



The Biofore Company **UPM**

UPM FOREST OF NEW OPPORTUNITIES

UBS Global Paper And Forest Products Conference
September 12, 2012

Tapio Korpeinen
CFO





What are we targeting?

- More than 50% of sales from well performing growth businesses in 5+ years
- Drive strong cash flow through improved margin, release capital from mature businesses
- Maintain solid balance sheet and strong cash flow

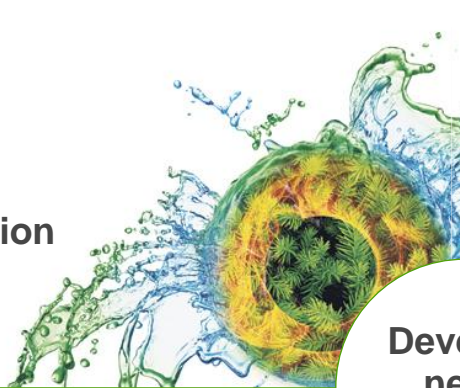
➔ Increase UPM's earnings and valuation

Strategic direction for different businesses

Energy

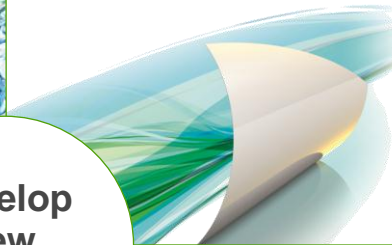
Grow in advanced biofuels

Expand in low emission power generation



Engineered materials

Grow globally in Label



Develop new businesses

Paper

Improve margins to maximize cash flow in Europe

Grow in emerging markets

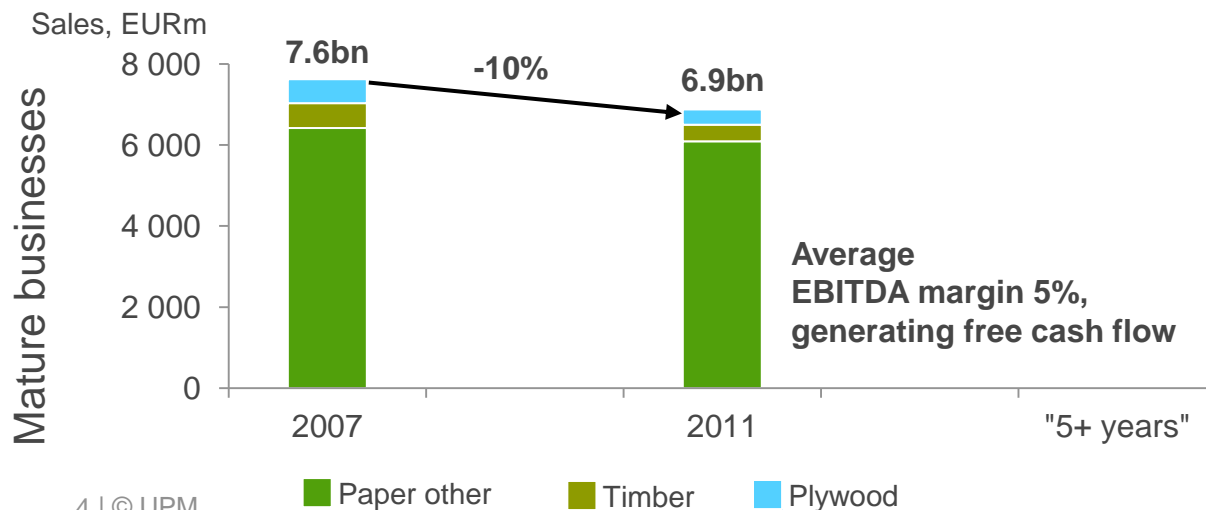
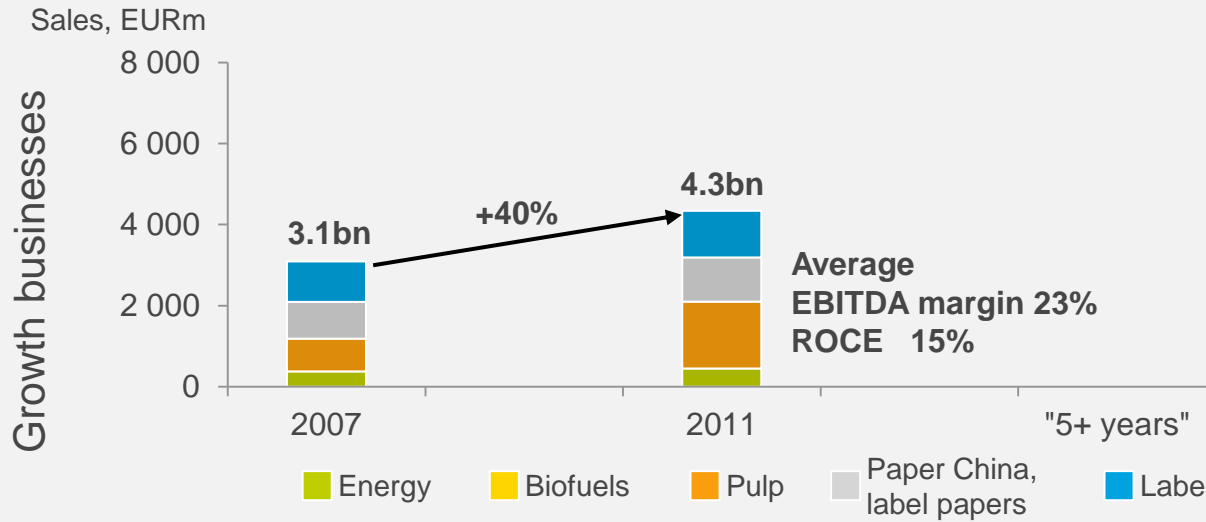


Pulp

Grow globally in Pulp



Actions have already reshaped the business portfolio





Global pulp demand grows

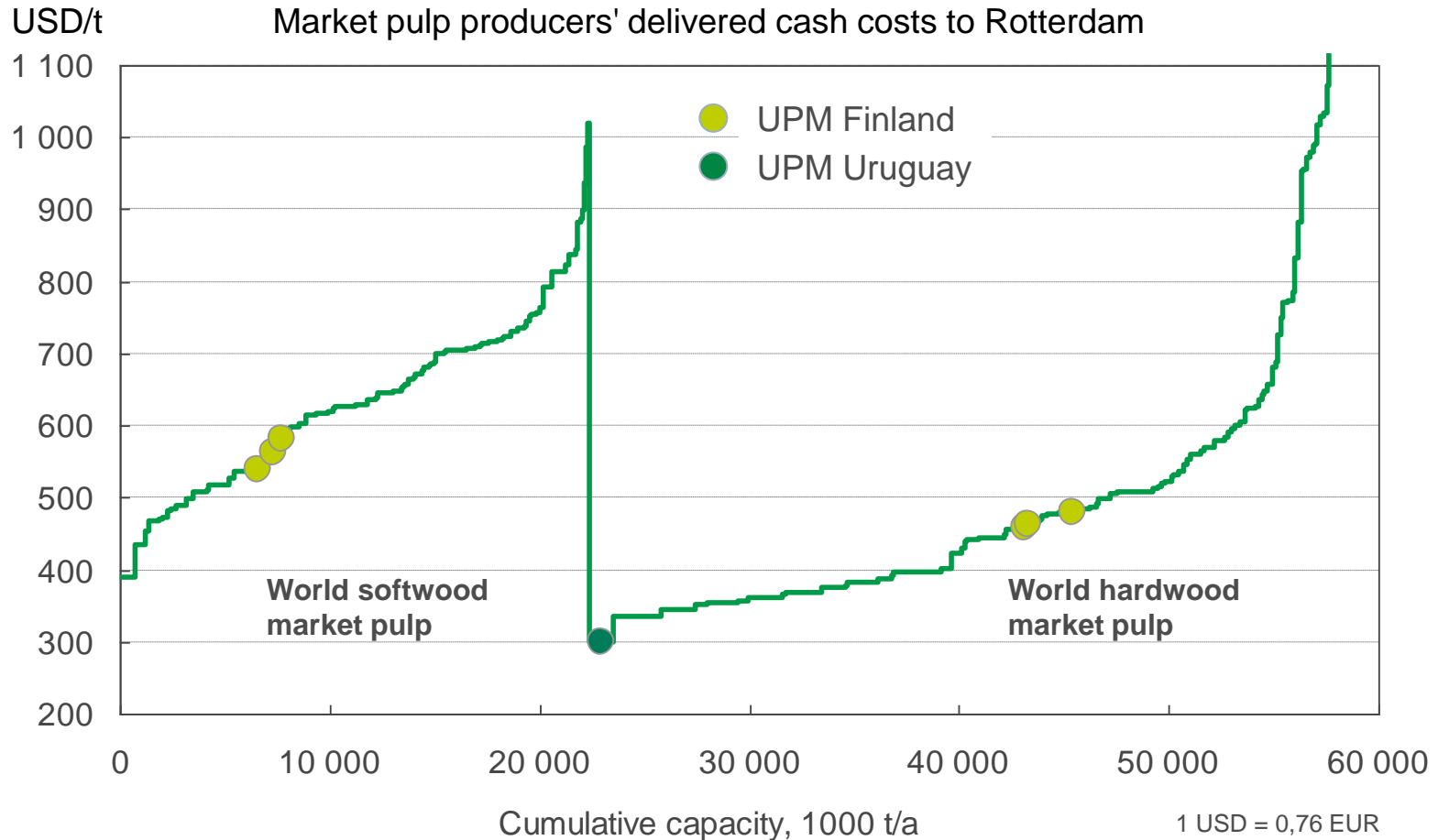
UPM aims to grow in cost competitive pulp

World bleached market pulp demand by end-use and region

	WE	NA	China	ROW	Total
P&W	14%	5%	10%	9%	39%
Tissue	9%	6%	4%	8%	28%
Packaging	2%	1%	3%	2%	8%
Speciality	7%	2%	3%	4%	16%
Fluff	2%	3%	1%	4%	10%
	35%	16%	21%	27%	100%

-  = growing market segment
-  = declining market segment

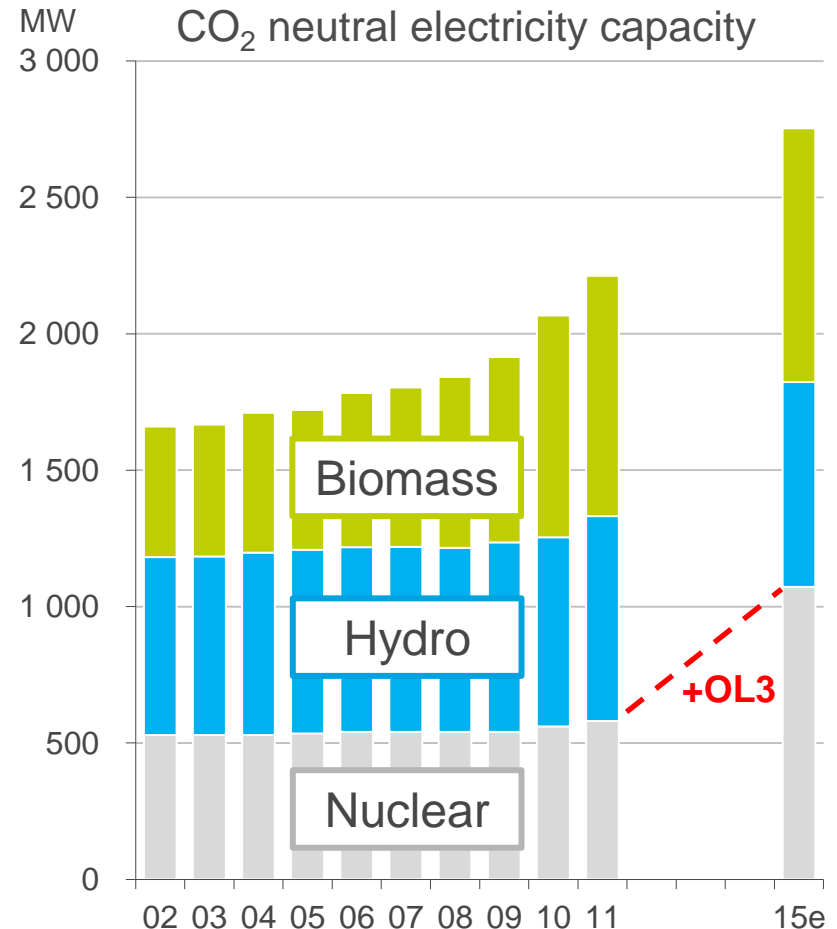
UPM has world class profitability in Pulp



Source: Pöyry Q1/2012

UPM grows in cost competitive low emission energy generation

- During the past decade:
 - 84% growth in biomass-based electricity generation
 - 15% growth in hydropower
- 79% of UPM's power generation is CO₂ neutral
- Biggest on-going project is the OL3 nuclear power plant

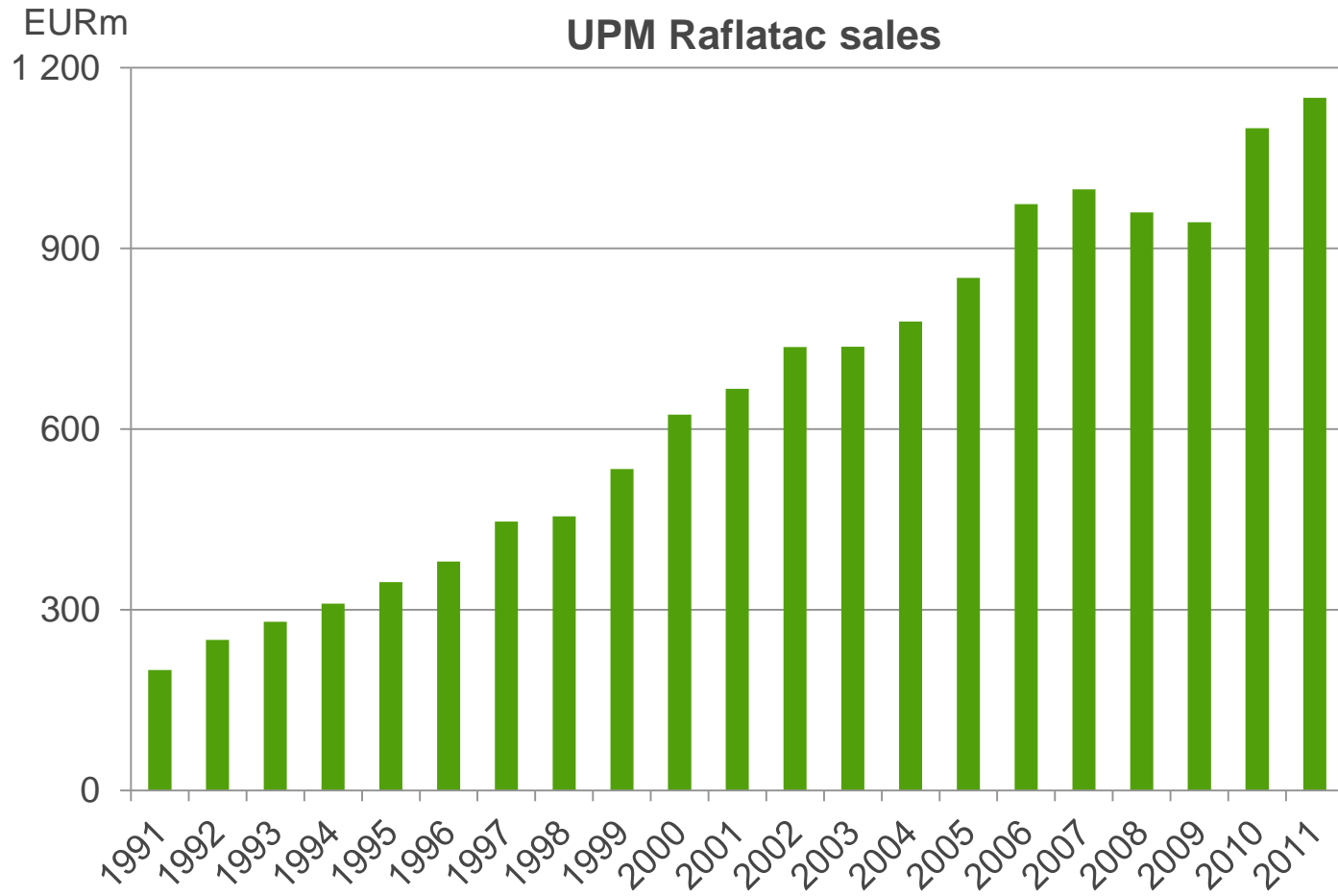


UPM creates new business in advanced wood-based biodiesel

- UPM invests in the world's first advanced wood-based biodiesel production in Lappeenranta, Finland
 - Total investment of approximately EUR 150m
 - Production 100,000 tonnes/a of advanced biodiesel
 - Production starts in 2014
- Main product is advanced, 2nd generation biodiesel
- Raw material is sustainably produced crude tall oil, a residue from pulp production
- Technology is based on UPM's innovations and long term development work
- Potential to grow into a significant new business with good profitability



Consistent growth in Label both in emerging markets and in higher value added products



UPM grows in China and in the fast developing label materials segment

- Increase presence in the fast growing Asian paper segments and strengthen position in the label materials value chain
- UPM will build a new paper machine at the Changshu mill in China
 - Capable of producing up to 360,000 tonnes of uncoated woodfree grades and high quality label papers
- Total investment CNY 3,000m (EUR 390m), start-up in Q4 2014
- Investment supports the good profitability of UPM's growth businesses



Further improvement in cost competitiveness in Paper through Myllykoski acquisition

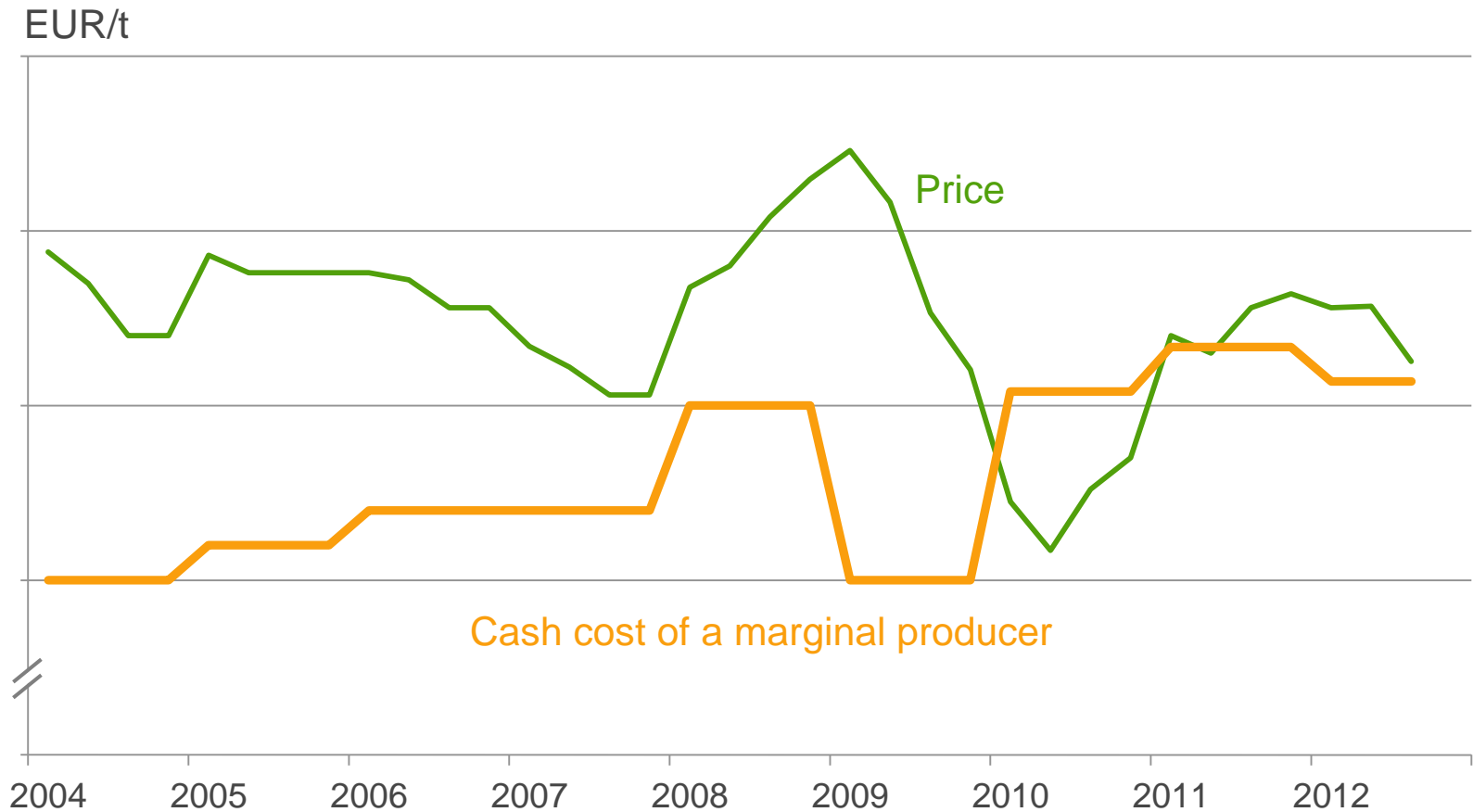
Cost synergies are expected to total EUR 200m



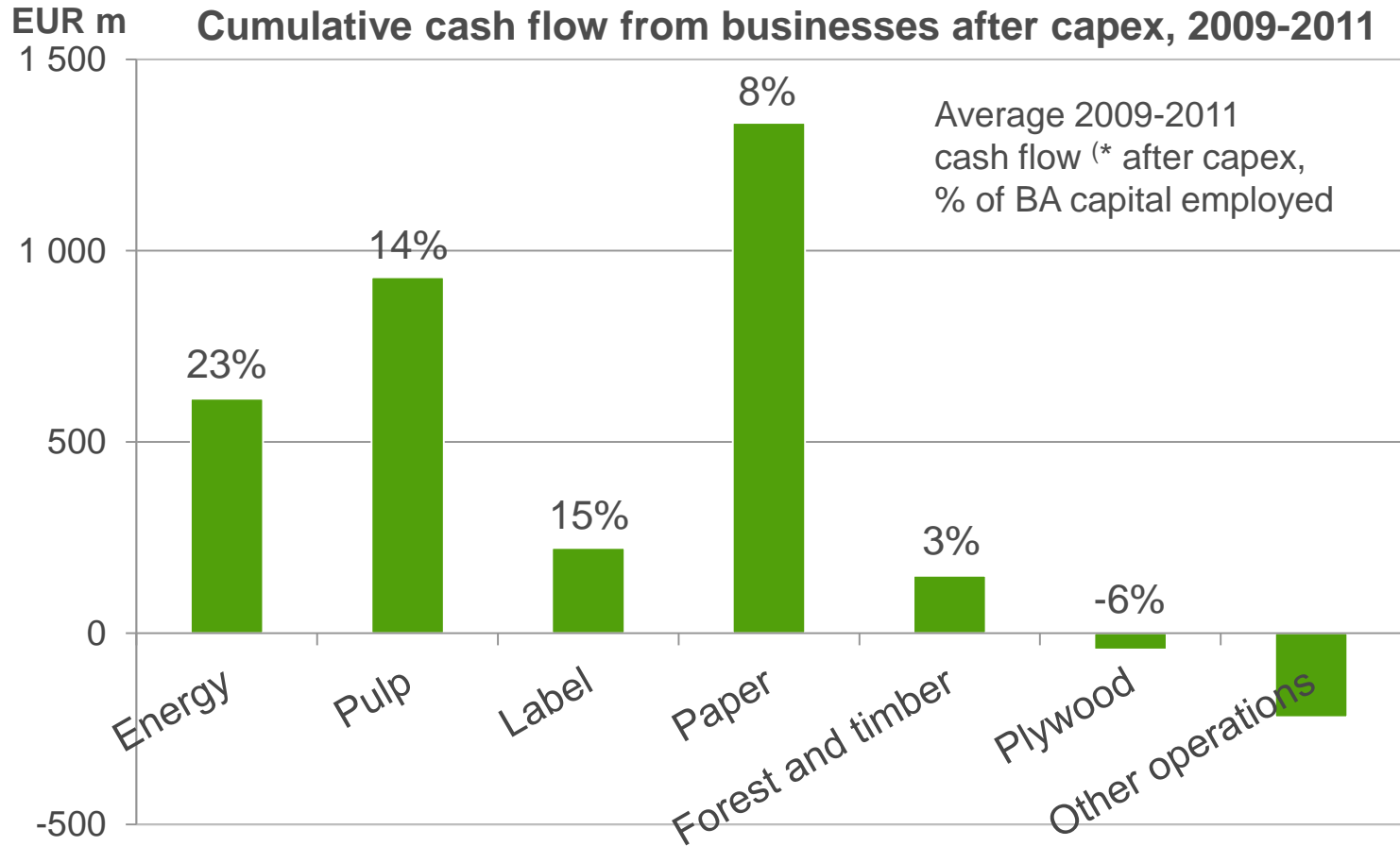
- In H1 2012, synergy benefits reduced Paper business' costs by about EUR 70m
- More than EUR 150m synergies are expected to affect the 2012 results
- Full cost synergies of EUR 200m are expected to be visible in 2013

Paper prices close to marginal producers' cash costs

- UPM optimises cash flow through low costs and low investment needs



Cash generative businesses

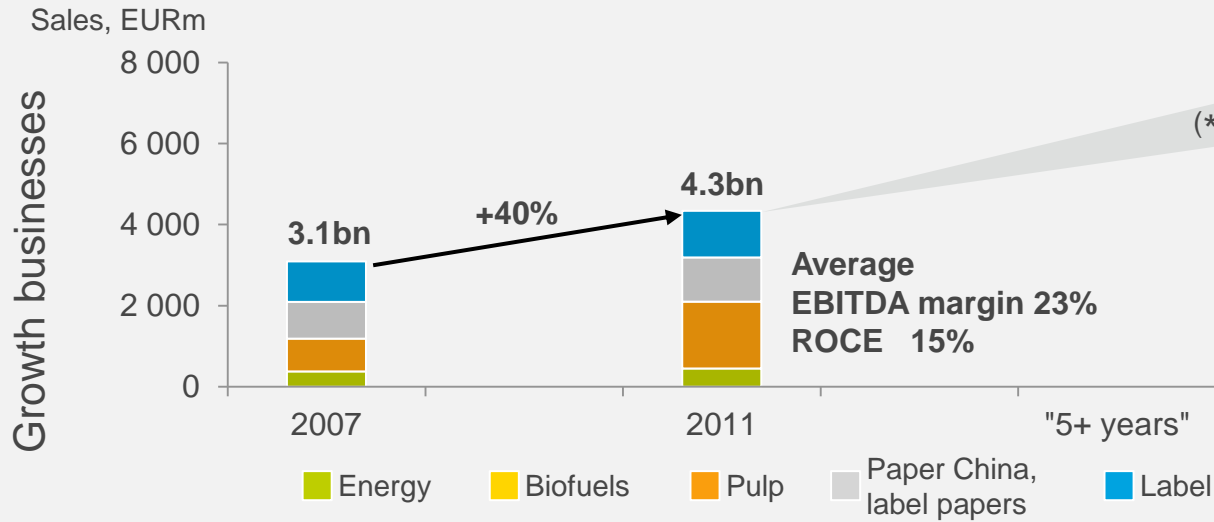


*) before interest and taxes

Expanding well performing growth businesses with cash flow from mature businesses



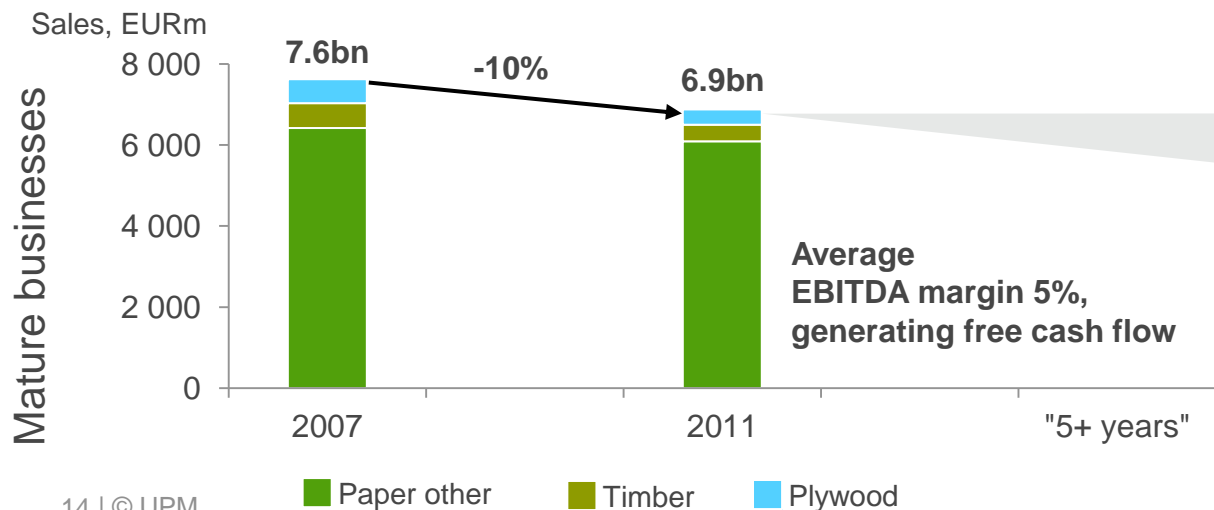
The Biofore Company UPM



Growth actions

- Paper machine in China
- Biofuel refinery
- Gascogne labelstock acquisition

*) This is not a forecast, but one scenario from some of UPM's existing growth opportunities



Actions in mature areas

- Divestment of Metsä Fibre shares
- Divestment of packaging papers
- Myllykoski synergies and asset restructuring
- Exit of Stracel paper mill
- Schongau CHP
- Plywood, Timber restructuring



The Biofore Company **UPM**

FINANCIAL PERFORMANCE

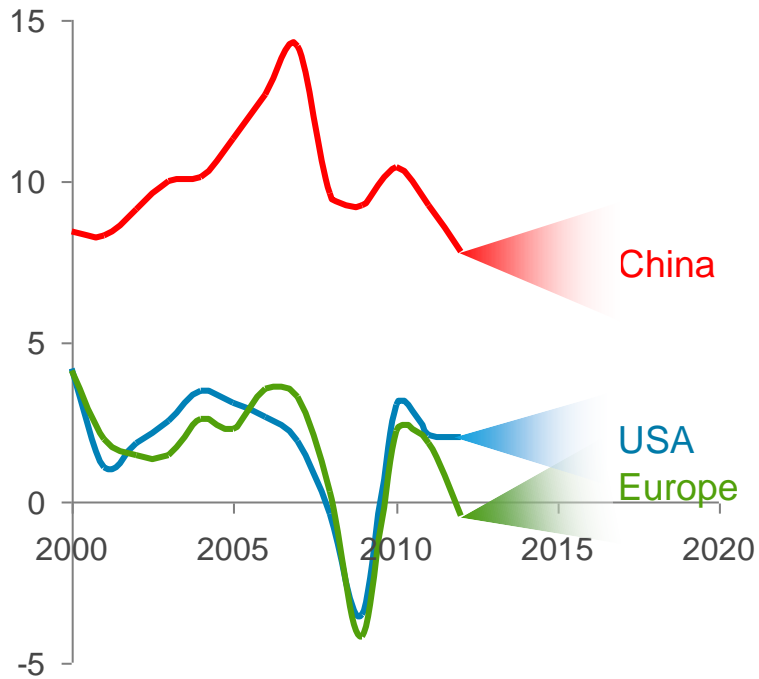




Profitability over two economic slowdowns

Europe is in second recession in four years

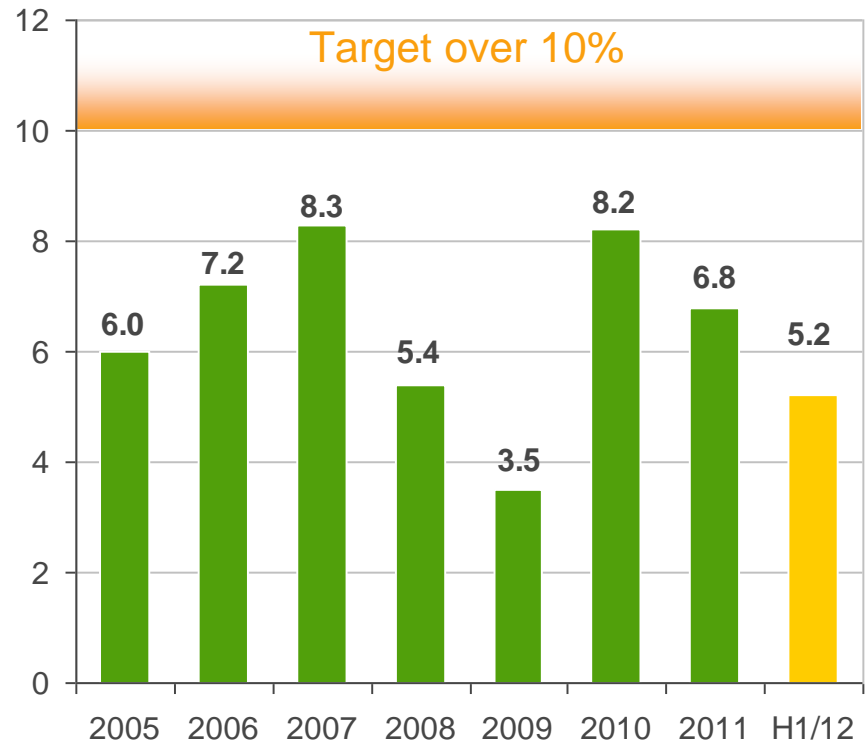
Real GDP y-o-y growth %



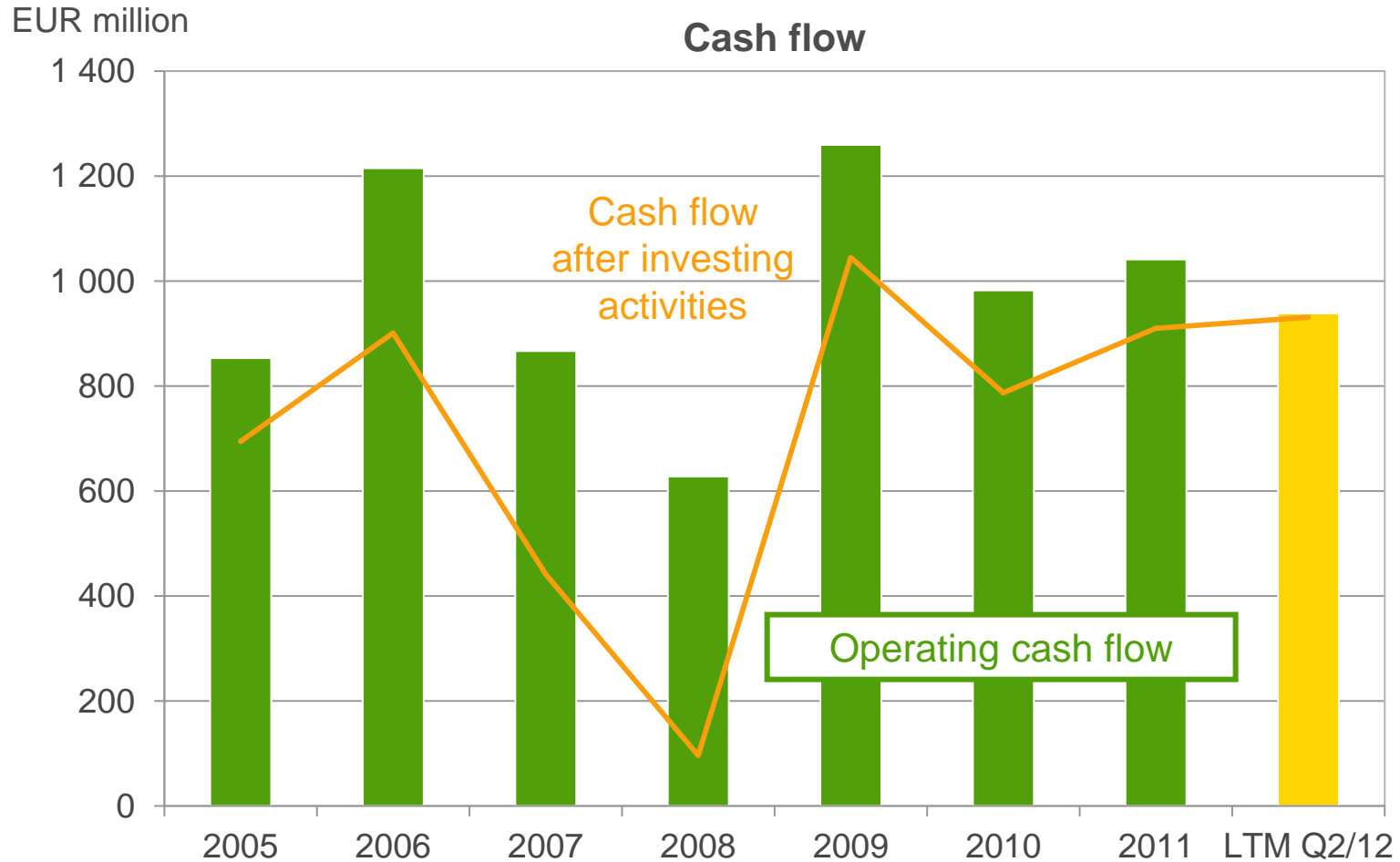
Sources: Global Insight

Operating profit excluding special items

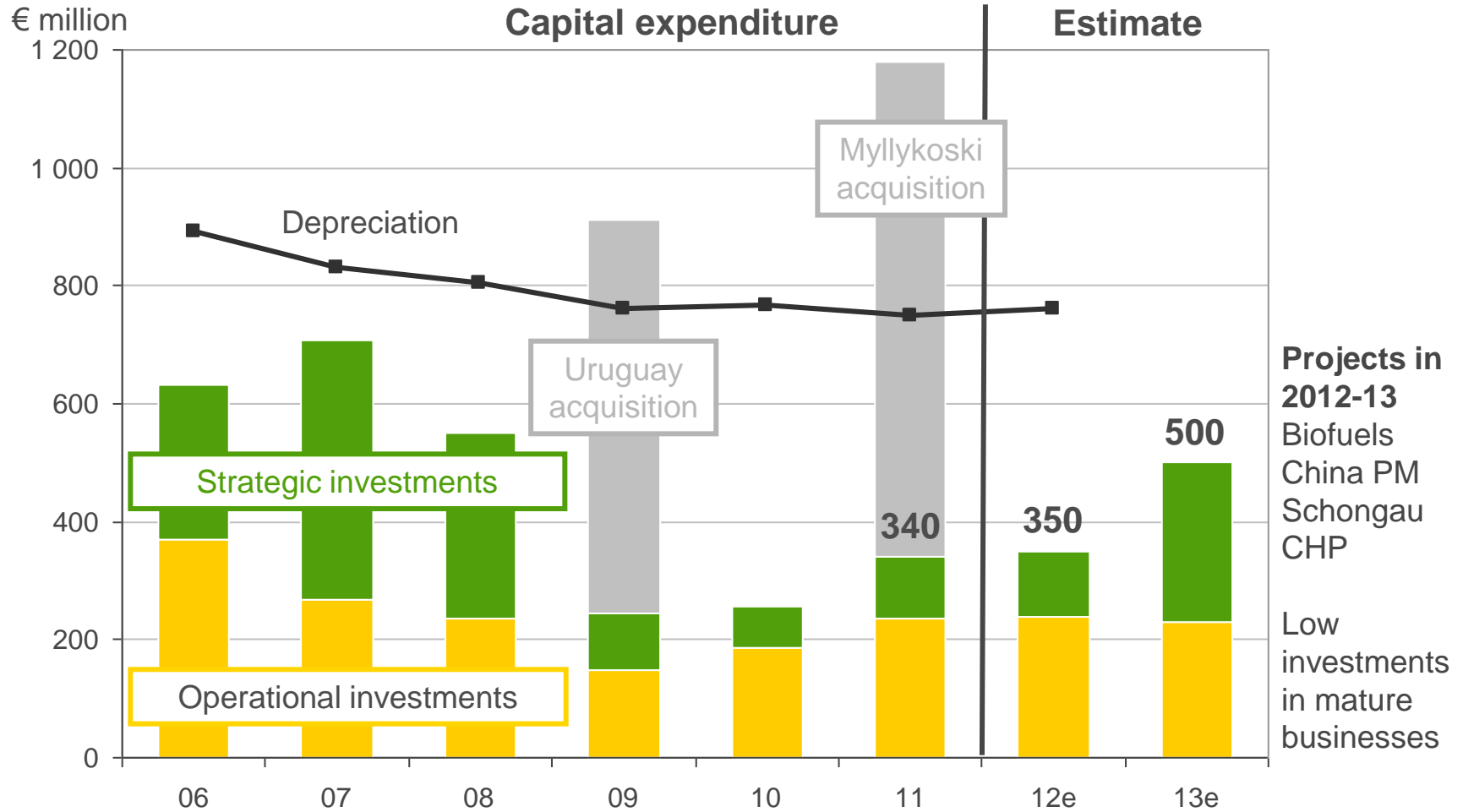
% of sales



Consistently strong cash flow

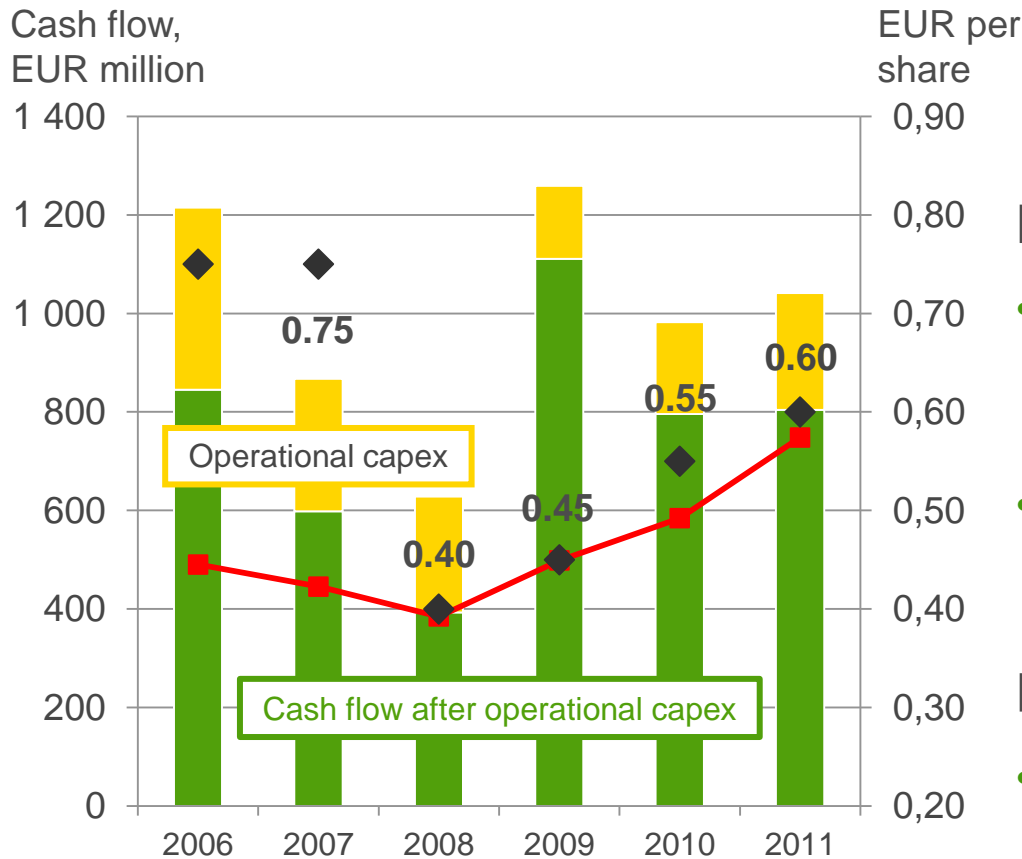


Low needs for major investments to maintain existing assets





Cash flow based dividend



Dividend policy

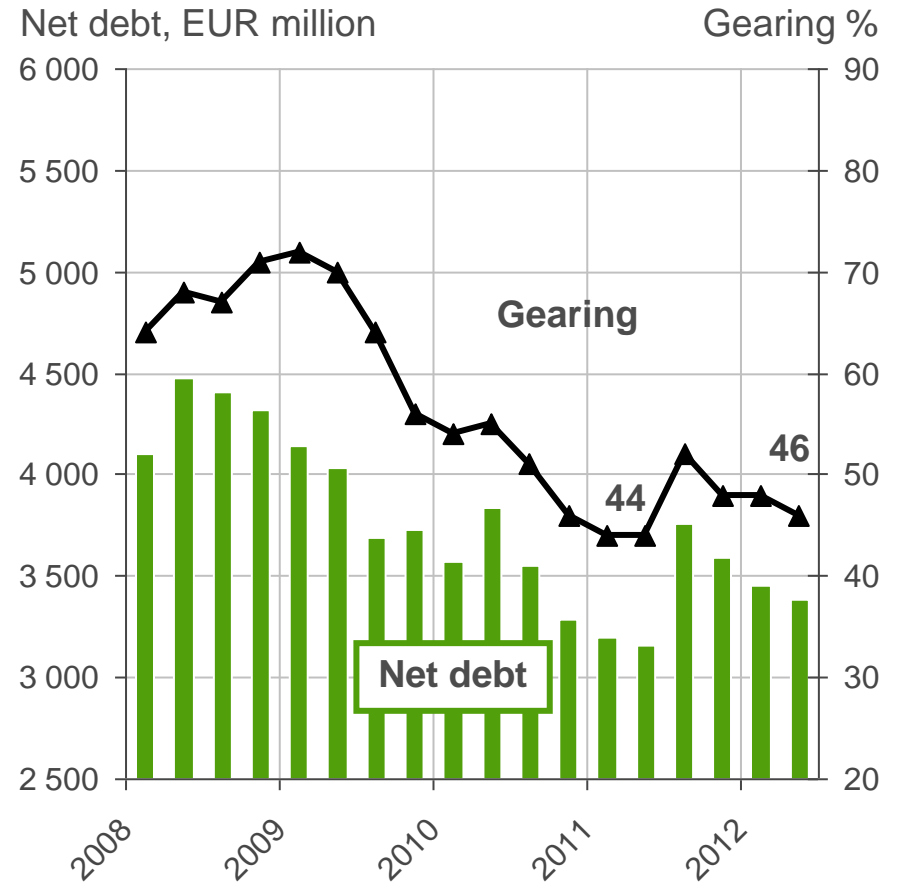
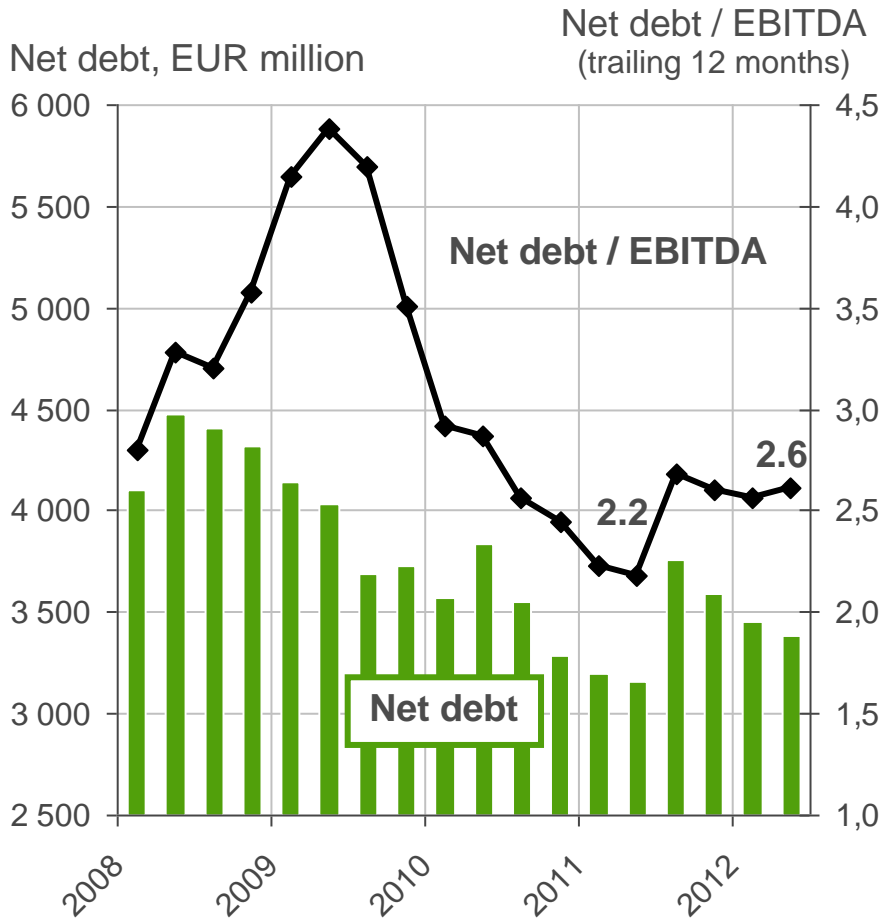
- at least 1/3 of net cash flow from operating activities less operational capital expenditure
- net cash flow calculated as an average over three years

Dividend for 2011

- EUR 0.60 (0.55) per share

◆ Actual / proposed dividend
— Minimum dividend by the dividend policy

Strong balance sheet





The Biofore Company **UPM**

SUMMARY





Experience and execution^(*)

M&A	Investments	Closures, restructuring
Uruguay acquisition	Changshu paper machine	Albruck paper mill
Myllykoski acquisition	Investment in biodiesel refinery	Myllykoski paper mill
Acquisition of PVO shares	Schongau CHP	Kajaani paper mill
Divestment of packaging papers	Kaukas CHP	Tervasaari pulp mill
Acquisition of Gascogne and Gumtac in Label	Caledonian CHP	Miramichi paper mill
Divestment of Metsä Fibre	Kymi pulp mill rebuild	Voikkaa paper mill
Divestment of RFID business	Label factories in Poland, US, China	Restructuring of Label's European operations
Divestment of Tikhvin	Materials recovery facility in Shotton paper mill	Restructuring in Plywood and Timber



What are we targeting?

- More than 50% of sales from well performing growth businesses in 5+ years
- Drive strong cash flow through improved margin, release capital from mature businesses
- Maintain solid balance sheet and strong cash flow

➔ Increase UPM's earnings and valuation



UPM

The Biofore
Company