

# UPM – THE BIOFORE COMPANY

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President and CEO





# UPM has implemented a major transformation

	<b>2008</b> vertically integrated paper company	<b>2015</b> six separate businesses	<b>Business model</b> Promotes value creation
<b>Sales</b>			<b>Business portfolio</b> Increasing share of businesses with strong long-term fundamentals for profitability and growth
<b>Sales</b>	EUR 9.5bn	EUR 10.1bn	<b>Business performance</b>
<b>EBIT *)</b>	EUR 513m	EUR 916m	Continuous improvement in financial, social and environmental performance
<b>ROE *)</b>	3.5%	9.5%	
<b>Net debt</b>	EUR 4.3bn	EUR 2.1bn	<b>Disciplined capital allocation</b>
<b>Market cap</b>	EUR 4.7bn	EUR 9.2bn	Driving value creation

\*) excluding special items for 2008, comparable figures for 2015

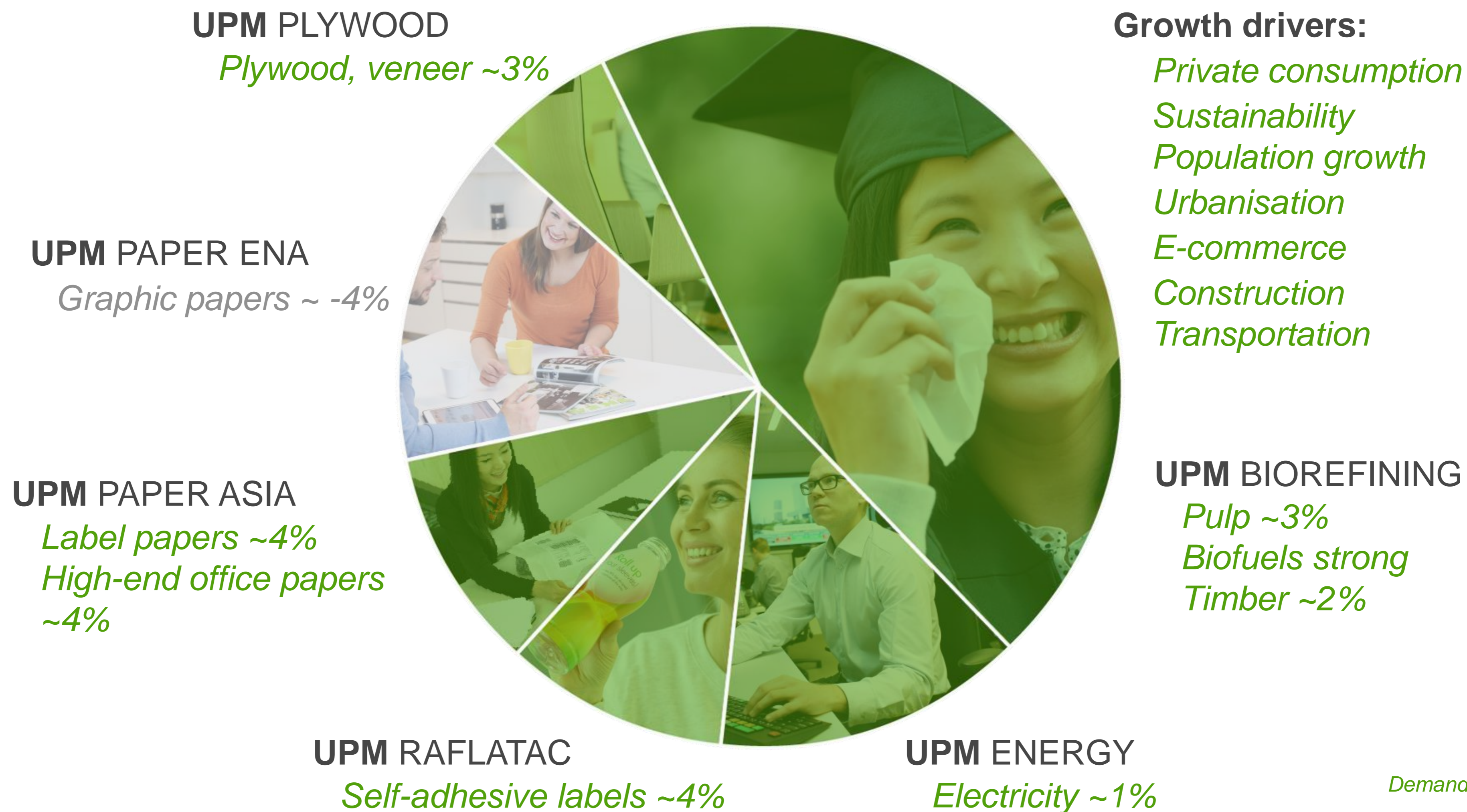
# UPM business portfolio today \*)

Competitive businesses with strong market positions

Operating on healthily growing markets



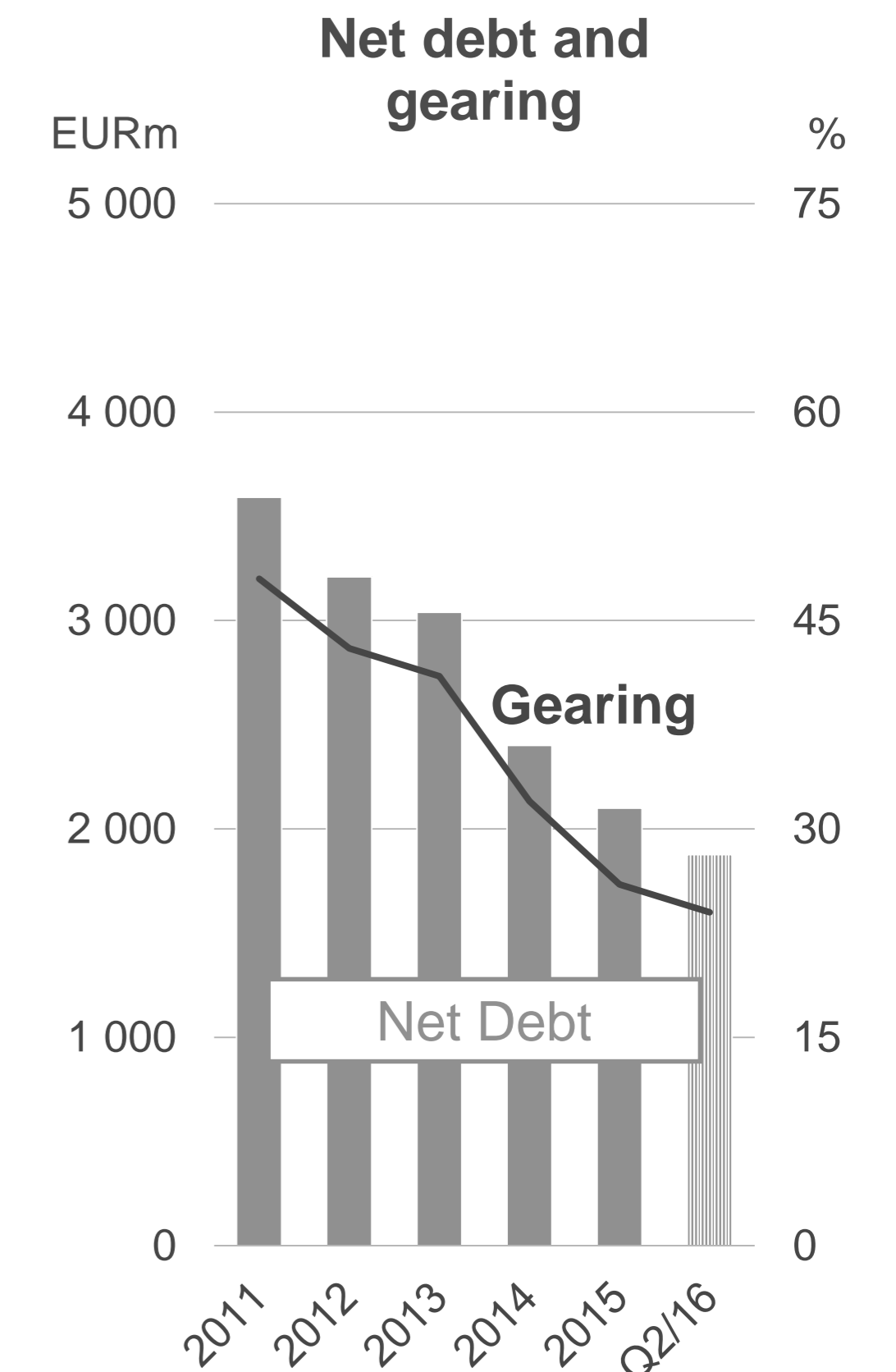
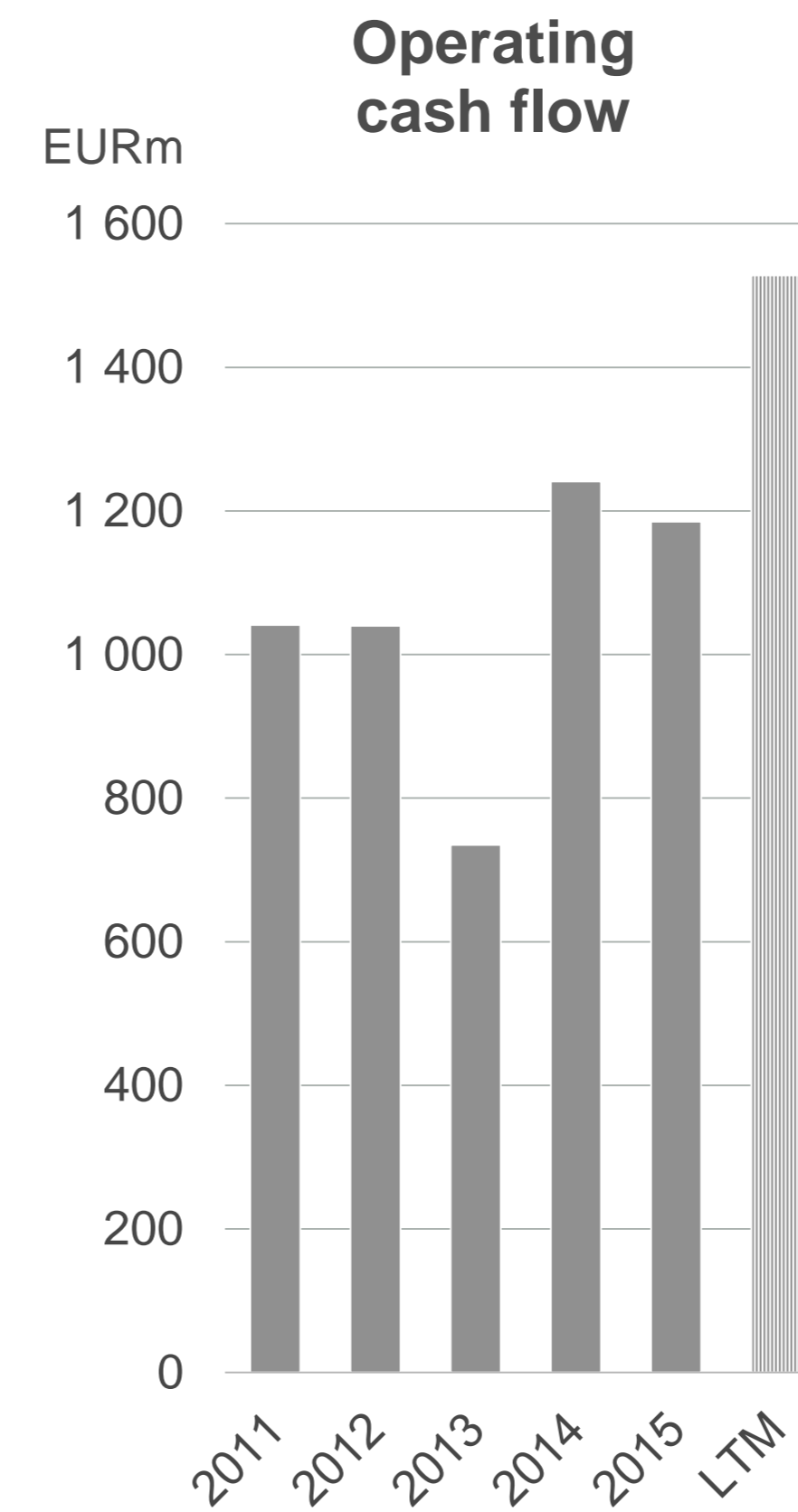
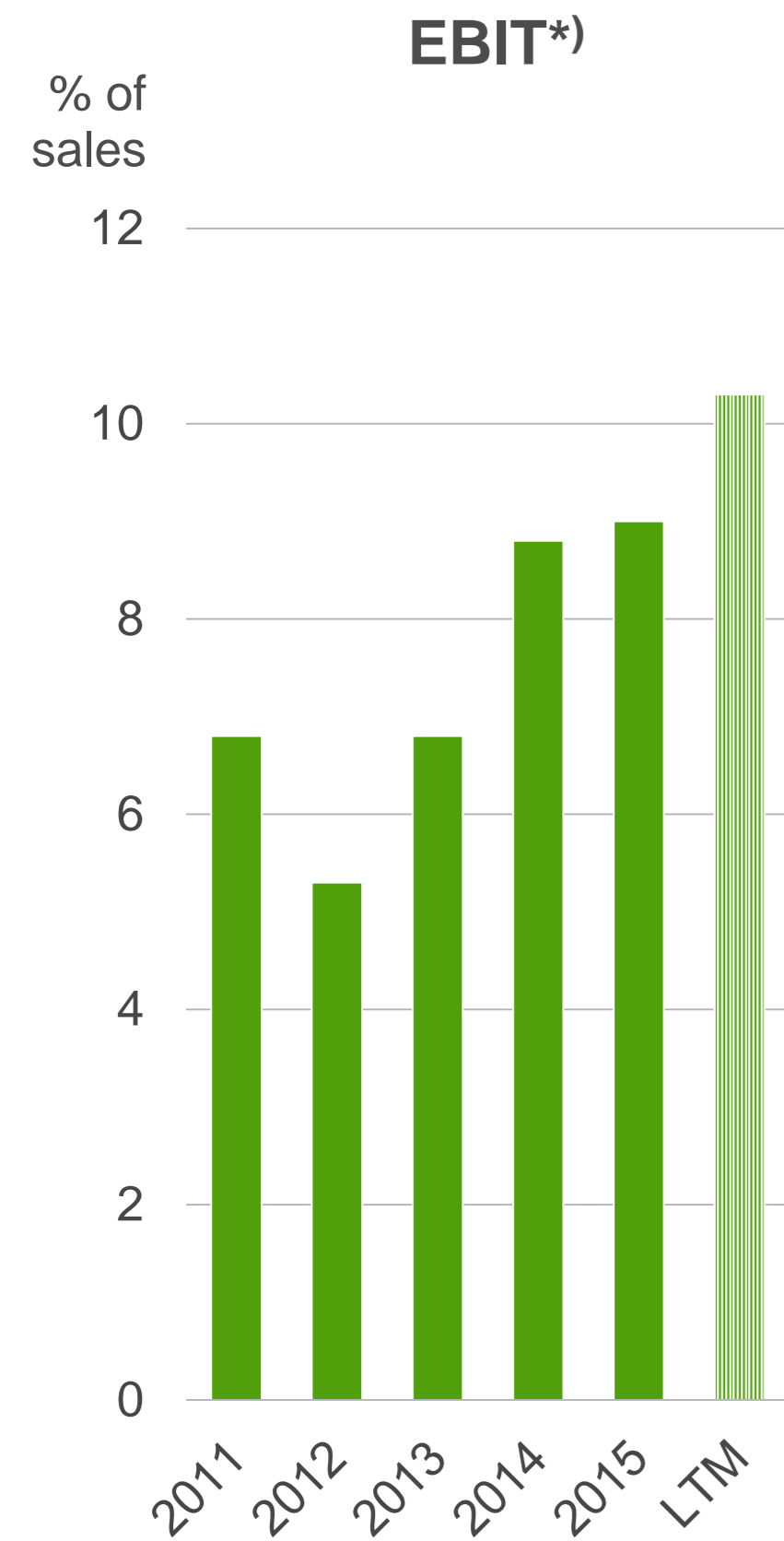
The Biofore Company UPM



\*) by EBITDA 2015.  
Demand trend growth, % pa



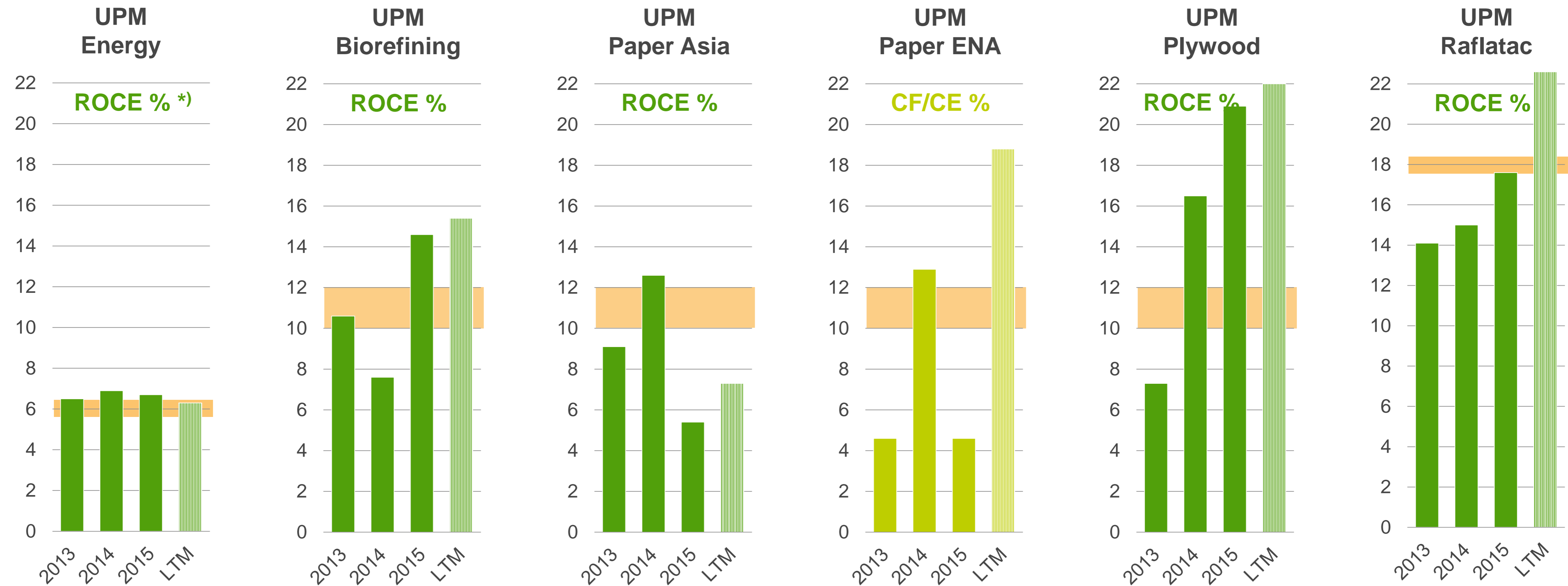
# Group financial performance



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



# Business area returns and targets



Each business targets top relative performance in their respective markets

\*) shareholdings in UPM Energy valued at fair value

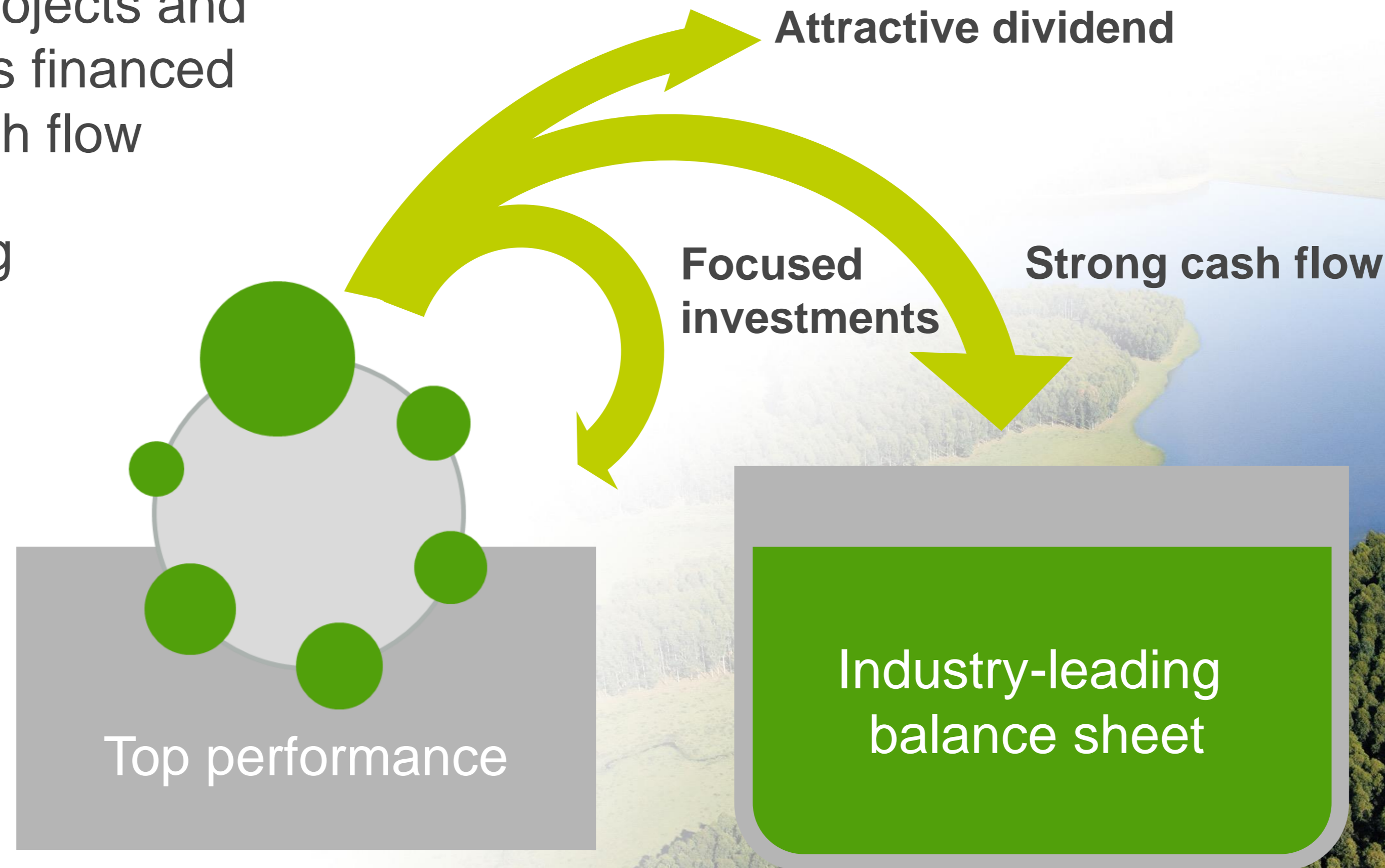


Long-term return target

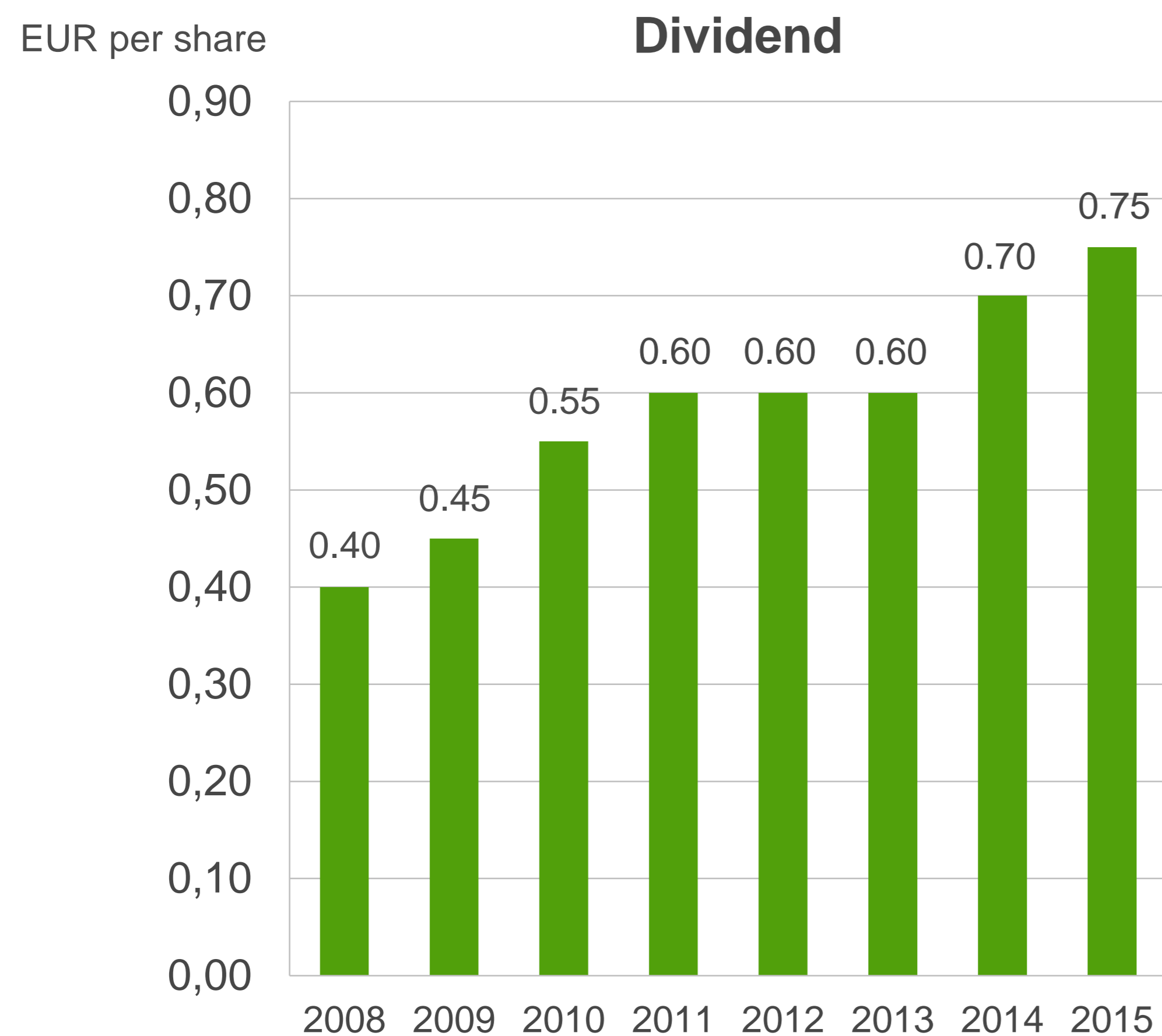
# Disciplined capital allocation

Focused growth projects and attractive dividends financed from operating cash flow

Consistently strong balance sheet



# Attractive dividend supported by increasing operating cash flow



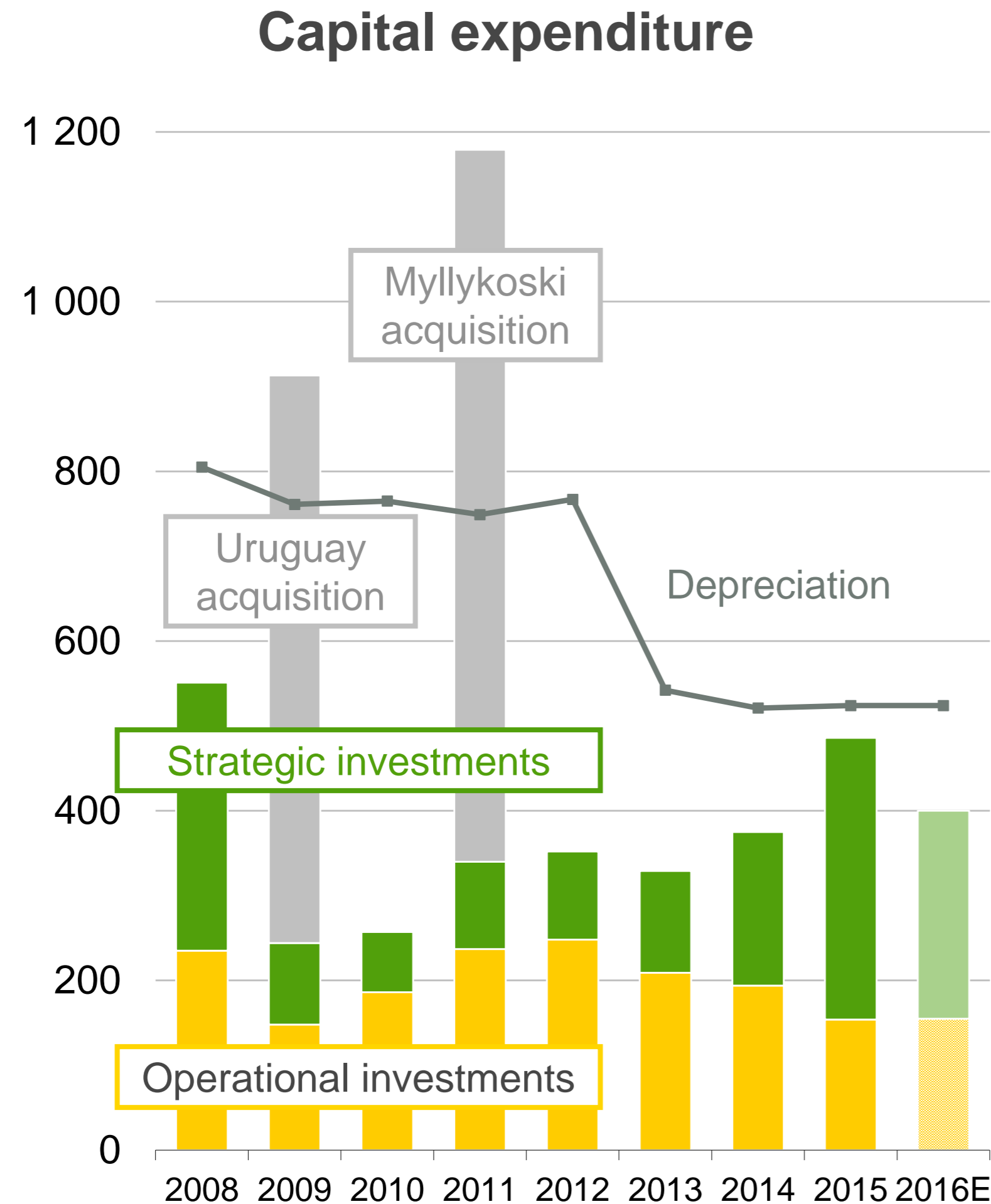
## Dividend policy

- 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, totalling EUR 400m
- 34% of 2015 operating cash flow (EUR 1,185m)

# UPM will continue to invest on growth through focused growth projects with modest total capex



## Focused growth investments

- ✓ Good returns and fast payback
- ✓ Low implementation risk
- ✓ Financed from operating cash flow

## Low replacement investments

- ✓ Asset quality in all businesses, e.g. large competitive pulp mills
- ✓ UPM Paper ENA

▶ Modest total capex, attractive returns and continuously strengthening balance sheet



# 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

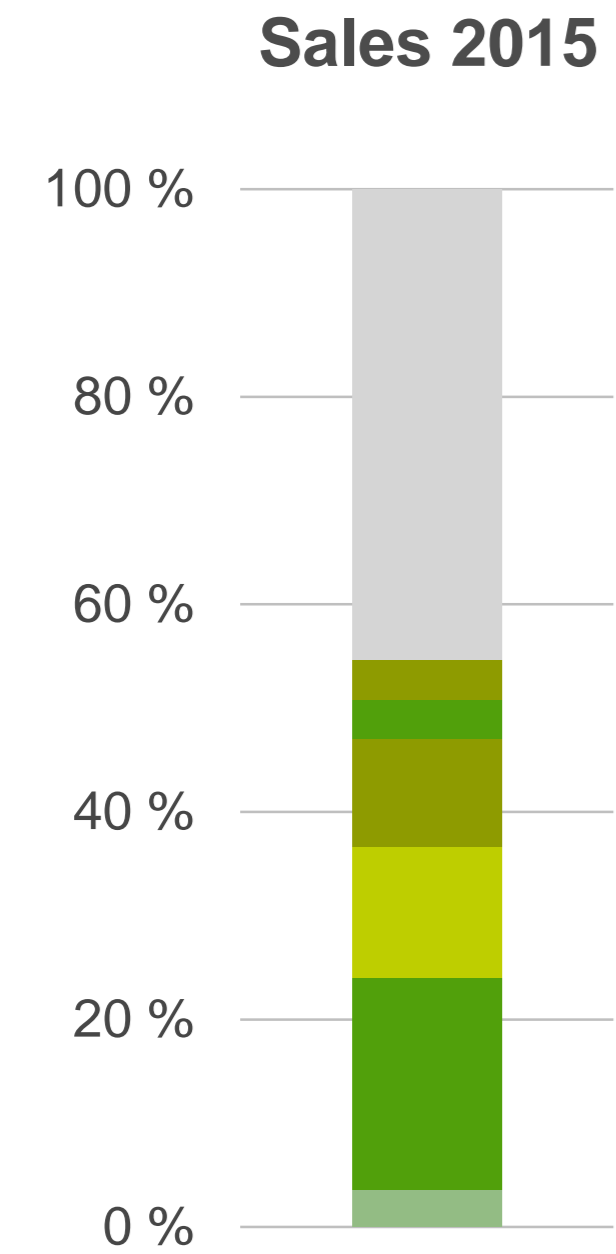


Under construction, in schedule and budget

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

Capex 190m  
Capacity ~200kt

# Focused investments are delivering growth



## Average delivery growth 2011 – LTM Q2 2016

<b>UPM Biorefining</b>	Pulp Biofuels	CAGR <b>+2%</b> <b>New business</b>
<b>UPM Raflatac</b>	Standard products Films and specials	CAGR <b>+4%</b> CAGR <b>+7%</b>
<b>UPM Paper Asia</b>	Label materials Cut-size	CAGR <b>+4%</b> CAGR <b>+6%</b>
<b>UPM Plywood</b>	Plywood	CAGR <b>+3%</b>





# Value creating capital allocation options

## Annual cash flow

- Focused growth investments, focused M&A
- Distribution to shareholders
- Debt reduction

## Balance sheet

- M&A, when the opportunity and timing are right
  - Continues the business portfolio transformation
  - Synergistic with attractive returns
  - In the businesses where UPM is investing on growth
- Next step in pulp, if the prerequisites are in place and the opportunity and timing are right
- In all cases, UPM aims to maintain strong balance sheet



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