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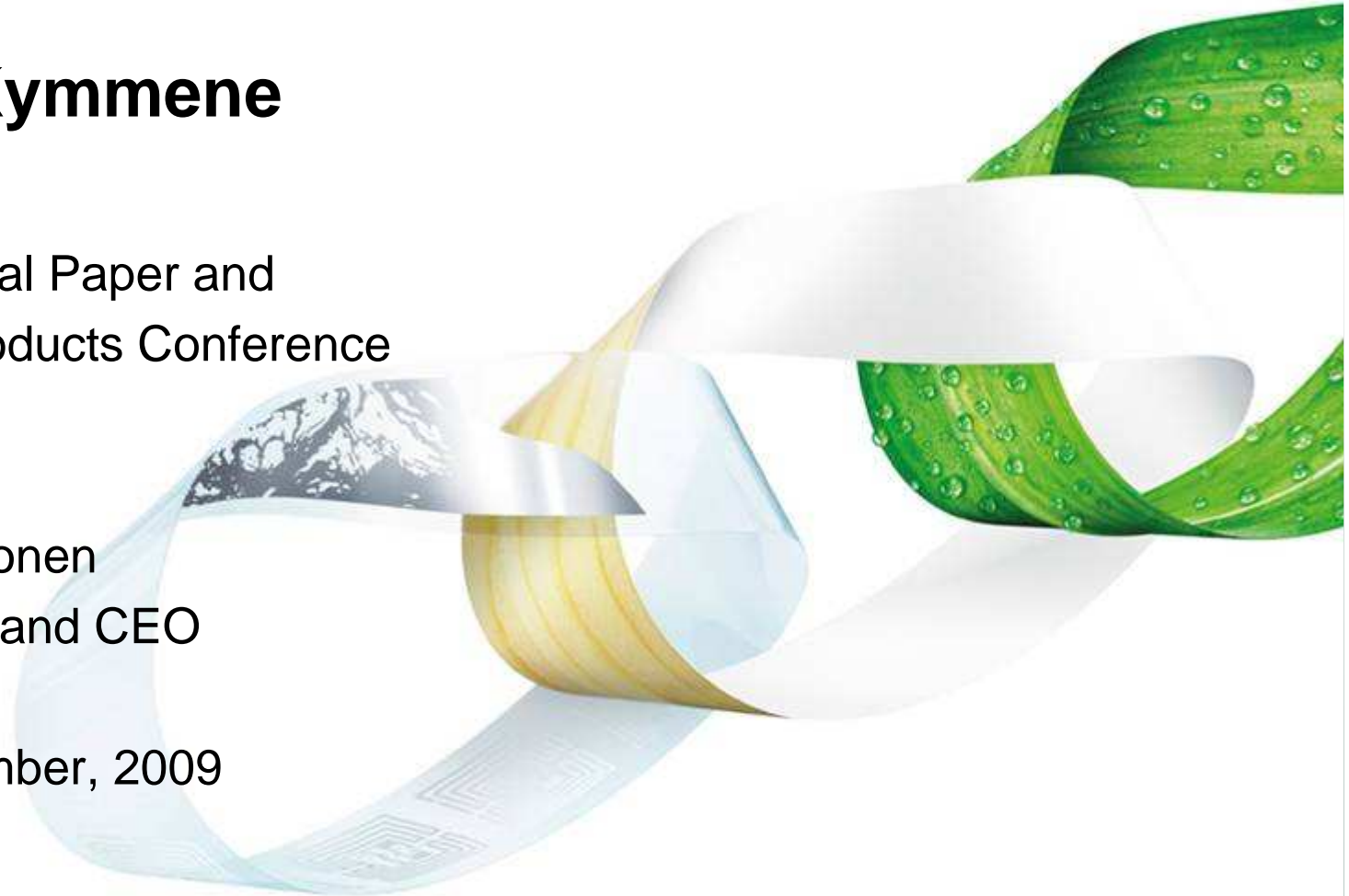


UPM-Kymmene

UBS Global Paper and
Forest Products Conference

Jussi Pesonen
President and CEO

16 September, 2009



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 IN BRIEF

UPM's three business groups



Energy and pulp

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

Engineered materials

- Label
- Plywood
- RFID tags and inlays
- Wood plastic composites

CAPACITIES

- Label 11 factories
- Plywood 1.1 million m³/a

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FINANCIALS

Q2 2009



FINANCIALS

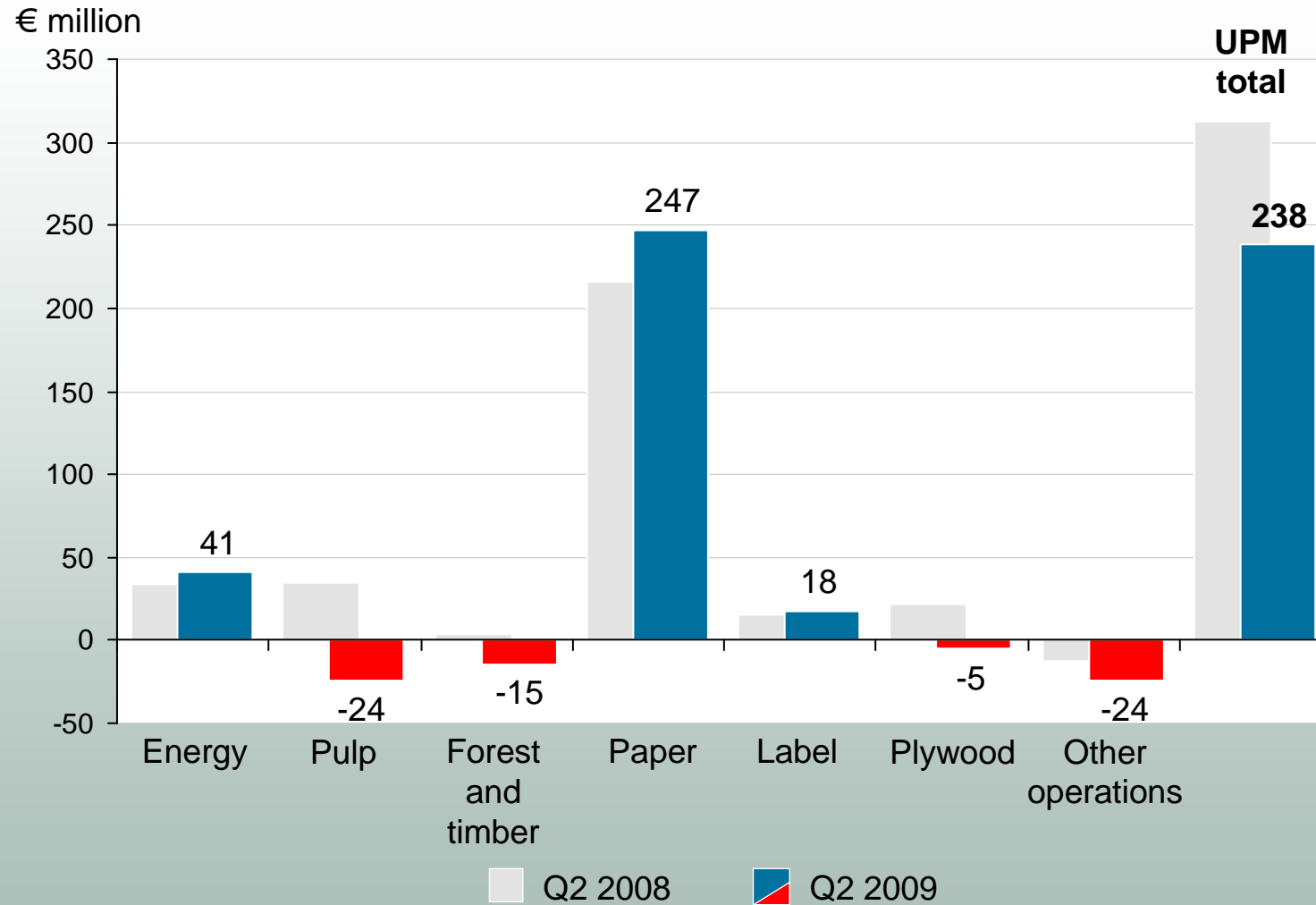
Key figures



	Q2 2009	Q2 2008	H1 2009	H1 2008	2008
Sales, €m	1,841	2,378	3,698	4,788	9,461
EBITDA, €m	238	313	366	650	1,206
% of sales	12.9	13.2	9.9	13.6	12.7
Operating profit (loss), €m	8	157	-87	350	24
<i>Special items included in operating profit, net</i>	-23	2	-40	7	-489
Operating profit (loss) excl. special items, €m	31	155	-47	343	513
EPS excluding special items, €	0.03	0.17	-0.24	0.36	0.42
Net cash generated from operating activities, €m	306	46	580	96	628
Personnel at end of period	23,792	27,059	23,792	27,059	24,983

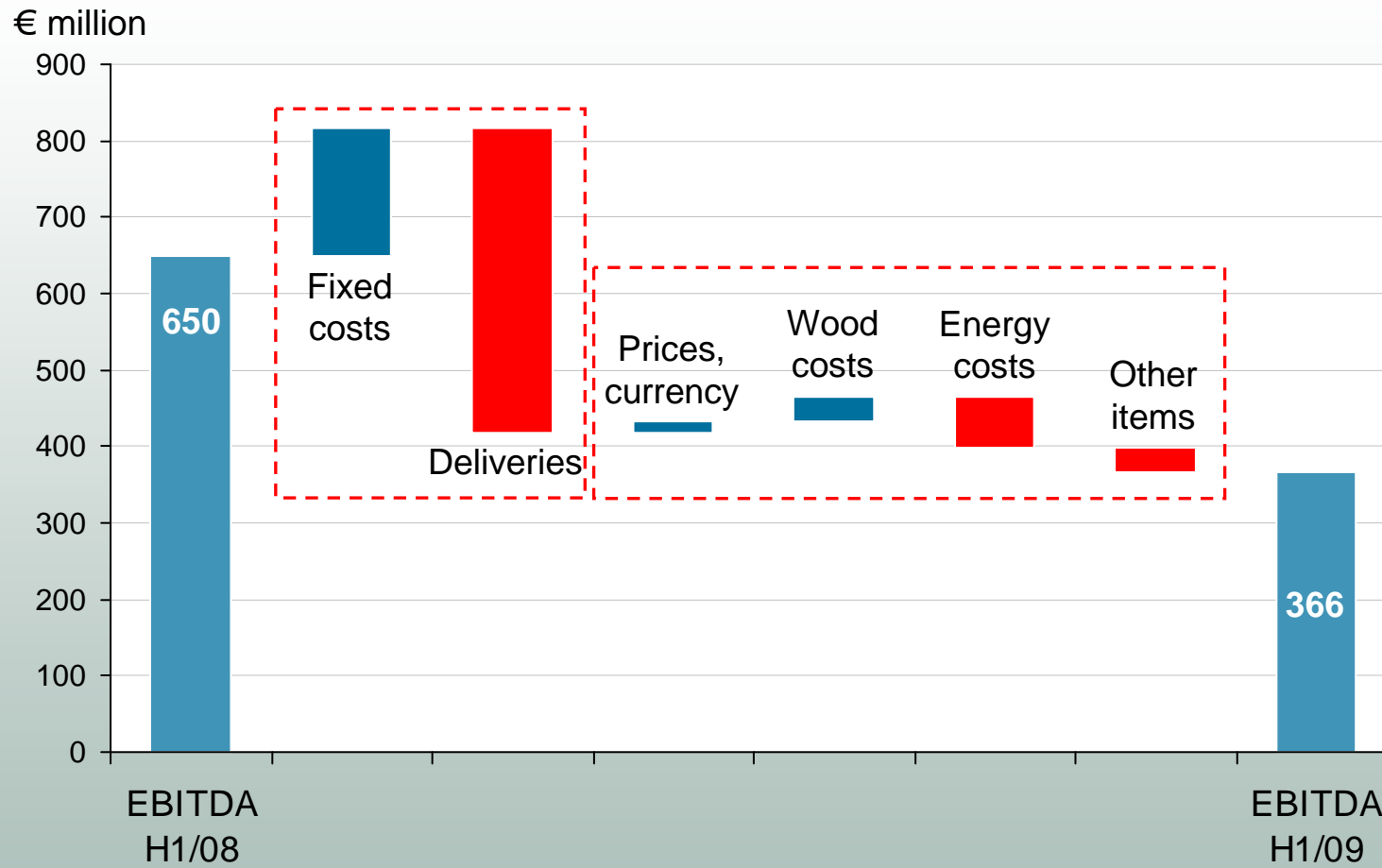
FINANCIALS

EBITDA by business area Q2 2009 vs. Q2 2008



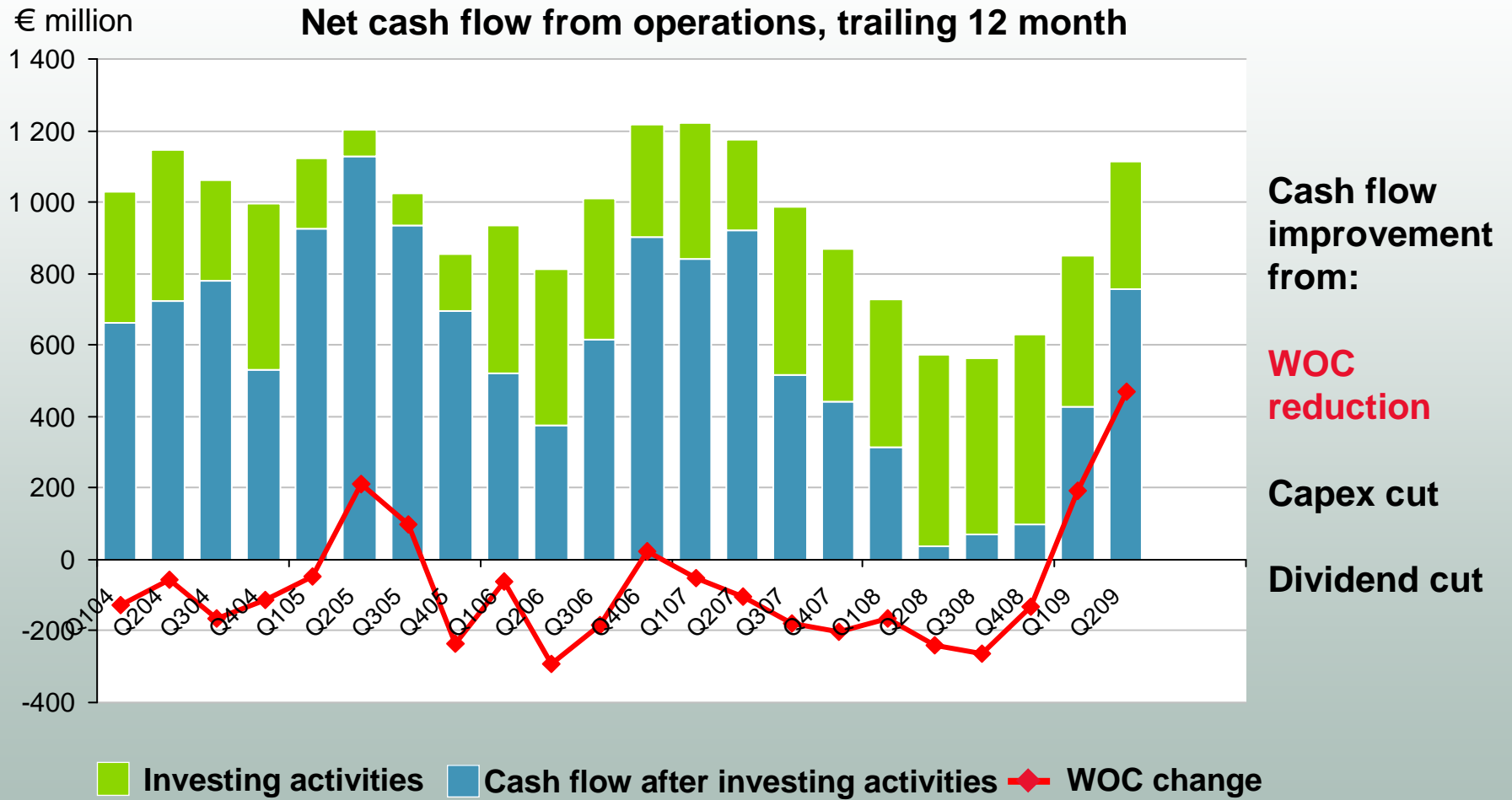
FINANCIALS

EBITDA development in H1 2009



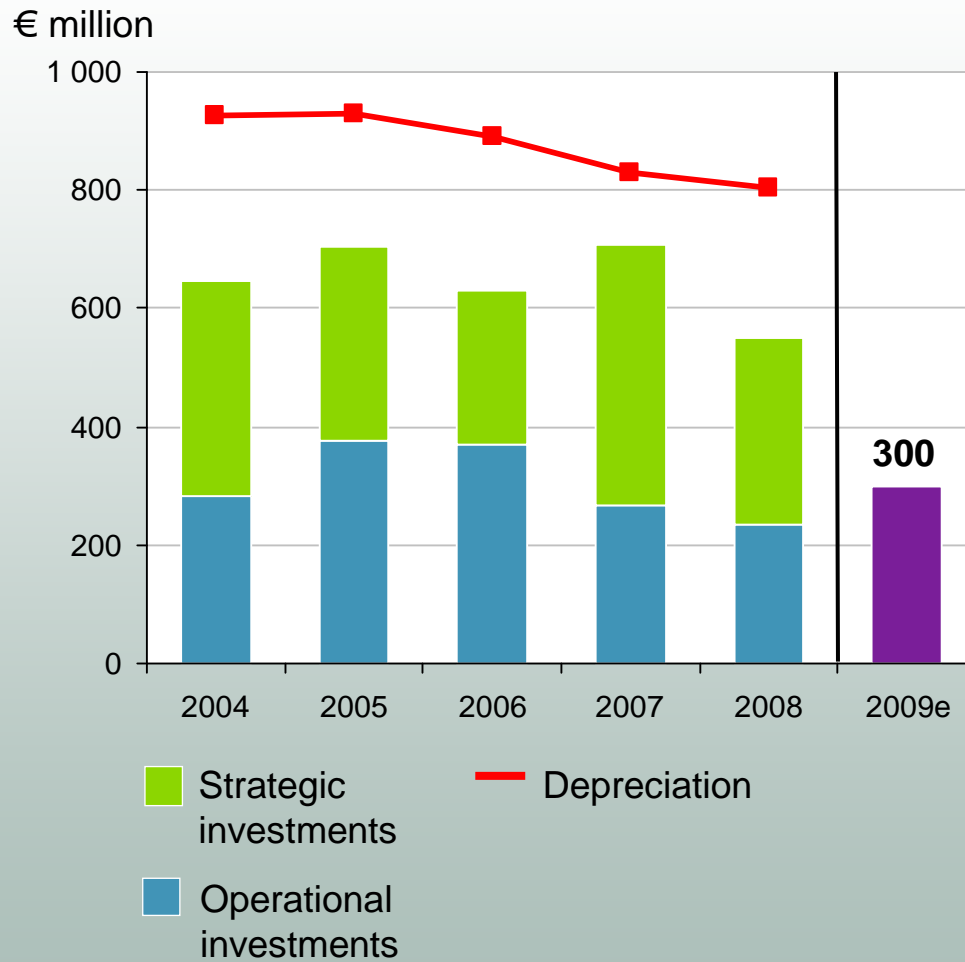
FINANCIALS

Cash flow and actions to preserve cash

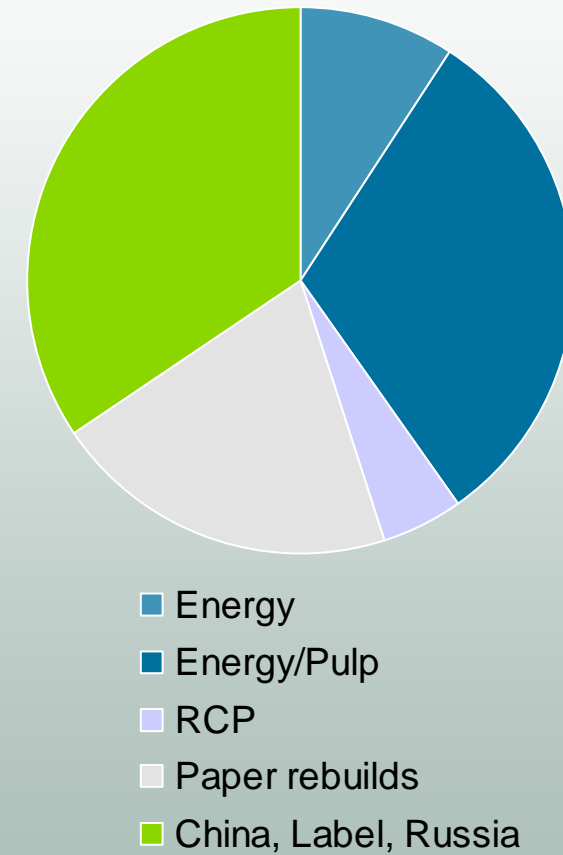


FINANCIALS

Investments

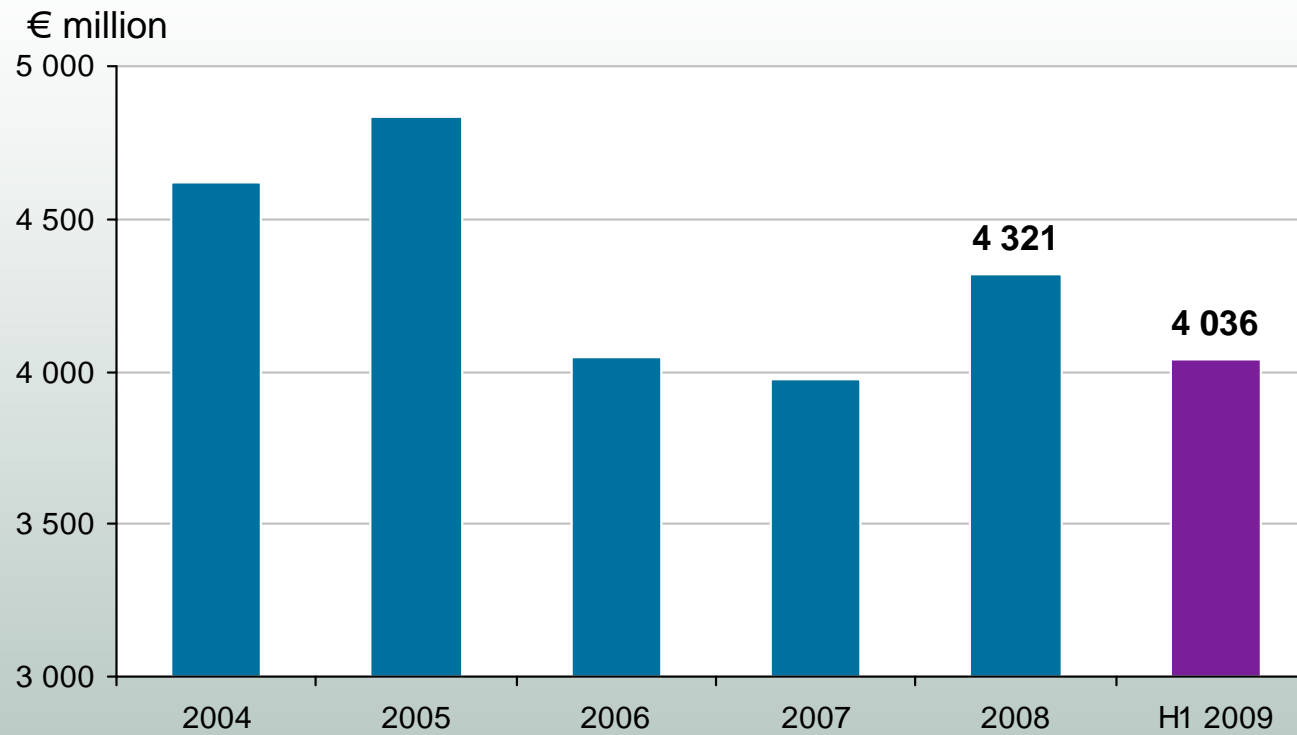


Strategic investments since 2003
approx € 2bn



FINANCIALS

Net interest-bearing liabilities



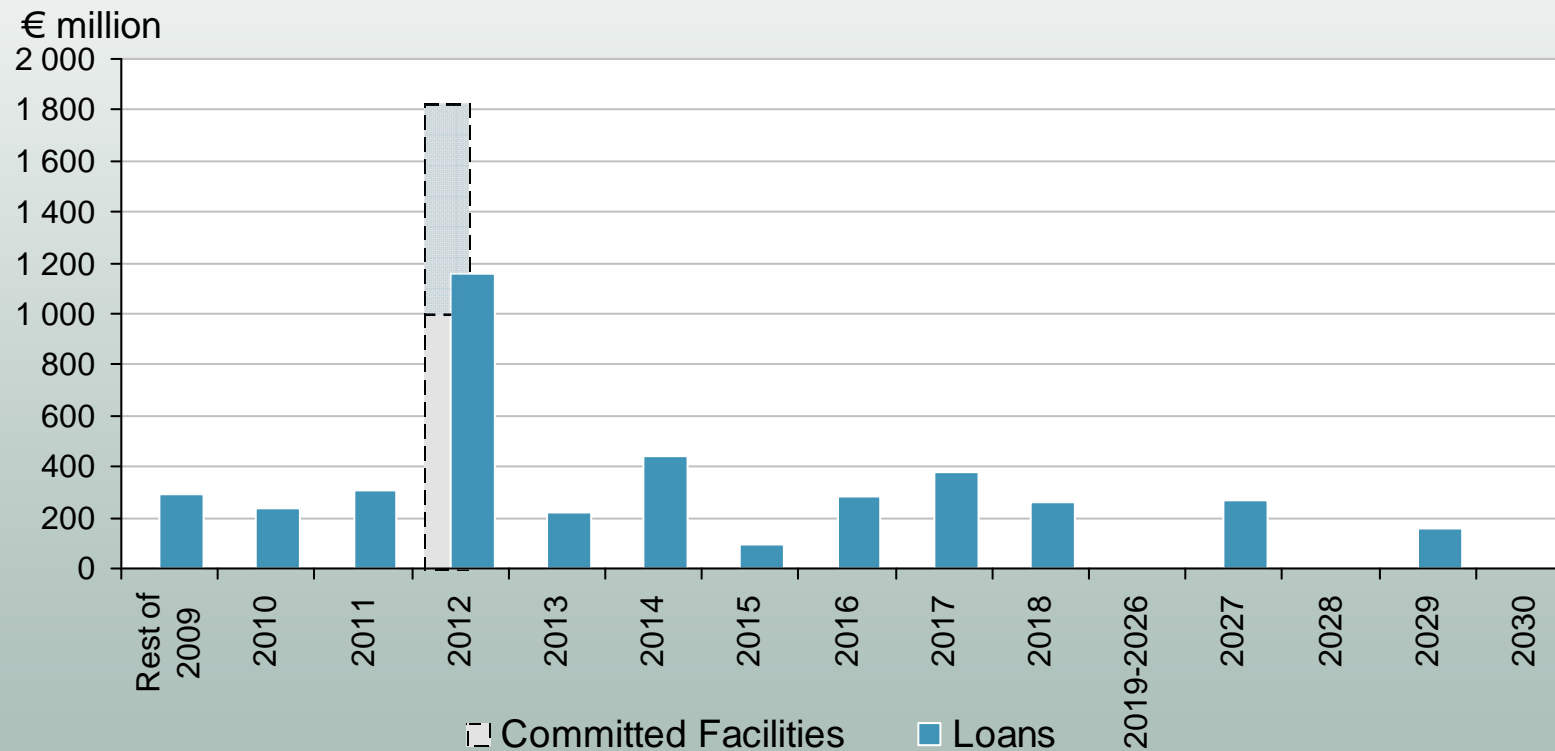
Ratings: Moody's Ba1, latest change February 13, 2009
S&P BB+, latest change April 1, 2009

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Maturity profile – moderate repayments for the next three years



- Liquidity on 30 June 2009 was € 1.7bn
 - cash € 0.2bn and unused credit facilities € 1.5bn



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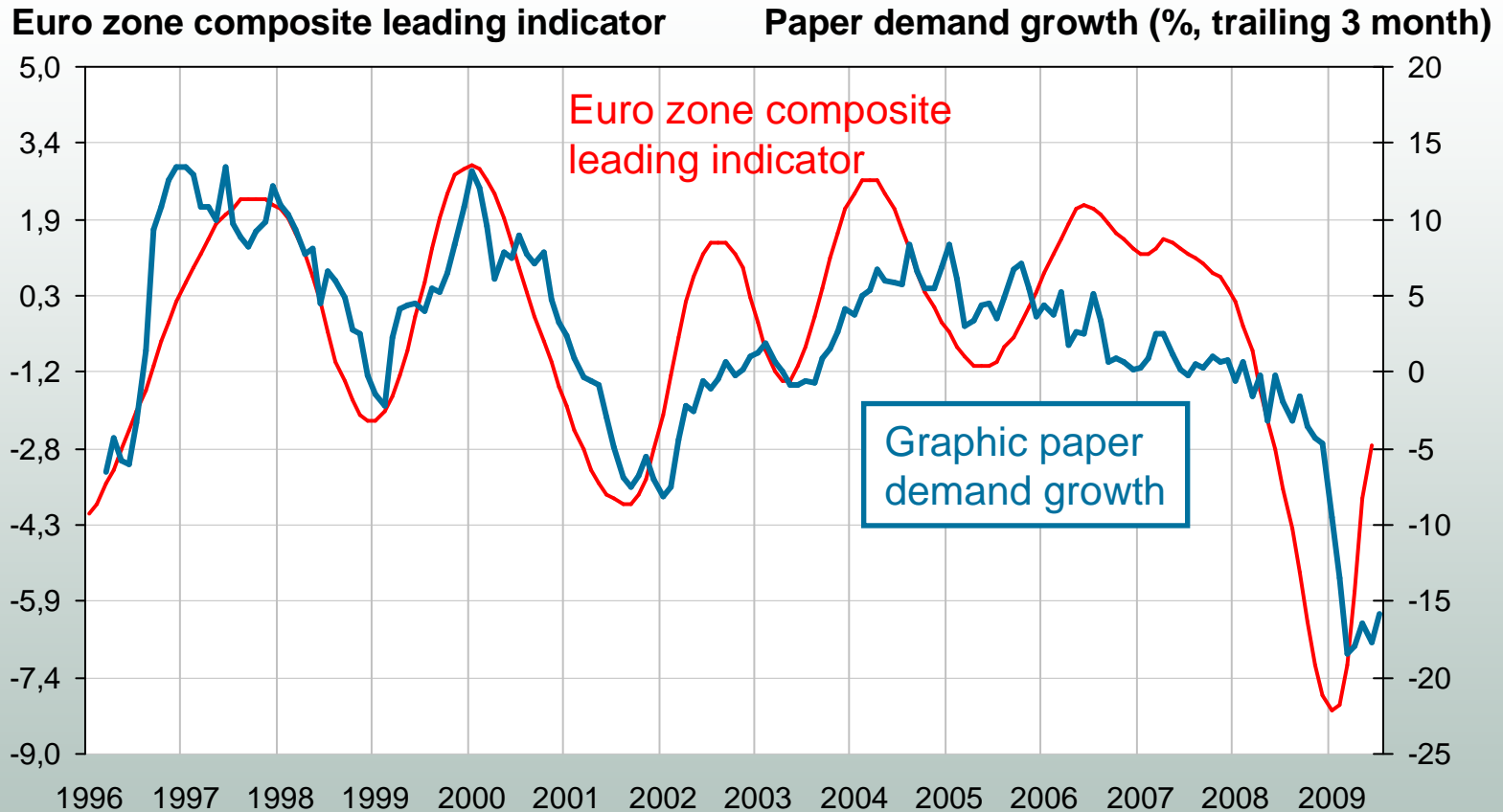


BUSINESS DRIVERS



BUSINESS DRIVERS

Contraction of economic activity is coming to end, improving demand outlook for UPM's products



Sources: Cepiprint, Cepifine, OECD

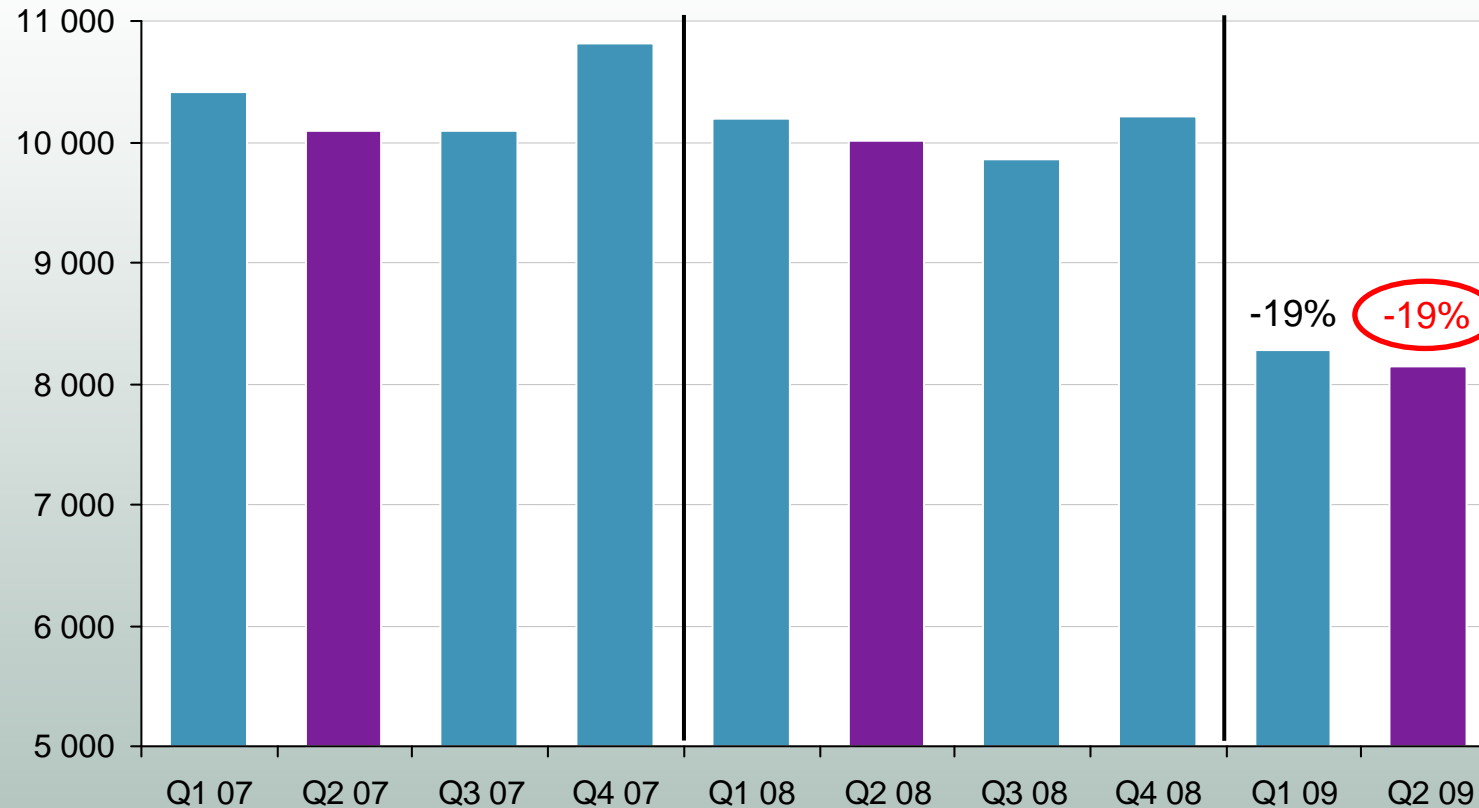
BUSINESS DRIVERS

Graphic papers demand has stabilised

- inventory correction is over



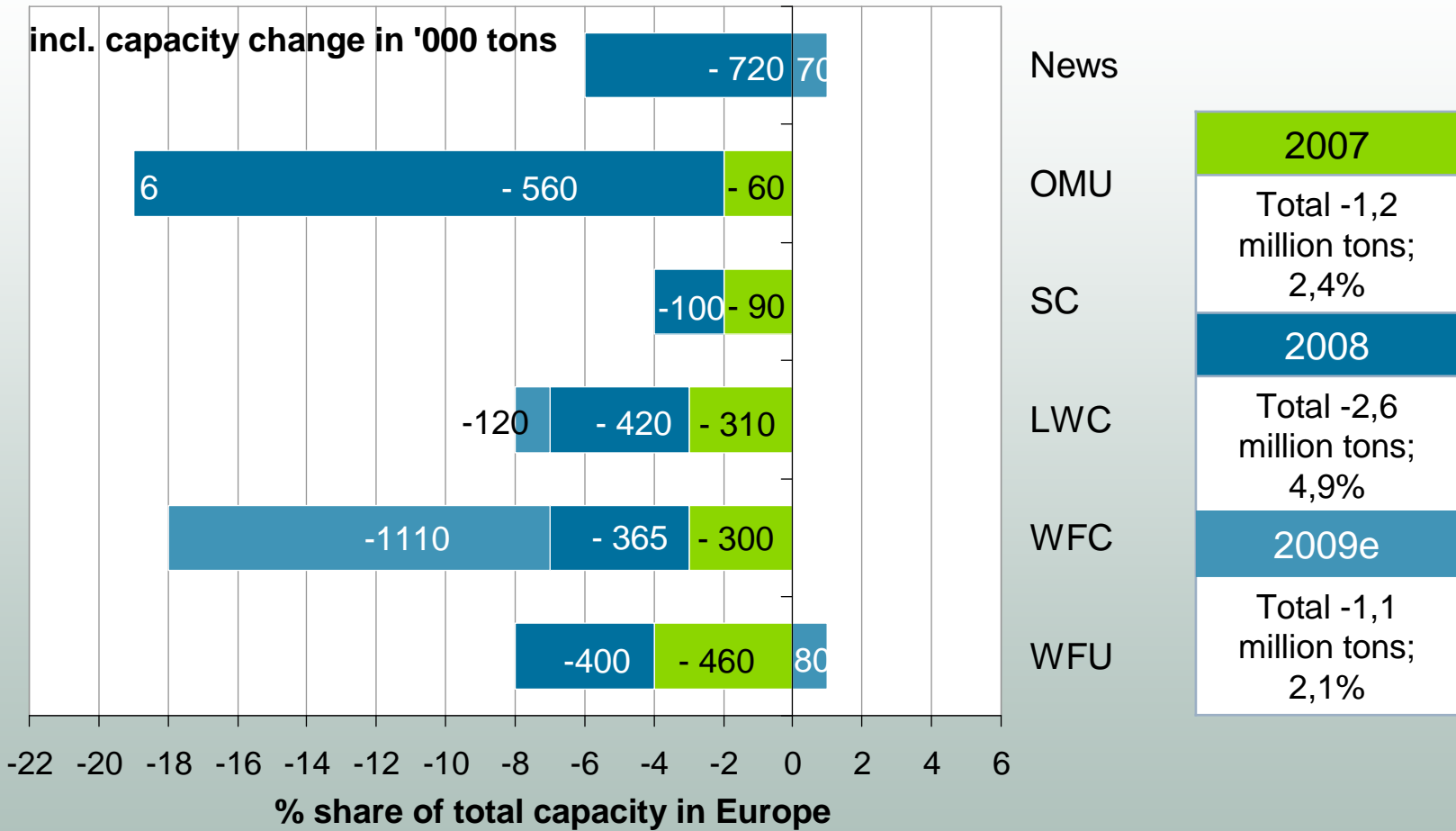
Graphic papers demand in H1/09 in Europe -19%



Source: Cepiprint/fine

BUSINESS DRIVERS

**Graphic papers net capacity change in Europe
2007–2009e**

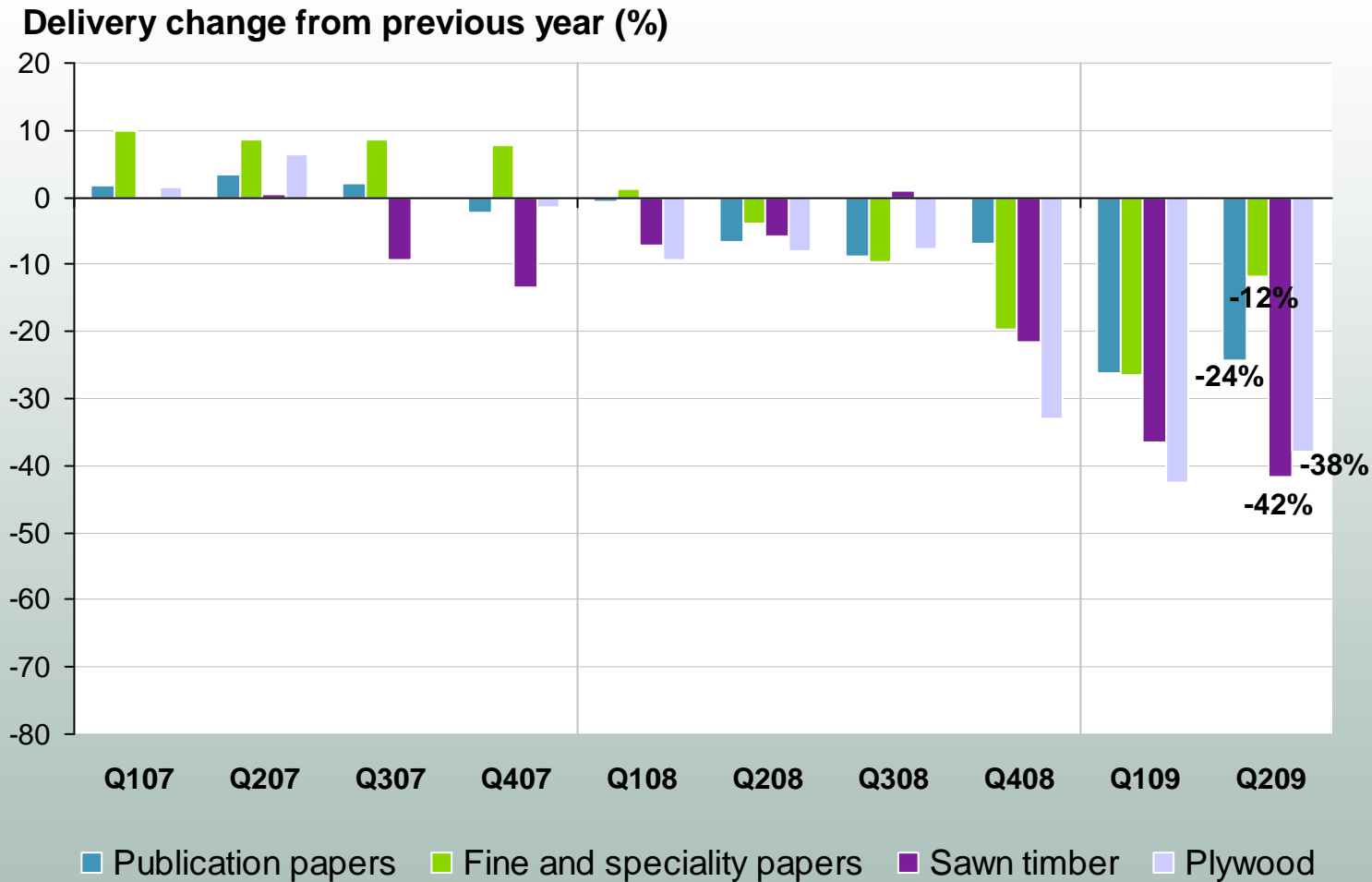


Source: Pöyry, UPM, public sources

decided changes included

BUSINESS DRIVERS

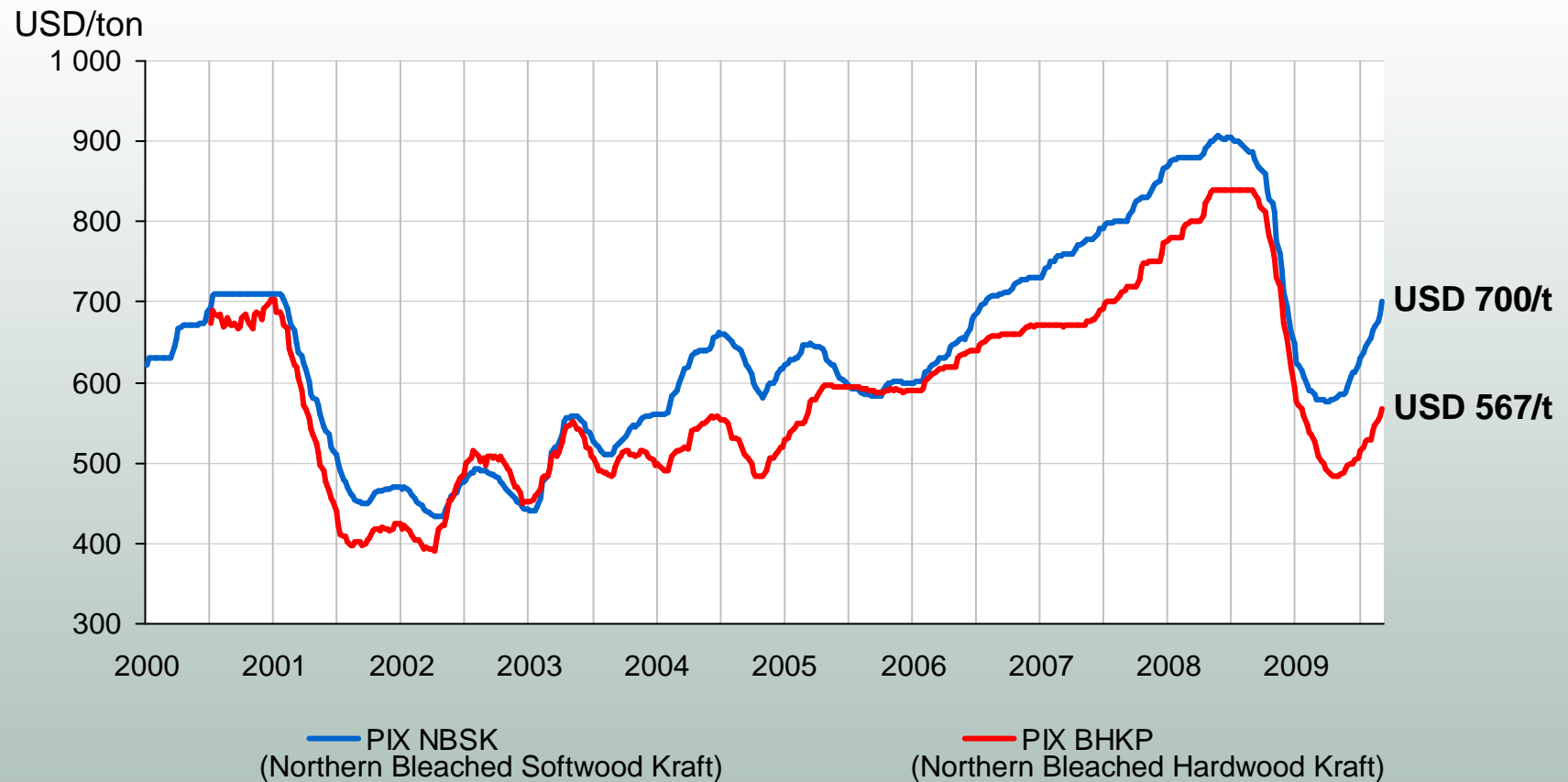
UPM's production has been curtailed to respond to the changes in demand



BUSINESS DRIVERS

Chemical pulp market price

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Source: FOEX Indexes Ltd.

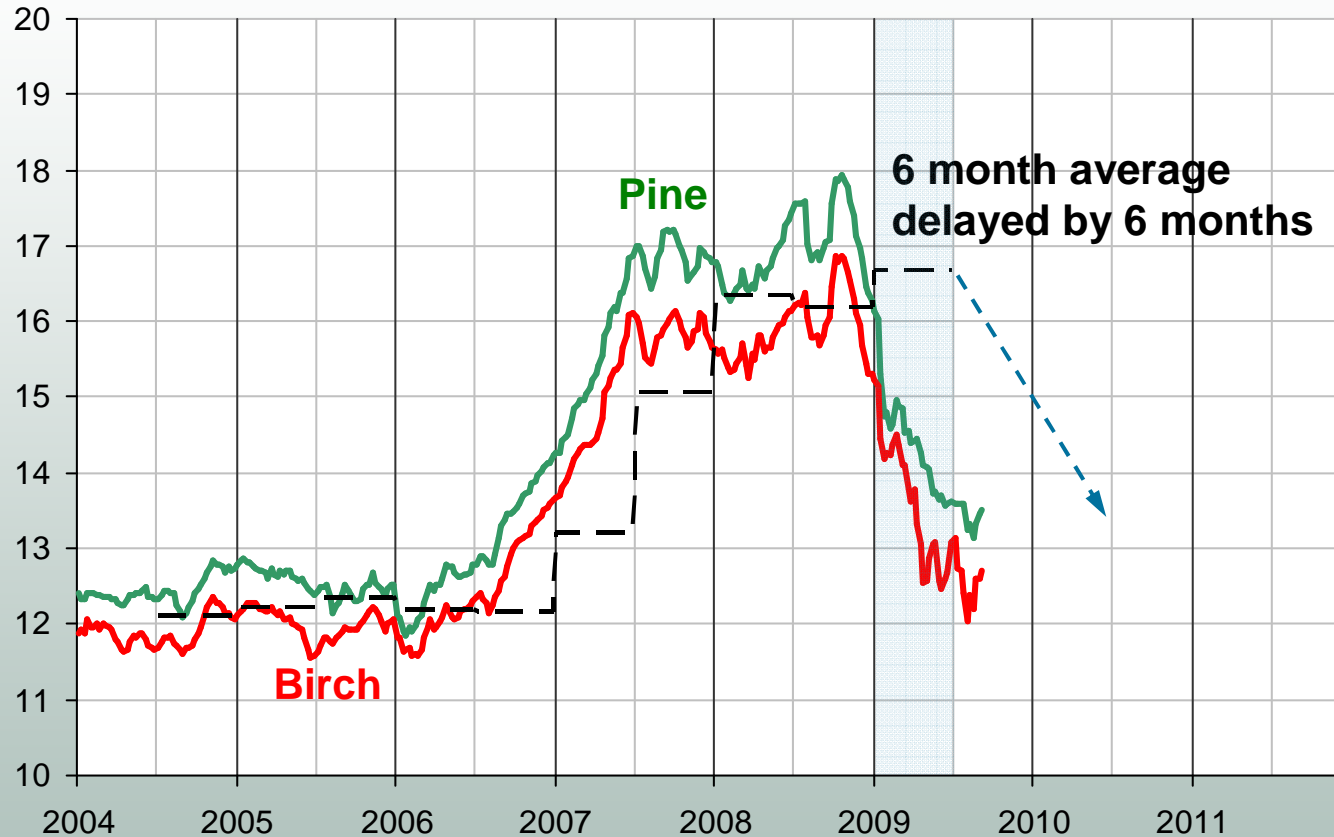
BUSINESS DRIVERS

UPM – current lower wood prices improve cost competitiveness in 2010

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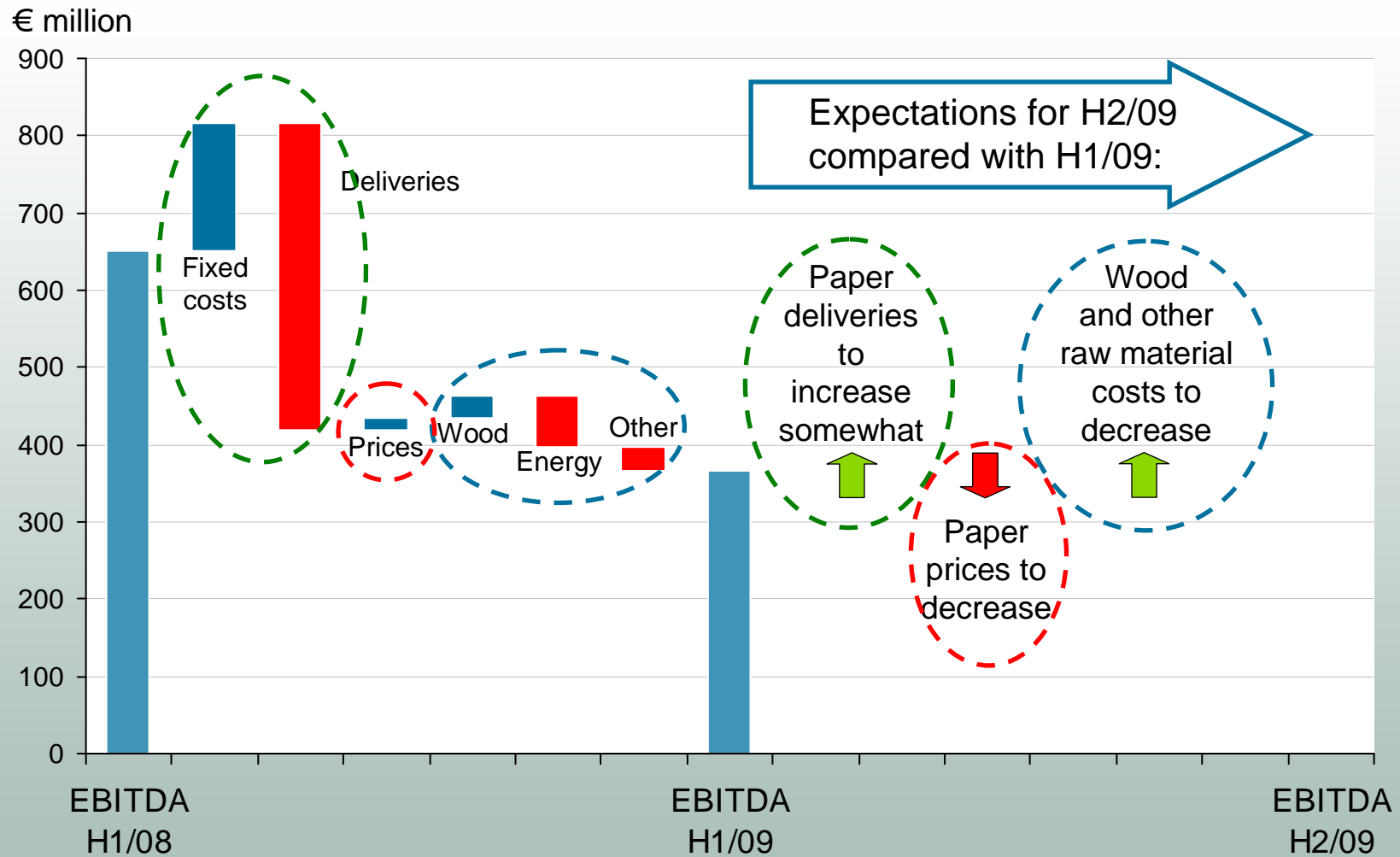
Fibre wood prices in Finland, € / m³



Source: Metla

UPM's wood costs expected to be lower in H2/2009

Outlook for the second half of 2009 (*)



(* See complete wording of the "Outlook" in the Interim Report Q2 2009

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STRATEGY ACTIONS



STRATEGY ACTIONS

Portfolio of choices and opportunities



Energy and pulp

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

Paper

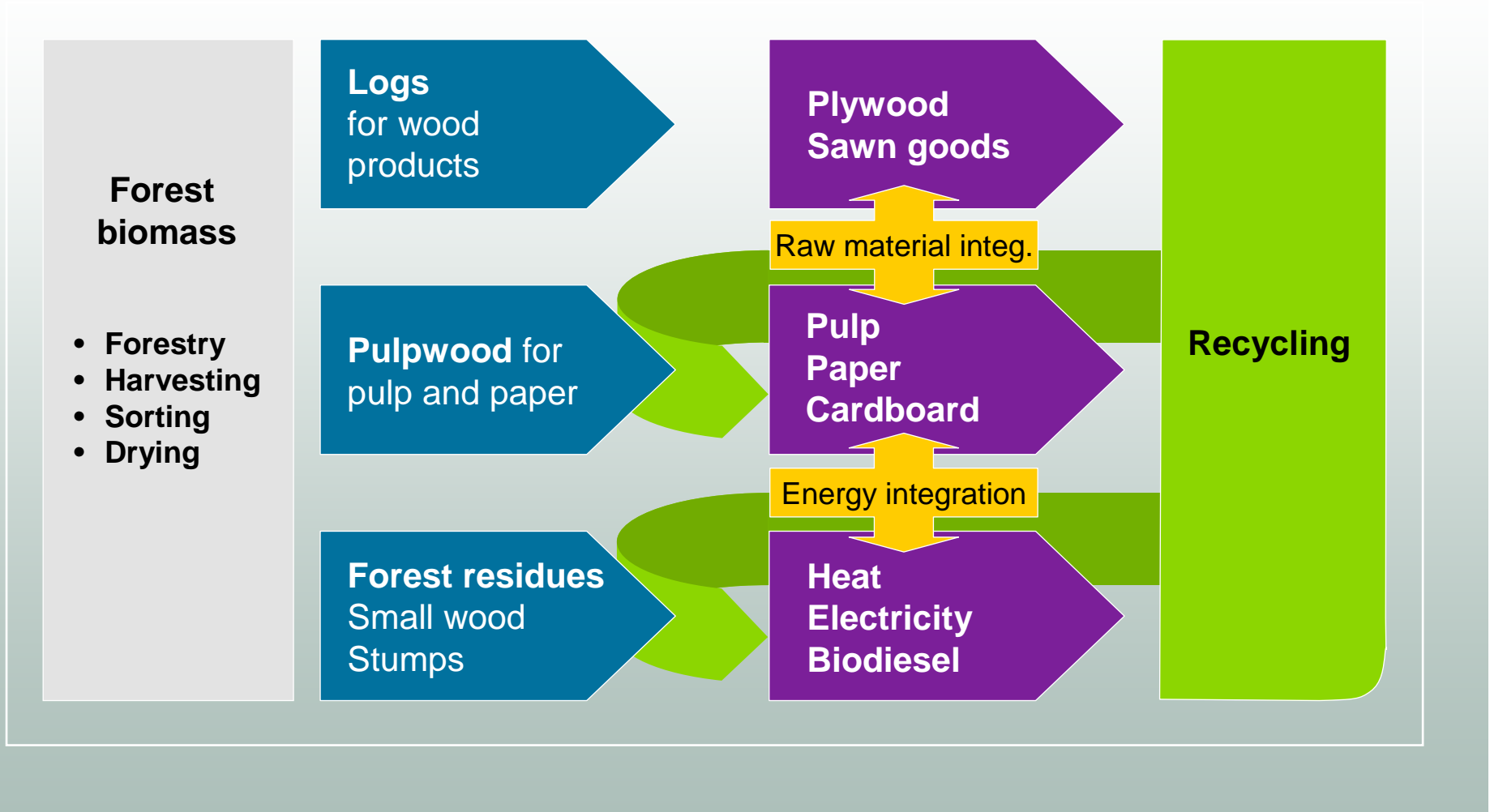
- Focus on European profitability: cost leadership, supply chain management and lean investments
- Growth in China and other emerging markets
- Consolidation in Europe

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

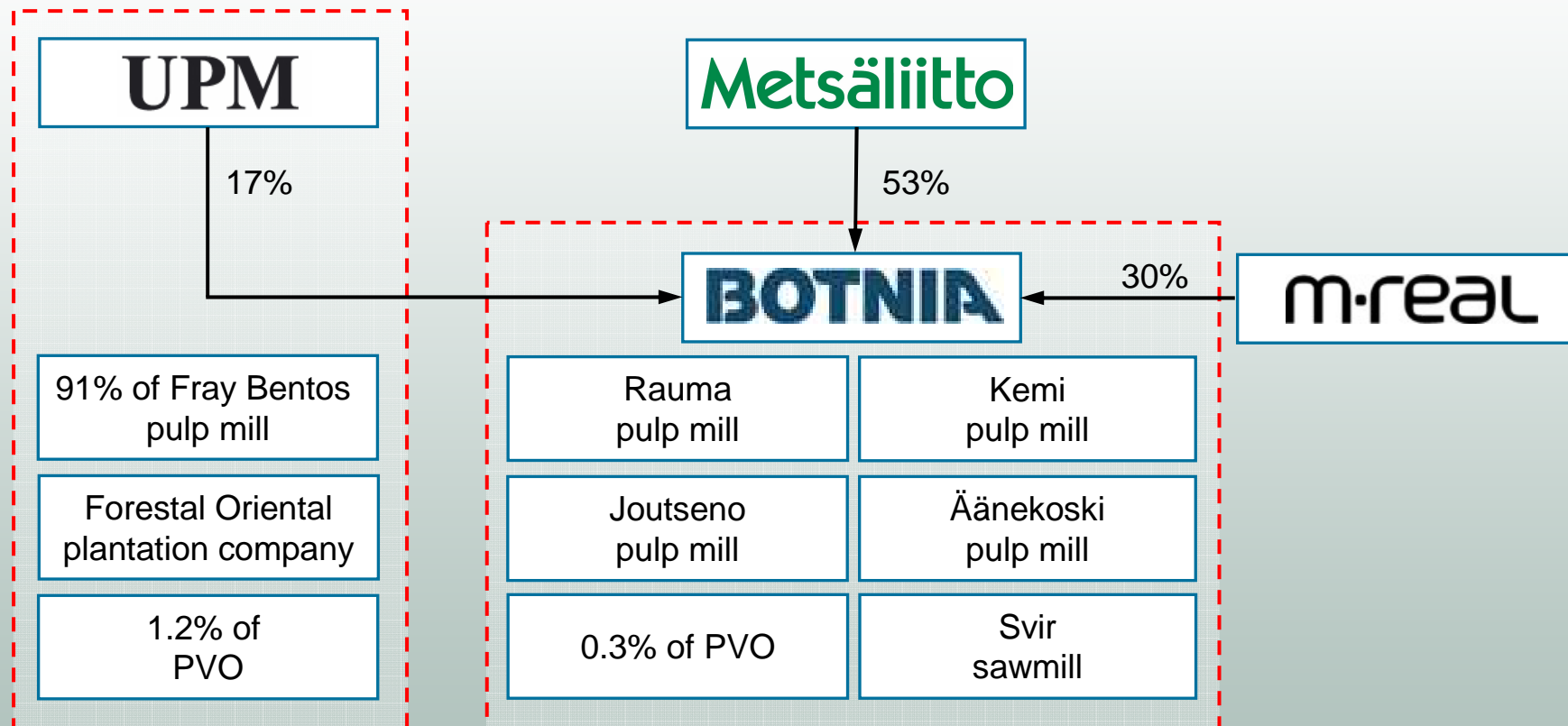
STRATEGY ACTIONS

Biomass value chain creates synergies and offers strategic growth opportunities for UPM



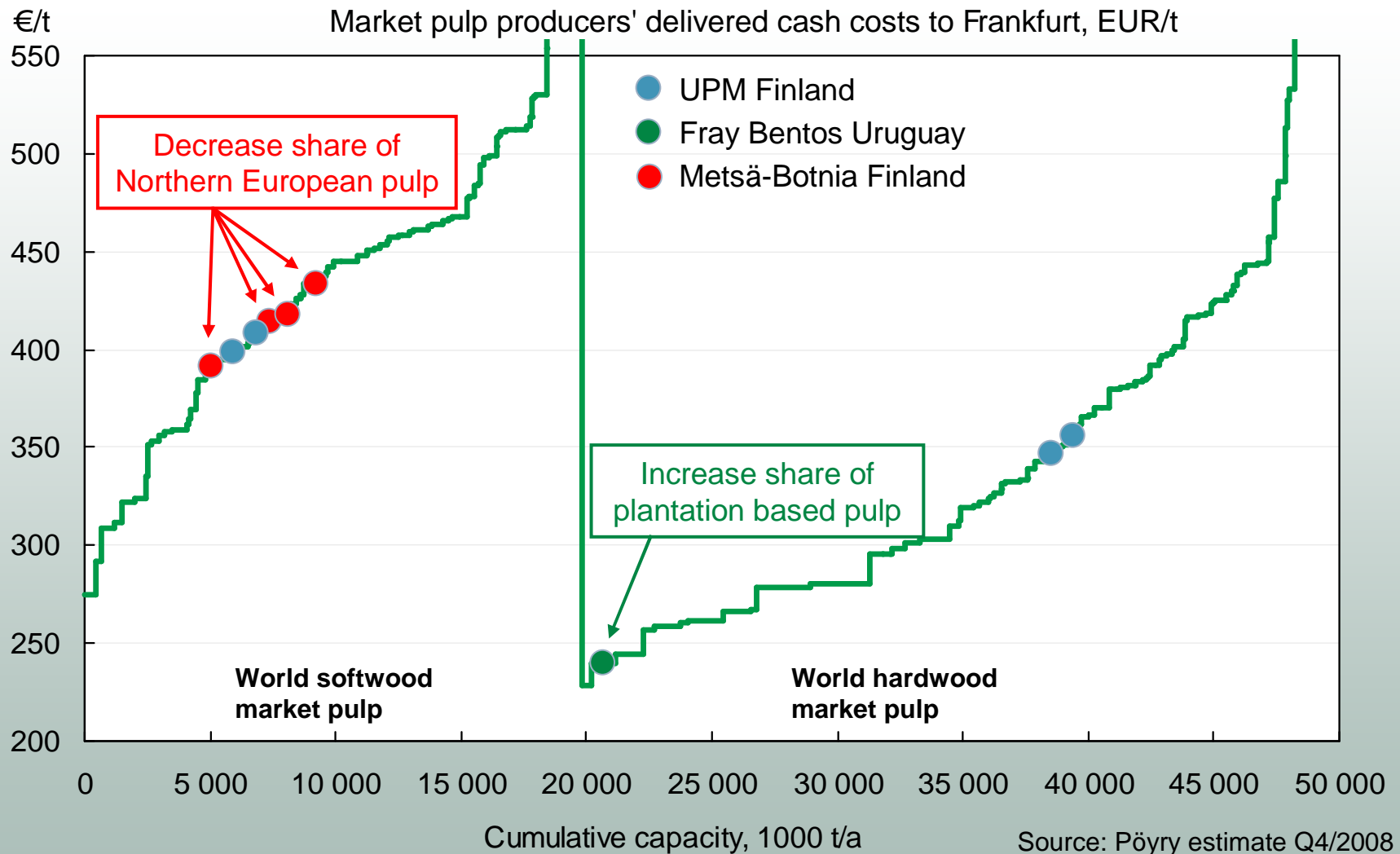
STRATEGY ACTIONS

LETTER of INTENT to restructure the ownership of Botnia's assets: ownership and assets after the transaction



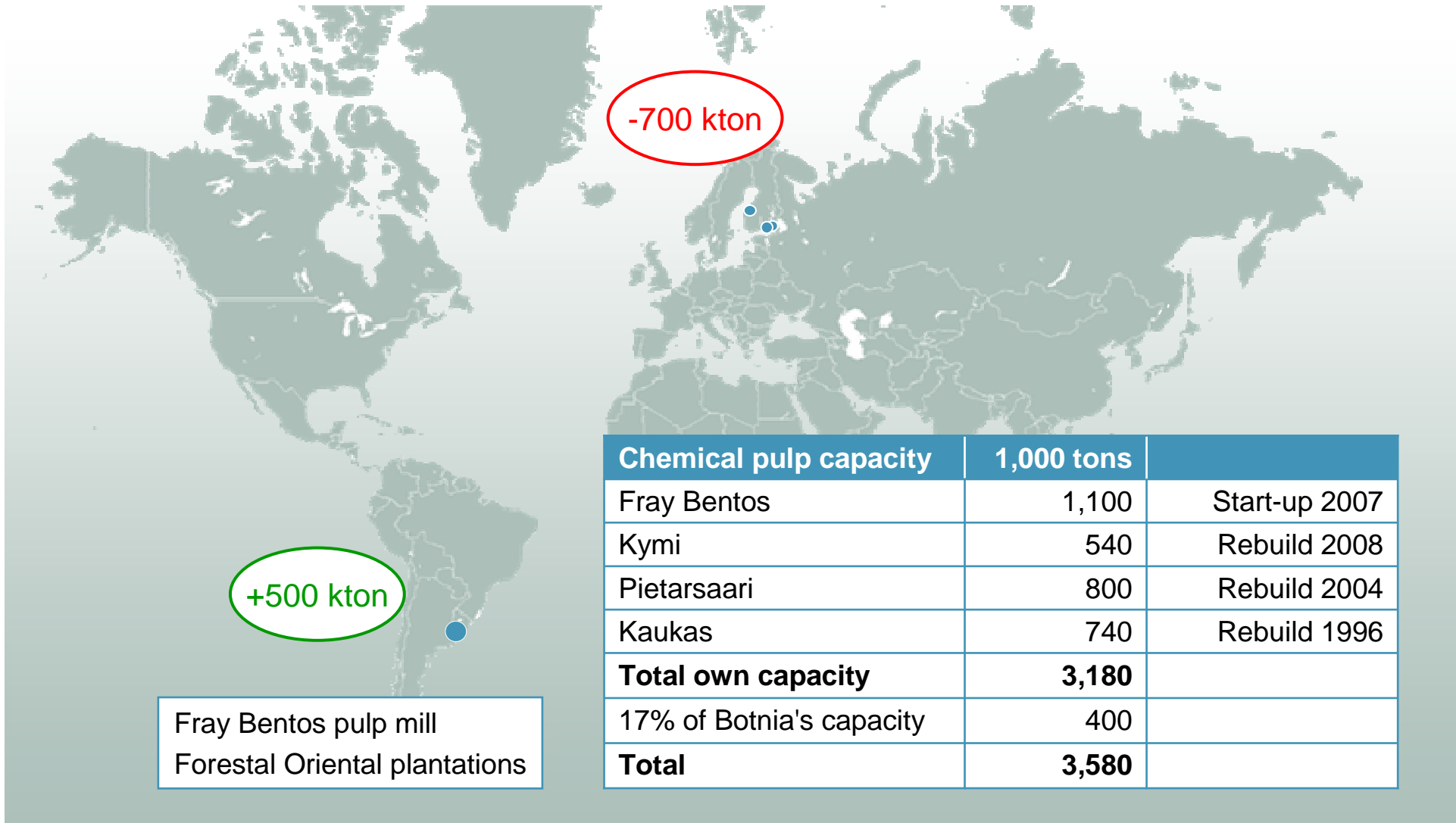
STRATEGY ACTIONS

Botnia transaction: increasing share of plantation-based pulp



STRATEGY ACTIONS

Botnia transaction: UPM's pulp assets competitive and well invested



Fray Bentos pulp mill
Forestal 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	

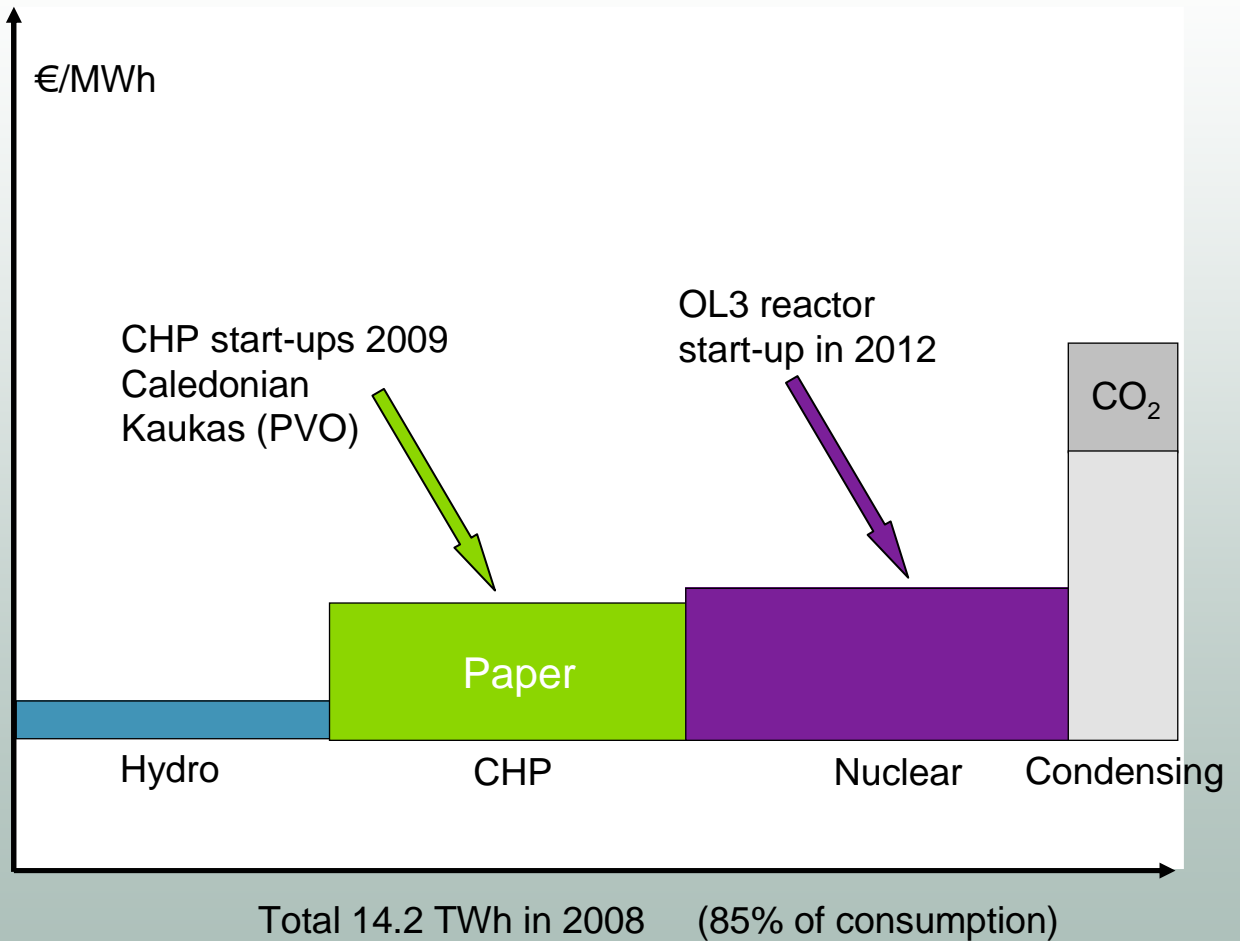
STRATEGY ACTIONS

Strategic investments in low-cost, emission free electricity generation



- 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

UPM's power generation structure and latest investments



STRATEGY

Industry restructuring in Europe



Much to be gained

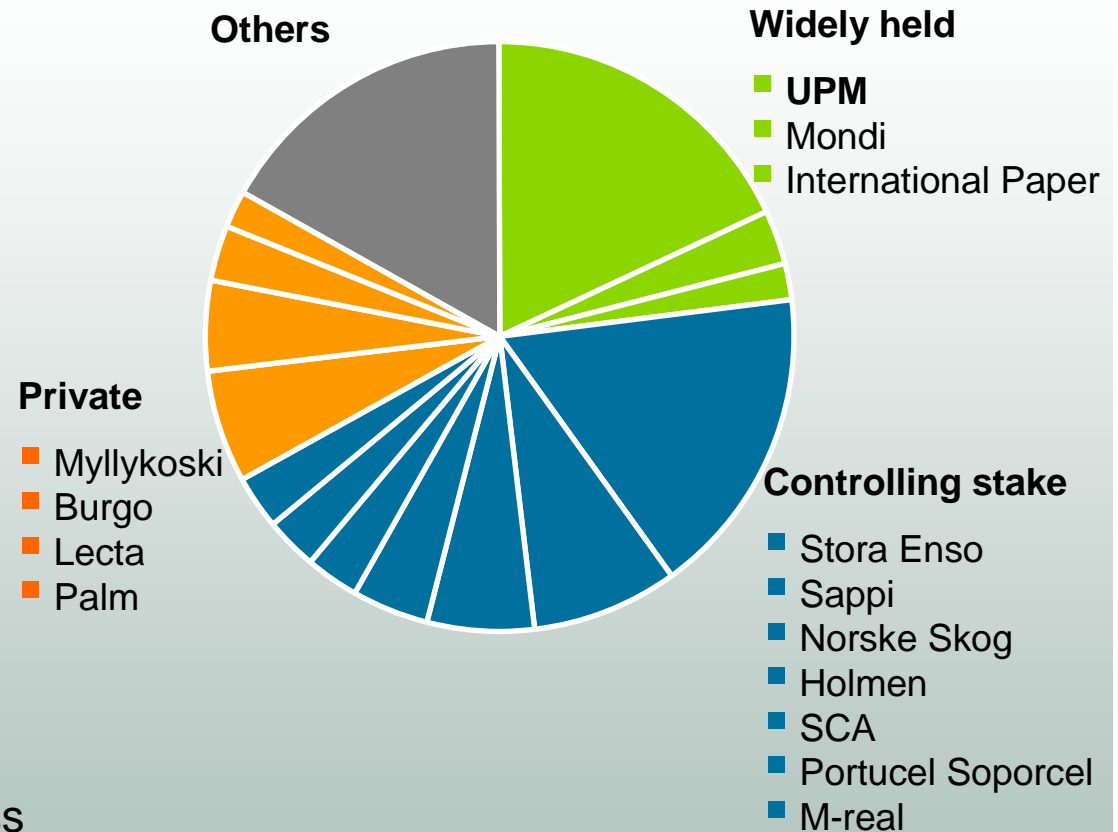
- cost synergies
- optimal capacity actions
- investment synergies

Hard to achieve

- fragmented industry
- rigid ownership structure
- high net debt to book ratios

Objective to improve

- print media competitiveness
- paper industry competitiveness



European graphic paper capacity
52 mill. tons by producer



SUMMARY

- Profitability has been unsatisfactory
 - good support from cash generation

- New business driven Group structure - promotes new opportunities for Group development

- Strategy actions:
 - continued streamlining of paper business
 - investments in emission free energy
 - strengthened position as competitive pulp supplier – restructuring of the ownership of Botnia's assets

- Restructuring of European paper industry – much in need



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 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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