



UPM
UBS Global
Basic Materials
Conference

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President and CEO
September 2010

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- Strategic achievements
- Business drivers
- Financials
- UPM platform

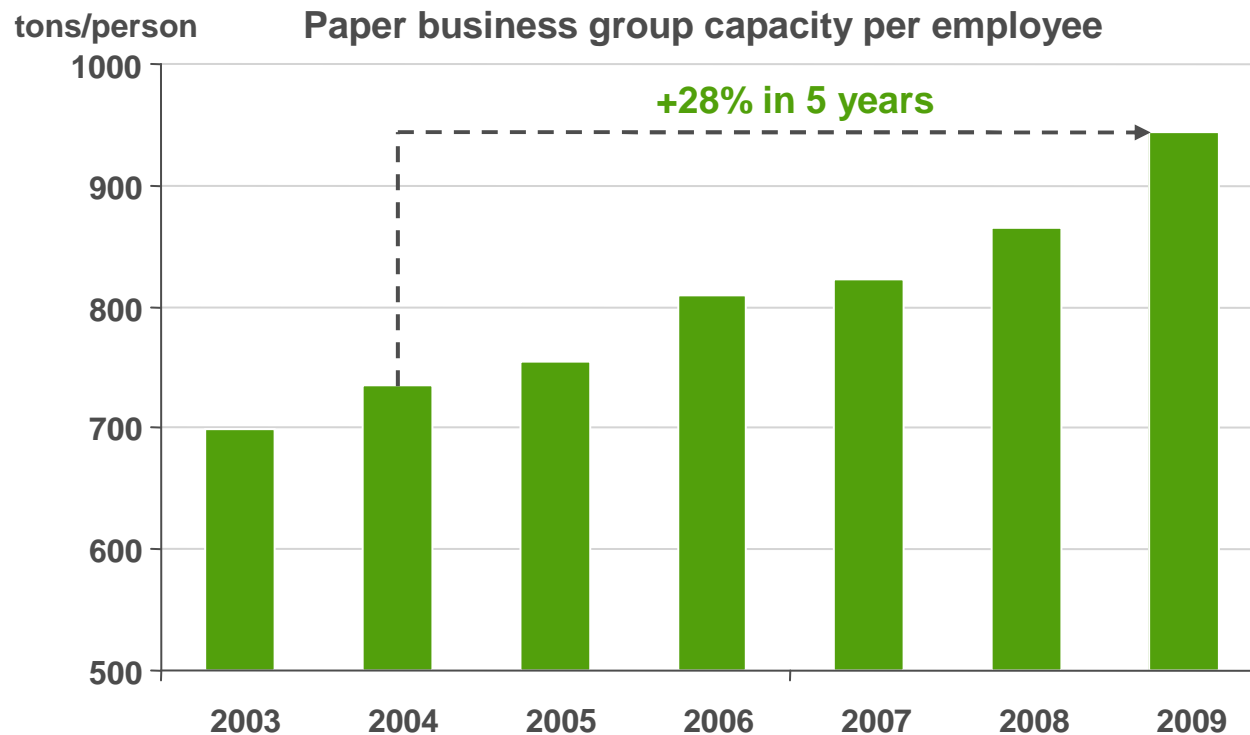
Strategic achievements 1(5)

Improved room for strategic manoeuvring

Completed
major restructuring phase
2006-09

Succeeded
improving
cost competitiveness

Improved
financial flexibility



Strategic achievements 2(5)

Botnia transaction – important strategic move



1. Metsä-Botnia no longer an associated company

- UPM's ownership decreased to 17%
- Share of capacity reduced to 400,000 t/a

2. Fray Bentos pulp mill and plantations

- World class eucalyptus pulp mill and plantations
- Access to cash flow

3. In line with strategy to expand in cost competitive pulp

- Bridgehead in Latin America
- Share of eucalyptus pulp increased to 35%
- Potential for further development



Strategic achievements 3(5)

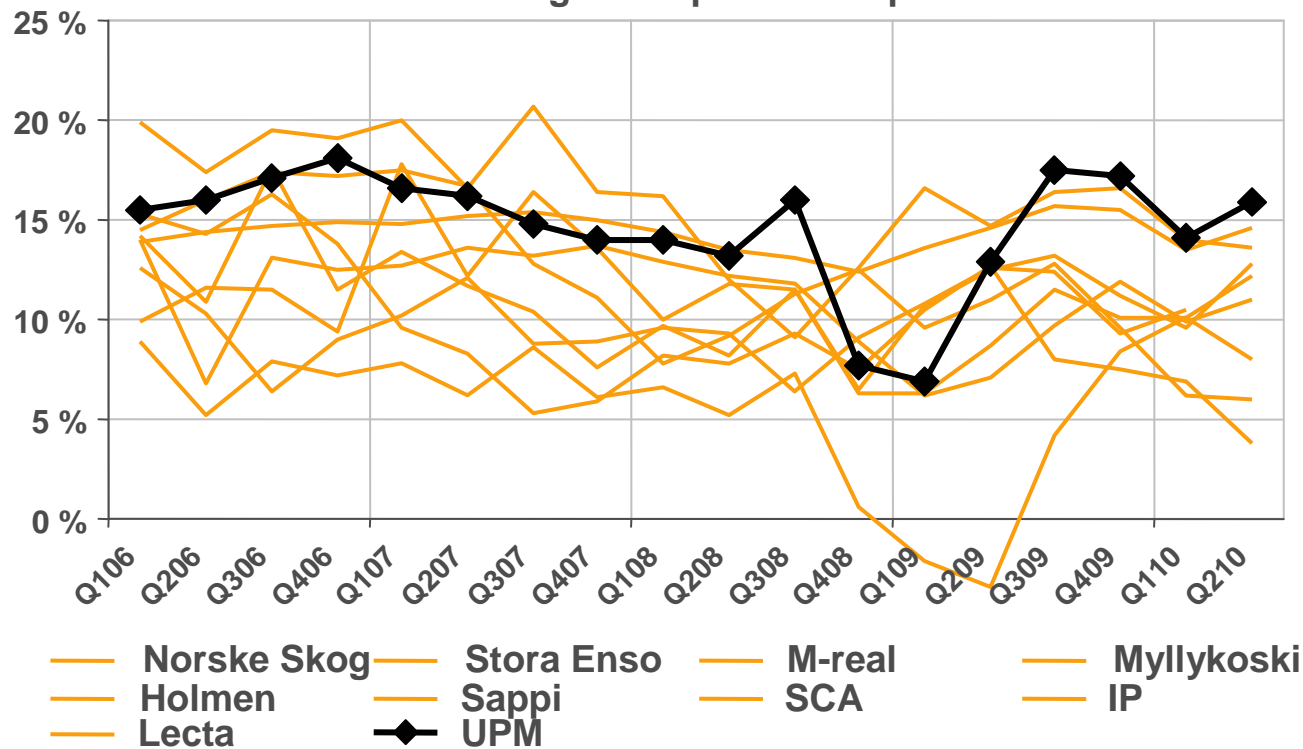
Improved room for strategic manoeuvring

Completed major restructuring phase 2006-09

Succeeded improving cost competitiveness

Improved financial flexibility

EBITDA margin compared with peers



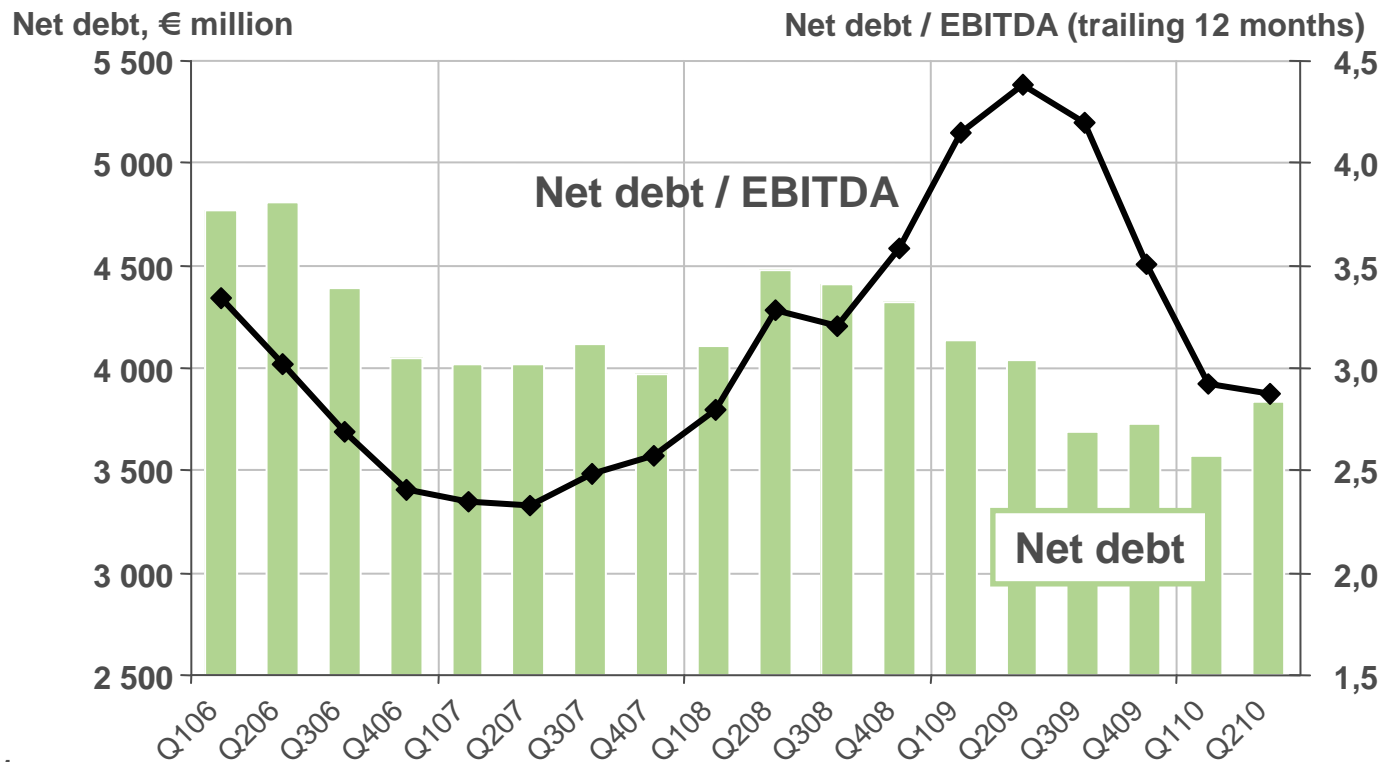
Strategic achievements 4(5)

Improved room for strategic manoeuvring

Completed major restructuring phase 2006-09

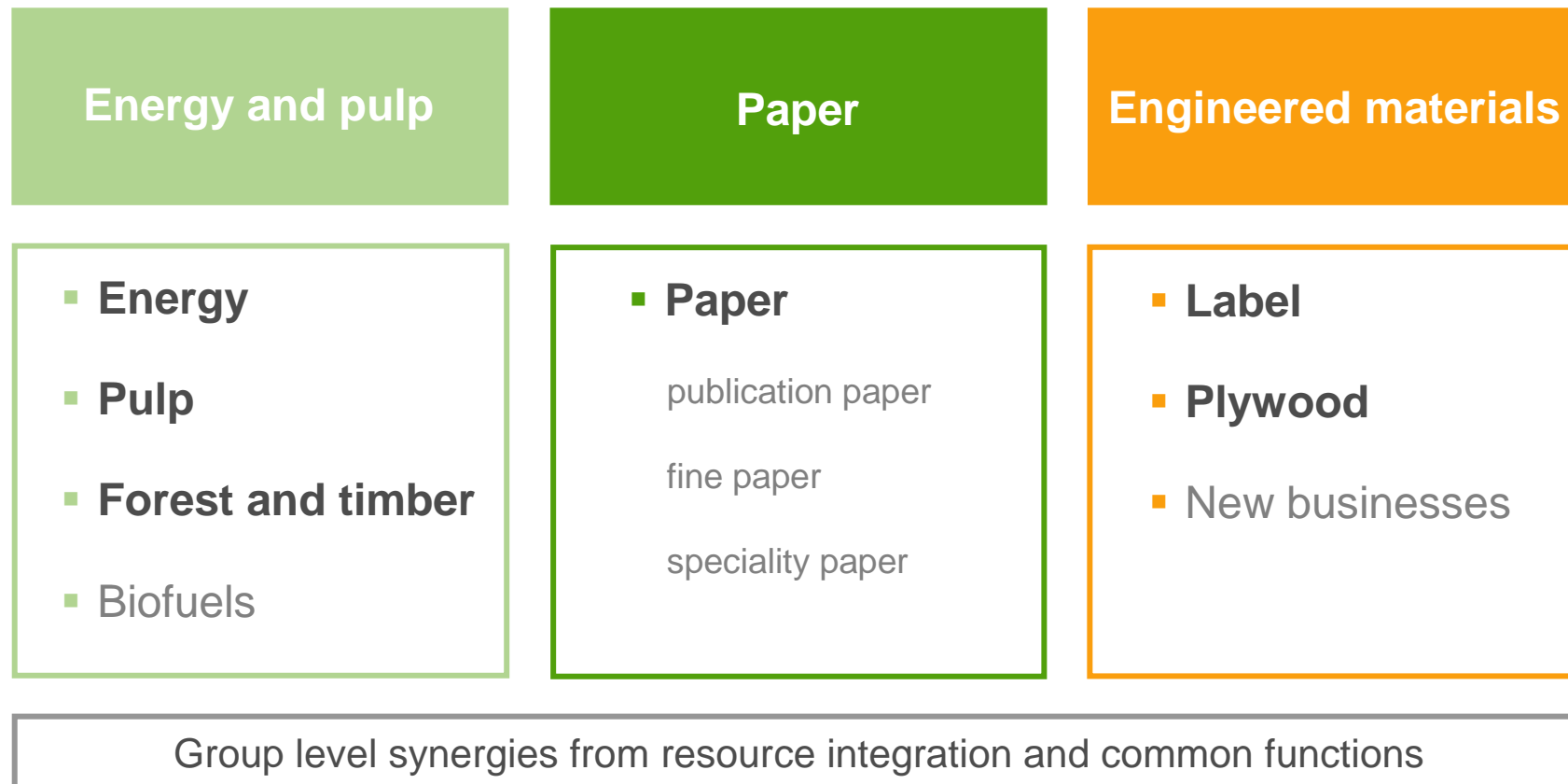
Succeeded improving cost competitiveness

Improved financial flexibility

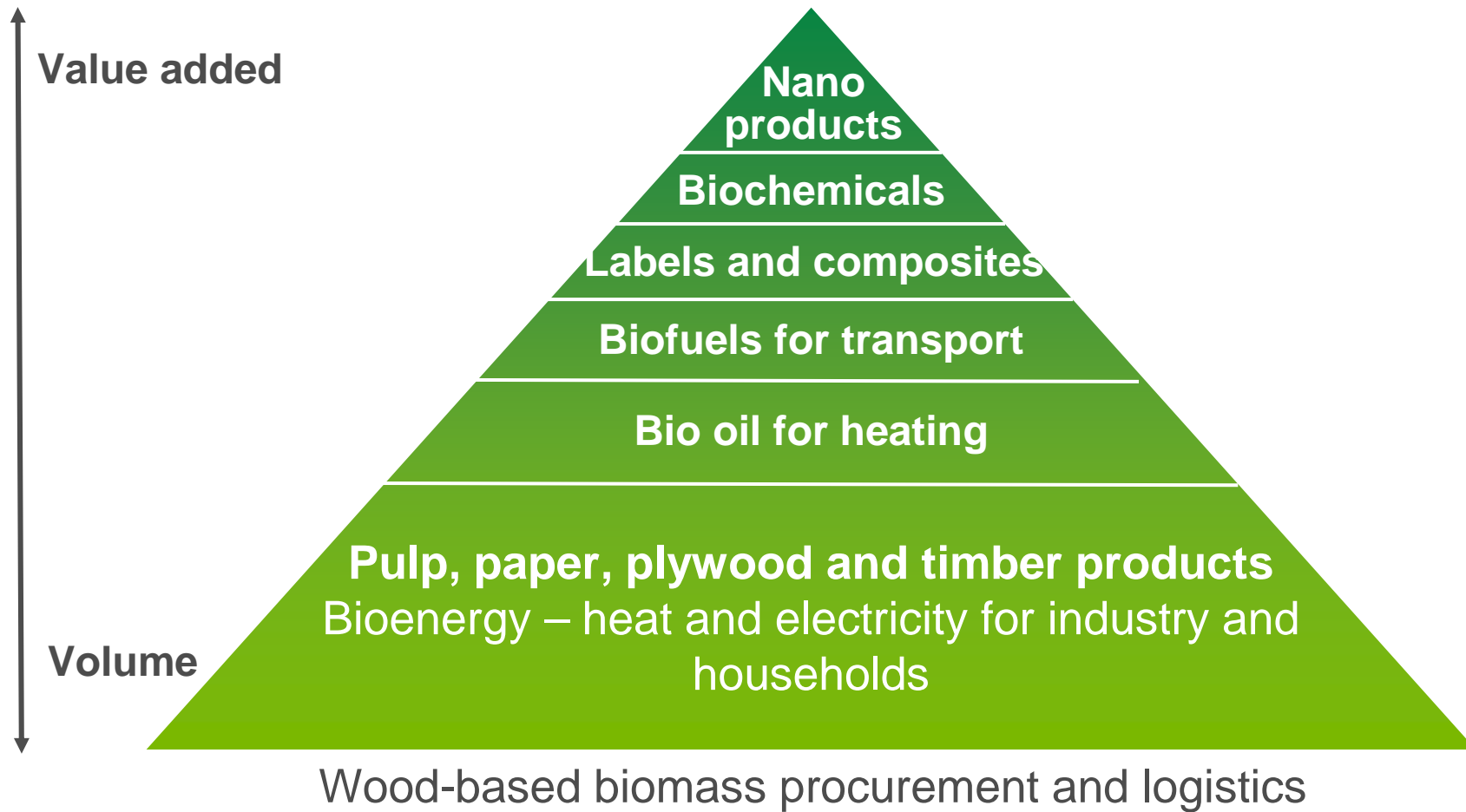


Strategic achievements 5(5)

Market driven business structure



Biomass value chain offers strategic opportunities



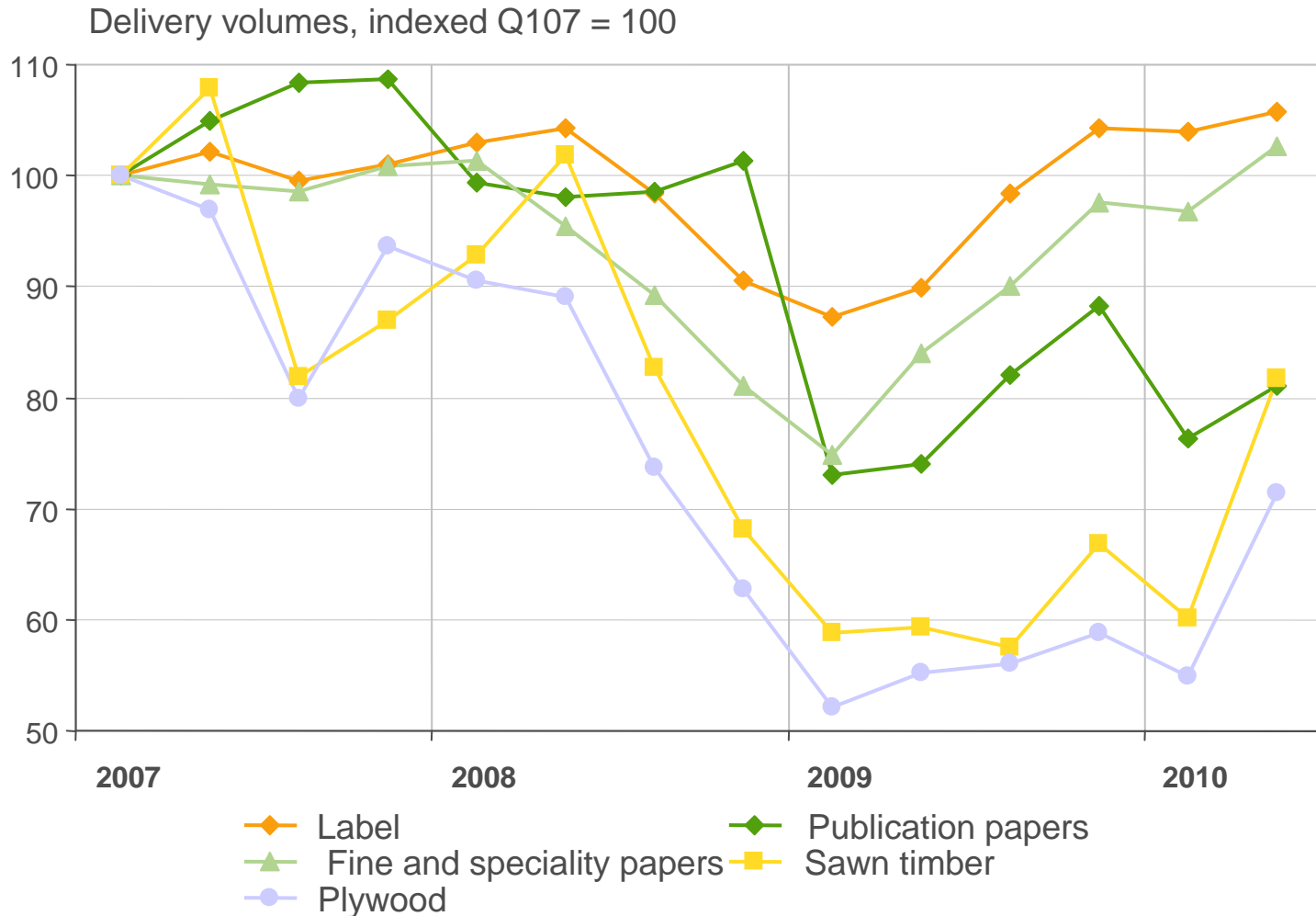


BUSINESS DRIVERS

BUSINESS DRIVERS

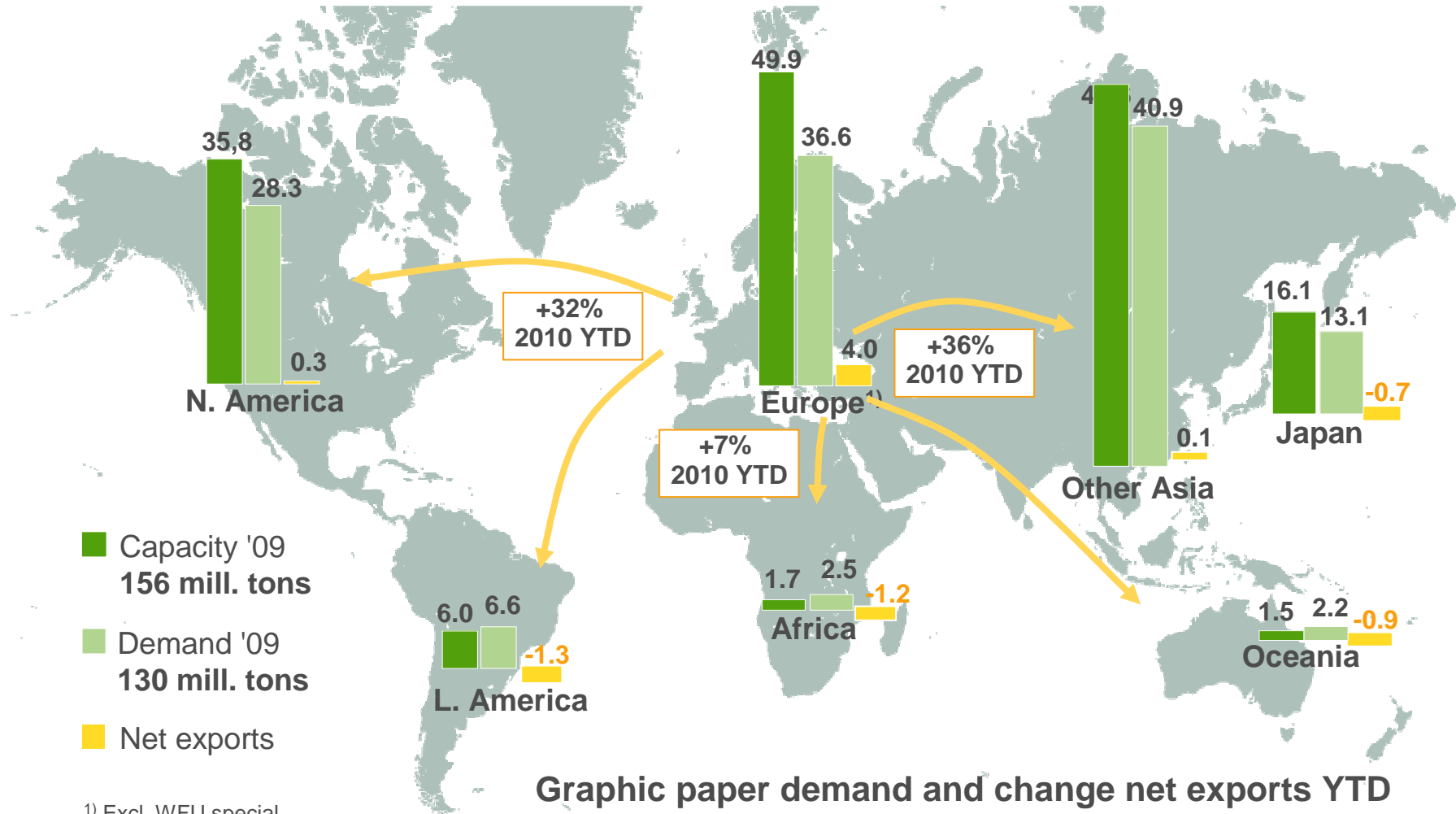
Delivery volumes continue to improve

Example: UPM delivery volumes (indexed)



BUSINESS DRIVERS

European paper exports (net) have increased from 2009



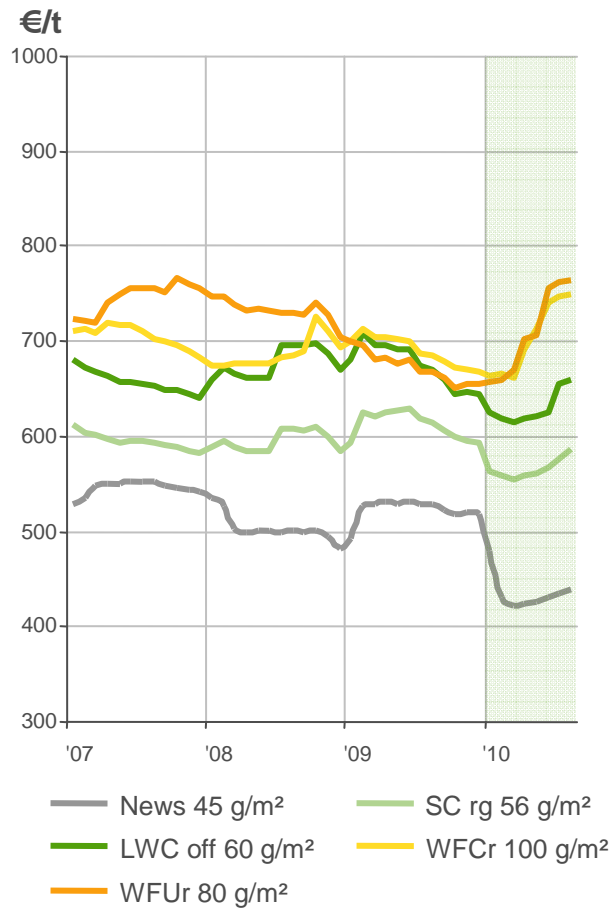
Graphic paper demand and change net exports YTD

BUSINESS DRIVERS

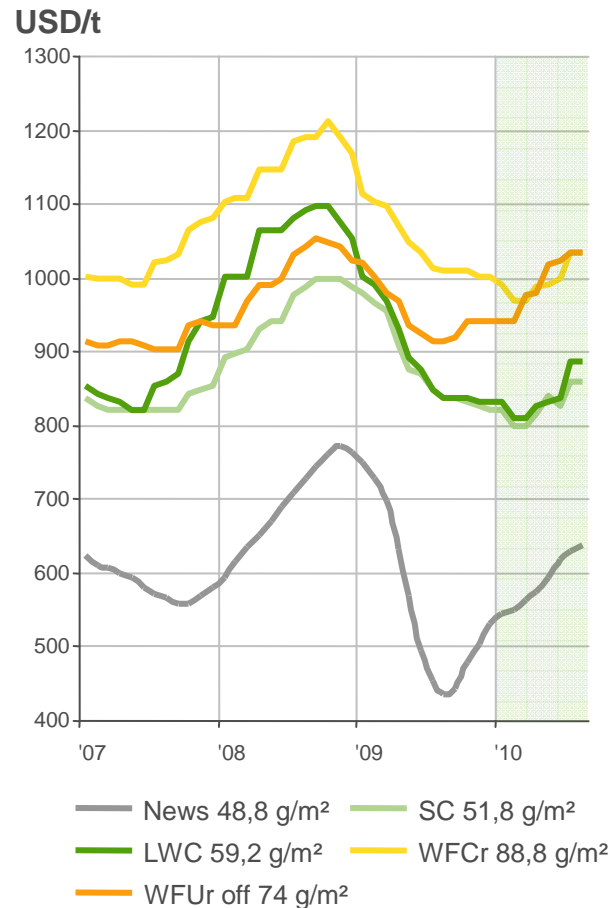
Graphic paper prices have rebounded



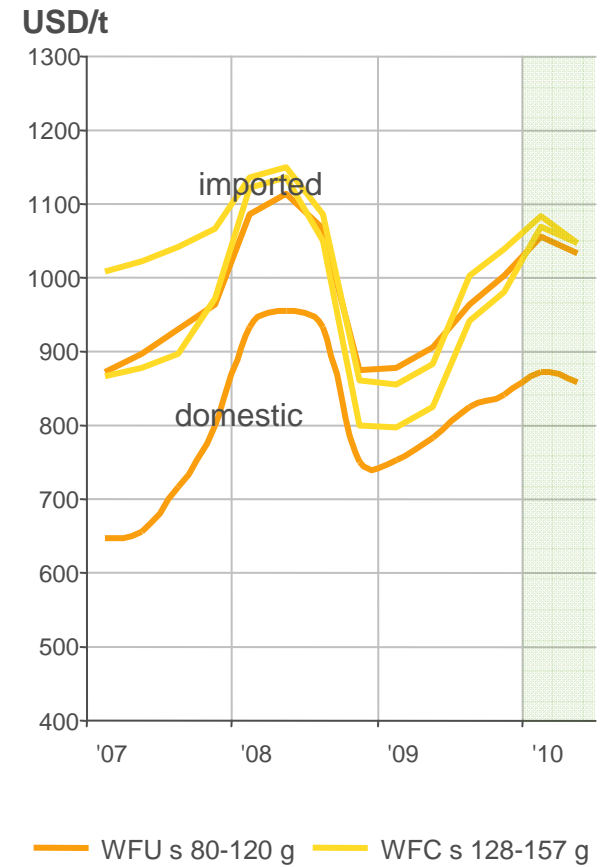
Europe



North America



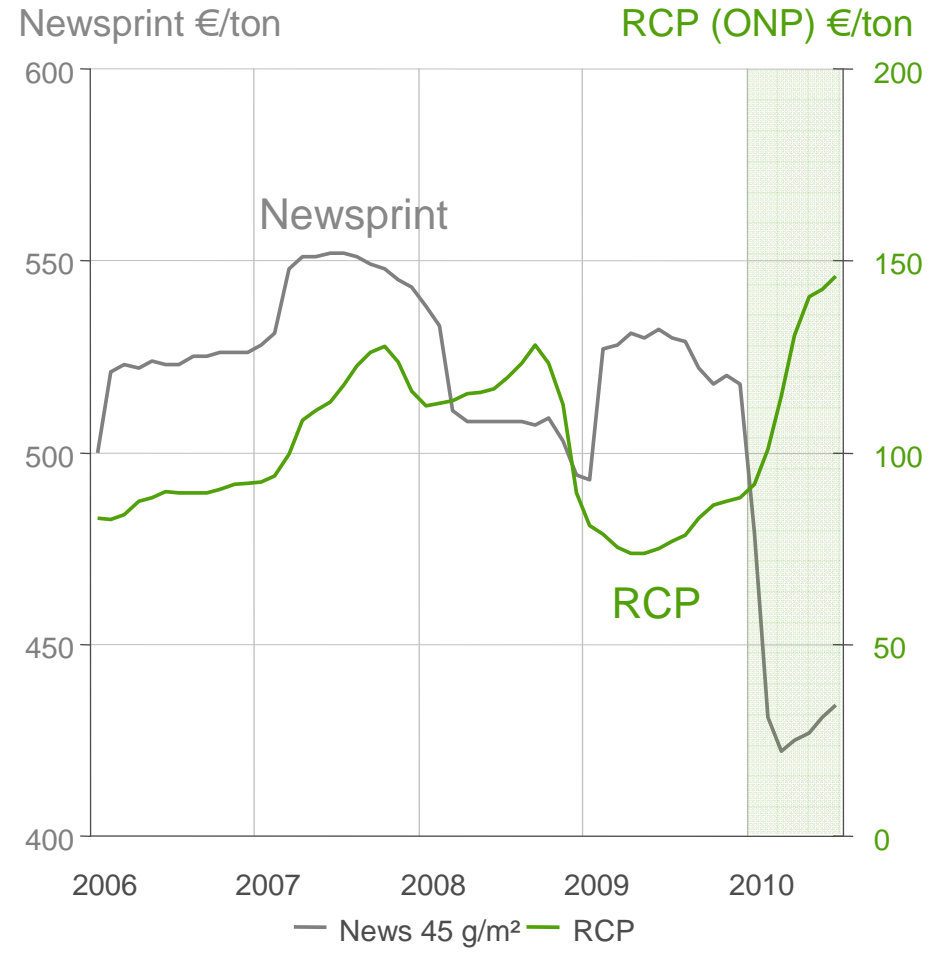
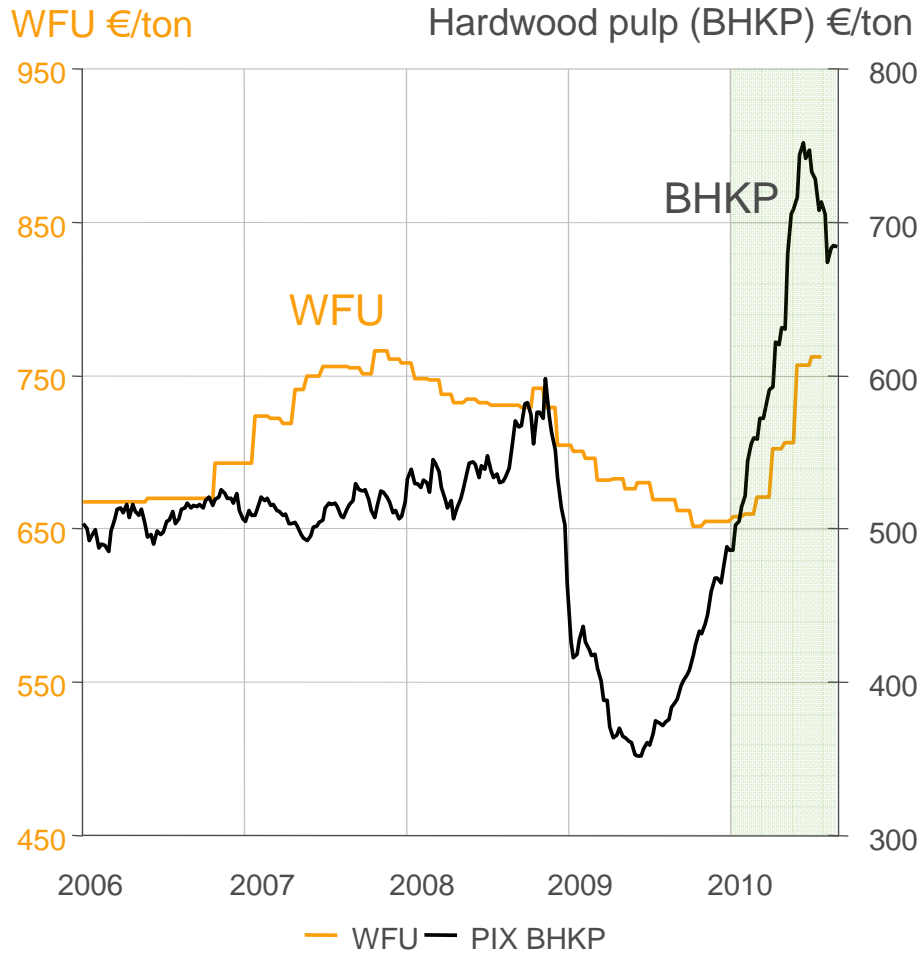
China



Source: PPI, RISI

BUSINESS DRIVERS

Increased pulp and RCP prices squeeze paper makers' margins



Source: FOEX Indexes Ltd., PPI, RISI

FINANCIALS



FINANCIALS

H1 2010 in brief



- Sales grew by 15%
- Costs flat
- EBITDA margin 15.1%
- WOC increased
- Balance sheet continued to strengthen

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

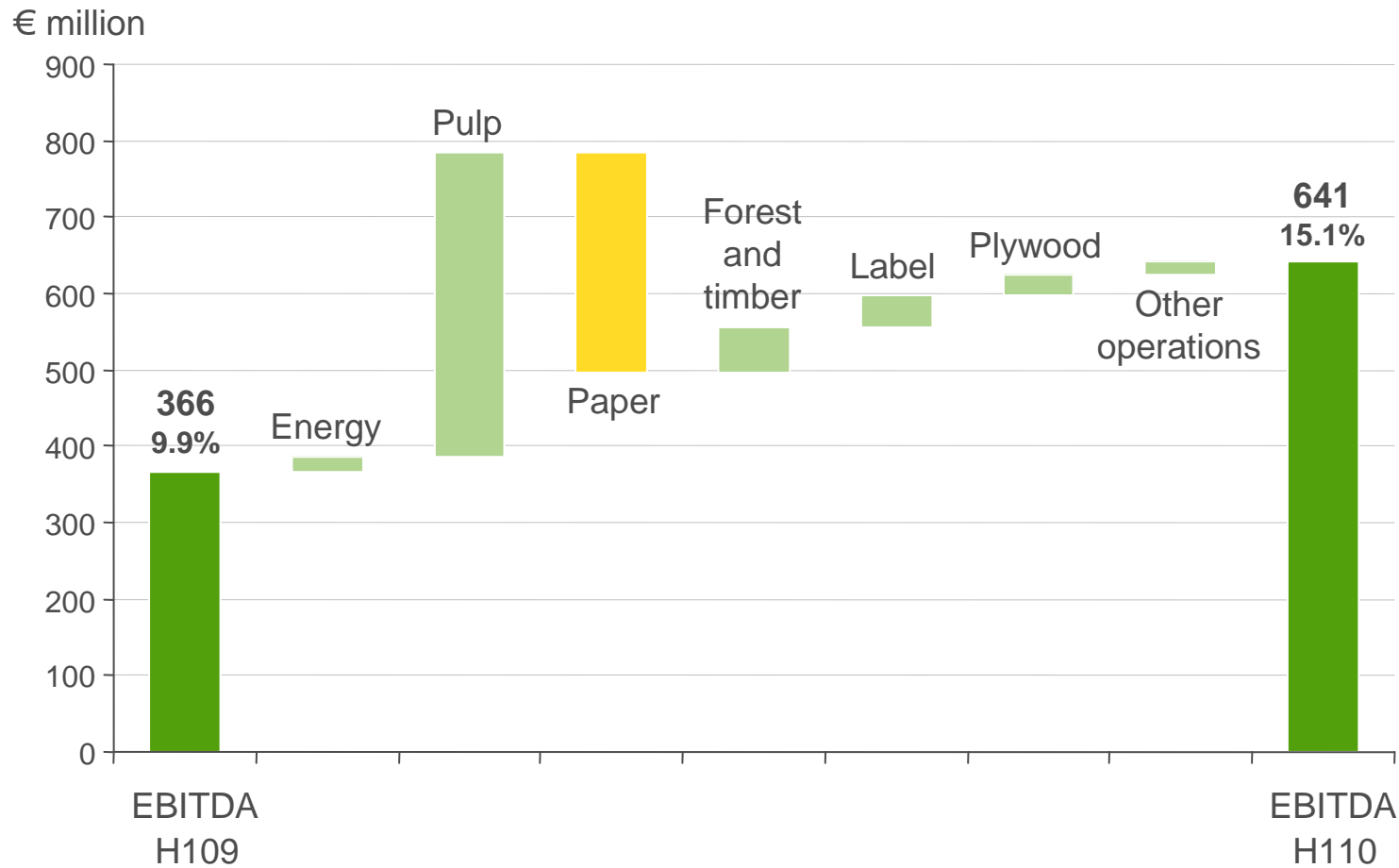
FINANCIALS
Key financials

	Q2/10	Q2/09	Q1- Q2/10	Q1- Q2/09	2009
Sales, €m	2,216	1,841	4,255	3,698	7,719
Sales growth (%)	+20%	-23%	+15%	-23%	-18%
EBITDA, €m	353	238	641	366	1,062
% of sales	15.9	12.9	15.1	9.9	13.8
Operating profit, excl. special items, €m	199	31	315	-47	270
EPS excl. special items, €	0.29	0.03	0.44	-0.24	0.11
Net cash from operating activities, €m	102	306	311	580	1,259

FINANCIALS

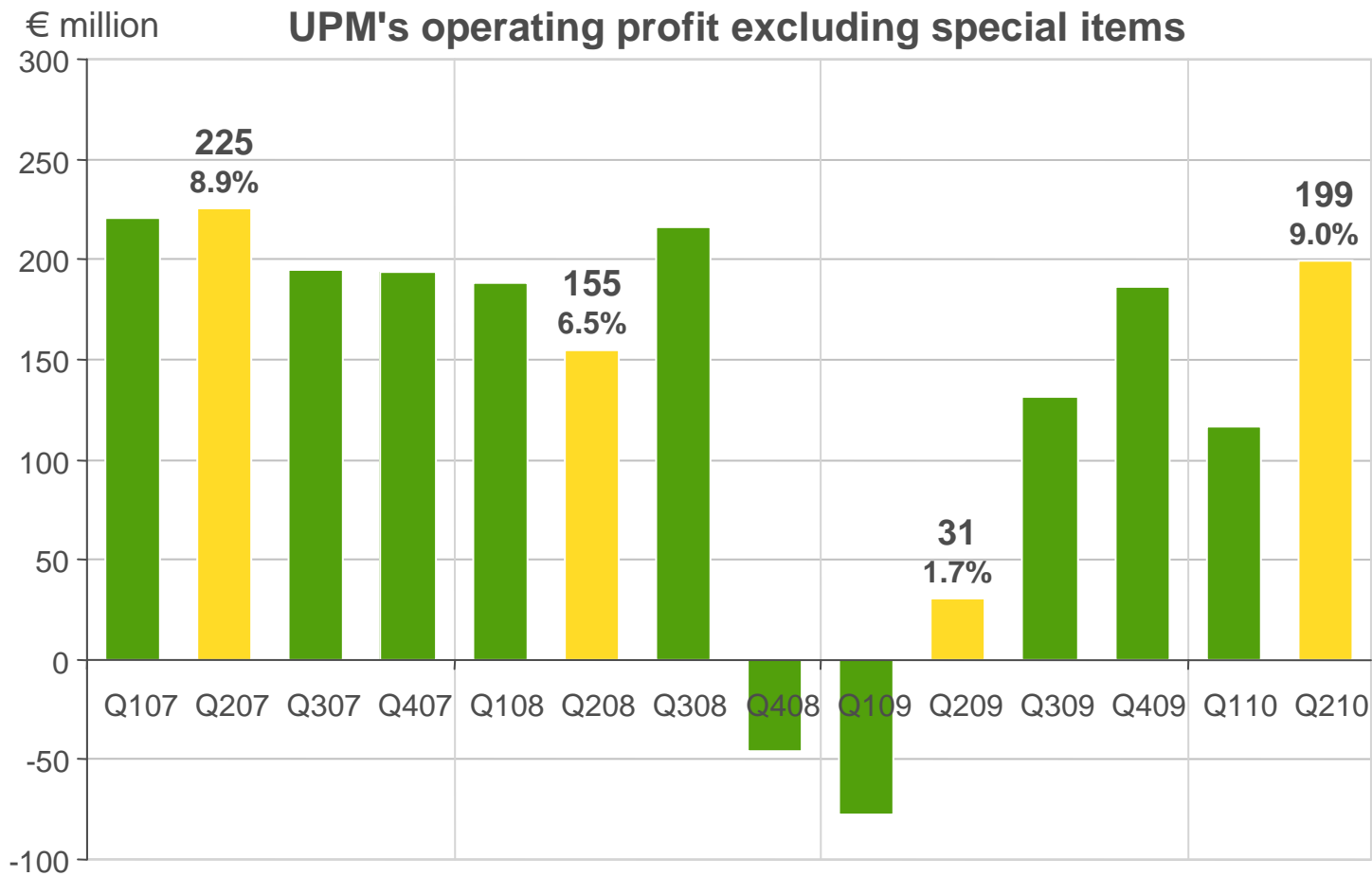
EBITDA development in H1 2010 vs. H1 2009

Paper weaker, all other businesses improved



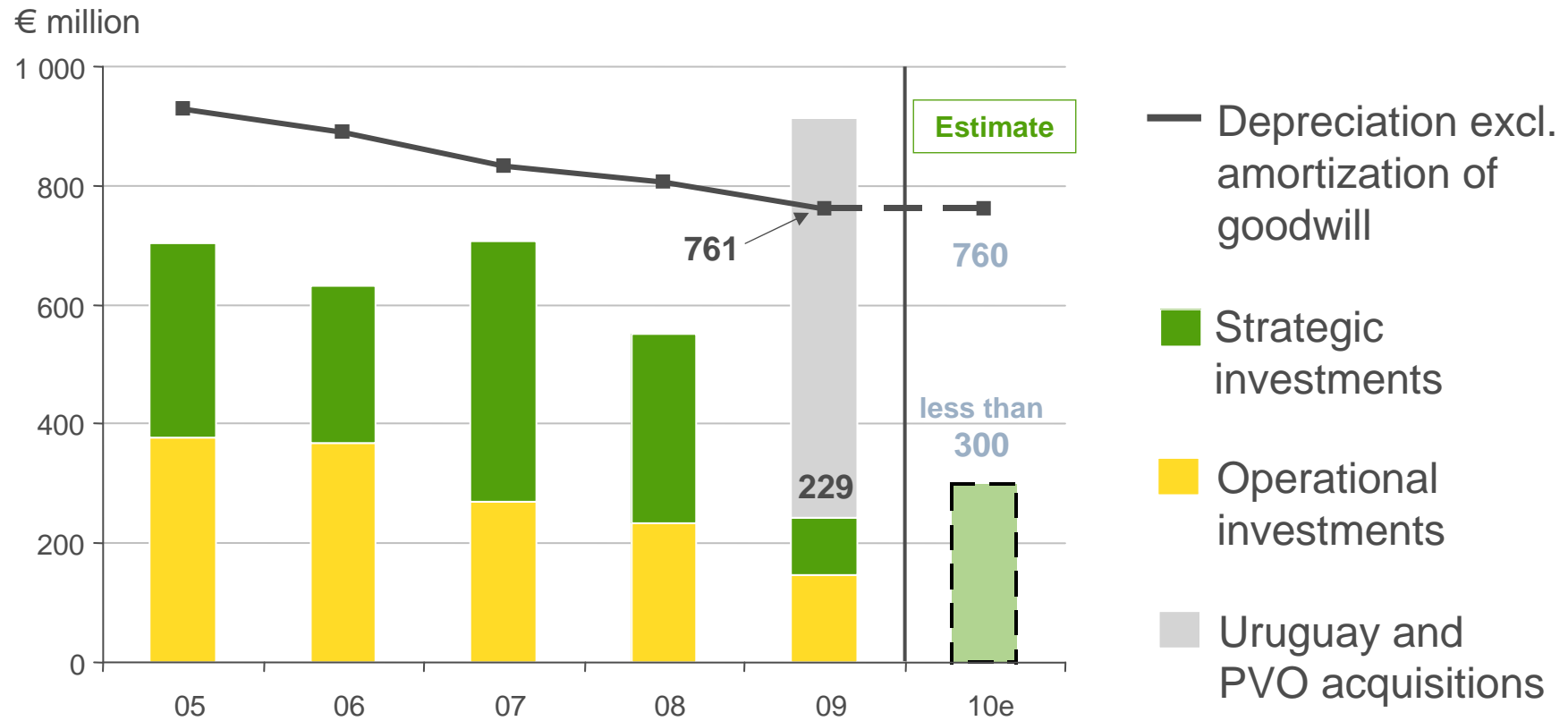
FINANCIALS

Operating profit – strong recovery from the recession lows

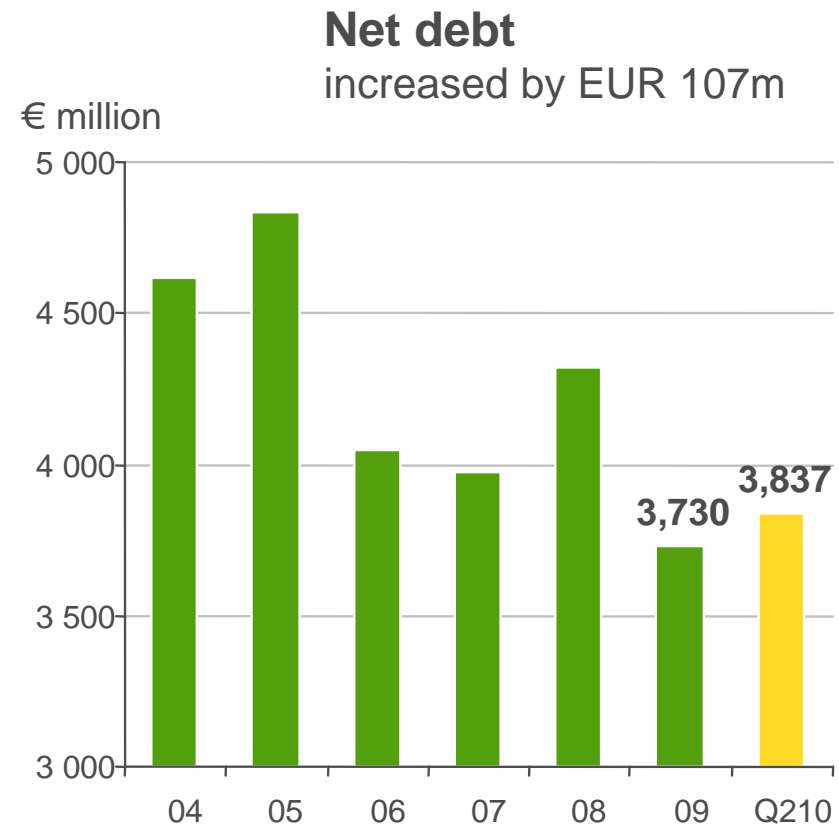
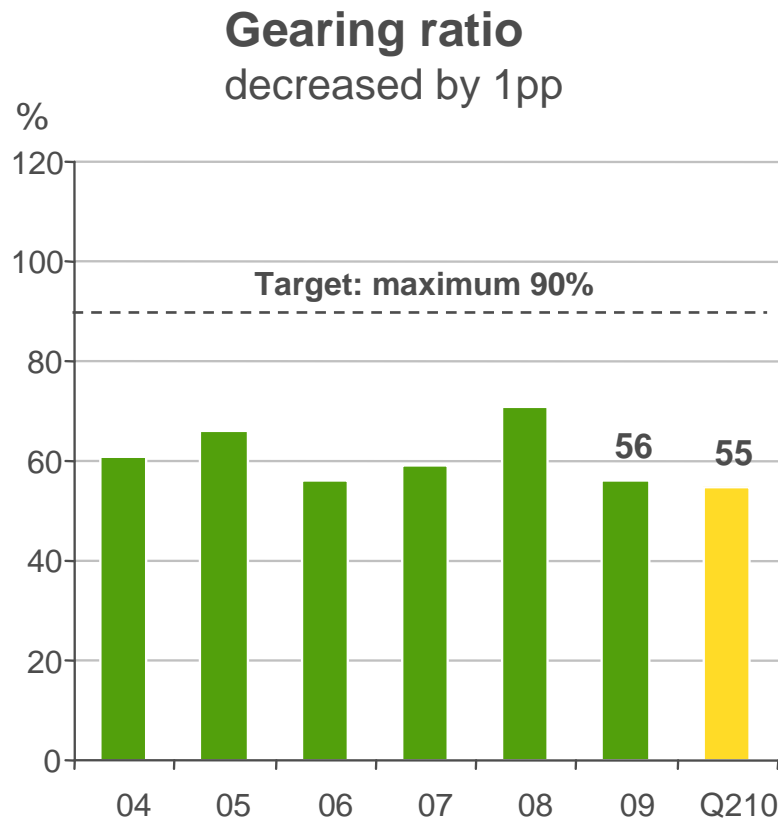


FINANCIALS

Capital expenditure and estimate for 2010



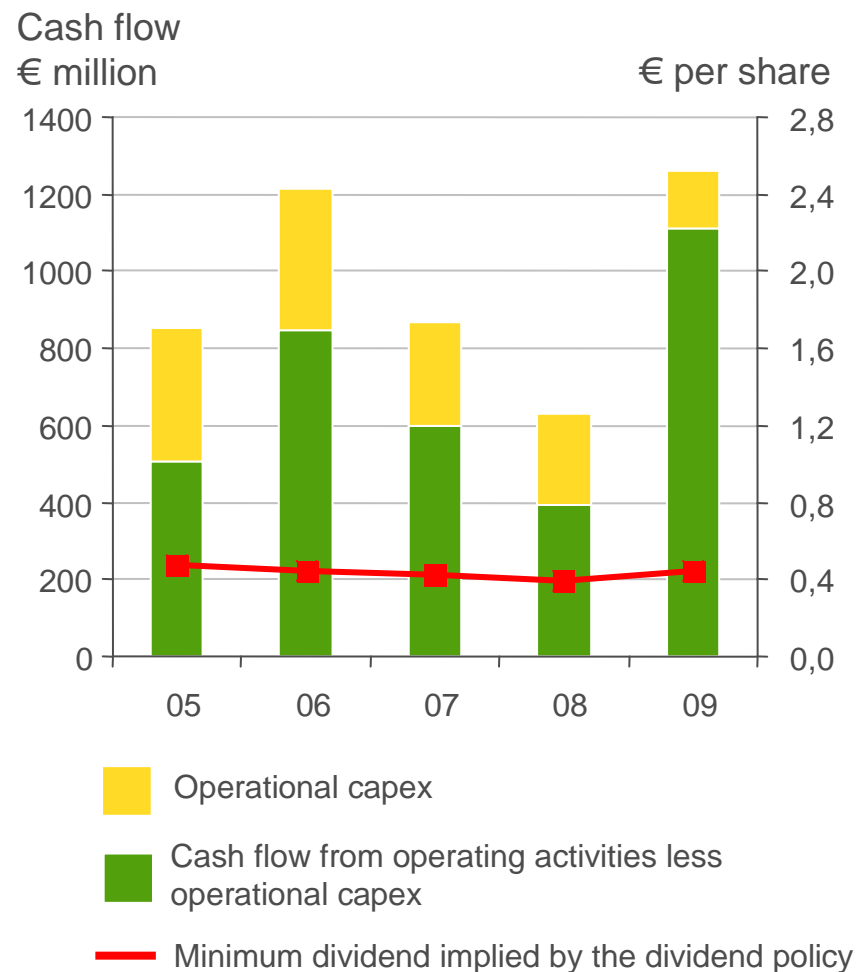
FINANCIALS
Balance sheet



Liquidity, June 30: EUR 2.1bn
Repayments less than €0.6bn in 2010-11



Dividend policy and financial targets



Dividend policy

- at least one third of net cash flow from operating activities less operational capital expenditure
- net cash flow calculated as an average over three years

Financial targets

- Operating profit margin to exceed 10 percent.
- Return on equity at least five percentage points above the yield of a 10 year risk-free investment.
- Gearing ratio below 90 percent.



UPM PLATFORM

UPM growth options

- Cost competitive low emission energy
- Biofuels
- Cost competitive pulp
- Paper in fast growing markets
- Labels new products and in fast growing markets
- Composite materials

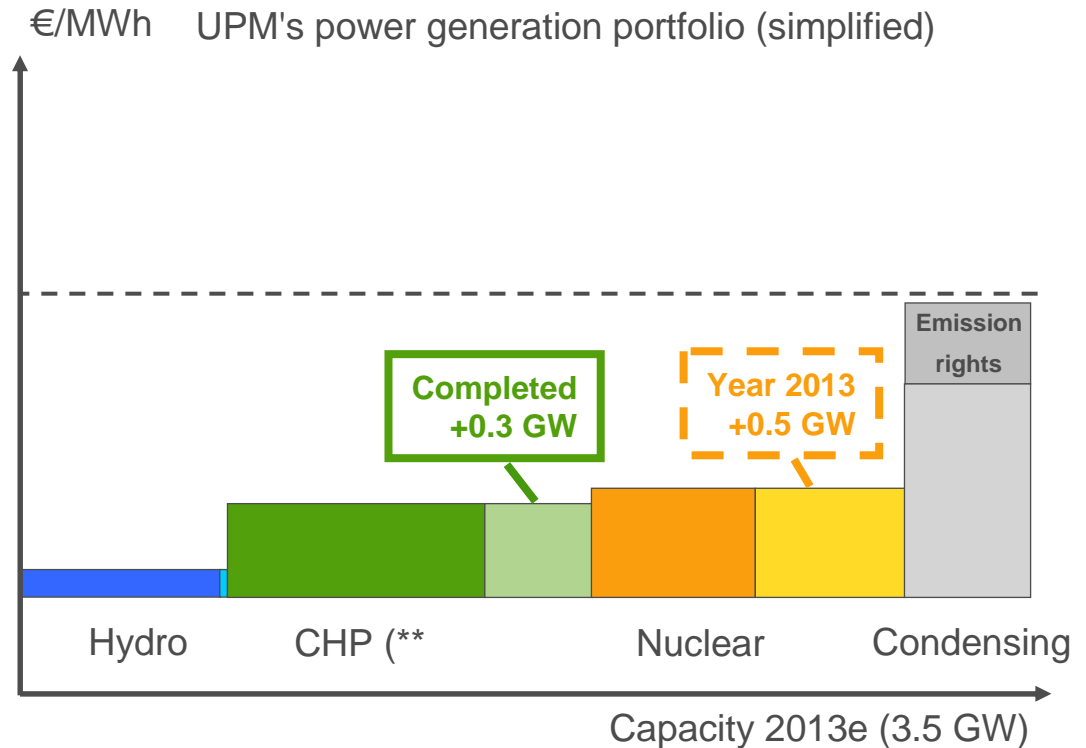
ENERGY

Low-cost, low emission electricity generation



Electricity generation capacity in 2010

Type	Nominal capacity MW
Own hydropower	175
Hydro shareholdings	498
Nuclear shareholdings	554
Condensing shareholdings	593
Total in Energy	1,820
CHP in Paper	1,178
Total UPM	2,998



*) including investment decisions already made

***) Combined Heat and Power

BIOFUELS

UPM aims to capture the new business potential in second generation biofuels



Current focus areas:

1. Second generation biodiesel

- well suited for current diesel motor technology and fuel distribution infrastructure
- energy wood as raw material

2. Bioethanol

- can be used as a blending component in gasoline
- commercial and industrial wastes as raw material

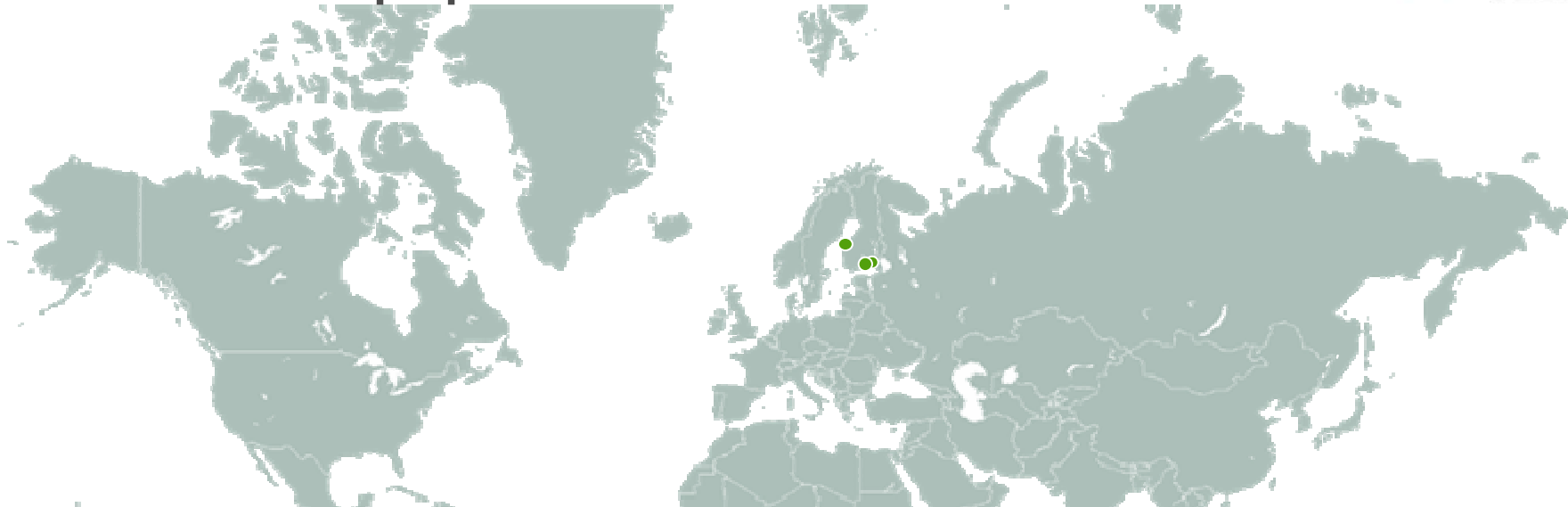
3. Bio oil

- can be used like fuel oil in heating and power generation
- energy wood as raw material



PULP

Cost competitive pulp
Four modern pulp mills - 3.2 million tons



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	

PAPER Cost leadership

Accomplished

- Improved mill portfolio by closing 1.8 million t/a (14%) of uncompetitive capacity in 2006-08
- Cut fixed costs and improved productivity
- Lean investments with focus on biomass-based power generation

Ready for consolidation in Europe to gain

- optimal production portfolio
- lower cost per delivered ton

Markets

- Mature markets in Western Europe and North America
- Growth in China and Eastern Europe



LABEL

Leadership in self-adhesive labelstock

Accomplished

- Major investment programme completed China, US, Poland 2007-08
- Healthy industry structure
- European restructuring and profitability turn-around

Growth opportunities

- New products and applications
- Emerging markets

Markets

- Growing demand for self adhesive label materials in all main markets



UPM assets with good cash flow and a long lifetime



- Strong and versatile energy portfolio providing cost competitive low emission 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



The Biofore Company