



RESTRUCTURING OWNERSHIP OF BOTNIA'S ASSETS

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Letter of intent

- UPM, Metsäliitto and M-real have today signed the Letter of Intent on the restructuring of the ownership of Botnia's assets
- Timetable: Agreements signed during Q3 and closing during Q4
- The proposed transaction is subject to several matters like,
 - due diligence
 - finalising negotiations with Botnia's lenders
 - required regulatory approvals
 - negotiation and signing of definitive agreements

Restructuring ownership of Botnia's assets

Description of the transaction



UPM

- acquires Botnia's and Metsäliitto's holdings in Frey Bentos pulp mill and plantations in Uruguay
- share in Botnia decreases to 17 %.
- acquires PVO shares from Botnia representing 1.2% of PVO

Metsäliitto Group

- Metsäliitto becomes 53% majority owner of Botnia which will consist of four Finnish pulp mills
- M-real maintains its 30% ownership in Botnia

Restructuring ownership of Botnia's assets UPM after the transaction

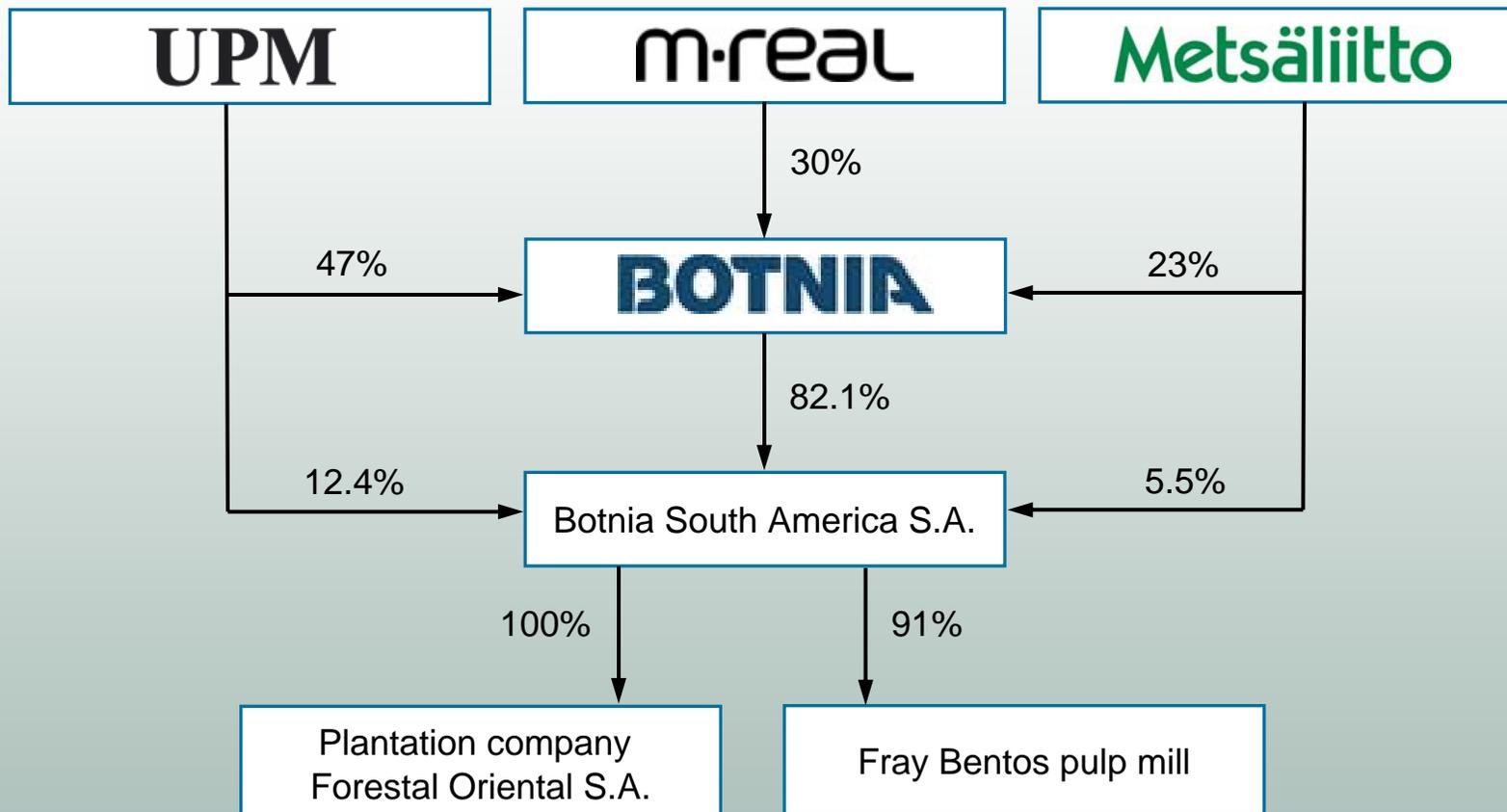


- Financial
 - net debt estimated to increase by EUR 400 million at closing
 - cash outflow about EUR 90 million
 - minor impact on gearing
 - earnings enhancing in 2010

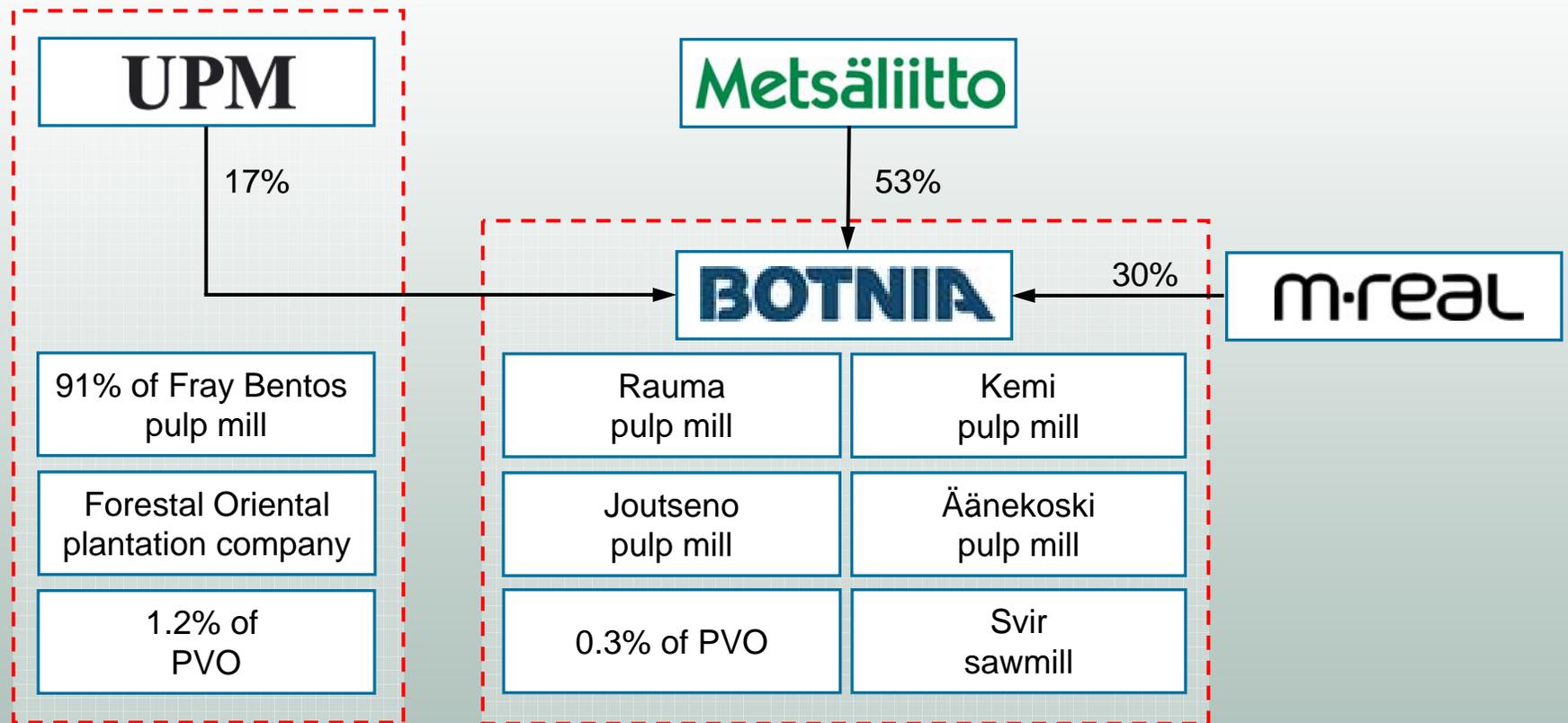
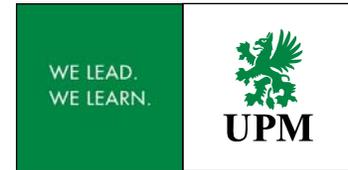
- Pulp assets
 - increase share of eucalyptus pulp by 500,000 t/a
 - decrease share Northern European pulp by 700,000 t/a
 - direct ownership of Fray Bentos pulp mill and plantations in Uruguay

- Shares in PVO increase by 1.2 %

Botnia's current shareholder structure



Botnia's ownership and assets after the transaction



Strategic rationale for UPM

1(2)

The proposed transaction is in line with UPM's new strategy to

- develop pulp as market driven business
- increase the share of cost competitive pulp
- advance in new growth markets
- grow in emission free energy



Strategic rationale for UPM

2(2)



The proposed transaction would

- strengthen UPM's position as a cost competitive pulp producer - the share of own pulp production increased to 3,180,000 t/a
- increase share of tropical, plantation-based pulp and decrease share of Northern European pulp in its portfolio
- provide new opportunities for further development of operations in Uruguay



Fray Bentos pulp mill

One of most modern mills in the world



- Capacity 1.1 million tons of bleached eucalyptus pulp per annum
- Start-up in November 2007
- Total investment in the pulp mill \$ 1.2 bn
- Technology: BAT
Best Available Techniques (IPPC-BAT)
securing minimum environmental impact
- Biomass power generation for
own consumption and external sales
- ECF-bleaching and low chemical, water
and energy consumption



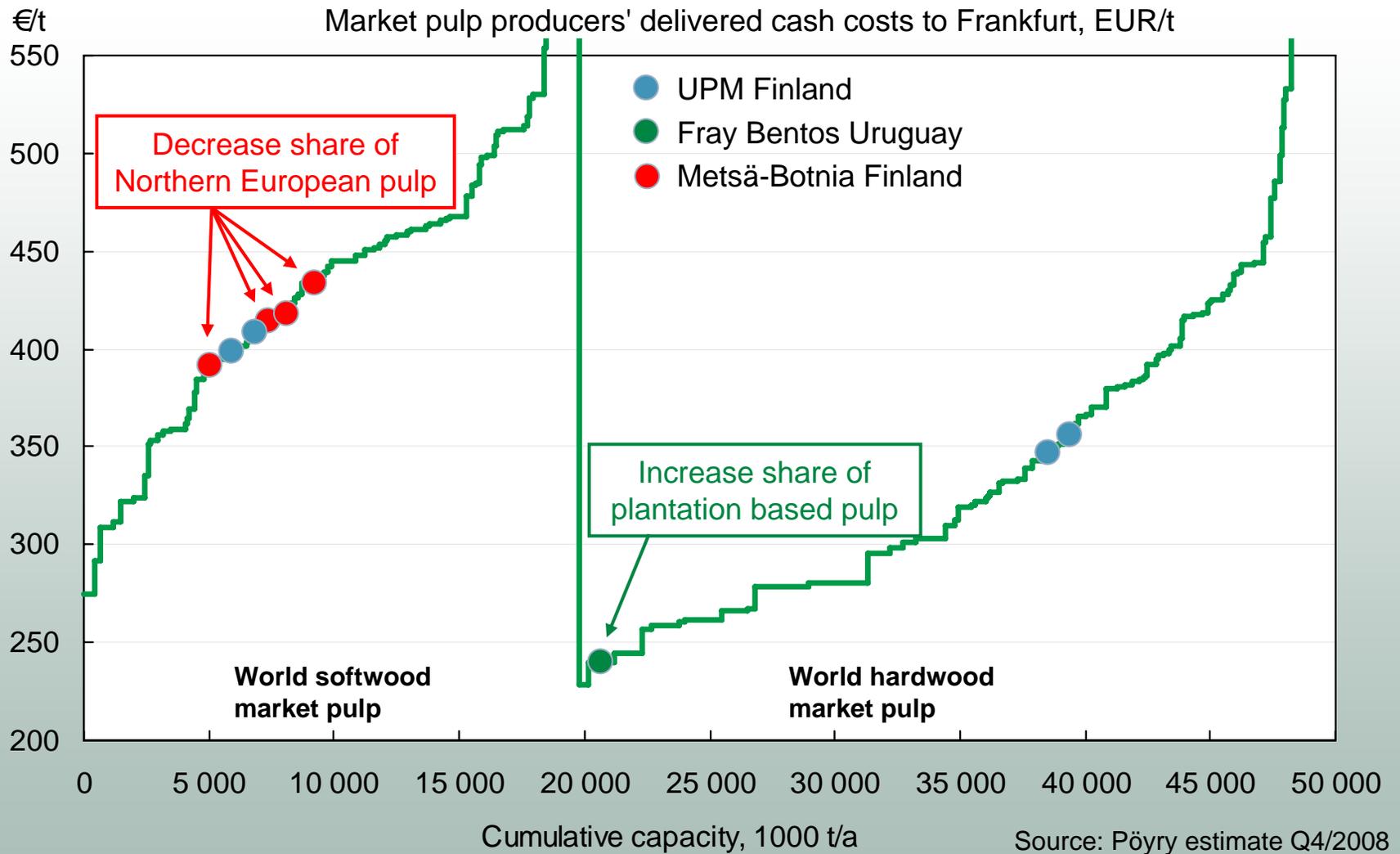
Wood supply secured for the pulp mill



- After the transaction, UPM owns 100% of the forestry company Forestal Oriental in Uruguay
 - 216,000 ha of land owned and controlled
 - 127,000 ha planted and plantable
- About 70% of the pulp mill's wood raw material comes from own plantations, largely self-sufficient in the future
- A special cooperation programme in Uruguay called FOMENTO
 - Supports the private landowners in sustainable and profitable eucalyptus plantation forestry



Increasing share of plantation-based pulp



UPM's pulp assets after the transaction: competitive and well invested



-700 kton

+500 kton

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	

Summary

- Restructuring ownership of Botnia's assets is consistent with the strategies of all of its shareholders – UPM, Metsäliitto and M-real
- Pragmatic transaction for all parties; cooperation continues e.g. in market pulp sales

Major step in developing UPM's pulp business

- UPM's own pulp production capacity increases to 3,180,000 t/a
- UPM becomes direct owner of pulp mill and plantations in Uruguay
- Increases its share of plantation pulp by 500,000 t/a and decreases the share of Northern European pulp by 700,000 t/a
- Opens new options for future development

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