RESTRICTURING OWNERSHIP OF BOTNIA'S ASSETS

Jussi Pesonen
15 July 2009
Letter of intent

- UPM, Metsäliitto and M-real have today signed the Letter of Intent on the restructuring of the ownership of Botnia's assets.

- Timetable: Agreements signed during Q3 and closing during Q4.

- The proposed transaction is subject to several matters like,
  - due diligence
  - finalising negotiations with Botnia's lenders
  - required regulatory approvals
  - negotiation and signing of definitive agreements.
Restructuring ownership of Botnia's assets
Description of the transaction

UPM

- acquires Botnia's and Metsäliitto's holdings in Frey Bentos pulp mill and plantations in Uruguay
- share in Botnia decreases to 17 %.
- acquires PVO shares from Botnia representing 1.2% of PVO

Metsäliitto Group

- Metsäliitto becomes 53% majority owner of Botnia which will consist of four Finnish pulp mills
- M-real maintains its 30% ownership in Botnia
Restructuring ownership of Botnia's assets
UPM after the transaction

- **Financial**
  - net debt estimated to increase by EUR 400 million at closing
  - cash outflow about EUR 90 million
  - minor impact on gearing
  - earnings enhancing in 2010

- **Pulp assets**
  - increase share of eucalyptus pulp by 500,000 t/a
  - decrease share Northern European pulp by 700,000 t/a
  - direct ownership of Fray Bentos pulp mill and plantations in Uruguay

- Shares in PVO increase by 1.2 %
Botnia's current shareholder structure

- **UPM**
  - 47%
  - 12.4%
  - 100%

- **m-real**
  - 30%
  - 82.1%
  - 91%

- **Metsäliitto**
  - 23%
  - 5.5%

**Botnia South America S.A.**
- 47%
- 30%
- 82.1%

**Plantation company Forestal Oriental S.A.**

**Fray Bentos pulp mill**
Botnia's ownership and assets after the transaction

UPM

17%

91% of Fray Bentos pulp mill
Forestal Oriental plantation company
1.2% of PVO

Metsäliitto

53%

Rauma pulp mill
Kemi pulp mill
Joutseno pulp mill
Äänekoski pulp mill
0.3% of PVO

m-real

30%

Svir sawmill
Strategic rationale for UPM

The proposed transaction is in line with UPM's new strategy to

- develop pulp as market driven business
- increase the share of cost competitive pulp
- advance in new growth markets
- grow in emission free energy
The proposed transaction would

- strengthen UPM's position as a cost competitive pulp producer - the share of own pulp production increased to 3,180,000 t/a
- increase share of tropical, plantation-based pulp and decrease share of Northern European pulp in its portfolio
- provide new opportunities for further development of operations in Uruguay
Fray Bentos pulp mill
One of most modern mills in the world

- Capacity 1.1 million tons of bleached eucalyptus pulp per annum
- Start-up in November 2007
- Total investment in the pulp mill $1.2 bn
- Technology: BAT
  Best Available Techniques (IPPC-BAT) securing minimum environmental impact
- Biomass power generation for own consumption and external sales
- ECF-bleaching and low chemical, water and energy consumption
Wood supply secured for the pulp mill

- After the transaction, UPM owns 100% of the forestry company Forestal Oriental in Uruguay
  - 216,000 ha of land owned and controlled
  - 127,000 ha planted and plantable
- About 70% of the pulp mill's wood raw material comes from own plantations, largely self-sufficient in the future
- A special cooperation programme in Uruguay called FOMENTO
  - Supports the private landowners in sustainable and profitable eucalyptus plantation forestry
Increasing share of plantation-based pulp

Market pulp producers’ delivered cash costs to Frankfurt, EUR/t

Decrease share of Northern European pulp

Increase share of plantation based pulp

Source: Pöyry estimate Q4/2008
UPM's pulp assets after the transaction: competitive and well invested

<table>
<thead>
<tr>
<th>Chemical pulp capacity</th>
<th>1,000 tons</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fray Bentos</td>
<td>1,100</td>
<td>Start-up 2007</td>
</tr>
<tr>
<td>Kymi</td>
<td>540</td>
<td>Rebuild 2008</td>
</tr>
<tr>
<td>Pietarsaari</td>
<td>800</td>
<td>Rebuild 2004</td>
</tr>
<tr>
<td>Kaukas</td>
<td>740</td>
<td>Rebuild 1996</td>
</tr>
<tr>
<td><strong>Total own capacity</strong></td>
<td><strong>3,180</strong></td>
<td></td>
</tr>
<tr>
<td>17% of Botnia's capacity</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,580</strong></td>
<td></td>
</tr>
</tbody>
</table>

-700 kton

+Fray Bentos pulp mill
Forestal Oriental plantations

- 700 kton

+ 500 kton
Summary

- Restructuring ownership of Botnia's assets is consistent with the strategies of all of its shareholders – UPM, Metsäliitto and M-real
- Pragmatic transaction for all parties; cooperation continues e.g. in market pulp sales

Major step in developing UPM's pulp business
- UPM's own pulp production capacity increases to 3,180,000 t/a
- UPM becomes direct owner of pulp mill and plantations in Uruguay
- Increases its share of plantation pulp by 500,000 t/a and decreases the share of Northern European pulp by 700,000 t/a
- Opens new options for future development
WE LEAD.
WE LEARN.

UPM