

UPM Q1 RESULTS 2010

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President and CEO
28 April 2010

Q1 2010 in brief

- Q1 sales grew by 10% from last year – demand is recovering
 - delivery volumes increased in all businesses
 - sales prices decreased in publication papers, but increased in all other products during Q1
- Operating profit excluding special items EUR 116 million, operating cash flow EUR 209 million
- Uruguay operations were included for the first full quarter and contributed positively to the results
- Raw material markets (e.g. RCP and wood markets) have tightened and availability of fibre is a concern
- The estimated loss due to the Finnish stevedores' strike was about EUR 20 million, partly in Q1 and partly in Q2

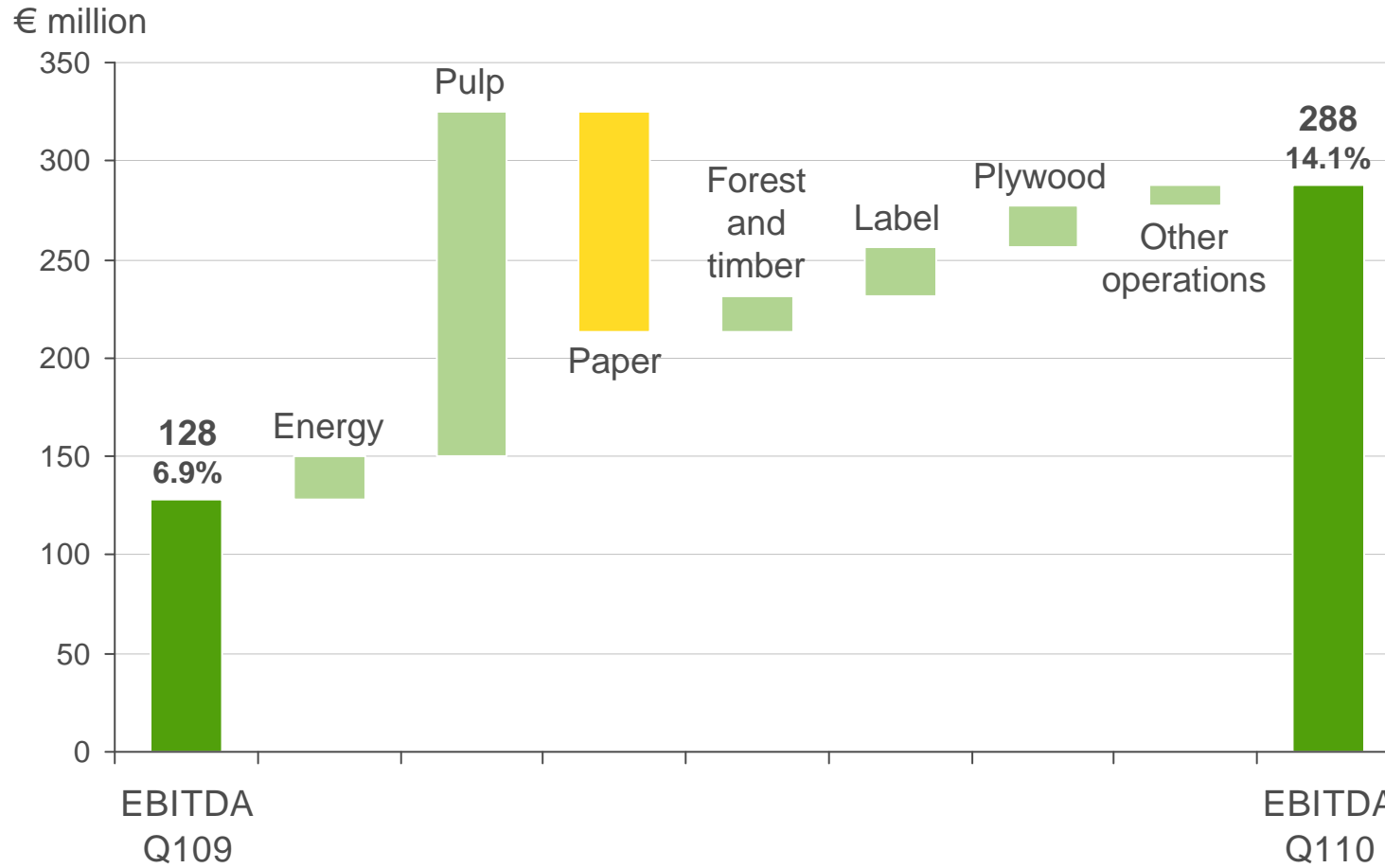
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Key financials

| | Q1/10 | Q1/09 | 2009 |
|--|--------|--------|--------|
| Sales, €m | 2,039 | 1,857 | 7,719 |
| Sales growth (%) | +10% | -23% | -18% |
| EBITDA, €m | 288 | 128 | 1,062 |
| % of sales | 14.1 | 6.9 | 13.8 |
| Operating profit (loss), €m | 107 | -95 | 135 |
| <i>Special items included in operating profit, net</i> | -9 | -17 | -135 |
| Operating profit (loss), excl. special items, €m | 116 | -78 | 270 |
| EPS excl. special items, € | 0.15 | -0.27 | 0.11 |
| Net cash generated from operating activities, €m | 209 | 274 | 1,259 |
| Personnel at the end of period | 22,840 | 24,039 | 23,213 |

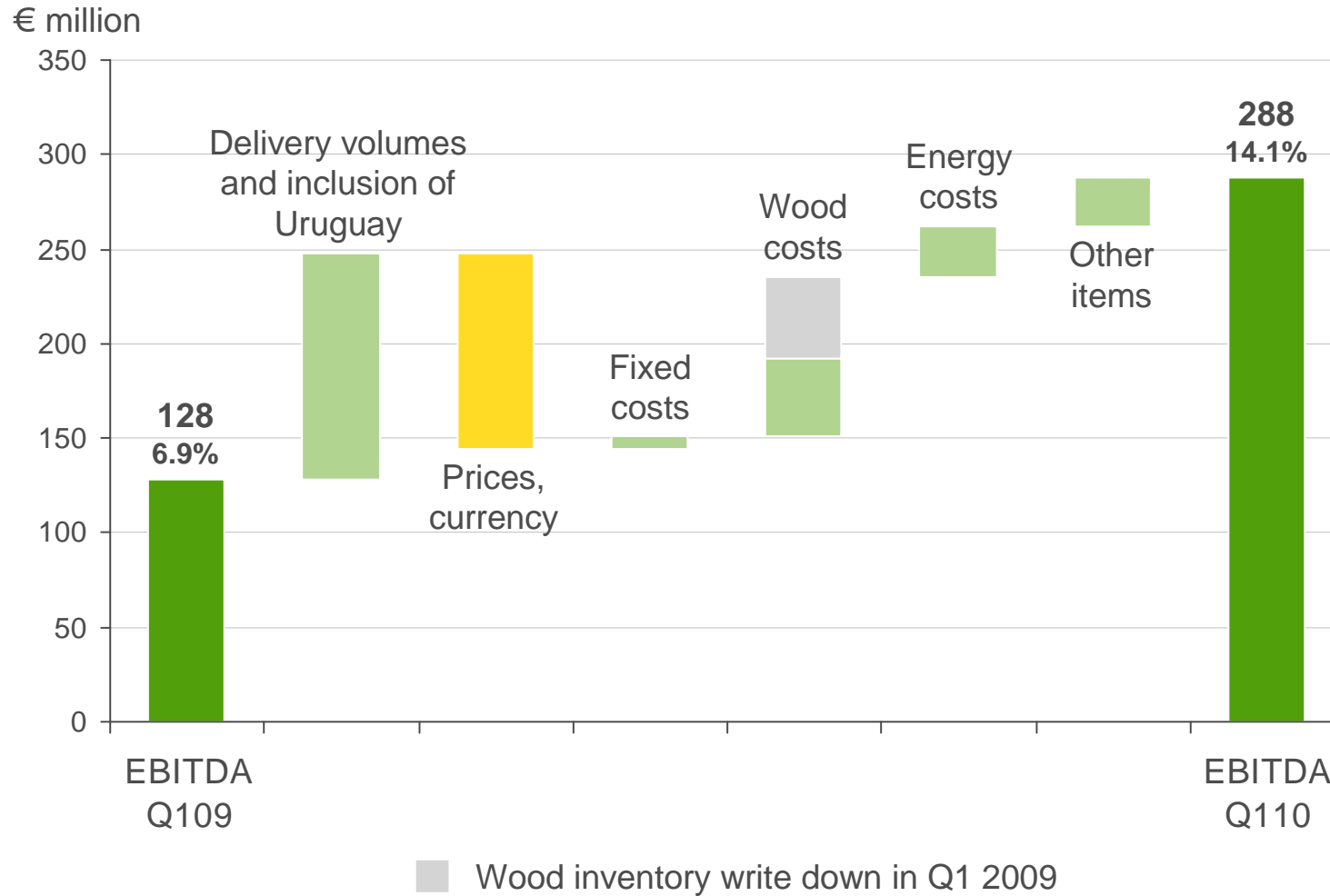
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EBITDA development in Q1 2010 vs. Q1 2009
Paper weaker, all other businesses improved



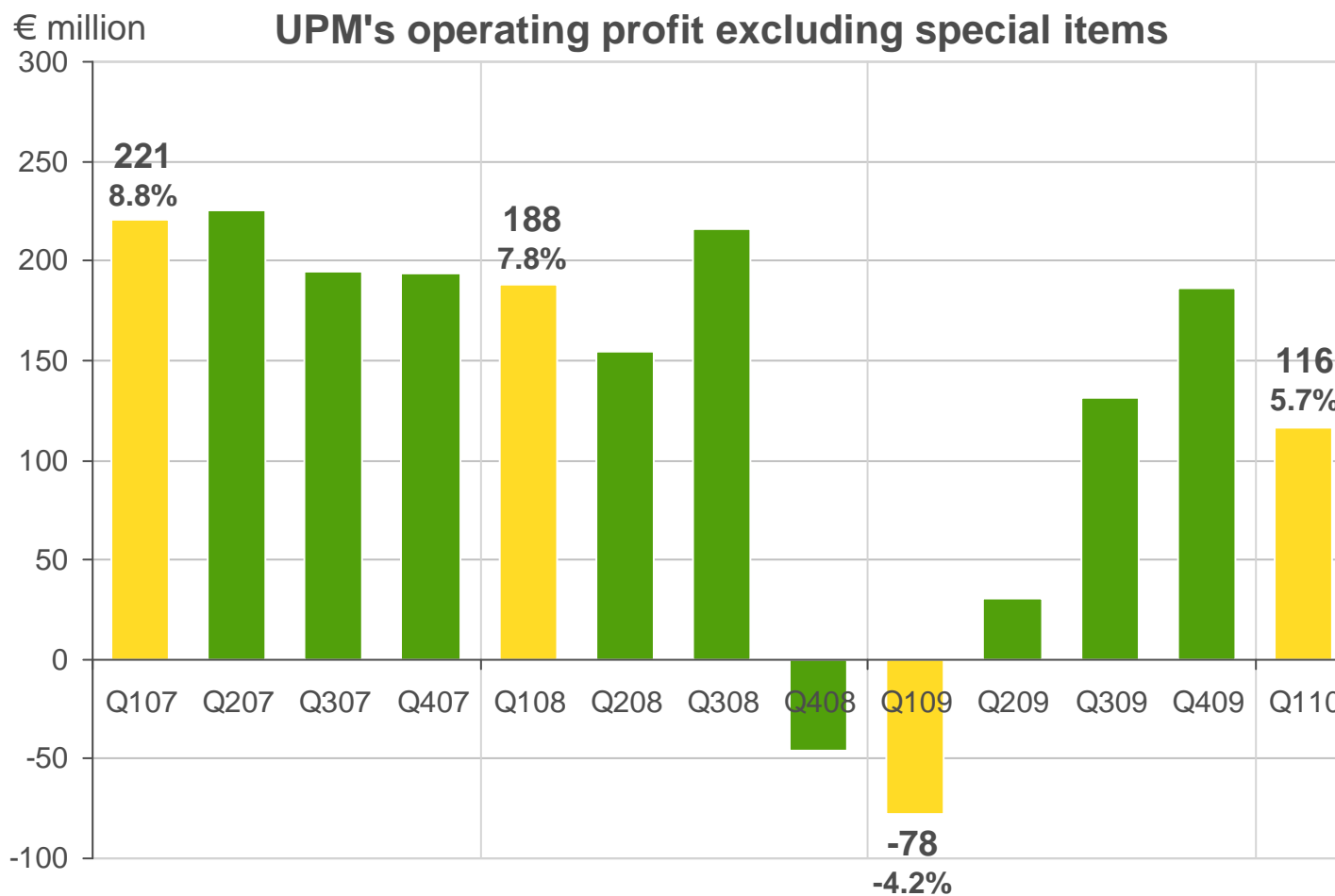
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EBITDA development in Q1 2010 vs. Q1 2009
10% higher sales on same fixed costs



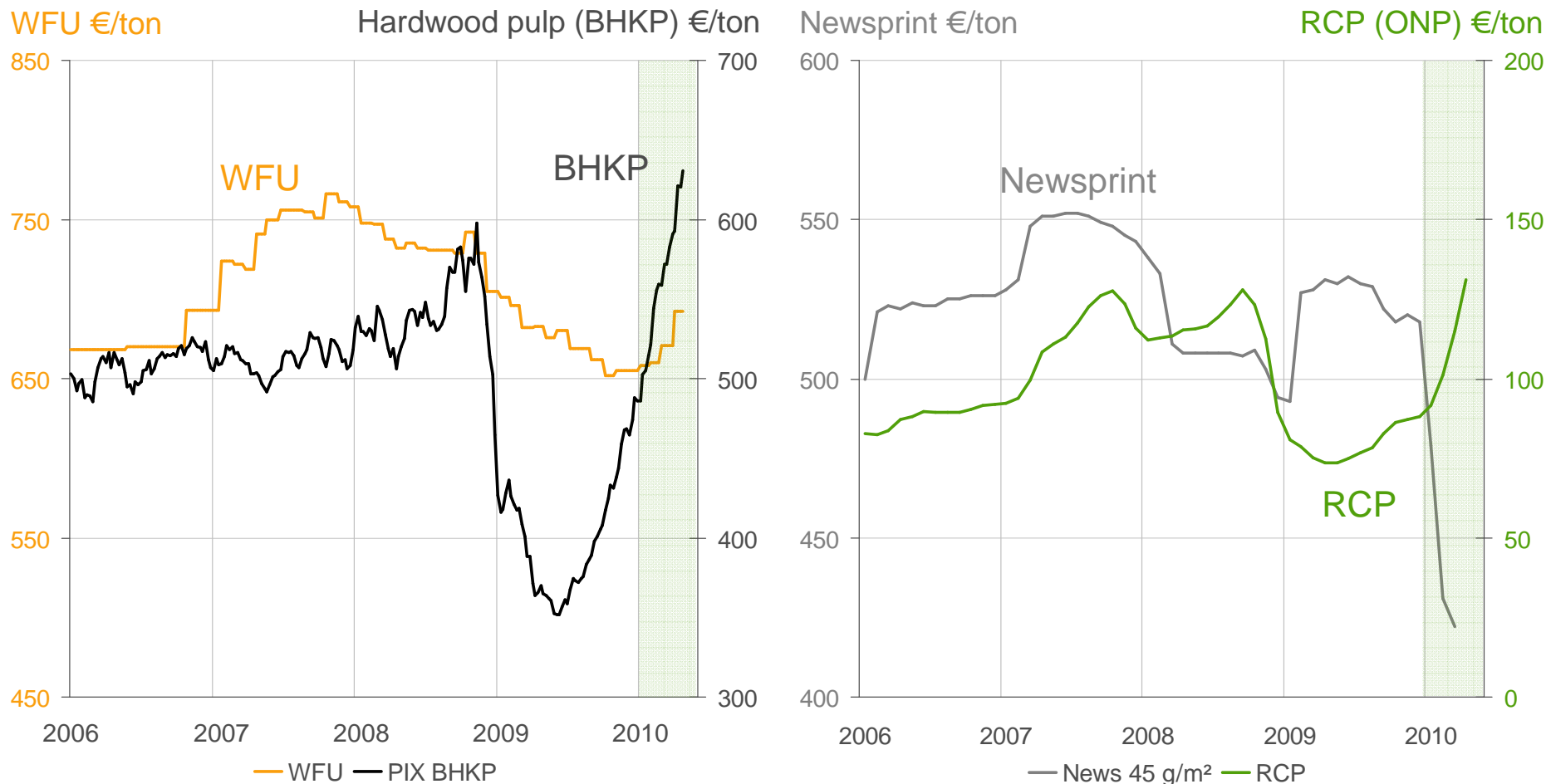
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Operating profit improved, but profitability remains unsatisfactory



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Increasing pulp and RCP prices are squeezing paper makers' margins



Source: FOEX Indexes Ltd., PPI, RISI

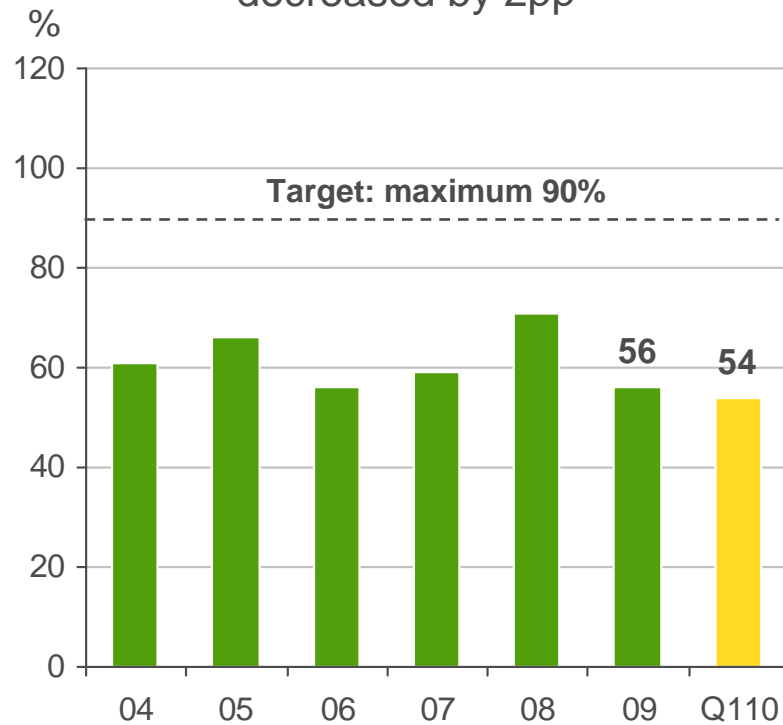
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Cash flow

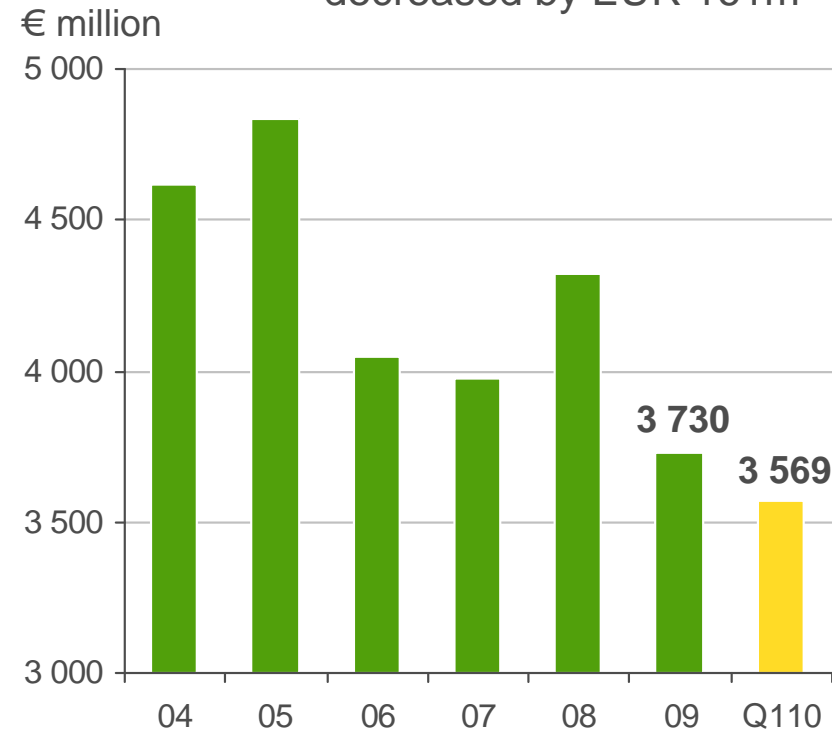
| €, million | Q1/10 | Q1/09 | 2009 |
|---|------------|------------|--------------|
| EBITDA | 288 | 128 | 1,062 |
| Cash flow before change in working capital | 250 | 131 | 941 |
| Change in working capital | -18 | 216 | 532 |
| Finance costs and income taxes | -23 | -73 | -214 |
| Net cash from operating activities | 209 | 274 | 1,259 |
| Capital expenditure | -49 | -78 | -236 |
| Cash flow after capex | 160 | 196 | 1,023 |
| Asset sales and acquisitions | 9 | 14 | 22 |
| Cash flow after investing activities | 169 | 210 | 1,045 |

Balance sheet strengthened

Gearing ratio
decreased by 2pp



Net debt
decreased by EUR 161m



Liquidity remained at EUR 2.2bn
repayments less than €0.6bn in 2010-11



Outlook for 2010 (*)

- Gradual recovery in demand to continue in consumer goods and graphic papers. Pick up expected also for construction materials
- Positive development in delivery volumes is expected to continue in most of our businesses
- In paper, sales prices in euro are estimated to be higher during Q2 2010 and target is to increase prices in all new contracts
- Raw material markets have tightened. Variable costs are expected to increase by about 2% from last year
- Operating profit excluding special items for 2010 is expected to clearly improve from last year

Summary

- Sales grew by 10%
- Fixed costs flat
- WOC nearly flat
- Balance sheet continued to strengthen

- Demand recovery continues
- Sales prices have bottomed
- Pressure in raw material prices

UPM assets – good cash flow with a long lifetime



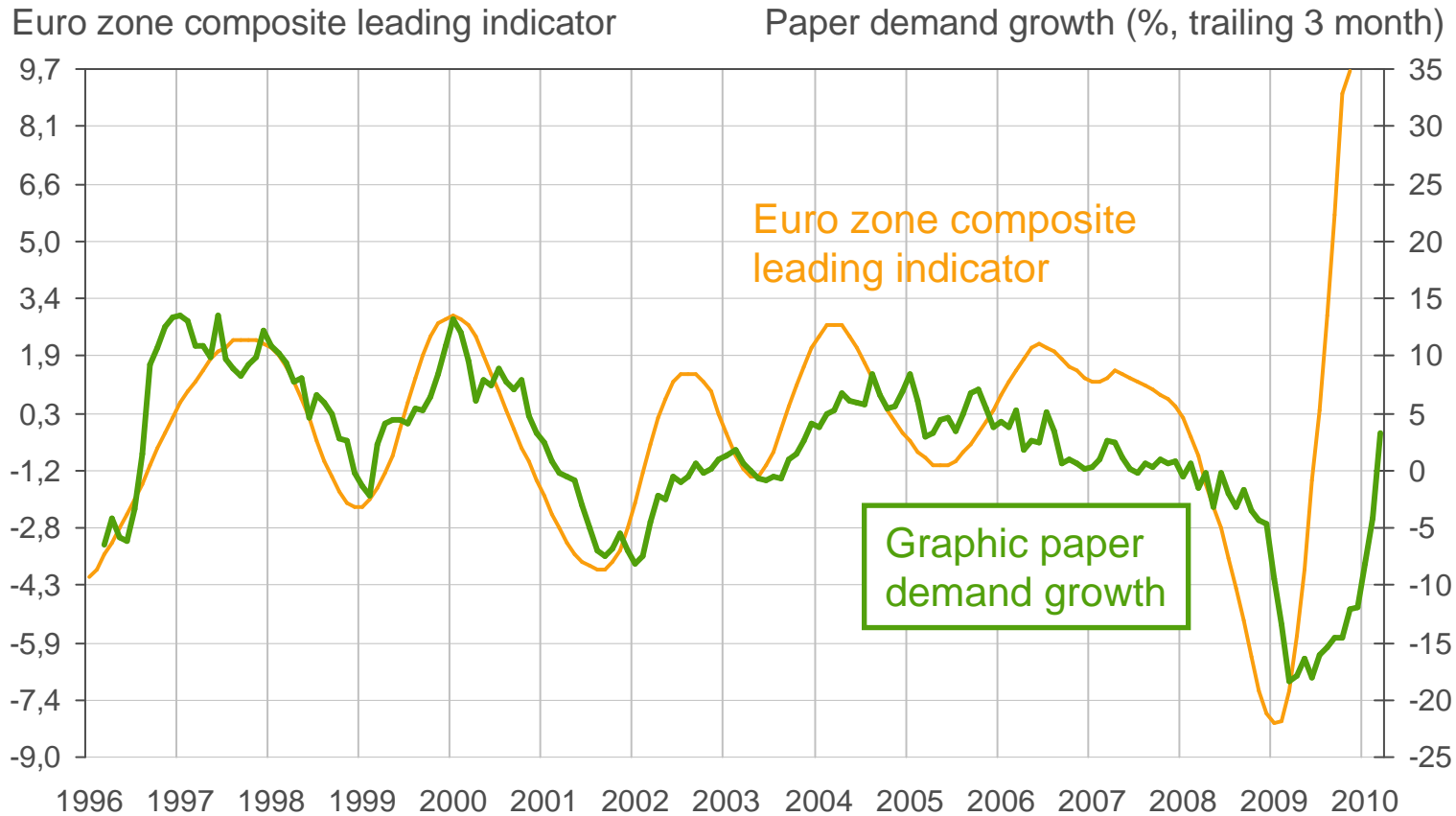
- Strong and versatile energy portfolio providing cost competitive energy
- Four modern pulp mills with total capacity of 3.2 million tons, of which 1.1 million tons in Uruguay
- Own forests and plantations provide up to 25 % of fibre
- Modern and cost competitive paper capacity. Changshu mill in the middle of fast growing markets
- Label has a global, modern manufacturing and delivery platform and strong market positions
- Plywood, after restructuring, cost competitive production
- Strong balance sheet and good cash flow

BUSINESS DRIVERS



BUSINESS DRIVERS

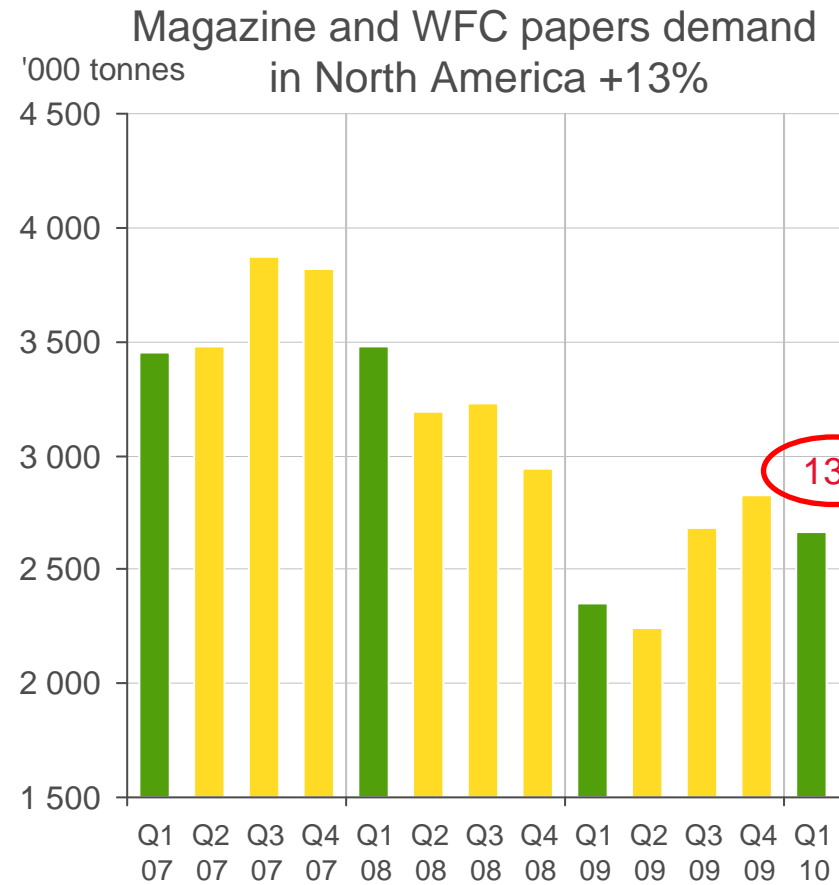
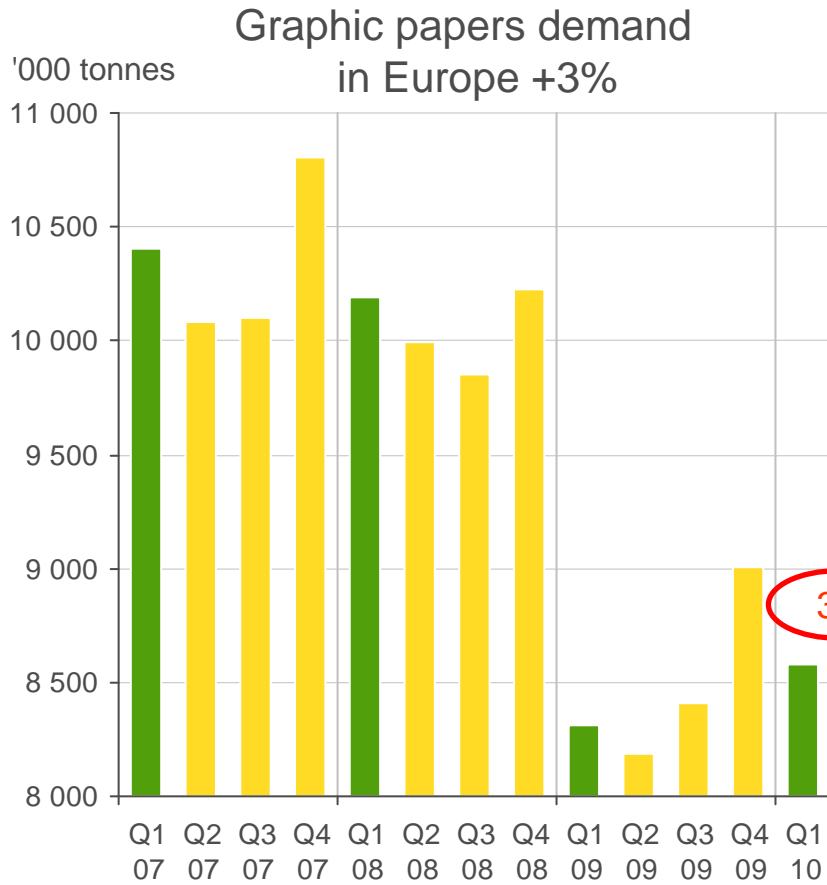
Economic indicators have improved and recovery has started in demand for UPM's products



Sources: Cepiprint, Cepifine, OECD

BUSINESS DRIVERS

Graphic papers demand



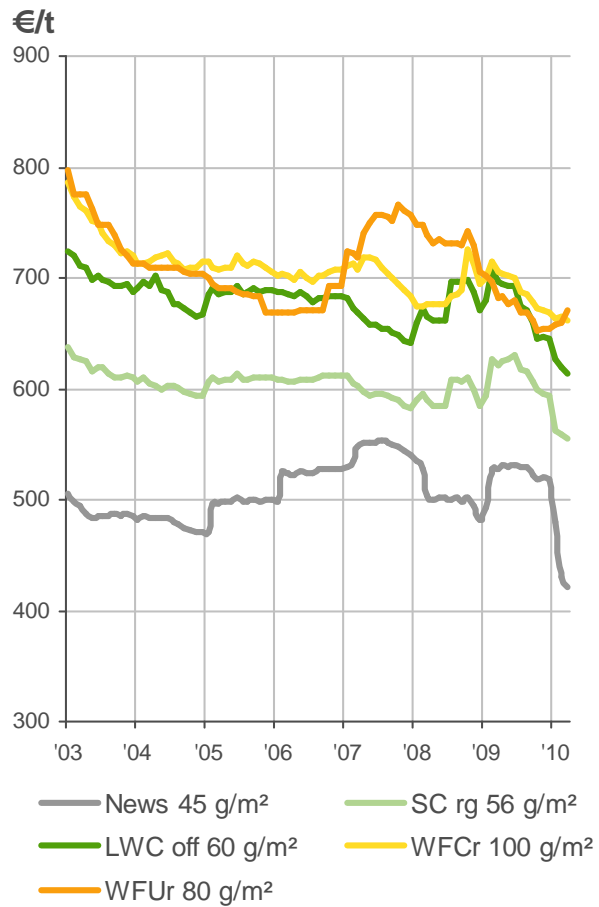
Source: Cepiprint/fine, PPPC

BUSINESS DRIVERS

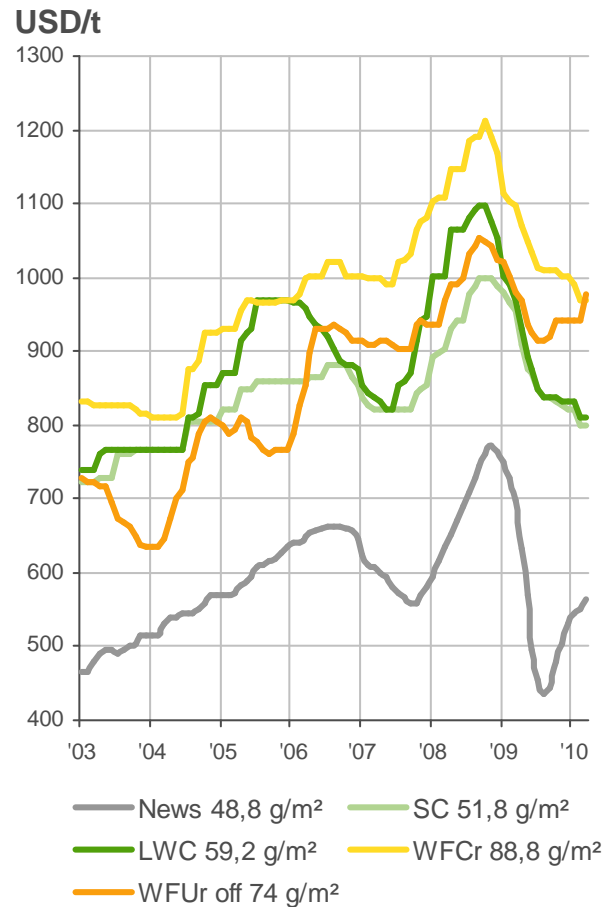
Graphic paper prices



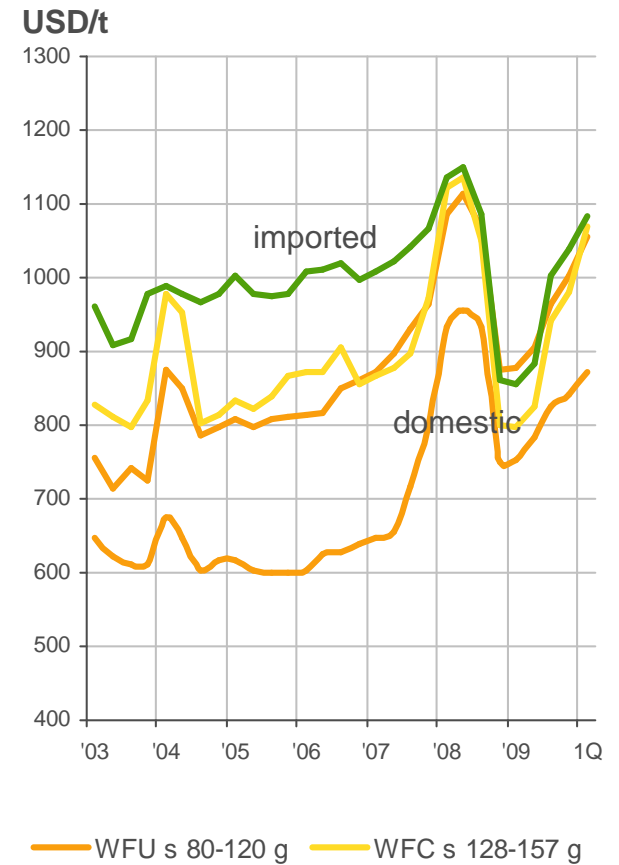
Europe



North America



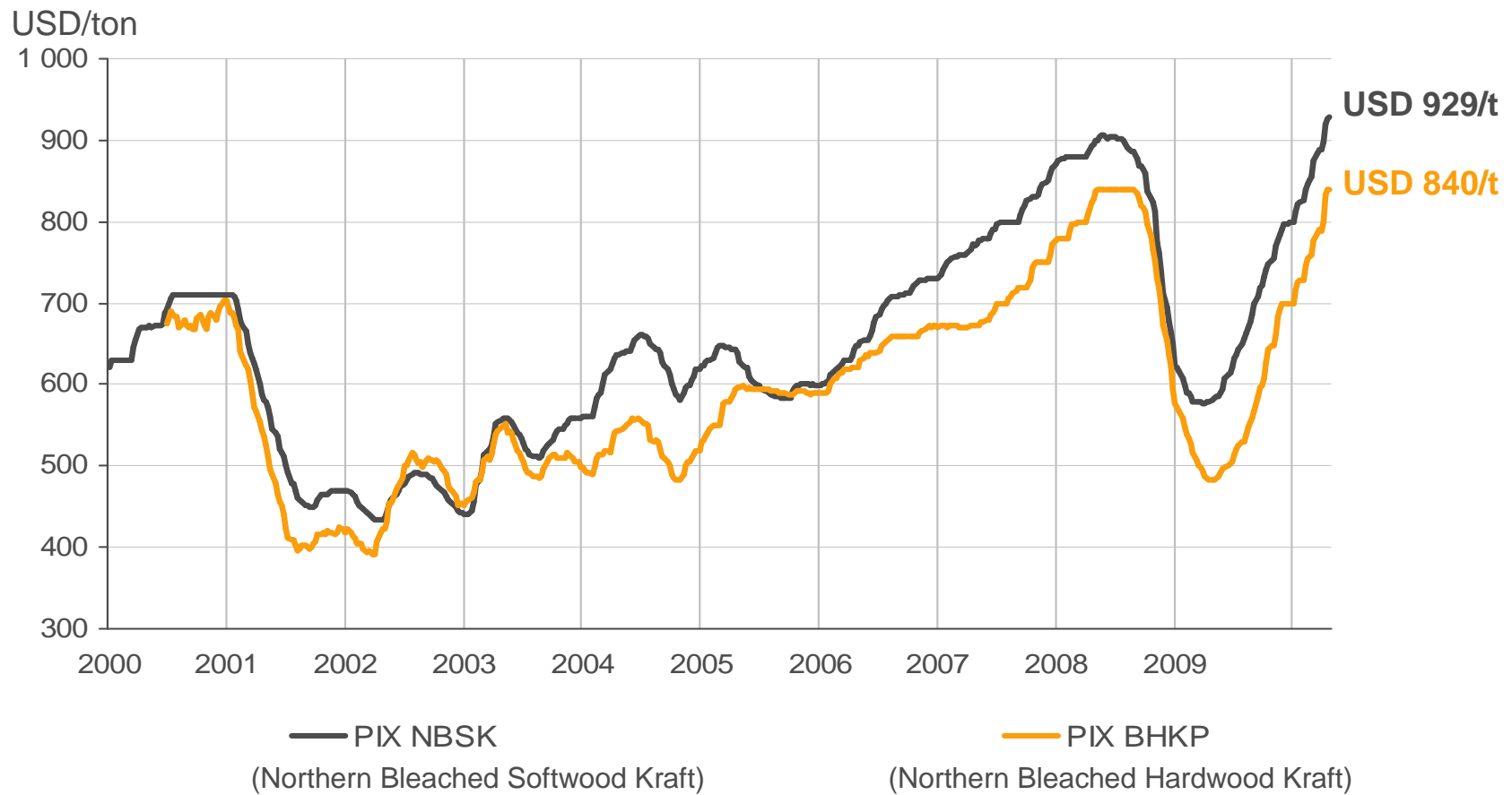
China



Source: PPI, RISI

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Chemical pulp market price

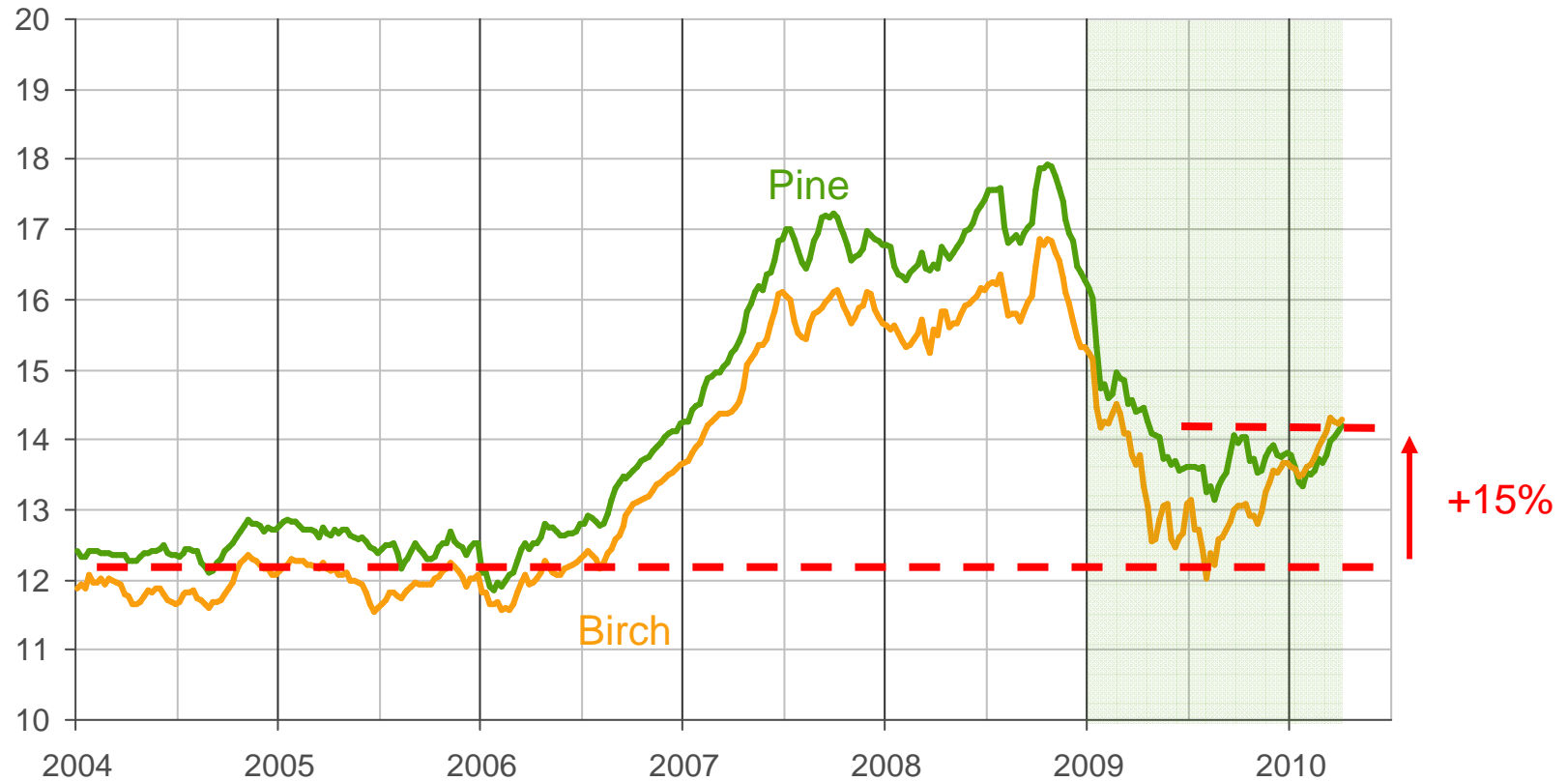


Source: FOEX Indexes Ltd.

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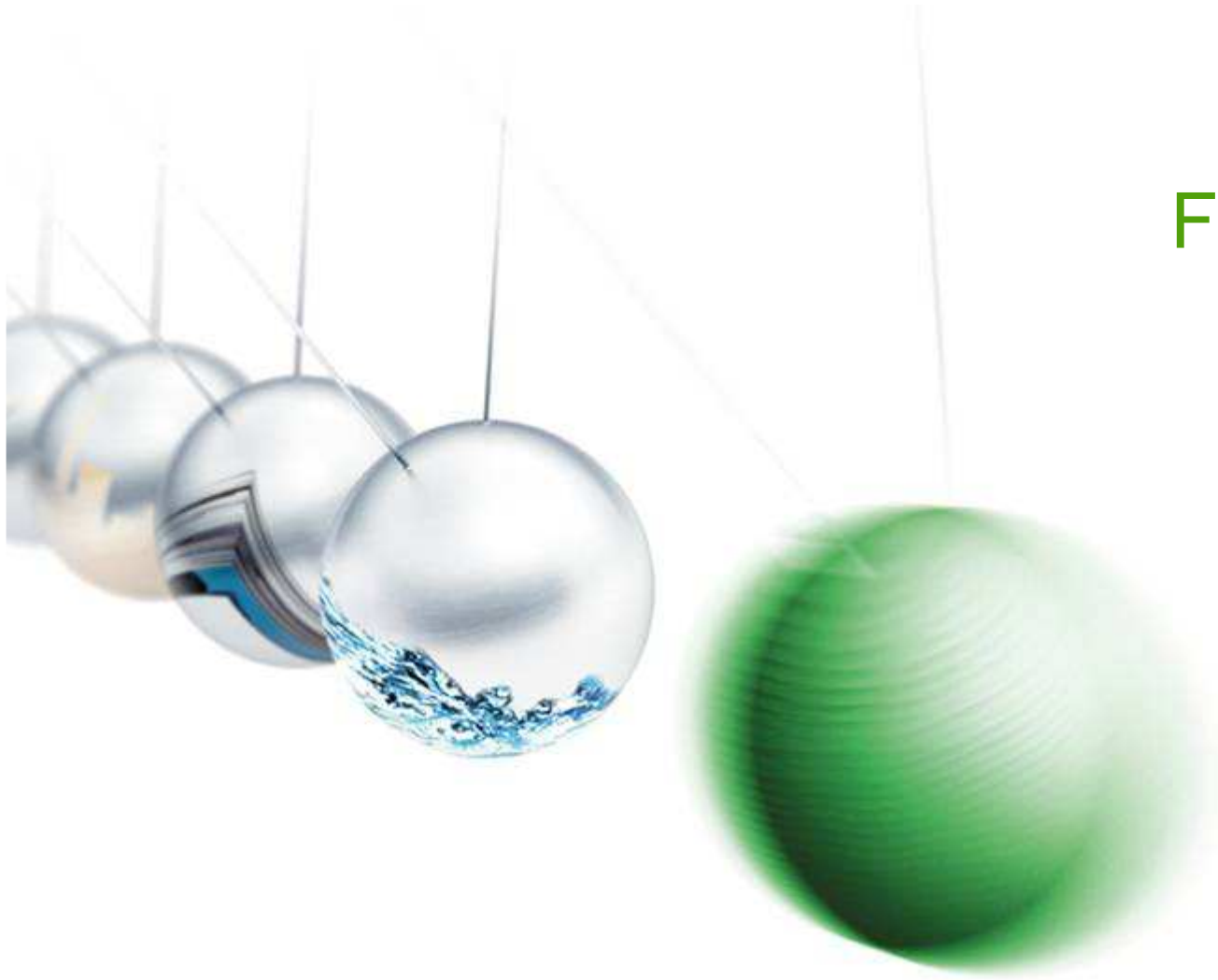
Wood prices still at a high level

Fibre wood prices in Finland, € / m³



Source: Metla

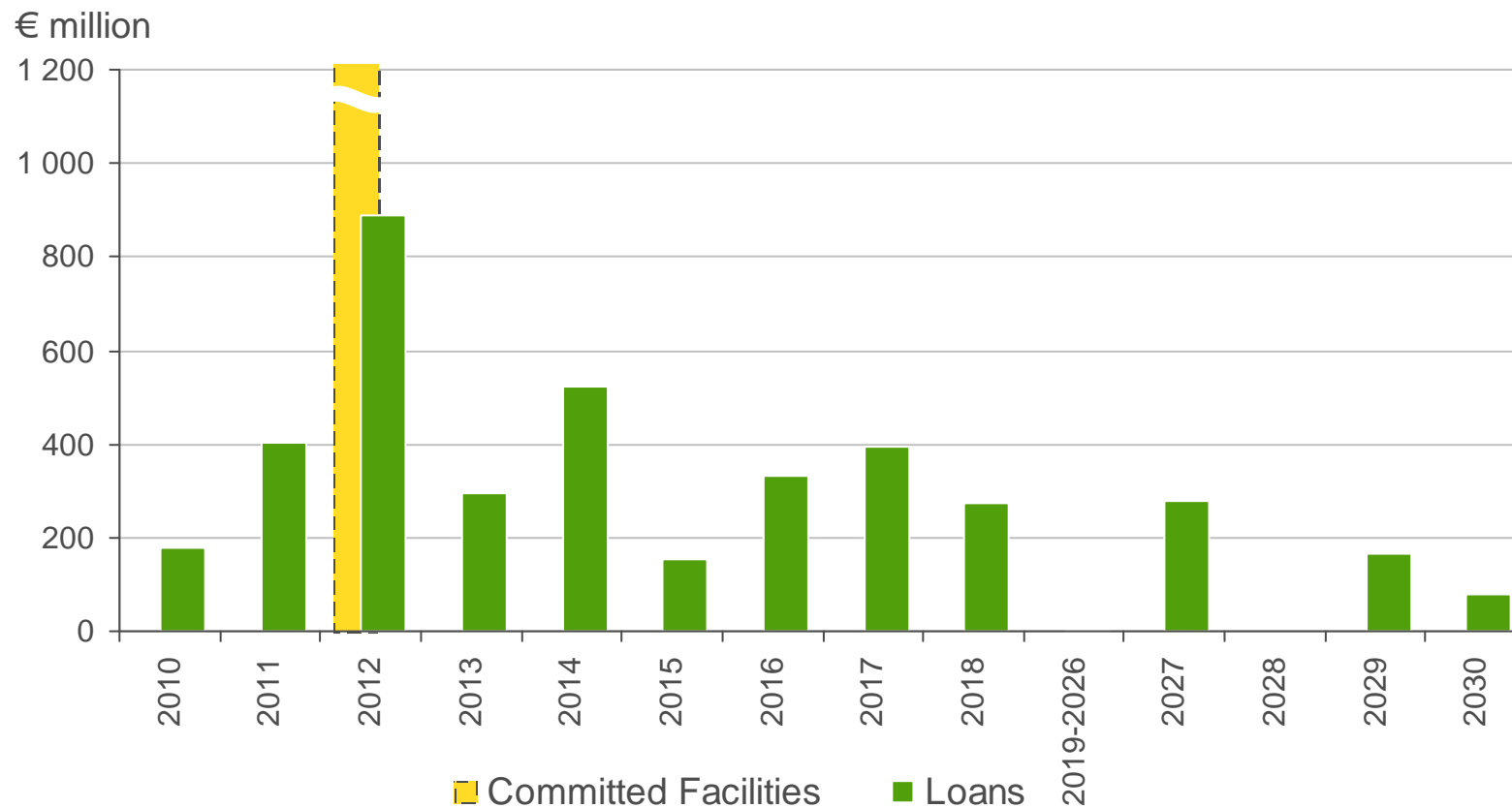
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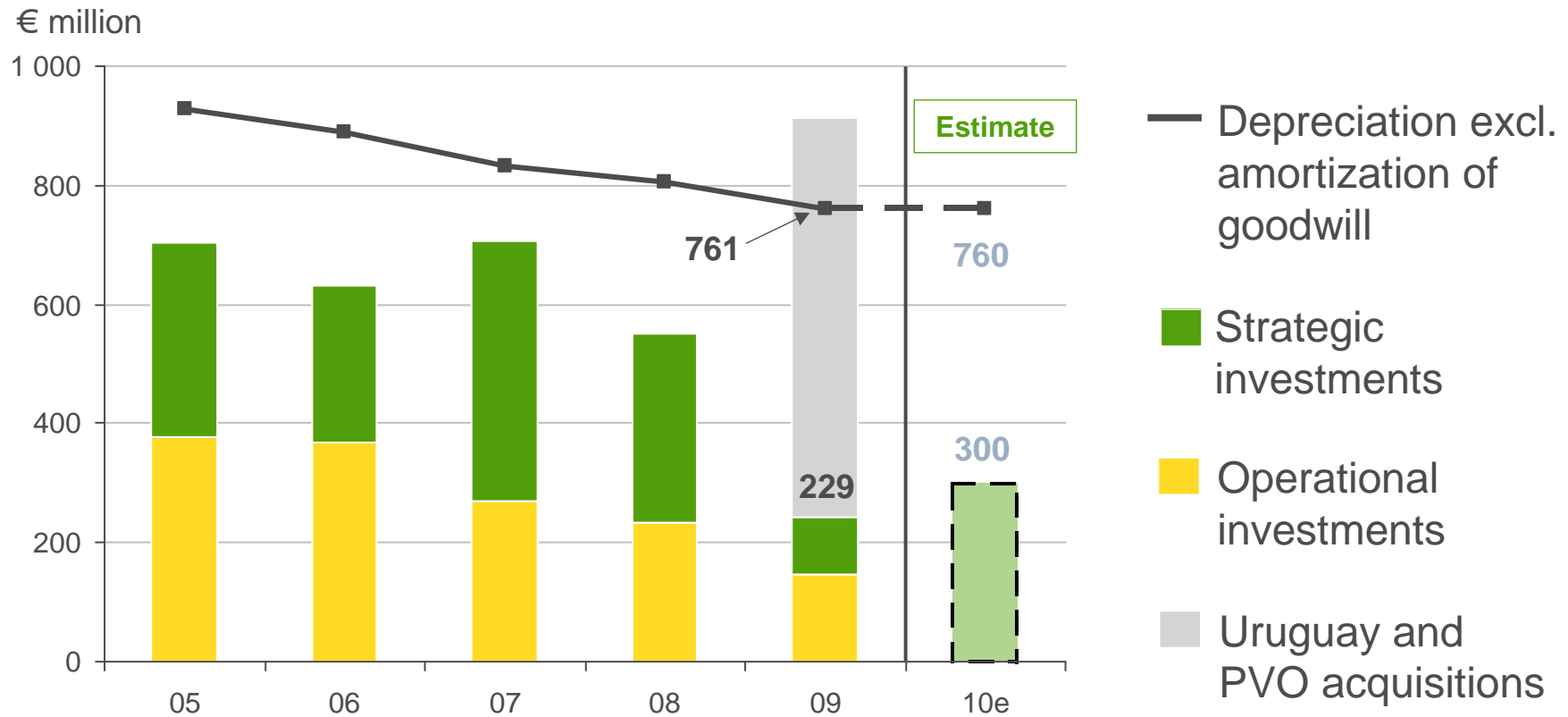
Maturity profile

- Liquidity on 31 March 2010 was € 2.2bn
 - cash € 365 million and unused credit facilities € 1.875 bn



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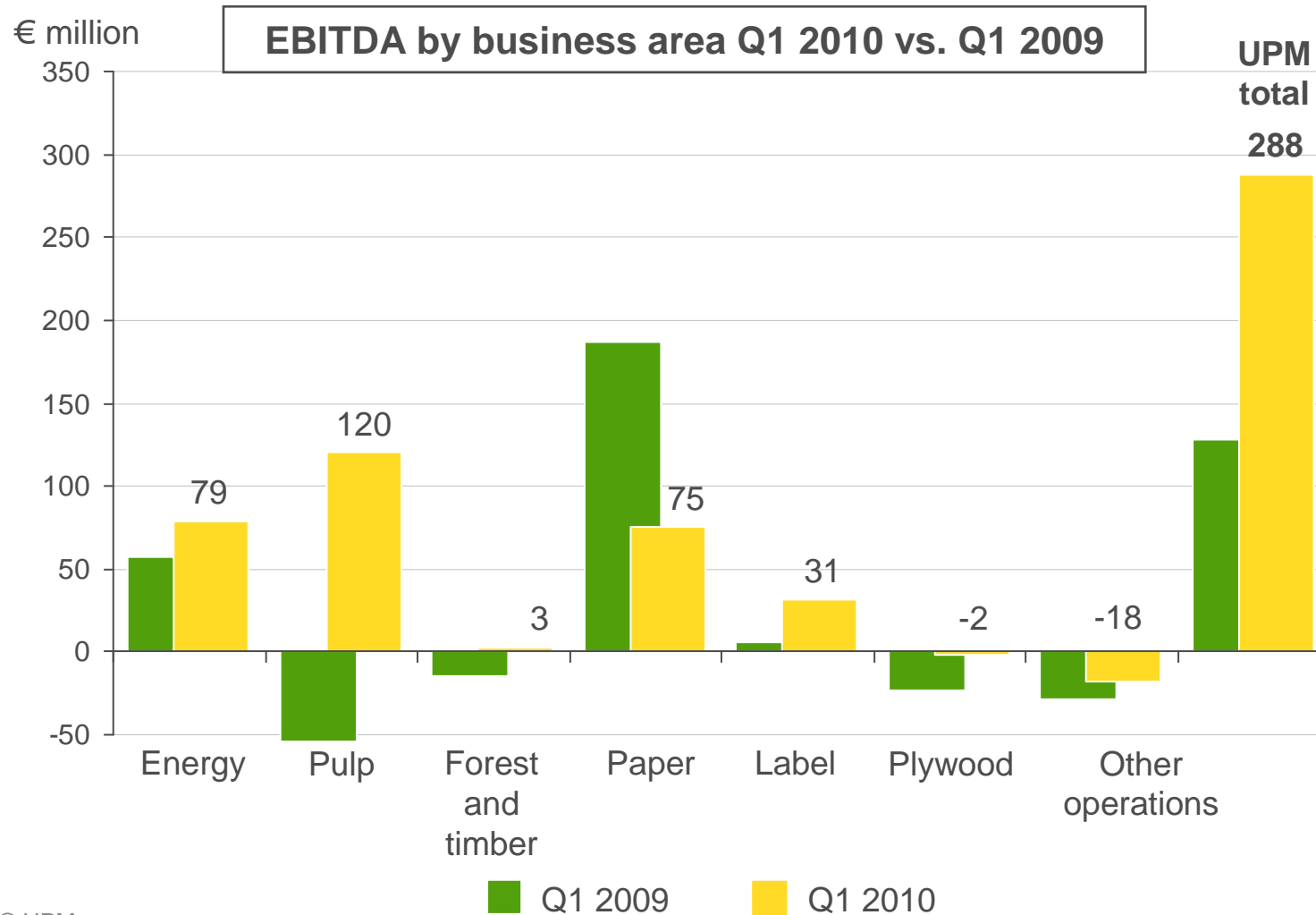
Capital expenditure and estimate for 2010



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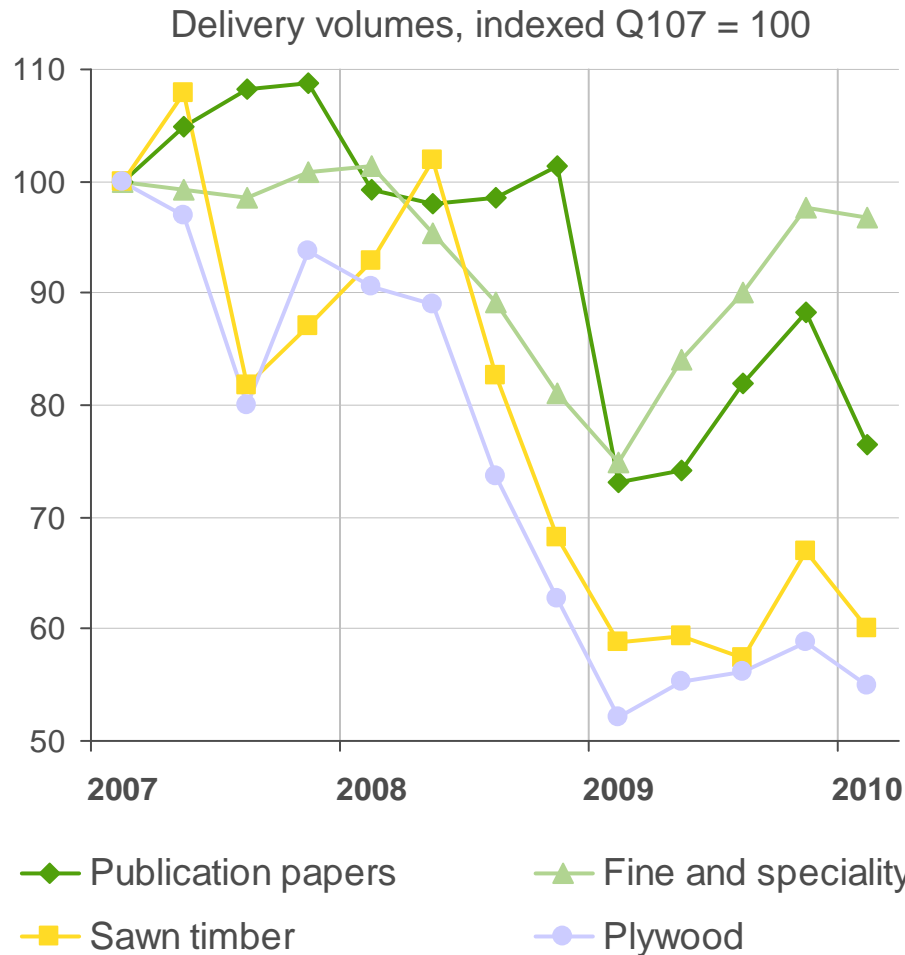
Q1 EBITDA:

Paper weaker, all other businesses improved



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Deliveries increased in all businesses from last year



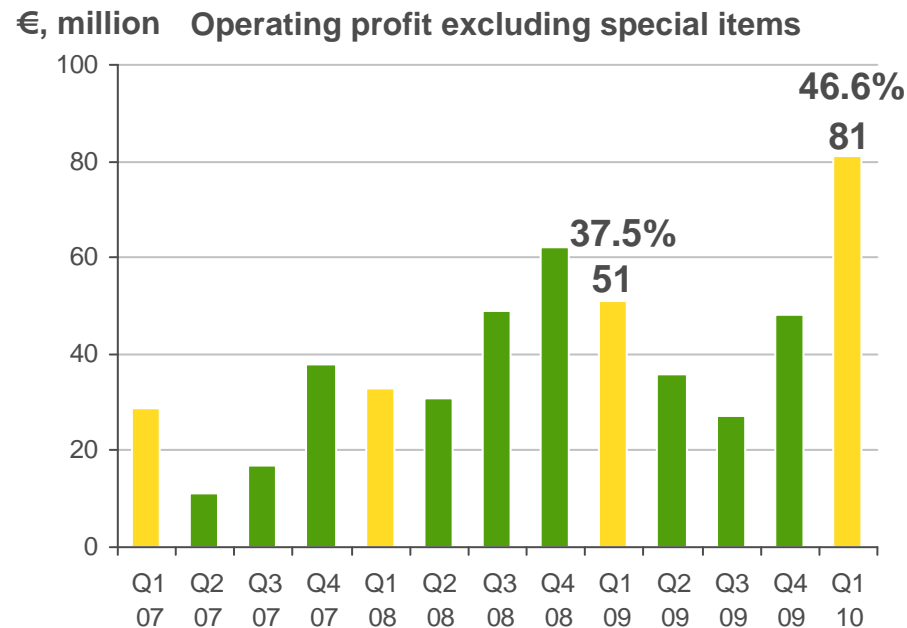
Change in deliveries from last year

| % | Q1/10 | 2009 |
|----------------------------|------------------|------|
| Pulp | +88 [*] | -11 |
| Publication papers | +5 | -20 |
| Fine and speciality papers | +29 | -6 |
| Label | ↑ | ↓ |
| Plywood | +5 | -30 |
| Sawn timber | +2 | -30 |

^{*}) acquired Fray Bentos pulp mill included from Dec 2009

FINANCIALS Energy Q1 2010 vs. Q1 2009

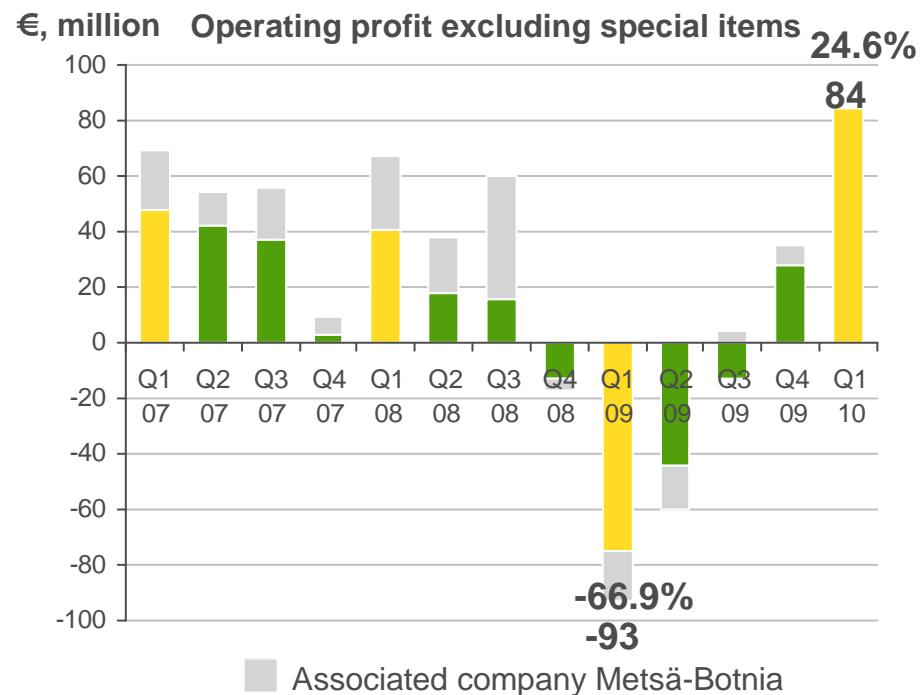
- Average sales price for electricity increased by 36%
 - external sales was higher
- Due to higher market prices, 29% lower hydropower volume was partly compensated with higher condensing power generation



| | Q1/10 | Q1/09 |
|--|-------|-------|
| Sales, M€ | 174 | 136 |
| Operating profit M€ excl. special items | 81 | 51 |
| Average price, change % | 36% | 40% |
| Electricity sales, TWh | 2.4 | 2.5 |

FINANCIALS Pulp Q1 2010 vs. Q1 2009

- Uruguay operations were included in the Pulp business area as of December 2009
- Operating profit improved due to significantly higher average pulp price
- Wood costs were lower
- Comparison period included a wood inventory write-down of € 28 million and a pulp inventory write-down of € 10 million

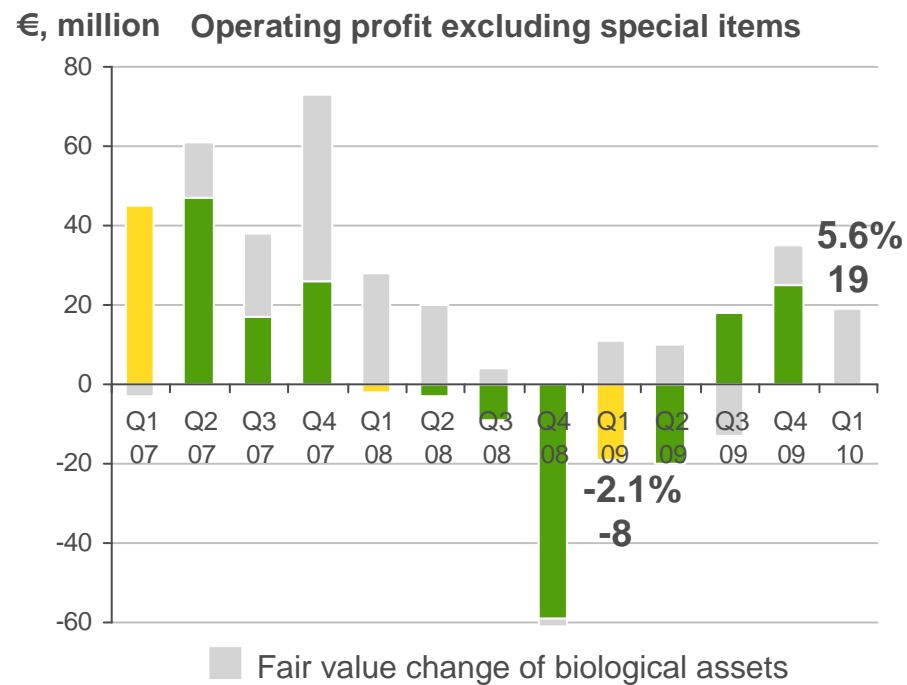


| | Q1/10 | Q1/09 |
|--|-------|-------|
| Sales, M€ | 341 | 139 |
| Operating profit M€ excl. special items | 84 | -93 |
| Pulp deliveries, 1,000 t | 700 | 372 |

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Forest and timber Q1 2010 vs. Q1 2009

- Sawn timber average sales price increased by 14%
- Increase in the fair value of biological assets net of wood harvested was € 19 million



| | Q1/10 | Q1/09 |
|--|-------|-------|
| Sales, M€ | 339 | 385 |
| Operating profit M€ excl. special items | 19 | -8 |
| Fair value change of biological assets | 19 | 11 |
| Average price of sawn timber, change % | 14% | -21% |
| Sawn timber deliveries, 1,000 m ³ | 371 | 363 |

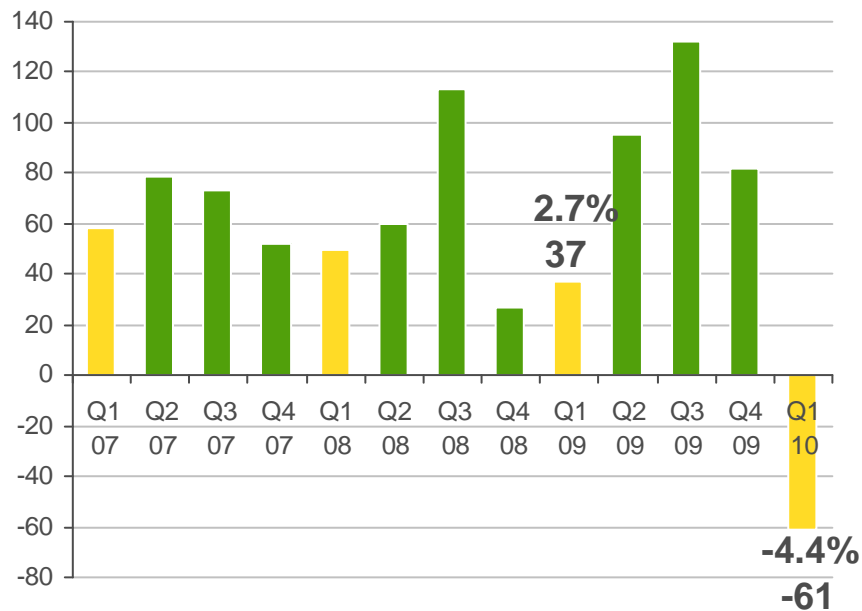
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Paper Q1 2010 vs. Q1 2009



- Average paper price decreased by 10%
- Cost of fibre increased
- Delivery volumes increased 13%
 - delivery growth especially in Asia, in North America and speciality papers

€ million Operating profit excluding special items

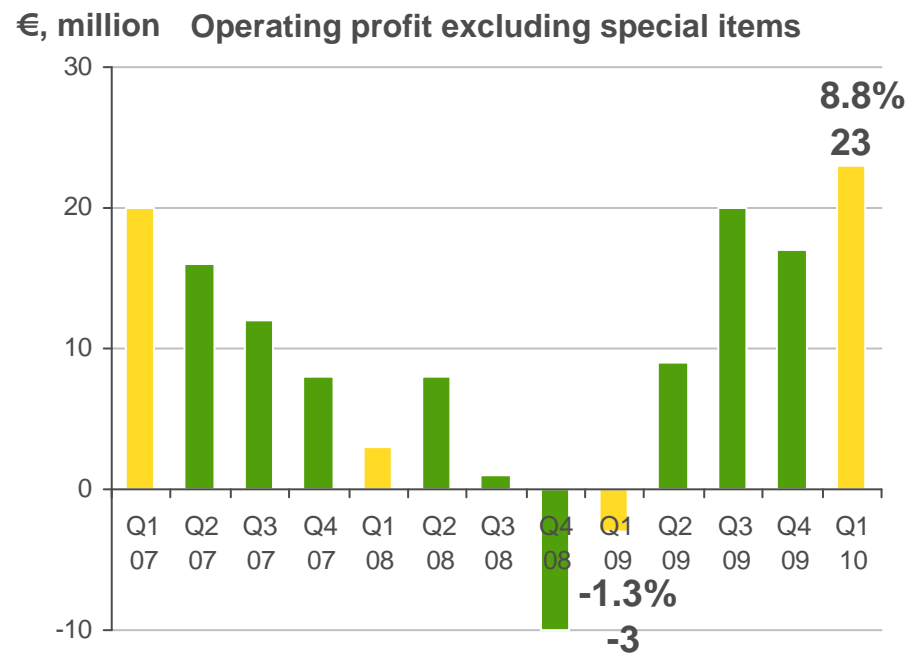


| | Q1/10 | Q1/09 |
|---|-------|-------|
| Sales, M€ | 1,401 | 1,367 |
| Operating profit M€ excl. special items | -61 | 37 |
| Average price, change % | -10% | 4% |
| Paper deliveries, 1,000 t | 2,301 | 2,028 |

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Label Q1 2010 vs. Q1 2009

- Operating profit increased due lower raw material costs and higher delivery volumes
- Delivery volumes increased in all regions, especially in Asia and Eastern Europe
- The average sales price for label materials in local currencies decreased marginally from last year but increased from Q4



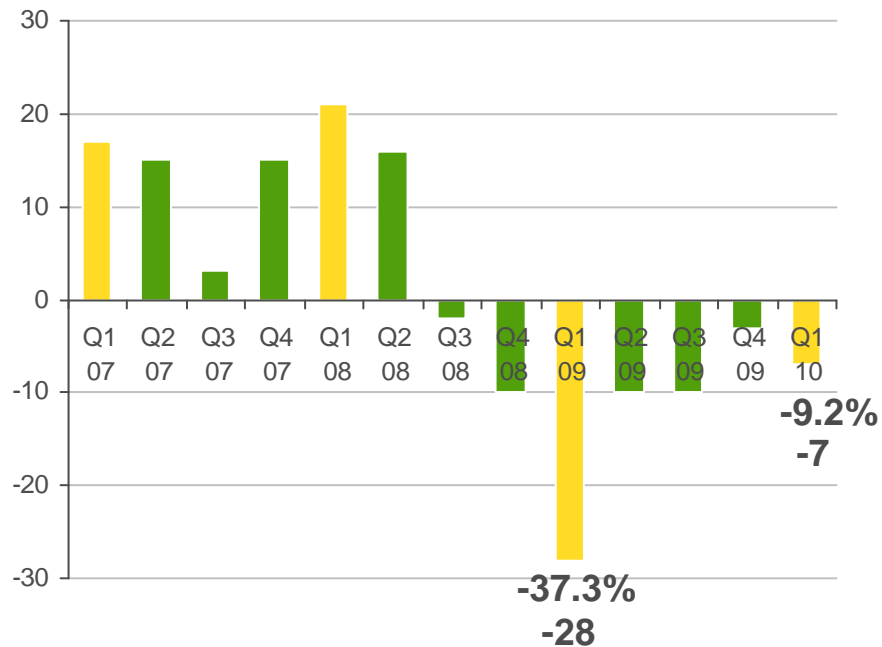
| | Q1/10 | Q1/09 |
|--|-------|-------|
| Sales, M€ | 260 | 223 |
| Operating profit M€ excl. special items | 23 | -3 |

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Plywood Q1 2010 vs. Q1 2009

- Operating loss decreased due to lower production costs
- Sales price was lower
- The comparison period included a wood inventory write-down of € 15 million

€ million Operating profit excluding special items



| | Q1/10 | Q1/09 |
|---|-------|-------|
| Sales, M€ | 76 | 75 |
| Operating profit M€ excl. special items | -7 | -28 |
| Plywood deliveries, 1,000 m ³ | 140 | 133 |



UPM

The Biofore
Company