



The Biofore Company **UPM**

UPM Q4 RESULTS 2013

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President and CEO
30 January 2014



Q4 2013 – solid results with decreased costs and improved efficiency

Q4/13 EBITDA was EUR 302m (317m in Q4/12)

Profit improvement programme progressed fast, with 48% of the targeted annualised EUR 200m cost savings achieved in Q4/13

Operating profit excl. special items was EUR 207m (146m in Q4/12)

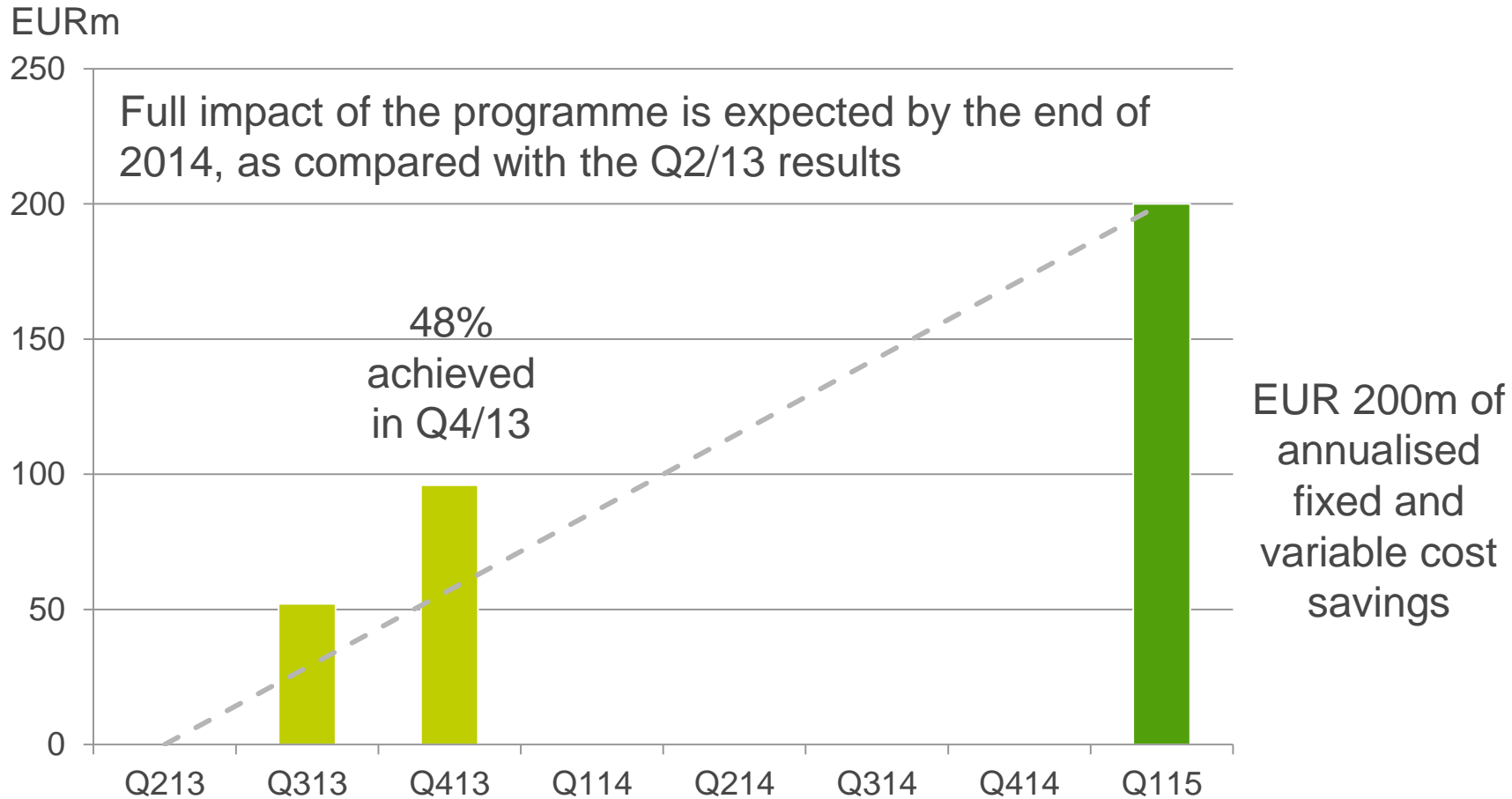
Solid operating cash flow – net debt decreased by EUR 261 million in Q4/13 to EUR 3,040 million

The Board proposes unchanged dividend of EUR 0.60 per share for 2013

Actions started to have a visible impact towards the end of the year

- New business structure announced in August
 - Short-term profit improvement programme launched
 - Targets set for the growth initiatives for the coming three years, construction of Lappeenranta biorefinery proceeded as planned
- Capacity restructuring
 - Closed down 850,000 tonnes of graphic paper capacity in Jan 2013 - Jan 2014: UPM Stracel, UPM Rauma PM3, UPM Ettringen PM4, UPM Docelles
 - Sold the Pestovo sawmill and the Aigrefeuille further processing mill
 - Reduced labelstock production capacity in Europe, South Africa and Australia
- Restructuring and streamlining of functions, wood sourcing and forestry simplified processes and improved cost efficiency

Profit improvement programme progressing fast



Q4 showed the best quarterly business performance during 2013

Significant improvement efforts in Biorefining, Plywood, Paper ENA

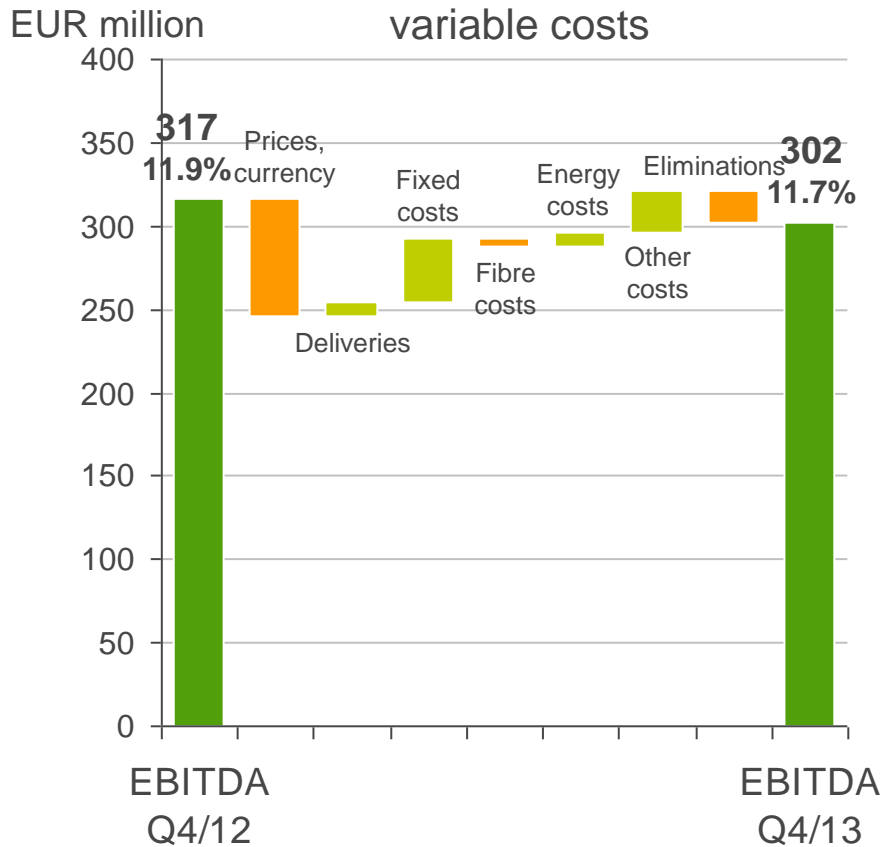
- Biorefining delivered good pulp volumes due to improved efficiency in all mills and the increased production permit in Uruguay
- Plywood showed its best quarter since 2008
- Paper ENA achieved the same EBITDA as last year, as fixed and variable cost savings offset the impact of lower prices and volumes

Satisfactory performance in Raflatac, Energy and Paper Asia

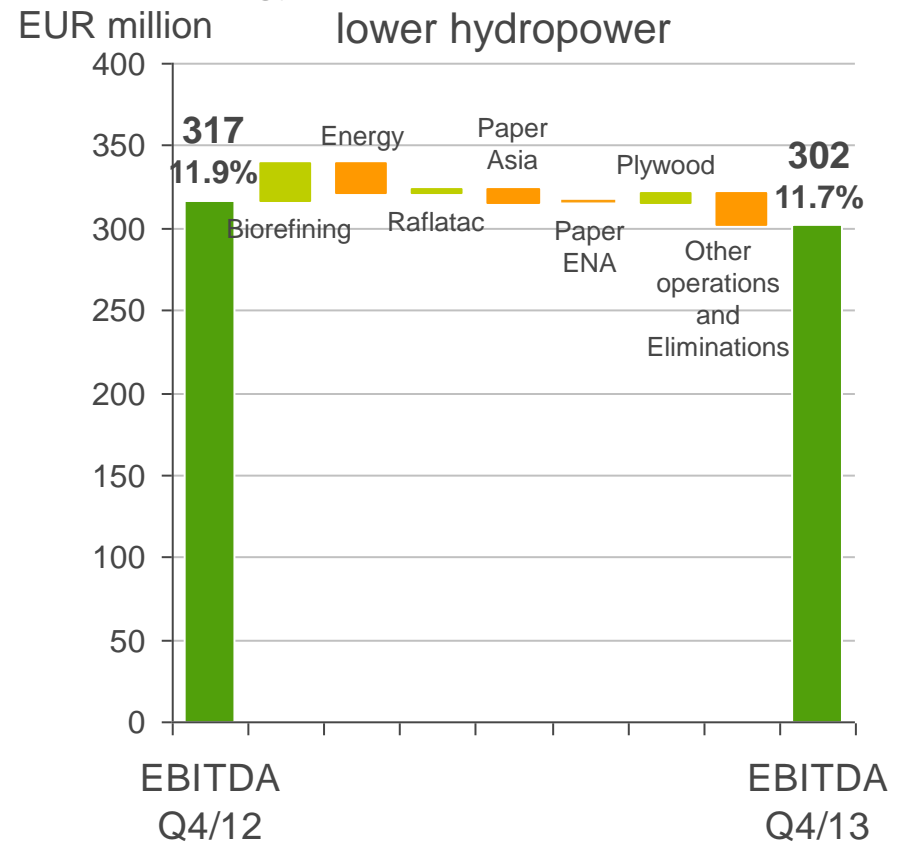
- Raflatac – the growth actions start to be visible in earnings
- Energy was impacted by mild weather and lower hydropower volume
- Paper Asia was impacted by adverse currency development

EBITDA in Q4 2013 vs. Q4 2012

Paper prices and volumes decreased
Significant savings in fixed and variable costs

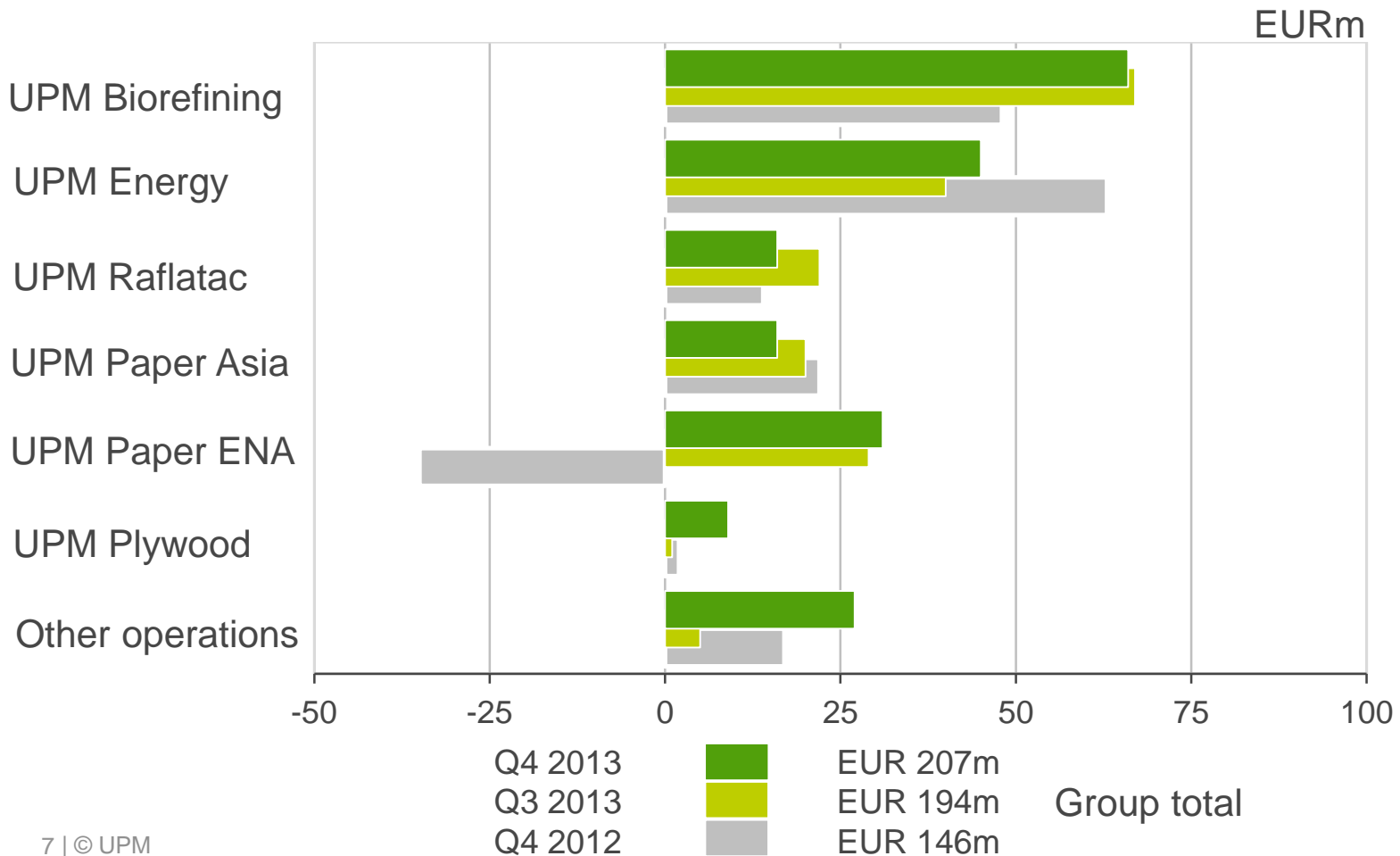


Biorefining and Plywood improved
Energy lower due to mild winter and lower hydropower

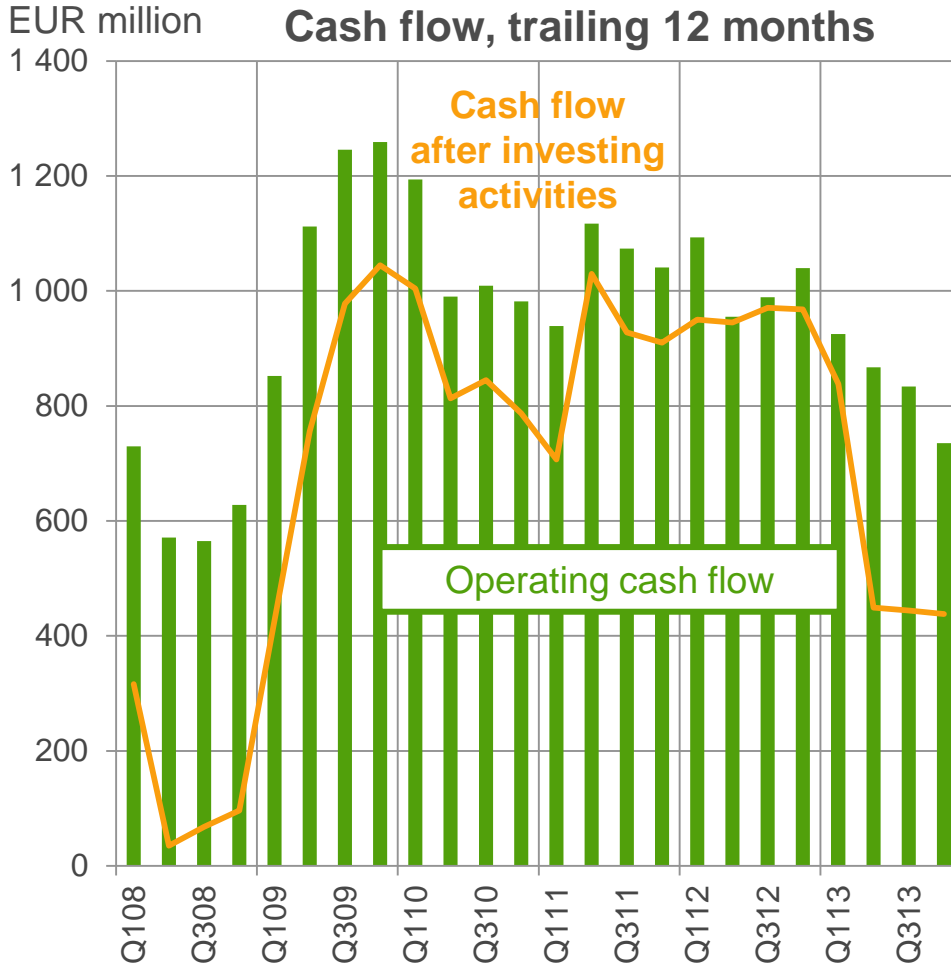


Q4 2013 operating profit excluding special items by business area

Operating profit excluding special items

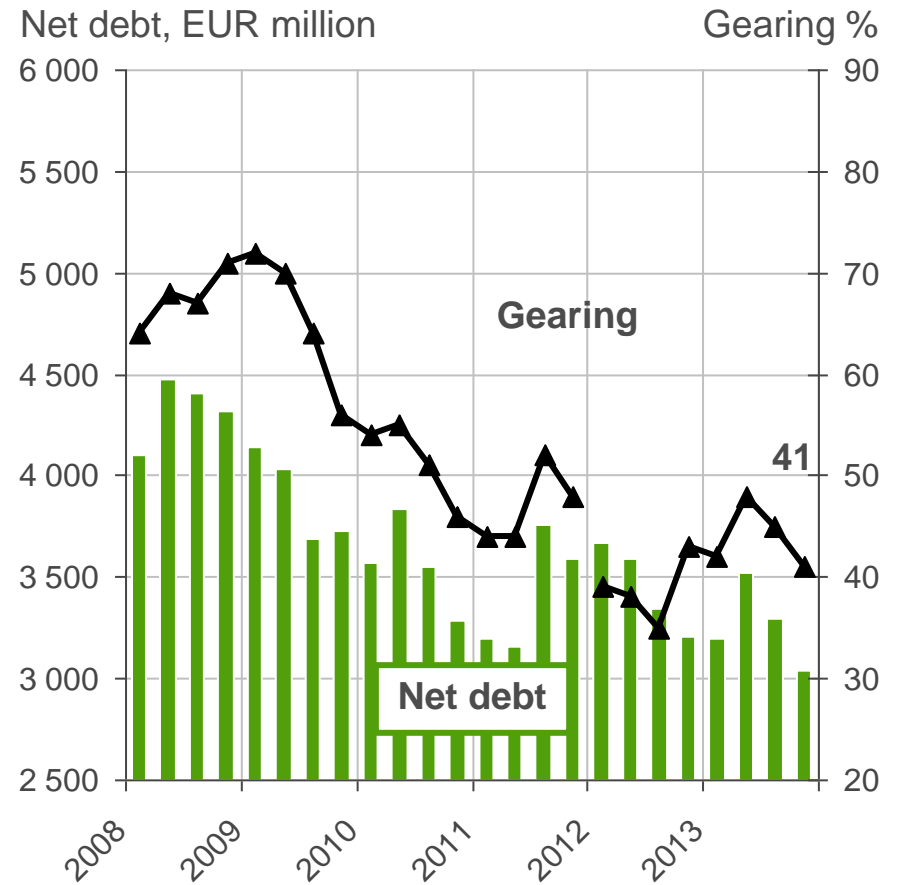
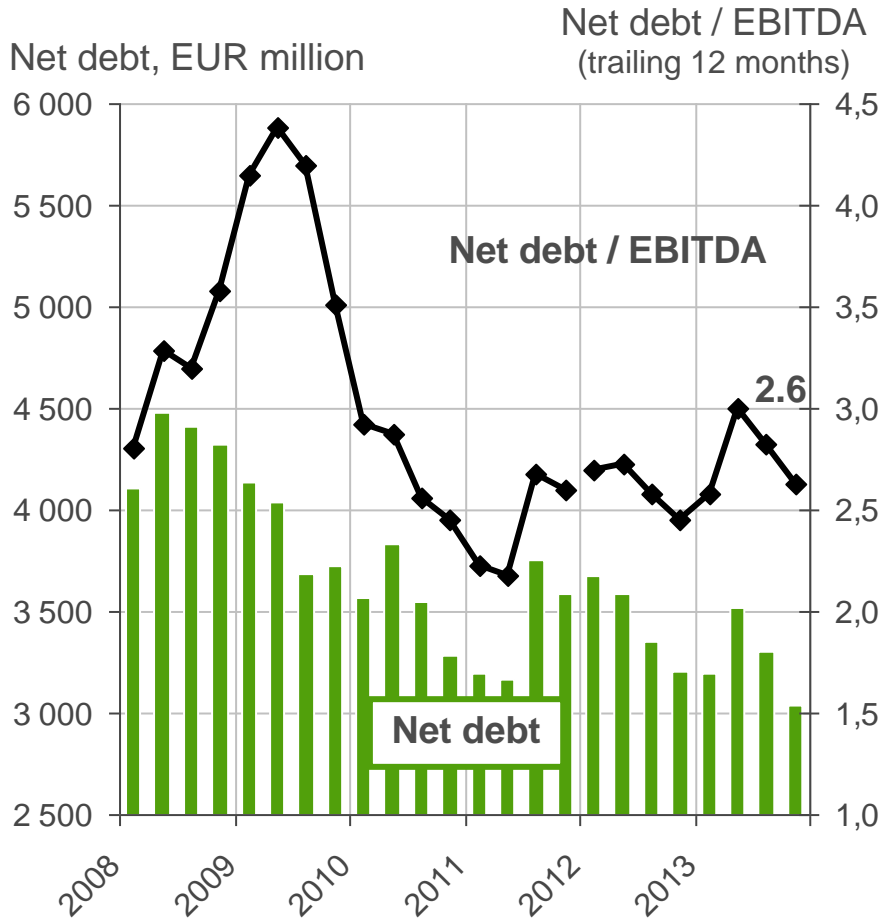


Cash flow impacted by increase in working capital



- Q4 2013 operating cash flow was EUR 262m (361m), working capital decreased by EUR 57m (102m)
- 2013 operating cash flow was EUR 735m (1,040m), working capital increased by EUR 128m (decreased by EUR 34m)

Solid balance sheet

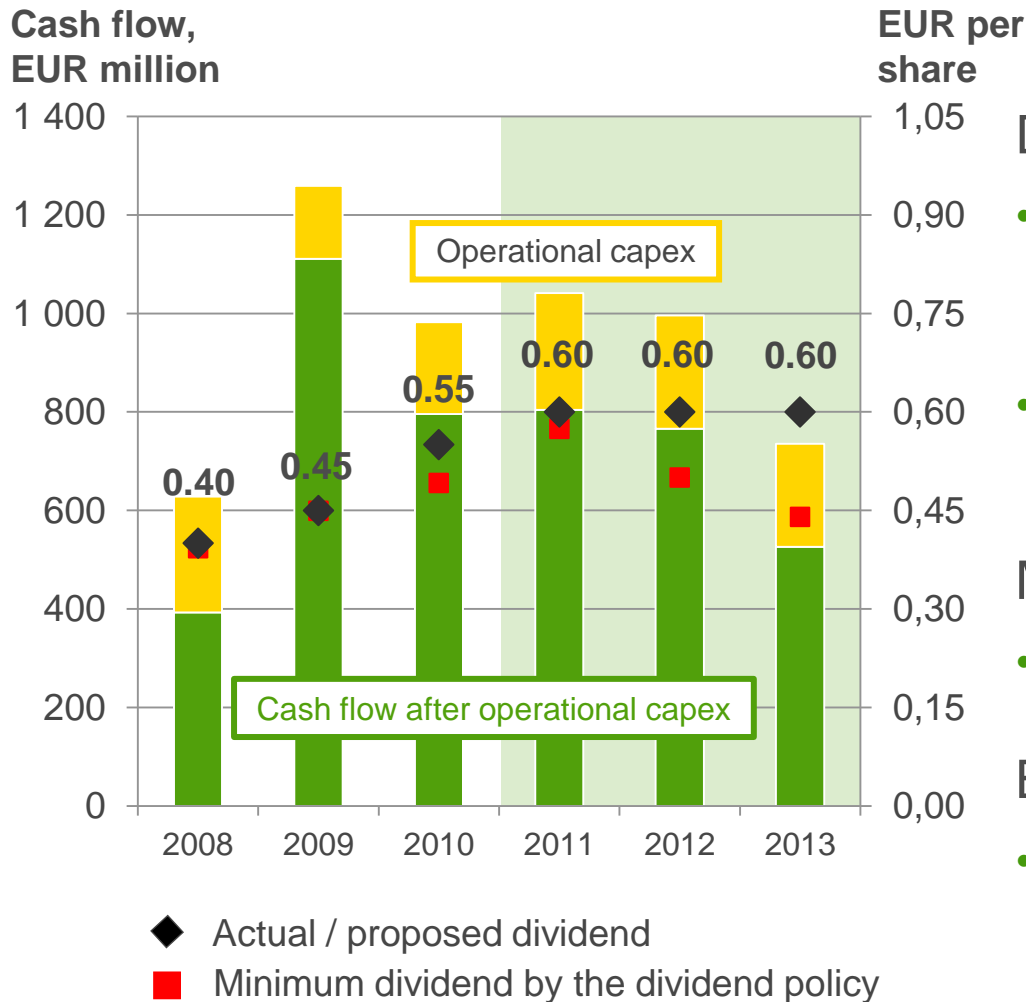


Liquidity was EUR 1.8bn at the end of Q4 2013
 Repayments total EUR 0.5bn in 2014

2012 figures restated



Board proposes unchanged 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

Minimum dividend by the policy

- EUR 0.45 per share

Board's dividend proposal 2013

- EUR 0.60 (0.60) per share



Outlook for 2014 *)

Business environment

- Growth in the European economy is expected to remain low in, but improve on last year. Growth in the US and in the developing economies is expected to outperform Europe.
- This is supportive for the global pulp and label materials markets and paper markets in Asia. It may moderate the negative demand development in European graphic papers and stimulate European demand for wood products.
- Hydrological situation in Finland is close to the long term average.

UPM business outlook for H1 2014 is broadly stable

- In H1 2014, UPM's performance is expected to be underpinned by stable overall outlook for Energy, Raflatac, Paper Asia and Plywood, compared with H2 2013.
- Profitability of Paper ENA is expected to improve due to the on-going cost reduction measures. In H1 2014 compared with H2 2013, performance will be negatively impacted by lower delivery volumes, including seasonal factors.
- Biorefining is starting the year in a stable market. Capacity additions in the global pulp market may impact the pulp market balance unfavourably during 2014, depending on the timing of the new start-ups.






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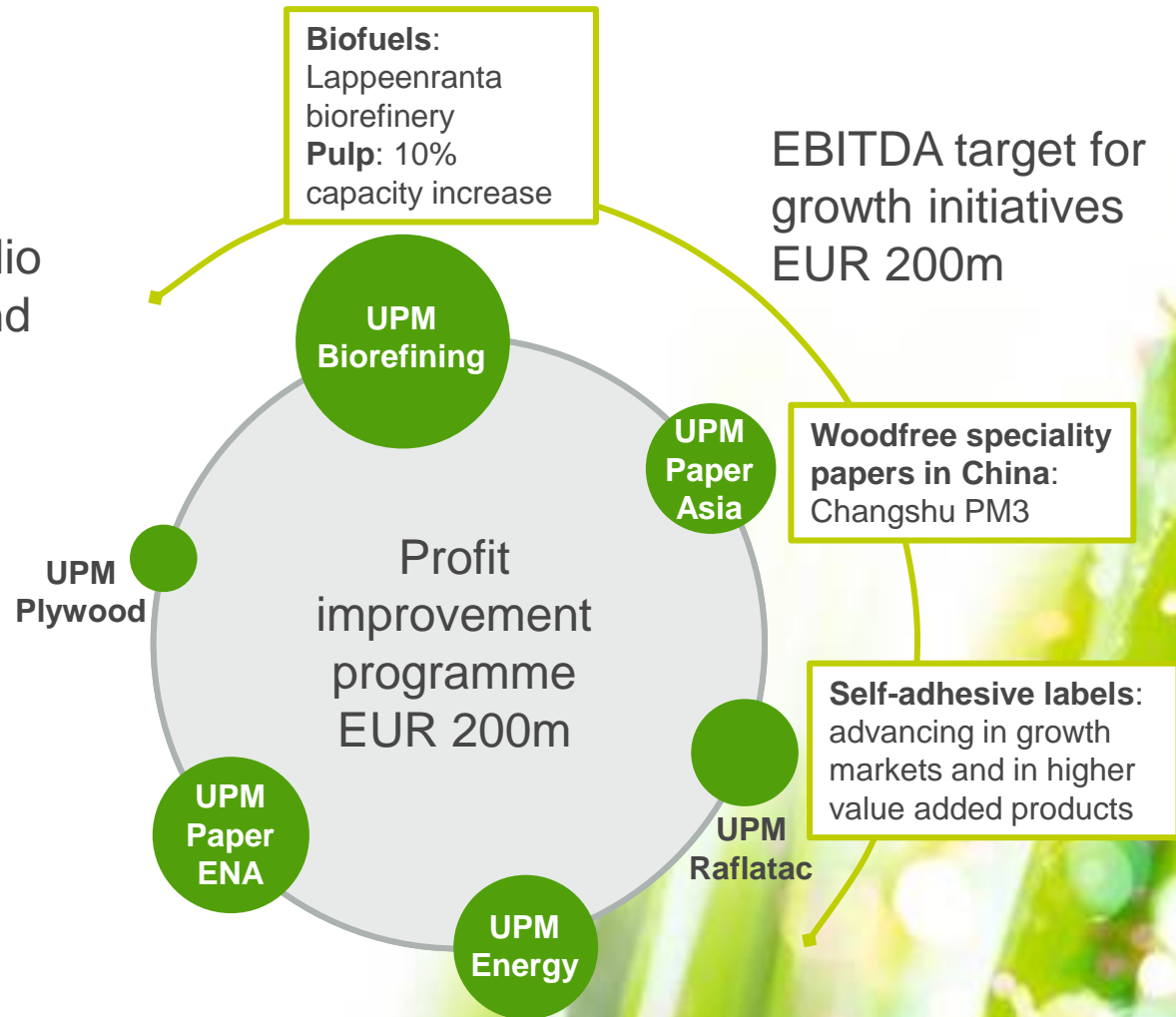
SHIFTING GEAR – NEW BUSINESS STRUCTURE TO DRIVE CHANGE

Shifting gear in UPM transformation with the new business structure

Business portfolio development and value creation

New businesses

-  BIOFUELS
-  BIOCHEMICALS
-  BIOCOMPOSITES





Summary

- Solid Q4 results thanks to improved costs and efficiency
- 2014 is starting with broadly stable business outlook, supported by own actions
- Ready to proceed further with the profitability and growth initiatives
- UPM seeks to develop the business portfolio and enhance the value of UPM assets



UPM's Capital Markets Day in London, on 11 March, 2014



Welcome!

UPM will arrange a Capital Markets Day for investors and analysts in London on Tuesday, 11 March, 2014

In the event we will share the latest on the Group's strategy and financial performance

A detailed programme of the Capital Markets Day will be available prior to the event on UPM's website at www.upm.com

For registration please visit our website or send us e-mail to ir@upm.com



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FINANCIALS Q4 2013





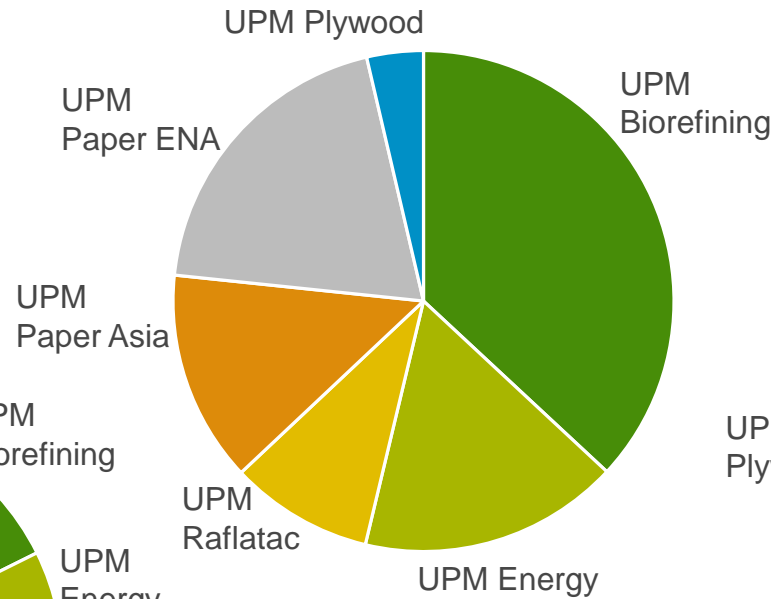
Q4 2013 key figures

EUR m	Q4 2013	Q4 2012	Q3 2013	2013	2012
Sales	2,588	2,657	2,472	10,054	10,492
sales growth, %	-3%	-1%	-5%	-4%	4%
EBITDA	302	317	311	1,155	1,312
% of sales	11.7	11.9	12.6	11.5	12.5
Operating profit (*)	207	146	194	683	556
Profit before tax (*)	188	123	173	610	471
Earnings per share, EUR (*)	0.27	0.20	0.26	0.91	0.74
Operating cash flow	262	361	286	735	1,040
Net debt	3,040	3,210	3,301	3,040	3,210
Gearing %	41	43	45	41	43

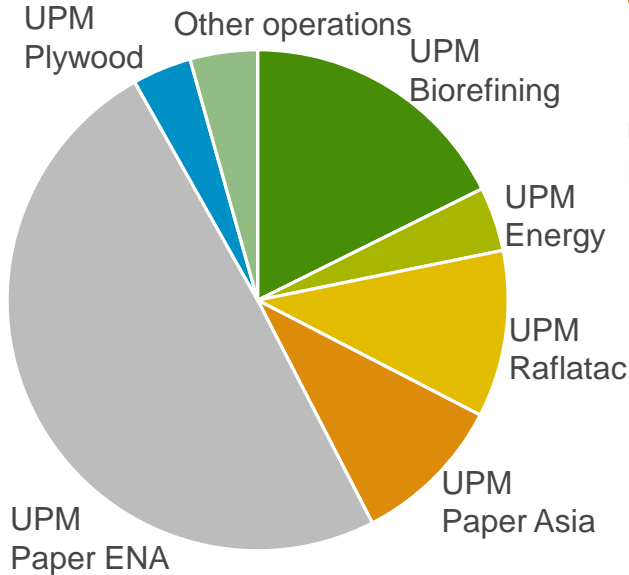
*) excluding special items

New business structure – financial figures in 2013

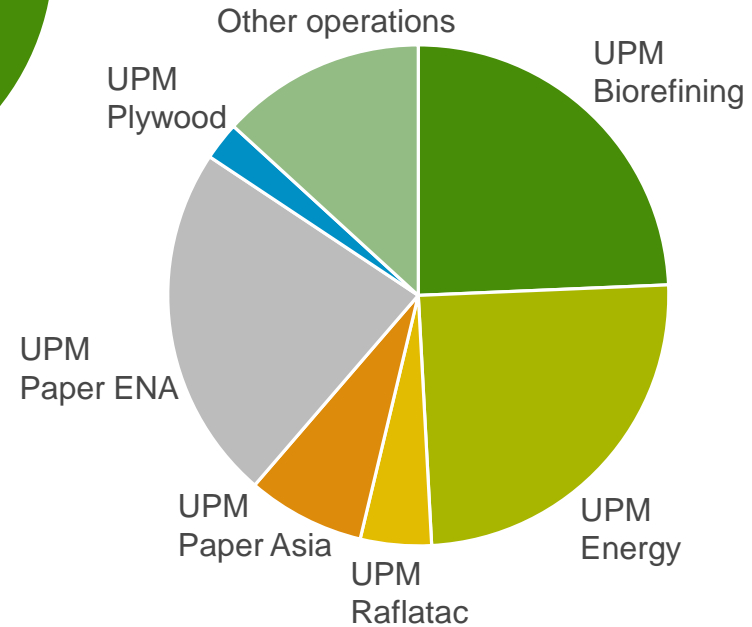
EBITDA



Sales (*)

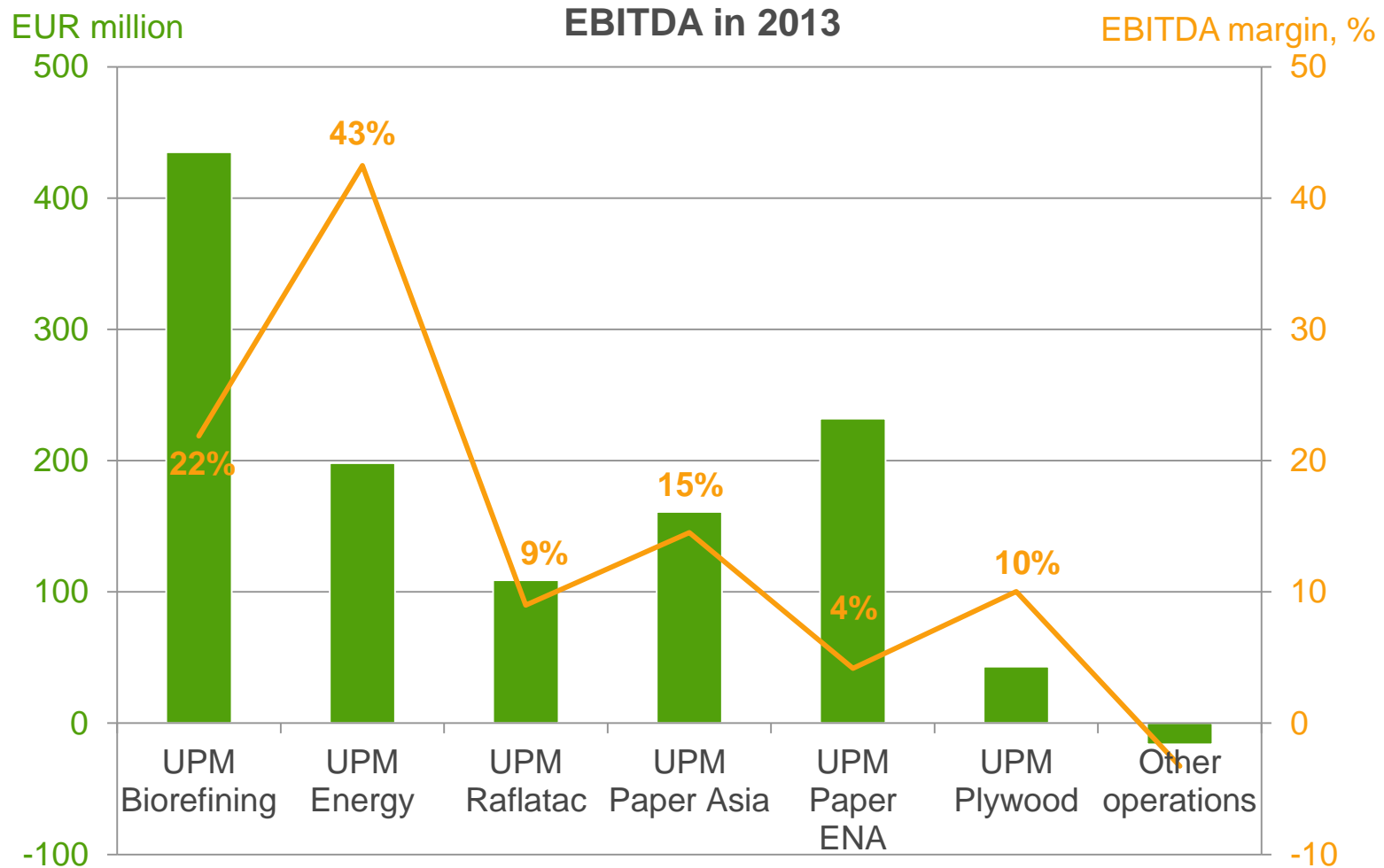


Capital employed



Profitability challenge in UPM Paper ENA

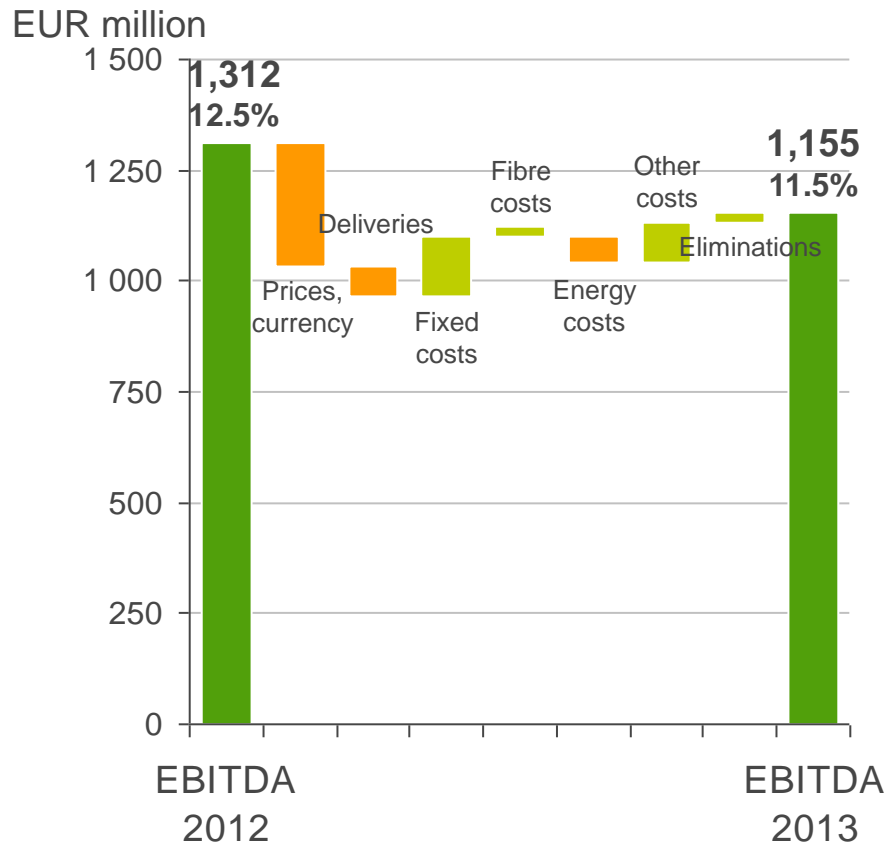
– improvement programmes in all businesses, growth initiatives in several businesses



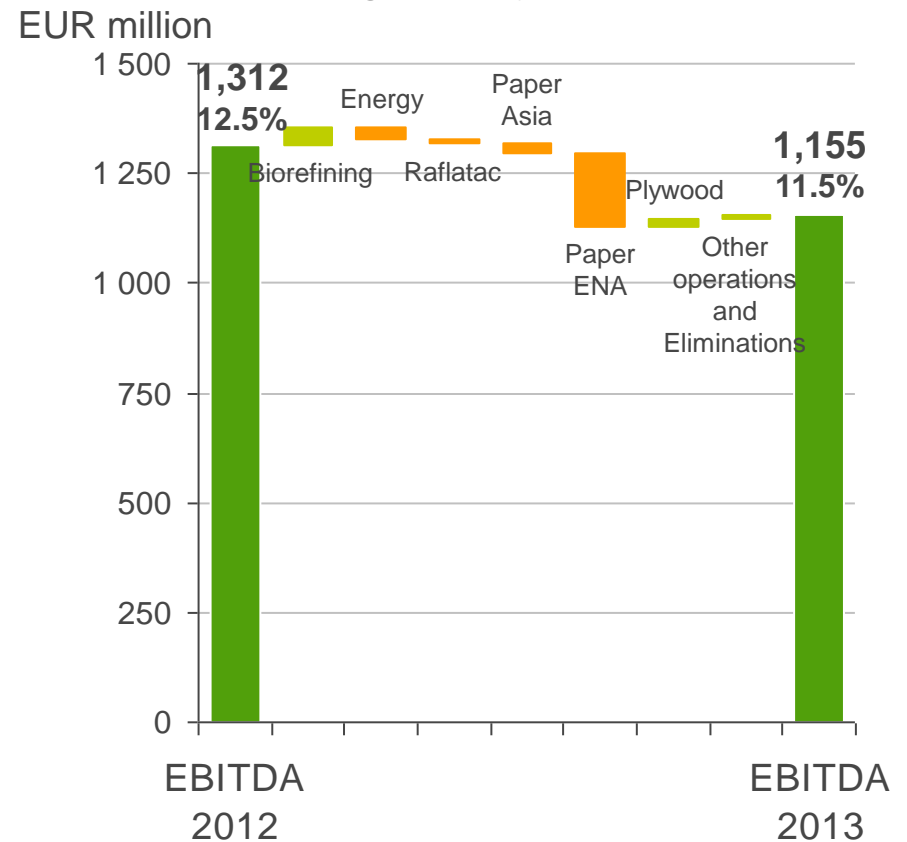


EBITDA in 2013 vs. 2012

Paper prices and volumes decreased
Savings in fixed and variable costs



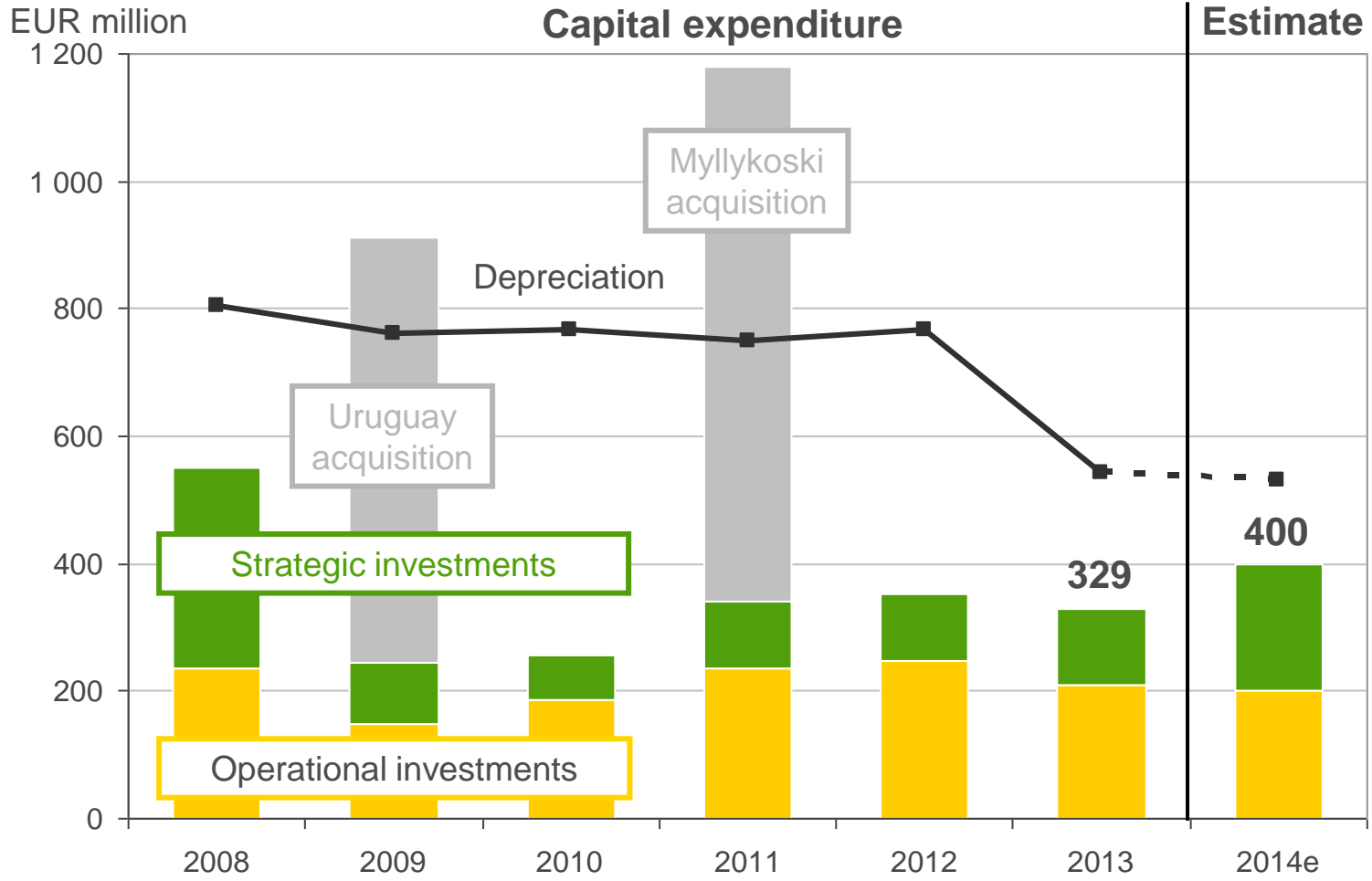
Paper ENA was weak in H1 2013,
Biorefining and Plywood improved



Cash flow

EUR million	Q4/13	Q4/12	Q3/13	2013	2012
EBITDA	302	317	311	1,155	1,312
Cash flow before change in working capital	289	305	294	1085	1156
Change in working capital	57	102	30	-128	34
Finance costs and income taxes	-84	-46	-38	-222	-150
Net cash from operating activities	262	361	286	735	1,040
Capital expenditure	-91	-109	-79	-337	-379
Asset sales and acquisitions	55	-20	21	40	307
Cash flow after investing activities	226	232	228	438	968

Capex focused on growth businesses – low investment needs to maintain existing assets





Maturity profile and liquidity

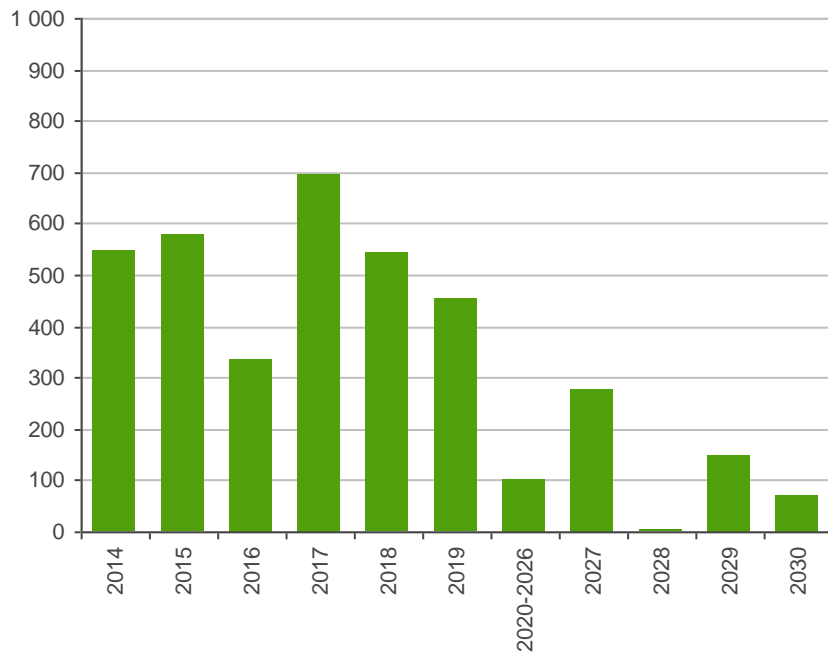
Liquidity

Liquidity on 31 Dec 2013 was EUR 1.8bn
(cash and unused credit facilities)

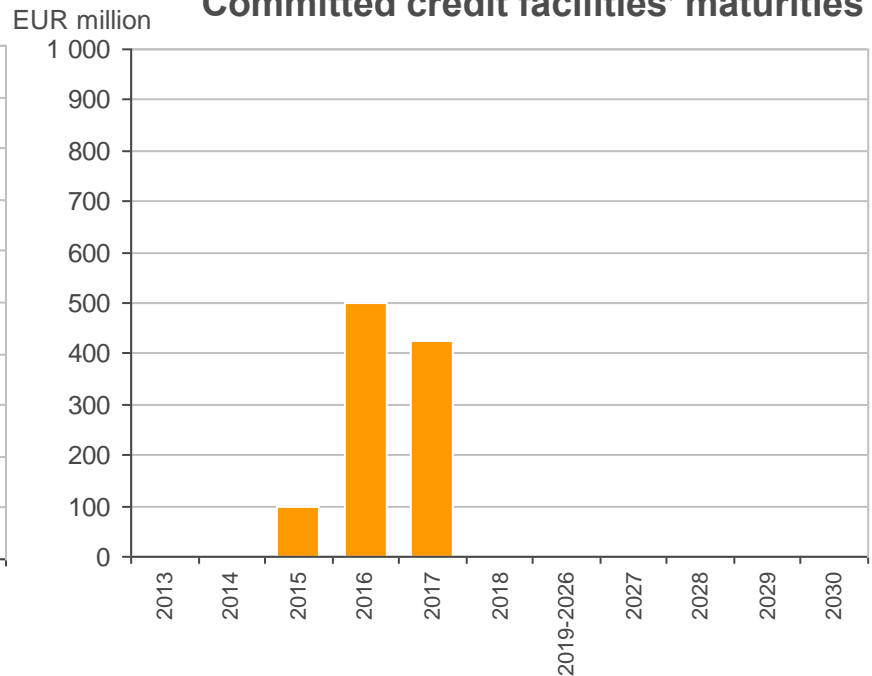
Committed credit facilities EUR 1.025bn

- syndicated credit facility EUR 500 million
- bilateral committed credit facilities EUR 525 million

EUR million **Maturity profile of outstanding debt**



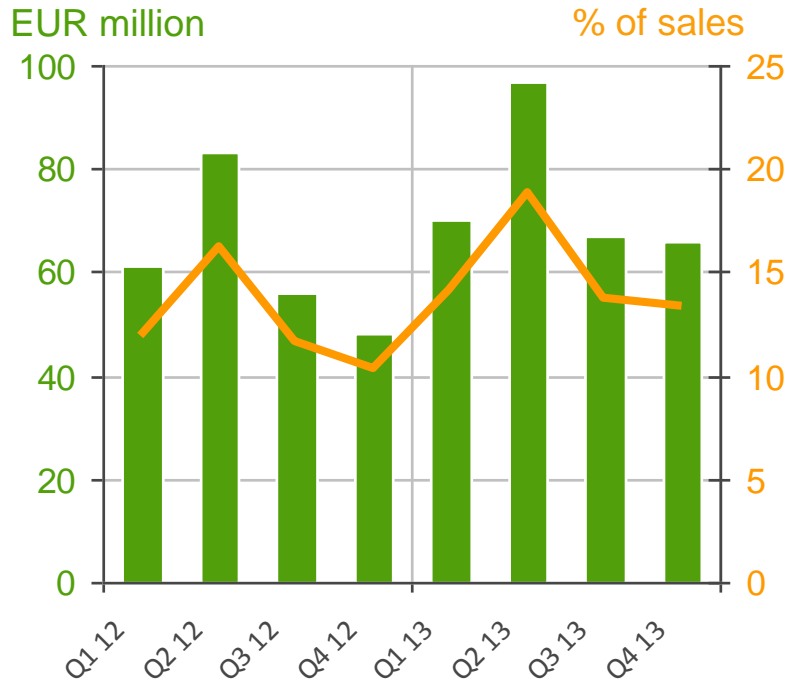
EUR million **Committed credit facilities' maturities**





UPM Biorefining Q4 2013 vs. Q4 2012

Operating profit excluding special items



Business performance

- The increase in operating profit was mainly due to higher pulp production and delivery volumes.
- Pulp deliveries increased by 11% to 810,000 tonnes (730,000), partly due to the increased production at the Fray Bentos mill.

Sales **Q4 2013** **497** **6%**
 EUR million **Q4 2012** **468**

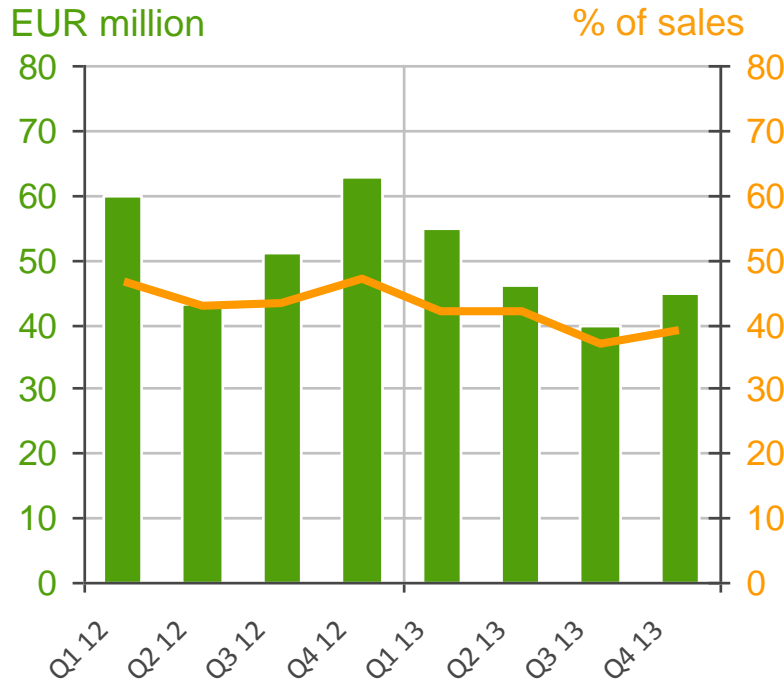
Operating profit **Q4 2013** **66** **18**
 EUR million*) **Q4 2012** **48** EUR million

*) excluding special items



UPM Energy Q4 2013 vs. Q4 2012

Operating profit excluding special items



Business performance

- The decrease in operating profit was mainly due to lower hydropower generation volumes.
- The average electricity sales price remained virtually unchanged at EUR 46.0/MWh (46.2/MWh).

Sales **Q4 2013** **115** **-14%**
 EUR million Q4 2012 134

Operating profit **Q4 2013** **45** **-18**
 EUR million*) Q4 2012 63 EUR million

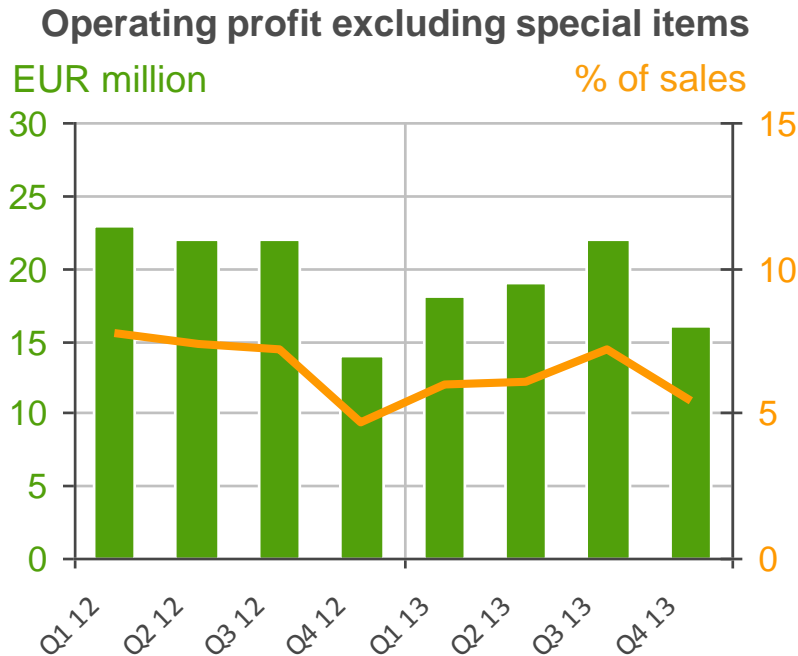
*) excluding special items



UPM Raflatac Q4 2013 vs. Q4 2012

Business performance

- Operating profit increased on last year's level. Volume growth more than offset the impact of lower sales margin.



Sales **Q4 2013 298** **-1%**
 EUR million Q4 2012 301

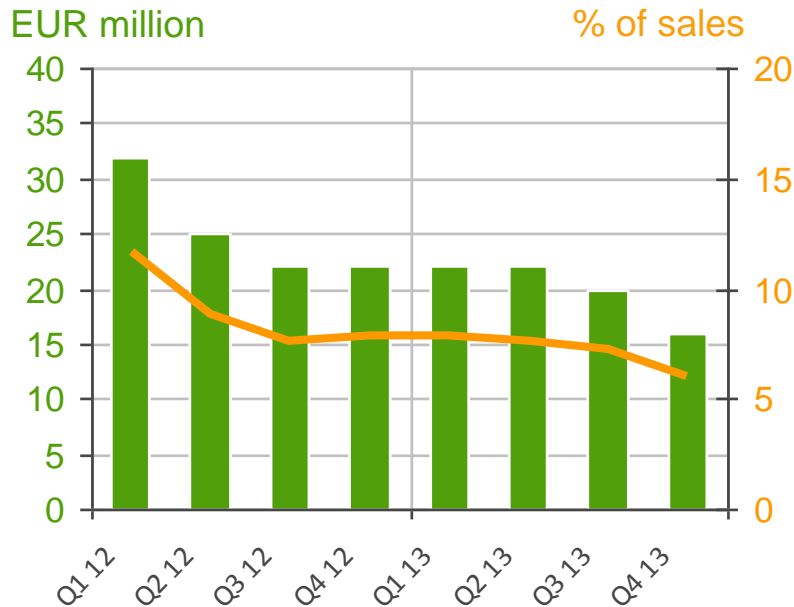
Operating profit **Q4 2013 16** **2**
 EUR million*) Q4 2012 14 EUR million

*) excluding special items



UPM Paper Asia Q4 2013 vs. Q4 2012

Operating profit excluding special items



Business performance

- The decrease in operating profit was mainly due to lower fine paper prices, including a material negative currency impact.

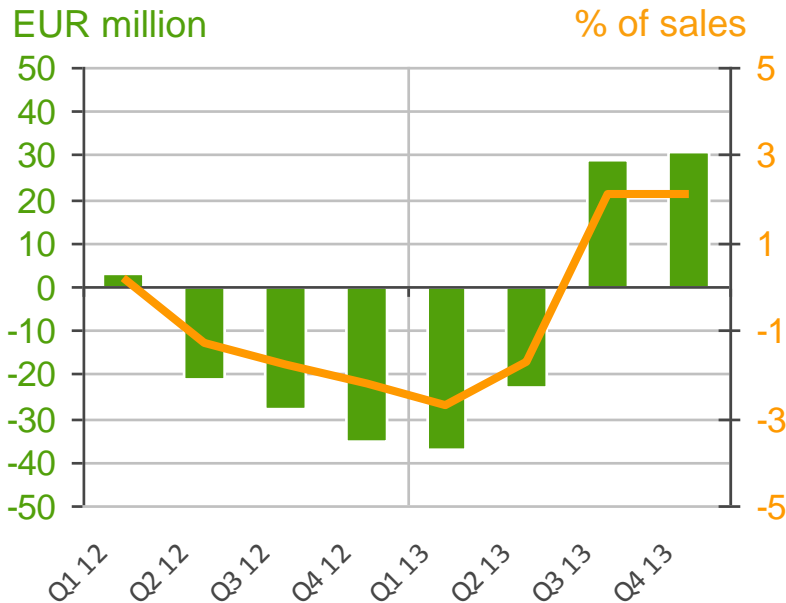
Sales **Q4 2013 268** ▼ -4%
 EUR million Q4 2012 280

Operating profit **Q4 2013 16** ▼ -6
 EUR million*) Q4 2012 22
 *) excluding special items



UPM Paper ENA Q4 2013 vs. Q4 2012

Operating profit excluding special items



Business performance

- The increase in operating profit was mainly due to lower depreciation. Lower average paper prices and deliveries were offset by lower variable and fixed costs, partly driven by the ongoing profit improvement programme.
- The average price for paper deliveries in Euros was approximately 3% lower than last year.

Sales **Q4 2013 1,445** **-9%**
 EUR million Q4 2012 1,563

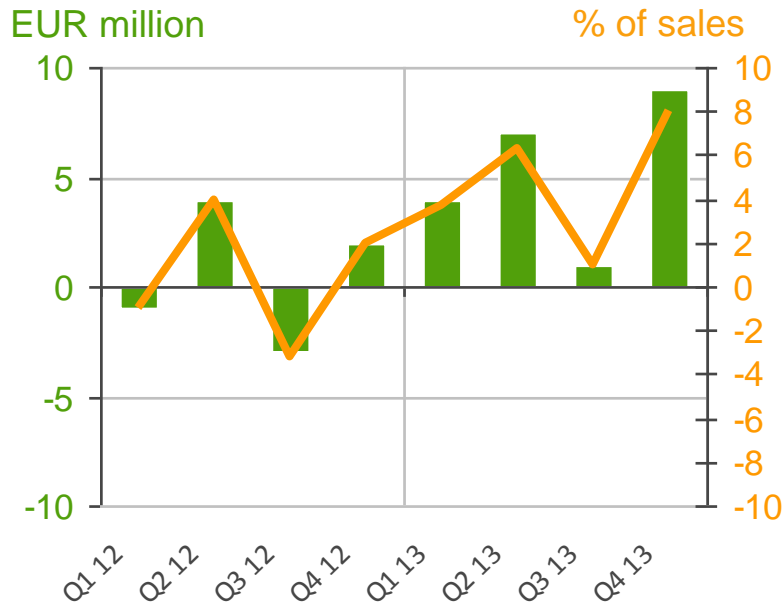
Operating profit **Q4 2013 31** **66**
 EUR million*) Q4 2012 -35 EUR million

*) excluding special items



UPM Plywood Q4 2013 vs. Q4 2012

Operating profit excluding special items



Business performance

- Operating profit increased mainly due to higher delivery volumes.

Sales **Q4 2013 112** **14%**
 EUR million Q4 2012 99

Operating profit **Q4 2013 9**
 EUR million*) Q4 2012 2 EUR million

*) excluding special items



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