



UPM Q1–Q3 RESULTS 2010

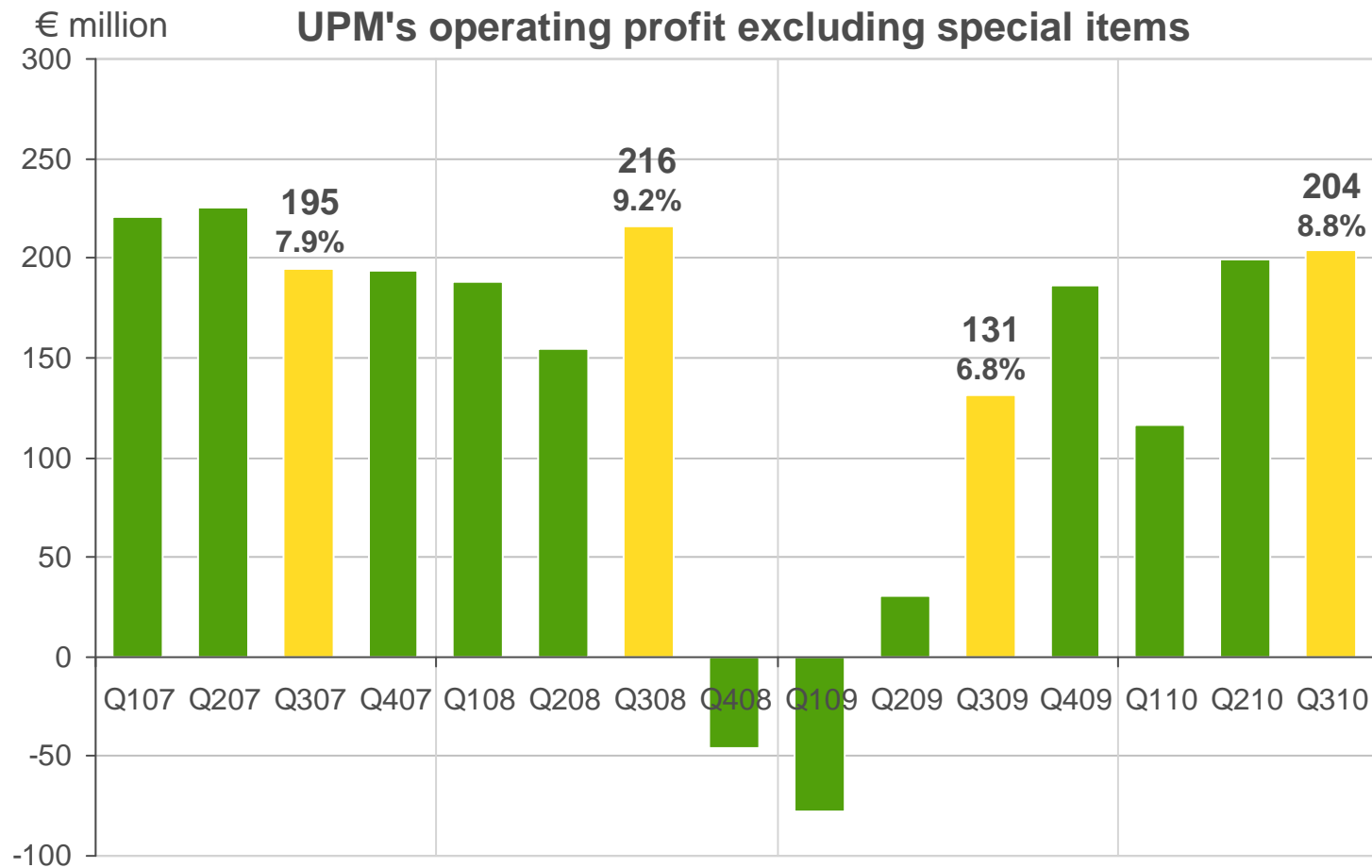
Jussi Pesonen
President and CEO
28 October 2010

Q3 2010 in brief

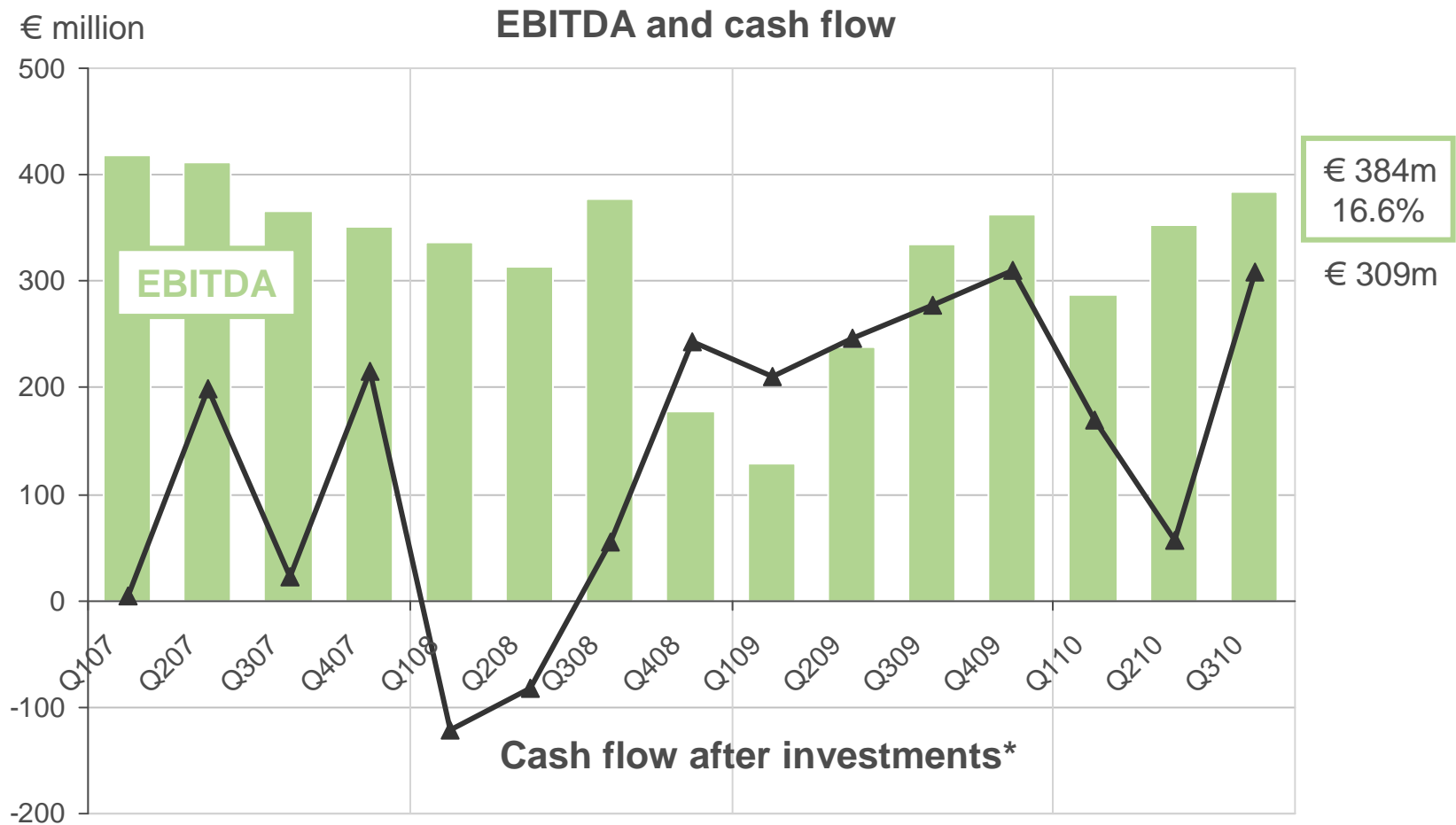
- Best EBITDA in three years; EUR 384 million, 16.6% of sales
- Q3 sales grew by 21% – delivery volumes grew in all businesses
- Sales prices increased in all businesses, both from last year and from Q2 2010
- Variable costs increased, especially for fibre
- Balance sheet continued to strengthen, net debt lower than before the Uruguay acquisition in Q4 2009
- Operating cash flow EUR 328 (309) million

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Operating profit – continued profitability improvement from the recession lows



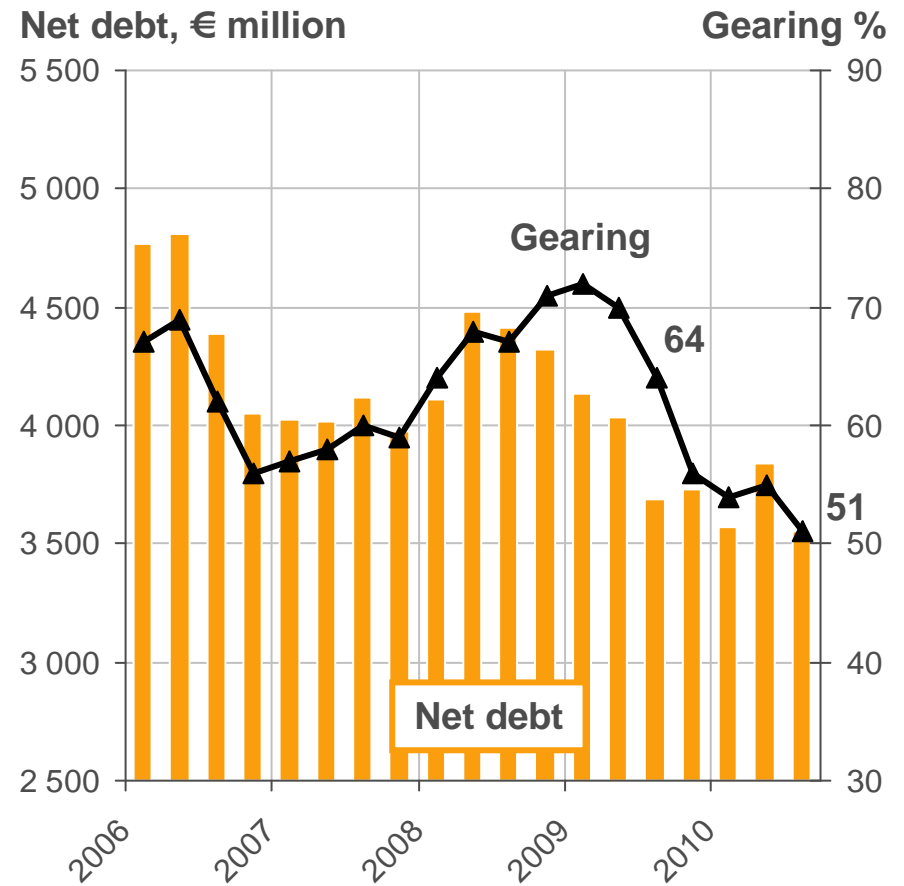
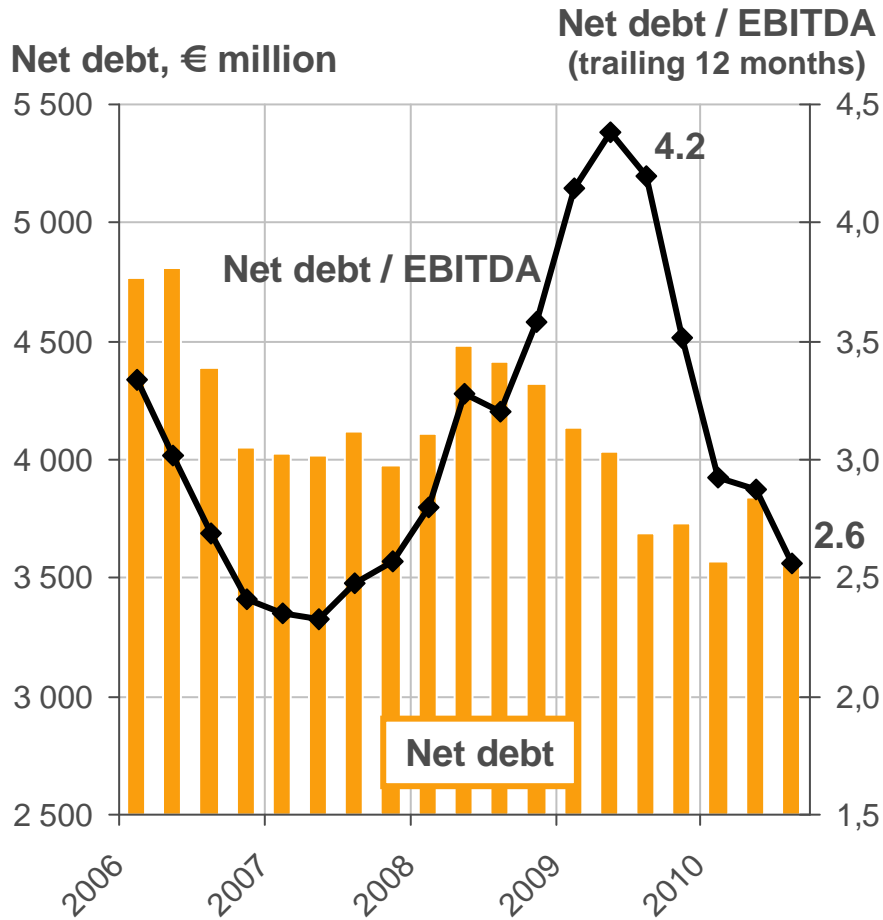
Best EBITDA since Q2 2007, strong cash flow



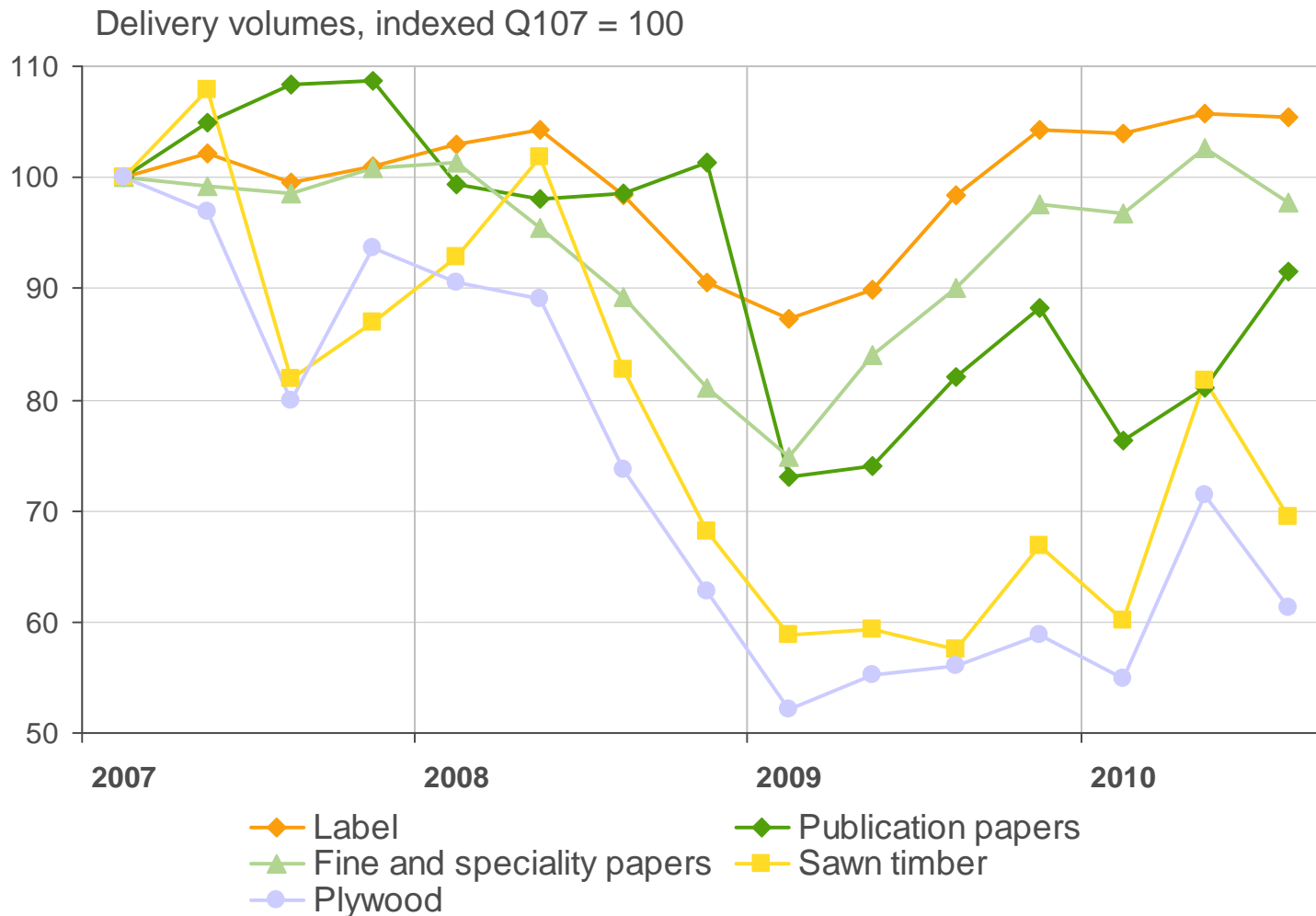
*) including acquisitions and divestments

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Balance sheet strengthened, improving room for strategic manoeuvring

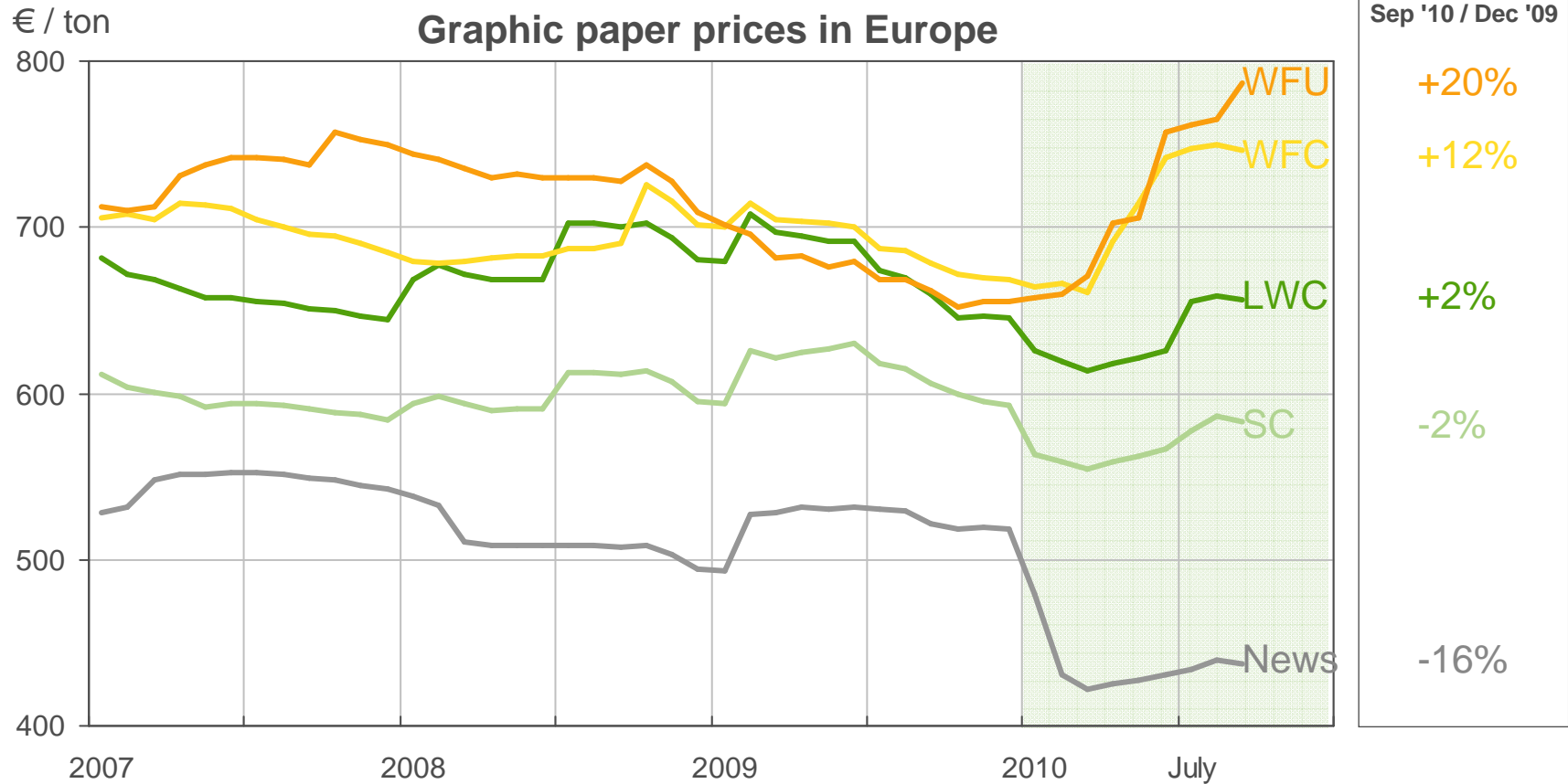


Deliveries grew in all businesses from last year



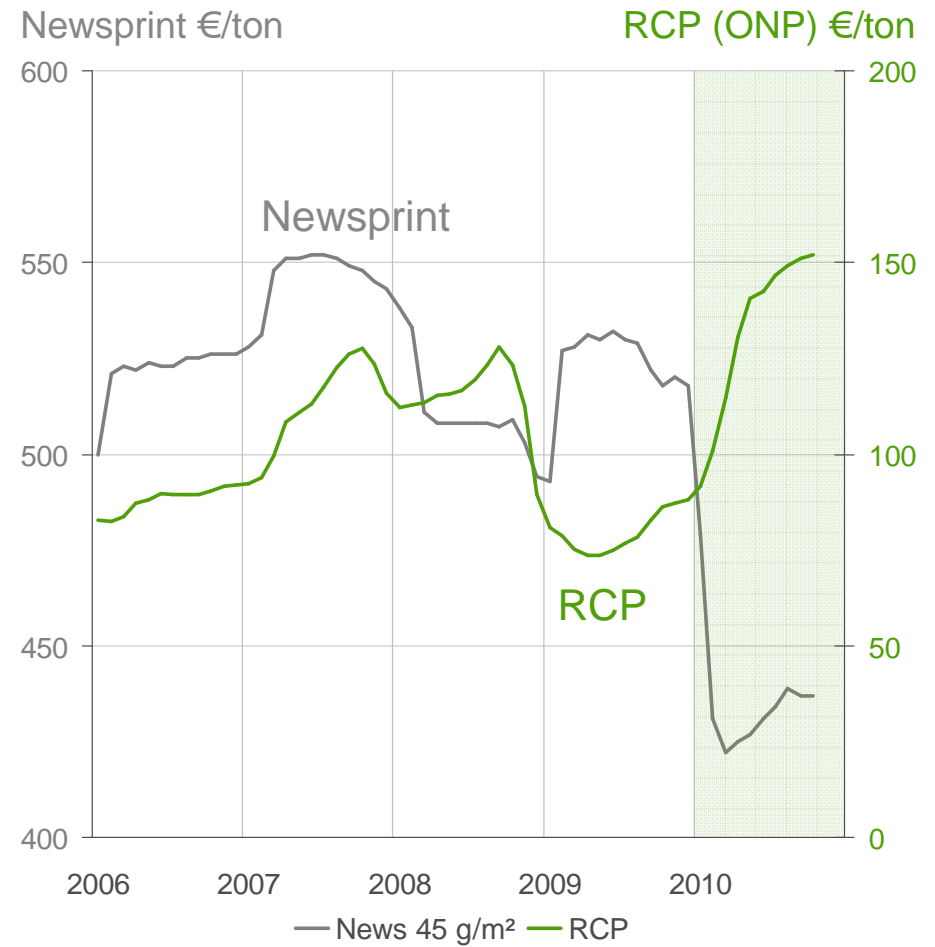
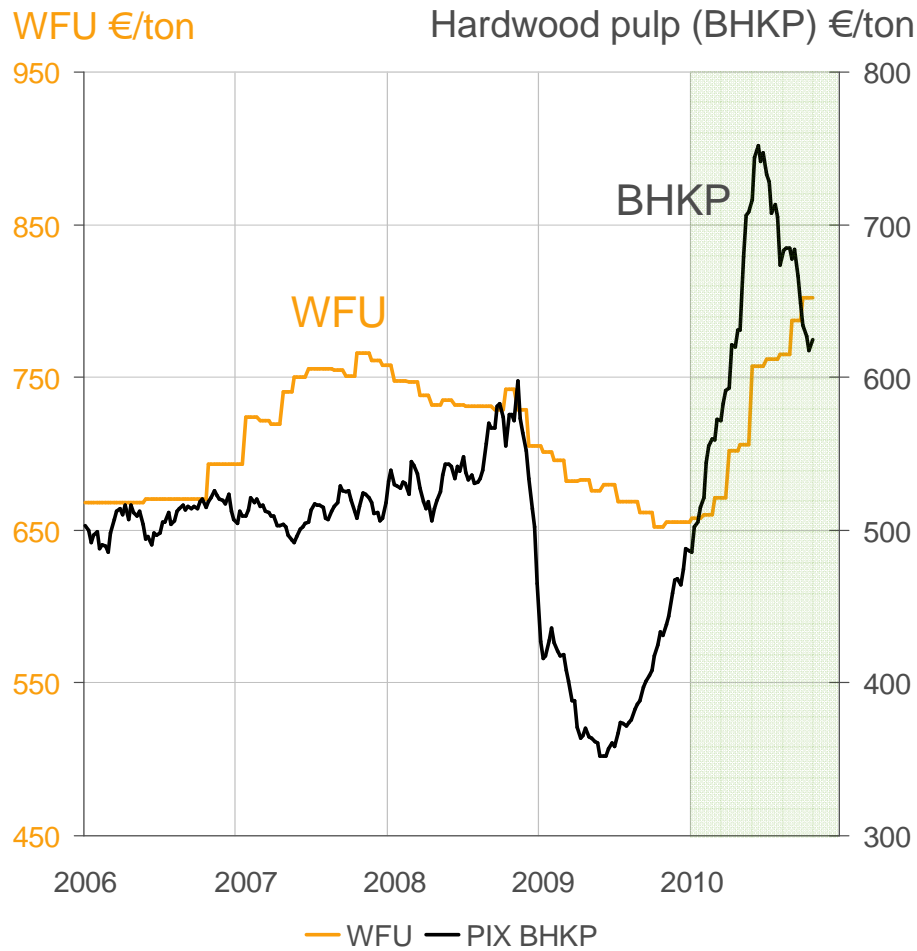
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Prices increased in all of UPM's businesses
 – paper prices started to increase in Europe



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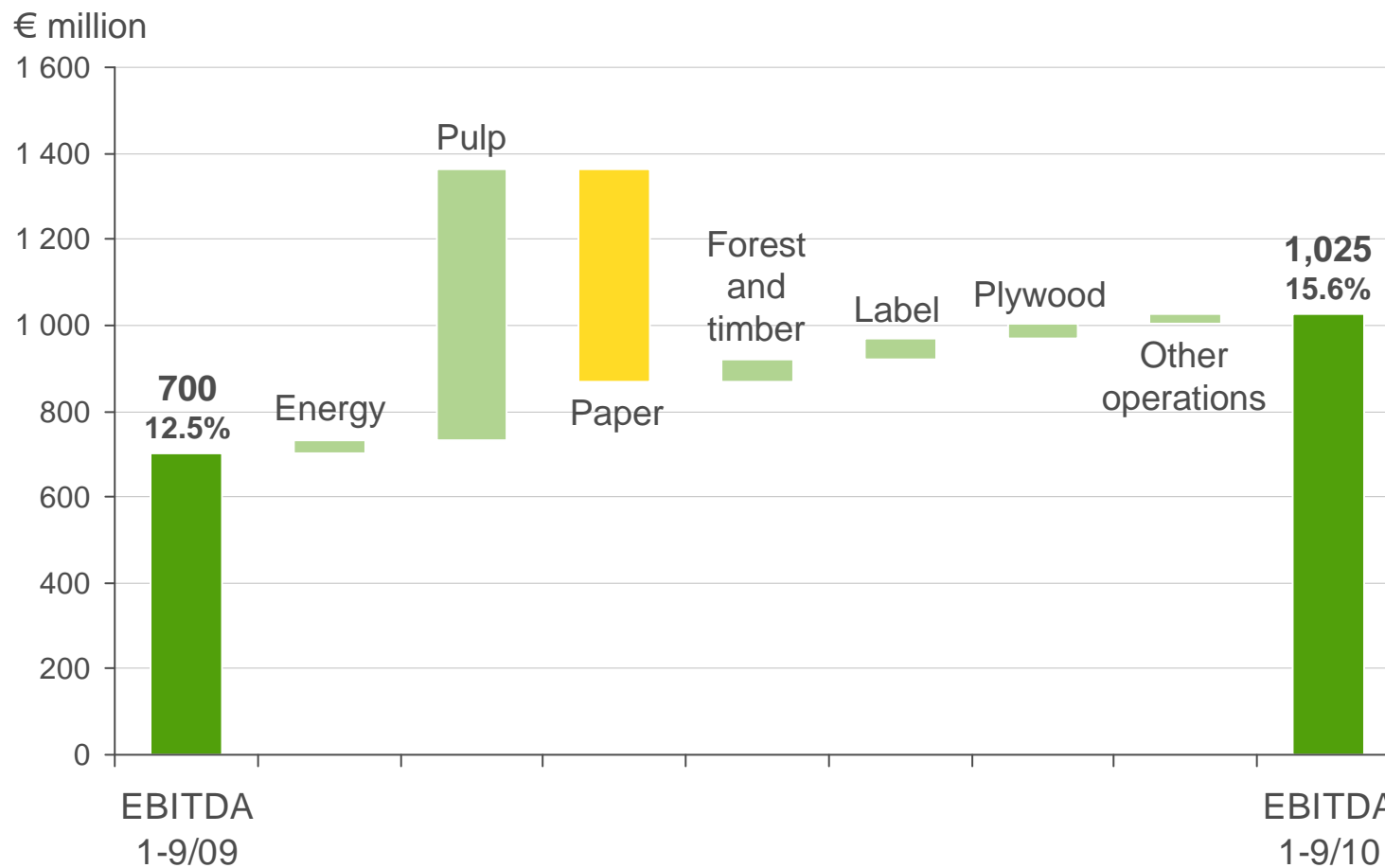
Fibre prices still squeezing paper makers' margins



Source: FOEX Indexes Ltd., PPI, RISI

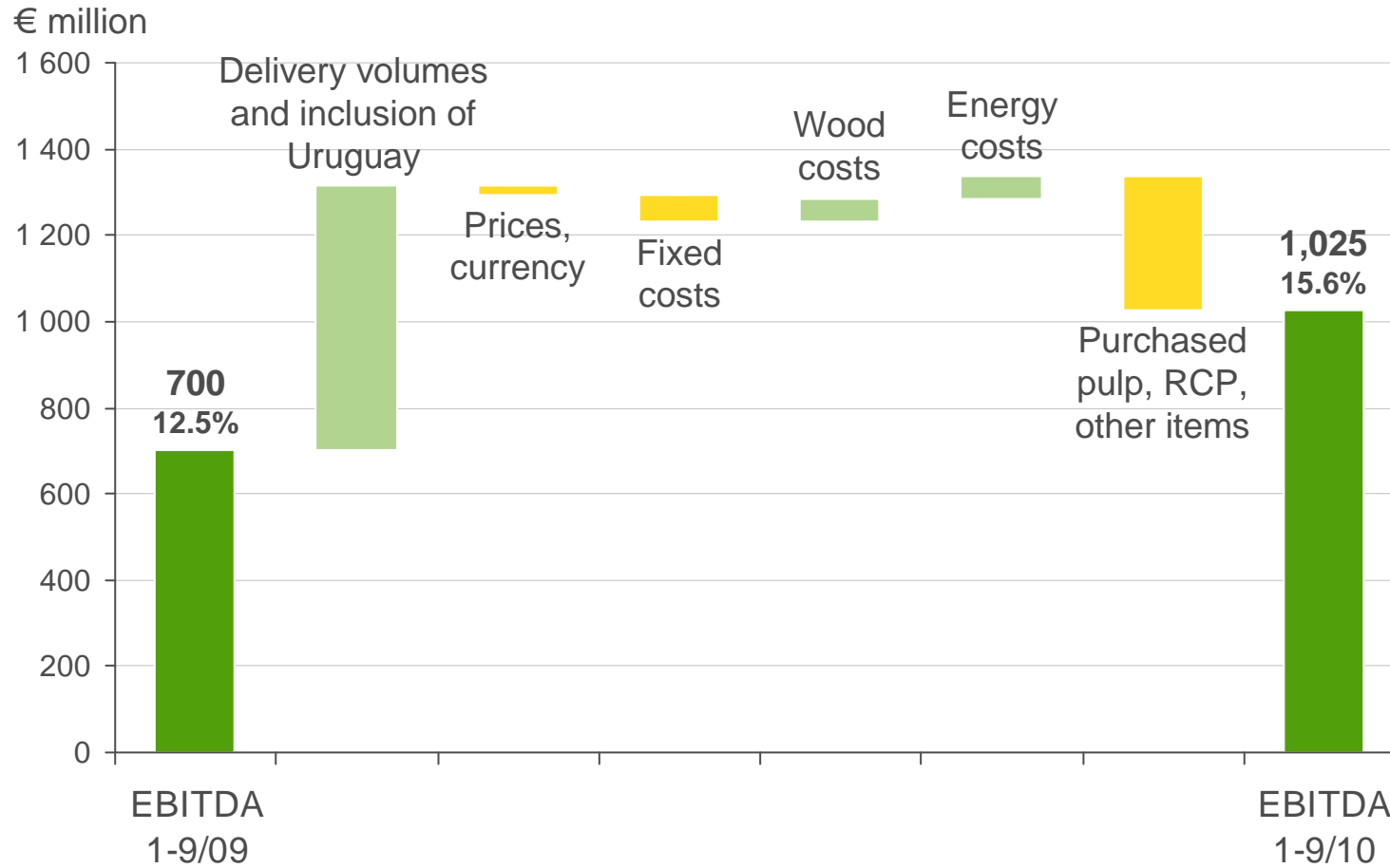
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**EBITDA development in 1–9 2010 vs. 1–9 2009:
Paper weaker, all other businesses improved**



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**EBITDA development in 1–9 2010 vs. 1–9 2009:
Improvement from higher volumes**





Outlook for Q4 2010 (*)

- Operating profit guidance unchanged for the full year 2010: "operating profit excluding special items for H2 expected to be higher than for H1"
- Business area comments on Q4 vs. Q3 2010

Q410 vs. Q310	Prices	Deliveries
Energy	↑	↑
Pulp	↓ (in euros)	→
Sawn timber	↓	→
Paper	→ (in euros)	→
Label	↑	→
Plywood	→	→
UPM average	→ (in euros)	→

- Variable costs expected to increase from Q3 to Q4

Summary

- Profitability improved – best EBITDA in three years
- Sales prices and delivery volumes increased in all businesses
- UPM business structure and quality of the asset base provide consistent cash flow, with low operational investment needs
- Net debt € 135 million lower than before the Uruguay acquisition – also gearing and net debt / EBITDA clearly lower
- Higher prices and continuous cost control are essential to reach group financial targets



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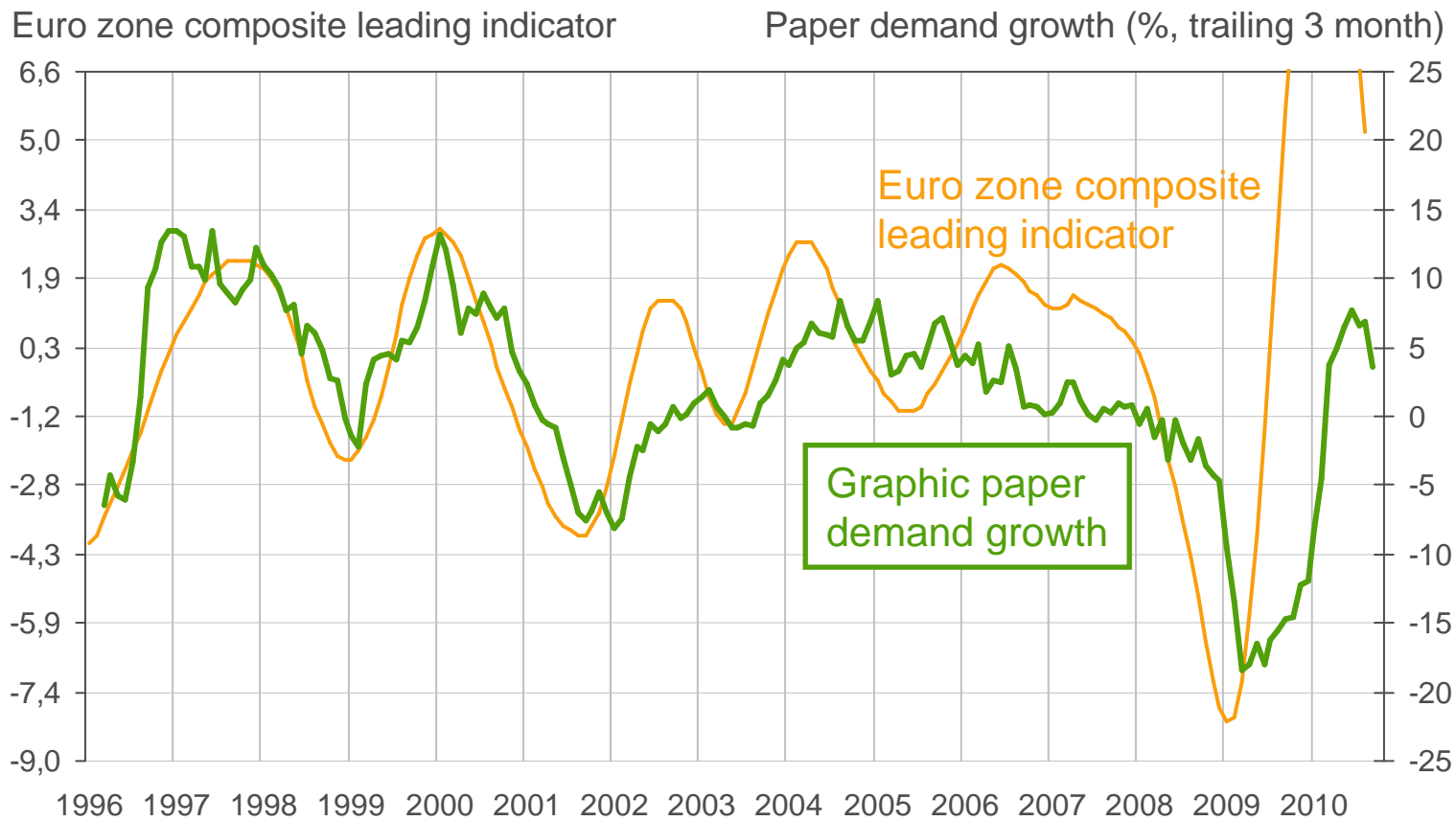
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BUSINESS DRIVERS



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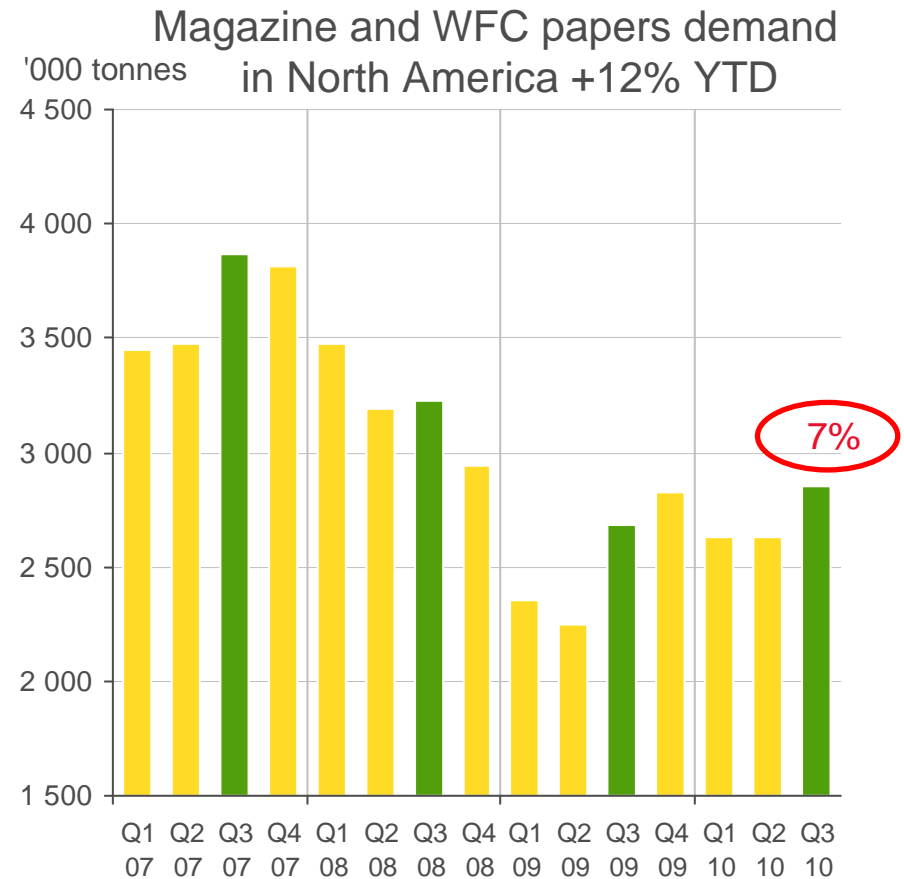
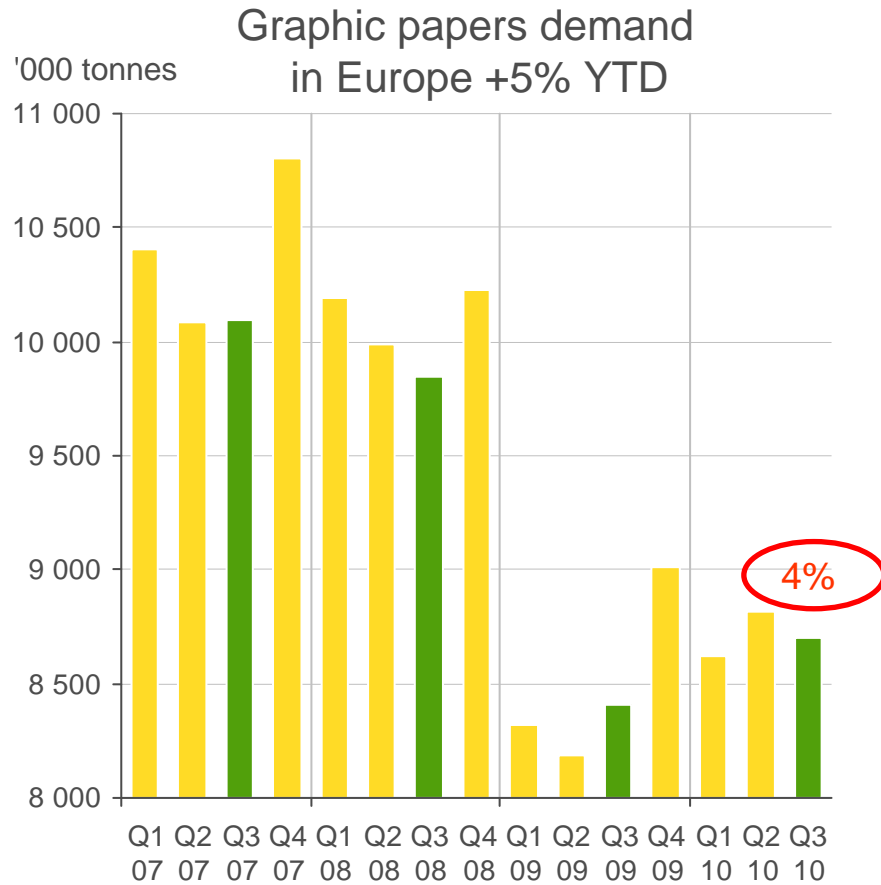
Demand rebound after recession has slowed down



Sources: Cepiprint, Cepifine, OECD

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Graphic papers demand

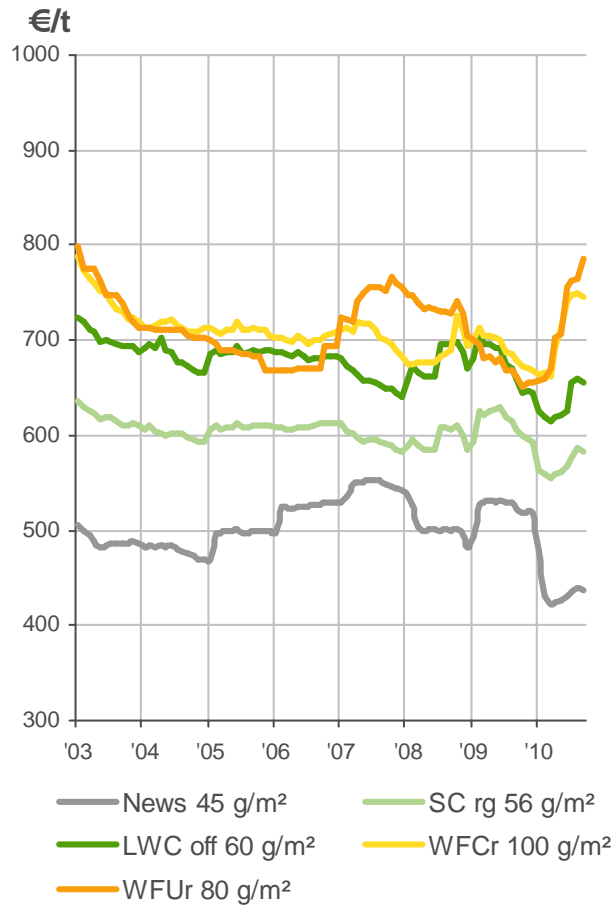


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Graphic paper prices

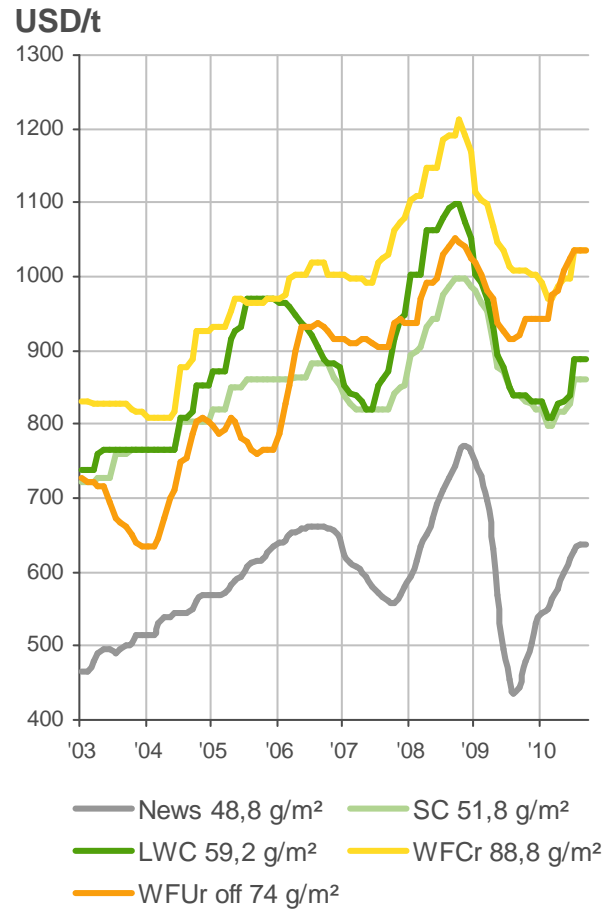


Europe

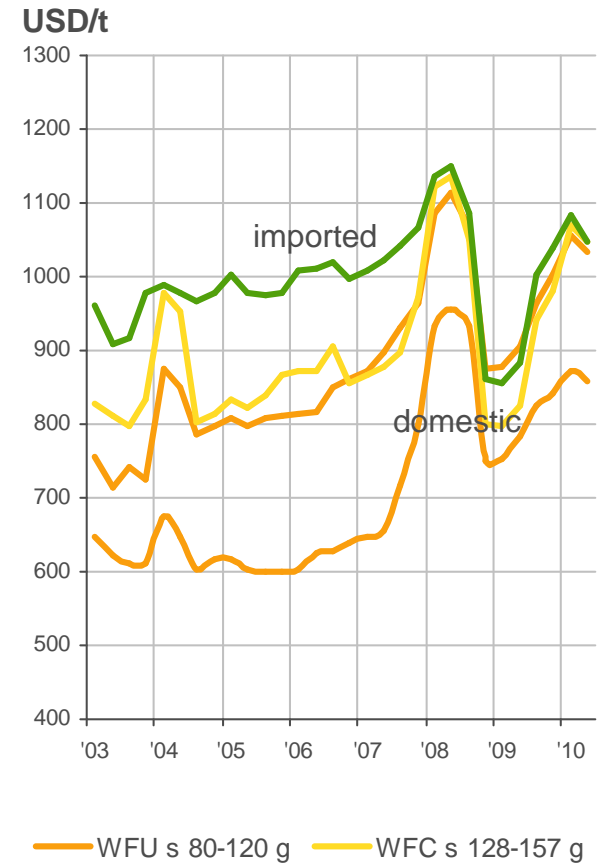


Source: PPI, RISI
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North America



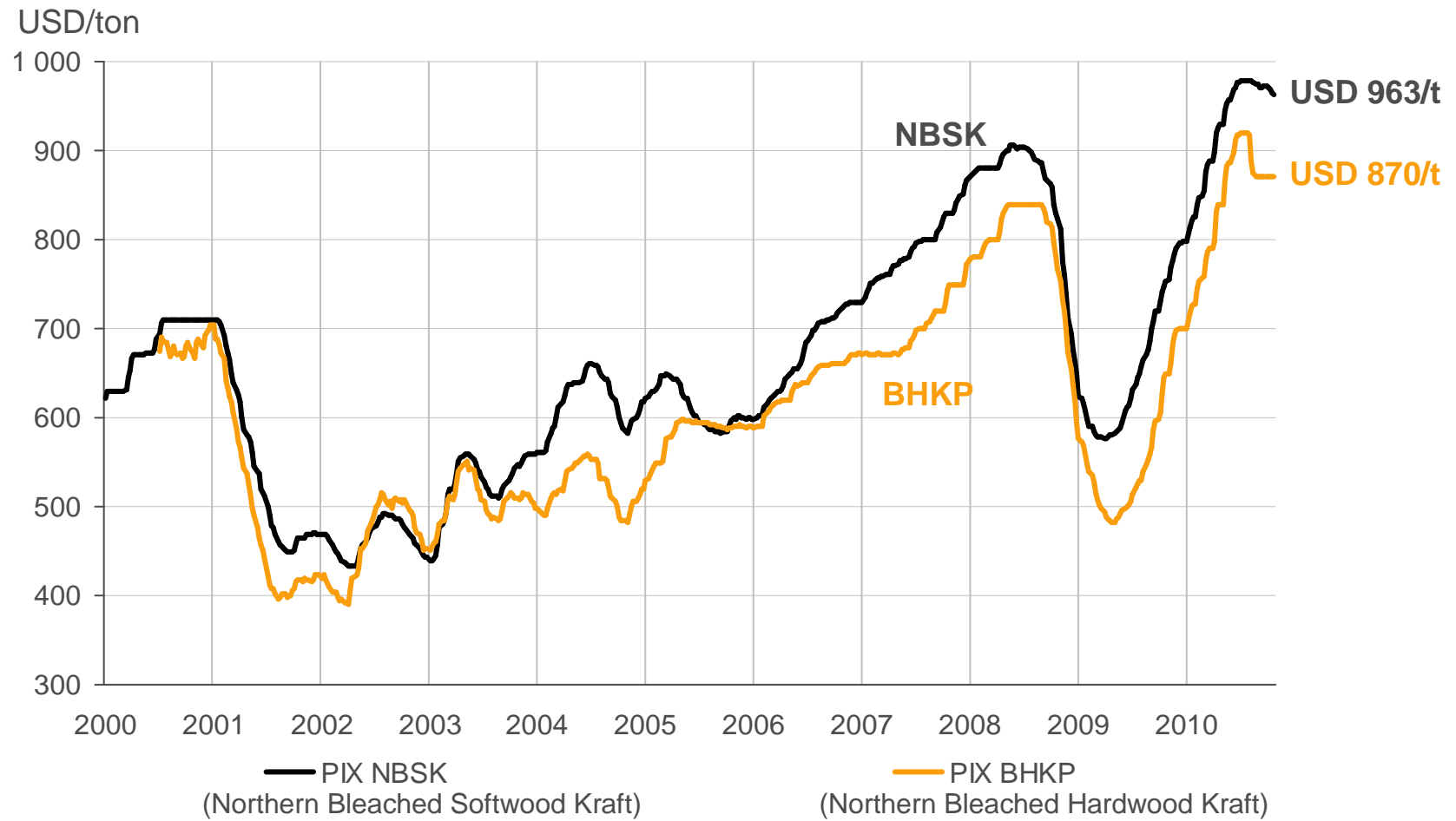
China



Source: PPI, RISI
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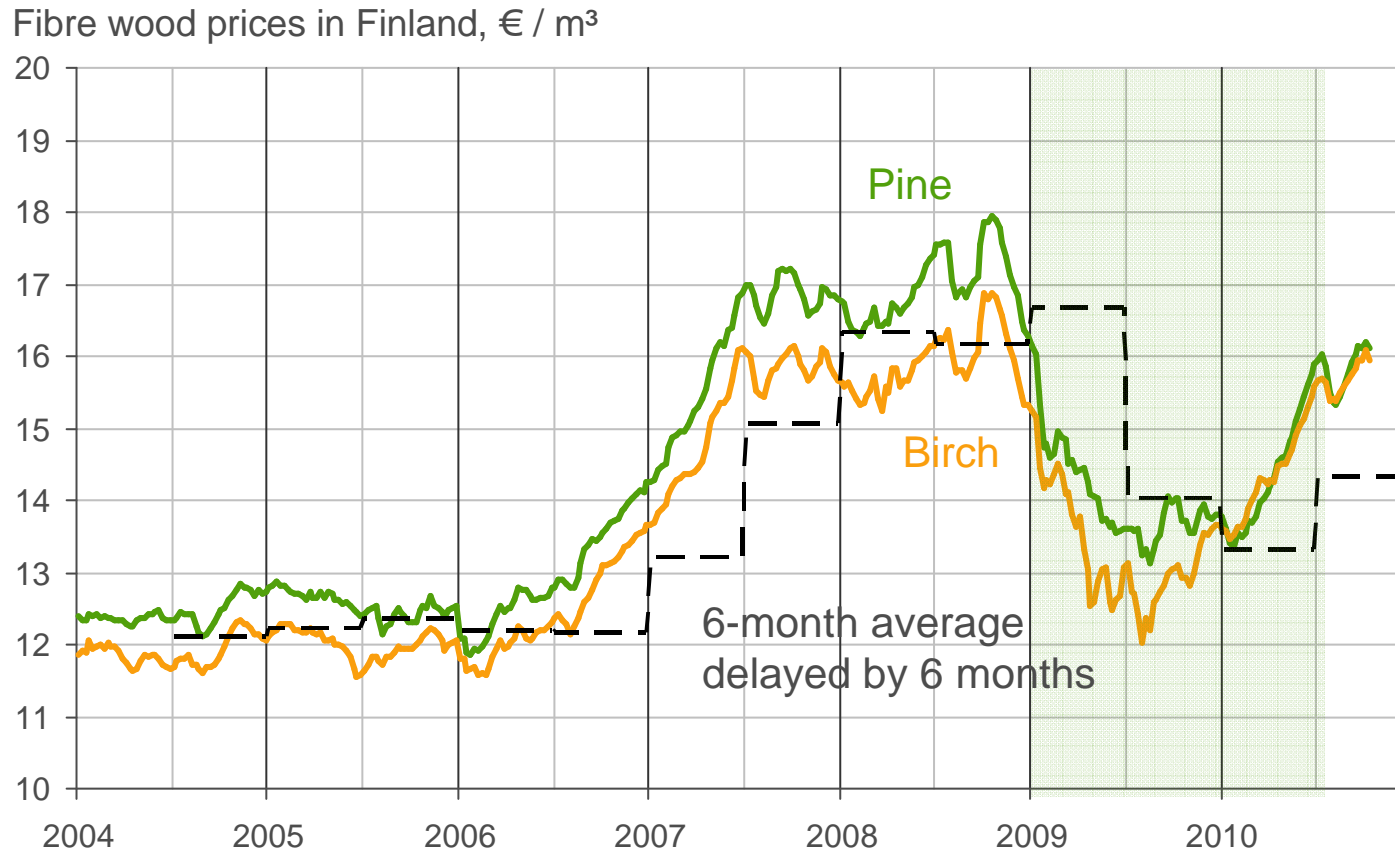
Chemical pulp market price



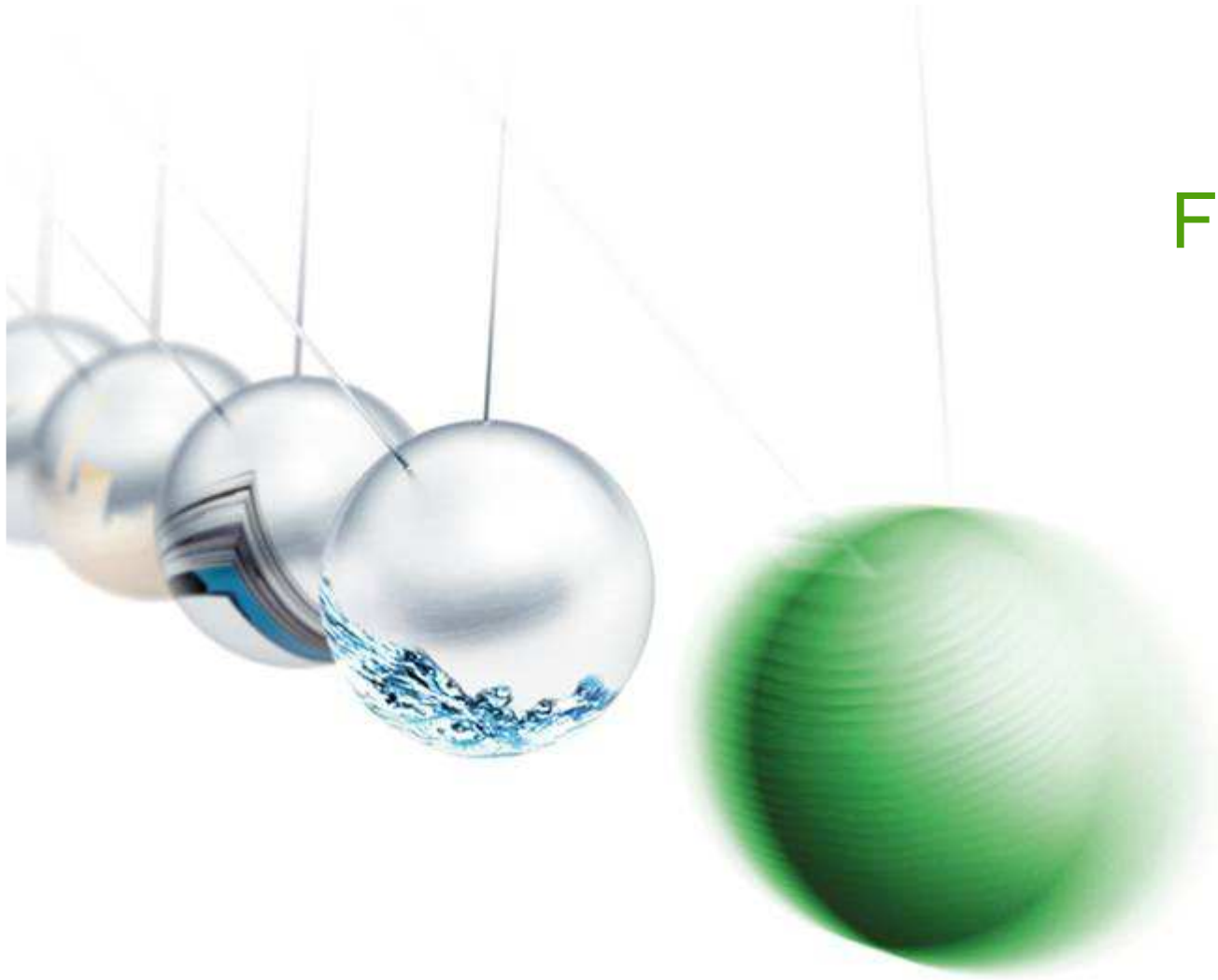
Source: FOEX Indexes Ltd.

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Wood prices at a high level



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Key financials

	Q3 2010	Q3 2009	Q1-Q3 2010	Q1-Q3 2009	2009
Sales, €m	2,312	1,913	6,567	5,611	7,719
Sales growth (%)	+21%	-19%	+17%	-21%	-18%
EBITDA, €m	384	334	1,025	700	1,062
% of sales	16.6	17.5	15.6	12.5	13.8
Operating profit, excl. special items, €m	204	131	519	84	270
EPS excl. special items, €	0.28	0.14	0.72	-0.10	0.11
Net cash from operating activities, €m	328	309	639	889	1,259

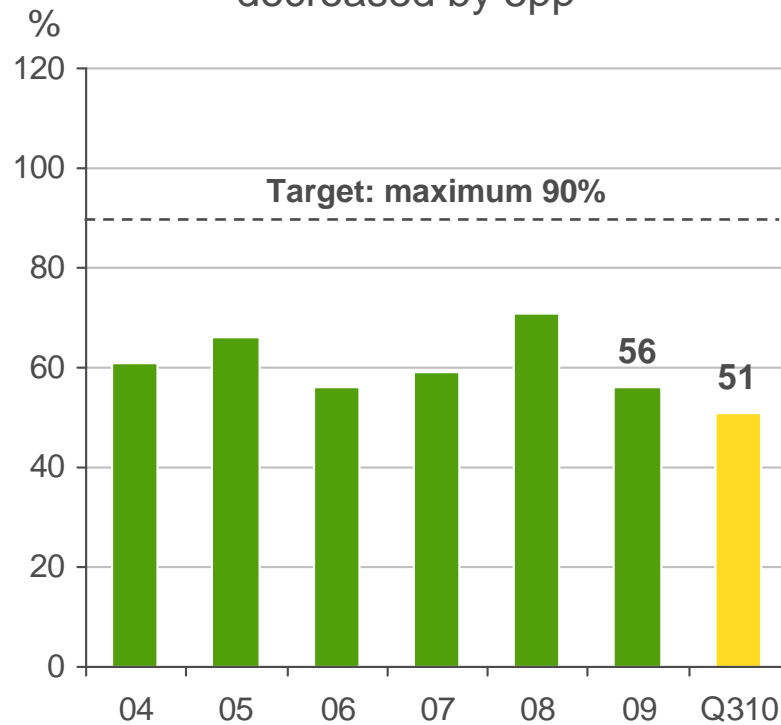
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Cash flow

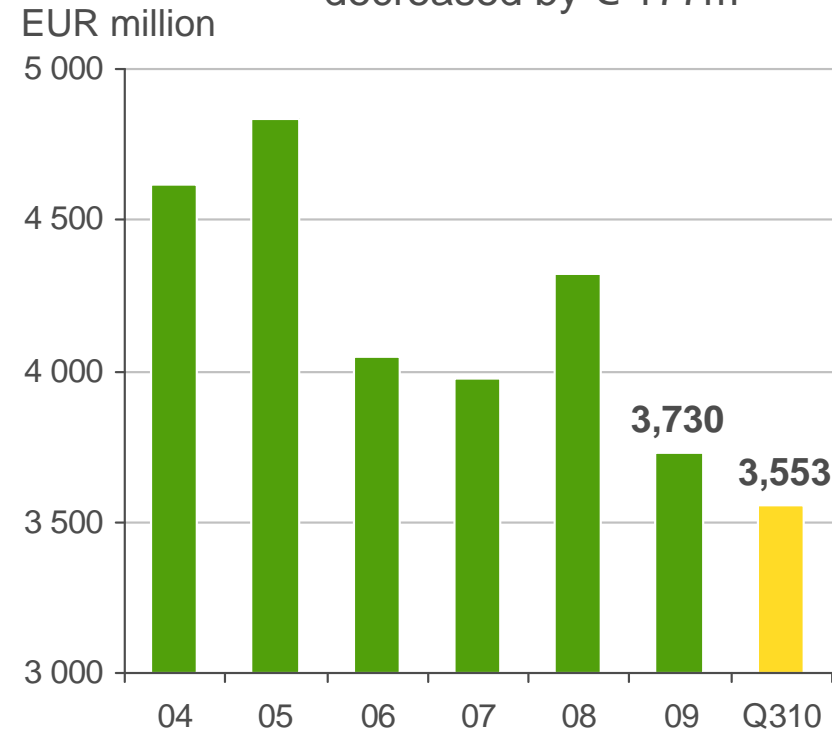
€, million	Q3/10	Q3/09	Q1- Q3/10	Q1- Q3/09	2009
EBITDA	384	334	1,025	700	1,062
Cash flow before change in working capital	359	282	969	609	941
Change in working capital	5	82	-237	437	532
Finance costs and income taxes	-36	-55	-93	-157	-214
Net cash from operating activities	328	309	639	889	1,259
Capital expenditure	-53	-48	-150	-191	-236
Asset sales and acquisitions	34	16	45	36	22
Cash flow after investing activities	309	277	534	734	1,045

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Balance sheet

Gearing ratio
decreased by 5pp



Net debt
decreased by € 177m

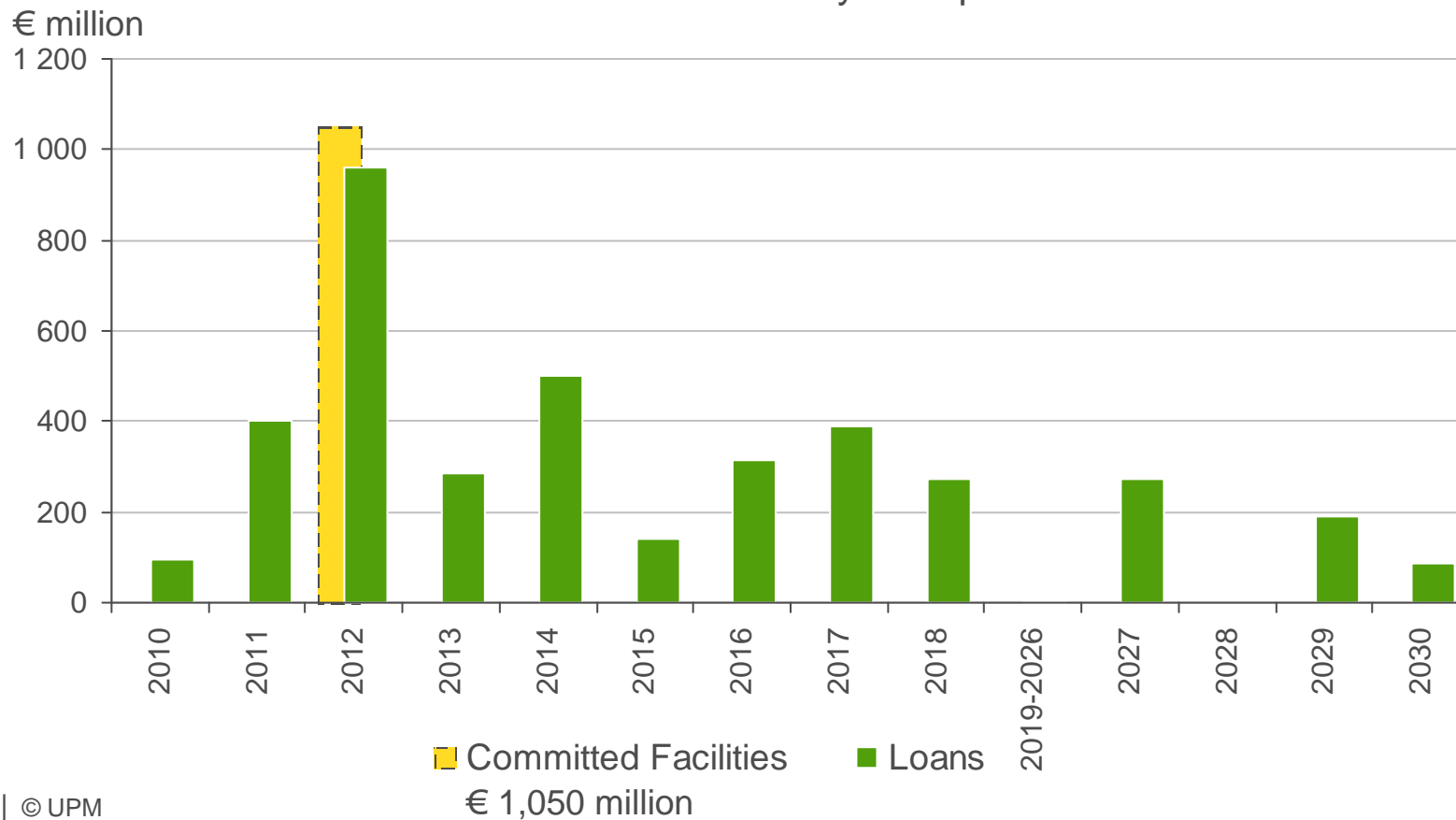


Liquidity was € 1.5bn
repayments less than € 0.5bn in 2010-11

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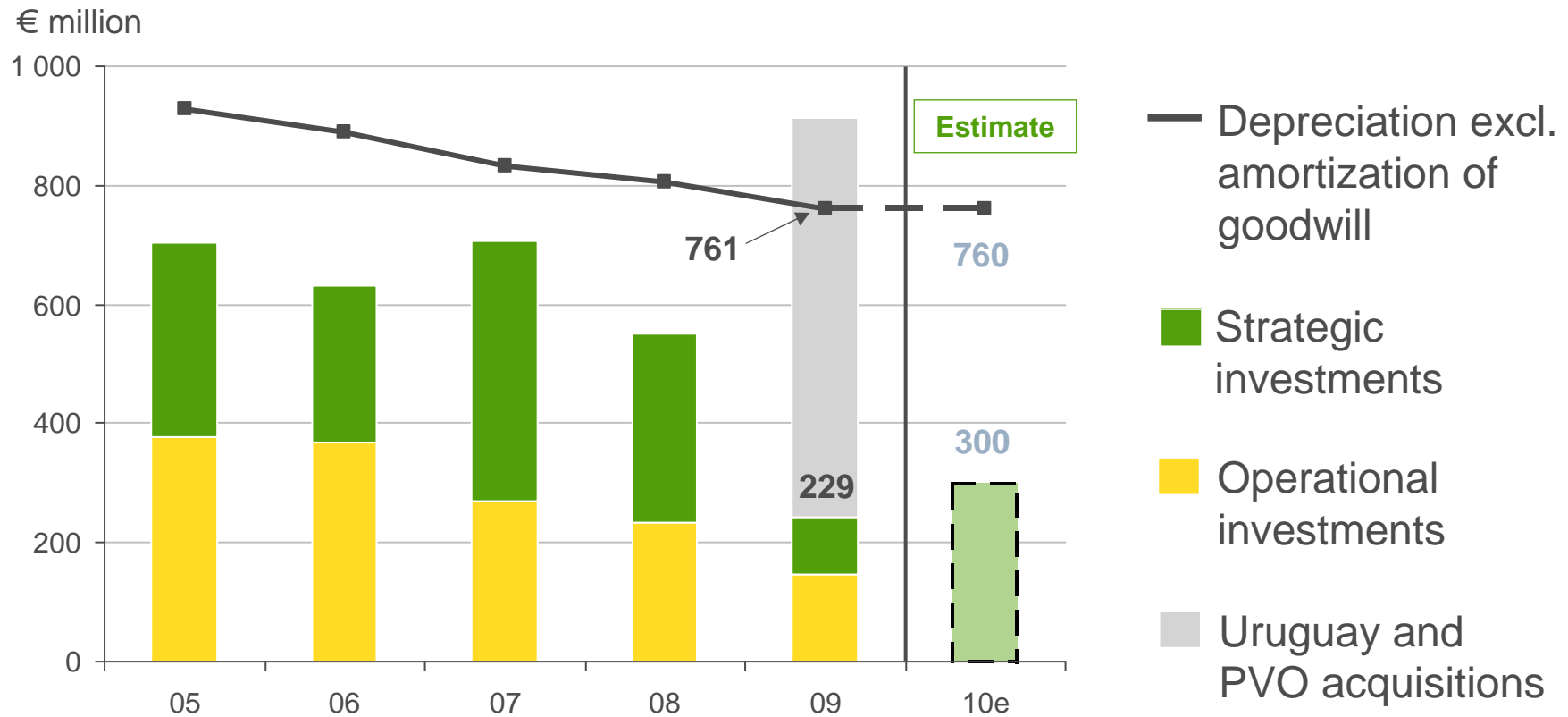
Maturity profile

- Liquidity on 30 September 2010 was € 1.5bn
 - cash € 484 million and unused credit facilities € 975 million
 - UPM cancelled the € 825 million facility in September



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Capital expenditure and estimate for 2010

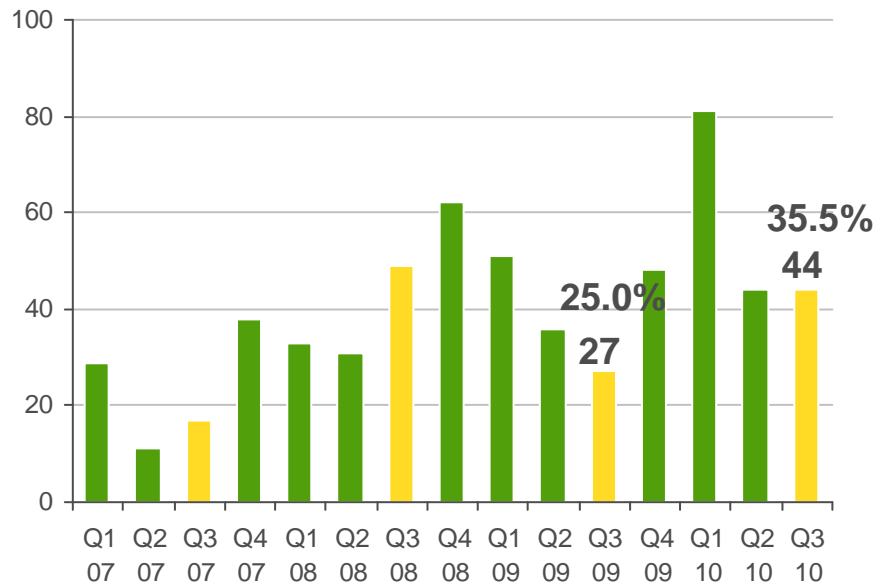


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Energy Q1-Q3/2010 vs. Q1-Q3/2009

- Average sales price for electricity increased almost by 16%
- Electricity sales volume was higher
- Both condensing and hydropower volumes were higher

€, million Operating profit excluding special items

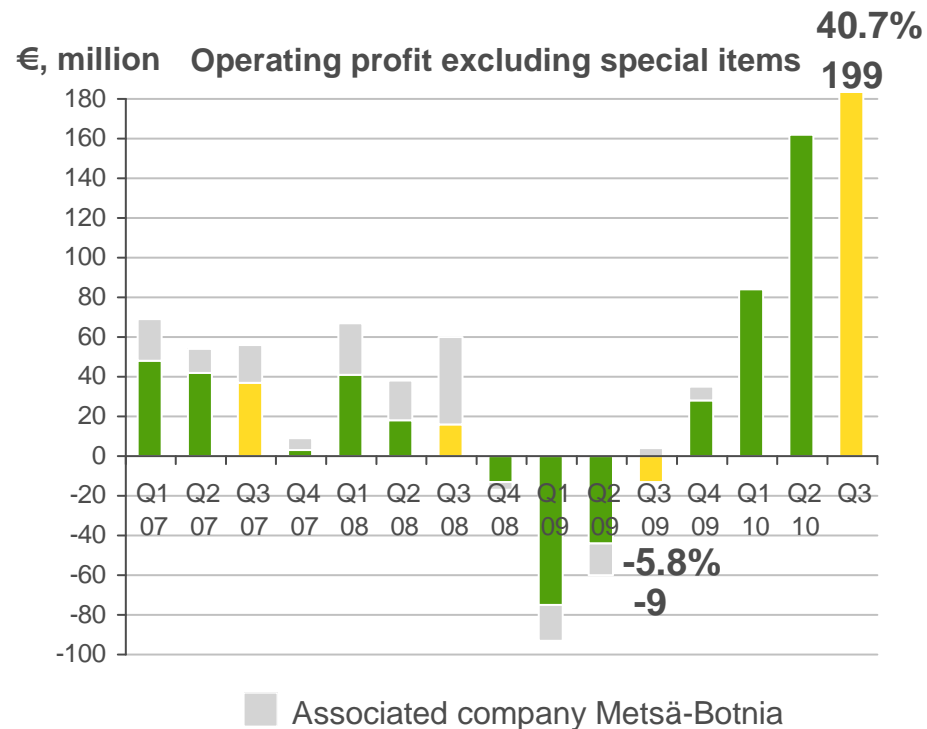


	Q1-Q3/10	Q1-Q3/09
Sales, M€	414	344
EBITDA, M€	166	133
Operating profit M€ excl. special items	169	114
Average price, change %	16%	21%
Electricity sales, TWh	7.0	6.6

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Pulp Q1-Q3/2010 vs. Q1-Q3/2009

- Uruguay operations were included in the Pulp business area as of December 2009
- Operating profit improved due to higher average pulp sales price and volumes
- Wood costs were lower



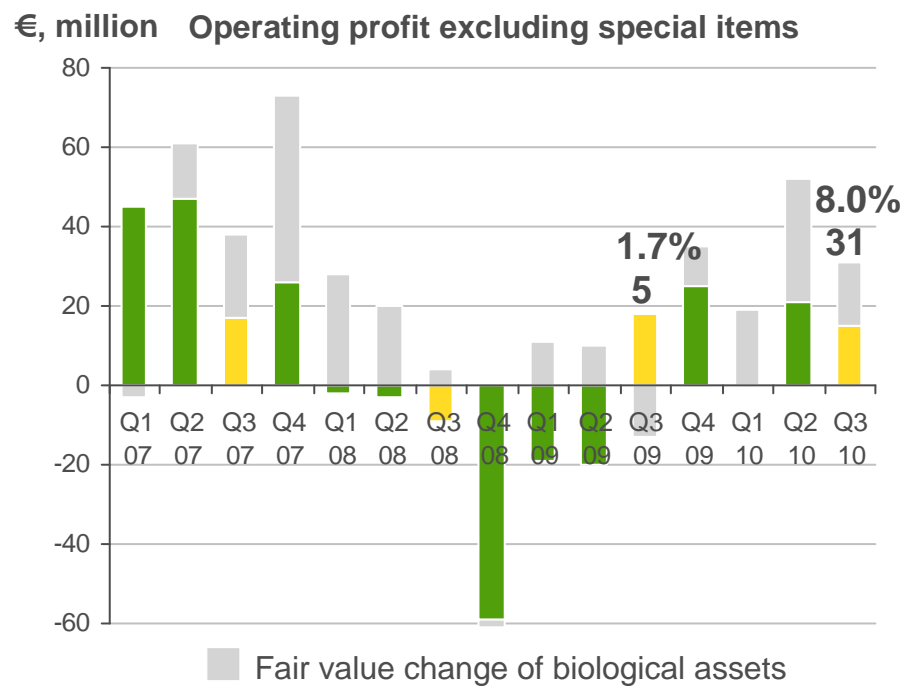
	Q1-Q3/10	Q1-Q3/09
Sales, M€	1,285	427
EBITDA, M€	558	-71
Operating profit M€ excl. special items	445	-162
Pulp deliveries, 1,000 t	2,220	1,209

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Forest and timber Q1-Q3/2010 vs. Q1-Q3/2009



- Operating profit improved due to higher delivery volumes of timber products and higher average sawn timber prices
- Increase in the fair value of biological assets net of wood harvested was € 66 million

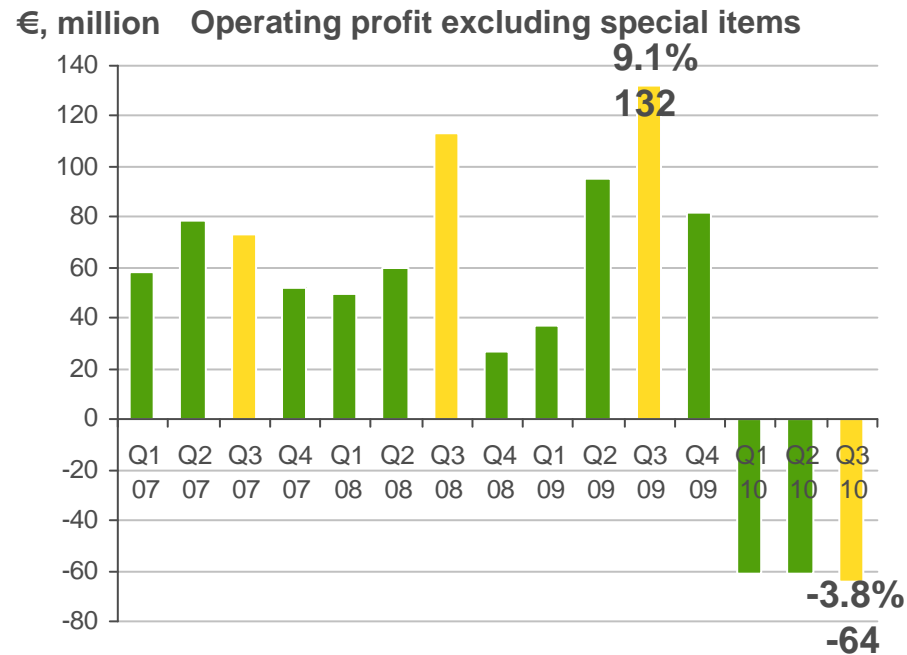


	Q1-Q3/10	Q1-Q3/09
Sales, M€	1,119	989
EBITDA, M€	47	-6
Operating profit M€ excl. special items	102	-13
Fair value change of biological assets	66	8
Sawn timber deliveries, 1,000 m ³	1,303	1,084

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Paper Q1-Q3/2010 vs. Q1-Q3/2009

- Cost of fibre increased significantly
- Average paper price decreased by 3%
- Delivery volumes increased by 13%



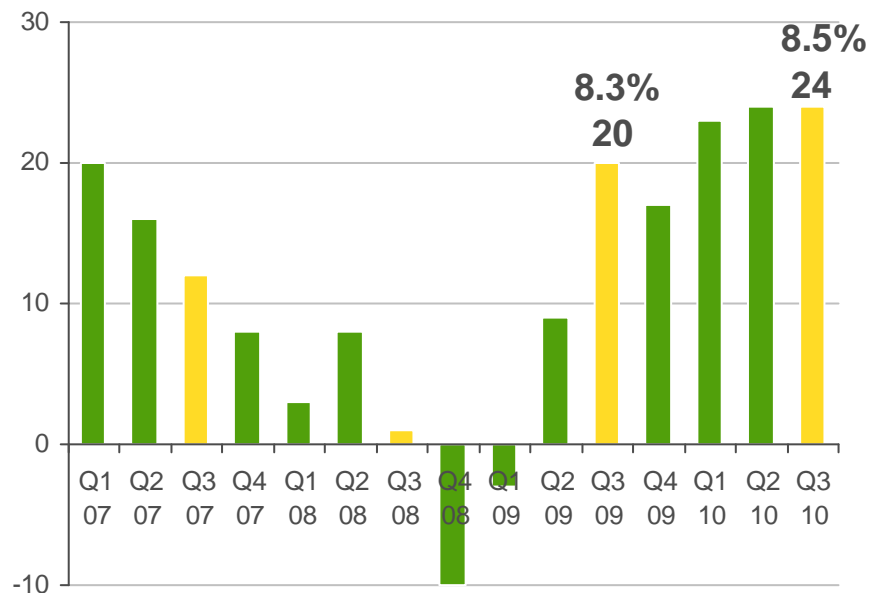
	Q1-Q3/10	Q1-Q3/09
Sales, M€	4,613	4,209
EBITDA, M€	214	708
Operating profit M€ excl. special items	-186	264
Average price, change %	-3%	-1%
Paper deliveries, 1,000 t	7,321	6,500

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Label Q1-Q3/2010 vs. Q1-Q3/2009

- Operating profit improved mainly due to higher sales volumes
- Delivery volumes increased in all regions
- Average sales prices increased from last year

€, million Operating profit excluding special items



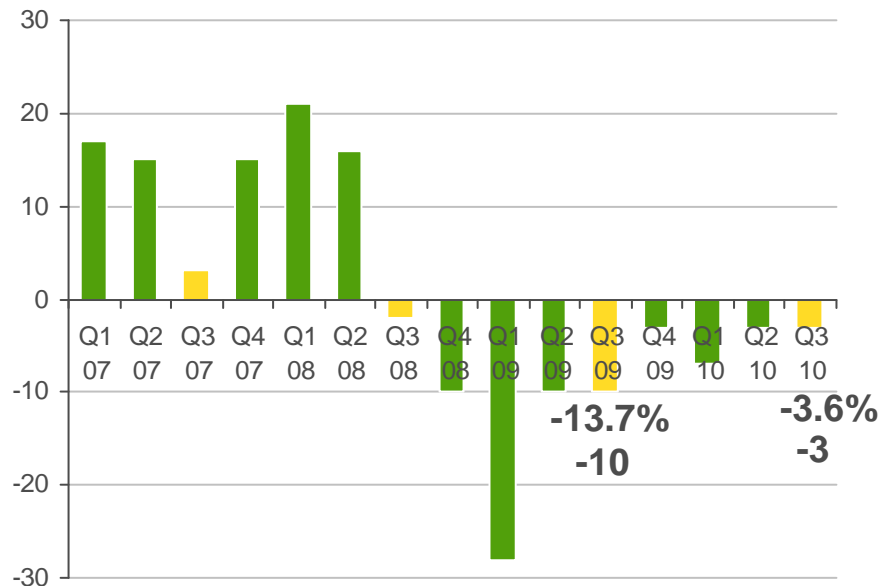
	Q1-Q3/10	Q1-Q3/09
Sales, M€	824	691
EBITDA, M€	98	53
Operating profit M€ excl. special items	71	26

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Plywood Q1-Q3/2010 vs. Q1-Q3/2009

- Operating loss decreased mainly due to higher delivery volumes
- Variable cost were lower
- Sales prices were at the same level as last year

€ million Operating profit excluding special items



	Q1-Q3/10	Q1-Q3/09
Sales, M€	256	225
EBITDA, M€	2	-33
Operating profit M€ excl. special items	-13	-48
Plywood deliveries, 1,000 m ³	478	417



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