

Status report

Investment Agreement implementation May 9, 2019

Info session



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Info session



Target of the Info session concept is

- To inform on the development of topics agreed in the IA signed by the Government of Uruguay and UPM regarding the prerequisites for long-term industrial development in Uruguay November 7, 2017
- In addition, UPM's topical themes related to the project and current operations can also be presented
- Updates are based on factual information and done regularly



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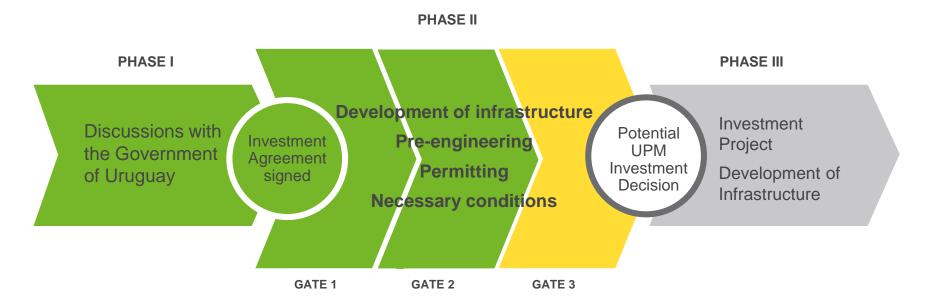
Status report on the Investment Agreement





UPM's process for the possible new pulp mill consist of three phases

Phase II consists of three gates for the implementation of the IA



Status report on Investment Agreement



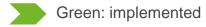
- Preparations for the potential new world-class pulp mill are proceeding
- While encouraging progress has been made in many areas, important prerequisites as rail, labour protocols, conflict mitigation regulation and certain material outstanding items, are still pending
- Further actions are needed to achieve remaining items with proper implementation quality
- We are looking forward that the ongoing second preparation phase is concluded successfully

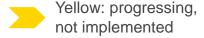
Status report on Investment Agreement



- Following graph is showing the status of the implementation of the IA
- The content is based on the IA and mainly Annex 2
- Each arrow describe main actions
- Implementation is described by colours

Implementation is described by colours





Grey: not started

Status report GATE 1 GATE 2 GATE 3 Nov 2017 - April 2018 April 2018 - Sept 2018 Sept 2018 - Mar 2019 Basic engineering **Initiating permit** Mill Submit permit application Construction permits received for permits process Regulation Construction Invitation Submit permit Construction works Tendering Construction Rail principles and phase finalized permit received application contract signed to tender started access agreement Concession Construction Initiating Submit permit Private initiative Tender launched Port permits received permit process application contract awarded accepted Roads **Preparation** Readiness to start construction works Tritrain pilot completed Mill construction training Mill construction Labour regulations Working groups on mill construction Labour plan agreed protocols agreed agreed and issued protocols set up **Transfer** Investment Investment **Applications for investment promotion** Preparation methodology promotion schemes regimes schemes agreed resolution Regional Areas for Focus of National Detailed plan Development Sector **Development working group** planning and construction technology work plan innovation fund providers for regional established development agreed established housing provided centers initiatives development **Energy and IA Energy (UTE) contracts signed Preparation for IA complementary items** complementary IA complementary items agreed items Not started Progressing, not implemented Implemented



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Predictable labour relations as key fundamental

Predictable labour relations as key fundamental



The location, scale and characteristics of this project reinforce the need of a professional plan based on local and international experiences

Main labour protocols on mill construction:

- were defined by the working groups including PIT-CNT*; the Chambers of Construction and Metallurgy of Uruguay; and UPM
- include safety and wellbeing, services, and worker training

Agreed approach to labour protocols and proven mechanisms for conflict prevention and resolution:

- create permanence to all parties (the workers and the company)
- are crucial for proper planning of project of this magnitude











Fray Bentos pulp mill and UPM impacts in Uruguay

Towards 30 years of presence in Uruguay



UPM's operations in Uruguay include the Fray Bentos pulp mill, the UPM Forestal Oriental forestry and wood sourcing company with its two nurseries, as well as the UPM Foundation



UPM Forestal Oriental

Plantable area: **250.000 há.** (including own and Fomento partner producers' land)

UPM's plantations are certified by international standards on sustainable forestry management FSC® (FSC-C020173) and PEFC™



UPM Fray Bentos mill

Modern and efficient pulp mill operating since 2007

13 million tonnes of eucalyptus pulp produced up-to-date

8% of Uruguay's total energy production



UPM Foundation

Promotes development in rural communities through education, training and entrepreneurship

Joint work with local stakeholders

Impacts throughout the value chain





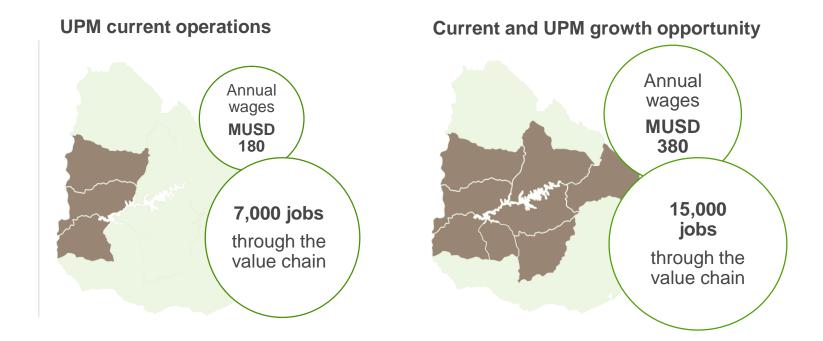
7.000 direct, indirect and induced jobs

500 technicians and 300 university graduates

235 contractor companies and 580 suppliers in the rural interior



Permanent impact on employment in Uruguay





Summary and next steps

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