



UPM FINANCIAL REVIEW 2009

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President and CEO
2 February 2010



Year 2009 in brief

- Challenging year for all businesses – sales decreased by 18%
- Businesses focused on cost control and savings measures – fixed cost savings € 300 million
- Strong operating cash flow of €1,259 million – net debt was reduced by €591 million
- Restructuring announced in Plywood and Timber
- Recovery visible in most of our businesses
- Botnia transaction was a major strategic milestone

Botnia transaction - important strategic move

1. Metsä-Botnia no longer an associated company

- UPM's ownership decreased from 47% to 17%
- UPM's share of capacity reduced to 400,000 t/a
- Fair solution for all parties



2. Fray Bentos pulp mill and plantations

- World class eucalyptus pulp mill and plantations provide a bridgehead in Latin America
- Further development to support UPM's strategy
- Full control of cash flow



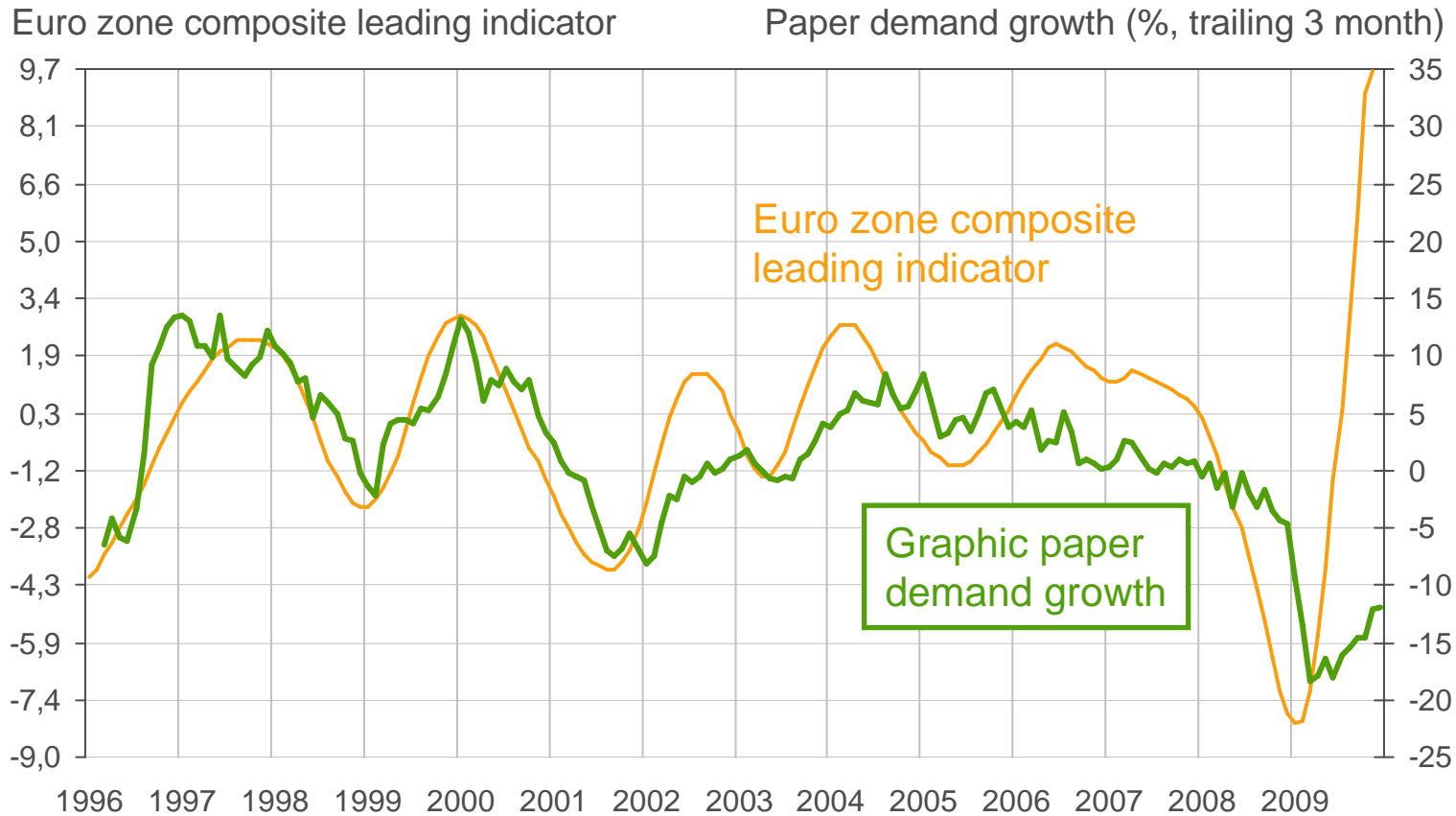
3. In line with strategy to expand in low-cost pulp

BUSINESS DRIVERS



BUSINESS DRIVERS

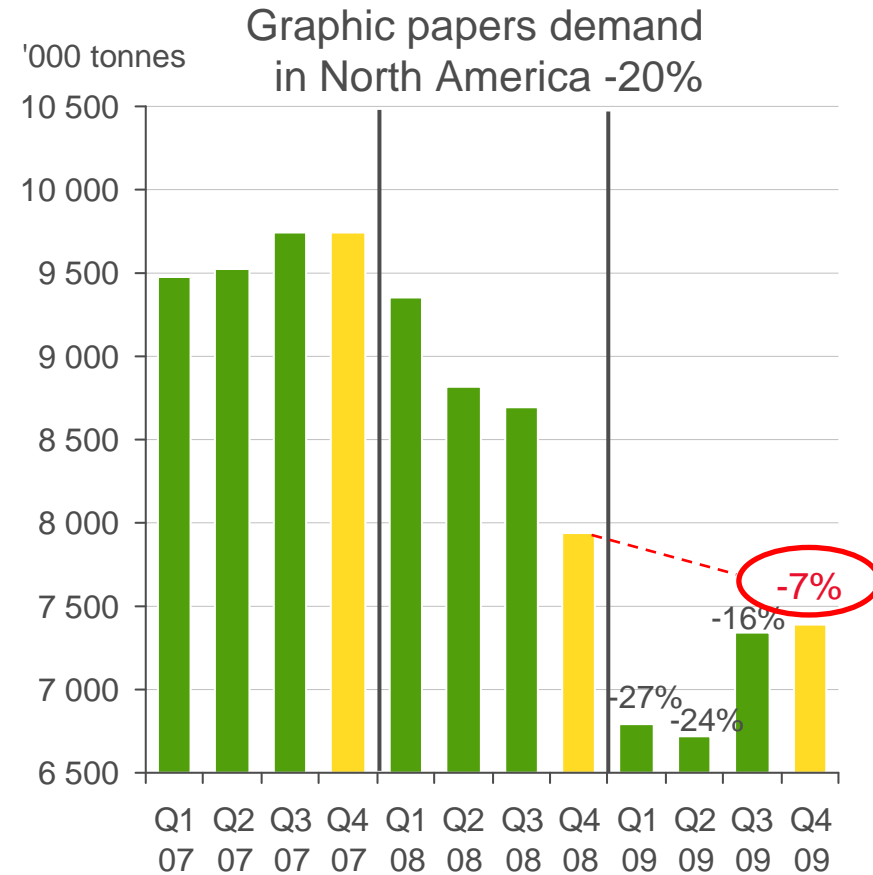
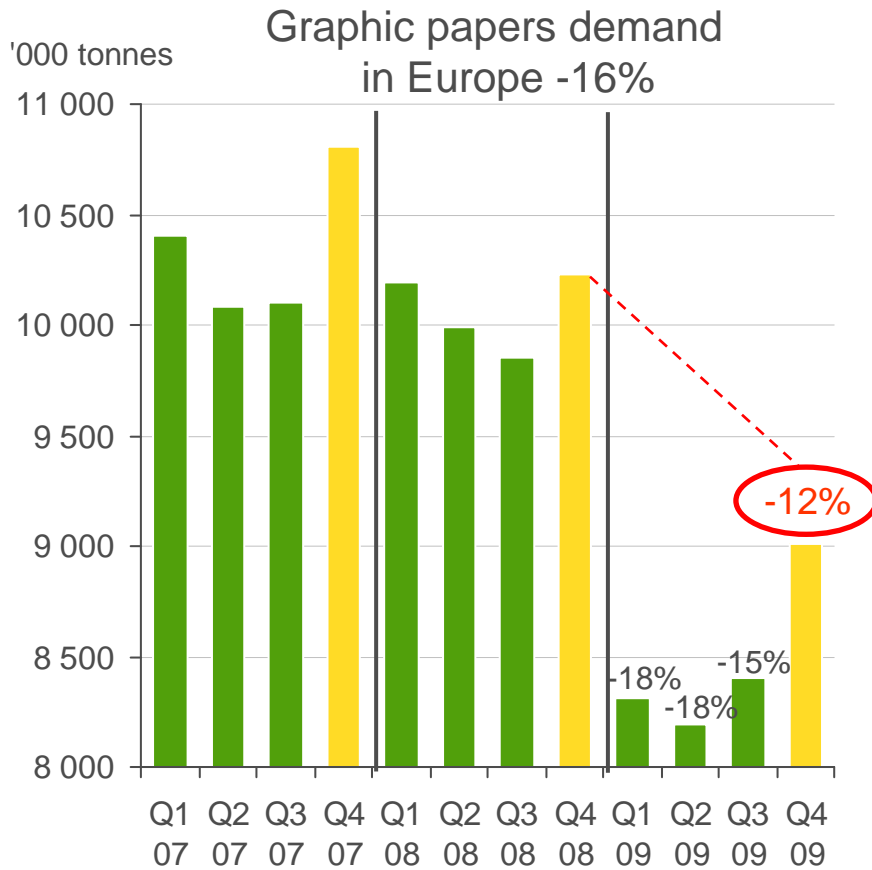
Economic indicators have improved and signs of recovery are visible in demand for UPM's products



Sources: Cepiprint, Cepifine, OECD

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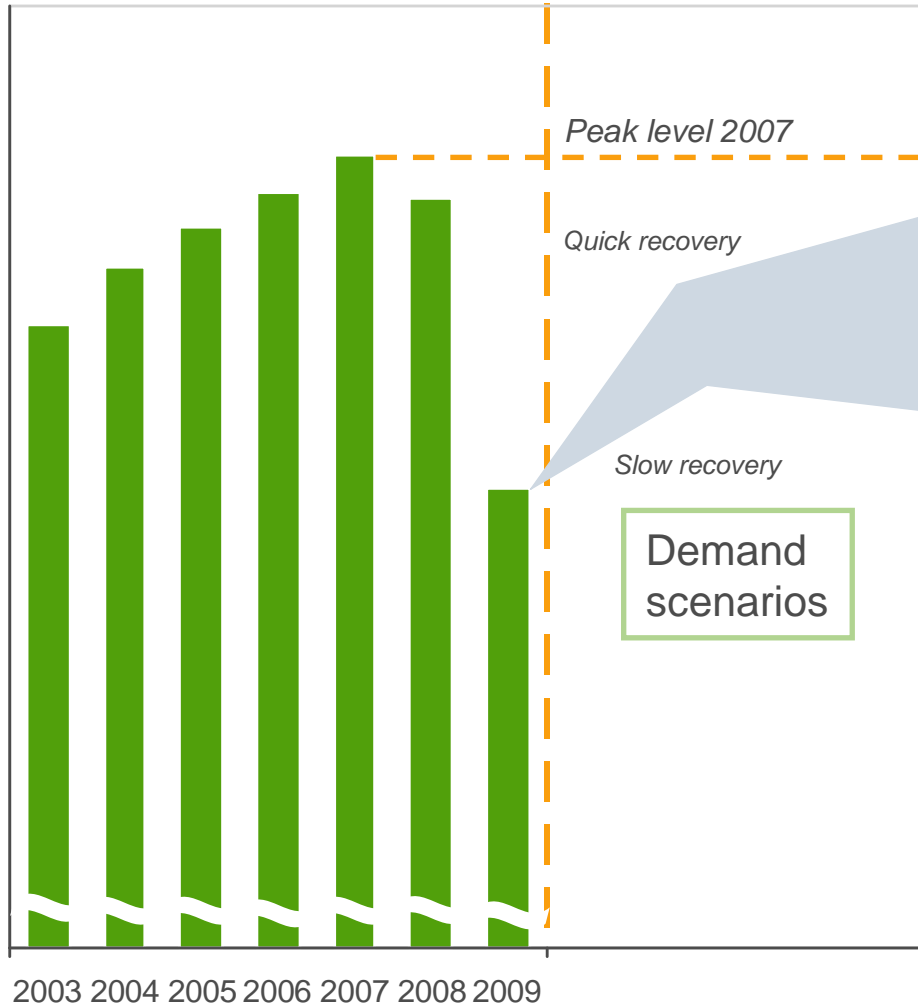
Graphic paper demand showing signs of recovery



Source: Cepiprint/fine, PPPC

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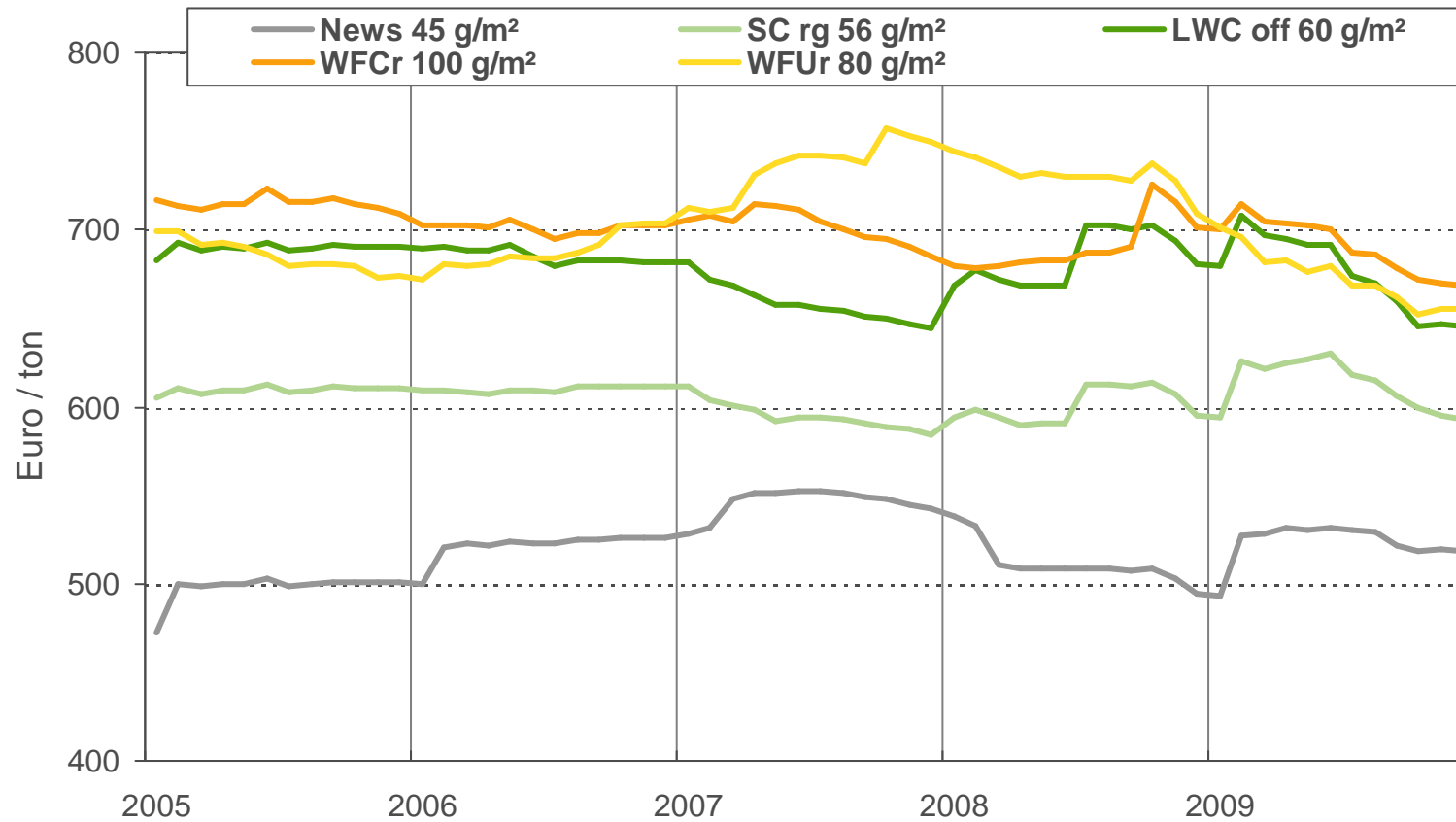
Graphic paper demand scenarios in Europe – recovery when and how much?



- Scenario assumptions:
 - Recovery in paper demand due to cyclical upturn and end of inventory correction
 - Structural changes are anticipated to affect paper demand and thus it is likely to remain below the year 2007 peak level
- Value creation is possible with continuous cost and capacity management

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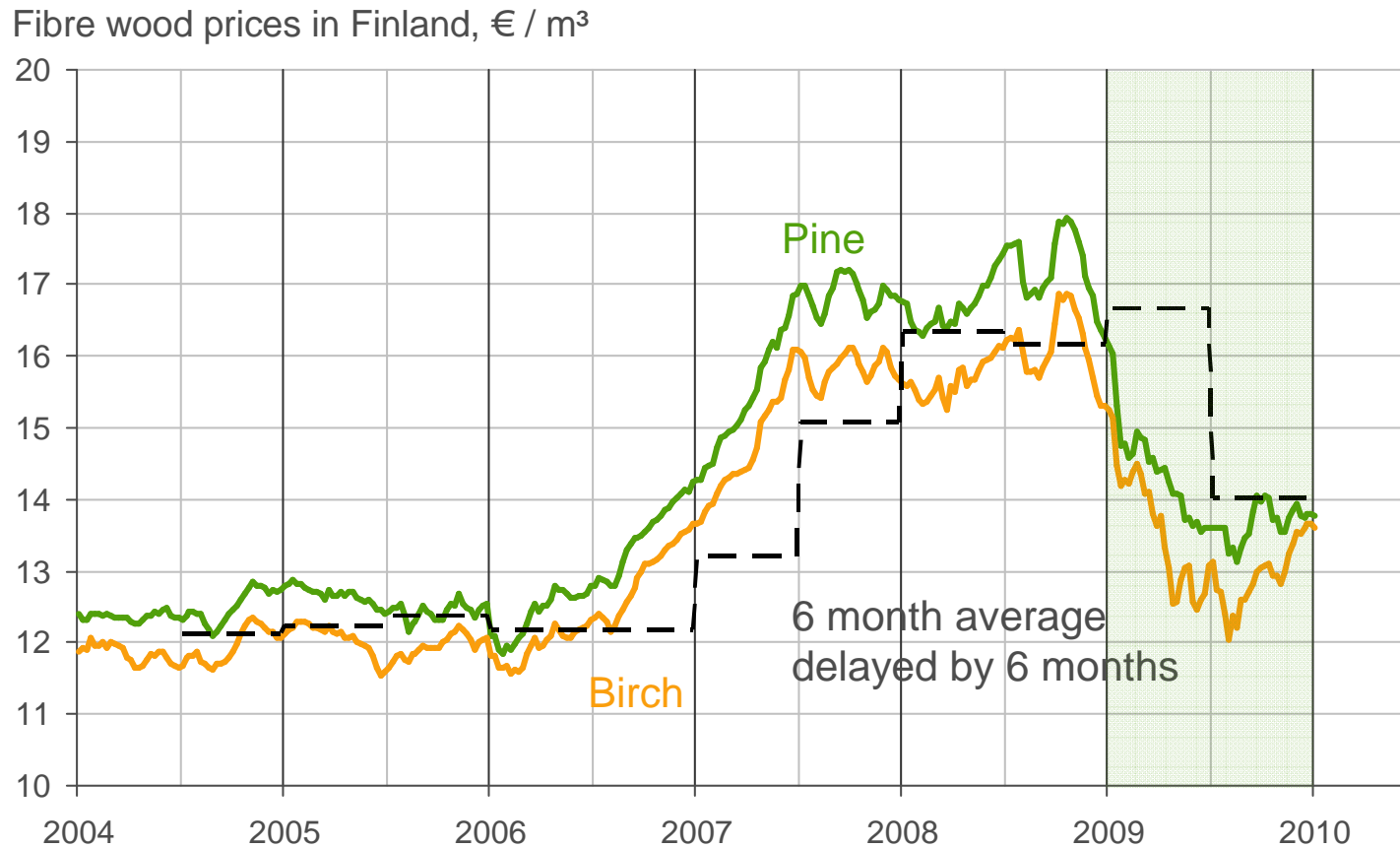
Paper price development in Europe



Source: RISI/PPI

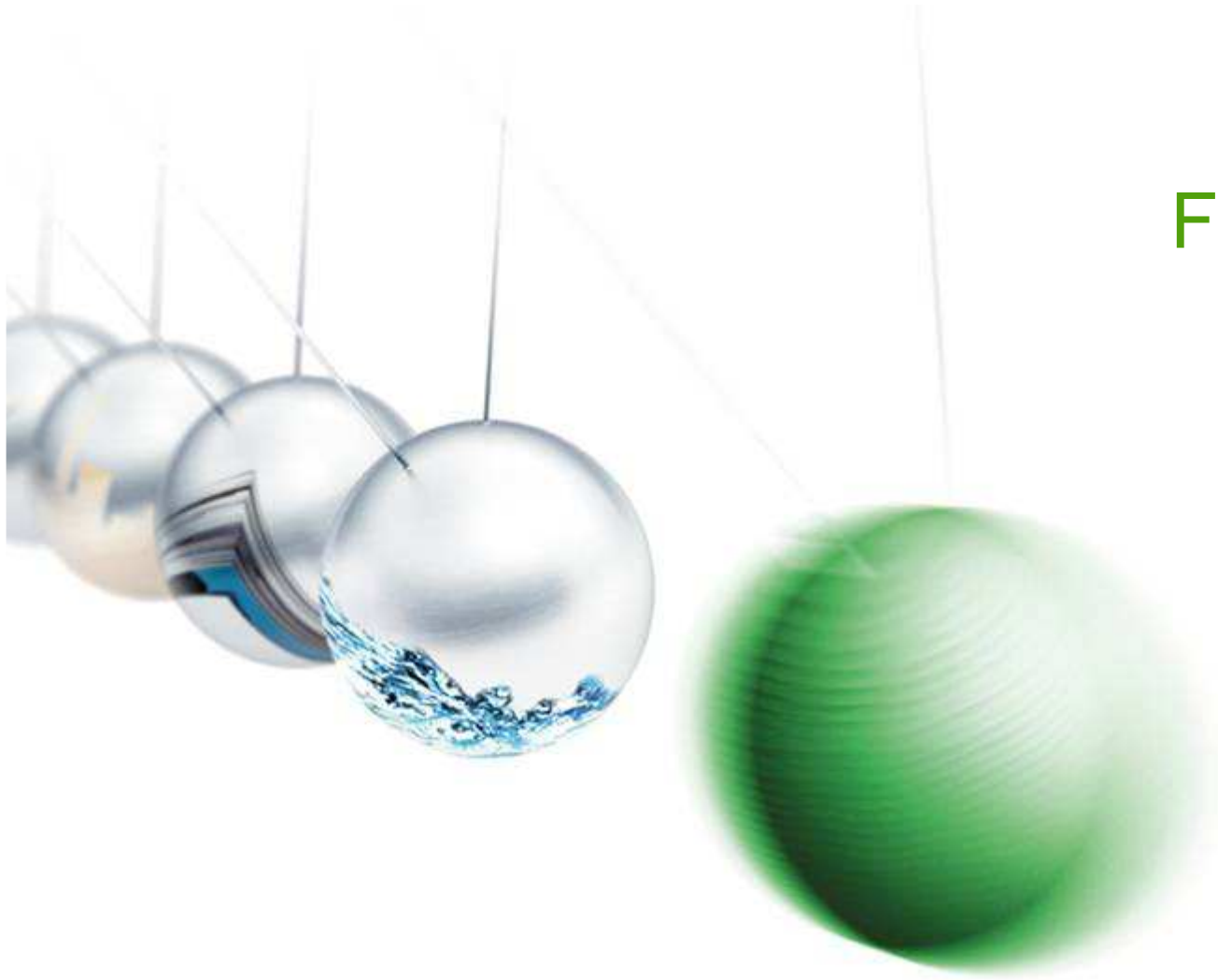
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Wood prices declined from peak years 2007 - 2008



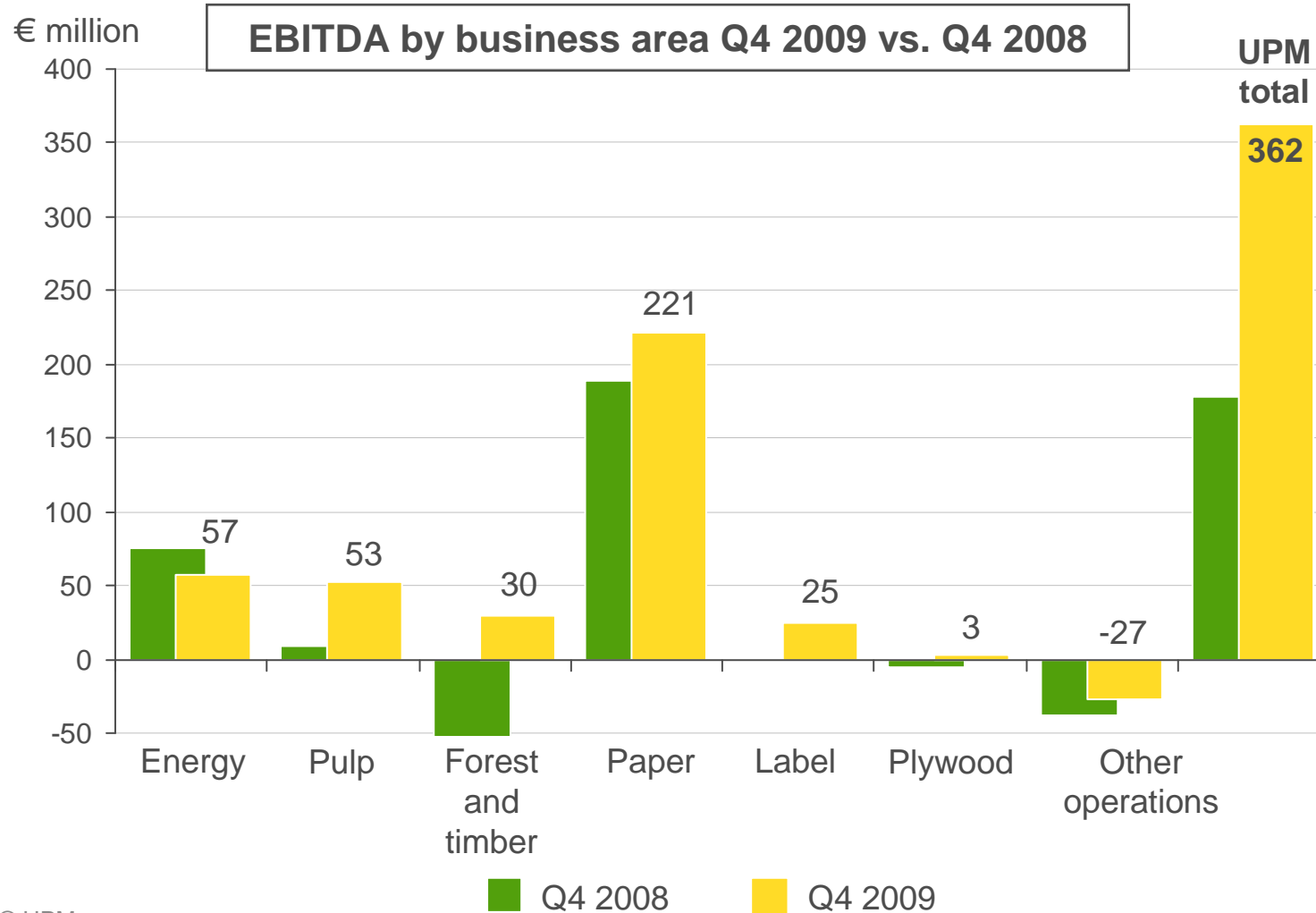
Source: Metla

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Q4 EBITDA:

Improvement in all businesses from last year



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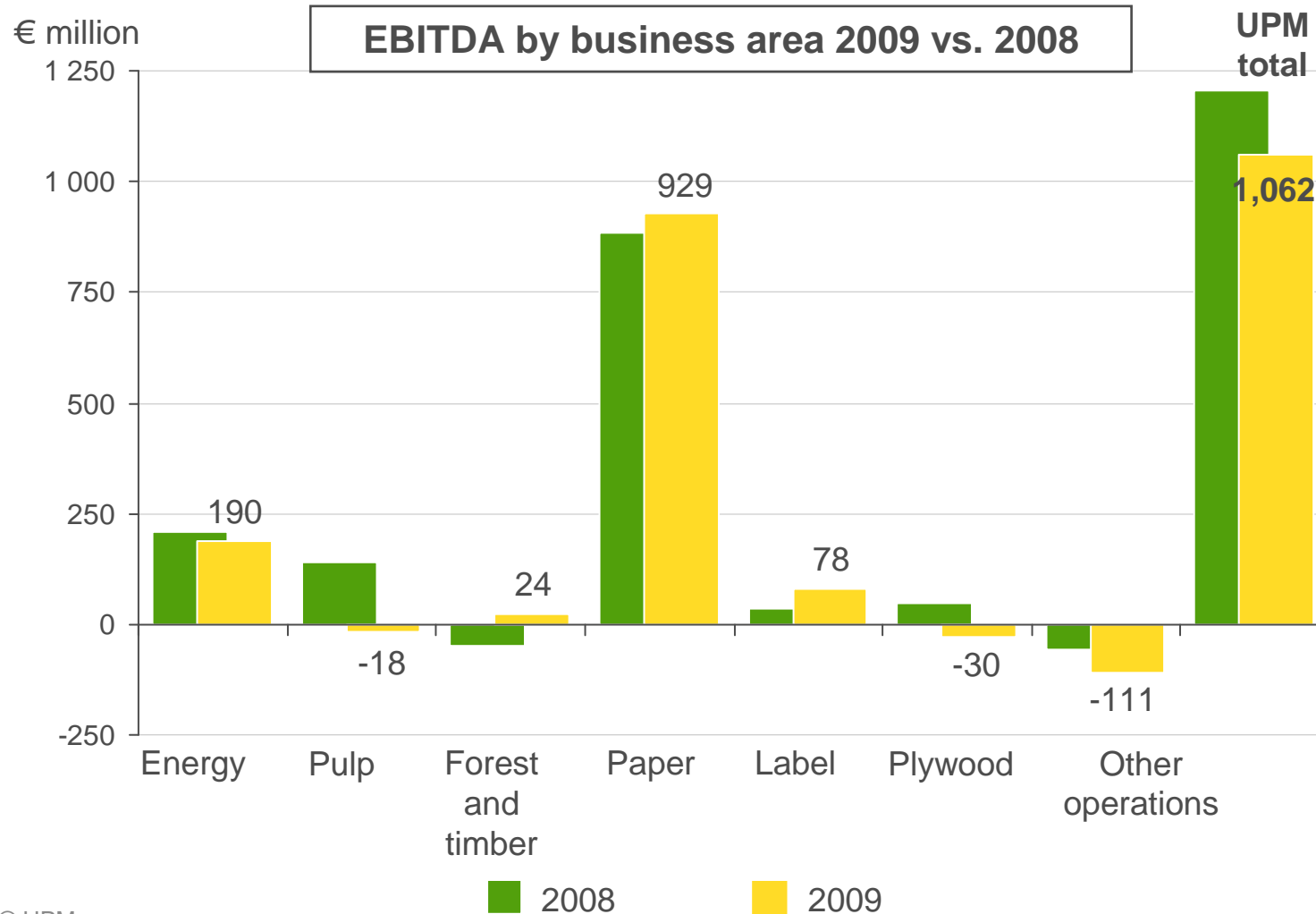
2009 EBITDA:

Paper and Label performed – Pulp disappointed

The Biofore Company



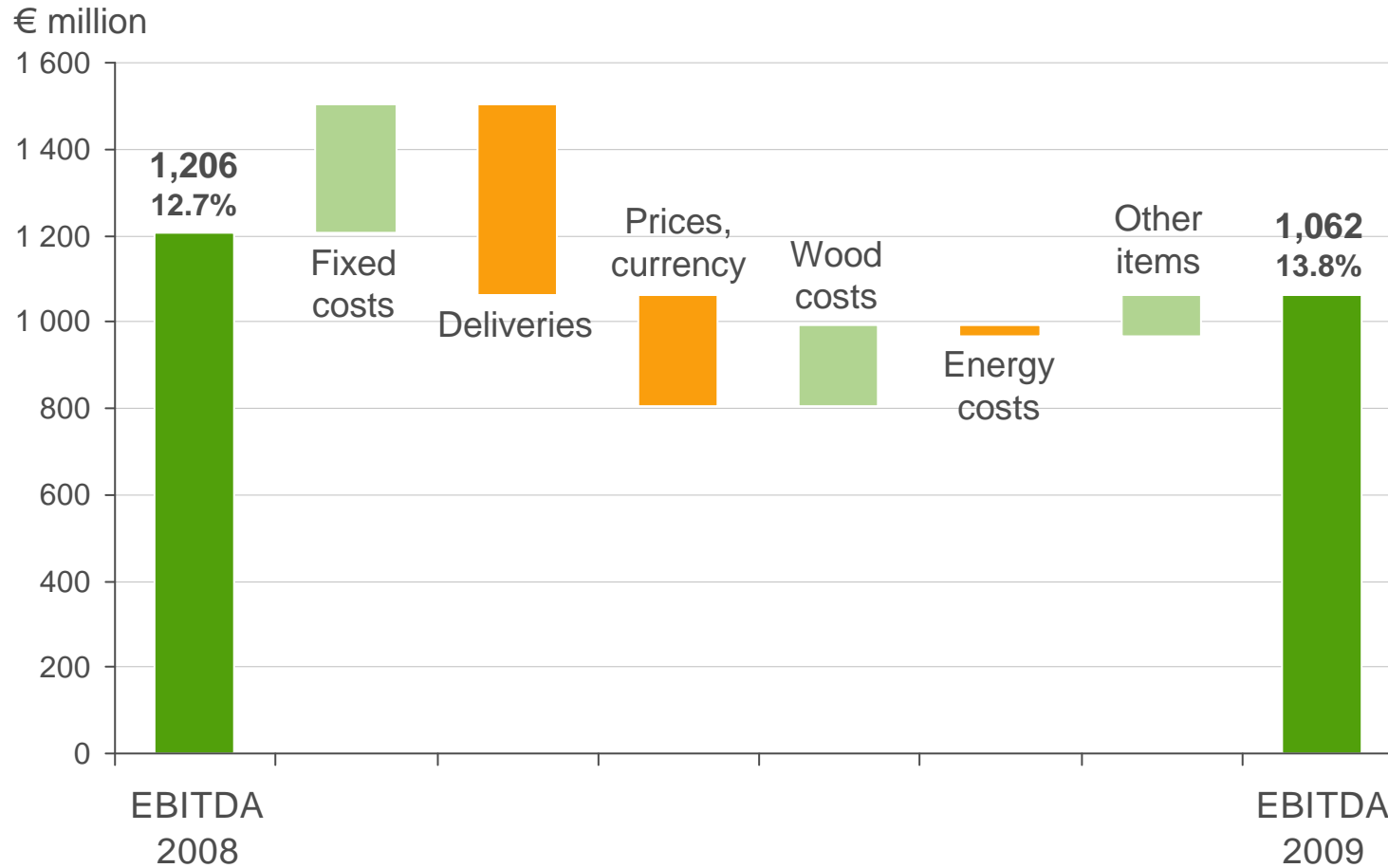
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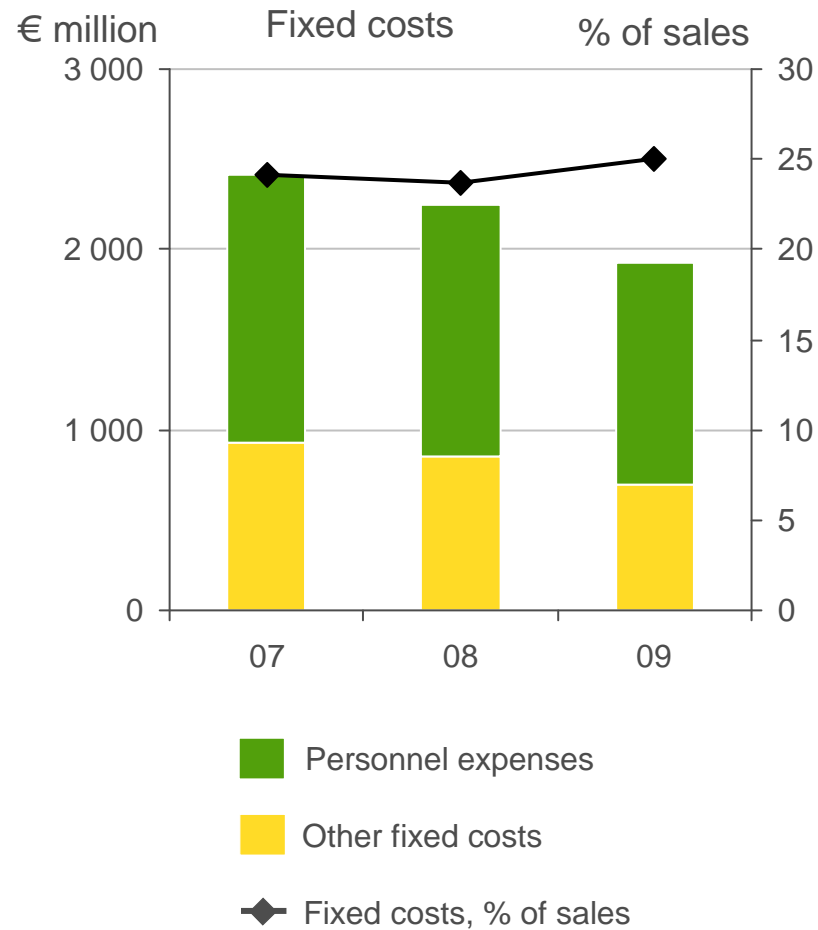
EBITDA development in 2009 vs. 2008

Cost savings mitigated lower deliveries, prices



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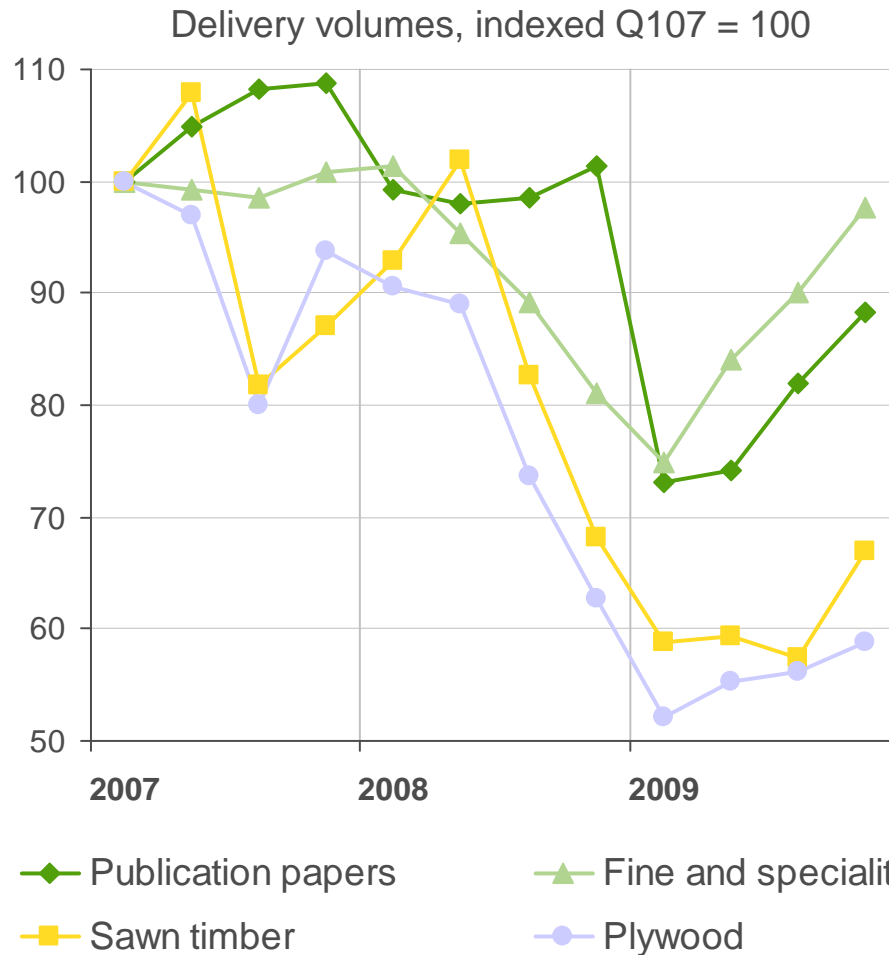
Fixed costs decreased by € 300 million y/y



- Both personnel and other fixed costs were lower
- Fixed costs as 25 % sales

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UPM's deliveries bottomed out during the first half of the year



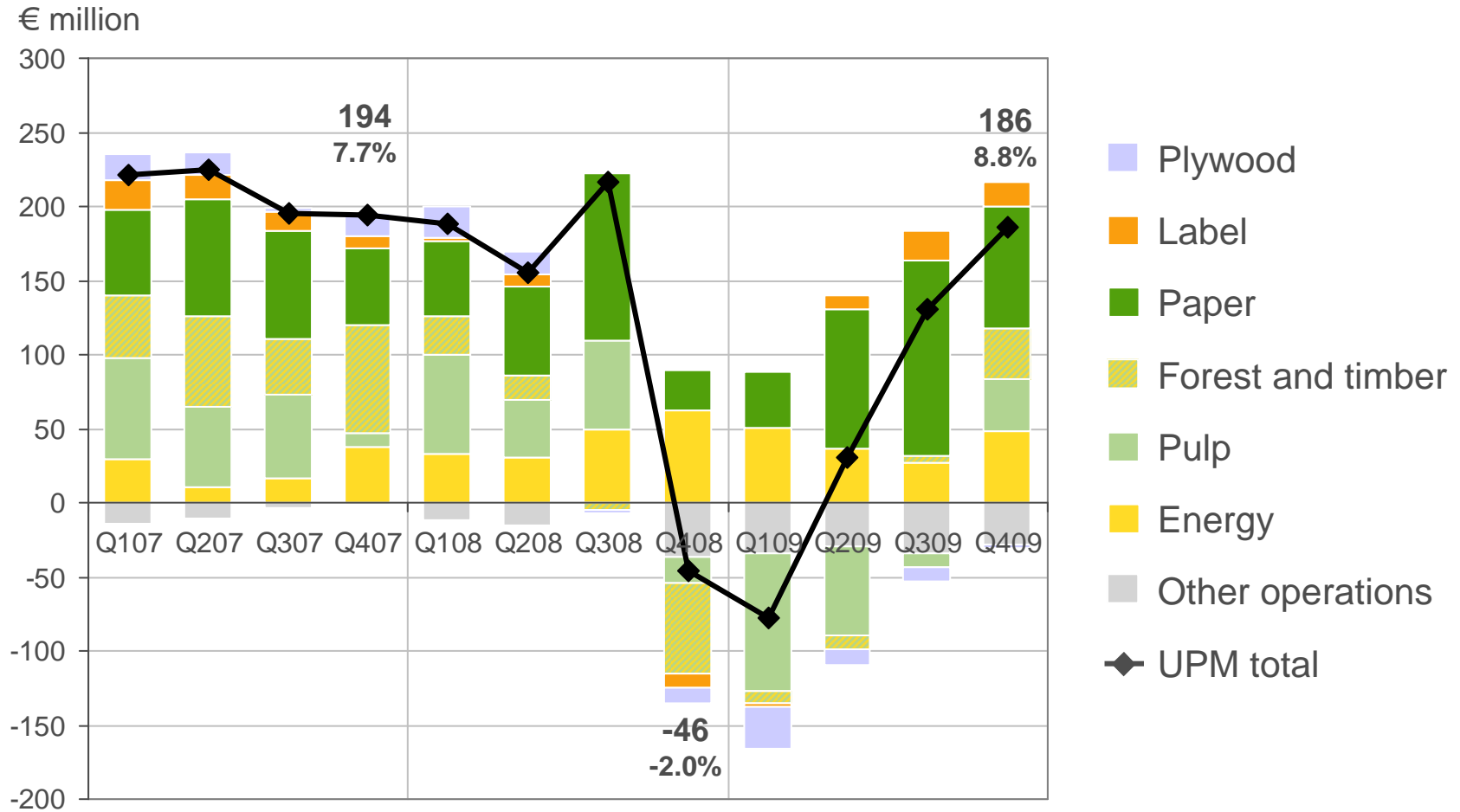
Change in deliveries from last year

%	Q409	2009
Pulp	+31 ^(*)	-11
Publication papers	-13	-20
Fine and speciality papers	+21	-6
Label	↑	↓
Plywood	-6	-30
Sawn timber	-2	-30

^(*) acquired Fray Bentos pulp mill included for one month

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Operating profit by business area excluding special items



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Key financials

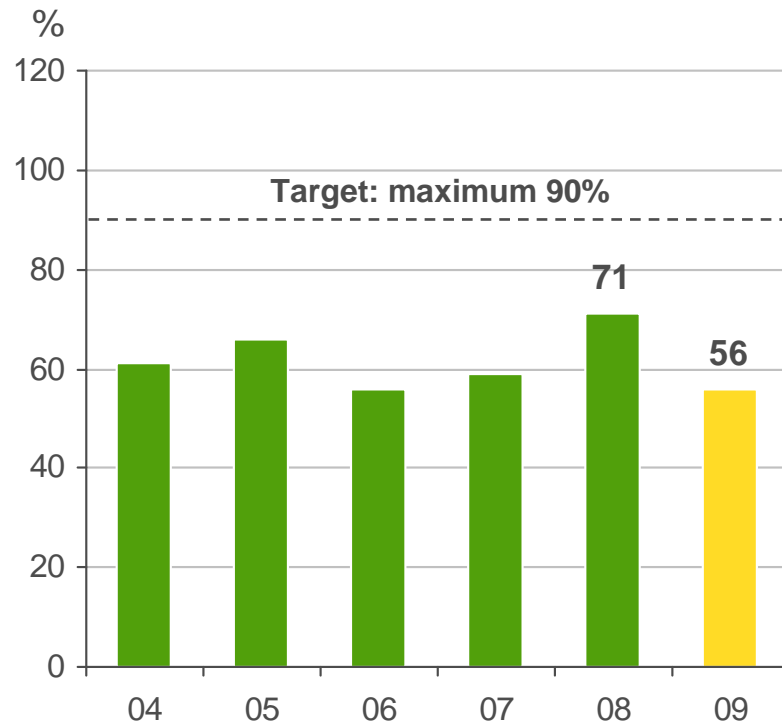
	2009	2008	Q4/09	Q4/08
Sales, €m	7,719	9,461	2,108	2,315
EBITDA, €m	1,062	1,206	362	178
% of sales	13.8	12.7	17.2	7.7
Operating profit (loss), €m	135	24	126	-286
<i>Special items included in operating profit, net</i>	-135	-489	-60	-240
Operating profit (loss), excl. special items, €m	270	513	186	-46
EPS excl. special items, €	0.11	0.42	0.21	-0.19
Net cash generated from operating activities, €m	1,259	628	370	357
Personnel at the end of period	23,213	24,983	23,213	24,983

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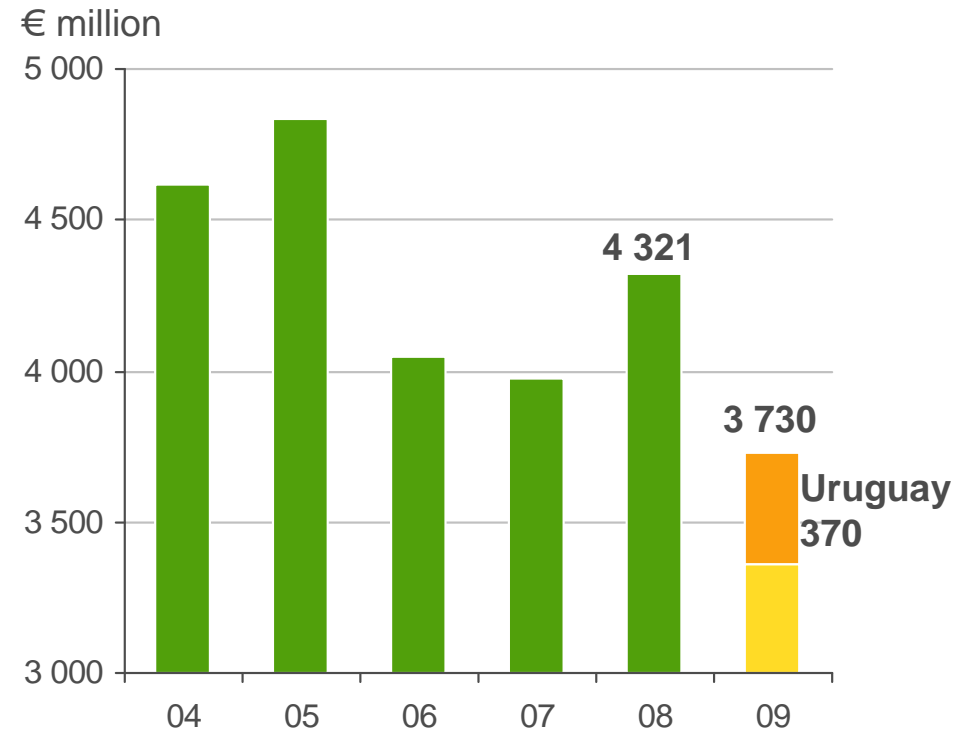
Cash flow

€, million	2009	2008	Q4/09	Q4/08
EBITDA	1,062	1,206	362	178
Cash flow before change in working capital	941	1,052	332	160
Change in working capital	532	-132	95	197
Finance costs and income taxes	-214	-292	-57	0
Net cash from operating activities	1,259	628	370	357
Capital expenditure	-236	-558	-45	-105
Cash flow after capex	1,023	70	325	252
Asset sales and acquisitions	22	26	-14	-8
Cash flow after investing activities	1,045	96	311	244

Gearing ratio
- improved by 15%



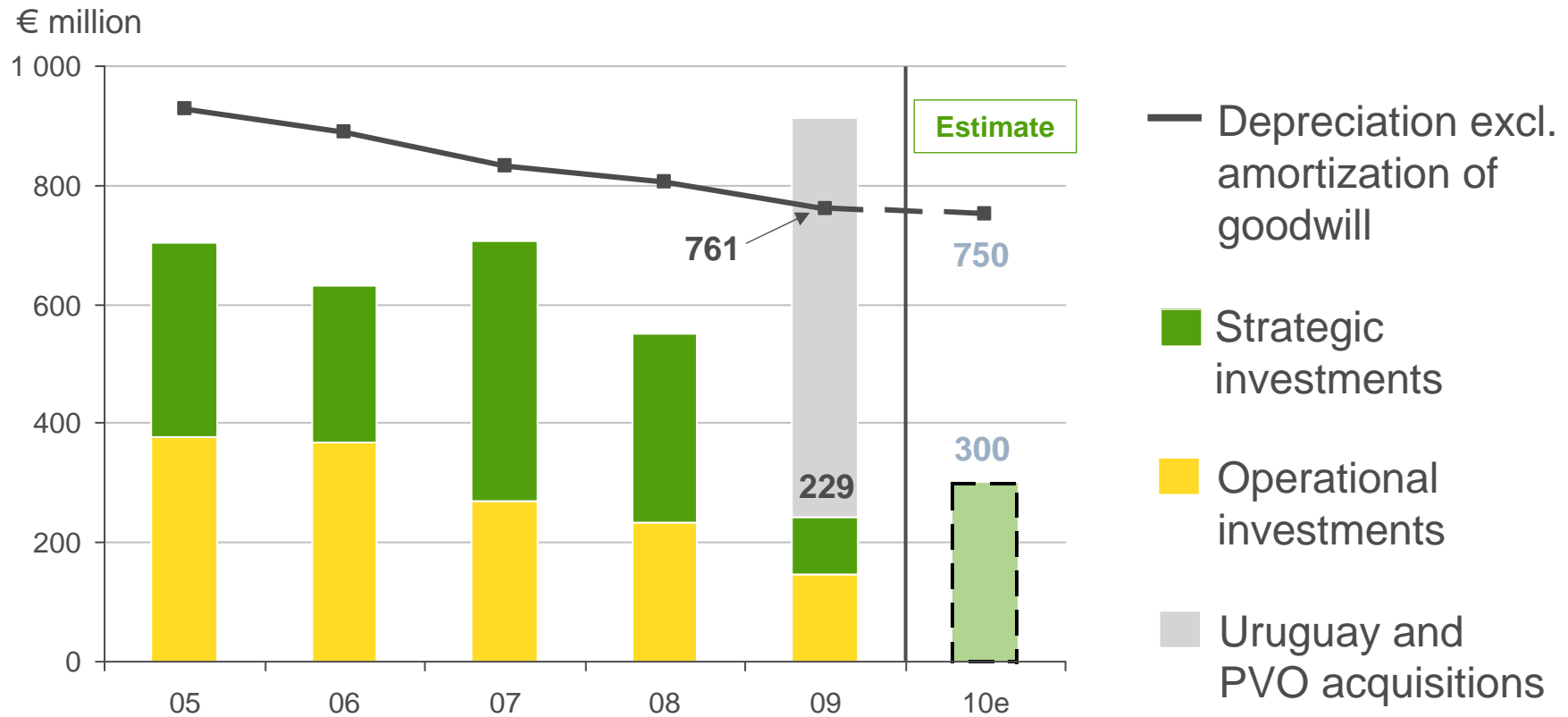
Net debt
- decreased by € 591m



Liquidity increased to €2.2bn
repayments less than €0.6bn in 2010-11

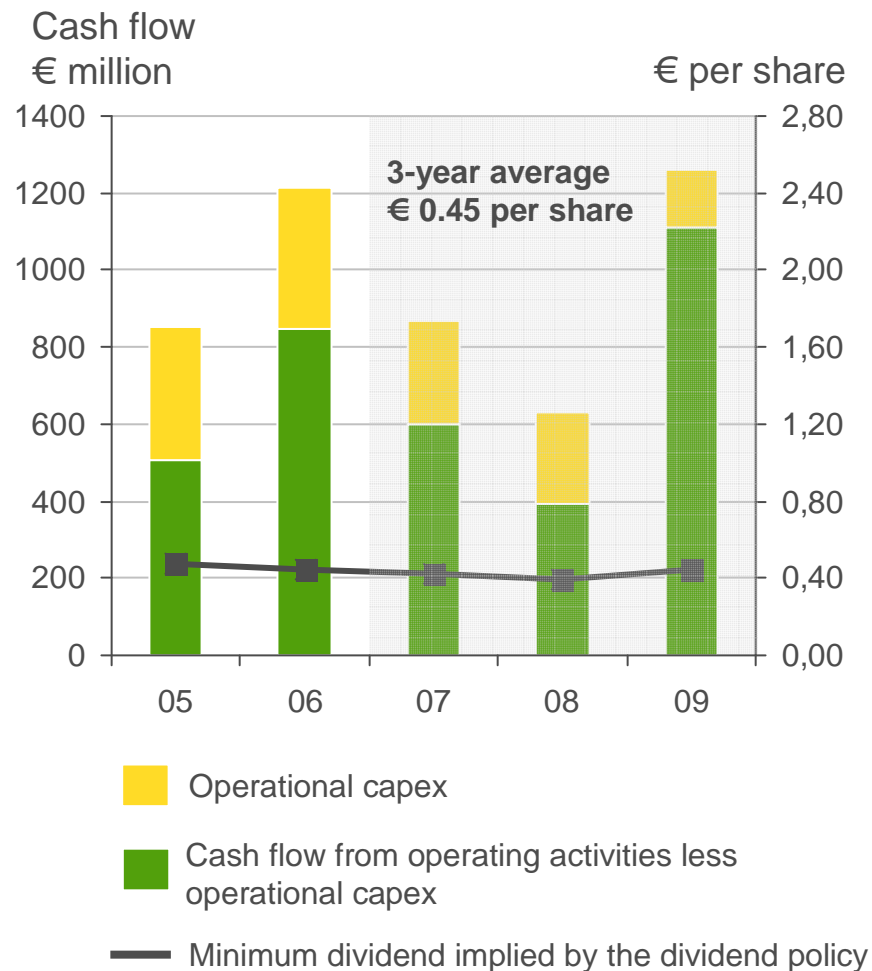
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Capital expenditure and estimate for 2010



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Dividend proposal



Dividend policy

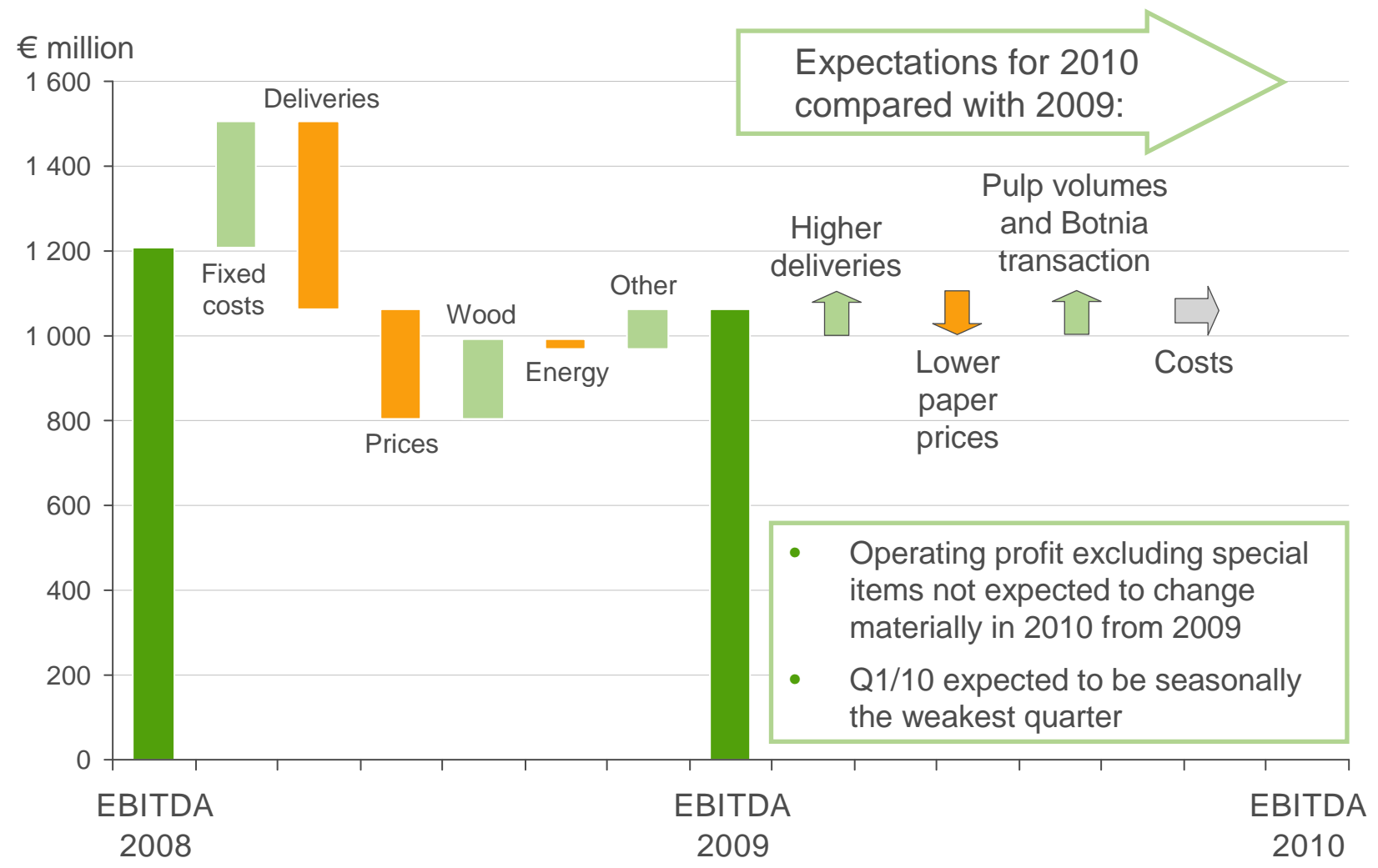
- at least one third of net cash flow from operating activities less operational capital expenditure
- net cash flow calculated as an average over three years

Dividend proposal for 2009

- € 0.45



Outlook for 2010 (*)



(* See complete wording of the "Outlook" in the Financial Review 2009

Summary

- Last year UPM focused on
 - cost discipline and cash preservation
 - implementing changes through the new business structure
- Strength of the demand recovery and sales price development are keys to 2010
- Focus on cost competitiveness continues
- Paper market is today a challenge but inclusion of Uruguay operations brings added strength to our operations



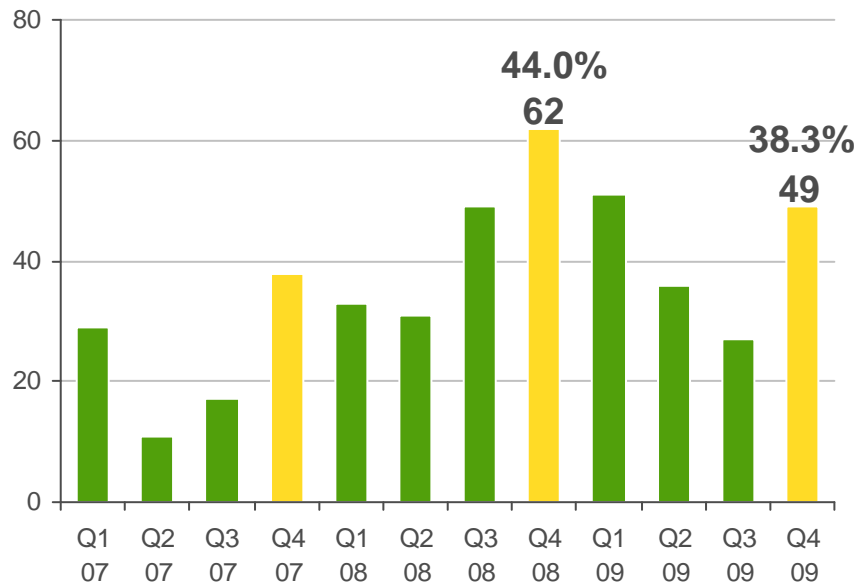
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The Biofore
Company

FINANCIALS Energy 2009 vs. 2008

- 32 % lower hydropower generation led to
 - 13 % lower delivery volumes and
 - higher cost of procurement
- Average sales price for electricity increased by 17%

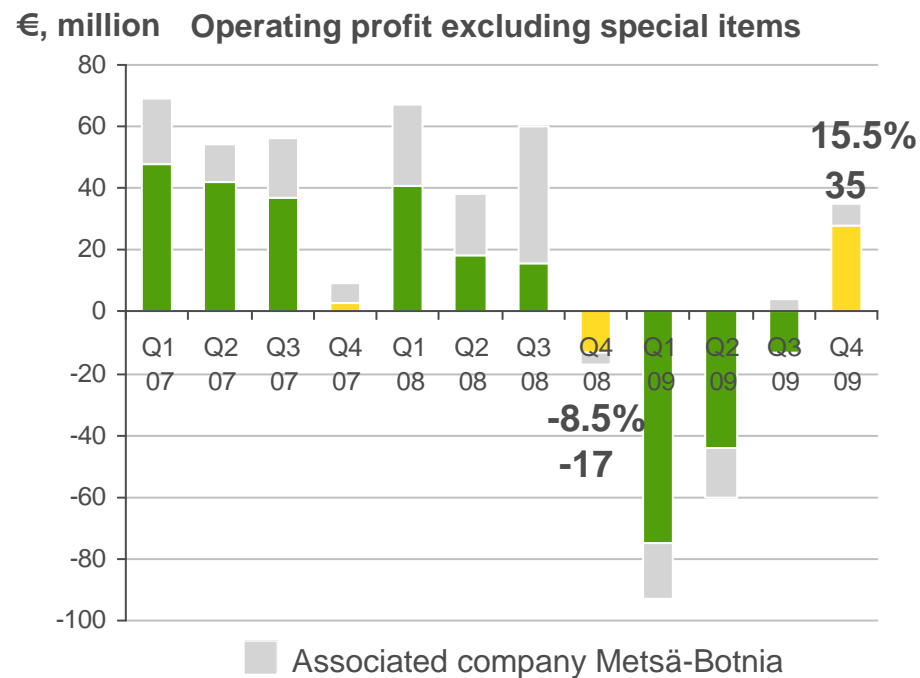
€, million Operating profit excluding special items



	2009	2008
Sales, M€	472	478
Operating profit M€ excl. special items	163	175
Average price, change %	17%	n.a.
Electricity sales, TWh	8.9	10.2

FINANCIALS Pulp 2009 vs. 2008

- Operating loss due to 23% lower pulp price and lower deliveries
- Wood cost remained high until autumn but started to decline towards end of the year
- Inventories decreased



	2009	2008
Sales, M€	653	944
Operating profit M€ excl. special items	-127	148
Average price, change %	-23%	n.a.
Pulp deliveries, 1,000 t	1,759	1,982

Pro forma key figures – Botnia transaction

- Pro forma as if the Botnia transaction had occurred 1 January 2009
- Pro forma adjustments include 11 months of 2009
- Uruguay operations included in reported figures from December 2009

¹⁾ Sales total of € 350 million include sales of € 146 million to UPM's units. Adjustments, among others include reversal of special items of € 29 million related to the closure of Kaskinen mill.

Pro forma key figures - Group

€m	Reported 2009	Pro forma ¹⁾ adjustments	Pro forma 2009
Sales	7,719	204	7,923
EBITDA	1,062	92	1,154
Operating profit excl. special items	135 270	67 38	202 308
Profit before tax excl. special items	187 107	52 23	239 130
Profit for the period	169	50	219

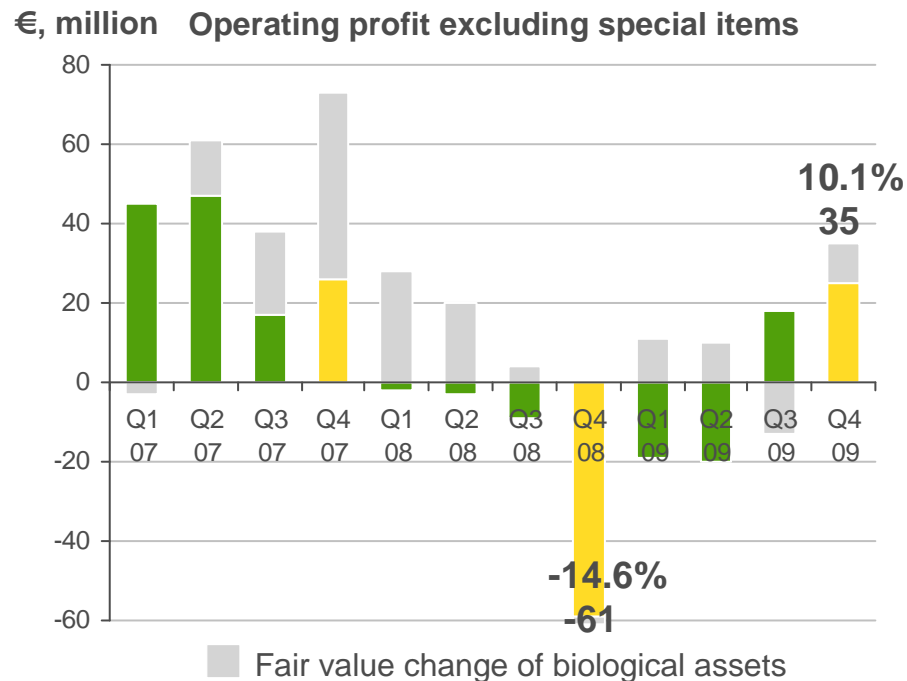
Pulp business area pro forma key figures

€m	Reported 2009	Pro forma adjustments	Pro forma 2009
Sales	653	350	1,003
EBITDA	-18	92	74
Operating profit excl. special items	-156 -127	67 38	-89 -89

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Forest and timber 2009 vs. 2008

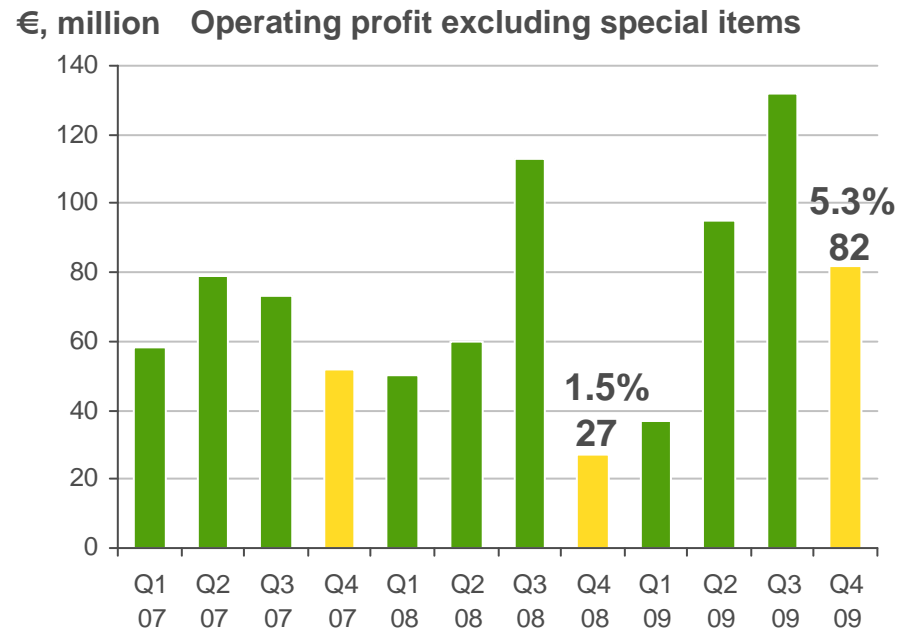
- Comparison period included a wood inventory write down of € 36 million (booked at the end of 2008)
- Sawn timber deliveries were lower and sales prices decreased by 7%
- Wood inventories decreased significantly from the beginning of the year
- UPM will permanently close the sawmill in Heinola and the further processing mill in Parkano during the first half of 2010



	2009	2008
Sales, M€	1,337	1,920
Operating profit M€ excl. special items	22	-23
Fair value change of biological assets	18	50
Average price of sawn timber, change %	-7%	n.a.
Sawn timber deliveries, 1,000 m ³	1,497	2,132

FINANCIALS Paper 2009 vs. 2008

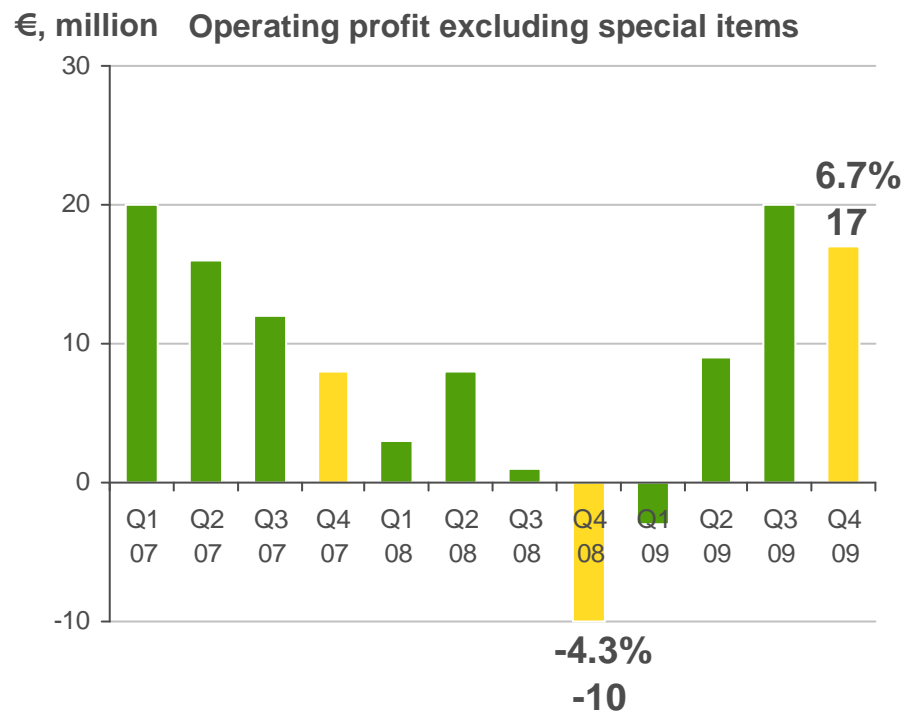
- Operating profit improved by €96m
- Lower sales price and lower deliveries were more than offset by:
 - lower fibre costs and
 - significant savings in fixed costs



	2009	2008
Sales, M€	5,767	7,011
Operating profit M€ excl. special items	346	250
Average price, change %	-3%	n.a.
Paper deliveries, 1,000 t	9,021	10,641

FINANCIALS Label 2009 vs. 2008

- Operating profit increased due to improved sales margin
- Average sales prices converted into euros increased by 3%
- Clear turnaround after restructuring operations



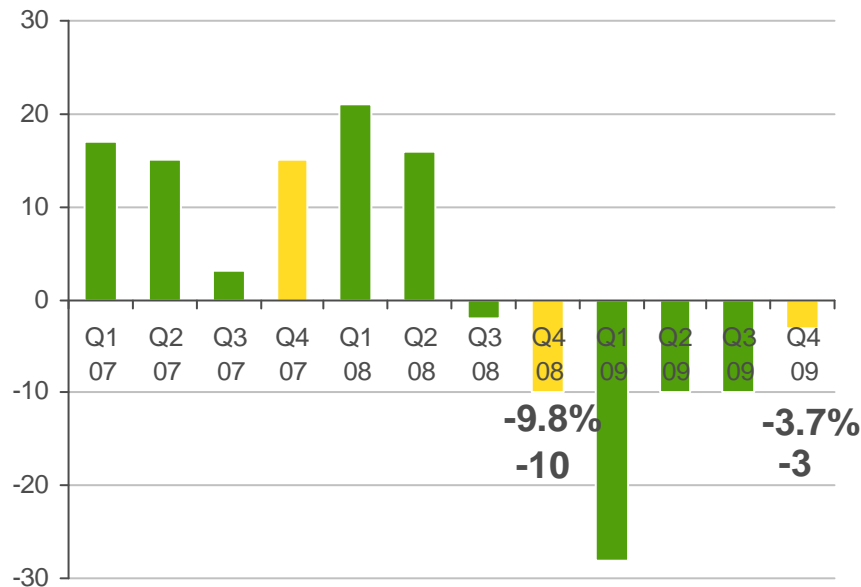
	2009	2008
Sales, M€	943	959
Operating profit M€ excl. special items	43	2
Average price, change % (converted into euros)	3%	n.a.

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Plywood 2009 vs. 2008

- Operating profit declined due to significantly (-30%) lower delivery volumes and lower prices
- Fixed costs decreased significantly
- UPM will permanently close the Heinola and Kaukas plywood mills during the first half of 2010

€, million Operating profit excluding special items



	2009	2008
Sales, M€	306	530
Operating profit M€ excl. special items	-51	25
Plywood deliveries, 1,000 m ³	567	806

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Maturity profile

- Liquidity on 31 December 2009 was € 2.2bn
 - cash € 440 million and unused credit facilities € 1.74 bn

