

GOLDMAN SACHS BASIC MATERIALS CONFERENCE

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Executive Vice President and CFO

04 June, 2009



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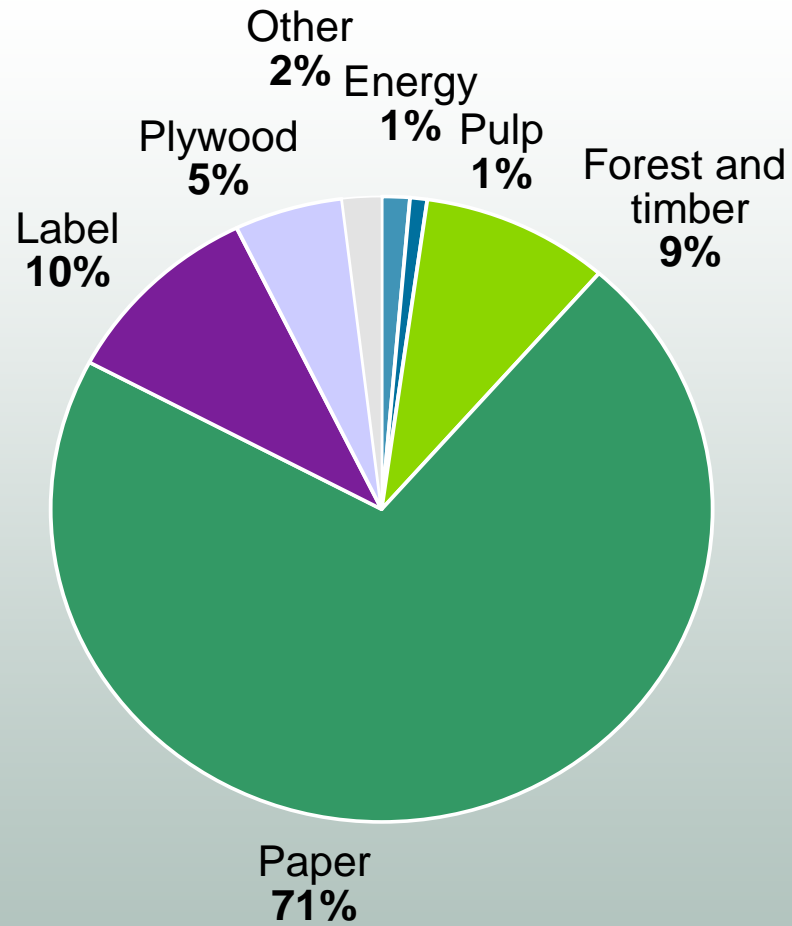


- UPM brief
- Financials
- Coping with recession
- UPM's vision and strategy

UPM IN BRIEF

Sales € 9,461 million in 2008

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% of external sales

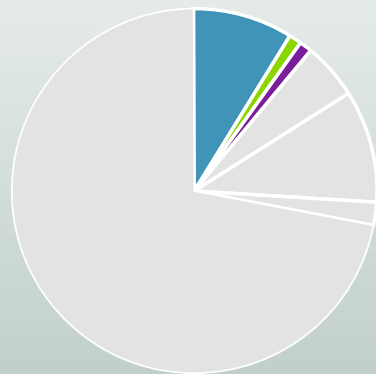


Sales by business groups in 2008*



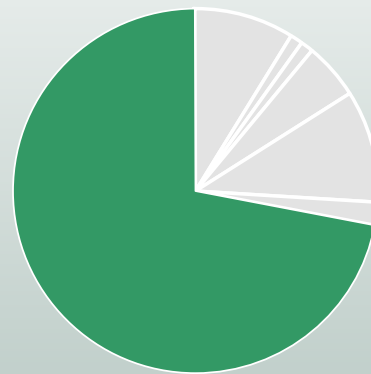
Total sales 9.5 billion euros

Energy and pulp 11 %

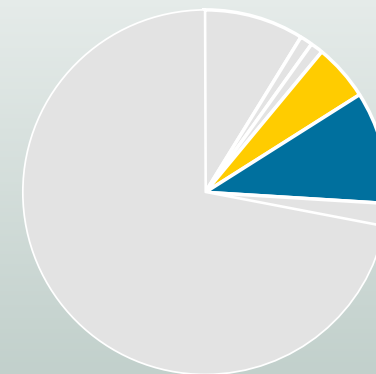


- Forest and timber 9%
- Energy 1%
- Pulp 1%

Paper 72 %



Engineered materials 15 %



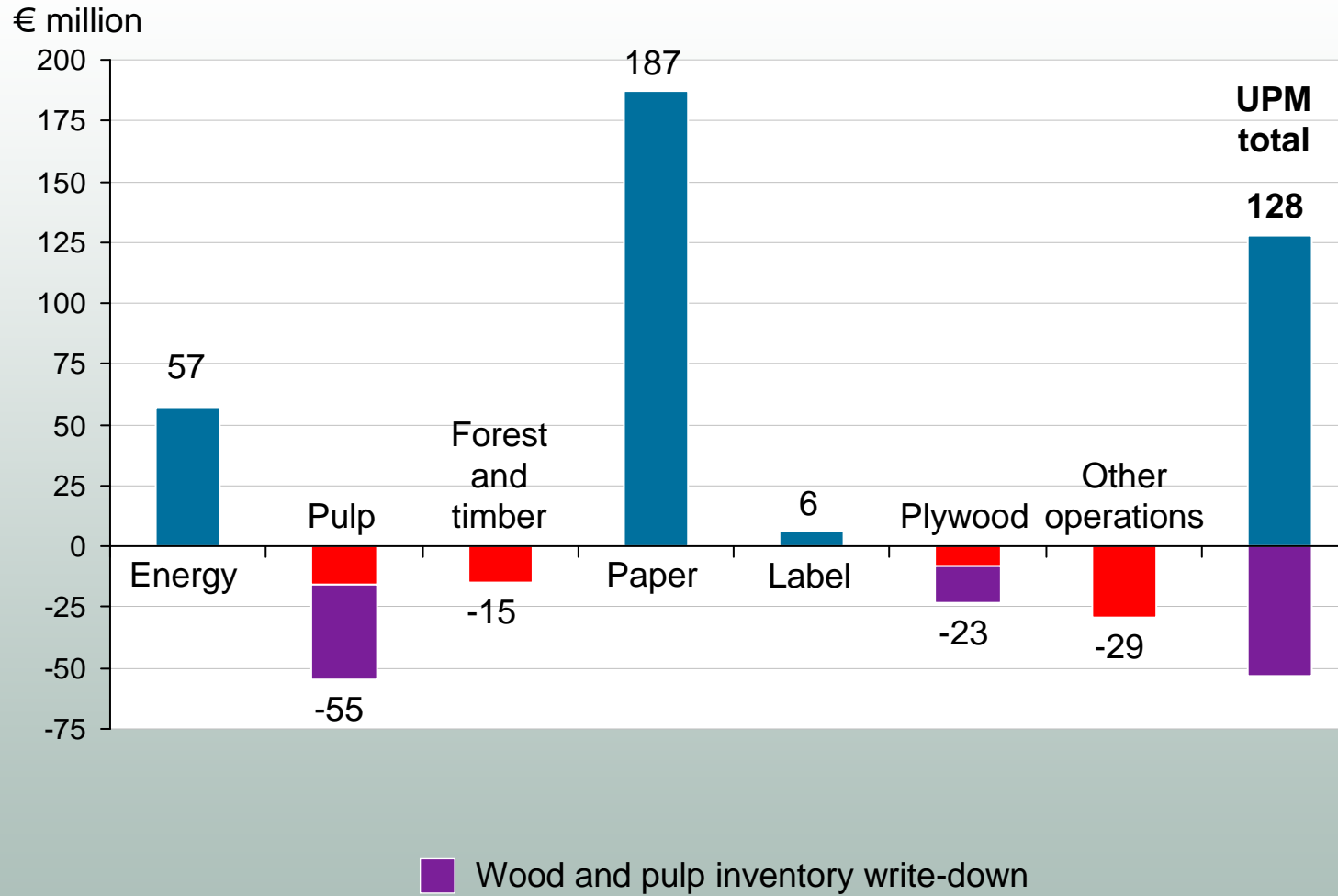
- Plywood 5%
- Labels 10%

* % of external sales

FINANCIALS

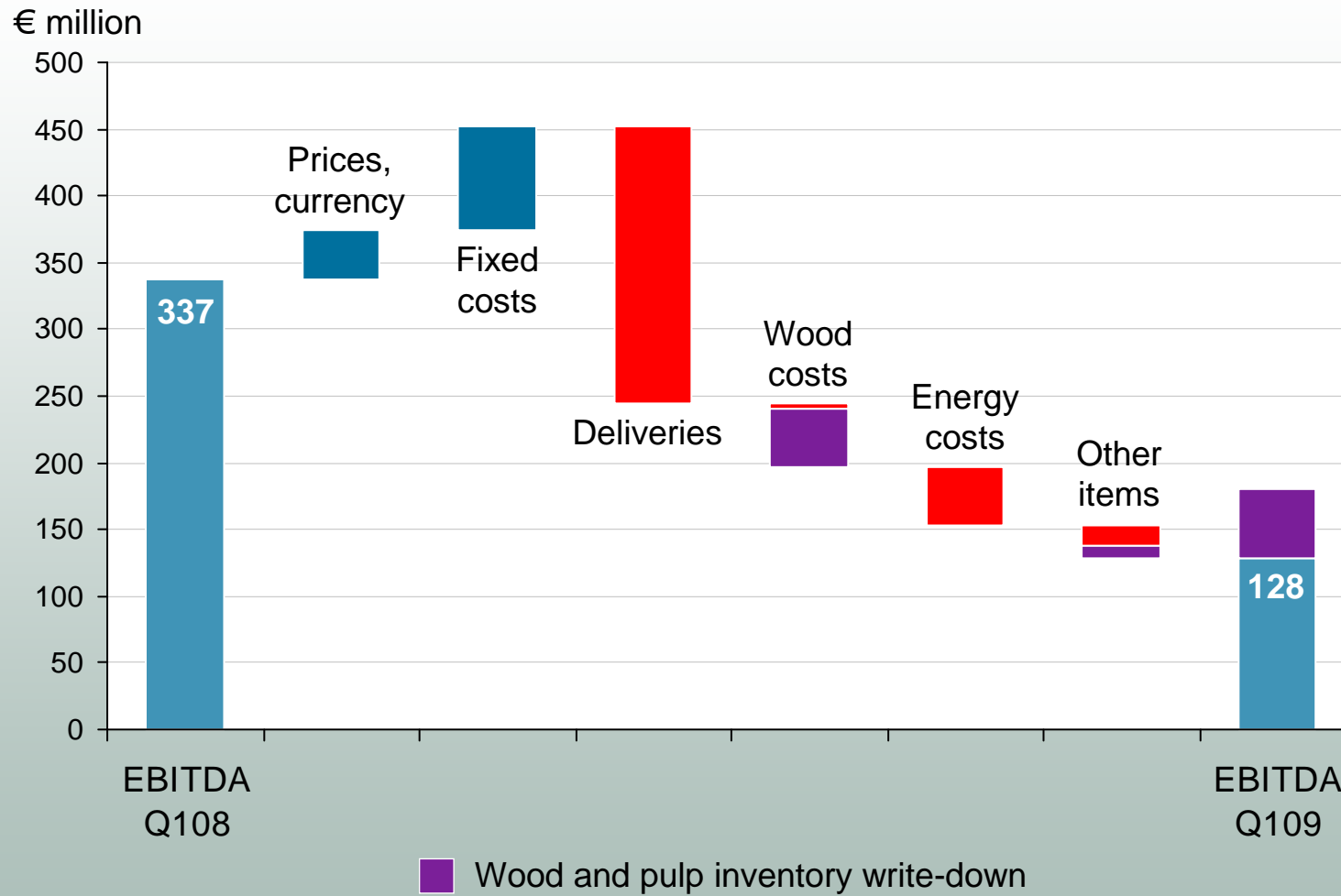
EBITDA by business area in Q1 2009

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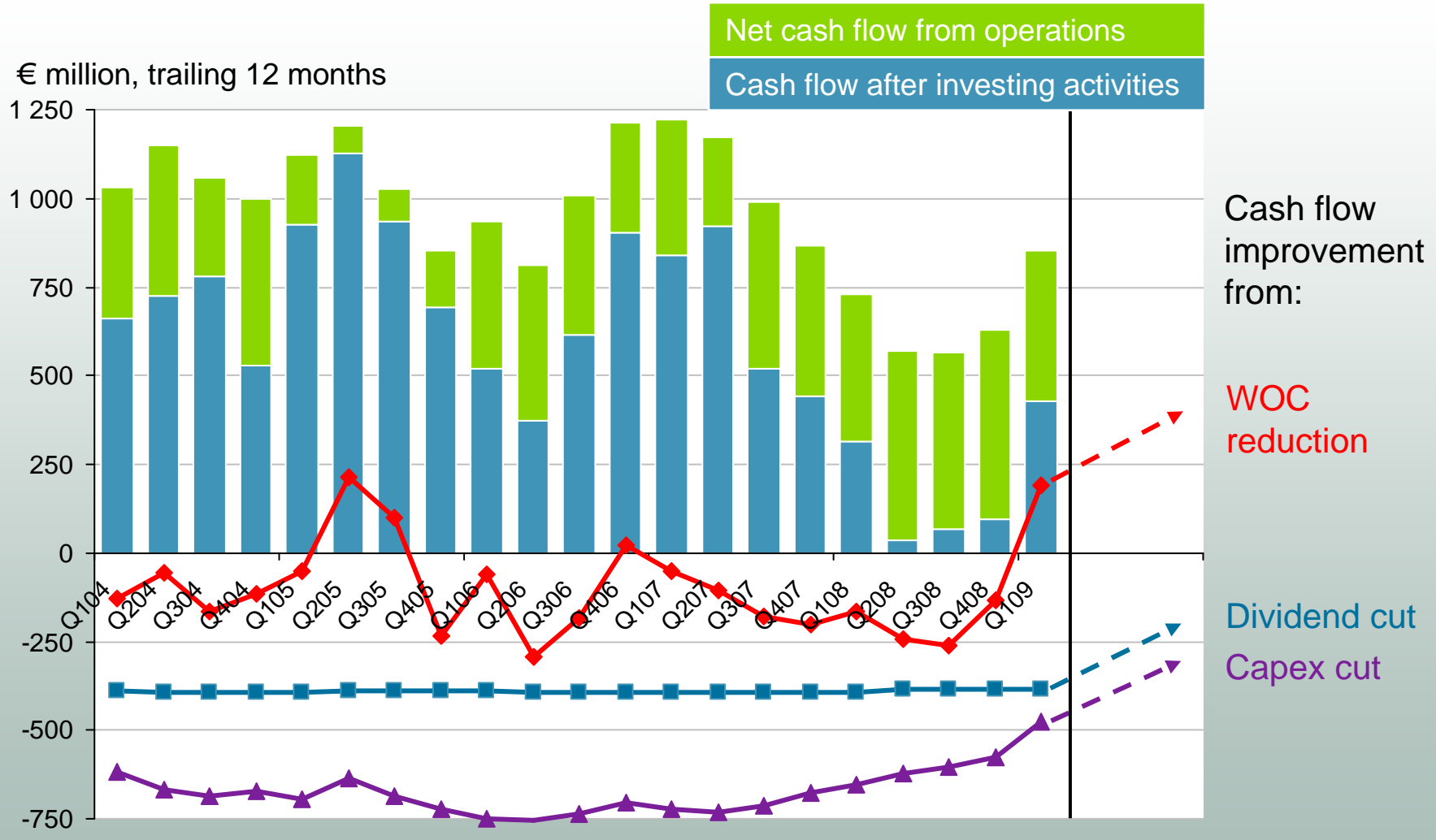
FINANCIALS

EBITDA development in Q1 2009



FINANCIALS

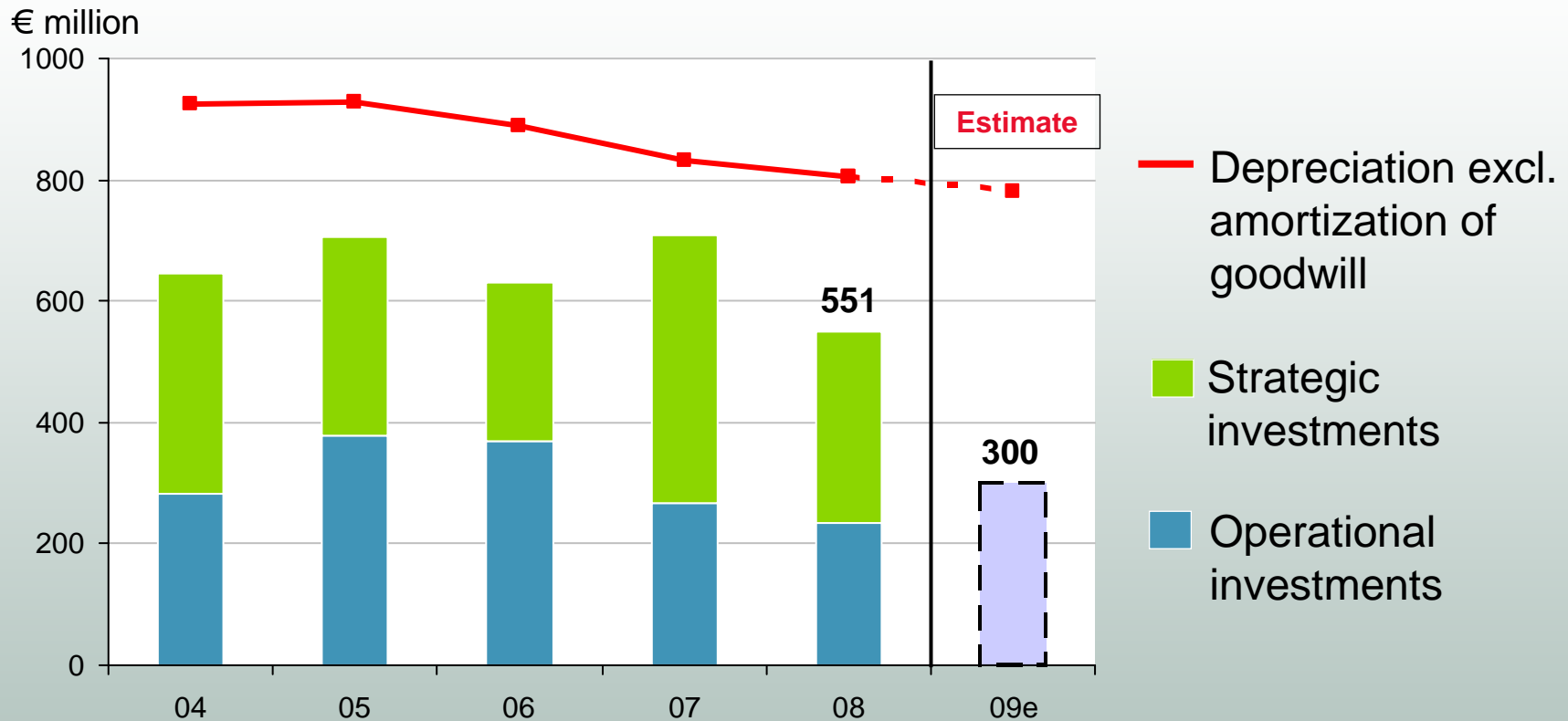
Cash flow and actions to preserve cash



FINANCIALS

Capital expenditure

2009 estimate lowered to € 300 million



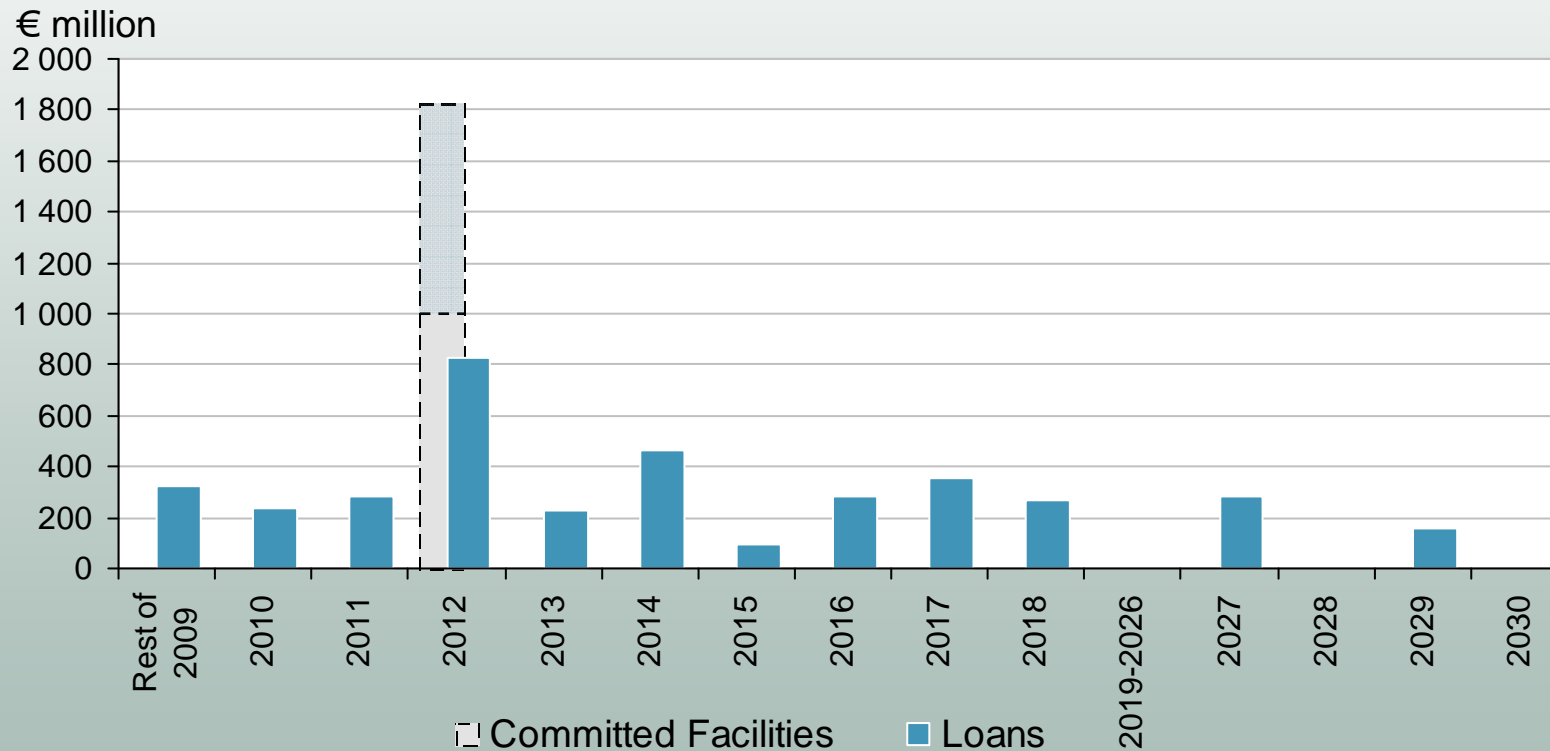
Q1 2009 capital expenditure was € 67 million

FINANCIALS

Maturity profile – moderate repayments for the next three years



- Liquidity on 31 March 2009 was € 1.7bn
- In March, the € 1.5bn loan facility maturing in 2010 was replaced by a new three-year € 825m facility

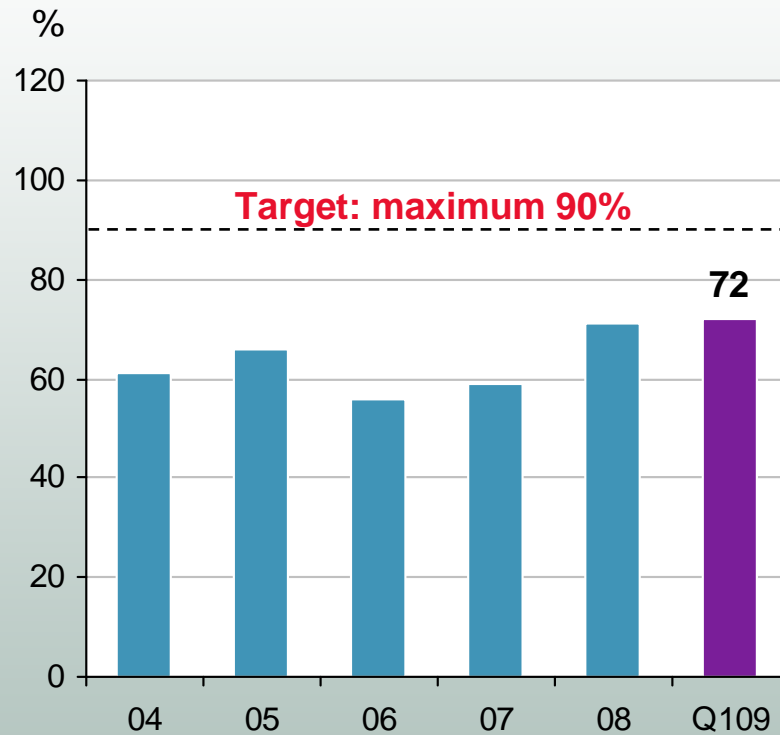


FINANCIALS

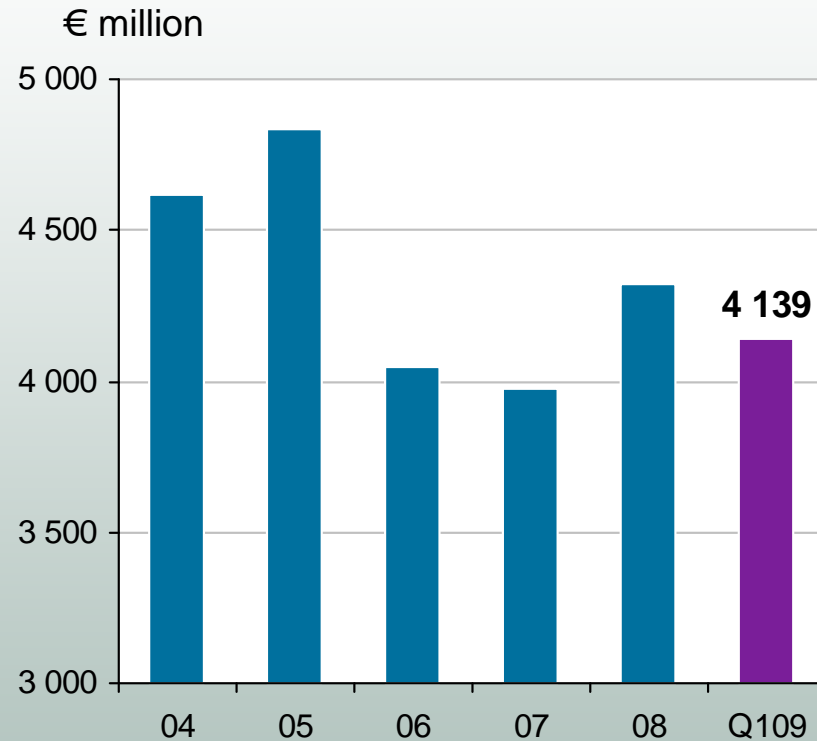
Gearing ratio and net interest-bearing liabilities



Gearing ratio



Net interest-bearing liabilities



Ratings: Moody's Ba1, latest change February 13, 2009
S&P BB+, latest change April 1, 2009

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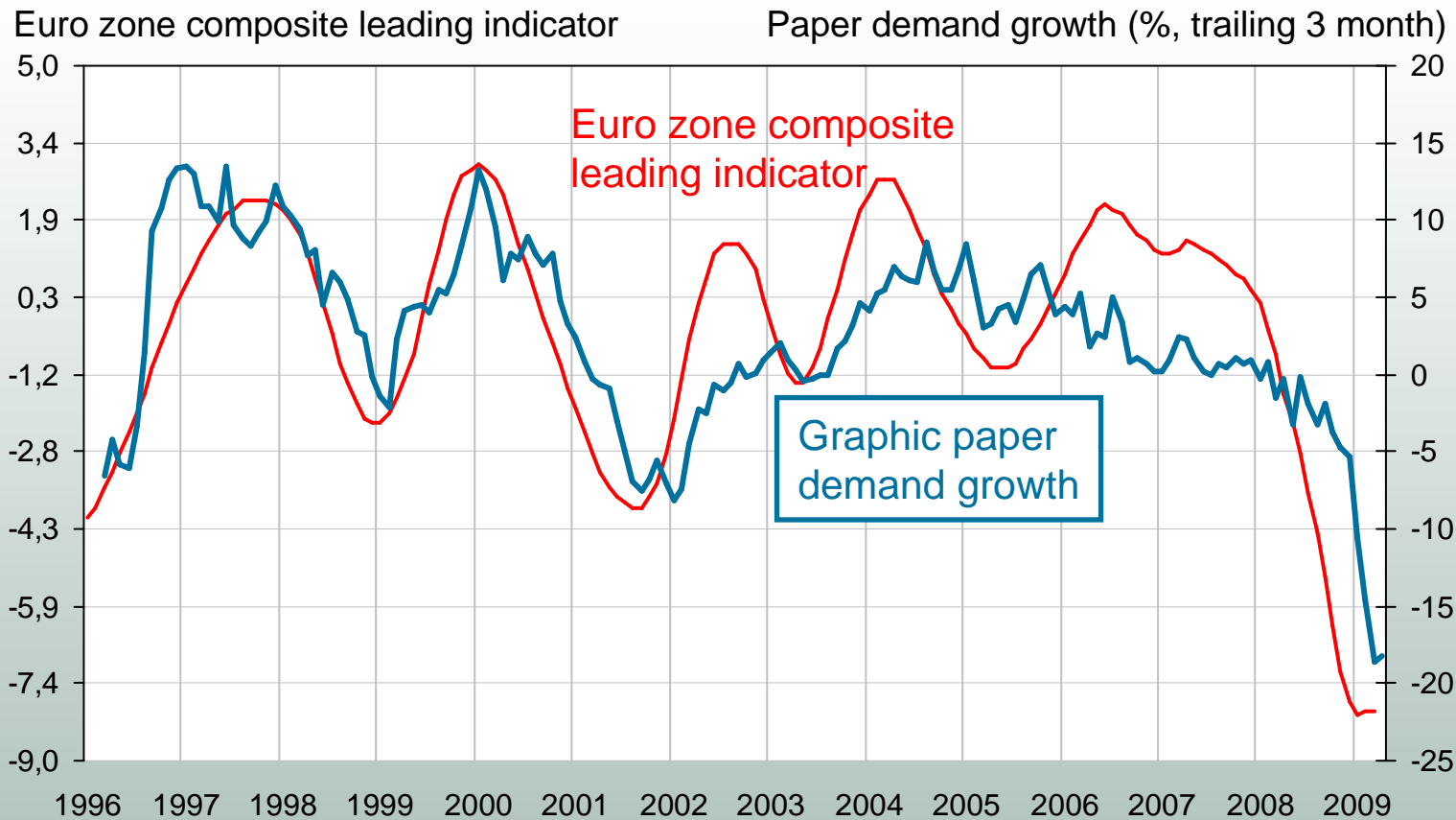


COPING WITH RECESSION



COPING RECESSION

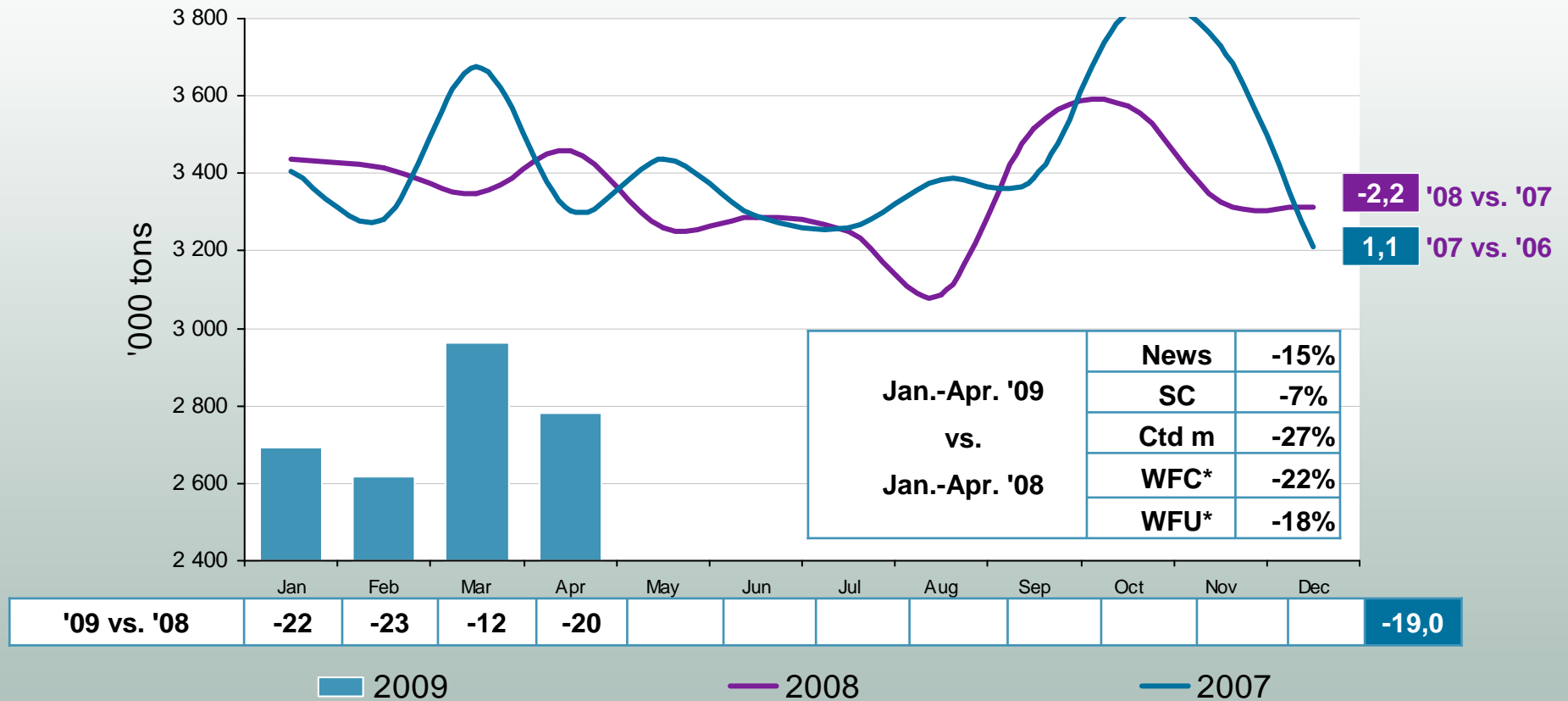
Weaker economic growth affects demand for European graphic paper demand



Sources: Cepiprint, Cepifine, OECD

COPING RECESSION

Graphic Papers Demand in Europe

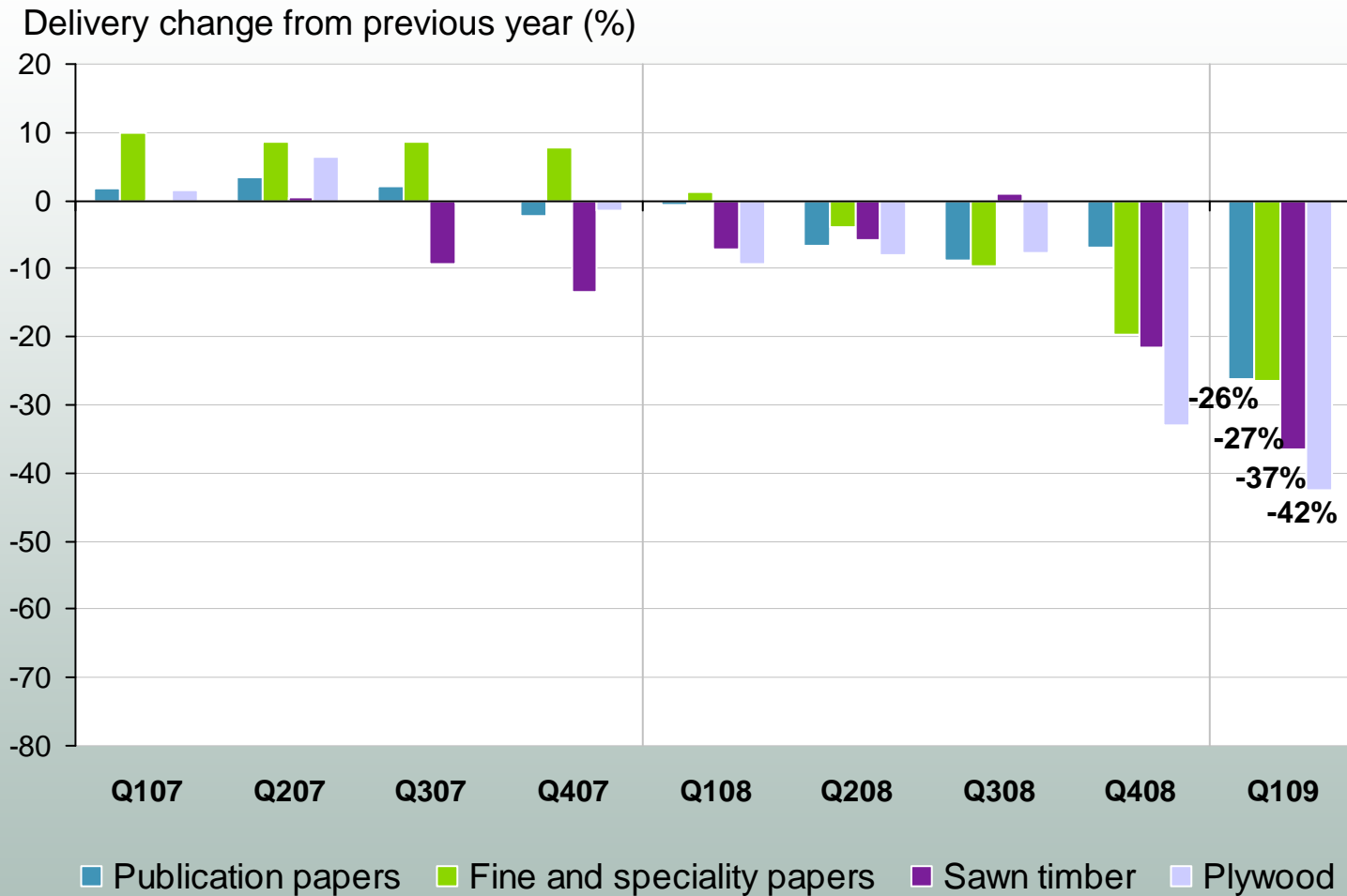


Source: Cepiprint/fine

*) Imports from E. Europe included from 2005-> excl. Russia and other imports

COPING RECESSION

UPM's production has been curtailed to respond to changes in demand

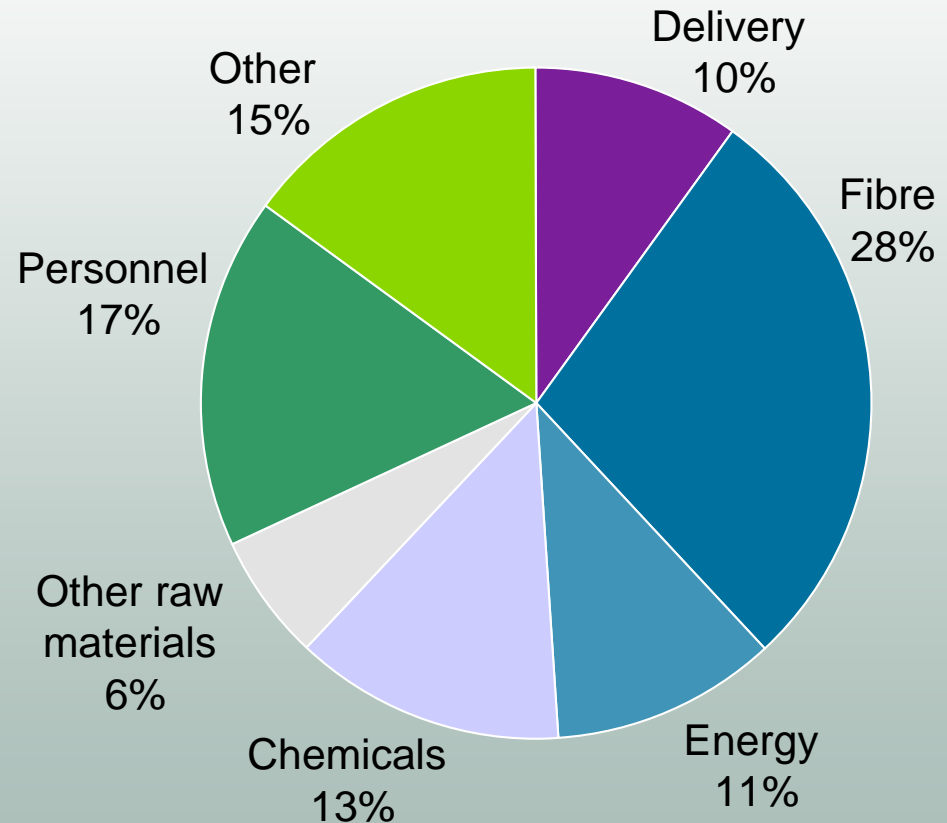


Cost deflation materialising with a delay



- Fixed costs
 - permanent savings
 - temporary lay-offs
- Fibre costs
 - wood
 - RCP
 - purchased pulp
- Energy costs
- Oil-based chemicals and logistics costs

**Cost breakdown
total €8.4bn in 2008**



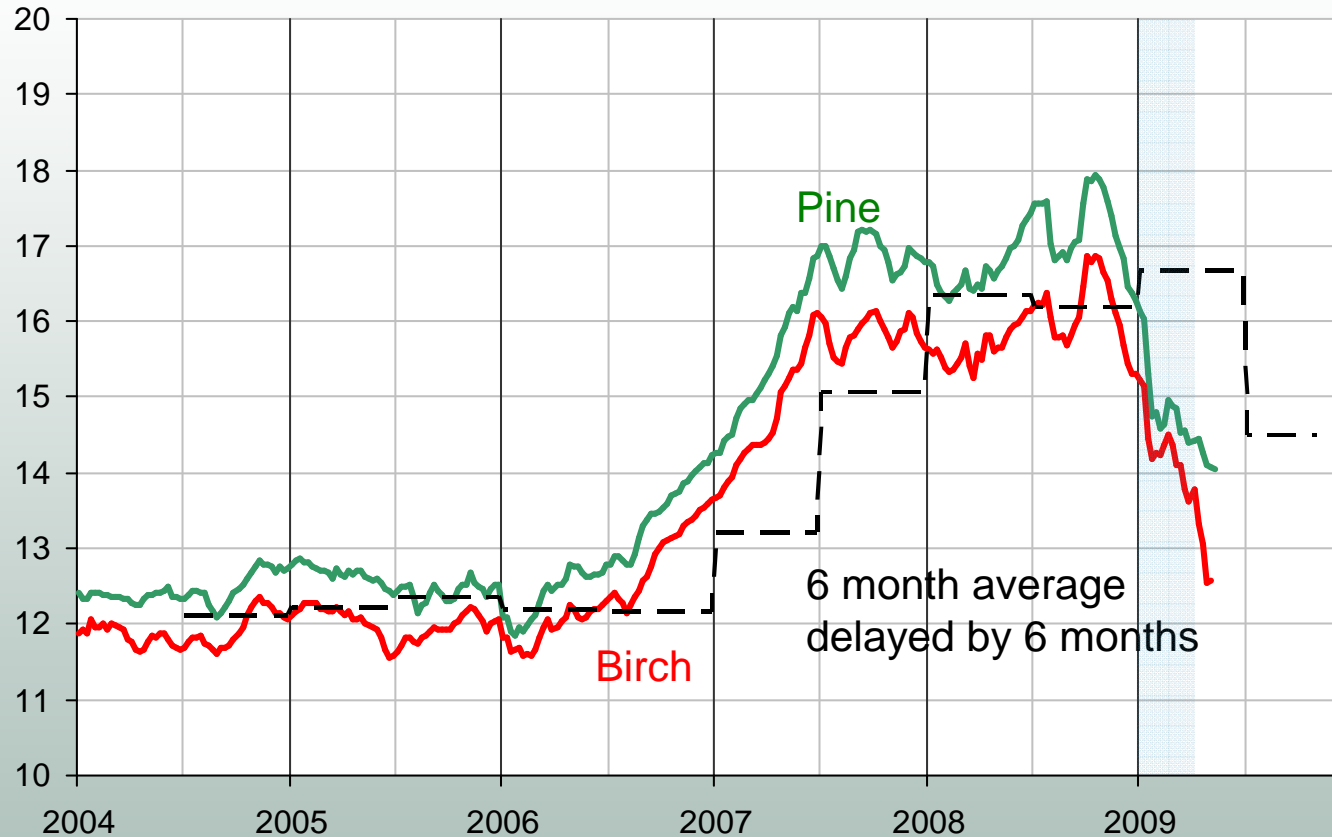
COPING RECESSION

Wood prices in Finland returning to 2005 levels – 2009 still burdened by high wood costs

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Fibre wood prices in Finland, € / m³



UPM's wood costs expected to decrease with a delay

Source: Metla

COPING RECESSION

Case Paper



- Sales declined by 22%
- Higher prices maintained
- Significant reduction in fixed costs through restructuring and flexible way of working
- Lower pulp costs compensated for the increase in energy costs

➔ EBITDA margin increased to 13.7% (11.8%)

Paper	Q1 2009	Q1 2008	2008
Sales, M€	1,367	1,773	7,011
Sales growth, %	-22%	-1%	-4%
EBITDA, M€	187	209	885
EBITDA, % of sales	13.7	11.8	12.6
Operating profit, M€ excl. special items	37	50	250
Paper deliveries, 1,000 t	2,028	2,753	10,641
Paper deliveries, % change	-26%	0%	-7%

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UPM



VISION AND STRATEGY

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.

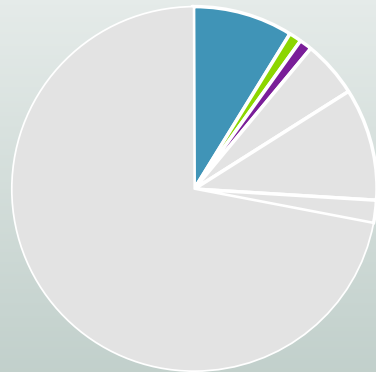


STRATEGY

Three Business Groups

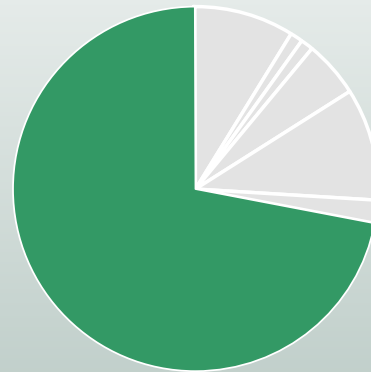


Energy and pulp 11 % of sales

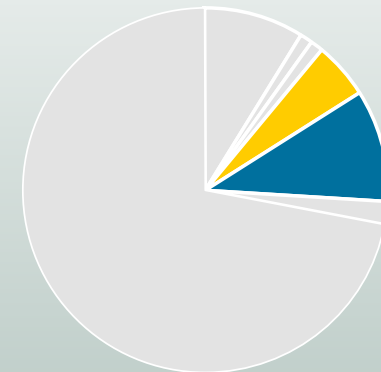


- Forest and timber 9%
- Energy 1%
- Pulp 1%

Paper 72 % of sales



Engineered materials 15 % of sales



- Plywood 5%
- Labels 10%

* % of external sales

Total Group sales 9.5 billion euros 2008

New business structure leverages the company's competitive advantages



- sets the basis for market driven operations in all three Business Groups
- develop energy related and pulp businesses
- strengthen the cost leadership by optimizing resources, production and investments as well as decreasing complexities in Paper
- increase the weight of fast growing higher value added businesses in Engineered Materials
- new segment reporting to increase transparency of the results and value creation in the company

Strategy actions – portfolio of choices and opportunities



Energy & Pulp

- Grow in biomass based energy incl. biofuels
- Leverage high self sufficiency in electricity after OL3 nuclear power plant
- Increase share of low cost pulp
- Sawmilling for wood and biomass sourcing

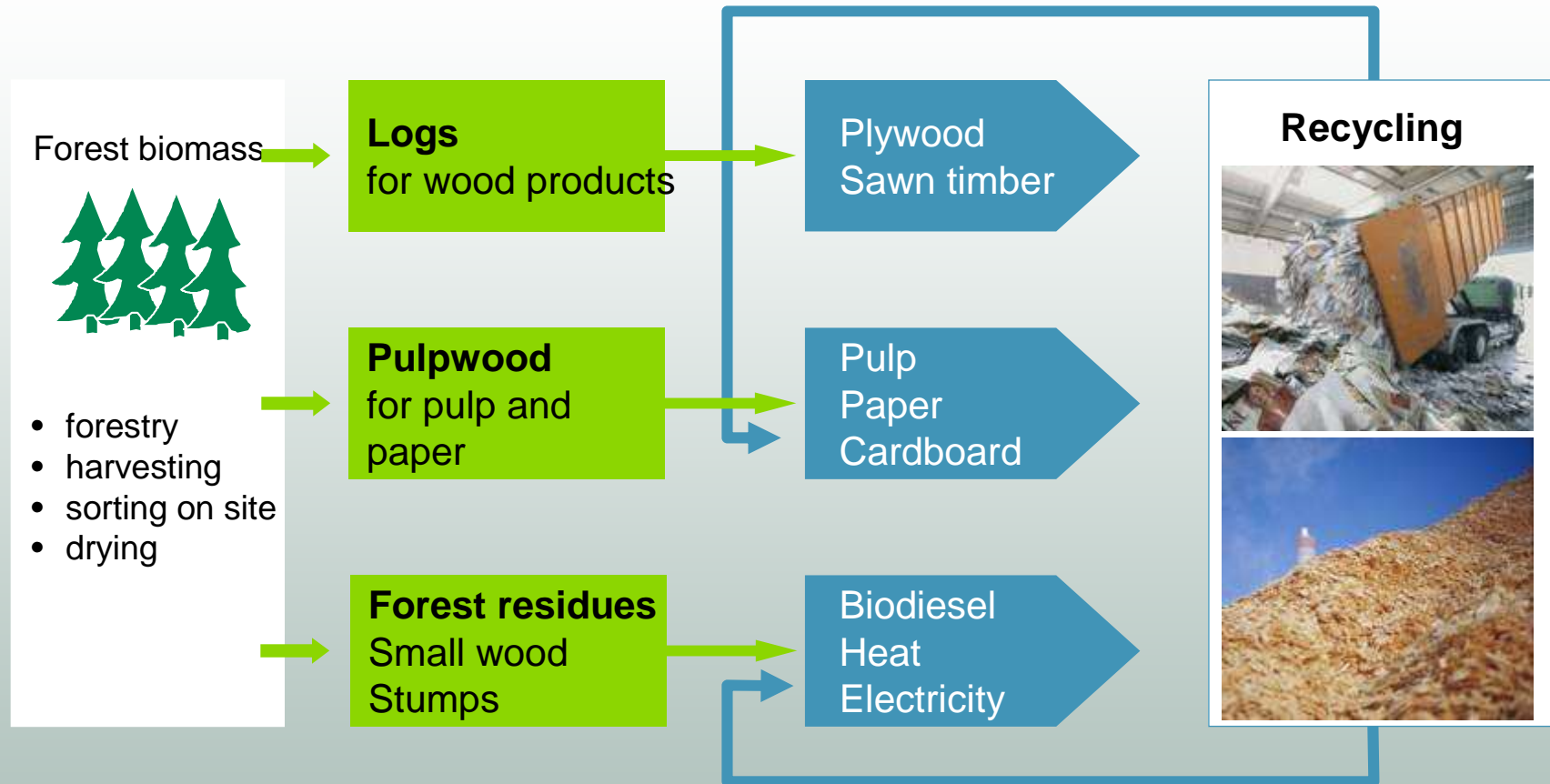
Paper

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

Engineered Materials

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

Biomass value chain offers strategic opportunities





UPM strategy - Key messages

Short to medium term
Secure profitability and cash flow through undisputed cost leadership.

Long term
**UPM will reshape its portfolio:
new markets, engineered materials and energy related businesses
broaden our scope. Fibre based businesses continue to form the
cornerstone of our strategy.**



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.

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FINANCIALS

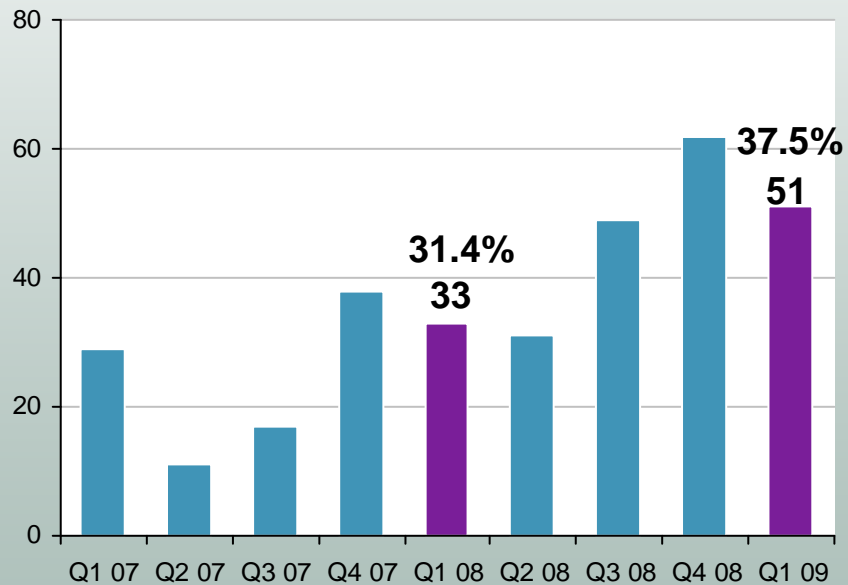
Energy



Operating profit improved

- Sales increased by 30%
- Average sales price for electricity increased by 40%

€, million Operating profit excluding special items



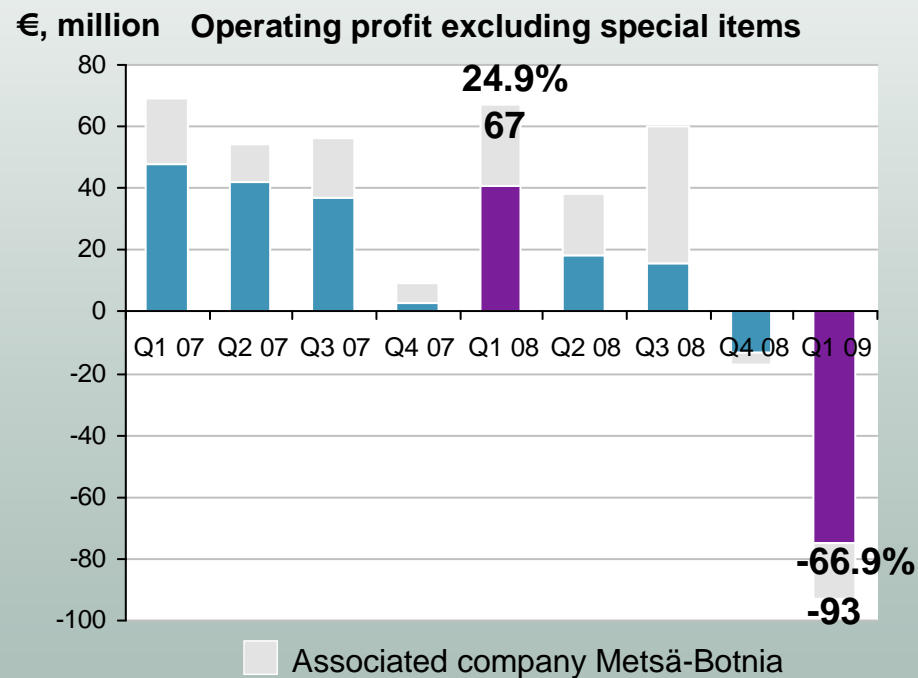
	Q1 2009	Q1 2008
Sales, M€	136	105
Operating profit M€ excl. special items	51	33
Average price, change %	40%	n.a.
Electricity sales, TWh	2.5	2.4

FINANCIALS

Pulp



- Operating profit declined due to lower pulp price and lower deliveries
- Wood cost remained high



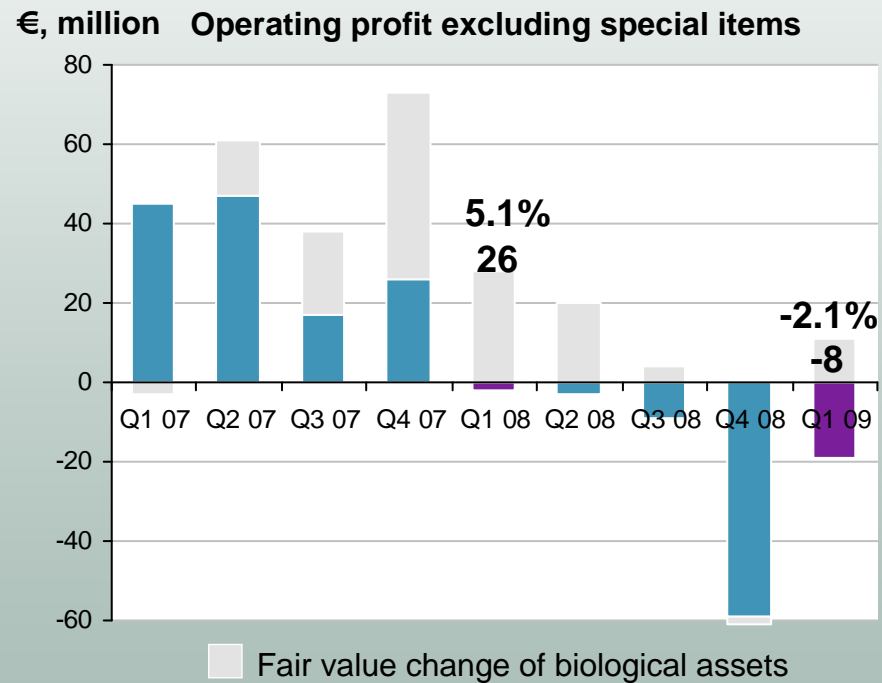
	Q1 2009	Q1 2008
Sales, M€	139	269
Operating profit M€ excl. special items	-93	67
Average price, change %	-23%	n.a.
Pulp deliveries, 1,000 t	372	554

FINANCIALS

Forest and timber



- Operating profit declined due 21% to lower average price and lower deliveries of sawn timber
- Wood cost remained at a high level



	Q1 2009	Q1 2008
Sales, M€	385	508
Operating profit M€ excl. special items	-8	26
Fair value change of biological assets	11	28
Average price of sawn timber, change %	-21%	n.a.
Sawn timber deliveries, 1,000 m³	363	573

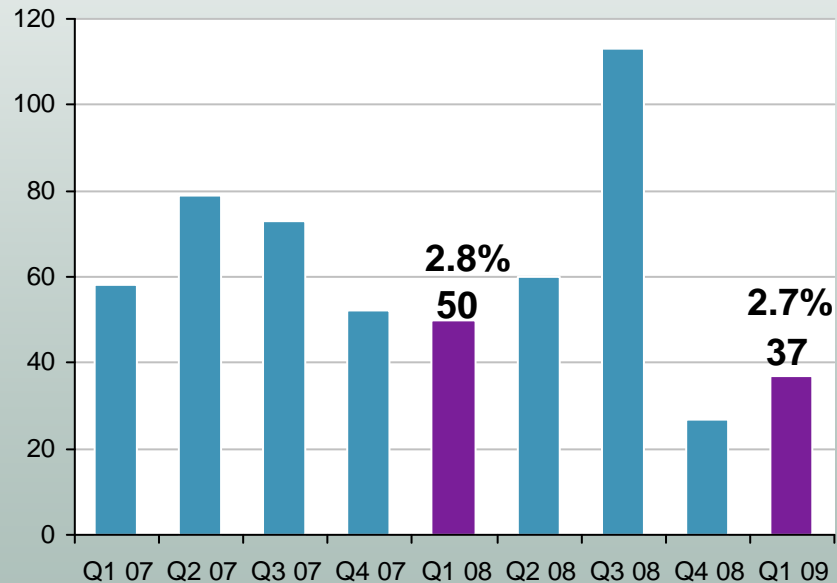
FINANCIALS

Paper



- Operating profit was impacted by lower deliveries (-26%)
- Higher prices maintained
- Significant reduction in fixed costs through restructuring and flexible way of working
- Lower pulp costs compensated for the increase in energy costs
- EBITDA margin increased to 13.7% (11.8%)

€, million Operating profit excluding special items



	Q1 2009	Q1 2008
Sales, M€	1,367	1,773
Operating profit M€ excl. special items	37	50
Average price, change %	4%	n.a.
Paper deliveries, 1,000 t	2,028	2,753

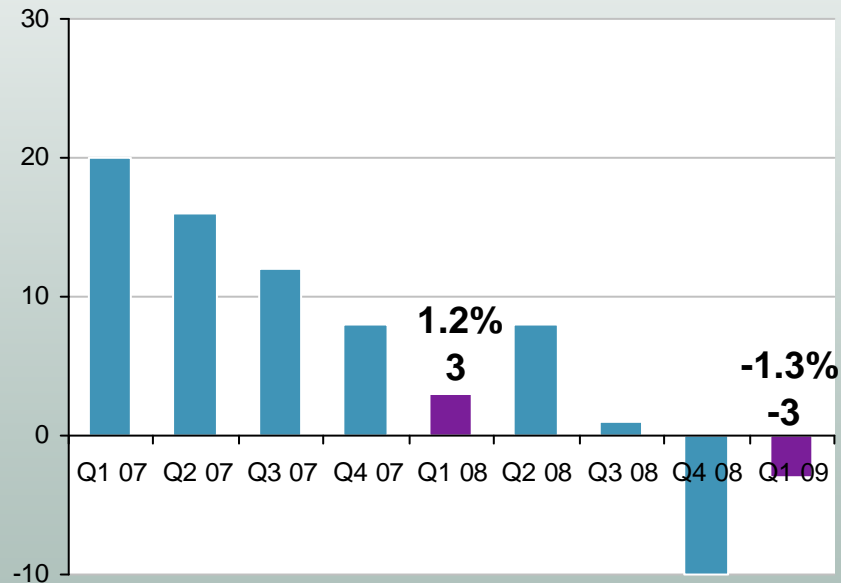
FINANCIALS

Label



- Operating profit declined due to lower deliveries
- Average sales price increased by about 9%
- Fixed costs were lower

€ million Operating profit excluding special items



	Q1 2009	Q1 2008
Sales, M€	223	242
Operating profit M€ excl. special items	-3	3

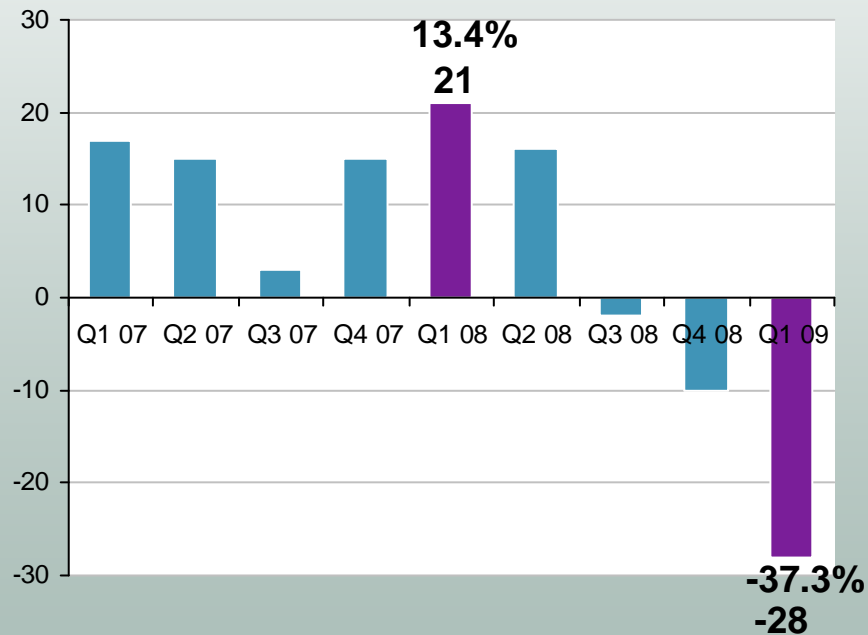
FINANCIALS

Plywood



- Operating profit declined due to significantly lower delivery volumes and lower prices
- Wood costs remained at a high level
- Extensive production downtime was taken at all mills

€, million Operating profit excluding special items



	Q1 2009	Q1 2008
Sales, M€	75	157
Operating profit M€ excl. special items	-28	21
Plywood deliveries, 1,000 m³	133	231

FINANCIALS

Key figures



	Q1/2009	Q1/2008	2008
Sales, €m	1,857	2,410	9,461
EBITDA, €m	128	337	1,206
% of sales	6.9	14.0	12.7
Operating profit (loss), €m	-95	193	24
<i>Special items included in operating profit, net</i>	-17	5	-489
Operating profit (loss) excl. special items, €m	-78	188	513
EPS excluding special items, €	-0.27	0.19	0.42
Net cash generated from operating activities, €m	274	50	628
Personnel at end of period	24,039	25,841	24,983