

UPM – The Biofore Company

Exane BNP Paribas 6th Basic Materials Seminar

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STRATEGY AND FINANCIALS

Restructuring has been a prerequisite for improved profitability and UPM's renewal



1996-2003

2004-2010

2009-

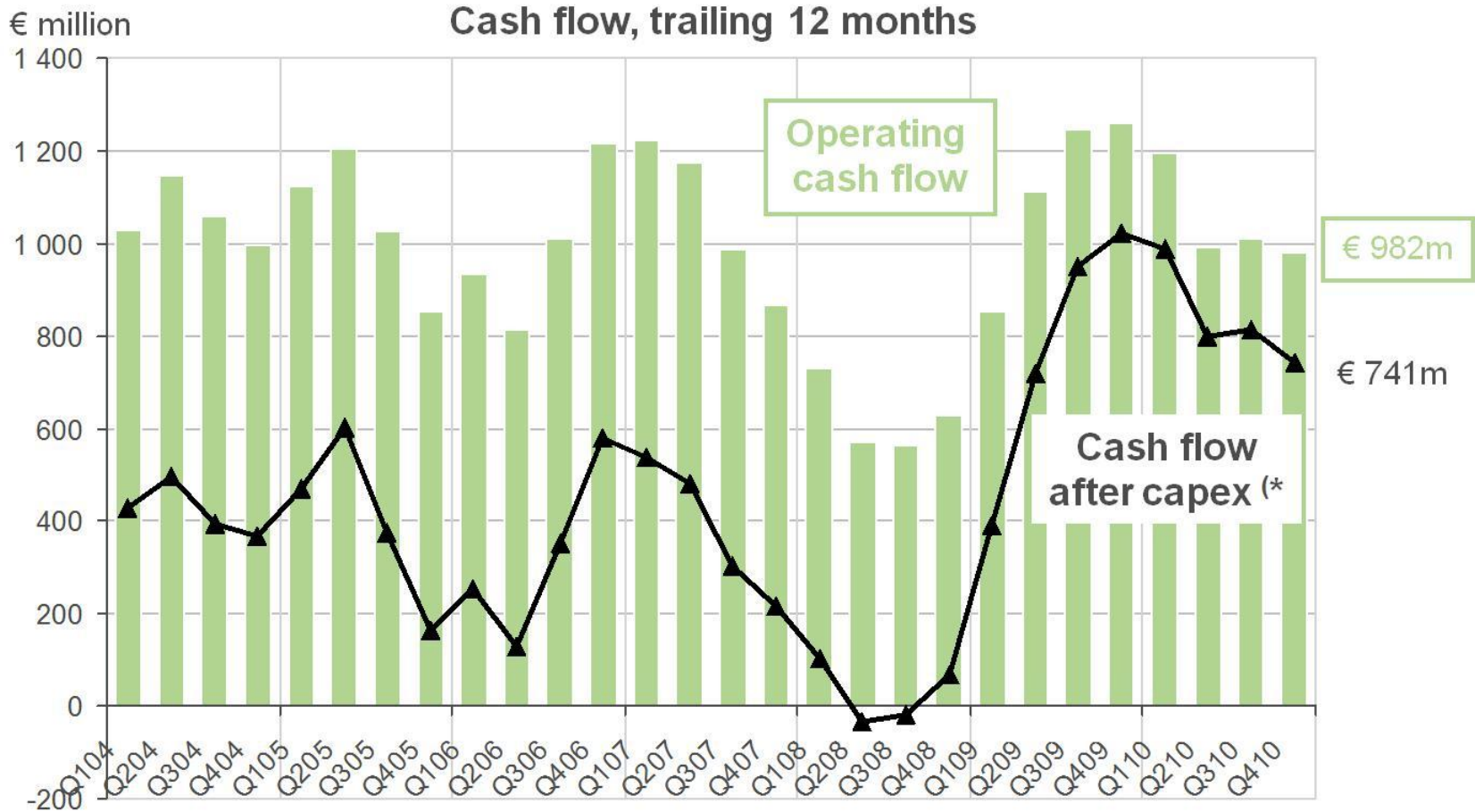
Growth
&
Internationalisation

Restructuring
&
securing
the platform

UPM
renewal

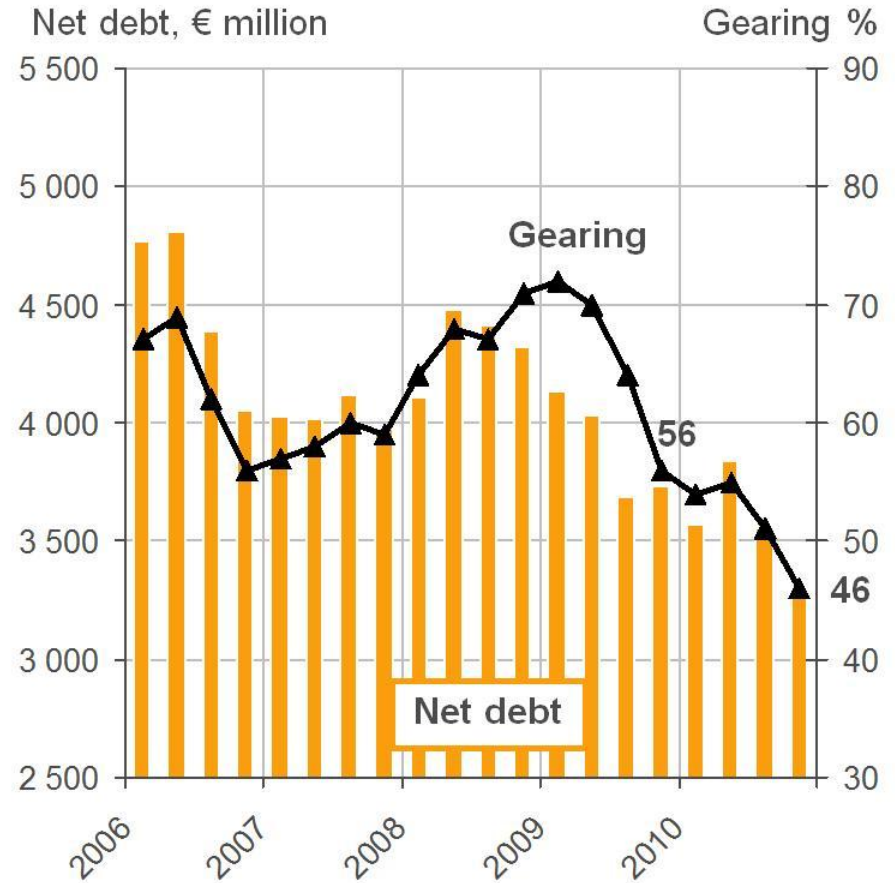
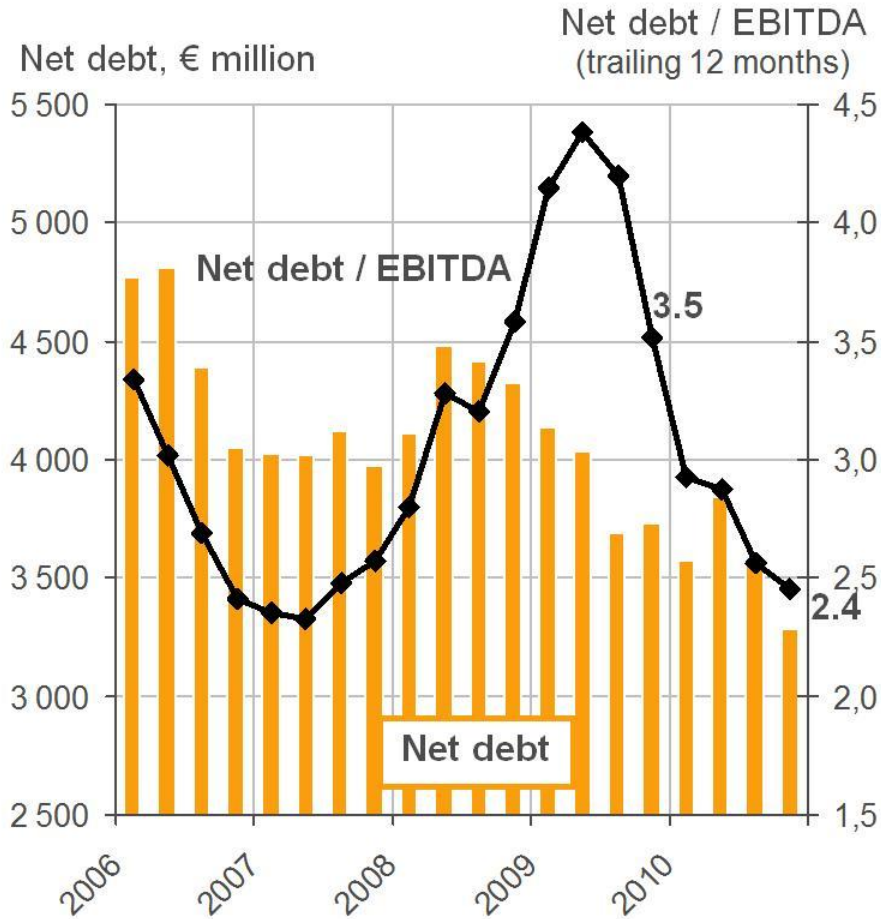
- Acquisitions
 - Europe
 - North America
 - China
- Greenfield investments
- First biomass boilers
- Restructuring
 - Mill closures
 - Cost cutting
 - Internal efficiency
- Platform building
 - Divestments
 - Greenfield investments
- Biofore vision
- Market driven organization
- Acquisitions
 - Uruguay
 - Myllykoski
- Opportunities and priorities
 - Biofuels
 - Changshu paper mill expansion
 - Expansion in chemical pulp
 - Investments in European cost efficiency
 - OL4
 - Product renewal





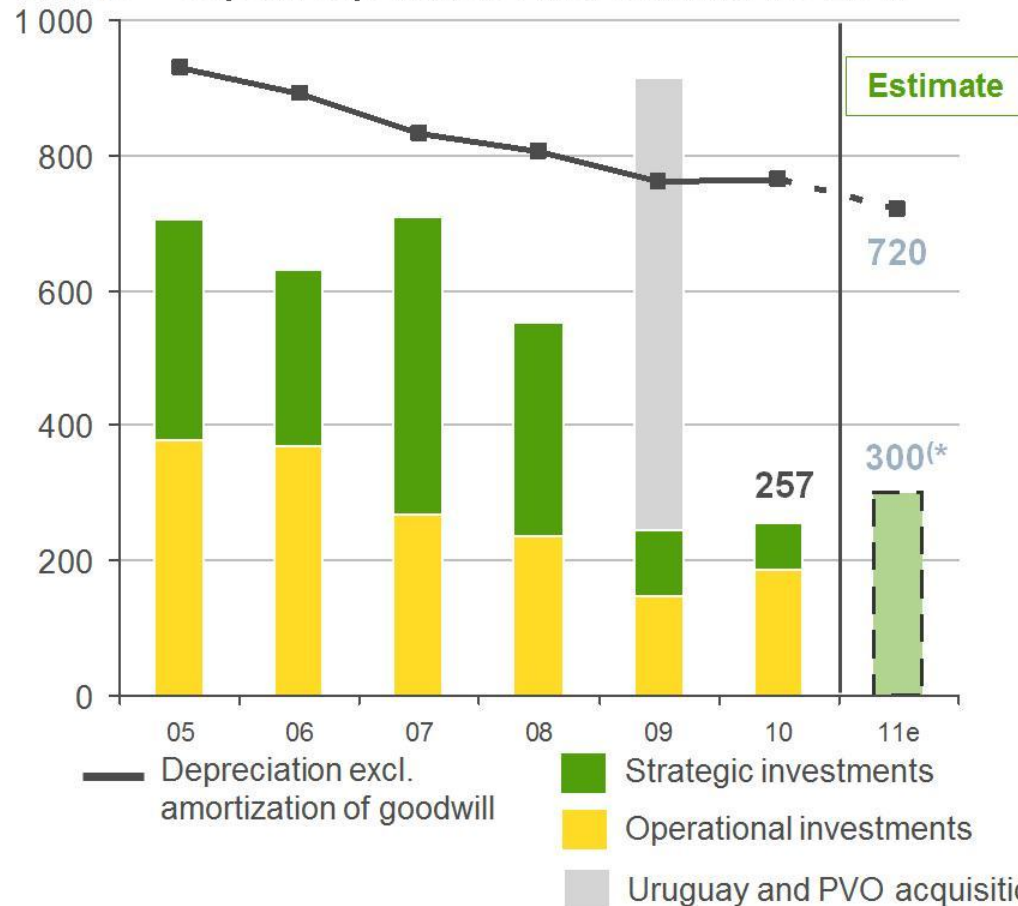
*) excluding acquisitions and divestments

UPM's asset base provided strong cash flow through the recession



Modern assets mean low investment needs on existing capacity

€ million Capital expenditure and estimate for 2011



Low operational capex requirements

- Large scale pulp mills and paper machines
- Modern machines require less maintenance than old

Few must-do investments

- No pulp mill rebuilds

➔ UPM capex is discretionary

*) excluding acquisitions



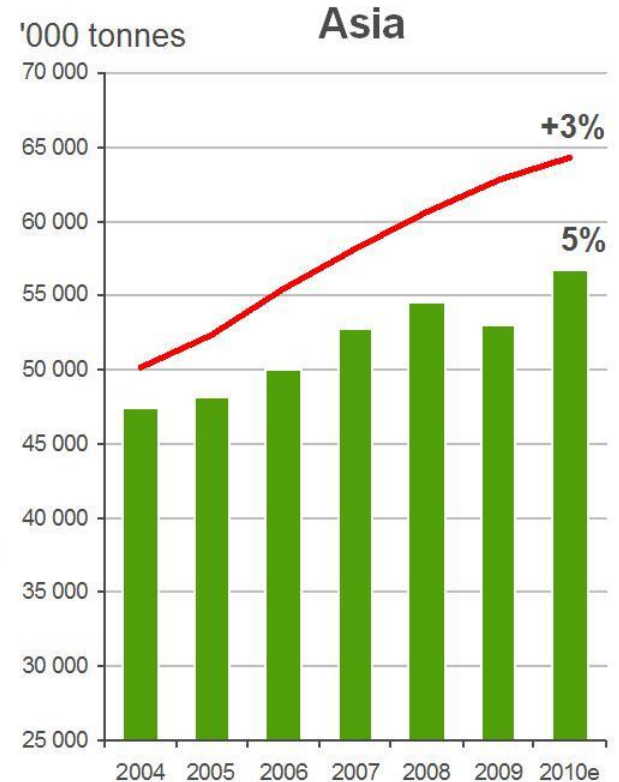
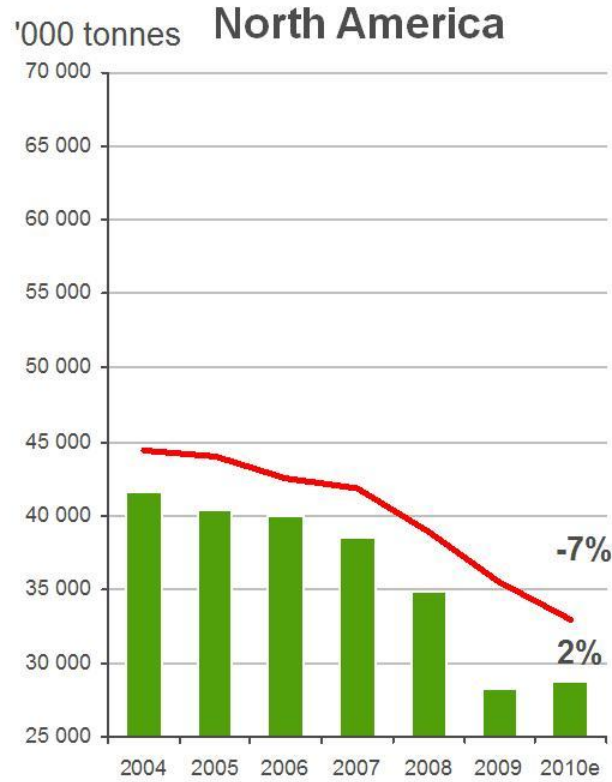
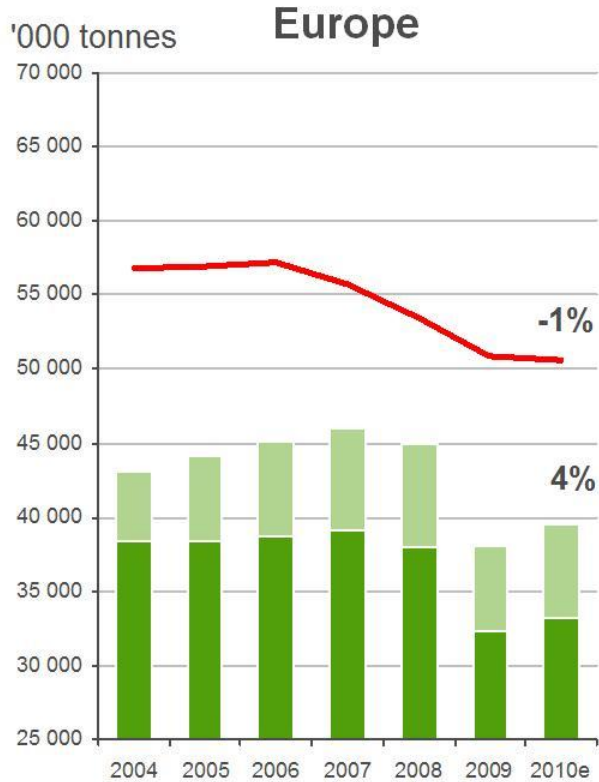
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Graphic papers demand improved in all regions in 2010



W. Eur demand E. Eur demand Capacity

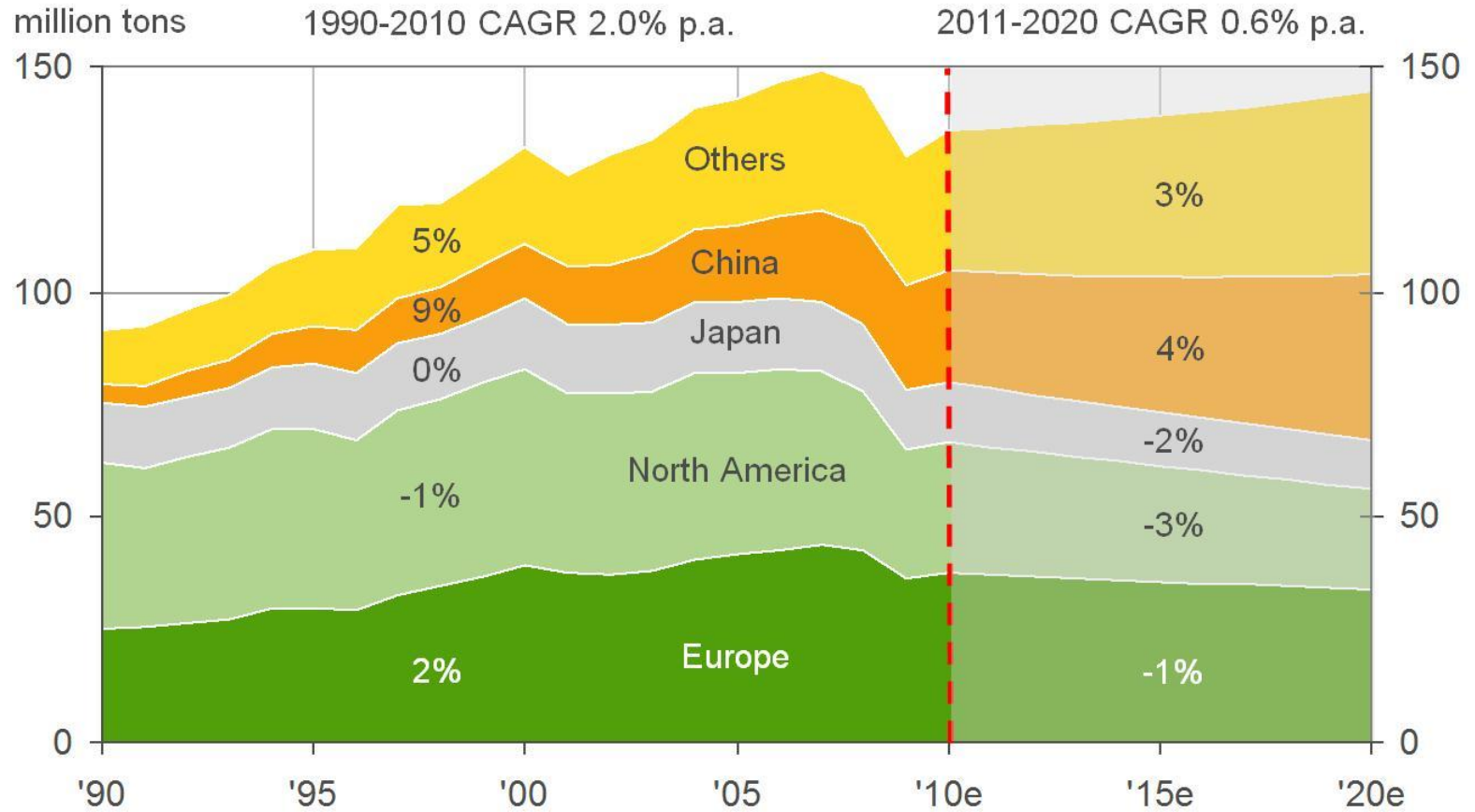
NA demand Capacity

Asia demand Capacity

Source: Cepiprint, Cepifine, PPPC, PPI

PAPER

Graphic papers demand is shifting to growth markets

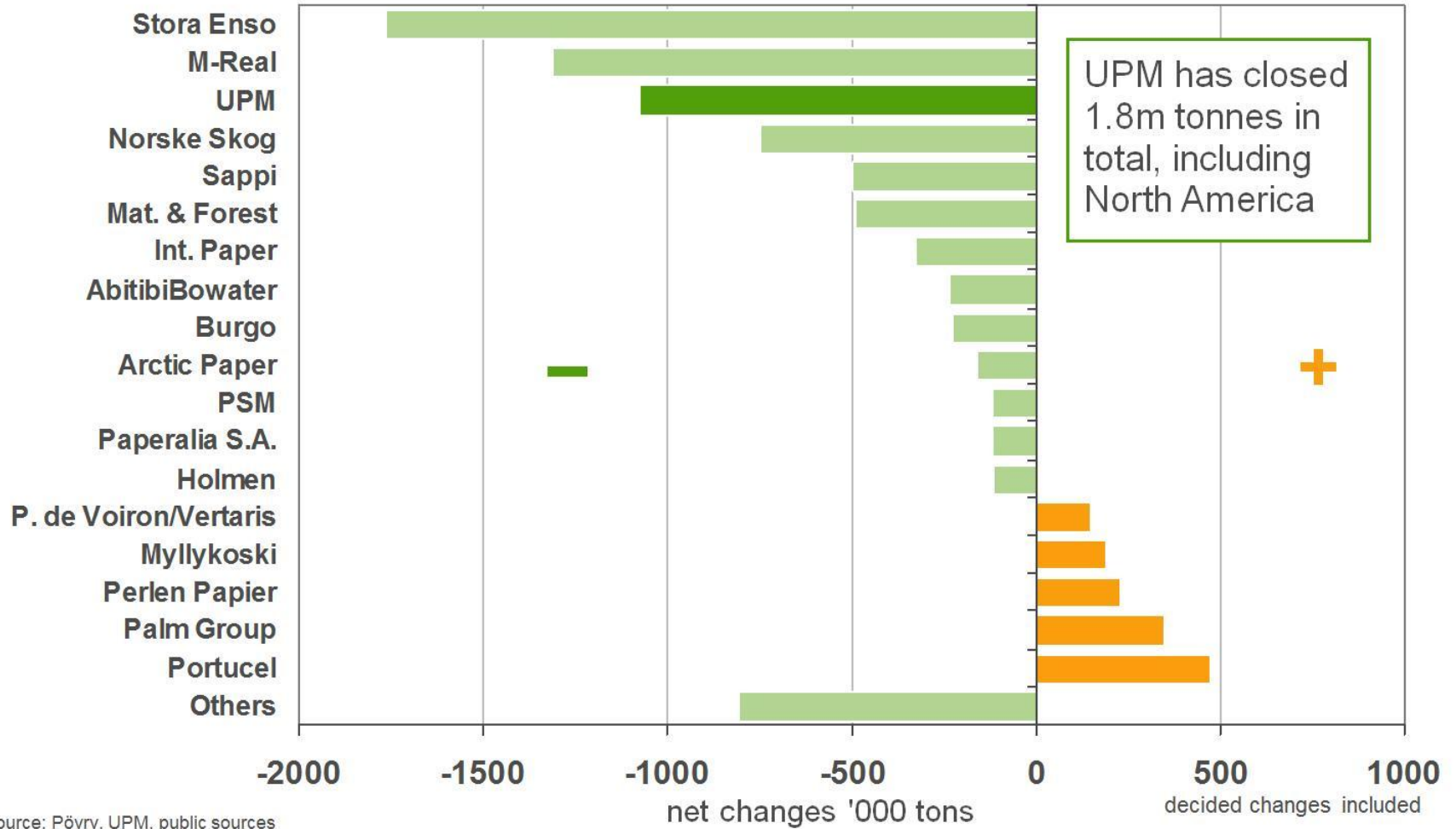


Source: JP, PPPC, RISI, BCG, UPM

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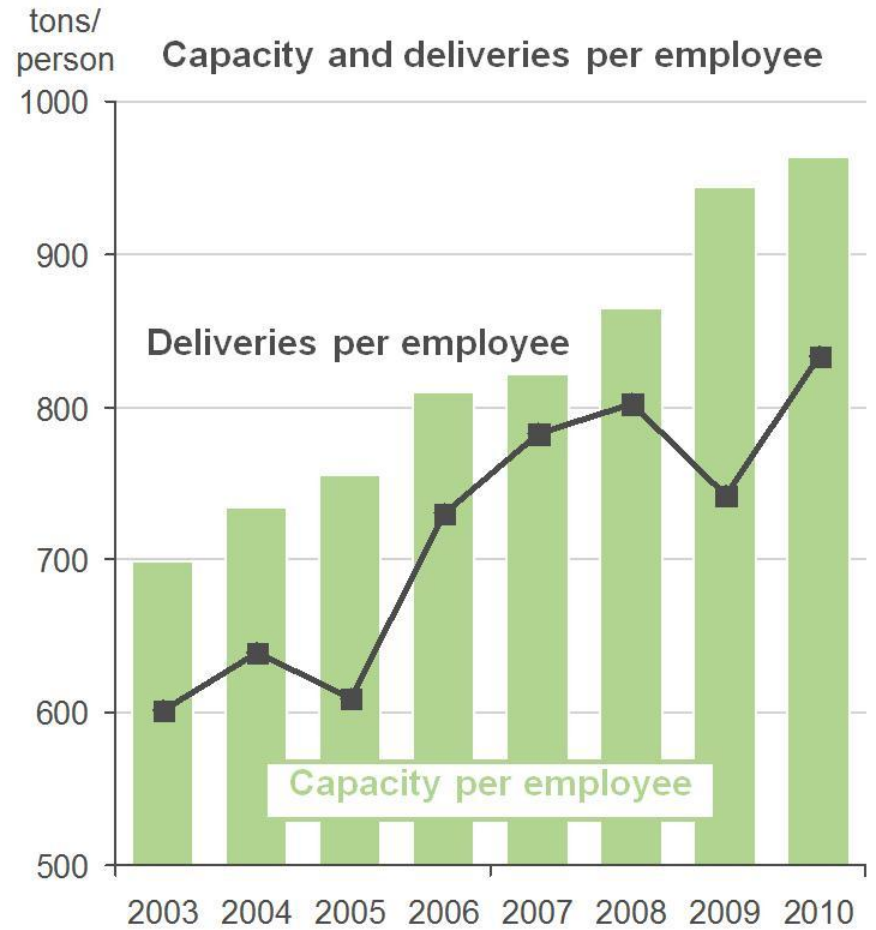
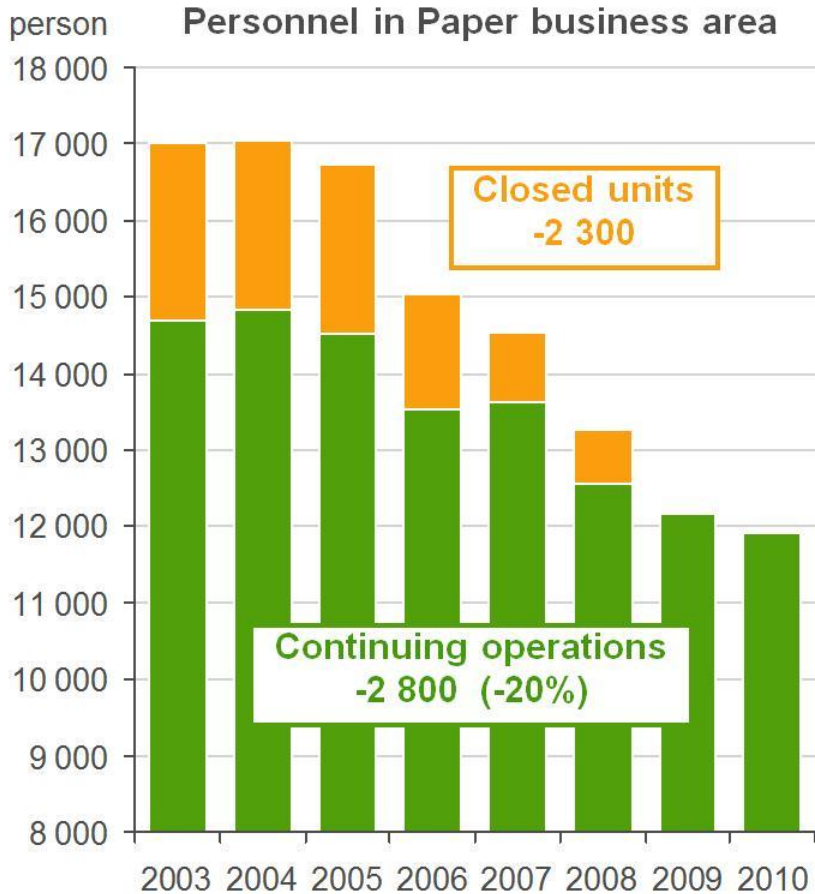
Net capacity reduction by company

6.6 million tonnes (12%) in Europe in 2005–2011e



Source: Pöyry, UPM, public sources

UPM has completed major restructuring in 2006-2009



Note: no significant outsourcing



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MYLLYKOSKI ACQUISITION



MYLLYKOSKI ACQUISITION

UPM acquires Myllykoski Corporation and Rhein Papier GmbH



- Main rationale is to improve profitability and cost efficiency in UPM's European paper business
- Enterprise value EUR 900 million
- Financing
 - UPM issues 5 million shares
 - UPM raises bank loans of EUR 800m
- Earnings impact
 - Estimated annual synergies over EUR 100 million – materialising from 2012
 - Cash flow enhancing immediately after closing
 - Earnings per share enhancing in 2012
- The agreement subject to customary closing conditions, incl. approvals from competition authorities – expected to close in the Q3 2011

MYLLYKOSKI ACQUISITION

Paper operations to be acquired

Mills	Grade	Cap. 1,000 t	Personnel Q3/2010
Mylykoski Paper	LWC, SC	600	469
MD Albrbruck	MWC/LWC	320	544
Lang Paper	News, SC	600	413
MD Plattling	LWC	400	387
Madison Paper	SC	220	229
Plattling Papier (RP)	SC	380	114
Hürth (RP)	News	310	102
TOTAL		2,830	2,600 *)

Source: Mylykoski

*) incl. non-mill personnel



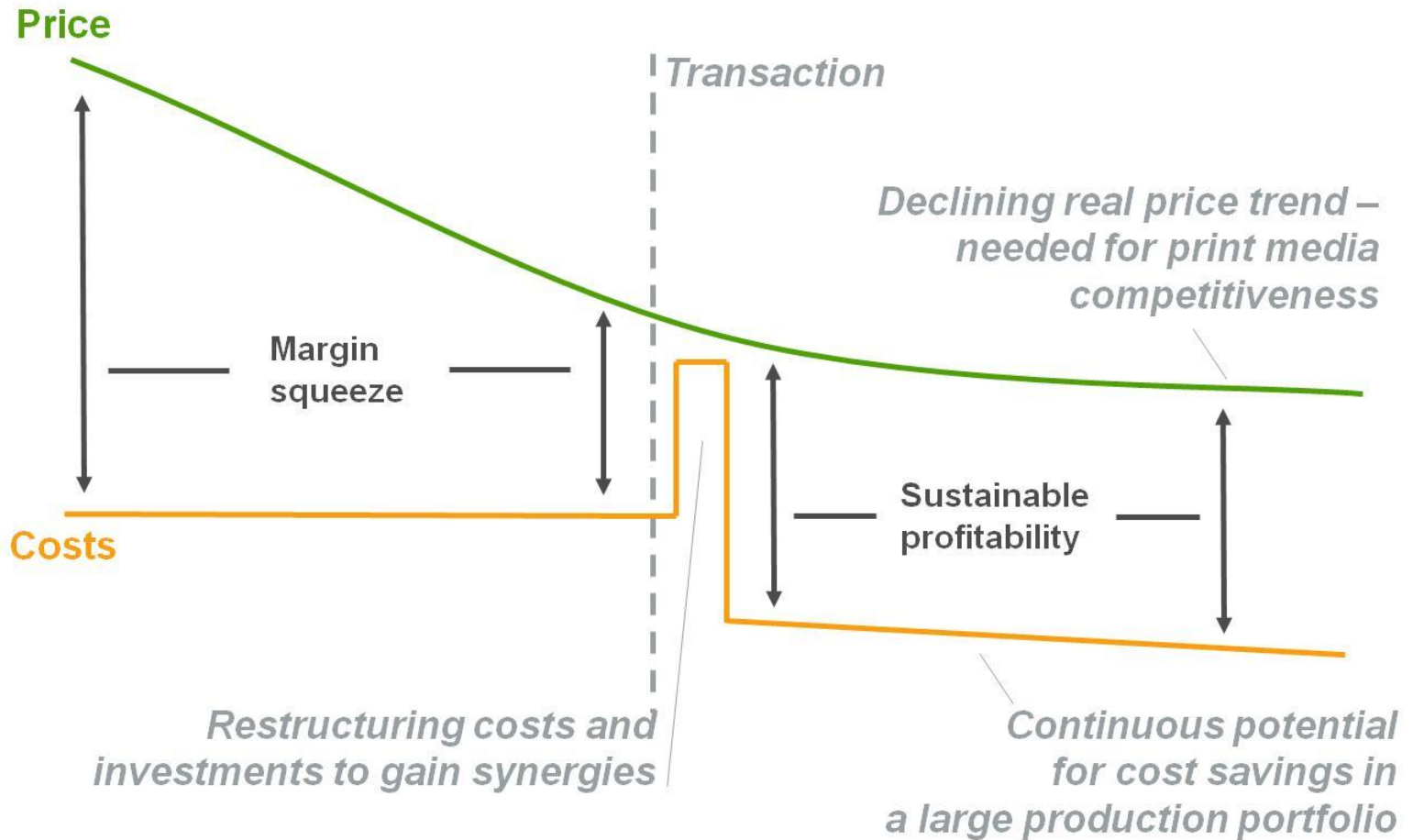
Invested recently over EUR 700m on new capacity

- Plattling PM 1 (2007); 380,000 t/a of SC paper
- Hürth (2002); 310,000 t/a of newsprint

Includes 0.8% stake in PVO, with a value of EUR 70m



Achieve sustainable cost structure through consolidation





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GROWTH OPPORTUNITIES



Growth opportunities in low-emission energy, chemical pulp, label and China

Energy and pulp

- Expand in cost competitive low-emission energy
- Grow in cost competitive pulp
- Develop second generation biofuels

Paper

- Focus on European profitability
- Consolidation in Europe
- Growth in China and other growth markets

Engineered materials

- Profitable growth in self-adhesive label materials
- Plywood renewal
- Drive product renewal and develop new businesses



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SUMMARY



Summary

- UPM is committed to real profitability and cost efficiency improvement
- UPM is leading paper consolidation in Europe – enables efficiency improvement and sustainable cost structure
- Strong cash flow and balance sheet give means to realise growth opportunities in the future
- UPM is well positioned to benefit from growing markets for low-emission energy, chemical pulp, label materials and paper in China



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