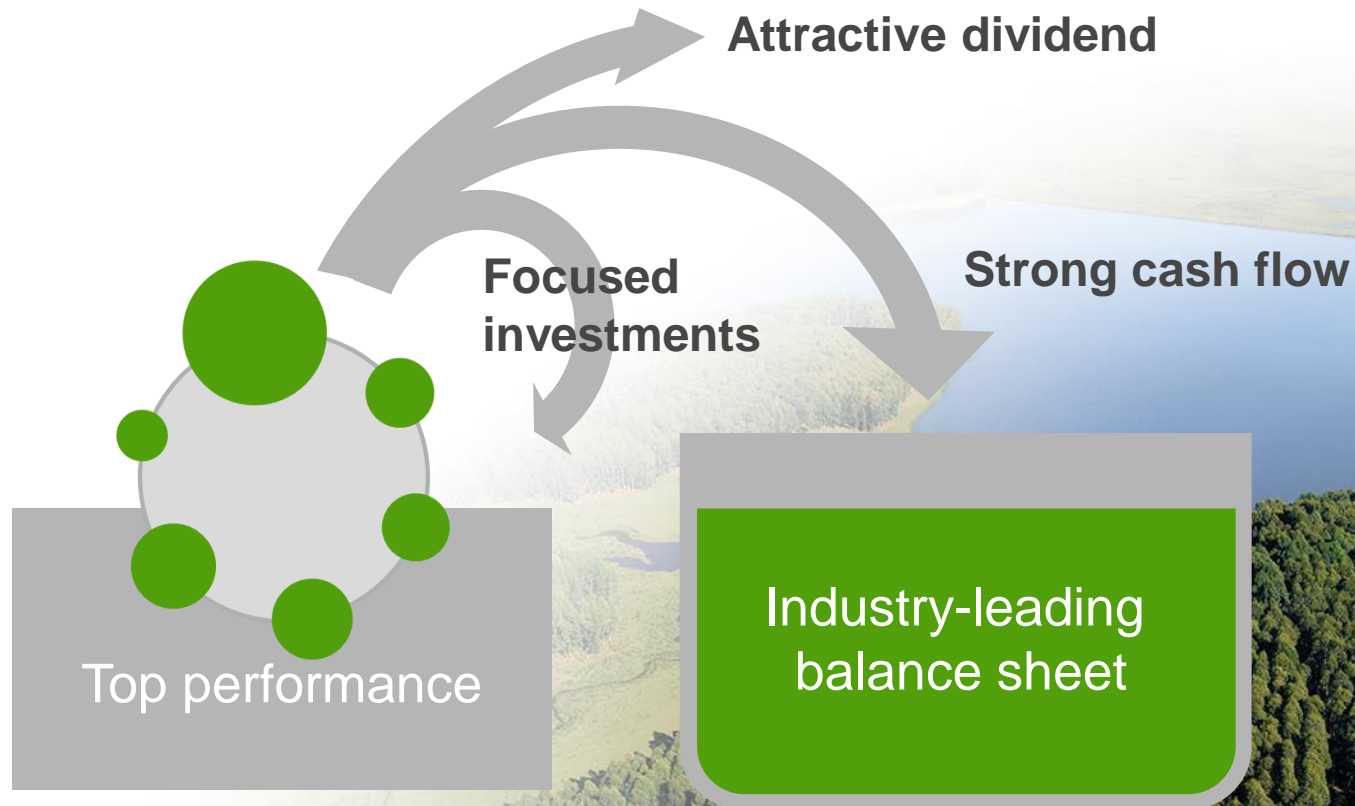
The Biofore Company **UPM**

## 3. PORTFOLIO

Enhancing value, long-term profitability  
and growth outlook



# 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**

# Q1 2016 RESULTS

## Q1 2016 – growth projects and cost efficiency measures deliver improved earnings

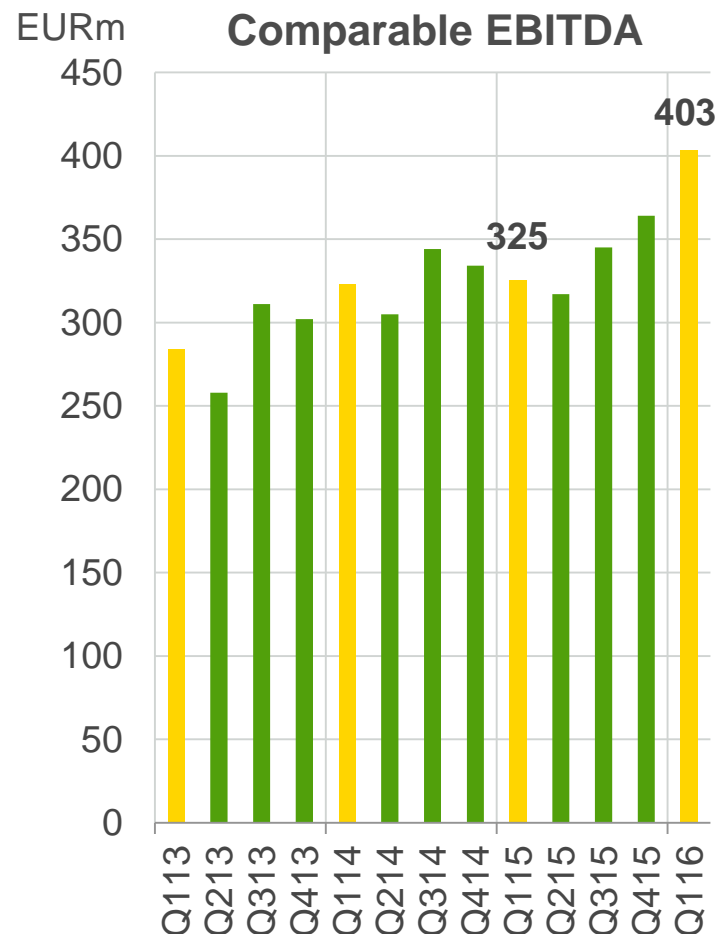
EBITDA increased by 24%

- + Cost efficiency measures resulted in significantly lower variable, fixed costs
- + Growth projects contributed to earnings
- + Realised currency hedges neutral
- + Operational efficiency on a good level

Comparable EBIT increased by 34% to EUR 281m (210m)

Strong operating cash flow at EUR 341m (108m)

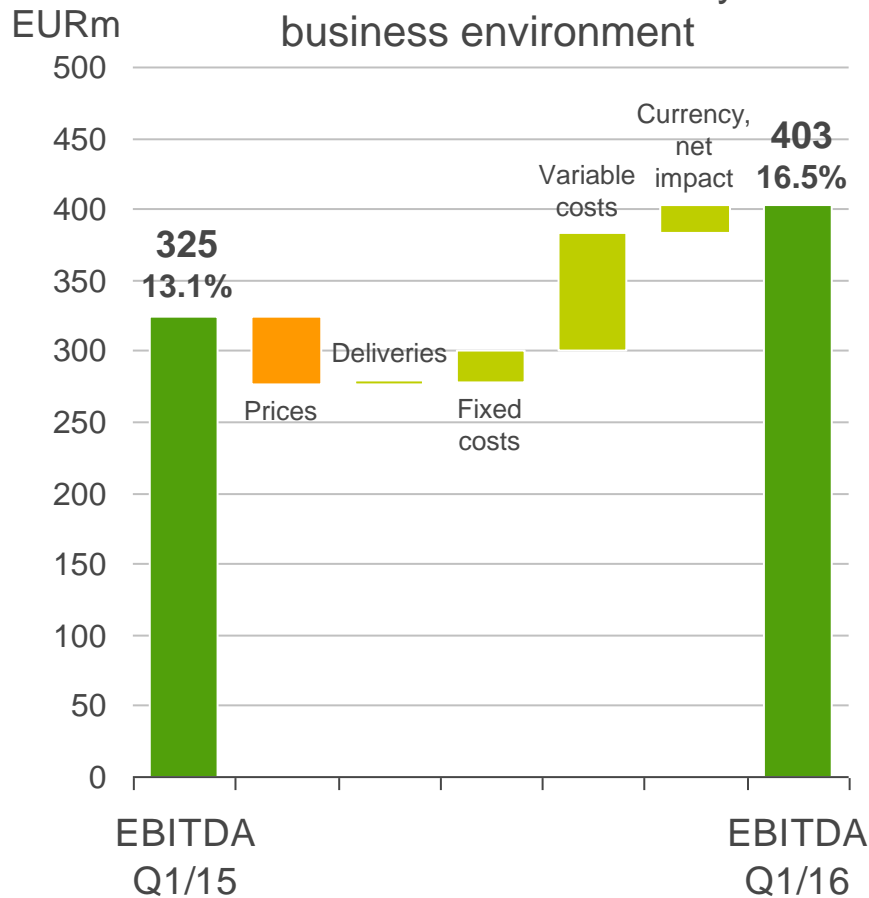
Net debt decreased to EUR 1,873m (2,419m)



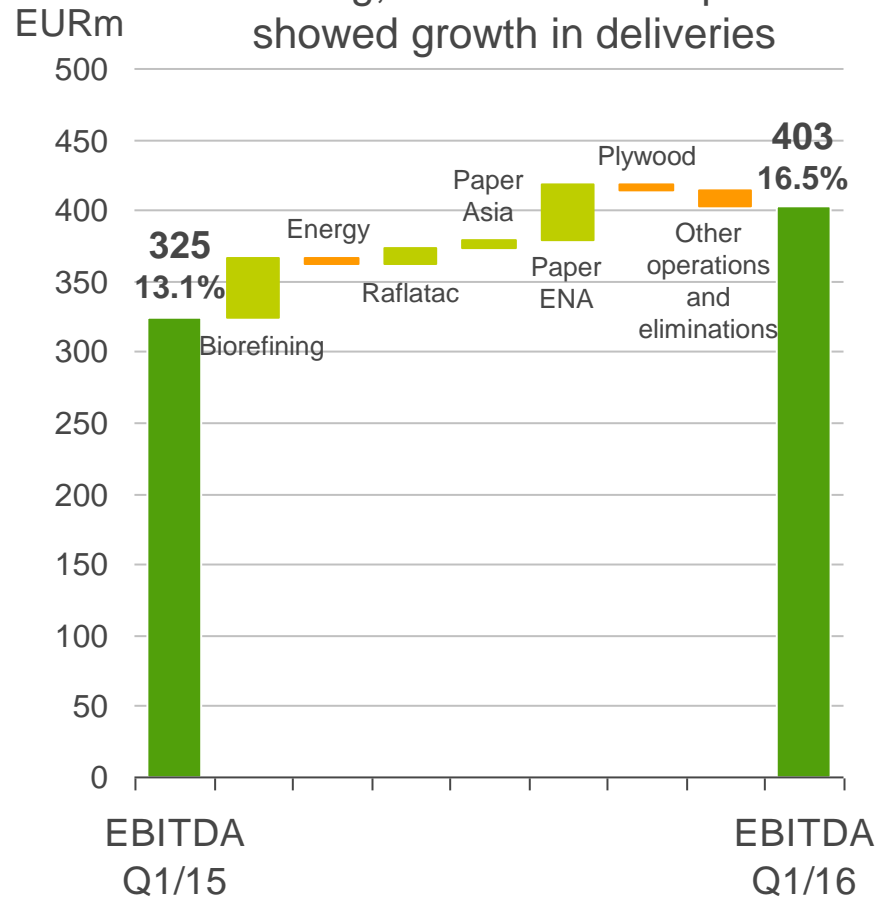


# Comparable EBITDA in Q1 2016 vs. Q1 2015

UPM benefited from cost efficiency measures in a deflationary business environment

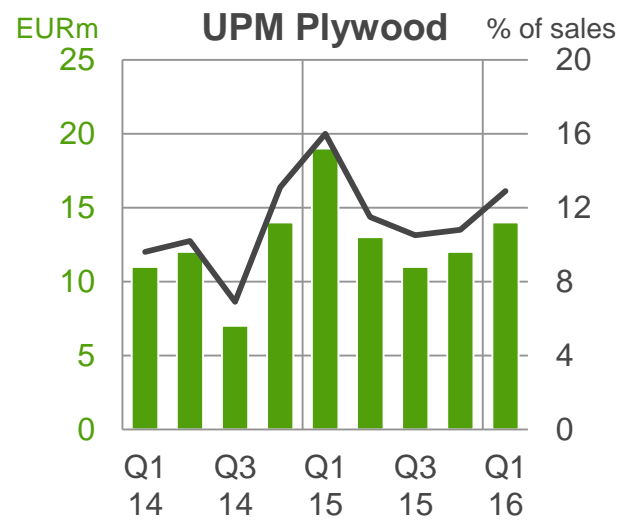
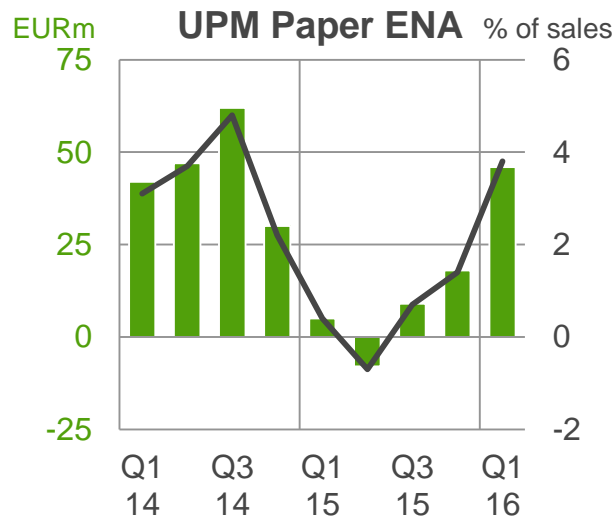
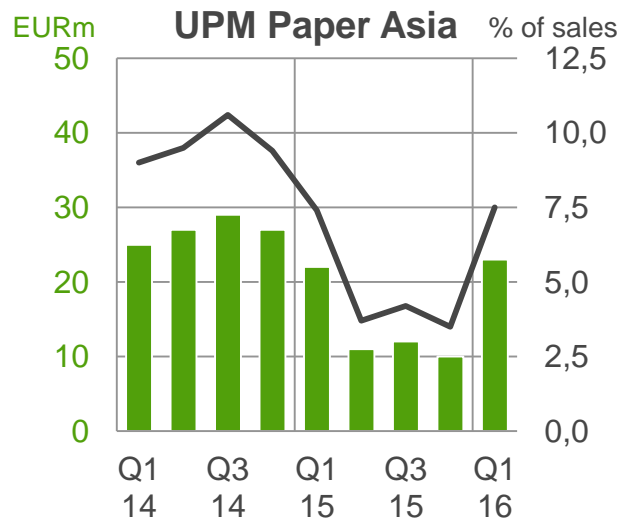
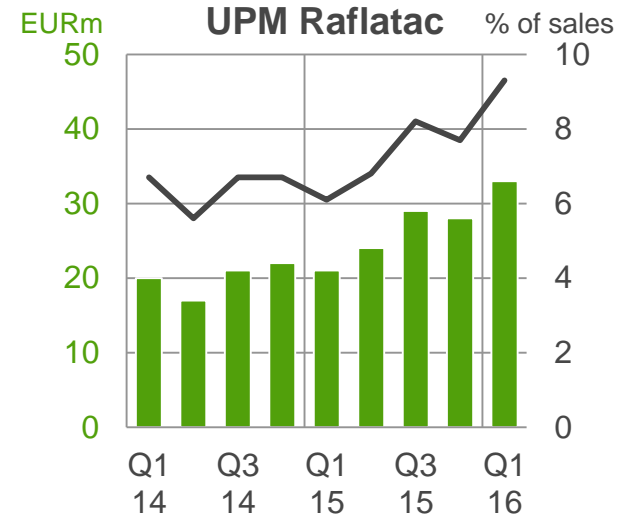
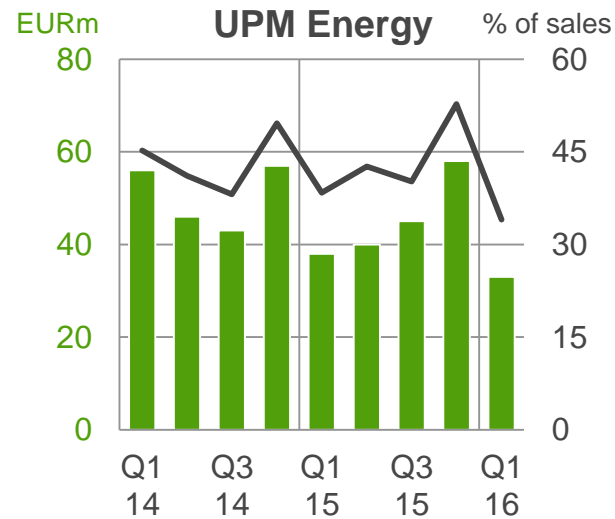
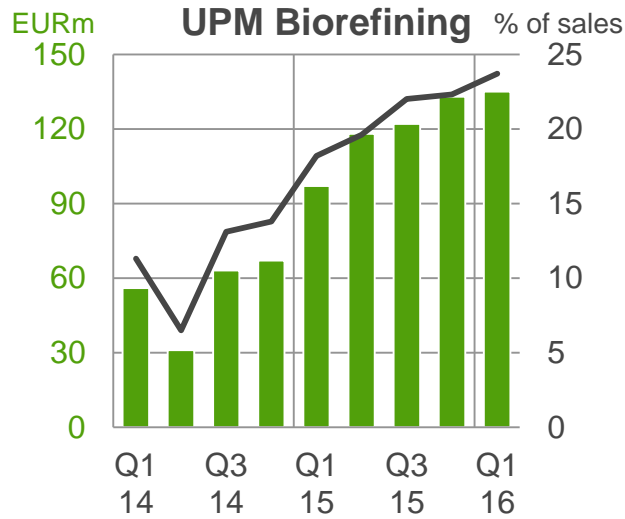


Cost efficiency improved in all businesses. Biorefining, Raflatac and Paper Asia showed growth in deliveries





# Comparable EBIT by business area





## UPM is well positioned for 2016

### UPM actions continue:

- Ramp-up at UPM Changshu PM3 and the Lappeenranta biorefinery
- Full potential of the pulp mills
- UPM Kaukas and UPM Otepää investments
- Cost efficiency measures
- Closure of Madison Paper Industries, sale of UPM Schwedt paper mill assets

### Scheduled maintenance stops:

- Pulp (Q3, Q4) and paper mills (Q2, Q4), Lappeenranta biorefinery (Q2) and Olkiluoto nuclear power plant units (Q2)



## Outlook for 2016 is unchanged

- UPM's profitability improved in 2015 and the improvement is expected to continue in 2016.
- UPM's growth projects are expected to contribute positively to the company's earnings in 2016, compared with 2015.
- UPM continues its measures to reduce variable and fixed costs also in 2016.
- Currencies are expected to contribute positively as hedges roll over, assuming relevant currencies stay at about the same level as at the end of 2015.



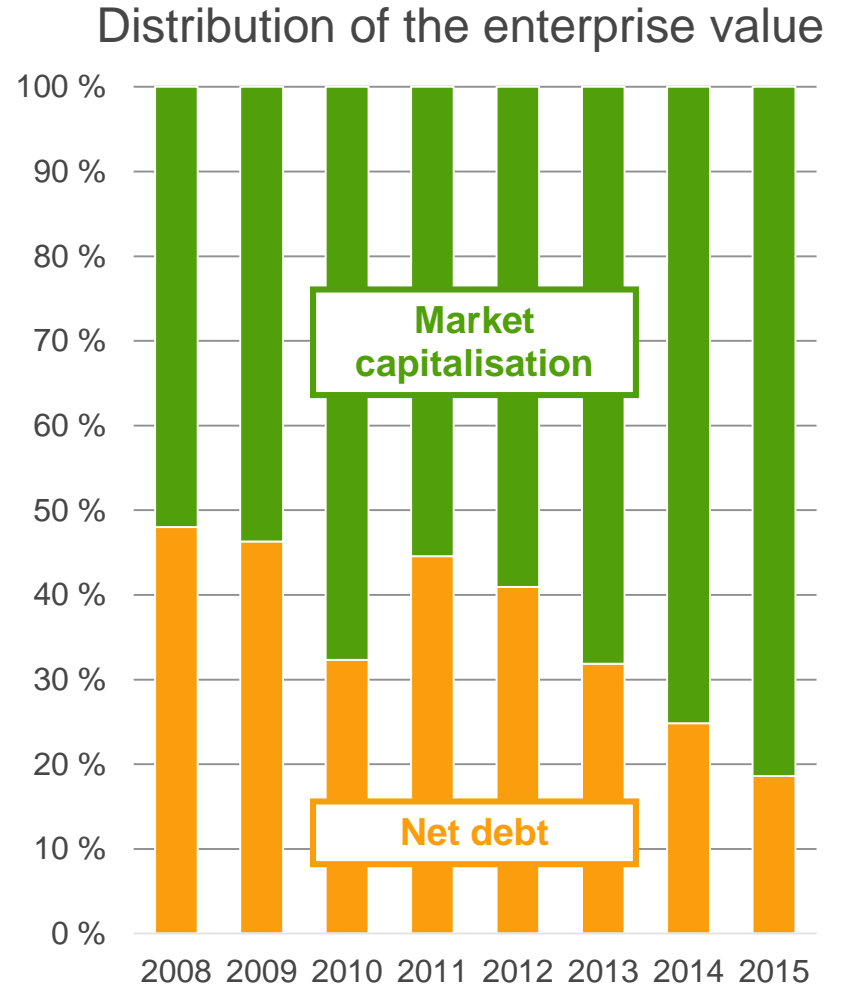
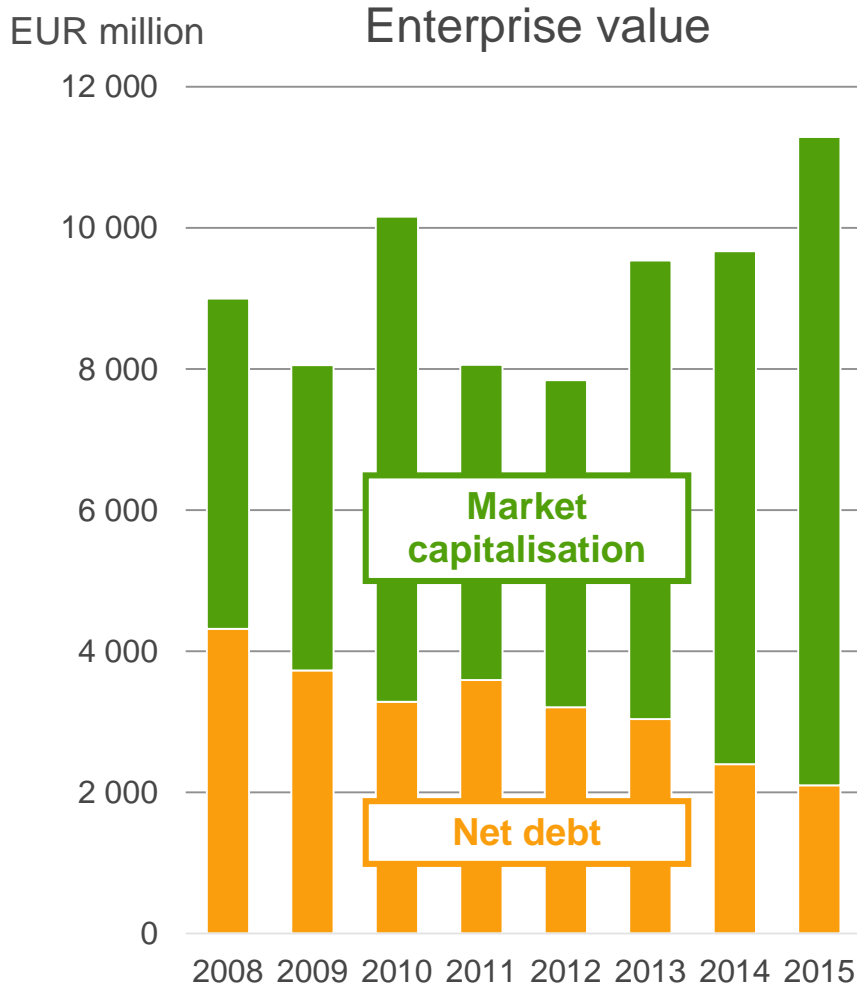


The Biofore Company **UPM**

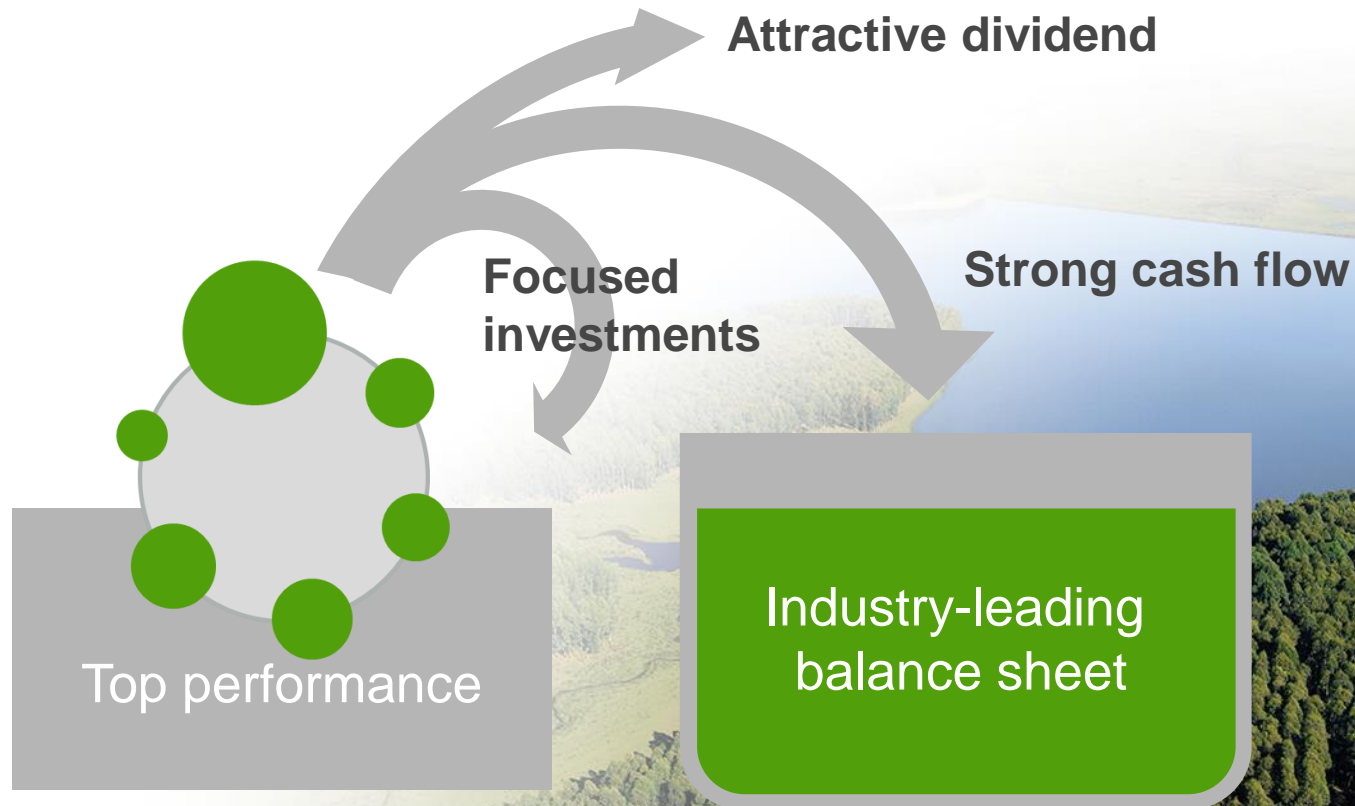
# SUMMARY



# UPM's enterprise value and shareholder value have increased



# Strengths of UPM's model





**UPM**

The Biofore  
Company