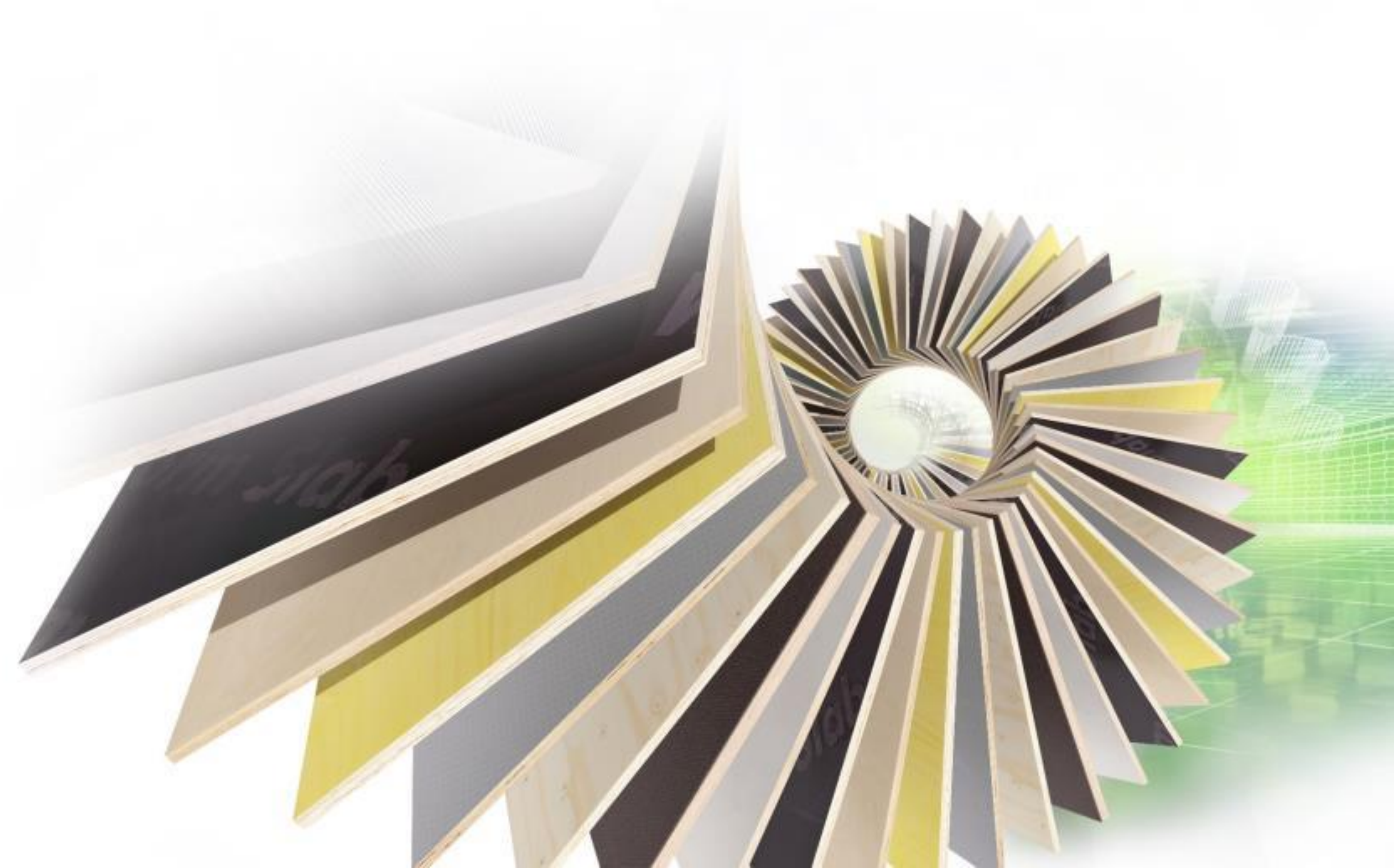


# UPM PLYWOOD PROFITABLE GROWTH

Mika Sillanpää  
EVP, UPM Plywood





UPM Plywood

# UPM Plywood in existing end-use

Construction



Vehicle flooring

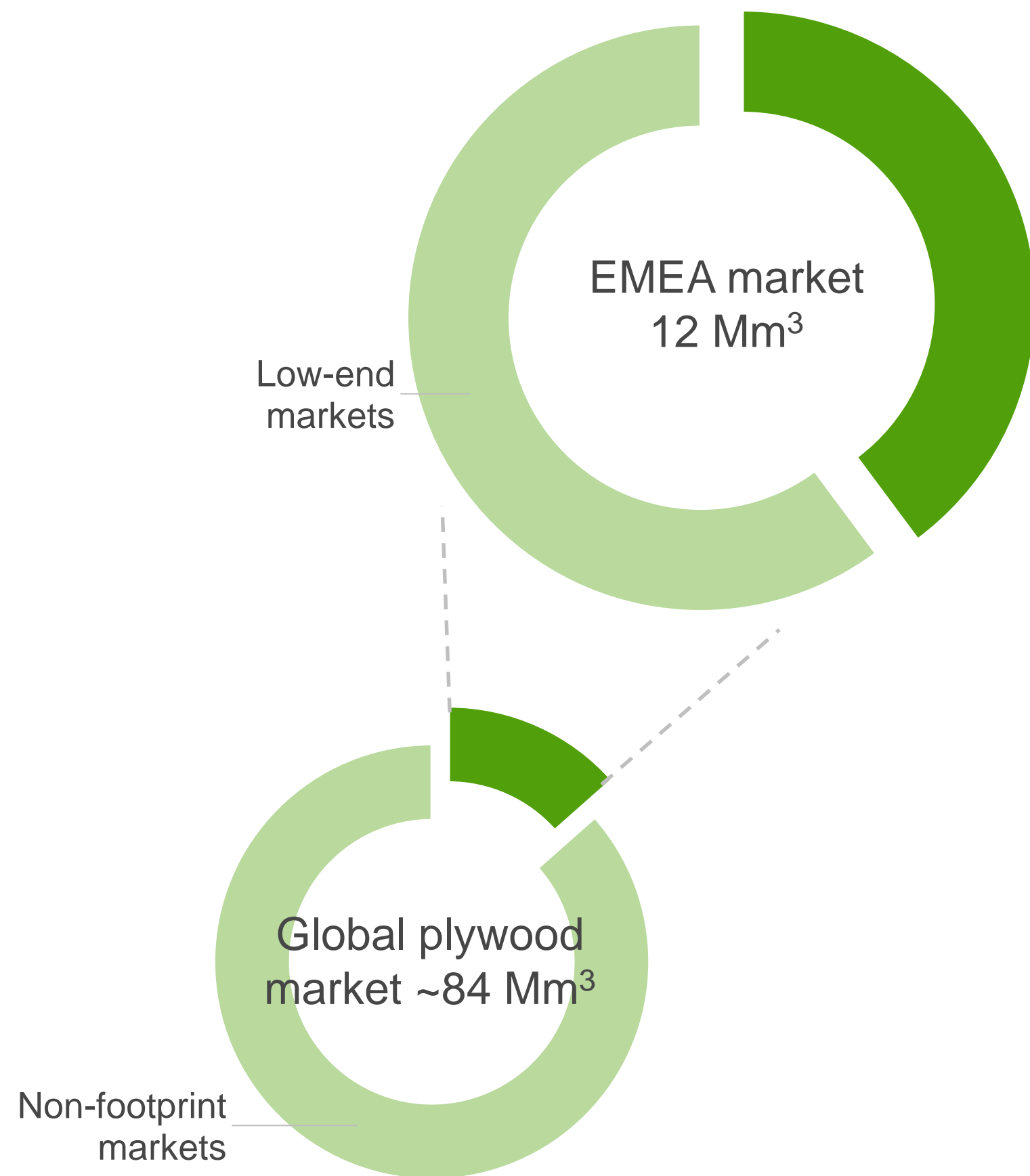


LNG shipbuilding





# Relevant high-end market offers meaningful growth potential



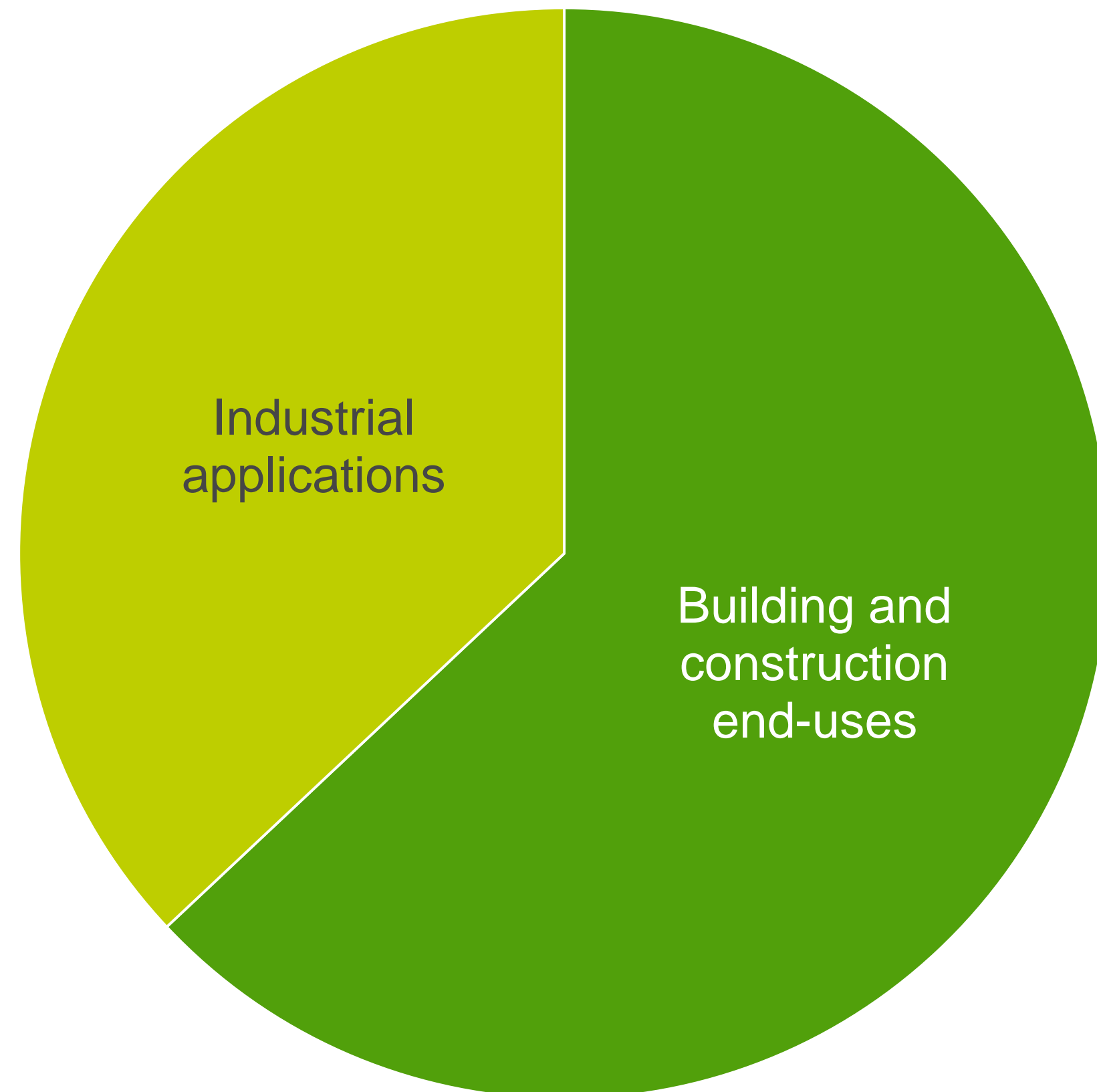
## Relevant market ~5 million m<sup>3</sup>

- High-end demanding applications & customers
- Medium range standard products
- EMEA region
- Global LNG business
  
- Europe is net importer of plywood
- Imports focus mainly on standard products in mid-low ranges

Source: FEIC; FAOSTAT; UPM

# Selected focus end-uses provide further growth potential

Share of sales 2015



- The recovery of the European construction sector is driving demand (annual growth 2–3% p.a.)
- The financial crisis created a backlog for trailers driving the current replacement need (average growth 4% p.a.)
- The LNG market is expected to remain solid as countries secure energy availability, thereby supporting the demand for LNG vessels (existing orderbook for plywood based LNGC ~100 vessels)

Sources: Euroconstruct, West European trailer registrations for Big 7 Countries (1985–2016), LNG World Shipping

# Construction activity recovering

## Market environment

- Construction to grow further in Europe as countries recover after years of low activity in the aftermath of the financial crisis

## UPM's position and direction

- Leading position in high-end segments in Europe through well established distribution network providing easy access to WISA<sup>®</sup> plywood
- Uncompromised sustainability, certified products and operations
- New growth sought by strengthening position in selected emerging markets





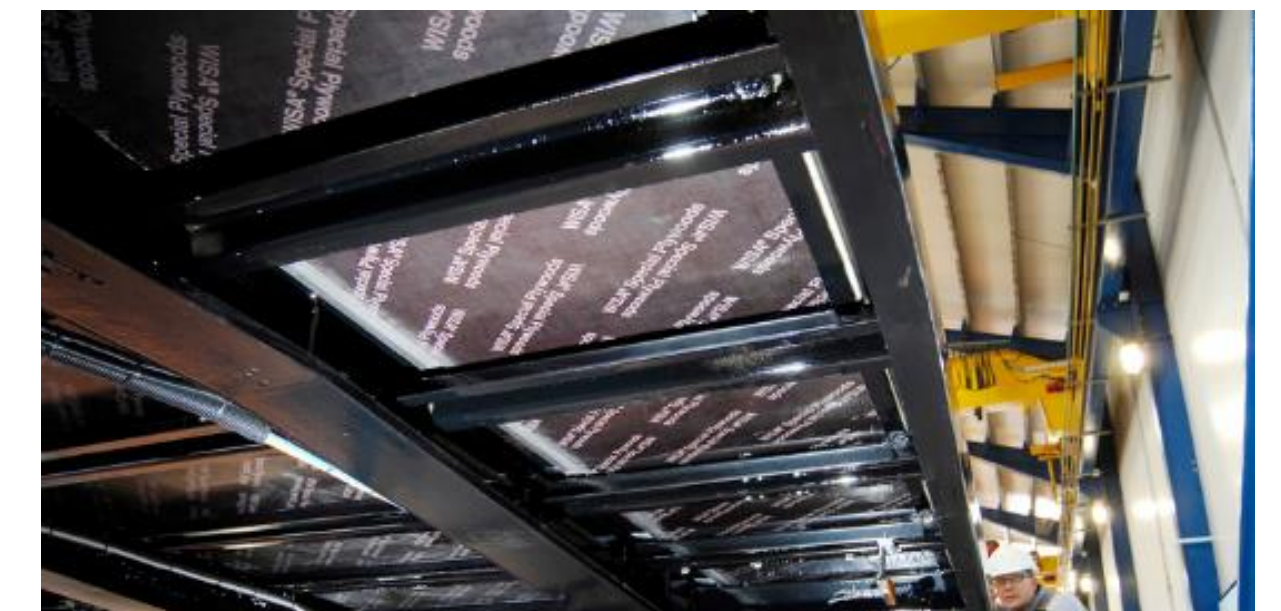
# Vehicle flooring offer further growth

## Market environment

- Road transportation remains the major mode of freight transport in Europe
- E-commerce drives growth in light vehicles by transferring the delivery flows from terminals directly to consumers and thus increasing parcel good deliveries

## UPM's position and direction

- Leading position in Europe
- Competitive edge built on smoothly running operations and needs-based product design creating value to both vehicle manufacturers and operators
- Growth sought by expanding to new markets and related end use segments





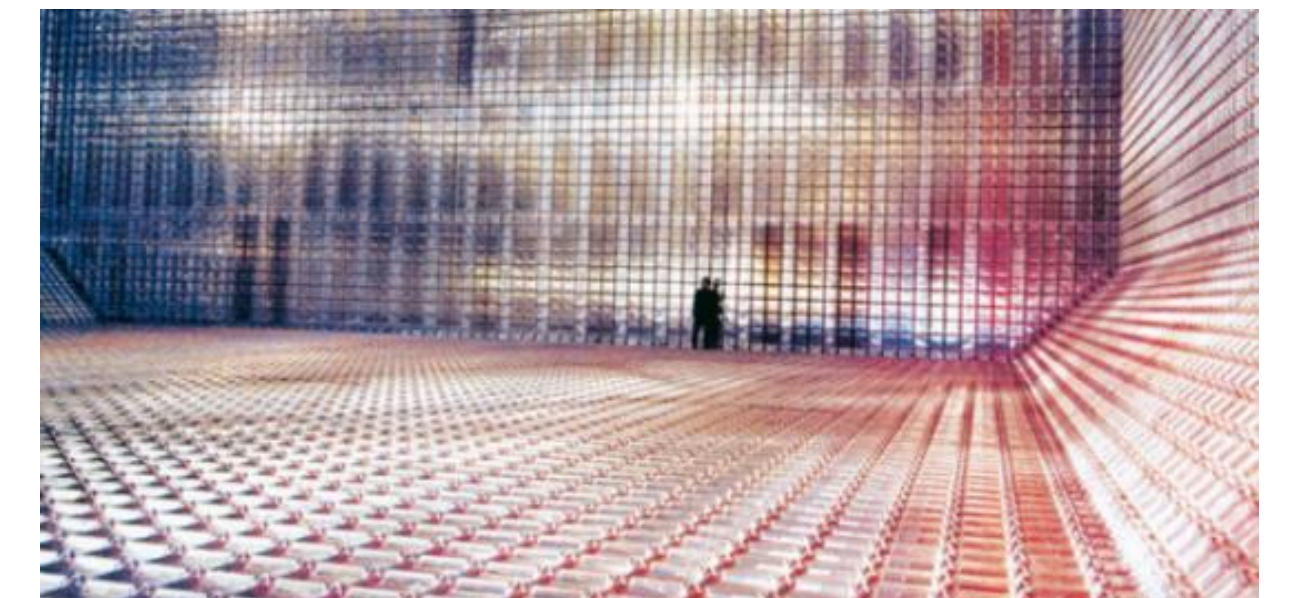
# LNG tanker and terminal investments continue

## Market environment

- Global environmental awareness with multi source energy supply policies support use of LNG in long term

## UPM's position and direction

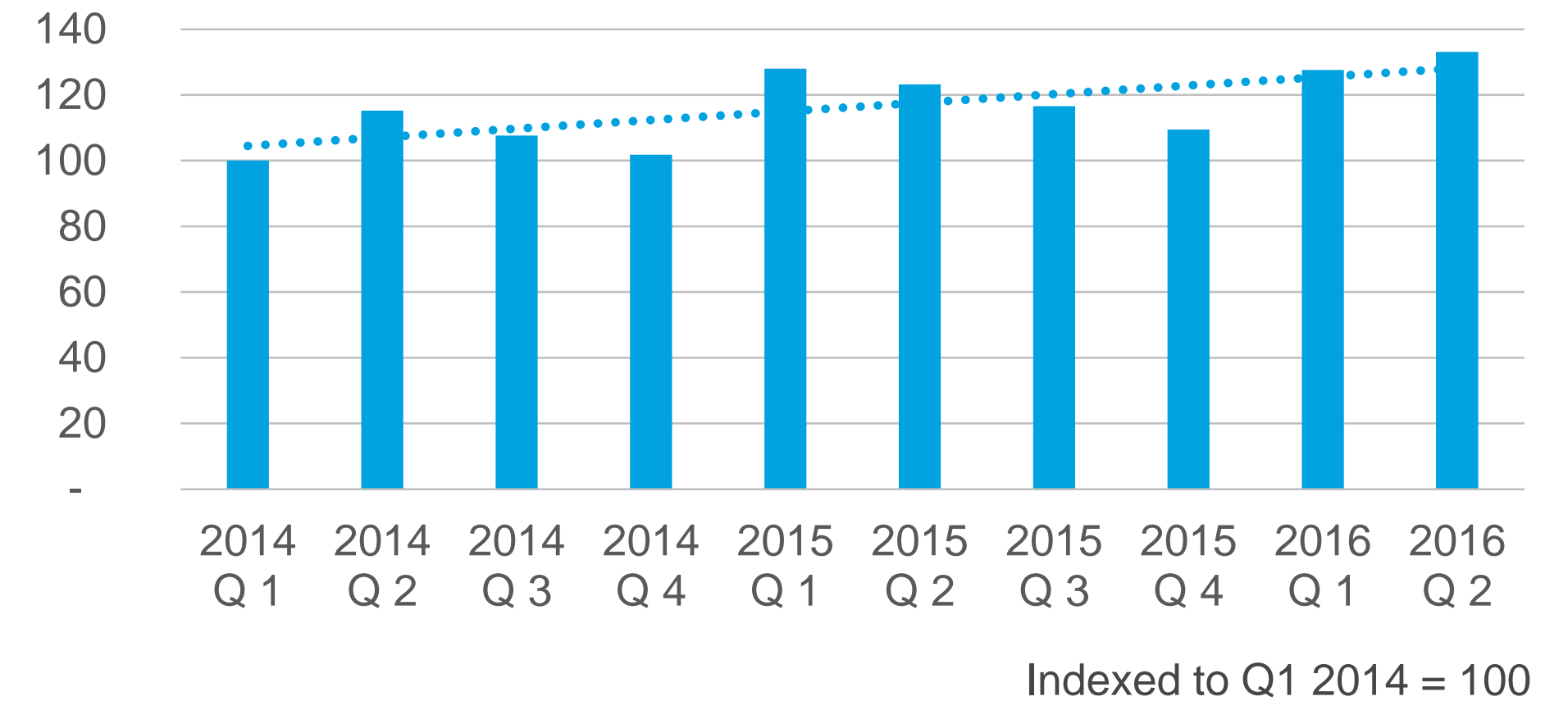
- Global leader in LNG plywood
- Competitive edge based on right quality and accurate on-time deliveries
- Long term commitment and benchmark service level
- Focus to secure leading position in LNG carriers and to extend offering into related applications using the same technologies (e.g. land storage tanks)



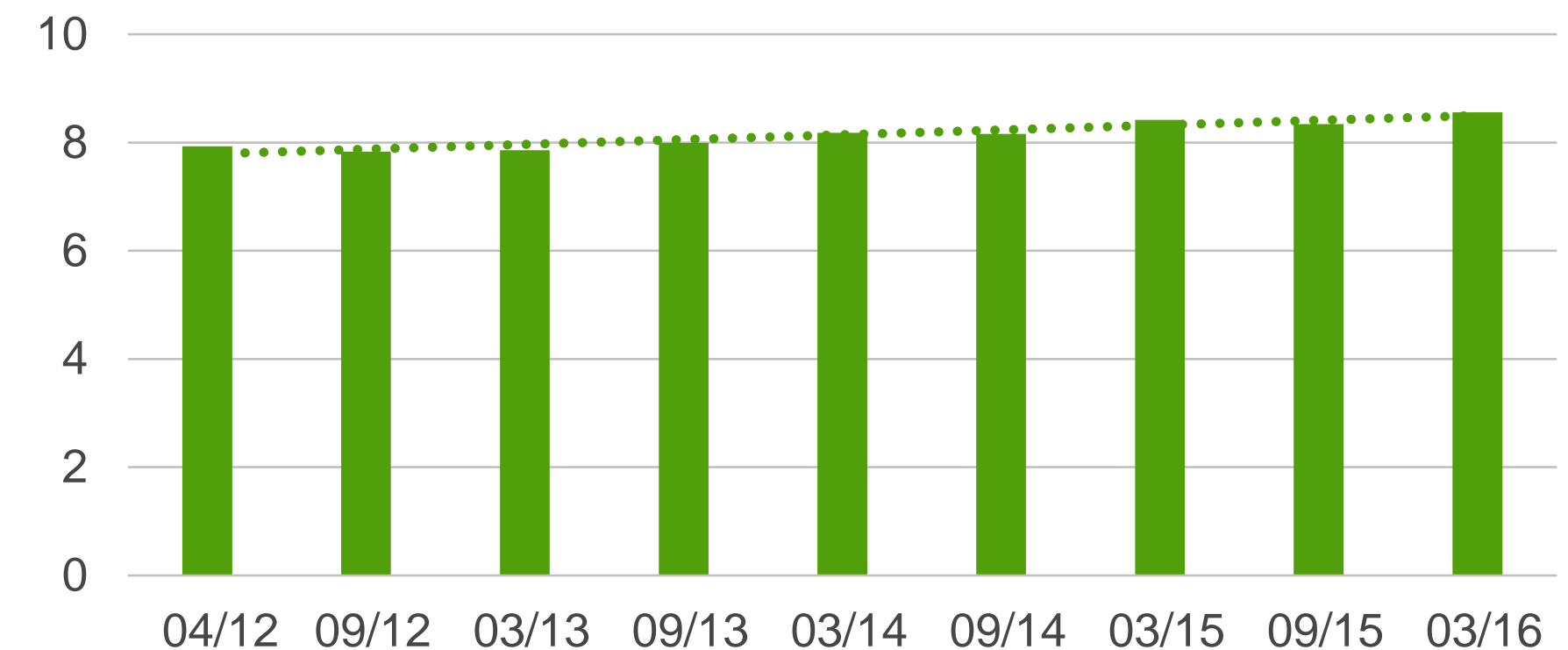
# Commercial approach

- Customer focused commercial strategy aiming to deliver superior customer experience
- Strengthen position in chosen end-use industries through superior quality, service and reliability
- Compelling value propositions developed for all focus end-uses
- Work to improve customer engagement

Sales development of top customers



Customer Survey Rating



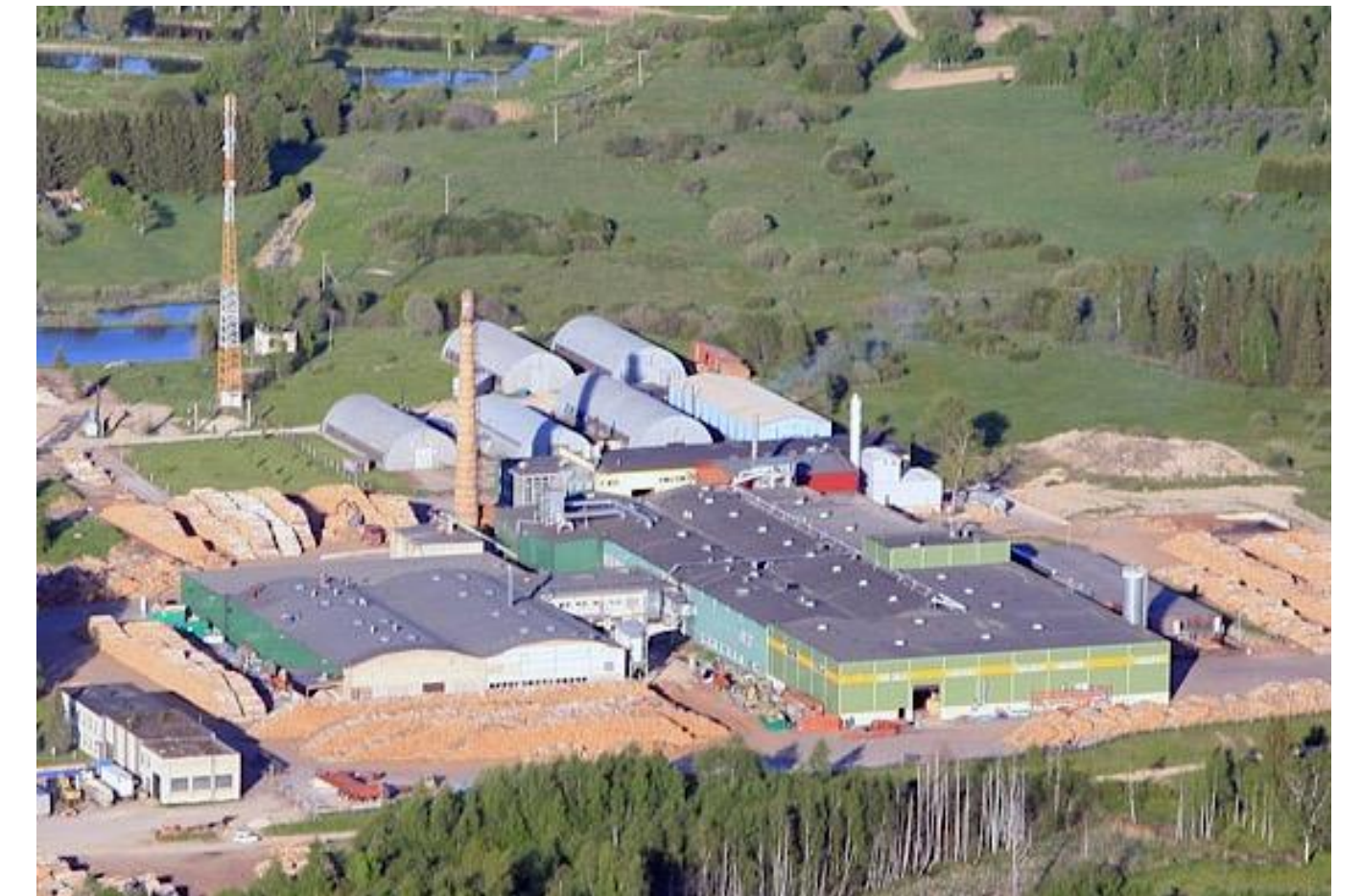


## Otepää mill expansion

- Responding to market and customer demand in key segments
- Increase capacity to 90,000 m<sup>3</sup>, representing 10% of UPM Plywood's capacity
- New bio-boiler to improve overall material efficiency and to lower environmental footprint

## The way forward

- Focused investments in existing production sites to maximise returns at low risk
- Continue with the proven commercial approach to further improve customer engagement







**UPM**

The Biofore  
Company