

Status report

Investment Agreement implementation

May 9, 2019

Info session

Content

- Introduction
- Status report on Investment Agreement
- Predictable labour relations as key fundamental
- Fray Bentos pulp mill and UPM impacts in Uruguay
- Summary and next steps

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

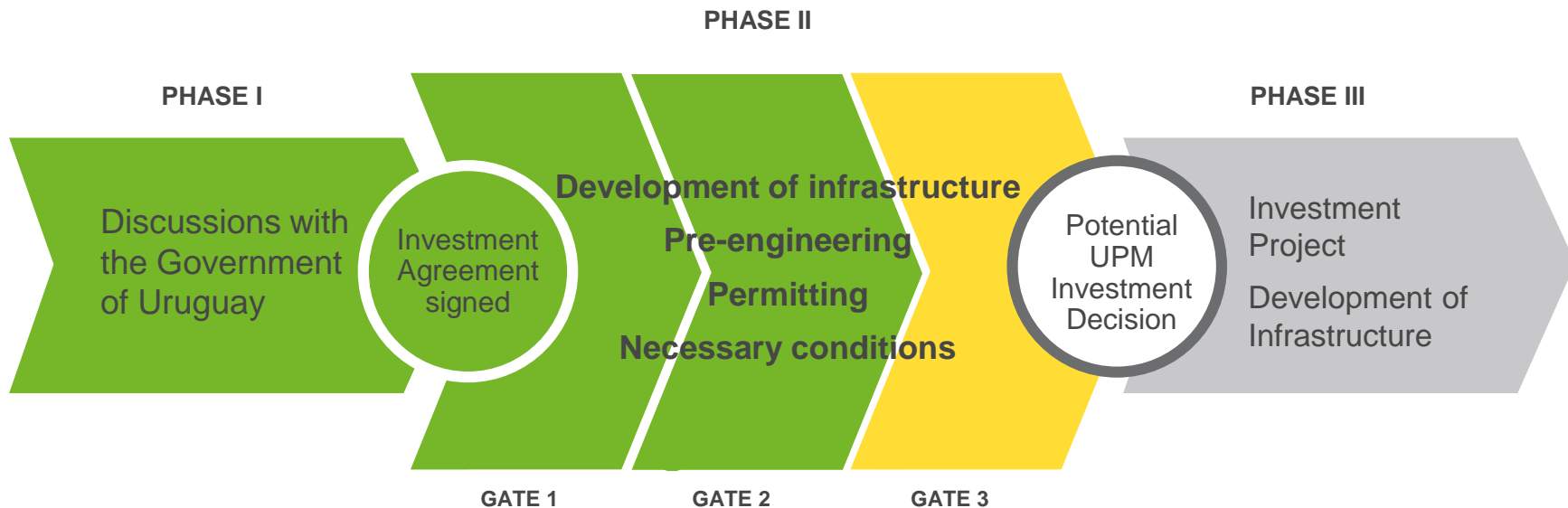


Status report on the Investment Agreement

The second preparation phase

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

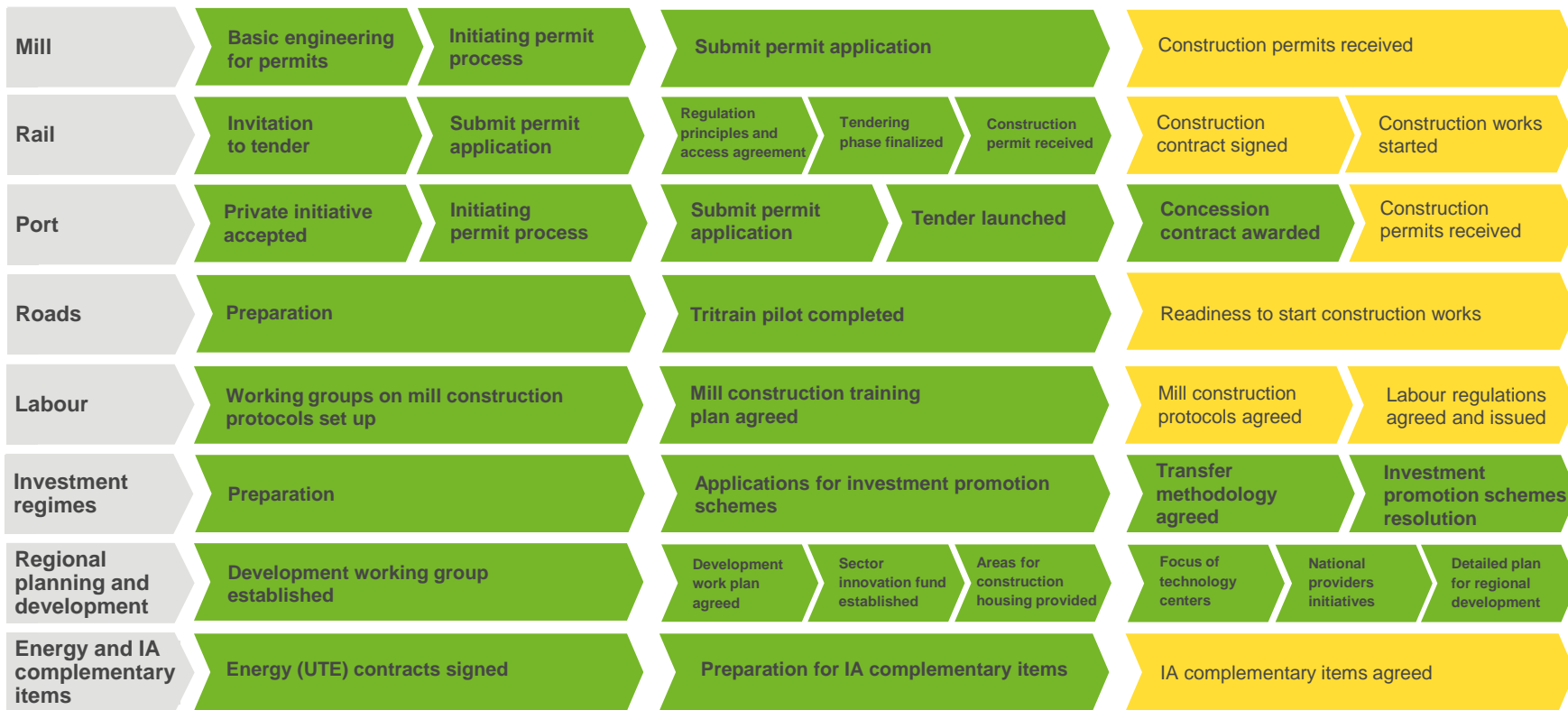
-  Green: implemented
-  Yellow: progressing, not implemented
-  Grey: not started

Status report

GATE 1
Nov 2017 – April 2018

GATE 2
April 2018 – Sept 2018

GATE 3
Sept 2018 – Mar 2019



Not started

Progressing, not implemented

Implemented

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, including 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®** 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

Tree breeding programme



Nurseries



Plantations



Planning



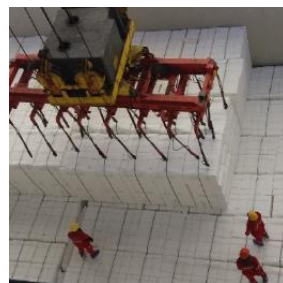
Harvesting



Transport



Pulp production



Exports

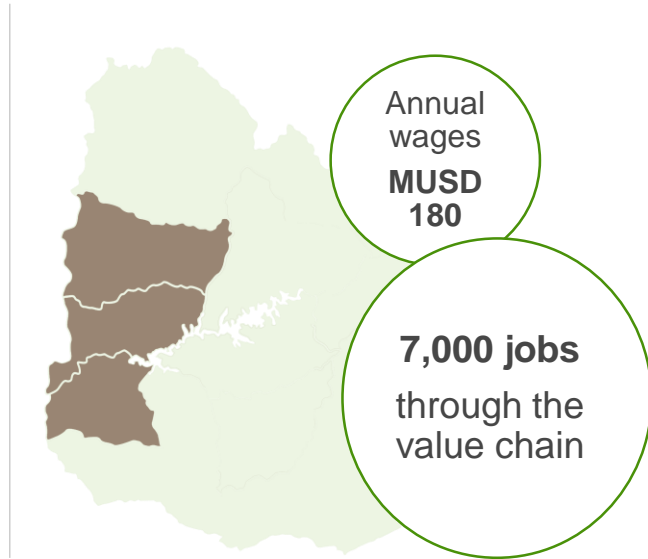
7.000 direct, indirect and induced jobs

500 technicians and **300** university graduates

235 contractor companies and **580** suppliers in the rural interior

Permanent impact on employment in Uruguay

UPM current operations



Current and UPM growth opportunity

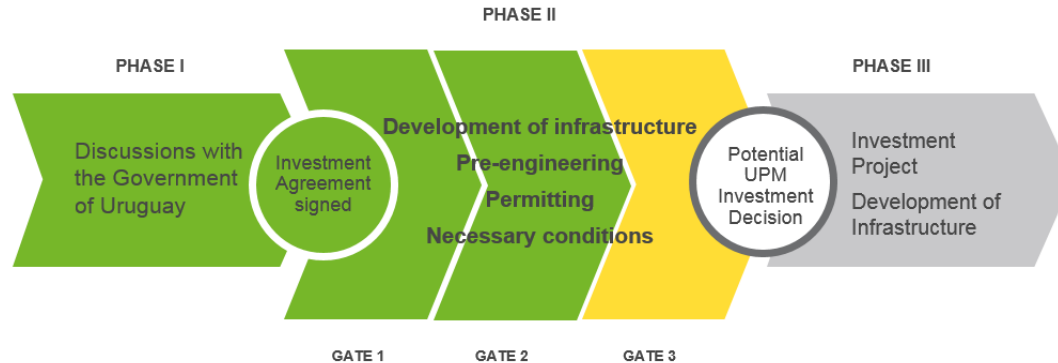




Summary and next steps

Summary and next steps

- Preparations for the potential new world-class pulp mill are proceeding
- 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



UPM **BIOFORE**
BEYOND FOSSILS

