



MORE WITH BIOFORE

UPM – THE BIOFORE COMPANY

Nordea Forest Products & Paper Seminar 2014

President and CEO
Jussi Pesonen





Contents

- UPM in transformation
- UPM strategy
- Performance
- Summary



The Biofore Company **UPM**

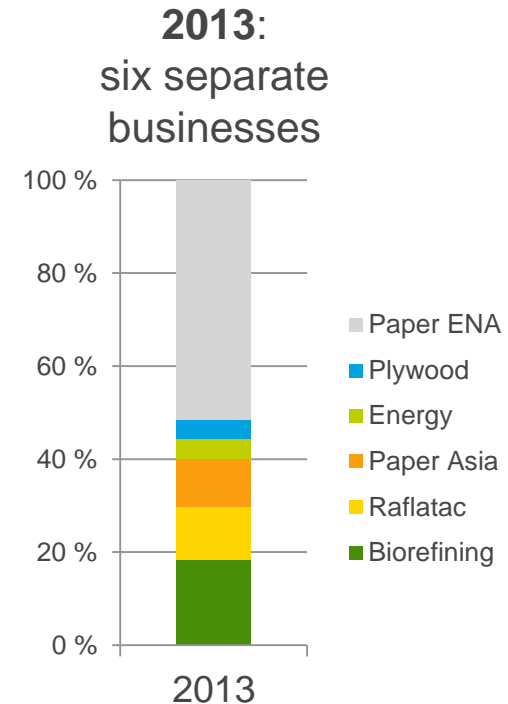
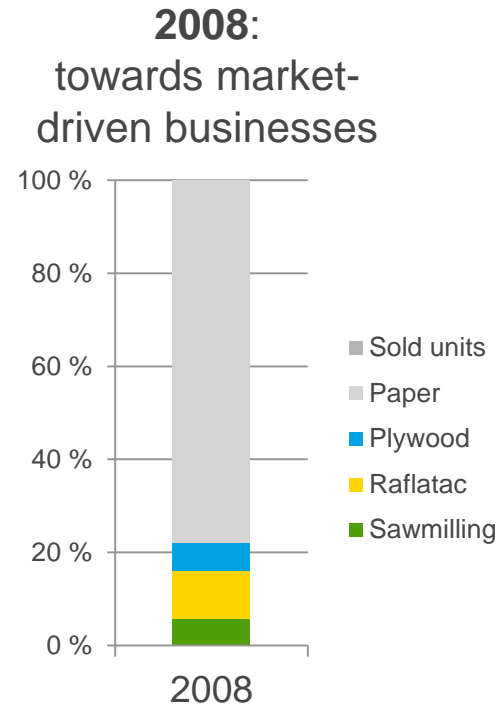
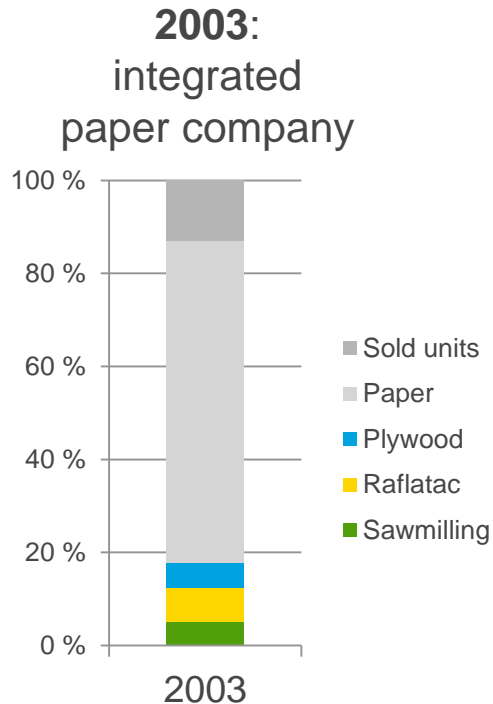
UPM IN TRANSFORMATION





UPM in transformation – revenues

Business portfolio, Sales



Sales EUR 9.9bn
 EBIT(*) EUR 429m
 EBIT margin(*) 4.4%
 Personnel 34,500

Sales EUR 9.5bn
 EBIT(*) EUR 513m
 EBIT margin(*) 5.4%
 Personnel 25,000

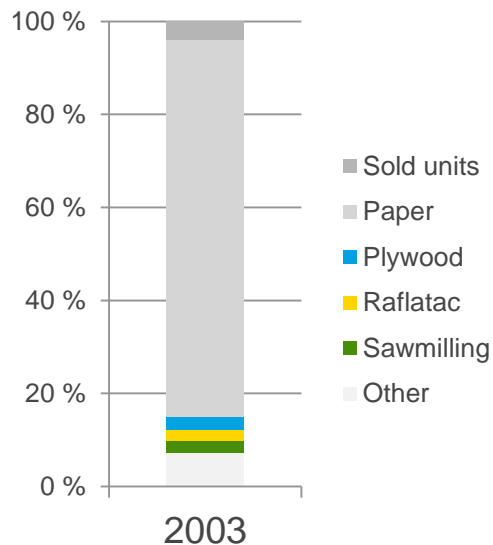
Sales EUR 10.1bn
 EBIT(*) EUR 683m
 EBIT margin(*) 6.8%
 Personnel 21,000



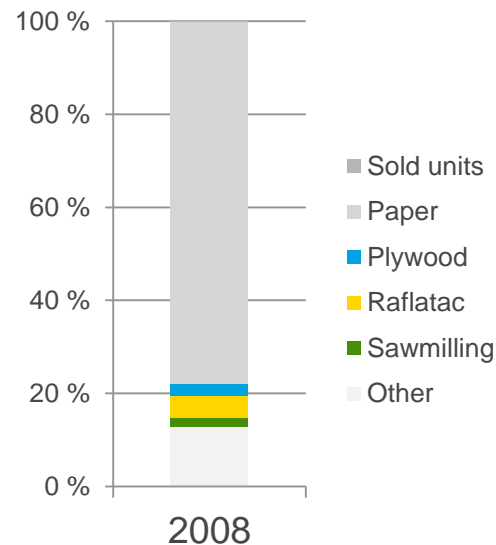
UPM in transformation – capital

Business portfolio, Capital employed

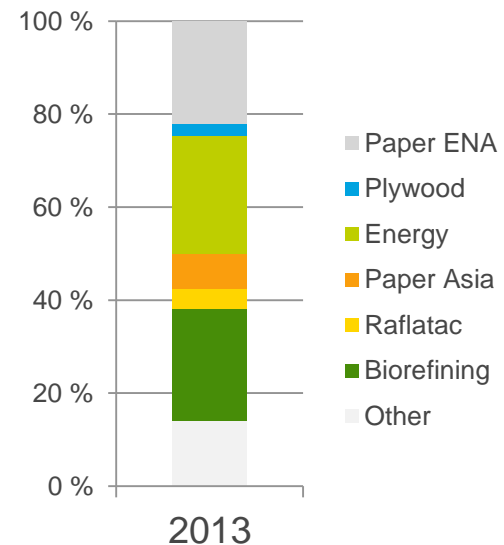
2003:
integrated paper company



2008:
towards market-driven businesses



2013:
six separate businesses



Capital empl. EUR 12.8bn
 ROCE (*) 4.7%
 Net debt EUR 4.9bn
 Market cap EUR 7.9bn

EUR 11.2bn
 4.6%
 EUR 4.3bn
 EUR 4.7bn

EUR 11.6bn
 6.0%
 EUR 3.0bn
 EUR 6.5bn

UPM's businesses

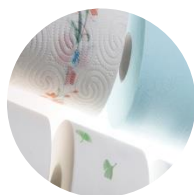
UPM Plywood

- Plywood and veneer products



UPM Paper ENA

- Magazine papers in Europe and in North America
- Newsprint and Fine papers in Europe



UPM Biorefining

- Pulp
- Biofuels
- Sawmills



UPM Paper Asia

- Fine papers in China
- Labelling materials globally



UPM Raflatac

- Label materials for product and information labelling



UPM Energy

- Hydro, nuclear and condensing power generation
- Electricity trading in physical and derivatives markets

Financials 2013	Sales EUR	EBITDA %	ROCE %
UPM Biorefining	1,988m	22	11
UPM Energy	466m	43	7
UPM Raflatac	1,213m	9	14
UPM Paper Asia	1,108m	15	9
UPM Paper ENA	5,560m	4	0
UPM Plywood	429m	10	7
UPM total	10,054m	11	6



Group targets

Performance

- Top performance in each business area

Portfolio

- Develop UPM business portfolio in order to increase its value and create growth

Financials

- Strong cash flow, operating profit margin > 10%

Balance sheet

- Strong balance sheet

Dividend policy

- Cash flow based, good dividend



The Biofore Company **UPM**

UPM STRATEGY




Shifting gear in UPM transformation

Business portfolio development and value creation


New businesses



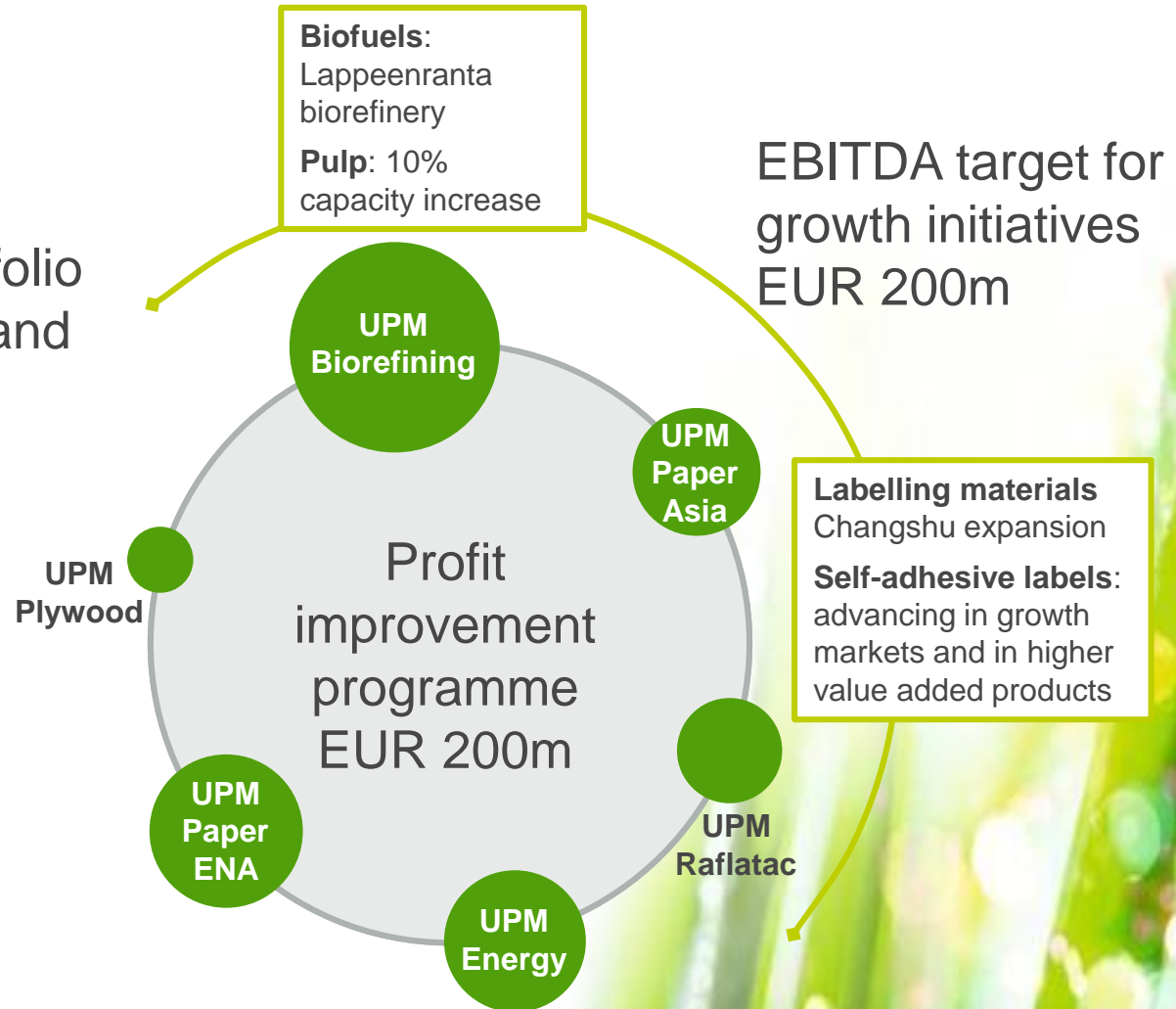
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BIOCOMPOSITES






Shifting gear in UPM transformation

Business portfolio development and value creation


New businesses



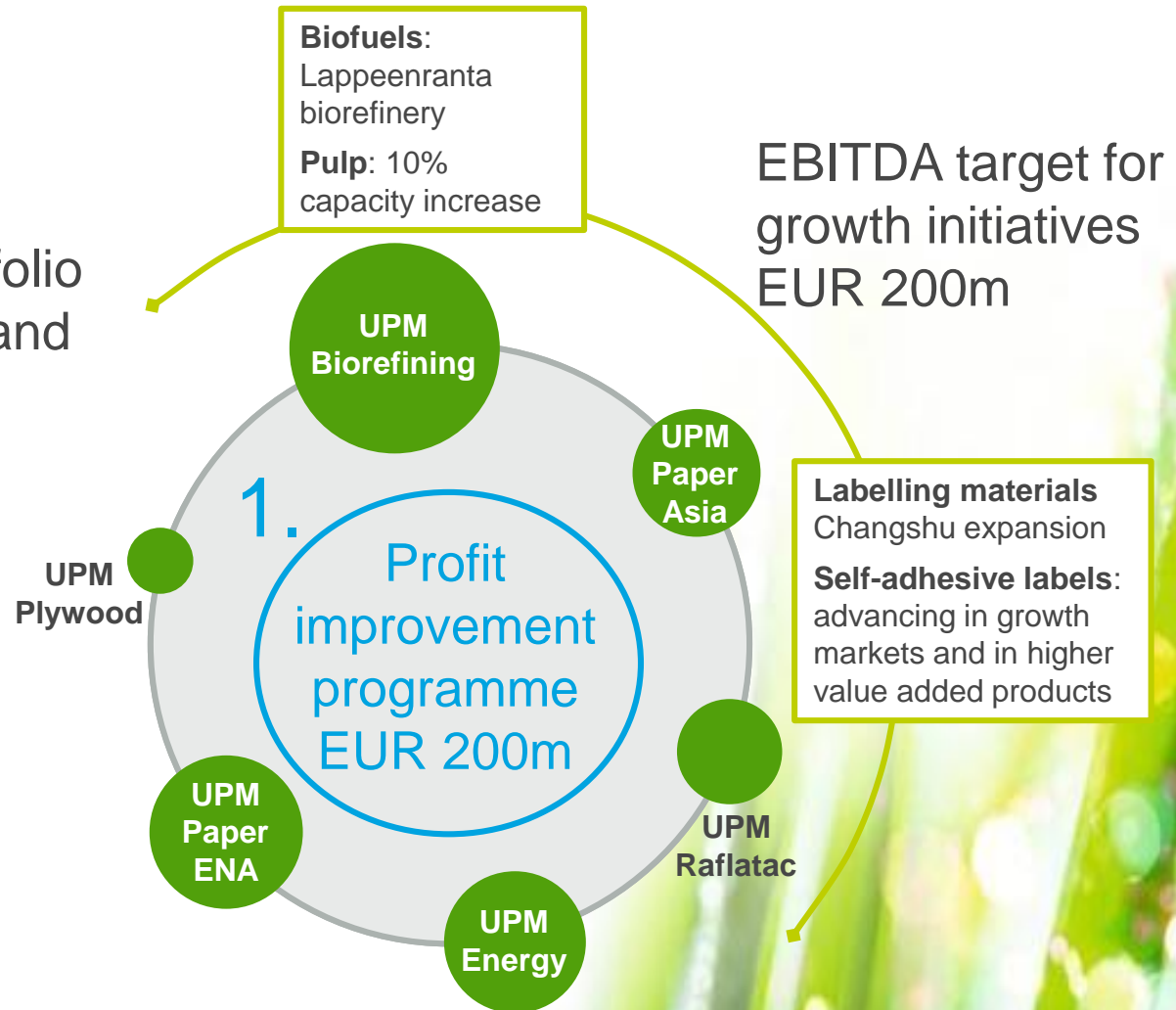
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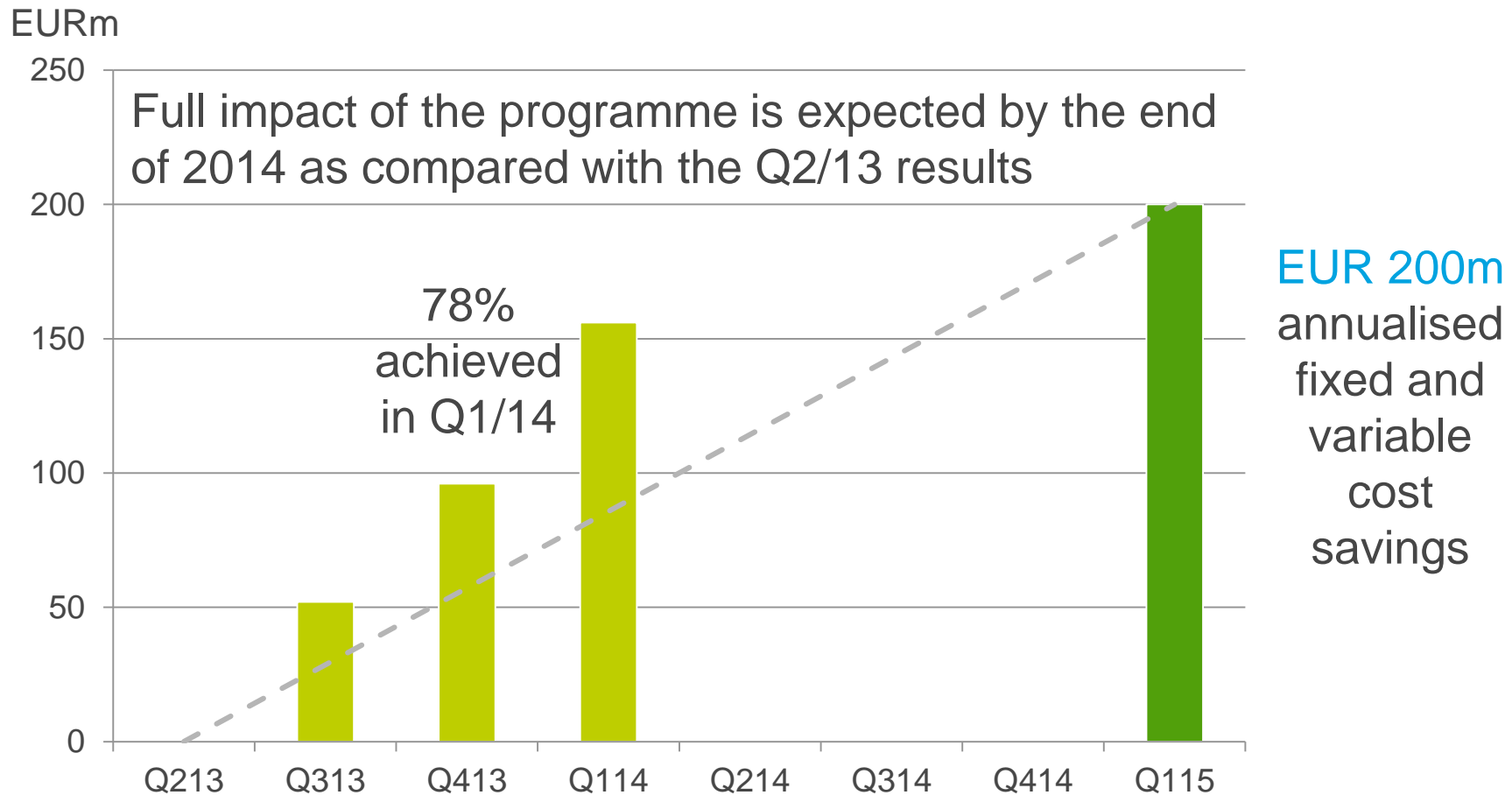
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Profit improvement programme progressing fast

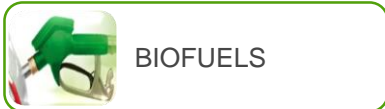




Shifting gear in UPM transformation

Business portfolio development and value creation

New businesses



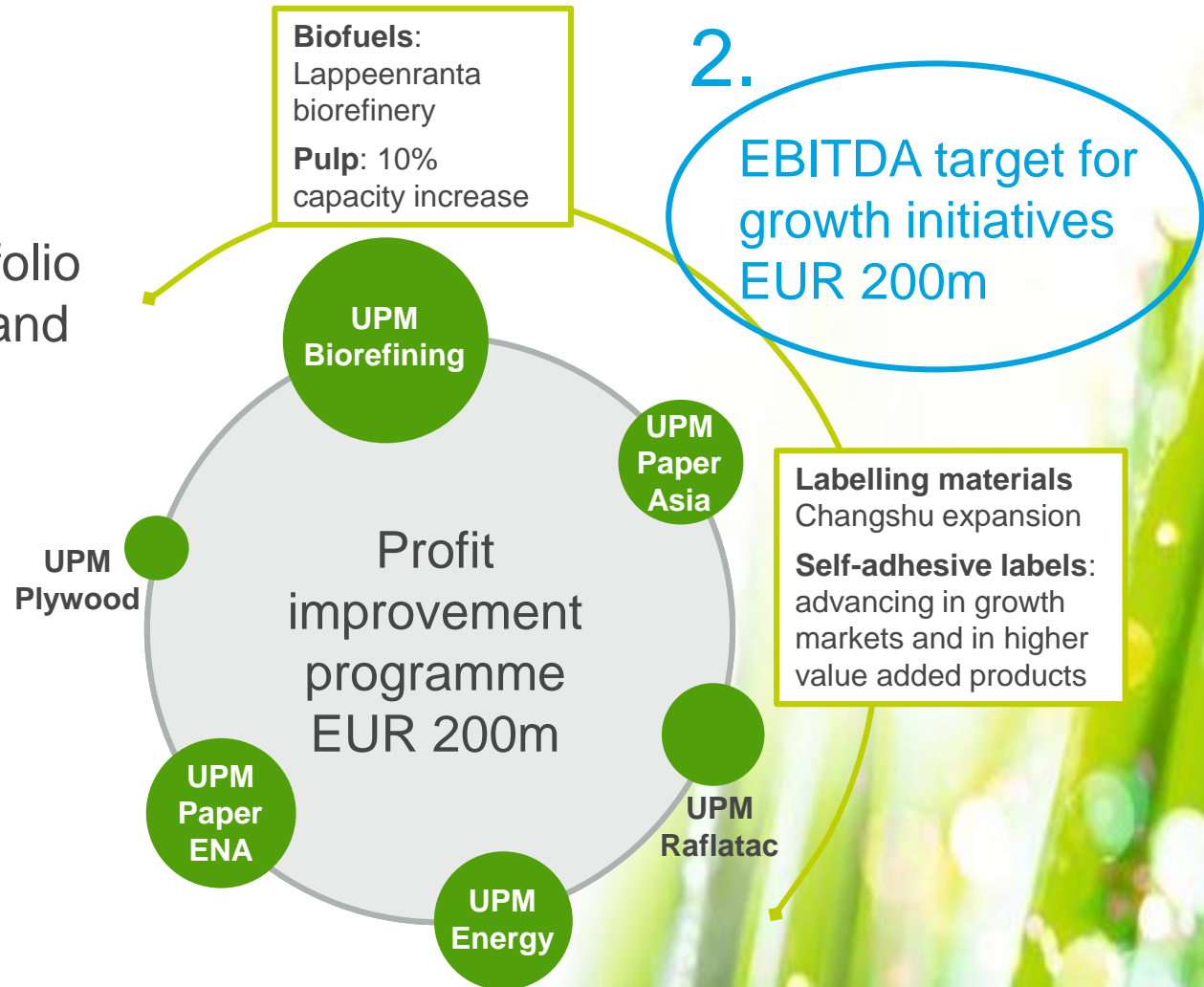
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Progress in the growth projects targeting EUR 200m of additional EBITDA

Decisions in 2014

- Changshu labelling materials, 360,000t, start-up by the end of 2015
- Kymi pulp mill expansion, 170,000t, start-up by the end of 2015
- 50% increase in self-adhesive labelstock coating capacity in APAC, increase filmic labelstock capacity in Europe, start-ups by early 2015

Continued implementation

- Lappeenranta renewable diesel, 100,000t start-up summer 2014
- Pietarsaari pulp mill expansion, 70,000t, start-up summer 2014

Further debottlenecking potential at Fray Bentos and Kaukas pulp mills


Targeted **additional EBITDA EUR 200m** when all projects in full operation, total capex estimate EUR 680m over three years




Shifting gear in UPM transformation

3. Business portfolio development and value creation


New businesses



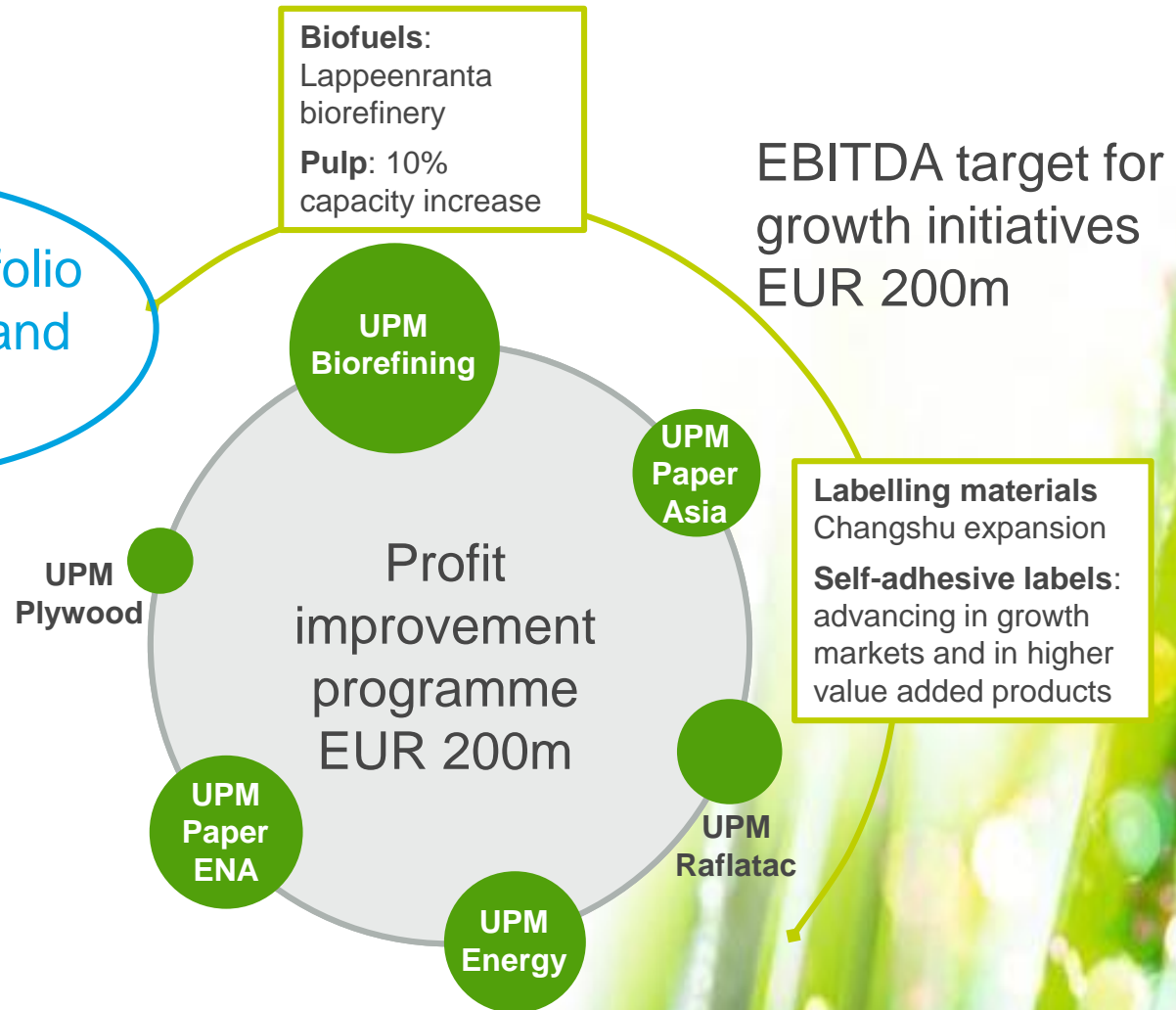
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Portfolio development and value creation

- **Performance:** targeting top performance in each business
- **Grow:** focused high-return growth investments and synergistic M&A
- **Simplify:** best value realisation for UPM
- **Consolidation** in European paper market, without increasing capital



Shifting gear in UPM transformation

Business portfolio development and value creation

4.

New businesses



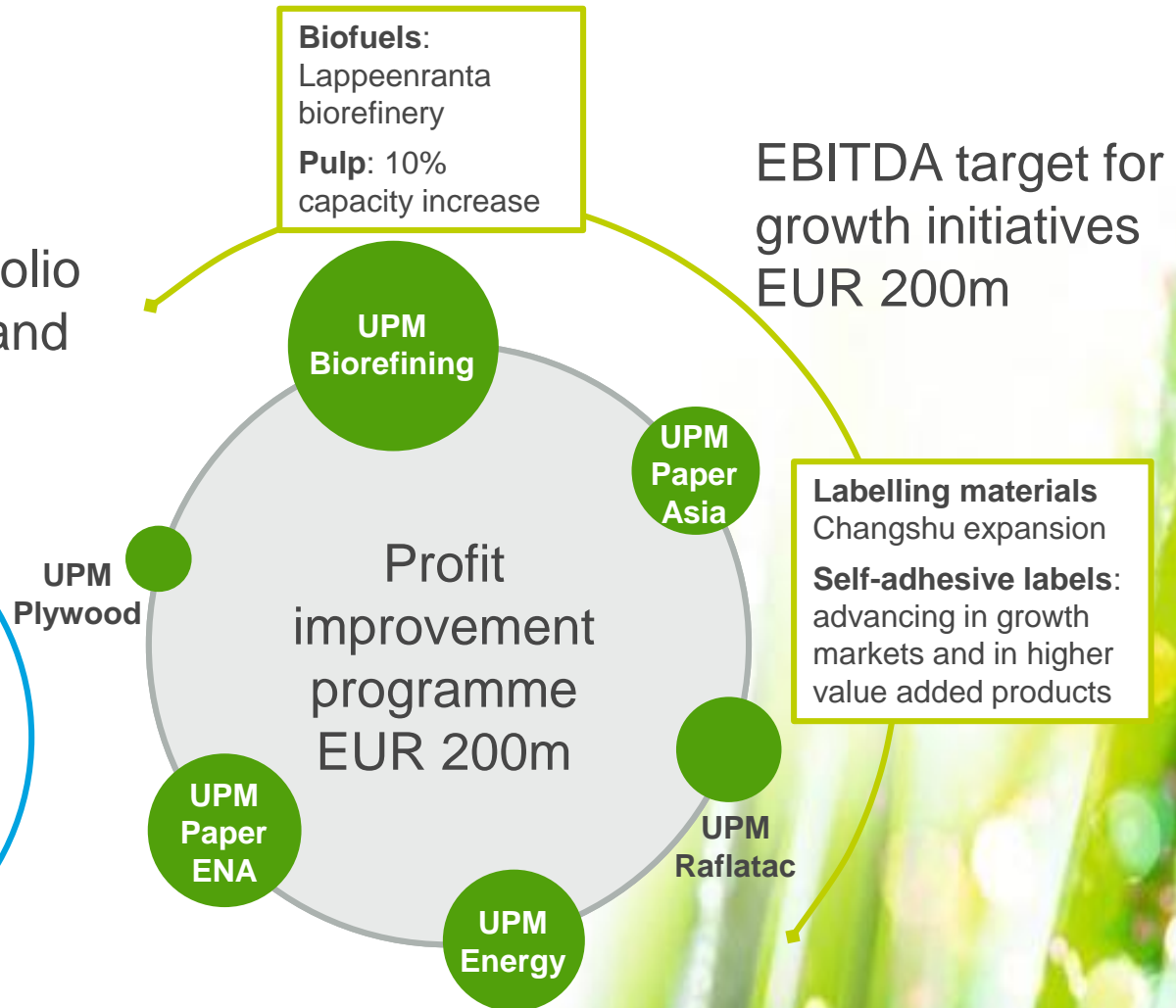
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New businesses based on UPM's development work



Biofuels renewable drop-in diesel suitable for all diesel engines

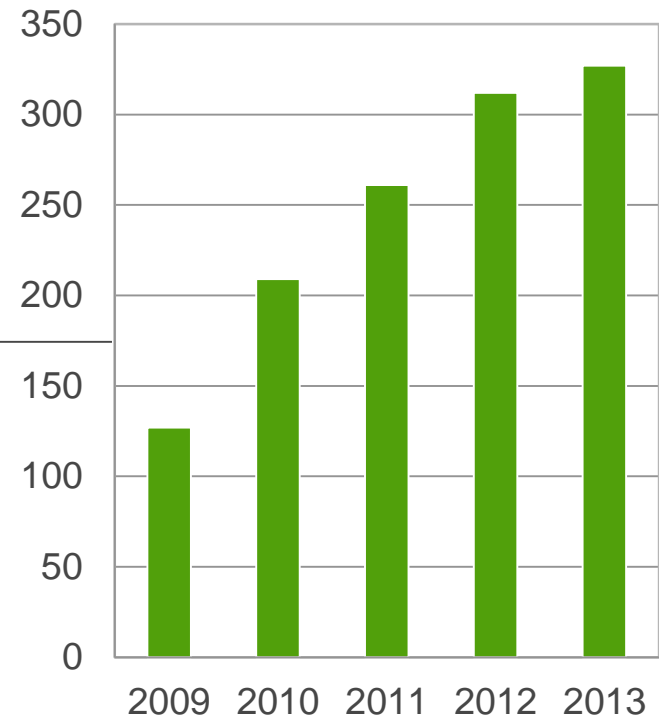


Biochemicals renewable drop-in alternatives for oil-based chemicals



Biocomposites for injection moulding to replace oil-based raw materials

Annual patent filings 2009–2013



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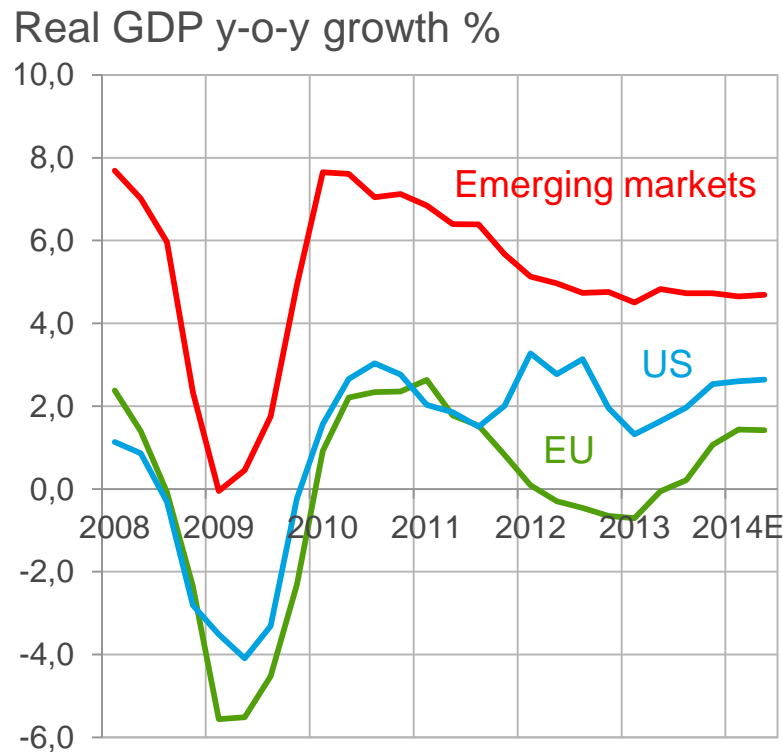
The Biofore Company **UPM**

PERFORMANCE



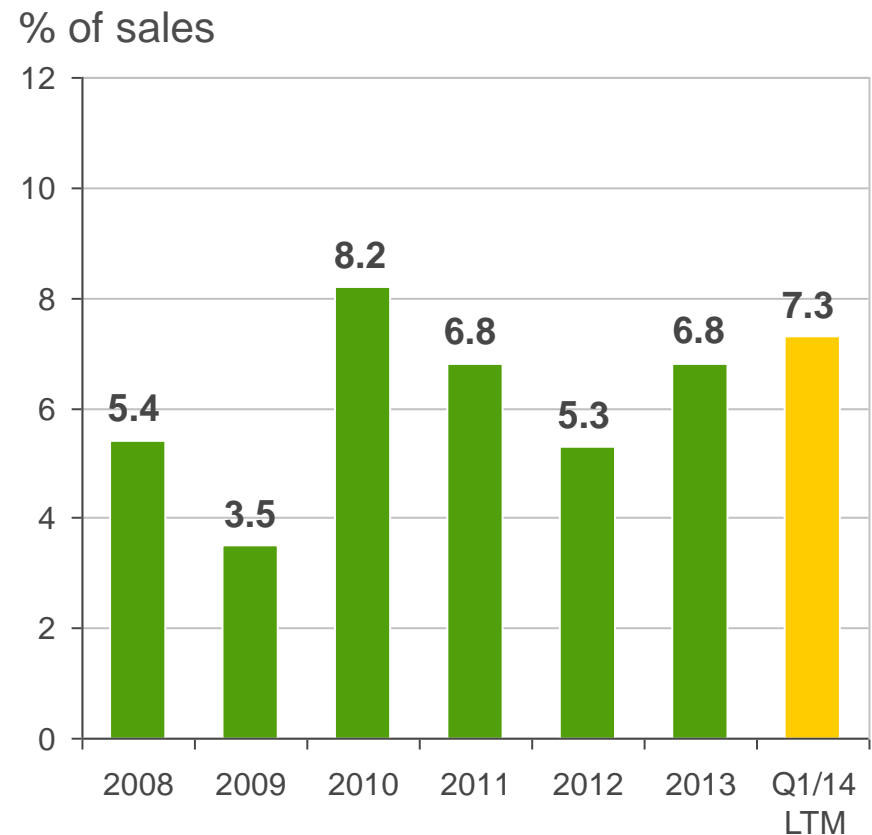
Profitability over two economic slowdowns

Europe has underperformed the other major economic zones



Source: IHS Global Insight

Operating profit excl. special items



Strong Q1 2014 results show momentum in the profit improvement programme

Profit improvement programme progressed fast, with 78% of the targeted annualised EUR 200m cost savings achieved in Q1/14

Q1/14 EBITDA was EUR 313m (284m in Q1/13), 12.6% of sales

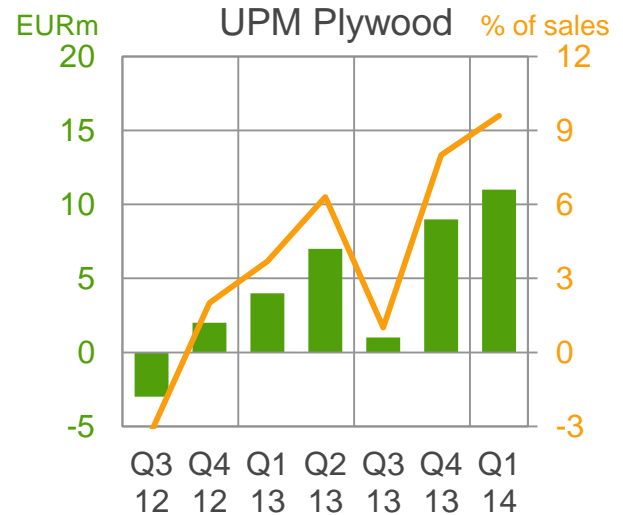
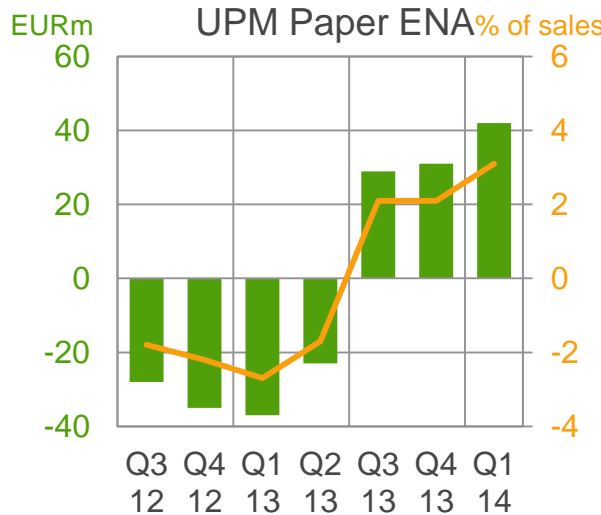
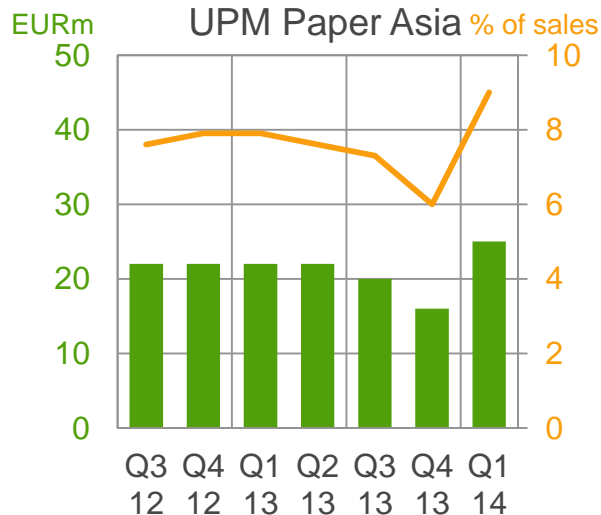
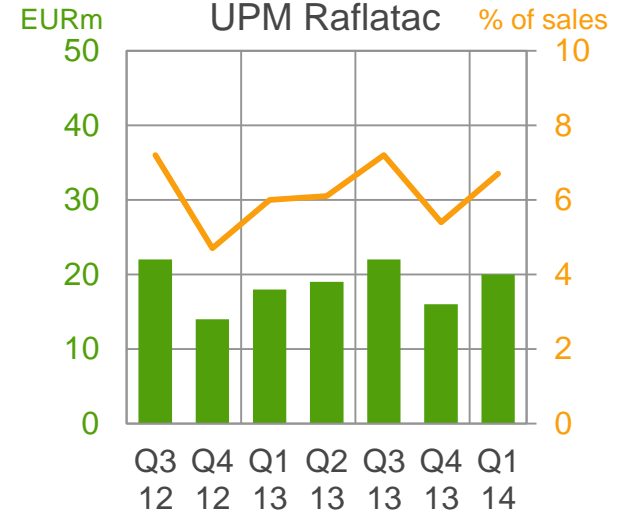
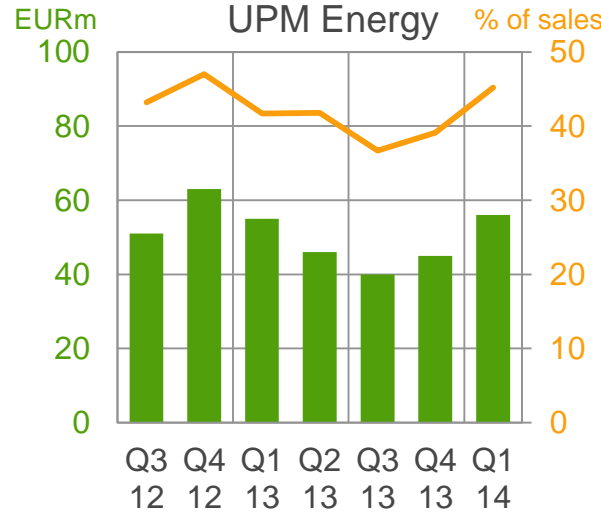
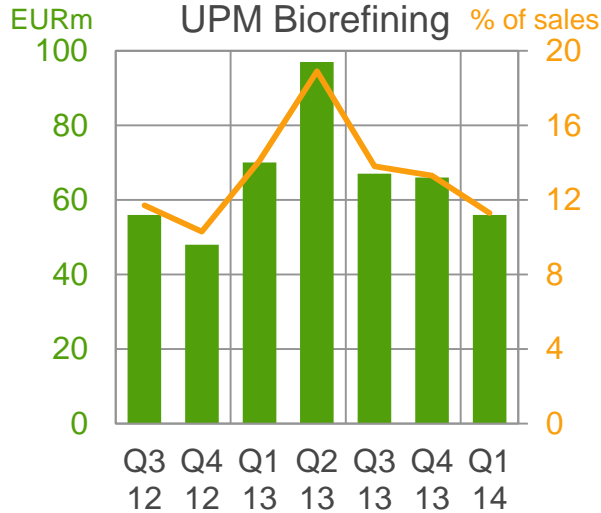
Operating profit excl. special items was EUR 196m (144m in Q1/13), 7.9% of sales

Strong operating cash flow of EUR 264m (103m in Q1/13)

Net debt decreased to EUR 2,777m (3,199m in Q1/13) and net debt to EBITDA to 2.4x (2.6x in Q1/13)

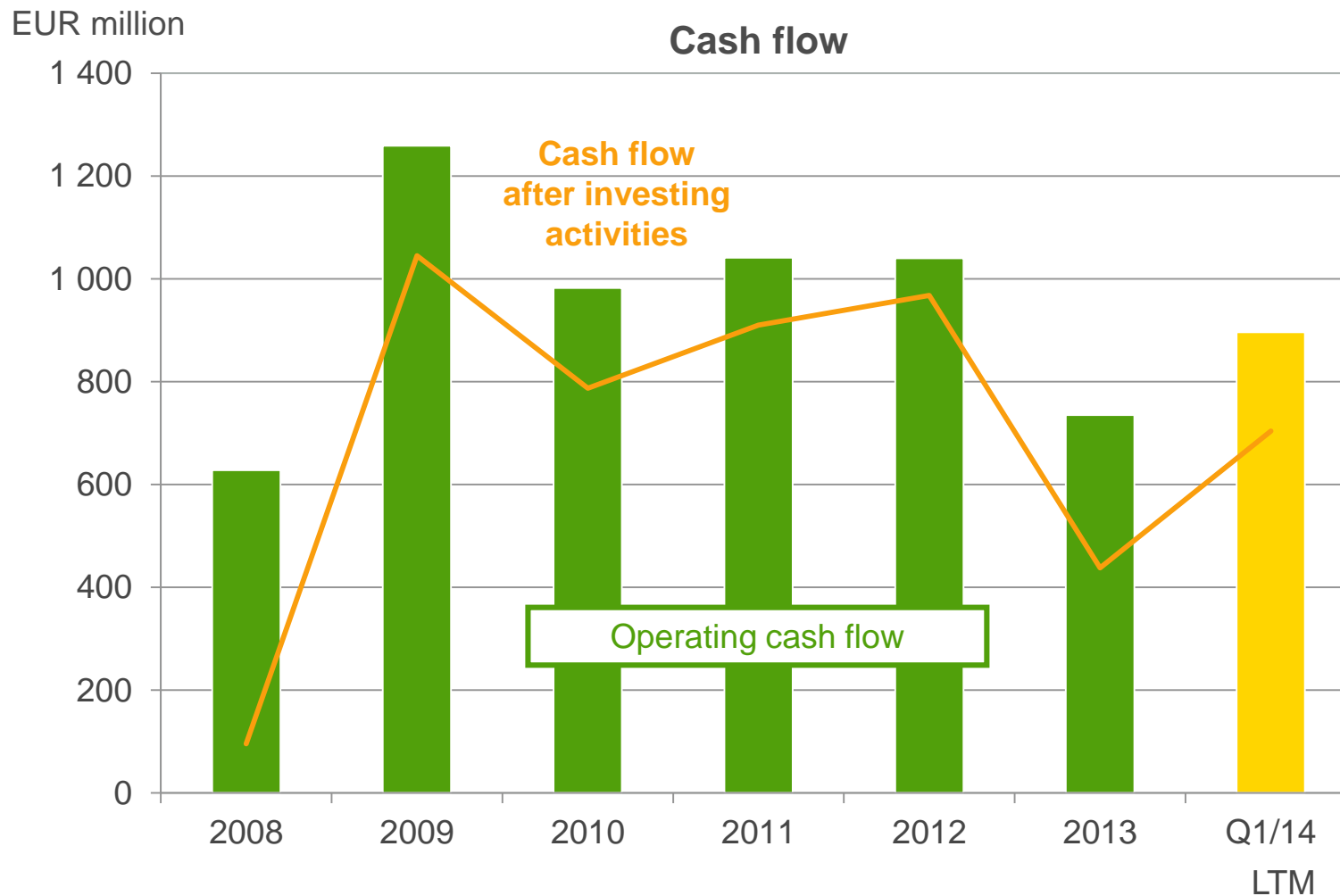


Operating profit ^{*)} by business area



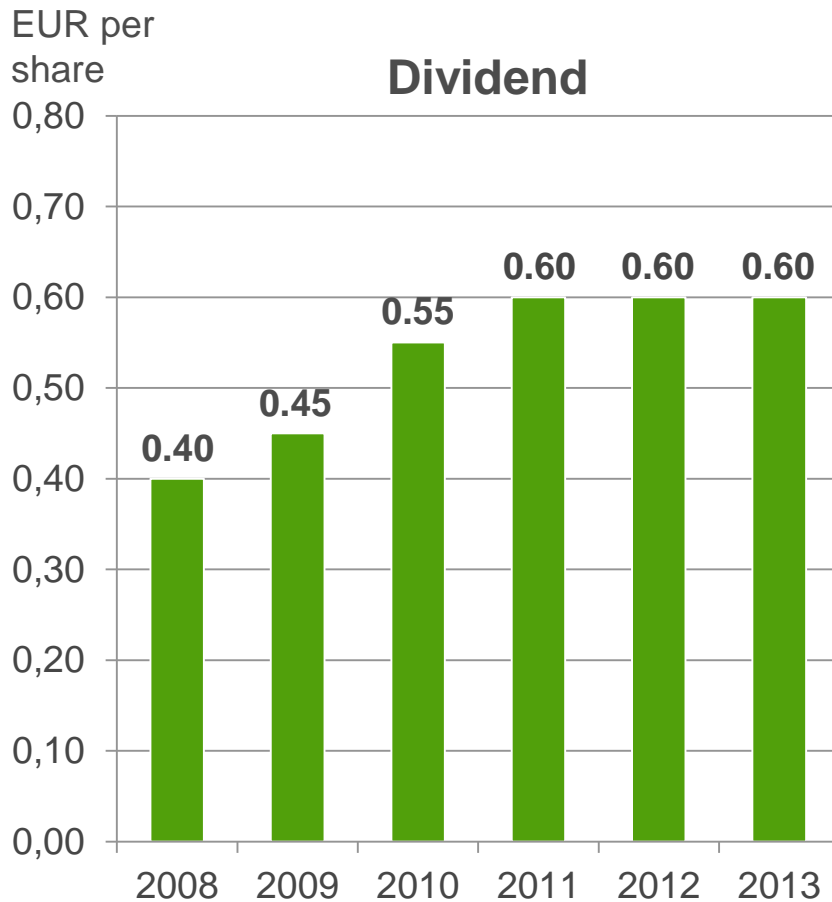
*) excluding special items

Strong cash flow





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

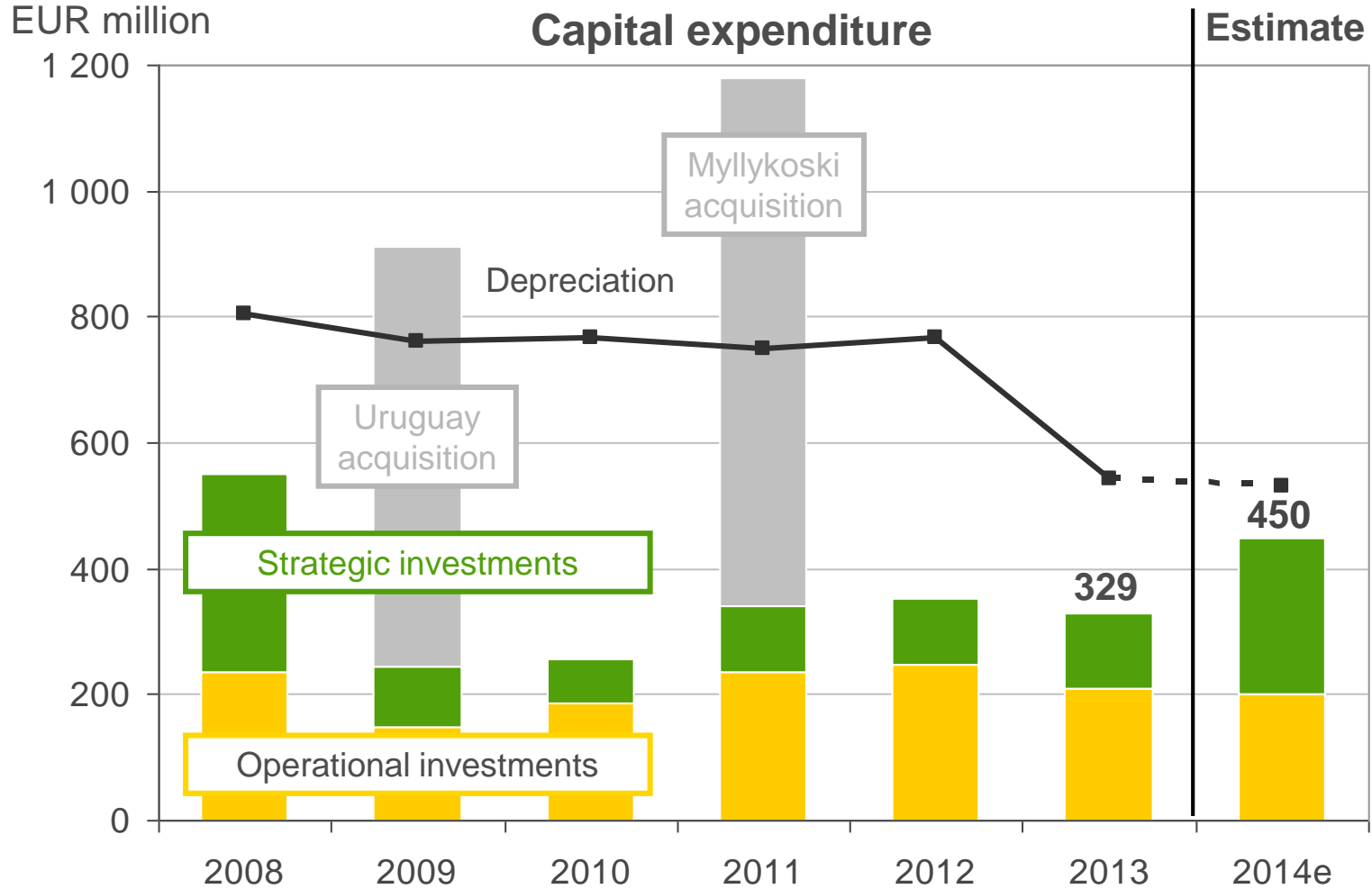
Minimum dividend by the policy

- EUR 0.45 per share

Dividend for 2013

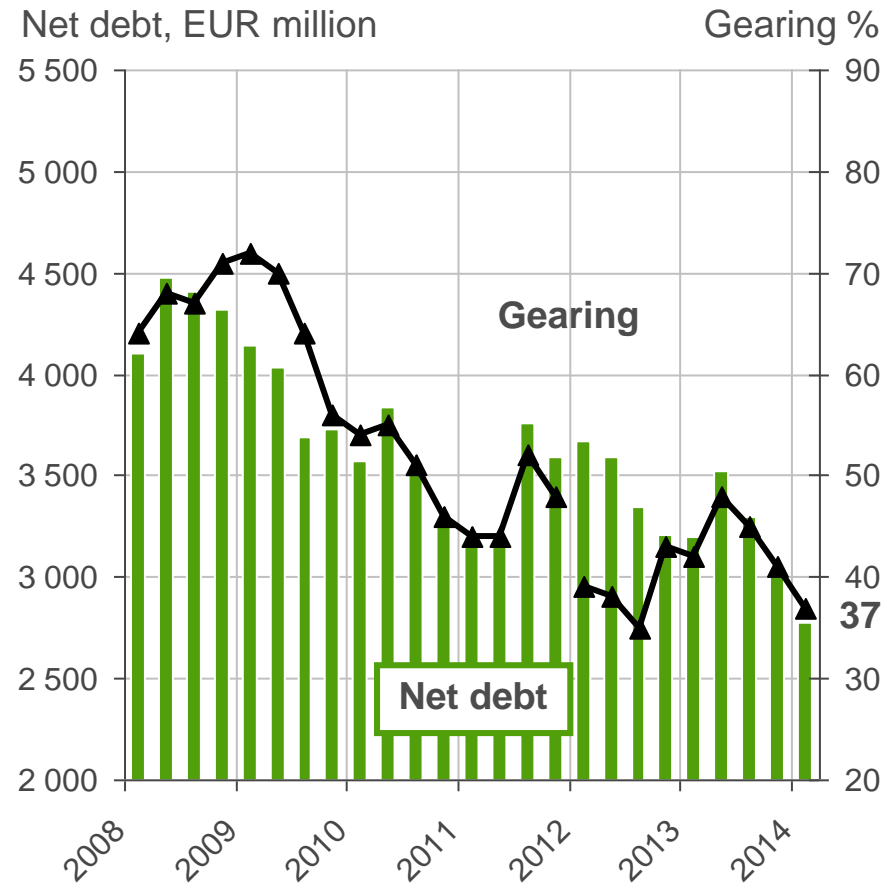
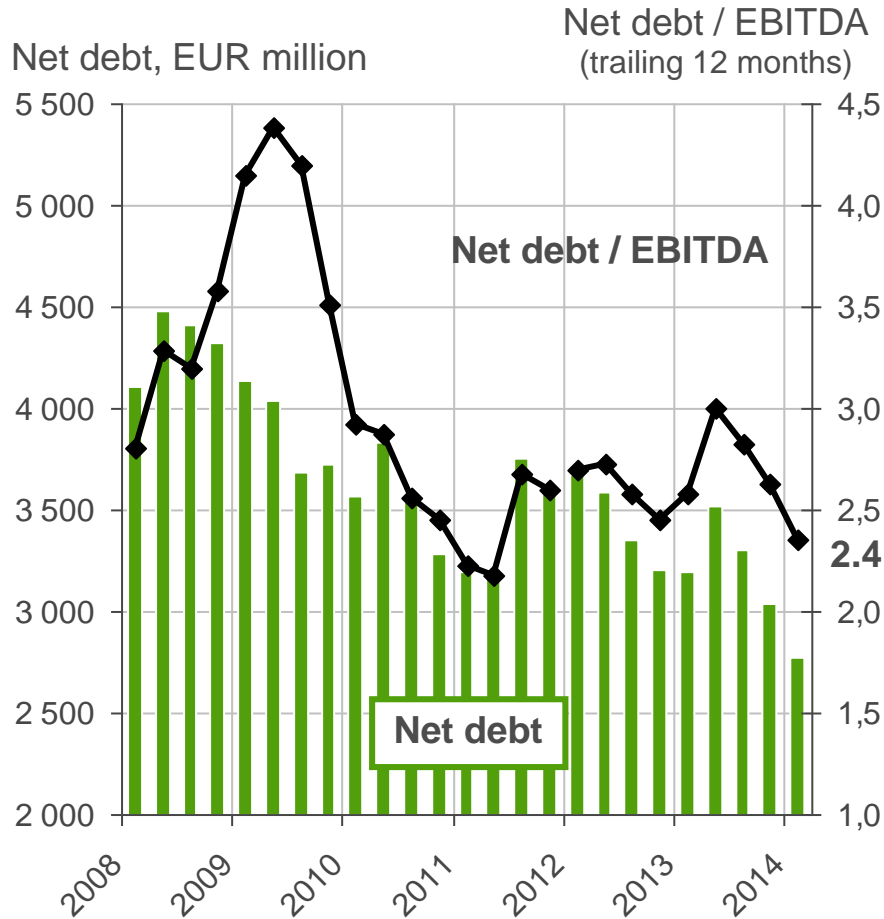
- EUR 0.60 (0.60) per share

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





Strengthening balance sheet



Liquidity was EUR 2.0bn at the end of Q1 2014
Repayments total EUR 0.5bn in 2014



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SUMMARY




Shifting gear in UPM transformation

Business portfolio development and value creation


New businesses



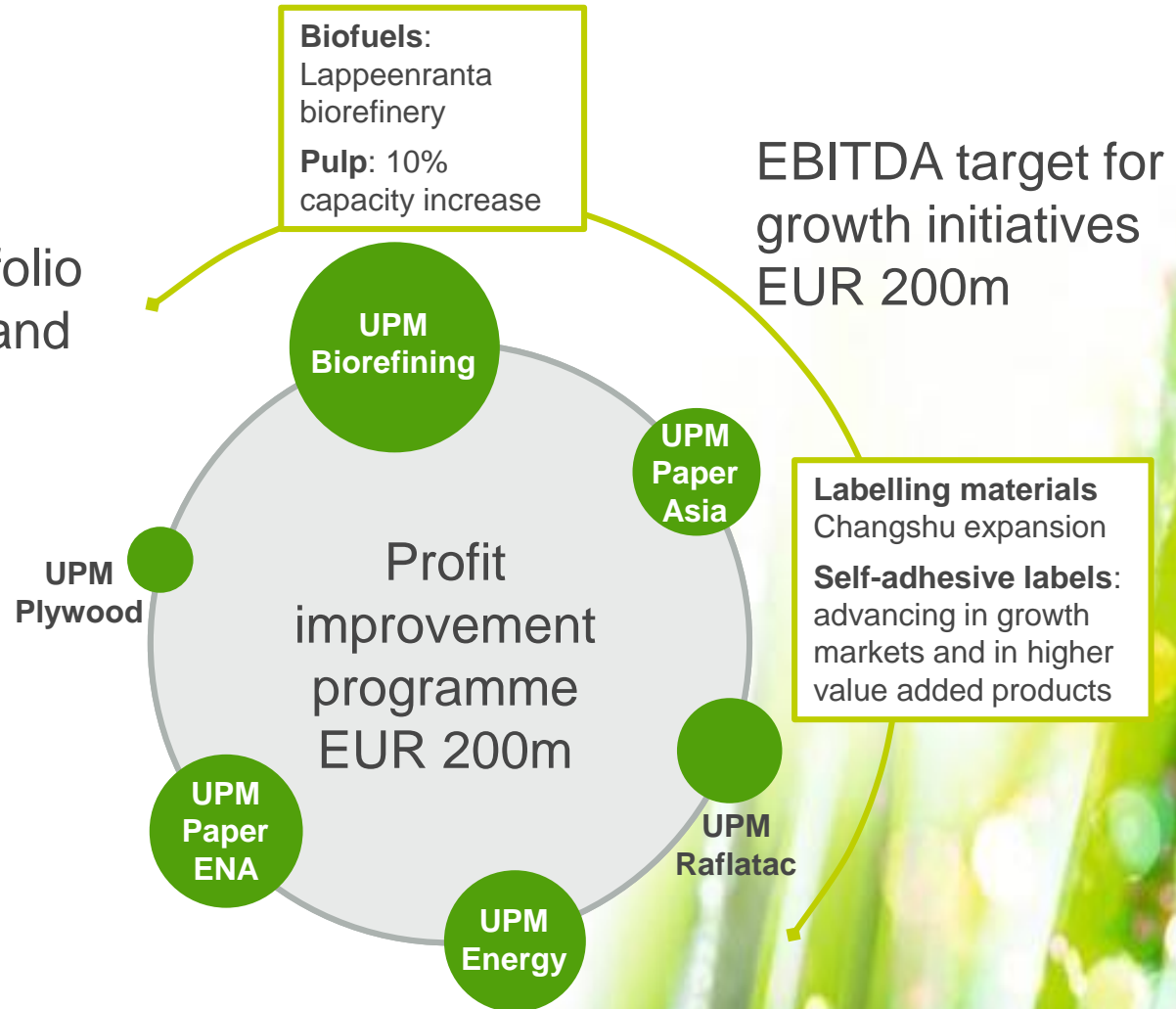
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