

# UPM Q1 RESULTS 2011

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President and CEO  
28 April, 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%



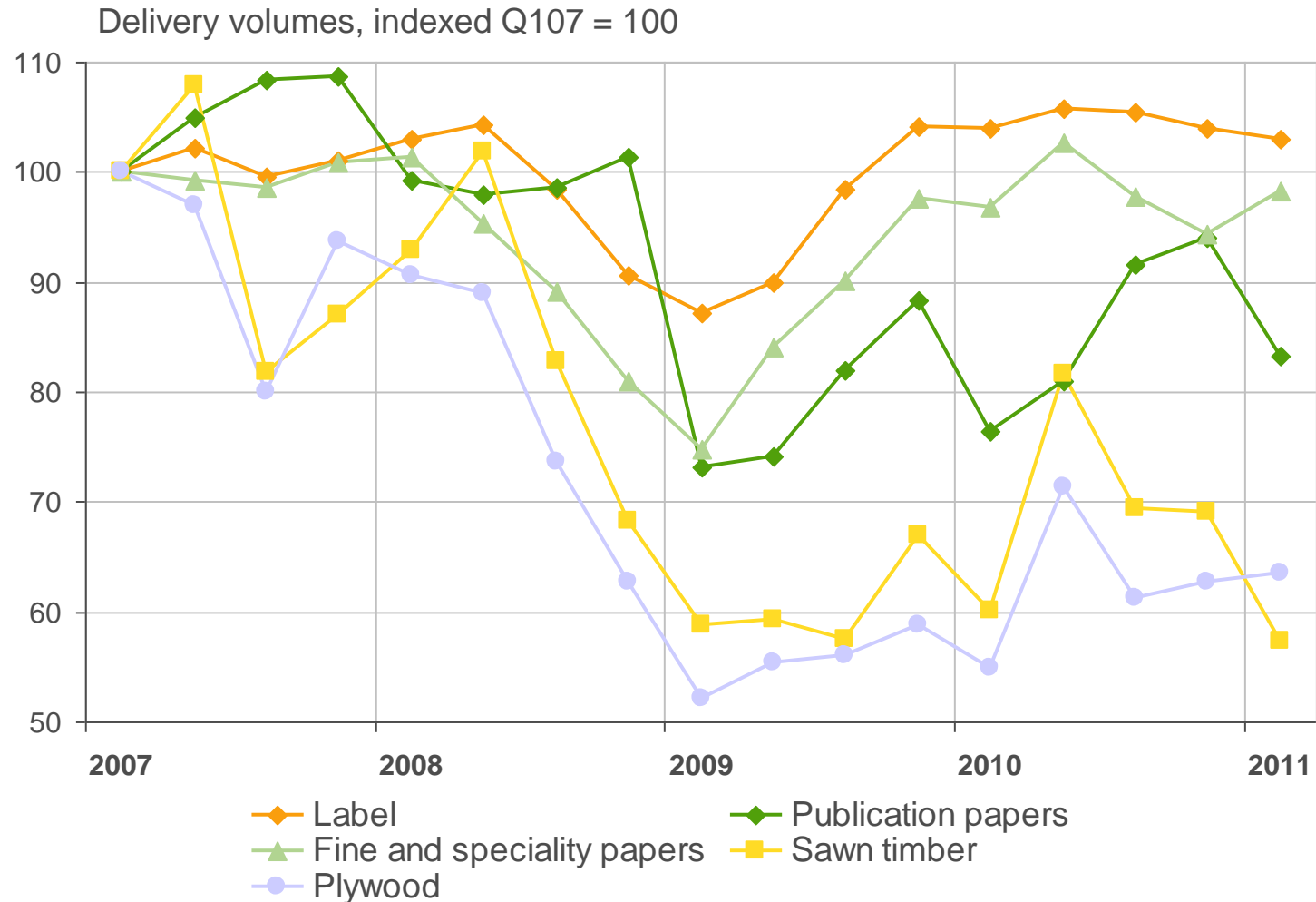
-2 pp (\*\*)

\*) excluding special items

\*\*) from the beginning of the year

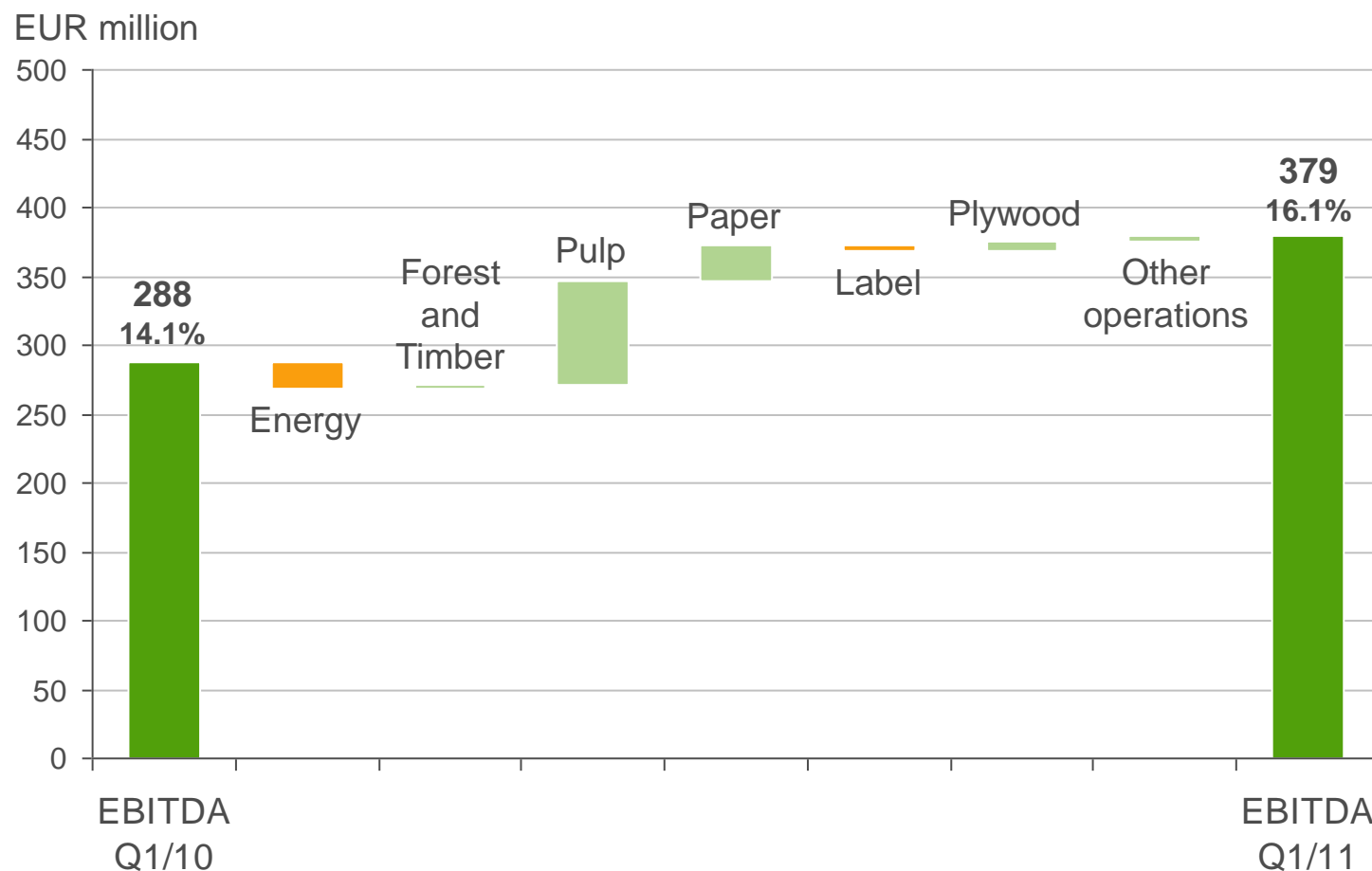
## FINANCIALS

**Q1 2011 sales grew by 16%, driven by both sales prices and delivery volumes**



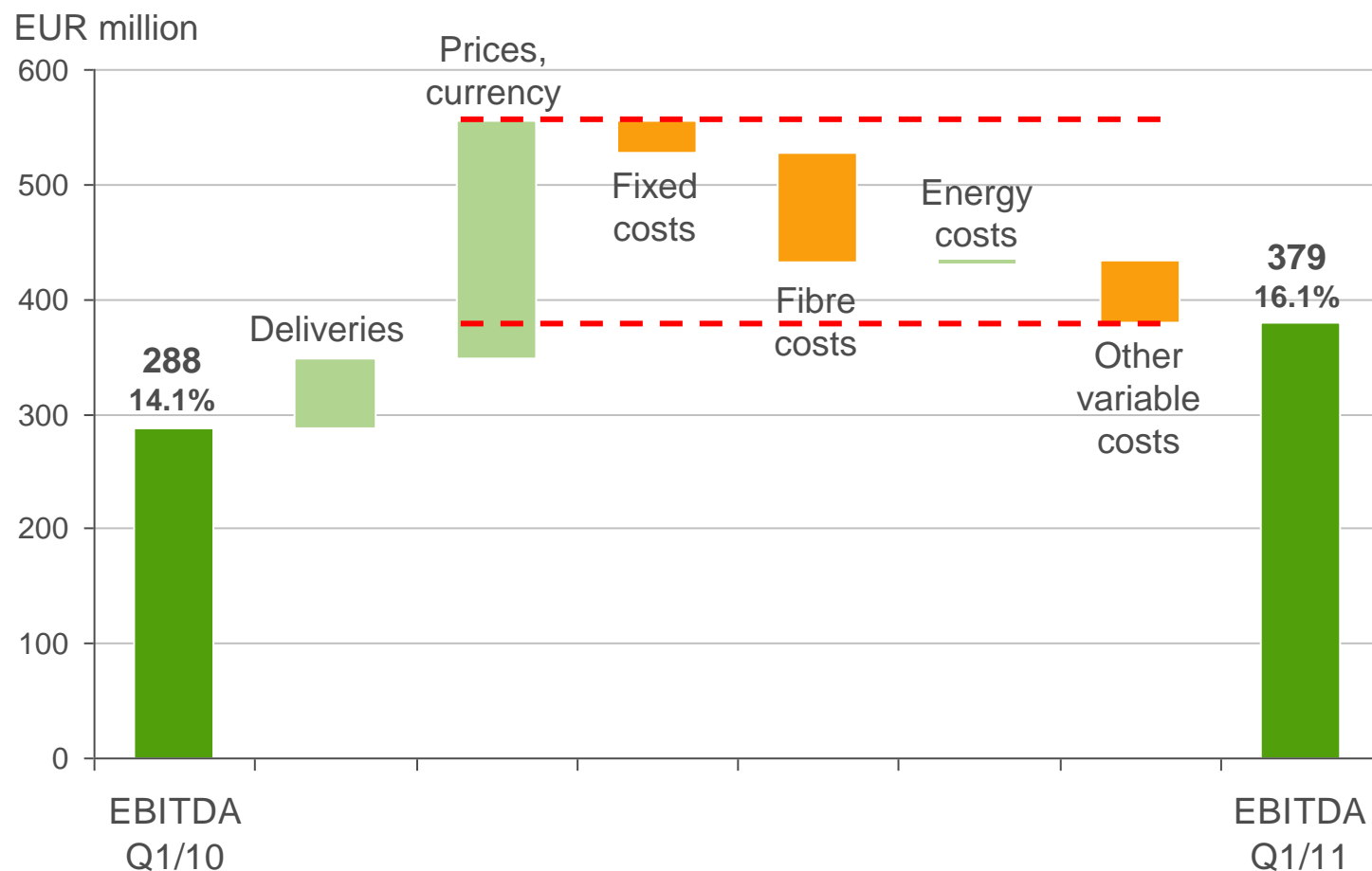
## FINANCIALS

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



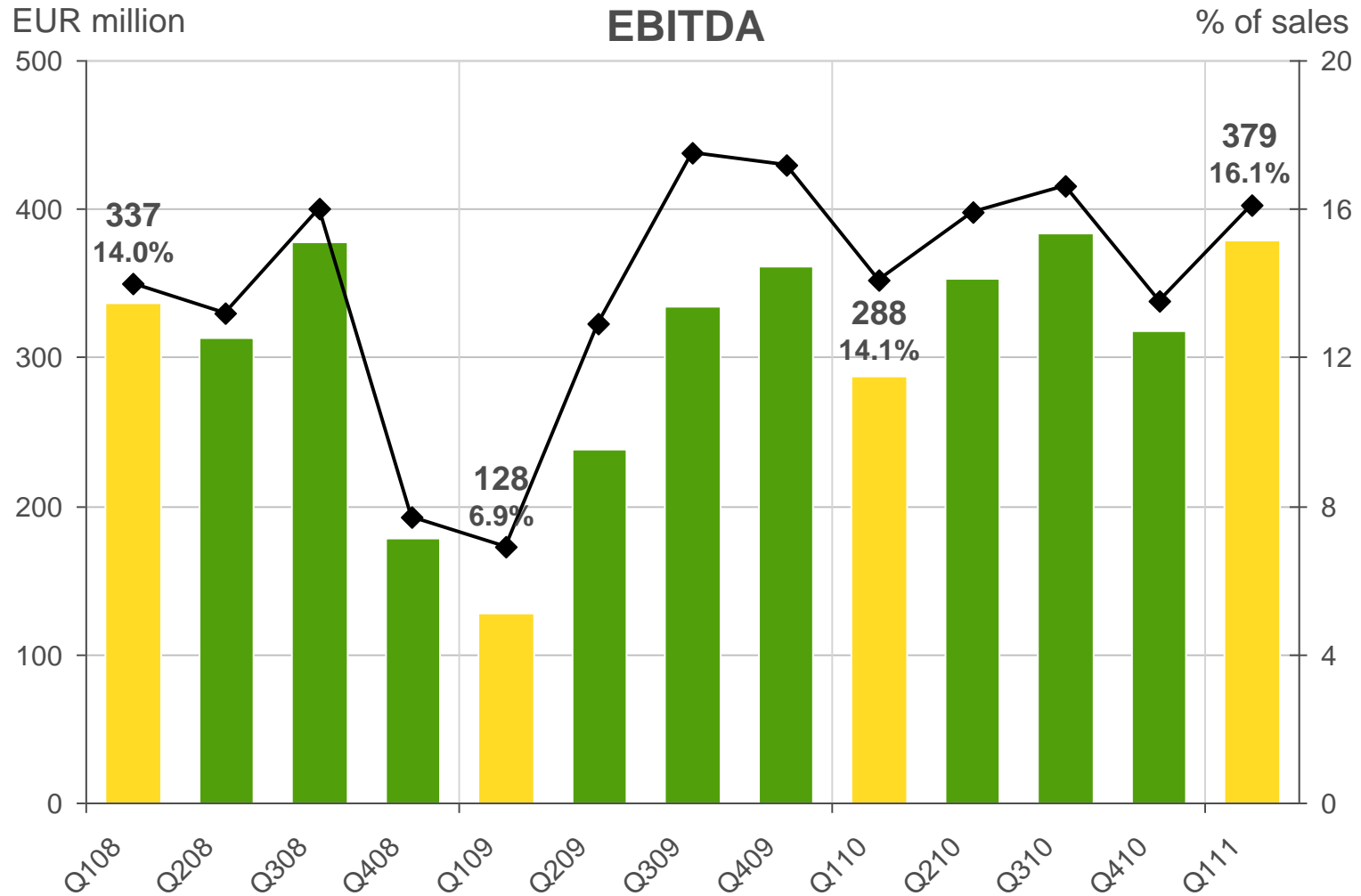
## FINANCIALS

# Delivery volumes grew and price increases compensated for cost inflation

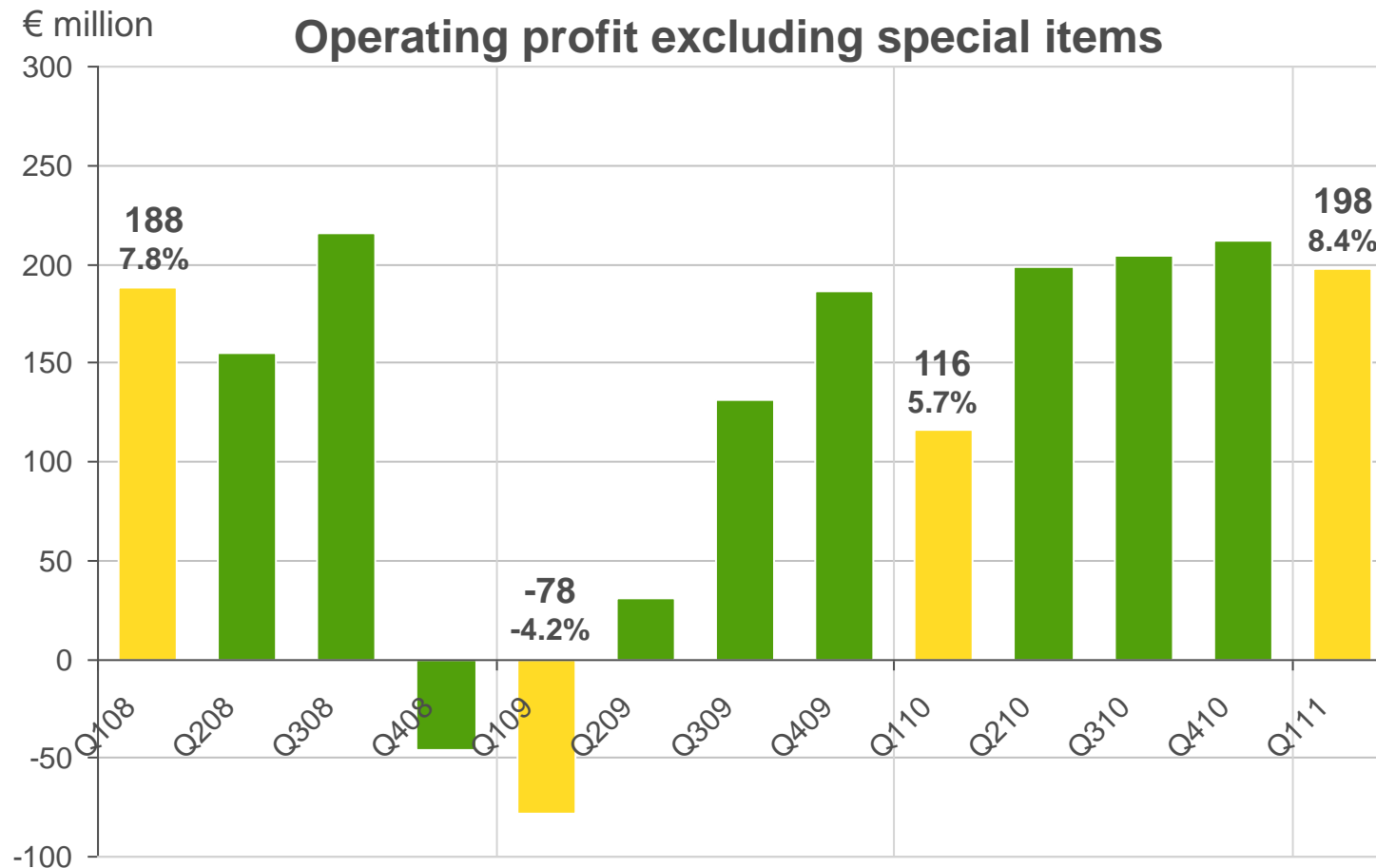


## FINANCIALS

**EBITDA margin improved by 2pp,  
despite challenging cost environment**



# Operating profit increased by 71%



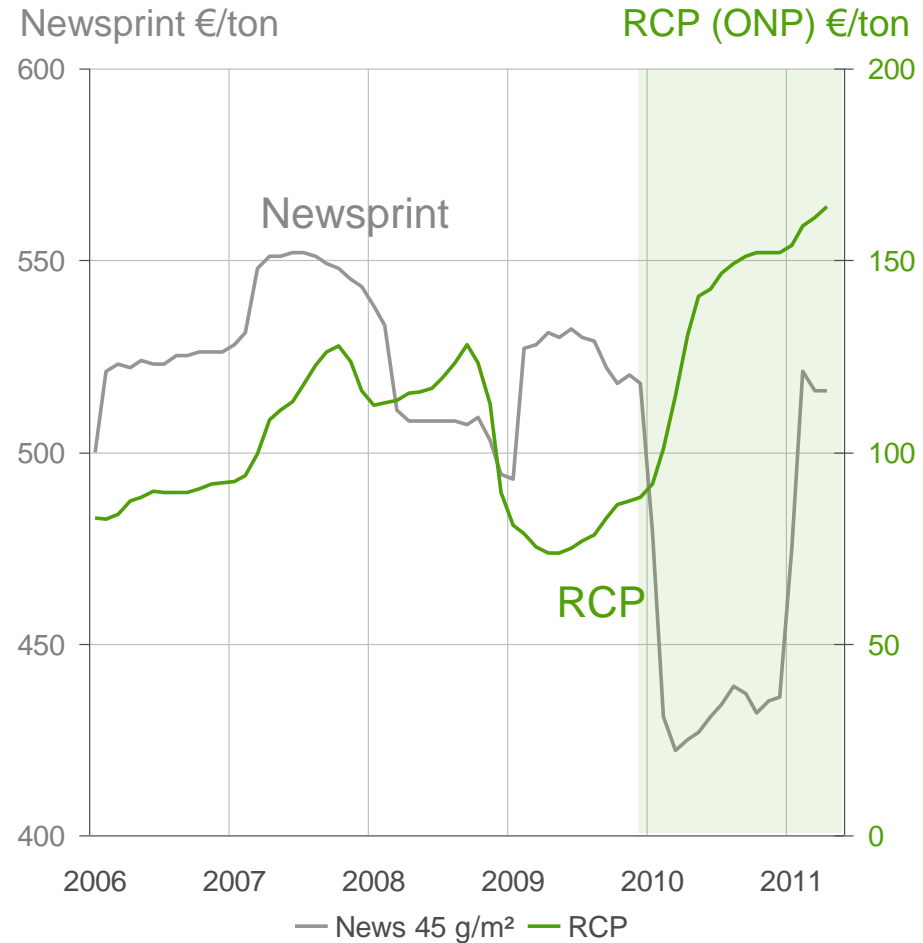
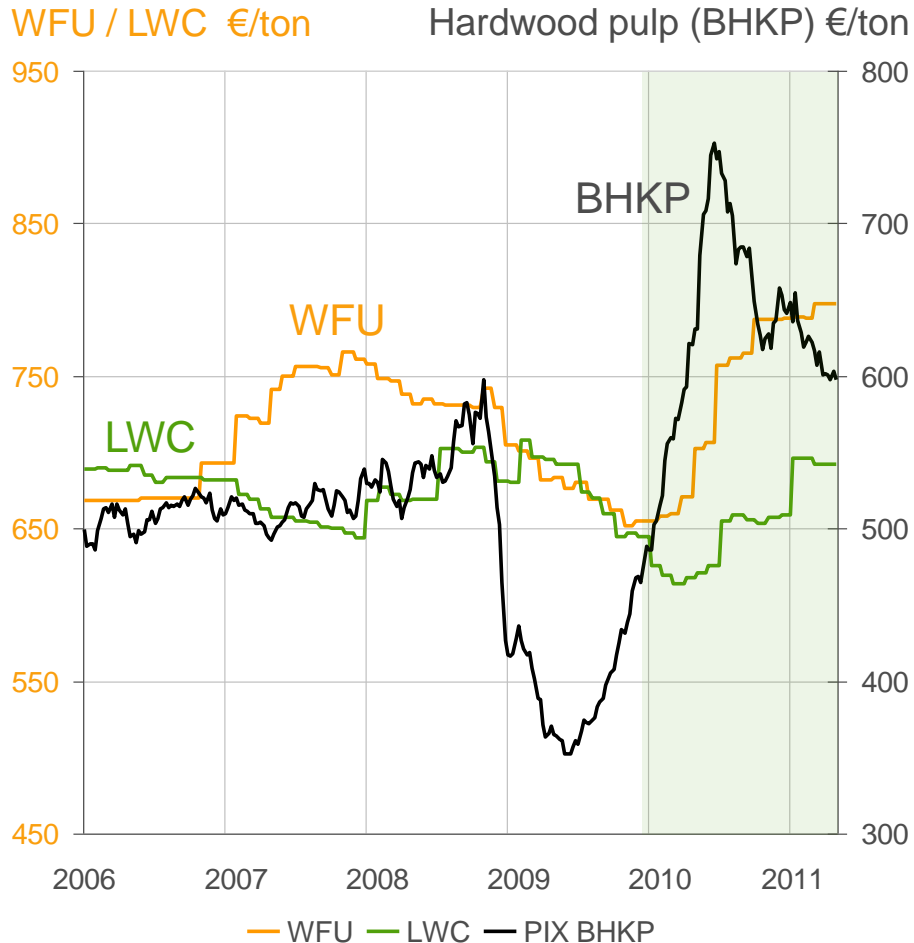
# Case Paper





## FINANCIALS

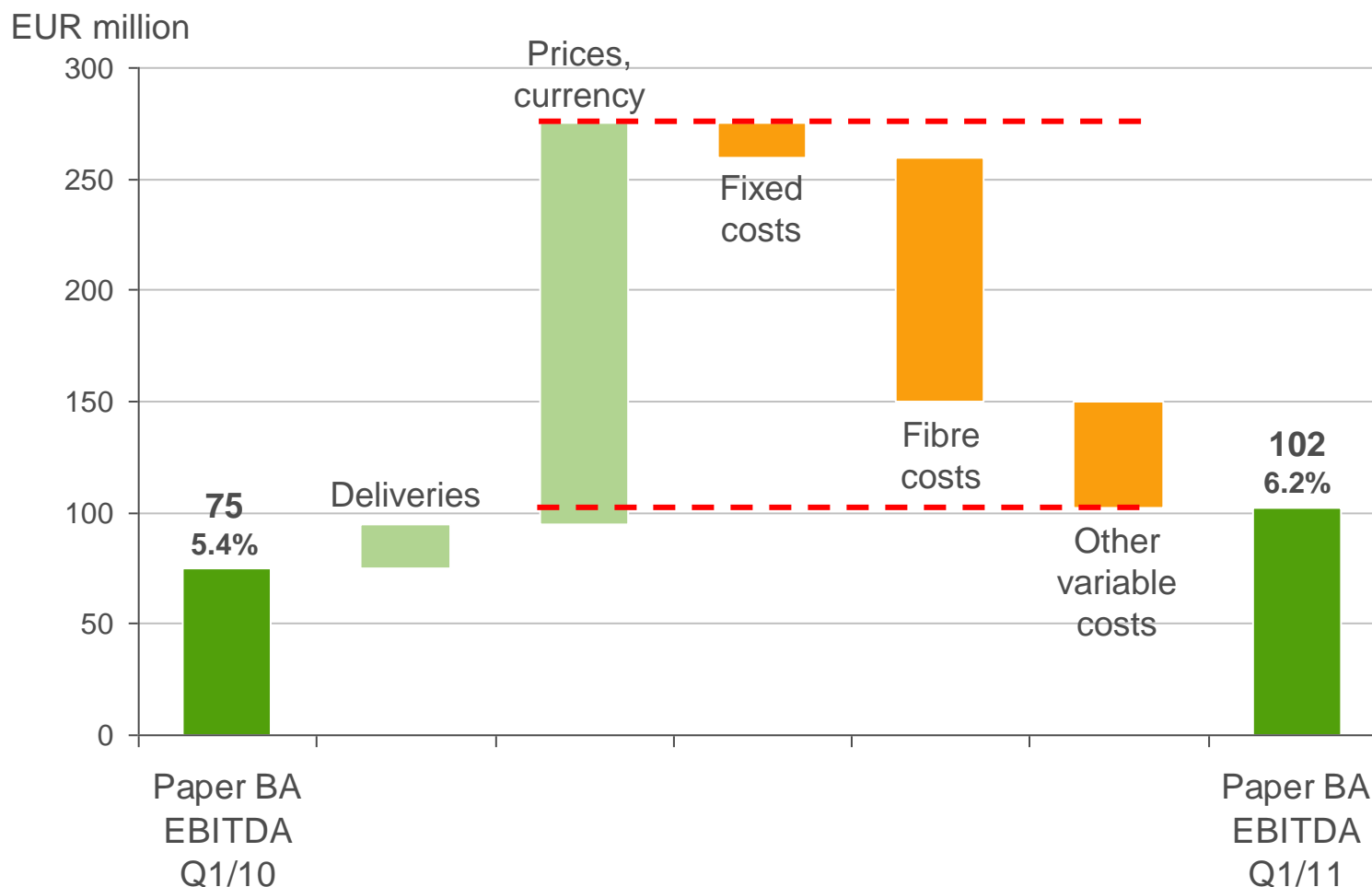
Paper prices increased from last year's bottom, but fibre cost pressure continues



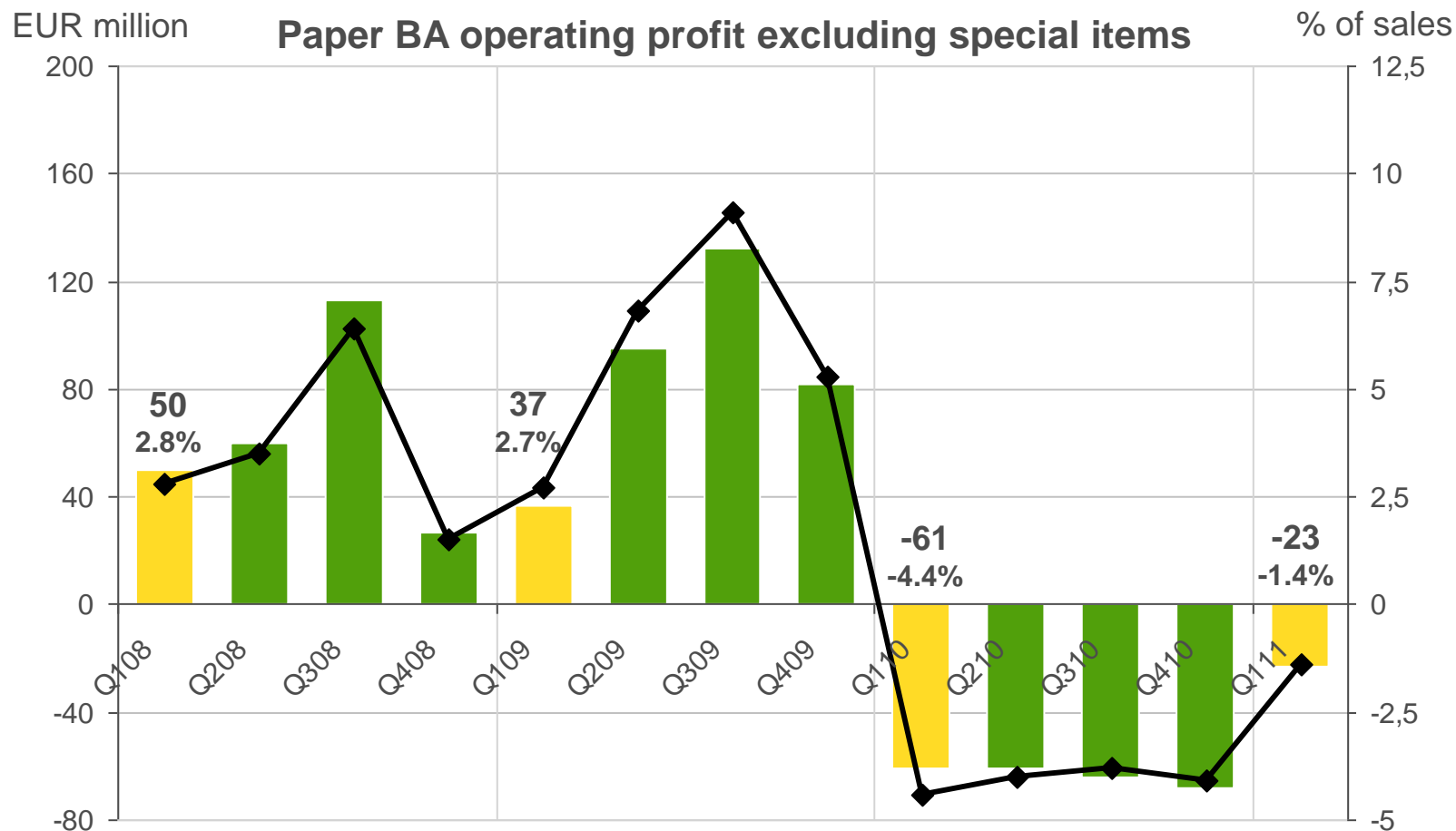
Source: FOEX Indexes Ltd., PPI, RISI

## FINANCIALS

# Paper EBITDA – delivery volumes grew and price increases compensated for cost inflation



# Paper operating loss decreased



# Pending acquisition of Myllykoski Corporation and Rhein Papier GmbH

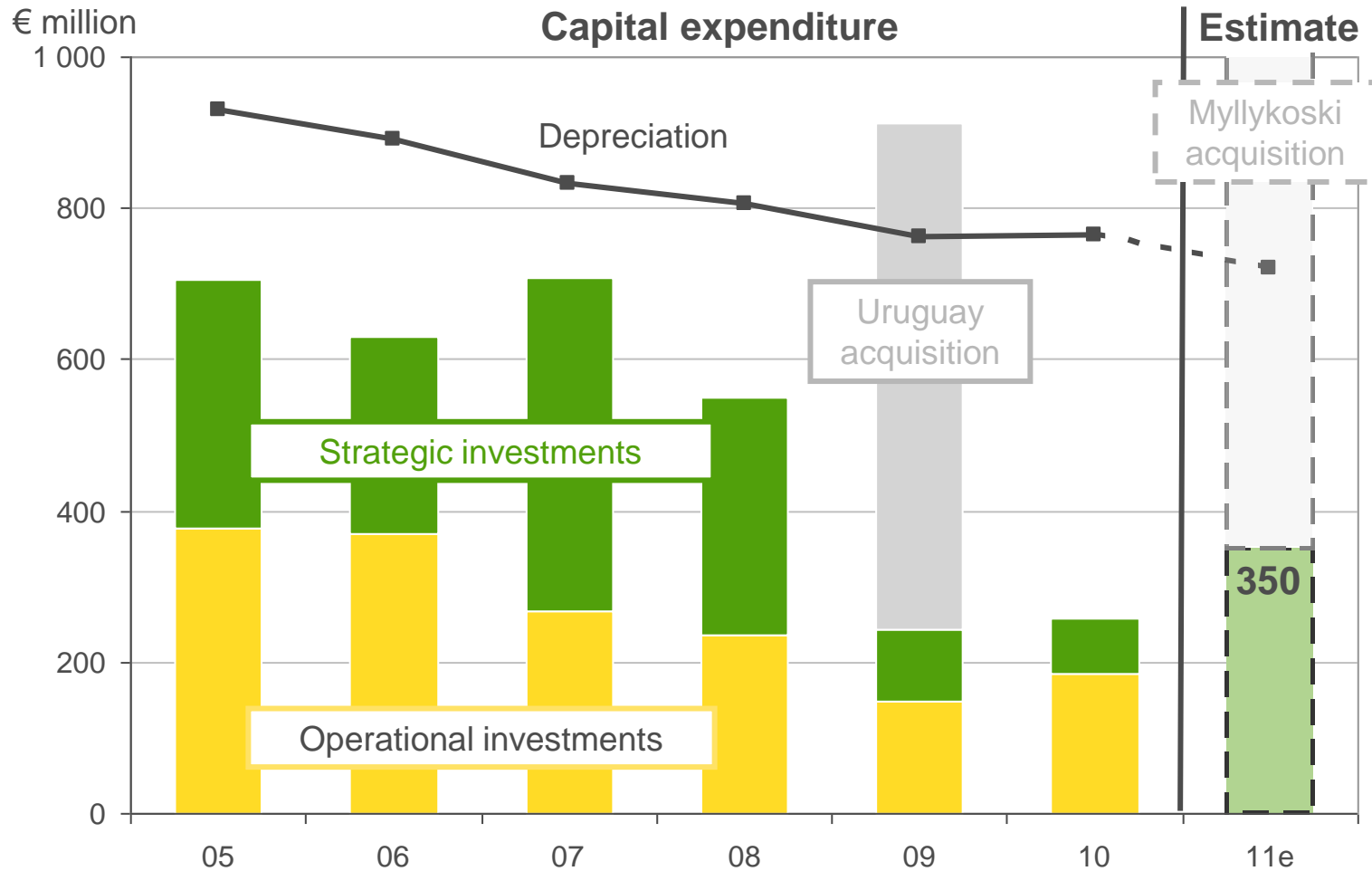
UPM has agreed to acquire Myllykoski for an enterprise value of EUR 900 million

Current status:

- As expected, EU Commission announced in March that the regulatory investigation proceeded to the second phase. The expected time of closing of the transaction is in the third quarter of 2011.
- An intense integration planning work between UPM and Myllykoski started immediately after the signing. Integration teams are not allowed to exchange wide range of information such as information on customers or markets.

## FINANCIALS

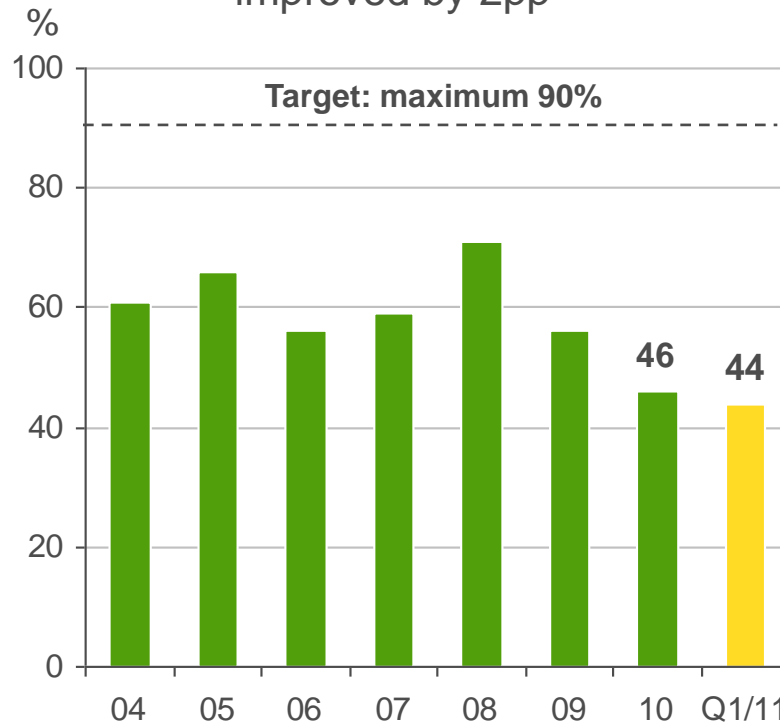
# Weight in strategic capex is on value enhancing acquisitions



## Balance sheet strengthened

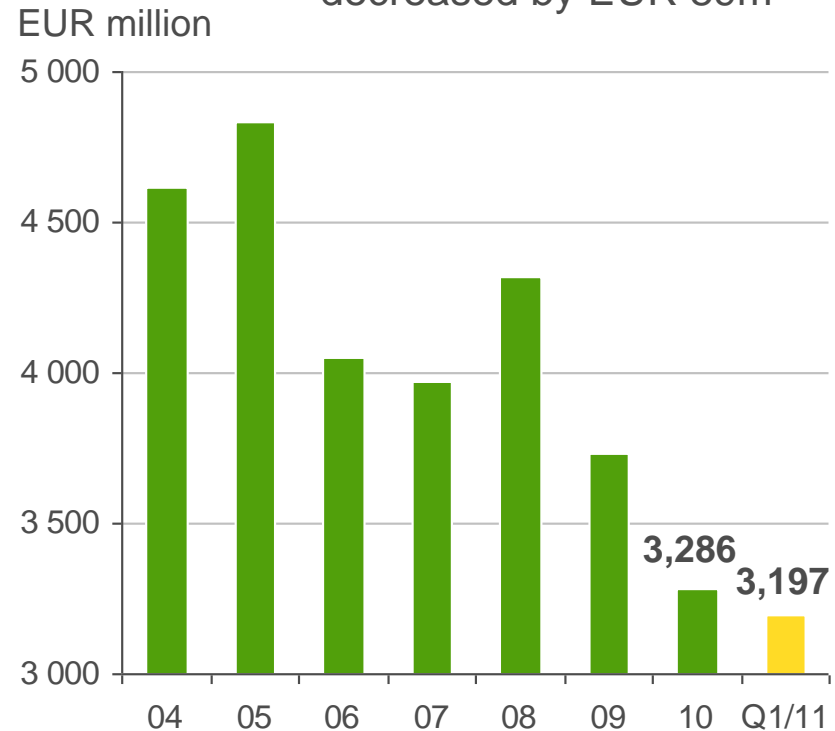
### Gearing ratio

improved by 2pp



### Net debt

decreased by EUR 89m



**Liquidity** was EUR 1.7bn  
repayments EUR 1.0bn in 2011-12

## Earnings guidance for 2011 unchanged (\*)

- UPM guidance for operating profit excluding special items
  - 2011 to improve from 2010
  - H1 2011 to improve clearly from H1 2010
- Favourable delivery volume development to continue – sales prices to be stable or increase, depending on business
- Variable cost inflation is higher than expected at the start of the year. Overall cost inflation is now expected to be about the same as in 2010

(\* See complete wording of the "Outlook" in the Interim Report Q1 2011

## Summary

- Q1 showed sales growth and margin improvement
- Variable cost inflation has been higher than expected at the start of the year
- Earnings guidance for 2011 is unchanged  
- earnings growth continues
- Good momentum is expected to continue in UPM's businesses
- Myllykoski transaction is a key step to improve cost competitiveness in Paper





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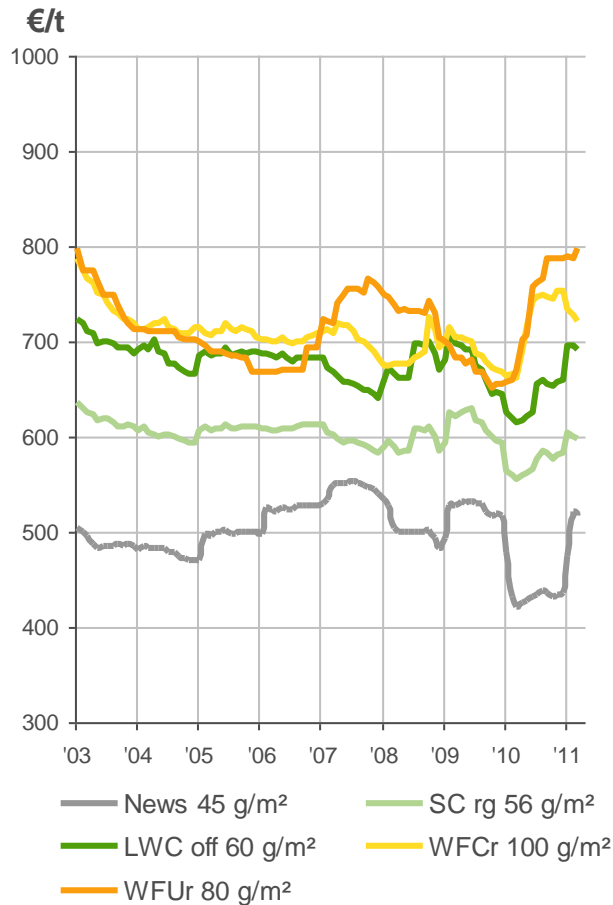
## BUSINESS DRIVERS

# Graphic paper prices

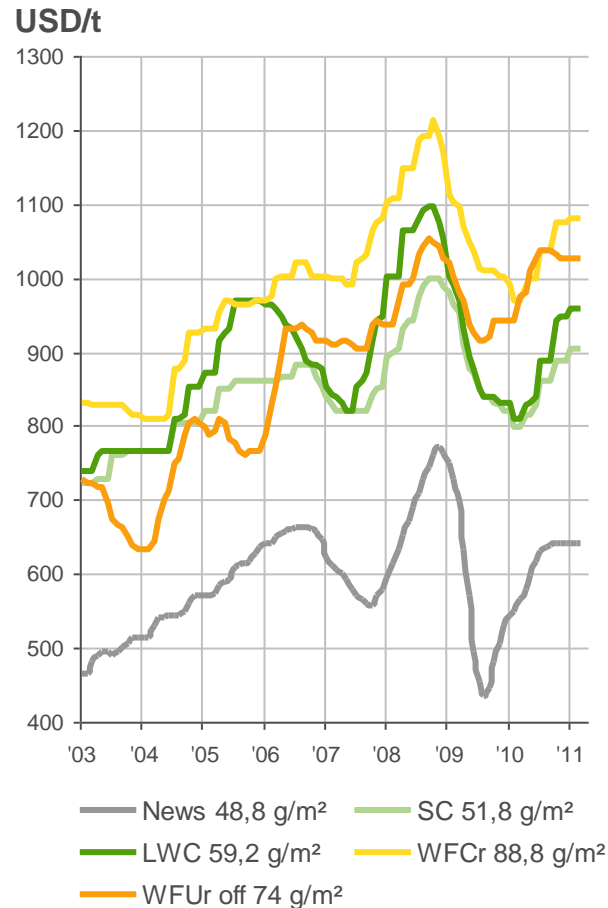


The Biofore Company UPM

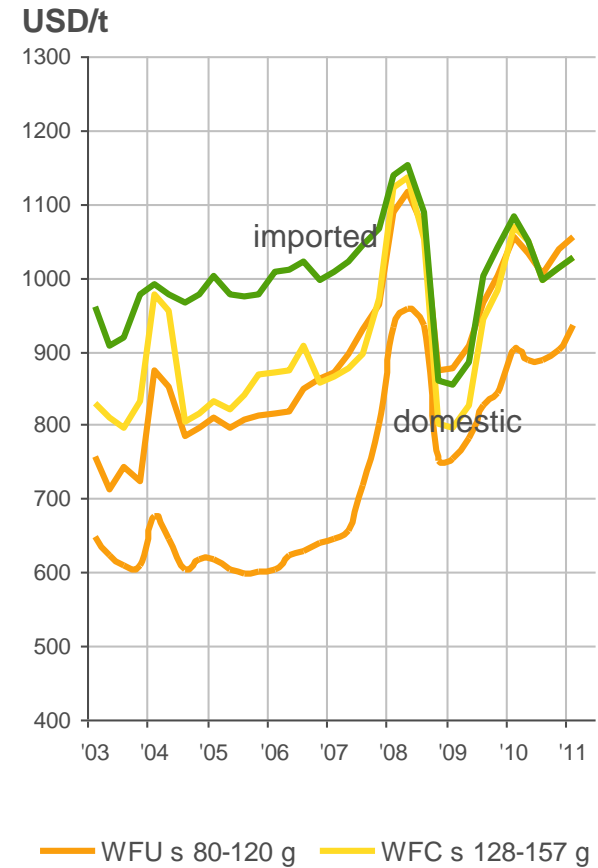
### Europe



### North America



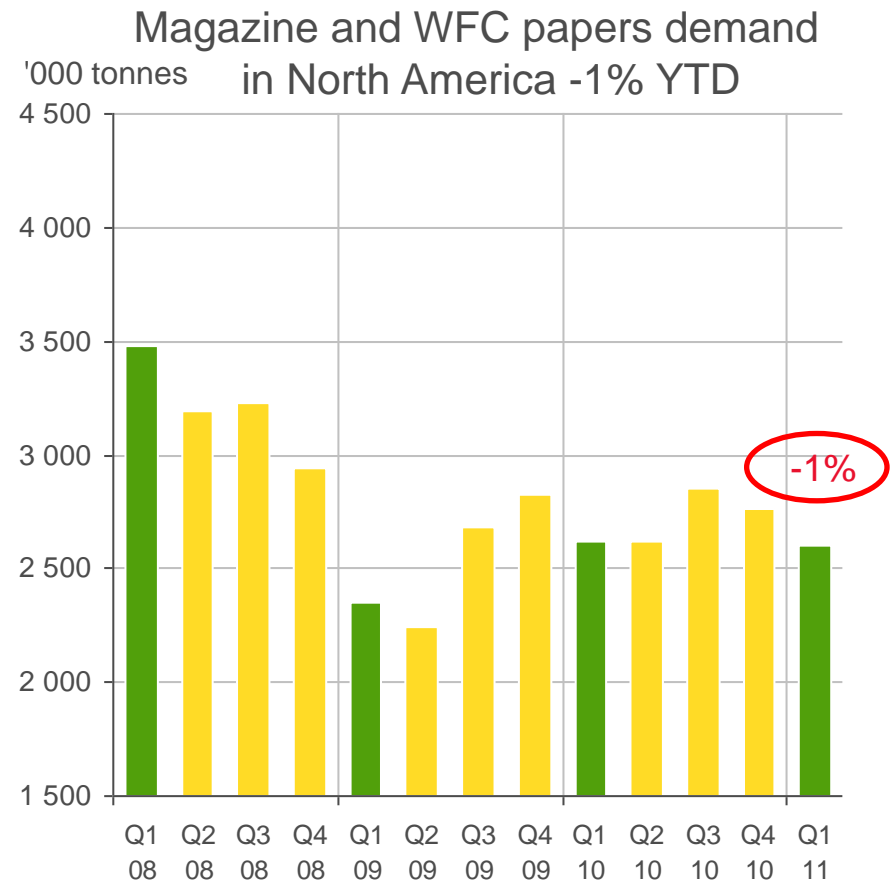
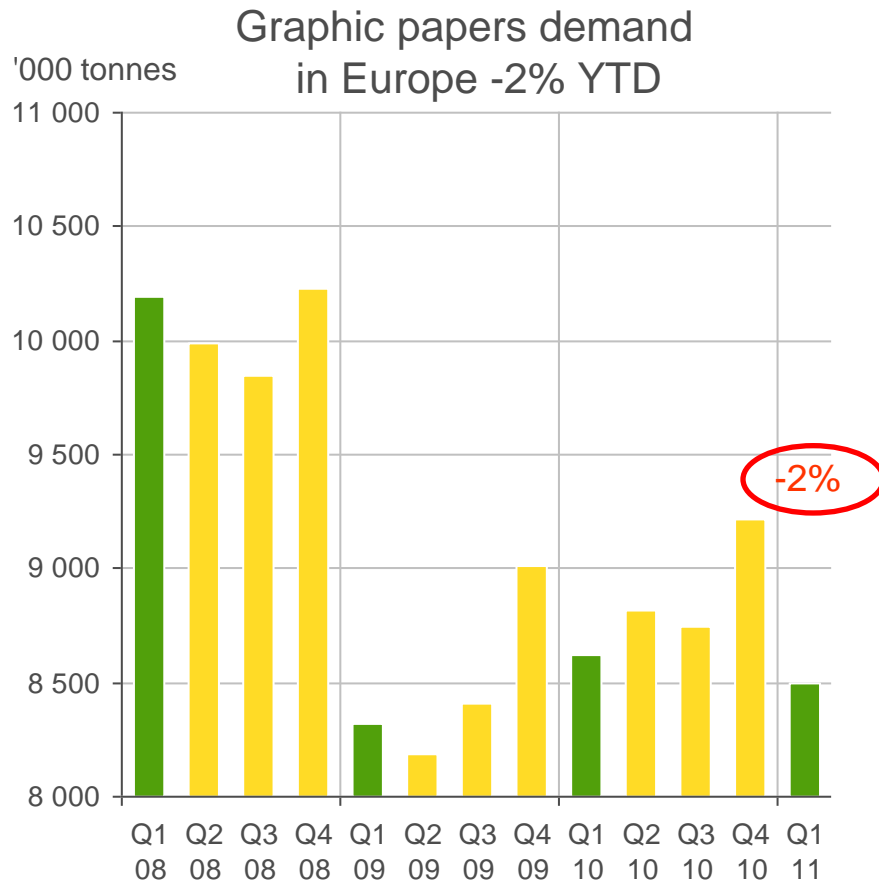
### China



Source: PPI, RISI

## BUSINESS DRIVERS

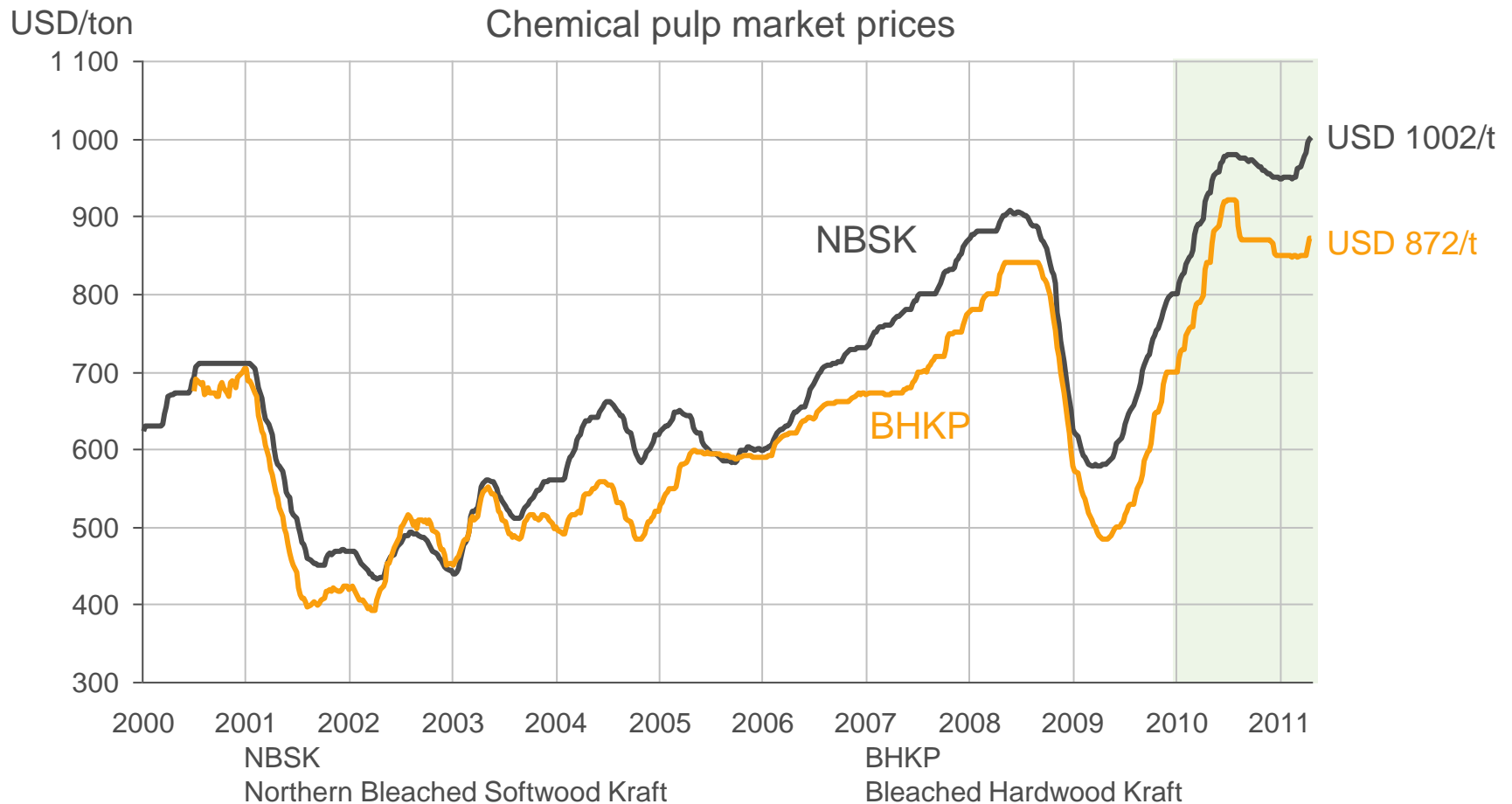
### Graphic paper demand



Source: Cepiprint/fine, PPPC

## BUSINESS DRIVERS

# Chemical pulp market prices remained strong in Q1 2011

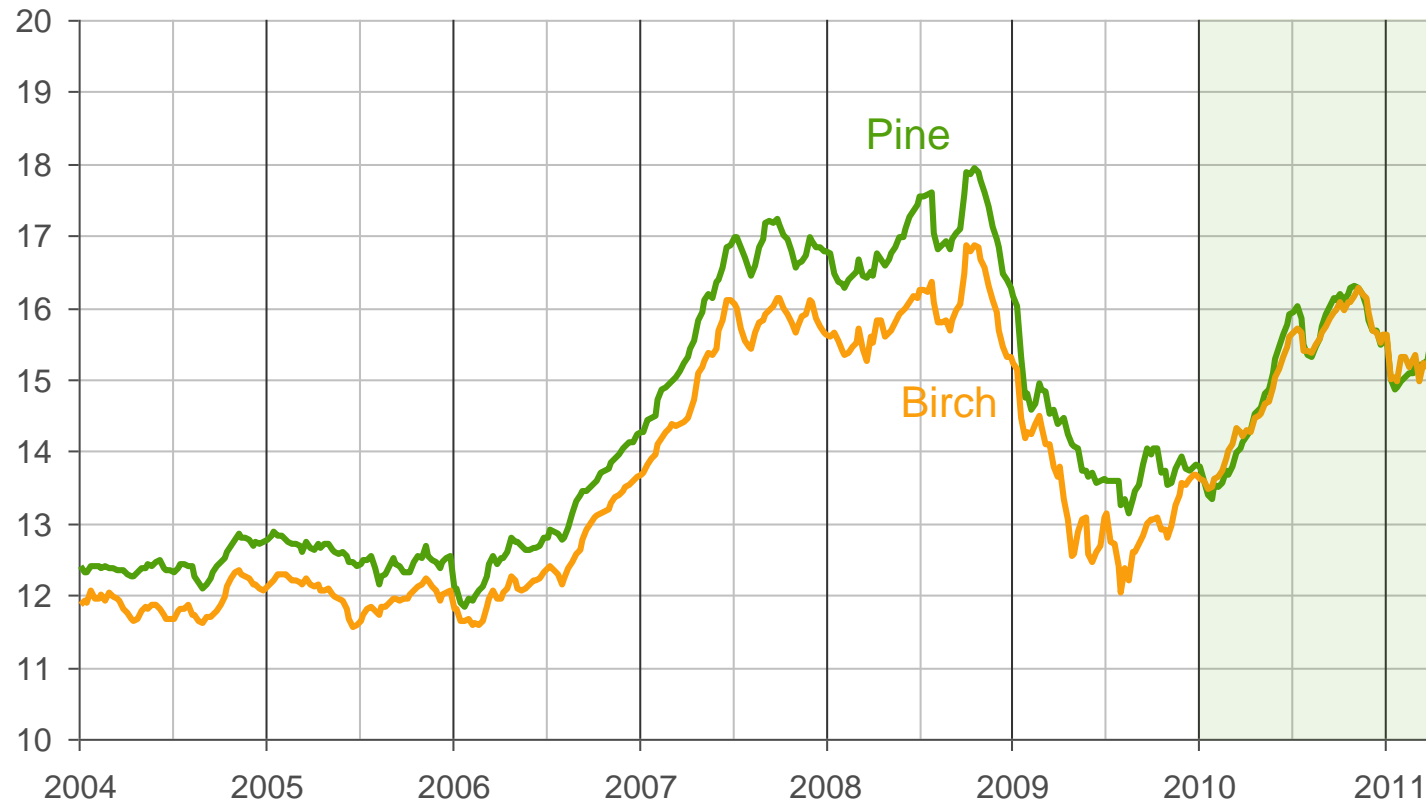


Source: FOEX Indexes Ltd.

## BUSINESS DRIVERS

# Wood prices at a high level

Fibre wood prices in Finland, € / m<sup>3</sup>



# FINANCIALS Q1 2011



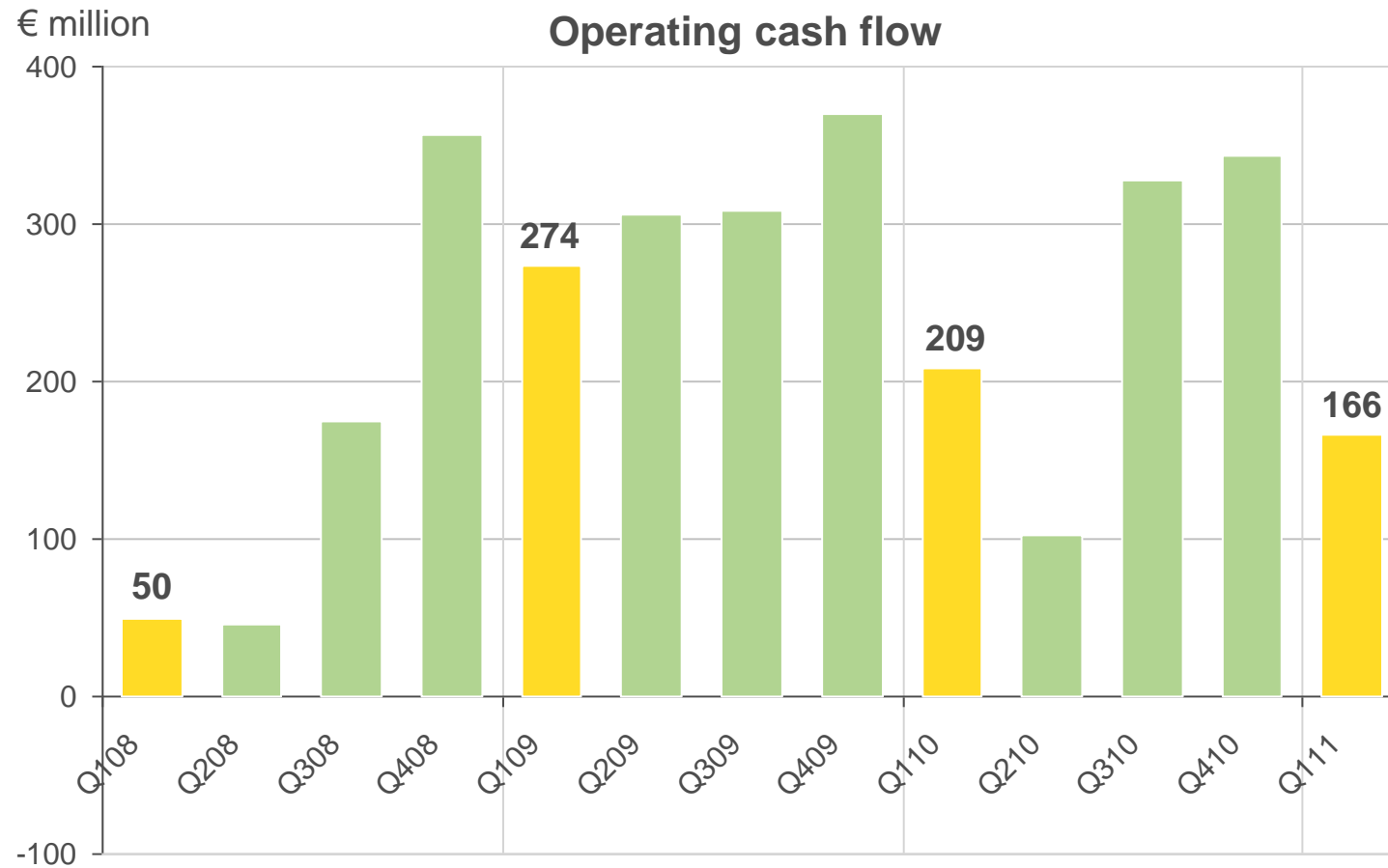
## FINANCIALS

### Key financials

	Q1 2011	Q1 2010	2010	2009
Sales, €m	2,356	2,039	8,924	7,719
Sales growth (%)	16%	10%	16%	-18%
EBITDA, €m	379	288	1,343	1,062
% of sales	16.1	14.1	15.0	13.8
Operating profit, excl. special items, €m	198	116	731	270
EPS excl. special items, €	0.32	0.15	0.99	0.11
Net cash from operating activities, €m	166	209	982	1,259

## FINANCIALS

Operating cash flow decreased due to increase in working capital – cycle times are stable





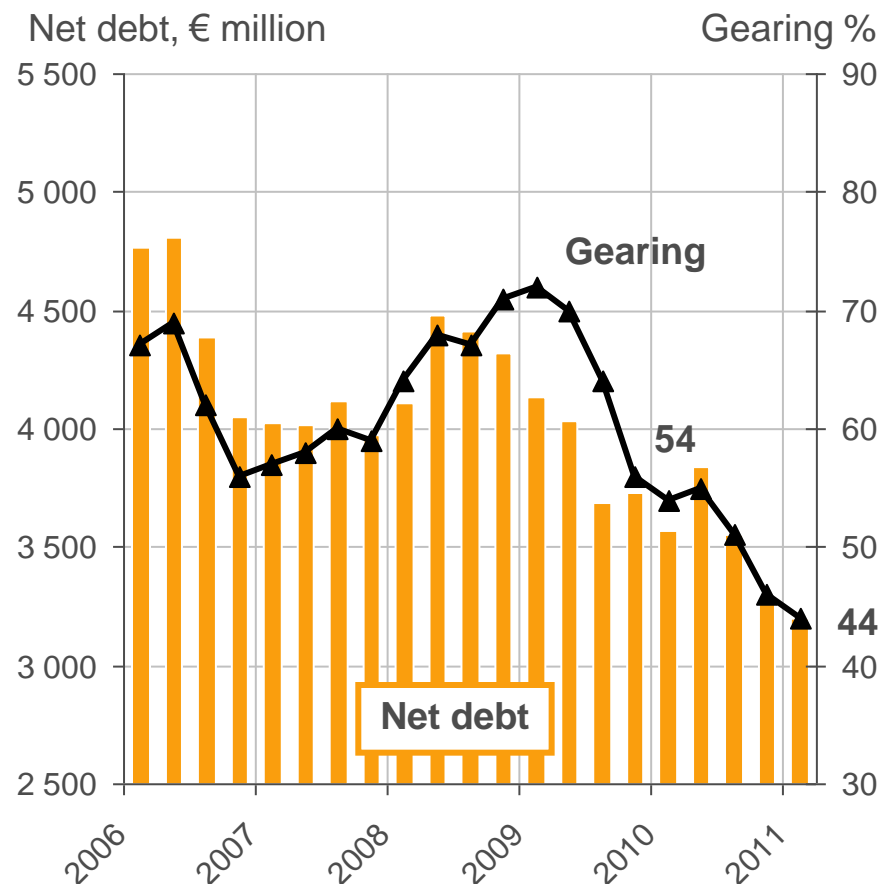
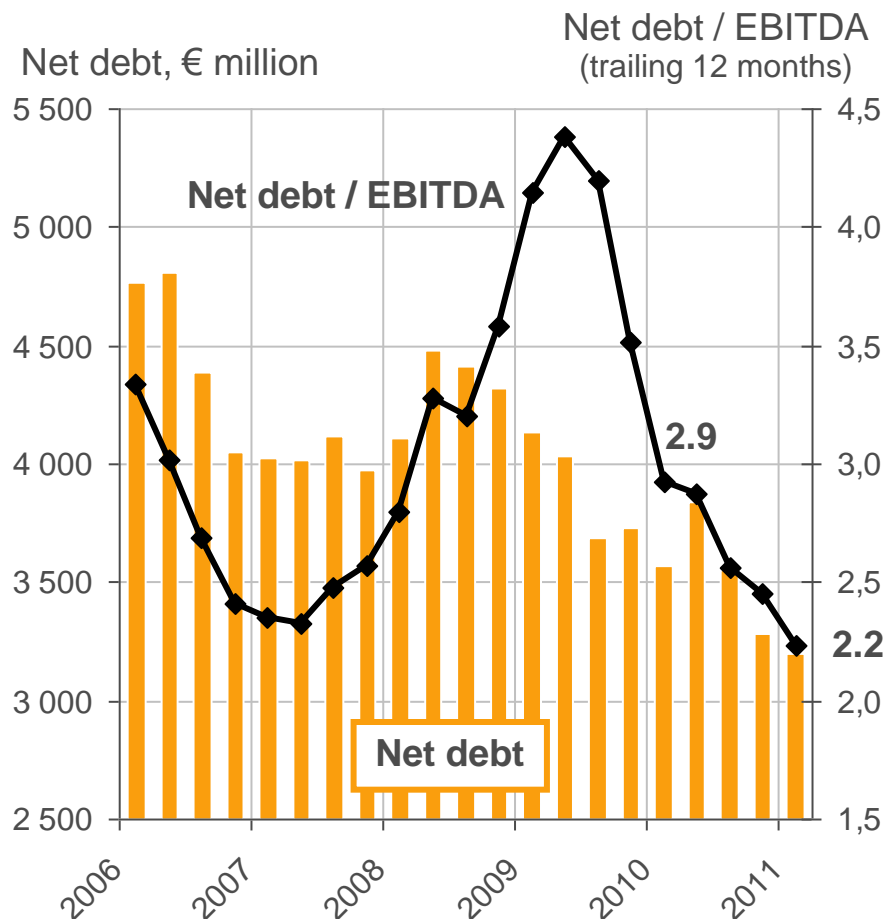
## FINANCIALS

### Cash flow

€, million	Q1/11	Q1/10	2010	2009
<b>EBITDA</b>	<b>379</b>	<b>288</b>	<b>1,343</b>	<b>1,062</b>
Cash flow before change in working capital	318	250	1,301	941
Change in working capital	-131	-18	-139	532
Finance costs and income taxes	-21	-23	-180	-214
<b>Net cash from operating activities</b>	<b>166</b>	<b>209</b>	<b>982</b>	<b>1,259</b>
Capital expenditure	-80	-49	-241	-236
Asset sales and acquisitions	3	9	46	22
<b>Cash flow after investing activities</b>	<b>89</b>	<b>169</b>	<b>787</b>	<b>1,045</b>

## FINANCIALS

# Balance sheet strengthened in Q1– net debt decreased by EUR 89m and gearing by 2pp



# Maturity profile and liquidity

## Liquidity

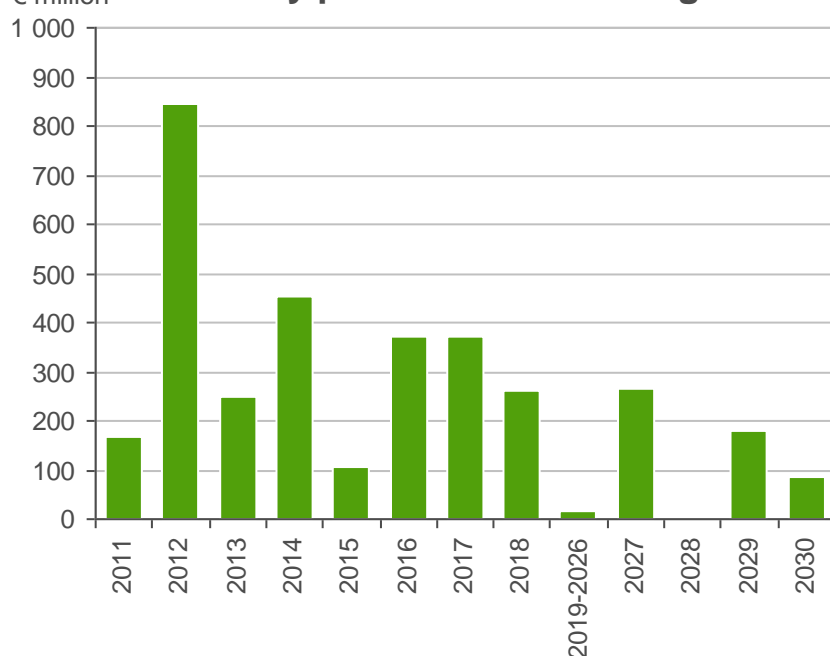
Liquidity on 31 March 2011 was € 1.7bn

- cash € 312 million and unused credit facilities EUR 1,400 million

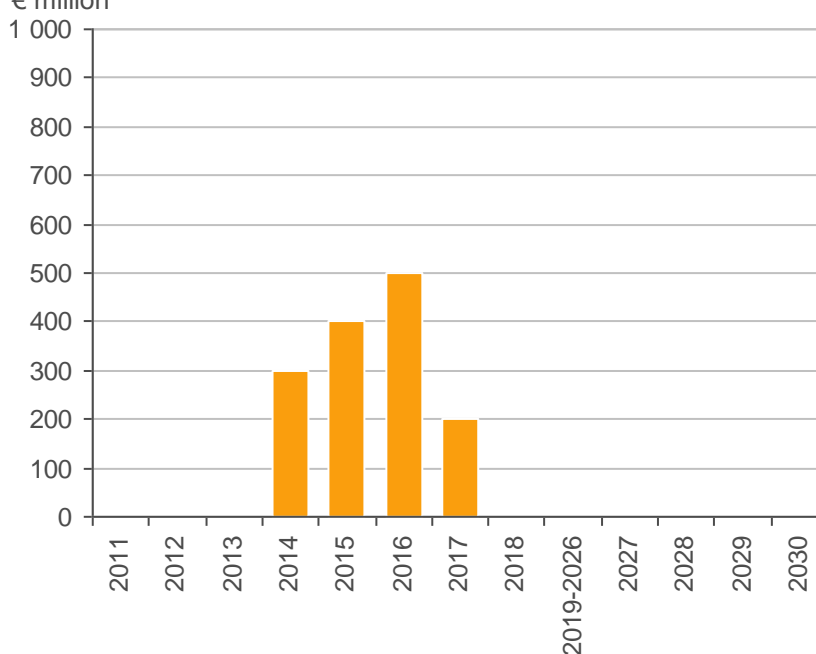
## Committed credit facilities EUR 1.4bn

- syndicated credit facility EUR 500 million
- bilateral committed credit facilities EUR 900 million

€ million **Maturity profile of outstanding debt**

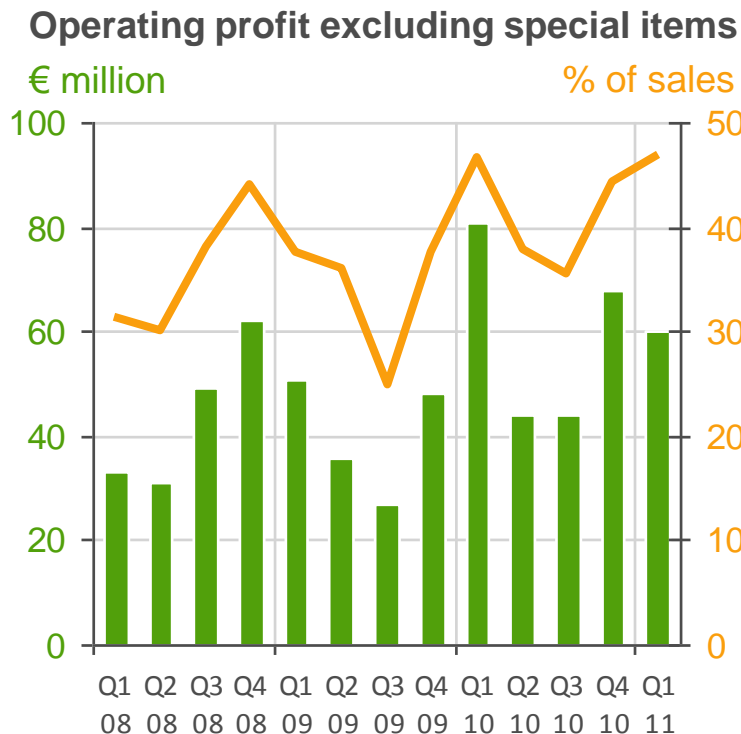


€ million **Committed credit facilities' maturities**




## FINANCIALS

### Energy Q1/11 vs. Q1/10 – operating profit decreased due to the lower sales price



- Average sales price for electricity decreased by 11%
- Electricity sales volume was 2% lower than last year

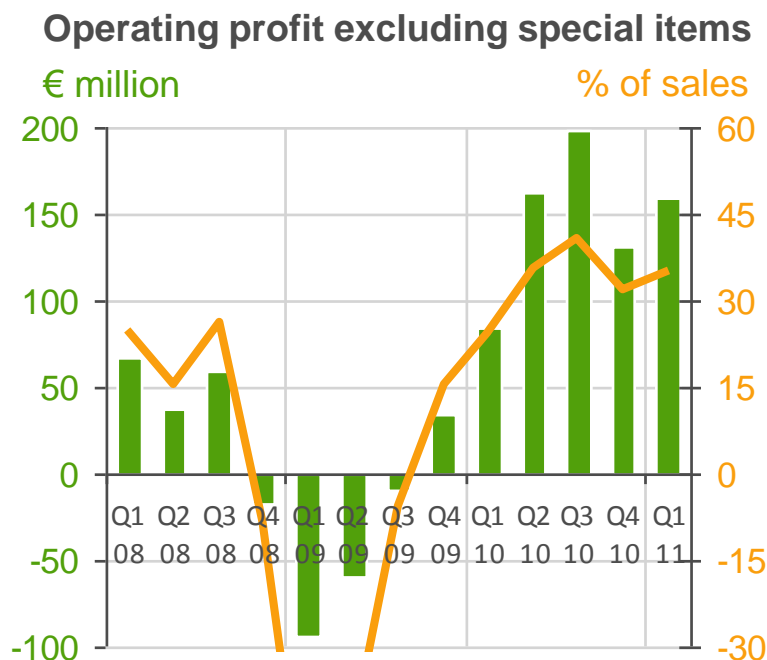
Sales **Q1 2011 128**  **-26%**  
 EUR million **Q1 2010 174**

Operating profit **Q1 2011 60**  **-21**  
 EUR million\*) **Q1 2010 81** EUR million

\*) excluding special items

## FINANCIALS

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




- Operating profit improved due to higher average pulp sales price and delivery volumes
- Deliveries increased by 11%

Sales  
EUR million

<b>Q1 2011</b>	<b>457</b>		<b>34%</b>
Q1 2010	341		

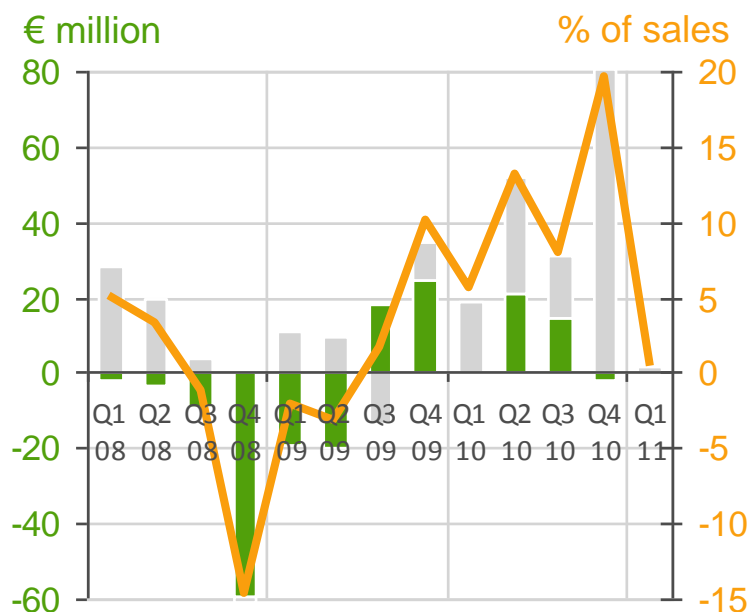
Operating profit  
EUR million\*)

<b>Q1 2011</b>	<b>160</b>		<b>+76</b>
Q1 2010	84		EUR million

\*) excluding special items

## Forest and Timber Q1/11 vs. Q1/10 – operating profit decreased due to smaller increase in the fair value of biological assets

### Operating profit excluding special items




- Operating profit decreased due to a smaller increase in the fair value of biological assets
- The fair value of biological assets increased by EUR 2 million (19 million)
- Sawn timber prices increased, but delivery volumes were lower

Sales  
EUR million

**Q1 2011 394**  **16%**

Q1 2010 339

Operating profit  
EUR million\*)

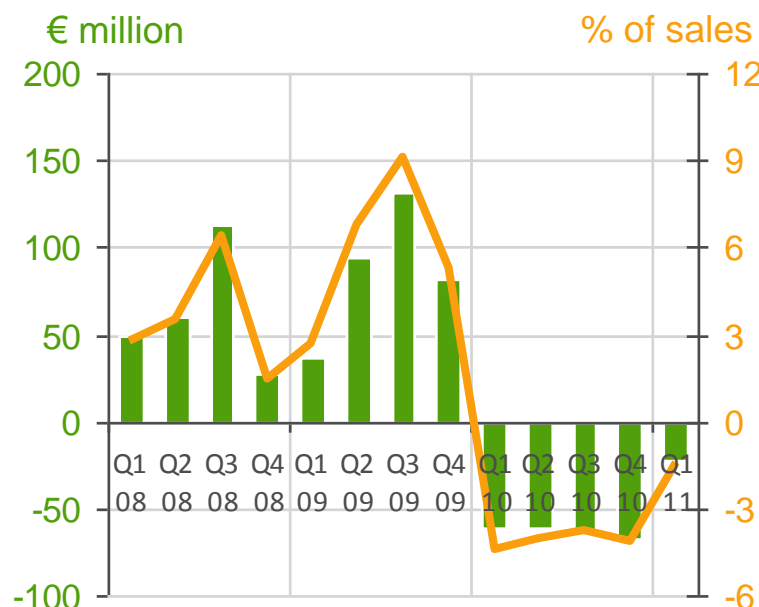
**Q1 2011 2**  **-17**

Q1 2010 19 EUR million

\*) excluding special items

# Paper Q1/11 vs. Q1/10 – operating loss decreased, as deliveries grew and price increases compensated for cost inflation

## Operating profit excluding special items



- Operating loss decreased
- The average paper price increased by 11% from last year's bottom level
- Variable costs increased, especially in chemical pulp and recovered paper. Also logistics and chemicals costs increased

Sales  
EUR million

**Q1 2011 1,647**  **18%**

Q1 2010 1,401

Operating profit  
EUR million\*)

**Q1 2011 -23**  **38**

Q1 2010 -61

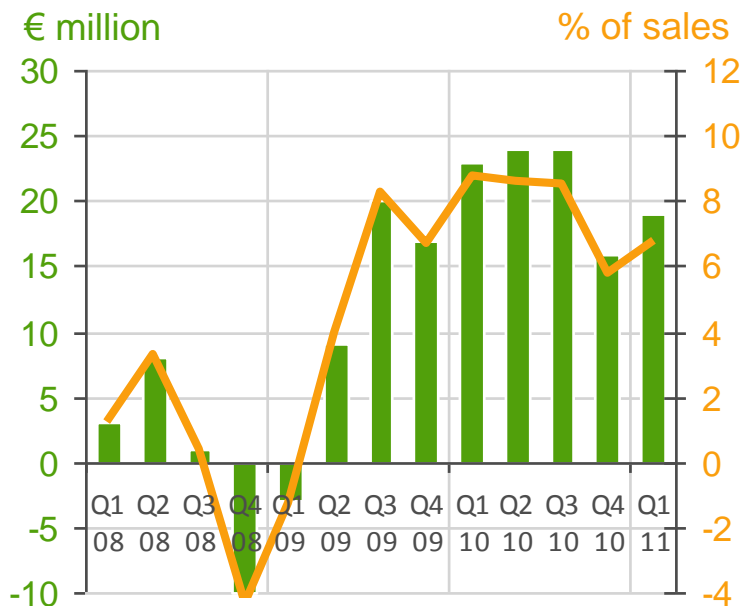
EUR million

\*) excluding special items

## FINANCIALS

### Label Q1/11 vs. Q1/10 – operating profit decreased due to higher raw material costs

#### Operating profit excluding special items




- Operating profit decreased due to materially higher raw material costs
- Sales prices increased
- Delivery volumes decreased slightly
- UPM announced the acquisition of Gumtac, the Brazilian labelstock and slitting business of BIC Group  
(closing is subject to obtaining appropriate licences from local authorities)

Sales  
EUR million

<b>Q1 2011</b>	<b>278</b>		<b>7%</b>
Q1 201	260		

Operating profit  
EUR million<sup>\*)</sup>

<b>Q1 2011</b>	<b>19</b>		<b>-4</b>
Q1 2010	23		EUR million

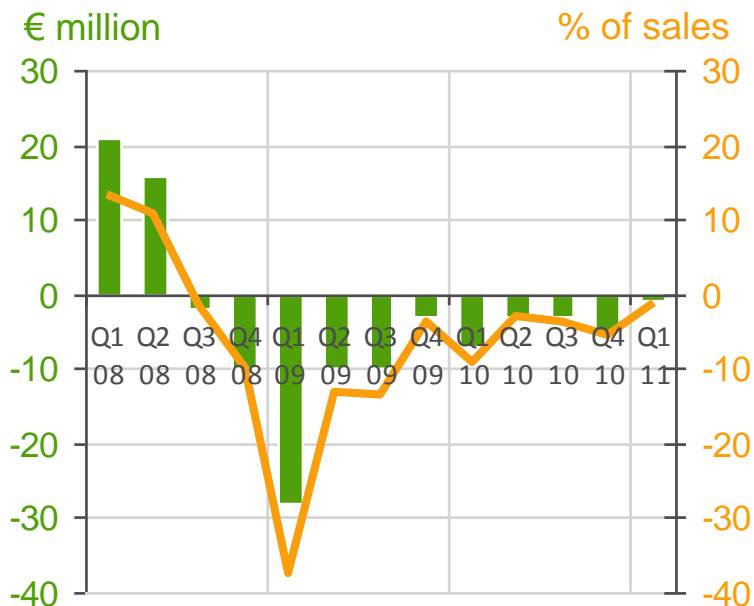
<sup>\*)</sup> excluding special items



## FINANCIALS

# Plywood Q1/11 vs. Q1/10 – operating loss decreased due to higher deliveries and prices

### Operating profit excluding special items




- Operating loss decreased mainly due to higher delivery volumes and increased sales prices
- Deliveries increased by 16% from last year

Sales  
EUR million

<b>Q1 2011</b>	<b>94</b>	 <b>24%</b>
Q1 2010	76	

Operating profit  
EUR million\*)

<b>Q1 2011</b>	<b>-1</b>	 <b>+6</b>
Q1 2010	-7	

EUR million

\*) excluding special items



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