



The Biofore Company **UPM**

SHIFTING GEAR IN UPM TRANSFORMATION

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CFO

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**From three European paper divisions
to a portfolio of six **Biofore** businesses**

New business structure

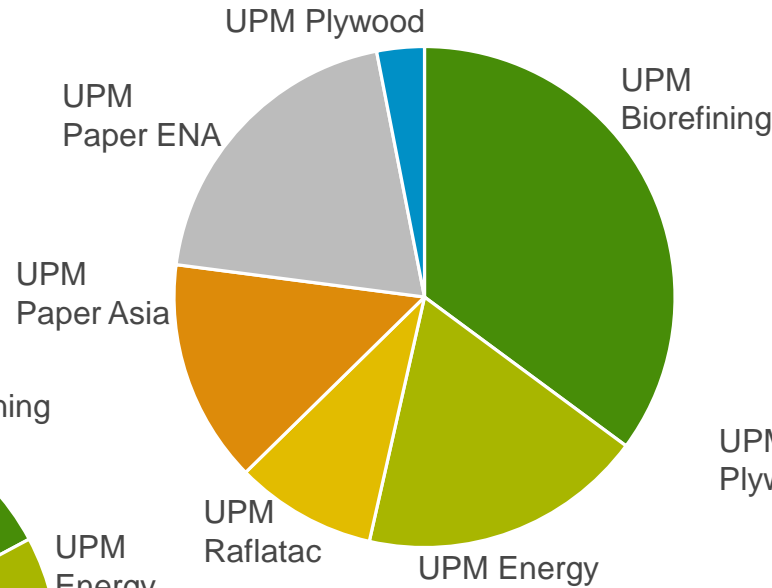
UPM Biorefining 	<ul style="list-style-type: none">• Pulp (3.3 million tonnes p.a.), incl. plantation operations• Biofuels• Timber
UPM Energy 	<ul style="list-style-type: none">• Power generation (1,721MW), incl. UPM's hydropower plants and shareholdings in energy companies• Physical and derivatives trading
UPM Raflatac 	<ul style="list-style-type: none">• Self-adhesive label materials for product and information labeling
UPM Paper Asia 	<ul style="list-style-type: none">• Fine papers in China• Label papers• Total capacity 1.5 million tonnes p.a.
UPM Paper ENA 	<ul style="list-style-type: none">• Magazine papers in Europe and NA• Newsprint and fine papers in Europe• Total capacity 10.3 million tonnes p.a.
UPM Plywood 	<ul style="list-style-type: none">• Plywood and veneer products (1 million m³ p.a.)

Other operations: Forests (over 900,000 hectares of forests) and wood sourcing, New Business Development and Group services

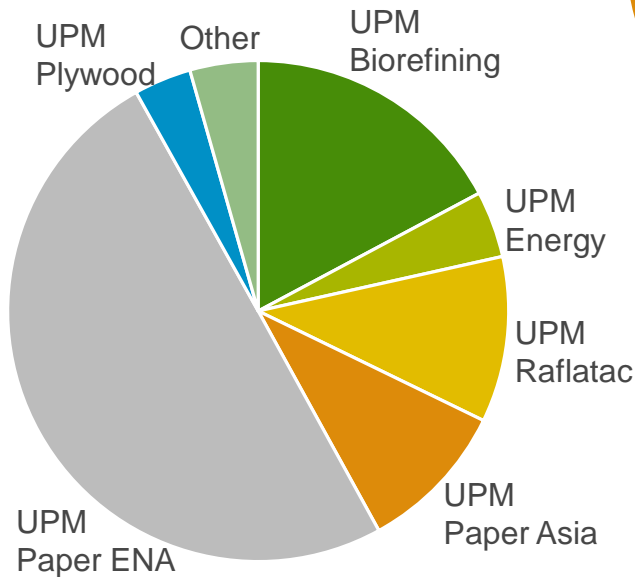


New business structure

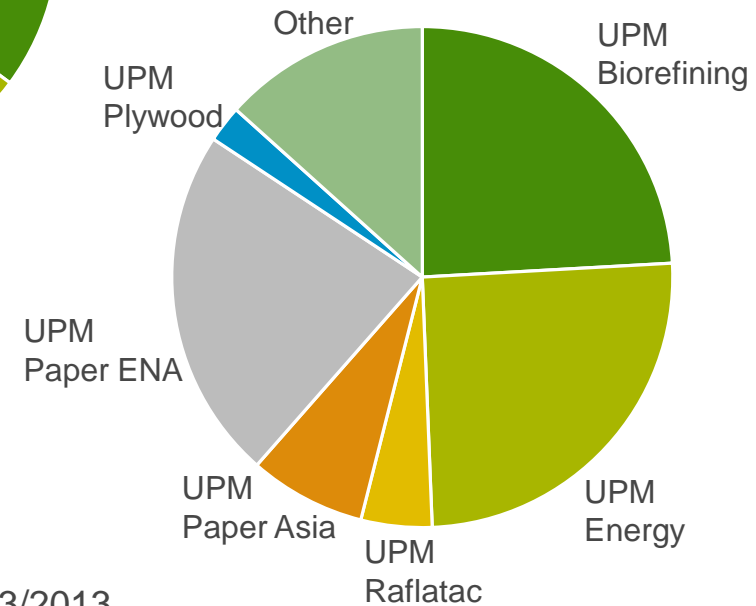
EBITDA EUR 1,170m



Sales EUR 10,123m



Capital employed EUR 11,339m

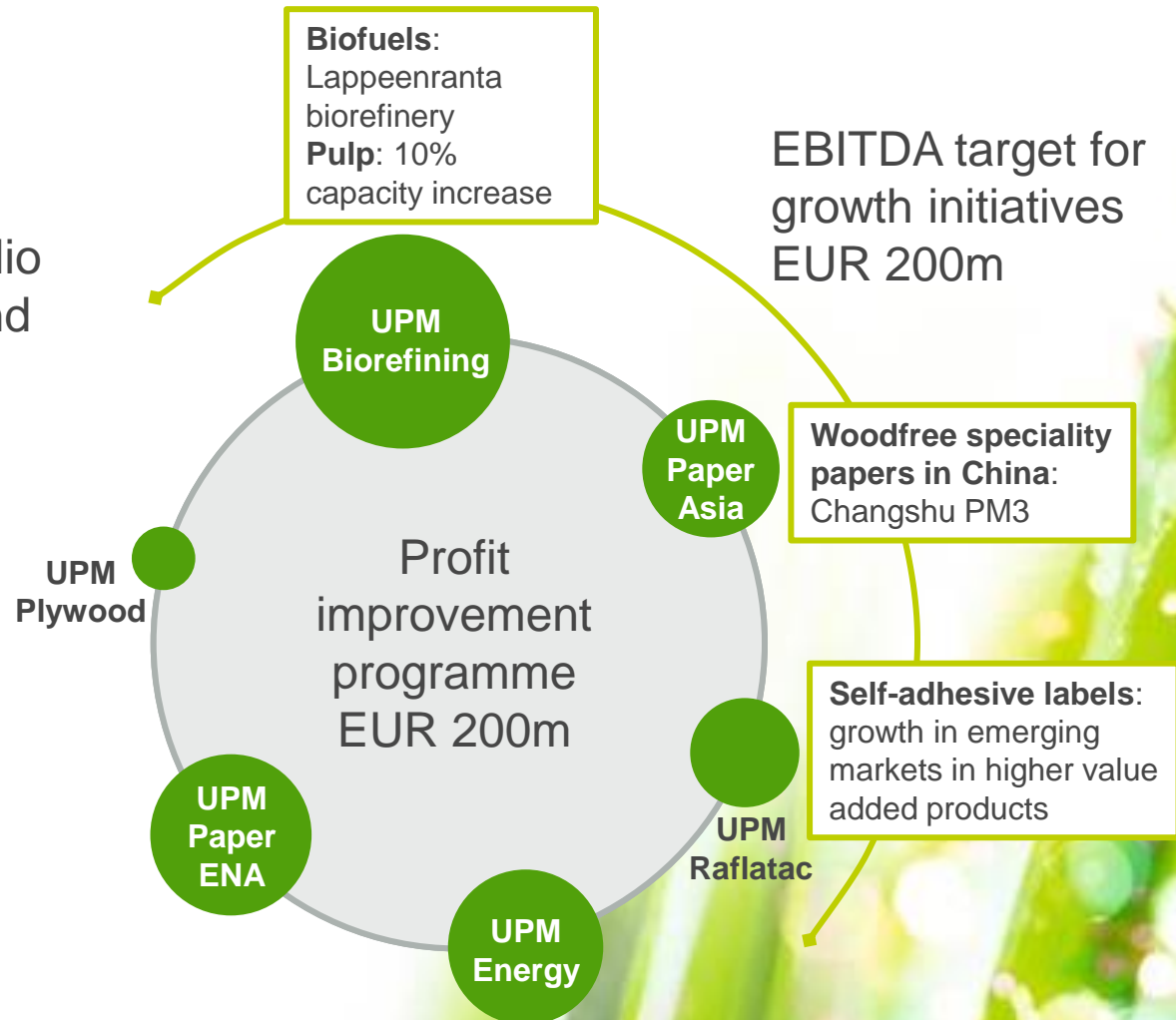


Shifting gear in UPM transformation with the new business structure

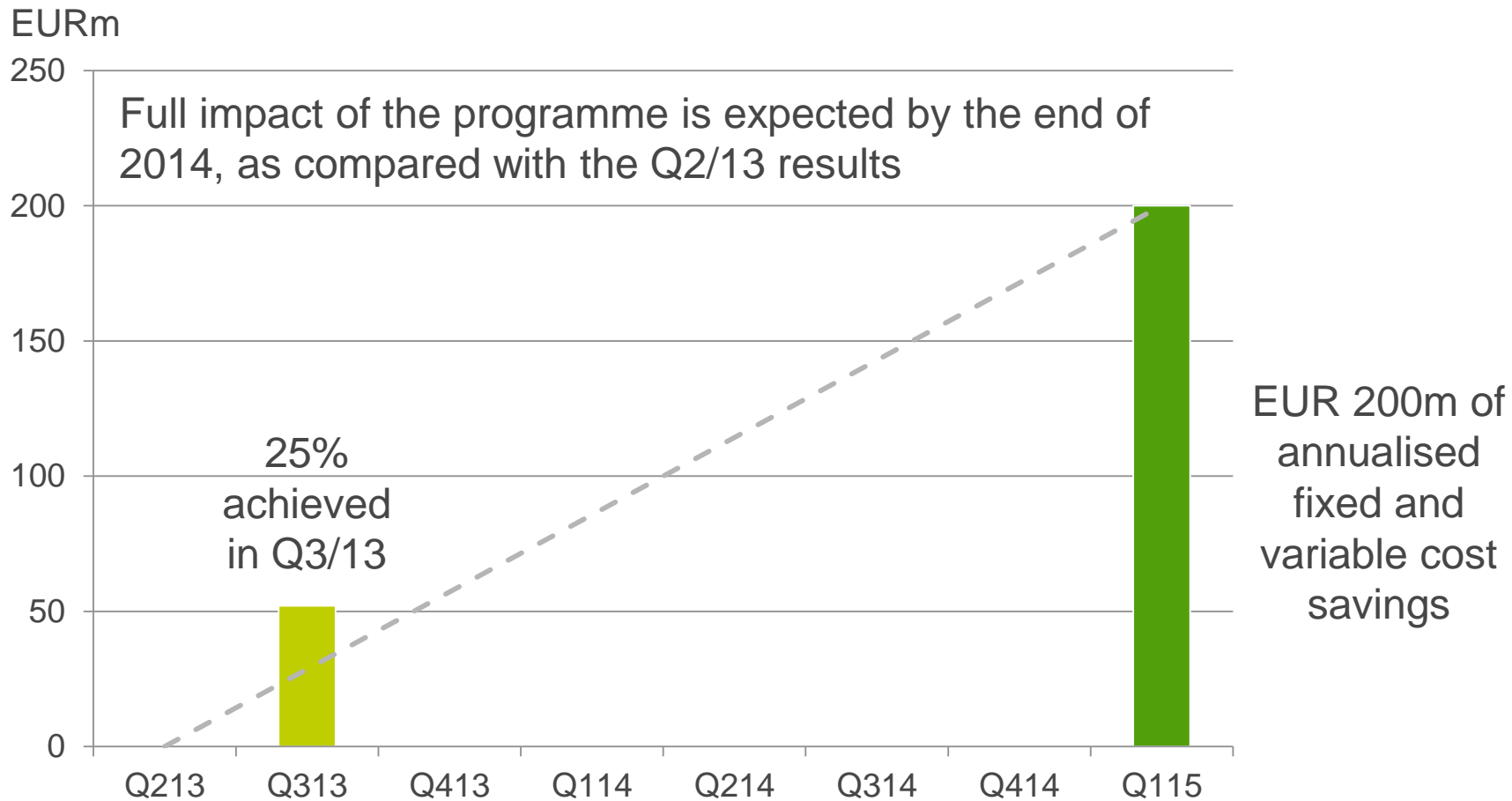
Business portfolio development and value creation

New businesses

-  BIOFUELS
-  BIOCHEMICALS
-  BIOCOMPOSITES
-  BIOFIBRILS



Profit improvement programme through simplified business structure



Growth initiatives for the next three years

- UPM targets additional EBITDA contribution of EUR 200m from its growth initiatives when they are in full operation
 - UPM Biorefining: biofuels and debottlenecking actions in all of the existing pulp mills
 - UPM Paper Asia: woodfree speciality papers in China
 - UPM Raflatac: growth in emerging markets in higher value added products
- Total investment requirement in the projects is EUR 680m
 - Total remaining investment EUR 584m in the coming three years
- UPM's total capex estimate for 2013 is EUR 400m
 - Low investment needs in existing assets allow growth initiatives with modest total annual capex

UPM Biorefining

UPM creates new business in wood-based renewable diesel



- UPM invests in wood-based renewable diesel production
 - Total investment EUR 150m
 - Production capacity 100,000 tonnes/a
 - start-up in mid-2014
- Technology is based on UPM's innovation and long-term development work
- Raw material is sustainably produced crude tall oil
 - Residue from pulp production
 - Outside food value chain, no indirect land use change
- Main product is unique renewable diesel
 - No blend wall issues - compatible with fossil diesel EN590 quality
 - 80% reduction in greenhouse gas emissions
 - High energy content



UPM Biorefining

UPM creates new business in wood-based renewable diesel



UPM Biorefining

UPM plans to expand production in its existing pulp mills by 10%

Fray Bentos

- started 2007
- capacity 1,200,000 t. of Eucalyptus pulp

Pietarsaari

- major investment 2004
- capacity 790,000 t. of birch and softwood pulp

Kymi

- major investment 2008
- capacity 570,000 t. of birch and softwood pulp

Kaukas

- modernisation in 1996
- capacity 740,000 t. of birch and softwood pulp



UPM Biorefining

85% of pulp demand is in growing end-use segments

Bleached market pulp demand by end-use and region

	WE	NA	China	ROW	Total
P&W	11%	4%	11%	8%	34%
Tissue	10%	6%	6%	10%	32%
Packaging	1%	0%	4%	2%	8%
Speciality	6%	1%	4%	4%	16%
Fluff	2%	2%	1%	4%	10%
	30%	14%	27%	28%	100%

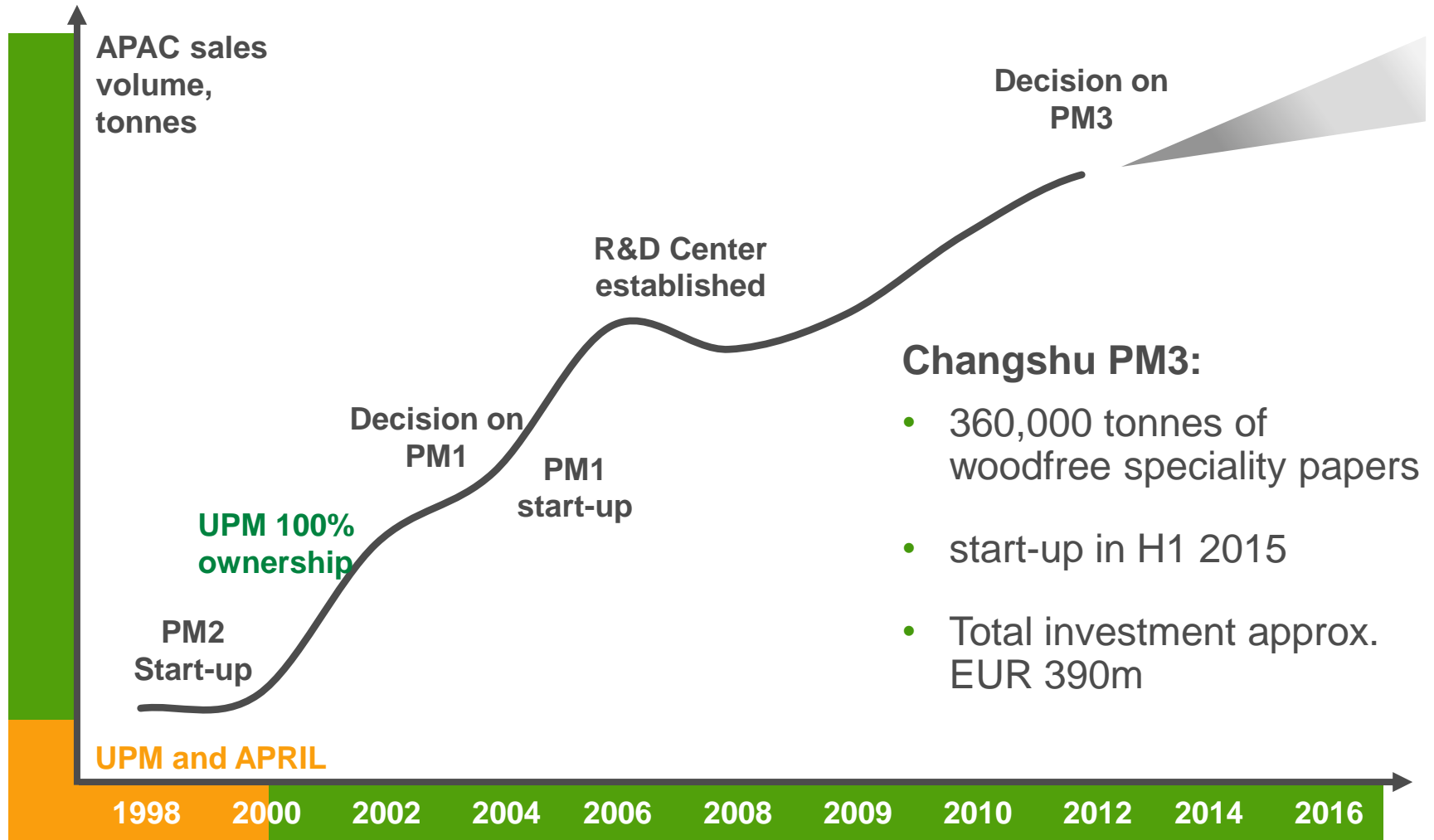
 = growing market segment (85%)

 = declining market segment (15%)

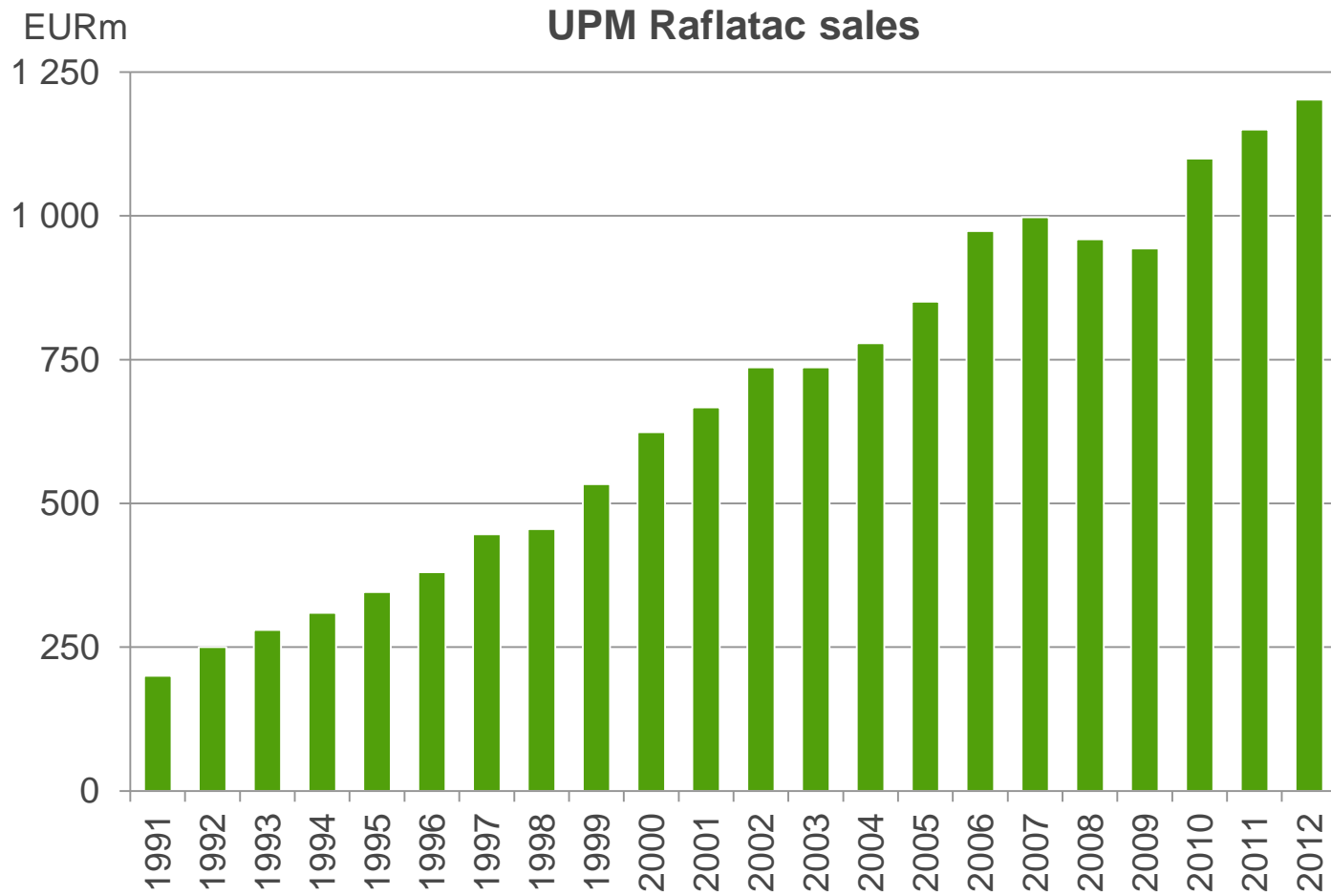
*Source: Hawkins Wright. End use markets for bleached kraft pulp, September 2013

UPM Paper Asia

UPM expands in China and the global label papers market

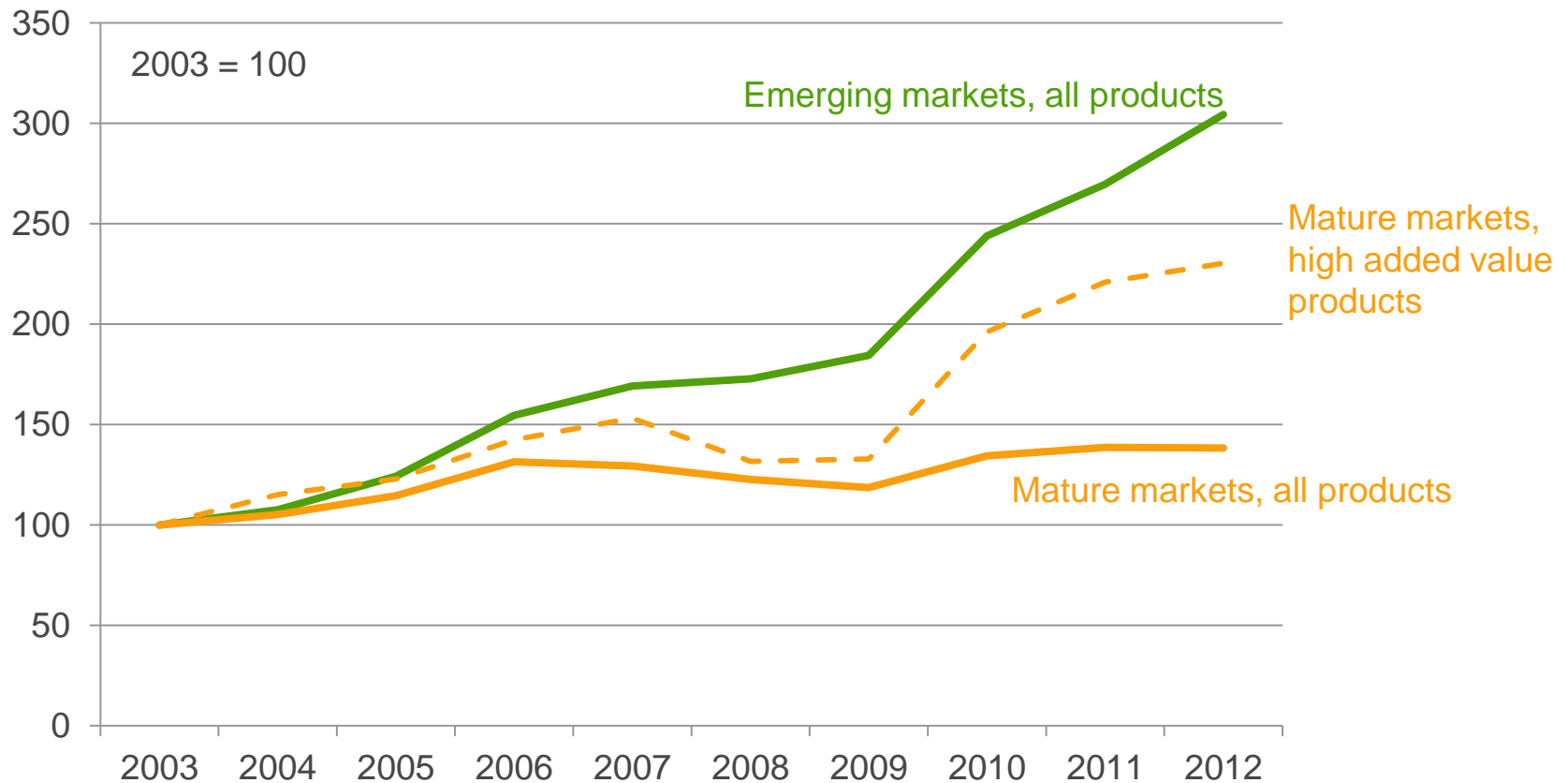


Consistent growth in label materials



Growth in higher value added labelstock products and growth markets

UPM Raflatac sales (indexed)





The Biofore Company **UPM**

FINANCIALS





Q3/2013 in brief

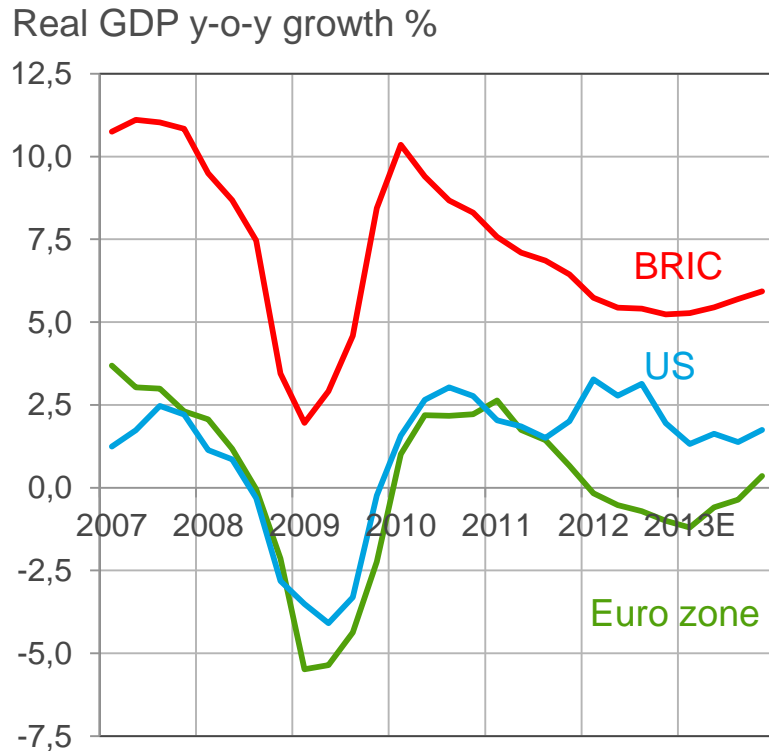
- Q3/13 EBITDA was EUR 311m (Q3/12: 313m)
- Growth businesses continued to perform well
- Paper EBITDA recovered to the same level as last year – cost reductions offset the decrease in prices and volumes
- Strong cash flow – net debt decreased

EUR m	Q3/2013	Q3/2012	9M/2013	9M/2012	2012
Sales	2,472	2,595	7,466	7,835	10,492
EBITDA	311	313	853	995	1,312
% of sales	12.6	12.1	11.4	12.7	12.5
Operating profit (*)	194	126	476	410	556
Profit before tax (*)	173	105	422	348	471
EPS, EUR (*)	0.26	0.16	0.64	0.54	0.74
Operating cash flow	286	319	473	679	1,040



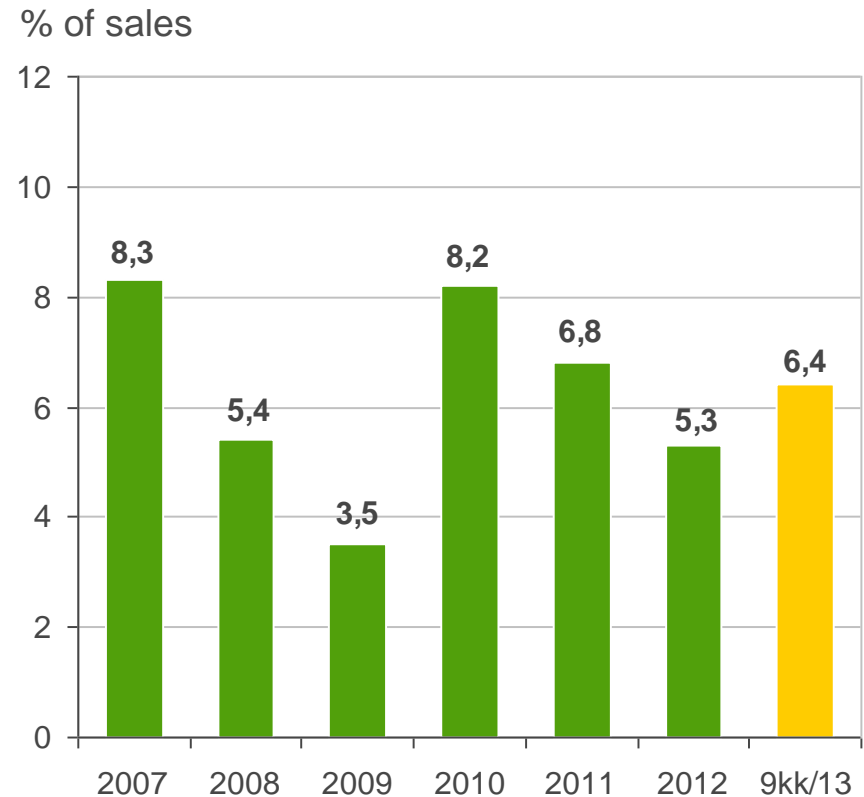
Profitability over two economic slowdowns

Europe continues to underperform the other major economic zones

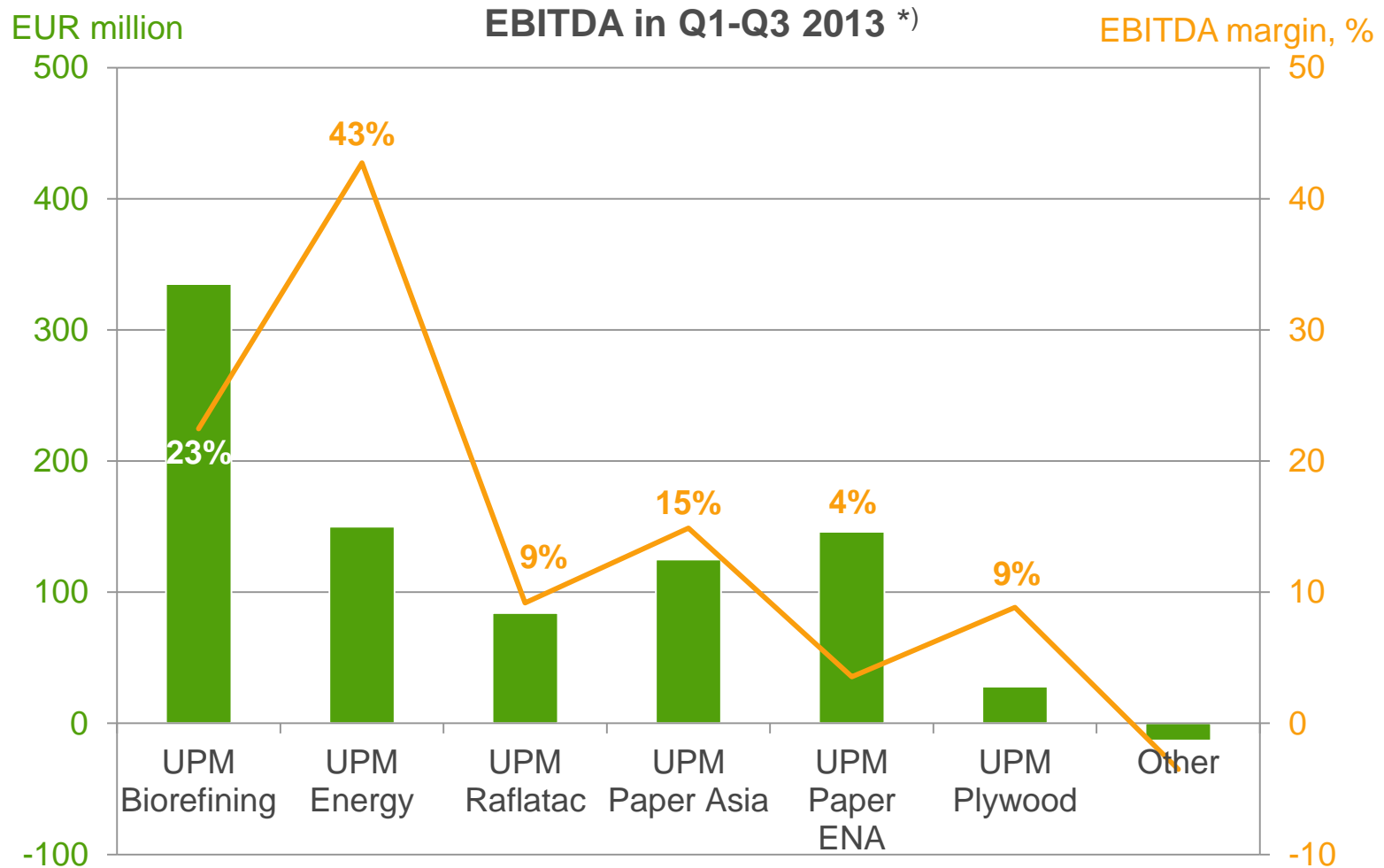


Sources: Global Insight

Operating profit excluding special items

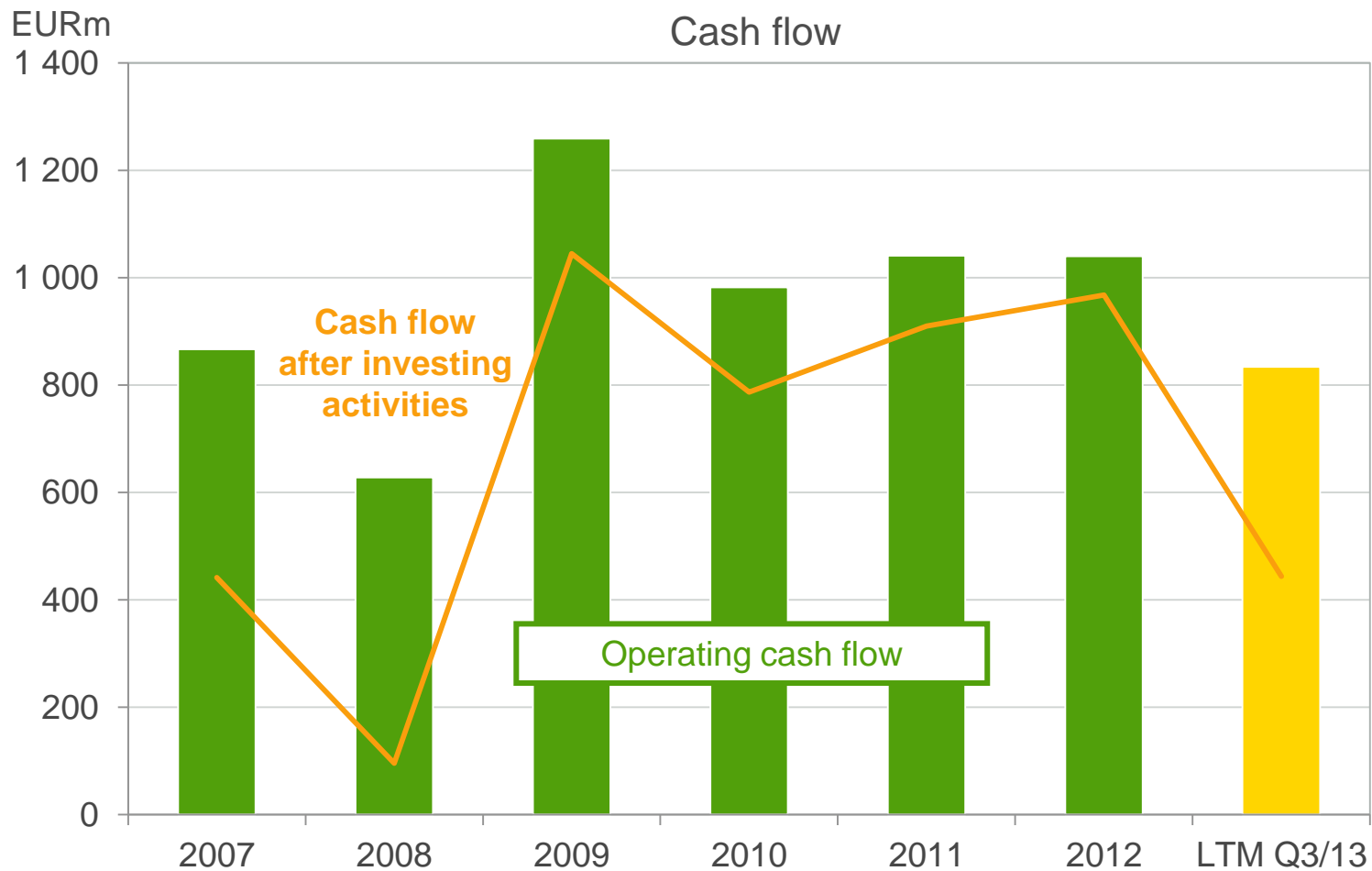


Profitability challenge in UPM Paper ENA – improvement programmes in all businesses



*) Preliminary figures

Consistent cash flow

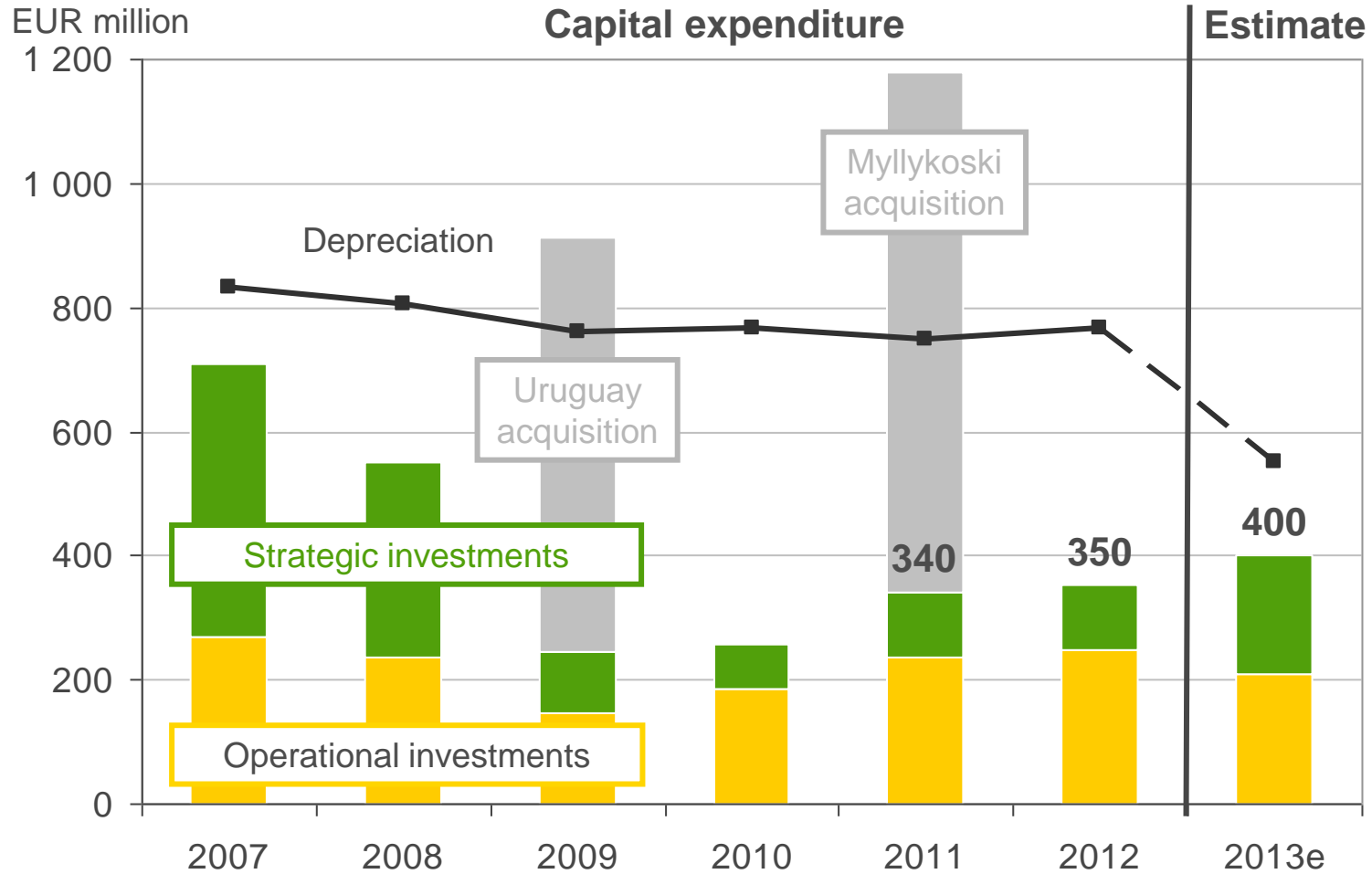


Low investment needs in existing assets allow growth initiatives with modest total annual capex

The Biofore Company

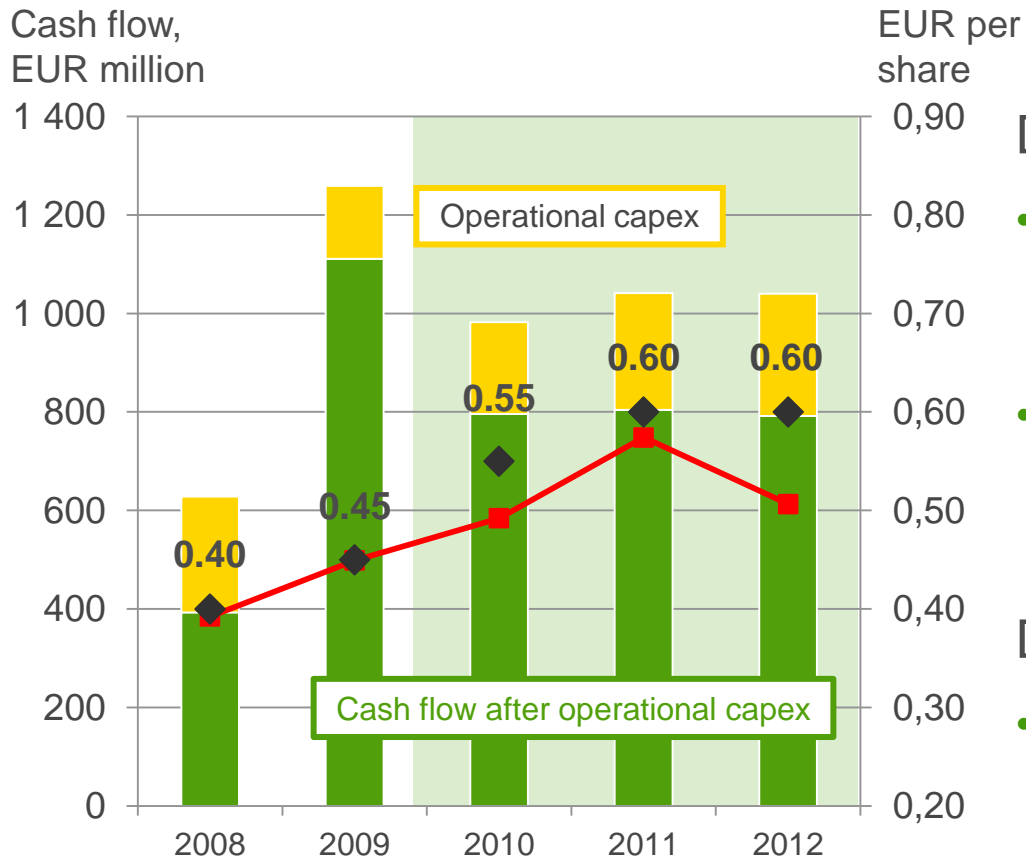


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Cash flow-based dividend



Dividend policy

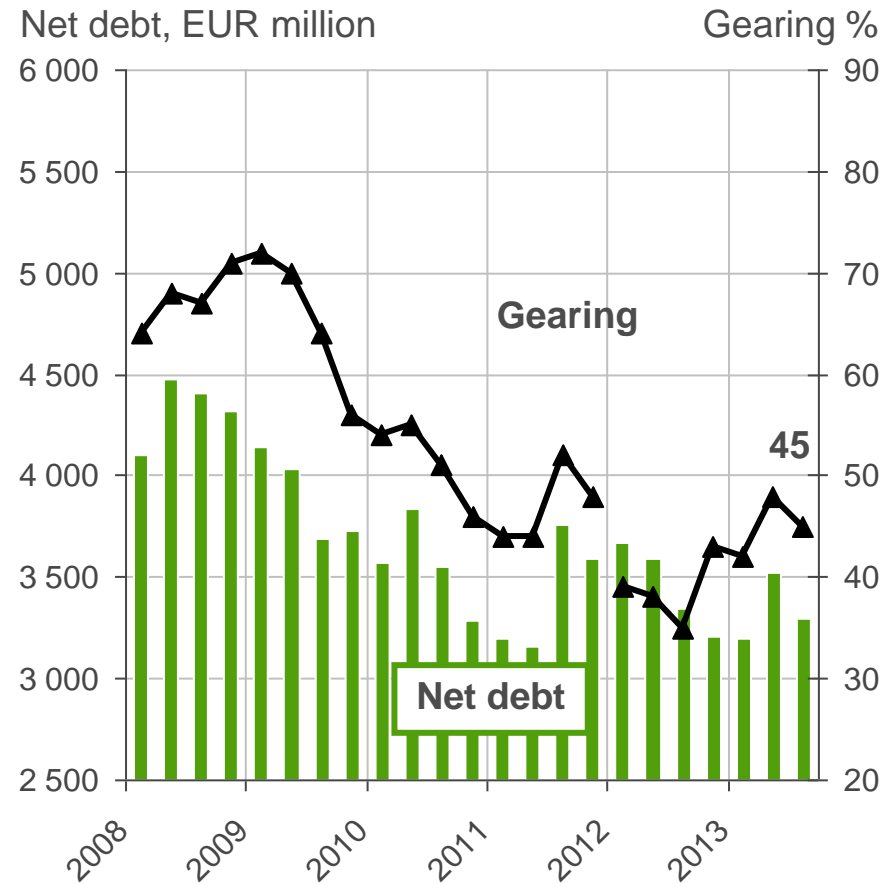
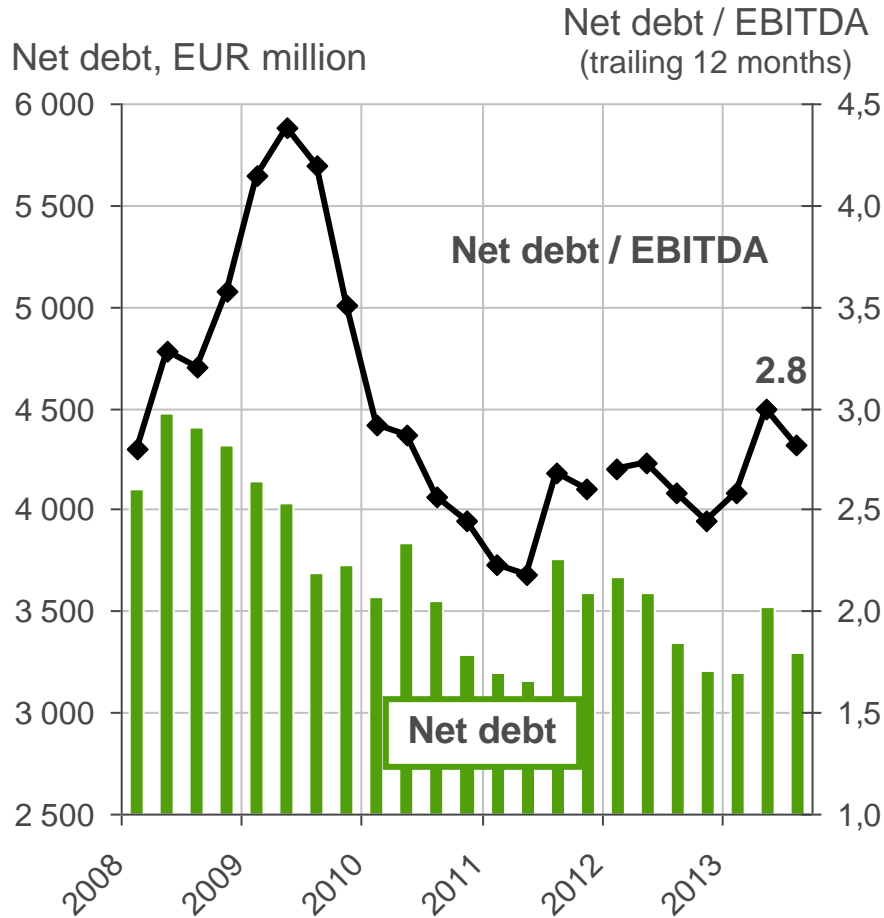
- at least 1/3 of net cash flow from operating activities less operational capital expenditure
- net cash flow calculated as an average over three years

Dividend for 2012

- EUR 0.60 (0.60) per share



Solid balance sheet



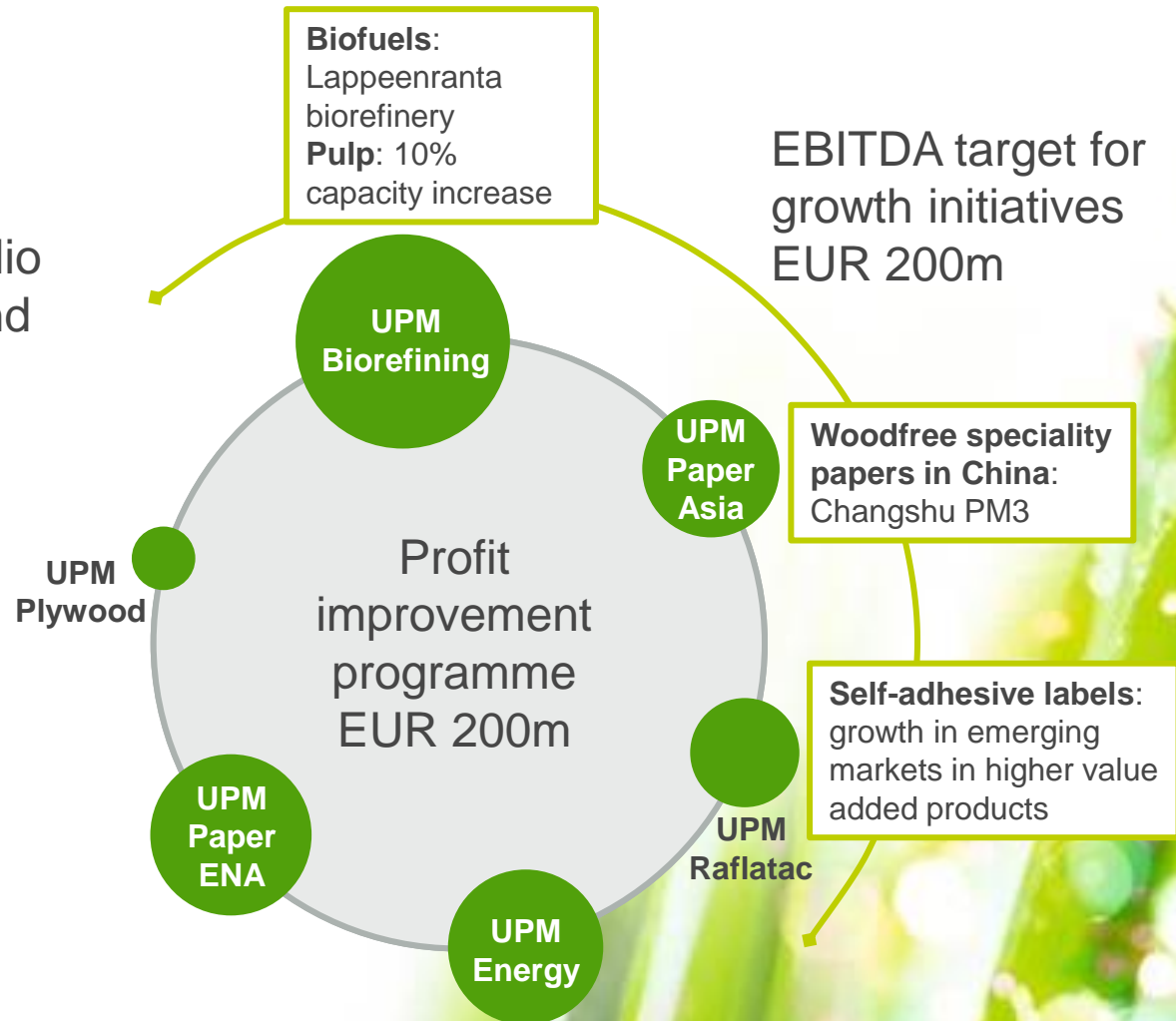
Liquidity was EUR 1.7bn at the end of Q3 2013
Repayments total EUR 0.8bn in 2013-14

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