



The Biofore Company

UPM

PULP MARKET REVIEW

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- Pulp market outlook
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STRATEGY AND PRIORITIES



STRATEGY AND PRIORITIES

Market-driven business model increases insight and promotes action



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Energy and Pulp

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

Paper

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

Engineered materials

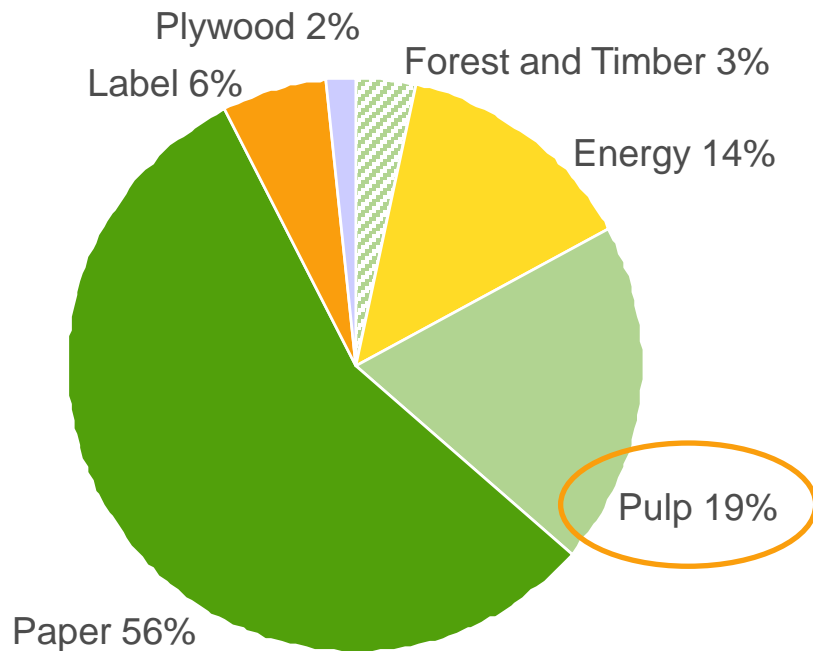
- Profitable growth in self-adhesive label materials
- Plywood renewal
- Drive product renewal and develop new businesses

Group level synergies from resource integration and global functions

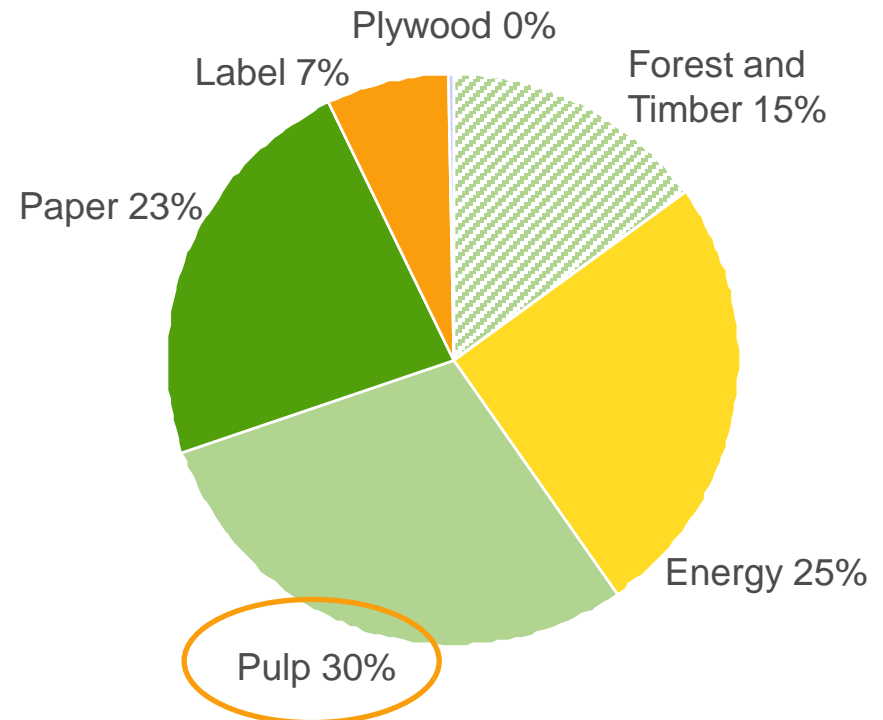
STRATEGY AND PRIORITIES

Diversified sources of operating profit
– Pulp is a significant source of cash flow and major source of operating profit

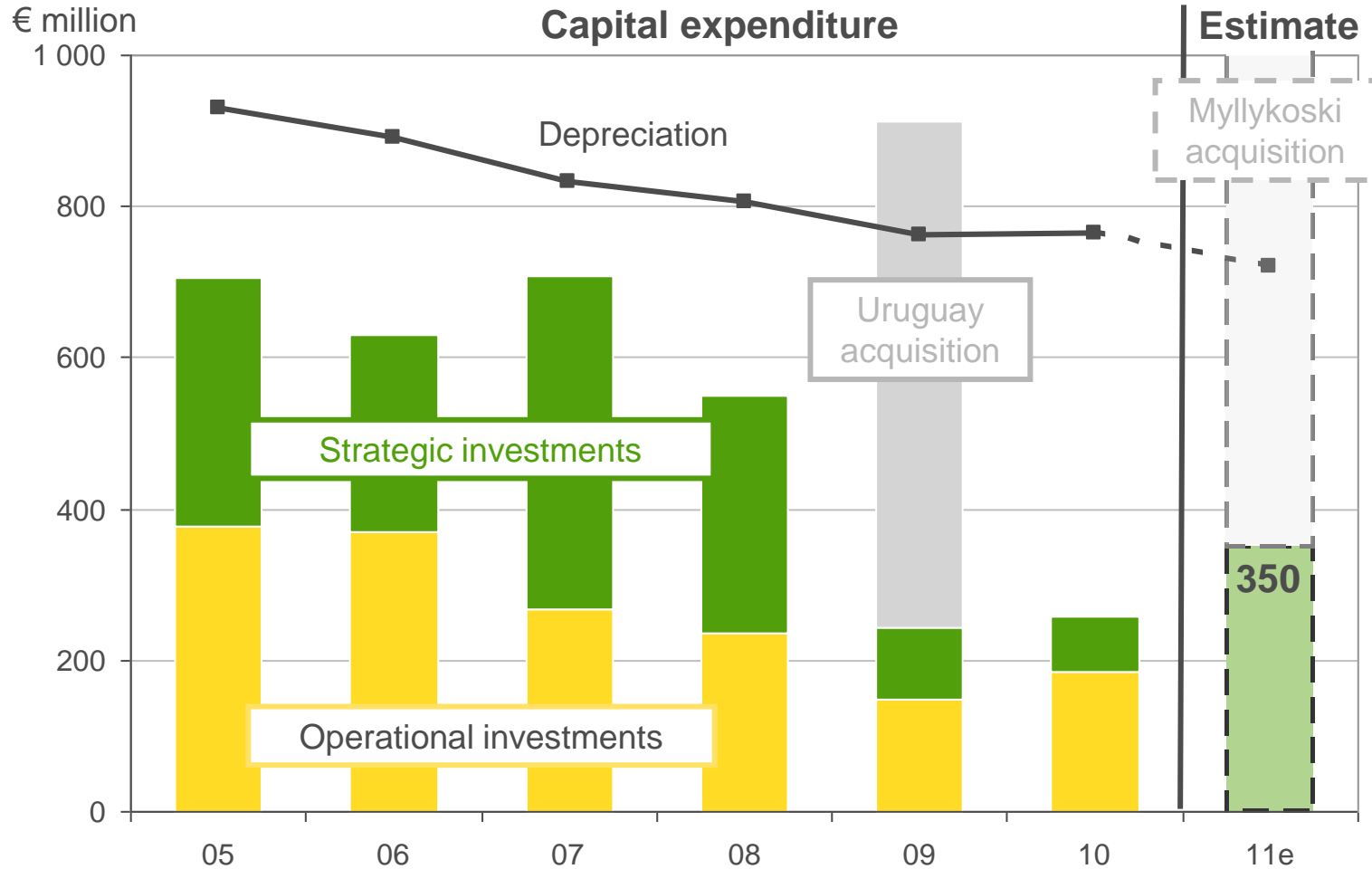
**Cumulative
EBITDA 2007-2010**



**Cumulative
Operating profit 2007-2010
excluding special items**



Weight in strategic capex is on value enhancing acquisitions



STRATEGY AND PRIORITIES

Pulp capacity 3.2 million tons – produced at four modern mills



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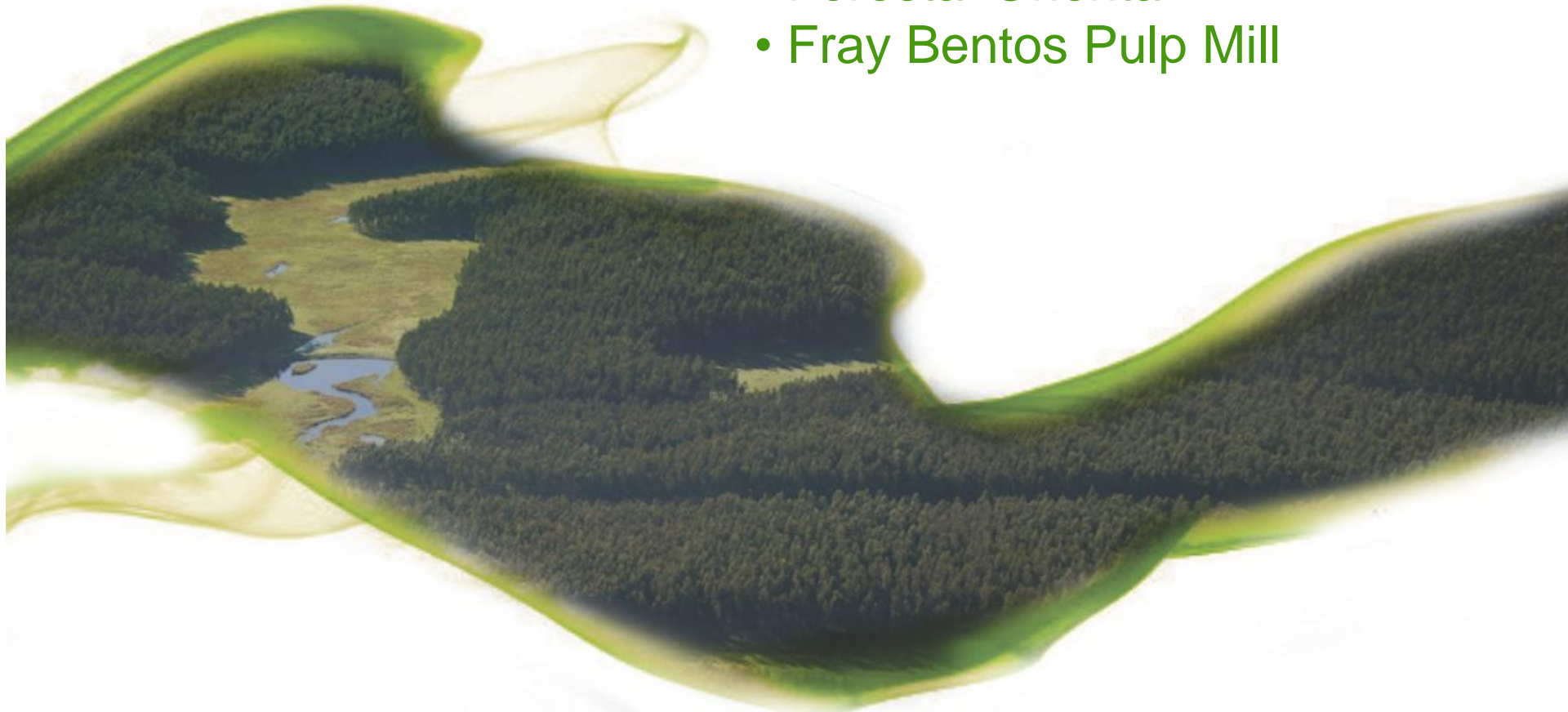


Fray Bentos pulp mill
Forestal Oriental plantations

Chemical pulp capacity	1,000 tons	
Fray Bentos	1,100	Start-up 2007
Kymi	570	Rebuild 2008
Pietarsaari	790	Rebuild 2004
Kaukas	740	Rebuild 1996
Total own capacity	3,200	
17% of Botnia's capacity	403	
Total	3,603	

UPM IN URUGUAY

- Forestal Oriental
- Fray Bentos Pulp Mill



Uruguay as a location for investment

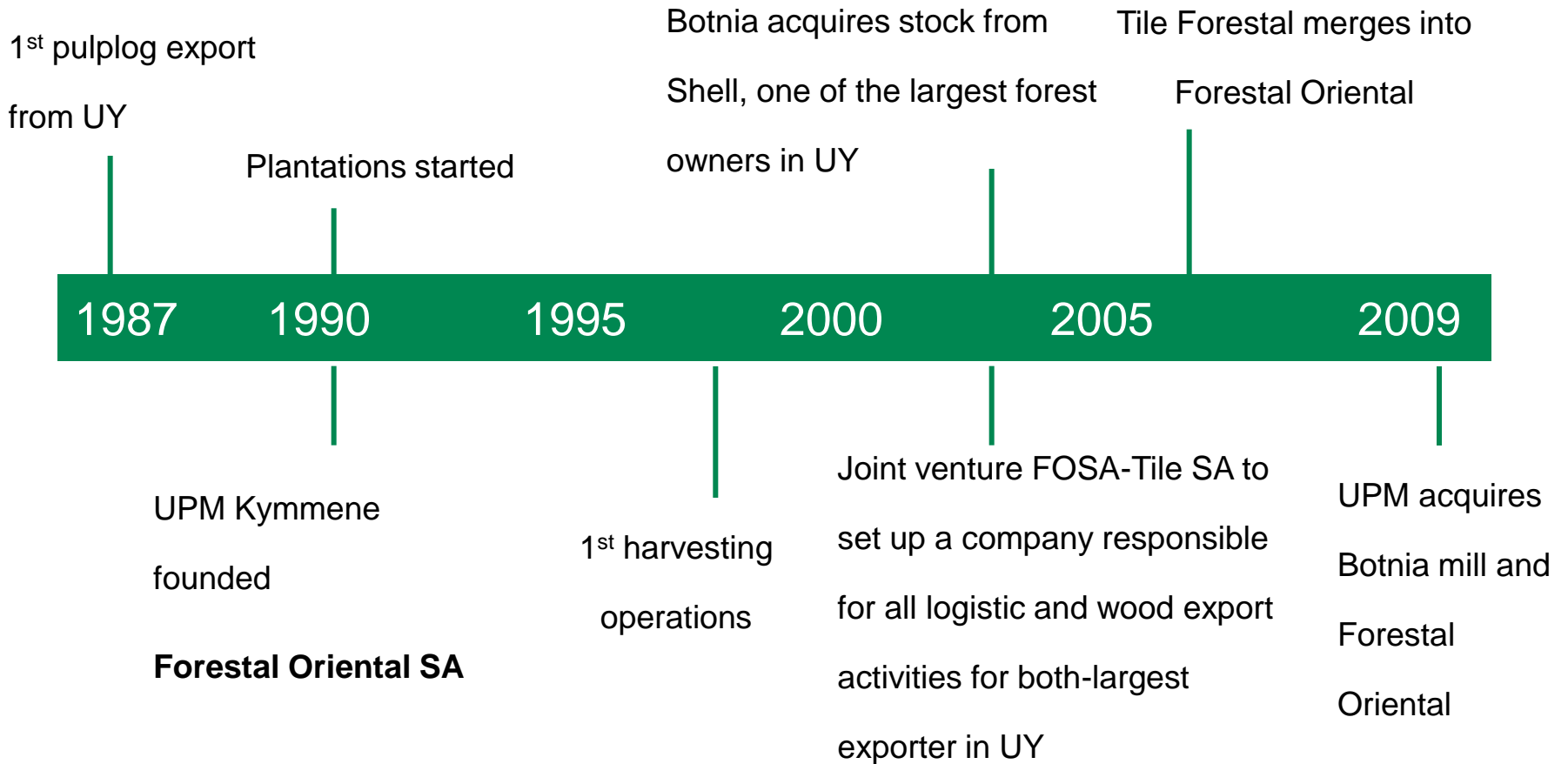
- Availability of good quality raw material
 - Ideal growing conditions for eucalyptus
- Logistics
 - Access to river and sea transport
- Political, economic and legal conditions
 - Politically stable country
 - Transparency Index: second in Latin-America
- Professionals and qualified labour force
 - Good standard of basic education
 - High standard of university education, education free for students





FORESTAL ORIENTAL

Forestal Oriental - History



Forestal Oriental secures pulpwood supply to UPM Fray Bentos pulp mill

- Forestal Oriental in Uruguay
 - 225,000 ha of land owned and controlled
 - 135,000 ha used for plantations
- About 70% of the Fray Bentos pulp mill's wood raw material comes from own plantations, largely self-sufficient in the future
- About 30% from private farmers through the partnership programme FOMENTO



Uruguayan wood basket



Legend

- FOFOFOMENTO/CONTRACTS
- STORA ENSO/ARAUCO
- WEYERHAEUSER
- OTHER COMPANIES

Soils Types

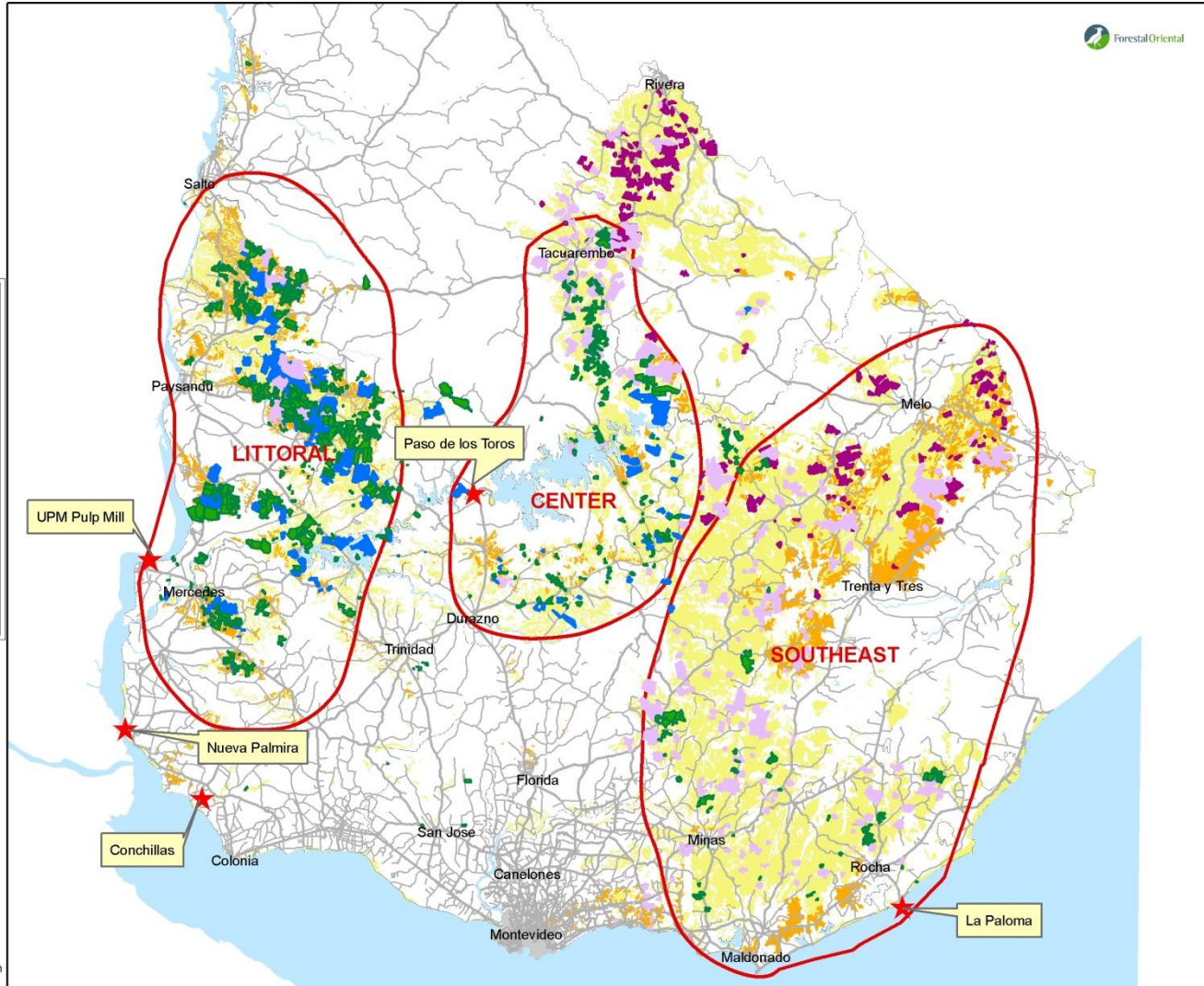
- Forestry soils
- Forestry/agriculture soils

★ Strategic Points

BLOCKS

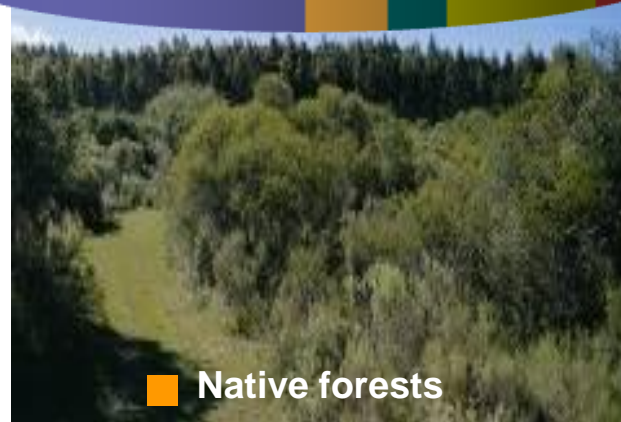
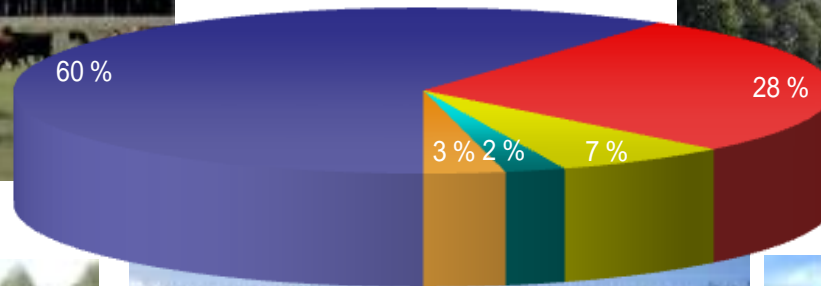
Roads

- Asphalts roads
- Graveled Roads
- River



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Sustainable land use



Technologically advanced nursery



Nursery annual capacity for 20 million clonal seedlings

UPM FRAY BENTOS PULP MILL



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UPM Fray Bentos pulp mill

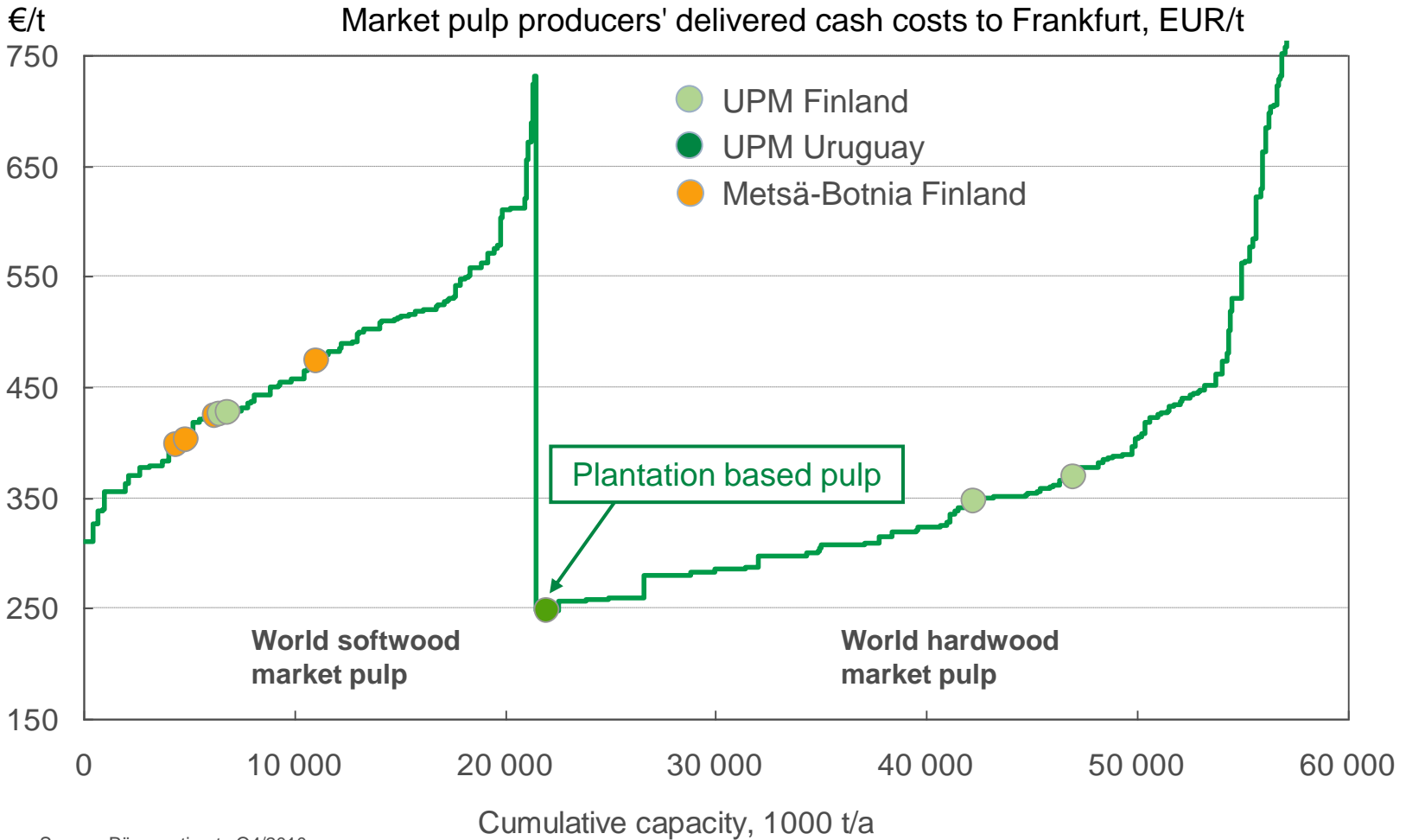
- Capacity 1,1 million tons of bleached eucalyptus pulp a year
- Start-up in November 2007
- Total investment 1.2 billion USD, machinery 700 MUSD
- Technology: BAT; Best Available Techniques (IPPC-BAT) securing minimum environmental impact
- Bleaching: ECF light
- High efficiency production
- High pulp quality
- Biomass Power generation for own consumption and external sales
- Low chemical, water and energy consumption



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Significant cost benefits with plantation based pulp



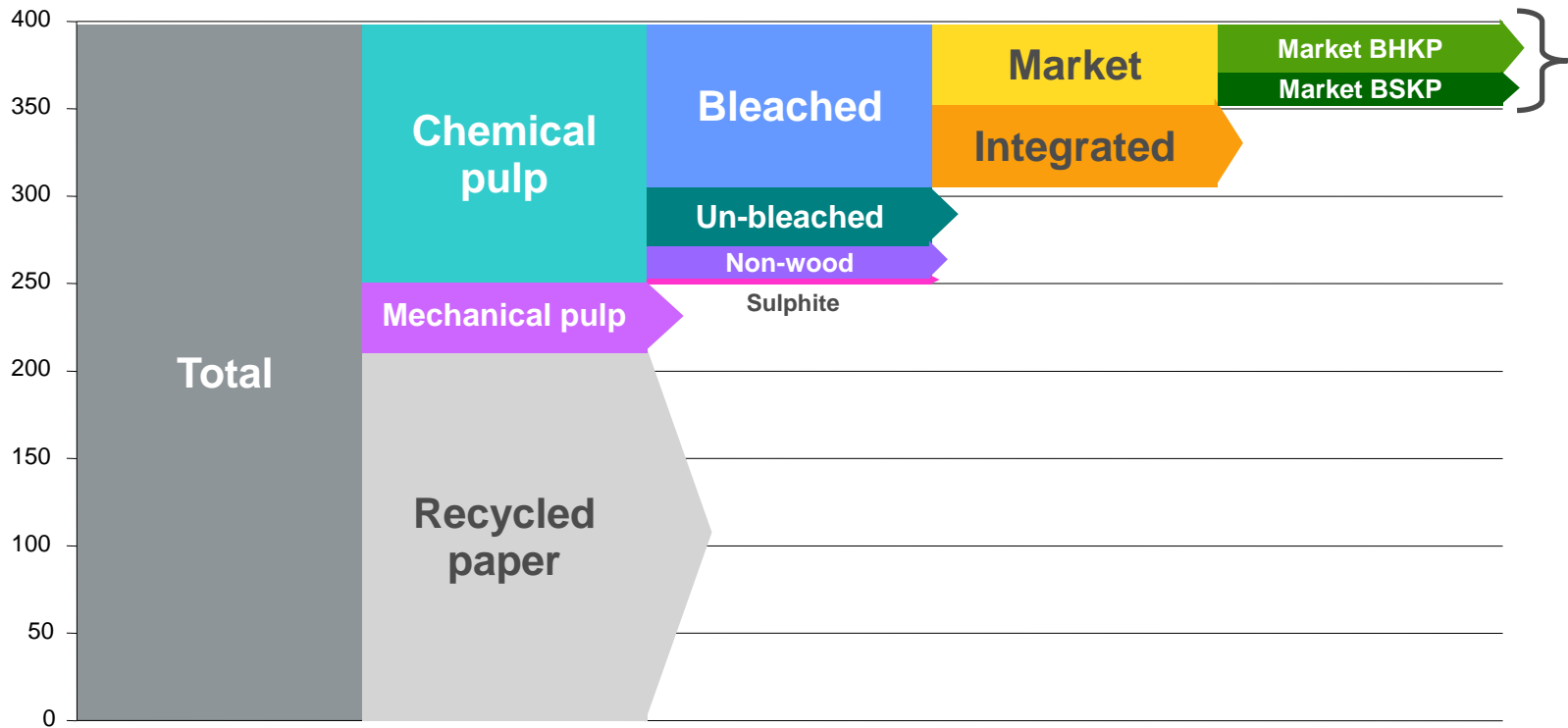
Source: Pöyry estimate Q4/2010

PULP MARKET OUTLOOK

PULP MARKET OUTLOOK

World fiber balance

million tonnes



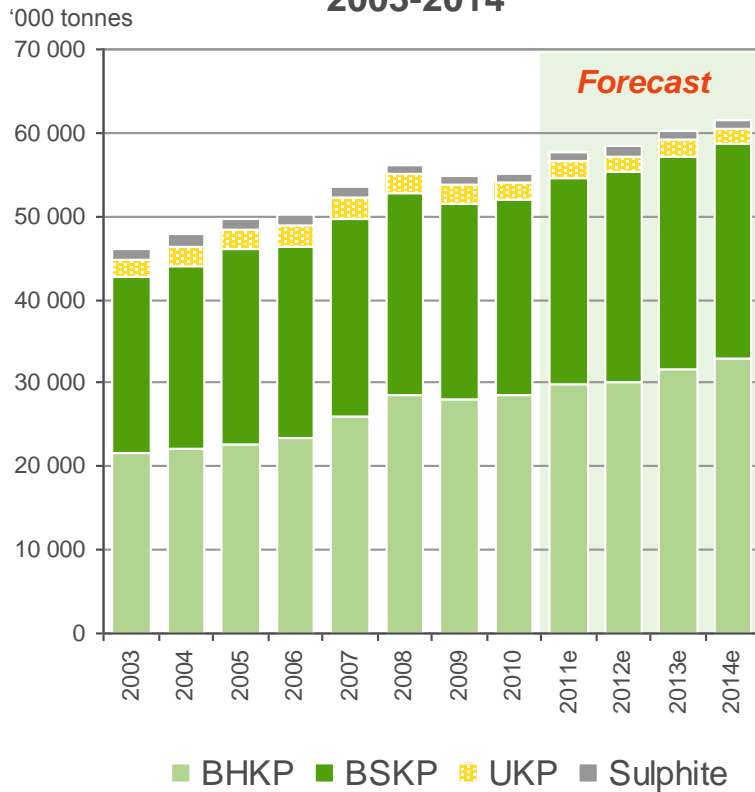
Source Pöyry 2009

PULP MARKET OUTLOOK

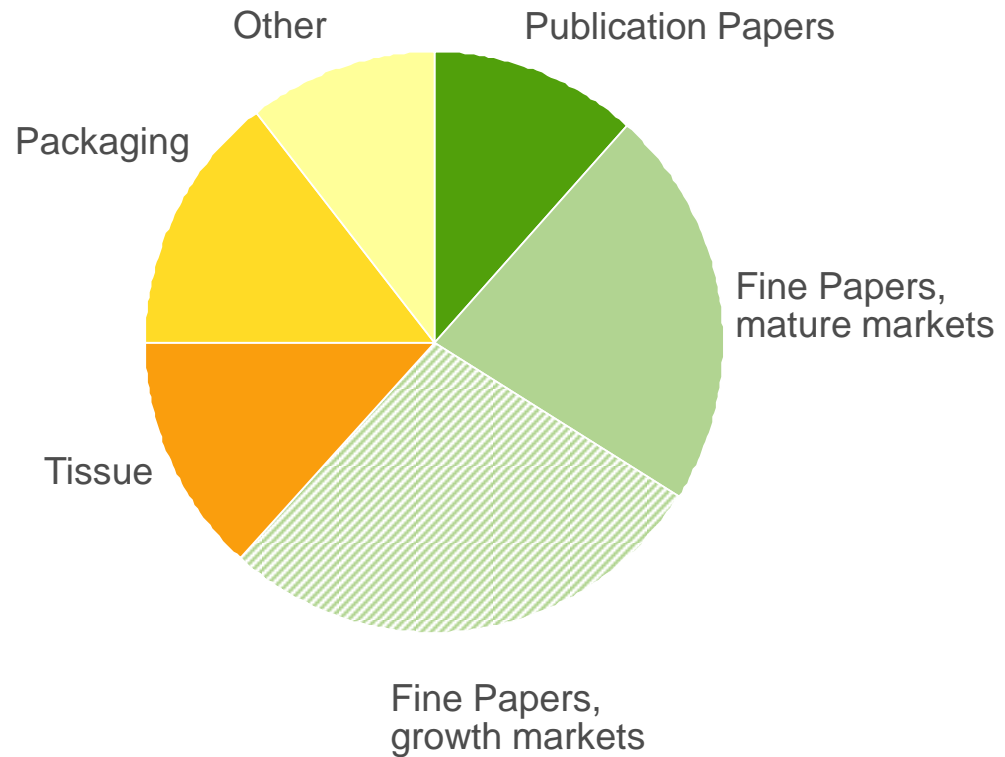
Chemical pulp demand is growing driven by various end-uses



Market pulp demand development 2003-2014

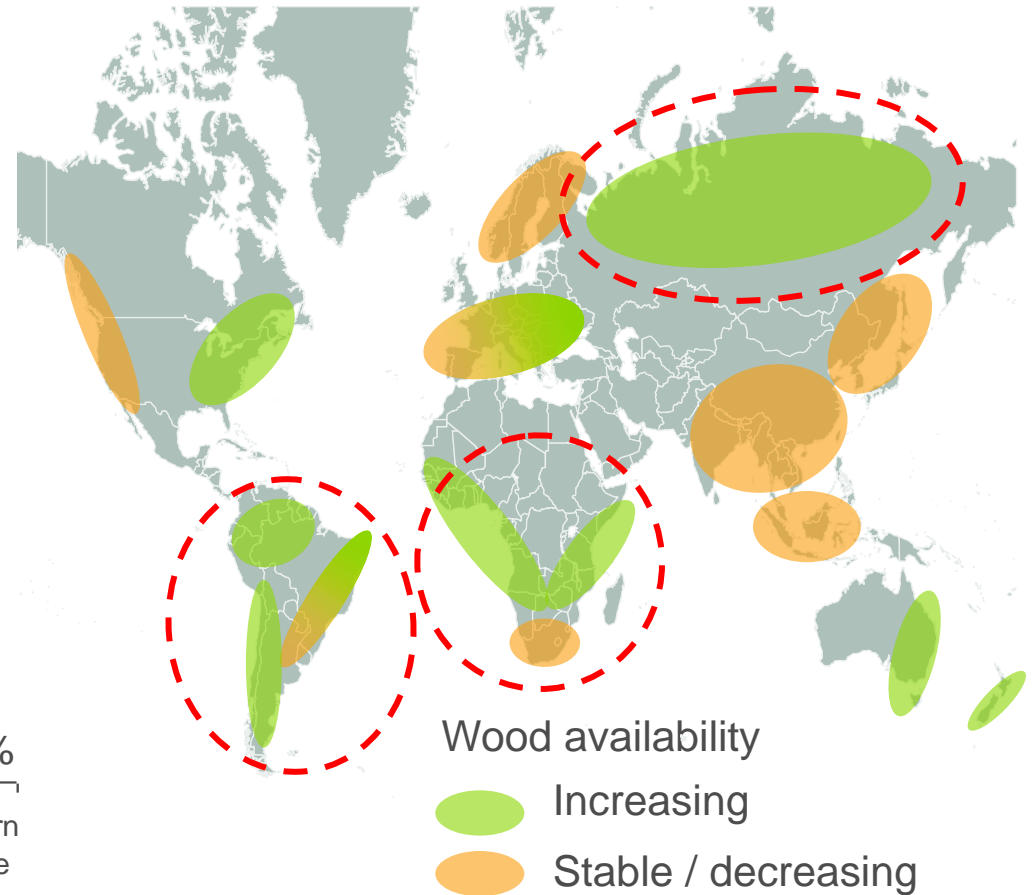
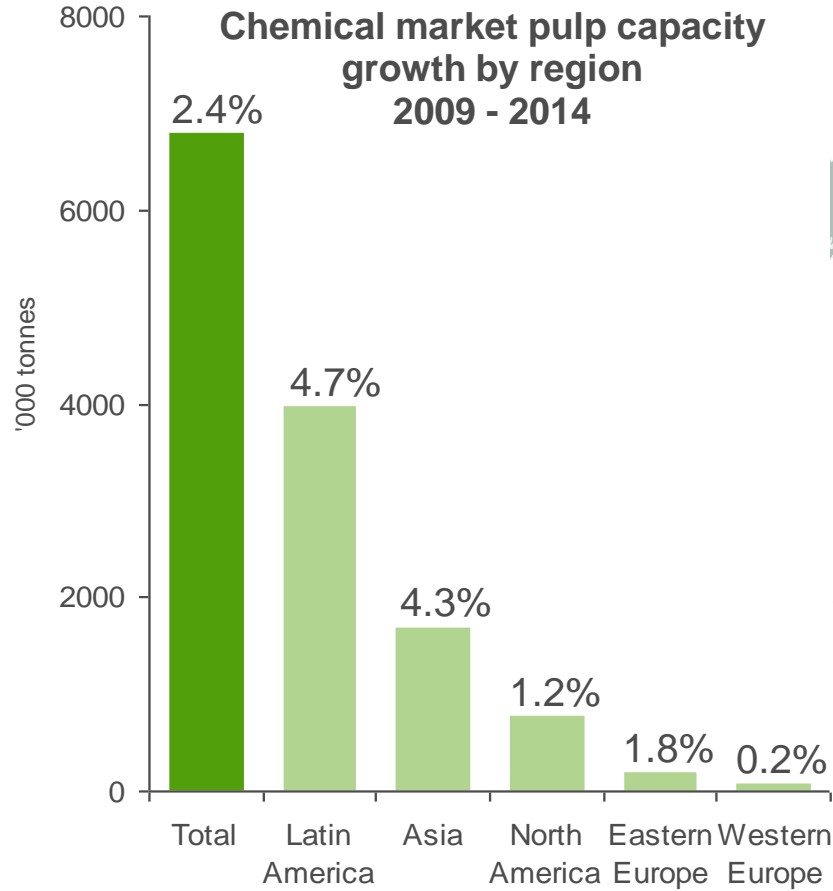


Chemical pulp demand by end-use



Source: PPC, Pöyry, UPM

Capacity growth focus on regions with increasing wood availability and cost efficient plantation operations



Source: PPPC

Source: Pöyry

New BEKP pulp lines

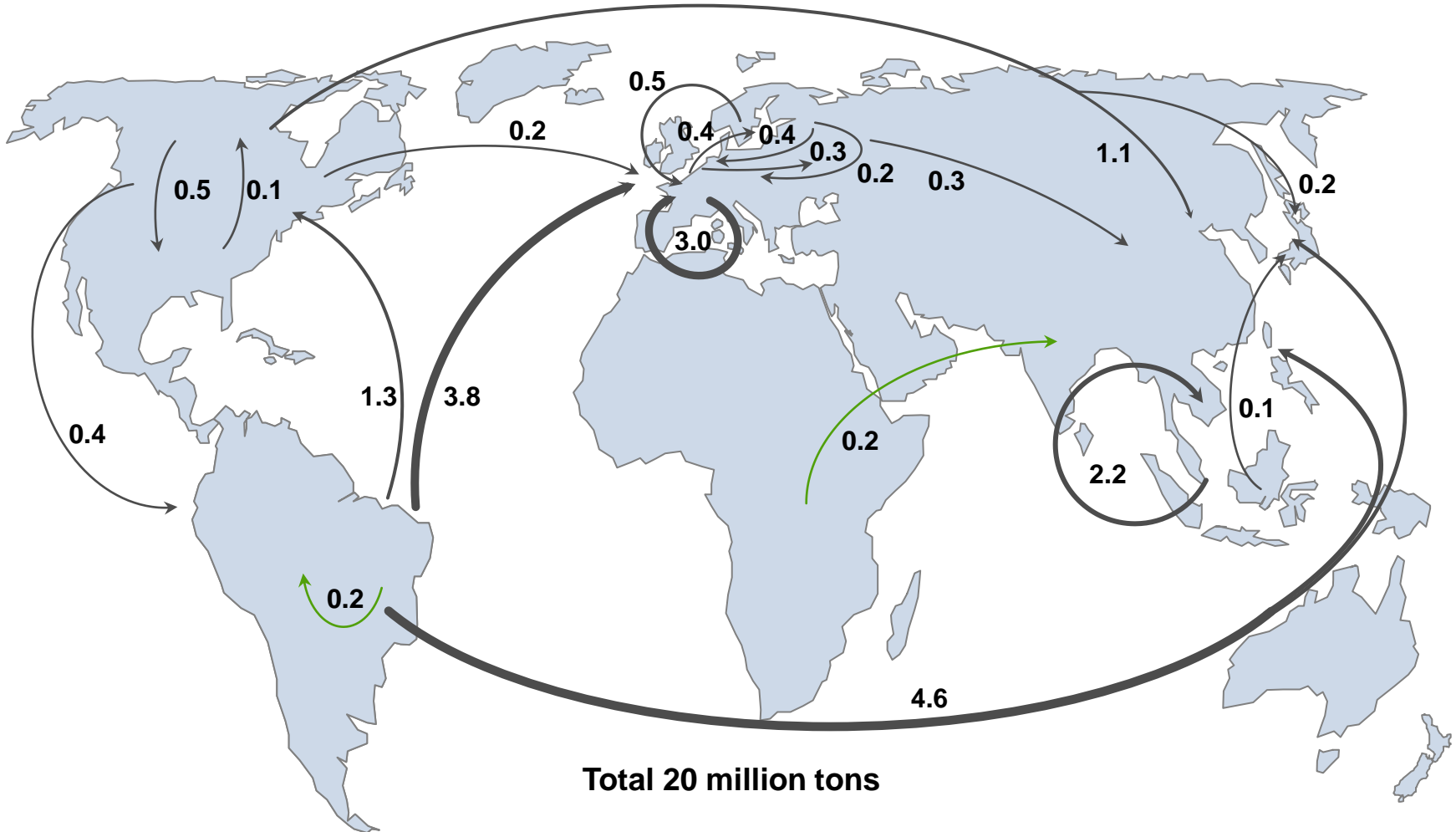
– estimated start-ups by 2016



Year	Quarter	Country	Company	Mill	Capacity Mt/a
2011	Q3	China	Shandong Chenming	Zhanjiang	0.7
2012	Q4	Brazil	Eldorado	Tres Lagoas	1.5
2013	Q1	Uruguay	Montes del Plata	Punta Pereira	1.3
2013	Q1	China	Oji Paper	Nantong	0.7
2013	Q2	Brazil	Suzano	Maranhao	1.5
2014		Brazil	Fibria	Tres Lagoas II	1.5
20XX		Australia	Southern Star	Bell Bay	1.1
20XX		Brazil	CMPC	Guaiba II	1.5
20XX			Others		

The investment decision has been made concerning the lines in green colour.

Market BHKP trade flows 2009 – Latin America has become a major source of BHKP



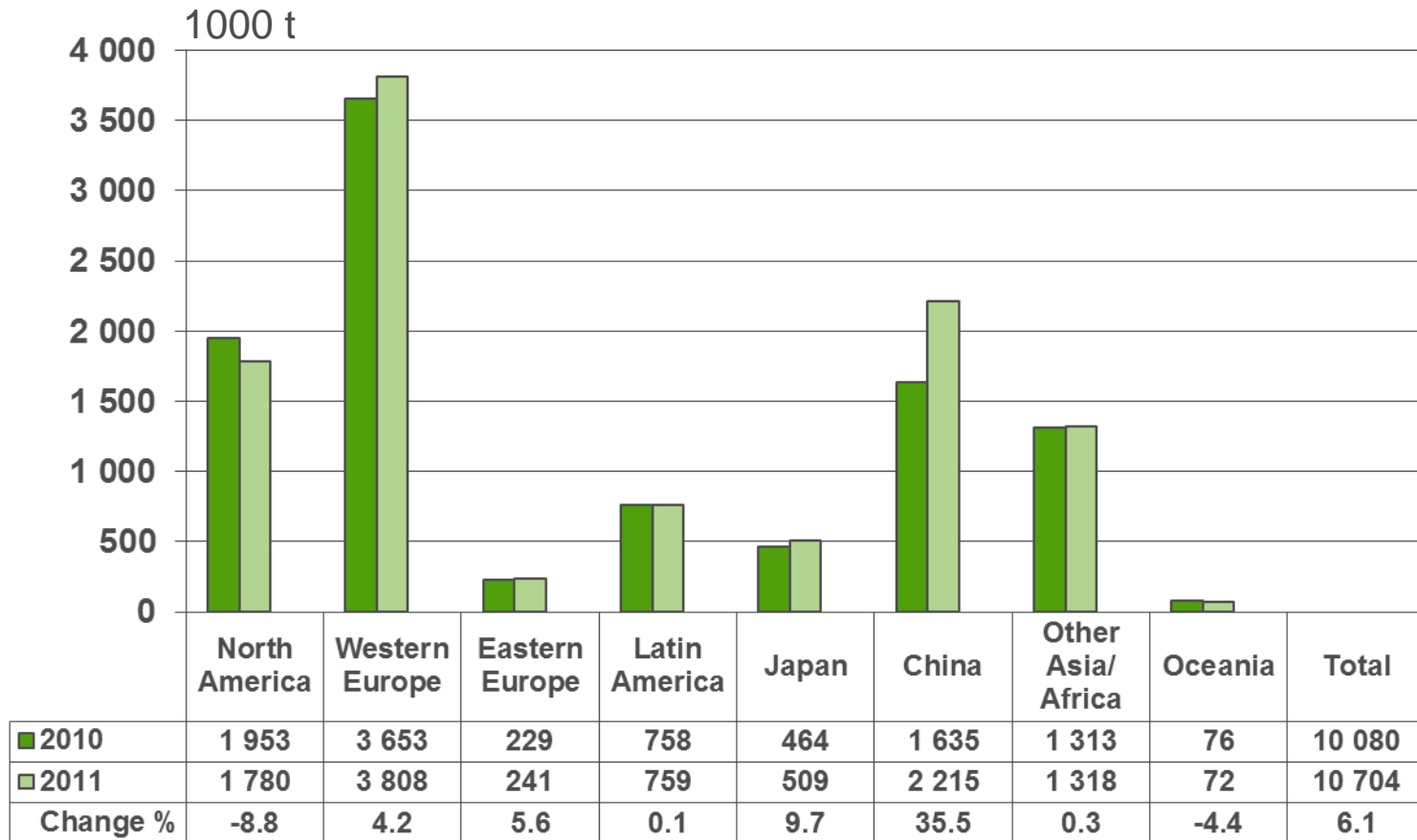
Source: Pöyry

World chemical market pulp demand shipments by region

3 months 2011 vs. 2010



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Shipments rose sharply for Q1 compared to last year, and particularly to China. Notable is the strong development in Western Europe which comes on top of good growth numbers in 2010 too.

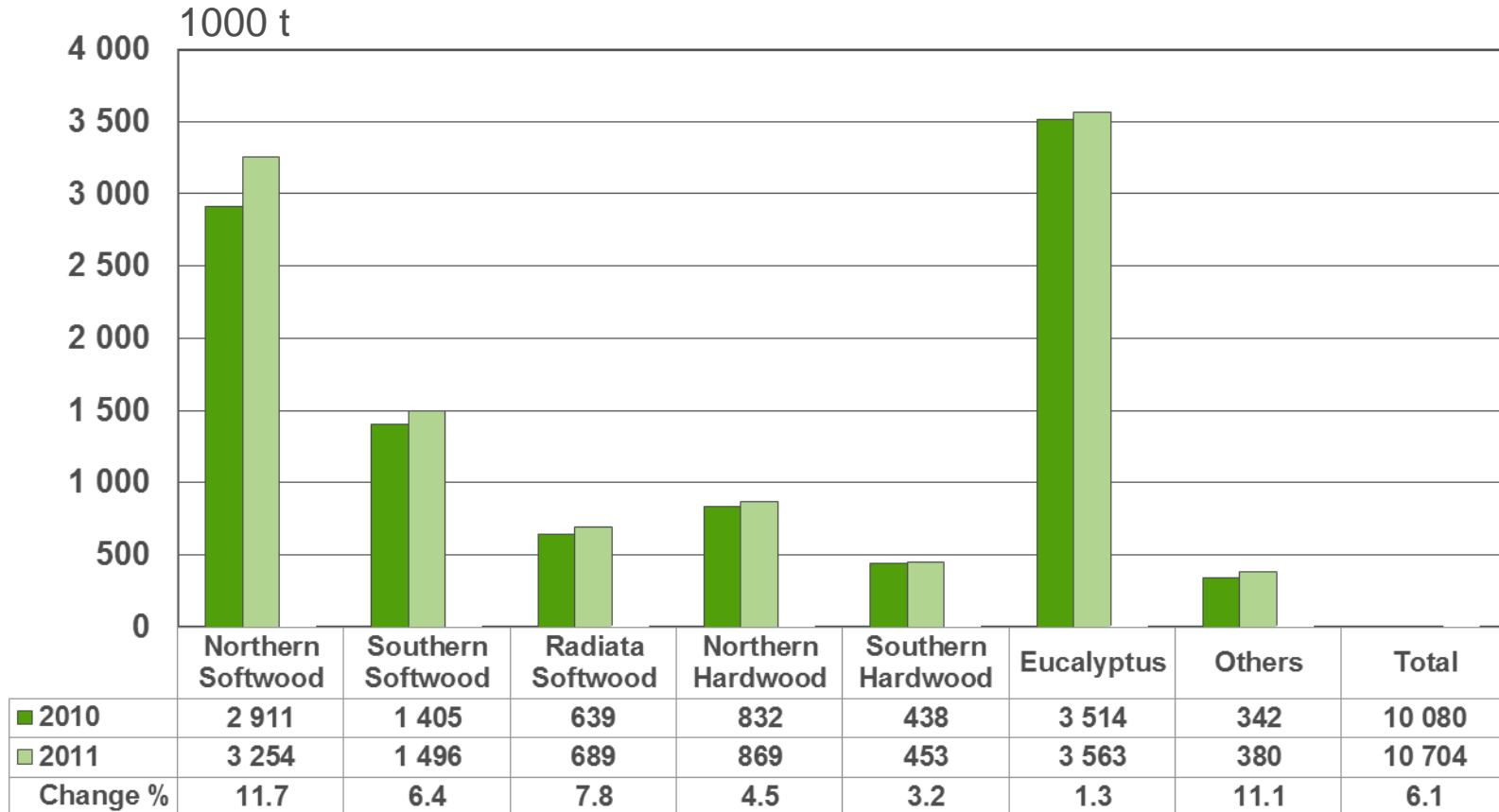
Source: PPPC

World chemical market pulp demand shipments by grade

3 months 2011 vs. 2010



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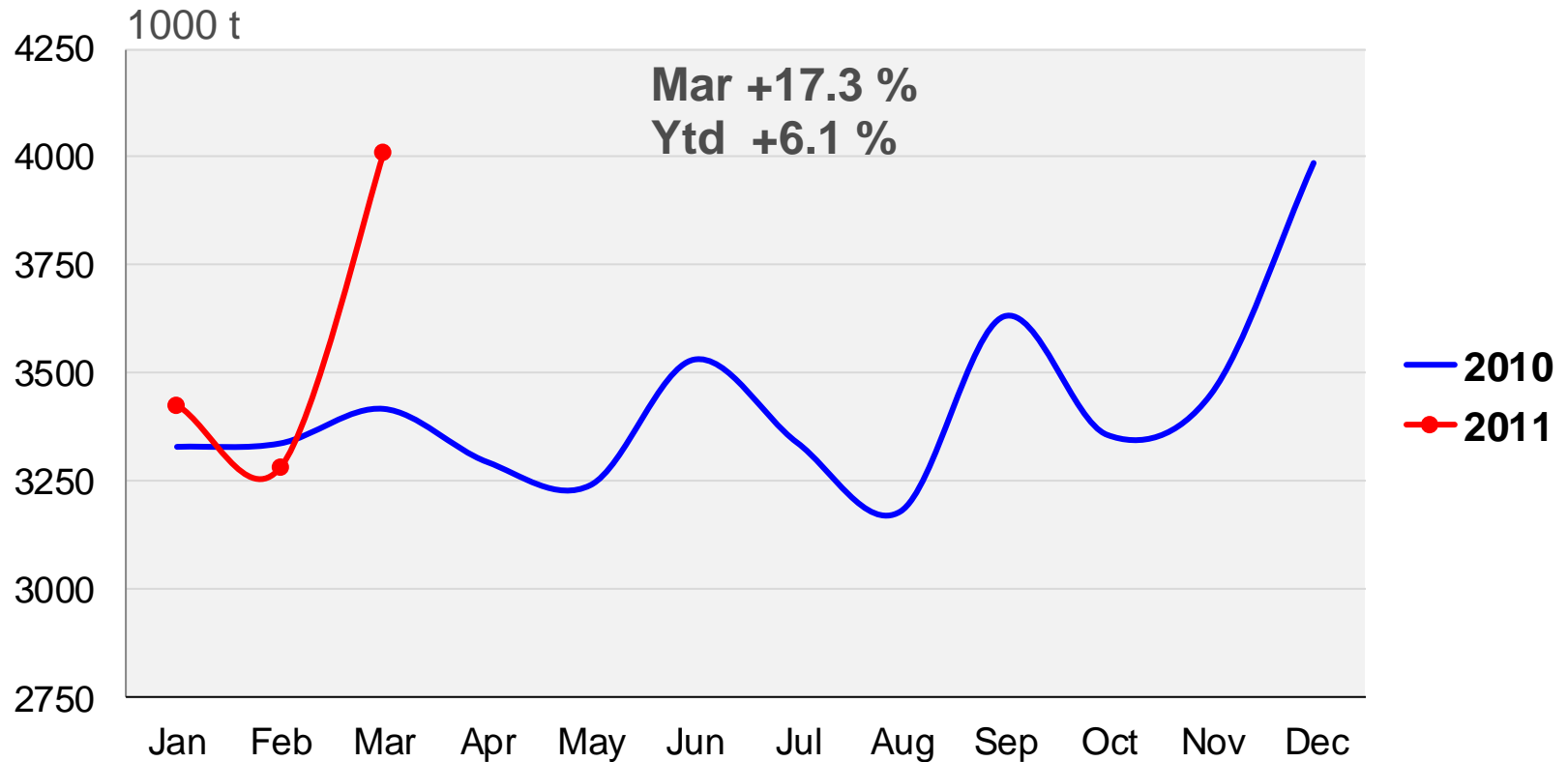


Shipments of all grades increased compared to Q1 of 2010, softwood most noticeable with Northern Softwood at a shipment-to-capacity ratio of 98% for Q1 this year.

Source: PPPC

PULP MARKET OUTLOOK

World chemical market pulp shipments – driven by strong sales to China

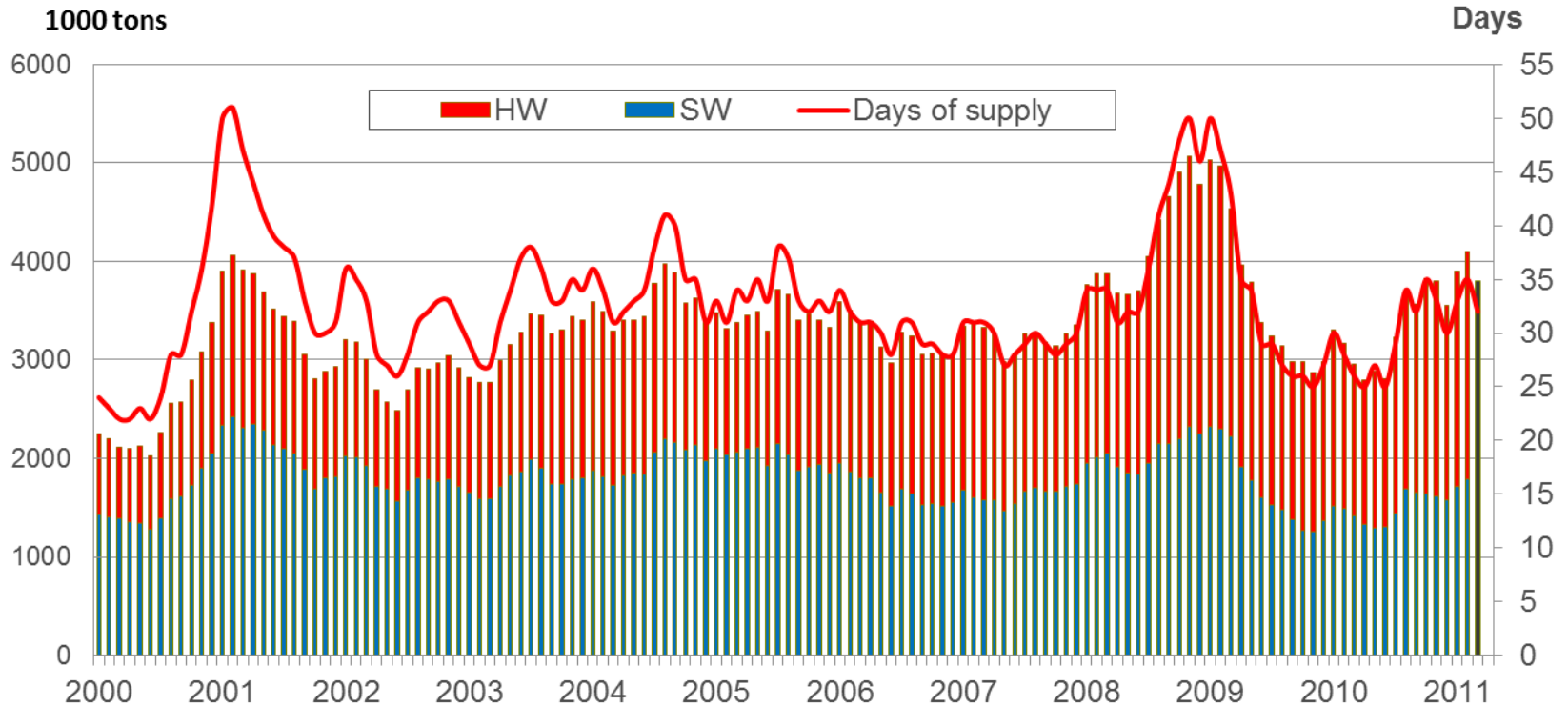


Shipments jumped to record level in March mainly due to very strong Chinese buying.

Source: PPPC

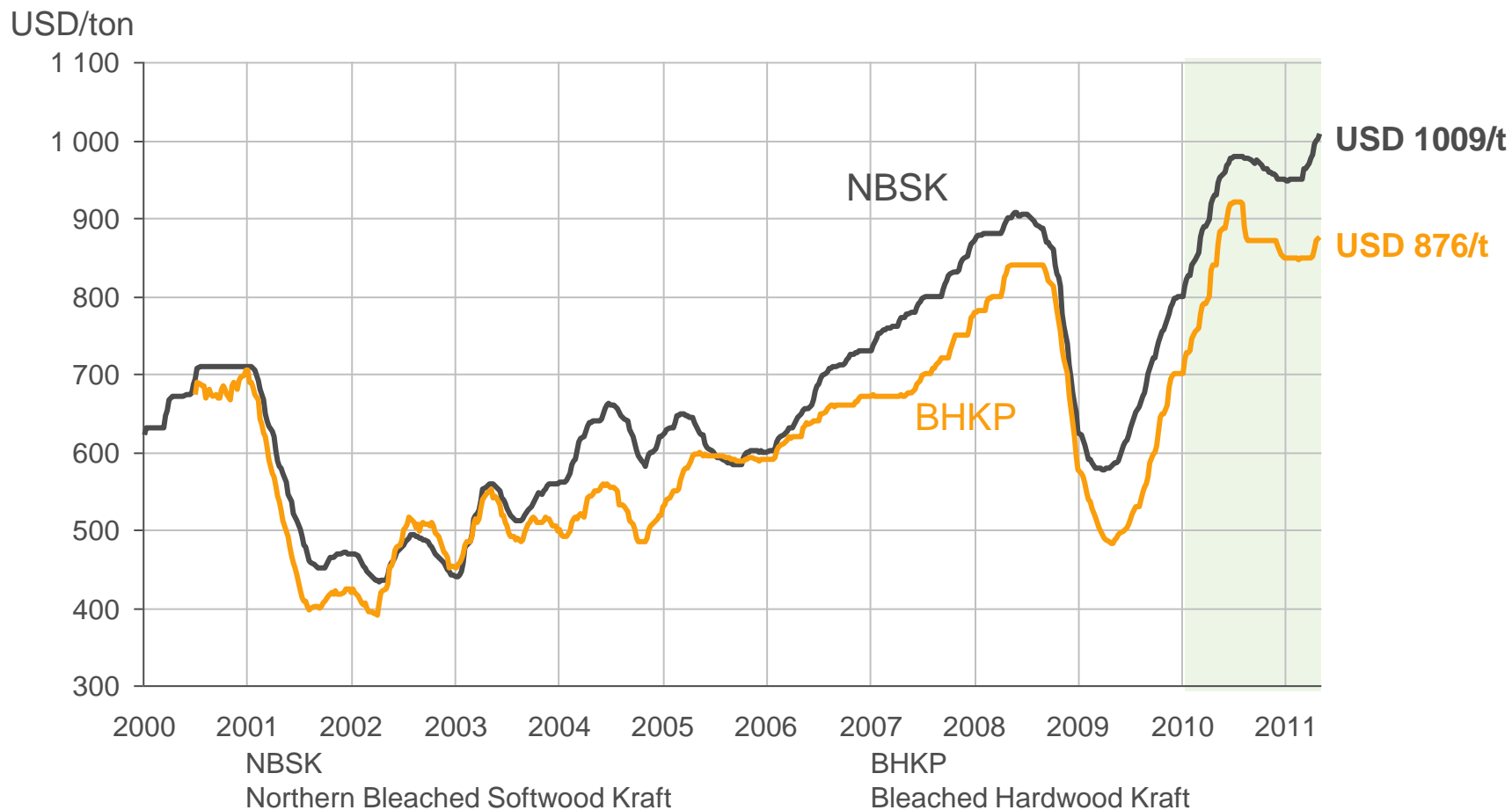
Global chemical market pulp producer inventories

– tight in softwood and balanced in hardwood



Source: PPPC

Chemical pulp market prices



Source: FOEX Indexes Ltd.



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FINANCIALS Q1 2011



FINANCIALS

Q1 2011 – margins improved despite challenging cost environment



Sales

EUR 2,356 m



+16%

EBITDA margin

16.1%



+2 pp

EBITDA

EUR 379 m



+32%

Operating cash flow

EUR 166 m



-43 m

Operating profit (*)

EUR 198 m



+71%

Net debt

EUR 3,197 m



-89 m (**)

EPS (*)

EUR 0.32



+113%

Gearing

44%



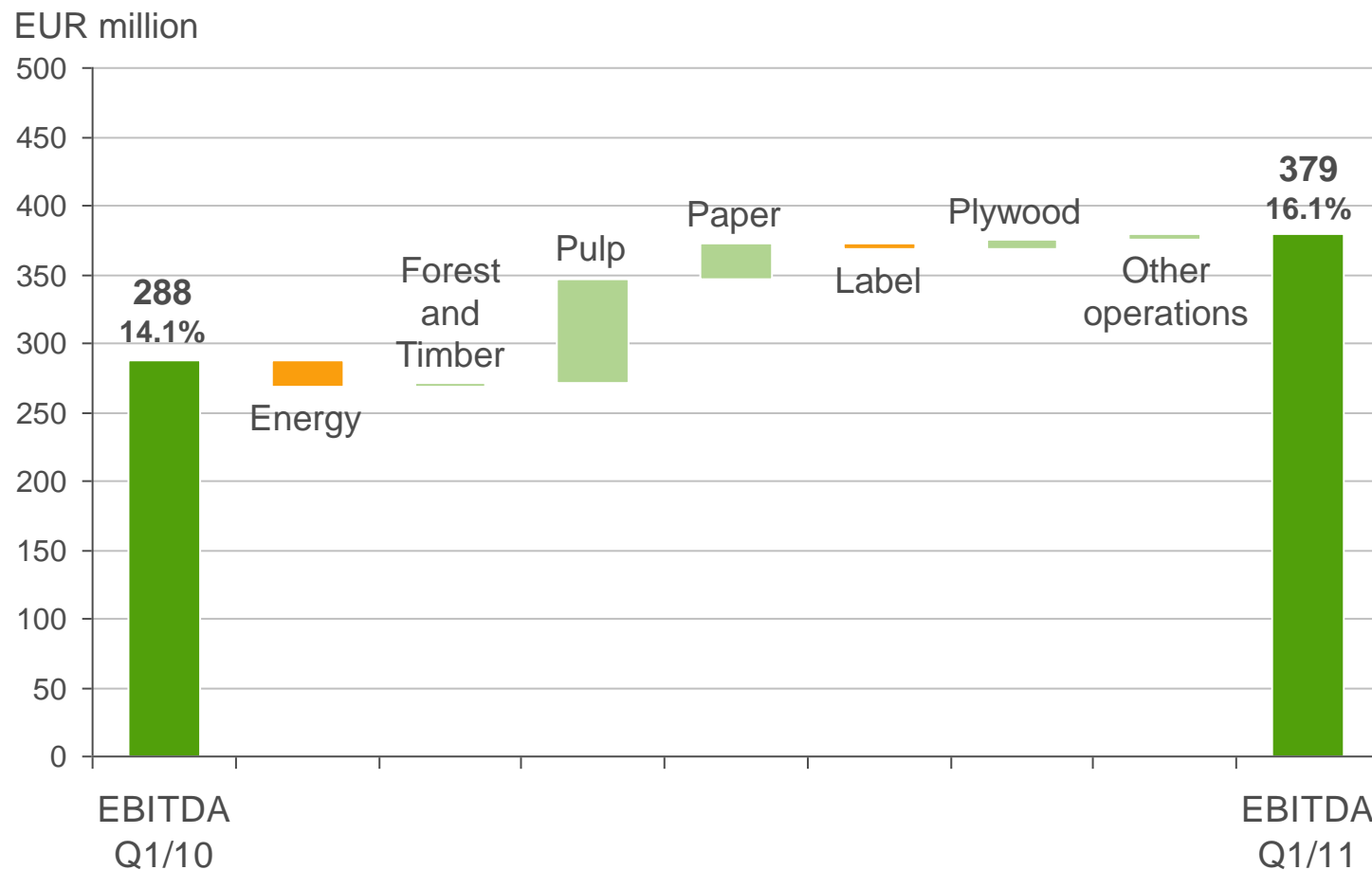
-2 pp (**)

*) excluding special items

**) from the beginning of the year

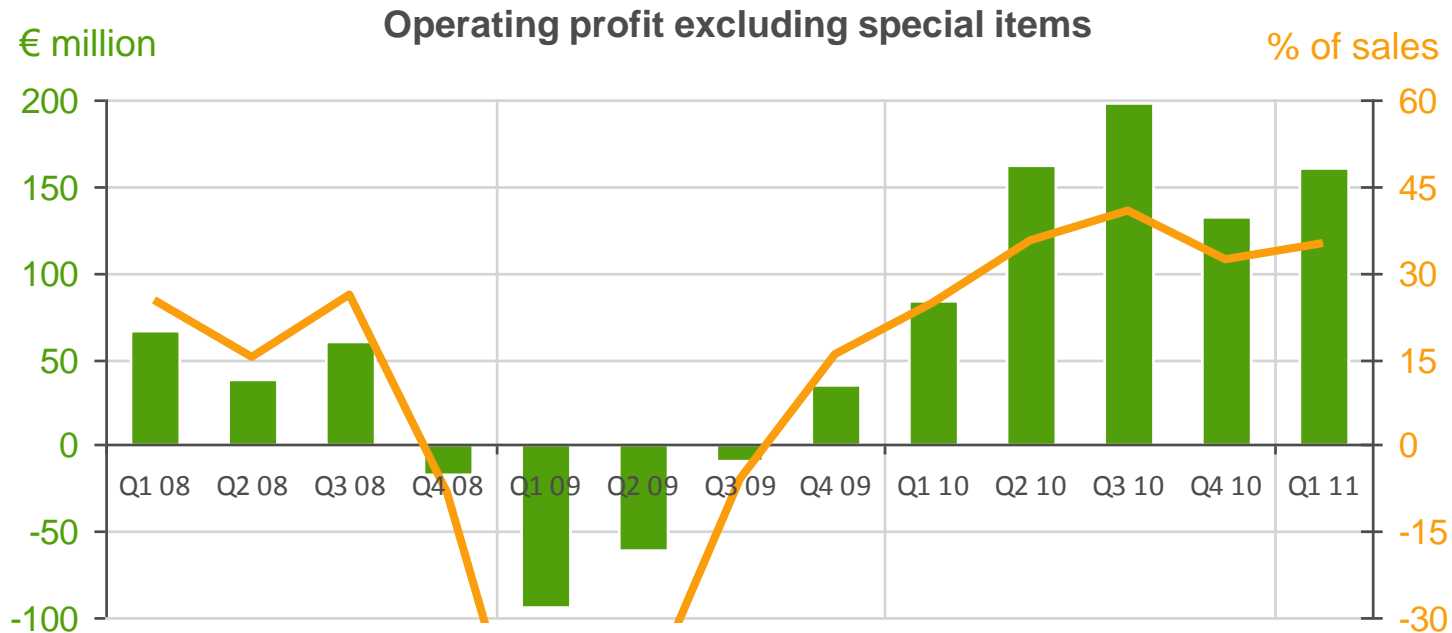
FINANCIALS

EBITDA improved by 32%, main improvement in Pulp and Paper




FINANCIALS

Pulp Q1/11 vs. Q1/10 – profitability improved clearly due to higher sales price and deliveries



Sales **Q1 2011 457**  **34%**
 EUR million **Q1 2010 341**

Operating profit **Q1 2011 160**  **+76**
 EUR million*) **Q1 2010 84**
 EUR million

*) excluding special items



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SUMMARY





Summary

- UPM seeks to grow in cost competitive pulp
- UPM's pulp production portfolio results in excellent operational performance
- Versatile international footprint provides a solid platform to grow
- Pulp market outlook is strong – demand and share of market pulp continues to grow



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