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UPM Q1 RESULTS 2014

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President and CEO
29 April 2014

Strong Q1 2014 results show momentum in the profit improvement programme

Q1/14 EBITDA was EUR 313m (284m in Q1/13)

Profit improvement programme progressed fast, with 78% of the targeted annualised EUR 200m cost savings achieved in Q1/14

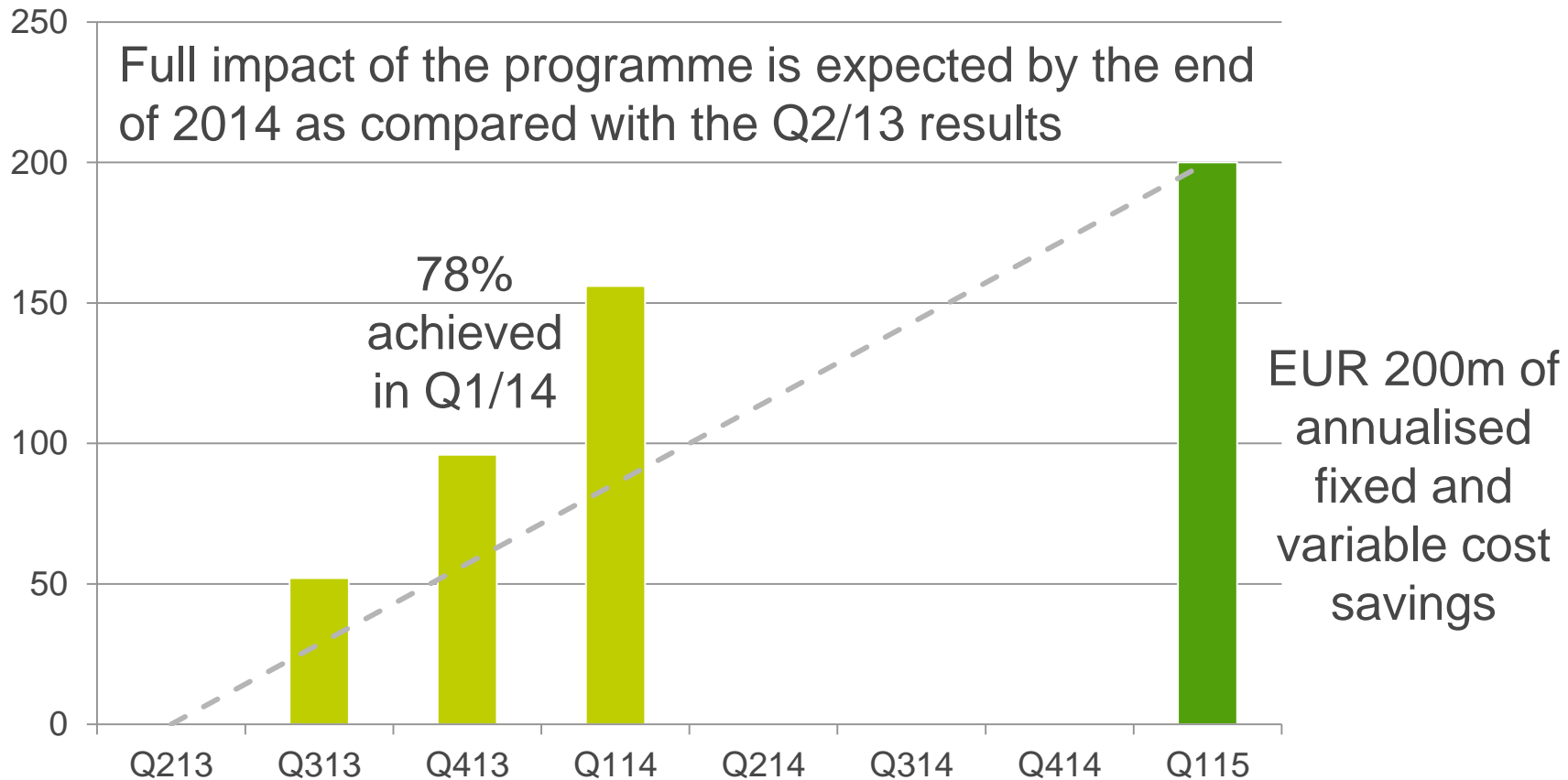
Operating profit excl. special items was EUR 196m (144m in Q1/13)

Strong operating cash flow of EUR 264m (103m in Q1/13)

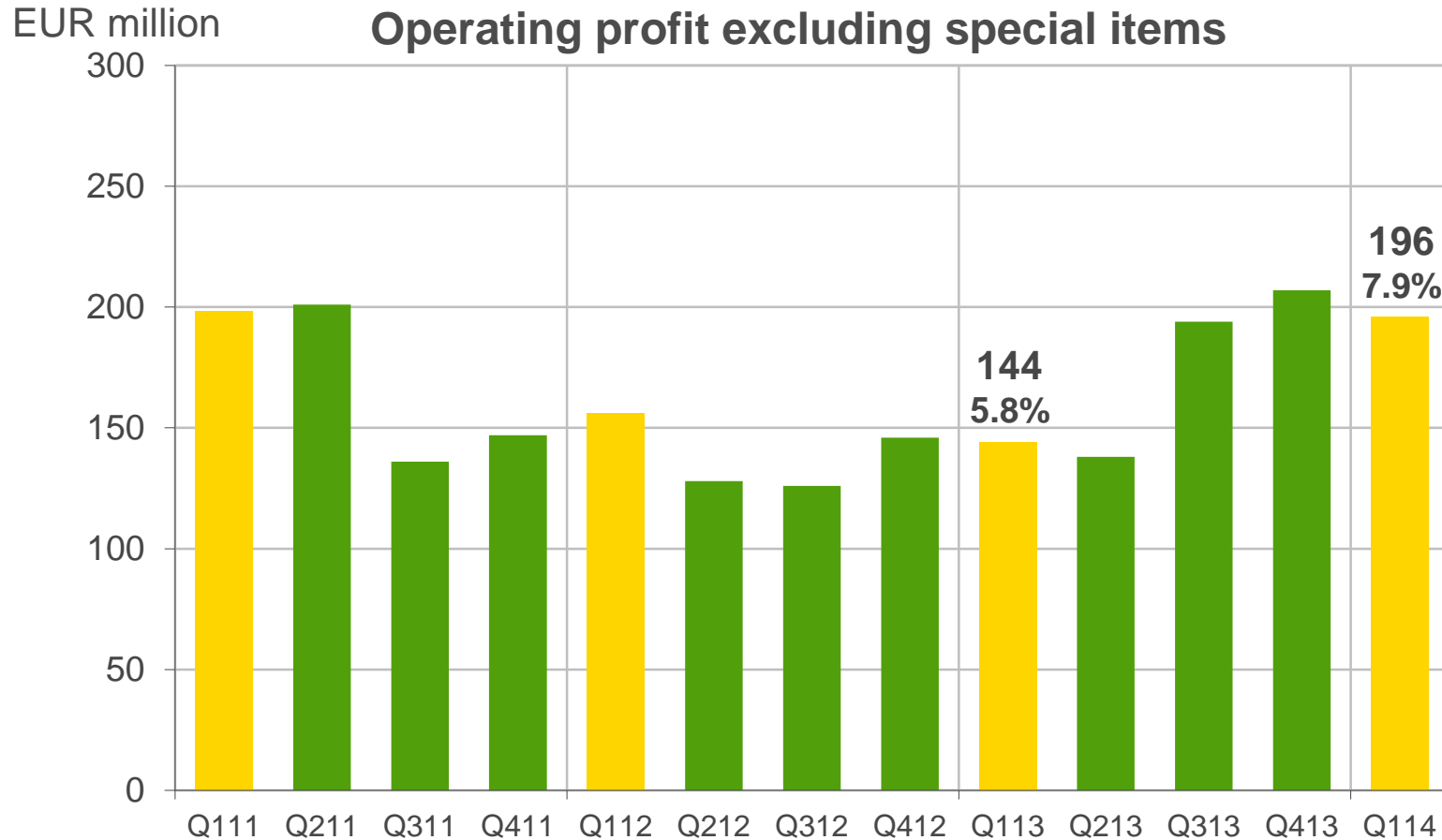
Net debt decreased to EUR 2,777m (3,199m in Q1/13) and net debt to EBITDA to 2.4x (2.6x in Q1/13)

Profit improvement programme progressing fast

EUR million



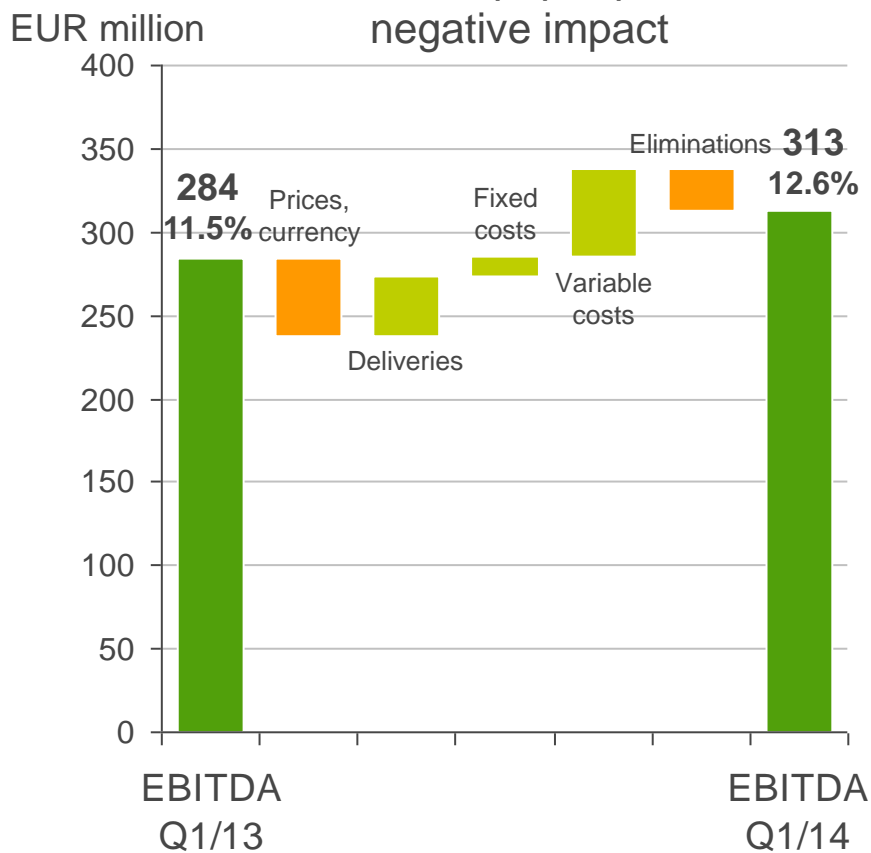
Profitability improvement programme visible in operating profit



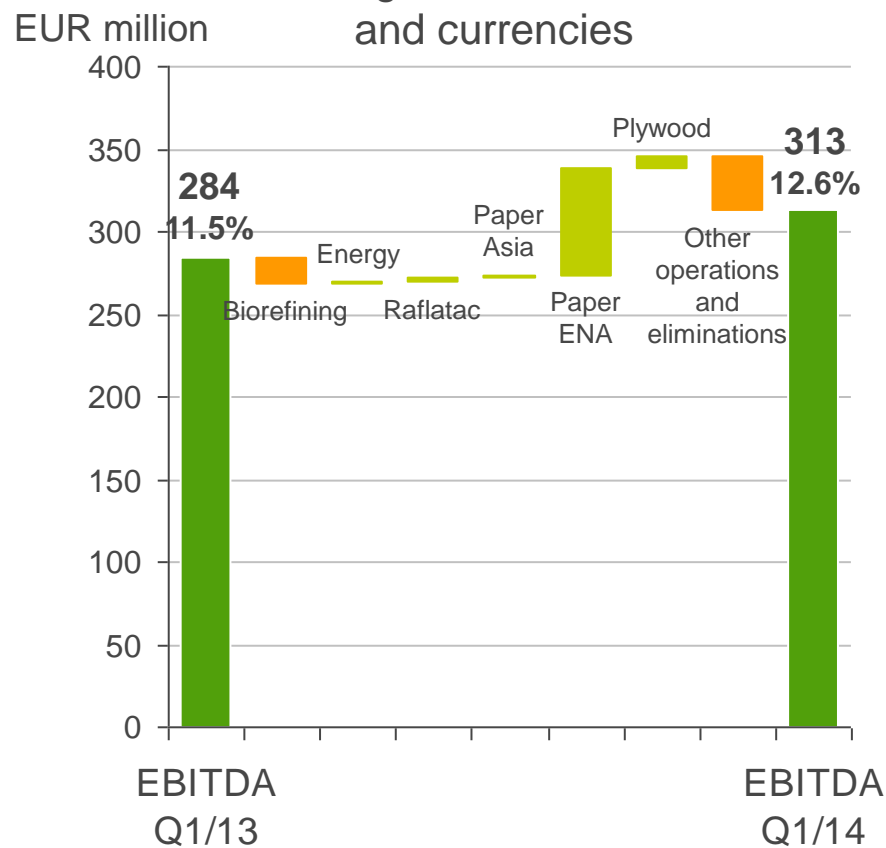
EBITDA in Q1 2014 vs. Q1 2013

Significant cost savings

Currencies and paper prices had a negative impact

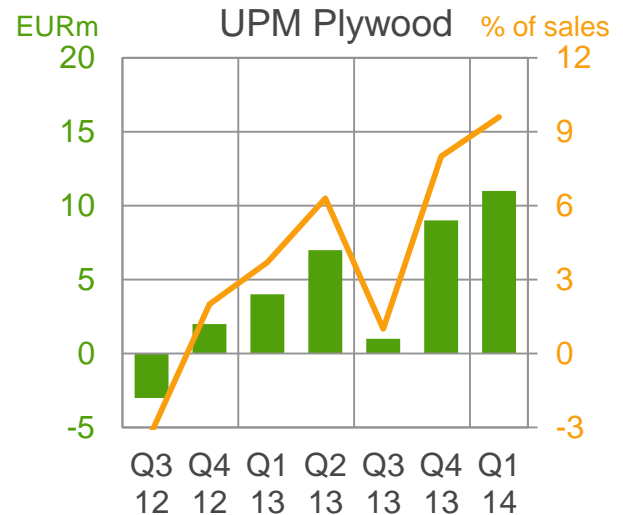
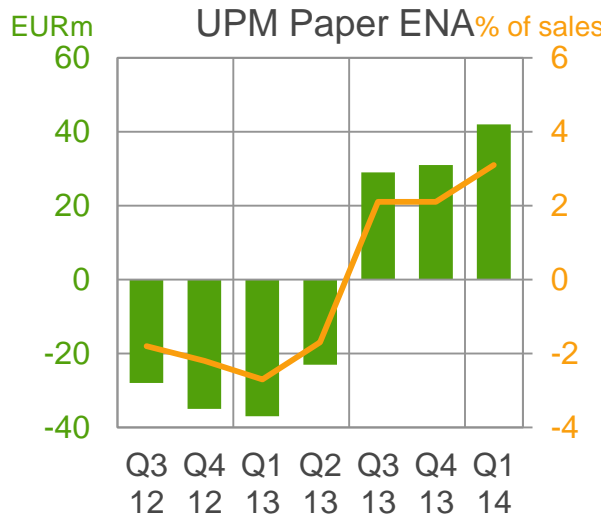
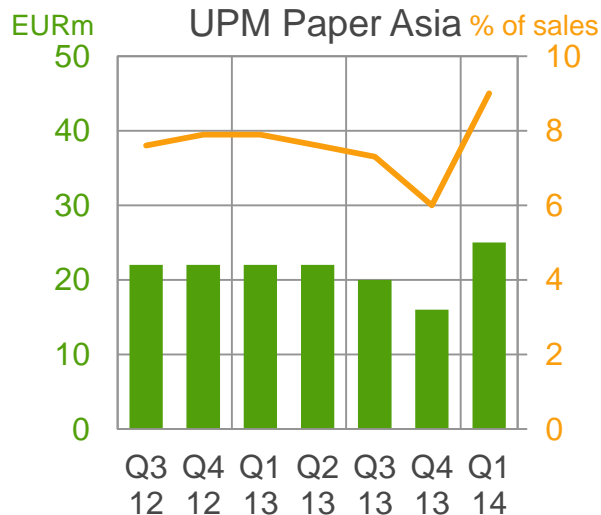
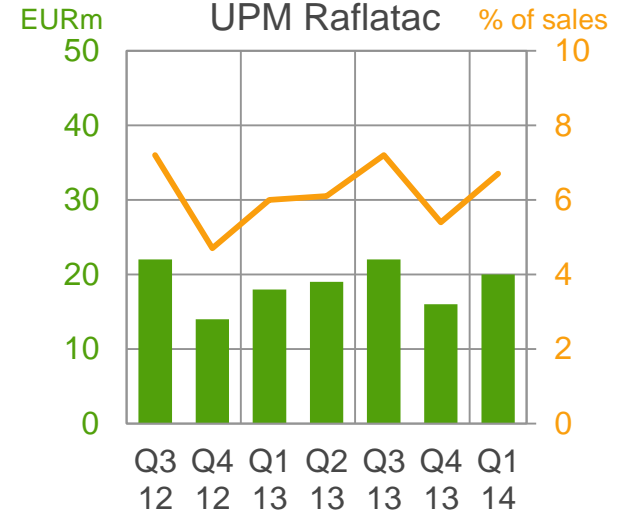
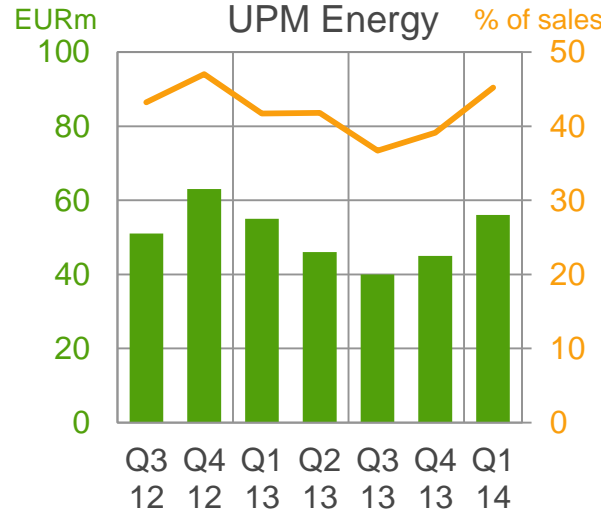
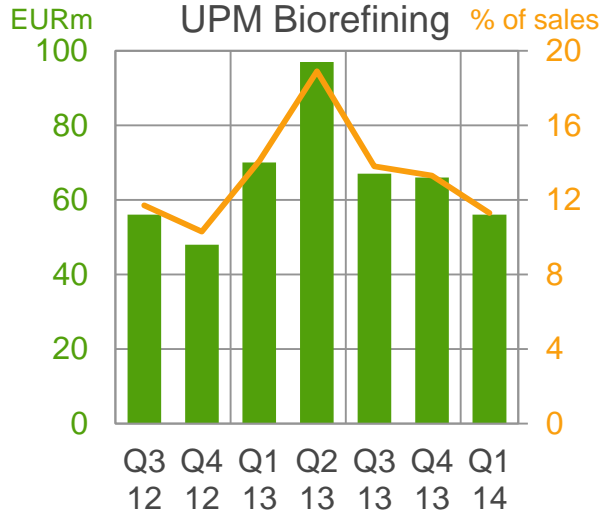


Significant improvement in UPM Paper ENA
UPM Biorefining lower due to maintenance and currencies





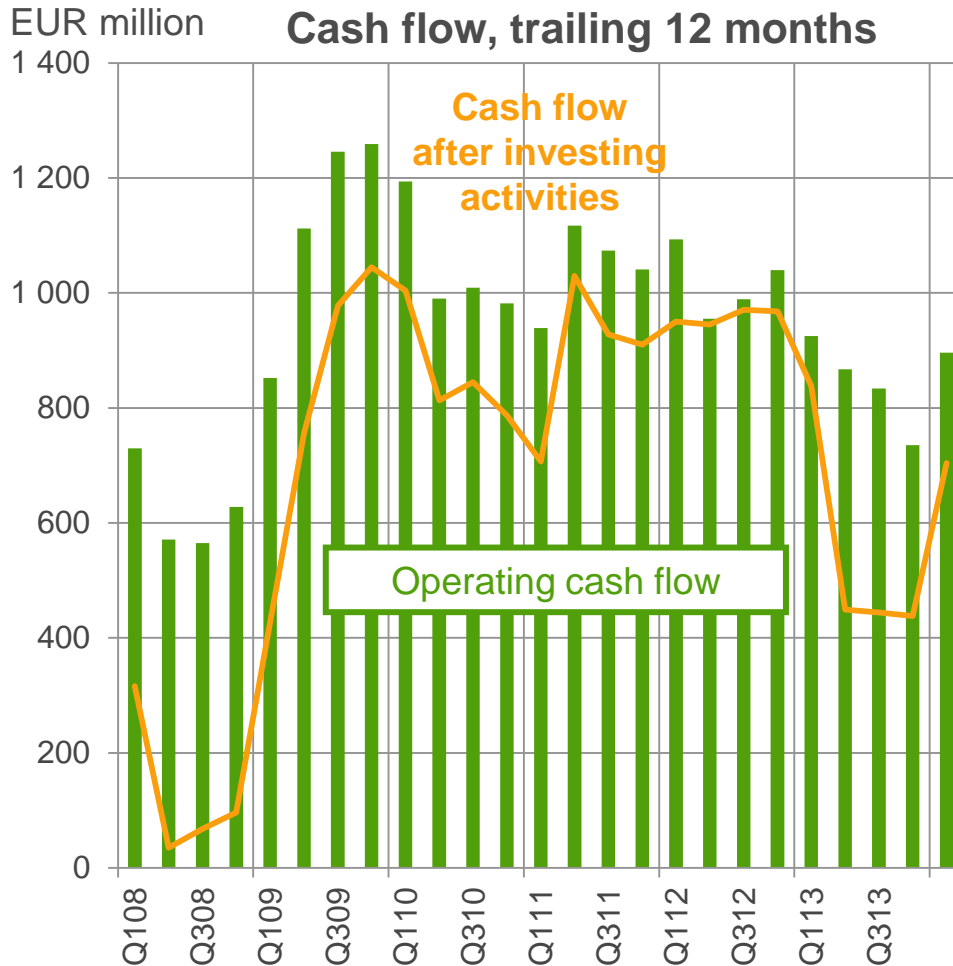
Operating profit *) by business area



*) excluding special items



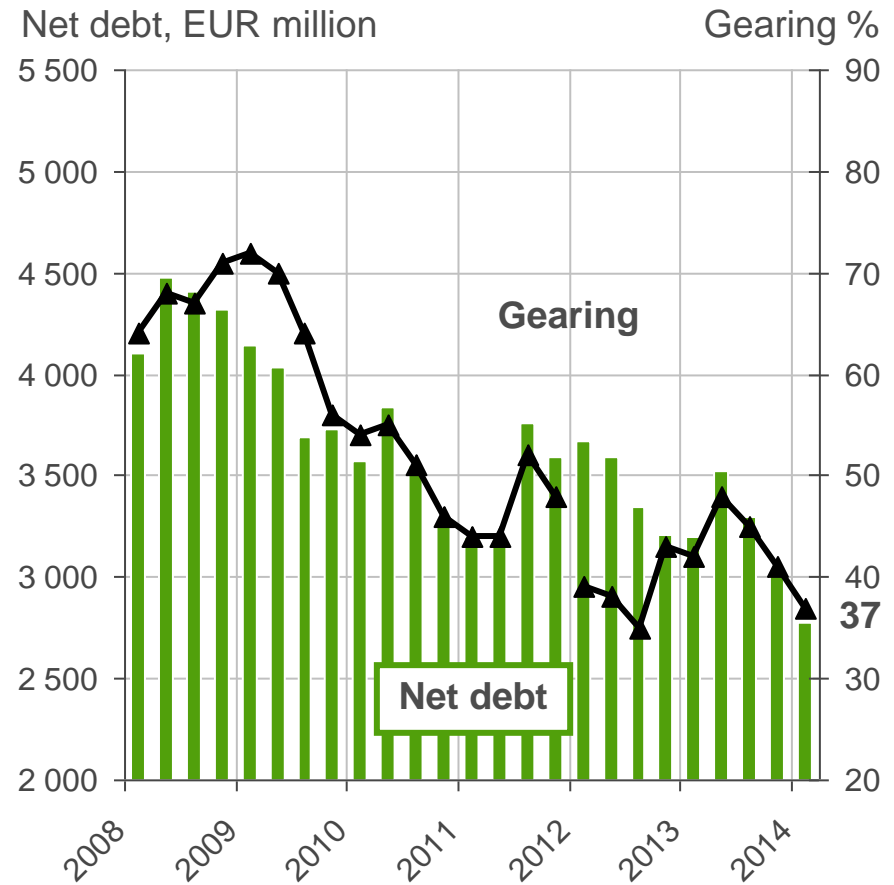
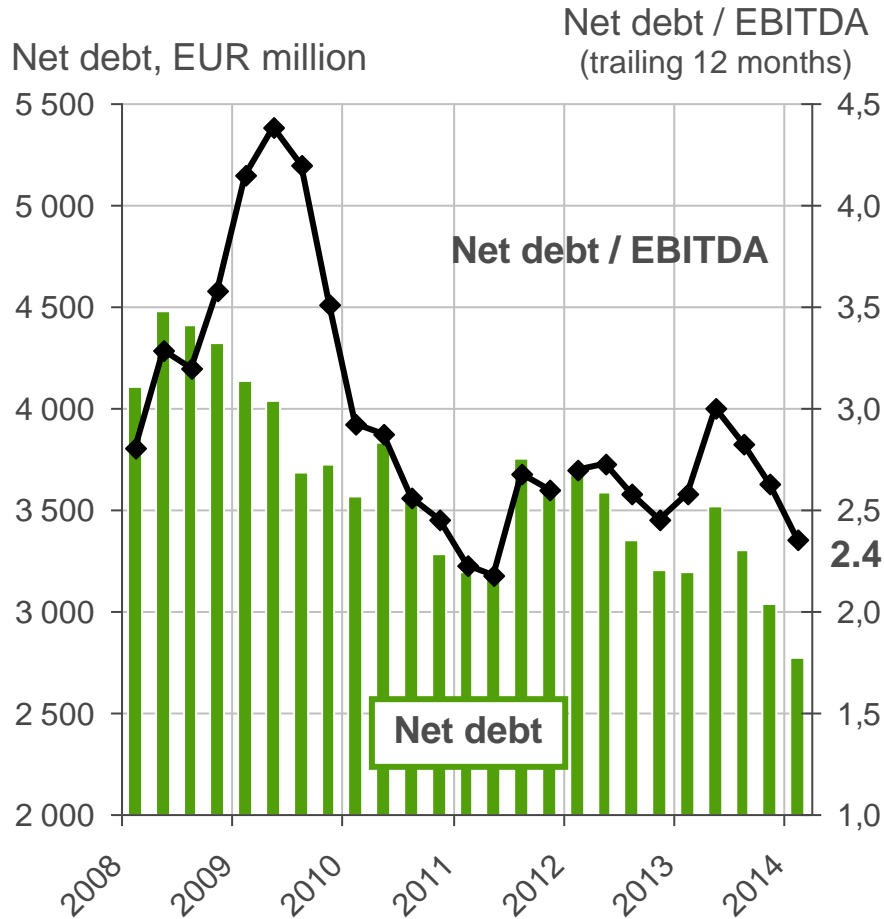
Strong cash flow



- Q1 2014 operating cash flow was EUR 264m (103m)
- Last 12 months' operating cash flow was EUR 896m (925m)



Further strengthening balance sheet



Liquidity was EUR 2.0bn at the end of Q1 2014
Repayments total EUR 0.5bn in 2014

UPM business outlook for H1 2014 is broadly stable ^{*)}

- In H1 2014, UPM's performance is expected to be underpinned by stable overall outlook for UPM Energy, UPM Raflatac, UPM Paper Asia and UPM Plywood, compared with H2 2013.
- Profitability of UPM Paper ENA is expected to improve due to the on-going cost reduction measures. In H1 2014 compared with H2 2013, performance is negatively impacted by lower delivery volumes, including seasonal factors.
- In UPM Biorefining, capacity additions in the global pulp market are expected to impact on the pulp market balance as the year progresses.

Progress in the growth projects targeting EUR 200m of additional EBITDA

Decisions in 2014

- Changshu labelling materials, 360,000t, start-up by the end of 2015
- Kymi pulp mill expansion, 170,000t, start-up by the end of 2015
- 50% increase in self-adhesive labelstock coating capacity in APAC, start-up by the end of 2014

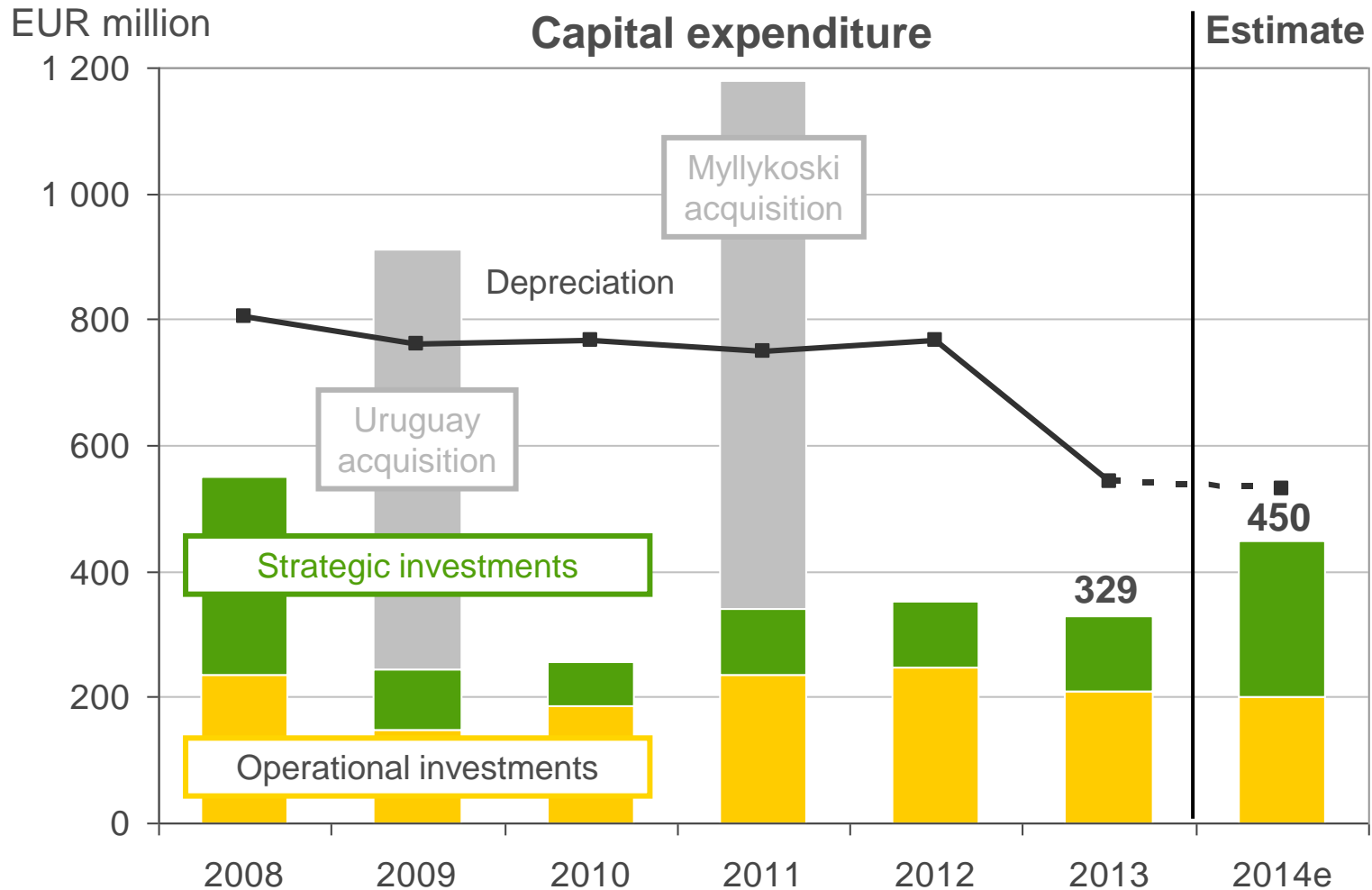
Continued implementation

- Lappeenranta renewable diesel, 100,000t start-up summer 2014
- Pietarsaari pulp mill expansion, 70,000t, start-up summer 2014

Further debottlenecking potential at Fray Bentos and Kaukas pulp mills

Targeted additional EBITDA EUR 200m when all projects in full operation, total capex estimate EUR 680m over three years

Low investment needs in existing assets allow growth projects with modest total capex





Summary

- Strong Q1 2014 results thanks to fast implementation of the profit improvement programme
- Strong cash flow and further strengthening balance sheet
- Solid progress in growth projects








Shifting gear in UPM transformation

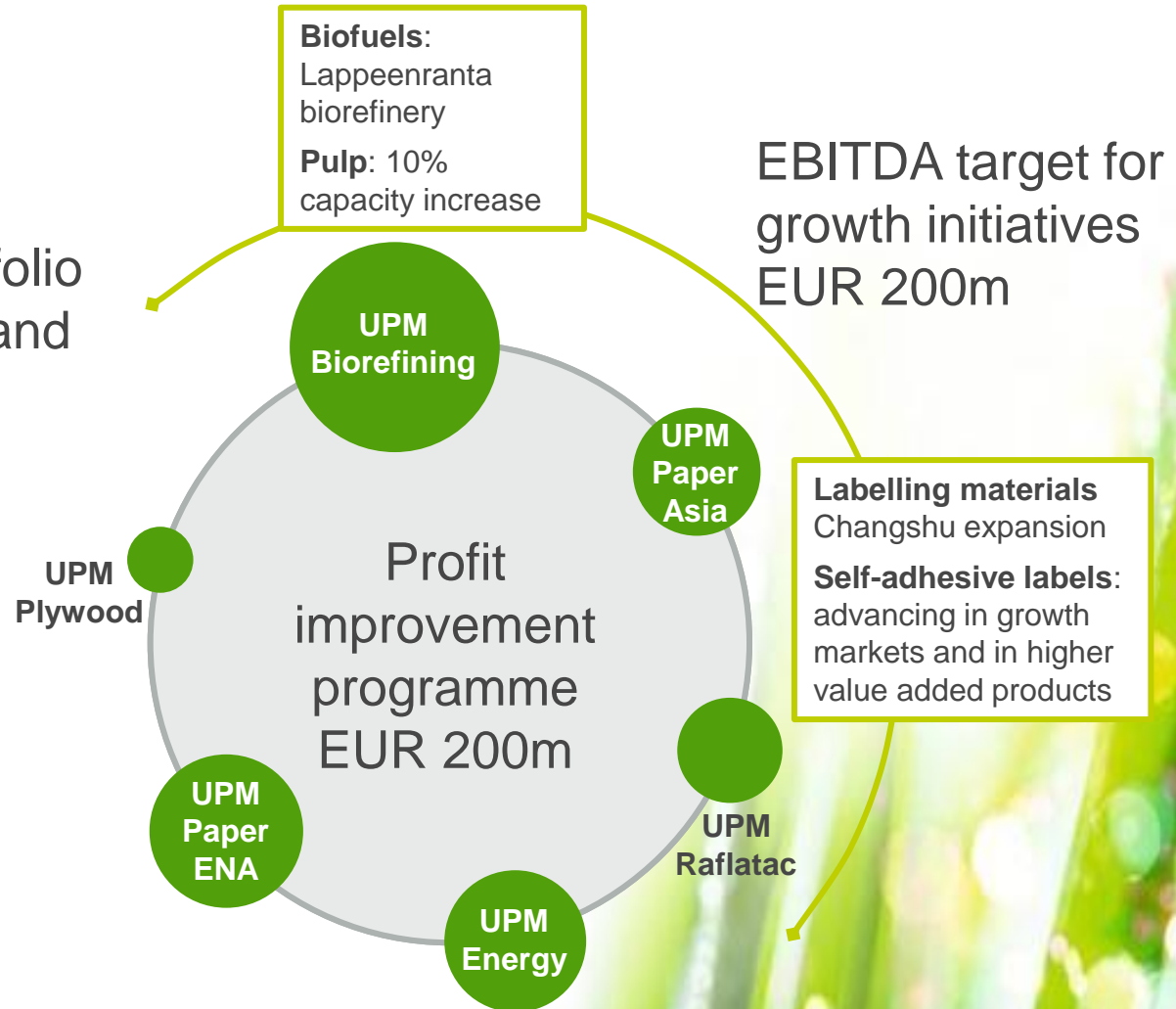
Business portfolio development and value creation

New businesses

 BIOFUELS

 BIOCHEMICALS

 BIOCOMPOSITES





UPM

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Company



The Biofore Company **UPM**

FINANCIALS Q1 2014





Q1 2014 key figures

EUR million	Q1 2014	Q1 2013	Q4 2013	2013
Sales	2,481	2,474	2,588	10,054
sales growth, %	+0%	-5%	-3%	-4%
EBITDA	313	284	302	1,155
% of sales	12.6	11.5	11.7	11.5
Operating profit *)	196	144	207	683
Profit before tax *)	176	129	188	610
Earnings per share, EUR *)	0.27	0.18	0.27	0.91
Operating cash flow	264	103	262	735
Net debt	2,777	3,199	3,040	3,040
Gearing %	37	42	41	41

*) excluding special items

Cash flow

EUR million	Q1/14	Q1/13	Q4/13	2013
EBITDA	313	284	302	1,155
Cash flow before change in working capital	297	234	289	1,085
Change in working capital	1	-96	57	-128
Finance costs and income taxes	-34	-35	-84	-222
Net cash from operating activities	264	103	262	735
Capital expenditure	-68	-98	-91	-337
Asset sales and acquisitions	69	-7	55	40
Cash flow after investing activities	265	-2	226	438



Maturity profile and liquidity

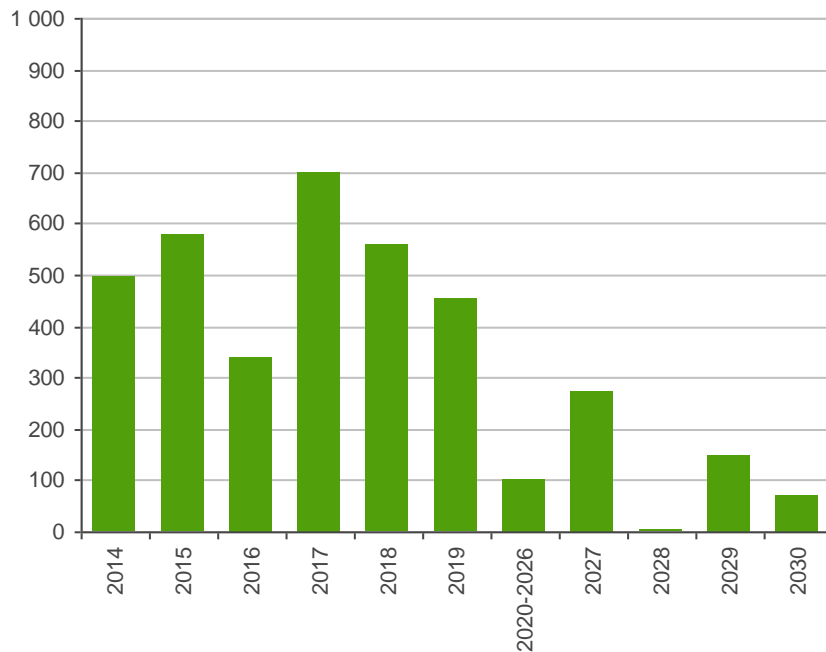
Liquidity

Liquidity on 31 March 2014 was EUR 2.0bn (cash and unused credit facilities)

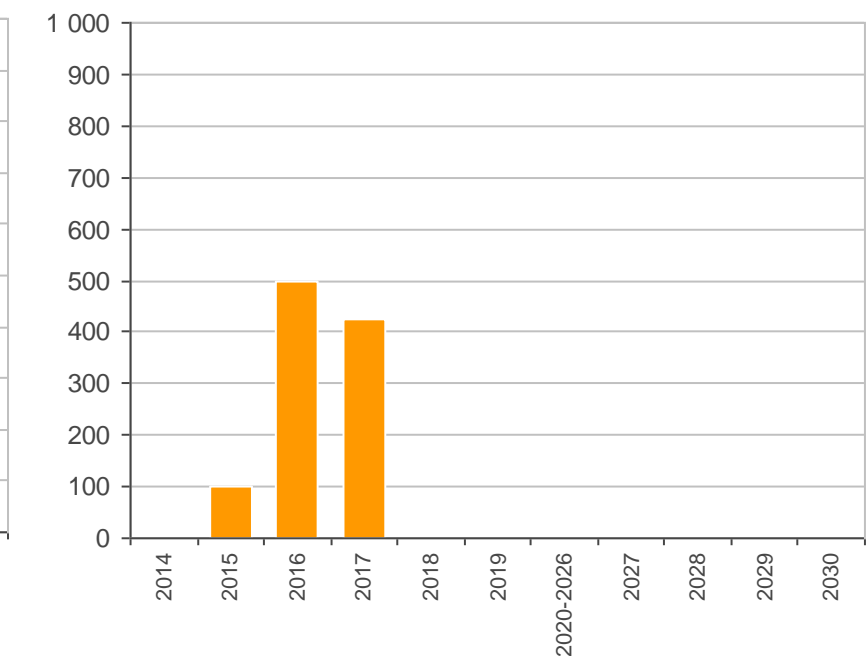
Committed credit facilities EUR 1.025bn

- syndicated credit facility EUR 500 million
- bilateral committed credit facilities EUR 525 million

EUR million **Maturity profile of outstanding debt**



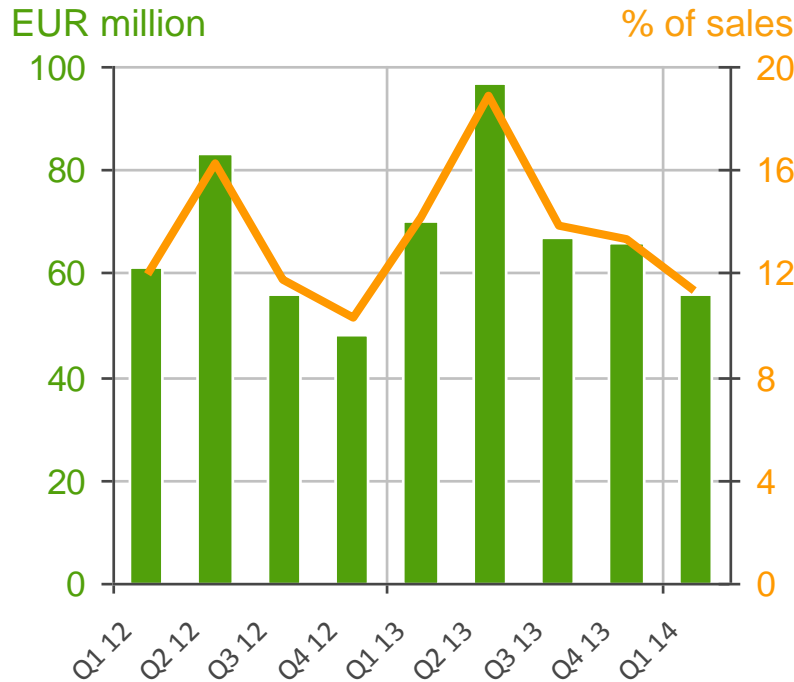
EUR million **Committed credit facilities' maturities**





UPM Biorefining Q1 2014 vs. Q1 2013

Operating profit excluding special items



Business performance

- Operating profit decreased mainly due to a scheduled maintenance shutdown at the UPM Kaukas pulp mill. Higher delivery volumes and lower variable costs offset the impact of adverse currency development.
- Pulp deliveries increased by 3% to 816,000 tonnes (790,000).

Sales **Q1 2014** **496** **0%**
 EUR million Q1 2013 495

Operating profit **Q1 2014** **56** **-14**
 EUR million*) Q1 2013 70 EUR million

*) excluding special items

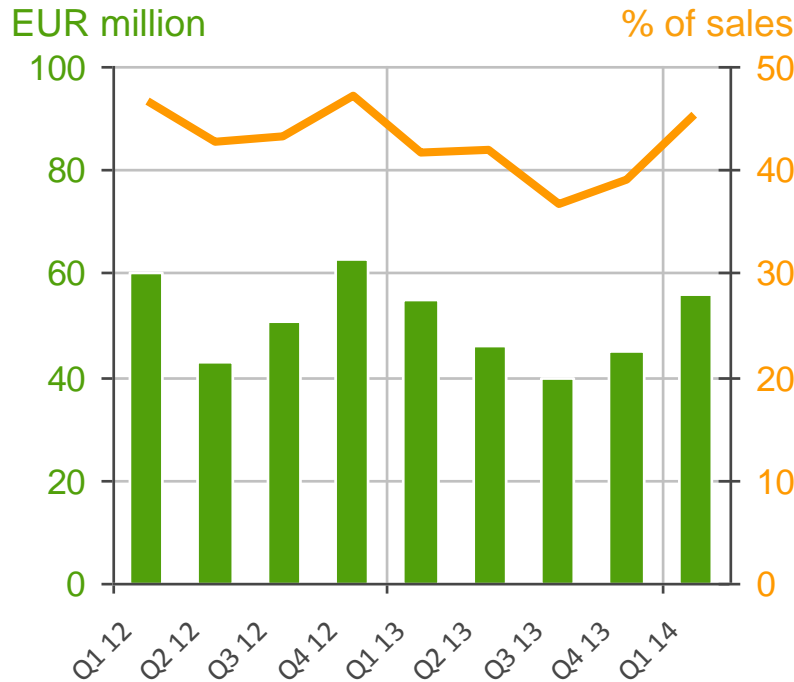


UPM Energy Q1 2014 vs. Q1 2013

Business performance

- Operating profit increased slightly as the decrease in costs offset the impact of lower average sales prices.
- The average electricity sales price decreased by 2% to EUR 45.8/MWh (46.8/MWh).

Operating profit excluding special items



Sales EUR million **Q1 2014 124** **-6%** **Q1 2013 132**

Operating profit EUR million*) **Q1 2014 56** **1** **Q1 2013 55** EUR million

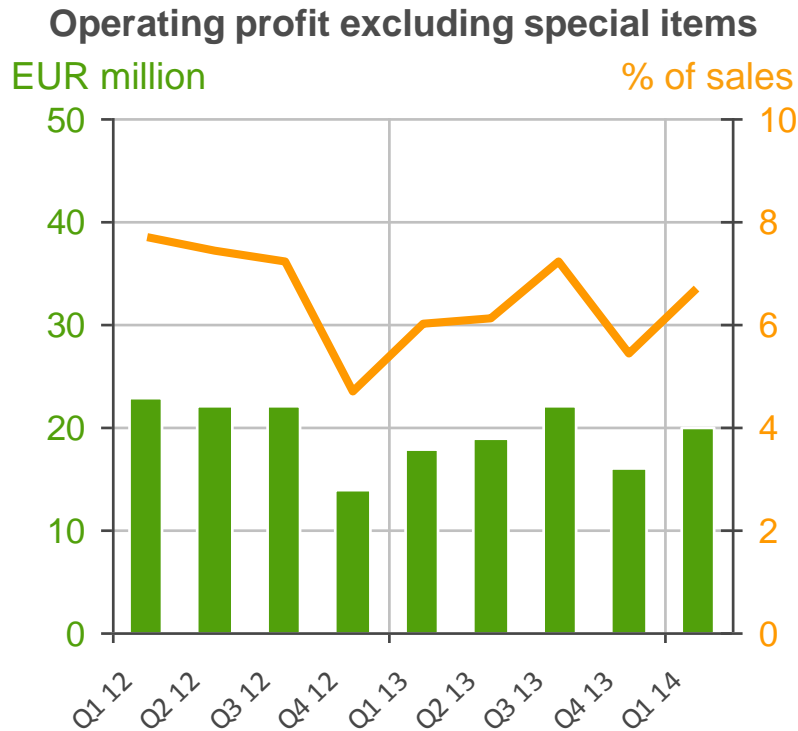
*) excluding special items



UPM Raflatac Q1 2014 vs. Q1 2013

Business performance

- Operating profit increased mainly due to higher delivery volumes and lower fixed costs, more than offsetting the negative currency impact.



Sales EUR million **Q1 2014 300** **1%** **Q1 2013 299**

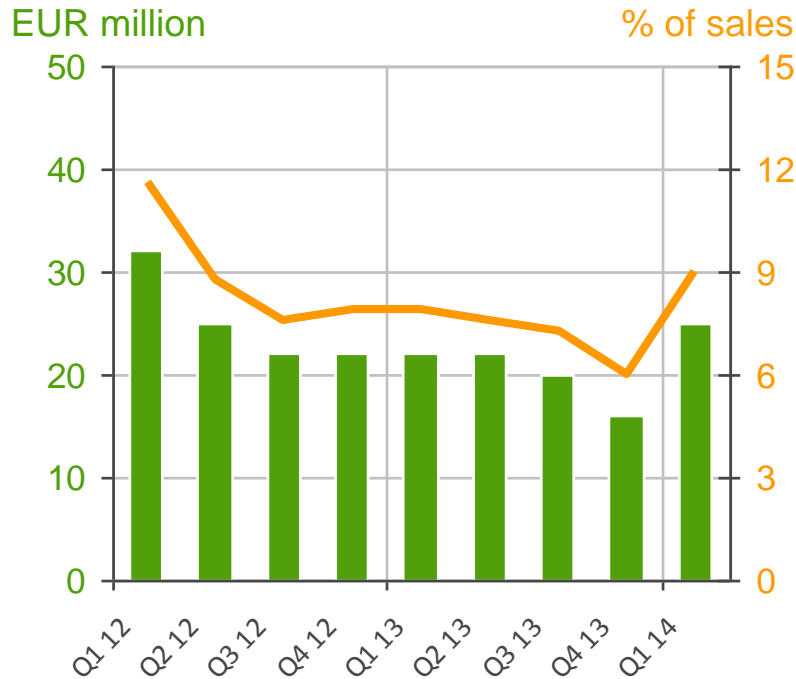
Operating profit EUR million*) **Q1 2014 20** **2** **Q1 2013 18** EUR million

*) excluding special items



UPM Paper Asia Q1 2014 vs. Q1 2013

Operating profit excluding special items



Business performance

- Operating profit increased mainly due to lower variable and fixed costs.
- Average sales prices were lower mainly due to negative currency impact.
- Paper deliveries increased by 2% to 347,000 tonnes (339,000).

Sales **Q1 2014 277** **0%**
 EUR million Q1 2013 277

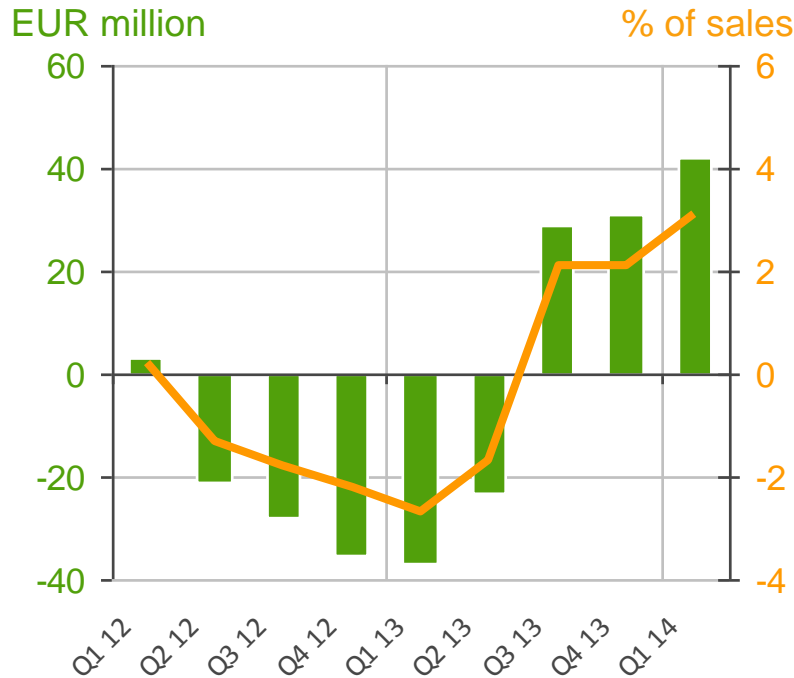
Operating profit **Q1 2014 25** **3**
 EUR million*) Q1 2013 22 EUR million

*) excluding special items



UPM Paper ENA Q1 2014 vs. Q1 2013

Operating profit excluding special items



Business performance

- Operating profit increased mainly due to lower variable and fixed costs, partly driven by the ongoing profit improvement programme.
- The average price for all paper deliveries in euros was approximately 2% lower than last year.
- Paper deliveries were 2,148,000 tonnes (2,139,000).

Sales **Q1 2014 1,334** **-2%**
 EUR million Q1 2013 1,365

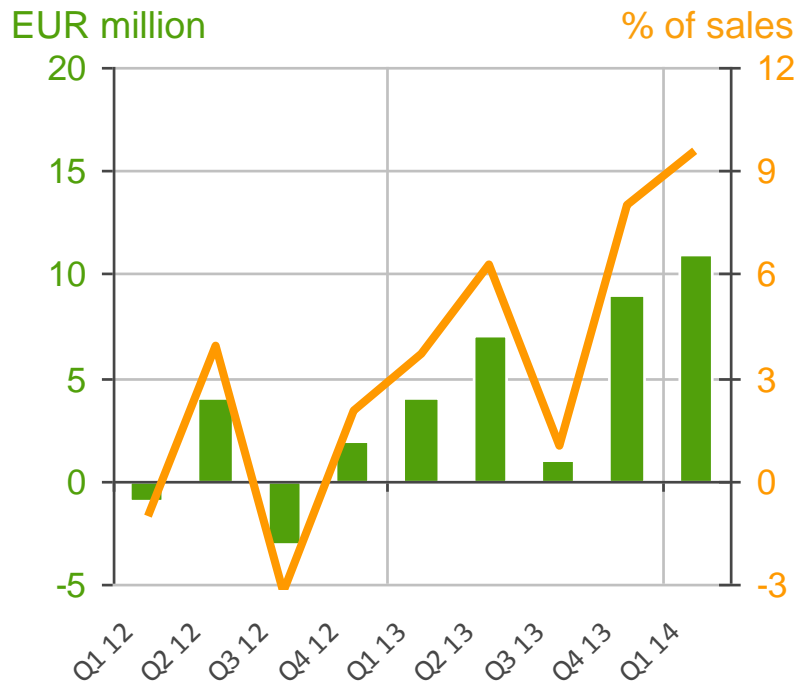
Operating profit **Q1 2014 42** **79**
 EUR million*) Q1 2013 -37 EUR million

*) excluding special items



UPM Plywood Q1 2014 vs. Q1 2013

Operating profit excluding special items



Business performance

- Operating profit improved due to improved sales margin resulting from higher sales prices and a favourable sales mix, as well as lower variable unit costs.
- Deliveries increased by 1% to 188,000 cubic metres (186,000).

Sales **Q1 2014 114** **6%**
 EUR million Q1 2013 108

Operating profit **Q1 2014 11** **7**
 EUR million*) Q1 2013 4 EUR million

*) excluding special items



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