






MORE WITH BIOFORE

UPM RESULTS Q3 2014






Jussi Pesonen
President and CEO
28 October 2014

Successful profit improvement programme prompted strong Q3 2014 results

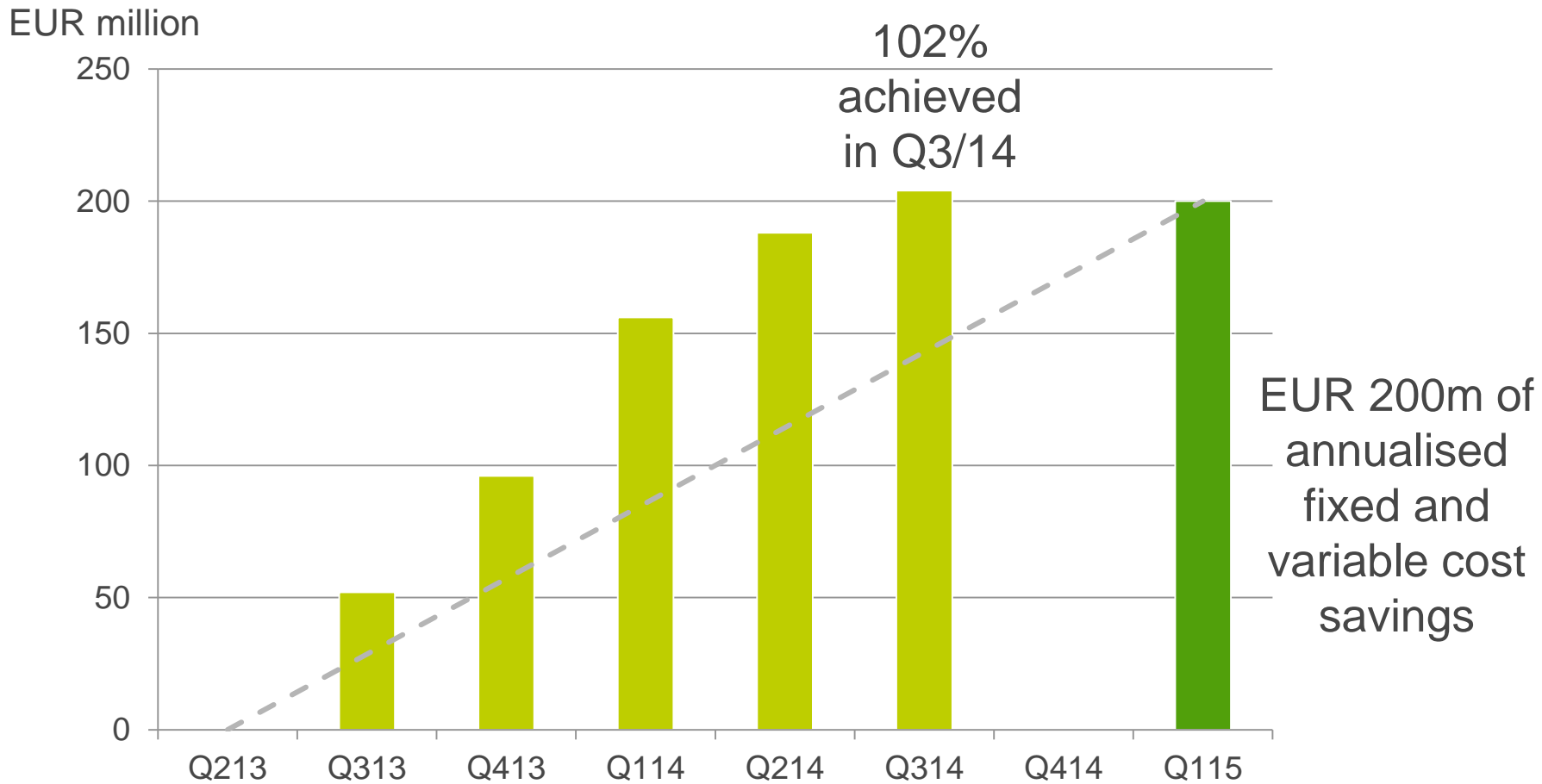
Q3 2014 vs. Q3 2013:

Sales EUR 2,415m		-2%
EBITDA EUR 346m		+35m
Operating profit (*) EUR 235m		+41m
Profit before tax (*) EUR 213m		+40m
EPS (*) EUR 0.32		+0.06

Q1-Q3 2014 vs. Q1-Q3 2013:

Operating profit (*) EUR 617m		+141m
Operating cash flow EUR 779m		+306m
Net debt EUR 2,726m		-575m
Gearing 36%		-9pp
Net debt / EBITDA 2.2x		-0.6x

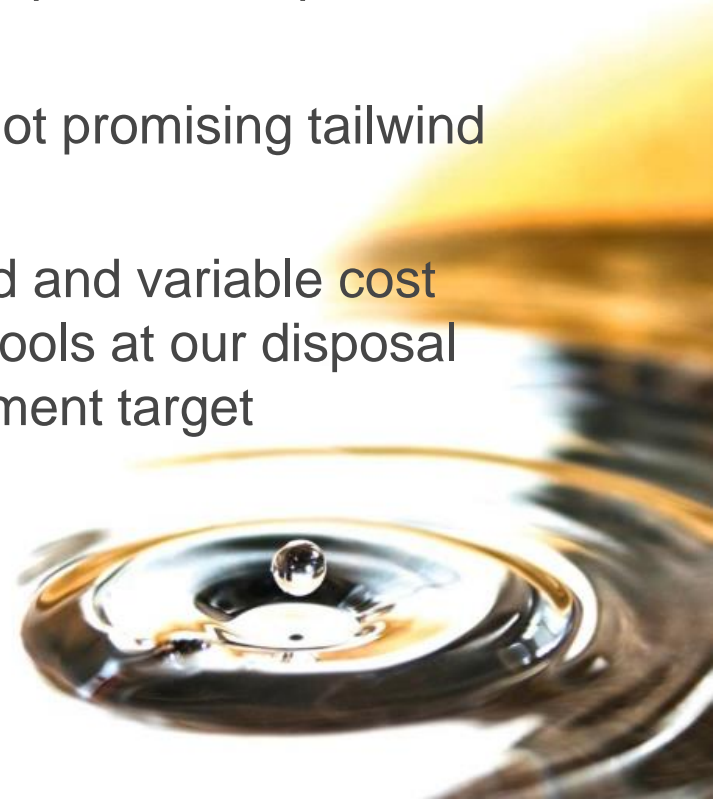
Profit improvement programme achieved its target in Q3 2014





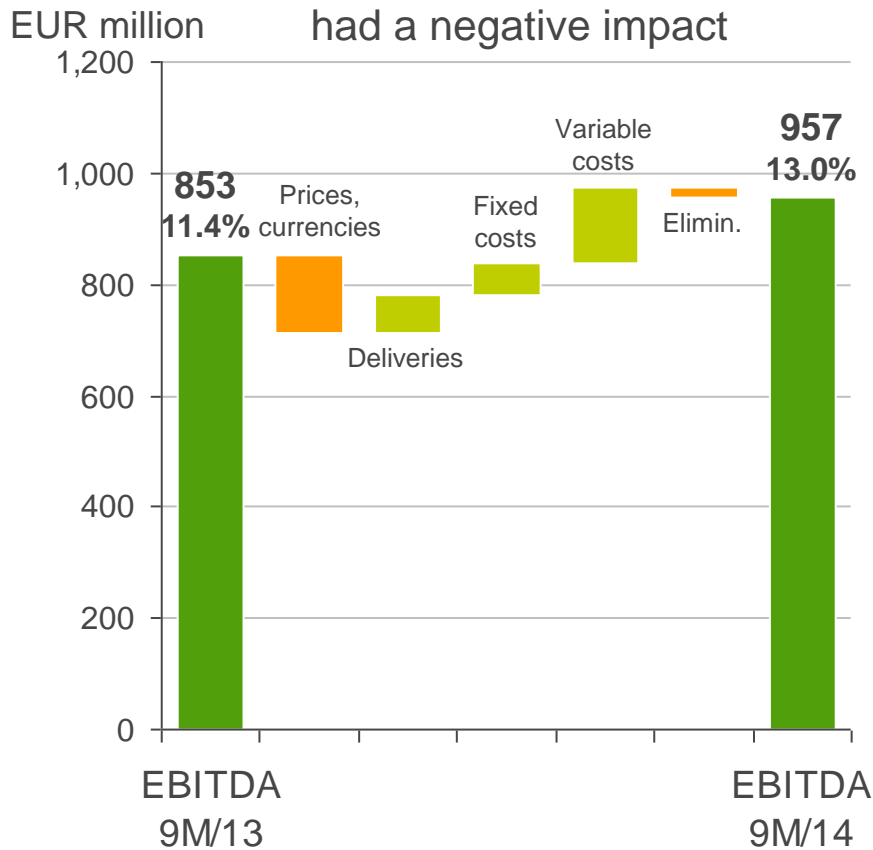
UPM is preparing a new profit improvement plan The Biofore Company UPM

- The EUR 200m profit improvement programme was completed ahead of schedule and improved UPM's profitability significantly
- In the process, UPM has identified further improvement potential
- Continuously weak European economy is not promising tailwind
- UPM is preparing a new plan including fixed and variable cost savings. We are analyzing the means and tools at our disposal and will communicate a new profit improvement target in the next few weeks

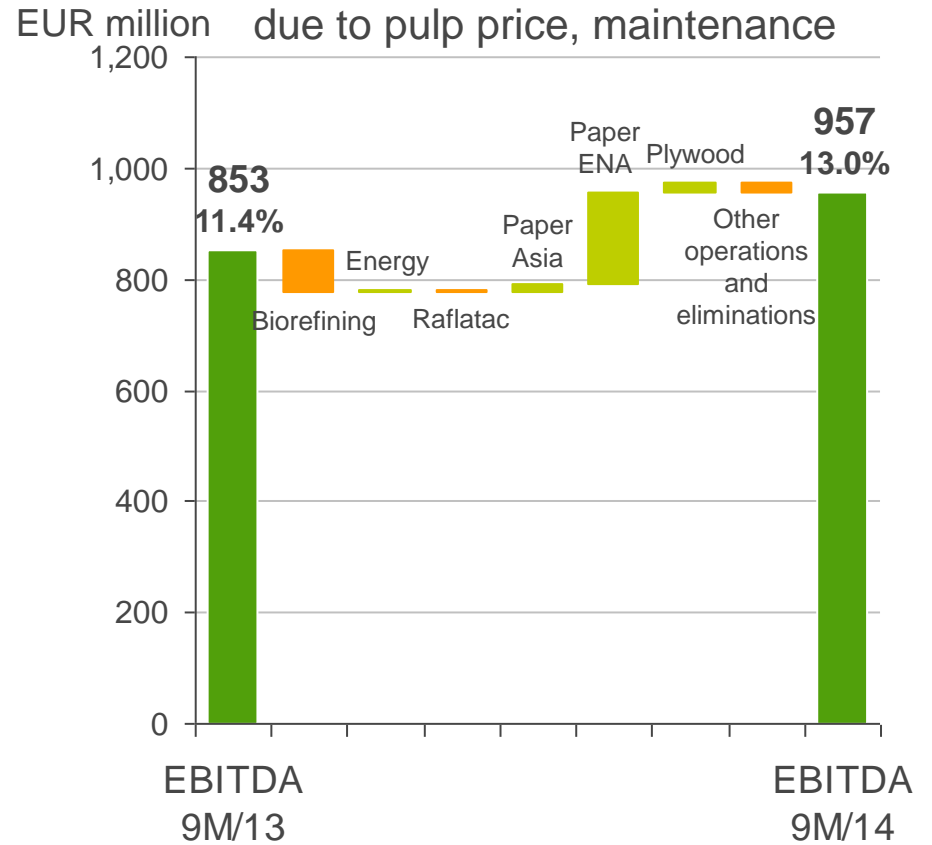


EBITDA in Q1-Q3 2014 vs. Q1-Q3 2013

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

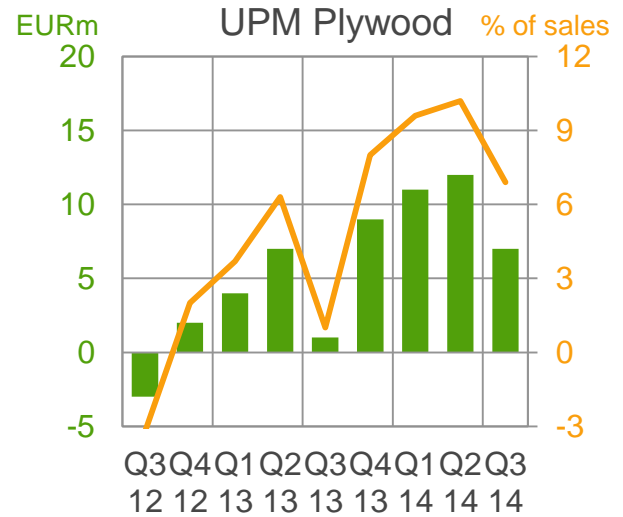
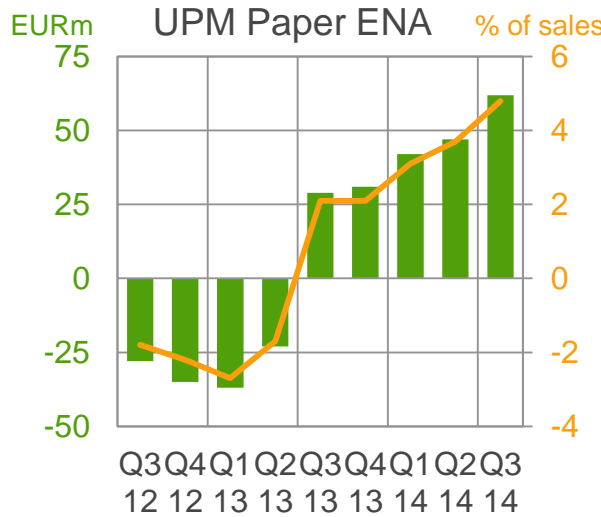
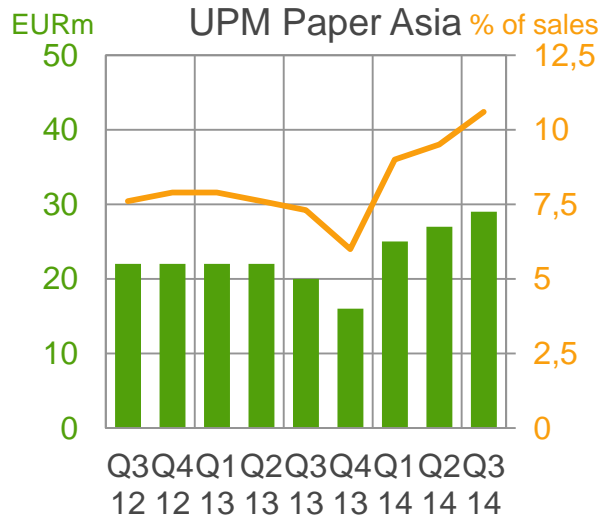
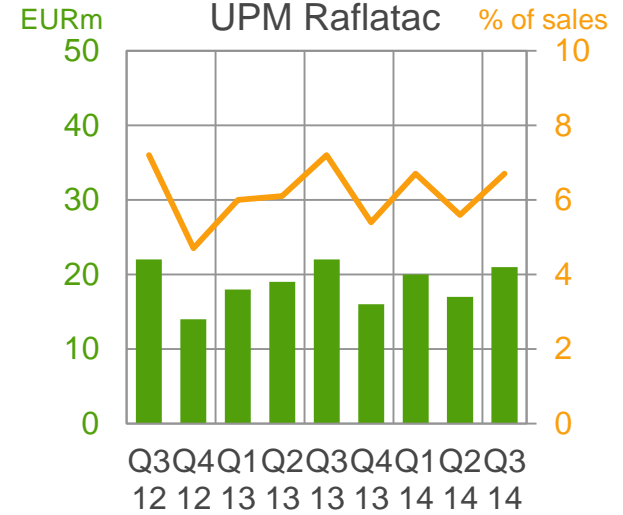
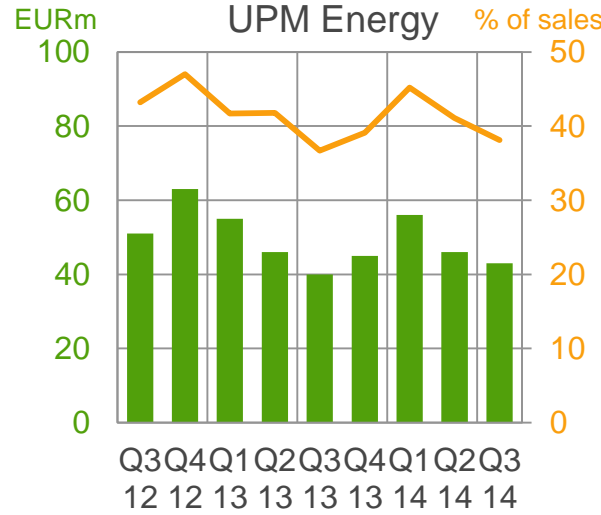
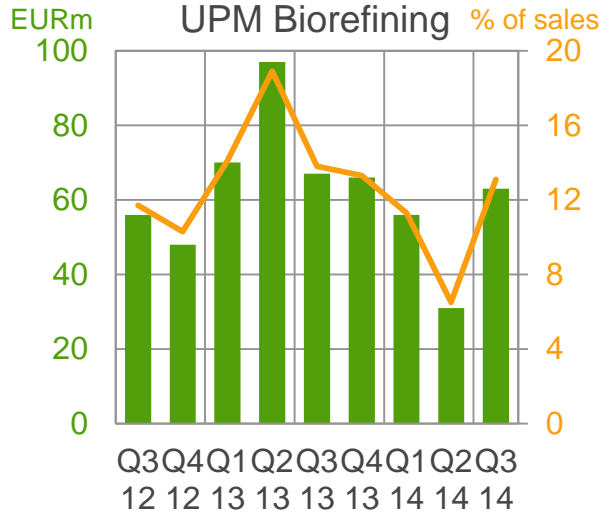


Significant improvement in UPM Paper ENA
and UPM Plywood, UPM Biorefining lower
due to pulp price, maintenance





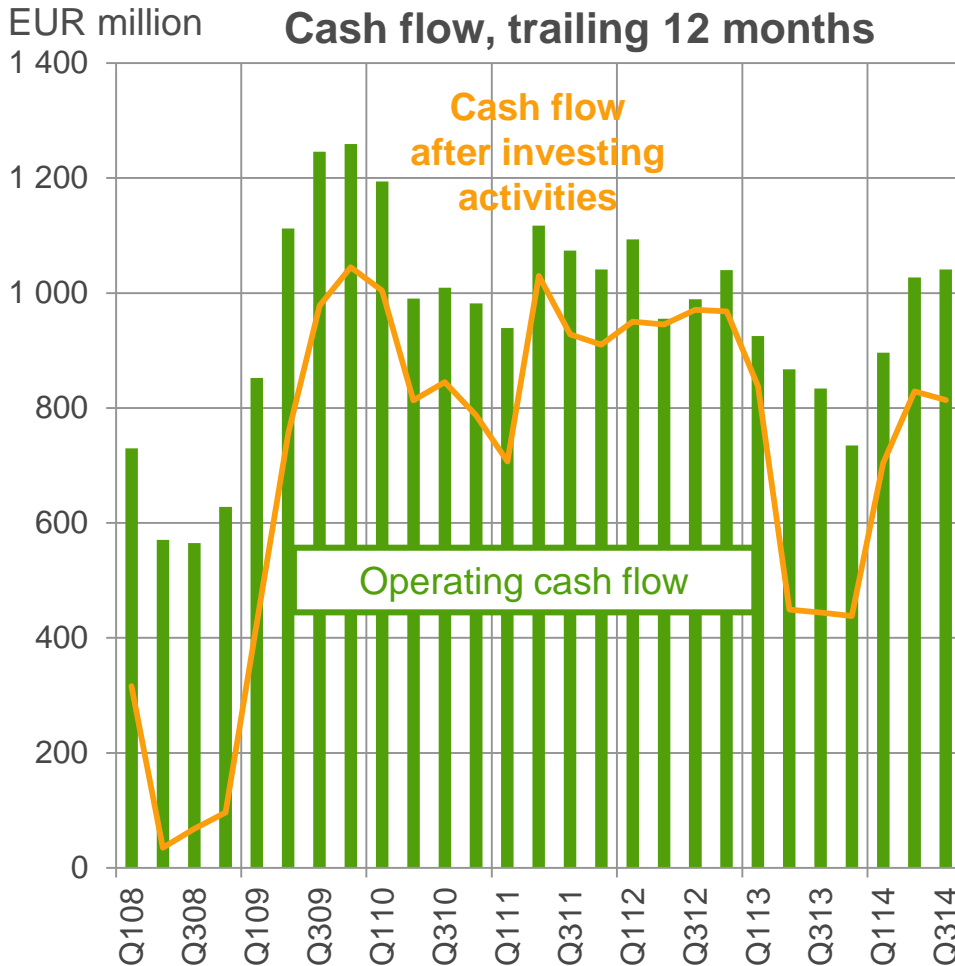
Operating profit *) by business area



*) excluding special items



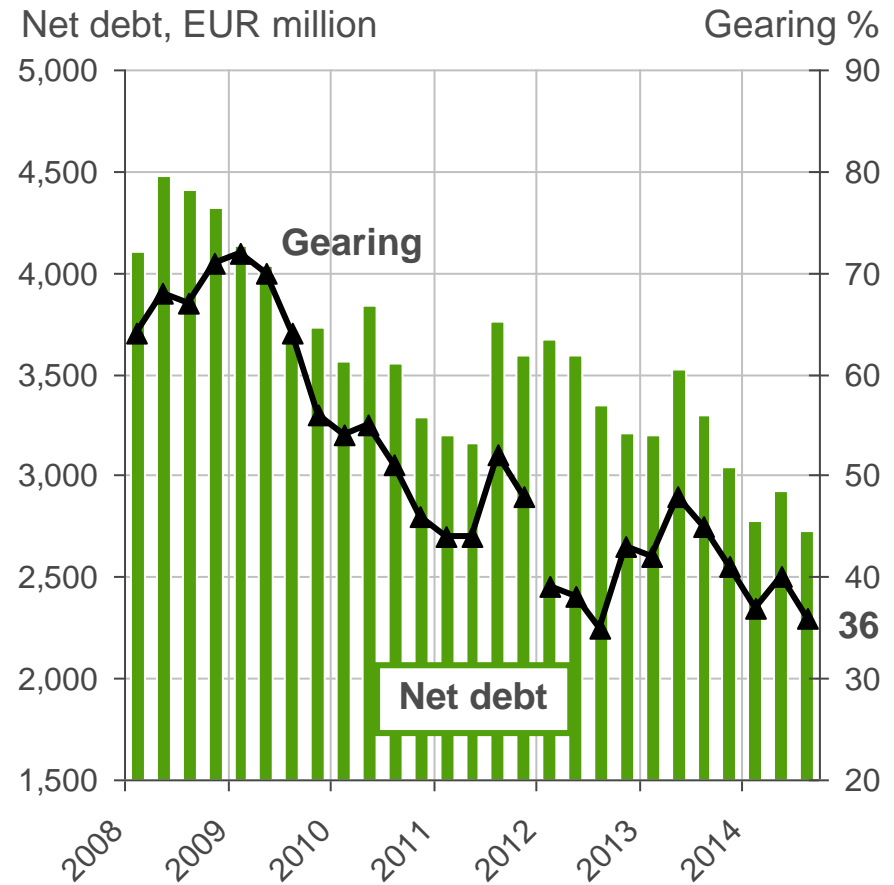
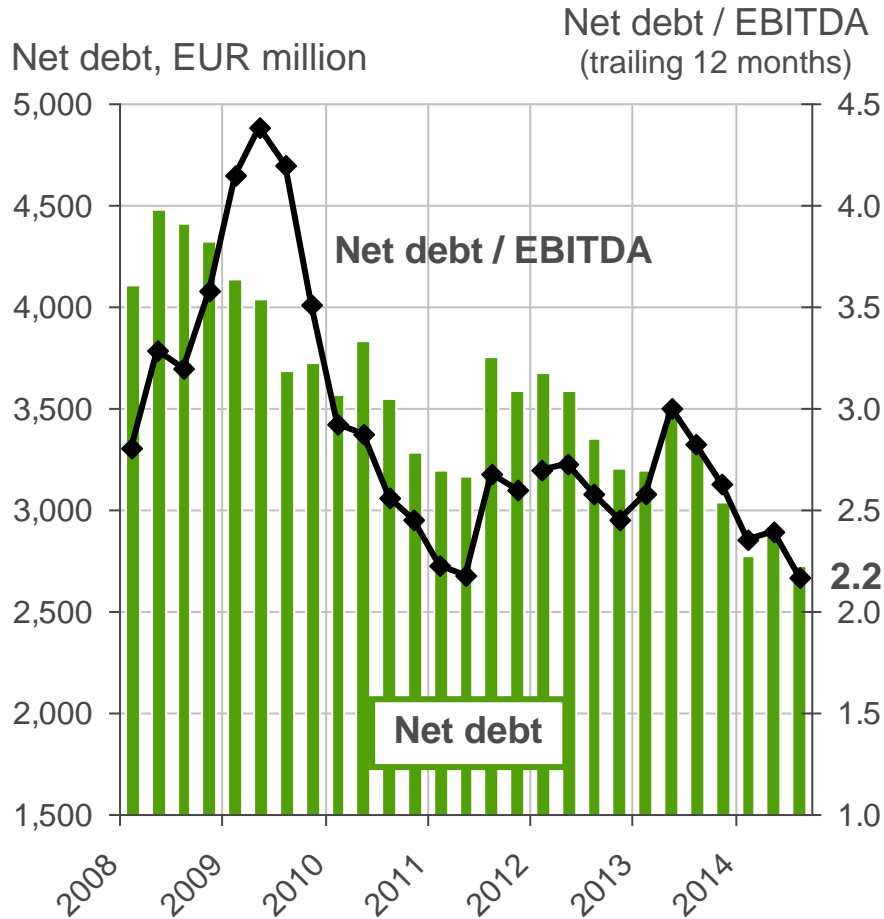
Consistently strong cash flow



- Q3 2014 operating cash flow was EUR 300m (286m)
- Last 12 months' operating cash flow was EUR 1,041m (834m)



Continuously strengthening balance sheet



Liquidity was EUR 1.7bn at the end of Q3 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 in Q4 2014.
- Q4 2014 is expected to be impacted by seasonally higher fixed costs, the year-end stoppages in the company's paper mills as well as the maintenance shutdown of the Fray Bentos pulp mill, when compared to Q3 2014.

Growth projects

Lappeenranta biorefinery nearing its start

- Sales agreement with NEOT signed in June
- Construction of the biorefinery was completed in July
- Commissioning process has proceeded well, and the commercial production of advanced renewable diesel is expected to start during Q4 2014
- Earnings impact is expected to be minor during H2 2014



Growth projects

10% expansion in pulp production capacity

- Pietarsaari pulp mill modernisation and 70,000t capacity expansion completed in June
- Fray Bentos pulp mill production permit allows a further 100,000t of production. Minor investments are carried out in Q4 2014
- Kymi pulp mill 170,000t capacity expansion proceeding well, start-up by the end of 2015
- Further debottlenecking potential at the Kaukas pulp mill



Growth projects

Advancing in growth markets

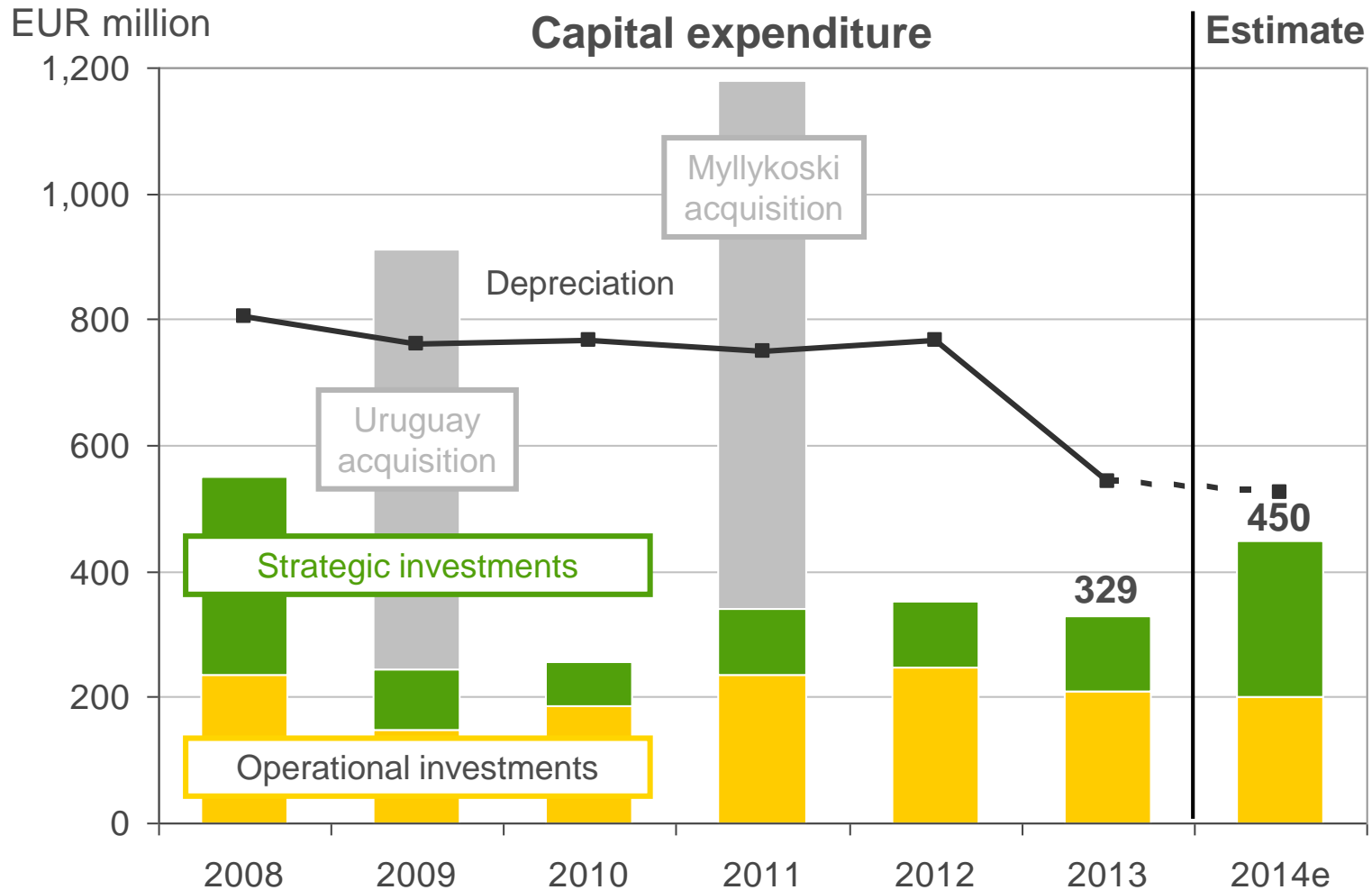
- Investment in labelling materials and woodfree speciality papers at the UPM Changshu mill in China proceeding well, capacity 360,000t, start-up by the end of 2015
- 50% increase in self-adhesive labelstock coating capacity in APAC, start-up in Q1 2015
- Expansion of filmic labelstock production in 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 Q3 2014 results thanks to fast implementation of the EUR 200m profit improvement programme
- UPM is preparing a new profit improvement plan, to be communicated in the next few weeks
- Consistently strong cash flow and strengthening balance sheet form the foundation for dividend growth and continued transformation of the company
- Solid progress in the attractive growth projects





Shifting gear in UPM transformation

Business portfolio development and value creation

New businesses



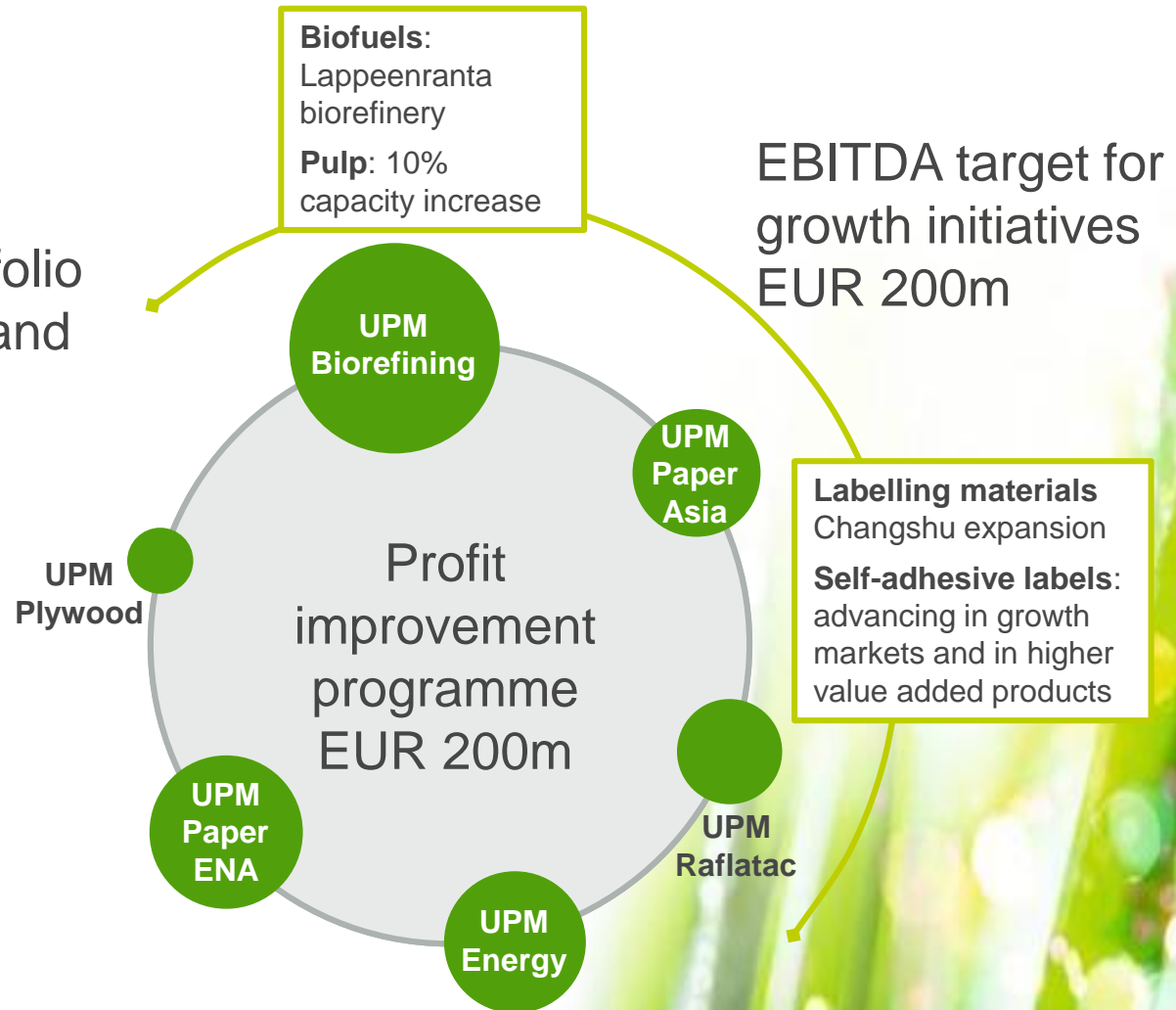
BIOFUELS



BIOCHEMICALS



BIOCOMPOSITES





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Q3 2014 key figures

EUR million	Q3 2014	Q3 2013	Q2 2014	Q1-Q3 2014	Q1-Q3 2013	2013
Sales	2,415	2,472	2,441	7,337	7,466	10,054
EBITDA	346	311	298	957	853	1,155
% of sales	14.3	12.6	12.2	13.0	11.4	11.5
Operating profit *)	235	194	186	617	476	683
Profit before tax *)	213	173	169	558	422	610
Earnings per share, EUR *)	0.32	0.26	0.26	0.85	0.64	0.91
Operating cash flow	300	286	215	779	473	735
Net debt	2,726	3,301	2,925	2,726	3,301	3,040
Gearing %	36	45	40	36	45	41

*) excluding special items

Cash flow

EUR million	Q3/14	Q3/13	Q2/14	Q1-Q3 2014	Q1-Q3 2013	2013
EBITDA	346	311	298	957	853	1,155
Cash flow before change in working capital	366	294	279	942	796	1,085
Change in working capital	-36	30	-36	-71	-185	-128
Finance costs and income taxes	-30	-38	-28	-92	-138	-222
Net cash from operating activities	300	286	215	779	473	735
Capital expenditure	-101	-79	-106	-275	-246	-337
Asset sales and acquisitions	14	21	1	84	-15	40
Cash flow after investing activities	213	228	110	588	212	438



Maturity profile and liquidity

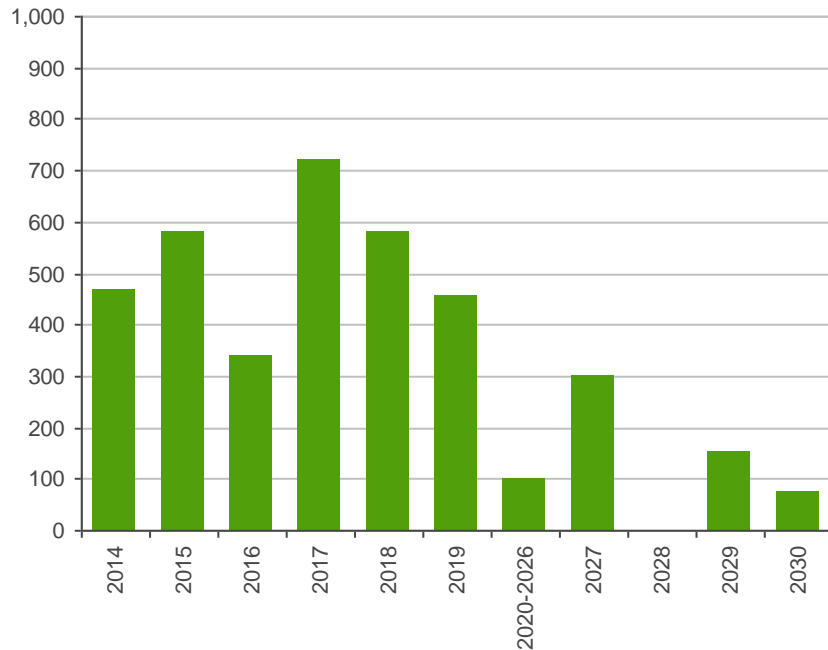
Liquidity

Liquidity on 30 September 2014 was € 1.7bn (cash and unused credit facilities)

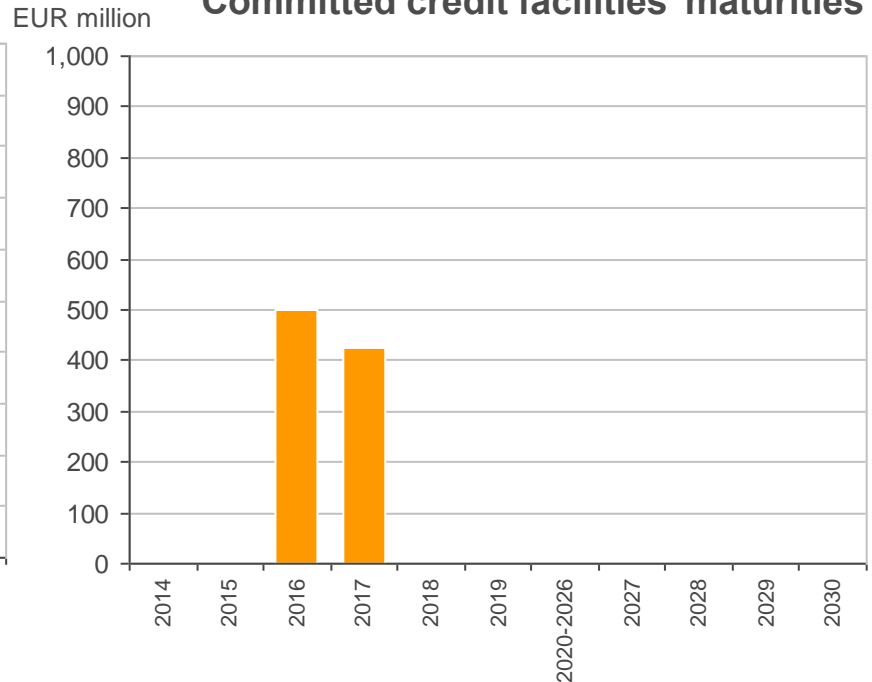
Committed credit facilities EUR 925bn

- syndicated credit facility EUR 500 million
- bilateral committed credit facilities EUR 425 million

EUR million **Maturity profile of outstanding debt**



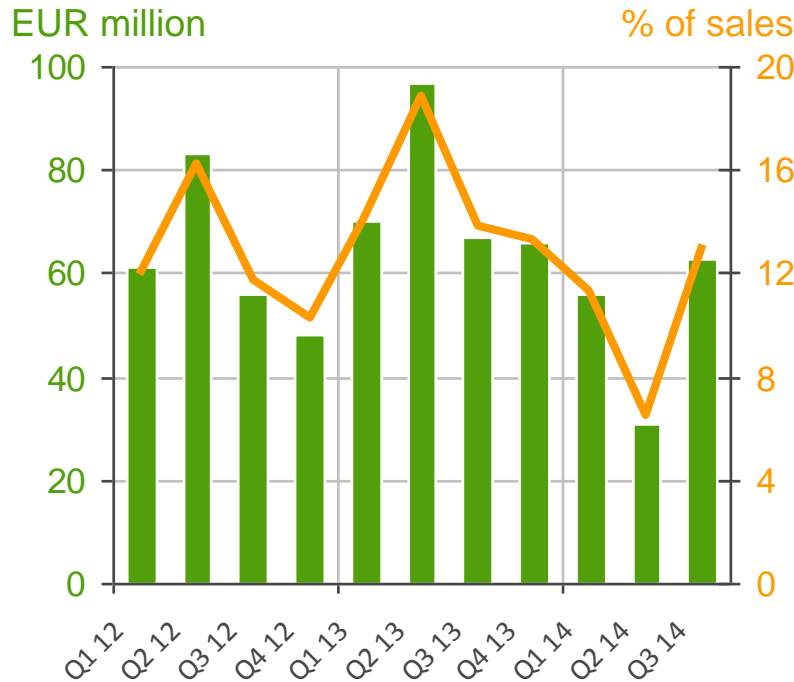
EUR million **Committed credit facilities' maturities**





UPM Biorefining Q3 2014 vs. Q3 2013

Operating profit excluding special items



Business performance

- Operating profit decreased slightly as improved production efficiency and higher delivery volumes nearly offset lower hardwood pulp prices.
- Pulp deliveries increased by 7% to 848,000 tonnes (789,000).

Sales **Q3 2014** **480** ▼ -1%
 EUR million Q3 2013 484

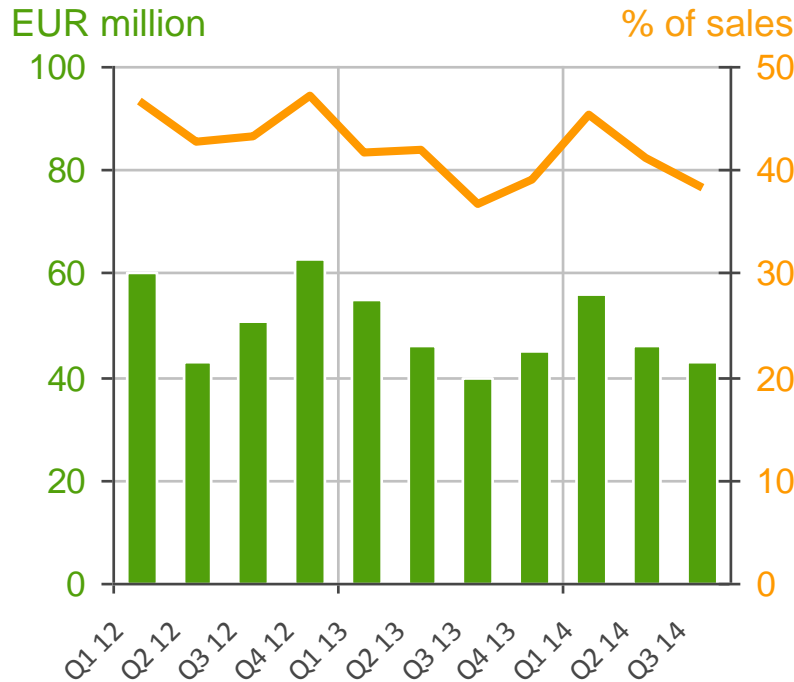
Operating profit **Q3 2014** **63** ▼ -4
 EUR million*) Q3 2013 67 EUR million

*) excluding special items



UPM Energy Q3 2014 vs. Q3 2013

Operating profit excluding special items



Business performance

- Operating profit increased mainly due to higher volumes and lower costs, more than offsetting the negative sales price impact.
- The average electricity sales price decreased by 2% to EUR 45.5/MWh (46.4/MWh).

Sales **Q3 2014** **113** **4%**
 EUR million **Q3 2013** **109**

Operating profit **Q3 2014** **43** **3**
 EUR million*) **Q3 2013** **40** EUR million

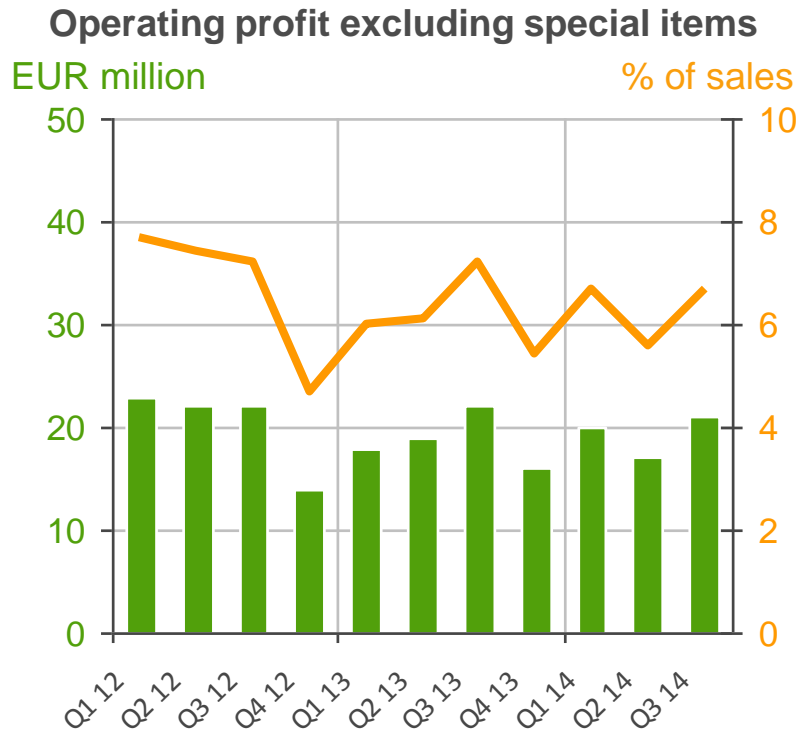
*) excluding special items



UPM Raflatac Q3 2014 vs. Q3 2013

Business performance

- Operating profit decreased slightly, mainly due to a less favourable product mix. Growth in delivery volumes offset the impact of the lower sales margin.



Sales **Q3 2014 312** **2%**
 EUR million Q3 2013 307

Operating profit **Q3 2014 21** **-1**
 EUR million*) Q3 2013 22
 *) excluding special items

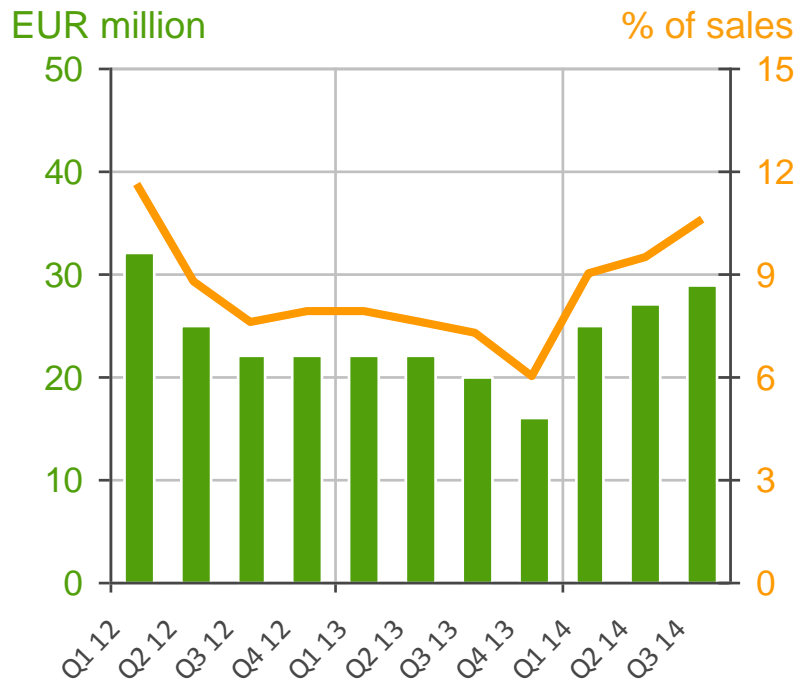


UPM Paper Asia Q3 2014 vs. Q3 2013


Business performance

- Operating profit increased mainly due to lower variable and fixed costs. Average sales prices were lower mainly due to negative currency impacts.
- Paper deliveries increased by 3% to 350,000 tonnes (341,000).

Operating profit excluding special items



Sales **Q3 2014 274**
 EUR million Q3 2013 274

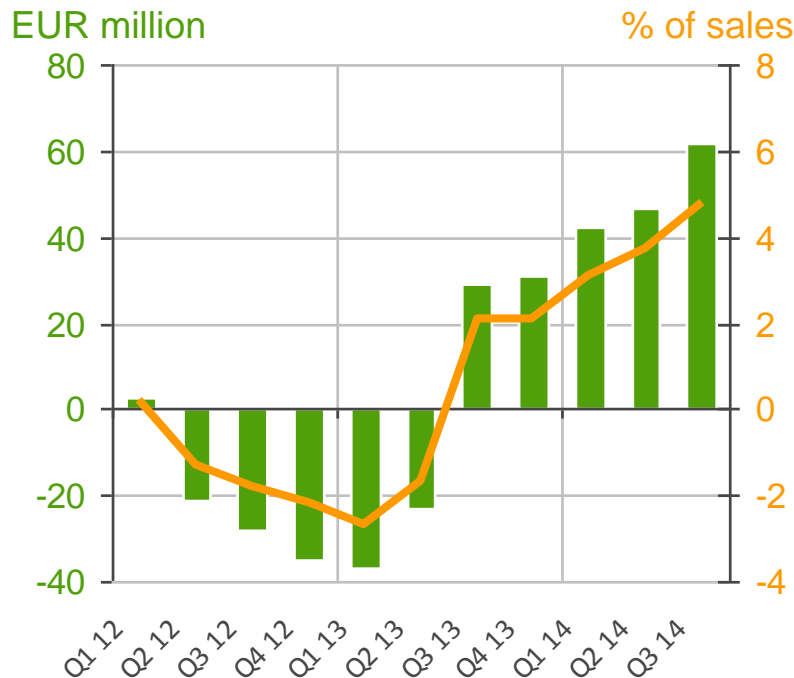
Operating profit **Q3 2014 29**  **9**
 EUR million*) Q3 2013 20 EUR million

*) excluding special items



UPM Paper ENA Q3 2014 vs. Q3 2013

Operating profit excluding special items



Business performance

- Operating profit increased due to lower variable and fixed costs, partly driven by the profit improvement programme, and more than offsetting the negative sales price and delivery volume impact. Q3 included energy-related refunds in Europe.
- The average paper price in euro was approximately 1% lower than last year.
- Paper deliveries decreased by 5% to 2,136,000 tonnes (2,258,000).

Sales **Q3 2014 1,303** **-6%**
 EUR million Q3 2013 1,392

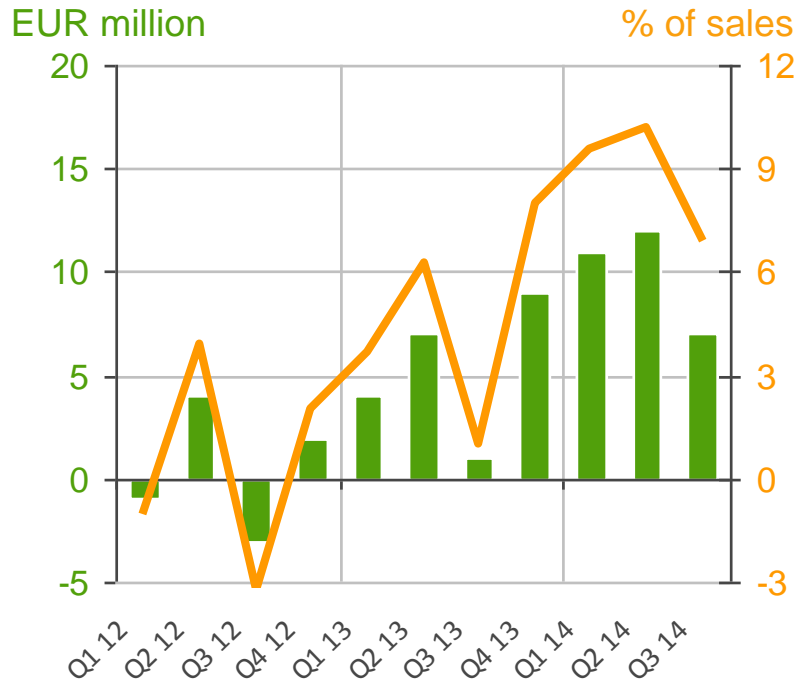
Operating profit **Q3 2014 62** **33**
 EUR million*) Q3 2013 29 EUR million

*) excluding special items



UPM Plywood Q3 2014 vs. Q3 2013

Operating profit excluding special items



Business performance

- Operating profit increased mainly due to improved sales margins resulting from higher sales prices and lower variable costs. Fixed costs decreased.
- Deliveries decreased by 1% to 168,000 cubic metres (169,000).

Sales **Q3 2014 101** **3%**
 EUR million Q3 2013 98

Operating profit **Q3 2014 7** **6**
 EUR million*) Q3 2013 1 EUR million

*) excluding special items



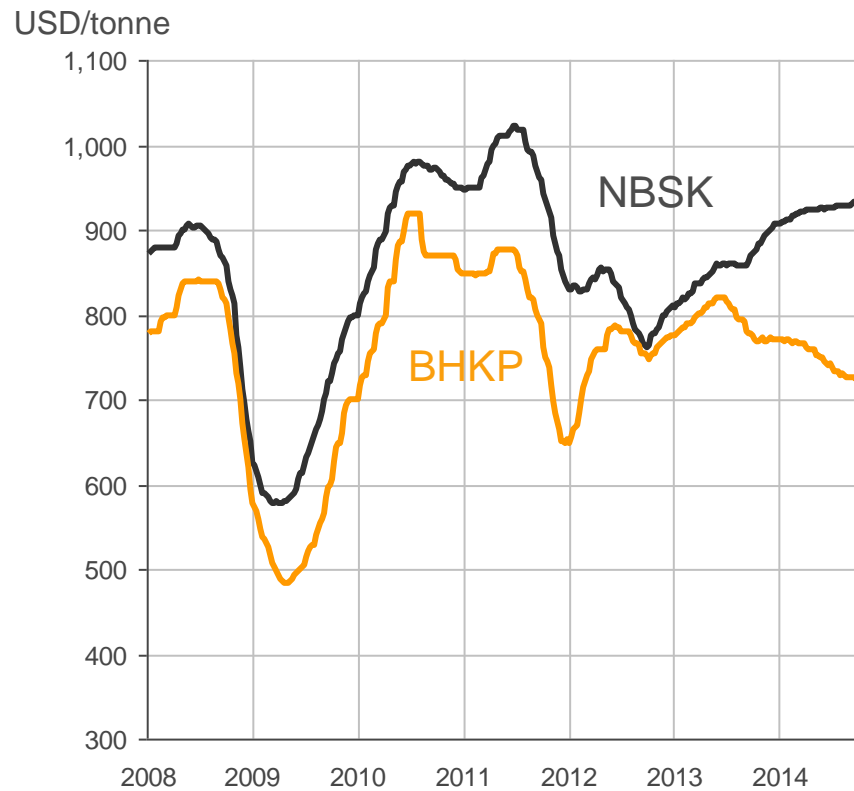
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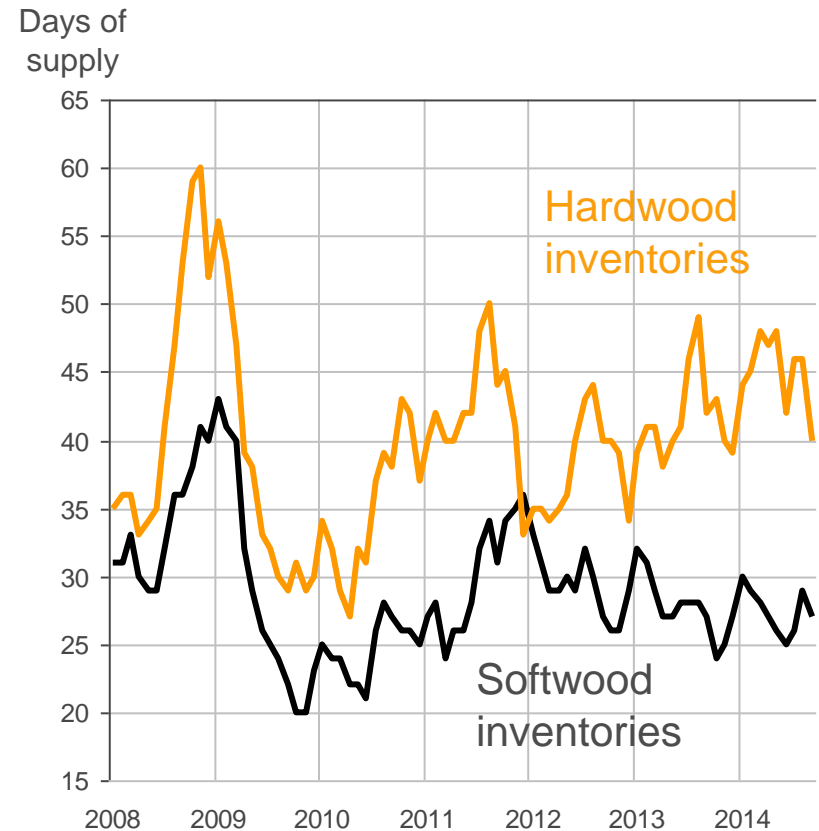
Chemical pulp market

Q3 NBSK pulp price remained on Q2 level
Q3 BHKP pulp price decreased (3%) from Q2



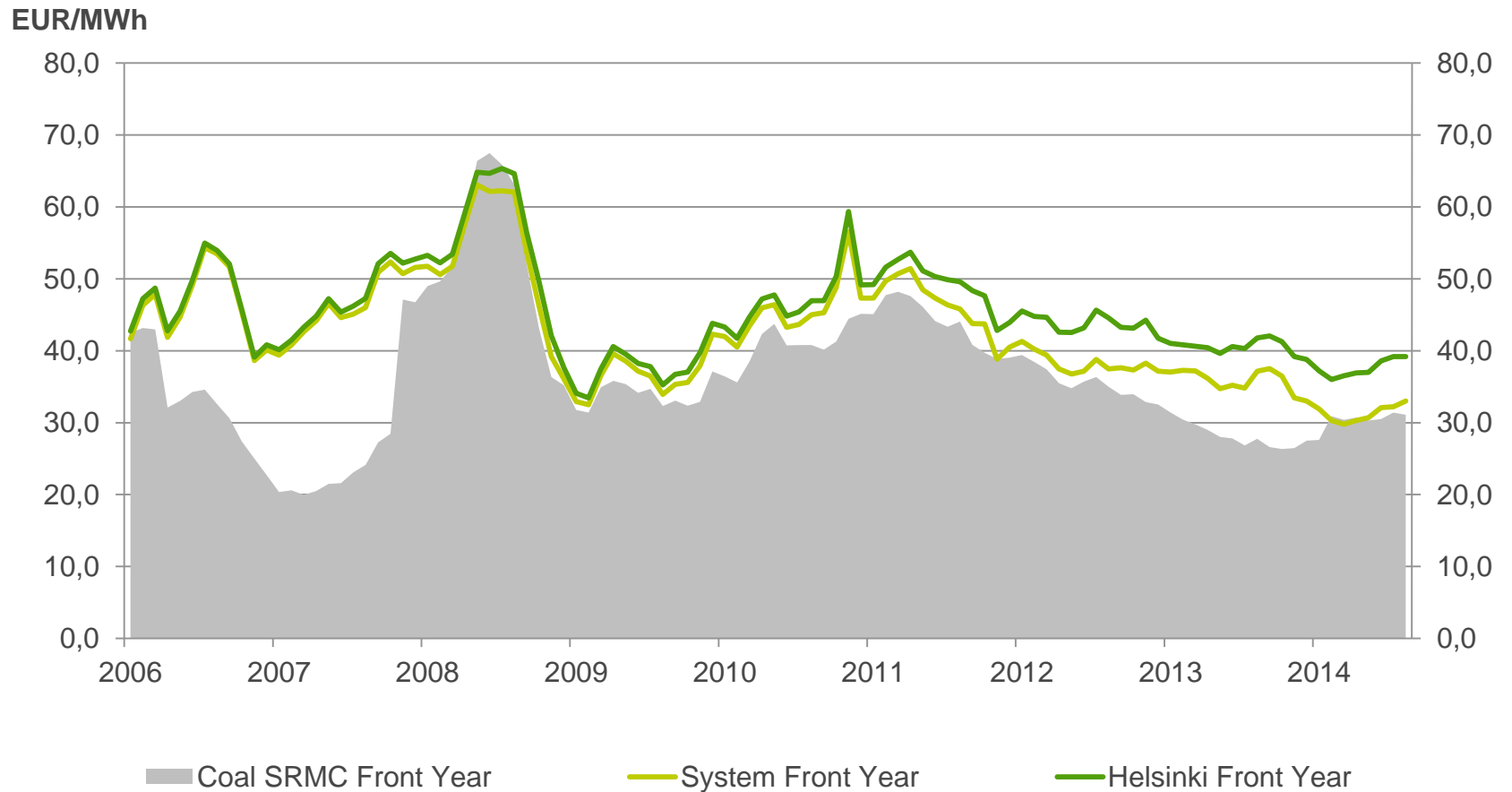
Source: FOEX Indexes Ltd.

Pulp inventories decreased in September



Source: PPPC World-20 statistics

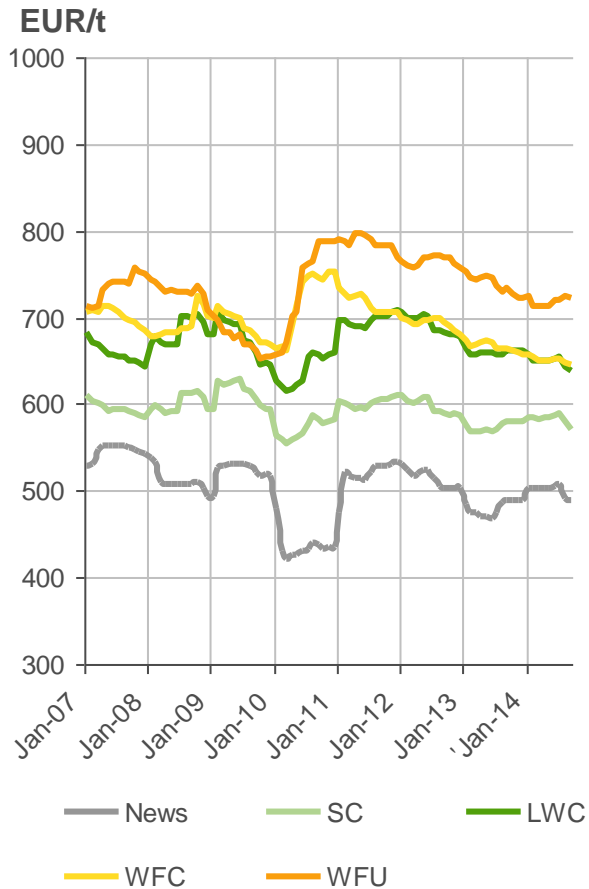
Price development in Nordic and Helsinki power markets



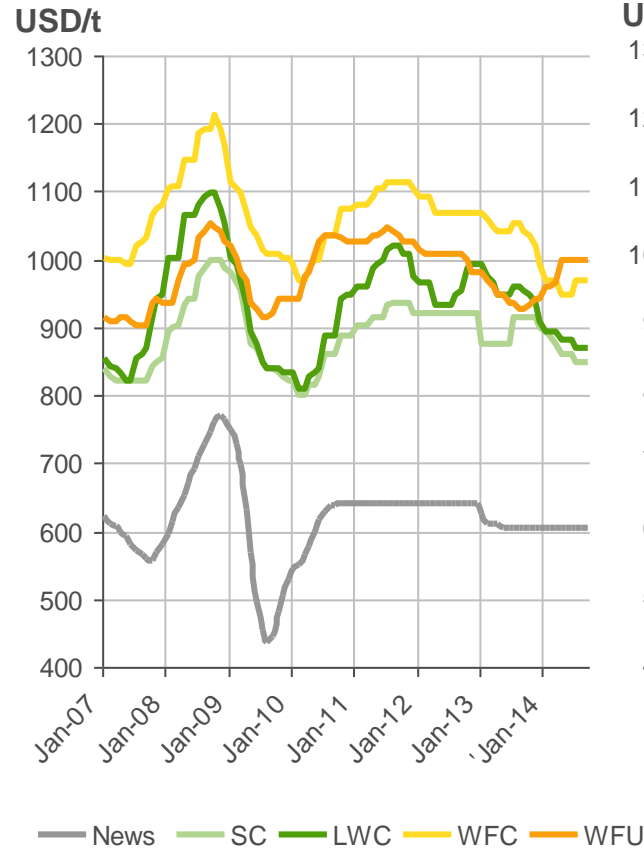
Source: Reuters

Graphic paper prices

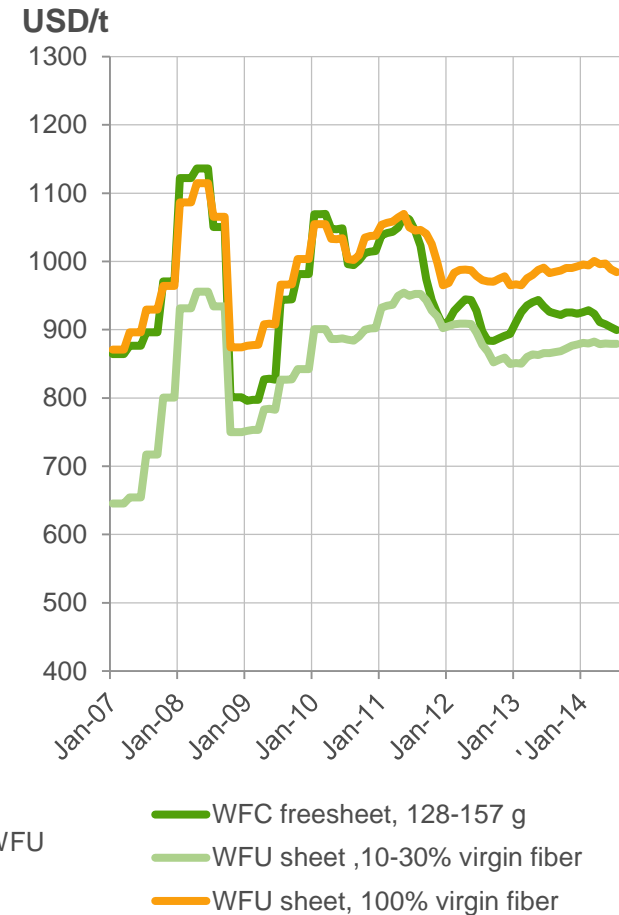
Europe



North America



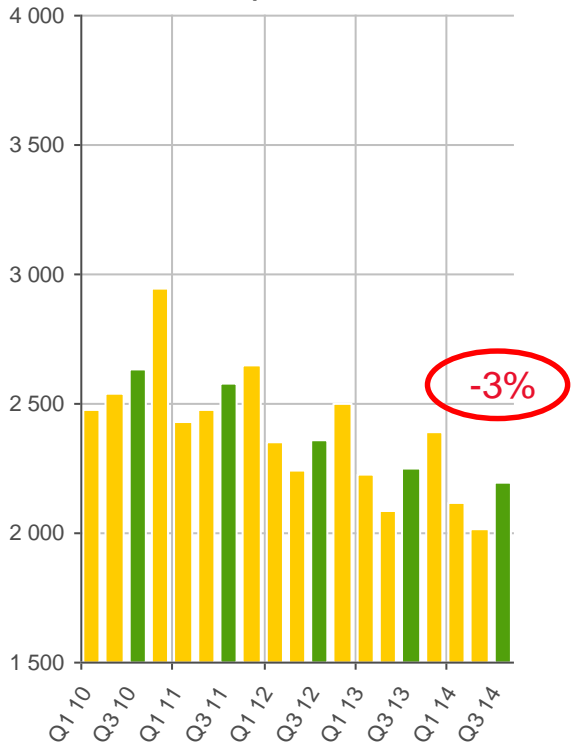
China



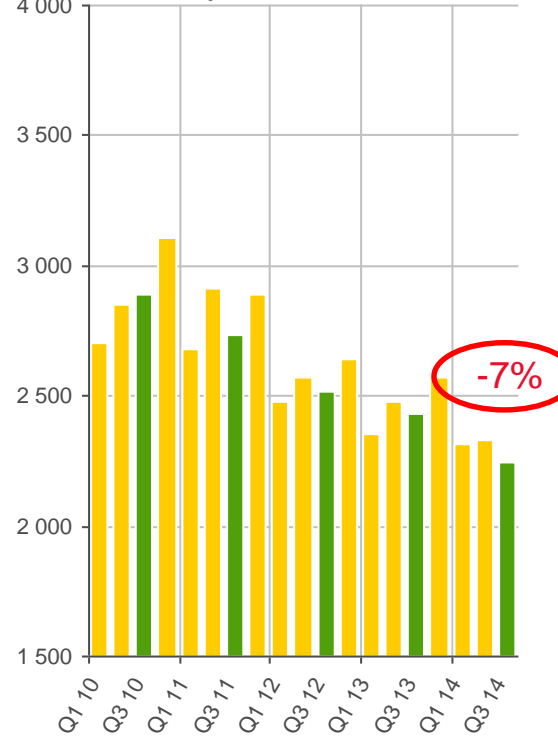
Sources: PPI, RISI

Graphic papers demand in Europe decreased 3% in Q3 2014

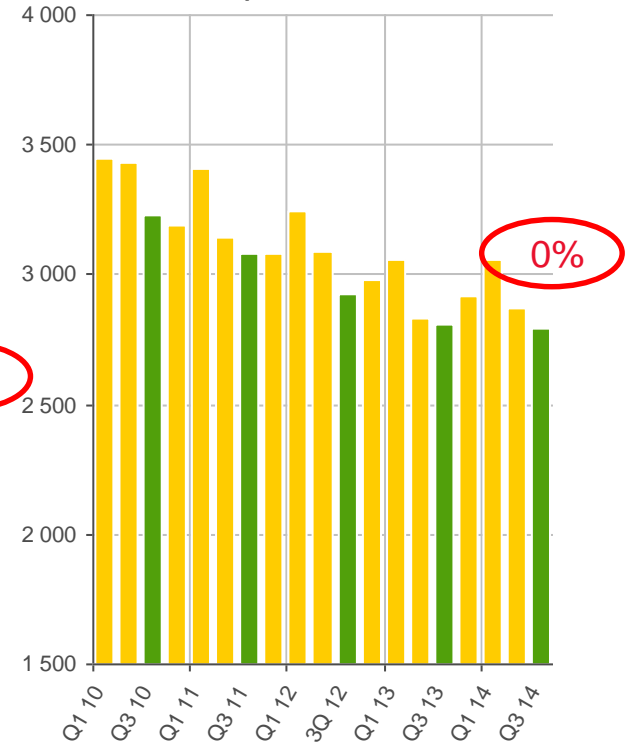
'000 tonnes Magazine papers demand in Europe -4% in Q1-Q3/14



'000 tonnes Newsprint demand in Europe -5% in Q1-Q3/14



'000 tonnes Fine papers demand in Europe 0% in Q1-Q3/14

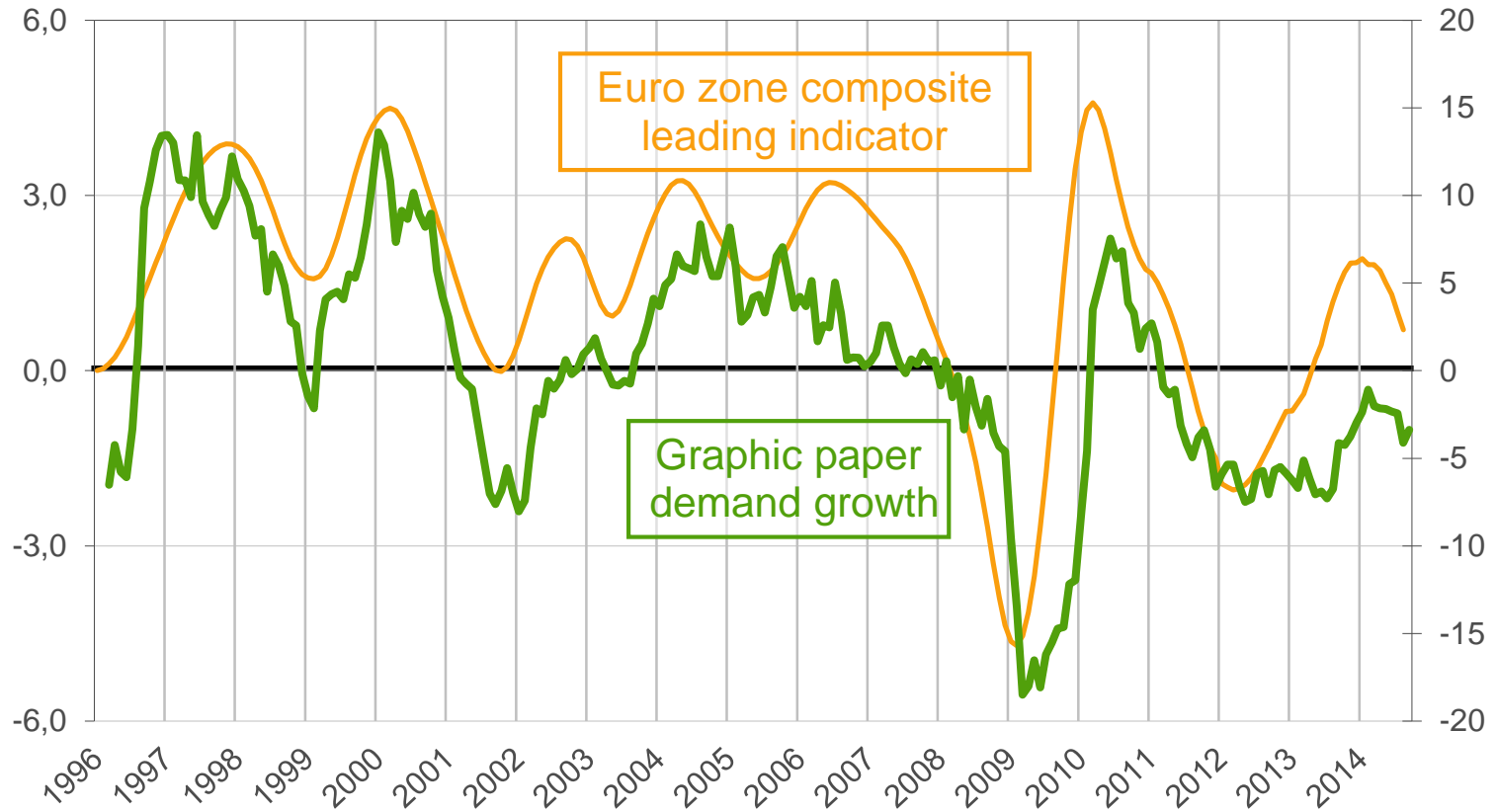


Sources: Cepiprint/fine, PPPC



Growth in the European economy remains low

Euro zone composite leading indicator* (Y/Y %) Paper demand growth (% trailing 3 month)



Sources: Cepiprint, Cepifine, OECD



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