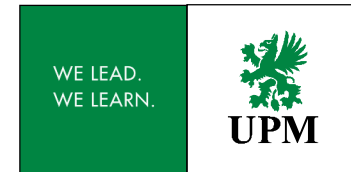


INFORMATION TECHNOLOGY ENABLING TRANSFORMATION OF FINANCIAL MANAGEMENT - CASE UPM

European Accounting Association
Symposium, May 15th, 2009
Tampere, Finland

Turkka Keskinen
Chief Information Officer, UPM

Content



- § UPM – frontrunner of the new forest industry
- § Finance process harmonisation
- § Transformation of Financial Management
- § Discussion

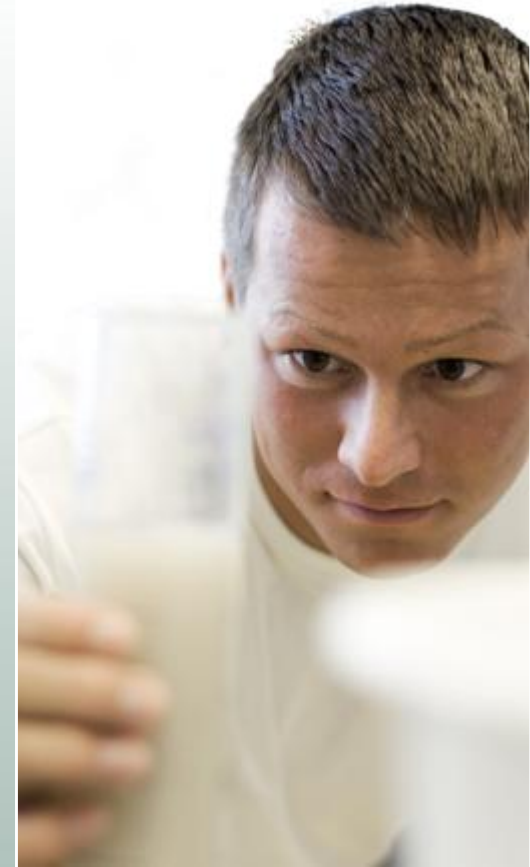
UPM

Frontrunner of
the new forest industry

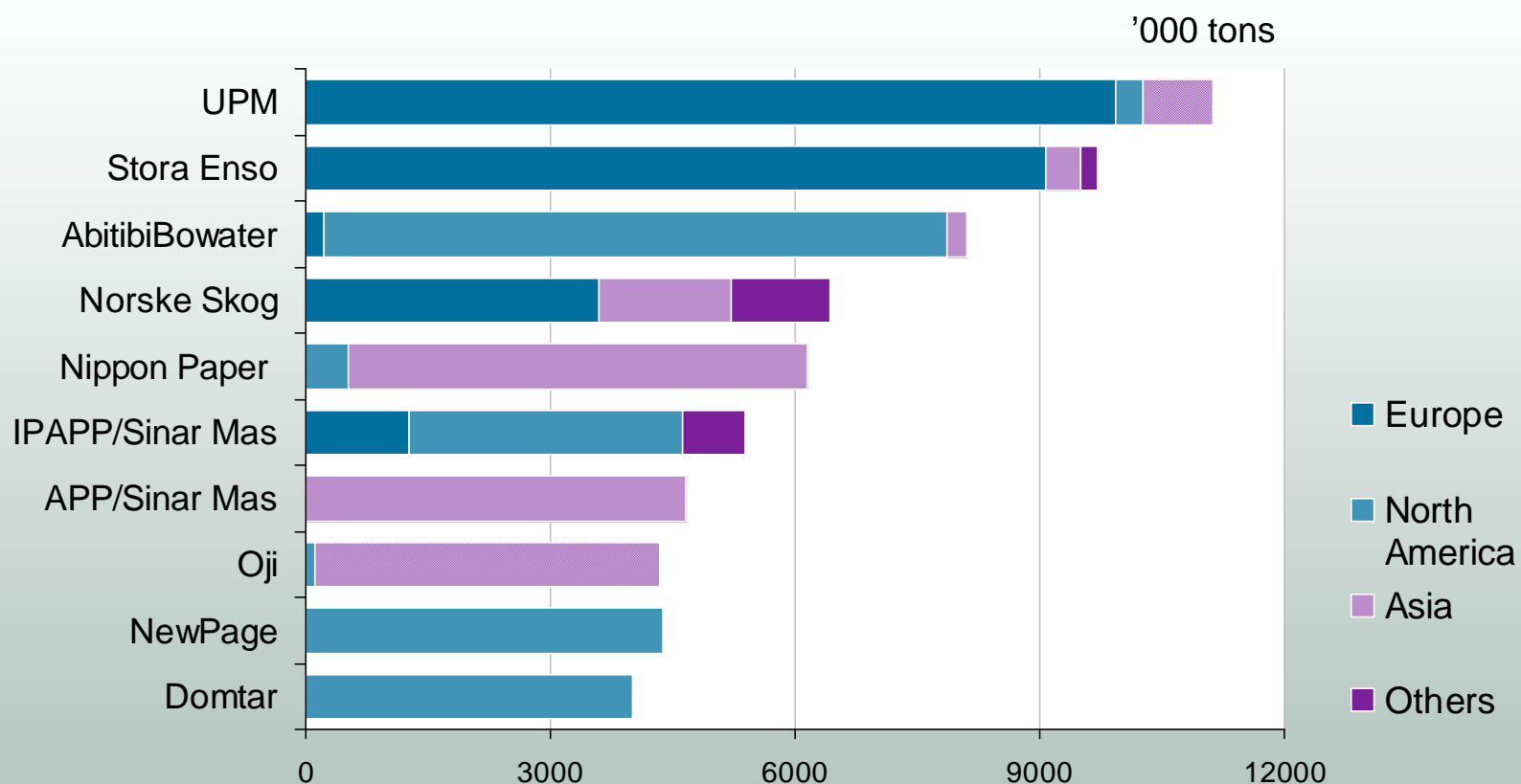


UPM today

- § 25,000 employees
- § Sales 9.5 billion euros
- § Production in 14 countries, worldwide sales network
- § Listed in the NASDAQ OMX Helsinki Ltd.
- § Modern and focused company with Finnish roots back to late 19th century



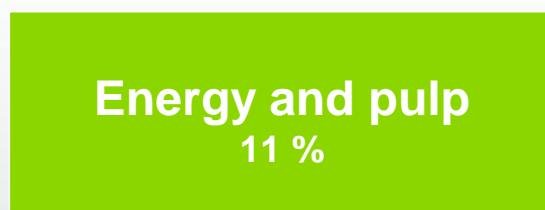
World's biggest graphic papers producers by region 2008



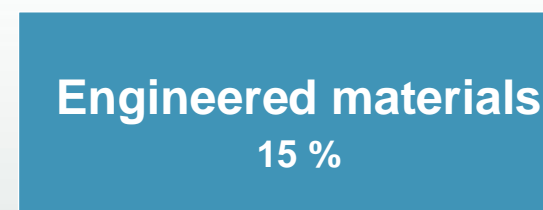
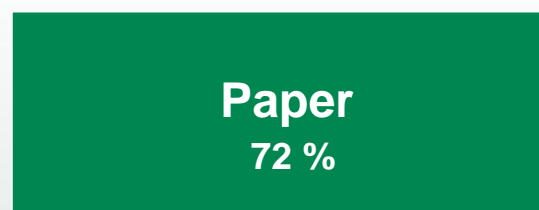
Source: JP, UPM

Sales by business groups in 2008*

Total sales 9.5 billion euros



- Forest and timber 9 %
- Energy 1 %
- Pulp 1 %



- Plywood 5 %
- Labels 10 %

* % of external sales

New businesses

In recent years, UPM has developed new business opportunities:

§ Biofuels

- UPM plans to become a major player in the production of renewable, 2 nd generation biofuels
- Biodiesel and bioethanol projects at pilot phase

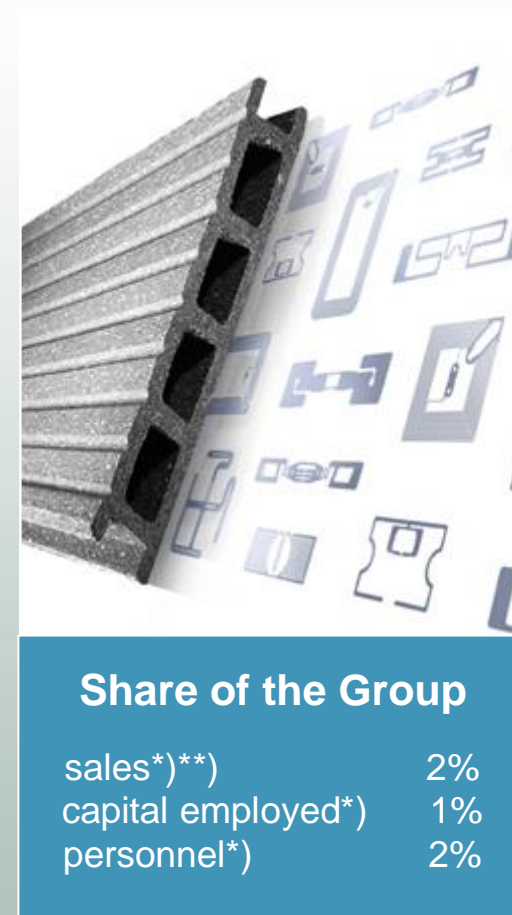
§ RFID tags and inlays for product identification

- Production in Finland, China and in the U.S.

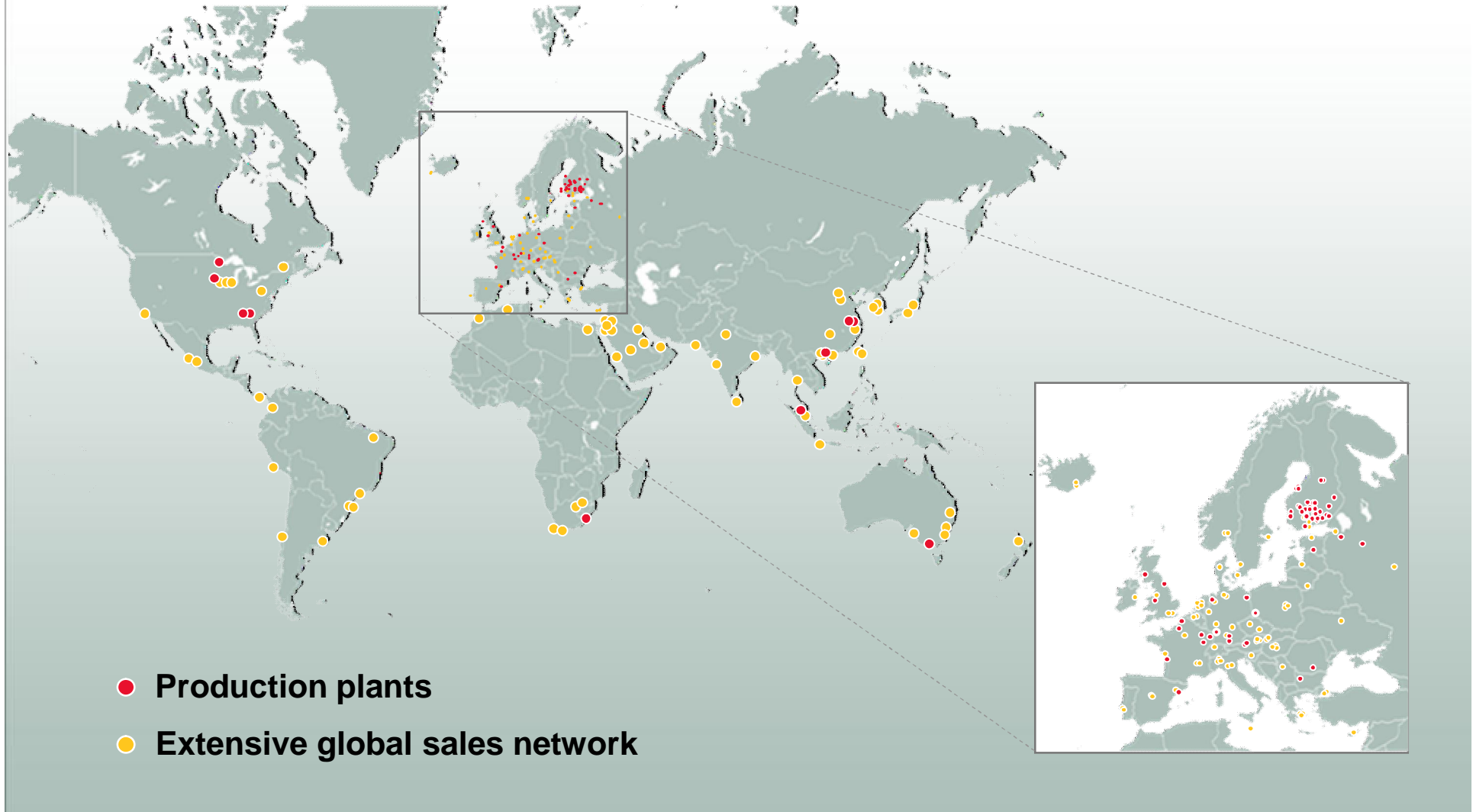
§ UPM ProFi wood plastic composite for outdoor use

- Production in Finland and Germany

*include developments units (the wood plastic composite unit ProFi, RFID tags and biofuels). It also includes logistic services and corporate administration. **Sales % represents third-party sales.



UPM worldwide



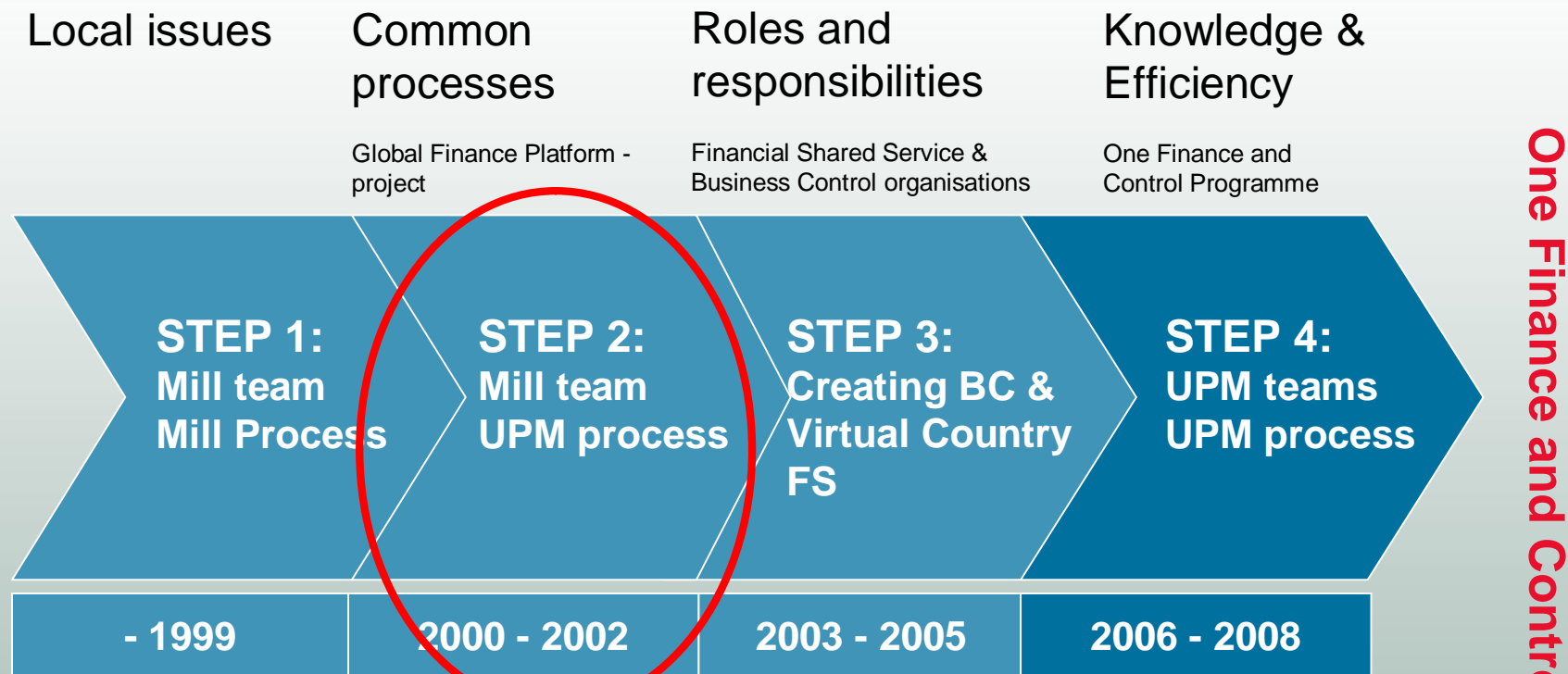


FINANCE PROCESS HARMONISATION

Global Finance Programme

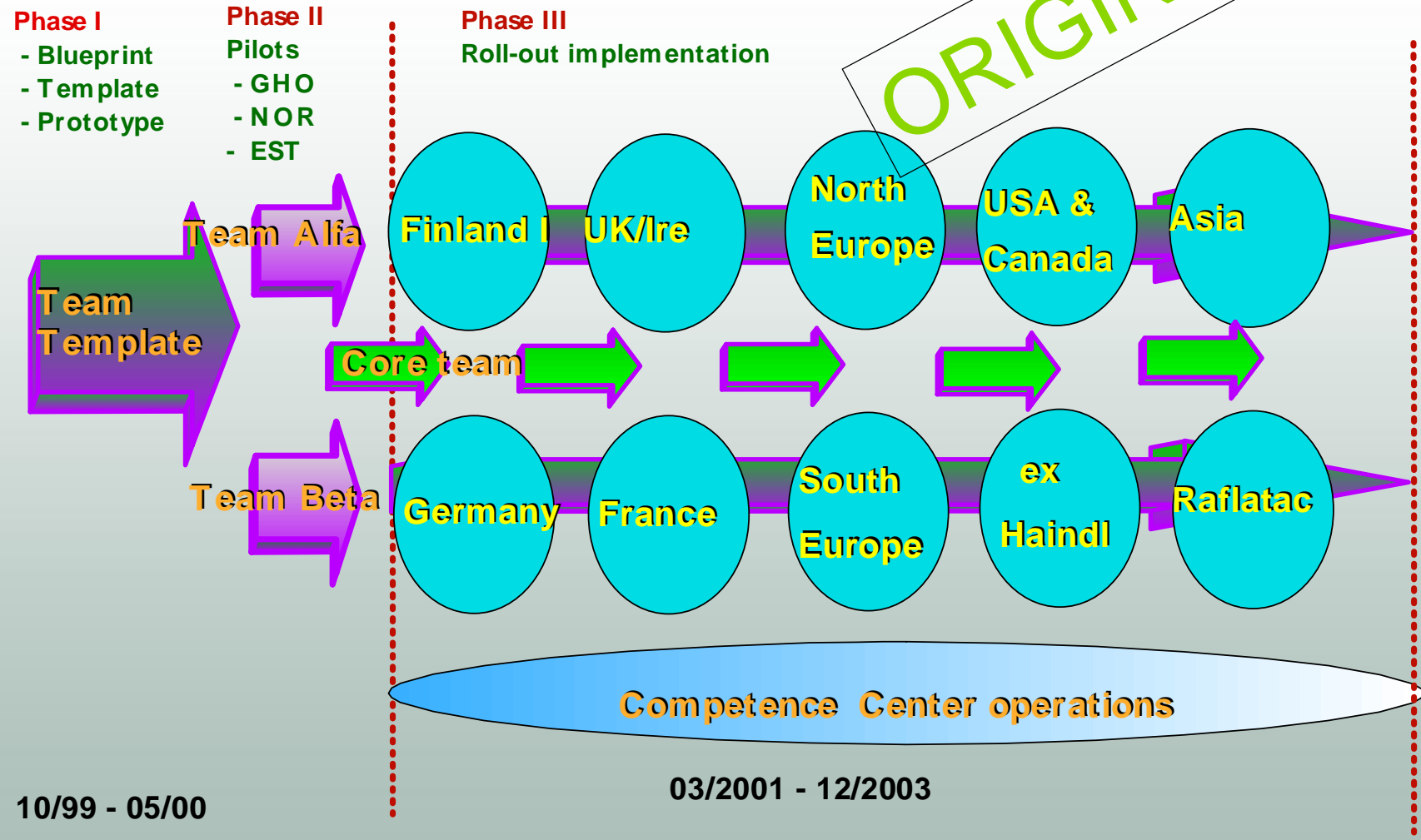
AIMING FOR ONE FINANCE AND CONTROL

Our way in Finance and Control

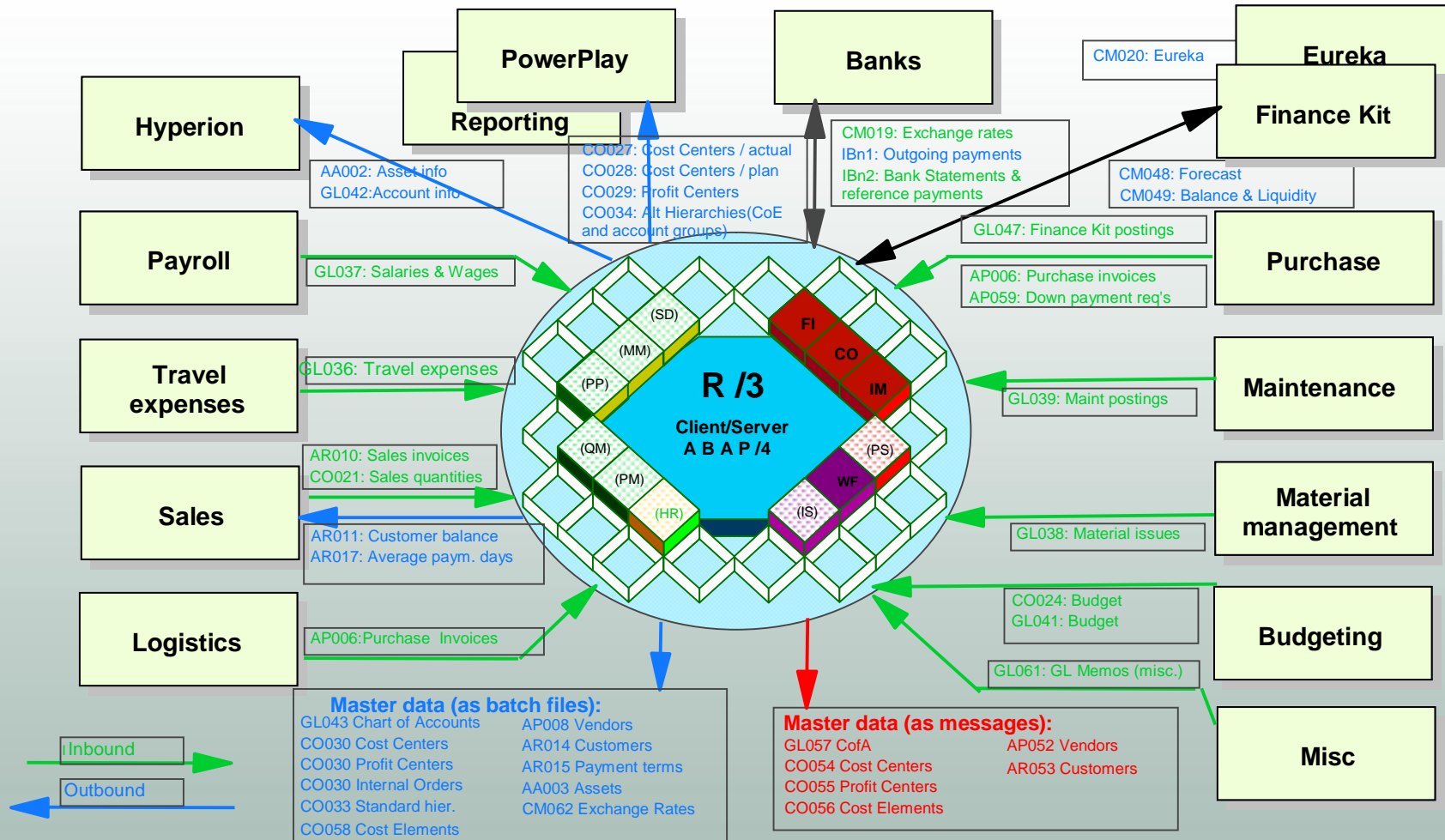


One Finance and Control

GFP Implementation Schedule

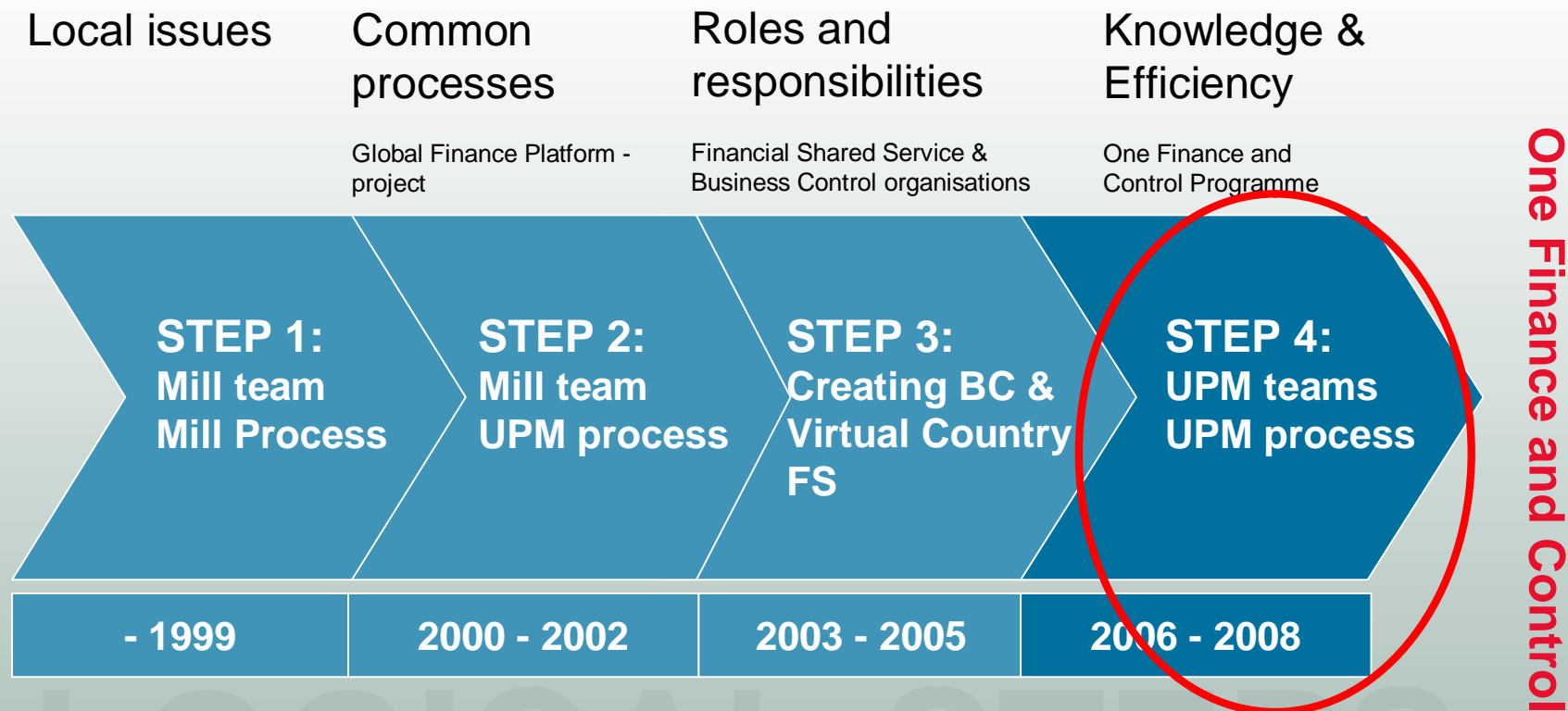


GFP Integration



AIMING FOR ONE FINANCE AND CONTROL

Our way in Finance and Control

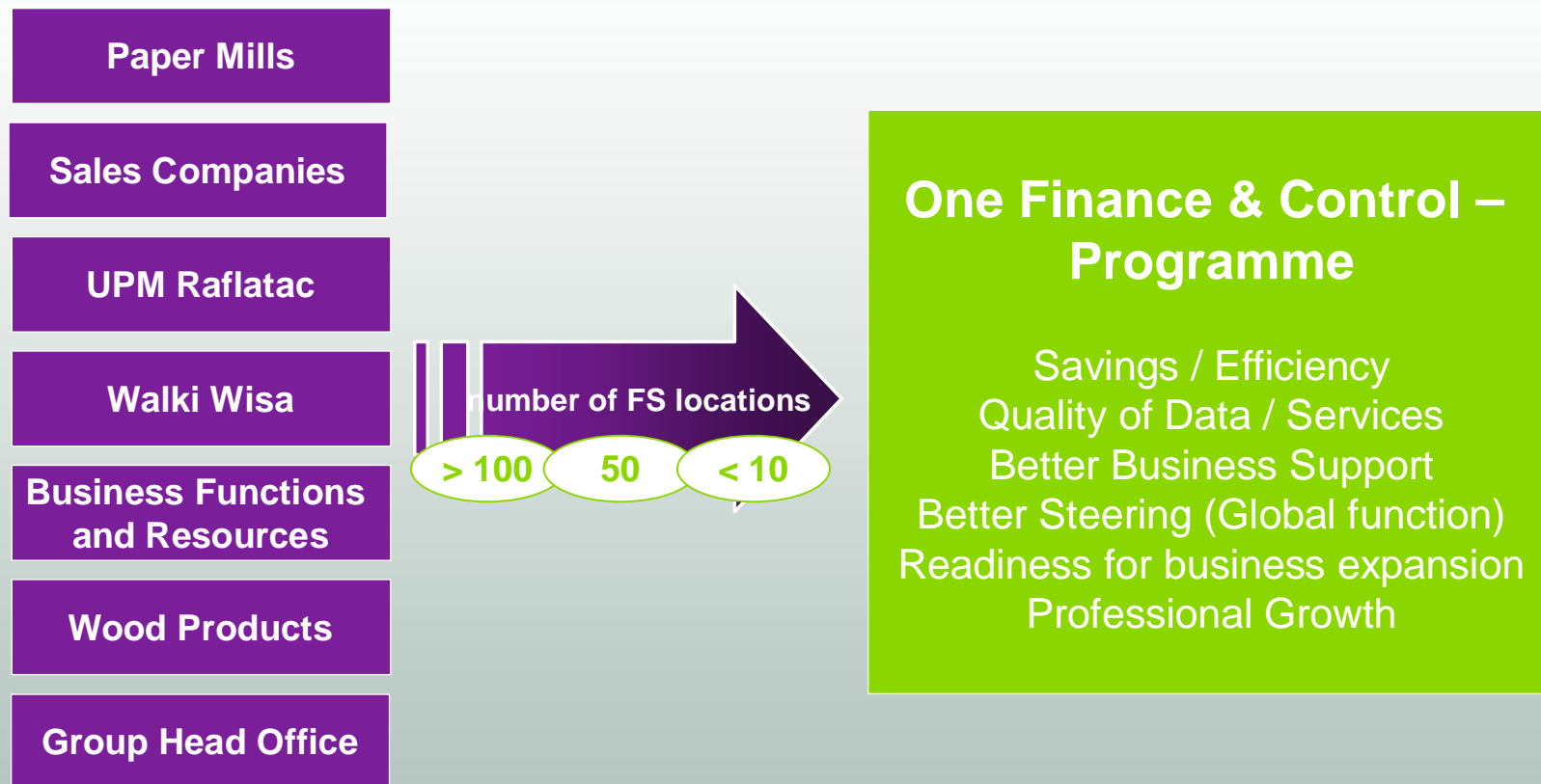


TRANSFORMATION OF FINANCIAL MANAGEMENT

One Finance Programme



Battle for profitability: from virtual teams to global, centralized service function



1 FC TO BE Head Count 12/2008 (FTE)

Basic assumptions

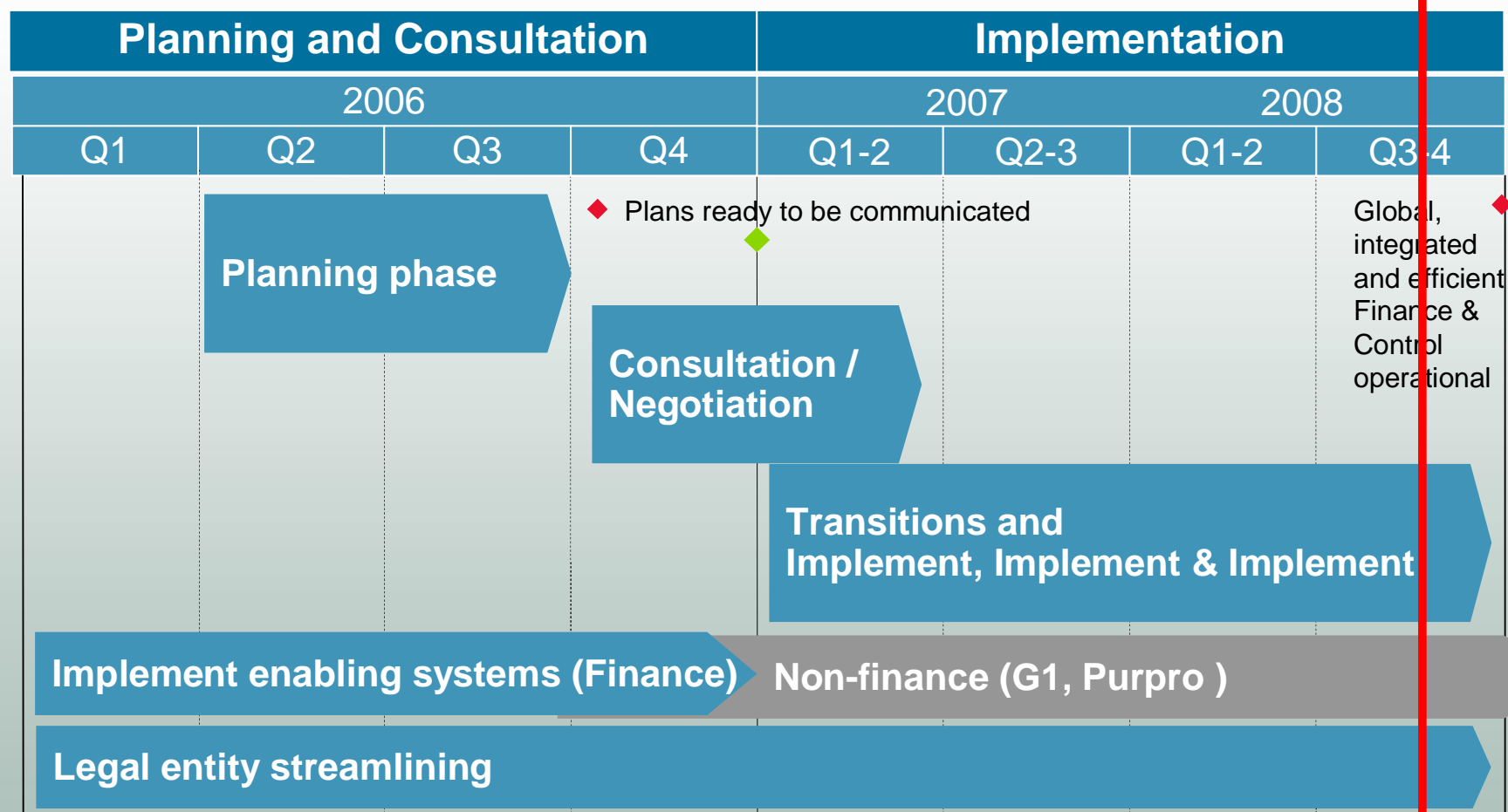


		TO BE
AP process	Purchase invoices / FTE	17000
AR process	Sales invoices / FTE	40000
CAR processes	FTE / Billion turnover	NE: 8 Others: 9
BC	FTE / mill	2/3
GHO	no benchmark	plan

= the upper quartile in global companies

One Finance and Control Programme

Implementation roadmap 2006 – 2008



Improving efficiency by centralisation and specialisation



- Extensive global sales network
- Production plants

FS / Global Transaction Services Centralised:

Tampere, Finland – services for Europe and North America

Changshu, China & Singapore – services for Asia Pacific and China

FS / Closing and Reporting Services Centralised:

Tampere, Finland – services for Northern Europe

Augsburg, Germany – services for Central Europe

Grand Couronne, France – services for Western Europe

Irvine, United Kingdom – services for United Kingdom and Ireland

Westmont, United States – services for North America

Changshu, China – services for China

Singapore, Singapore – services for Asia Pacific

Business Control (BC) teams are located in the business units

Group finance teams Group Accounting and Reporting (GAR), Group Treasury and Risk Management, Corporate Structure and Real Estate and Investor Relations (IR) teams are centralised in Helsinki

The first recruits learning UPM in Tampere



Team of Financial Services to China



Impact on Financial Management - Summary



§ **Harmonised processes enabled by IT**

§ **Leadership**

- **People skills**
- **Project skills**
- **Change management skills**
- **Cross cultural skills**

§ **Quality of financial information & reporting**

§ **Efficiency of finance & control function**

§ **Roles and competencies**

**Prerequisite
Required**

**Improved
Better
Clarified**

Discussion

WE LEAD.
WE LEARN.



UPM's three business groups

Energy and pulp

- § Finnish pulp mills
- § Hydro power assets
- § Shares of associated companies in pulp and energy
- § Biofuels
- § Forests & Timber

Personnel 5 000

Paper

- § Magazine
- § Fine
- § Newsprint
- § Speciality papers

Personnel 13 000

Engineered materials

- § Labels
- § RFID tags and inlays
- § Plywood
- § Wood plastic composites

Personnel 7 000

KEY FIGURES

Key figures



	2008	2007
Sales, € million	9,461	10,035
EBITDA, € million	1,206	1,546
- % of sales	12.7	15.4
Operating profit, € million	24	483
- excl. non-recurring items, € million	513	835
Profit before tax, € million	-201	292
- excl. non-recurring items, € million	282	644
Earnings per share, €	-0.35	0.16
- excl. non-recurring items, €	0.42	1.00
Dividend per share, €	0.40	0.75
Return on equity, %	neg.	1.2
Gearing ratio at end of the period, %	71	59