

The Biofore Company



UPM Q3 RESULTS 2009

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President and CEO

29 October, 2009



Q3 2009 in brief

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- Demand has bottomed out in most of our businesses
 - in Paper, good result in extremely tough circumstances
 - in Label, profitability and volume recovery
 - in Plywood, profitable operation not achievable with current cost structure

- UPM successfully adjusted production and improved production efficiency: year to date savings in fixed costs € 240m

- EBITDA € 334m, margin 17.5%. - Operating profit excluding special items improved to € 131m

- Strong cash flow due to continued actions to preserve cash
 - € 721m reduction in net debt from last year

- Demand and pricing outlook remains weak – UPM will continue to curtail production

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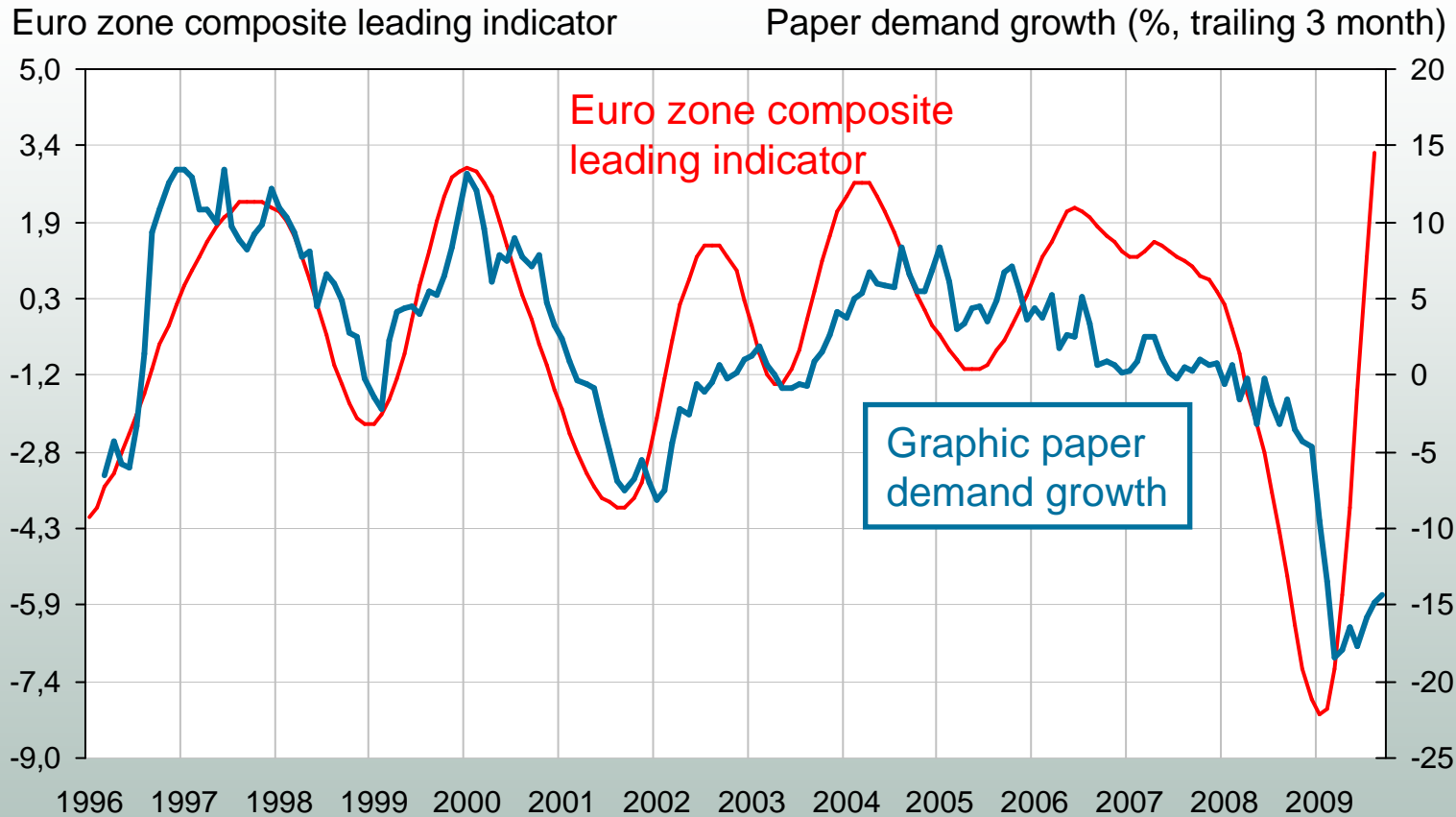
EARNINGS DRIVERS



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Economic indicators have improved, but recession continues to affect demand for UPM's products

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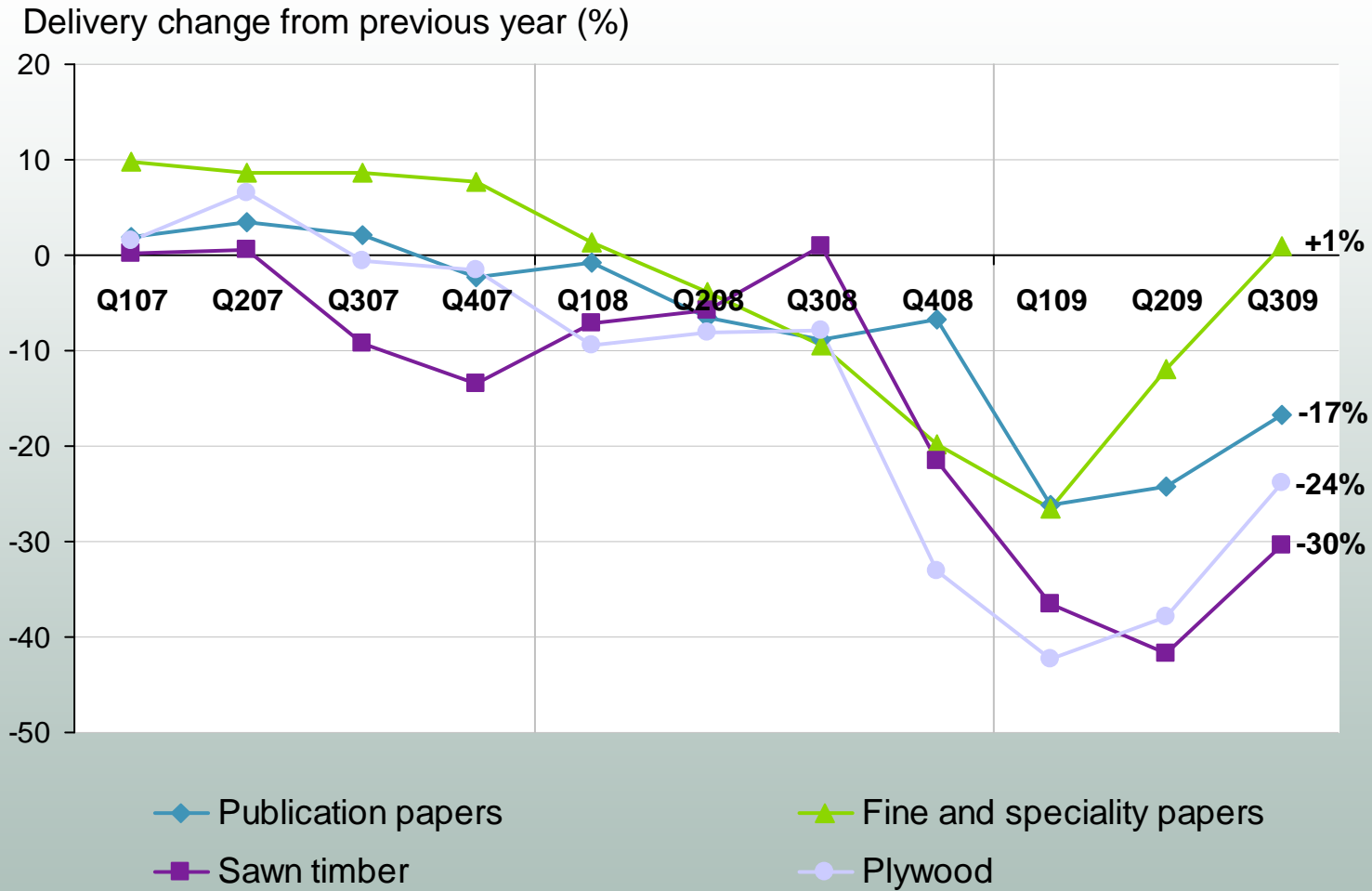


Sources: Cepiprint, Cepifine, OECD

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Deliveries bottomed out – UPM's production curtailments continue

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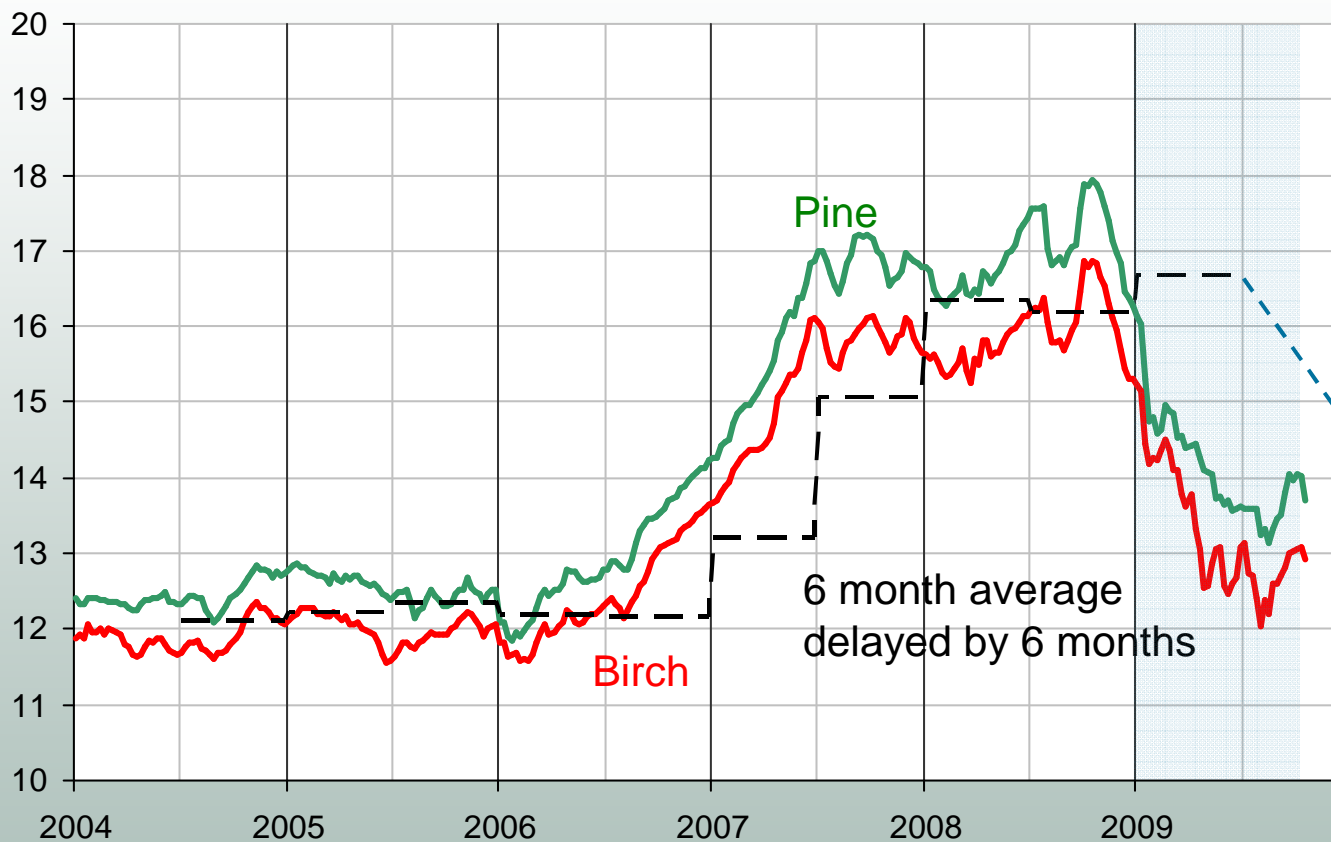
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Wood prices returning towards 2005-06 price levels

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Fibre wood prices in Finland, € / m³



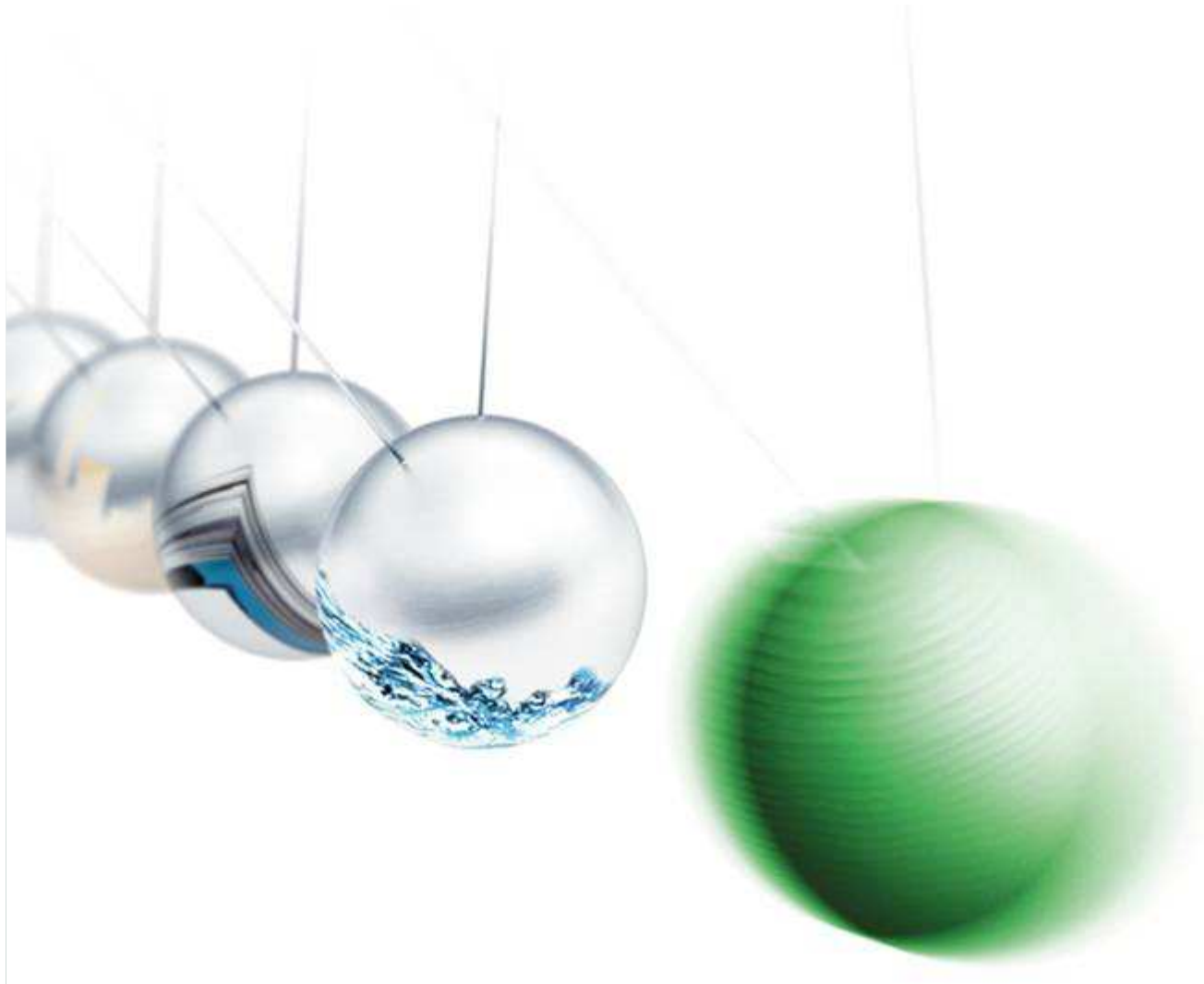
UPM's wood costs expected to decrease further

Source: Metla

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Key figures

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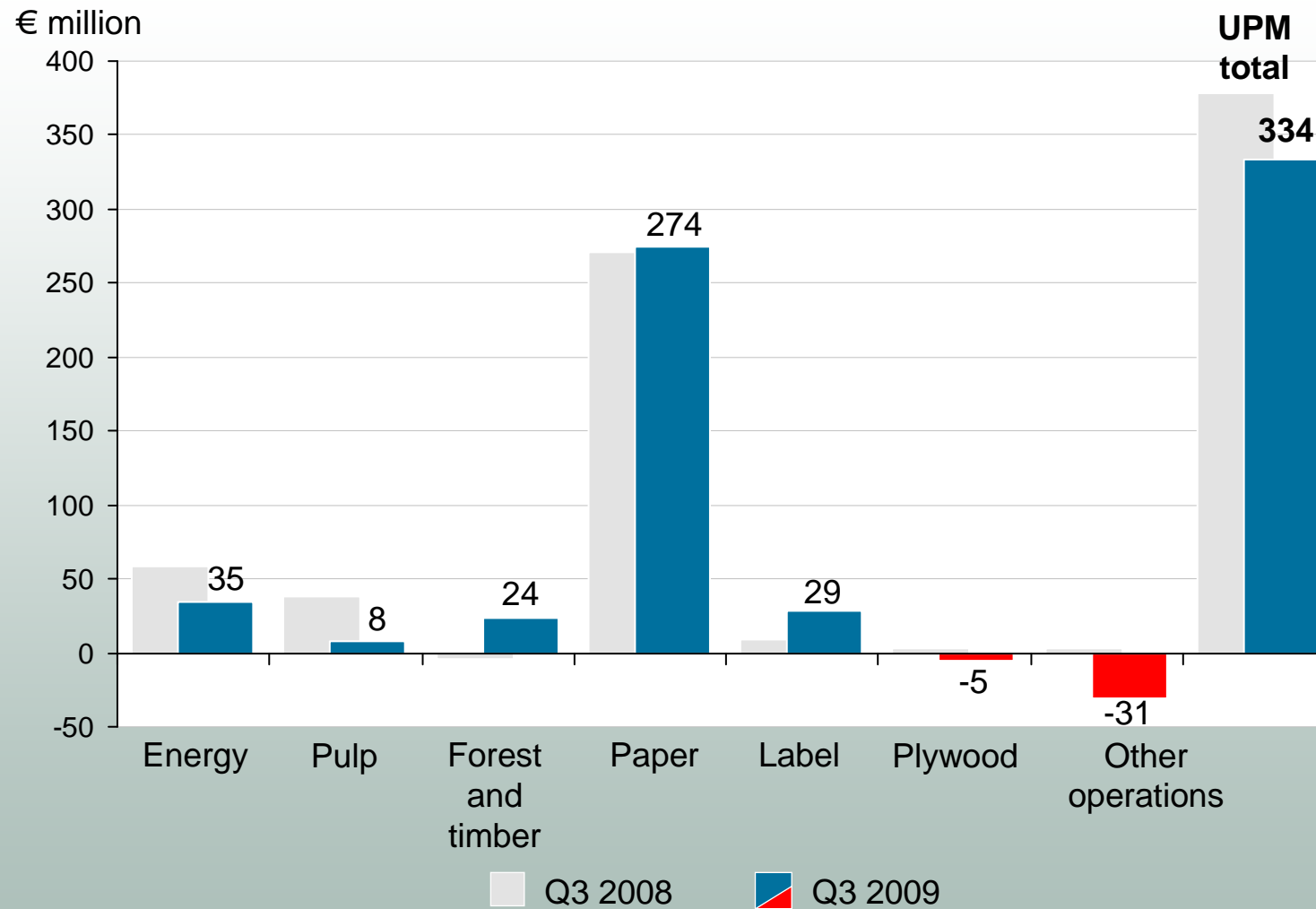


	Q3/2009	Q3/2008	Q1-Q3 /2009	Q1-Q3 /2008
Sales, €m	1,913	2,358	5,611	7,146
EBITDA, €m	334	378	700	1,028
% of sales	17.5	16.0	12.5	14.4
Operating profit (loss), €m	96	-40	9	310
<i>Special items included in operating profit, net</i>	-35	-256	-75	-249
Operating profit (loss) excl. special items, €m	131	216	84	559
EPS excluding special items, €	0.14	0.25	-0.10	0.61
Net cash generated from operating activities, €m	309	175	889	271
Personnel at end of period	23,180	25,616	23,180	25,616

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EBITDA by business area Q3 2009 vs. Q3 2008

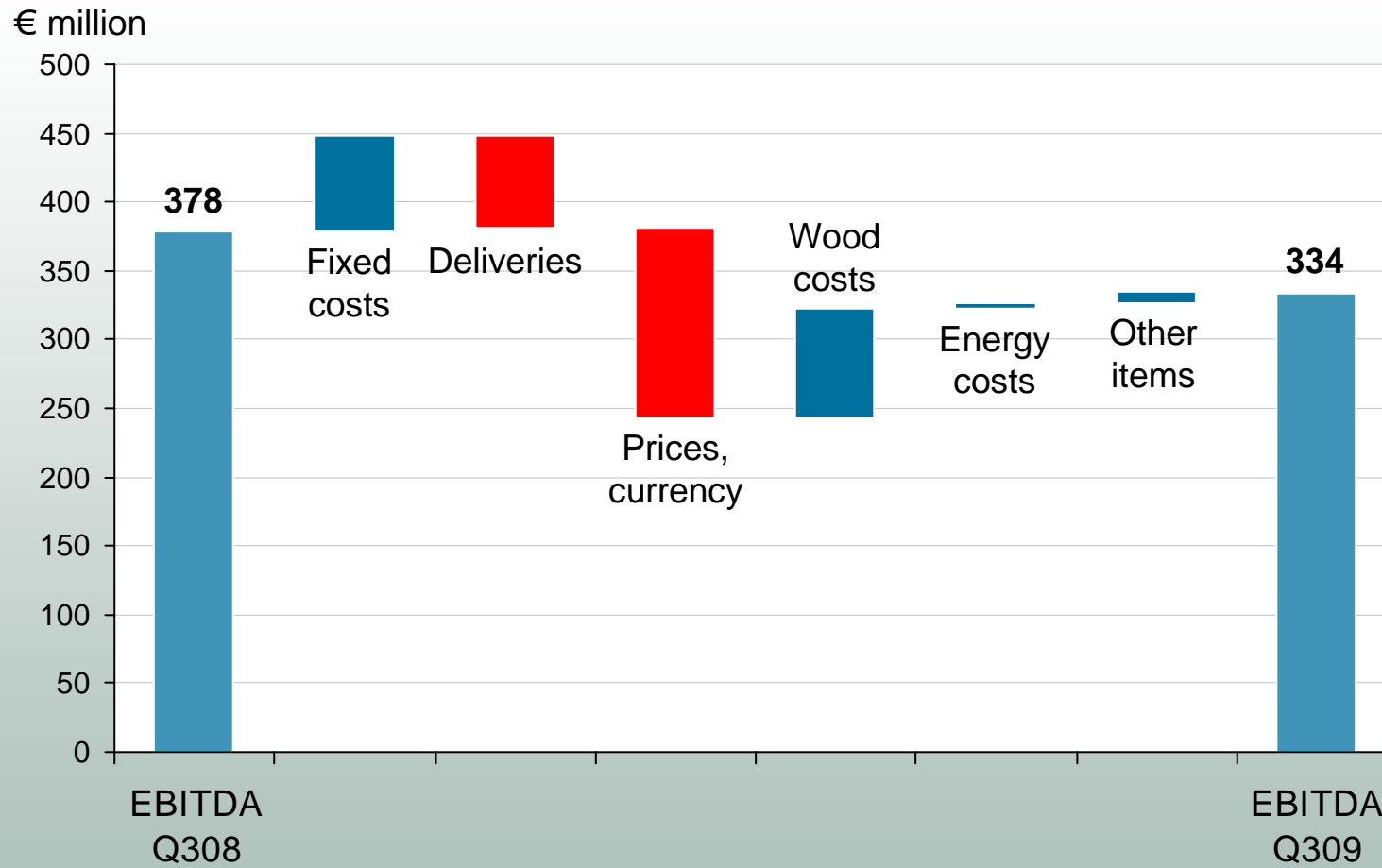
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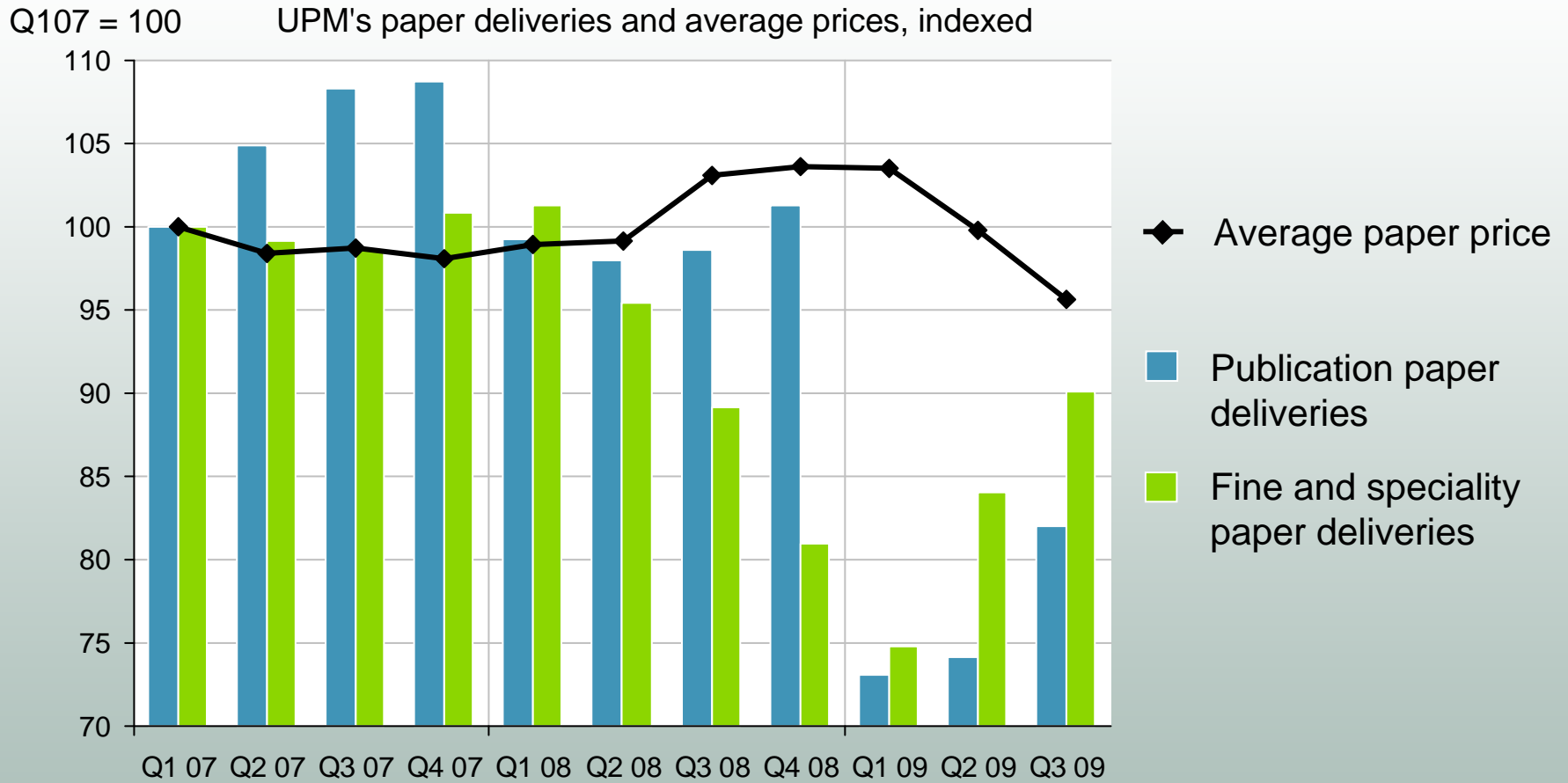
EBITDA development in Q3 2009 vs. Q3 2008

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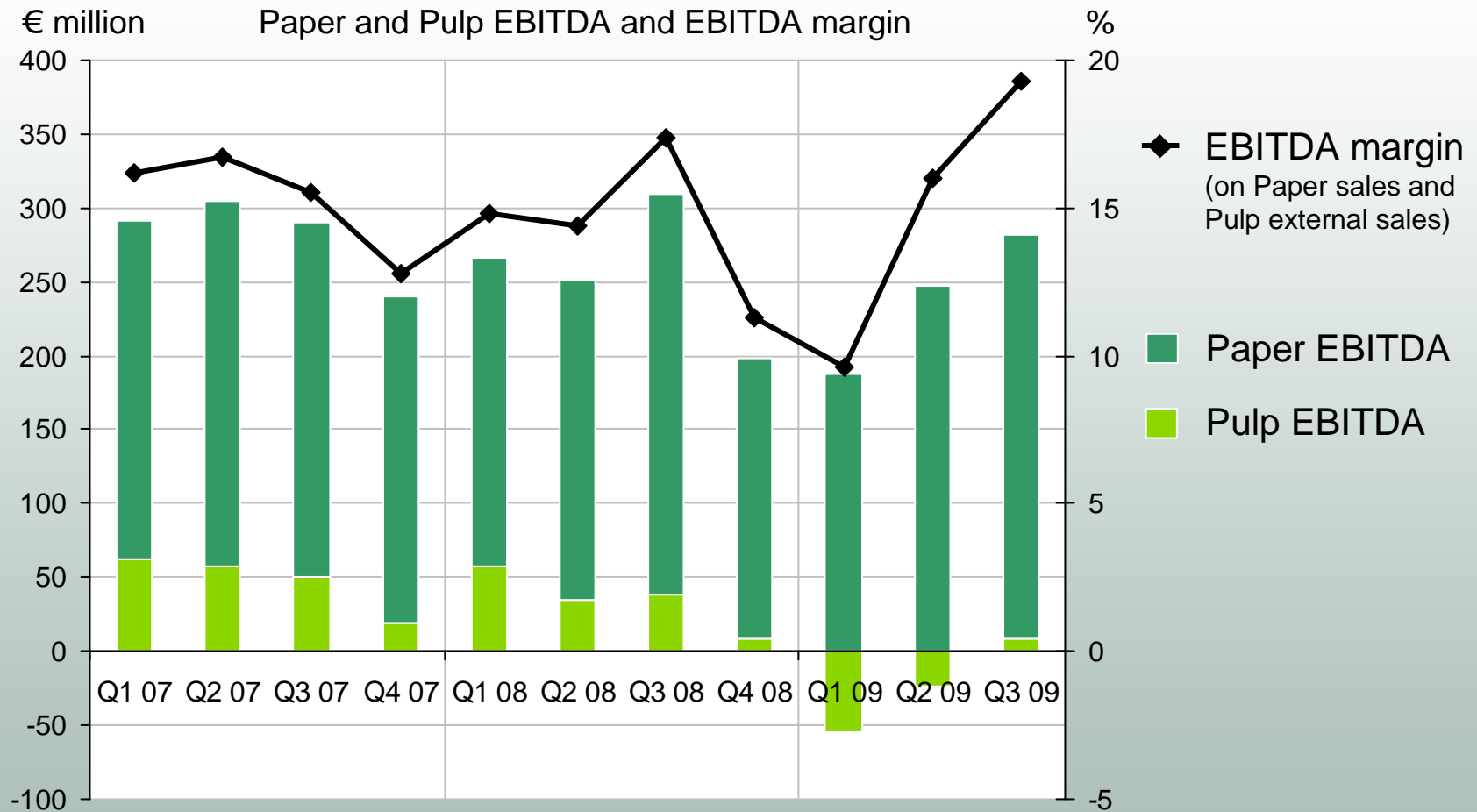
Paper deliveries and prices are low...



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

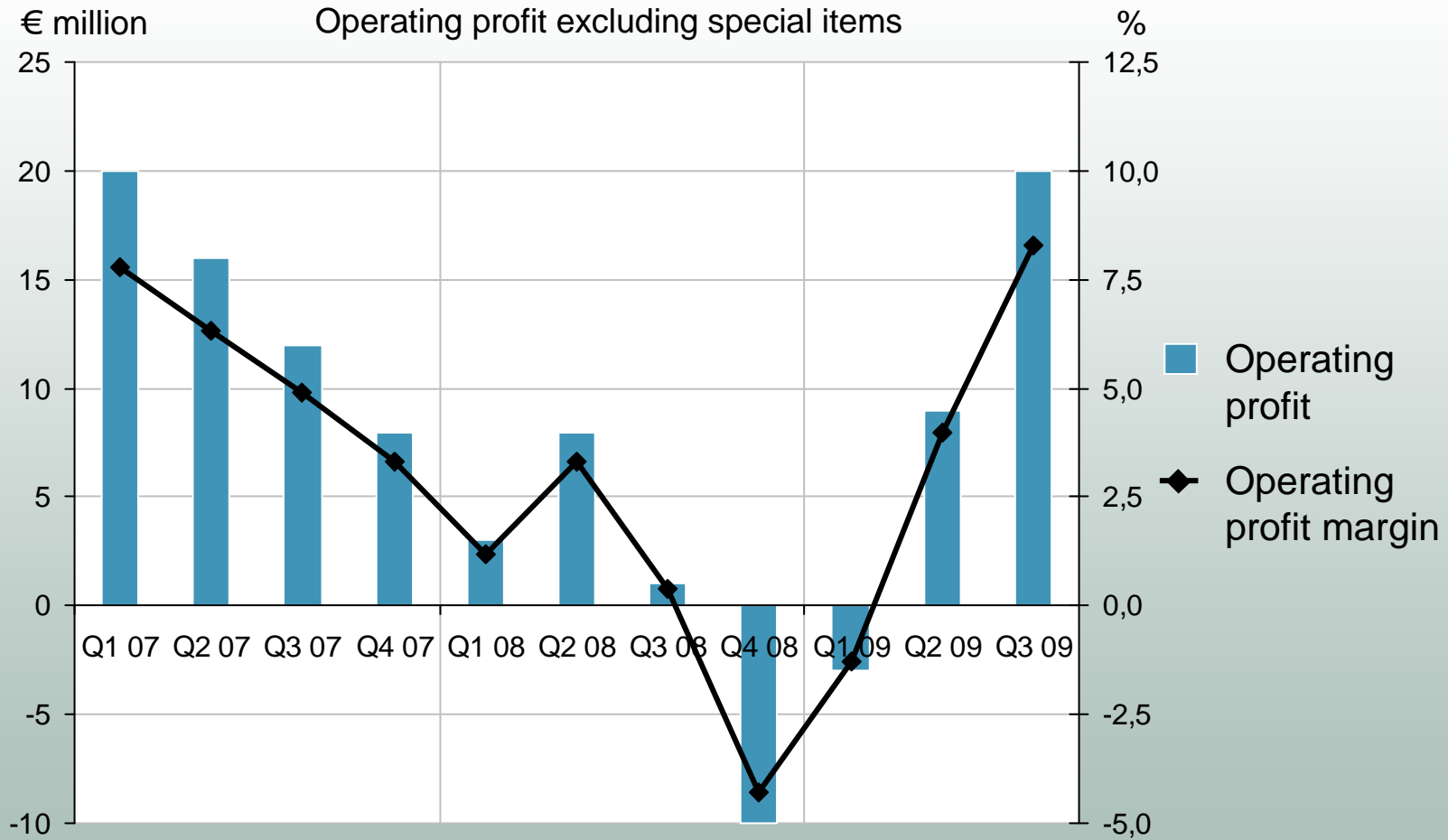
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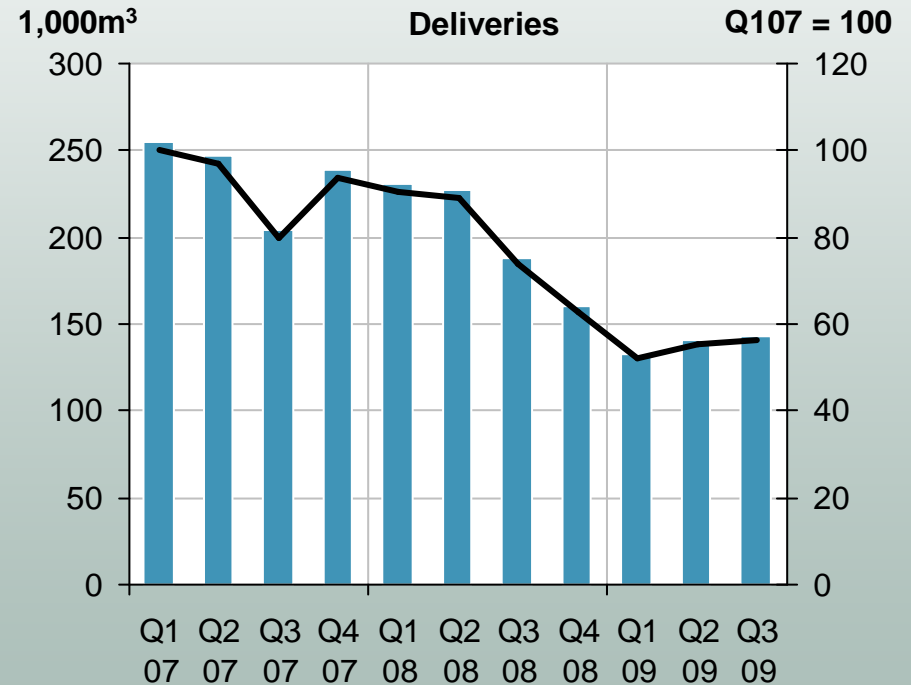
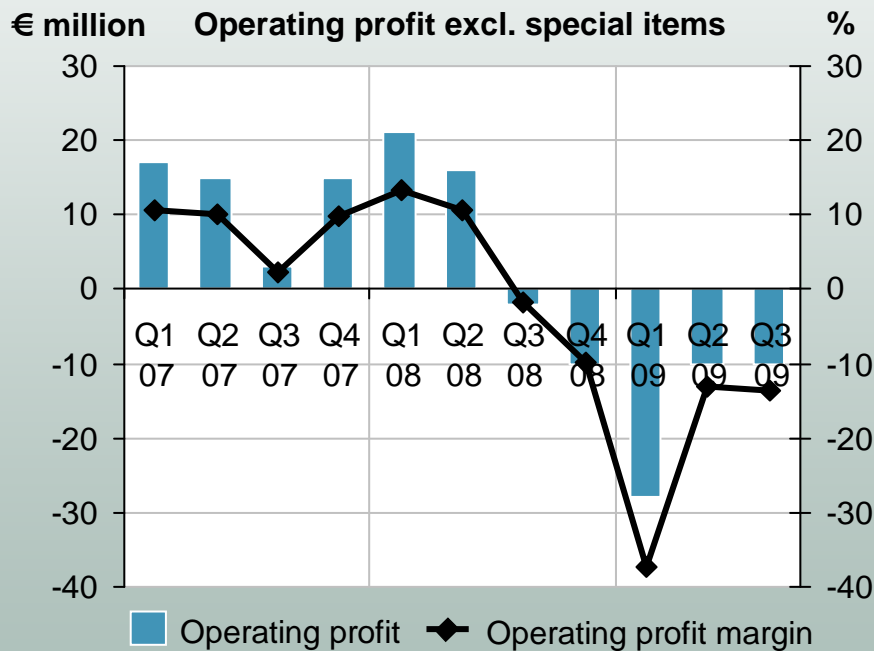
Label has shown a turn-around – restructuring in Europe and the new factory in Poland

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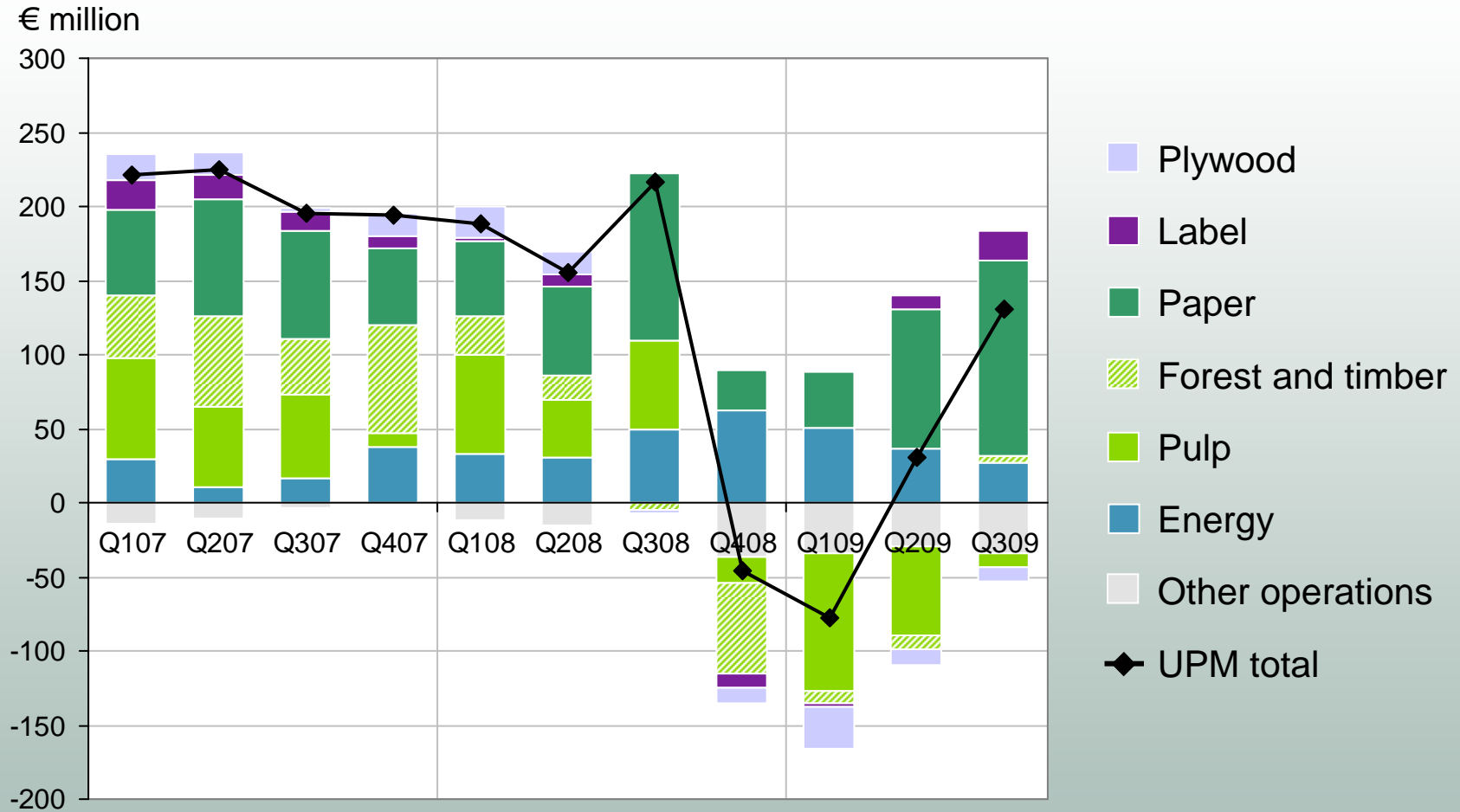
Plywood continues to struggle

- Plywood is a product with a future - demand will return when the economy recovers
- Our priority is to improve competitiveness of the plywood business
- Fixed costs have been cut substantially but with current capacity utilization rate and high raw material costs, a profitable operation was not achievable



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Operating profit by business area excluding special items



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Cash flow

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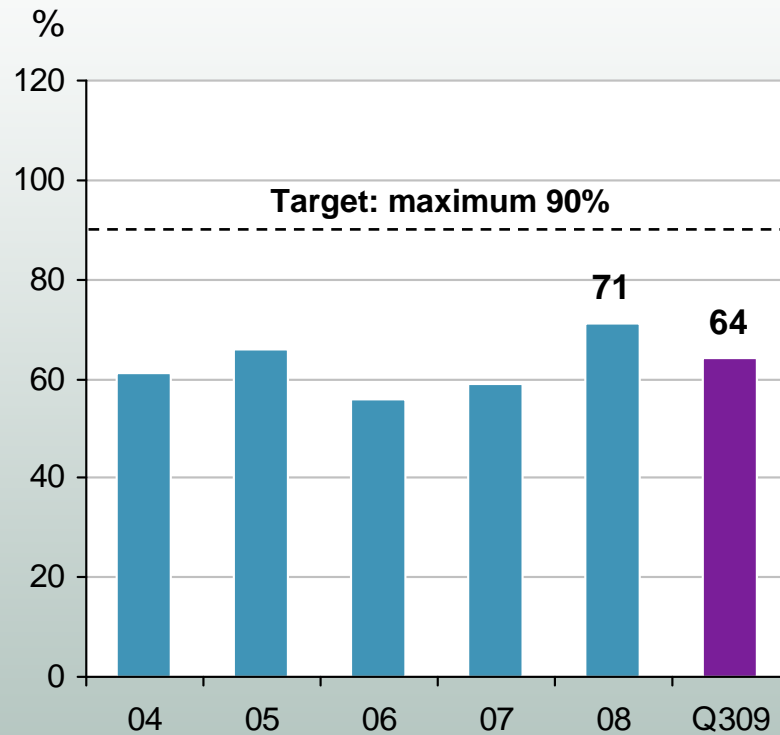


€, million	Q3/09	Q3/08	Q1-Q3/09	Q1-Q3/08	2008
EBITDA	334	378	700	1,028	1,206
Cash flow before change in working capital	282	348	609	892	1,052
Change in working capital	82	-84	437	-329	-132
Finance costs and income taxes	-55	-89	-157	-292	-292
Net cash from operating activities	309	175	889	271	628
Capital expenditure	-48	-143	-191	-453	-558
Cash flow after capex	261	32	698	-182	70
Asset sales and acquisitions	16	23	36	34	26
Cash flow after investing activities	277	55	734	-148	96

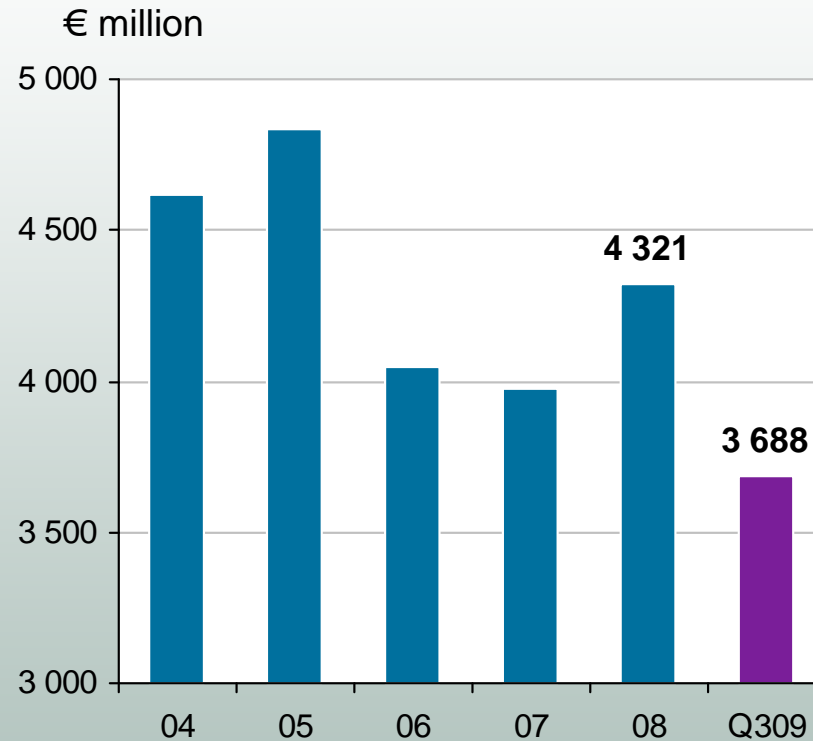


Gearing ratio and net interest-bearing liabilities

Gearing ratio



Net interest-bearing liabilities



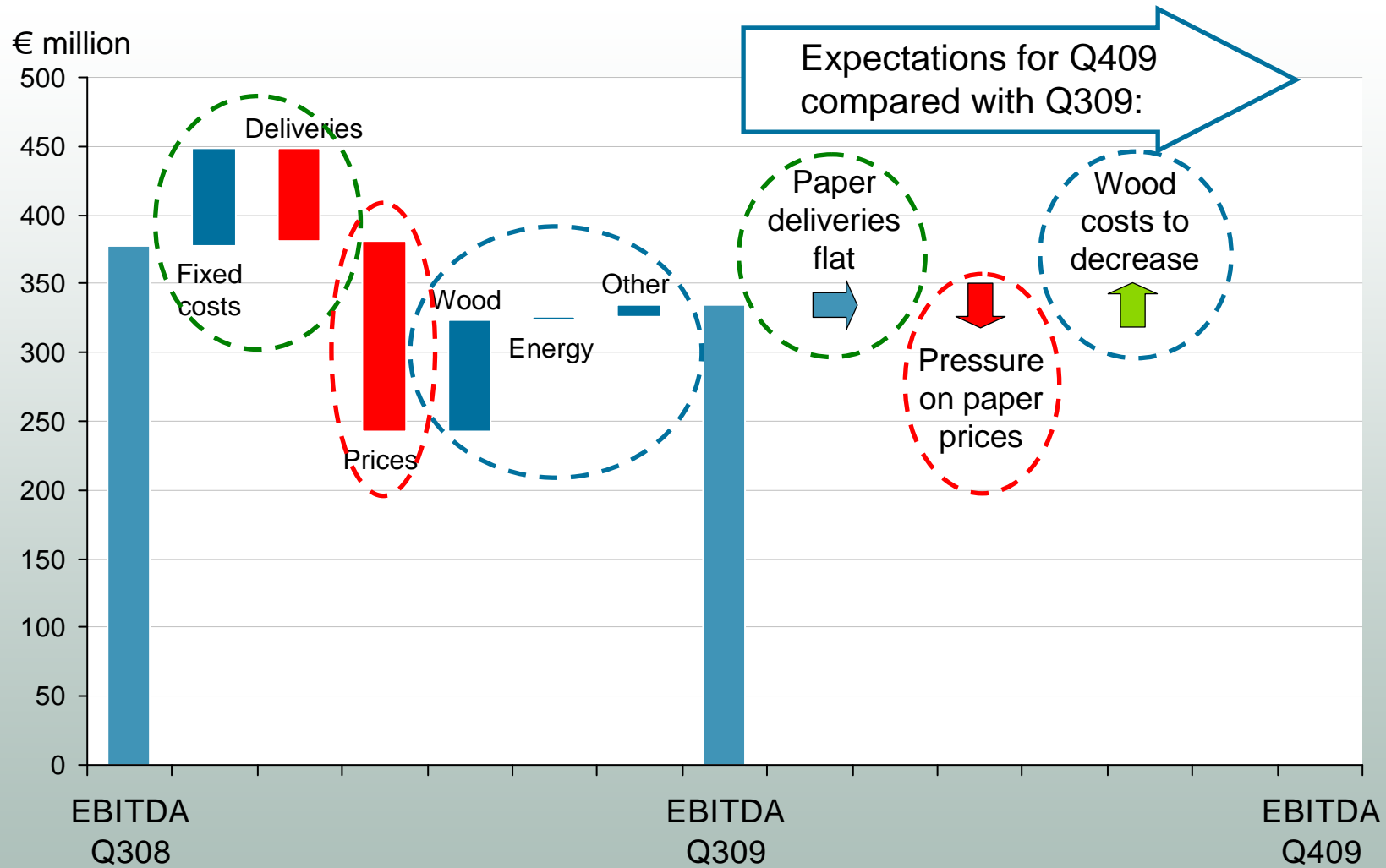
Ratings: Moody's Ba1, latest change February 13, 2009
 S&P BB+, latest change April 1, 2009

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Outlook for the fourth quarter of 2009 (*)



UPM (* See complete wording of the "Outlook" in the Interim Report Q3 2009

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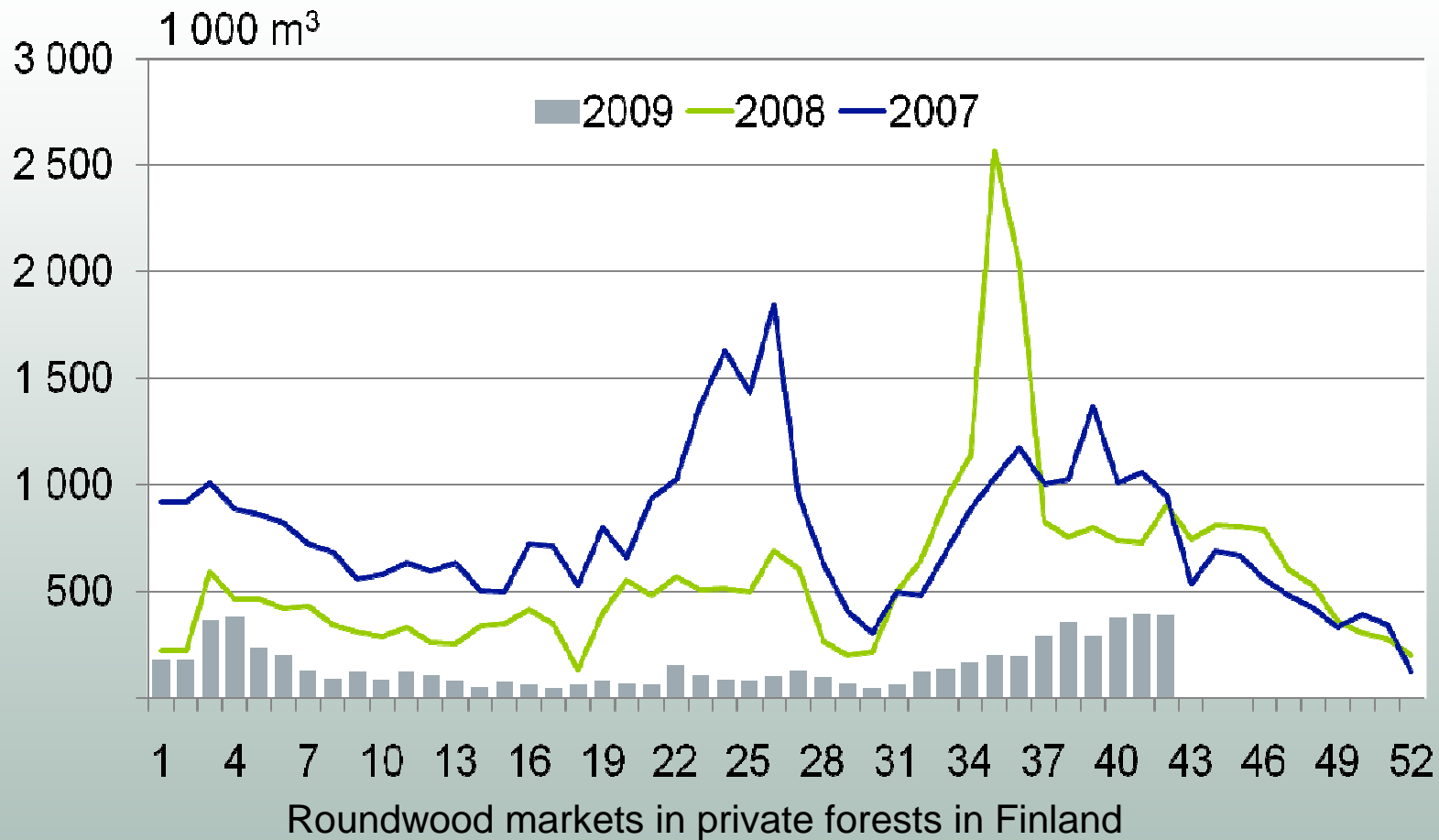
CURRENT THEMES



WOOD MARKETS IN FINLAND

In Finland, roundwood purchases continue at a low level – availability and price becoming a critical issue

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FFIF members, 85% of all wood purchases in Finland

Source: FFIF

RESTRUCTURING BOTNIA'S OWNERSHIP

UPM Pulp after the Botnia transaction: increased share of plantation-based pulp

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+500 kton

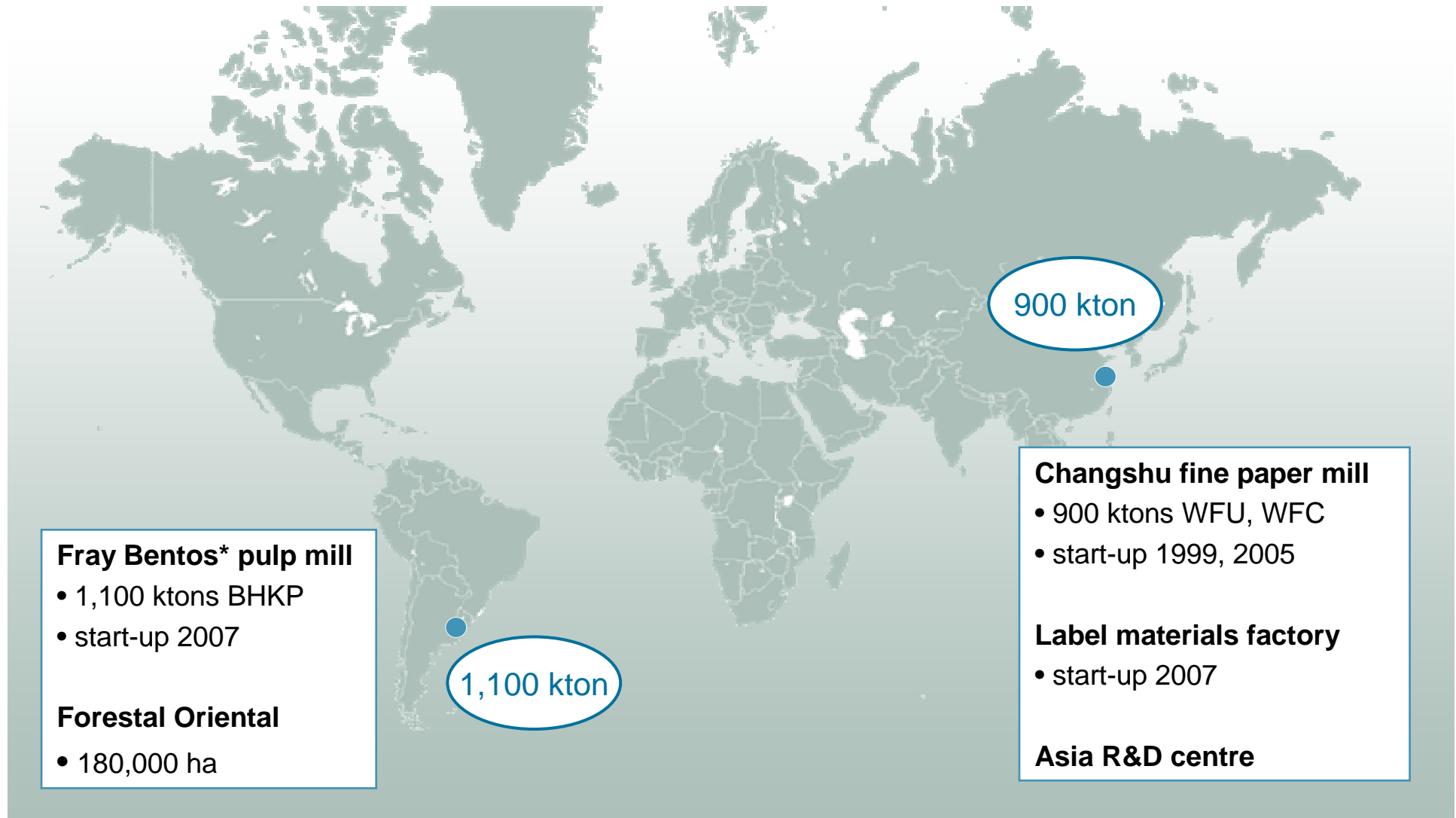
Fray Bentos pulp mill
Forestral Oriental plantations

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	

STRATEGIC GROWTH MARKETS

Modern, competitive mill operations in strategic growth markets*

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Summary

- Cost savings and improved efficiency – highest EBITDA margin since 2006 despite difficult circumstances
- Cash preservation has strengthened our financial position – net debt decreased by € 721 million
- We continue actions to improve competitiveness of all our businesses – Finnish cost structure is a challenge
- Our modern mill operations in growth markets are important base for the future growth

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.



Implementing the vision

- UPM will redefine itself in the minds of our customers and other stakeholders as a **bio and forest industry company**.
 - Redefinition is based on the company's vision and business strategies launched in 2008
 - In doing so UPM creates a new Biofore category where the company has **the leading position**.
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- Both UPM's current operations and future orientation and support the new positioning and differentiation

Combines the heritage and the future



Bio and Forest Industry

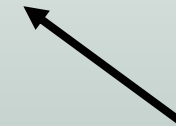
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Bio =
sustainable solutions
and good
environmental
performance



Fore = forest + forward
+ leading
(at the forefront)



Modern and dynamic
(like other "abbreviation
industries")



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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.