UPM PAPER ASIA GROWS IN ATTRACTIVE SEGMENTS

Executive Vice President
Kim Poulsen
UPM Paper Asia serves growing fine and office papers market in Asia, and labelling materials markets globally.

Recognized industry leader in sustainability.

Extensive own sales network.

<table>
<thead>
<tr>
<th>UPM Paper Asia</th>
<th>2013 (EURm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,108</td>
</tr>
<tr>
<td>EBITDA</td>
<td>161</td>
</tr>
<tr>
<td>EBITDA, %</td>
<td>15%</td>
</tr>
<tr>
<td>ROCE, %</td>
<td>9%</td>
</tr>
</tbody>
</table>
UPM Paper Asia
Strong position in attractive segments

- Global market leader in labelling materials
- Focused, strong market positions in coated and uncoated graphic fine papers in Asia
- Market leader in high quality office papers in China with extensive, own sales network

Sales in 2013
UPM Paper Asia
UPM Paper Asia in labelling materials

Labelling materials market

- Annual growth estimated at 4% globally and 8% in Asia Pacific
- In mature markets demand is shifting towards customer-specific solutions

- In developing markets demand is driven by
  - fast urbanisation
  - growing middle class
  - development of retailers, distributor networks and automated product labelling

UPM’s position and actions

- Experienced company
- Consistent growth
- Focus on high quality labelling materials
- Competitive assets serving global customer base

- Investment in the new cost-competitive production unit in China to facilitate growth and strengthen partnerships with customers
Labelling: Glassine /SCK* demand by 2020

- **North America**: +2% p.a.
- **Europe**: +3% p.a.
- **South America**: +7% p.a.
- **Asia Pacific**: +8% p.a.

**Globally**: +4% p.a.

Source: AWA, Bain, Poyry, RISI, UPM

*Glassine/SCK are papers used in labelling materials as release liners*
Fine and office paper markets in Asia

- Annual growth for office papers is estimated to be 3-5% in Asia and twice as much in China
- Demand driven by economic activity and new company establishments
- Competition intensified after recent capacity additions
- Technically outdated, non-environmentally friendly pulp and fine paper capacity continues to be closed down in China

UPM’s position and actions

- High and consistent quality
- Leading UPM brands in China
- Reliable supplier with long term customer relationships
- Superior customer service and extensive sales and distributor network in Asia
- Use of certified fibre and environmentally friendly, state of the art production technologies
UPM Paper Asia

Fine and office paper demand in Asia by 2020

- China: +3% p.a.
- APAC: +2% p.a.

Source: RISI, Poyry, UPM
Next growth steps in Asia
UPM Paper Asia
Third production unit investment in China

- Attractive EUR 277m investment with improved capital efficiency
  - Original investment EUR 390m
  - Instead of building a new power plant, in the new scope existing boilers will be upgraded
  - Target to minimize environmental impacts and optimize capital efficiency
  - Boiler upgrading provides opportunities for environmentally effective fuels

- Production capacity of the new machine is unchanged, up to 360,000 tonnes of labelling materials and office papers

- Start-up at the end of 2015
• facilitate growth both in fast growing Asian labelling materials markets and in the growing Asian office paper market

• enhance cost efficiency due to local production, shorten lead times to customers in Asia

• provide an excellent platform for strengthening global partnerships with labelling materials customers, and further growing with these products in Asia

• release labelling materials production capacity in Finland for further growth in markets outside of Asia
Summary

• UPM Paper Asia is the global market leader in labelling materials and holds a strong position in fine and office papers in Asia

• UPM brand in Asia: superior customer service, extensive sales and distributor network as well as industry leading sustainability

• Attractive investment to facilitate growth and enhance the good profitability