



The Biofore Company **UPM**

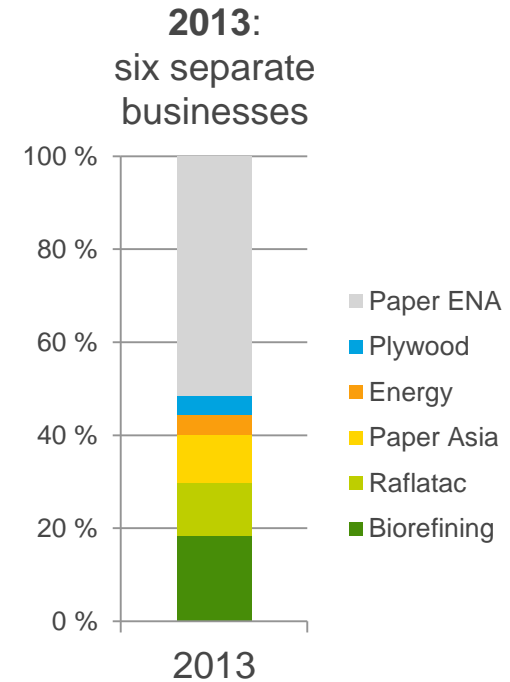
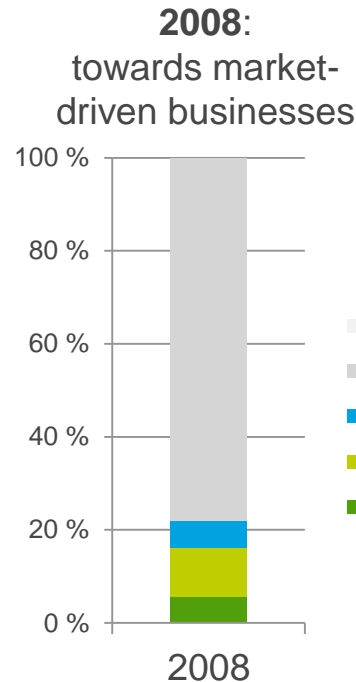
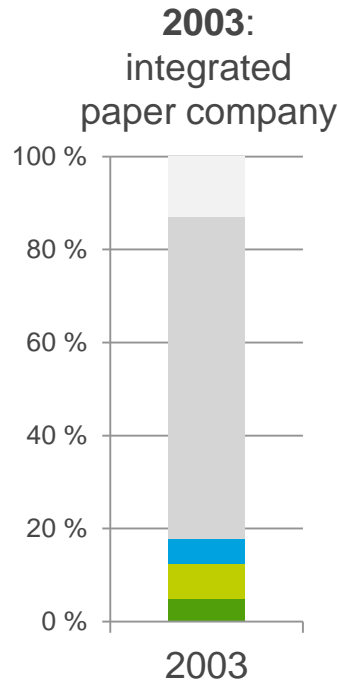
MORE WITH BIOFORE

UPM IN TRANSFORMATION

President and CEO
Jussi Pesonen

UPM in transformation

Business portfolio, sales



| | |
|------------|-----------|
| Sales | EUR 9.9bn |
| EBIT (*) | EUR 429m |
| ROCE (*) | 4.7% |
| Net debt | EUR 4.9bn |
| Market cap | EUR 7.9bn |
| Personnel | 34,500 |

Dividends
EUR 2.0bn

Debt reduction
EUR 0.6bn

| | |
|------------|-----------|
| Sales | EUR 9.5bn |
| EBIT (*) | EUR 513m |
| ROCE (*) | 4.6% |
| Net debt | EUR 4.3bn |
| Market cap | EUR 4.7bn |
| Personnel | 25,000 |

Dividends
EUR 1.4bn

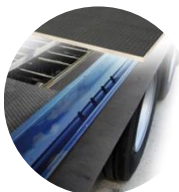
Debt reduction
EUR 1.3bn

| | |
|------------|------------|
| Sales | EUR 10.1bn |
| EBIT (*) | EUR 683m |
| ROCE (*) | 6.0% |
| Net debt | EUR 3.0bn |
| Market cap | EUR 6.5bn |
| Personnel | 21,000 |

UPM's six businesses

UPM Plywood

- Plywood and veneer products



UPM Biorefining

- Pulp
- Plantations
- Biofuels
- Sawmills



UPM Paper Asia

- Fine papers in China
- Label papers globally



UPM Raflatac

- Label materials for product and information labelling



UPM Energy

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

UPM Paper ENA

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



| 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 |



Shifting gear in UPM transformation

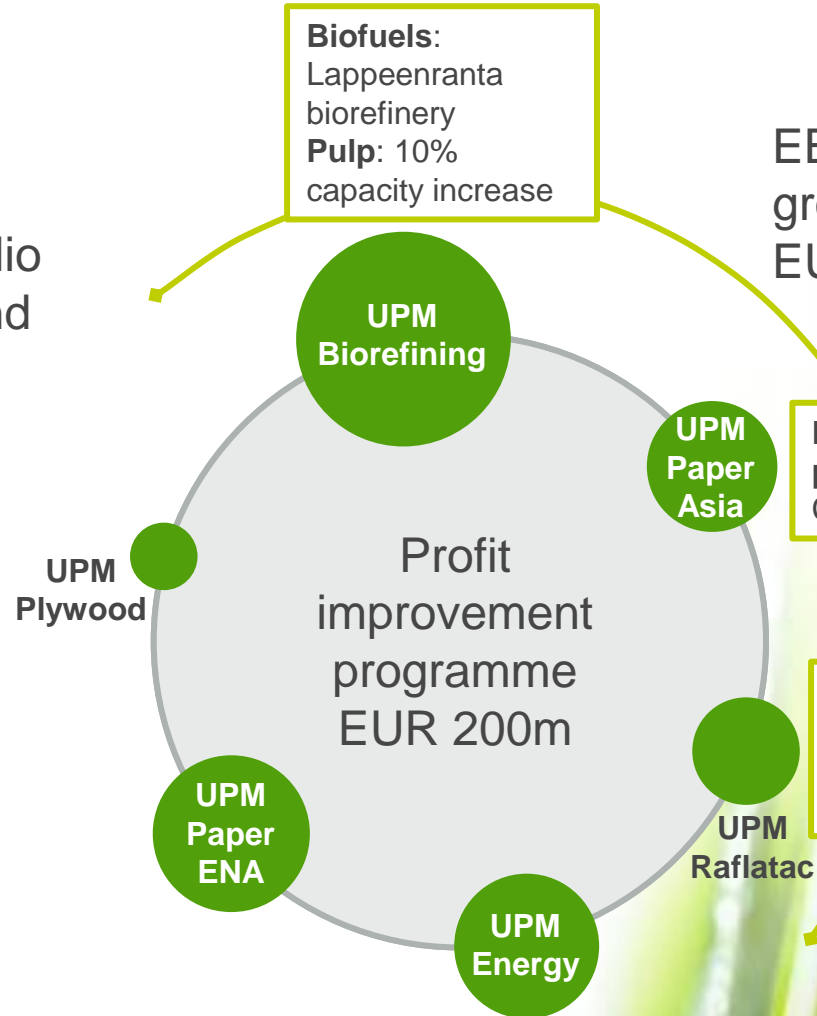
Business portfolio development and value creation

Biofuels:
Lappeenranta biorefinery
Pulp: 10% capacity increase


EBITDA target for growth initiatives EUR 200m

Labelling materials production in China:
Changshu PM3


Self-adhesive labels:
advancing in growth markets and in higher value added products




New businesses



BIOFUELS



BIOCHEMICALS

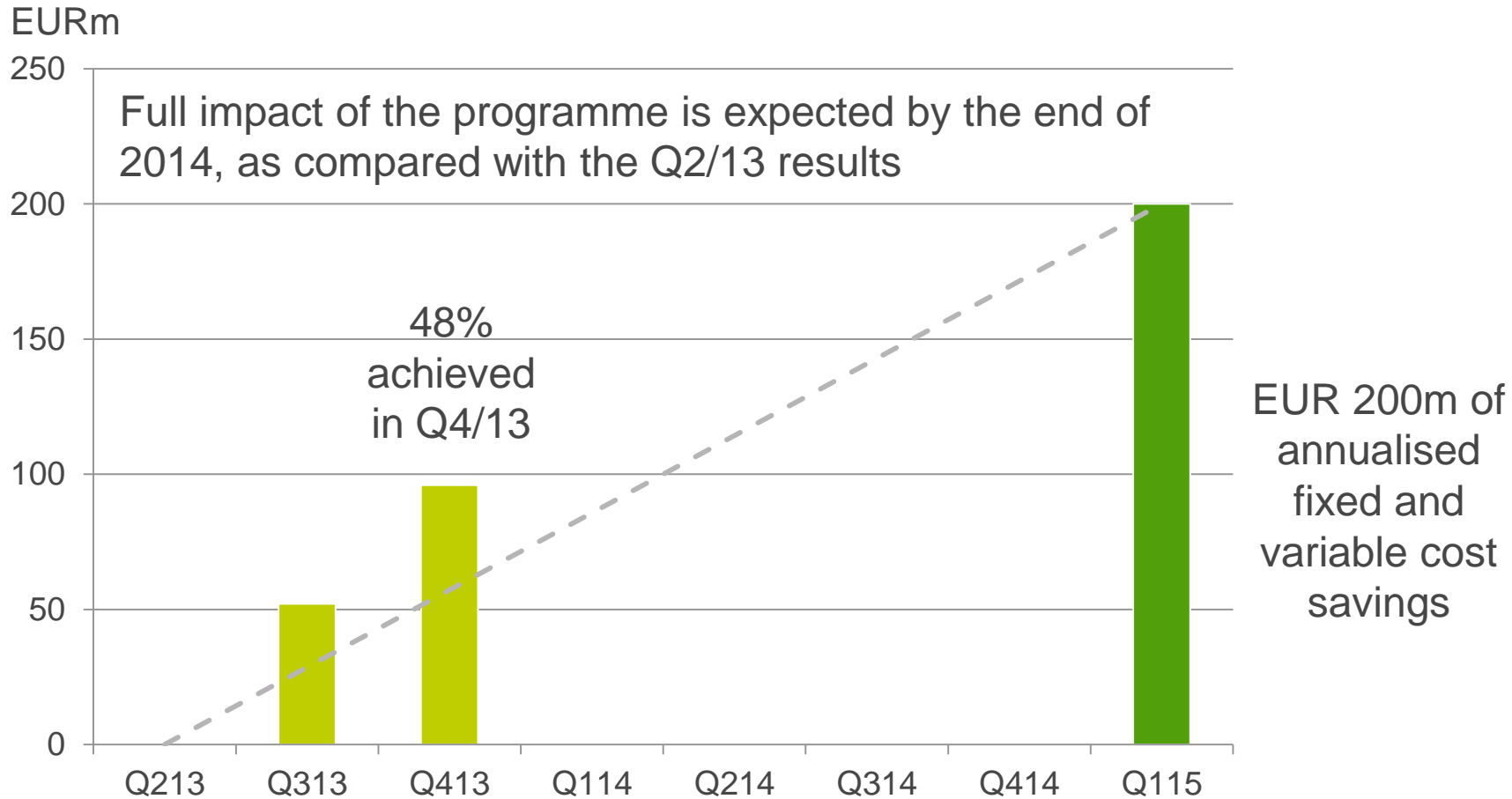


BIOCOMPOSITES

Actions in 2013 started to have a visible impact towards the end of the year

- New business structure announced in August
 - Simplified model, focused targets and incentives, faster decisions
 - Short-term profit improvement programme launched (EUR 200m)
 - Targets set for the growth initiatives for the coming three years (EUR 200m)
- 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

Profit improvement programme progressing fast



UPM Biorefining

UPM creates new business in wood-based renewable diesel



The Biofore Company UPM

- Biofuels has potential to become a large new UPM business with good profitability
- High value renewable drop-in diesel suitable for all diesel engines
- Own technology development and IPR
- First refinery starts up in summer 2014 – project on budget and schedule
- Attractive EUR 150m investment, significant part of the **EUR 200m EBITDA growth** target

UPM Biorefining

Increasing pulp capacity by 10%

- UPM has a unique pulp business position
- UPM's competitive pulp mills enable 10% increase in the 3.3mt capacity with modest capex and attractive returns – significant part of the **EUR 200m EBITDA growth** target
- Kymi: EUR 160m investment to increase capacity by 170,000t – start-up in Q4/2015
- Allows decoupling of UPM's pulp and paper businesses also at Kymi mill
- Pietarsaari 70,000t expansion on-going, further plans in Fray Bentos and Kaukas

UPM Paper Asia

Changshu expansion strengthens UPM's leading global position in labelling materials

- Strengthens UPM Paper Asia's leading position as a cost competitive high quality supplier
- UPM builds a new labelling materials production unit at the Changshu mill in China
 - Capable to produce up to 360,000 tonnes of speciality papers and labelling materials
- Attractive EUR 277m investment, significant part of the **EUR 200m EBITDA growth** target
- Start-up by the end of 2015



UPM Raflatac

Growth in self-adhesive labels

- UPM Raflatac has significant growth potential with good profitability – part of the **EUR 200m EBITDA growth** target
- Market growth exceeds private consumption
- Strengthening position in emerging markets
- Developing high value added products
- Strong asset base enables growth with low investments and attractive returns



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

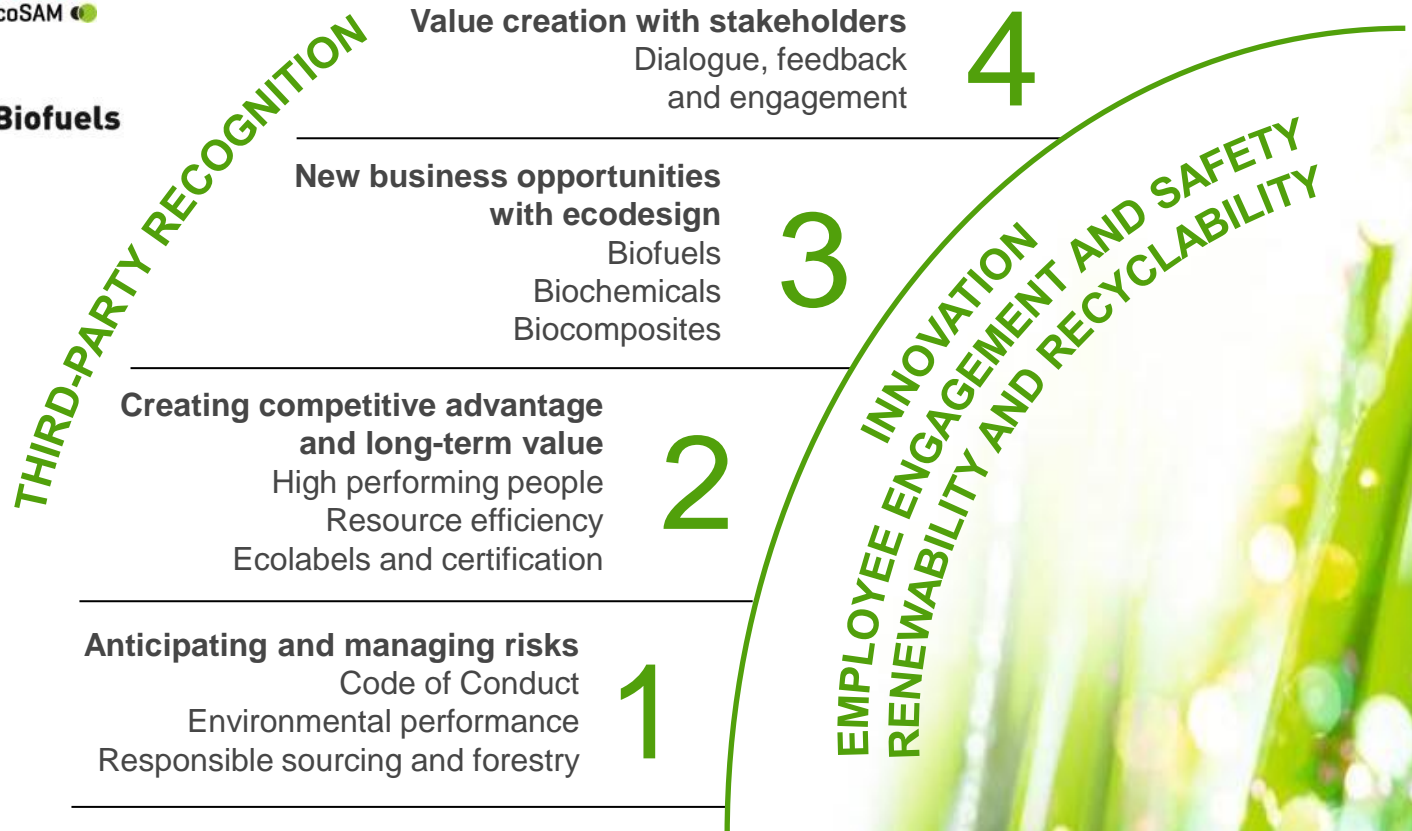
More with Biofore

Responsibility is a source of competitive advantage

MEMBER OF
Dow Jones Sustainability Indices
 In Collaboration with RobecoSAM

 **Sustainable Biofuels Awards 2013**


 DRIVING SUSTAINABLE ECONOMIES



More with Biofore

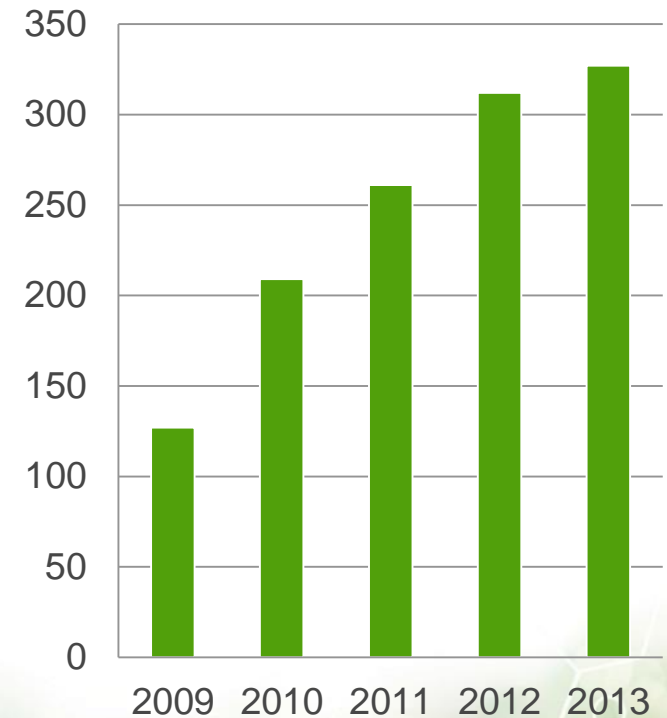
New businesses based on UPM's development work



The Biofore Company UPM

- Large target markets with potentially healthy profitability
- Sustainable competitive advantage based on IPR
- **Biofuels** renewable drop-in diesel suitable for all diesel engines
- **Biochemicals** sustainable drop-in alternatives for oil-based chemicals
- **Biocomposites** for injection moulding to replace oil-based raw materials

Annual patent filings 2009–2013



Biofore in Action





Shifting gear in UPM transformation

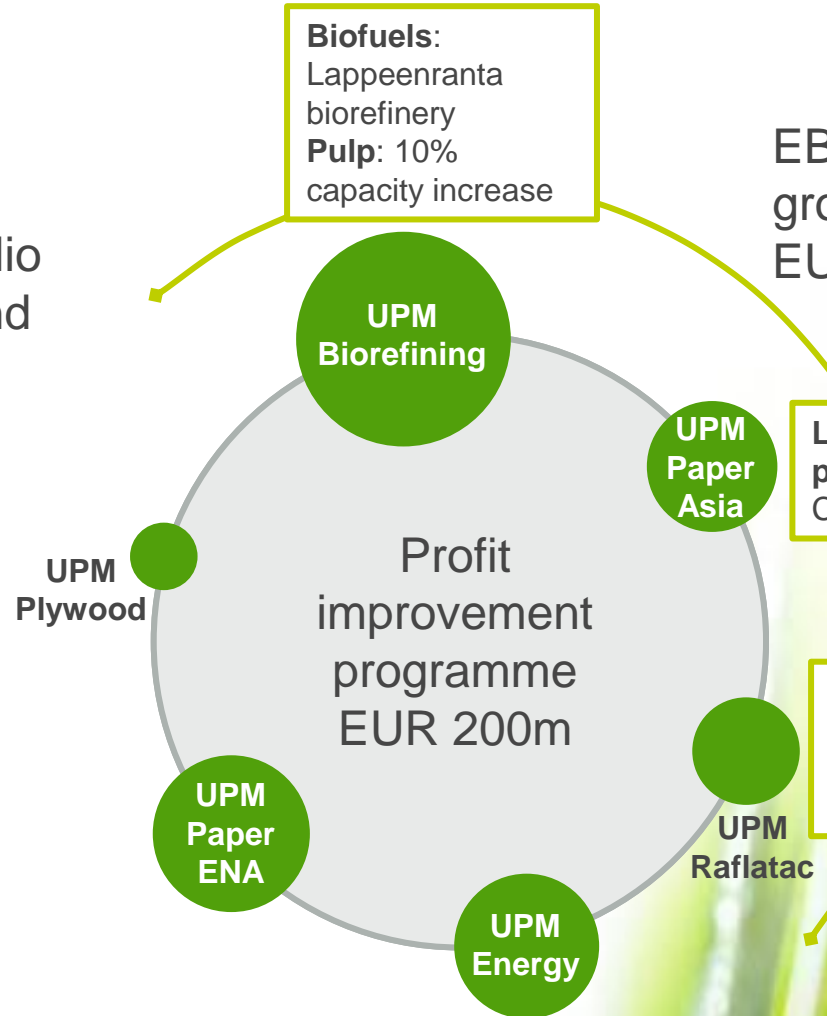
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New businesses



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