

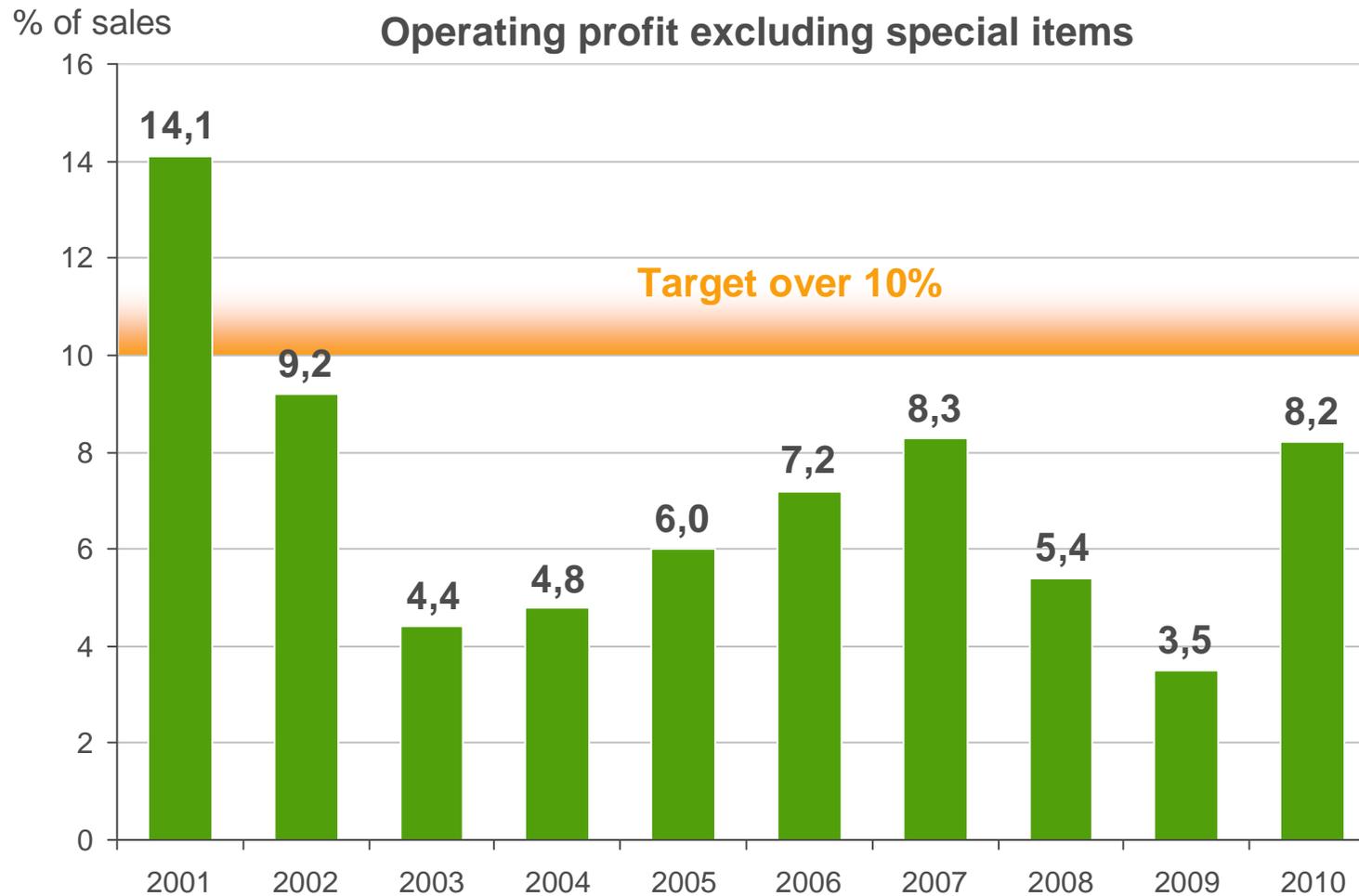
# UPM STRATEGY AND PRIORITIES

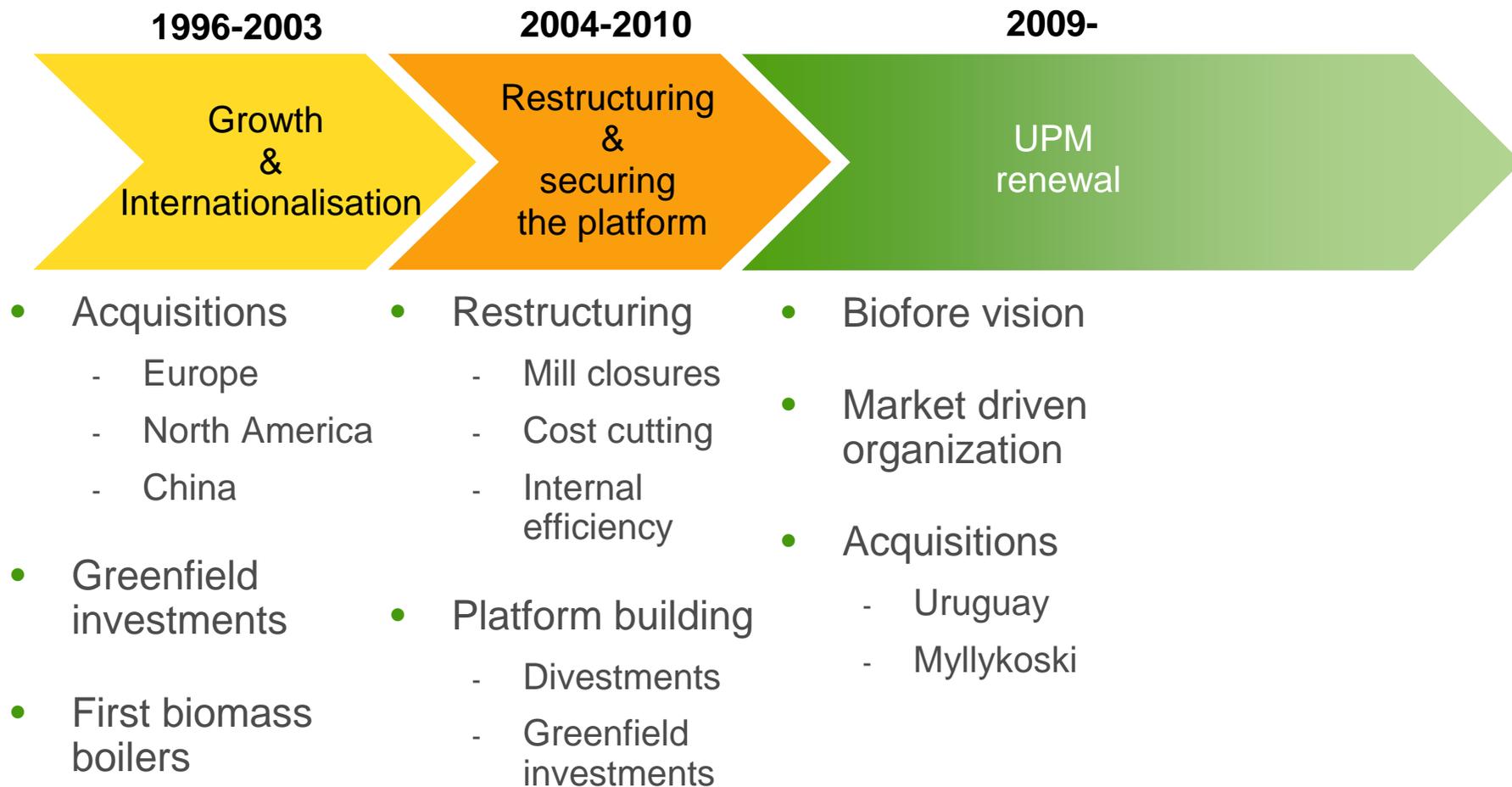
## Part 1

Jussi Pesonen  
President and CEO

# STRATEGY AND PRIORITIES

## Heading there





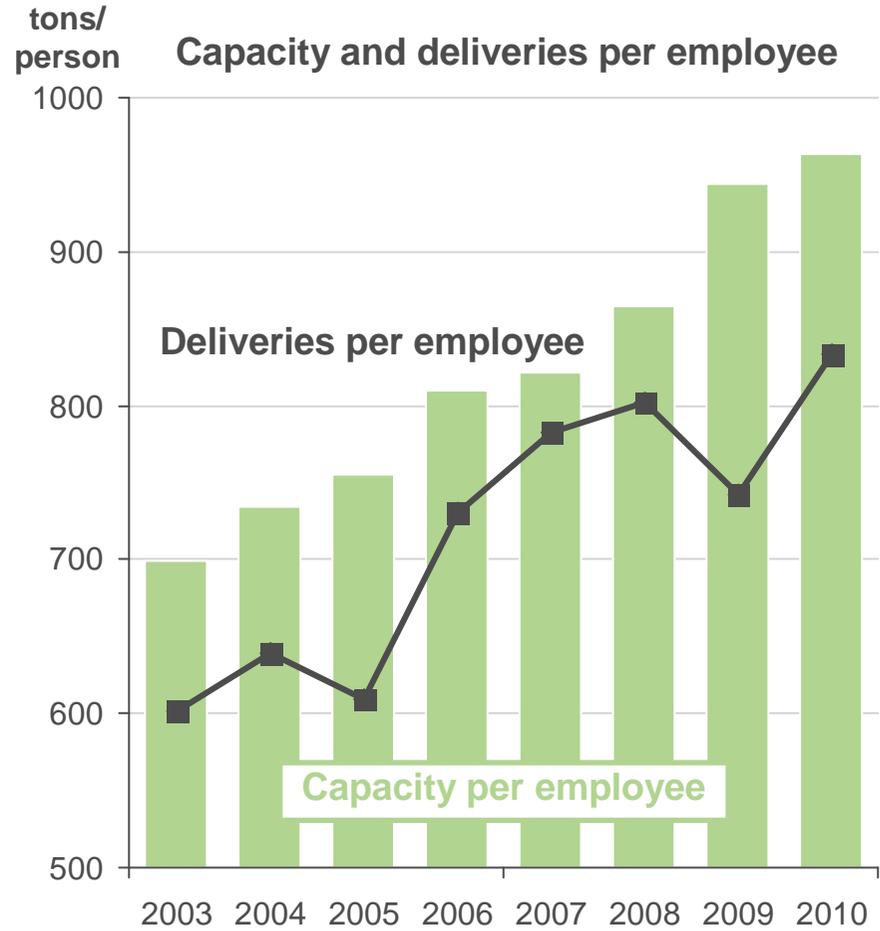
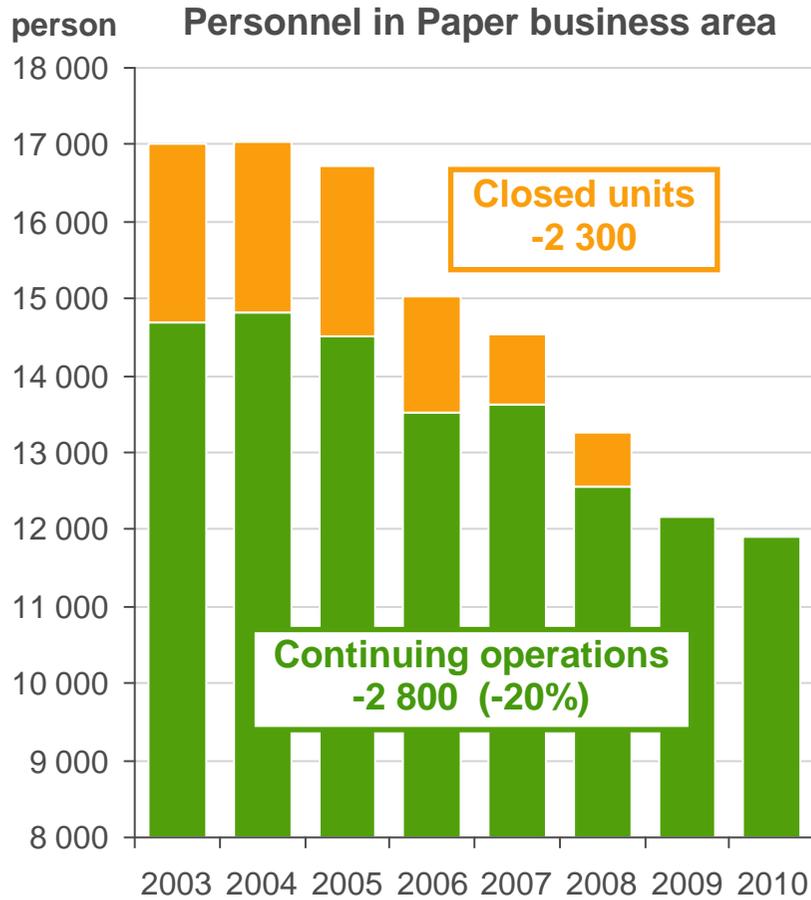
STRATEGY AND PRIORITIES  
**Strategic achievements**

- 1 Improved room for strategic maneuvering
- 2 Building the Pulp business – Botnia transaction
- 3 Paper consolidation – Myllykoski acquisition
- 4 Market driven business model



STRATEGY AND PRIORITIES

Improved room for strategic manoeuvring –  
completed major restructuring phase 2006-09



Note: no significant outsourcing

STRATEGY AND PRIORITIES

Improved room for strategic manoeuvring

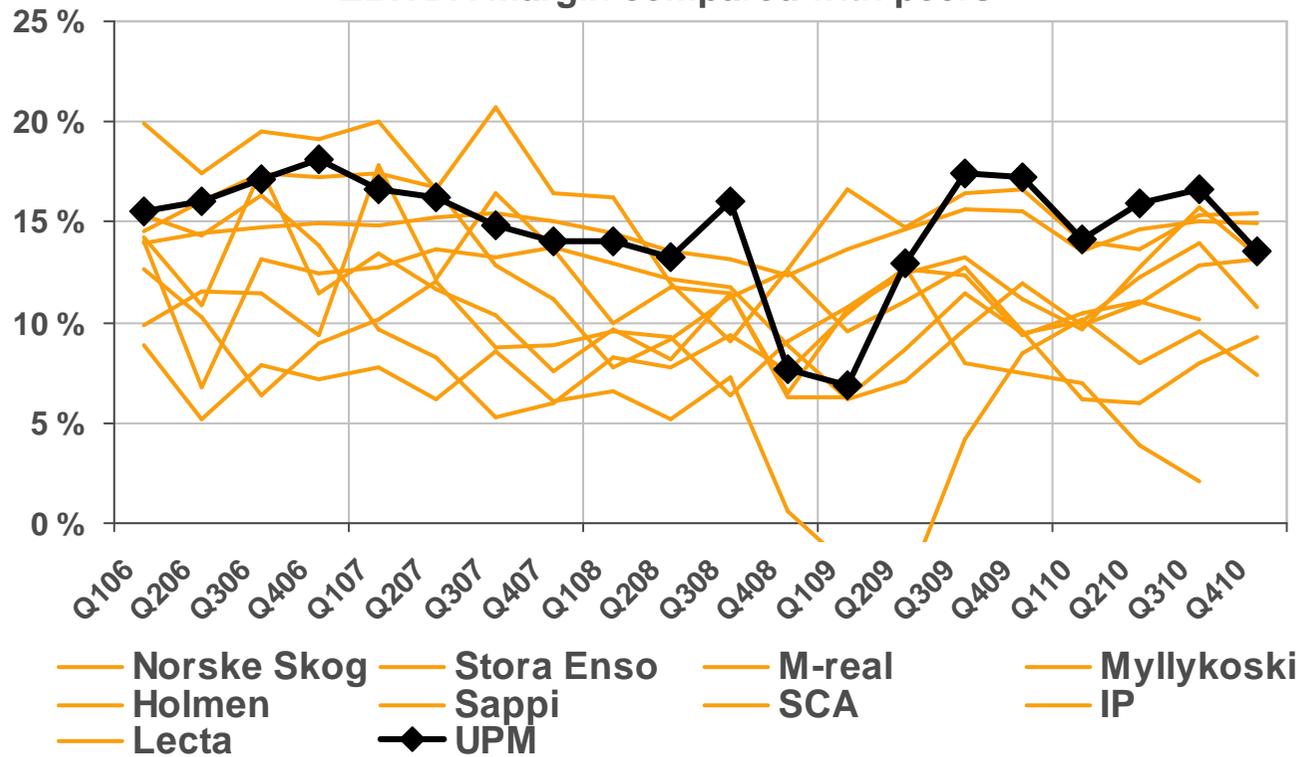


Completed major restructuring phase 2006-09

Succeeded improving cost competitiveness

Improved financial flexibility

EBITDA margin compared with peers



STRATEGY AND PRIORITIES

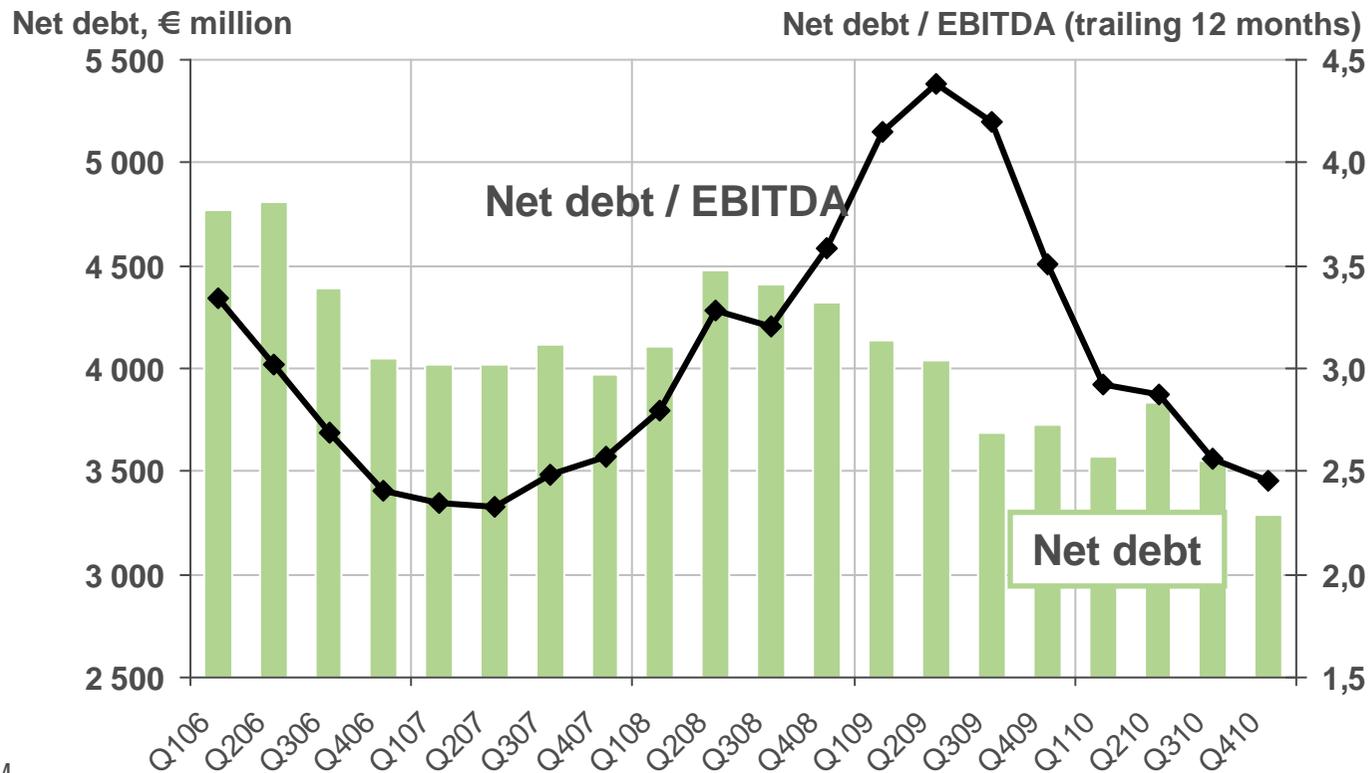
Improved room for strategic manoeuvring



Completed major restructuring phase 2006-09

Succeeded improving cost competitiveness

Improved financial flexibility



## STRATEGY AND PRIORITIES

# Building the Pulp business – Botnia transaction



1. Unwind associated company structure
  - Direct ownership of Fray Bentos pulp mill: Capacity 1.1 million tonnes of BHKP
  - Own plantation operation (Fosa) to supply the required wood
  - 17% ownership in Botnia
2. 3.2 million tonnes pulp capacity in direct ownership
3. Build market based pulp business
  - Optimize sourcing and selling of pulp
  - Preparing for growth



## Paper consolidation – Myllykoski acquisition

- Paper industry restructuring in Europe – necessary to improve profitability
- Leading the consolidation in publication papers
  - UPM has been consistent in seeking consolidation in publication papers – timing is crucial
  - Rationale to improve profitability and cost efficiency in UPM European paper business
- Good step forward but further consolidation is needed to achieve consistent cost competitiveness and profitability in the industry

STRATEGY AND PRIORITIES

Market driven business model – transparency increases insight and promotes action

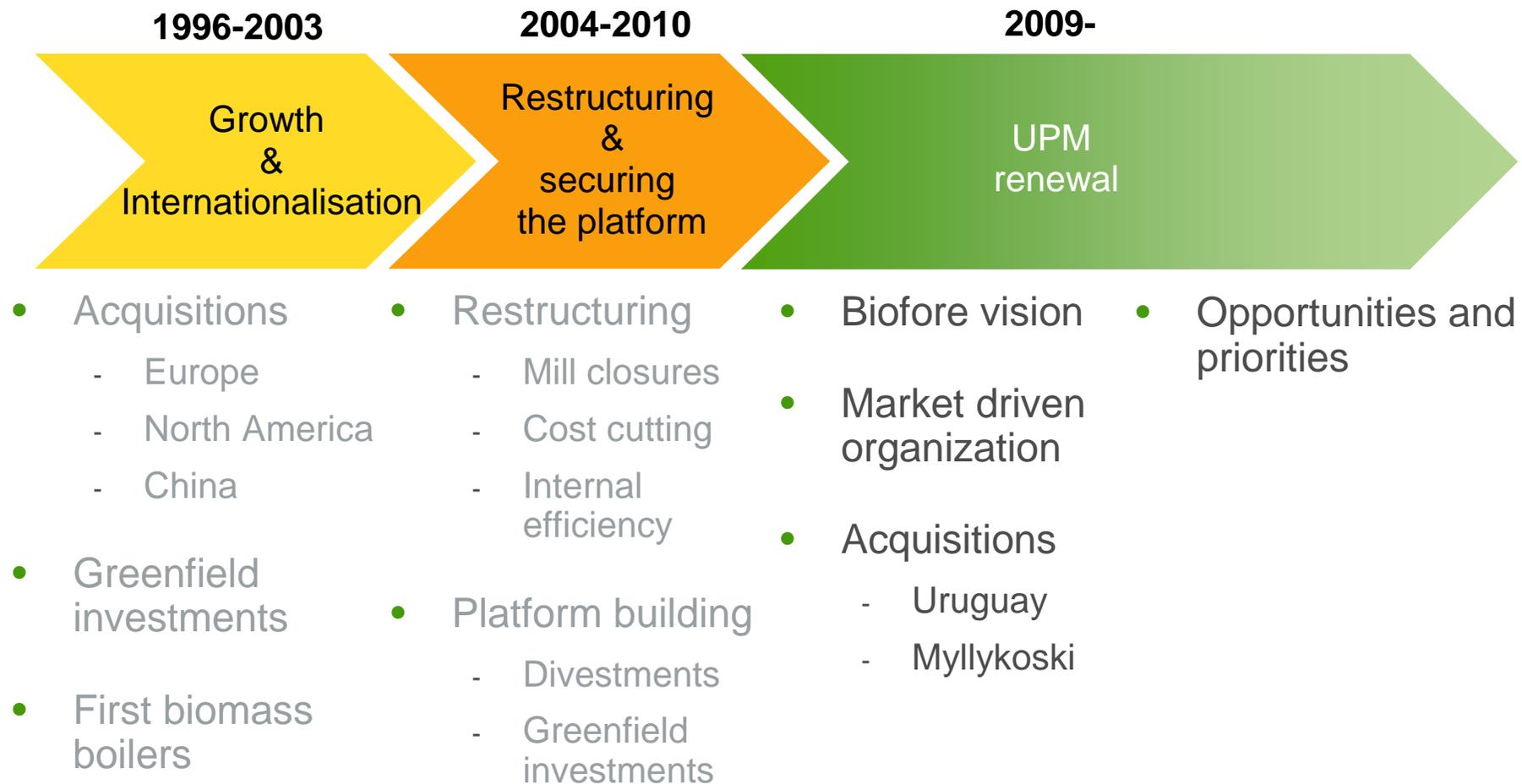


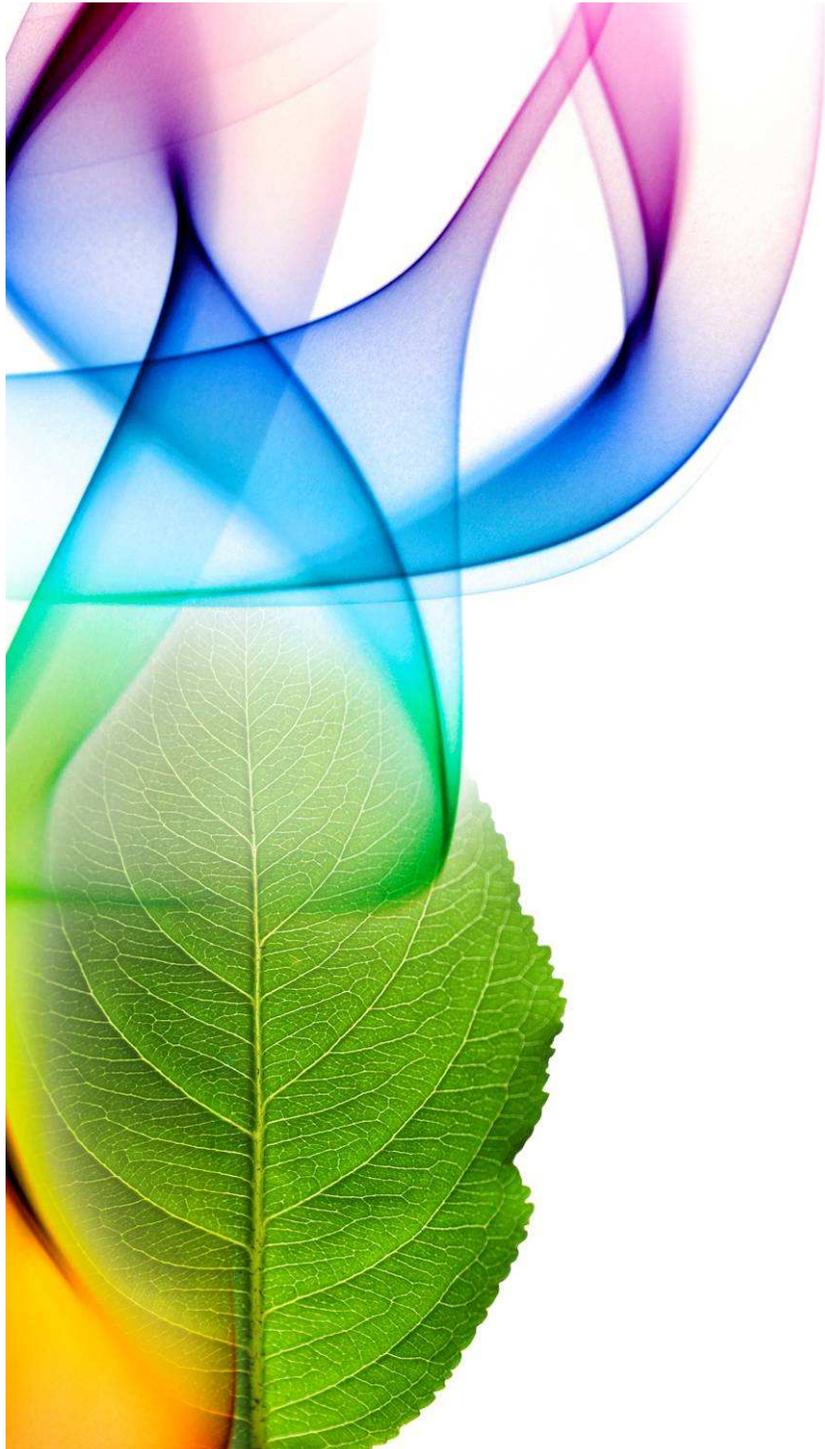
Energy and pulp

Paper

Engineered materials



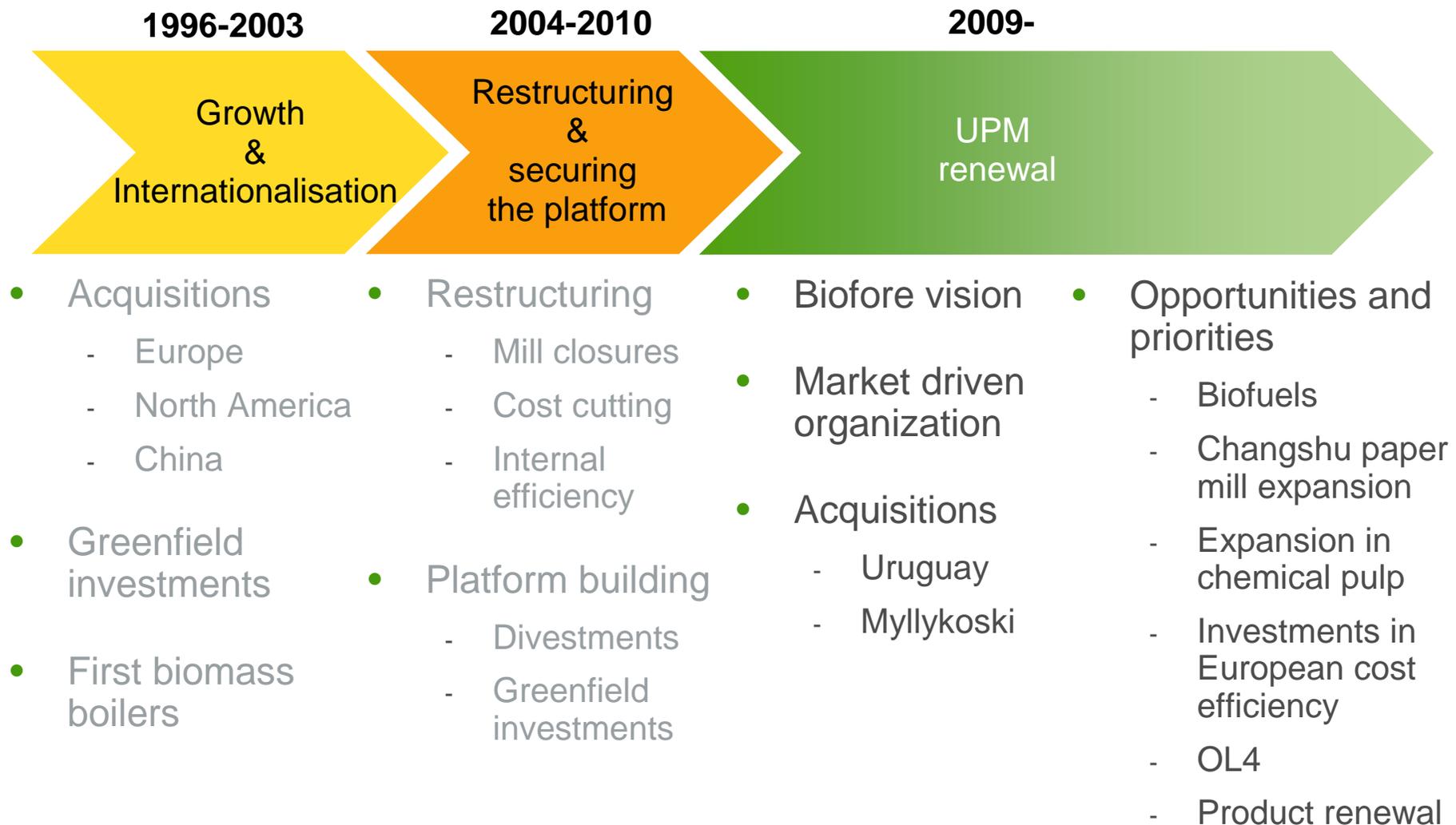




# UPM STRATEGY AND PRIORITIES

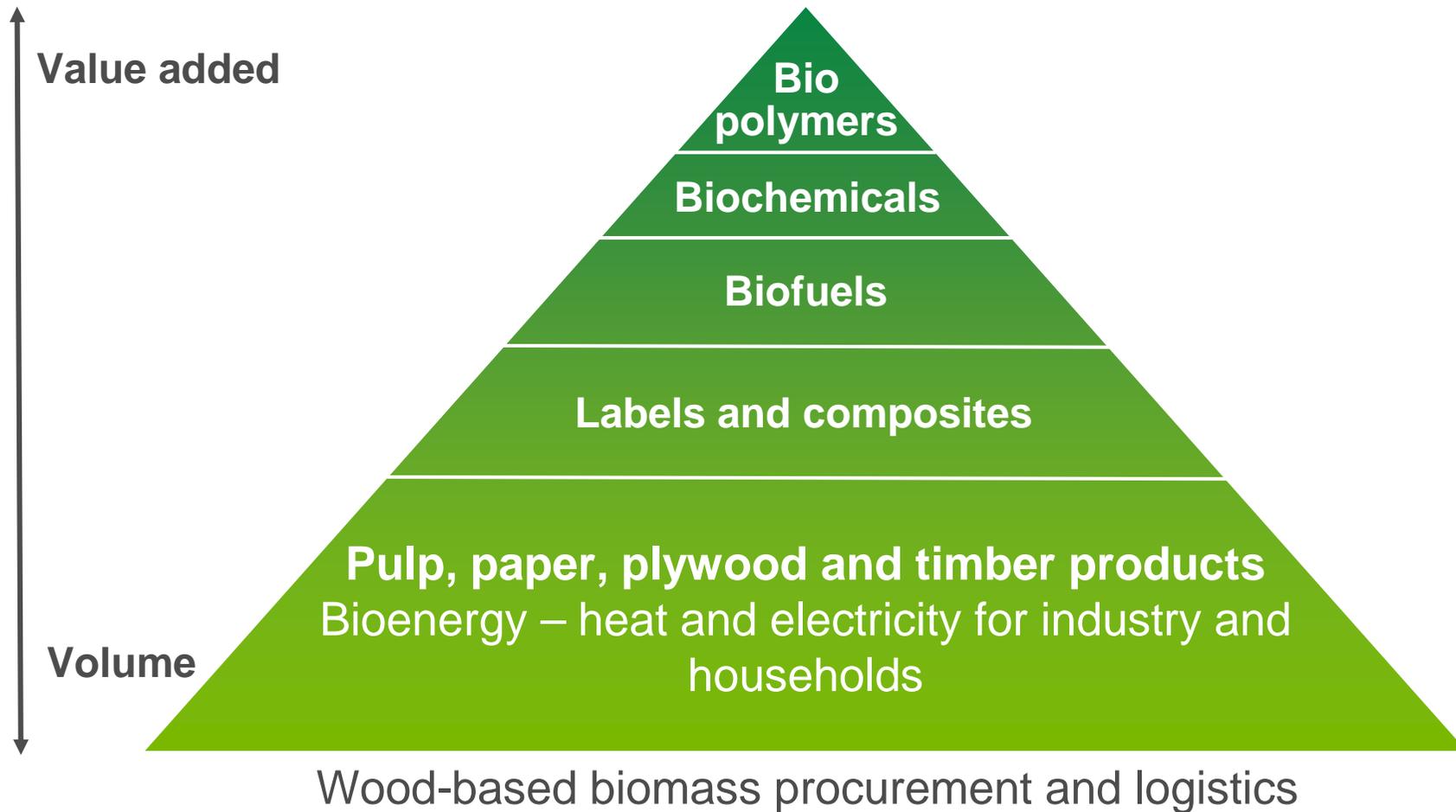
## Part 2

Jussi Pesonen  
President and CEO



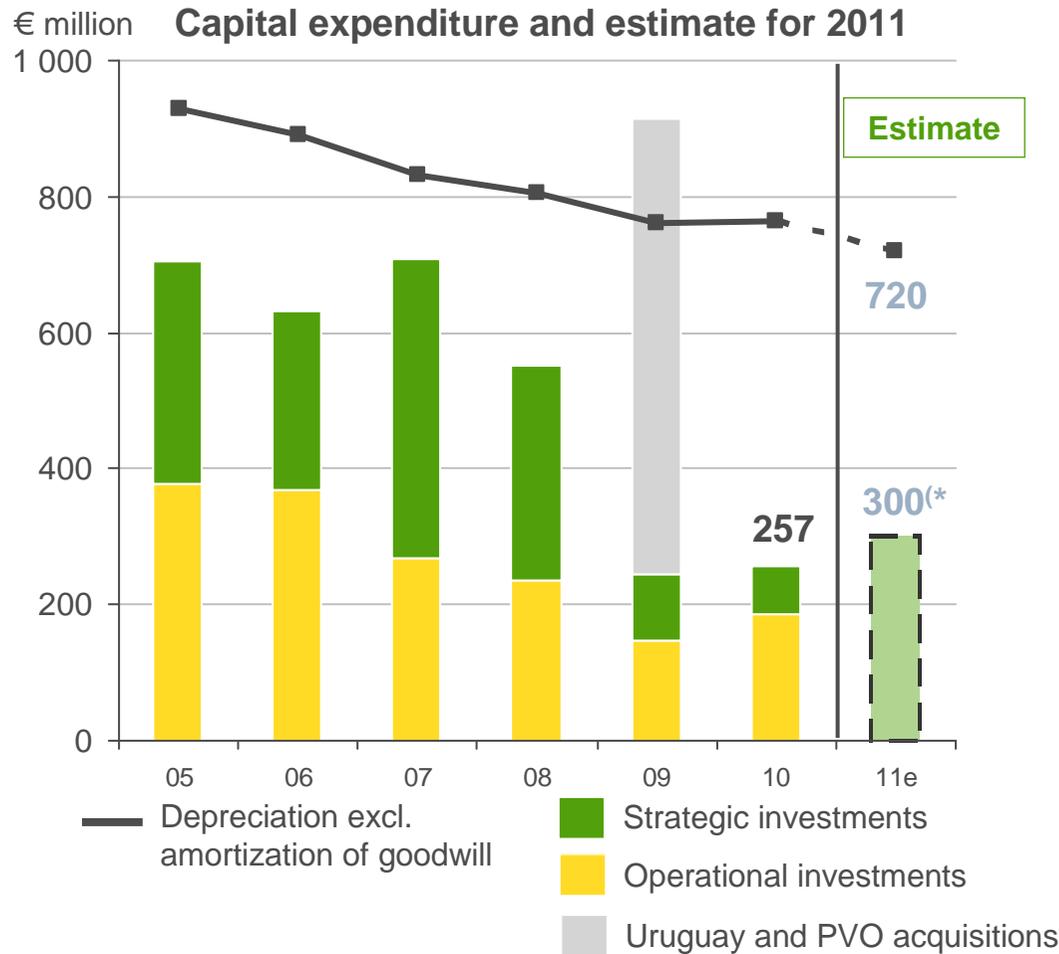
STRATEGY AND PRIORITIES

**Building new opportunities  
on a solid foundation**



Energy and pulp	Paper	Engineered materials
<ul style="list-style-type: none"><li>• Expand in cost competitive low-emission energy</li><li>• Develop second generation biofuels</li><li>• Grow in cost competitive pulp</li></ul>	<ul style="list-style-type: none"><li>• Focus on European profitability</li><li>• Consolidation in Europe</li><li>• Growth in China and other growth markets</li></ul>	<ul style="list-style-type: none"><li>• Profitable growth in self-adhesive label materials</li><li>• Plywood renewal</li><li>• Drive product renewal and develop new businesses</li></ul>

# Capital expenditure and investment options



## Priority investment options

- Investments in European cost efficiency
- Biofuels projects in Finland or in France
- Changshu paper mill expansion – permit received from authorities
- Expansion in chemical pulp
- OL4

## Summary

- Restructuring was a prerequisite for improved profitability
- Market driven business model
  - transparency to the real profitability of the businesses
  - reveals need and opportunities for action
  - increases insight to markets
  - benefits from strong position in key parts of the value chain
- UPM is committed to real profitability improvement
- Leading paper consolidation in Europe
- Strong cash flow and balance sheet give means to realise growth opportunities in the future

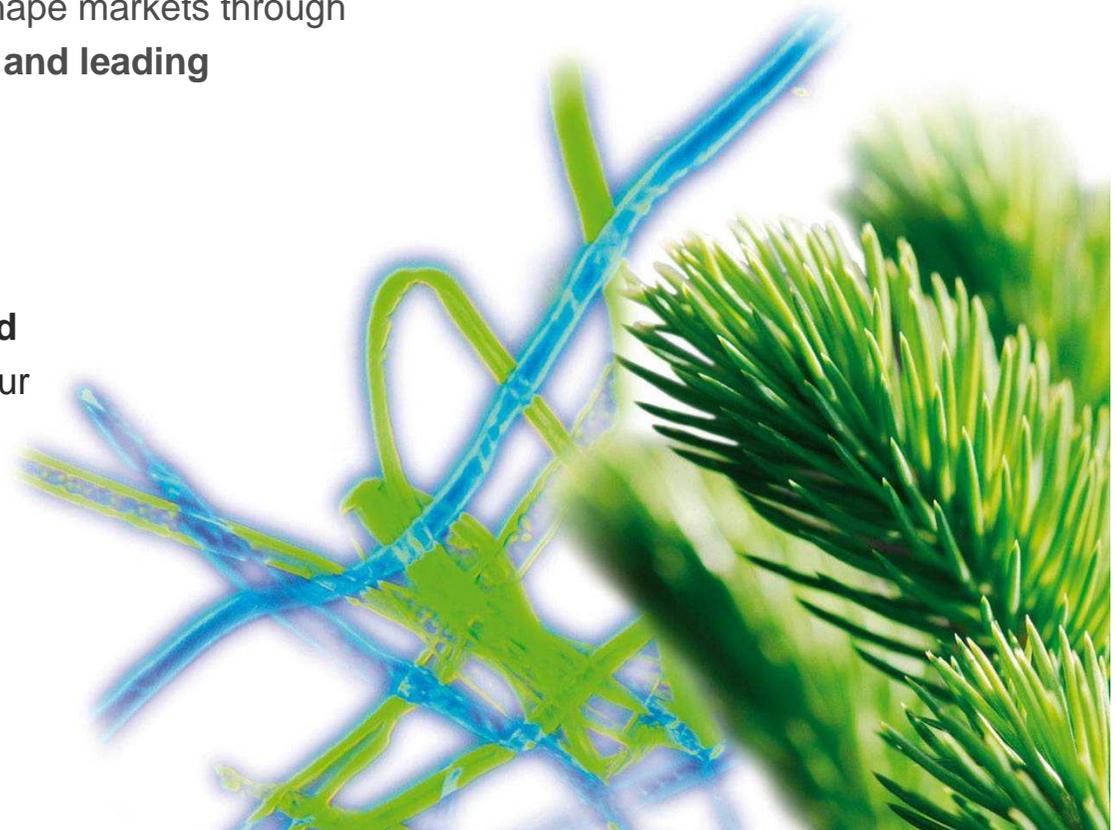
## VISION

### UPM - The Biofore Company.

As the frontrunner of the new forest industry, UPM leads the integration of bio and forest industries into a new, sustainable and innovation-driven future. We reshape markets through **cost leadership, change readiness and leading innovation.**

## PURPOSE

We create **value from renewable and recyclable materials** by combining our expertise and technologies within fibre based, energy-related and engineered materials businesses.





**UPM**

The Biofore  
Company