



UPM

The Biofore
Company



**AIMING
HIGHER
WITH
BIOFORE**

UPM The Biofore Company

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CFO

August 2018



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Company

Competitive businesses with strong market positions



UPM BIOREFINING

Pulp
Biofuels
Timber



UPM ENERGY

Electricity
generation
and trading



UPM RAFLATAC

Label materials
for product and
information
labelling



UPM SPECIALTY PAPERS

Label papers,
release liners,
office papers
and flexible
packaging



UPM COMMUNICA- TION PAPERS

Magazine
papers,
newsprint and
fine papers



UPM PLYWOOD

Plywood
and veneer
products



OTHER OPERATIONS

UPM Biochemicals
UPM Biocomposites
Wood sourcing and
forestry



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Sustainable and safe products for everyday use

ELECTRICITY
everywhere

**PULP-BASED
MATERIALS**

for packaging,
transport,
storage and
hygiene products

**PUBLICATION
PAPERS**

for reading and
advertising

LABEL MATERIALS

for food packaging,
drinks bottles and
for communicating
information

**SPECIALTY
PAPERS**

for food packaging

**WOOD
MATERIALS**

for construction
and design
features

OFFICE PAPERS
for printing

WOOD MATERIALS
for furniture and the home

LABELS
for food products



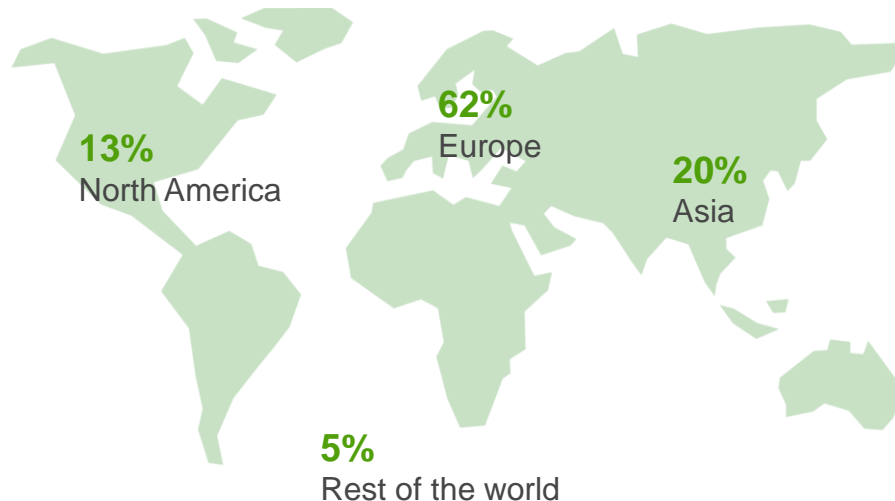
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Global businesses – local presence

UPM's sales by market 2017

EUR 10,010 million



54
production plants
in **12** countries



19,100
employees
in **46** countries

12,000
customers
in **120** countries

90,000
shareholders
in **35** countries

25,000
b-to-b suppliers
in **75** countries



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Operating on healthily growing markets

UPM PLYWOOD
Plywood, veneer ~3%

Comparable EBIT by
business area 2017
EUR 1,292m

UPM COMMUNICATION PAPERS
Graphic papers ~ -4%

UPM SPECIALTY PAPERS
Label papers ~4%
High-end office papers ~4%

UPM RAFLATAC
Self-adhesive labels ~4%

UPM ENERGY
Electricity ~1%

UPM BIOREFINING
Pulp ~3%
*Biofuels **strong***
Timber ~2%

Demand trend growth, % pa





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SPEARHEADS FOR GROWTH



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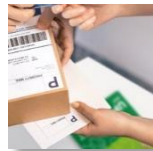
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Spearheads for growth

Specialty packaging materials



Raflatac



Specialty papers

High value fibre



Forests

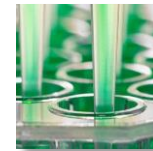


Pulp

Molecular bioproducts



Biofuels



Biochemicals

Communication papers



Plywood



Energy



Focused growth projects to develop market position while maintaining and growing earnings



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- Completed

- Raflatac expansion
in Q4 2017, Poland
- Kymi pulp mill expansion
+170kt in Q4 2017, Finland
- Kaukas pulp mill expansion
+30kt in Q2 2018, Finland

- Construction stage

- 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



Transformative prospects with unique and exciting opportunities for significant long-term earnings growth

- Possible new 2mt pulp mill, Uruguay
 - Second preparation phase:
The permitting processes for the mill, rail and port, as well as rail tendering are proceeding 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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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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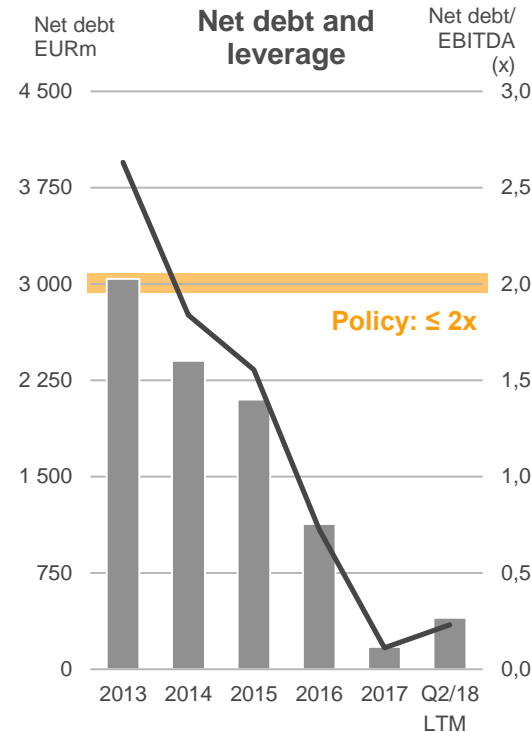
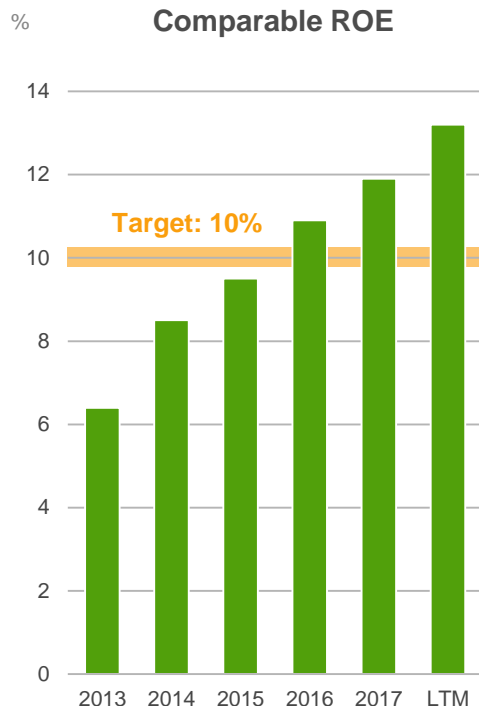
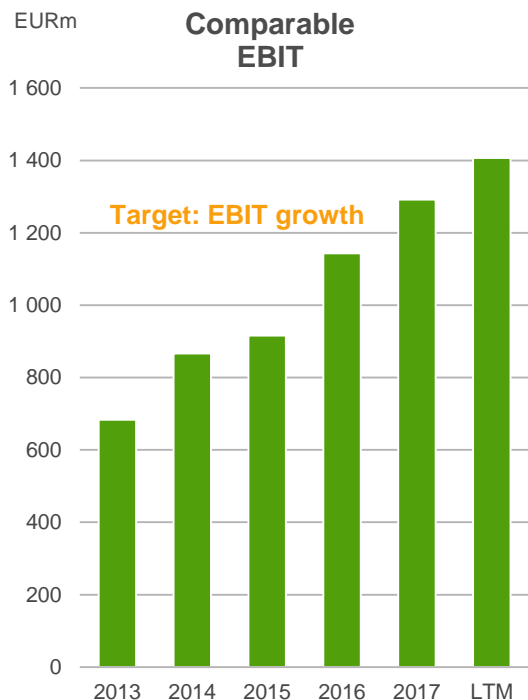
Performance





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Group financial targets and leverage policy

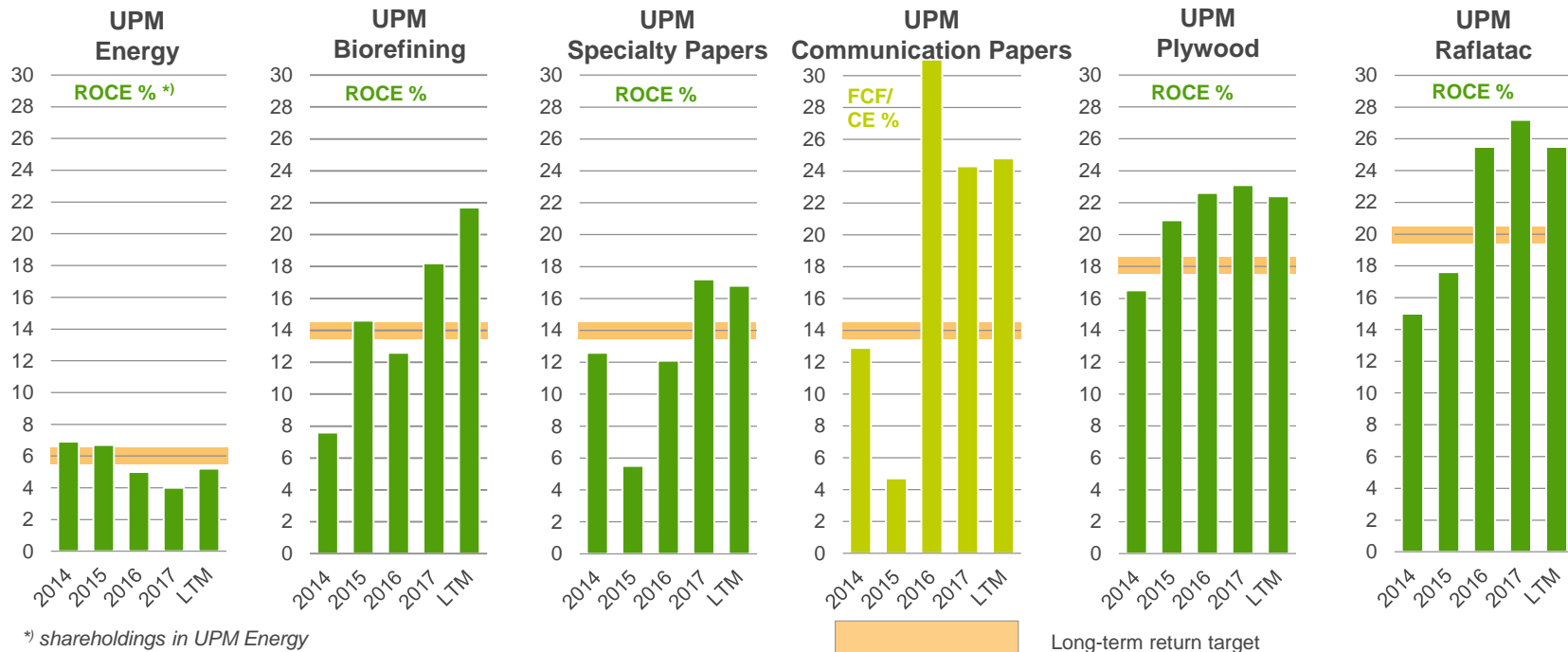


Comparable figures for 2014 – 2018, excluding special items for earlier years



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Business area long-term return targets apply over investment and business cycles



*) shareholdings in UPM Energy valued at fair value



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Industry leader in responsibility



MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



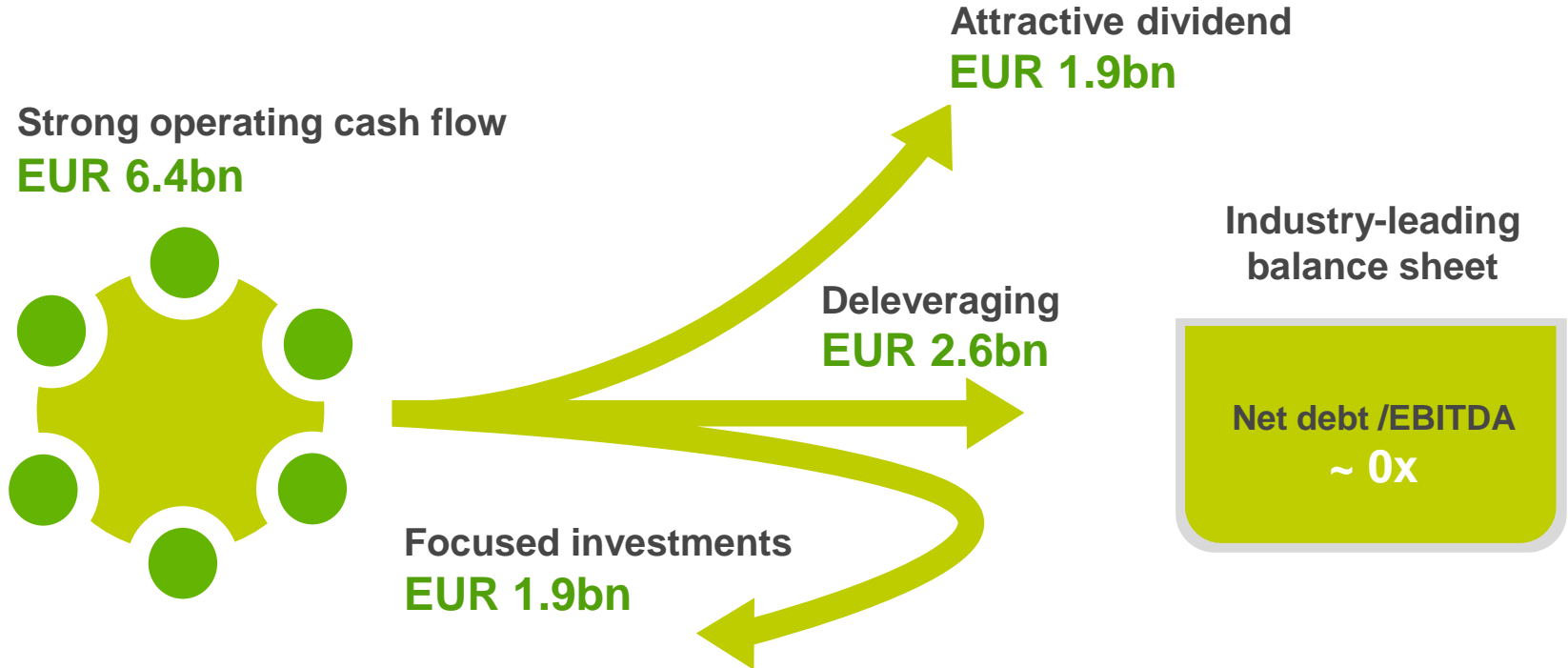


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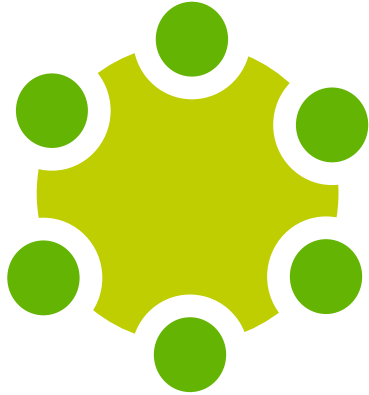
Capital allocation

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

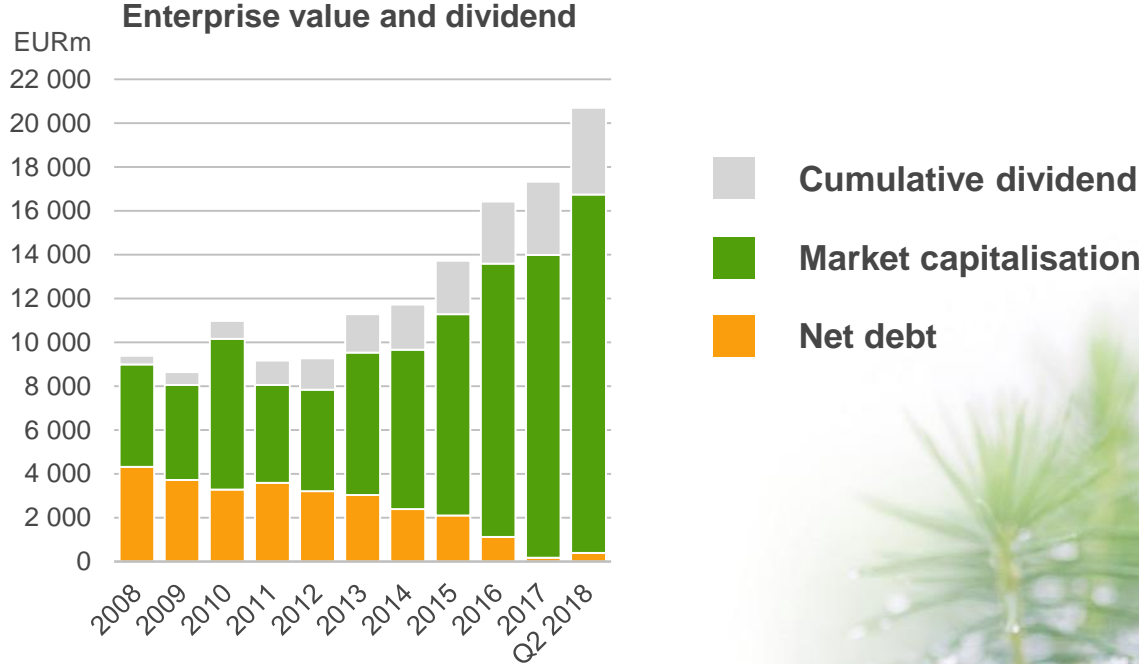
^{*)} This is not a forecast



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Targeting superior shareholder returns





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UPM **BIOFORE**

BEYOND FOSSILS

**Inspired by the
limitless opportunities
of bioeconomy**

**Delivering renewable
and responsible
solutions**

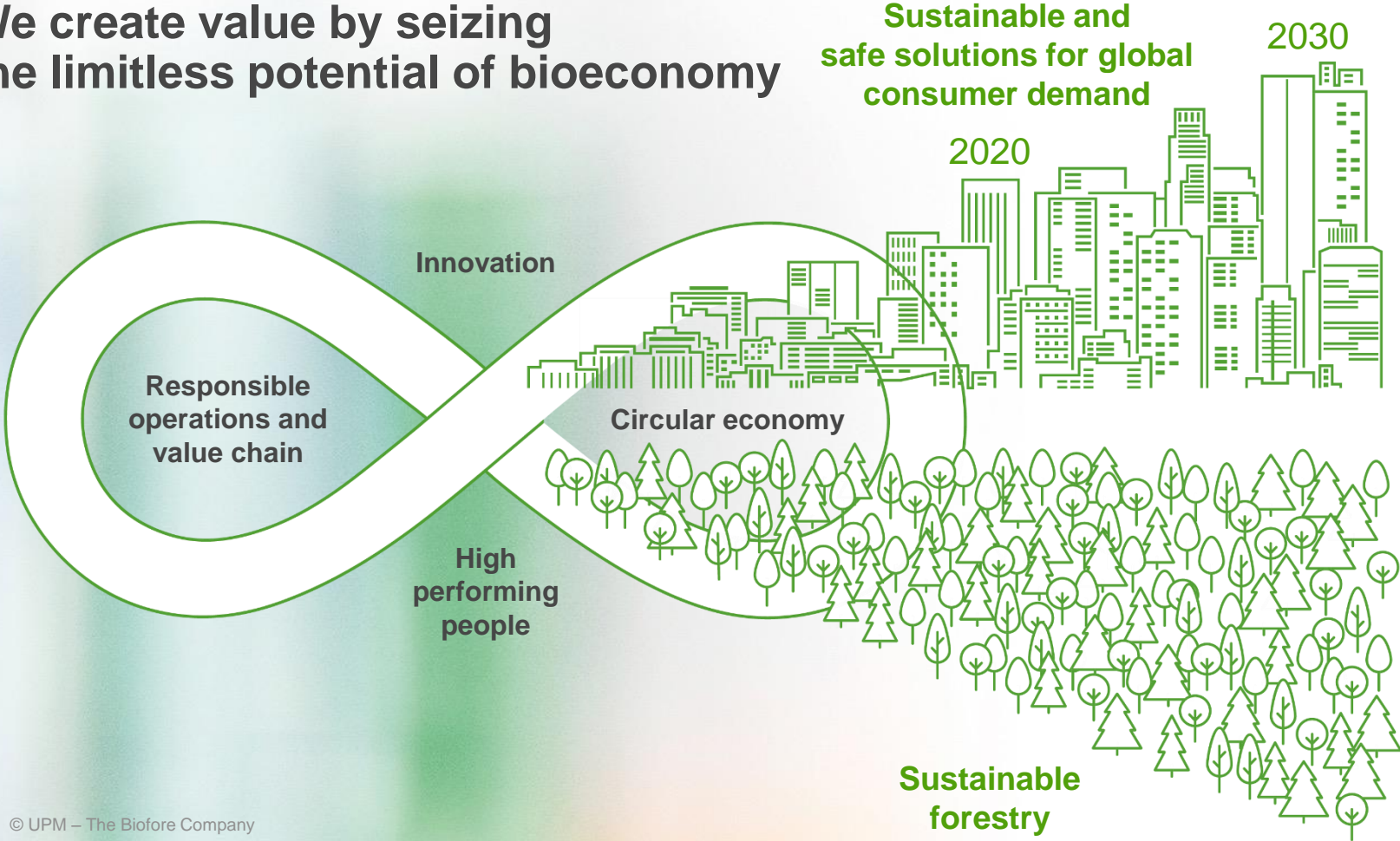
**Innovating for a future
beyond fossils**



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We create value by seizing the limitless potential of bioeconomy



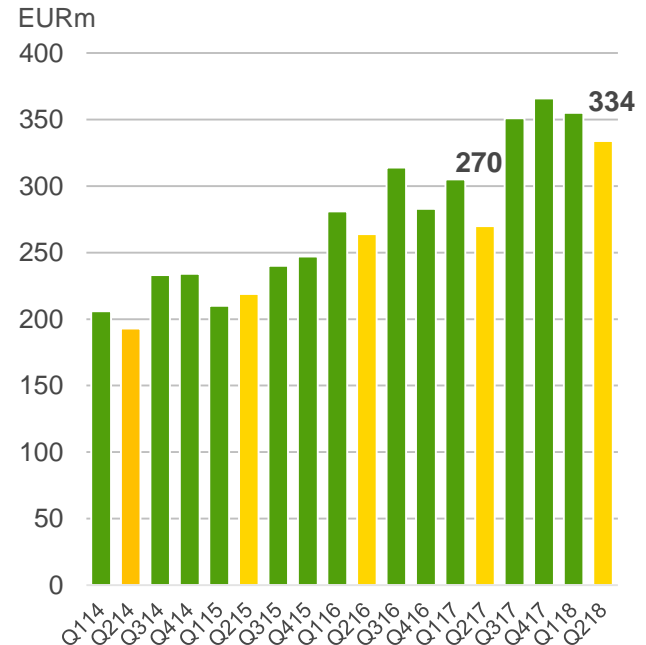


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Q2 2018: Commercial success drives growth in sales and earnings – strong outlook for H2 2018

- Sales grew by 5% to EUR 2,589m (2,464m in Q2 2017)
- Comparable EBIT increased by 24% to EUR 334m (270m)
- Sales margins improved, as prices increased in all business areas, outweighing the impact of higher input costs
- Q2 performance was held back by several significant scheduled maintenance shutdowns
- Operating cash flow was EUR 329m (269m)

Comparable EBIT



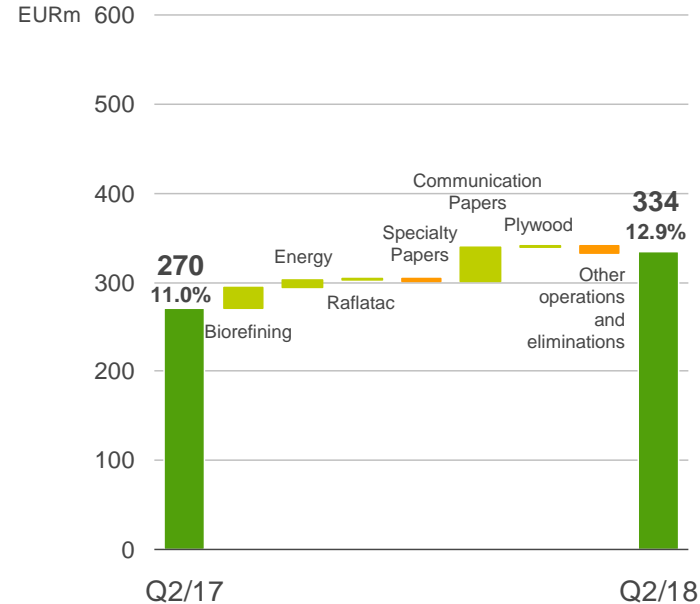
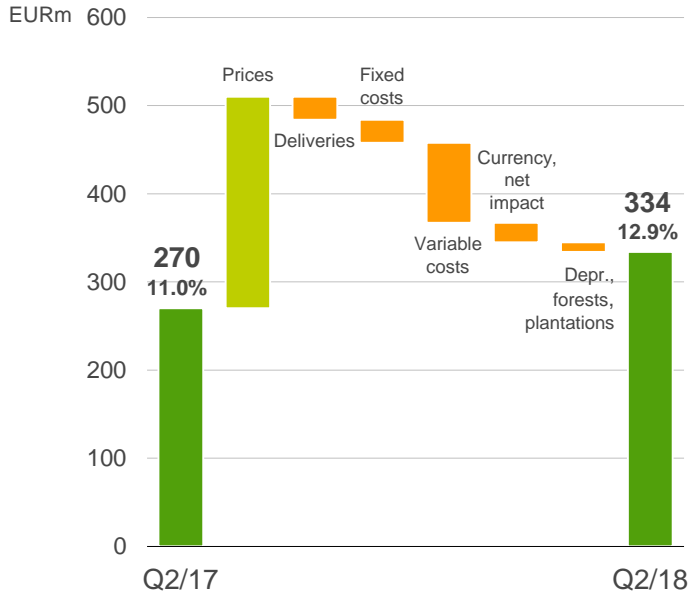


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Comparable EBIT in Q2 2018 vs. Q2 2017

Increased prices in all businesses, higher input costs
Fixed costs higher and production lower mainly due to several scheduled maintenance shutdowns

Improvement in Biorefining, Energy, Raflatac, Communication Papers and Plywood





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Outlook for 2018

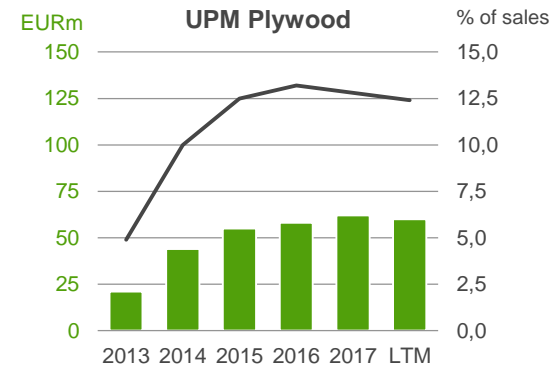
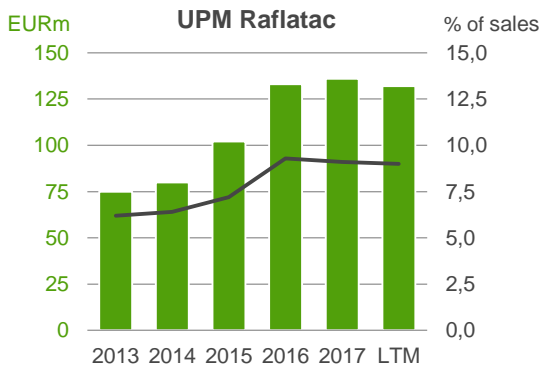
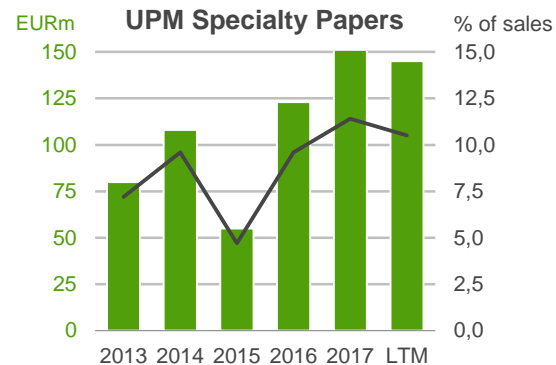
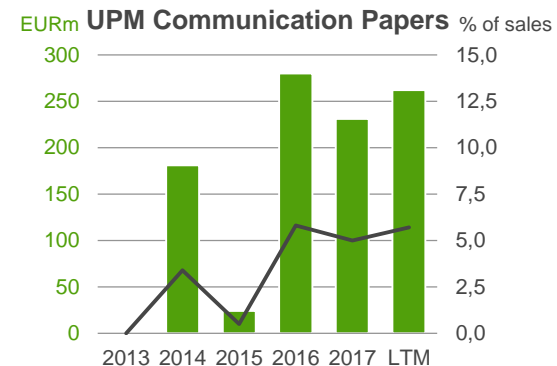
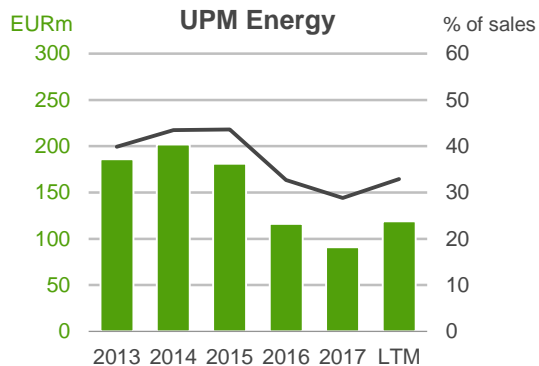
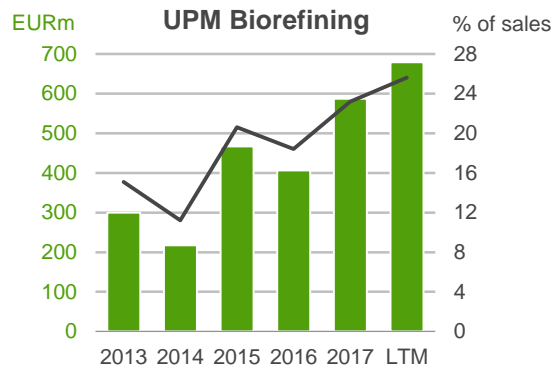
- UPM's comparable EBIT is expected to continue growing in 2018 compared with 2017. H2 2018 comparable EBIT is expected to be significantly higher compared with H1 2018.
- The fundamentals for UPM businesses in 2018 are favourable. Sales price increases in 2018 are expected to outweigh the increase in variable cost, compared with 2017.
- H1 2018 results were impacted by four significant maintenance shutdowns and weather-related wood harvesting limitations. H2 2018 is scheduled to have one significant maintenance shutdown.



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Comparable EBIT by business area



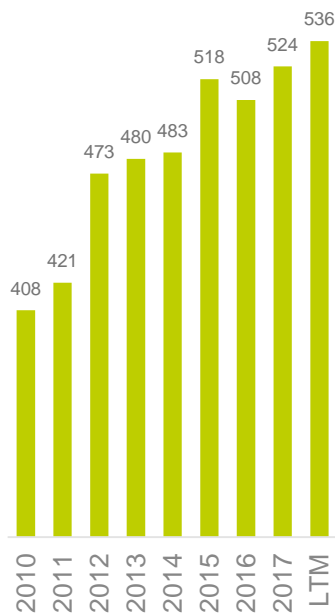


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Continuous improvement in financial performance

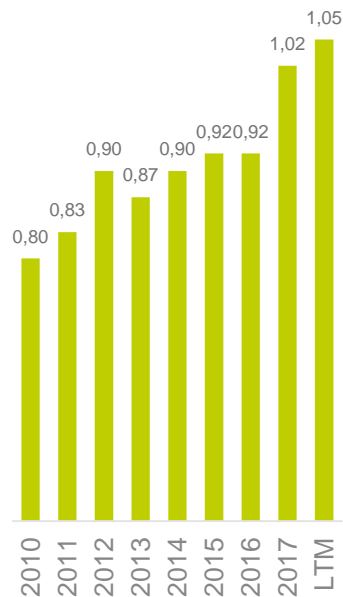
Productivity

Sales / employee



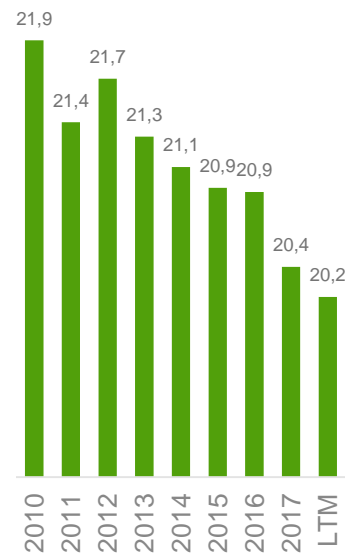
Capital turnover

Sales / CE



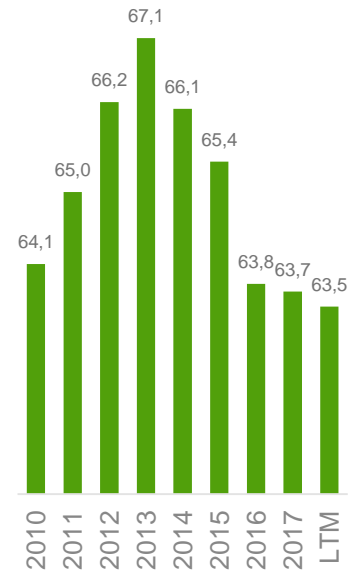
Fixed costs

Fixed cost / sales

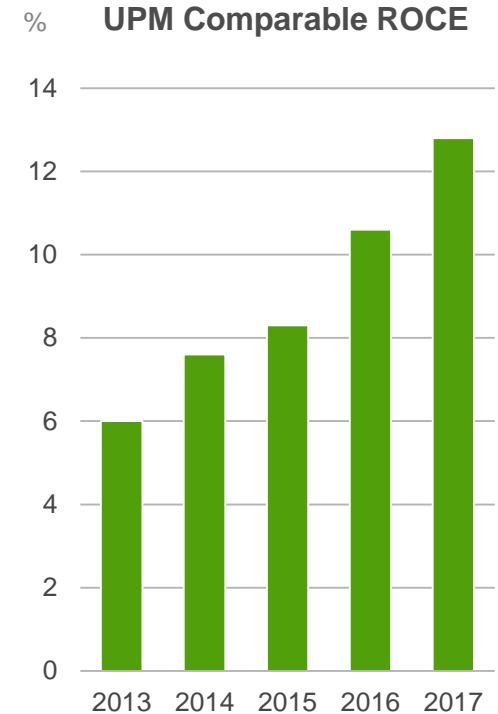
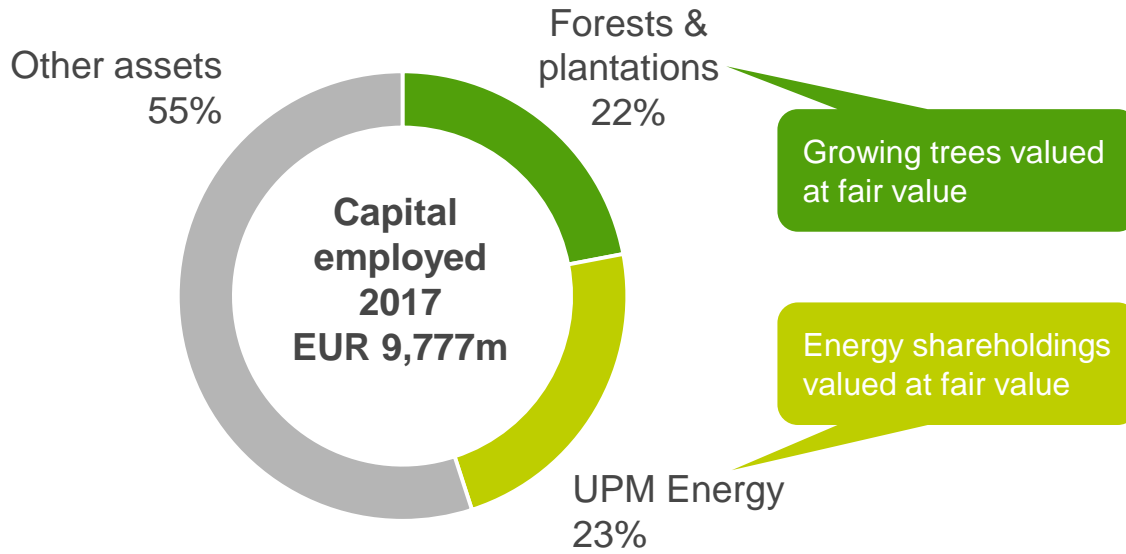


Variable costs

Variable cost / sales



Fair valued assets represent a major part of UPM's capital employed



Case: developing our forest assets

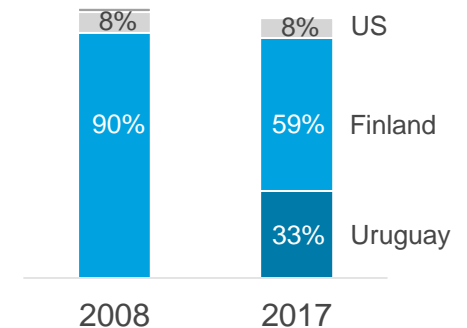
- Investing in strategic forest assets, e.g. in Uruguay
- Releasing capital from forests far from our mills
- Productivity with active management and nurseries
- Strong commitment to sustainability



UPM forests and plantations

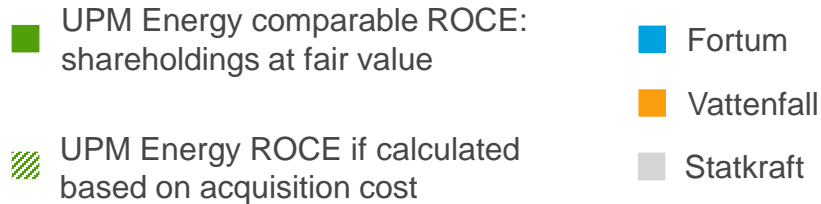
	2008	2017
Forest and plantation land (own and rented) (1,000 ha)	1,012	970
Forest growth (million m ³)	4.3	8.6
Wood sourced from UPM forests and plantations (million m ³)	2.2	4.7
% of UPM wood sourcing	9%	17%
Value of forests and plantations, including land (EURm)	1,270	2,149

Area distribution

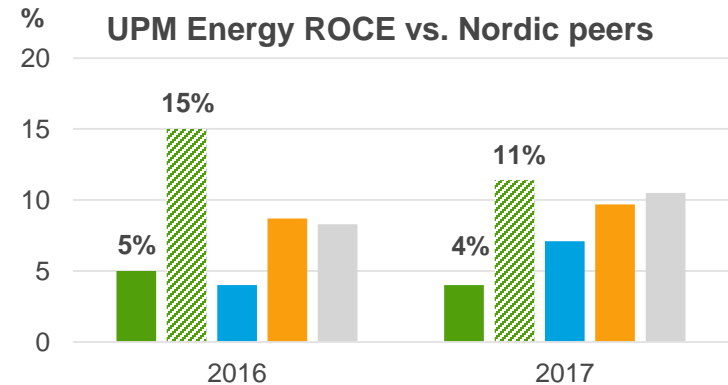


Case: UPM Energy ROCE

- In UPM balance sheet, UPM Energy shareholdings are valued at fair value
- Energy market transformation is ongoing
- UPM Energy assets are competitive



Source: Companies' financial reports, UPM





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