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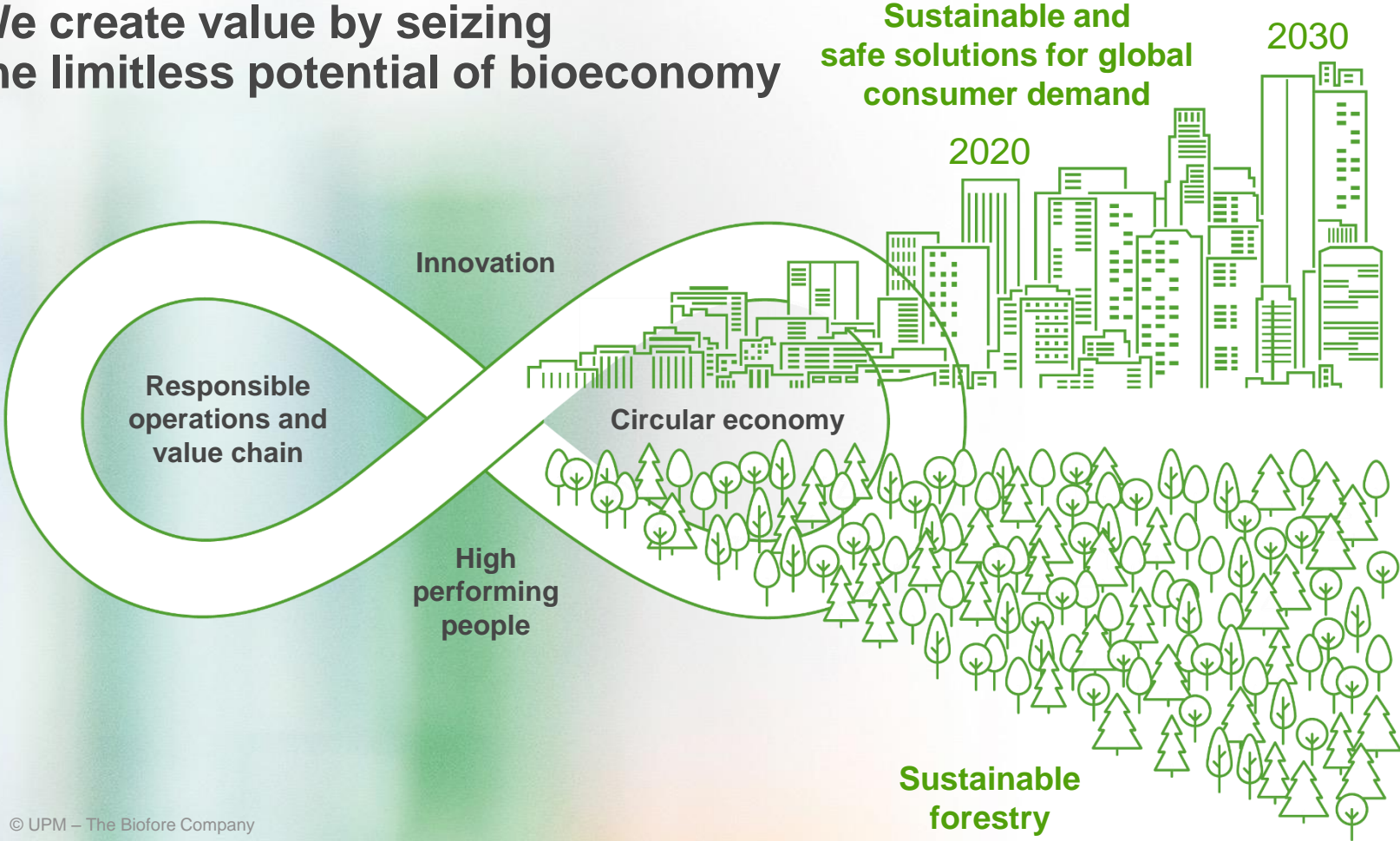
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UPM Strategy

Jussi Pesonen
President and CEO
31 May 2018



We create value by seizing the limitless potential of bioeconomy





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New horizons in bioeconomy



Biomolecules

Biofuels
Biochemicals



Fibres

Pulp
Paper
Packaging
Tissue
Labelling materials
Biocomposites



Logs

Sawn timber
Plywood



Trees

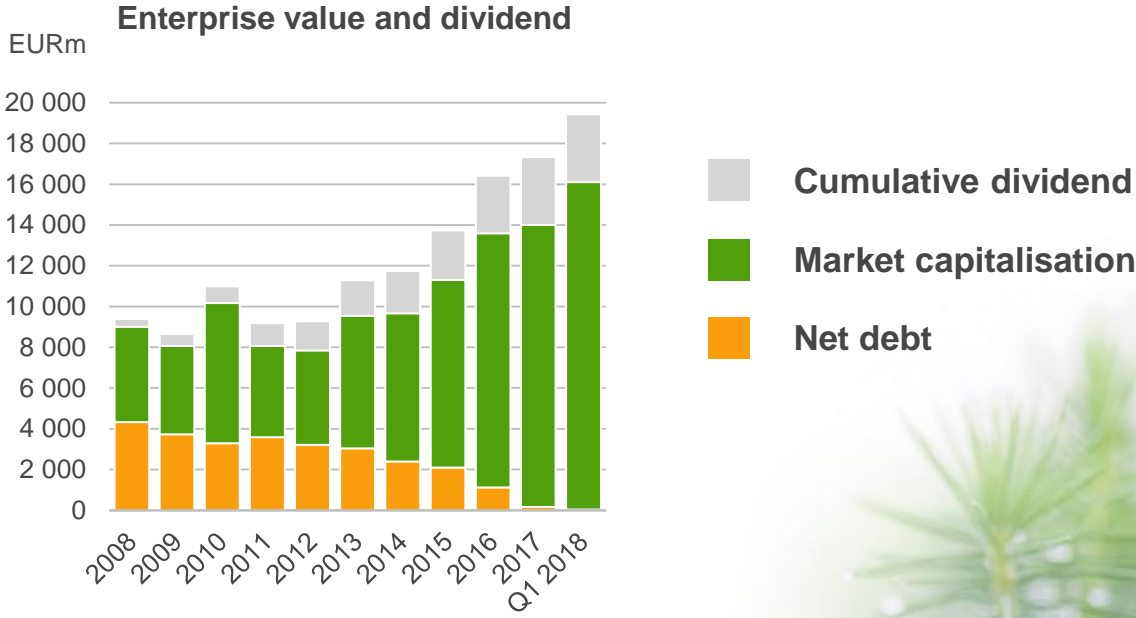
Energy



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Targeting superior shareholder returns



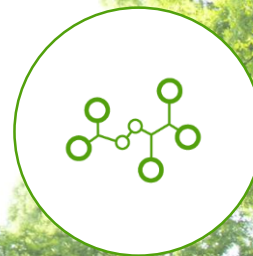


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How to achieve the shareholder returns

AIMING HIGHER

WITH BIOFORE





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UPM strategic focus areas

We create value by seizing...

...the limitless potential of bioeconomy

1

Performance

- > Continuous improvement

2

Growth

- > Earnings growth

3

Innovation

- > Growth and competitiveness

4

Responsibility

- > Continuous improvement

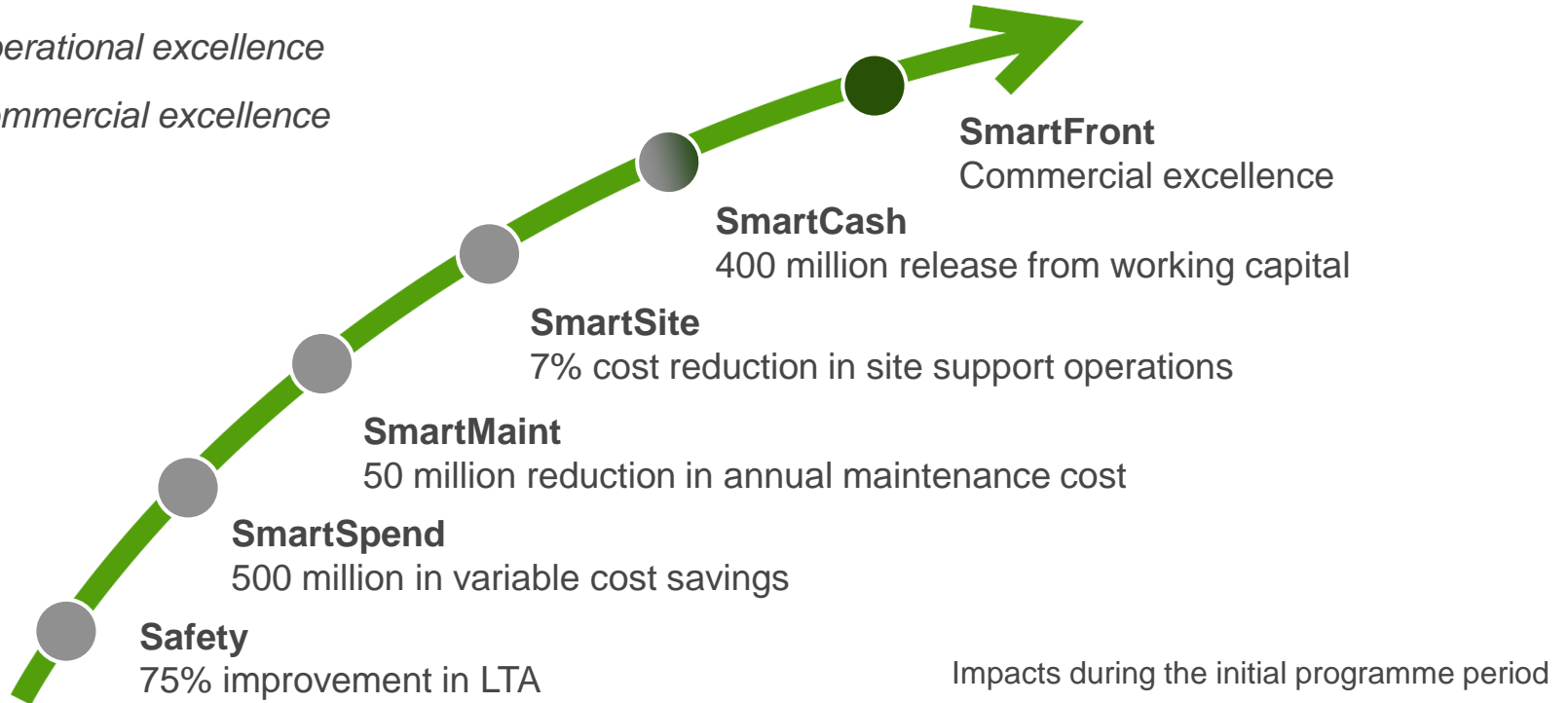
5

Portfolio

- > Develop businesses with strong long-term fundamentals and sustainable competitive advantage

Leading performance Case Smart-programmes

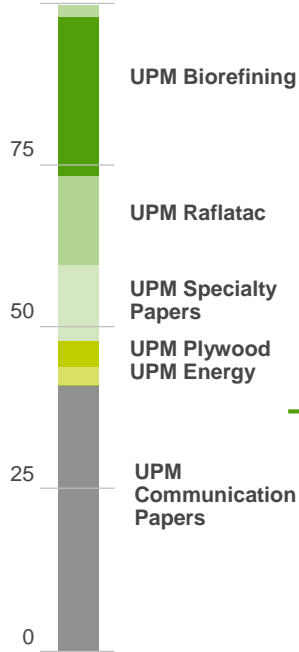
- Operational excellence
- Commercial excellence



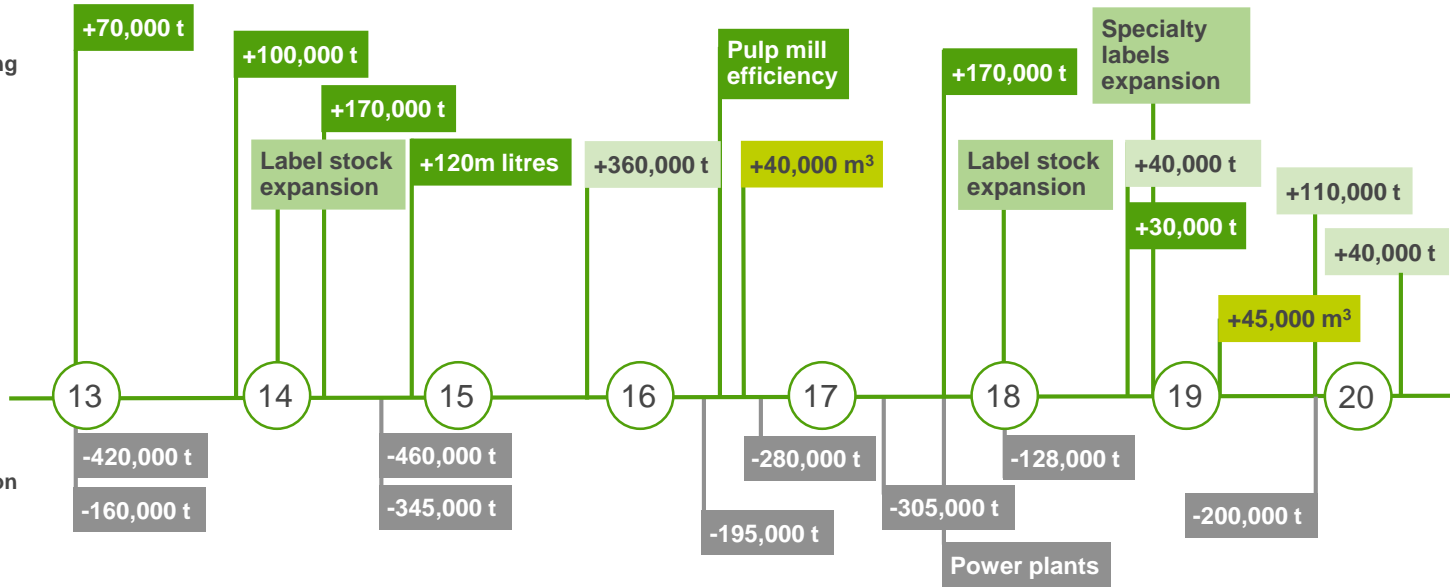
Continuous measures to maintain and grow earnings

Sales 2017

100



FOCUSED INVESTMENTS



CLOSURES, CONVERSIONS AND DIVESTMENTS



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Spearheads for growth



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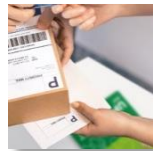
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Spearheads for growth

Specialty packaging materials



Raflatac



Specialty papers

High value fibre



Forests



Pulp

Molecular bioproducts



Biofuels



Biochemicals

Communication papers



Plywood



Energy





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Portfolio – our criteria for investing

1. Strong long-term fundamentals
2. Sustainable solutions
3. Competitive advantage and/or entry barriers

➔ Attractive returns and value creation,
short and long term

Spearheads for growth

High value fibre

1. Demand growth driven by global megatrends
2. Fibre-based products provide sustainable solutions for global consumer demand
3. Competitive greenfield pulp operations have high requirements (wood supply, location, infrastructure) and long preparation time



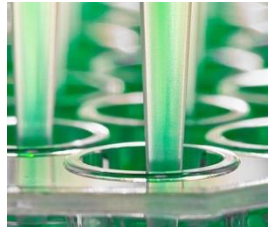
Specialty packaging materials

1. Demand growth driven by global megatrends
2. Sustainable and safe solutions for global consumer demand
3. Technically demanding, fast growing segments, where UPM has strong position



Molecular bioproducts

1. Climate commitments and replacing fossil materials open large growing markets
2. Unique solutions to decarbonise traffic and provide consumers with sustainable products
3. Unique value chain position with sustainable feedstocks, right technology and IPR





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Our means to grow

- **Focused growth projects** to maintain and grow earnings
 - Small to medium size
 - Low risk, fast implementation, high returns
- **Transformative projects** for earnings transformation
 - Larger size and/or larger impact on long-term position
 - Careful preparation for successful implementation
 - High standards for returns
- **M&A** as an option
 - Alternative or complement to organic growth
 - High standards for returns



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UPM's current focused growth projects

- Kaukas pulp mill expansion, +30kt in Q2 2018, Finland
- Raflatac speciality label expansion, in Q4 2018, Finland
- Chudovo plywood mill expansion, +45k m³ in Q3 2019, Russia
- Jämsänkoski release liner expansion, +40kt in Q4 2018, Finland
- Nordland PM2 conversion to release liner, +110kt in Q4 2019, Germany
- Changshu release liner expansion, +40kt in Q1 2020, China





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UPM's current transformative prospects

- Possible new 2mt pulp mill, Uruguay
 - Second preparation phase is proceeding. The permitting processes for the mill, rail and port, as well as rail tendering have started as agreed.
- Molecular bioproducts, possible biorefineries
 - Basic engineering work regarding a potential 150kt biochemicals refinery, Germany
 - Exploring next steps in biofuels, environmental impact study for a potential 500kt biorefinery, Finland



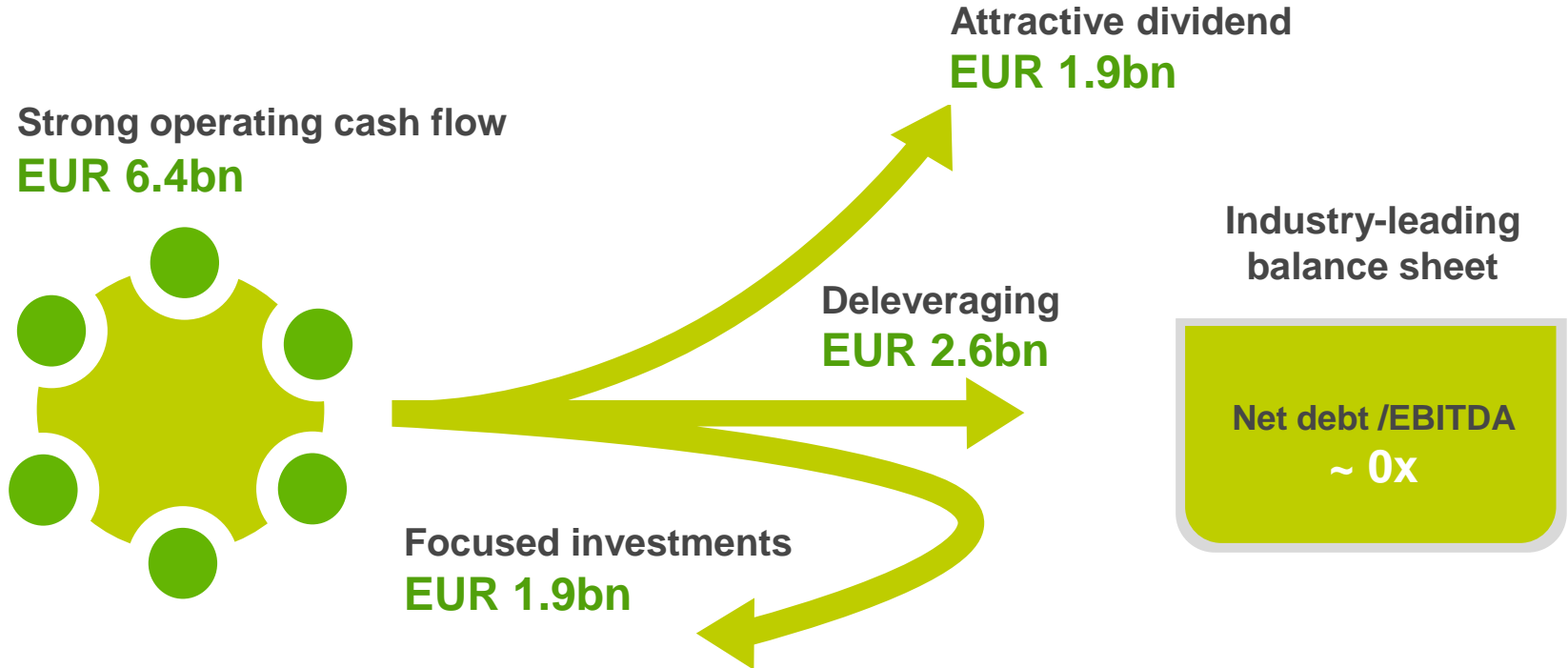


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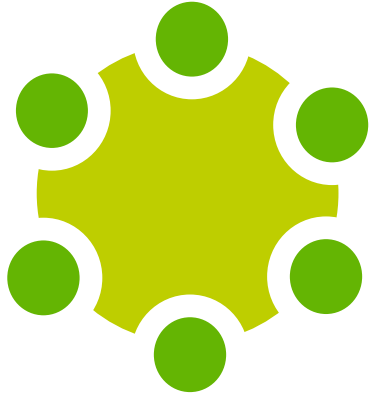
Capital allocation

5-year cumulative cash flow (2013–2017) – disciplined capital allocation in action



Illustrative capital allocation^{*)} for next 5 years, assuming the Uruguay pulp mill investment

Performance focus
Strong cash flow



Attractive dividend
EUR ~3–4bn



High return
investments
EUR ~3–4bn

Industry-leading
balance sheet



Maintain headroom

^{*)} This is not a forecast



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Summary

Targeting superior shareholder returns



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How to achieve the shareholder returns



5 | © UPM – The Biofore Company

Spearheads for growth



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Illustrative capital allocation¹⁾ for next 5 years, assuming the Uruguay pulp mill investment



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¹⁾ This is not a forecast



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Purpose

We create value by seizing the limitless potential of bioeconomy.



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