

The Biofore Company



UPM

Deutsche Bank 7th European Paper Seminar

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FINANCIALS

Key figures

The Biofore Company



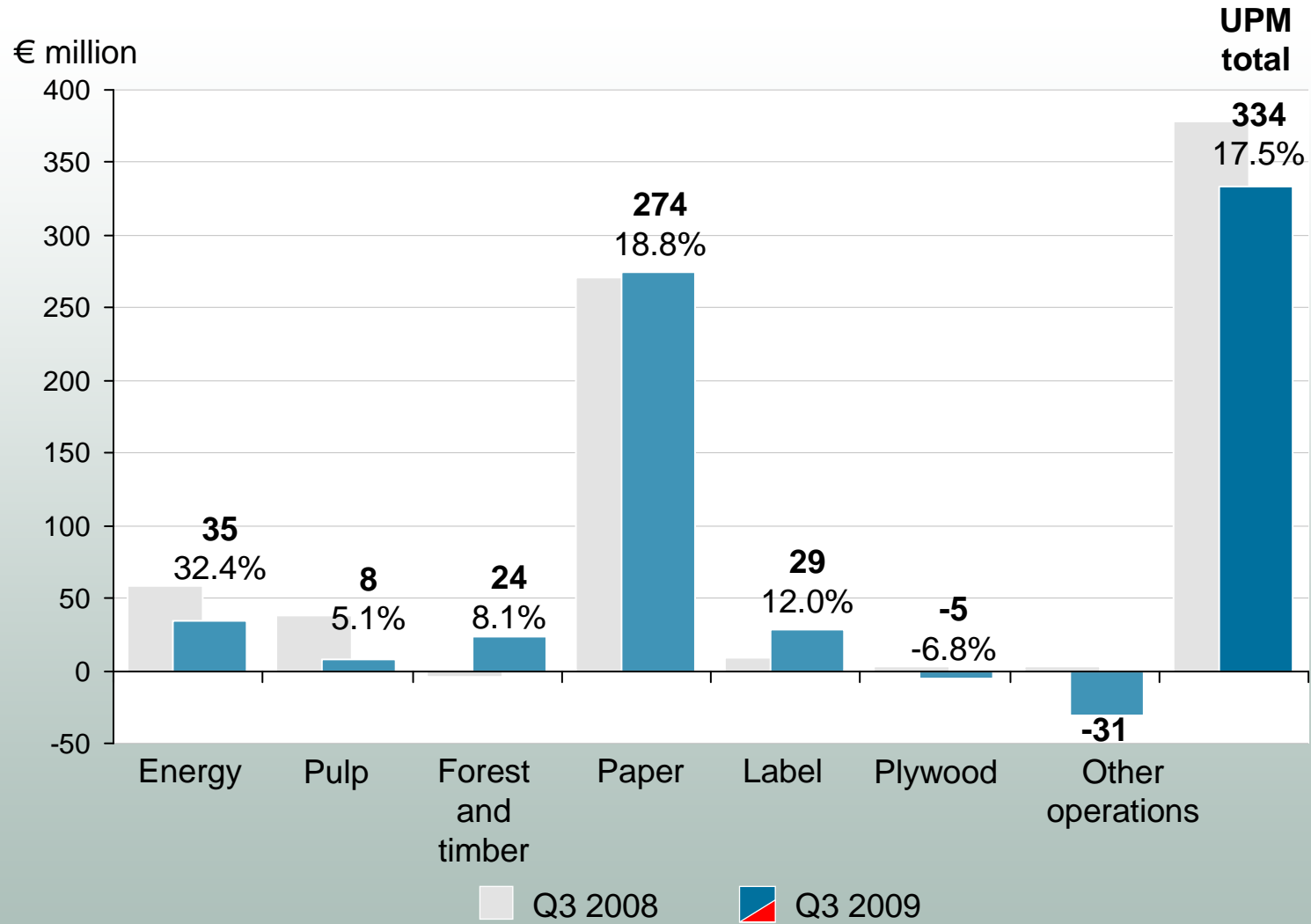
	Q3 2009	Q3 2008	Q1-Q3 2009	Q1-Q3 2008	2008
Sales, €m	1,913	2,358	5,611	7,146	9,461
EBITDA, €m	334	378	700	1,028	1,206
% of sales	17.5	16.0	12.5	14.4	12.7
Operating profit, €m	96	-40	9	310	24
Operating profit excl. special items, €m	131	216	84	559	513
% of sales	6.8	9.2	1.5	7.8	5.4
EPS excluding special items, €	0.14	0.25	-0.10	0.61	0.42
Cash flow from operating activities, €m	309	175	889	271	628
Cash flow after investing activities, €m	277	55	734	-148	96
Personnel at end of period	23,180	25,616	23,180	25,616	24,983

FINANCIALS

The Biofore Company



EBITDA by business area Q3 2009 vs. Q3 2008

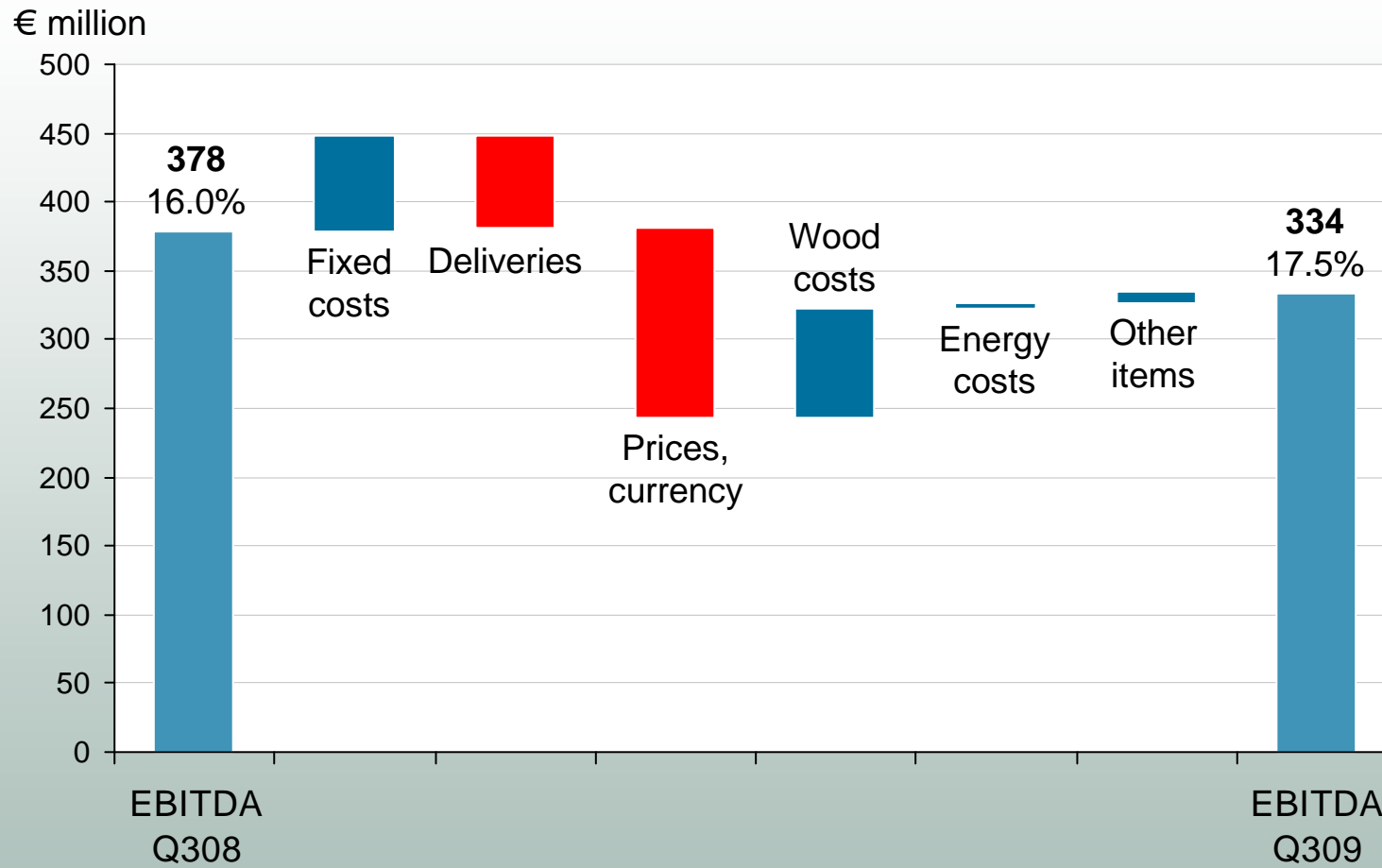


FINANCIALS

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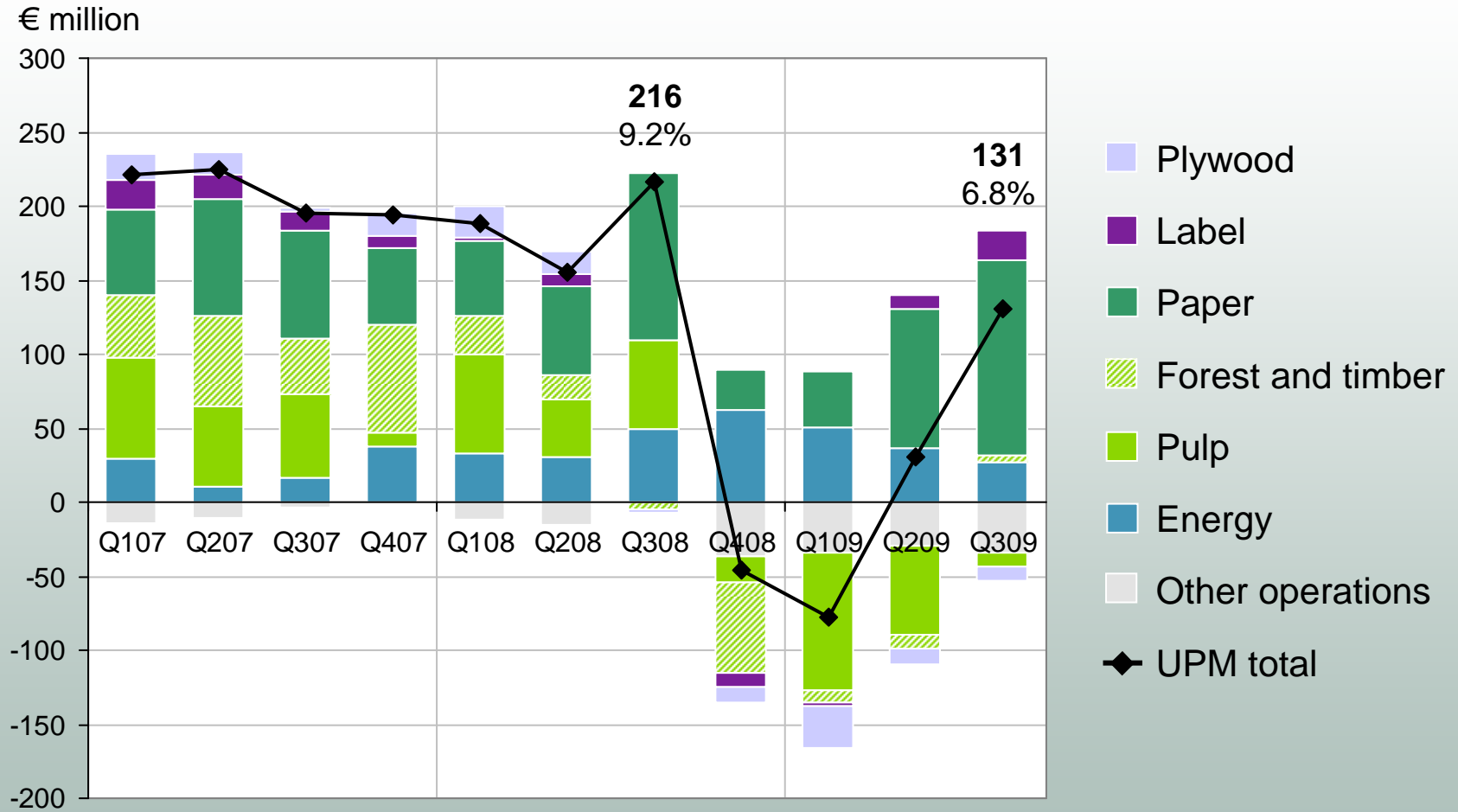


EBITDA development in Q3 2009 vs. Q3 2008



FINANCIALS

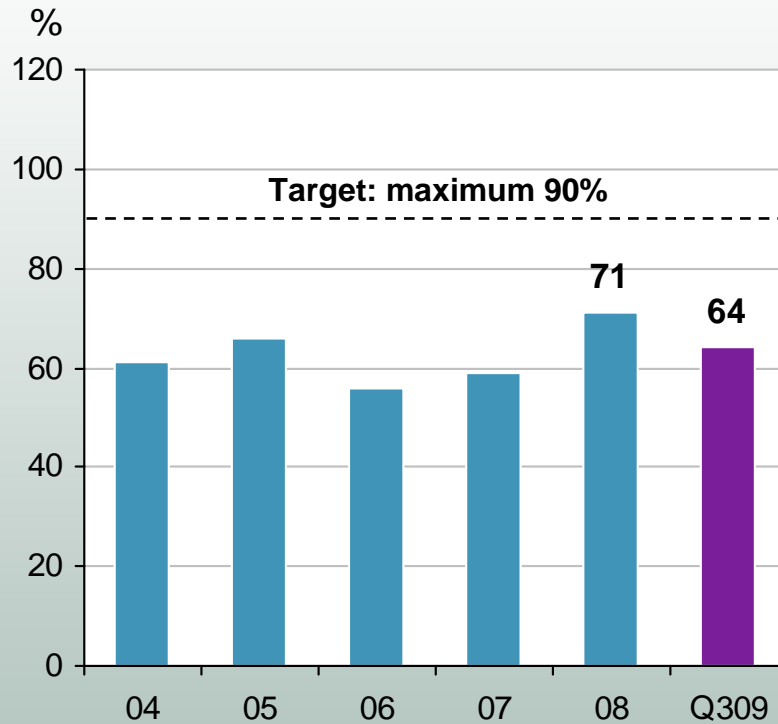
Operating profit by business area excluding special items



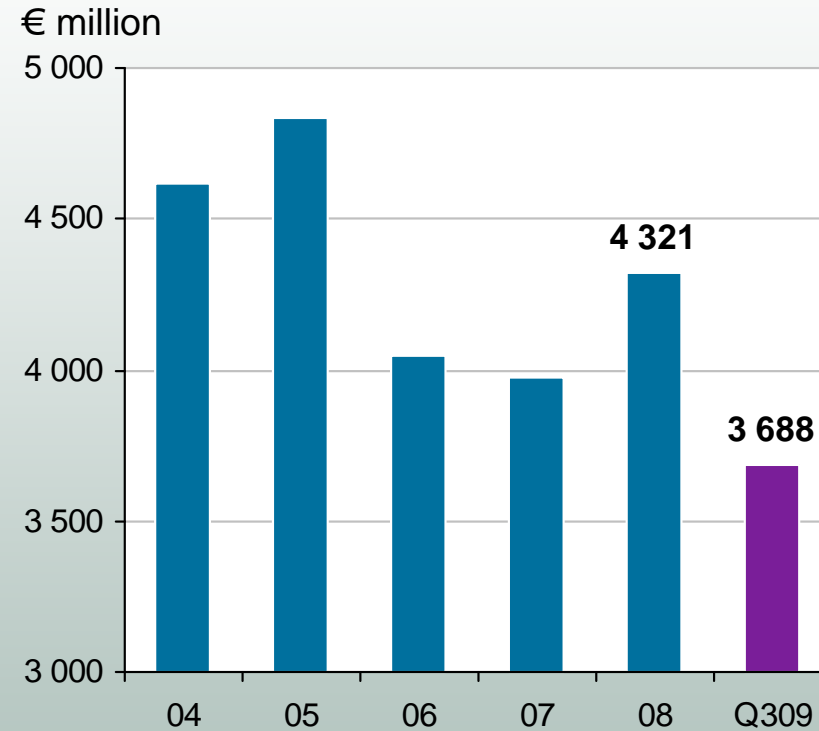


Gearing ratio and net interest-bearing liabilities

Gearing ratio improved by 7pp from the beginning of the year



Net debt decreased by € 633m from the beginning of the year

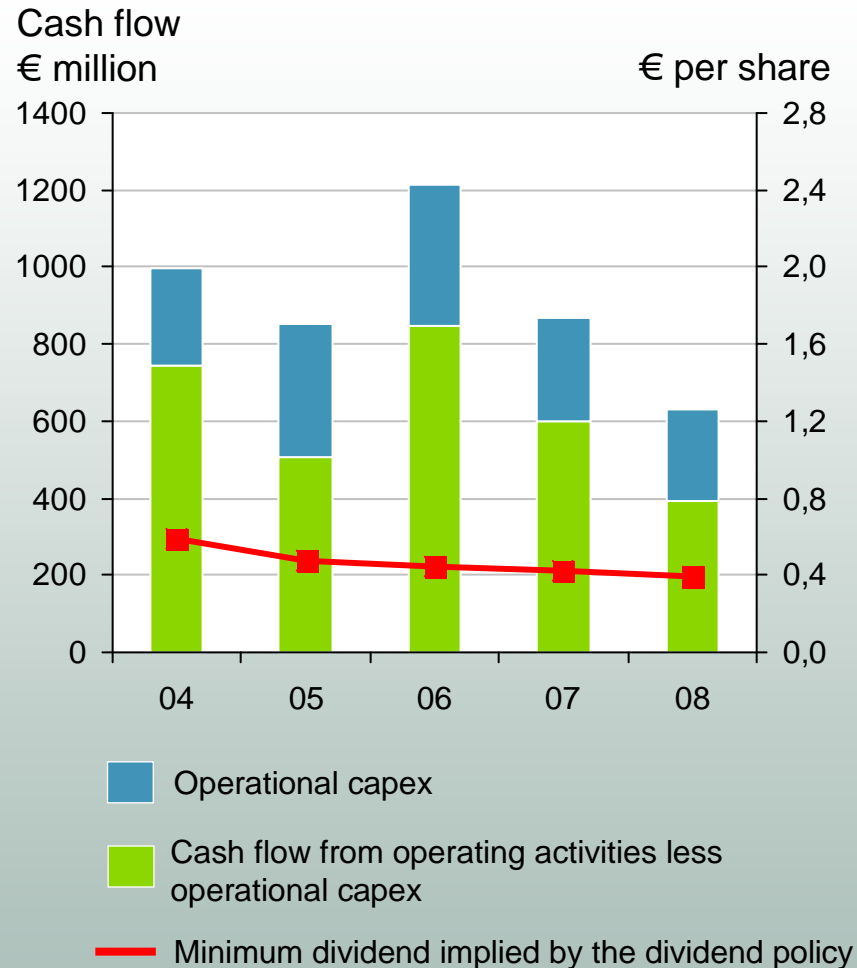


Liquidity increased to €2.2bn at the end of Q309
 repayments less than €0.9bn in 2009-11

FINANCIALS

Dividend policy and financial targets

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Financial targets

- Operating profit margin to exceed 10 percent
- ROE at least five percentage points above the yield of a 10 year risk-free investment
- Gearing ratio below 90 percent

Dividend policy

- at least one third of net cash flow from operating activities less operational capital expenditure
- net cash flow calculated as an average over three years

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PLATFORMS FOR THE FUTURE



VISION

The front-runner of the new forest industry.

In the new forest industry, we reshape markets through cost leadership, change readiness and leading innovation. We develop smart, sustainable products and solutions for customers worldwide.

PURPOSE

We create value from renewable and recyclable materials by combining expertise and technologies within fibre based, energy-related and engineered materials businesses.





UPM's three business groups

Energy and pulp

- Pulp mills
- Hydropower plants
- Shares of associated companies in pulp and energy
- Forests and timber
- Biofuels

CAPACITIES

- Electricity 1.6 GW
- Pulp 2.1 million t/a
- Forest 1 million hectares
- Sawn timber 2.4 million m³/a

Paper

- Magazine
- Newsprint
- Fine
- Speciality papers

CAPACITIES

- Paper 11.5 million t/a
- Publication 7.2 million t/a
- Fine 3.4 million t/a
- Speciality 0.9 million t/a

Engineered materials

- Label
- Plywood
- Development units, e.g.
RFID tags and inlays
Wood plastic composites

CAPACITIES

- Label 11 factories globally
- Plywood 1.1 million m³/a

Energy and pulp

- Expand in cost competitive low emission energy, including biofuels
- Increase the share of low cost pulp
- Strengthen position in the forest biomass market

Paper

- Focus on European profitability: cost leadership, supply chain management and lean investments
- Consolidation in Europe
- Growth in China and other emerging markets

Engineered materials

- Industry leadership in self-adhesive label materials
- Growth in Plywood
- Develop new businesses like RFID, Wood plastic composite based on proprietary know how

ENERGY

Strategy: "expand in cost competitive low emission energy"

- Invest in biomass-based CHP at paper mills
 - Kaukas (with PVO) 2009
 - Caledonian 2009
 - Kymi 2008
 - Chapelle 2007
 - Rauma (with PVO) 2006
 - Shotton 2006

- Acquire 1.2% of PVO in 2009*

- Ongoing project TVO's nuclear reactor (OL3)

- Growth opportunities
 - biomass-based power, nuclear power (OL4)
 - biofuels, including biodiesel in which piloting and environmental assessments ongoing



ENERGY

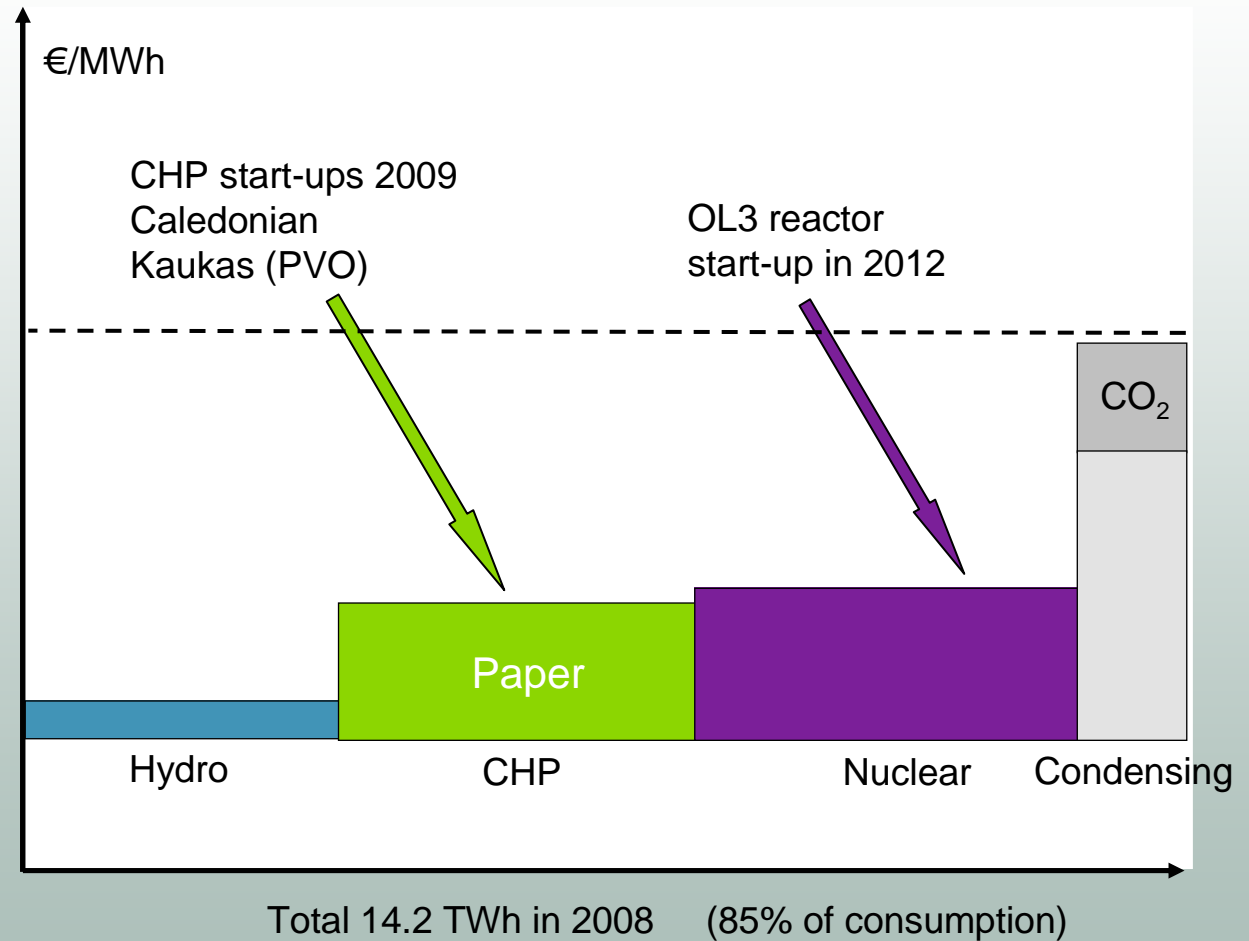
Strategic investments in low cost, low emission electricity generation

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UPM's power generation structure and latest investments

- Cost competitive electricity generation regardless of fuel and CO₂ prices
 - hydro, nuclear, biofuels-based CHP
- 62% of fuels used by UPM were biofuels in 2008



PULP

Strategy: "increase the share of low cost pulp"

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- Increase the share of plantation based pulp.
Restructuring Botnia's ownership* 2009
 - acquire Fray Bentos 1.1 million t/a pulp mill and plantations in Uruguay
 - reduce ownership in Finnish Botnia to 17% from 47%
- Invest in existing capacity's competitiveness
 - Kymi recovery island € 360m 2008
- Close uncompetitive capacity
 - Tervasaari 210kt 2008
- Growth opportunities in Latin America and Russia



PULP

UPM after the Botnia transaction: share of plantation-based pulp increases to one third

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UPM's own pulp capacity increases by 53%

Plantation-based pulp will represent 35% of total capacity

Top quality mills: low investment needs and low maintenance costs

Fray Bentos pulp mill
Forestral Oriental plantations

Chemical pulp capacity	1,000 tons	
Fray Bentos	1,100	Start-up 2007
Kymi	540	Rebuild 2008
Pietarsaari	800	Rebuild 2004
Kaukas	740	Rebuild 1996
Total own capacity	3,180	
17% of Botnia's capacity	400	
Total	3,580	

LABEL

Strategy: "industry leadership in self-adhesive labelstock"

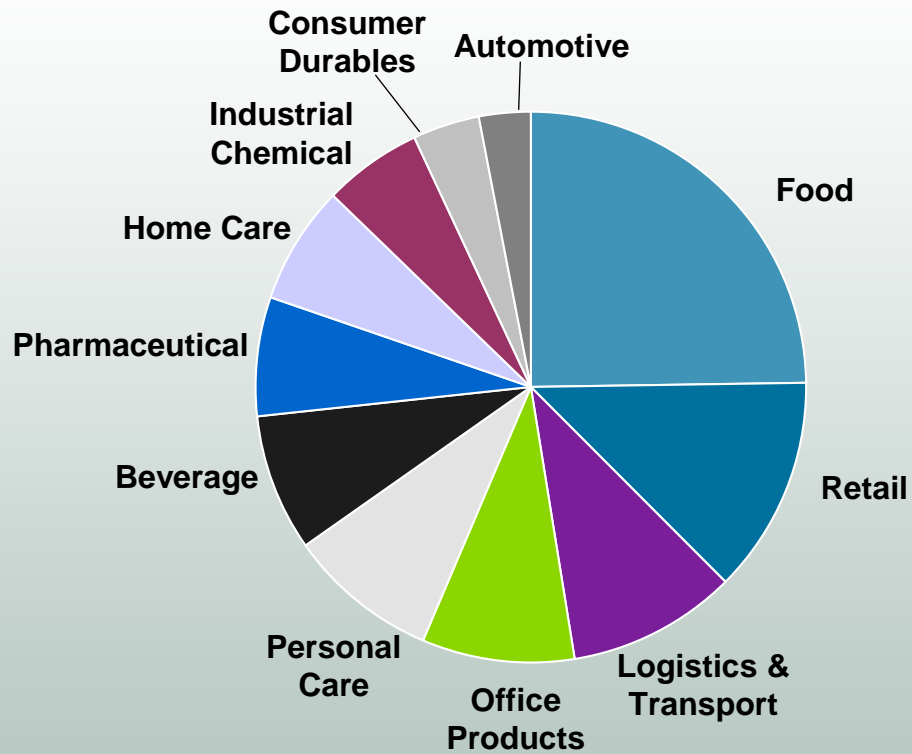
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- Major investment programme (M€ 200 in total) completed:
 - Wrocław, Poland 2008
 - Dixon, U.S. 2008
 - Changshu, China 2007
- Profitability turn-around achieved
 - European restructuring in 2009
 - cost leadership
- Growth
 - growing market
 - new products and applications



Growing demand in labelstock end-uses



Global self-adhesive label materials demand

Sources: AWA, UPM Raflatac estimates

Growth drivers

- Continuous renewal of product range by using new raw materials – e.g. filmic liners and new adhesive formulas
- New applications in beverage and food segments
- Personal care segment is key growth driver in emerging markets
- About 80% of business driven by consumer demand, 20% by industrial/commercial demand

LABEL

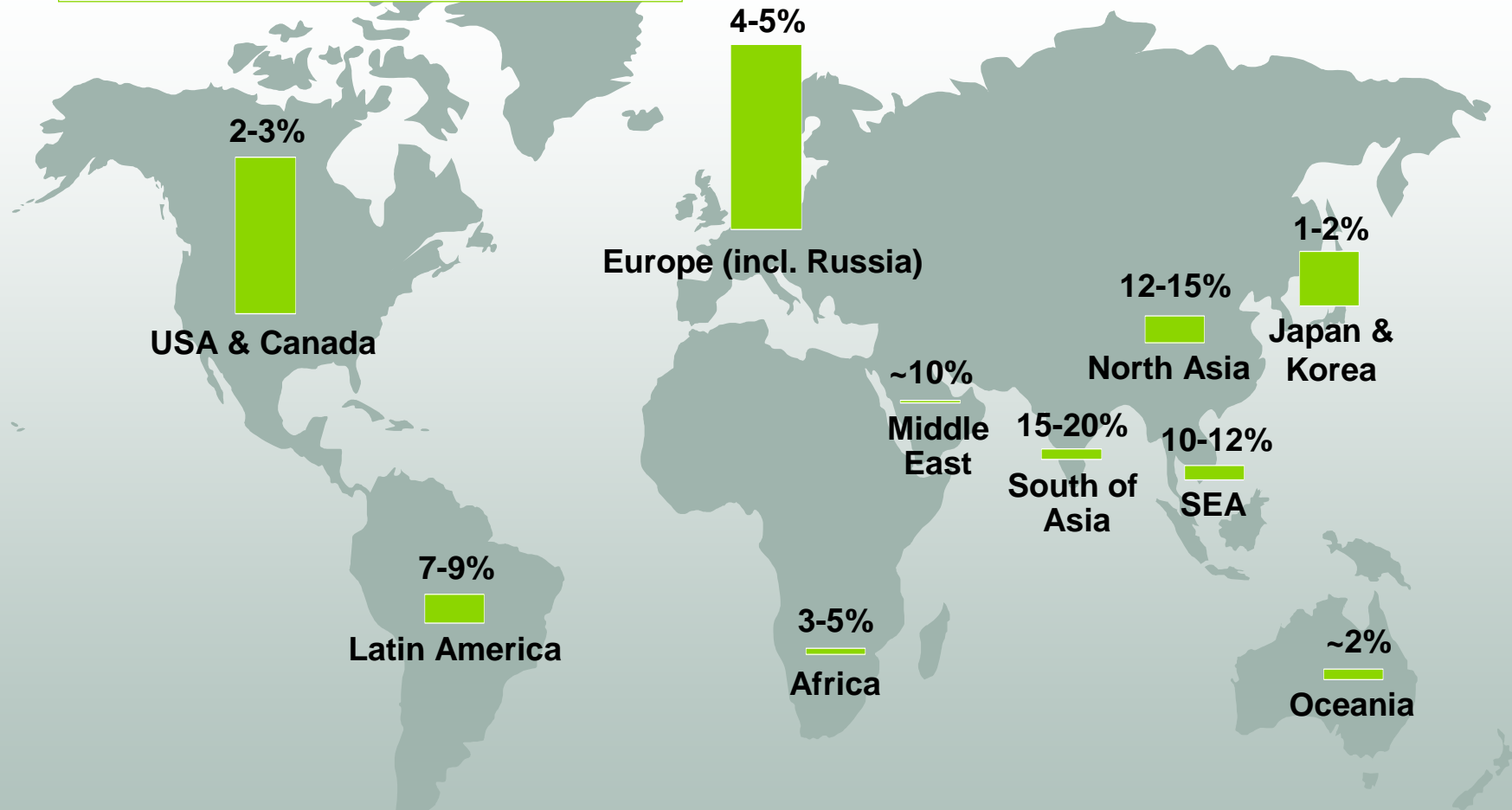
Growing self-adhesive labelstock market

Total worldwide demand 14 billion m² in 2008

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2009-2013 annual growth estimations:



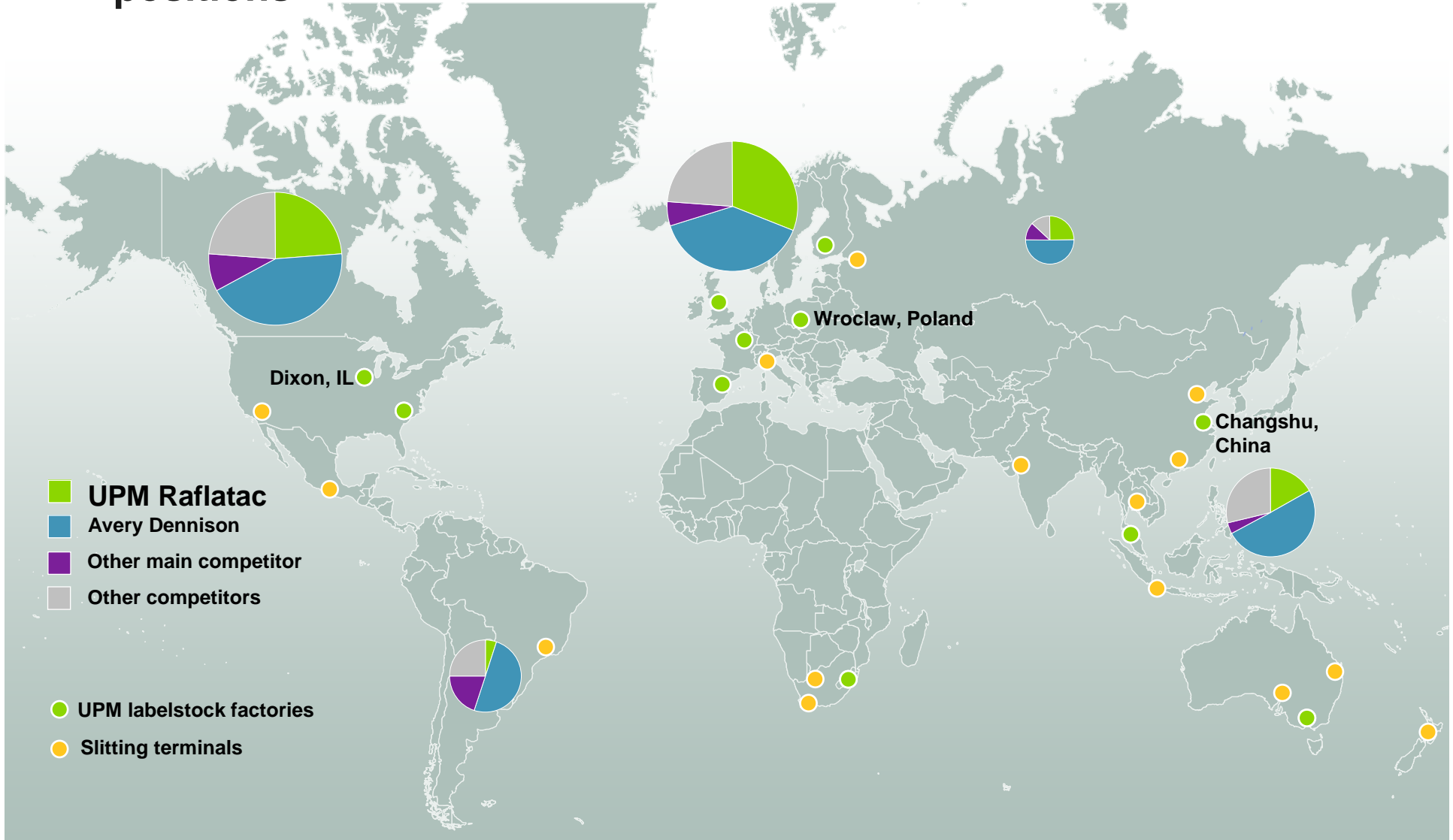
Sources: AWA. UPM Raflatac estimates

* Asia figures include only high & medium quality segment

LABEL

UPM's global platform and strong market positions

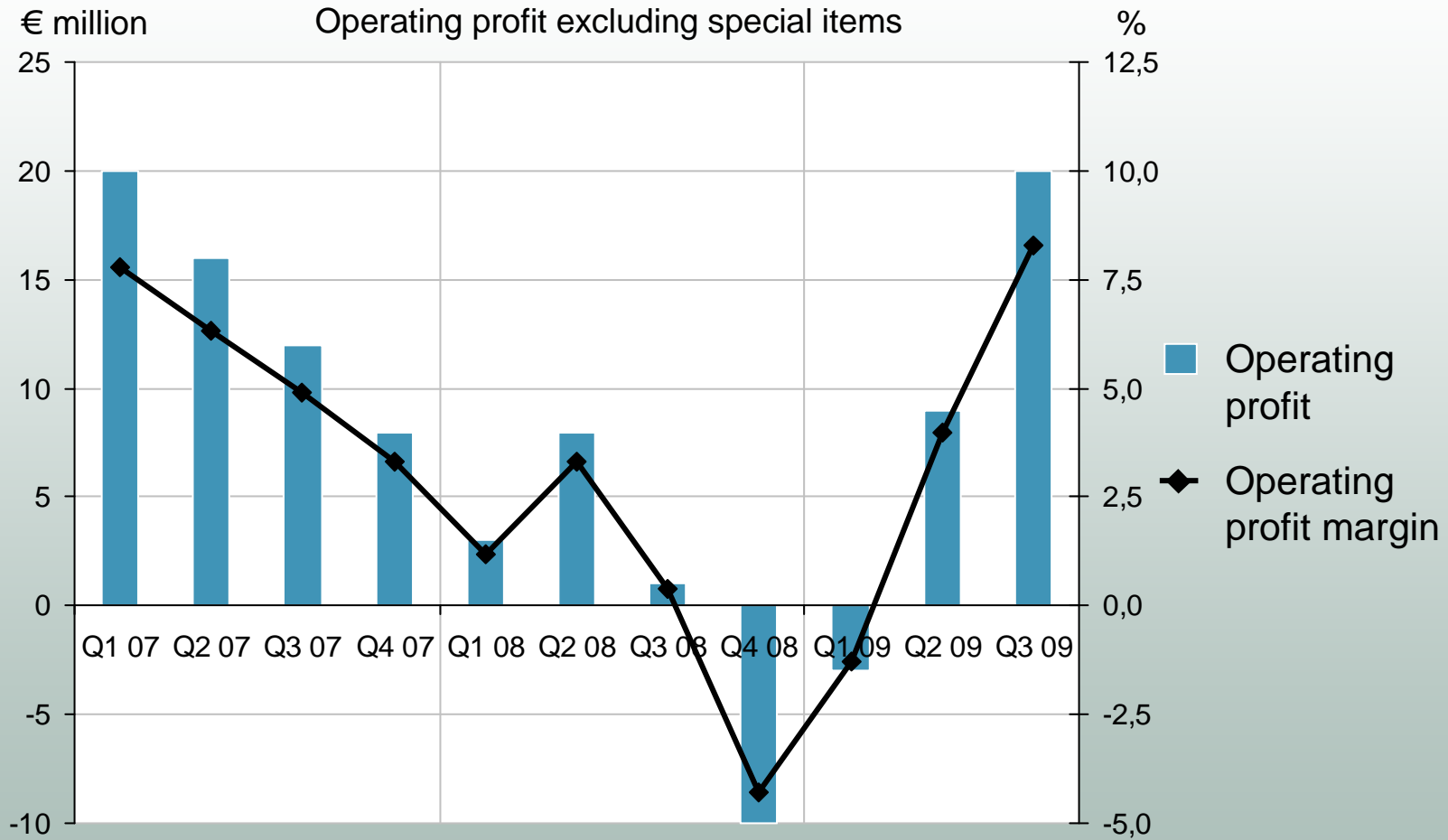
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LABEL

Label has shown a turn-around – restructuring in Europe and focus on pricing excellence

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PLYWOOD

Strategy: "growth in Plywood"

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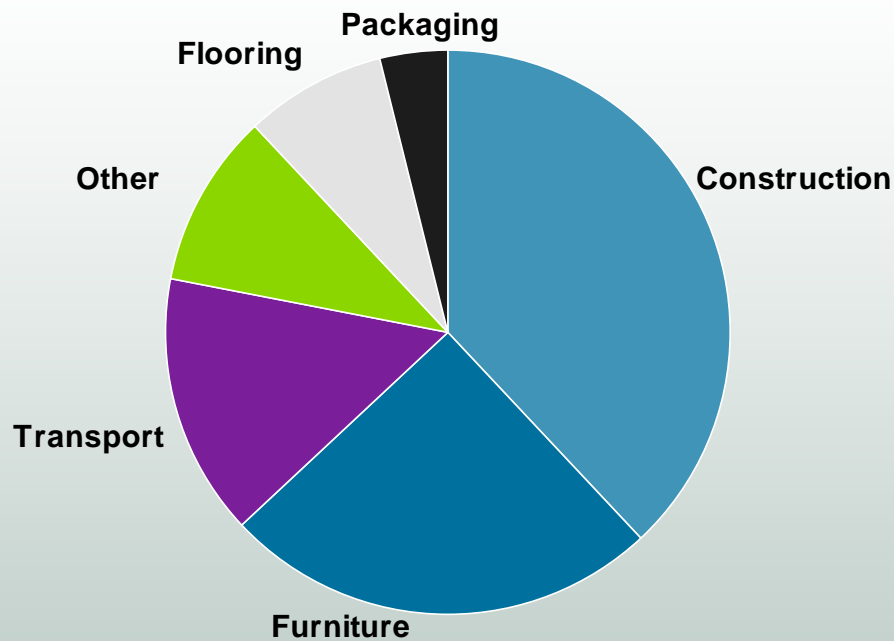
- Plywood hit by cyclical demand drop
- Plan to secure profitability and raise competitiveness in value added products*
 - plan to close Heinola plywood mill, 50,000 m³
 - plan to close Kaukas plywood mill, 80,000 m³
 - decrease the number of employees by 710
 - invest € 25 million, mostly to make Finnish Savonlinna mill the world's most efficient unit
- Growth potential not sacrificed – can respond to returning demand
- Growth potential in solutions for demanding end uses and through new products



PLYWOOD

Plywood end-uses in Europe

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Main drivers

- Construction activity
- Industrial production
- Growth in new products and applications

Plywood demand in Europe in 2008

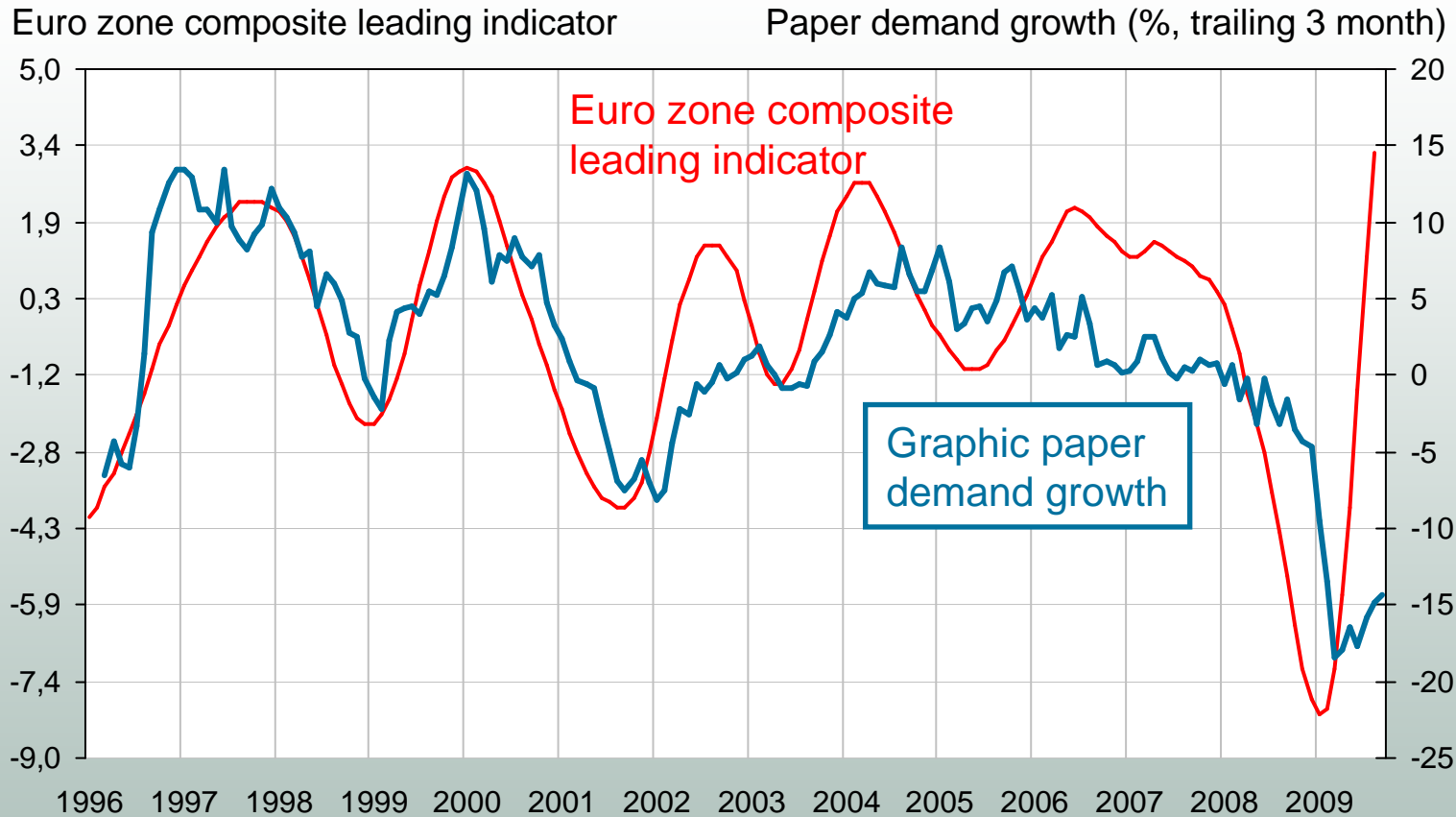
8,5 million m³ (without Russia)

Source: FEIC, FAOSTAT

PAPER

Economic indicators have improved, but recession continues to affect paper demand

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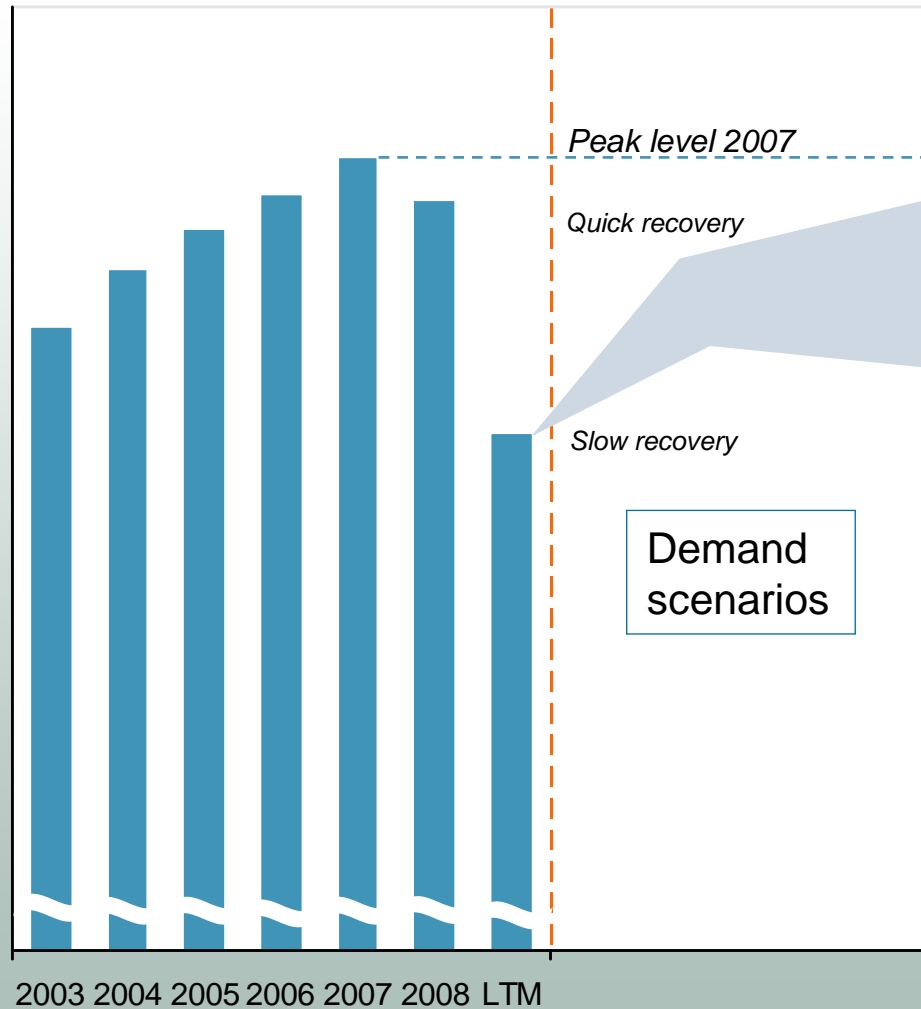


Sources: Cepiprint, Cepifine, OECD

PAPER

Graphic paper demand scenarios in Europe – recovery when and how much?

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- Scenario assumptions:
 - Paper demand will rebound after recession
 - Demand is likely to remain below year 2007 peak level
- Value creating is possible with continuous cost and capacity management

PAPER

Strategy: "focus on European profitability"

- Closed 1.8 million t/a of uncompetitive capacity in 2006-08
- Cut fixed costs (UPM by € 300m in 2009e)
- Lean investments (UPM capex € 300m)
 - enabled by modern well-invested asset base
 - focus on cost competitiveness
- New supply chain management implemented
- Ready for consolidation in Europe to gain
 - cost and investment synergies
 - optimal capacity through restructuring

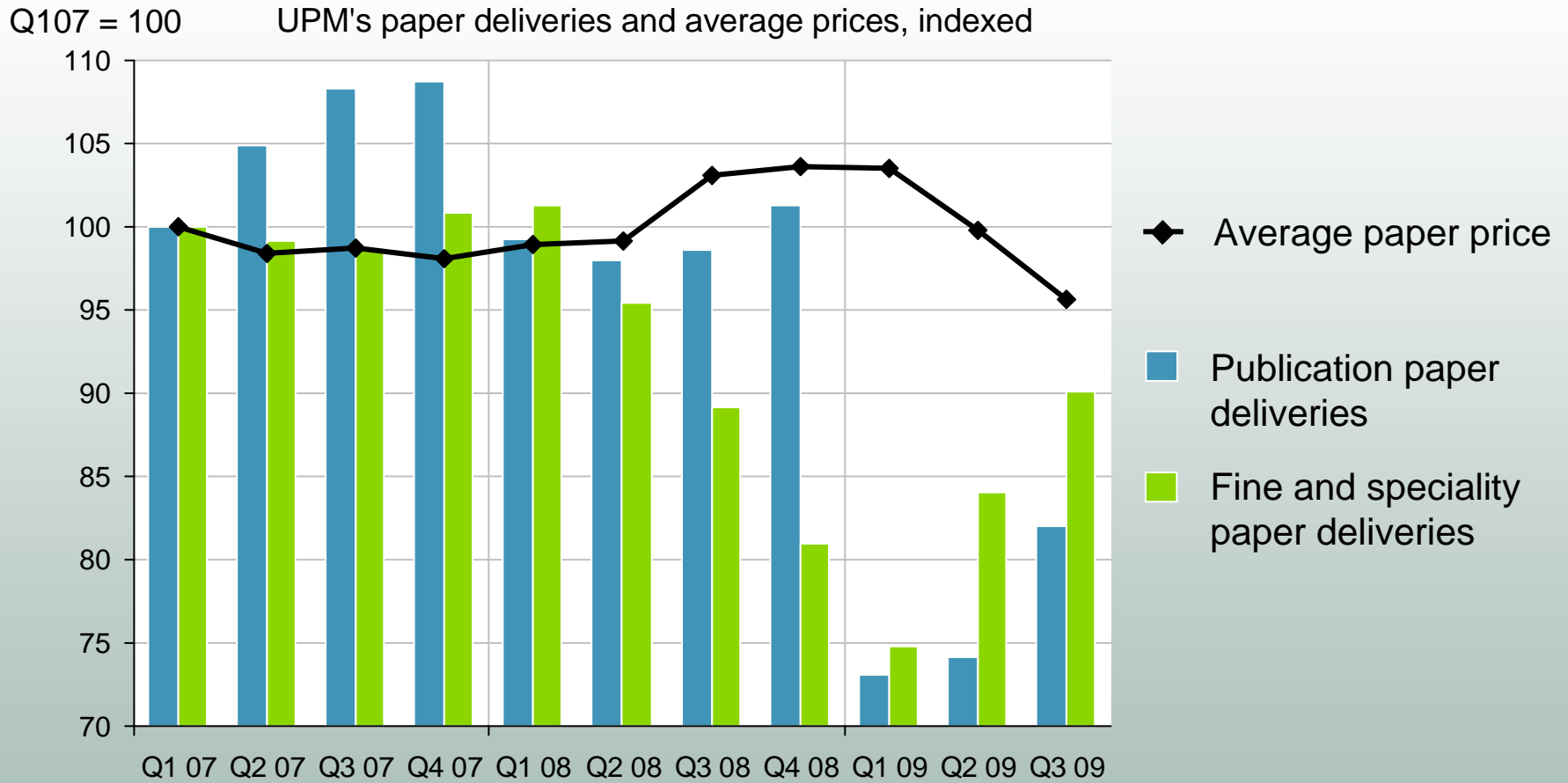
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PAPER

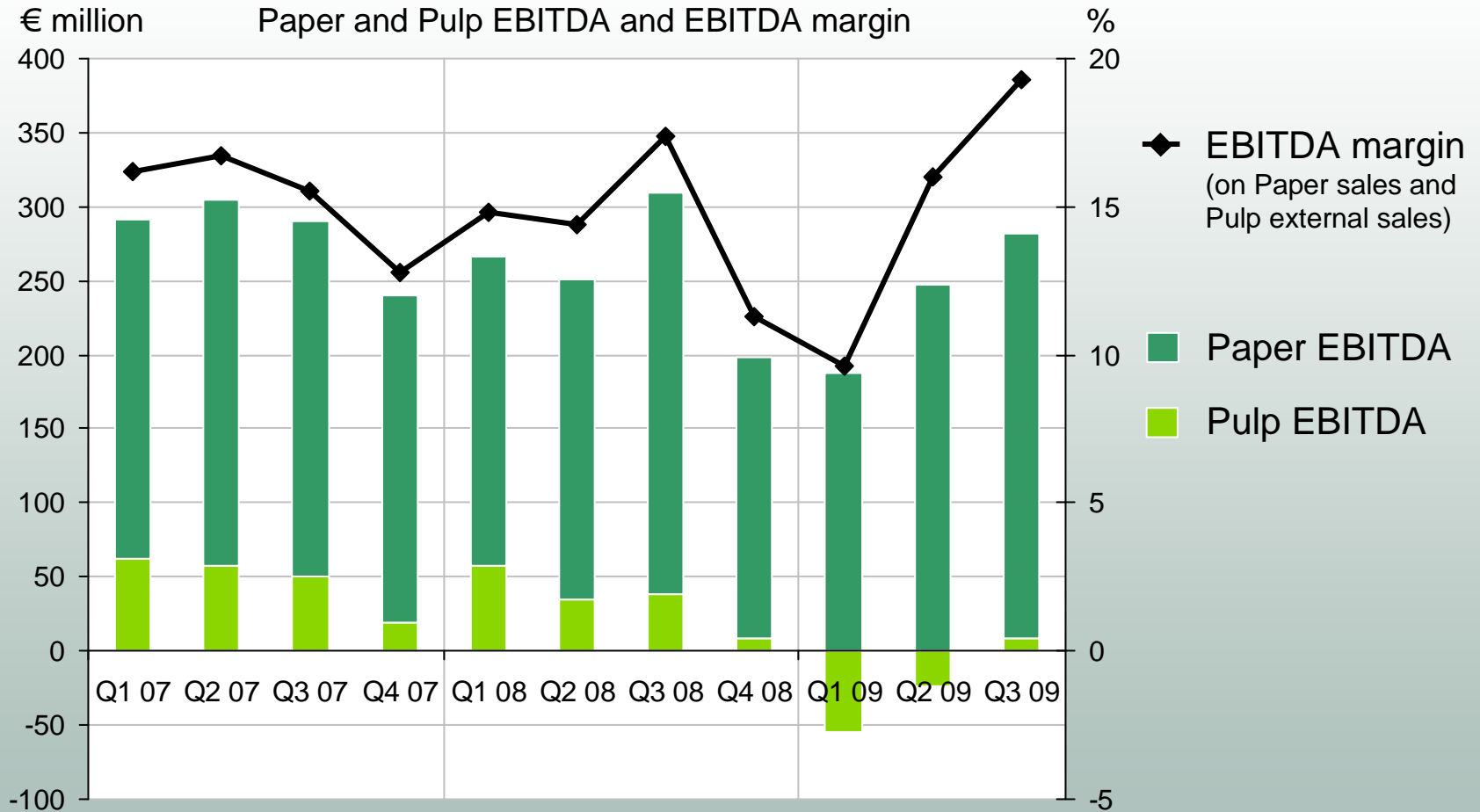
Paper deliveries and prices are low...

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PAPER

...but margins have increased due to cost cuts and improved efficiency



PAPER

Strategy: Growth in China and other emerging markets

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Modern, competitive mill operations in strategic growth markets*



Fray Bentos* pulp mill

- 1,100 ktons BHKP
- start-up 2007

Forestal Oriental

- 180,000 ha

Changshu fine paper mill

- 900 ktons WFU, WFC
- start-up 1999, 2005

Label materials factory

- start-up 2007

Asia R&D centre

Summary

- Short-term demand and pricing outlook remains weak
- UPM is coming out of the recession with a solid business platform to grow and harvest cash flow
- UPM develops its businesses through all available tools: investments, M&A, closures, cost cuts, new ways of working, R&D
- Growth opportunities in all of the businesses
- Shareholder value creation
 - low investment needs to maintain competitiveness
 - Good cash flow makes possible to invest in growth and simultaneously to distribute part of cash flow to shareholders



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Forward-looking statement

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for market growth and developments; expectations for growth and profitability; and statements preceded by "believes", "expects", "anticipates", "foresees", or similar expressions, are forward-looking statements. Since these statements are based on current plans, estimates and projections, they involve risks and uncertainties which may cause actual results to materially differ from those expressed in such forward-looking statements. Such factors include, but are not limited to: (1) operating factors such as continued success of manufacturing activities and the achievement of efficiencies therein including the availability and cost of production inputs, continued success of product development, acceptance of new products or services by the Group's targeted customers, success of the existing and future collaboration arrangements, changes in business strategy or development plans or targets, changes in the degree of protection created by the Group's patents and other intellectual property rights, the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for the Group's products and the pricing pressures thereto, financial condition of the customers and the competitors of the Group, the potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in the Group's principal geographic markets or fluctuations in exchange and interest rates.