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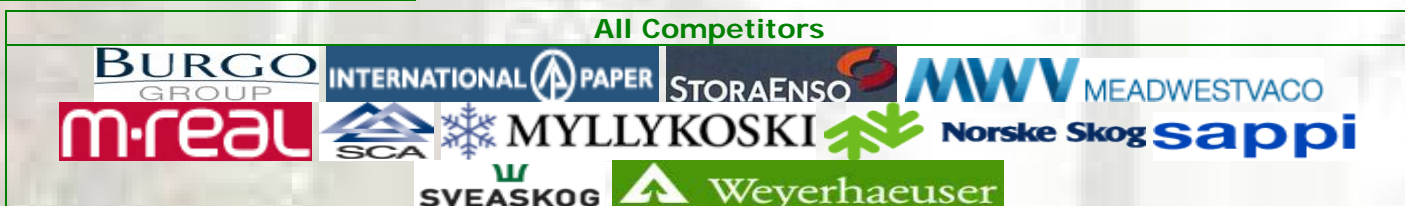
The company owns about 2.3 million acres of forest in **Finland** and produces publication papers, primarily magazine paper and newsprint, as well as fine paper. Other paper products include paper for sales catalogues, direct mailings, and computer printouts. **UPM-Kymmene** also converts paper and plastic into self-adhesive labels, barrier packs, and envelopes; creates sawn timber and plywood; and generates its own chemical pulp and electricity. The company targets its business towards printing houses, paper merchant distributors, and paper converters; it owns and operates manufacturing plants throughout the world. **UPM-Kymmene** operates production facilities in 15 far-flung countries, but its primary market is **Europe**, which accounts for about three-quarters of sales. **UPM-Kymmene** has expanded its global reach with key acquisitions in **Canada** and **China**. The company is also investing in mill partnerships, particularly in **Eastern Europe** and **Russia**. One such partnership with **Sveza**  was established in 2007. **Sveza** is a leading Russian forestry company. The new pulp mill will be built in the northwestern part of Russia and will be 50% owned by each company. **UPM-Kymmene** has sold its 29% interest in **Corenso United** (coreboards, cores,

and tubes) to **Stora Enso** . **UPM-Kymmene** also sold **Loparex Group** (commercial siliconizer and coated and uncoated packaging papers) to **Mountaintop Investment** (a unit of **ABN AMRO** ) for \$278 million. It also sold its **Puukeskus** subsidiary, which sells building materials, to an investor group that includes **Puukeskus** management and the private equity group **Triton**. Labor disputes in 2005 launched a veritable war between paper workers and paper companies such as **UPM-Kymmene** and **Stora Enso**. Lengthy strikes were followed by employer lockouts, at times crippling the paper industry in Finland. Another paper worker strike in Canada over extensive job cuts lasted for more than eight months. Early in 2006 the company found the European paper markets saturated, with excess capacity keeping prices at a minimum. To adjust to the situation, **UPM-Kymmene** announced plans to cut up to 3,600 jobs, primarily in Finland, and close several mills by 2008 as part of its efforts to return to profitability. The following year it announced operational changes at its birchwood mills that could result in layoffs of up to 2,400 workers, as well as the shutdown of its Miramichi mill for up to 12 months. UPM also struck a deal to sell its **Walki Wisä** wrapping

unit to **CapMan**  investment group for \$32 million. Another part of the company's cost-cutting efforts has been to reduce its energy expenditures through increased self-sufficiency and use of biofuels. Late in 2006 the company spent about \$165 million to buy three hydropower plants in Finland from pension insurance company **Varma** **VARMA**. **UPM's** predecessor firm **Kymmene** had sold the plants to **Varma** in 1988, then leased them for use. The company is also researching its own production of biofuels using the raw materials left over from its paper manufacturing.

UPM- Kymmene Key Numbers	
2006 Sales (mil.)	\$13,537.0
1-Year Sales Growth	20.8%
2006 Net Income (mil.)	\$559.8
1-Year Net Income Growth	176.4%
2006 Employees	28,246
1-Year Employee Growth	(10.4%)

Top Competitors		
	International Paper	Stora Enso
Annual Sales (mil.)	\$21,890.0 (2007)	\$19,753.4 (2006)
1-Year Sales Growth	(0.5%)	25.0%
Net Income (mil.)	\$1,168.0 (2007)	\$841.7 (2006)
1-Year Net Income Growth	11.2%	536.2%
Employees	51,500 (2007)	43,887 (2006)
1-Year Employee Growth	(15.0%)	(6.0%)



## Executive Team

### **Jussi Pesonen** - President and Chief Executive Officer



Joined the company in 1987 and occupied several posts at Jämsänkoski, Kajaani, Kaukas and Shotton mills as well as Vice President of Newsprint Product Group. COO of the paper divisions and Senior Executive Vice President and deputy to the President and CEO 2001-2004.

[Bio](#)

### **Pirkko Harrela** - Executive Vice President, Corporate Communications



Several posts in Finnmap 1985–1996. Several management posts in Communications for Printing Papers Division 1996–2002. Vice President, Corporate Communications, 2003.

[Bio](#)

### **Pauli Hänninen** - Executive Vice President, Technology



In A. Ahlstrom in various production and line management positions 1974–1989, finally as Vice President and General Manager of Kauttua paper mill 1986–1989. Director of Kaipola LWC mill 1989–1993. Vice President and General Manager of Kajaani paper mill 1993–2000. Vice President, Product Group Uncoated Papers 2000–2001. Senior Vice President, Fine Paper Operations 2001–2003. Executive Vice President, Business Development, 2004–2006.

[Bio](#)

### **Matti Lievonen** - President, Fine and Speciality Papers Division



Several posts in United Paper Mills Ltd since 1986, including Project Manager, Technical Manager and Director for TD production unit at Kaipola mill 1994–1996. Director of Chapelle Darblay S.A. production unit in France 1997–2001. Executive Vice President, Business and Technology Optimization 2002–2003.

[Bio](#)

### **Matti J. Lindahl** - President, Wood Products Division



Joined Finnboard in 1972 and held several management posts in sales and marketing. Managing Director of Finnboard (UK) Ltd 1982–1990. President of Finnboard 1990–1992 and of Wisaforest Oy Ab 1992–1993. CEO of Nordland Papier AG 1994–2002. President, Fine Paper Division, 1997–2001. Executive Vice President, Haindl integration, 2002. President, Converting Division, 2002–2004. President, Speciality Coatings Business, 2005–2007.

[Bio](#)

### **Jyrki Ovaska** - President, Magazine Papers Division



Held several posts with United Paper Mills Ltd, Jämsänkoski mill, in production, customer service and business management 1984–1995. Vice President, Business Development, Printing Papers 1996–1998. Vice President, LWC Product Group 1998–2000. Senior Vice President, Business Development and Support Functions, Publication Papers 2000–2001. President, Fine & Speciality Papers Division 2002–2003.

[Bio](#)

### **Heikki Pikkarainen** - President, Label Division



Corporate Analyst with Industrialization Fund of Finland, 1988–1989. Various tasks in M&A projects, business development and corporate analysis with Jaakko Pöyry Consulting, 1989–1998. Director, Business Development and Vice President of CHP business in Power and Heat Division, Fortum Oyj, 1998–2000. Since 2000 with UPM in several posts of strategic development, most recently Vice President, Strategic Development during 2003–2004.

[Bio](#)



**Jyrki Salo** - Executive Vice President and CFO



Joined IBM Corporation in 1984, various tasks in sales and market development positions in Finland and Great Britain. Joined Nokia Corporation in 1990 holding several posts in senior executive positions with business and finance & control responsibilities in Finland, Belgium, Germany, the Netherlands and the USA. Senior Vice President, Finance & Control for Nokia's Networks Business Group 2002–2005.

[Bio](#)

**Riitta Savonlahti** - Executive Vice President, Human Resources



Held HR Specialist posts with ABB 1990–1994. Human Resources Manager with Nokia Mobile Phones, Salo Operations 1995–2000. Senior Vice President, Human Resources with Raisio Group 2000–2001. Senior Vice President, Human Resources with Elcoteq Network Corporation 2001–2004.

[Bio](#)

**Hans Sohlström** - Executive Vice President, New Businesses and Biofuels



Various tasks in business control and development, procurement, planning, production and maintenance at Oy Wilh. Schauman Ab, Nordland Papier GmbH and Kymmene Oy 1984–1989. Marketing Assistant, Finnpap, 1989–1990. Marketing Manager, Stracel S.A. 1990–1994. Mill Director, Jämsänkoski MFC and SC mills, 1994–1998. Management posts in sales and marketing, Publication Papers, 1998–2002. Senior Vice President Sales & Marketing, Magazine Paper Division, 2002–2004. Executive Vice President, Marketing, 2004-2007.

[Bio](#)

**Markku Tynkkynen** - Executive Vice President, Business Functions and Resources



Employed by A. Ahlstrom 1980–1982 as Production Engineer. Joined UPM in 1982 and took up several management posts in production, business development, sales and business management. Paper mill director of Stracel S.A. 1990–1993. General Manager and Vice President of Jämsänkoski profit unit 1994–1998. Vice President of SC Product Group 1998–2000. Senior Vice President, Publication Papers Division, with responsibility for product groups, technology and mills, 2000–2001. President, Magazine Paper Division 2002–2003.

[Bio](#)

**Hartmut Wurster** - President, Newsprint Division



Several posts with Hamburger AG and Brigl & Bergmeister in Austria 1982–1987, including Head of Technology Department and Production Manager. Joined Haindl Papier GmbH & Co. KG in 1987. Head of Technology Department at Augsburg mill 1987–1989. Mill Director, Augsburg, 1989–1996, and member of the Executive Board responsible for the Magazine Paper Division, 1996–2001.

[Bio](#)

**SWOT Analysis**

<b>Strengths</b>	<b>Weaknesses</b>
<p><b>Global activities</b></p> <ul style="list-style-type: none"> <li>- in all business areas, production units in 14 countries</li> </ul> <p><b>Long-term customer relations</b></p> <ul style="list-style-type: none"> <li>- based on continuous improvement and commitment</li> </ul> <p><b>Skilled personnel</b></p> <ul style="list-style-type: none"> <li>- individuals lay the foundations for quality, continuous learning and renewal</li> </ul> <p><b>Effective production facilities</b></p> <ul style="list-style-type: none"> <li>- a high level of technical expertise forms the basis for cost leadership and reliability as supplier</li> </ul> <p><b>Comprehensive logistics network</b></p> <ul style="list-style-type: none"> <li>- highly efficient worldwide logistics network</li> </ul>	<p><b>Workforce</b></p> <ul style="list-style-type: none"> <li>- Consider resizing and restructuring by eliminating redundant work positions at particular areas and consider relocating some business processes abroad. (Eastern Europe, Asia, Latin America)</li> <li>- Hire more highly skilled professionals to handle and restructure business processes.</li> </ul> <p><b>Technology</b></p> <ul style="list-style-type: none"> <li>- UPM needs to integrate new more efficient technology into all business processes in order to cut employee size, increase efficiency and product quality, and to cut production costs.</li> </ul> <p><b>Production sites &amp; Business operations</b></p> <ul style="list-style-type: none"> <li>- Move some plants abroad at locations with abundant skilled workforce (India, China)</li> </ul> <p><b>Worldwide presence &amp; company recognition</b></p> <ul style="list-style-type: none"> <li>- Currently operating in 14 countries. UPM needs to</li> </ul>



### Clear business focus and strong market shares

- investments in core business areas
- in all its main product segments, UPM is among the leading manufacturers in its most important markets

### Strong vertical integration

- integration of raw materials, energy and production
- high degree of self-sufficiency in chemical pulp and electrical power
- own forests partly guarantee availability of wood raw material

expand by opening new offices abroad or signing joint ventures with local partners in countries with weak paper and wood quality products. Capture new markets.

### Competition

- UPM has not been proactive against competition, which resulted in the company having to sell many of their smaller businesses to their competitors. If that was to cover losses at the time, now find a way to gain competitiveness through acquisitions and collaborations with other businesses.

### Opportunities

UPM's businesses focus on **magazine papers, newsprint, fine and specialty papers, wood products, self-adhesive label materials and RFID tags.**

In order to secure its leading market positions in selected core business areas, UPM is prepared to grow through both **investments and acquisitions**, particularly in the emerging markets of **Asia, South America and Eastern Europe.**

In European and North American markets the main focus of UPM's interest is on **improving its production and service structure.**

In terms of investments, priority is given to improving cost-competitiveness, the **use of new technology and product development.**

UPM seeks to be the industry's most attractive company. Achieving this goal requires an **extensive product range and cost-competitive global production.** A high level of customer satisfaction is achieved through skilled employees and customer-oriented product and service development.

UPM wants to remain a financially sound company, as only this will ensure its long-term development. The aim is to create **added value for the company's shareholders** and to do it by means of **socially and ecologically sustainable practices.**

**Research and invest in new business fields** such as the production of biofuels from byproducts of their paper and wood production.

Develop a **recycling business** and promote it to increase company social and ecological sustainability.

**Partner with ecologically friendly companies** and institutions to develop new technology and find ways for ecologically safer production processes.

**Expand the packaging business** by focusing on organic packaging from recycled materials.

Help prevent the extinction of animal species and decrease overall CO2 by **replanting woodlands.**

### Threats

#### Economy Situation & Industry Saturation

- A slowing down world economy, affects the business by decreasing the amount of products consumers buy.
- A saturation of the paper market due to the increasing number of powerful competitors.

#### Tougher Competition Worldwide

- Western European market has more highly competitive paper & wood producing firms than the current demand volume for these products – consider providing alternative unique services to consumers to gain consumer interest.
- UPM is not yet a well known name in North America – consider expanding business there.
- Delaying entry in untapped markets may cause for competitors to achieve first market entrant gains – Eastern Europe, Asia, South America.

#### Nature

- As the world in all business aspects and consumers become more aware of the ecological threats production activities pose to the world, companies are in search of new technology and methods that lessen the negative impact on the nature and ways to reverse the damage that was done. UPM should consider engaging in businesses that are ecologically safe – organic packaging, recycling, replanting, and safeguarding natural habitats.

#### The Future

- What we use today will not be used tomorrow, it will be replaced by a better product or the need for it will extinguish – research future business activities such as the production of biofuels, CO2 capturing, computer technology and alternatives for paper hardcopies for document handling and presentation.
- Almost all services that used to use paper to print and mail documents to customers are going "paperless" – easier handling, accessible information on the internet from anywhere in the world, protection of personal identity sensitive information by limiting access to subject of authorization, size minimization by carrying a world of information in your pocket. Paper editions will be limited for collectors of works of art and not everyday use of paper for the shredders.



## Purpose and Vision

UPM creates human and economic value by innovative solutions based on papers for printed communications, converted products and wood products. UPM's vision is to be the most attractive company in their industry.

## Values

Values guide and direct UPM's behavior. UPM values are openness, trust and initiative. Openness in the workplace creates trust between people, which in turn leads to greater initiative. In other words, trust one another in everything they do and avoid strict rules wherever they can. UPM's corporate culture encourages people to be creative and it respects the individual. In this culture the success of the company and personnel alike can be seen as common objectives. Trust and openness are not confined to UPM's internal operations alone. UPM's operations must meet the highest ethical standards, also in relation to all their stakeholders. The fact that all their communications and operations are open and transparent makes it easy for those outside the company to assess the way they operate.

## UPM Promise

*"We lead. We learn"*

UPM is an industry leader characterized by a desire for continuous improvement. To maintain and develop a leadership position requires organizational – and individual – learning. Innovation and intensive interaction with all the stakeholders form the basis for UPM's learning and leadership. Treating their customers' challenges as their own requires continuous development of their performance. Thus UPM invests in people and superior technology. The attitude of continuous improvement with long term commitment results in a solid, attractive reputation.

## Business Areas

UPM's operations are divided into five main business areas:

- Magazine Paper Division
- Newsprint Division
- Fine and Specialty Paper Division
- Wood Products Division
- Label Division

UPM's other operations include, for example, the Forest Department and Energy Department in Finland as well as involvement in associated companies.

## UPM, Magazine Paper Division

The company is the world's leading manufacturer of magazine papers. Magazine paper is additionally used in newspaper supplements, print advertising and sales catalogues. The customers are mainly publishers and printing houses. Magazine Papers accounts for 32% of UPM's turnover

The mills' annual capacity is

- 3,46 million tons of coated magazine grades
- 1,85 million tons of uncoated magazine papers

The division includes paper machines in the following locations:

Augsburg (Germany)	Kaukas (Finland)
Blandin (USA)	Miramichi (Canada)
Caledonian Paper (UK)	Rauma (Finland)
Jämsänkoski (Finland)	Schongau (Germany)
Kaipola (Finland)	Steyrermühl (Austria)
Kajaani (Finland)	Stracel (France)

The Kaukas pulp mill is part of the Magazine Paper Division.

## UPM, Newsprint Division

UPM is the leading newsprint producer in Europe. The Newsprint Division accounts for 13% of the company's turnover.

The Newsprint division produces standard newsprint and machine-finished uncoated specialty papers. The end uses include daily newspapers, newspaper supplements, direct mail, telephone directories and books.



The mills' annual capacity is  
- 2.8 million tons of newsprint.

The division includes paper machines in the following locations:

Kaipola (Finland) Kajaani (Finland) Schongau (Germany) Schwedt (Germany)	Steyrermühl (Austria) Shotton Paper (UK) Chapelle (France)
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### UPM, Fine and Specialty Paper Division

UPM is at the forefront of European manufacture of fine papers. In label, envelope and packaging papers it is the market leader in Europe. The Fine and Specialty Paper Division provides 23 % of the company's turnover.

The division produces a complete range of coated and uncoated woodfree papers for graphic use and office communication. Coated grades are used mainly for quality brochures and books, annual reports and high-end magazines. The end uses of uncoated grades include copying and printing. End use of specialty papers includes envelopes, labels, sacks and industrial wrappings.

The mills' annual capacity is:  
- coated fine paper (WFC): 1,53 million tons  
- uncoated fine paper (WFU): 1,62 million tons  
- specialty papers: 0,79 million tons.

The division includes paper machines in following locations:

Changshu (China) Docelles (France) Jämsänkoski (Finland) Kymi (Finland)	Nordland Papier (Germany) Tervasaari (Finland) Wisapaper (Finland)
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The Wisapulp, Kymi and Tervasaari pulp mills are part of the Fine & Specialty Paper Division.

### UPM, Wood Products Division

The Wood Products Division specializes in producing and distributing wood products. Wood Products has production units in Finland, France, Austria, Russia and Estonia.

UPM, Wood Products is Europe's biggest plywood producer and one of Europe's biggest producers of sawn products.

Related Websites

[WISA Wood Products website »](#)


### UPM, Label Division

UPM produces self-adhesive labelstock for product and information labeling and RFID tags and inlays based on radio frequency technology. UPM Raflatac products are used in product identification and stock management. Paper-based and filmic pressure sensitive labelstock provides solutions for a wide variety of labeling needs throughout the lifecycle of products and their packaging. UPM Raflatac is a world-leading supplier of RFID tags and inlays focusing on the retail, pharmaceutical, media management and apparel markets. Europe and the USA are the main markets for self-adhesive labelstock and RFID tags and inlays, though Asia's share of this business is growing rapidly. Label business has manufacturing units in Finland, France, the UK, Spain, Malaysia, China, South Africa, Australia and the USA.

Related Websites

[UPM Raflatac »](#)

### Resources and Support Functions

Fiber and energy are the two key ingredients in UPM's operations. UPM's aim is high degree of self-sufficiency in chemical pulp through own pulp making and supplies from the associated company **Botnia** .

### Recovered paper

UPM is one of the world's leading consumers of recovered paper. Seven UPM mills in five countries use



annually about 3 million tons of recovered paper in the production of newsprint as well as LWC and SC papers. UPM procures its recovered paper from local authorities or waste management companies.

### Forestry and Wood Sourcing

UPM's own Forestry and Wood Sourcing units are responsible for supplying wood and forest energy wood to all UPM mills. The amount of wood sourced annually totals about 26 million cubic meters. Forestry and Wood Sourcing organization also takes care of the sustainable use and management of about 2 million hectares of company's own forests and forests in its care in [Canada](#), [Finland](#), [Russia](#), the [UK](#) and the [USA](#).

### Energy

UPM's energy strategy is based on high self-sufficiency both in electricity and in fuel supply. The Group's electricity portfolio is versatile and competitive, consisting mainly of hydro, nuclear and renewable biomass fired mill site combined heat and power. Effective large-scale utilization of biomass based fuels is an extremely important aspect of the Group's energy strategy. CO<sub>2</sub> neutral energy sources dominate UPM's energy portfolio. Presently in [Finland](#) more than 75% and globally about 50% fuels used at UPM's mills are biomass based and CO<sub>2</sub> neutral thus not accelerating climate change. See also the Press Kit UPM's energy operations.

### Corporate Venturing

The function's objective is to facilitate and speed-up the renewal process of UPM businesses. Operations are focused on technology/market areas adjacent to UPM core businesses providing significant new synergic business opportunities to UPM in the long run. The purpose of the operations is to create starting business ventures with multiple supporting development operations on selected venturing areas, and, to manage the process towards self-profitable business.

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