

Montevideo, 15 July (AFP-NA) –

The Finnish firm UPM will acquire all of Botnia's cellulose production and forestry activities in Uruguay, where the latter owns almost 100,000 hectares and a paper mill which demanded a 1.1 billion dollar investment and triggered a controversy with Argentina.

Tapio Korpeinen, UPM'S President, made the announcement today and added: "Botnia's ownership is being restructured and the Uruguay operation is therefore being transferred to UPM" which will be the firm's "direct owner".

"These are strategy issues that Botnia owners (UPM, M-Real and Metsäliitto) have gone over. Metsäliitto will now focus on the operations in Finland, where Botnia owns four cellulose mills, so as to have direct control of such operations. UPM's interest in them will thus be reduced", he explained.

"In exchange, UPM will focus on Uruguay and the (Botnia) property will be transferred to us", he added in connection with the cellulose mill at Fray Bentos (300 Km North East from Montevideo) and Forestal Oriental S.A. UPM currently owns 47% of the Botnia operation in Finland and Uruguay; M-Real owns 30% and Metsäliitto owns 23%", UPM's President said.

"Once the deal is closed, UPM will own 17%, Metsäliitto 53% and M-Real will retain its 30%", he added.

Korpeinen pointed out that Botnia owners signed a non-binding letter of intent on Wednesday, and said that he expects "the final agreements to be entered into during the third quarter this year and, if successful, the definitive transaction will be closed during the fourth quarter this year."

Botnia made a 1.1 billion dollar investment to build its cellulose mill in Fray Bentos, on the Uruguay river, the border with Argentina.

The pulp mill, which was opened in November, 2007 and produces 1.1 million tons of cellulose pulp, brought on a conflict with Argentina and a citizen protest in that country. For the last three years protesters have been blocking off the bridge connecting the Argentine city of Gualeguaychú with Fray Bentos.

Botnia, which also owns Forestal Oriental S.A. (FOSA), owns almost 100,000 hectares of its own in Paysandú and Río Negro (North East). Half of these have been planted while some 40,000 do not meet the necessary features or are destined to other uses (roads, drainage, firebreaks, grazing or environmental preservation areas).

UPM –which owns three cellulose mills in Finland, is active in 14 countries, has 24,000 employees and showed a 9.5 million euro turnover in 2008- may have an overall production of 3.5 million cellulose pulp once it controls the Uruguay operation, Korpeinen said.

In a press release UPM –which has three business units: energy and cellulose, paper and engineered materials- said the transaction will mean that the company's net debt "will increase by approximately 400 million euro, including the debt of the Uruguay operations, with minimum impact" on the company's standing.

"UPM net cashflow effects will be round about 90 million euro" the release reads, "a positive repercussion has been forecasted in UPM's income statement for the 2010 fiscal year."

The press release also states that "UPM will be buying from Botnia 1.2% of its capital stock in the energy company Pohjolan Voima Oy (PVO – a Finnish energy company)".