

UPM Q1 RESULTS 2011

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President and CEO
28 April, 2011

FINANCIALS

Q1 2011 – margins improved despite challenging cost environment



Sales

EUR 2,356 m



+16%

EBITDA margin

16.1%



+2 pp

EBITDA

EUR 379 m



+32%

Operating cash flow

EUR 166 m



-43 m

Operating profit (*)

EUR 198 m



+71%

Net debt

EUR 3,197 m



-89 m (**)

EPS (*)

EUR 0.32



+113%

Gearing

44%



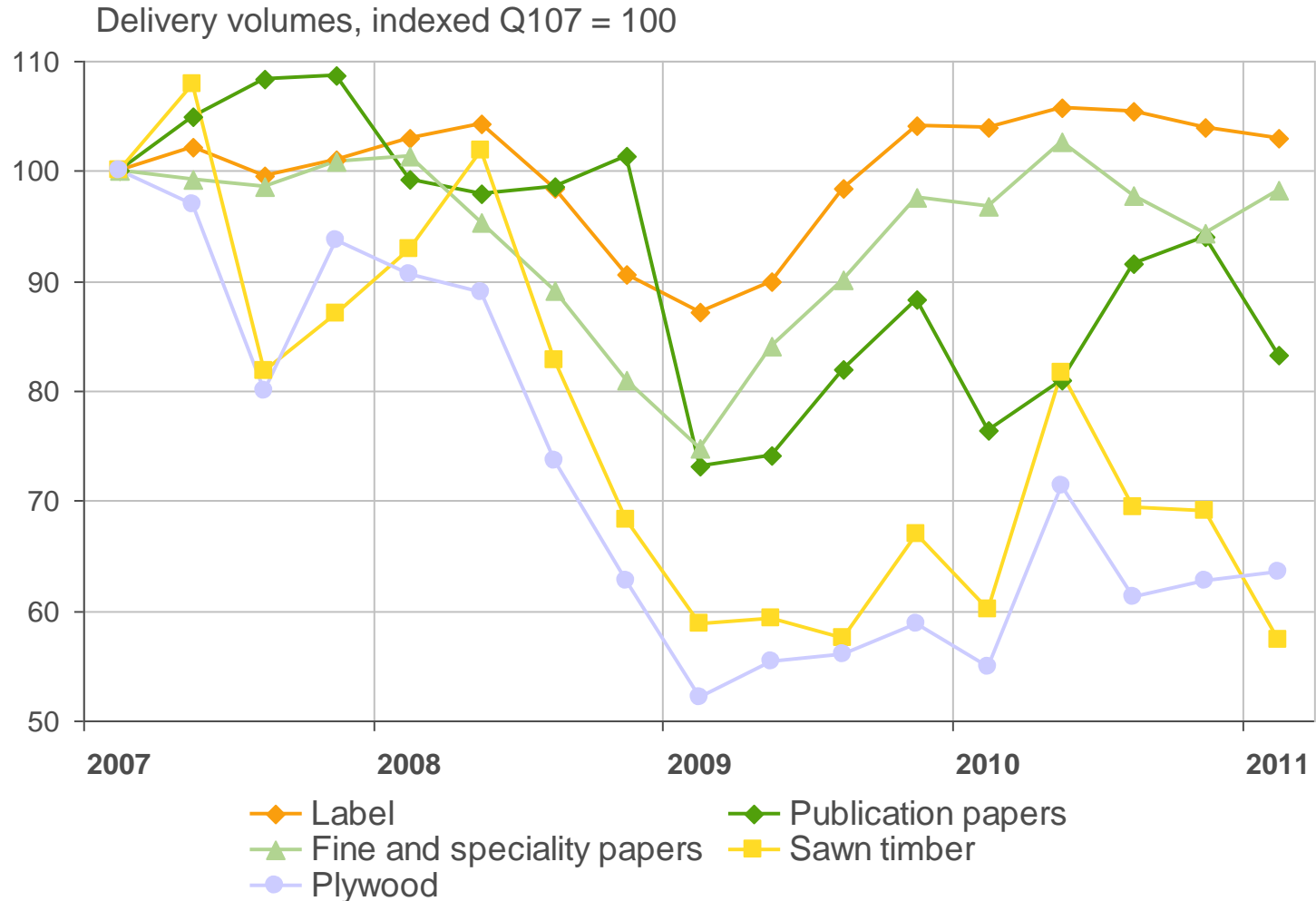
-2 pp (**)

*) excluding special items

**) from the beginning of the year

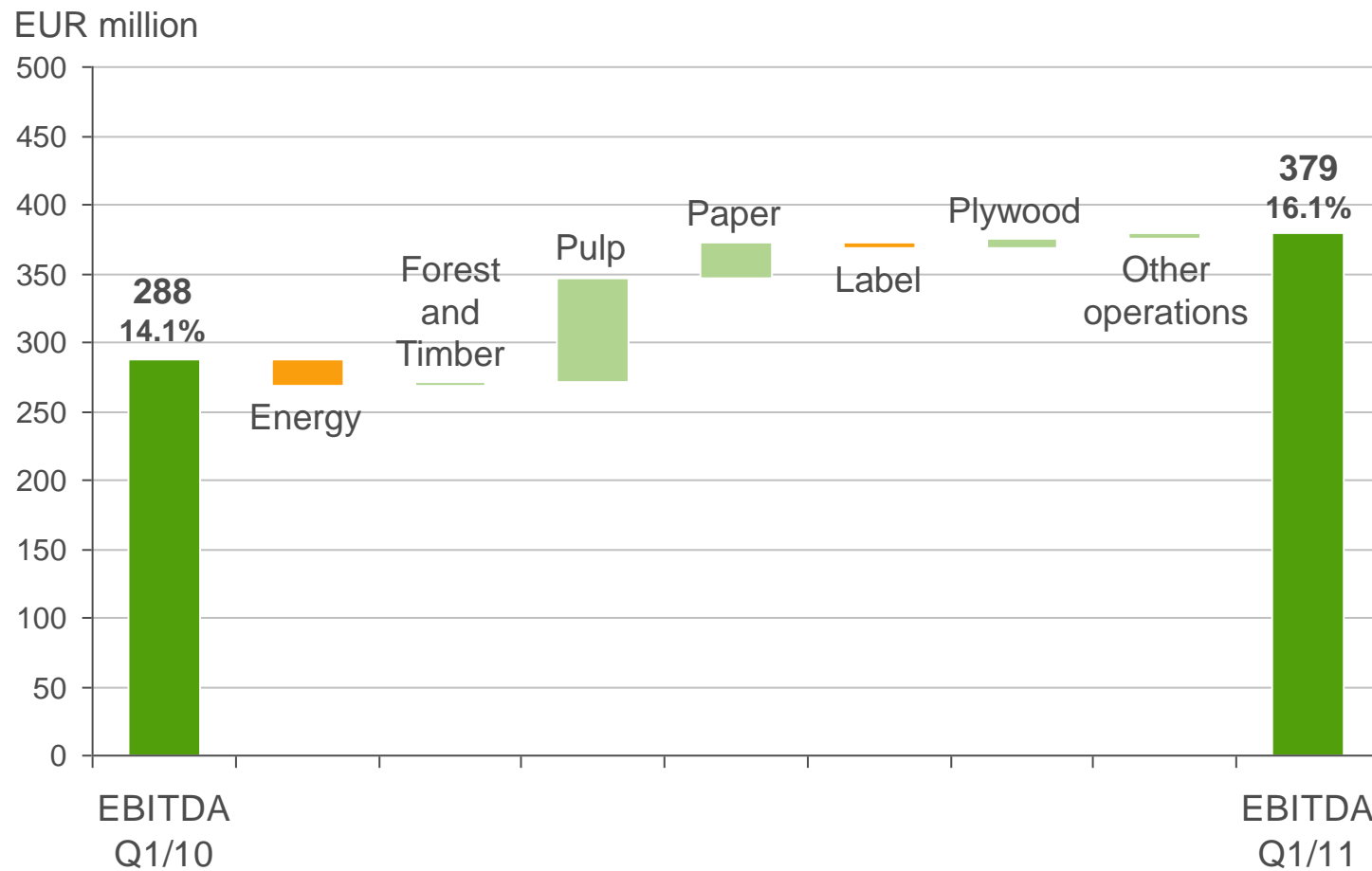
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Q1 2011 sales grew by 16%, driven by both sales prices and delivery volumes



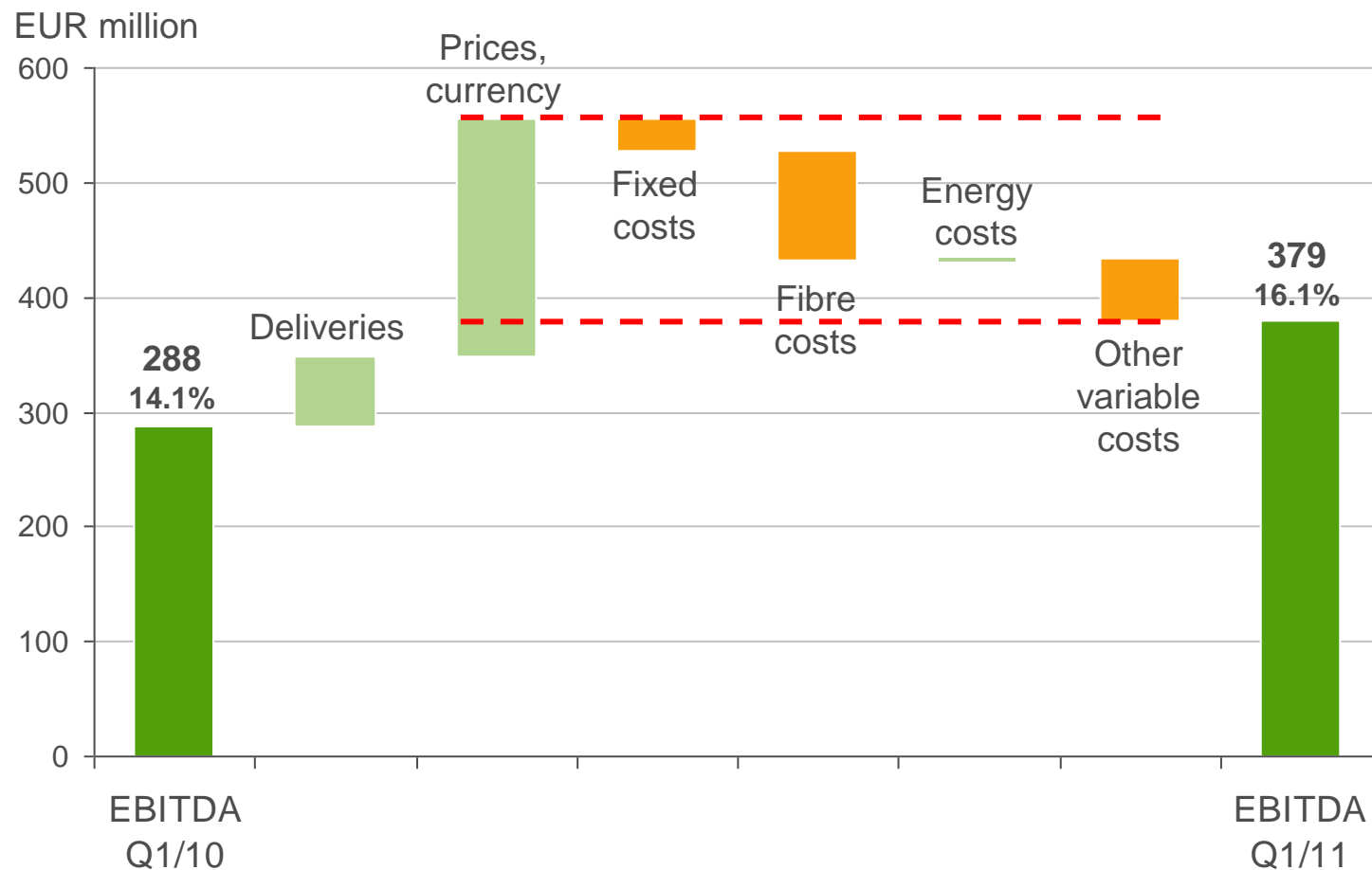
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EBITDA improved by 32%, main improvement in Pulp and Paper



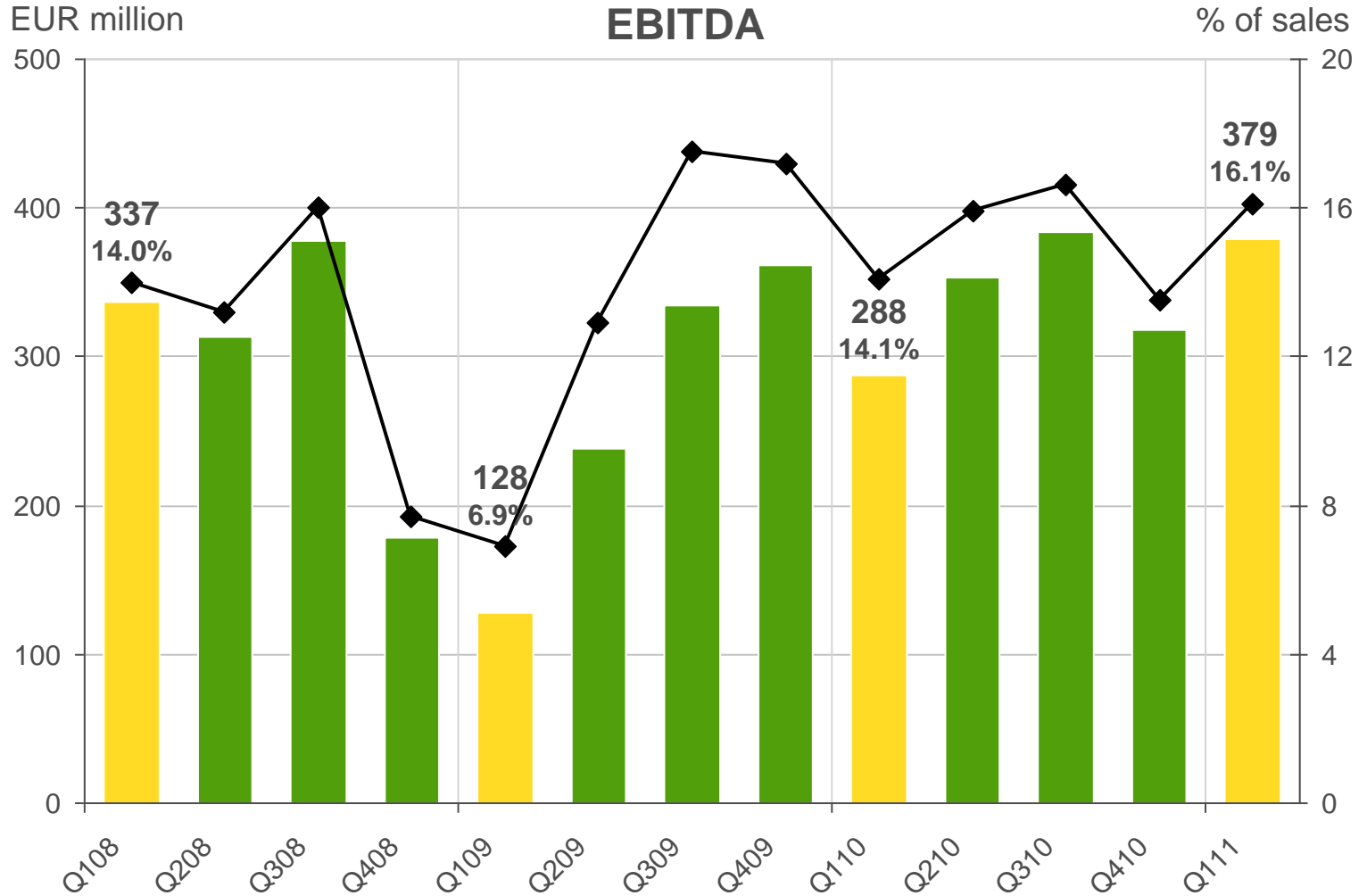
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Delivery volumes grew and price increases compensated for cost inflation

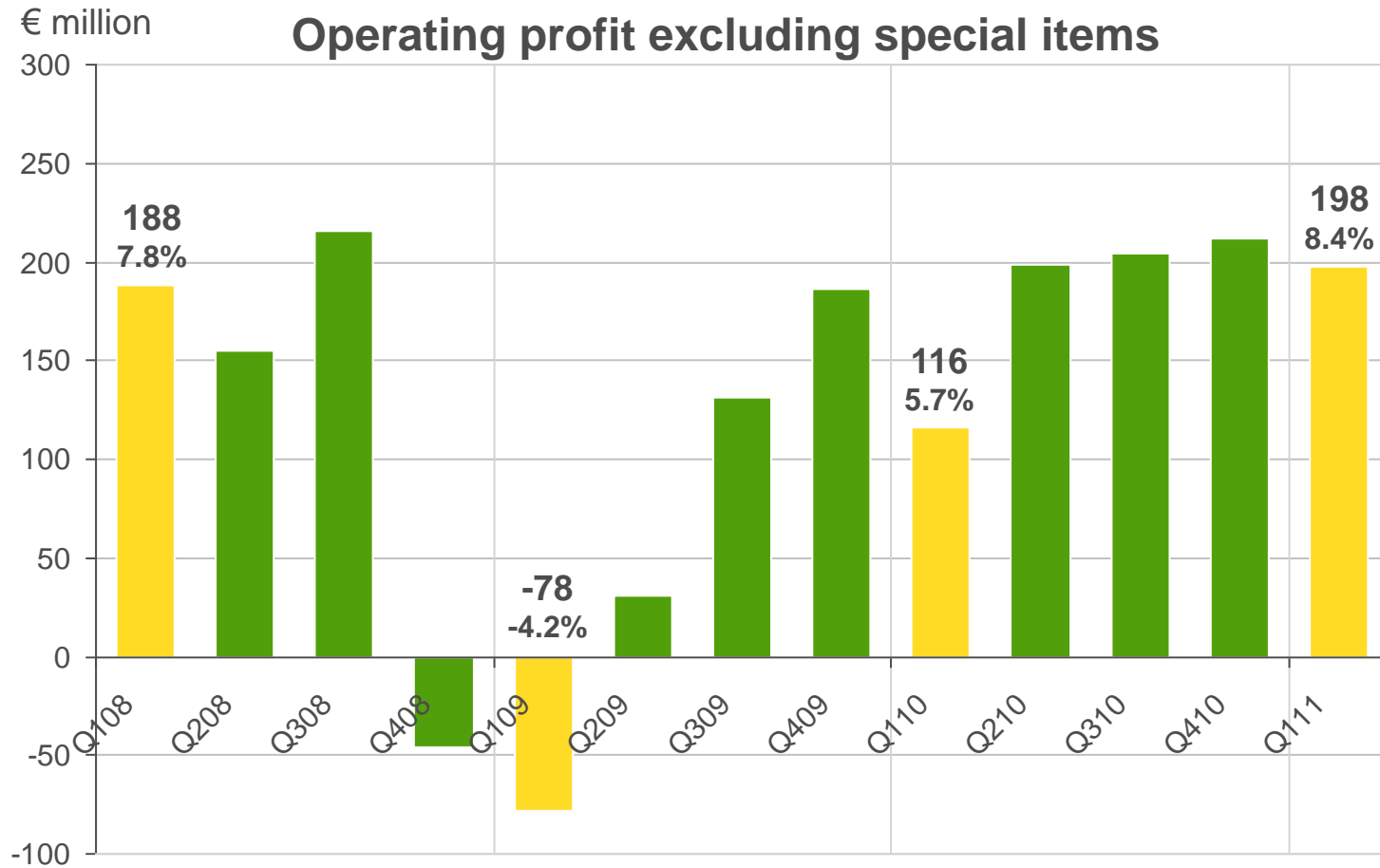


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EBITDA margin improved by 2pp, despite challenging cost environment



Operating profit increased by 71%

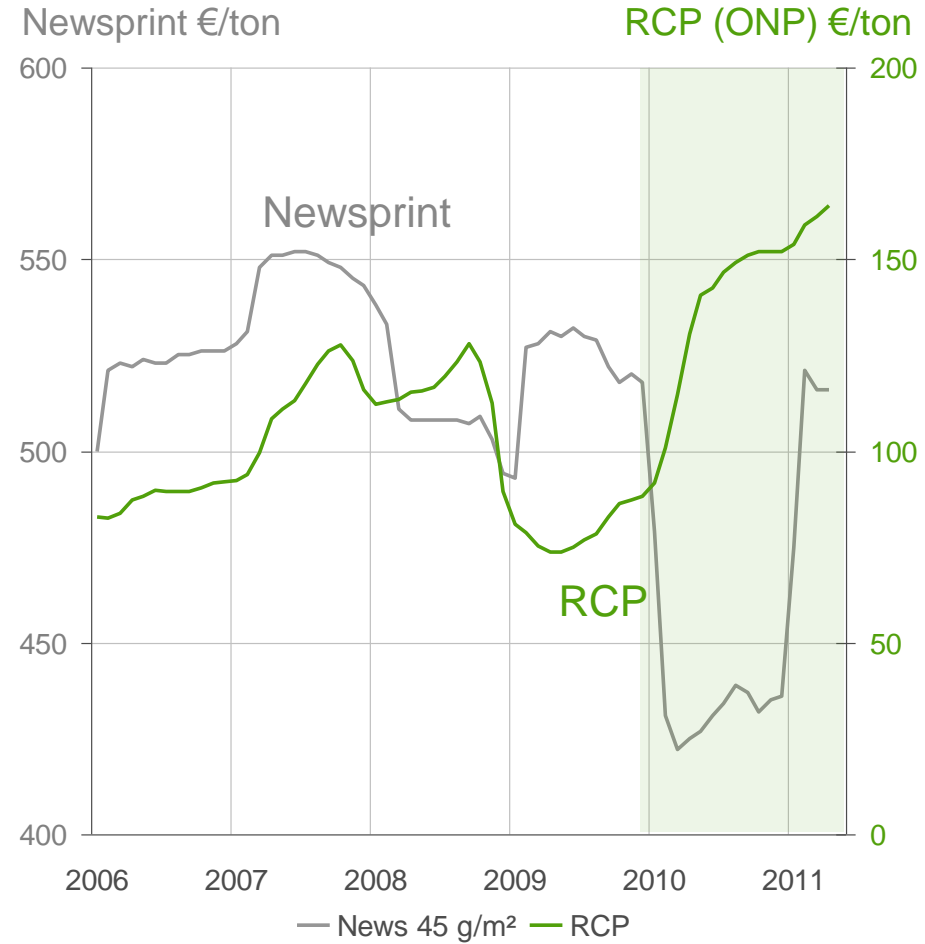
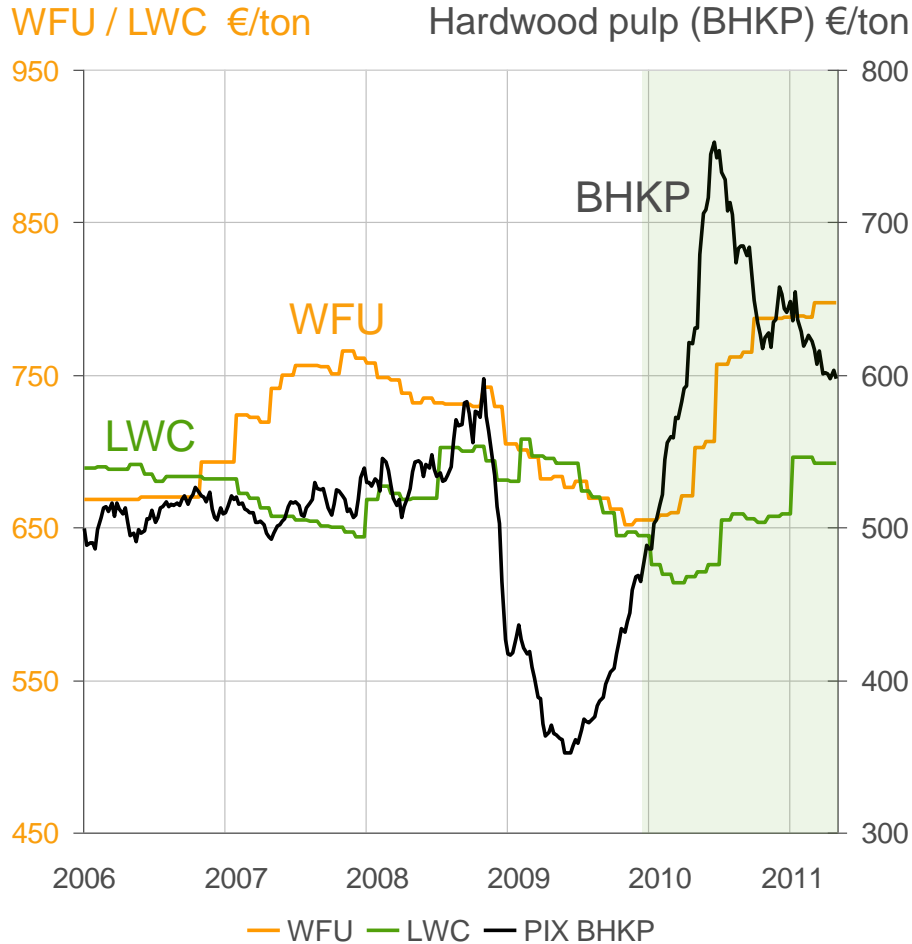


Case Paper



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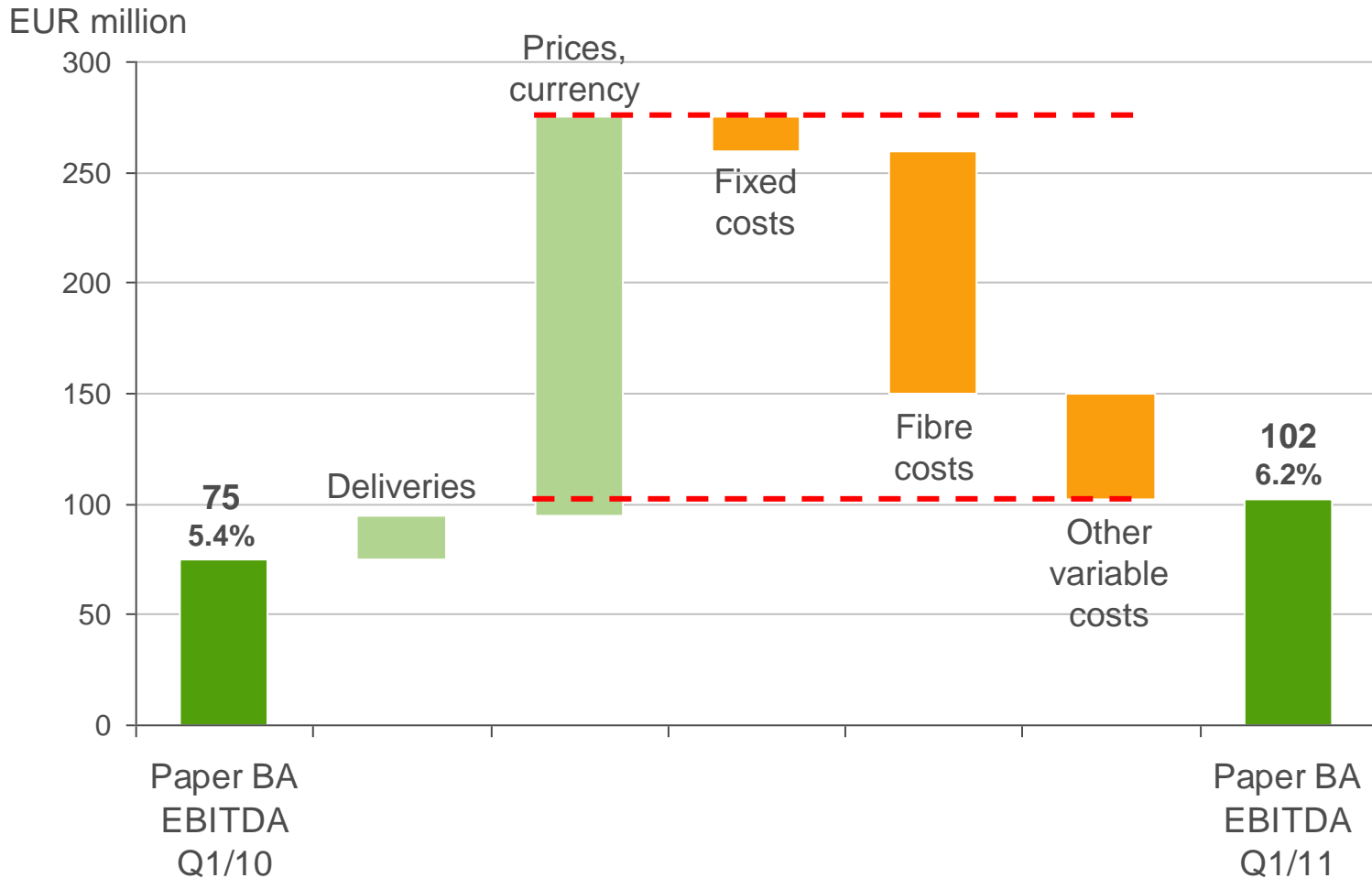
Paper prices increased from last year's bottom, but fibre cost pressure continues



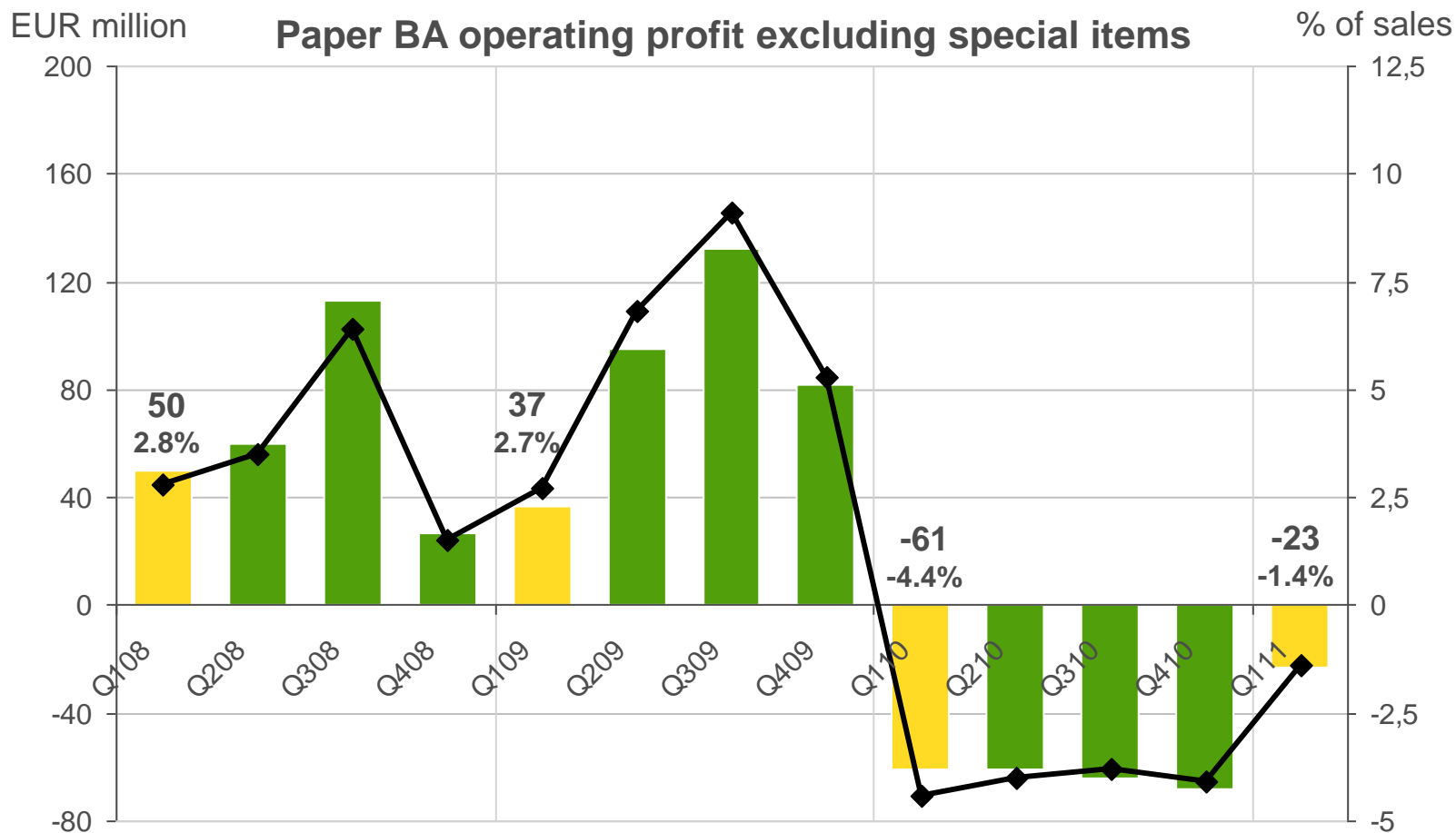
Source: FOEX Indexes Ltd., PPI, RISI

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Paper EBITDA – delivery volumes grew and price increases compensated for cost inflation



Paper operating loss decreased



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Pending acquisition of Myllykoski Corporation and Rhein Papier GmbH

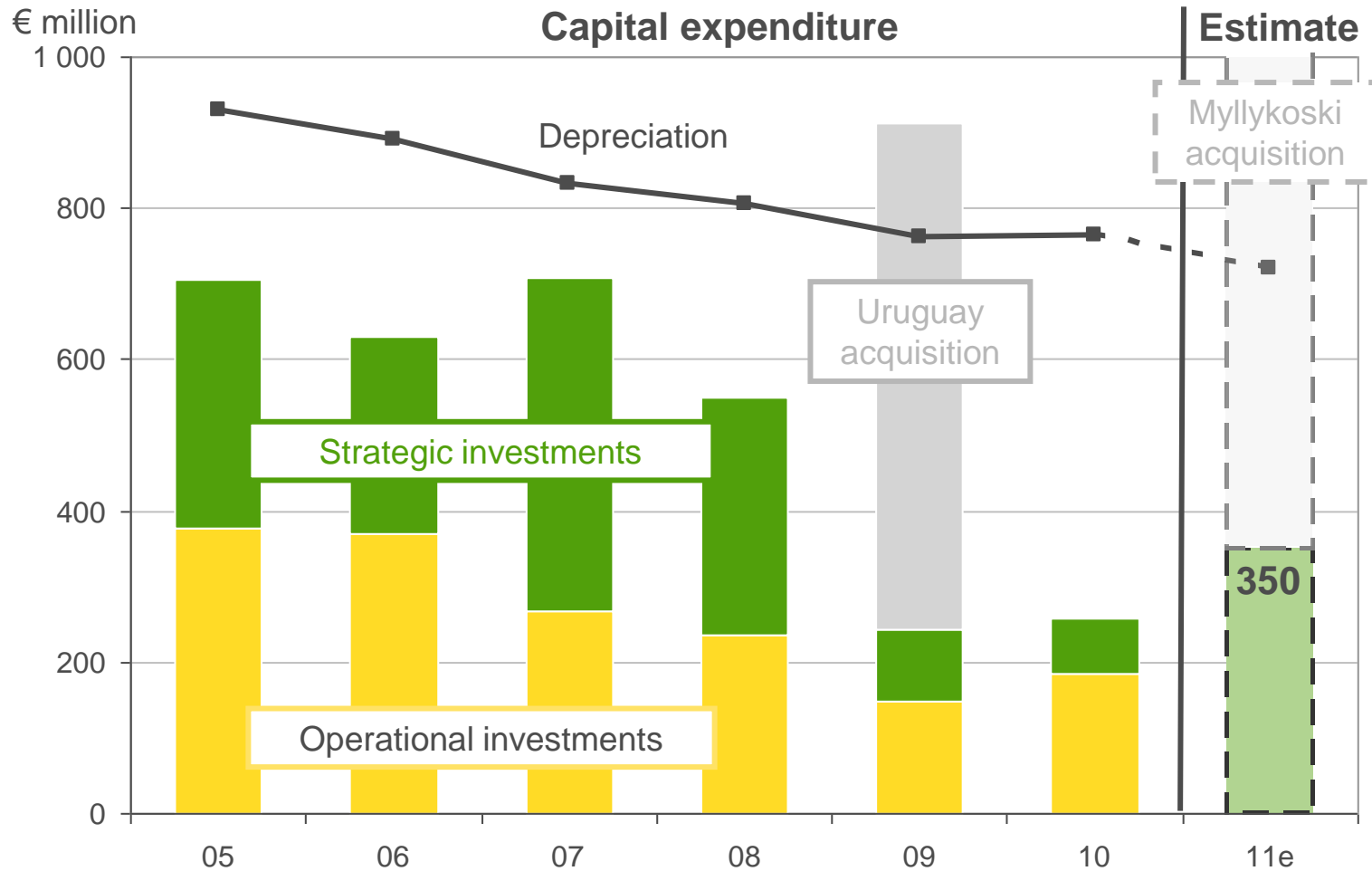


UPM has agreed to acquire Myllykoski for an enterprise value of EUR 900 million

Current status:

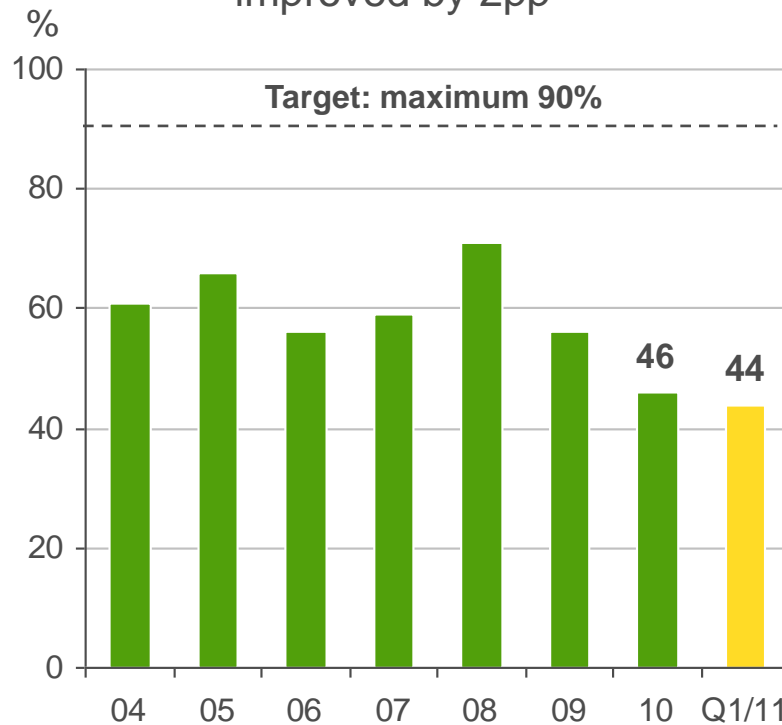
- As expected, EU Commission announced in March that the regulatory investigation proceeded to the second phase. The expected time of closing of the transaction is in the third quarter of 2011.
- An intense integration planning work between UPM and Myllykoski started immediately after the signing. Integration teams are not allowed to exchange wide range of information such as information on customers or markets.

Weight in strategic capex is on value enhancing acquisitions

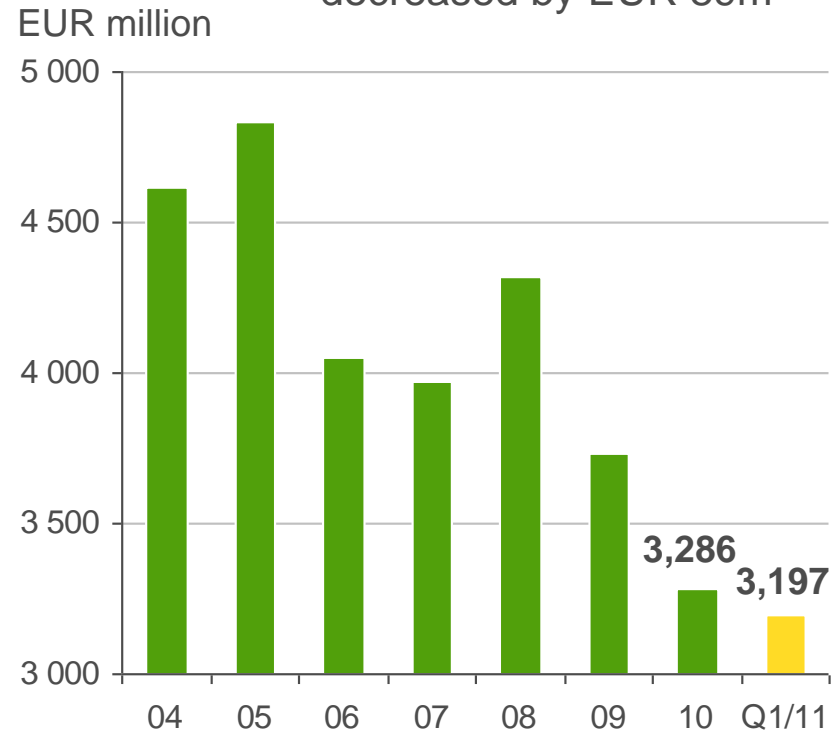


Balance sheet strengthened

Gearing ratio
improved by 2pp



Net debt
decreased by EUR 89m



Liquidity was EUR 1.7bn
repayments EUR 1.0bn in 2011-12

Earnings guidance for 2011 unchanged (*)

- UPM guidance for operating profit excluding special items
 - 2011 to improve from 2010
 - H1 2011 to improve clearly from H1 2010
- Favourable delivery volume development to continue – sales prices to be stable or increase, depending on business
- Variable cost inflation is higher than expected at the start of the year. Overall cost inflation is now expected to be about the same as in 2010



Summary

- Q1 showed sales growth and margin improvement
- Variable cost inflation has been higher than expected at the start of the year
- Earnings guidance for 2011 is unchanged - earnings growth continues
- Good momentum is expected to continue in UPM's businesses
- Myllykoski transaction is a key step to improve cost competitiveness in Paper



UPM

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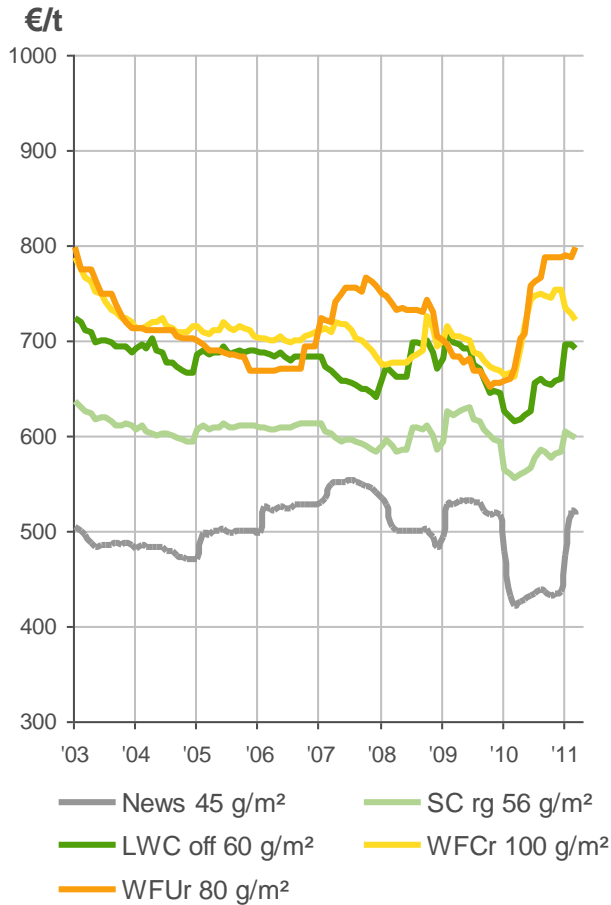
BUSINESS DRIVERS

Graphic paper prices

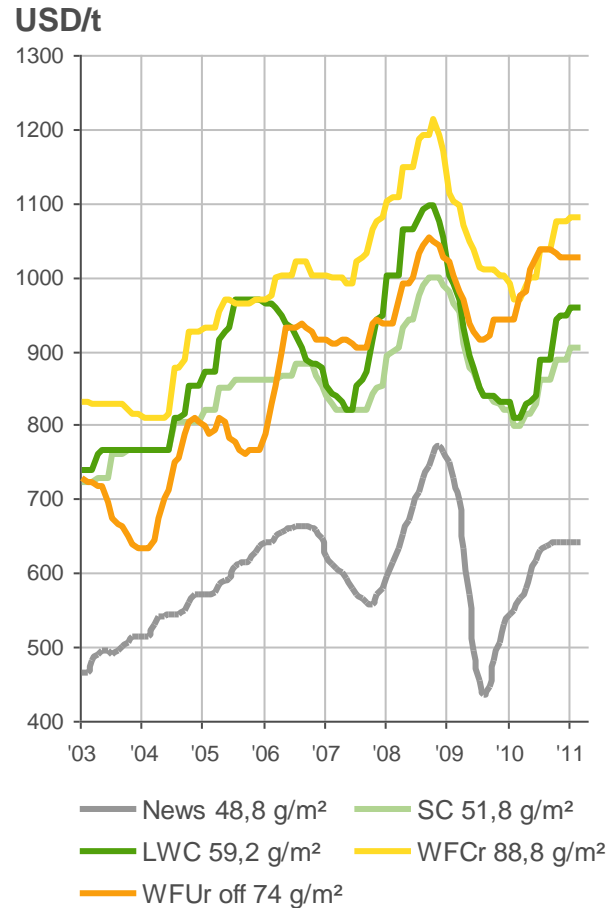


The Biofore Company UPM

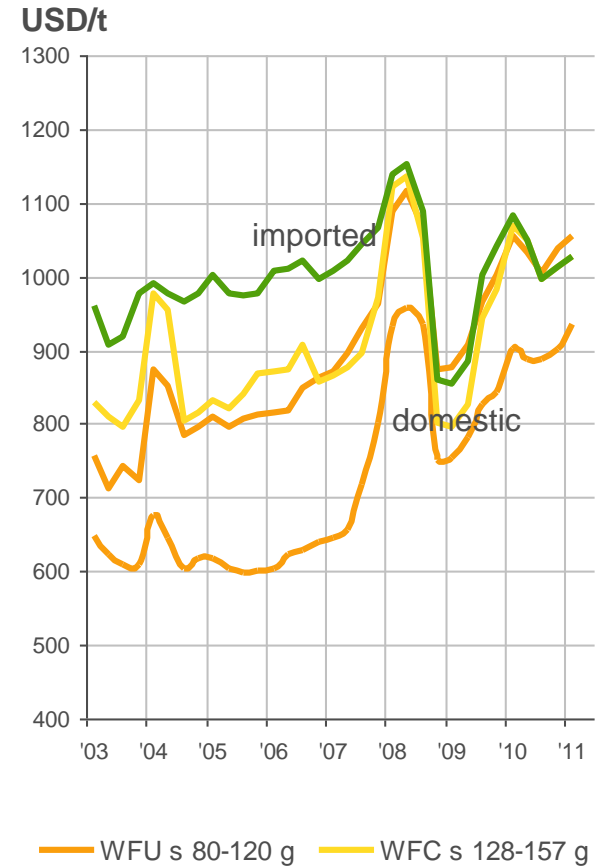
Europe



North America



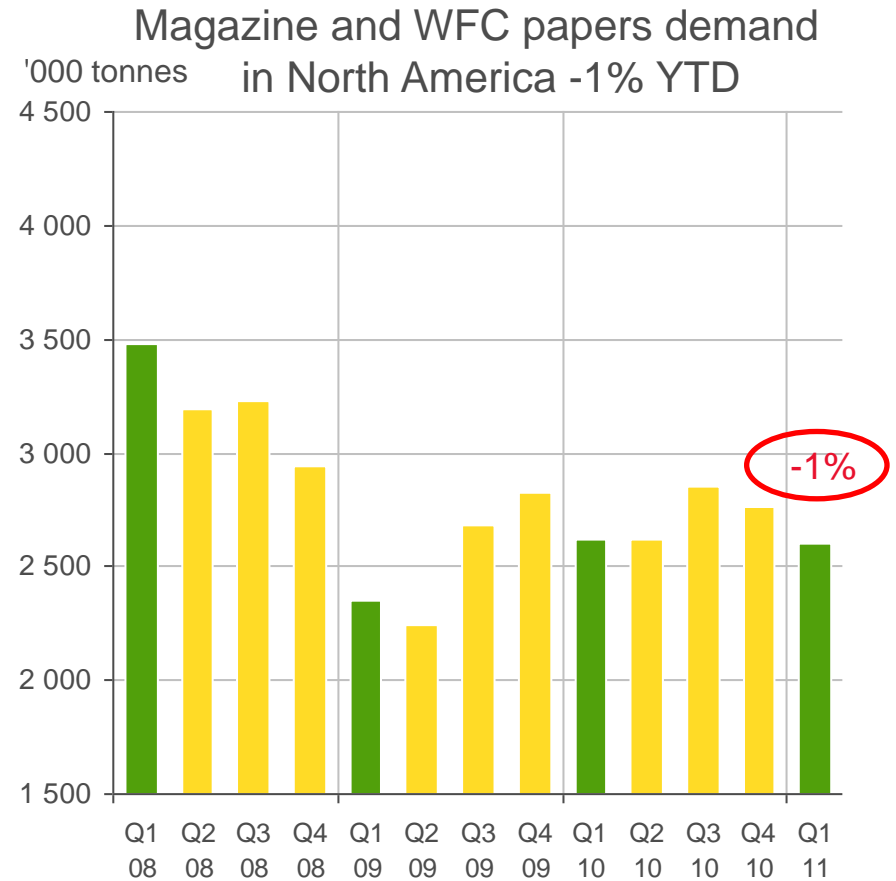
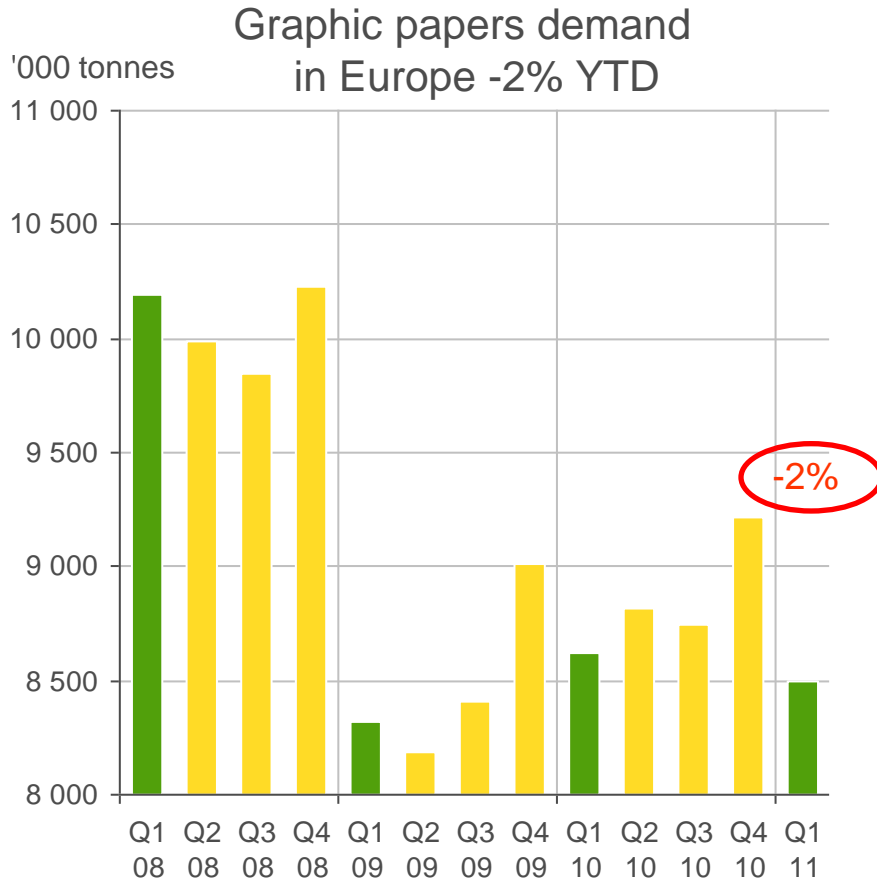
China



Source: PPI, RISI

BUSINESS DRIVERS

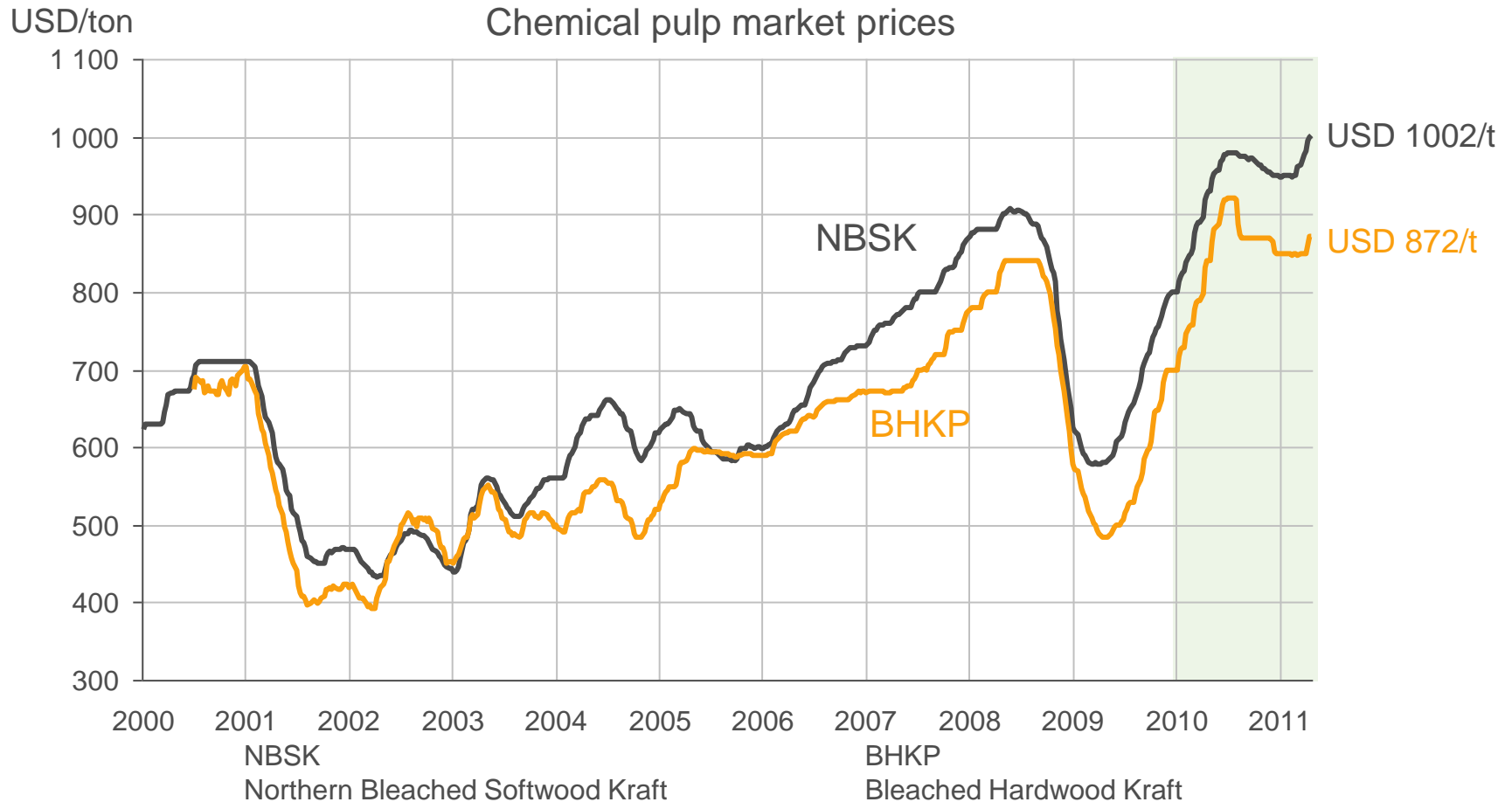
Graphic paper demand



Source: Cepiprint/fine, PPPC

BUSINESS DRIVERS

Chemical pulp market prices remained strong in Q1 2011

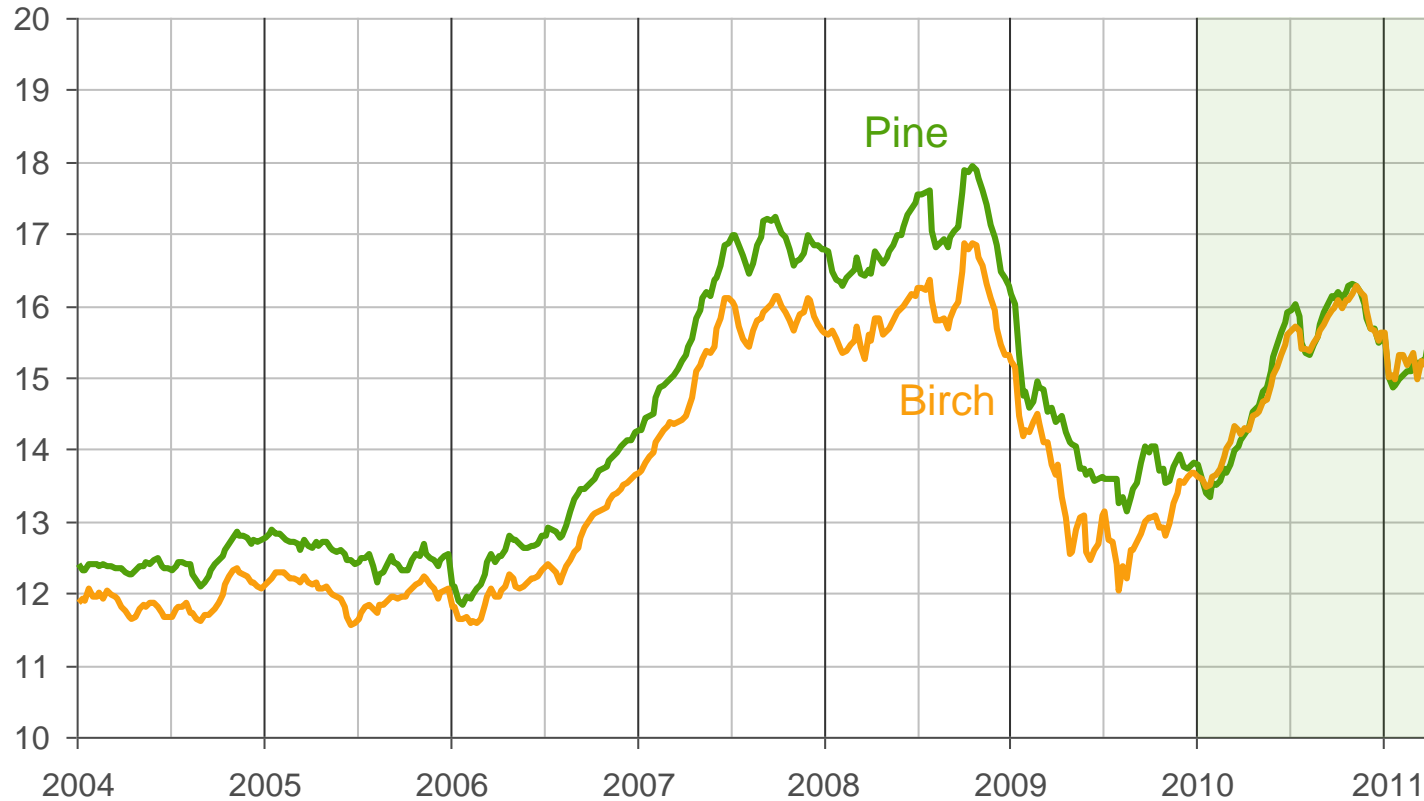


Source: FOEX Indexes Ltd.

BUSINESS DRIVERS

Wood prices at a high level

Fibre wood prices in Finland, € / m³





The Biofore Company **UPM**

FINANCIALS Q1 2011

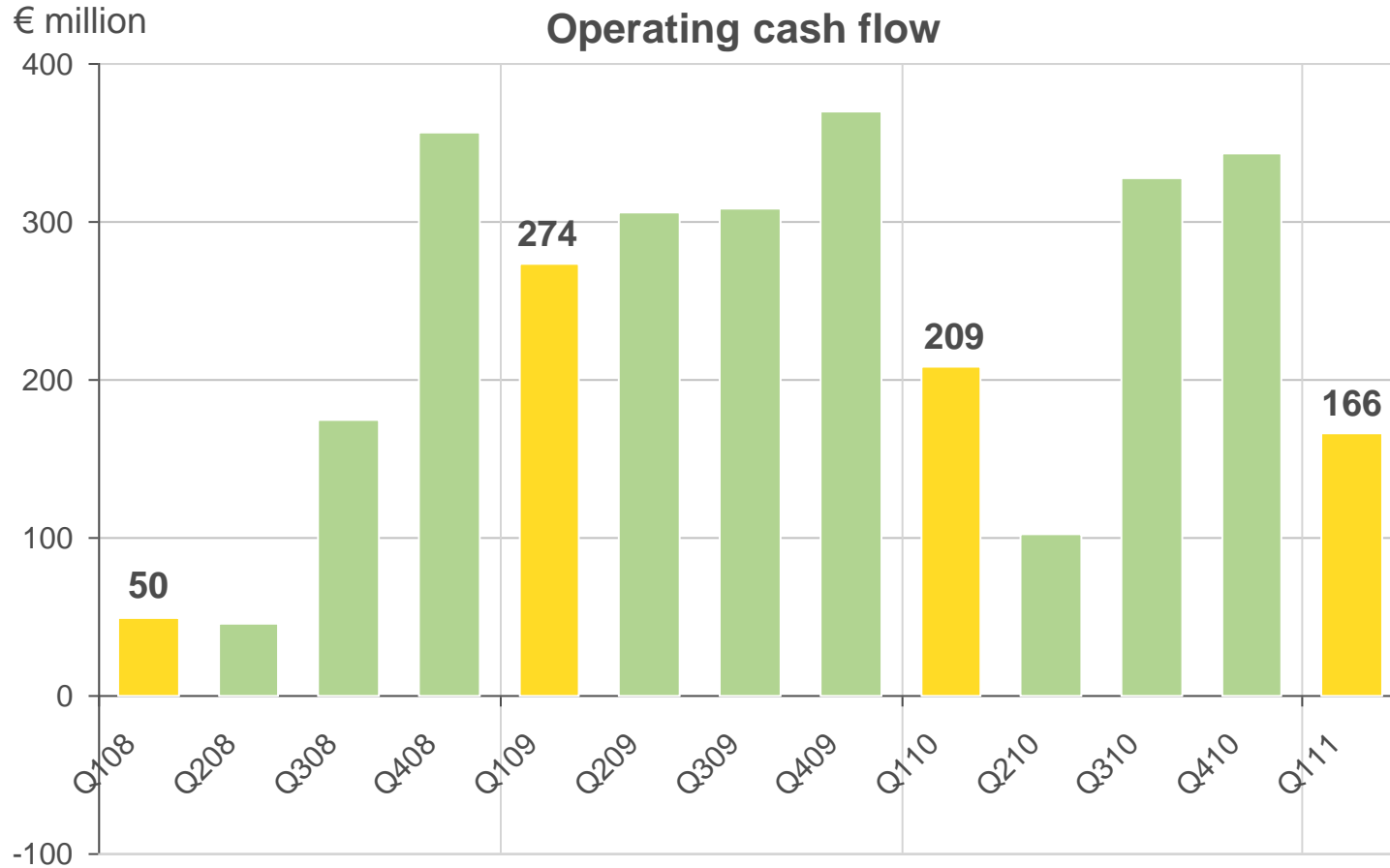


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Key financials

	Q1 2011	Q1 2010	2010	2009
Sales, €m	2,356	2,039	8,924	7,719
Sales growth (%)	16%	10%	16%	-18%
EBITDA, €m	379	288	1,343	1,062
% of sales	16.1	14.1	15.0	13.8
Operating profit, excl. special items, €m	198	116	731	270
EPS excl. special items, €	0.32	0.15	0.99	0.11
Net cash from operating activities, €m	166	209	982	1,259

Operating cash flow decreased due to increase in working capital – cycle times are stable



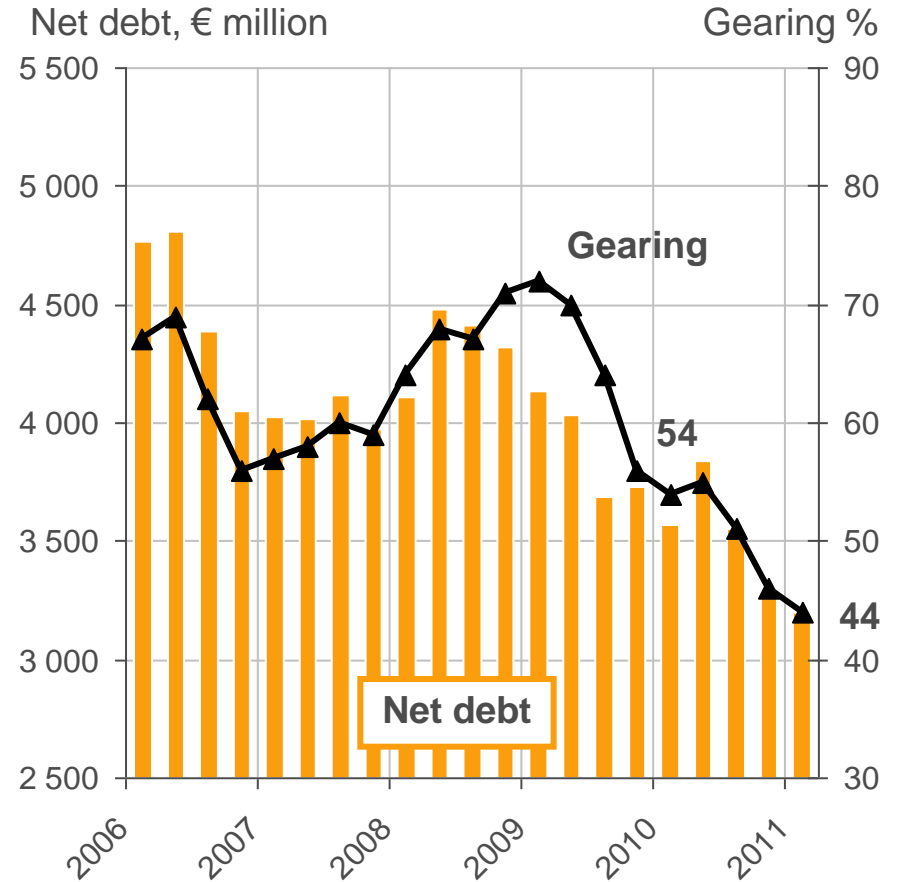
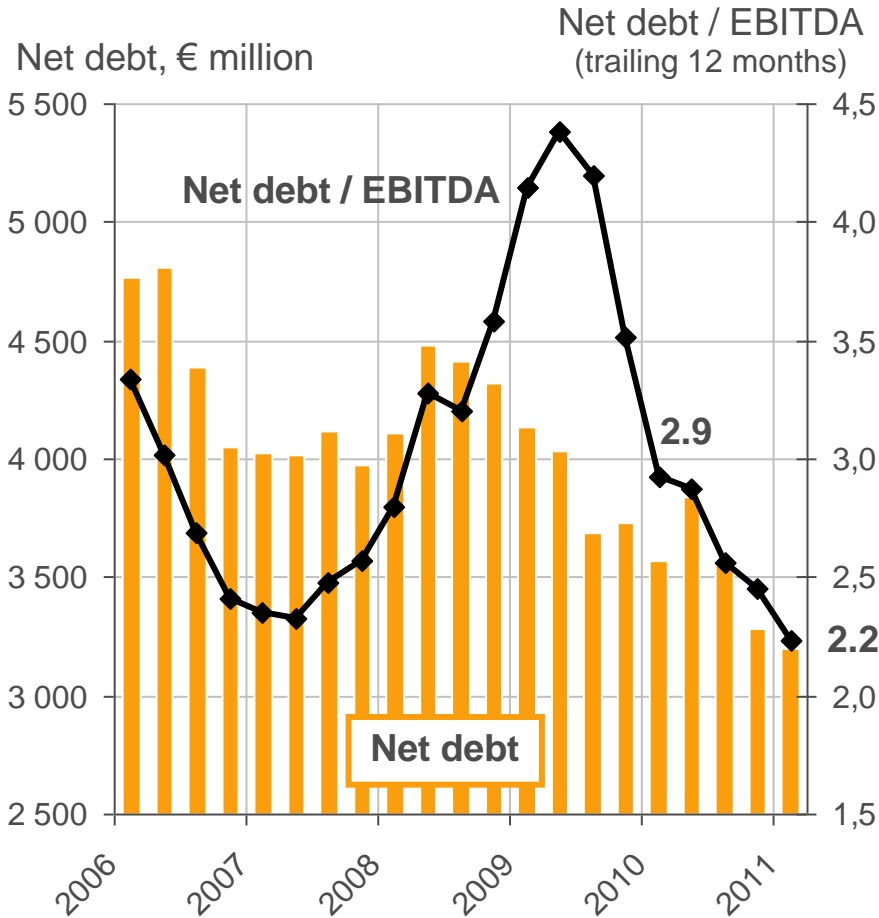
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Cash flow

€, million	Q1/11	Q1/10	2010	2009
EBITDA	379	288	1,343	1,062
Cash flow before change in working capital	318	250	1,301	941
Change in working capital	-131	-18	-139	532
Finance costs and income taxes	-21	-23	-180	-214
Net cash from operating activities	166	209	982	1,259
Capital expenditure	-80	-49	-241	-236
Asset sales and acquisitions	3	9	46	22
Cash flow after investing activities	89	169	787	1,045

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Balance sheet strengthened in Q1– net debt decreased by EUR 89m and gearing by 2pp



Maturity profile and liquidity

Liquidity

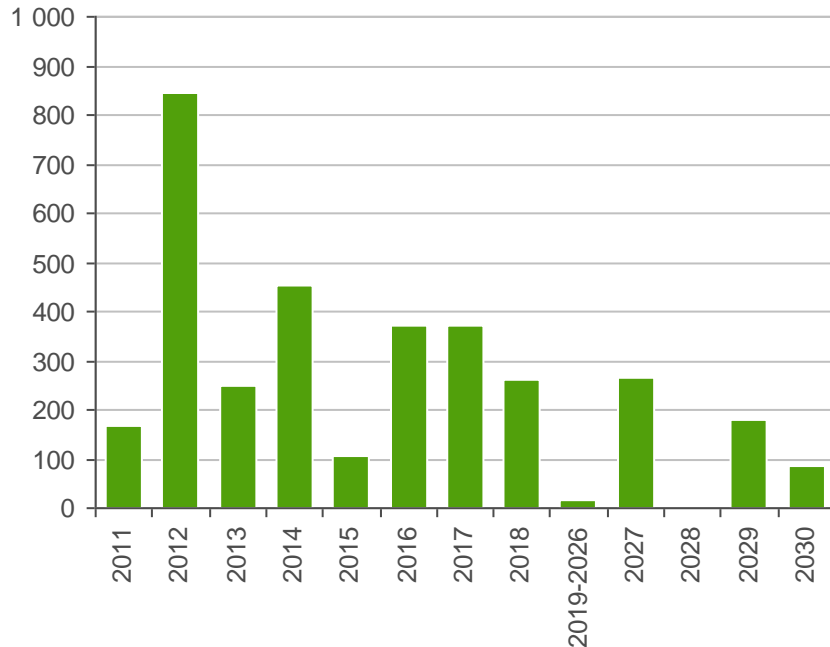
Liquidity on 31 March 2011 was € 1.7bn

- cash € 312 million and unused credit facilities EUR 1,400 million

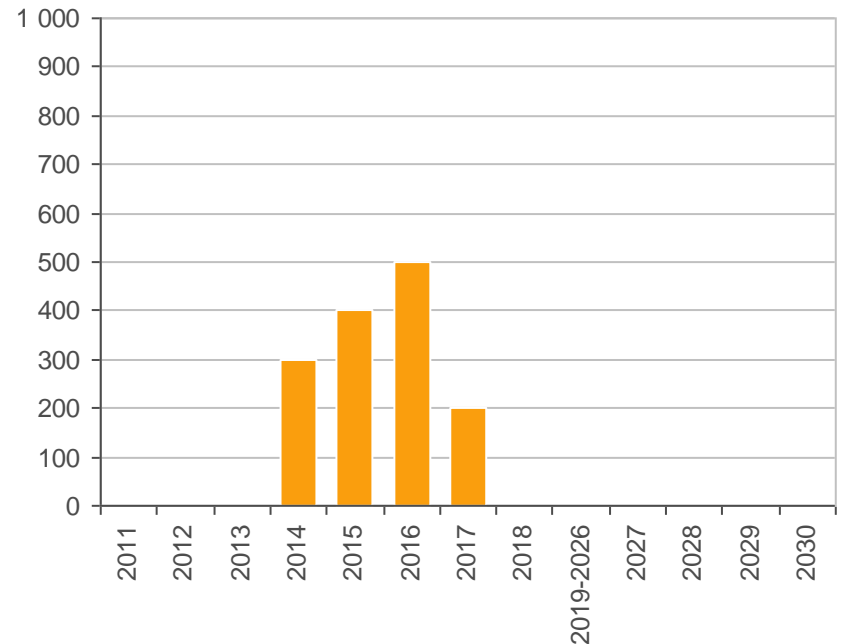
Committed credit facilities EUR 1.4bn

- syndicated credit facility EUR 500 million
- bilateral committed credit facilities EUR 900 million

€ million **Maturity profile of outstanding debt**

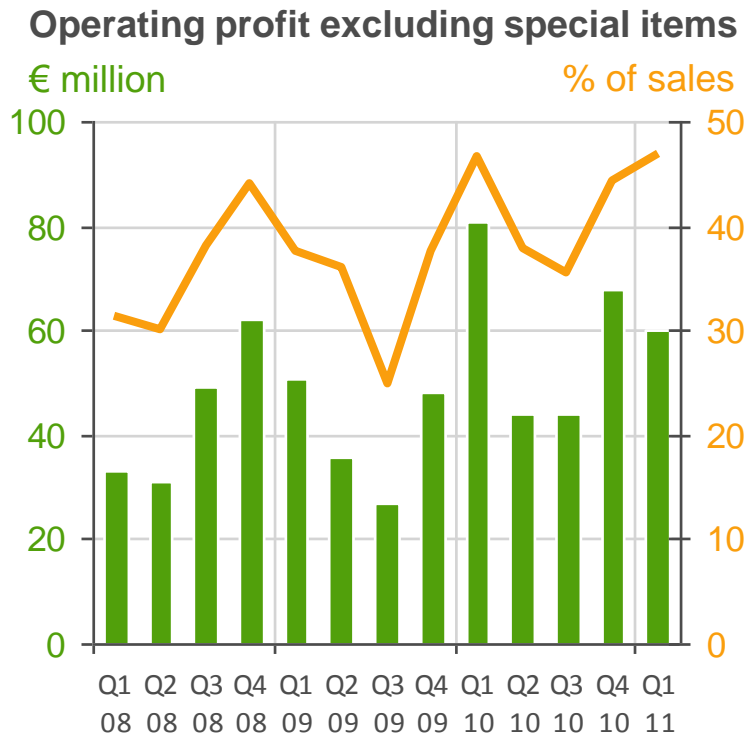


€ million **Committed credit facilities' maturities**




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Energy Q1/11 vs. Q1/10 – operating profit decreased due to the lower sales price



- Average sales price for electricity decreased by 11%
- Electricity sales volume was 2% lower than last year

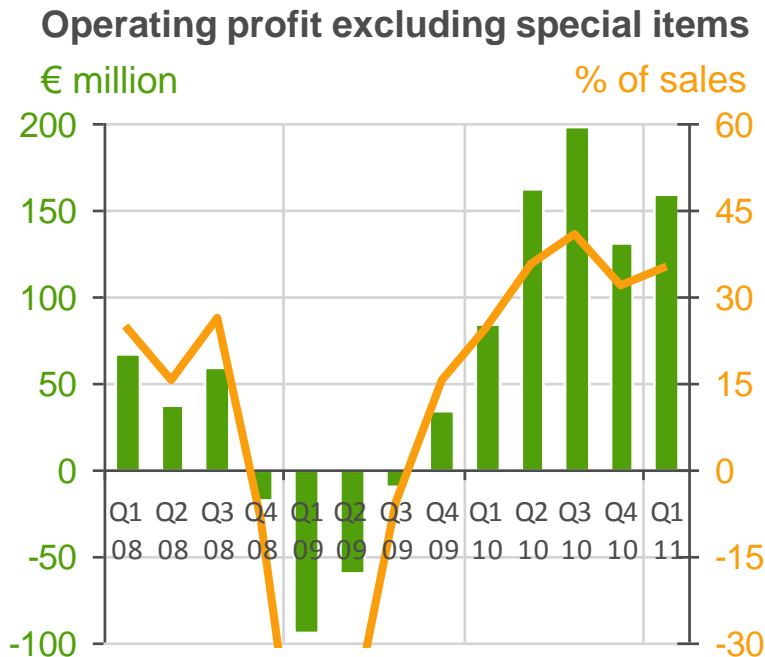
Sales **Q1 2011 128**  **-26%**
 EUR million **Q1 2010 174**

Operating profit **Q1 2011 60**  **-21**
 EUR million*) **Q1 2010 81** EUR million

*) excluding special items

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Pulp Q1/11 vs. Q1/10 – profitability improved clearly due to higher sales price and deliveries




- Operating profit improved due to higher average pulp sales price and delivery volumes
- Deliveries increased by 11%

Sales
EUR million

Q1 2011	457		34%
Q1 2010	341		

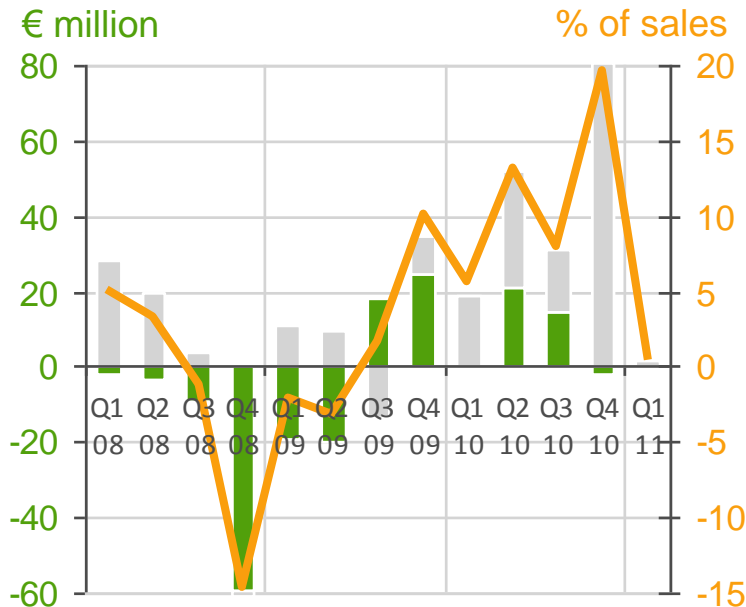
Operating profit
EUR million*)

Q1 2011	160		+76
Q1 2010	84		EUR million

*) excluding special items

Forest and Timber Q1/11 vs. Q1/10 – operating profit decreased due to smaller increase in the fair value of biological assets

Operating profit excluding special items



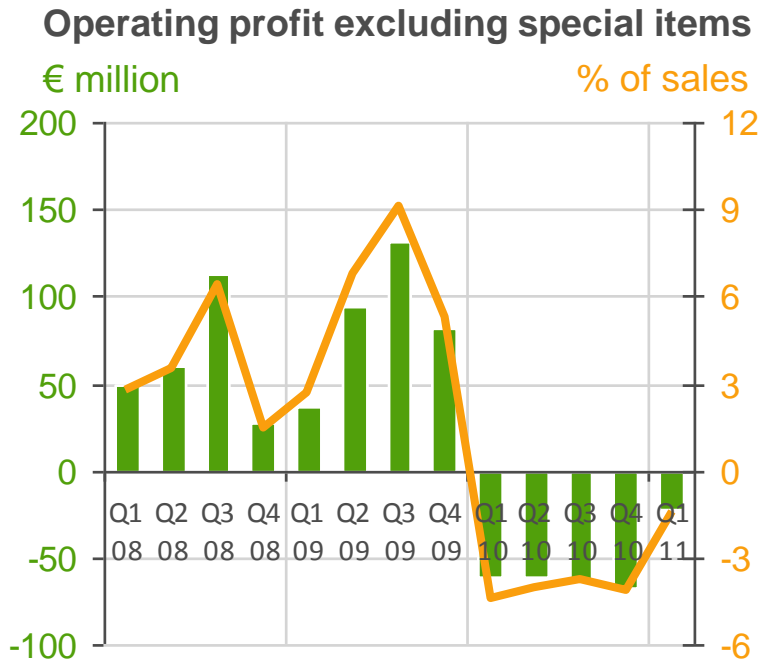
- Operating profit decreased due to a smaller increase in the fair value of biological assets
- The fair value of biological assets increased by EUR 2 million (19 million)
- Sawn timber prices increased, but delivery volumes were lower

Sales **Q1 2011 394**  **16%**
 EUR million Q1 2010 339

Operating profit **Q1 2011 2**  **-17**
 EUR million*) Q1 2010 19 EUR million

*) excluding special items

Paper Q1/11 vs. Q1/10 – operating loss decreased, as deliveries grew and price increases compensated for cost inflation



- Operating loss decreased
- The average paper price increased by 11% from last year's bottom level
- Variable costs increased, especially in chemical pulp and recovered paper. Also logistics and chemicals costs increased

Sales **Q1 2011 1,647**  **18%**
 EUR million **Q1 2010 1,401**

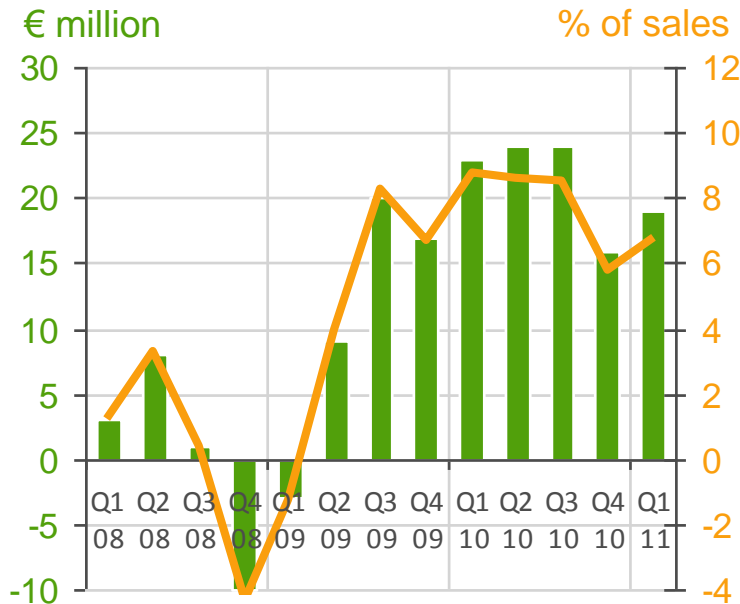
Operating profit **Q1 2011 -23**  **38**
 EUR million*) **Q1 2010 -61** EUR million

*) excluding special items

FINANCIALS


Label Q1/11 vs. Q1/10 – operating profit decreased due to higher raw material costs

Operating profit excluding special items



- Operating profit decreased due to materially higher raw material costs
- Sales prices increased
- Delivery volumes decreased slightly
- UPM announced the acquisition of Gumtac, the Brazilian labelstock and slitting business of BIC Group
(closing is subject to obtaining appropriate licences from local authorities)

Sales **Q1 2011 278**  **7%**
EUR million Q1 201 260

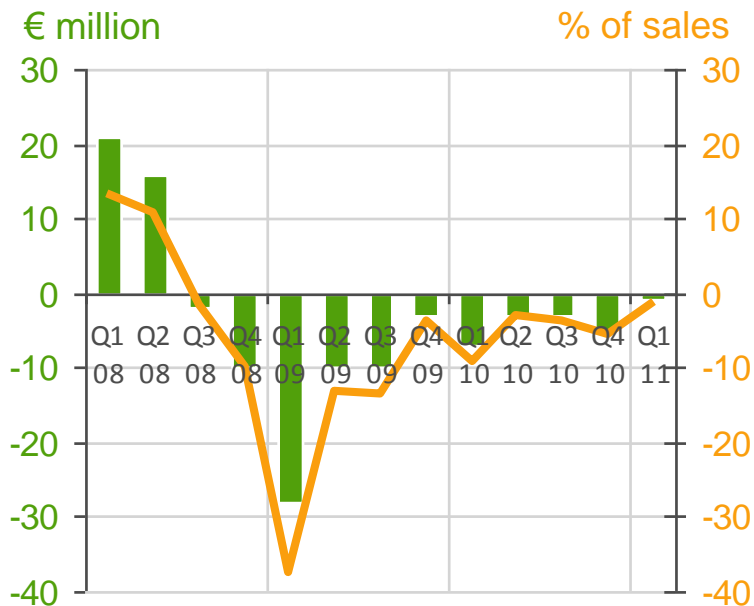
Operating profit **Q1 2011 19**  **-4**
EUR million*) Q1 2010 23 EUR million

*) excluding special items

FINANCIALS

Plywood Q1/11 vs. Q1/10 – operating loss decreased due to higher deliveries and prices

Operating profit excluding special items



- Operating loss decreased mainly due to higher delivery volumes and increased sales prices
- Deliveries increased by 16% from last year

Sales **Q1 2011 94**  **24%**
 EUR million **Q1 2010 76**

Operating profit **Q1 2011 -1**  **+6**
 EUR million*) **Q1 2010 -7** EUR million

*) excluding special items



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