

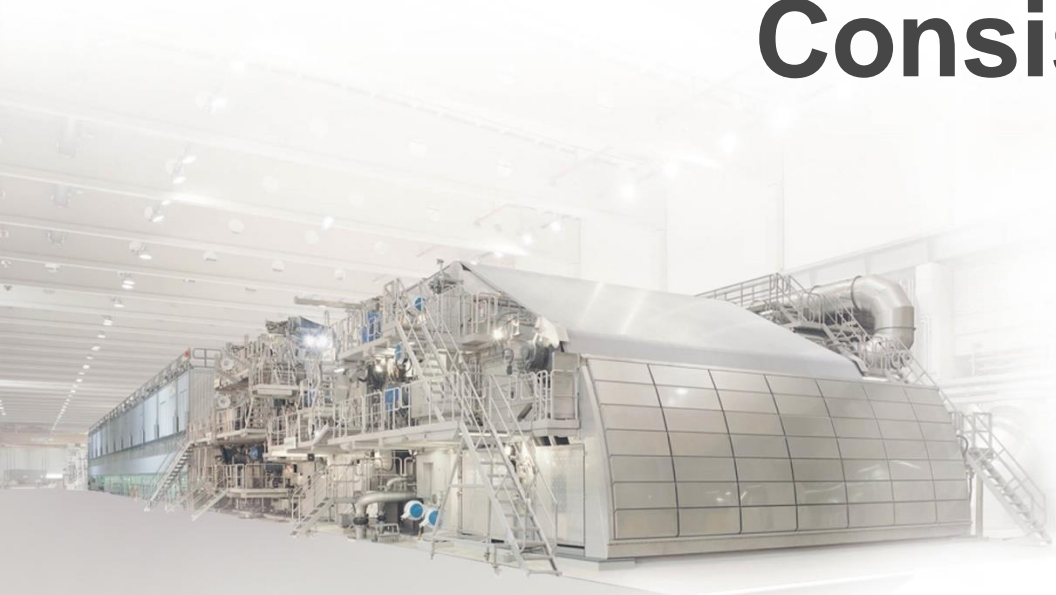


UPM

The Biofore
Company

UPM Communication Papers

Consistent profitable performance



Winfried Schaur
EVP, UPM Communication Papers
31 May 2018



The Biofore Company

UPM Communication Papers

We are a relevant global player with a stronghold in Europe

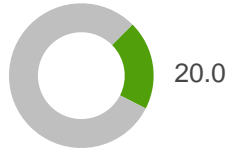


World's leading producer of **graphic papers** with **8,000 employees**

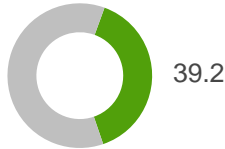


News/UMIO

Share of UPM Capacity in Europe, %



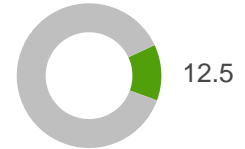
SC



LWC



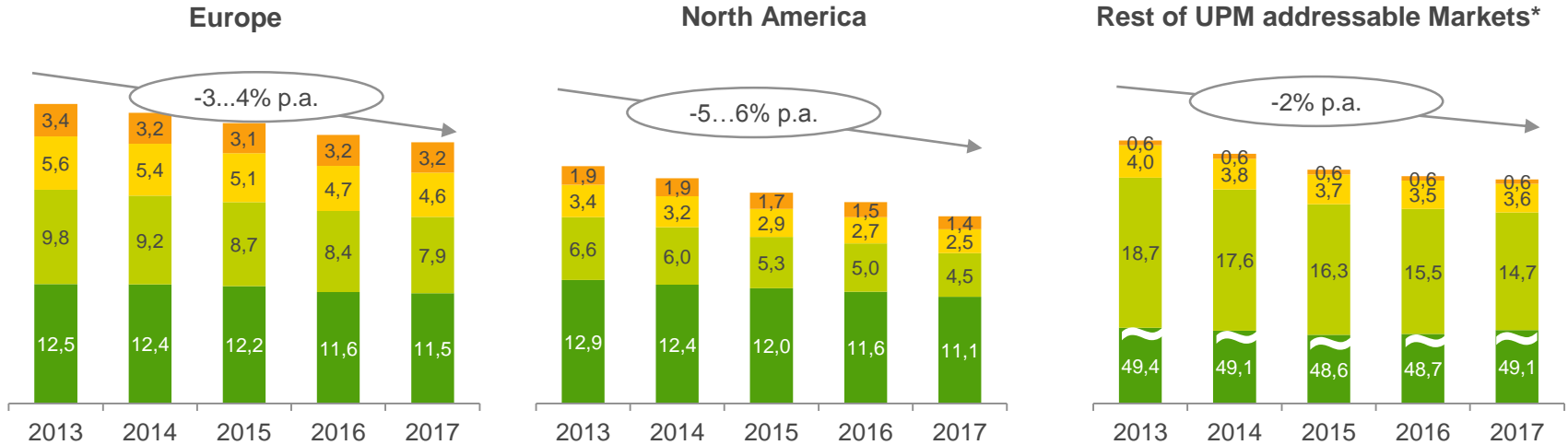
Wood free



Source: UPM, Euro-Graph, RISI, Pöyry

UPM Communication Papers

Communication paper market demand declines steadily



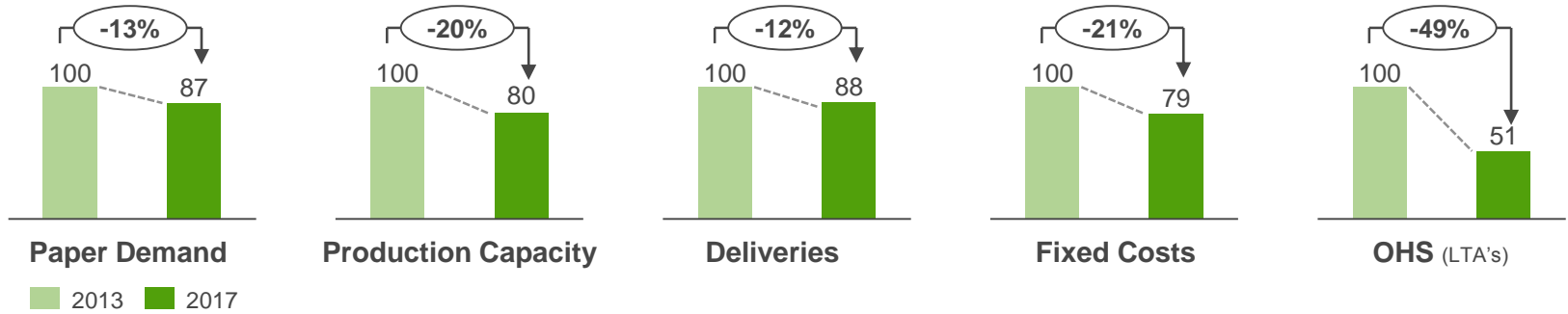
■ Wood Free ■ News/Umio ■ LWC (CMR) ■ SC [Mt]

* Markets with UPM ComPapers sales, including: South America, ME&Africa, Asia

Source: UPM, Euro-Graph, RISI, Pöyry, misc. public sources

UPM Communication Papers

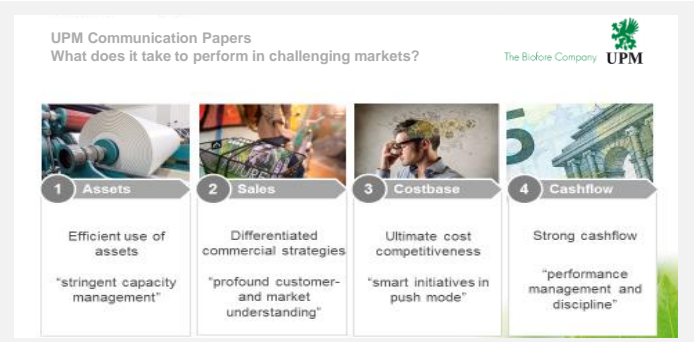
We delivered according our strategy



... building the basis for continued profitable performance

- ✓ Efficient and modern assets
- ✓ Tight grip on costs
- ✓ Broad portfolio
- ✓ Strong geographical footprint
- ✓ Well-defended market position

UPM Communication Papers
What does it take to perform in challenging markets?



1 Assets	2 Sales	3 Costbase	4 Cashflow
Efficient use of assets	Differentiated commercial strategies	Ultimate cost competitiveness	Strong cashflow
"stringent capacity management"	"profound customer- and market understanding"	"smart initiatives in push mode"	"performance management and discipline"

Source: UPM, Euro-Graph, Pöyry

UPM Communication Papers

We expect a predictable market development in an economically stable environment

We do not anticipate disruptive changes, but accept market reality:

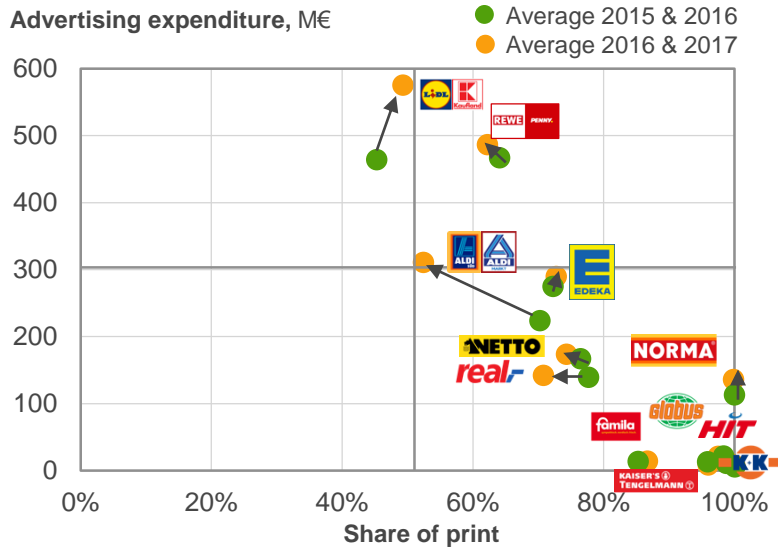
- **Newspaper** circulation is declining fast in main markets, with Germany being relatively resilient
- **Magazine** publishers continue to build on printed editions, decreasing circulations are partly offset by a continuous flow of new titles in niche segments
- **Direct Marketing** continues to develop with variations from market to market, e.g. increasing in Germany while dropping in the UK
- **Catalogues** remain a means of consumer activation, cases of pure online-retailers and specialist stores investing in printed catalogues increase
- **Fine papers** continue playing an important role in private and office uses resulting in a relatively slow decline, regulatory changes remain a risk-factor.



UPM Communication Papers

Some end-use trends support UPM performance

Retail heavily builds on print marketing

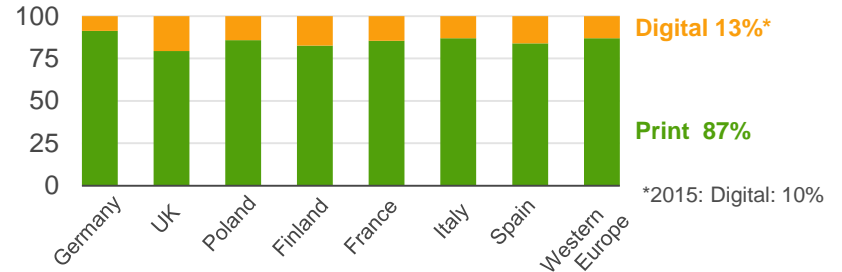


Source: Nielsen advertising media mix Germany, 2015–2017

Print retains a relevant role in today's media mix



Print vs. digital, % share of publishers' revenues 2017



Source: PWC media outlook



UPM

The Biofore
Company

UPM Communication Papers

Our focus: Strengthen industry leadership role

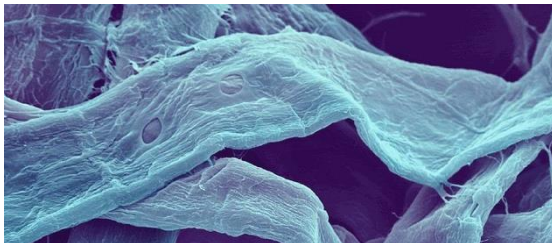
1 Uncompromising performance



Continued focus on stringent capacity management and performance improvement.

Zero accidents

2 Targeted innovation



Targeted investments in innovation to drive performance, increase efficiencies and extend our position in the market.

Leadership

3 Commercial excellence



Optimize and evolve commercial interface and supporting processes to ensure supply security and customer value add.

Focused on sustainability

UPM Communication Papers

Deep Dive: Uncompromising Performance

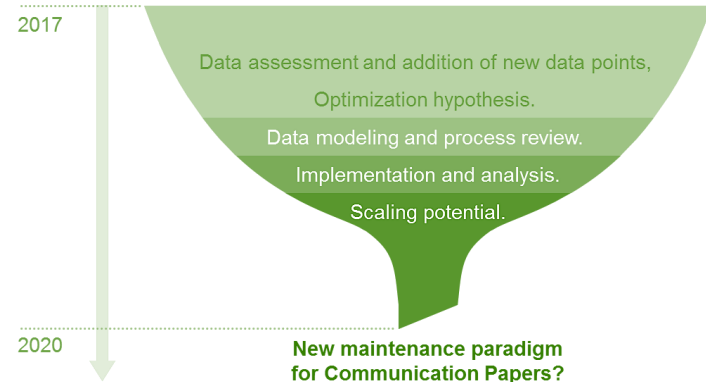
Striving for maximum asset utilization

Pilot project: UPM Hürth Mill



Developing our assets for further efficiency gains

- Conscious technology investments with clear payback focus
- Onboarding of available new technologies and digitalization to support flexibility and process excellence



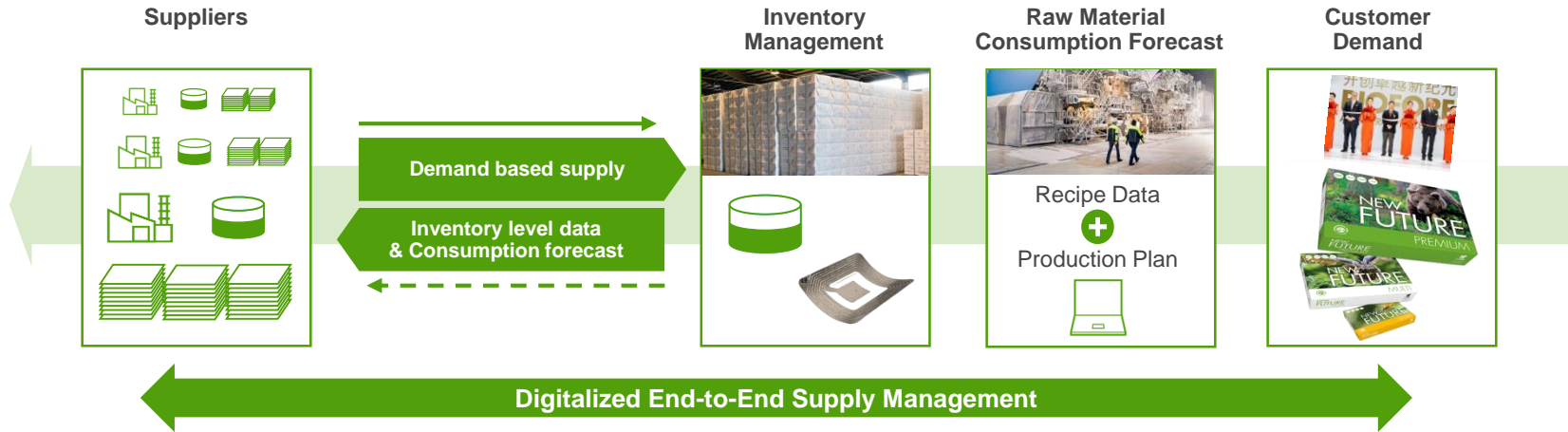
Digitalized maintenance concepts with foreseeably positive impact on overall performance

- Better plannability increases supply security and technical mill performance
- Positive financial impact through reduced downtimes and overall reduction of maintenance costs

UPM Communication Papers

Deep Dive: Targeted Innovation

Eliminating redundant reserves by holistic end-to-end approach



Digitalization of supply chain is a reference case for our focus on process automation and digitalization

- Conscious investment in end-to-end planning and forecasting systems
- Process optimization for better integration of external partners

End-to-end supply chain with positive impact on operations

- Reduction of working capital
- Streamlined processes for more efficient operations
- Strengthened supplier relationships through improved visibility and plannability

UPM Communication Papers

Deep Dive: Targeted Innovation

Pushing product development for new end-use areas



UPM

The Biofore
Company



We invest in extending our portfolio to address new, profitable end-uses:

- Capturing market opportunities
- Securing asset utilization
- Extending customer base
- Supporting bottom line

Successful market launches in past years (examples):

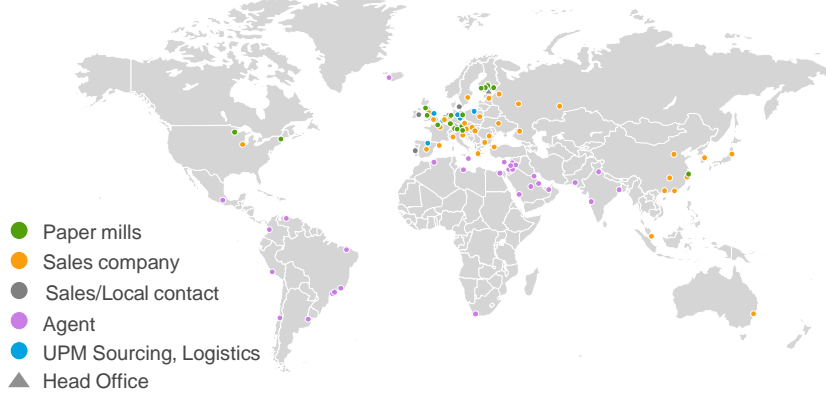
- Thin paper for book publishing and industrial end-uses
- CSWO paper with added economic benefits for news printers
- Book paper from Germany for Central European markets
- DigiPapers to entering growing, profitable segments

UPM Communication Papers

Deep Dive: Commercial Excellence

Strengthen customer experience to support market position

Strong global presence

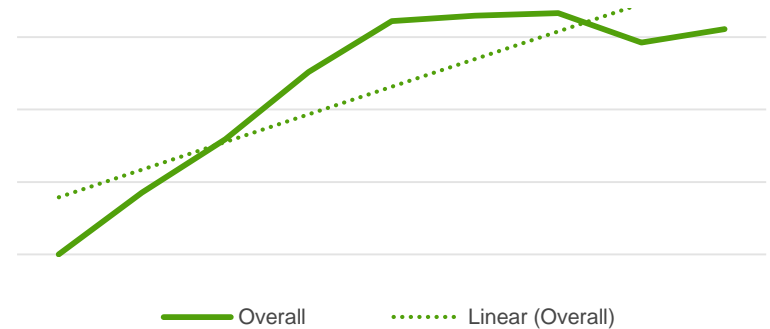


Strengthening our customer interface

- Conscious decision to maintain strong local footprint
- Significant investment in eCommerce solutions
- Conscious development of service offering

Increased use of eCommerce solutions

eOrder usage development first 9 months after start



Securing high level supply security as a competitive factor

- Extend eCommerce solutions into production and distribution planning
- Conscious investments in process optimization and logistics excellence

UPM Communication Papers

UPM Communication Papers

Key messages



- We are committed to paper
- Communication Papers has proven it can deliver predictable and good results
- The market reality has been firmly embedded in the business strategy
- Performance focus remains at the heart of everything we do
- We innovate and develop our business to secure our strong market position and capture emerging opportunities globally



UPM

The Biofore
Company