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UPM AND METSÄLIITTO SIGN A LETTER OF INTENT ON NEW OWNERSHIP STRUCTURE OF BOTNIA; UPM TO ACQUIRE URUGUAYAN OPERATIONS AND ADDITIONAL SHARES IN PVO

(UPM, Helsinki, 15 July 2009 at 14:00 EET) – UPM and Metsäliitto Cooperative have today signed a letter of intent to restructure the ownership of the pulp company Oy Metsä-Botnia Ab (Botnia). Currently the shareholders of Botnia comprise UPM with a holding of 47%, M-real with 30% and Metsäliitto with 23%.

In the proposed transaction Metsäliitto's and Botnia's share of the Fray Bentos pulp mill and the eucalyptus plantation forestry company Forestal Oriental in Uruguay would be transferred to UPM.

Post transaction, Botnia's operations would consist of its current operations in Finland, with Metsäliitto acquiring incremental shares to move to a position of majority. Metsäliitto's holding would be approx. 53% and M-real's holding approx. 30%. UPM's ownership in Botnia would decline to approx. 17%, which corresponds to UPM's use of Botnia's pulp produced at the Finnish mills. Botnia would continue to act as the sales channel of UPM's market pulp.

Following the proposed transaction, UPM's share of pulp capacity of Botnia's Finnish mills would decrease from 1.1 million tonnes to 400,000 tonnes. At the same time, UPM's share of eucalyptus pulp would increase by approx. 500,000 tonnes and UPM would have the direct ownership of the Uruguayan plantations.

In addition, UPM would also acquire 1.2% of the energy company Pohjolan Voima Oy (PVO) from Botnia.

UPM's interest bearing net debt is estimated to increase by approx. EUR 400 million including the debt of the Uruguay operations with minor effect on UPM's gearing level. The net cash effect of the transaction on UPM would be an outflow of approx. EUR 90 million. The transaction is expected to have a positive impact on UPM's results in 2010.

The proposed transaction, as detailed in the letter of intent is in line with UPM's strategy to grow in cost competitive pulp and emission free energy. Last year the company formed a market driven Business Group out of its three modern pulp mills and significant energy assets.

"Clarification of Botnia's ownership structure provides a good basis for developing UPM's pulp operations further. The Uruguay mill would increase UPM's own pulp capacity to 3.18 million tonnes and strengthen its position as a reliable partner in market pulp. The mill would also reinforce the company's presence in the emerging markets," says Jussi Pesonen, UPM's President and CEO.

Negotiations on the details of the agreement continue. Prerequisites for a definitive agreement include a due diligence and finalising negotiations with Botnia's lenders as well as the required regulatory approvals.

The proposed transaction is expected to be closed during the last quarter of 2009. UPM will communicate about the completion of the agreement upon signing.

For more information, please contact:

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Press conference and conference call today:

UPM and Metsäliitto Group will organise a joint press conference in the Finnish language at the Scandic Hotel Simonkenttä, Helsinki (Simonkatu 9, meeting room 'Mansku') today, 15 July, at 15:30 Finnish time. The transaction will be introduced by UPM's President and CEO Jussi Pesonen and Kari Jordan, President and CEO of Metsäliitto Group.

A conference call for analysts and investors in the English language, hosted by UPM's President and CEO Jussi Pesonen, will also take place today on 15 July at 17:00 Finnish time (15:00 UK time, 10:00 EST, please see dial-in details below). The presentation for the conference call will be available on UPM's website today starting at 16:00 Finnish time: www.upm-kymmene.com > Investors > Reports and presentations.

Participants are registered by the operator before the start of the conference call. In order to ensure a timely conference start, please dial in 10 minutes before the conference start time.

Dial-in numbers for conference call:

Call title: UPM Conference Call
Conference ID: 20219081
International dial-in: +44 (0) 1452 551 506
UK free call: 0800 694 8173
UK local call: 0844 493 6803
USA free call: 1866 205 1872

Dial-in numbers for replay, available until 21 July 2009:

Access Number: 20219081#
International Dial in: +44 (0) 1452 55 00 00
UK Free Call Dial In: 0800 953 1533
UK Local Dial In: 0845 245 5205
USA Free Call Dial In: 1866 247 4222

UPM's vision is to be the front-runner of the new forest industry. Our competitiveness is based on cost leadership, change readiness and leading innovation. Our products are made of renewable raw materials and are recyclable. UPM consists of three Business Groups: Energy and pulp, Paper, and Engineered materials. The Group employs around 24,000 people and it has production facilities in 14 countries. In 2008, UPM's sales amounted to EUR 9.5 billion. UPM's shares are listed on the Helsinki stock exchange. www.upm-kymmene.com

UPM's pulp business area

UPM operates three modern pulp mills in Finland: Kaukas (capacity 740,000 tonnes), Kymi (540,000) and Pietarsaari (800,000). The annual pulp production capacity of the three mills totals 2.1 million tonnes. The Pulp business employs around 1,150 people, and sales in 2008 were EUR 944 million.

In addition, UPM owns 47% of its associated company Oy Metsä-Botnia Ab, which entitles UPM to 1.5 million tonnes of pulp capacity. On a group level, UPM is a net seller of softwood pulp and net buyer of hardwood pulp.

Fray Bentos pulp mill

Construction of the pulp mill of UPM's associated company Botnia in Uruguay began in 2005. The mill's production started up in November 2007. The total investment in the mill was 1.2 billion US dollars.

The annual capacity of the pulp mill is 1.1 million tonnes of eucalyptus pulp for which the mill uses 3.5 million cubic metres of eucalyptus wood. The mill employs around 200 people.

UPM's share is about the half of the mill's pulp capacity. UPM uses Fray Bentos pulp mainly in its paper mills in China and Central Europe.

The pulp mill in Fray Bentos is among the most modern ones in the world. Designed with the latest technologies available, the mill operates in compliance with the strictest standards set by the European Union and Uruguayan legislation. For further information and pictures see www.botnia.com

Forestal Oriental

Forestal Oriental, which specialises in eucalyptus plantations, owns in Uruguay around 180,000 hectares of land, of which some 60% are cultivated plantations. The company has around 360 employees and around 2,400 contractors.

Forestal Oriental operates a modern nursery, which annually produces around 15 million eucalyptus seedlings. All of the plantations of Forestal Oriental are FSC certified. The company was founded in 1990, when Shell and UPM's predecessor company Kymmene started to investigate the possibility of cultivating eucalyptus in Uruguay. Planting started in 1991 and wood harvesting in 1997. For further information and pictures see www.forestaloriental.com.uy