

Suggestive Stock Transfer in Botnia

Change in ownership not long before a ruling by The Hague Court.

Tapio Korpeinen, a top UPM official, explained why Botnia will be focussing on operations in Finland. The purchaser was a principal shareholder of the pulp mill. After an almost 1,1 billion US dollar investment and years of battling the Gualaguaychú Assembly members, the Finnish company decided to leave Uruguay and sell its Fray Bentos mill and its eucaliptus plantations.

In a press conference given yesterday in Montevideo, the purchaser's cellulose director, Tapio Korpeinen, accounted for the transaction: "The company's ownership has been restructured".

He added that a letter of intent had been signed, transferring Botnia and Forestal Uruguay to UPM, their new owner. Legal formalities will be completed before year end. In the best case scenario the transaction would be a "spinoff" (a sort of split off), in the worst case scenario a back-to-back sale given that UPM currently owns 47% of the Botnia stock, and the Finnish companies M-Real and Metsaliitto Cooperative own 30% and 27%, respectively.

Once the restructuring has been completed, UPM will practically control all the stock of the Botnia cellulose plant located in the Uruguayan town of Fray Bentos and of Forestal Oriental, which owns the eucaliptus plantations, where the Uruguayan Otegui investment group holds a very small interest:

"This means that Metsaliitto will be focussing on its operations in Finland, where Botnia owns four cellulose plants, to gain direct control over these operations, in which UPM's share will decrease", the Finnish executive explained.

"In turn, UPM will focus on Uruguay and the Botnia property will be transferred to us." Indeed, the Botnia cellulose plant is in the outskirts of the Uruguayan town of Fray Bentos, approximately 380 Km from Montevideo and almost opposite the Argentine town of Gualaguaychú, where a group (smaller and smaller as the time goes by, actually) of environmentalists has been blocking off the binational bridge for more than two years, to protest against the construction of the mill.

The conflict rose unimaginably, a good deal because the Federal and Provincial Governments originally supported it, although they then backed off. Apparently, they went as far as demanding, on no scientific basis, at the International Court of Justice at The Hague, that the mill be pulled down.

Reject

The request was rejected right away by the High Court, precisely because evidence was lacking to prove the environmental damages allegedly caused by Botnia. Argentina, however, was granted an open term to submit additional evidence in case such evidence was produced. The term will be up shortly; the Finnish announcement thus does not seem casual now that the The Hague Court will be issuing its definitive ruling presently.

Ronaldo Beare, Botnia's general manager in Uruguay, pointed out that "company activities will not change. The shareholders are the same ones, it is just their holding that has changed" but their business plans and activities will go on unchanged."

Korpeinen highlighted the fact that UPM "has been active in Uruguay in forestry business for more than two decades. To purchase almost all the Botnia stock is thus a logical step taken so that our operations in this country will keep on growing."

UPM is one of the biggest forestry producers worldwide, with operations in 14 countries. In 2008 it showed a 9.5 billion euro turnover. 70% of the paper consumed in Europe is produced by it. Restructuring the group's capital stock will mean an increase of UPM's interest bearing net debt by 400 million euro, besides the 90 million euro payment. Nevertheless, as stated by UPM in a press release, these figures will not have a negative impact on the company and the transaction is expected to have "a positive repercussion" on the 2010 Income Statement.