



An industrial perspective from woodworking industries

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FTP-Conference, Admont 2.5.2006



Structure of the presentation

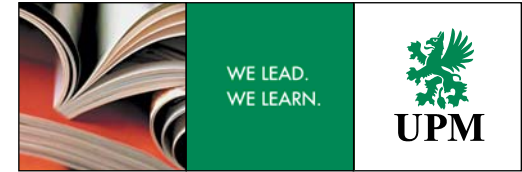
- 1. UPM-Kymmene Group presentation video**
- 2. Global view**
- 3. Wood is...**
- 4. R&D in Wood Industry**
- 5. Wood Industry must have courage**
- 6. UPM's position**



Raw material outlook in the world

- Sustained economical growth in China, India and Latin-America (along with Western Europe, North America and Japan) will increase the demand for most natural raw materials. This will bring speculation into picture, sharpen price variation and will eventually increase prices unavoidably. Availability will become critical and eventually some raw material resources will be used out.

Life Expectancies of World Reserves, Selected Mineral Commodities



Life expectancy in years, at three growth rates in primary production			
	0 %	2 %	5 %
Coal	216	84	49
Crude Oil	44	31	23
Natural Gas	64	41	29
Aluminium	202	81	48
Copper	28	22	18
Iron	132	65	41

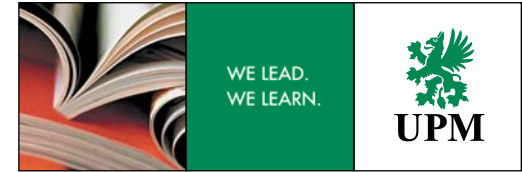
Sources: Tilton (2002); US Bureau of mines (1977); US Geological Survey (2000a); US Geological Survey (2000b); American Petroleum Institute (2000); BP Amoco (2000); International Energy Agency (2000).

Wood has its advantages and weaknesses



- Wood is the only really renewable industrial raw material. Fields are needed for food production in most suitable areas.
- In addition to this growing trees bind carbon dioxide from the air – thus acting as carbon sink.
- Wood has got its weaknesses (or challenges as optimist would put it): long-term durability, reaction and resistance to fire and acoustic properties in certain end uses.

Specific features of woodworking industries to have an effect on R&D



- Industry is largely not producing end-use applications
- Even SMEs are capital-intensive
- Gross margin level is low; the income flow does not generate funding for R&D
- Next to no venture capital available
- Our image: Competition has not been based on innovations
- Handwork and footwork instead of brainwork

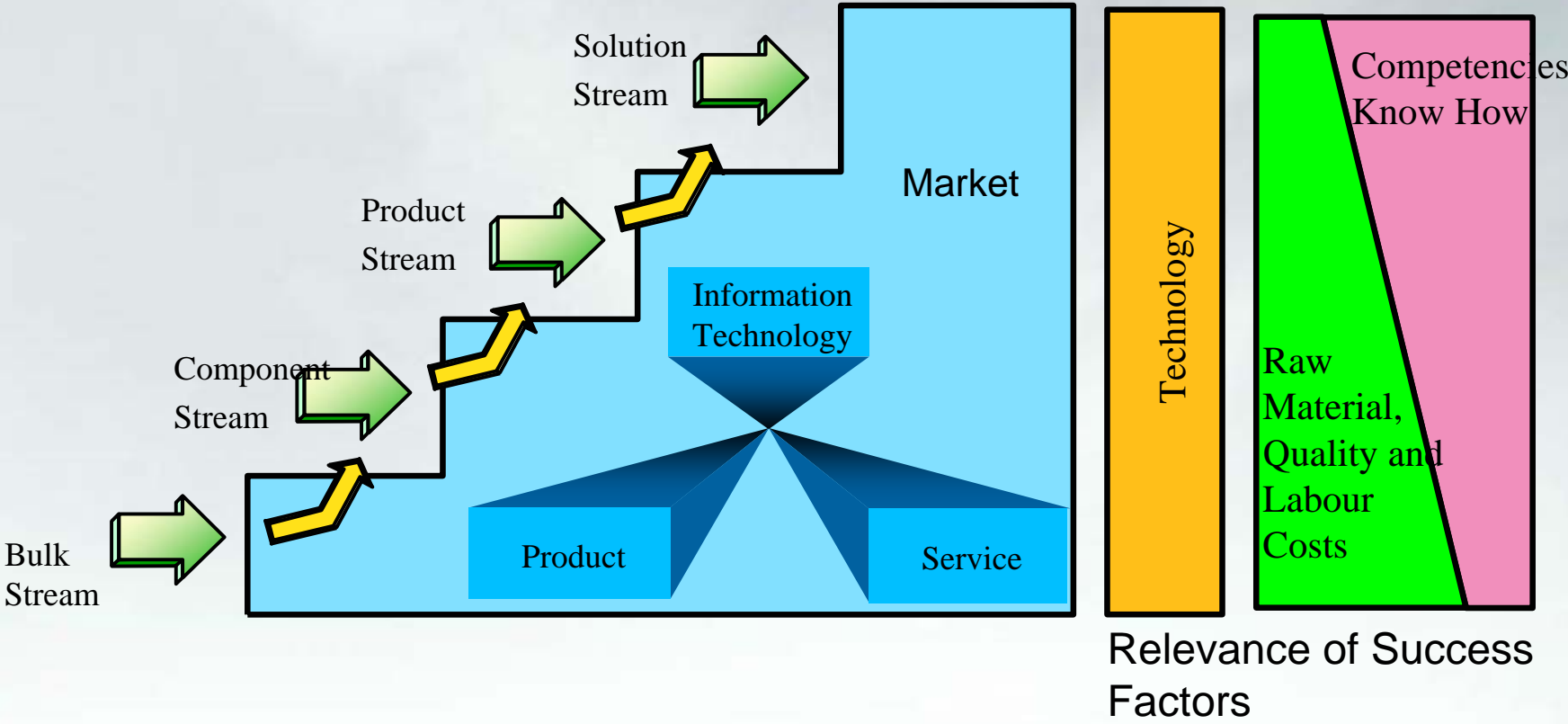




R&D in wood industry

- One undisputable weakness of wood product industry has in the past been insufficient resource allocation in Research & Development activities. Also bringing innovations into businesses has proven to be problematic to the wood industry.
- A completely new approach to R&D is needed for wood industry in order to really utilize the unique opportunities offered by the naturally renewable raw material.

Value Adding Steps

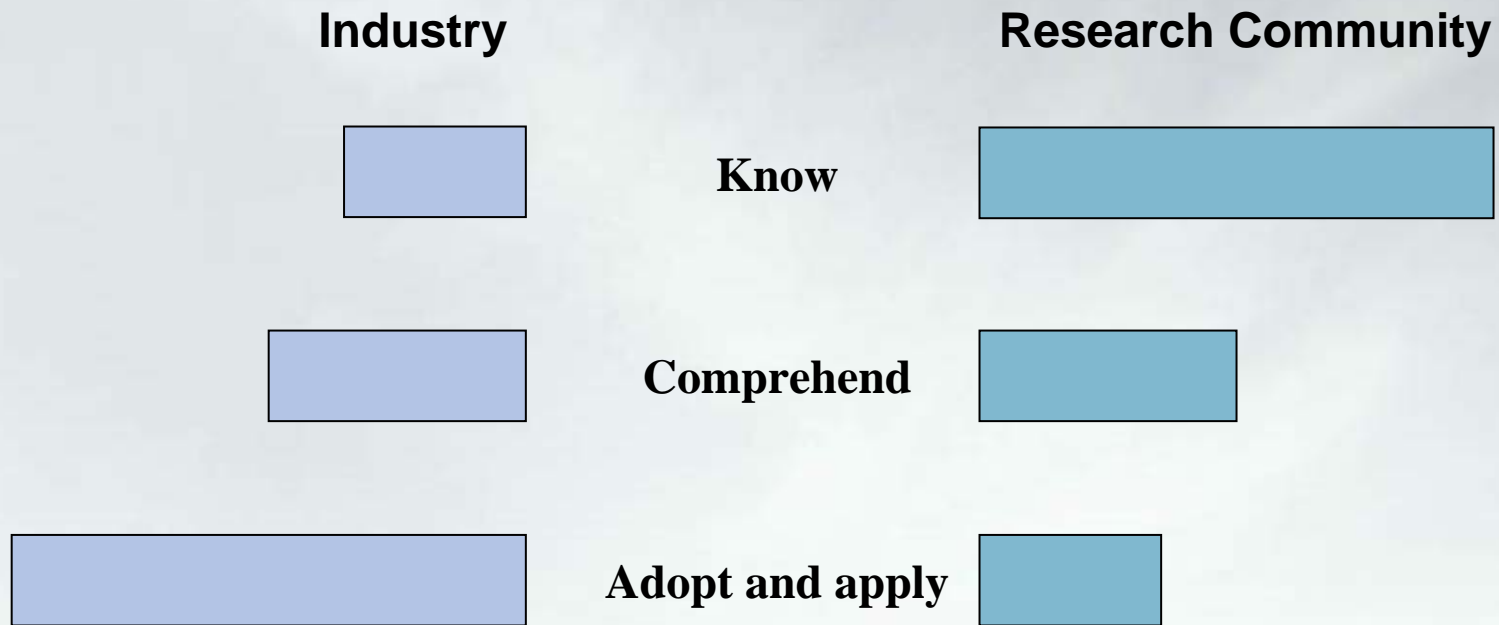


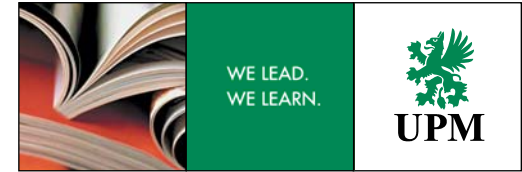


R&D Networks

- New kind of networks – stronger and better networks! - are needed between industry, research community and society.
- We are gathered here in Admont to show that the forest industry is strong and that it intends to be even stronger in the future. One proof of this will be The Forest-Based-Technology Platform which has been put together by the industry and which offers a powerful tool for forming the future.
- We all must now have the courage to utilize to the full extent the platform we have created together.

Success through complementing





UPM's position

- UPM-Kymmene Group - which is already one of the whole forest industry leaders in R&D - has in its own Technology Strategy decided to considerably increase its R&D investments. And we really do consider spending money and resources in R&D as investment for the future.
- Wood Products Division R&D Centre already is one of wood products industry leaders in technology and product development. We employ over 30 high class specialists that are dedicated to research & development work only. Nevertheless we aim to be much more – for much better future.
- I challenge all representatives of wood products industry here present to do the same in order to create through R&D a bigger, stronger and better – wooden – future.

"We grow together" means...



Let's make a
bigger cake
for bigger
slices to
every one!

