

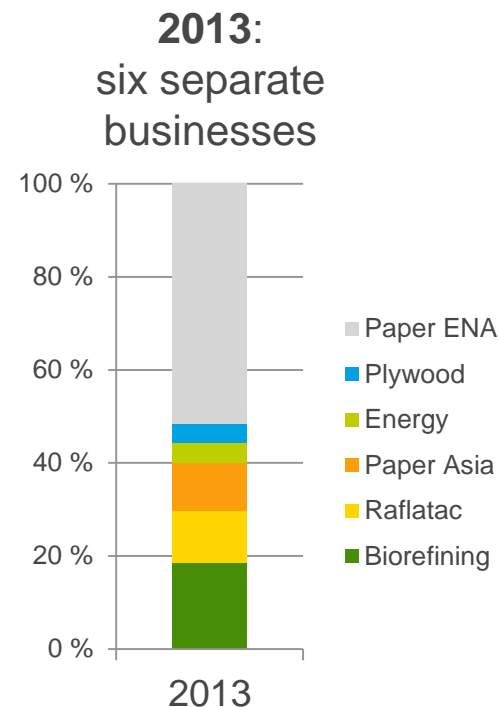
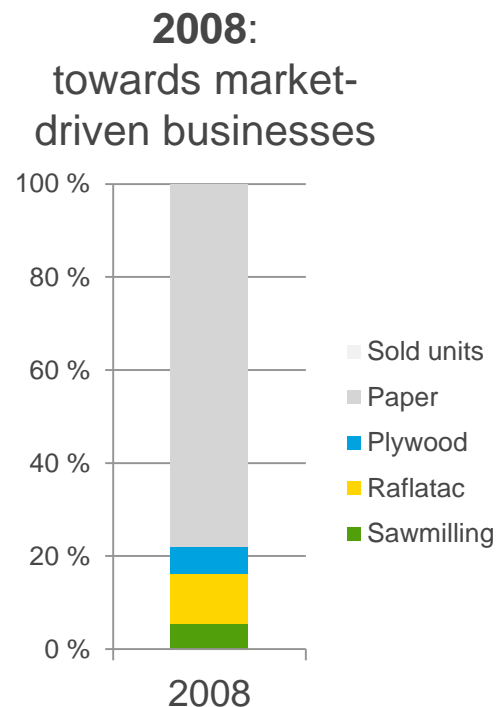
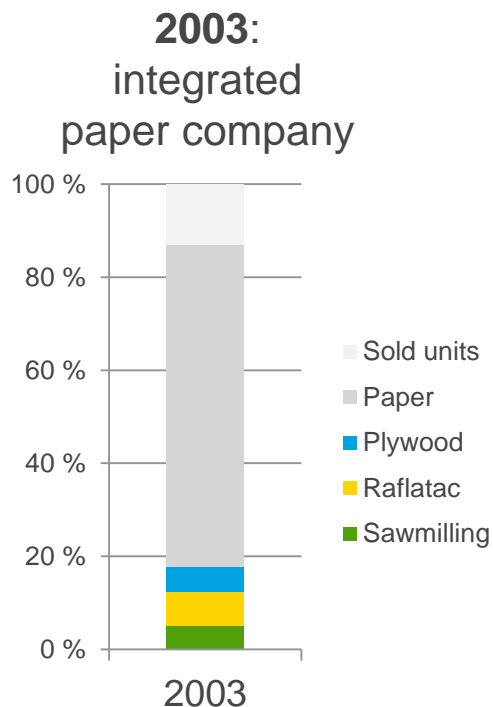
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UPM – THE BIOFORE COMPANY

Tapio Korpeinen  
CFO  
September 2014

# UPM in transformation

Business portfolio, sales



Sales	EUR 9.9bn
EBIT (*)	EUR 429m
Net debt	EUR 4.9bn
Market cap	EUR 7.9bn
Personnel	34,500

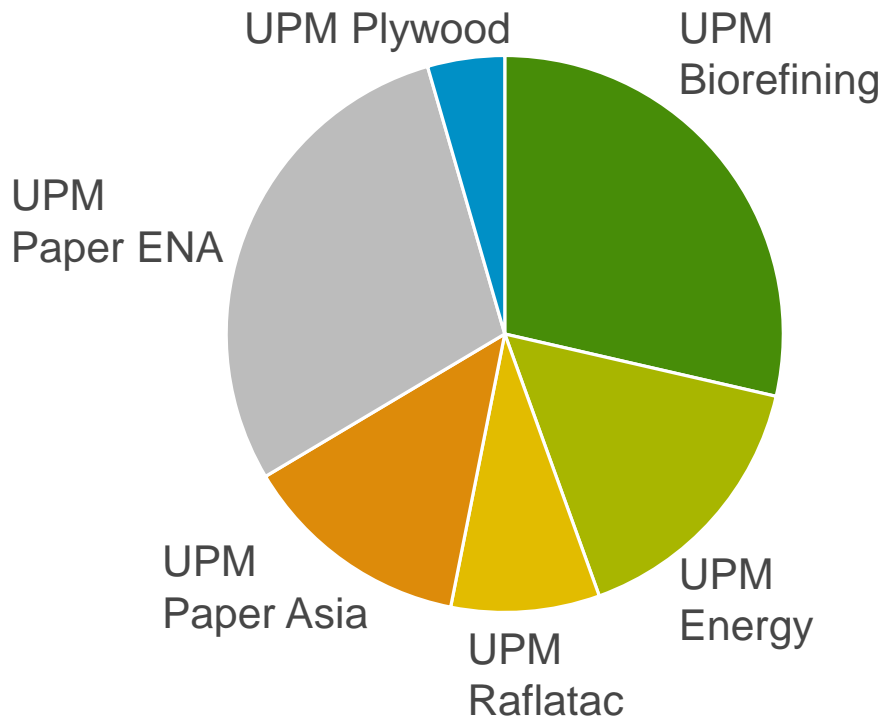
Sales	EUR 9.5bn
EBIT (*)	EUR 513m
Net debt	EUR 4.3bn
Market cap	EUR 4.7bn
Personnel	25,000

Sales	EUR 10.1bn
EBIT (*)	EUR 683m
Net debt	EUR 3.0bn
Market cap	EUR 6.5bn
Personnel	21,000

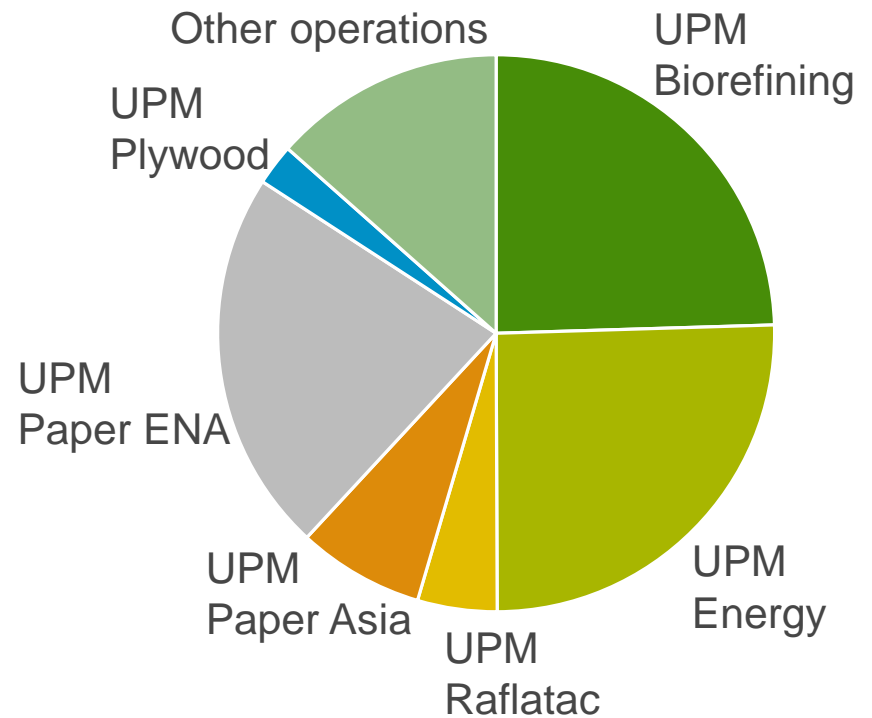
\*) excluding special items

# UPM businesses by EBITDA generation and capital employed

## EBITDA LTM EUR 1,224m



## Capital employed EUR 11.4bn



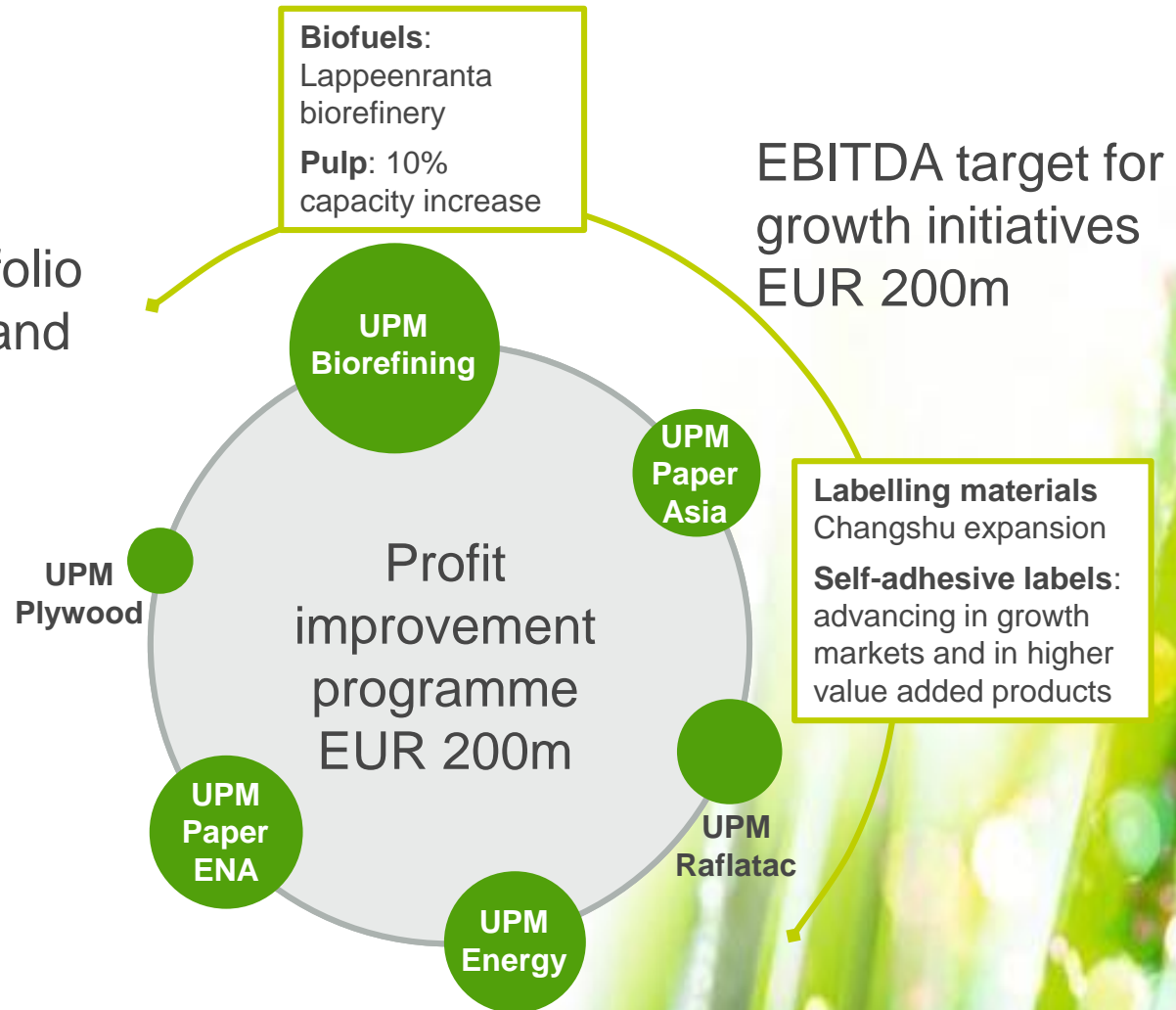


# Shifting gear in UPM transformation

Business portfolio development and value creation

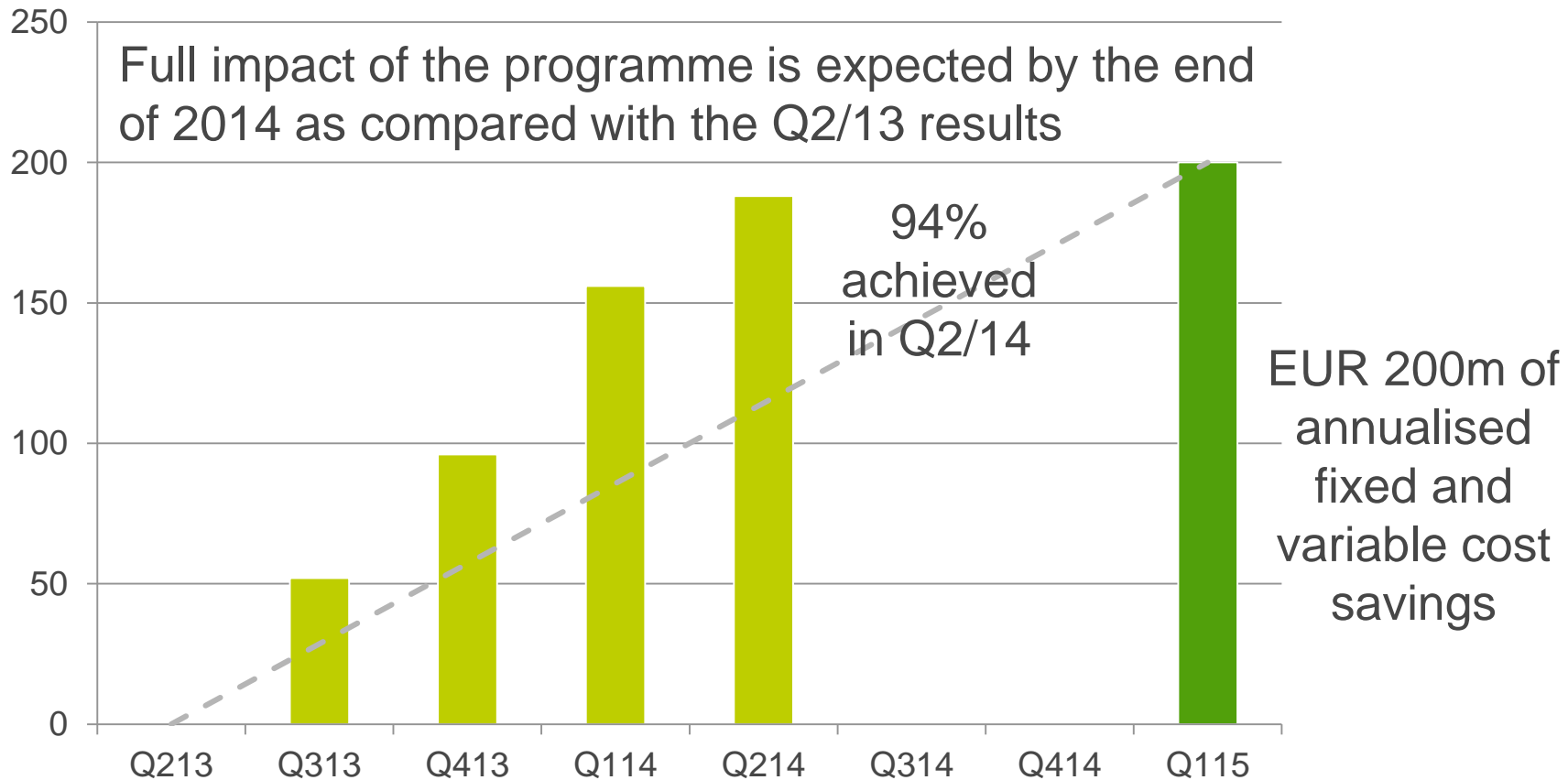
## New businesses

-  BIOFUELS
-  BIOCHEMICALS
-  BIOCOMPOSITES



# Profit improvement programme progressing fast

EUR million



## Growth projects

### Lappeenranta biorefinery nearing its start

- Sales agreement with NEOT signed in June
- Construction of the biorefinery was completed in July
- Testing and commissioning process is ongoing
- Commercial production of renewable diesel is expected to start during the autumn
- Earnings impact is expected to be minor during H2 2014



The Biofore Company UPM



## Growth projects

### 10% expansion in pulp production capacity

- Pietarsaari pulp mill modernisation and 70,000t expansion completed in June
- Kymi pulp mill 170,000t expansion proceeding on schedule, start-up by the end of 2015
- Fray Bentos pulp mill received an increased production permit, allowing a further 100,000t of production. Minor investments are planned for H2/14
- Further debottlenecking potential at the Kaukas pulp mill



## Growth projects

### Growth in developing markets

- Investment in labelling materials and woodfree speciality papers at the UPM Changshu mill in China, capacity of 360,000t, start-up by the end of 2015
- 50% increase in self-adhesive labelstock coating capacity in APAC, start-up by the end of 2014
- Expansion of filmic labelstock production in Nowa Wies, Poland, start-up in Q1 2015

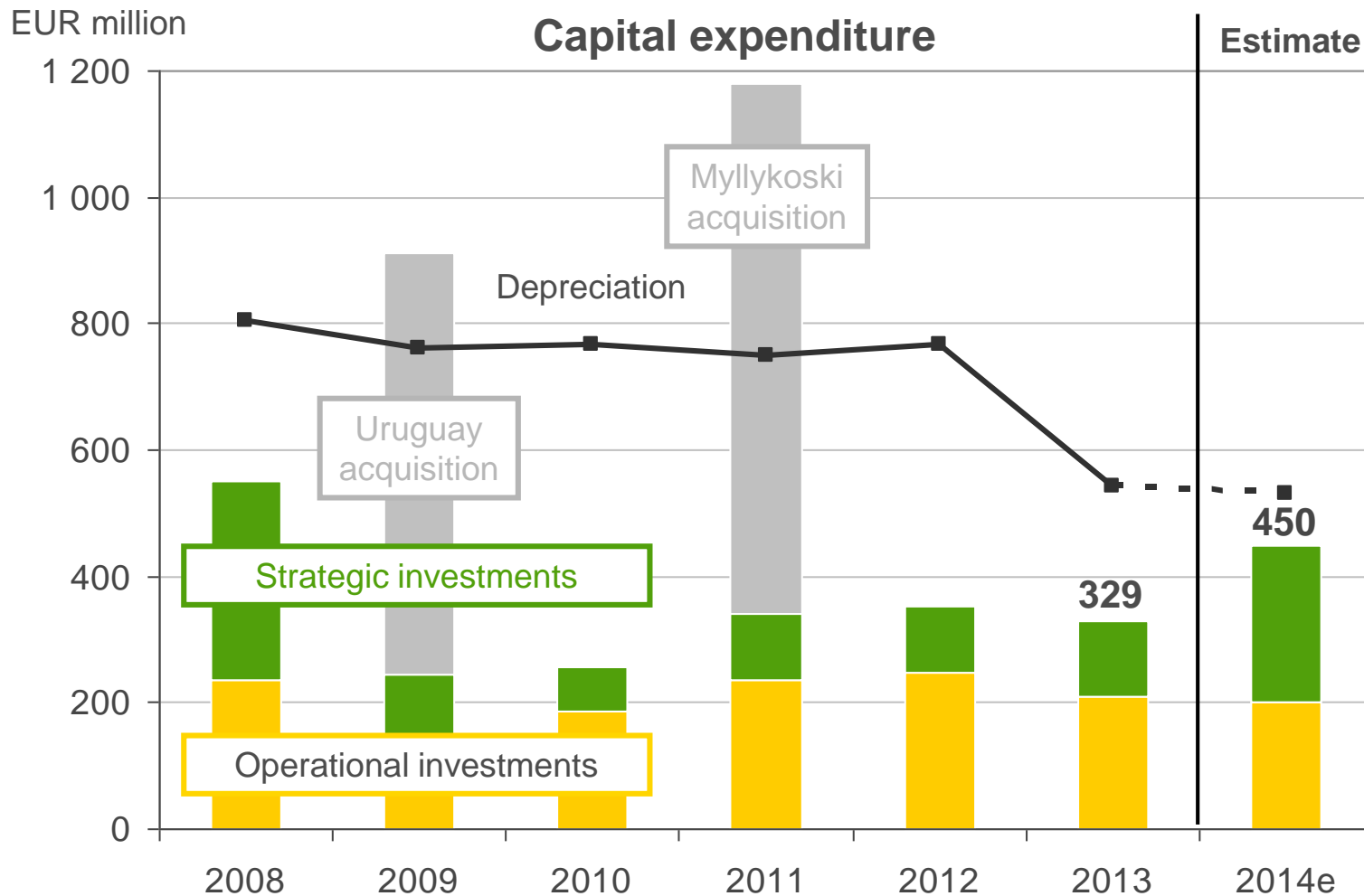


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# Low investment needs in existing assets allow growth projects with modest total capex



# 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

# New businesses based on UPM's development work



**Biofuels** renewable drop-in diesel suitable for all diesel engines

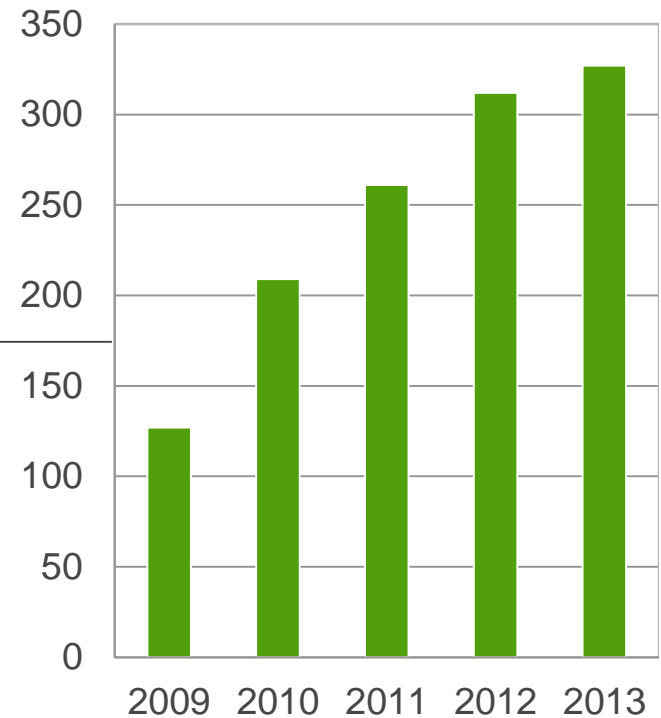


**Biochemicals** renewable drop-in alternatives for oil-based chemicals



**Biocomposites** for injection moulding to replace oil-based raw materials

Annual patent filings 2009–2013










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# FINANCIALS

## Successful profit improvement programme prompted strong Q2 2014 results

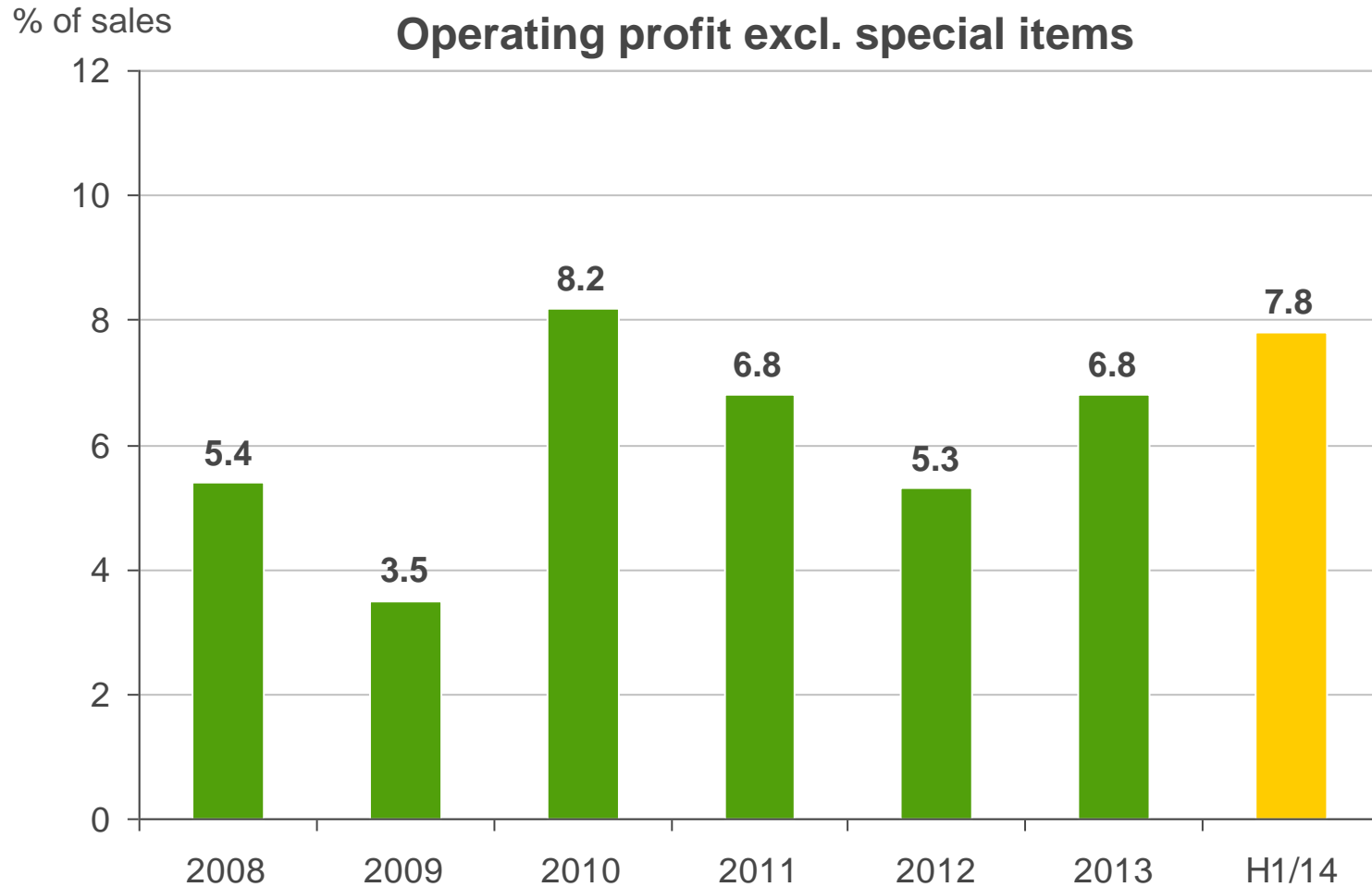
### Q2 2014 vs. Q2 2013:

Sales EUR 2,441m		-3%
EBITDA EUR 298m		+40m
Operating profit (*) EUR 186m		+48m
Profit before tax (*) EUR 169m		+49m
EPS (*) EUR 0.26		+0.06

### H1 2014 vs. H1 2013:

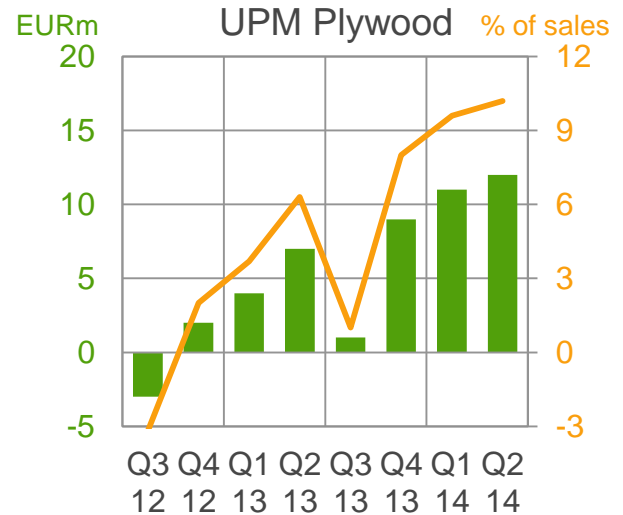
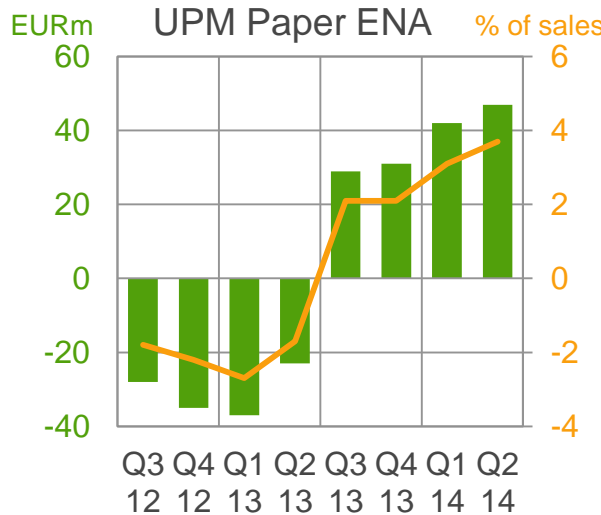
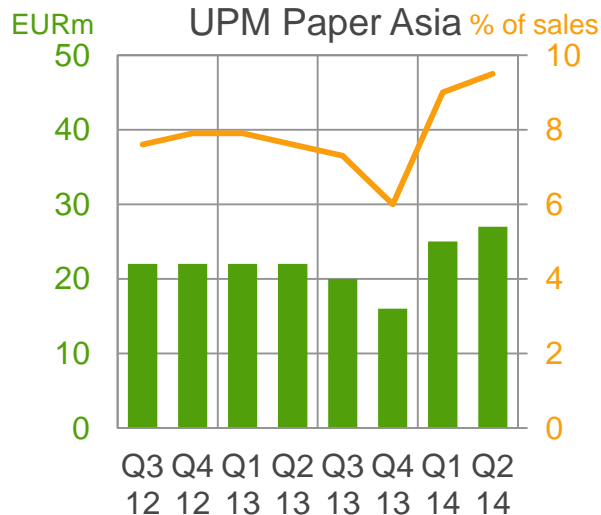
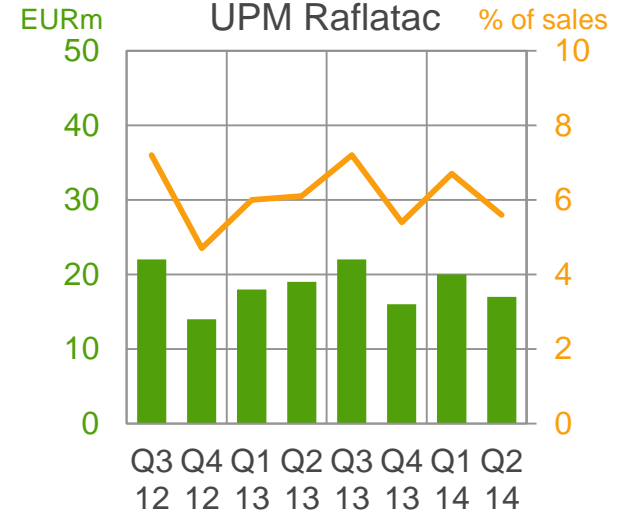
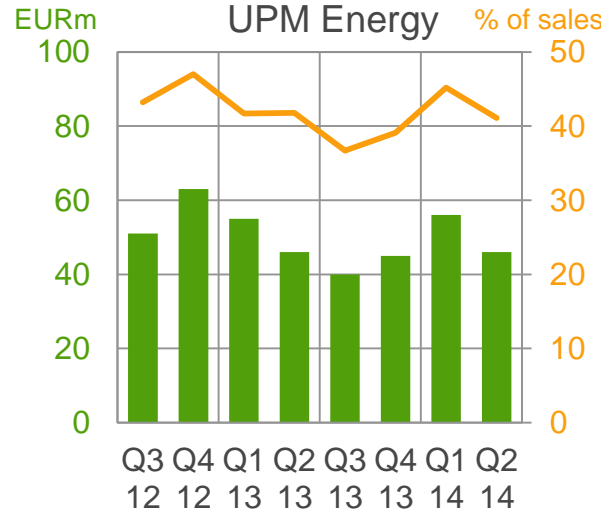
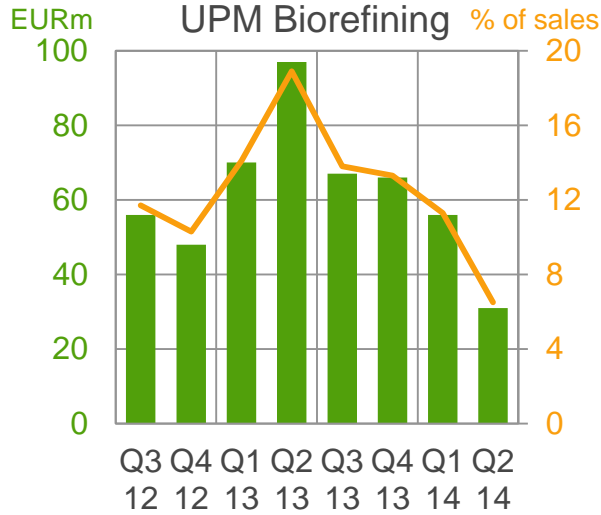
Operating profit (*) EUR 382m		+100m
Operating cash flow EUR 479m		+292m
Net debt EUR 2,925m		-599m
Gearing 40%		-8pp
Net debt / EBITDA 2.4x		-0.6x

# Profitability over two economic slowdowns



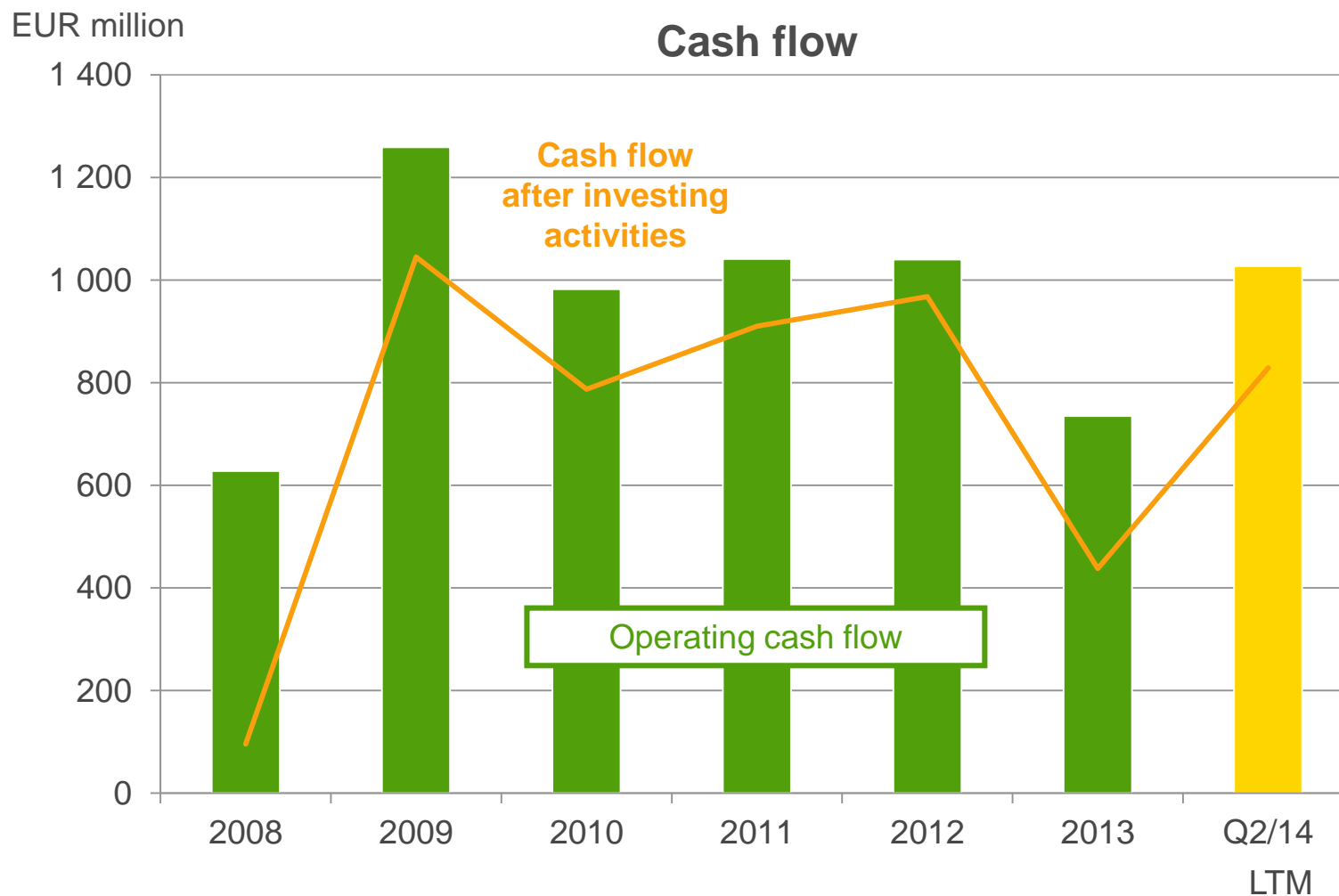


# Operating profit <sup>\*)</sup> by business area



\*) excluding special items

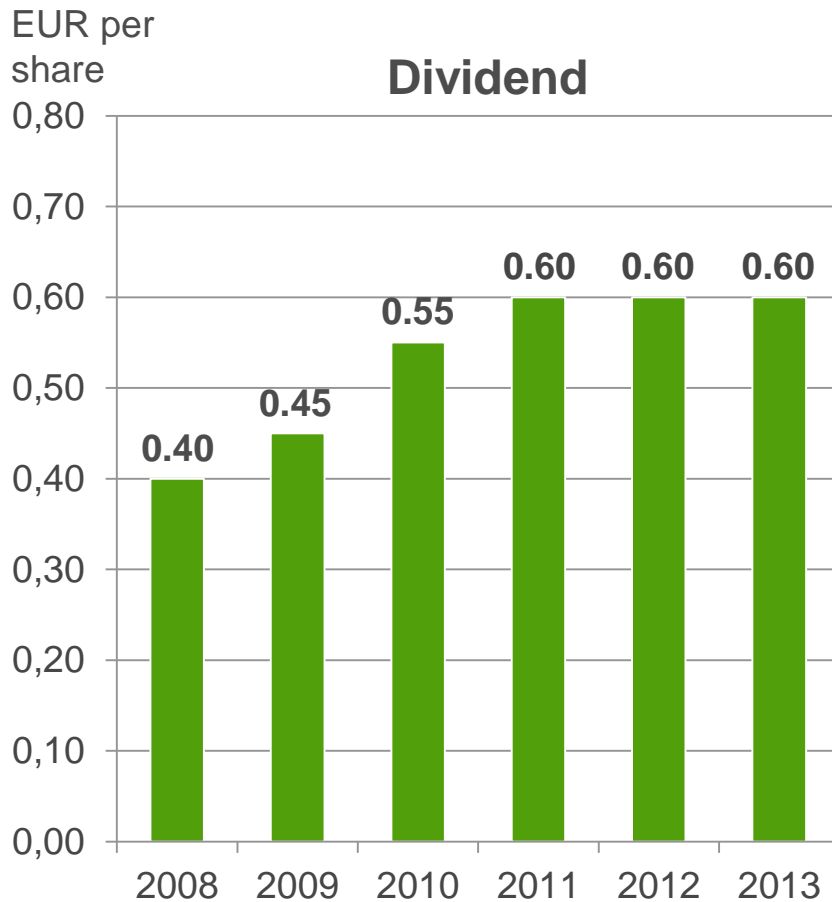
# Strong cash flow







## 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

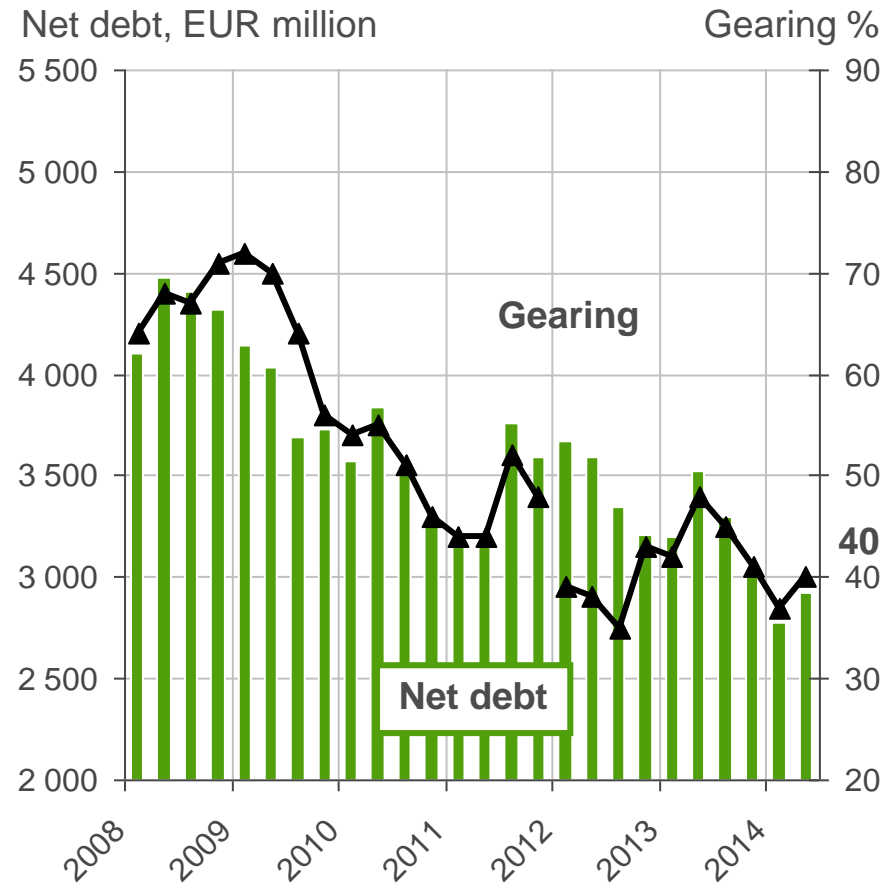
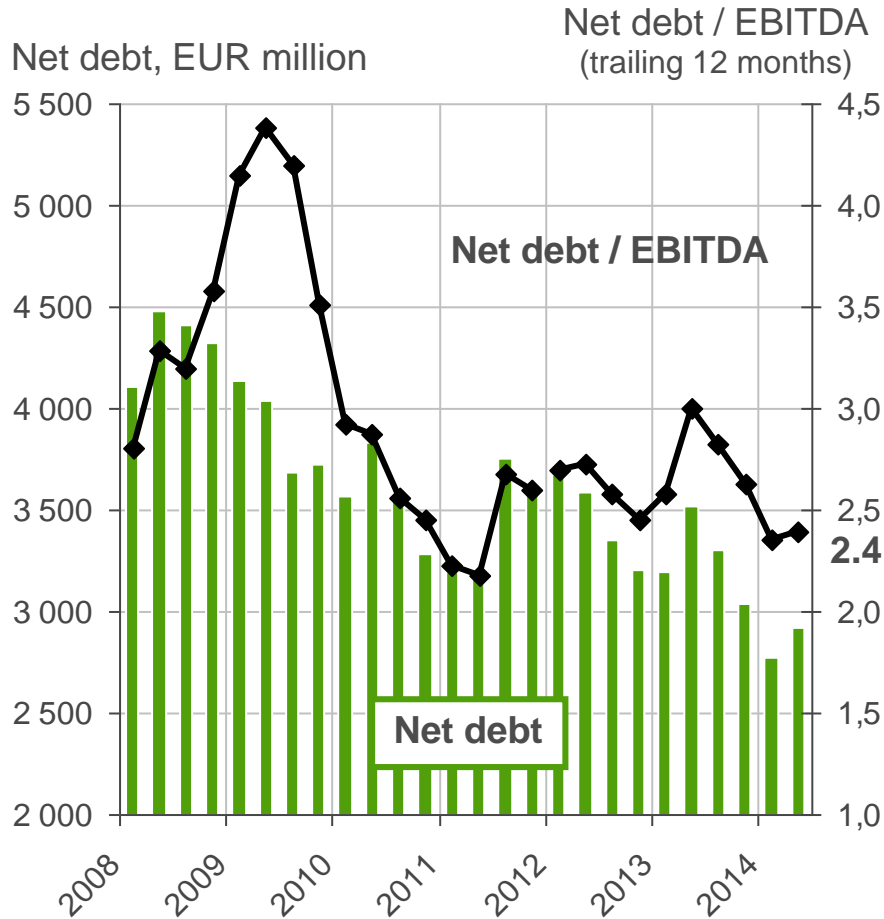
- EUR 0.45 per share

### Dividend for 2013

- EUR 0.60 (0.60) per share



# Strengthening balance sheet



**Liquidity** was EUR 1.8bn at the end of Q2 2014  
Repayments total EUR 0.5bn in 2014



## UPM business outlook is broadly stable (\*)

- In H2 2014, UPM's performance is expected to be underpinned by similar or slightly better performance in UPM Paper ENA, UPM Paper Asia, UPM Raflatac, UPM Plywood and UPM Energy, when compared to H2 2013.
- UPM Biorefining performance in H2 2014 compared to H2 2013 continues to be impacted by lower chemical pulp prices.
- Commercial production of renewable diesel at the Lappeenranta biorefinery is expected to start during the autumn 2014. The impact on UPM Biorefining earnings is expected to be minor during H2 2014.

\*) See complete wording of the "Outlook" in the Q2 2014 interim report



## Summary

- UPM transformation continues
- Strong Q2 2014 results thanks to fast implementation of the profit improvement programme
- Strong cash flow and further strengthening balance sheet
- Solid progress in growth projects





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