






MORE WITH BIOFORE

UPM Q2 RESULTS 2014






Jussi Pesonen
President and CEO
5 August 2014

Successful profit improvement programme prompted strong Q2 2014 results

Q2 2014 vs. Q2 2013:

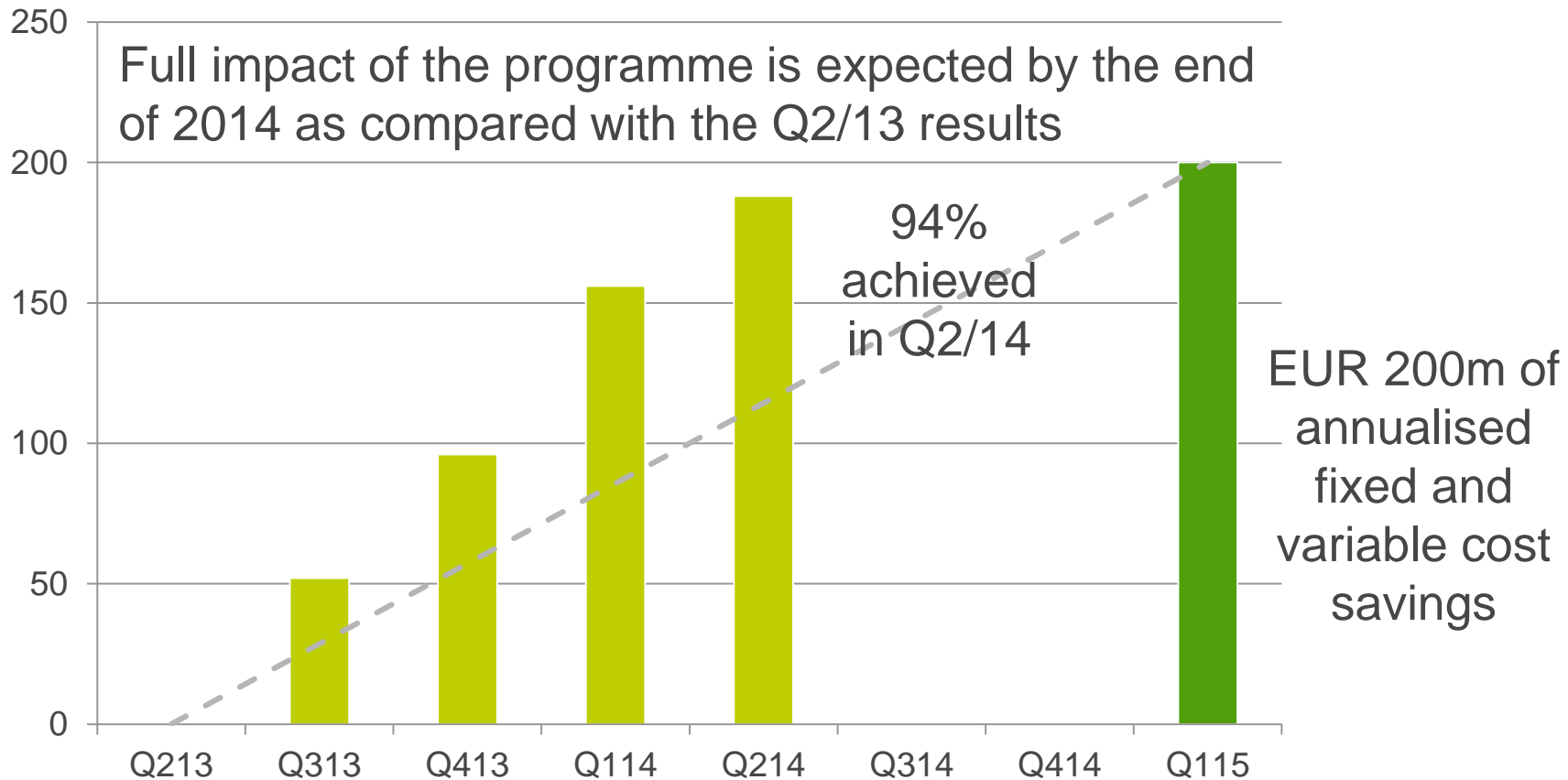
Sales EUR 2,441m		-3%
EBITDA EUR 298m		+40m
Operating profit (*) EUR 186m		+48m
Profit before tax (*) EUR 169m		+49m
EPS (*) EUR 0.26		+0.06

H1 2014 vs. H1 2013:

Operating profit (*) EUR 382m		+100m
Operating cash flow EUR 479m		+292m
Net debt EUR 2,925m		-599m
Gearing 40%		-8pp
Net debt / EBITDA 2.4x		-0.6x

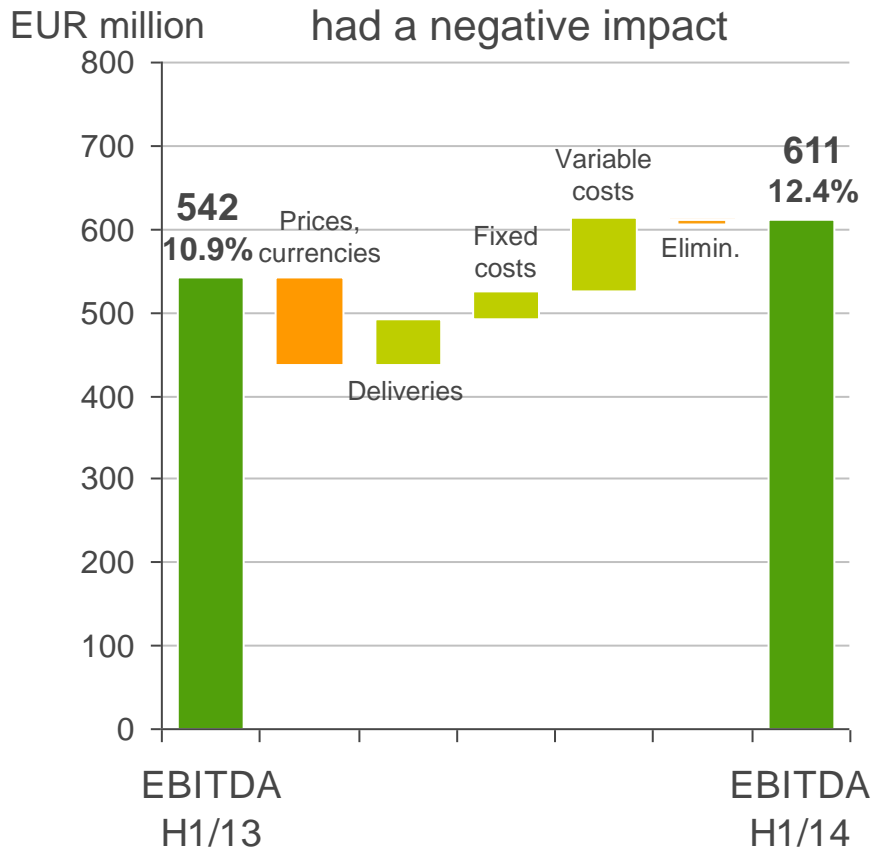
Profit improvement programme progressing fast

EUR million

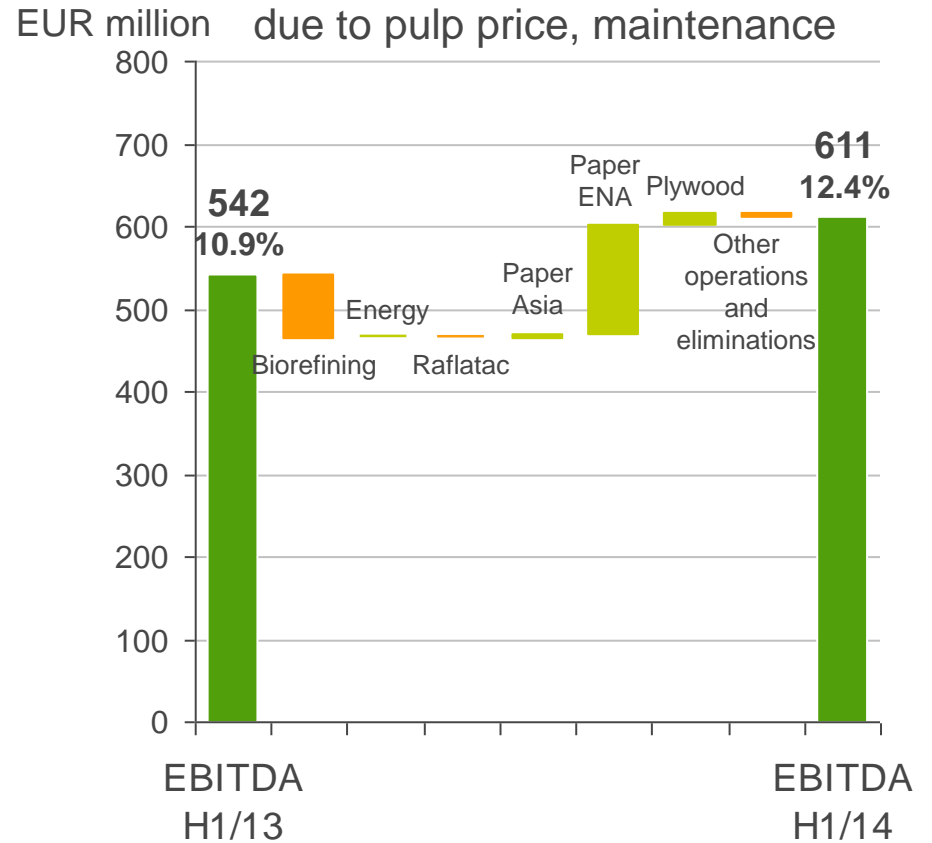


EBITDA in H1 2014 vs. H1 2013

Significant cost savings
Currencies, pulp and paper prices
had a negative impact

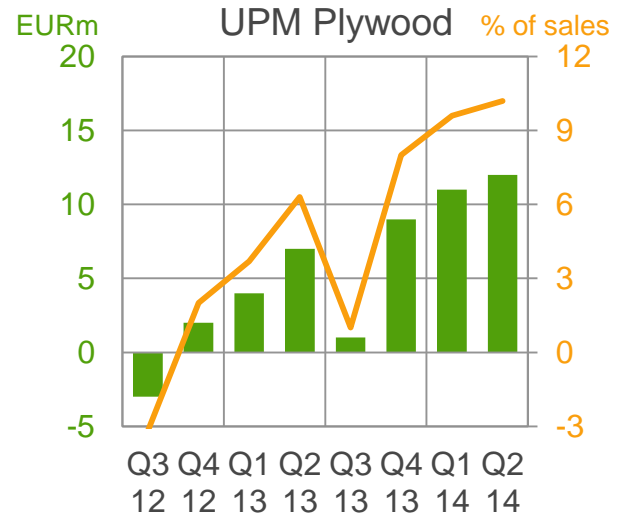
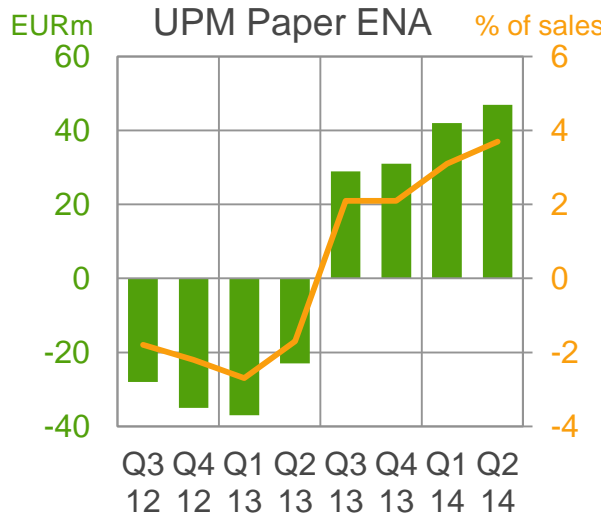
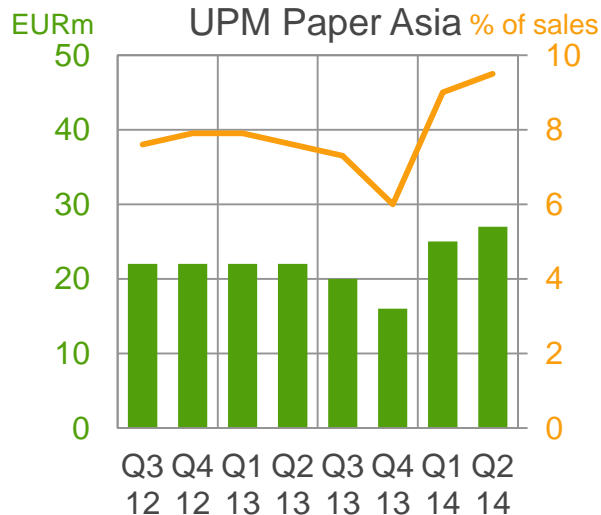
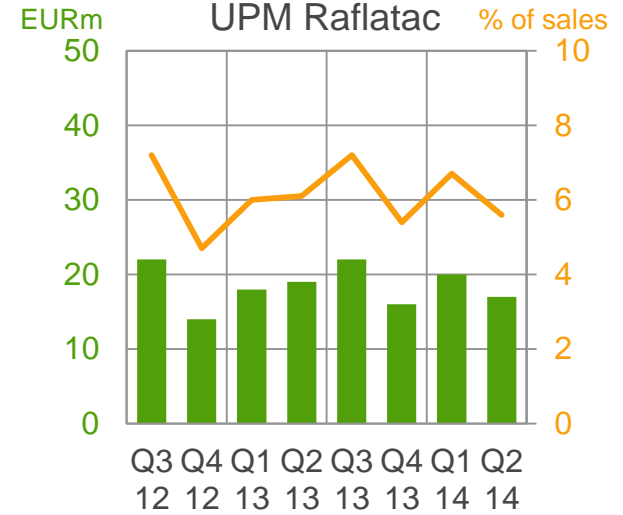
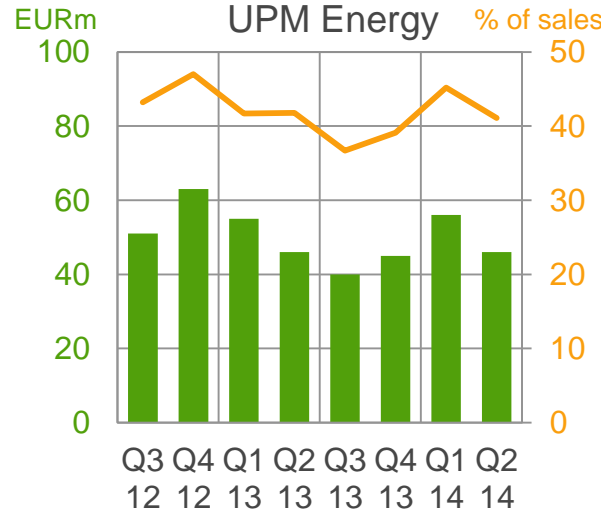
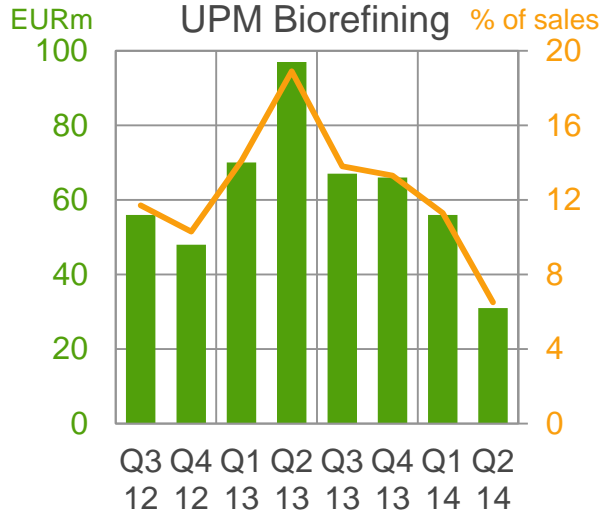


Significant improvement in UPM Paper ENA
and UPM Plywood, UPM Biorefining lower
due to pulp price, maintenance





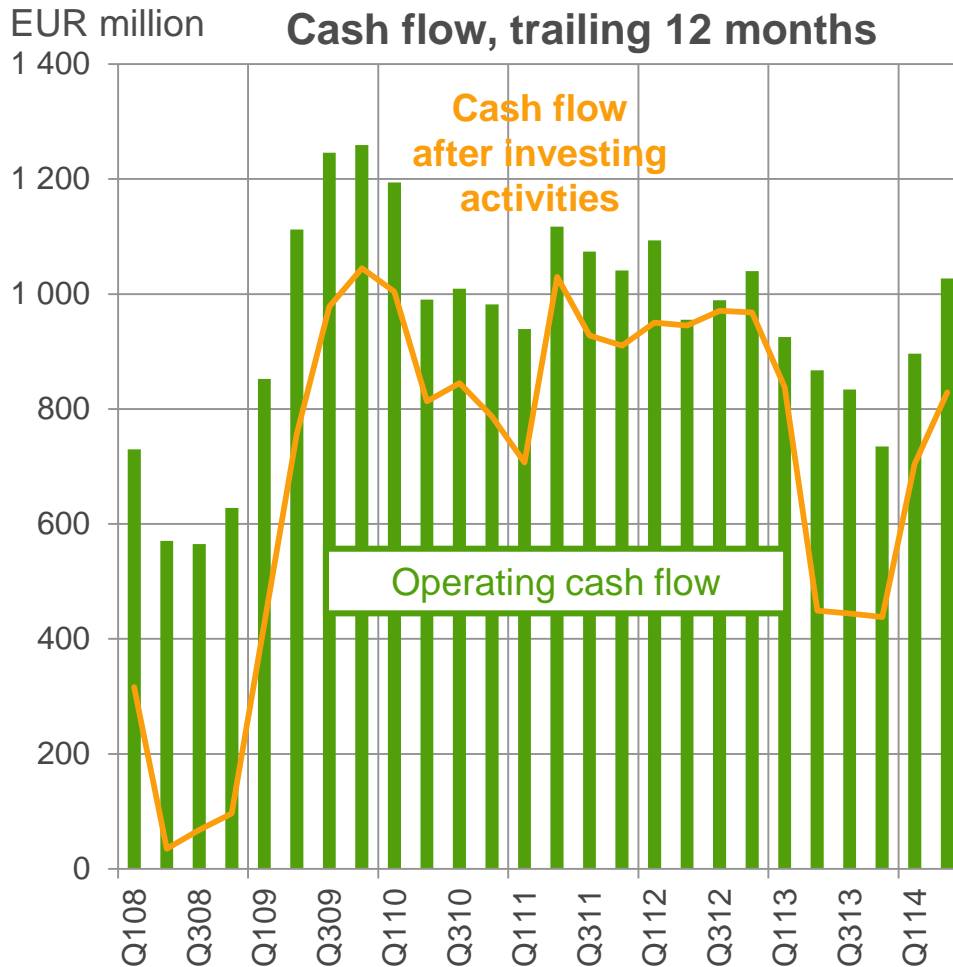
Operating profit *) by business area



*) excluding special items

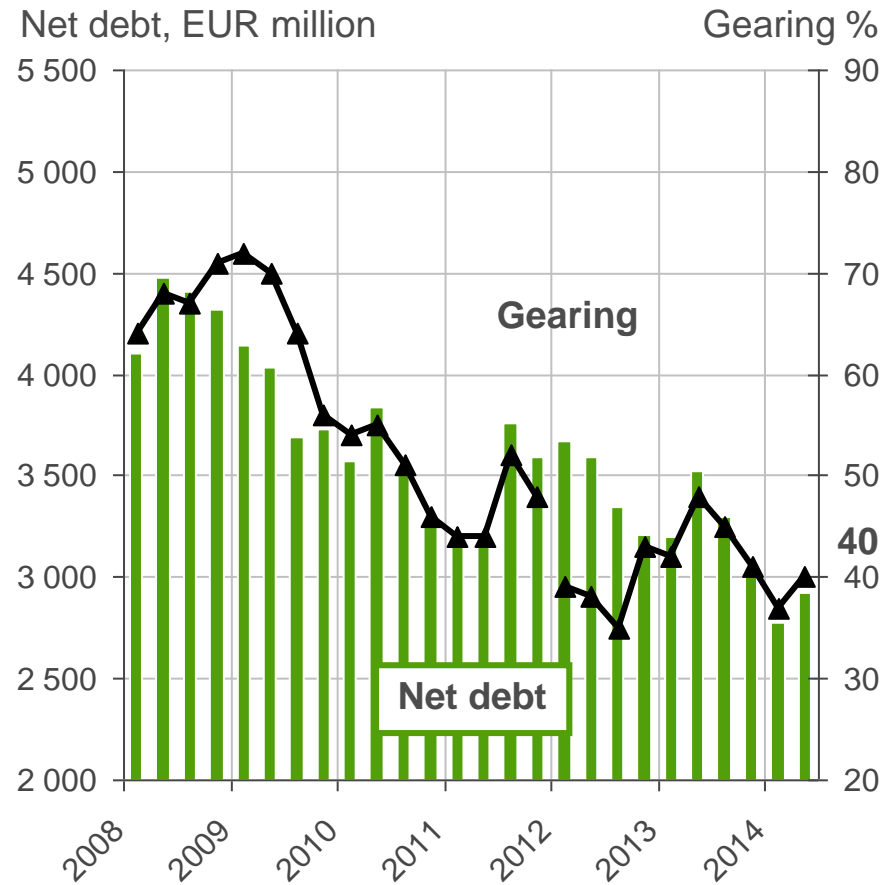
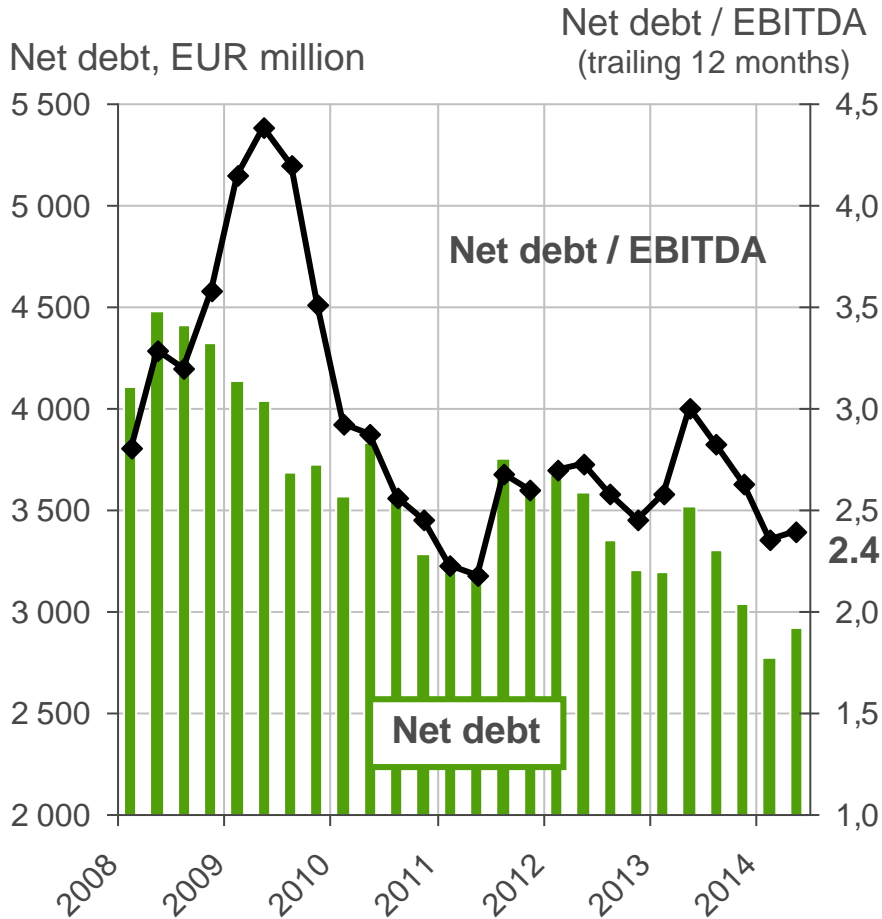


Strong cash flow



- Q2 2014 operating cash flow was EUR 215m (84m)
- Last 12 months' operating cash flow was EUR 1,027m (867m)

Strengthening balance sheet



Liquidity was EUR 1.8bn at the end of Q2 2014
 Repayments total EUR 0.5bn in 2014



UPM business outlook is broadly stable ^{*)}

- In H2 2014, UPM's performance is expected to be underpinned by similar or slightly better performance in UPM Paper ENA, UPM Paper Asia, UPM Raflatac, UPM Plywood and UPM Energy, when compared to H2 2013.
- UPM Biorefining performance in H2 2014 compared to H2 2013 continues to be impacted by lower chemical pulp prices.
- Commercial production of renewable diesel at the Lappeenranta biorefinery is expected to start during the autumn 2014. The impact on UPM Biorefining earnings is expected to be minor during H2 2014.

^{*)} See complete wording of the "Outlook" in the Q2 2014 interim report

Growth projects

Lappeenranta biorefinery nearing its start

- Sales agreement with NEOT signed in June
- Construction of the biorefinery was completed in July
- Testing and commissioning process is ongoing
- Commercial production of renewable diesel is expected to start during the autumn
- Earnings impact is expected to be minor during H2 2014



The Biofore Company UPM



Growth projects

10% expansion in pulp production capacity

- Pietarsaari pulp mill modernisation and 70,000t expansion completed in June
- Kymi pulp mill 170,000t expansion proceeding on schedule, start-up by the end of 2015
- Fray Bentos pulp mill received an increased production permit, allowing a further 100,000t of production. Minor investments are planned for H2/14
- Further debottlenecking potential at the Kaukas pulp mill



Growth projects

Growth in developing markets

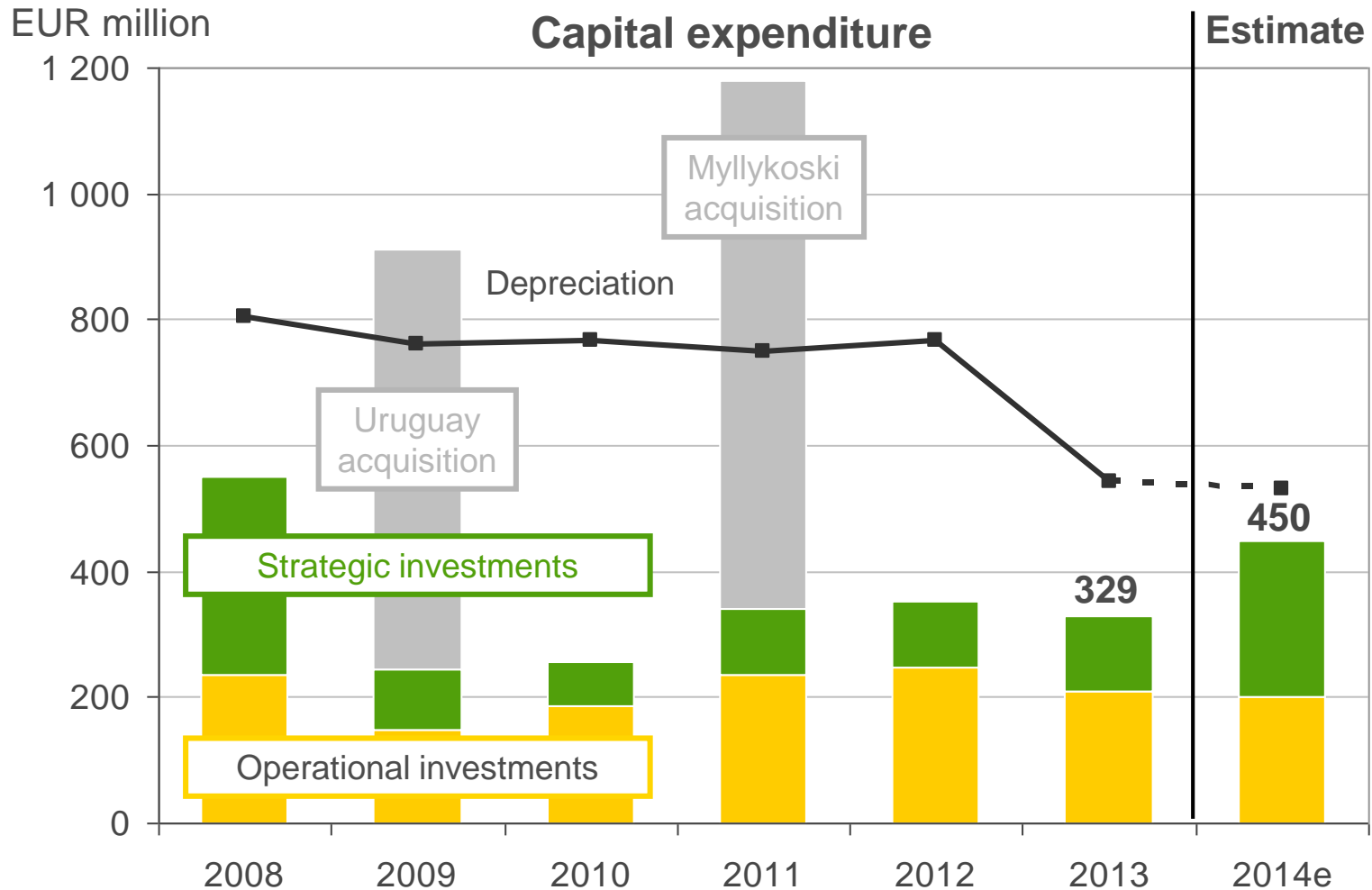
- Investment in labelling materials and woodfree speciality papers at the UPM Changshu mill in China, capacity of 360,000t, start-up by the end of 2015
- 50% increase in self-adhesive labelstock coating capacity in APAC, start-up by the end of 2014
- Expansion of filmic labelstock production in Nowa Wies, Poland, start-up in Q1 2015



The Biofore Company UPM



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





Summary

- Strong Q2 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



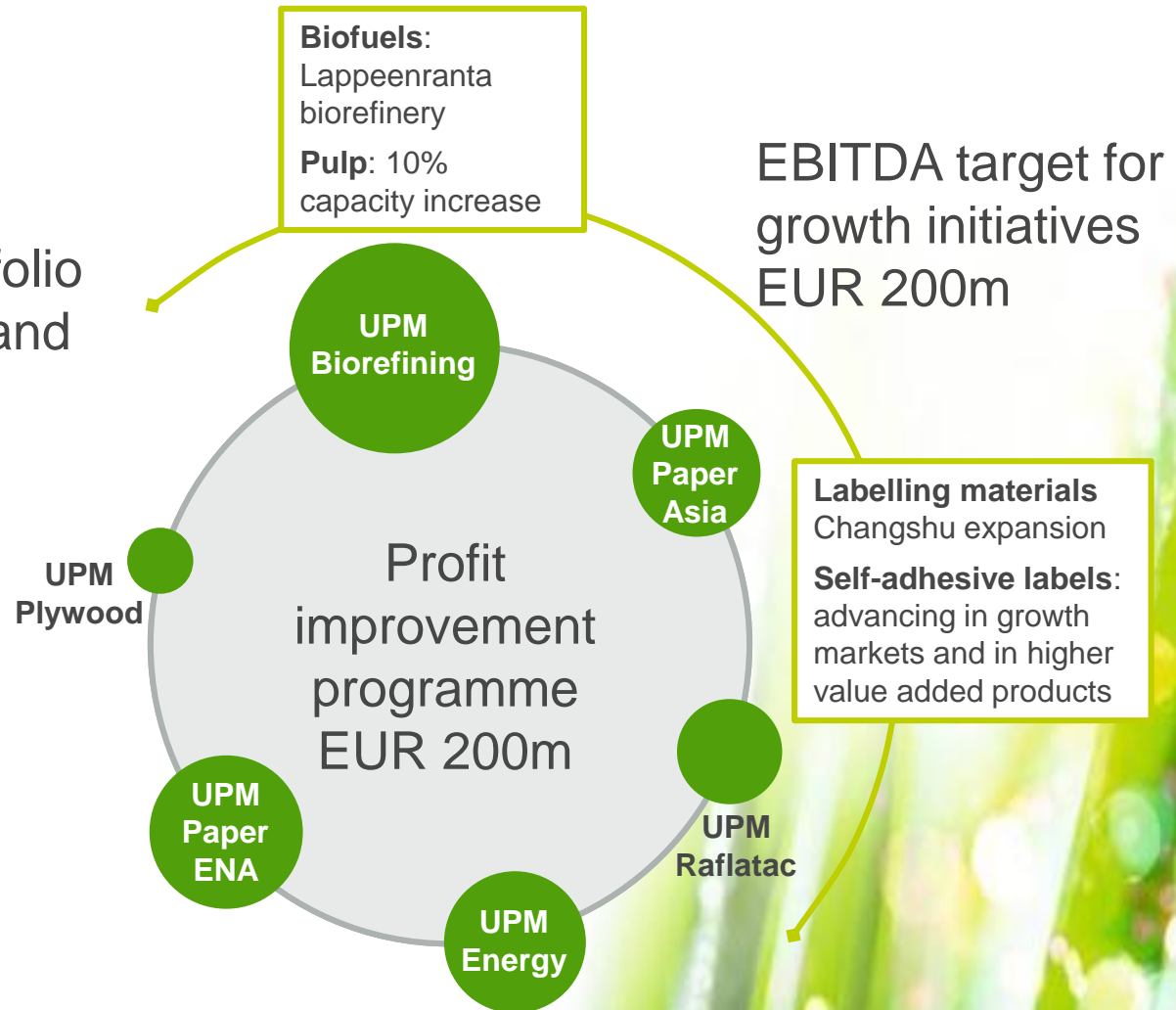
BIOFUELS



BIOCHEMICALS



BIOCOMPOSITES





UPM

The Biofore
Company



The Biofore Company **UPM**

FINANCIALS Q2 2014





Q2 2014 key figures

EUR million	Q2 2014	Q2 2013	Q1 2014	H1 2014	H1 2013	2013
Sales	2,441	2,520	2,481	4,922	4,994	10,054
EBITDA	298	258	313	611	542	1,155
% of sales	12.2	10.2	12.6	12.4	10.9	11.5
Operating profit *)	186	138	196	382	282	683
Profit before tax *)	169	120	176	345	249	610
Earnings per share, EUR *)	0.26	0.20	0.27	0.53	0.38	0.91
Operating cash flow	215	84	264	479	187	735
Net debt	2,925	3,524	2,777	2,925	3,524	3,040
Gearing %	40	48	37	40	48	41

*) excluding special items

Cash flow

EUR million	Q2/14	Q2/13	Q1/14	H1/14	H1/13	2013
EBITDA	298	258	313	611	542	1,155
Cash flow before change in working capital	279	268	297	576	502	1,085
Change in working capital	-36	-119	1	-35	-215	-128
Finance costs and income taxes	-28	-65	-34	-62	-100	-222
Net cash from operating activities	215	84	264	479	187	735
Capital expenditure	-106	-69	-68	-174	-167	-337
Asset sales and acquisitions	1	-29	69	70	-36	40
Cash flow after investing activities	110	-14	265	375	-16	438



Maturity profile and liquidity

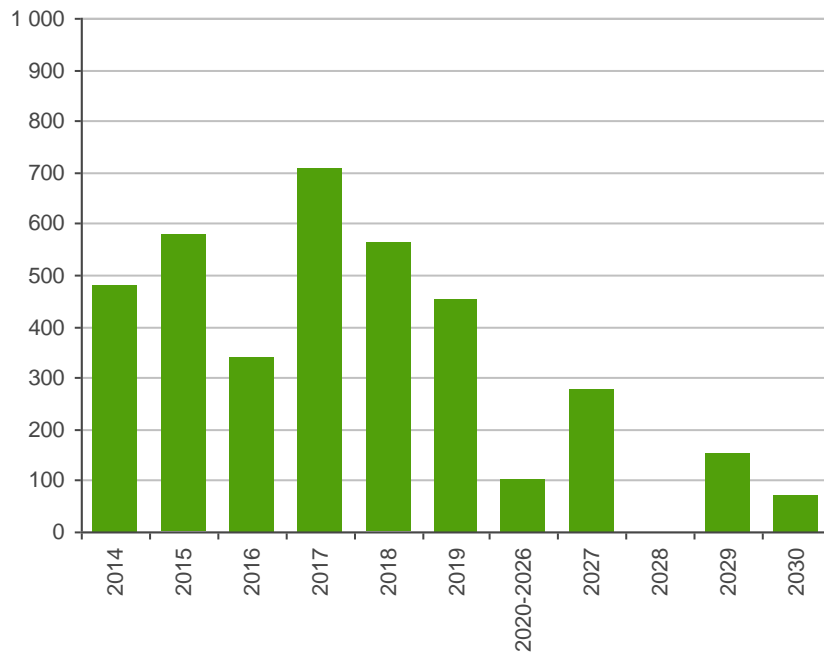
Liquidity

Liquidity on 30 June 2014 was EUR 1.8bn (cash and unused credit facilities)

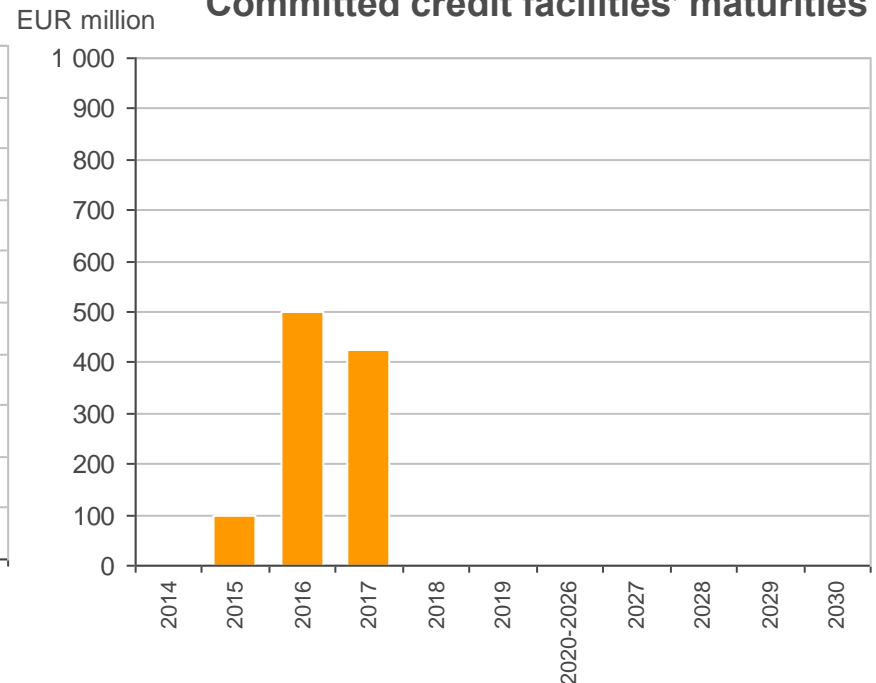
Committed credit facilities EUR 1.025bn

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

EUR million **Maturity profile of outstanding debt**



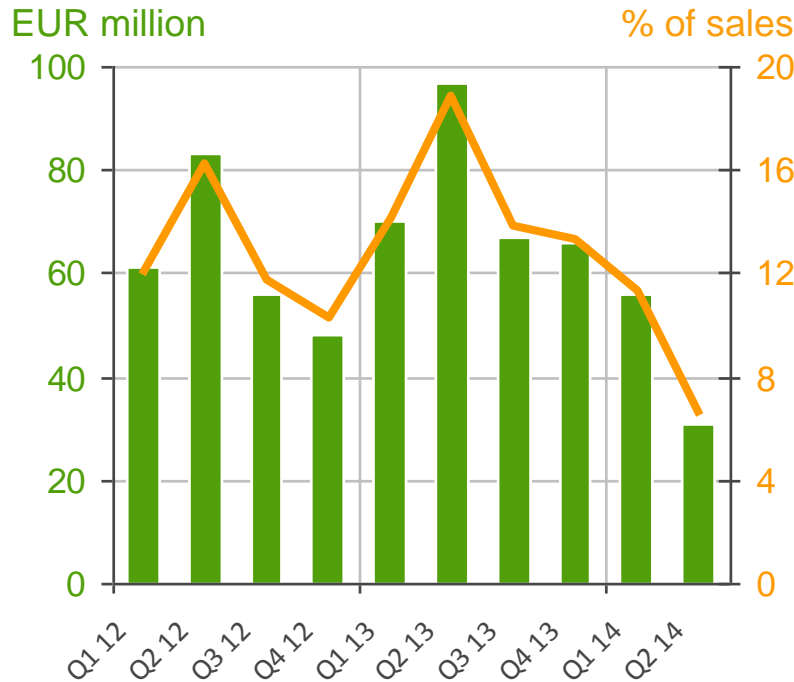
EUR million **Committed credit facilities' maturities**





UPM Biorefining Q2 2014 vs. Q2 2013

Operating profit excluding special items



Business performance

- Operating profit decreased mainly due to lower hardwood pulp prices, partly due to adverse currency impact, the scheduled maintenance shutdown at the UPM Pietarsaari pulp mill and a prolonged start-up at the UPM Kaukas pulp mill following its maintenance shutdown.
- Pulp deliveries increased by 7% to 832,000 tonnes (774,000).

Sales **Q2 2014** 477 -7%
 EUR million Q2 2013 512

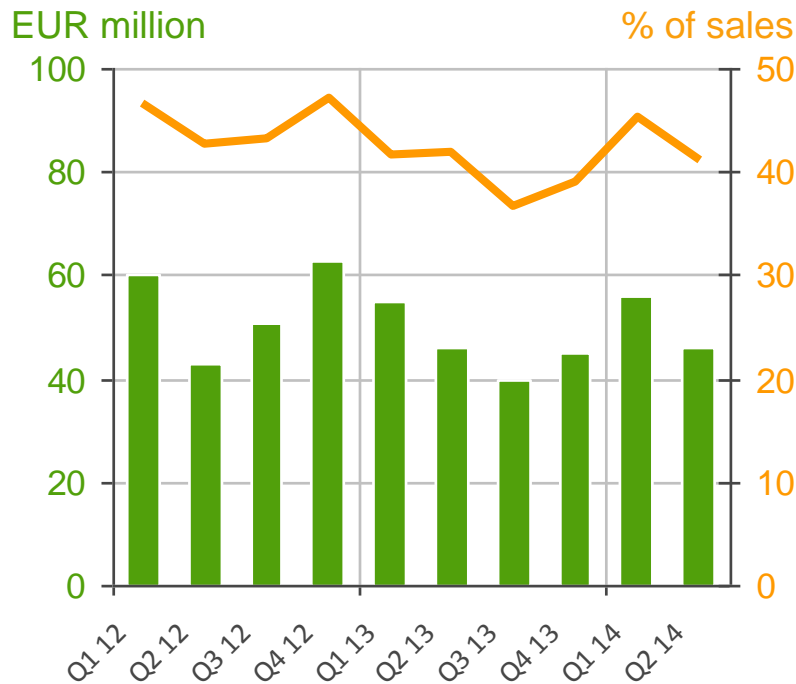
Operating profit **Q2 2014** 31 -66
 EUR million*) Q2 2013 97
 EUR million

*) excluding special items



UPM Energy Q2 2014 vs. Q2 2013

Operating profit excluding special items



Business performance

- Operating profit remained on last year's level as the decrease in costs offset the impact of lower average sales prices.
- The average electricity sales price decreased by 1% to EUR 44.5/MWh (45.0/MWh).

Sales **Q2 2014** **112** **2%**
 EUR million Q2 2013 110

Operating profit **Q2 2014** **46**
 EUR million*) Q2 2013 46 EUR million

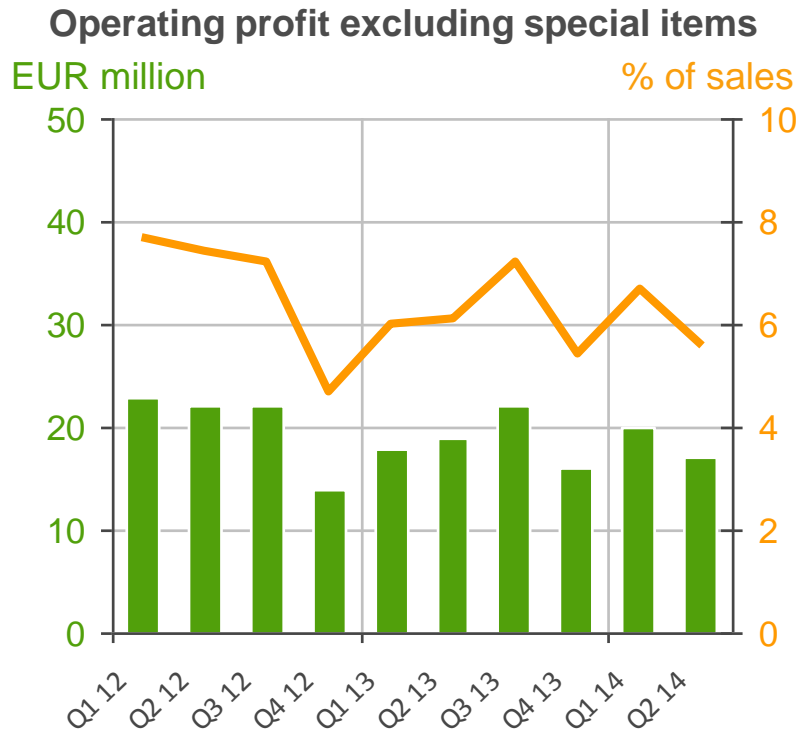
*) excluding special items



UPM Raflatac Q2 2014 vs. Q2 2013

Business performance

- Operating profit decreased due to temporary operational issues and currency impact. Lower fixed costs and higher delivery volumes offset the negative sales margin impact.



Sales **Q2 2014 306** **-1%**
 EUR million Q2 2013 309

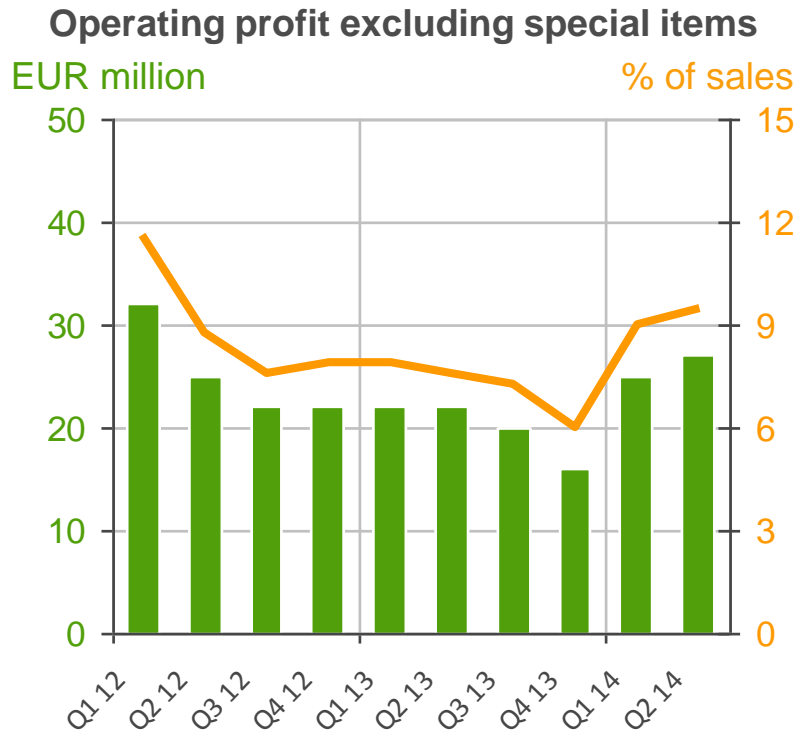
Operating profit **Q2 2014 17** **-2**
 EUR million*) Q2 2013 19
 *) excluding special items



UPM Paper Asia Q2 2014 vs. Q2 2013

Business performance

- Operating profit increased mainly due to lower variable and fixed costs. Average sales prices were lower mainly due to negative currency impact.



Sales **Q2 2014 285** **-1%**
 EUR million Q2 2013 289

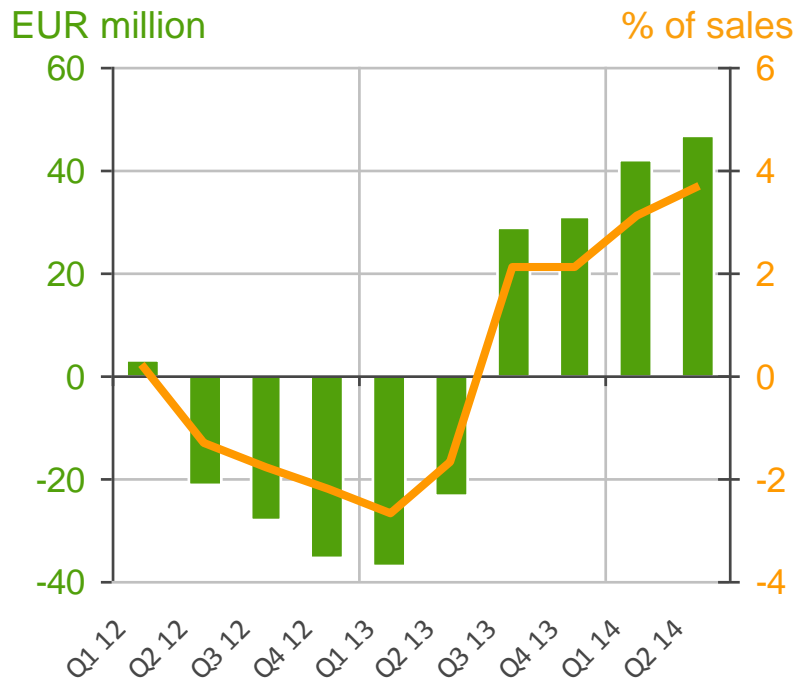
Operating profit **Q2 2014 27** **5**
 EUR million*) Q2 2013 22 EUR million

*) excluding special items



UPM Paper ENA Q2 2014 vs. Q2 2013

Operating profit excluding special items



Business performance

- Operating profit increased due to lower variable and fixed costs, to a large extent driven by the ongoing profit improvement programme.
- The average price for all paper deliveries in euros was approximately 1% lower than last year.
- Paper deliveries decreased by 4% to 2,098,000 tonnes (2,181,000).

Sales **Q2 2014 1,286** **-5%**
 EUR million Q2 2013 1,358

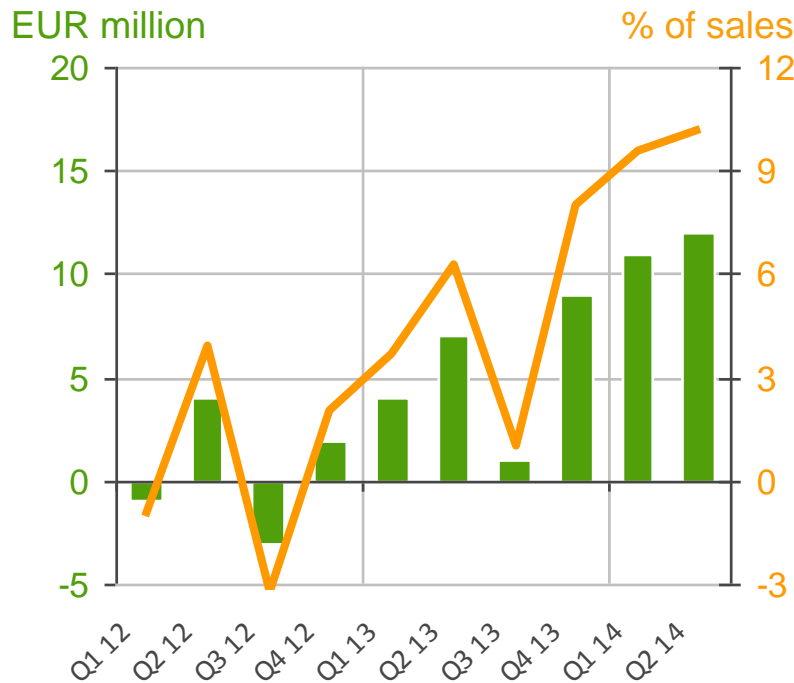
Operating profit **Q2 2014 47** **70**
 EUR million*) Q2 2013 -23 EUR million

*) excluding special items



UPM Plywood Q2 2014 vs. Q2 2013

Operating profit excluding special items



Business performance

- Operating profit increased due to improved sales margin resulting from higher sales prices and lower variable costs, as well as higher delivery volumes.
- Deliveries increased by 4% to 199,000 cubic metres (191,000).

Sales **Q2 2014 118** **6%**
 EUR million Q2 2013 111

Operating profit **Q2 2014 12** **5**
 EUR million*) Q2 2013 7 EUR million

*) excluding special items



UPM

The Biofore
Company