

COMPETITIVE PULP BUSINESS

Heikki Vappula
President
Energy and Pulp Business Group

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Over 80% of pulp demand is in growing end-use segments



World bleached market pulp demand by end-use and region

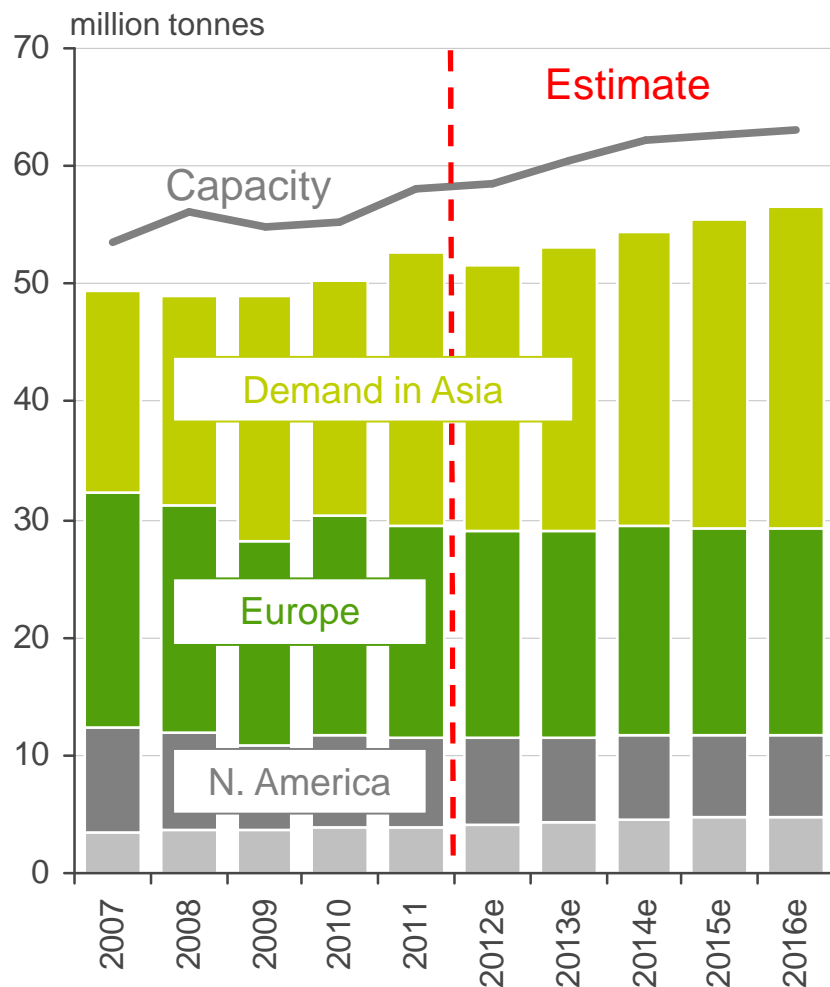
| | WE | NA | China | ROW | Total |
|------------|-----|-----|-------|-----|-------|
| P&W | 14% | 5% | 10% | 9% | 39% |
| Tissue | 9% | 6% | 4% | 8% | 28% |
| Packaging | 2% | 1% | 3% | 2% | 8% |
| Speciality | 7% | 2% | 3% | 4% | 16% |
| Fluff | 2% | 3% | 1% | 4% | 10% |
| | 35% | 16% | 21% | 27% | 100% |

 = growing market segment

 = declining market segment

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Pulp demand growth is expected to keep the demand supply balance relatively good despite capacity expansion



Source: PPPC

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D/S outlook 2012-2016

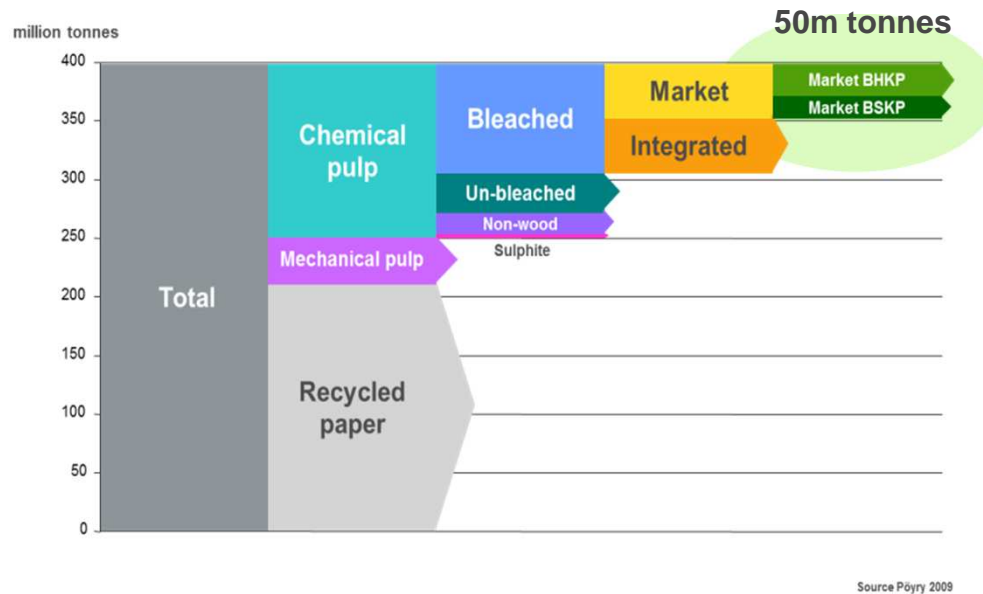
- Demand growth CAGR 4.4%, mainly driven by China
- In mature markets, P&W demand decreases but other end uses compensate
- Supply growth CAGR 5.1%, new hardwood capacity in 2012-2013 in Brazil, Uruguay and China
- D/S balance is expected to improve by year 2016

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World recycled fibre dynamics have a significant effect on market pulp demand



Global annual paper and board fibre consumption



Fibre supply

- Europe and North America are feeding China with recycled fibre
- As the P&W segment in these mature markets is declining, there will be less white recycled fibre grades available for Chinese imports and thus increased demand for virgin chemical pulp imports

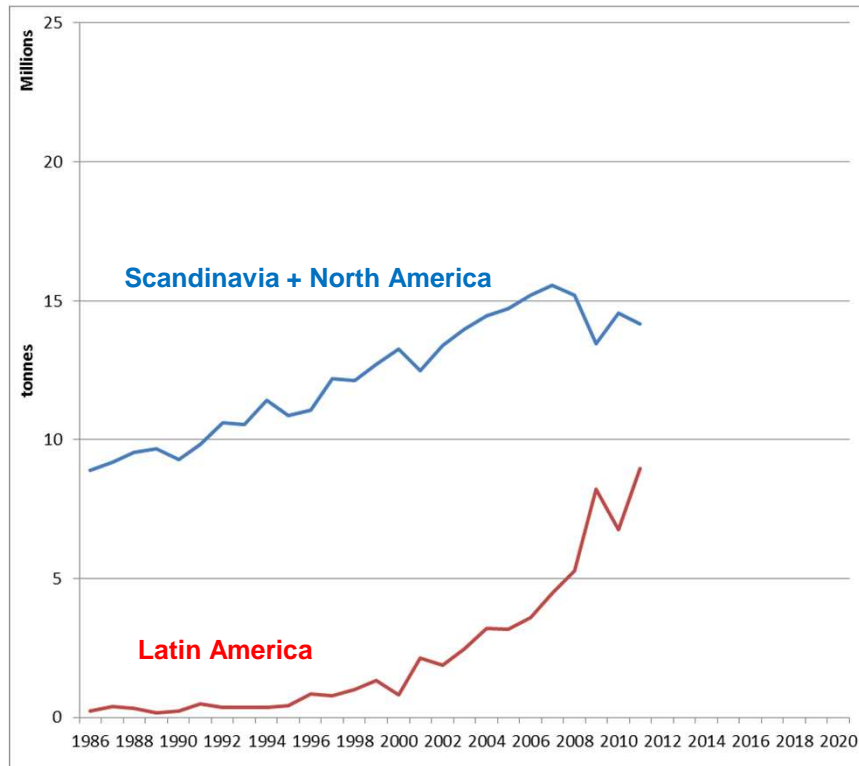
The share of integrated pulp production decreases
Demand in fibre-poor China increases
Supply grows predominantly in Latin America

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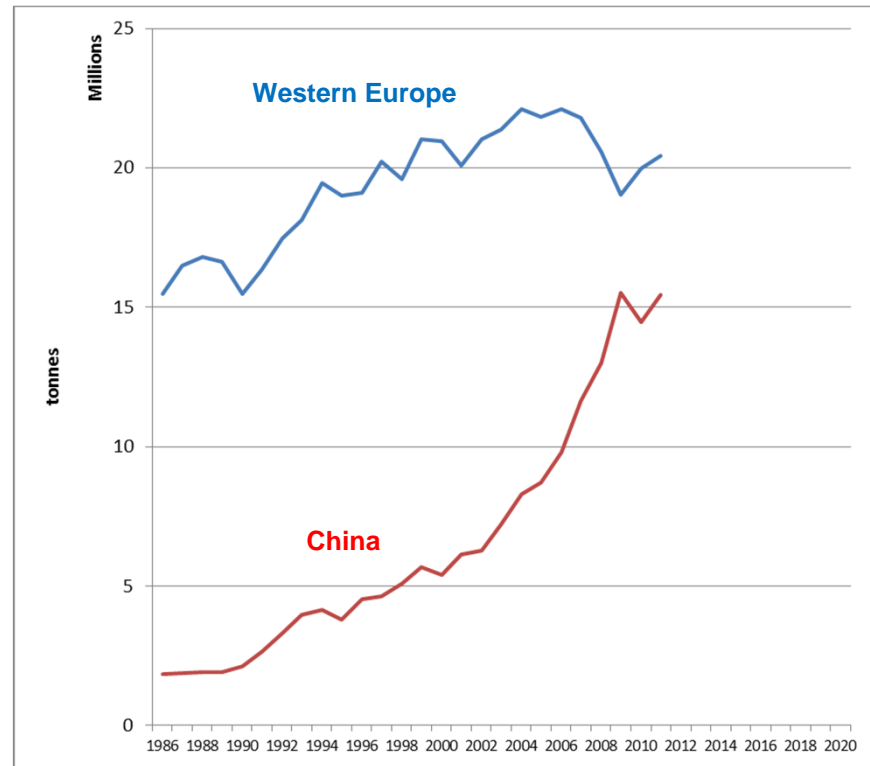
Chemical pulp is increasingly the main business for fewer producers, instead of byproduct for integrated producers



Supply



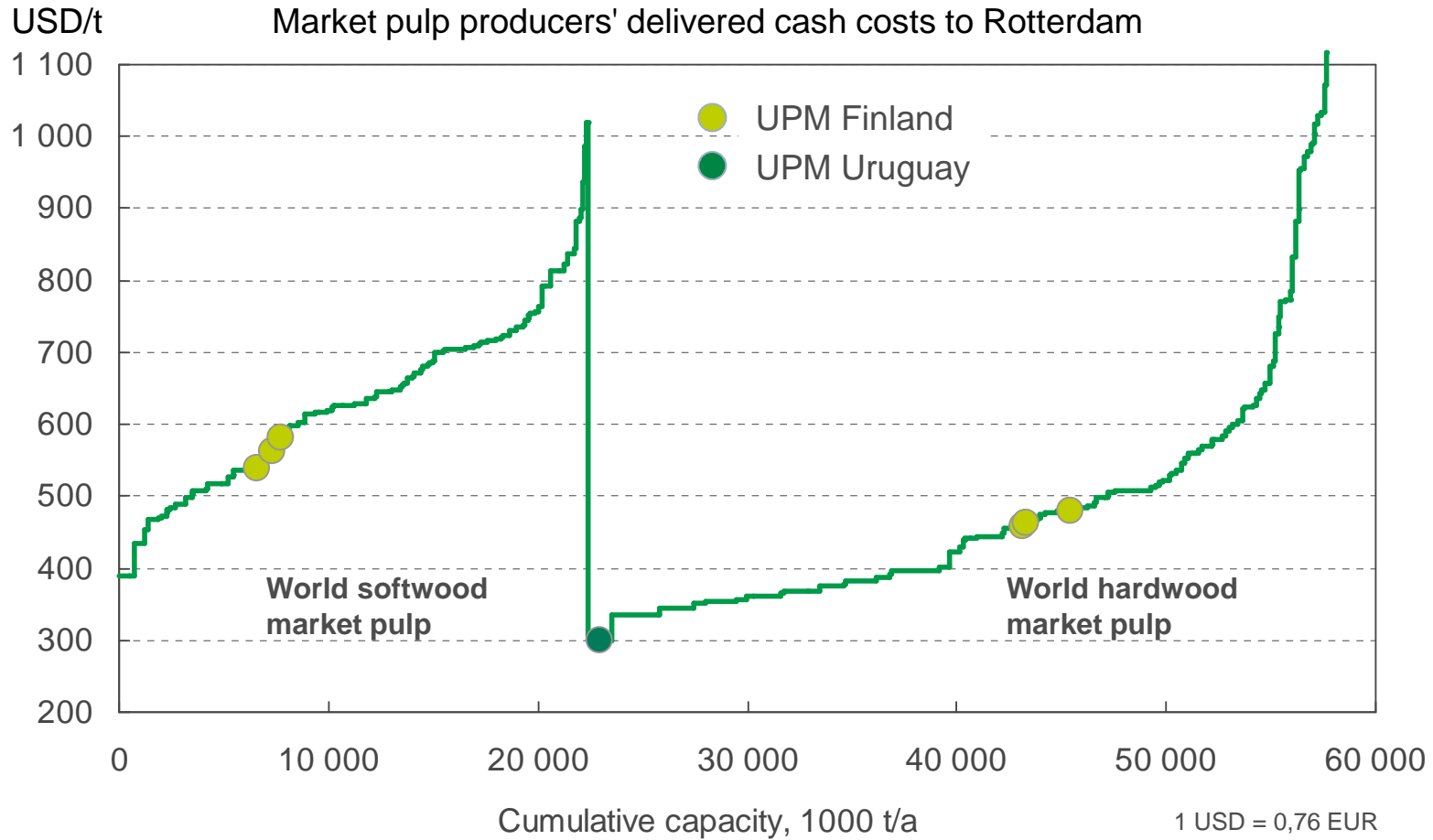
Consumption



*Source: PPPC online, W20 shipments by destination

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UPM aims to grow in competitive pulp – focus on cost efficient plantation based operations



Source: Pöyry Q1/2012

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1 USD = 0,76 EUR
1 EUR = 1,32 USD

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UPM's pulp capacity 3.2 million tons – produced at four modern mills



| | BHKP tons | BSKP tons | Total capacity |
|--------------|------------------|------------------|------------------|
| Fray Bentos | 1,100,000 | | 1,100,000 |
| Kaukas | 310,000 | 430,000 | 740,000 |
| Kymi | 370,000 | 190,000 | 560,000 |
| Pietarsaari | 320 000 | 480,000 | 800,000 |
| Total | 2,100,000 | 1,100,000 | 3,200,000 |

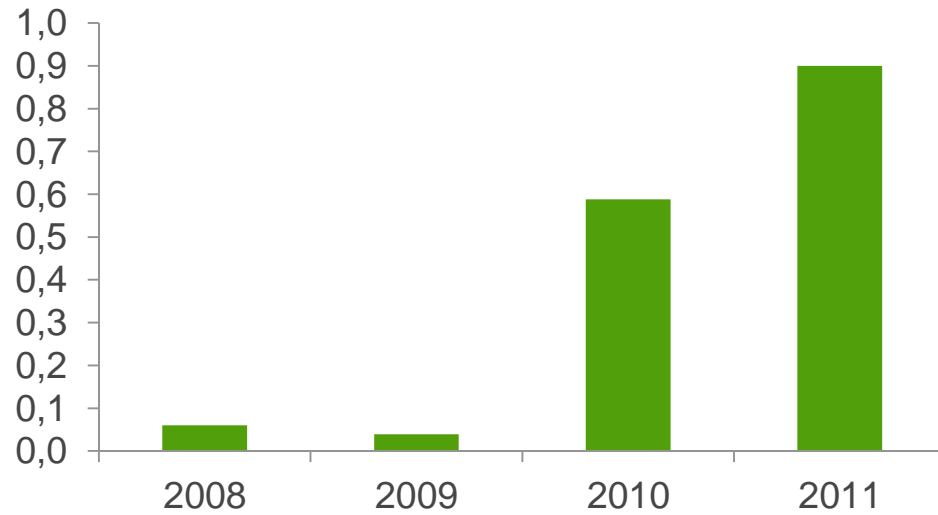
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UPM is a credible and reliable market pulp seller – and buyer

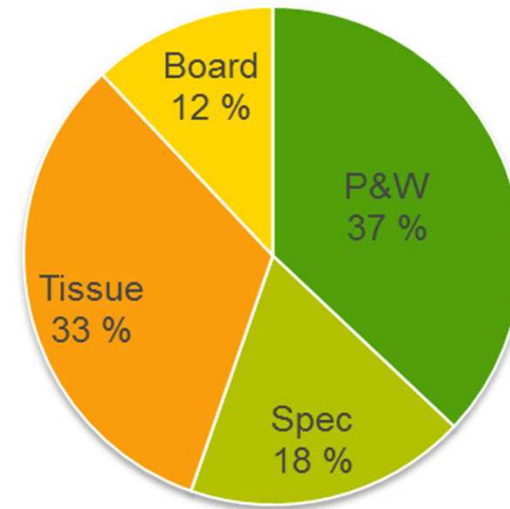


External pulp sales

Million tonnes



External pulp sales 2011

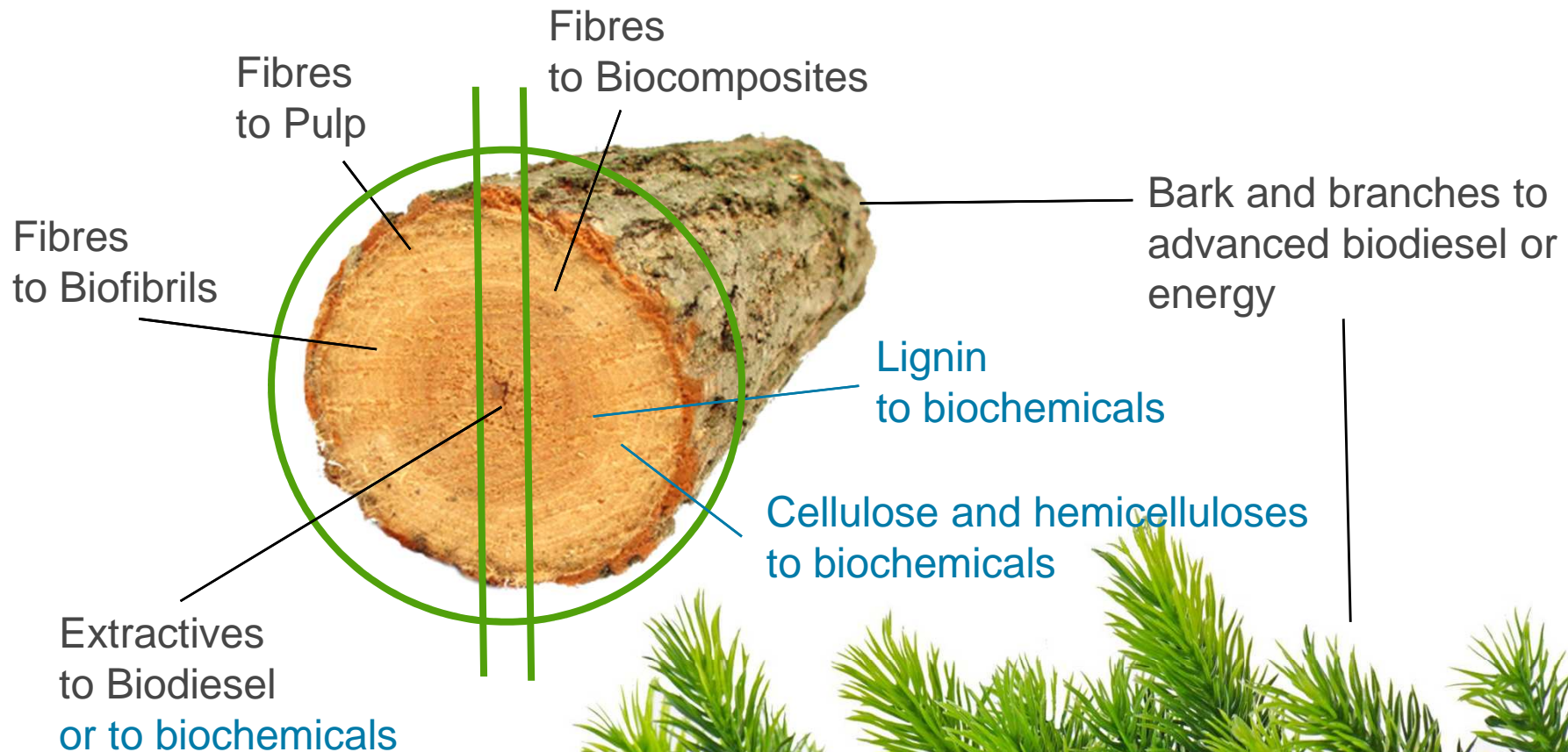


Strategic actions and growth opportunities in Pulp

- **Finland**
 - De-bottlenecking potential
 - External pulp sales without losing integration benefits – divestment of packaging papers
 - UPM's first biodiesel refinery – crude tall oil residue to be used in biodiesel production
- **Latin America**
 - De-bottlenecking potential
- **Sales organisation is prepared for future growth**
- **Greenfield investments in mid- and long-term**
 - Latin America, Africa

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Pulp platform offers versatile opportunities for biomass innovations



Achievements in key targets

1

Set up Pulp as a business

- Re-organize from resource function to business
- Ramp up sales organization



2

Increase pulp sales to external customers

- Credible and reliable seller and buyer of pulp
– ready for next steps in Pulp and Paper
- Keep net gain positive (external sales vs. external purchases)



3

Focus pulp sales in growing end-use segments and in growing markets

- Reduce UPM dependency on P&W segment



4

Grow in low cost pulp production

- Prepare for organic growth
- Prepare green field plantations for future growth





UPM

The Biofore
Company