



# UPM – THE BIOFORE COMPANY

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CFO  
August 2016



The Biofore Company **UPM**

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



## Q2 2016 – comparable EBIT increased by 21%, cash flow reaching new highs

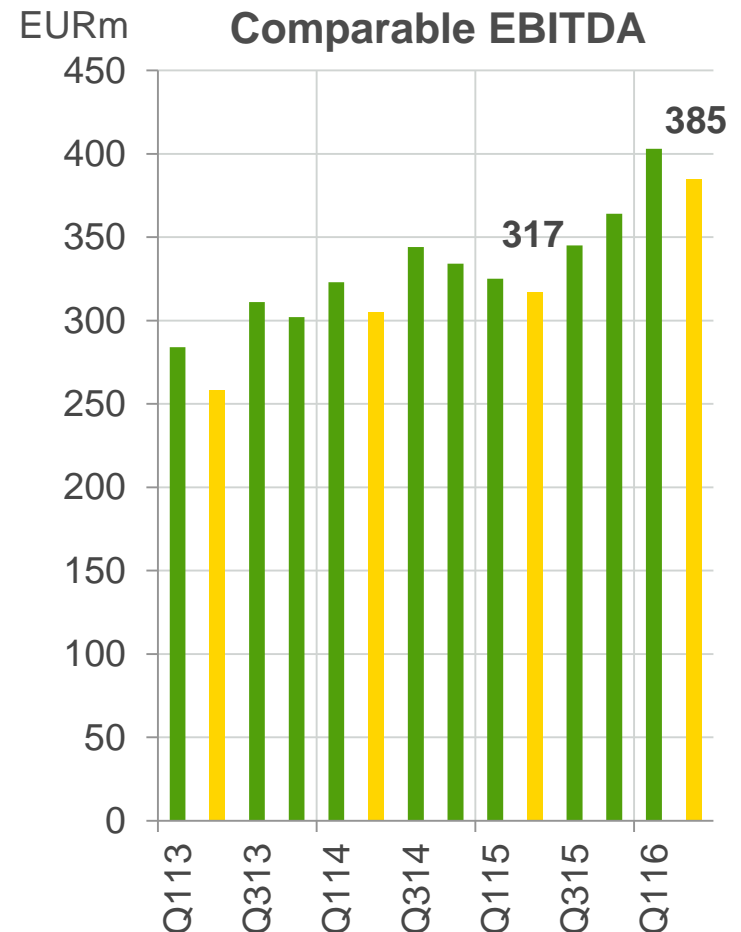
EBITDA increased by 21%

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

Comparable EBIT increased by 21% to EUR 264m (219m)

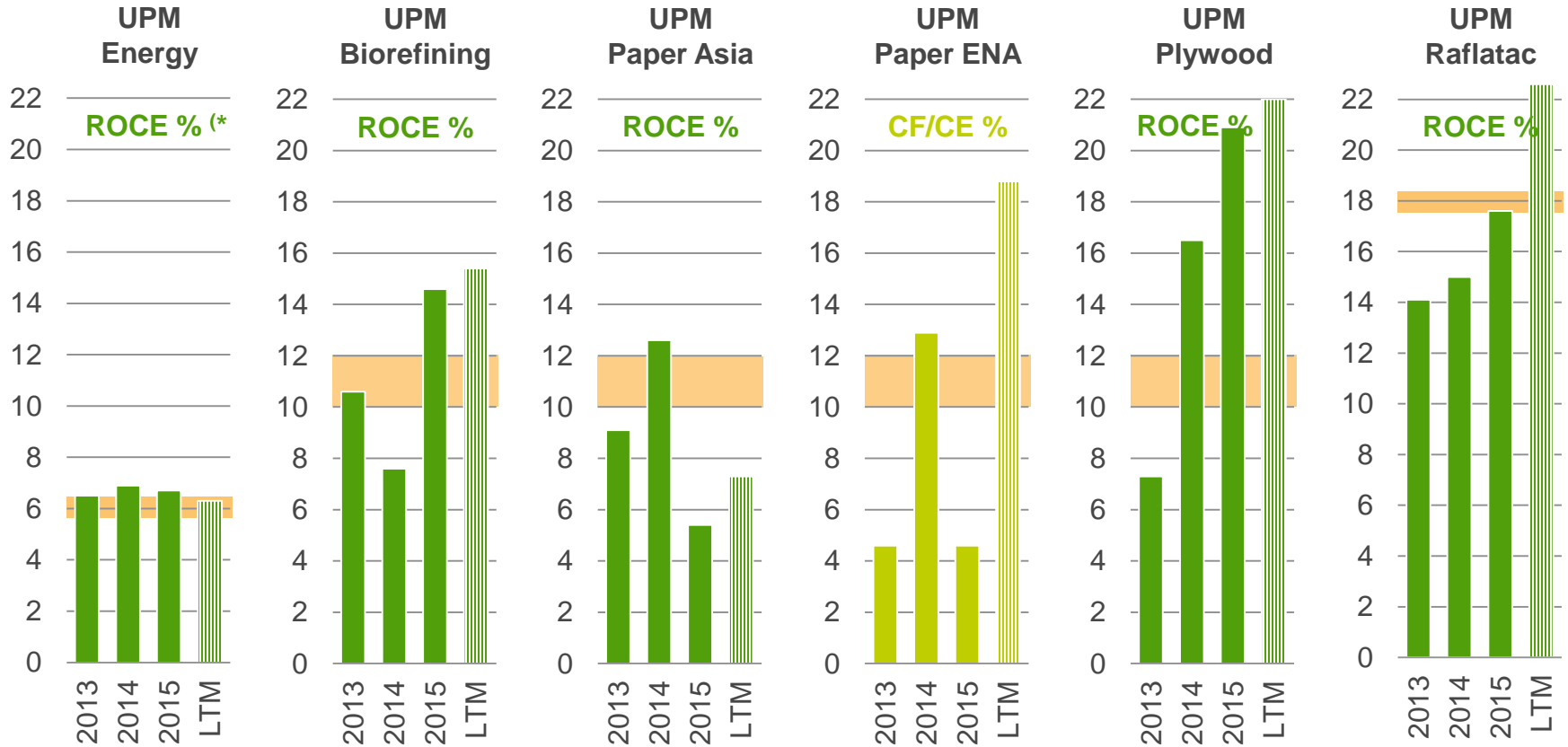
Strong operating cash flow at EUR 434m (324m)

Net debt decreased by EUR 759m to EUR 1,876m (2,635m)





# Business area returns and long-term targets

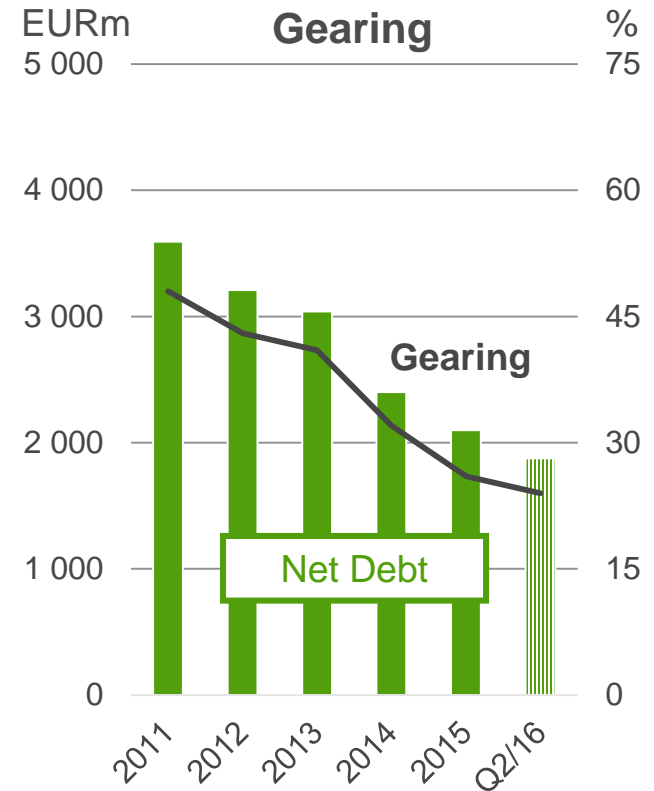
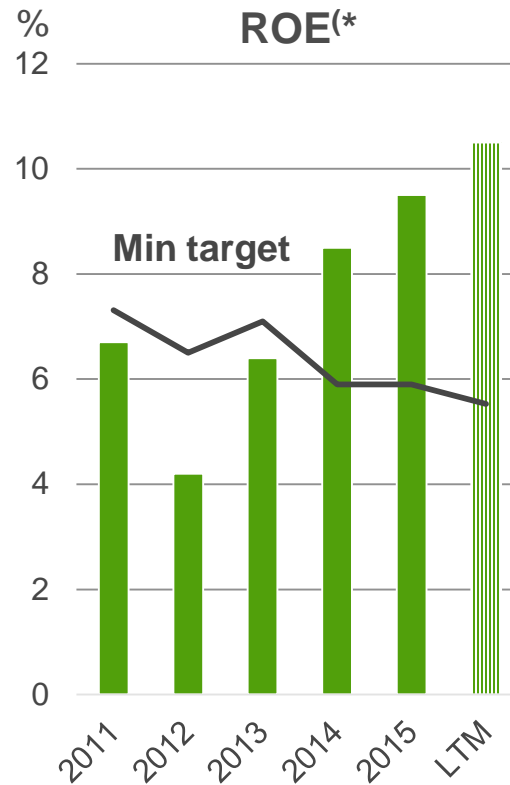
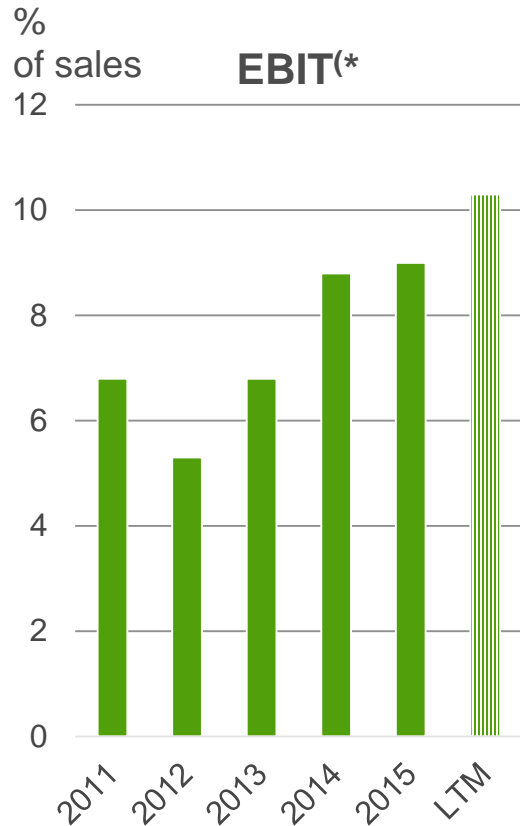


(\* shareholdings in UPM Energy valued at fair value)

Long-term return target

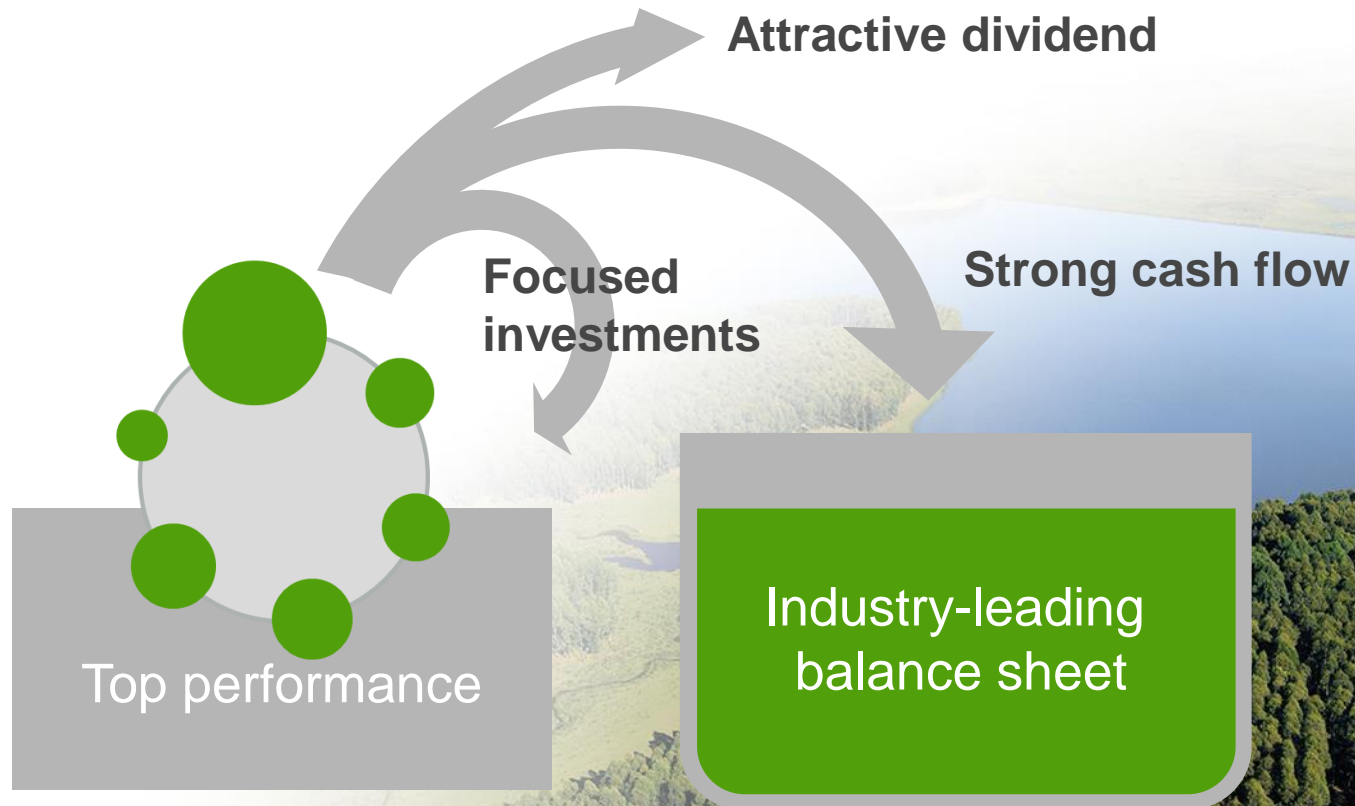


# Group profitability and targets



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

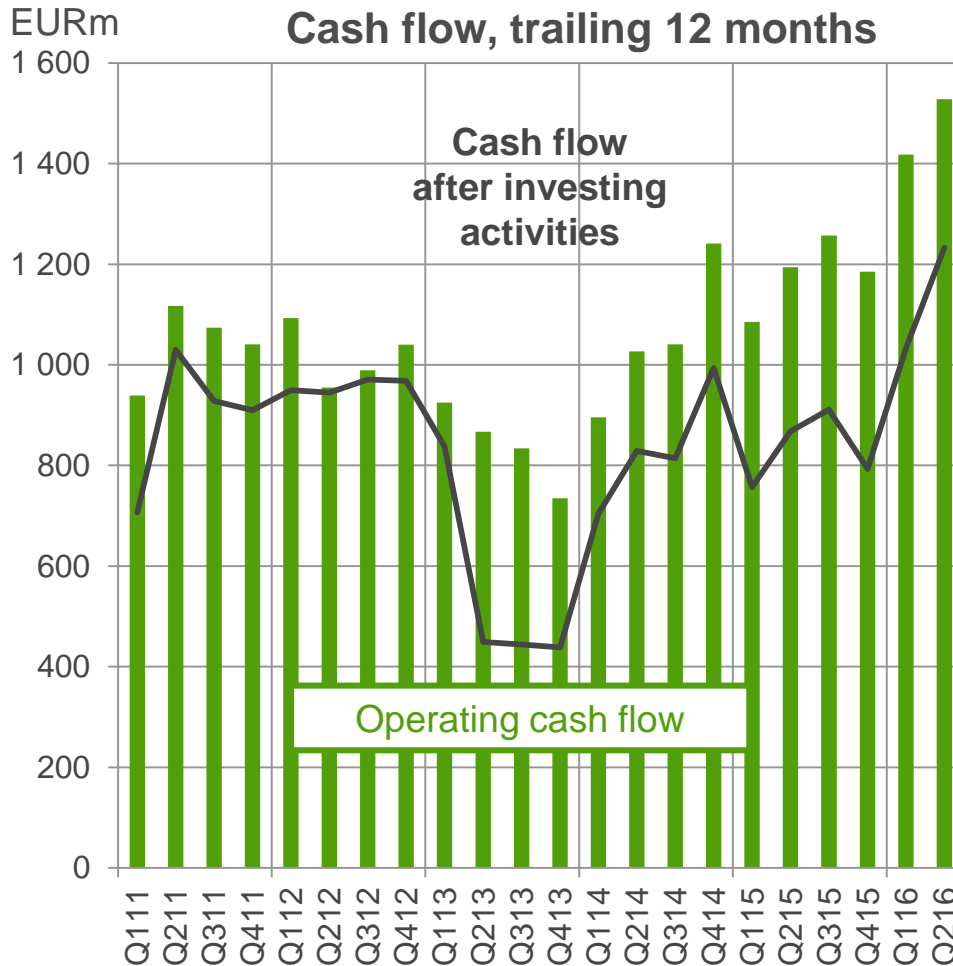
# Strengths of UPM's model







## Strong cash flow



- Q2 2016 operating cash flow was EUR 434m (324m)
- In Q2 2016, working capital decreased by EUR 10m (EUR 31m)
- In the latest 12 months, operating cash flow was EUR 1,528m (1,194m), EUR 2.86 per share (2.24)

# Growth projects ramping up and contributing to earnings in 2016 and beyond

**Lappeenranta biorefinery**  
120m litres of renewable diesel

**Kymi pulp mill expansion**  
170,000t

**Kaukas pulp mill efficiency improvement, paper and pulp decoupling completed**

**Kymi pulp mill expansion**  
170,000t



## In operation and ramping up

## Investments EUR 150m

Q1 2015    Q2 2015    Q3 2015    Q4 2015    Q1 2016    **Q2 2016**    Q3 2016    Q4 2016    Q1 2017    Q2 2017    Q3 2017    Q4 2017



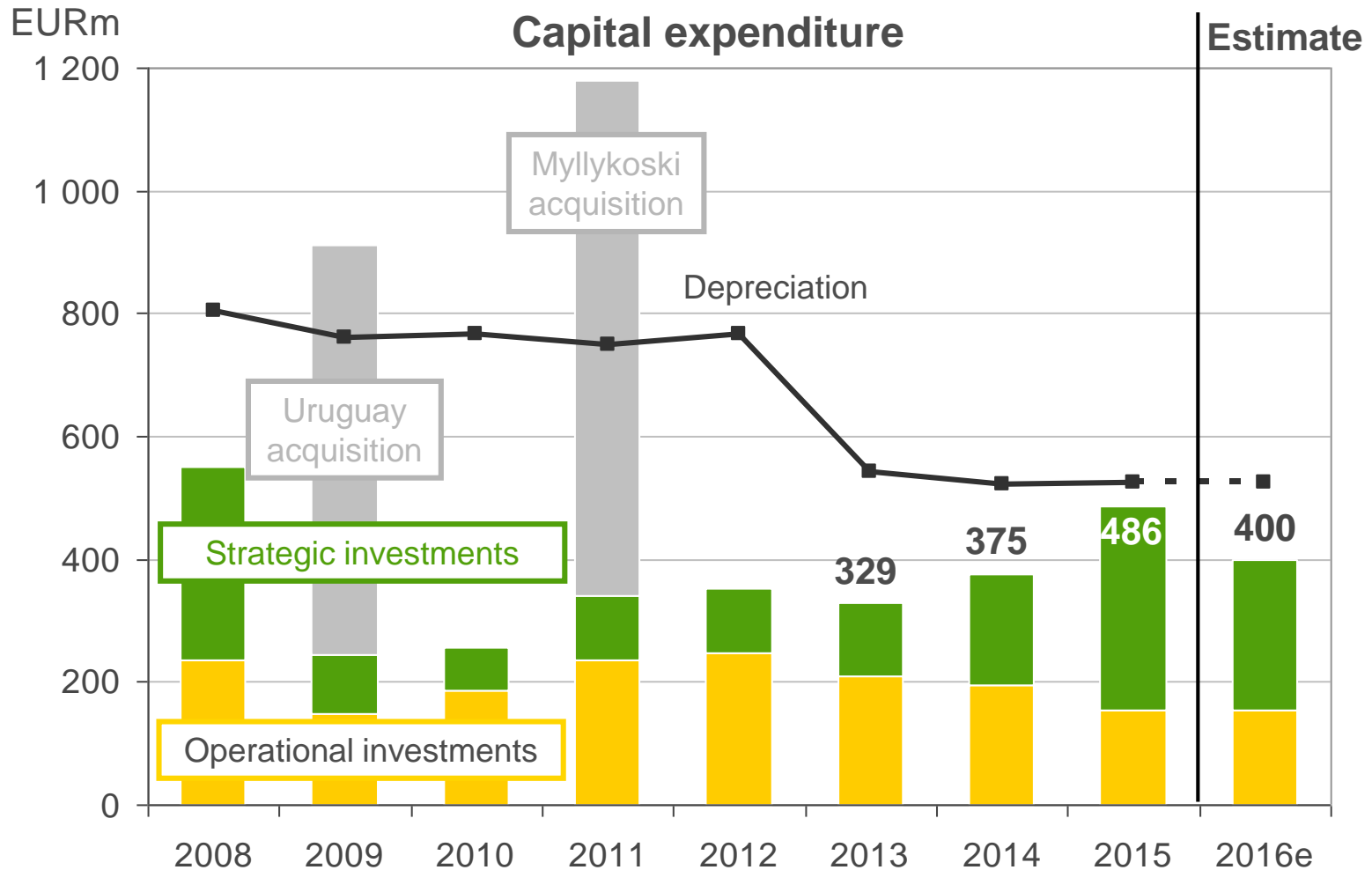
**UPM Raflatac**  
50% expansion in APAC, growth in filmic labelstock in Poland  
8 | © UPM

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

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

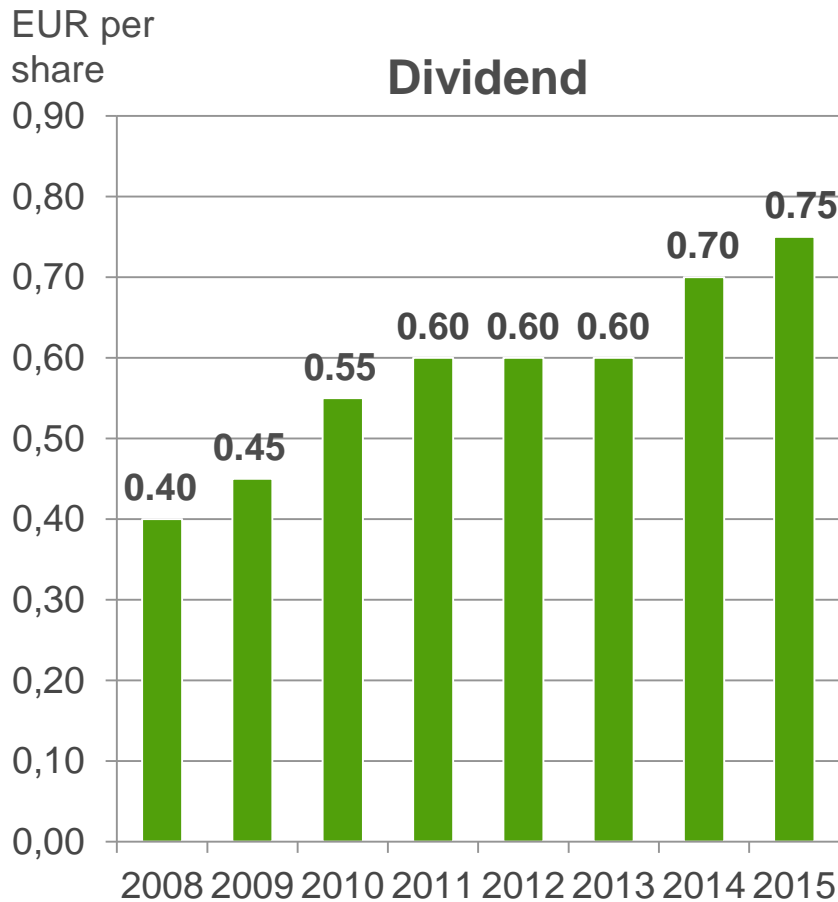


# Low investment needs in existing assets allow growth projects with modest total capex





## Attractive dividend



### Dividend policy

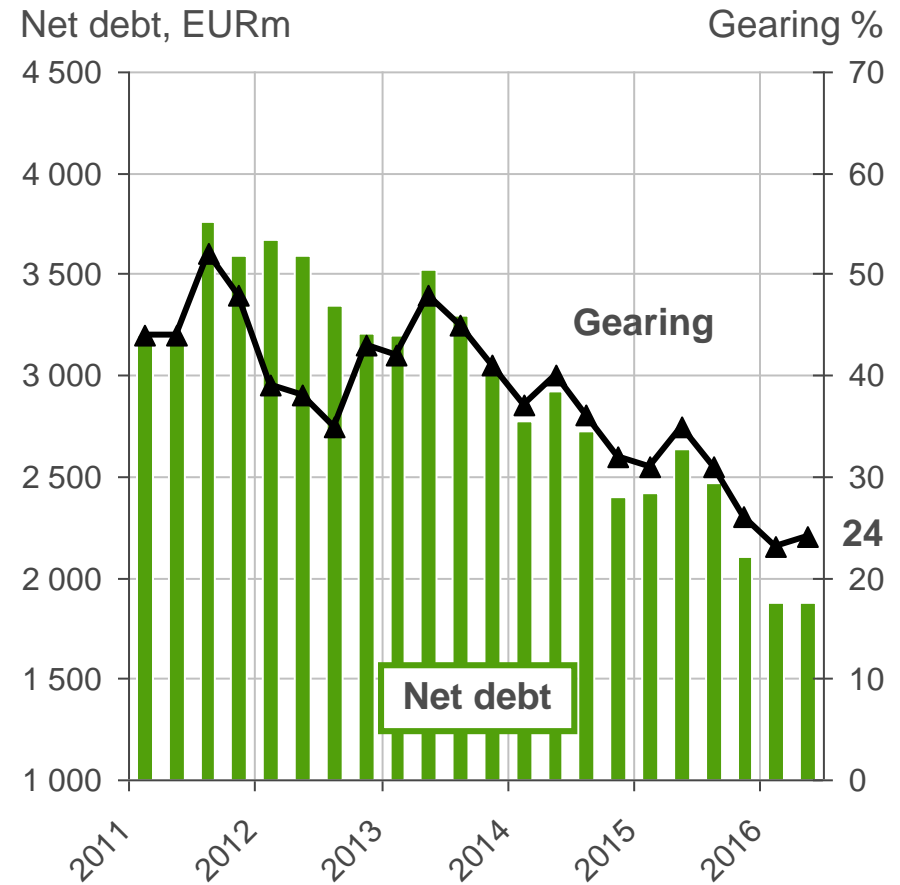
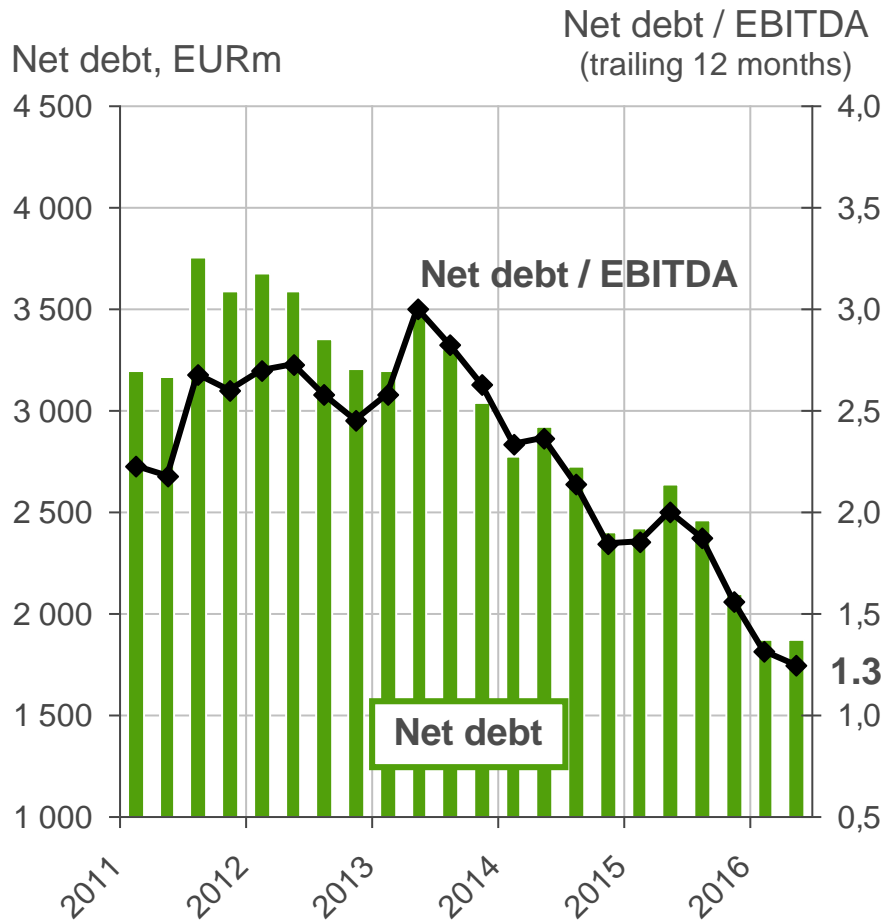
- UPM aims to pay an attractive dividend, 30-40% of operating cash flow per share

### Dividend for 2015

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



# Balance sheet continued to strengthen





## UPM continues its transformation

### Actions so far in 2016

- Great ramp-up at the UPM Kymi pulp mill's first expansion
- Ramp-up at UPM Changshu PM3 and the Lappeenranta biorefinery continues
- Closed the Madison SC paper mill in the US
- Sold the UPM Schwedt newsprint mill in Germany
- Corporate structure changed to match the business structure

### In the pipeline

- UPM Kaukas pulp mill investment
- UPM Otepää plywood investment
- UPM Kymi pulp mill second investment  
EUR 98m, 170,000 tonnes



# Welcome to our Capital Markets Day in London!

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## UPM's Capital Markets Day

**August 31** dinner with a keynote speech by  
the Chairman of the Board

**September 1** presentations and discussion  
with the CEO and the UPM  
management team

More information: [www.upm.com/Investors/](http://www.upm.com/Investors/)

Register by email: [ir@upm.com](mailto:ir@upm.com)



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*“We have a strong business model with six agile businesses, efficient capital allocation and an industry-leading balance sheet. This ensures good opportunities for focused growth investments, continued strong cash flow and an attractive dividend.”*

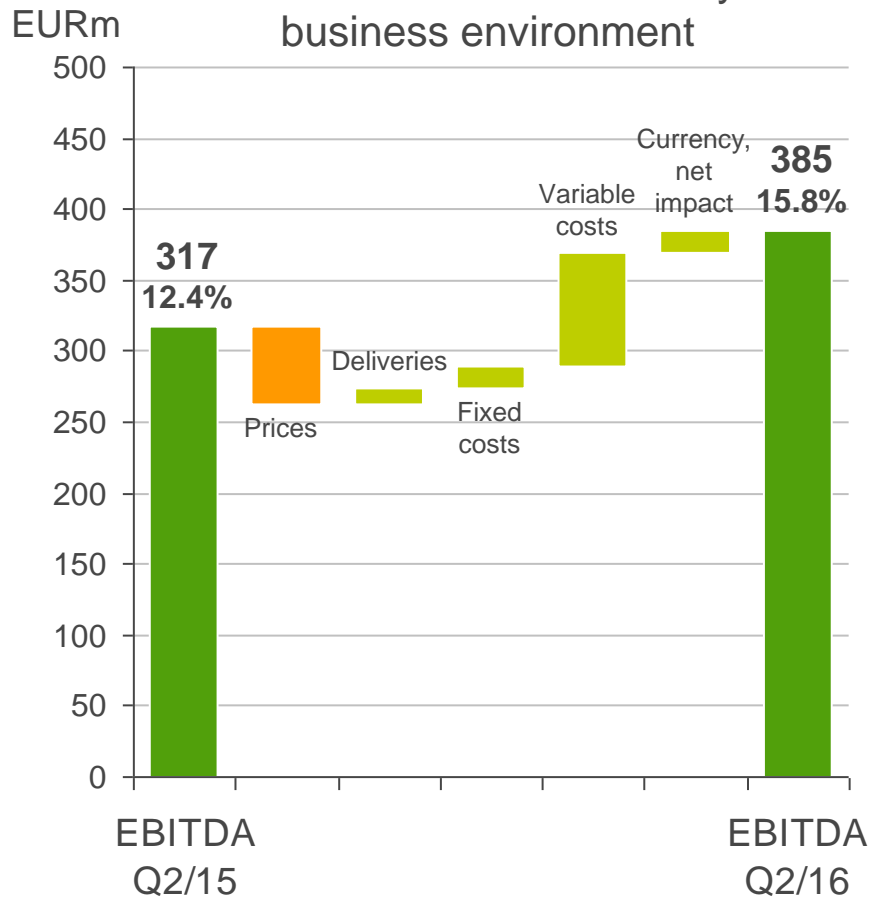
– Jussi Pesonen, President and CEO



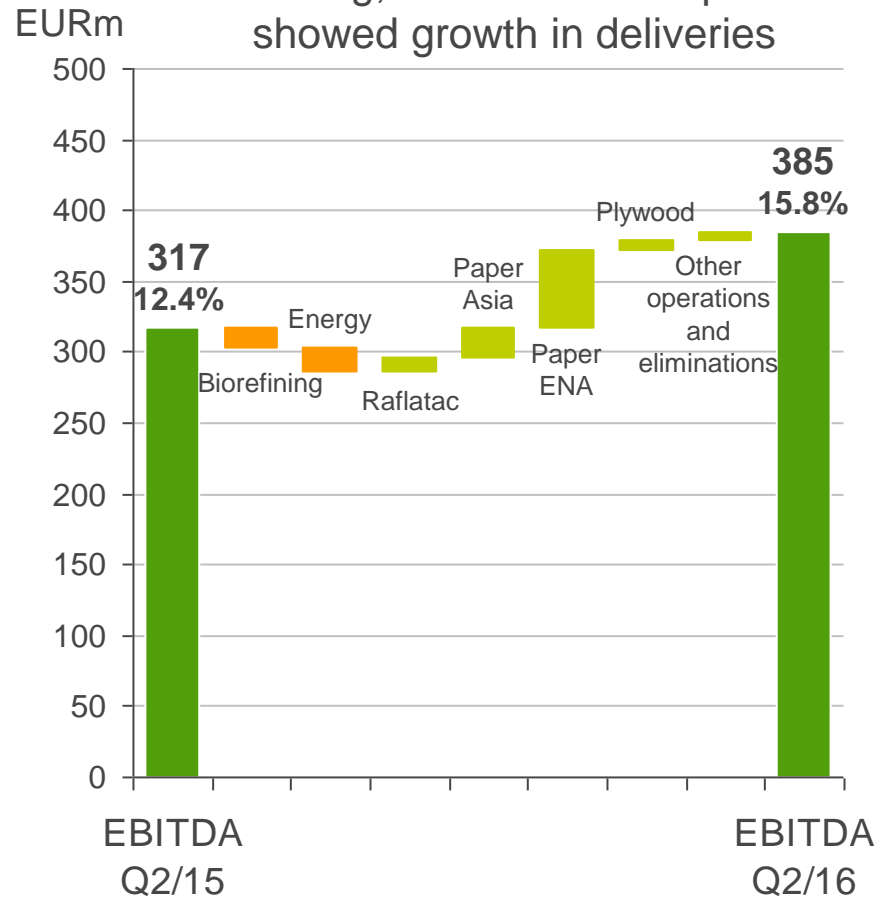


# Comparable EBITDA in Q2 2016 vs. Q2 2015

UPM benefited from cost efficiency measures in a deflationary business environment

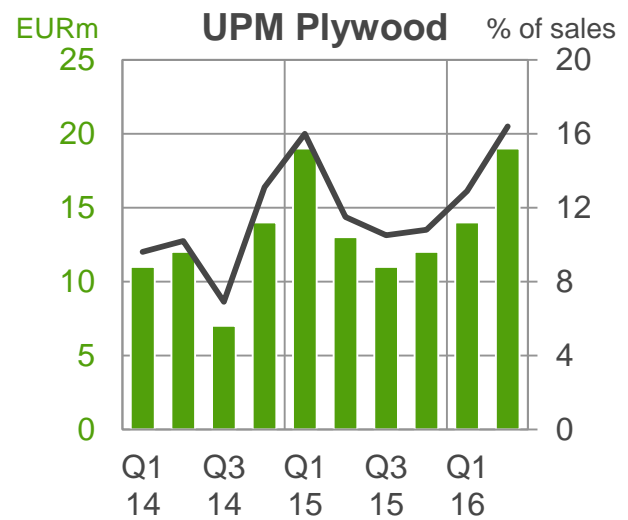
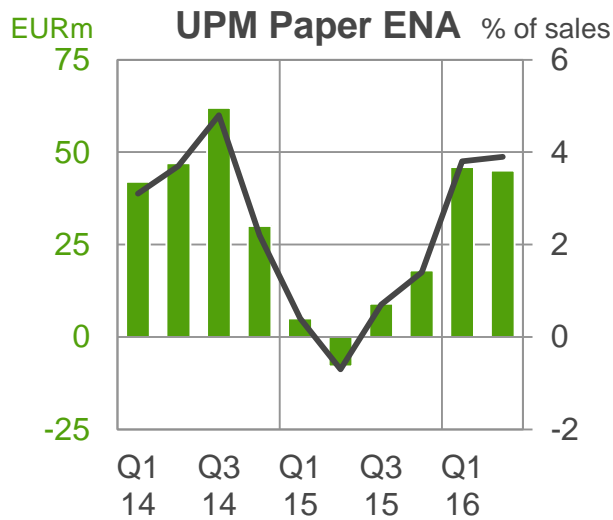
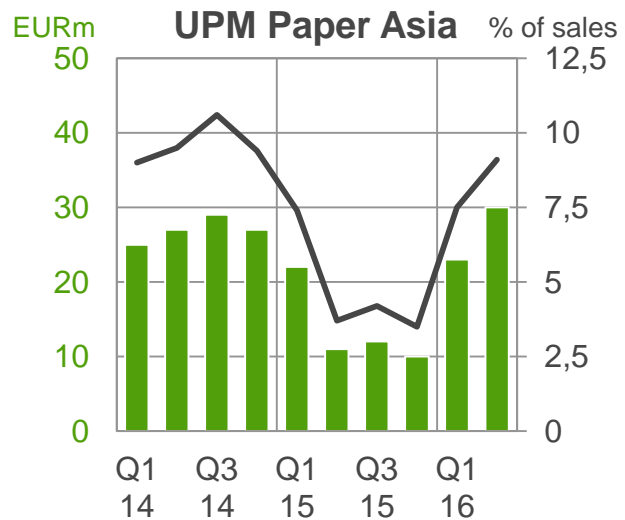
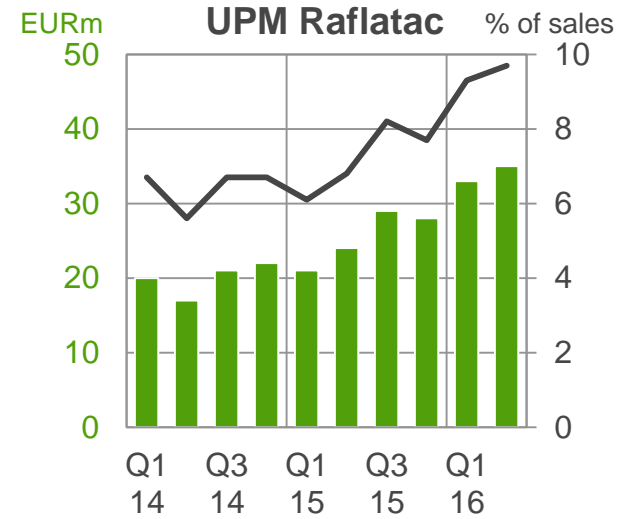
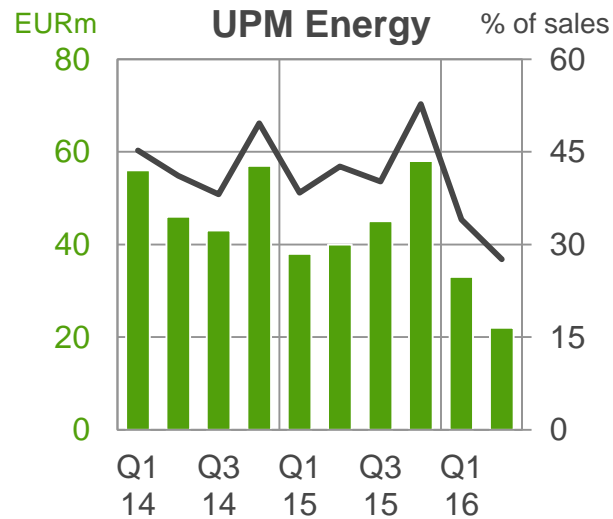
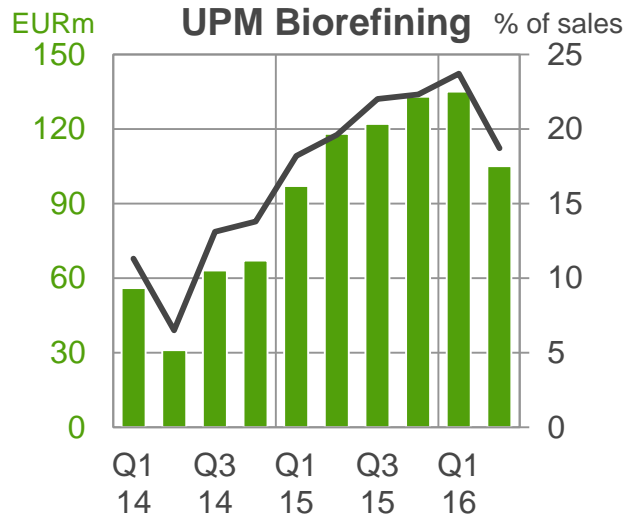


Cost efficiency improved in all businesses. Biorefining, Raflatac and Paper Asia showed growth in deliveries





# Comparable EBIT by business area





**UPM**

The Biofore  
Company