

INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2014

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UPM interim report 1 January – 30 September 2014

Q3 2014 compared with Q3 2013

- Earnings per share excluding special items were EUR 0.32 (0.26), and reported EUR 0.34 (0.26)
- Operating profit excluding special items increased to EUR 235 million, 9.7% of sales (194 million, 7.8% of sales), due to the success of the profit improvement programme
- EBITDA was EUR 346 million, 14.3% of sales (311 million, 12.6% of sales)
- The full targeted annualised cost savings of EUR 200 million were achieved in Q3 2014, ahead of schedule

Q1–Q3 2014 compared with Q1–Q3 2013

- Earnings per share excluding special items were EUR 0.85 (0.64), and reported EUR 0.95 (0.57)
- Operating profit excluding special items increased to EUR 617 million, 8.4% of sales (476 million, 6.4% of sales), due to the success of the profit improvement programme
- EBITDA was EUR 957 million, 13.0% of sales (853 million, 11.4% of sales)
- Growth projects progressed in UPM Biorefining, UPM Paper Asia and UPM Rafflatac
- Strong operating cash flow at EUR 779 million (473 million), net debt decreased to EUR 2,726 million

Key figures

	Q3/2014	Q3/2013	Q2/2014	Q1–Q3/2014	Q1–Q3/2013	Q1–Q4/2013
Sales, EURm	2,415	2,472	2,441	7,337	7,466	10,054
EBITDA, EURm ¹⁾	346	311	298	957	853	1,155
% of sales	14.3	12.6	12.2	13.0	11.4	11.5
Operating profit (loss), EURm	236	187	176	603	414	548
excluding special items, EURm	235	194	186	617	476	683
% of sales	9.7	7.8	7.6	8.4	6.4	6.8
Profit (loss) before tax, EURm	214	166	159	610	360	475
excluding special items, EURm	213	173	169	558	422	610
Profit (loss) for the period, EURm	182	138	129	504	299	335
Earnings per share, EUR	0.34	0.26	0.25	0.95	0.57	0.63
excluding special items, EUR	0.32	0.26	0.26	0.85	0.64	0.91
Diluted earnings per share, EUR	0.34	0.26	0.25	0.95	0.57	0.63
Return on equity, %	9.7	7.5	7.0	8.9	5.4	4.5
excluding special items, %	9.1	7.5	7.3	8.0	6.1	6.4
Return on capital employed, %	8.1	6.5	6.1	7.6	4.9	4.8
excluding special items, %	8.0	6.8	6.5	7.0	5.6	6.0
Operating cash flow per share, EUR	0.57	0.55	0.40	1.47	0.90	1.39
Equity per share at end of period, EUR	14.33	14.01	13.76	14.33	14.01	14.08
Gearing ratio at end of period, %	36	45	40	36	45	41
Net interest-bearing liabilities at end of period, EURm	2,726	3,301	2,925	2,726	3,301	3,040
Capital employed at end of period, EURm	11,721	11,339	11,390	11,721	11,339	11,583
Capital expenditure, EURm	103	83	104	255	251	362
Capital expenditure excluding acquisitions and shares, EURm	103	82	104	254	218	329
Personnel at end of period	20,616	21,609	21,496	20,616	21,609	20,950

¹⁾ EBITDA is operating profit before depreciation, amortisation and impairment charges, excluding the change in fair value of biological assets and wood harvested, excluding the share of results of associated companies and joint ventures, and special items.

Results

Q3 2014 compared with Q3 2013

Sales for Q3 2014 were EUR 2,415 million, 2% lower than the EUR 2,472 million in Q3 2013. Sales decreased mainly due to lower deliveries at UPM Paper ENA.

EBITDA was EUR 346 million, 14.3% of sales (311 million, 12.6% of sales). The EBITDA improvement was to a large extent driven by the ongoing profit improvement programme. Sales prices

had a clear negative net impact on earnings, but this was offset by a reduction in variable costs, partly due to the actions taken under the profit improvement programme. Fixed costs were EUR 25 million lower than last year.

UPM Paper ENA increased its EBITDA due to lower variable and fixed costs. UPM Paper Asia also increased its EBITDA, mainly due to lower variable and fixed costs. UPM Plywood improved its EBITDA mainly due to increased sales prices and lower fixed costs.

EBITDA in UPM Energy increased slightly, whereas UPM Biorefining and UPM Raflatac reported about the same EBITDA as last year.

Operating profit excluding special items was EUR 235 million, 9.7% of sales (194 million, 7.8%). Depreciation totalled EUR 129 million (135 million).

Reported operating profit was EUR 236 million, 9.8% of sales (187 million, 7.6% of sales). Operating profit includes net income of EUR 1 million (charges of EUR 7 million) as special items.

The increase in the fair value of biological assets net of wood harvested was EUR 17 million (11 million).

Profit before tax was EUR 214 million (166 million) and excluding special items EUR 213 million (173 million). Net interest and other finance costs were EUR 19 million (22 million). Exchange rate and fair value gains and losses resulted in a loss of EUR 3 million (0 million).

Income taxes totalled EUR 32 million (28 million). Special items in taxes were EUR 11 million positive (6 million positive).

Profit for Q3 2014 was EUR 182 million (138 million) and earnings per share were EUR 0.34 (0.26). Earnings per share excluding special items were EUR 0.32 (0.26).

Q3 2014 compared with Q2 2014

EBITDA was EUR 346 million, 14.3% of sales (298 million, 12.2% of sales). Fixed costs were seasonally lower in Q3 than in Q2, and Q3 included no major maintenance stops or operational issues that impacted the comparison period.

EBITDA increased in UPM Biorefining mainly due to improved production efficiency and no pulp mill maintenance stops, which impacted the comparison period. EBITDA in UPM Paper ENA increased mainly due to the timing of energy-related refunds in Europe. EBITDA increased in UPM Raflatac as the comparison period was impacted by temporary operational issues. EBITDA increased slightly in UPM Paper Asia due to lower costs, and decreased in UPM Energy and UPM Plywood, mainly due to seasonal factors.

Operating profit excluding special items was EUR 235 million, 9.7% of sales (186 million, 7.6%). Depreciation totalled EUR 129 million (132 million).

The increase in the fair value of biological assets net of wood harvested was EUR 17 million (17 million).

January–September 2014 compared with January–September 2013

Sales for Q1–Q3 2014 were EUR 7,337 million, 2% lower than the EUR 7,466 million in Q1–Q3 2013. Sales decreased mainly due to lower deliveries at UPM Paper ENA.

EBITDA was EUR 957 million, 13.0% of sales (853 million, 11.4% of sales). The increase was to a large extent driven by the ongoing profit improvement programme. Sales prices had a clear negative net impact on earnings, but this was offset by a reduction in variable costs, partly due to the actions taken under the profit improvement programme. Fixed costs were EUR 59 million lower than last year.

UPM Paper ENA achieved a clear improvement in EBITDA based on lower variable and fixed costs. UPM Plywood improved its EBITDA mainly due to increased sales prices and lower costs. UPM Paper Asia increased its EBITDA mainly due to lower variable and fixed costs. UPM Energy and UPM Raflatac reported an EBITDA very similar to that of last year. EBITDA decreased in UPM

Biorefining, mainly due to lower hardwood pulp prices and maintenance shutdowns at two pulp mills in the early part of the year.

Operating profit excluding special items was EUR 617 million, 8.4% of sales (476 million, 6.4%). Depreciation totalled EUR 391 million (414 million).

Reported operating profit was EUR 603 million, 8.2% of sales (414 million, 5.5% of sales). Operating profit includes net charges of EUR 14 million as special items, mainly related to the restructuring measures at UPM Raflatac and the closure of the UPM Docelles paper mill in France.

The increase in the fair value of biological assets net of wood harvested was EUR 46 million (31 million).

Profit before tax was EUR 610 million (360 million) and excluding special items EUR 558 million (422 million). Net interest and other finance costs were EUR 45 million (65 million). Exchange rate and fair value gains and losses resulted in a loss of EUR 7 million (gain of EUR 10 million). Financial items include a special income of EUR 66 million related to the sale of Metsä Fibre shares in 2012 due to UPM's tag-along rights under the shareholders' agreement. The amount is based on the resolution of arbitration proceedings between UPM and Metsäliitto Cooperative and Metsä Board Corporation.

Income taxes totalled EUR 106 million (61 million). Special items in taxes were EUR 2 million positive (21 million positive).

Profit for Q1–Q3 2014 was EUR 504 million (299 million) and earnings per share were EUR 0.95 (0.57). Earnings per share excluding special items were EUR 0.85 (0.64).

Operating cash flow per share was EUR 1.47 (0.90).

Financing

In Q1–Q3 2014, cash flow from operating activities before capital expenditure and financing totalled EUR 779 million (473 million). Working capital increased by EUR 71 million (185 million) during the period.

The gearing ratio as of 30 September 2014 was 36% (45%). Net interest-bearing liabilities at the end of the period came to EUR 2,726 million (3,301 million).

On 30 September 2014, UPM's cash funds and unused committed credit facilities totalled EUR 1.7 billion.

Personnel

In Q1–Q3 2014, UPM had an average of 20,982 employees (22,156). At the beginning of the year the number of employees was 20,950, and at the end of Q3 2014 it was 20,616.

Capital expenditure

In Q1–Q3 2014, capital expenditure excluding investments in shares was EUR 254 million, 3.5% of sales (218 million, 2.9% of sales). The total capital expenditure in 2014 is estimated to be approximately EUR 450 million.

UPM's main ongoing investment projects are related to the company's growth projects, as described in the next chapter.

UPM is building a new combined heat and power plant at the UPM Schongau mill in Germany. The target is to significantly reduce energy costs as well as to secure the mill's energy supply. Start-up is planned for the end of 2014. Total investment is approximately EUR 85 million.

Growth projects targeting EUR 200 million of additional EBITDA

On 6 August 2013, UPM announced quantified targets for its growth projects over three years.

Biofuels, 10% capacity increase in UPM's existing pulp mills, wood-free speciality papers in China and growth measures in UPM Raflatac are expected to provide top-line growth for UPM in the coming years. With these growth projects, the company is targeting an additional EBITDA contribution of EUR 200 million when the projects are in full operation.

The total investment requirement in these projects is EUR 680 million. EUR 238 million has already been invested, and the total remaining capital expenditure in the coming two years would be EUR 442 million.

UPM is building a biorefinery to produce renewable diesel from crude tall oil in Lappeenranta, Finland. The biorefinery will produce approximately 100,000 tonnes of advanced renewable diesel for transport each year. Construction of the refinery has been completed, and the testing and commissioning process was started in July 2014. The sales agreement with NEOT (North European Oil Trade Oy) was signed in June, and the refinery is expected to start commercial production of renewable diesel during Q4 2014. The total investment will amount to approximately EUR 175 million.

In February 2014, UPM announced that it is building a new production unit at the UPM Changshu mill in China. The new unit will be capable of producing up to 360,000 tonnes of labelling materials and speciality papers. The total investment is EUR 277 million, and the unit is expected to start up at the end of 2015.

In February 2014, UPM announced that it is investing EUR 160 million in its UPM Kymi pulp mill, comprising a new pulp drying machine, modernisation of the softwood fibre line, a new debarking plant, as well as improvements to the energy balance of the Kymi integrate. The investment will increase the pulp mill's production capacity by 170,000 tonnes and advance the decoupling of UPM's pulp and paper businesses. The investment is expected to be completed by the end of 2015.

The modernisation of one fibre line at the UPM Pietarsaari pulp mill was completed in June 2014. The investment was EUR 13 million and has increased the mill's production capacity by 70,000 tonnes.

Further bottlenecks potential has been identified at the UPM Fray Bentos and UPM Kaukas pulp mills. In June 2014, UPM received an increased production permit for the Fray Bentos pulp mill in Uruguay, entitling the mill to increase its production from the current 1,200,000 tonnes to 1,300,000 tonnes. To achieve this, minor investments are planned for 2014.

In April 2014, UPM announced that it is increasing its labelstock coating capacity in the Asia Pacific region by more than 50% by building a new coating line in the Changshu labelstock factory in China and upgrading machinery in the Johor Bahru factory in Malaysia. The investments totalling to EUR 14 million are expected to be completed in Q1 2015.

Profit improvement programme targeting EUR 200 million of cost savings

On 6 August 2013, UPM announced that it had identified actions with an overall profit improvement impact of EUR 200 million in its existing businesses compared with the Q2 2013 results. Each business is implementing a profit improvement programme with a simplified business model and variable and fixed cost savings.

The full impact of the programme was achieved in Q3 2014, one quarter ahead of the original schedule. In Q3 2014, the actions under the profit improvement programme reduced UPM's costs by EUR 51 million.

Risks and near-term uncertainties

The main uncertainties in UPM's earnings relate to sales prices and delivery volumes of the Group's products, as well as to changes in the main input cost items and currency exchange rates. Most of these items are dependent on general economic developments.

Currently, the main near-term uncertainties relate to the global economic growth and currency markets, as well as the global chemical pulp market.

In the global chemical pulp market, new production lines entering the market may have a clear negative impact on pulp prices.

Economic growth remains weaker in Europe than in other major economic regions. The EU is the most significant market for UPM. Currently, there are increasing concerns regarding the European economic outlook, partly related to geopolitical issues. There are also uncertainties related to developing economies, including China, which may have a significant influence on global economy overall, and on many of UPM's product markets in particular. Furthermore, changes in monetary policies of major central banks may have a significant impact on various currencies directly or indirectly relevant for UPM.

The main earnings sensitivities and the Group's cost structure are presented on page 11 of the Annual Report of 2013. Risks and risk management are presented on pages 73–74 of the Report.

Events after the balance sheet date

The Group's management is not aware of any significant events occurring after 30 September 2014.

Outlook for 2014

Growth in the European economy has been modest in 2014, but has improved over last year. The outlook for economic growth in Europe has weakened somewhat during the autumn. In the US, growth has been stable at a moderate level, whereas growth is expected to continue in the developing economies.

This environment is expected to be supportive for the global pulp and label materials demand, as well as paper demand in Asia. The graphic paper demand in Europe is expected to decline moderately. The current hydrological situation in Finland is below the long term average level. Based on forward prices, electricity prices in Finland in H2 2014 are expected to be slightly lower than in H2 2013.

UPM's 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's 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 refinery is expected to start during Q4 2014, but the impact on UPM Biorefining's earnings during H2 2014 is expected to be minor.

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.

Business area reviews

UPM Biorefining

	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q1-Q3/14	Q1-Q3/13	Q1-Q4/13
Sales, EURm	480	477	496	497	484	512	495	1,453	1,491	1,988
EBITDA, EURm ¹⁾	100	66	92	100	100	128	107	258	335	435
% of sales	20.8	13.8	18.5	20.1	20.7	25.0	21.6	17.8	22.5	21.9
Change in fair value of biological assets and wood harvested, EURm	1	2	1	4	3	6	2	4	11	15
Share of results of associated companies and joint ventures, EURm	-	1	-	-	-	1	-	1	1	1
Depreciation, amortisation and impairment charges, EURm	-38	-38	-37	-37	-38	-38	-39	-113	-115	-152
Operating profit, EURm	64	31	56	63	73	102	68	151	243	306
% of sales	13.3	6.5	11.3	12.7	15.1	19.9	13.7	10.4	16.3	15.4
Special items, EURm ²⁾	1	-	-	-3	6	5	-2	1	9	6
Operating profit excl. special items, EURm	63	31	56	66	67	97	70	150	234	300
% of sales	13.1	6.5	11.3	13.3	13.8	18.9	14.1	10.3	15.7	15.1
Pulp deliveries, 1,000 t	848	832	816	810	789	774	790	2,496	2,353	3,163

¹⁾ EBITDA is operating profit before depreciation, amortisation and impairment charges, excluding the change in fair value of biological assets and wood harvested, the share of results of associated companies and joint ventures, and special items.

²⁾ In Q3 2014, special income of EUR 1 million relate to restructuring measures. In Q4 2013, special charges of EUR 3 million relate to restructuring measures. In Q3 2013, special income of EUR 6 million relate to restructuring charges and a capital gain from a sale of property, plant and equipment. In Q2 2013, special income of EUR 5 million relate to restructuring measures. In Q1 2013, special items of EUR 2 million relate to restructuring charges.

Q3 2014 compared with Q3 2013

Operating profit excluding special items for UPM Biorefining was EUR 63 million (67 million). Sales were EUR 480 million (484 million). Pulp deliveries increased by 7% to 848,000 tonnes (789,000).

Operating profit decreased slightly as improved production efficiency and higher delivery volumes almost offset lower hardwood pulp prices.

Q3 2014 compared with Q2 2014

Operating profit excluding special items increased due to improved production efficiency. In the previous quarter profitability was negatively impacted by scheduled maintenance shutdowns at two pulp mills.

January–September 2014 compared with January–September 2013

Operating profit excluding special items for UPM Biorefining decreased to EUR 150 million (234 million). Sales decreased by 3% to EUR 1,453 million (1,491 million). Pulp deliveries increased by 6% to 2,496,000 tonnes (2,353,000).

Operating profit decreased mainly due to lower hardwood pulp prices, partly due to adverse currency impacts and the maintenance shutdowns carried out at the UPM Kaukas and UPM Pietarsaari pulp mills in the first half of the year.

Market review

In the first nine months of 2014, the average softwood pulp (NBSK) market price was EUR 682/tonne, 6% higher than during the same period last year (642/tonne). At the end of September, the softwood pulp market price was EUR 731/tonne (644/tonne). The average market price of hardwood pulp (BHKP) was EUR 552/tonne, 9% lower than in the same period last year (607/tonne). At the end of September the BHKP market price was EUR 569/tonne (573/tonne).

In the first nine months of 2014 global chemical pulp shipments increased by 2% compared to the same period last year. Demand growth was mainly driven by Asia. Shipments to Western Europe were on last year's level, while shipments to North America and Japan declined slightly.

UPM Energy

	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q1-Q3/14	Q1-Q3/13	Q1-Q4/13
Sales, EURm	113	112	124	115	109	110	132	349	351	466
EBITDA, EURm ¹⁾	46	49	59	48	43	49	58	154	150	198
% of sales	40.7	43.7	47.6	41.7	39.4	44.5	43.9	44.1	42.7	42.5
Share of results of associated companies and joint ventures, EURm	-	-	-	-	-1	-	-	-	-1	-1
Depreciation, amortisation and impairment charges, EURm	-3	-3	-3	-3	-2	-3	-3	-9	-8	-11
Operating profit, EURm	43	46	56	45	40	46	55	145	141	186
% of sales	38.1	41.1	45.2	39.1	36.7	41.8	41.7	41.5	40.2	39.9
Special items, EURm	-	-	-	-	-	-	-	-	-	-
Operating profit excl. special items, EURm	43	46	56	45	40	46	55	145	141	186
% of sales	38.1	41.1	45.2	39.1	36.7	41.8	41.7	41.5	40.2	39.9
Electricity deliveries, GWh	2,135	2,112	2,305	2,164	2,027	2,221	2,513	6,552	6,761	8,925

¹⁾ EBITDA is operating profit before depreciation, amortisation and impairment charges, excluding the change in fair value of biological assets and wood harvested, the share of results of associated companies and joint ventures, and special items.

Q3 2014 compared with Q3 2013

Operating profit excluding special items for UPM Energy increased slightly to EUR 43 million (40 million). Sales were EUR 113 million (109 million). The total electricity sales volume was 2,135 GWh (2,027 GWh).

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).

Q3 2014 compared with Q2 2014

The decrease in operating profit excluding special items was mainly due to lower hydro power generation volumes. The average electricity sales price increased to EUR 45.5/MWh (44.5/MWh).

January–September 2014 compared with January–September 2013

Operating profit excluding special items for UPM Energy increased to EUR 145 million (141 million). Sales were EUR 349 million (351 million). The total electricity sales volume was 6,552 GWh (6,761 GWh).

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 45.3/MWh (46.1/MWh).

Market review

The average Finnish area spot price on the Nordic electricity exchange in the first nine months of the year was EUR 35.9/MWh, 14% lower than during the same period last year (41.6/MWh). The Finnish area price was above the Nord Pool system price due to dependency on imports for peak hours. In September, the Finnish hydrological balance was 8% below the long-term average while the total Nordic hydrological balance was 9% below the long-term average level. Coal prices were significantly lower than last year. The CO₂ emission allowance price of EUR 5.8/tonne at the end of the period was higher than on the same date last year (EUR 5.0/tonne). The Finnish area front-year forward price closed at EUR 38.9/MWh at the end of the period, 8% lower than on the same date last year (42.5/MWh).

UPM Raflatac

	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q1-Q3/14	Q1-Q3/13	Q1-Q4/13
Sales, EURm	312	306	300	298	307	309	299	918	915	1,213
EBITDA, EURm ¹⁾	29	25	28	25	30	28	26	82	84	109
% of sales	9.3	8.2	9.3	8.4	9.8	9.1	8.7	8.9	9.2	9.0
Depreciation, amortisation and impairment charges, EURm	-8	-10	-8	-9	-10	-9	-8	-26	-27	-36
Operating profit, EURm	21	7	20	16	7	19	18	48	44	60
% of sales	6.7	2.3	6.7	5.4	2.3	6.1	6.0	5.2	4.8	4.9
Special items, EURm ²⁾	-	-10	-	-	-15	-	-	-10	-15	-15
Operating profit excl. special items, EURm	21	17	20	16	22	19	18	58	59	75
% of sales	6.7	5.6	6.7	5.4	7.2	6.1	6.0	6.3	6.4	6.2

¹⁾ EBITDA is operating profit before depreciation, amortisation and impairment charges, excluding the change in fair value of biological assets and wood harvested, the share of results of associated companies and joint ventures, and special items.

²⁾ In Q2 2014, special items of EUR 10 million relate to restructuring charges, including impairments of EUR 2 million. In Q3 2013, special items of EUR 15 million relate to restructuring charges, including impairments of EUR 2 million.

Q3 2014 compared with Q3 2013

Operating profit excluding special items for UPM Raflatac was EUR 21 million (22 million). Sales increased by 2% to EUR 312 million (307 million).

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

Q3 2014 compared with Q2 2014

Operating profit excluding special items increased mainly due to improved operational efficiency and higher delivery volumes.

January–September 2014 compared with January–September 2013

Operating profit excluding special items for UPM Raflatac was EUR 58 million (59 million). Sales were EUR 918 million (915 million).

Operating profit remained close to last year's level as higher delivery volumes and lower fixed costs offset the impact of lower sales margins and adverse currency developments.

The coating operations in Melbourne, Australia and in Polinya, Spain were closed in Q2 2014.

Market review

In the first nine months of 2014, global demand for self-adhesive label materials increased. In Western Europe demand is estimated to have improved. Demand in North America increased after a weak first quarter, impacted by poor weather conditions. In Eastern Europe, Asia and Latin America, growth continued.

UPM Paper Asia

	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q1-Q3/14	Q1-Q3/13	Q1-Q4/13
Sales, EURm	274	285	277	268	274	289	277	836	840	1,108
EBITDA, EURm ¹⁾	49	47	44	36	40	42	43	140	125	161
% of sales	17.9	16.5	15.9	13.4	14.6	14.5	15.5	16.7	14.9	14.5
Depreciation, amortisation and impairment charges, EURm	-20	-20	-19	-20	-20	-20	-21	-59	-61	-81
Operating profit, EURm	29	27	25	17	19	22	22	81	63	80
% of sales	10.6	9.5	9.0	6.3	6.9	7.6	7.9	9.7	7.5	7.2
Special items, EURm ²⁾	-	-	-	1	-1	-	-	-	-1	-
Operating profit excl. special items, EURm	29	27	25	16	20	22	22	81	64	80
% of sales	10.6	9.5	9.0	6.0	7.3	7.6	7.9	9.7	7.6	7.2
Paper deliveries, 1,000 t	350	365	347	344	341	354	339	1,062	1,034	1,378

¹⁾ EBITDA is operating profit before depreciation, amortisation and impairment charges, excluding the change in fair value of biological assets and wood harvested, the share of results of associated companies and joint ventures, and special items.

²⁾ In Q4 2013, special income of EUR 1 million relate to restructuring measures. In Q3 2013, special items of EUR 1 million relate to restructuring charges.

Q3 2014 compared with Q3 2013

Operating profit excluding special items for UPM Paper Asia increased to EUR 29 million (20 million).

Sales remained unchanged at EUR 274 million (274 million).

Paper deliveries increased by 3% to 350,000 tonnes (341,000).

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

Q3 2014 compared with Q2 2014

Operating profit excluding special items increased mainly due to lower costs.

January–September 2014 compared with January–September 2013

Operating profit excluding special items for UPM Paper Asia increased to EUR 81 million (64 million). Sales were EUR 836 million (840 million). Paper deliveries increased by 3% to 1,062,000 tonnes (1,034,000).

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

Market review

Fine paper demand grew modestly compared with last year in Asia, though this varied by product and market segment. Competition in the region has been intense. Fine paper prices in Asia remained broadly stable in the first nine months of 2014. On average, market prices were slightly lower than last year, which was compounded by the negative currency impact.

The demand for label papers grew globally in the first nine months of the year and average prices remained stable.

UPM Paper ENA

	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q1-Q3/14	Q1-Q3/13	Q1-Q4/13
Sales, EURm	1,303	1,286	1,334	1,445	1,392	1,358	1,365	3,923	4,115	5,560
EBITDA, EURm ¹⁾	113	100	95	86	83	34	29	308	146	232
% of sales	8.7	7.8	7.1	6.0	6.0	2.5	2.1	7.9	3.5	4.2
Share of results of associated companies and joint ventures, EURm	1	-	-	-	1	-	-	1	1	1
Depreciation, amortisation and impairment charges, EURm	-52	-54	-54	-55	-57	-56	-65	-160	-178	-233
Operating profit, EURm	63	45	38	14	36	-18	-91	146	-73	-59
% of sales	4.8	3.5	2.8	1.0	2.6	-1.3	-6.7	3.7	-1.8	-1.1
Special items, EURm ²⁾	1	-2	-4	-17	7	5	-54	-5	-42	-59
Operating profit excl. special items, EURm	62	47	42	31	29	-23	-37	151	-31	0
% of sales	4.8	3.7	3.1	2.1	2.1	-1.7	-2.7	3.8	-0.8	0.0
Paper deliveries, 1,000 t	2,136	2,098	2,148	2,332	2,258	2,181	2,139	6,382	6,578	8,910

¹⁾ EBITDA is operating profit before depreciation, amortisation and impairment charges, excluding the change in fair value of biological assets and wood harvested, the share of results of associated companies and joint ventures, and special items.

²⁾ In Q3 2014, special income of EUR 1 million relate to restructuring measures. In Q2 2014, special items of EUR 2 million relate to restructuring measures. In Q1 2014, special items of EUR 4 million relate mainly to the closure of the UPM Docelles mill in France, including impairment charges of EUR 1 million. In Q4 2013, special items include charges of EUR 25 million related to the restructuring of the UPM Docelles mill in France and a net income of EUR 8 million related to other restructuring measures. In Q3 2013, special items include impairment charges of EUR 3 million and a net income of EUR 10 million related to the ongoing restructuring. In Q2 2013, special income of EUR 5 million relate to restructuring measures. In Q1 2013, special items of EUR 54 million relate to restructuring charges.

Q3 2014 compared with Q3 2013

Operating profit excluding special items for UPM Paper ENA increased to EUR 62 million (EUR 29 million).

Sales decreased to EUR 1,303 million (1,392 million). Paper deliveries decreased by 5% to 2,136,000 tonnes (2,258,000).

Operating profit increased due to lower variable and fixed costs, partly driven by the ongoing profit improvement programme, and more than offsetting the negative sales price and delivery volume impact.

The average price for all paper deliveries in euro was approximately 1% lower than last year.

Q3 2014 compared with Q2 2014

Operating profit excluding special items increased mainly due to the timing of energy-related refunds in Europe. Seasonally lower fixed costs were offset by slightly higher variable costs. The average price for all paper deliveries in euro remained stable.

January–September 2014 compared with January–September 2013

Operating profit excluding special items for UPM Paper ENA increased significantly to EUR 151 million (loss of EUR 31 million). Sales decreased to EUR 3,923 million (4,115 million). Paper deliveries decreased by 3% to 6,382,000 tonnes (6,578,000).

Operating profit increased due to lower variable and fixed costs, to a large extent driven by the ongoing profit improvement programme, more than offsetting the negative sales price and delivery volume impact.

The average price for all paper deliveries in euro was approximately 1% lower than last year.

In January, UPM closed down the Docelles paper mill in France.

Market review

In the first nine months of 2014, demand for graphic papers in Europe was 3% lower than in the same period last year. Graphic paper prices decreased slightly towards the end of the third quarter and in the first nine months of the year prices were on average on the same level as in last year. In North America, demand for magazine papers decreased by 4% on last year. The average US dollar price for magazine papers remained on the same level as in the previous quarter and in the first nine months of 2014 prices decreased by 7% compared to the same period last year.

UPM Plywood

	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q1-Q3/14	Q1-Q3/13	Q1-Q4/13
Sales, EURm	101	118	114	112	98	111	108	333	317	429
EBITDA, EURm ¹⁾	13	18	17	15	6	12	10	48	28	43
% of sales	12.9	15.3	14.9	13.4	6.1	10.8	9.3	14.4	8.8	10.0
Depreciation, amortisation and impairment charges, EURm	-6	-6	-6	-6	-5	-5	-6	-18	-16	-22
Operating profit, EURm	7	12	11	9	1	7	4	30	12	21
% of sales	6.9	10.2	9.6	8.0	1.0	6.3	3.7	9.0	3.8	4.9
Special items, EURm	-	-	-	-	-	-	-	-	-	-
Operating profit excl. special items, EURm	7	12	11	9	1	7	4	30	12	21
% of sales	6.9	10.2	9.6	8.0	1.0	6.3	3.7	9.0	3.8	4.9
Deliveries, plywood, 1,000 m ³	168	199	188	191	169	191	186	555	546	737

¹⁾ EBITDA is operating profit before depreciation, amortisation and impairment charges, excluding the change in fair value of biological assets and wood harvested, the share of results of associated companies and joint ventures, and special items.

Q3 2014 compared with Q3 2013

Operating profit excluding special items for UPM Plywood increased to EUR 7 million (1 million). Sales grew by 3% to EUR 101 million (98 million) whereas deliveries decreased by 1% to 168,000 cubic metres (169,000).

Operating profit increased mainly due to improved sales margins resulting from higher sales prices and lower variable costs. Fixed costs decreased.

Q3 2014 compared with Q2 2014

Operating profit excluding special items decreased due to seasonally lower delivery volumes.

January–September 2014 compared with January–September 2013

Operating profit excluding special items for UPM Plywood increased to EUR 30 million (12 million). Sales increased by 5% to EUR 333 million (317 million). Deliveries increased by 2% to 555,000 cubic metres (546,000).

Operating profit increased due to improved sales margins resulting from higher sales prices and lower variable costs. Fixed costs decreased.

Market review

Plywood demand remained good in the first nine months of 2014. The development in demand was slightly stronger in industrial applications compared to construction-related end-use segments. The plywood market in Europe remained in balance and market prices increased somewhat. Raw material costs remained stable.

Other operations

	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q1-Q3/14	Q1-Q3/13	Q1-Q4/13
Sales, EURm	102	113	119	120	117	128	125	334	370	490
EBITDA, EURm ¹⁾	1	-7	-10	-3	-1	-2	-10	-16	-13	-16
Change in fair value of biological assets and wood harvested, EURm	16	15	11	33	8	8	4	42	20	53
Share of results of associated companies and joint ventures, EURm	-	1	-	-	1	-	-	1	1	1
Depreciation, amortisation and impairment charges, EURm	-3	-2	-3	-3	-3	-3	-4	-8	-10	-13
Operating profit, EURm	13	8	-3	-27	1	1	-17	18	-15	-42
Special items, EURm ²⁾	-1	2	-1	-54	-4	-2	-7	-	-13	-67
Operating profit excl. special items, EURm	14	6	-2	27	5	3	-10	18	-2	25

¹⁾ EBITDA is operating profit before depreciation, amortisation and impairment charges, excluding the change in fair value of biological assets and wood harvested, the share of results of associated companies and joint ventures, and special items.

²⁾ In Q3 2014, special items of EUR 1 million relate to restructuring measures. In Q2 2014, special income of EUR 2 million relate to restructuring measures. In Q1 2014, special items of EUR 1 million relate to restructuring charges. In Q4 2013, special items of EUR 40 million relate to write-down of receivable due to the Finnish Customs' decision to dismiss UPM's application for the statutory refund of energy taxes for the year 2012. In addition, special items include restructuring charges of EUR 14 million. In Q3 2013, special items of EUR 4 million relate to restructuring of global functions. In Q2 2013, special items of EUR 2 million relate to restructuring charges. In Q1 2013, special items of EUR 7 million relate to restructuring charges mainly related to the streamlining of global functions.

Other operations include forests and wood sourcing, UPM Biocomposites and UPM Biochemicals business units and Group services.

Q3 2014 compared with Q3 2013

Operating profit excluding special items was EUR 14 million (5 million). Sales decreased to EUR 102 million (117 million).

The increase in the fair value of biological assets net of wood harvested was EUR 16 million (8 million). The increase in the fair value of biological assets (growing trees) was EUR 29 million (22 million), including gains on forest sales. The cost of wood harvested from own forests was EUR 13 million (14 million).

Q3 2014 compared with Q2 2014

Operating profit excluding special items was EUR 14 million (6 million). Sales decreased to EUR 102 million (113 million).

The increase in the fair value of biological assets net of wood harvested was EUR 16 million (15 million). The increase in the fair value of biological assets (growing trees) was EUR 29 million (26 million), including gains on forest sales. The cost of wood harvested from own forests was EUR 13 million (11 million).

January–September 2014 compared with January–September 2013

Operating profit excluding special items was EUR 18 million (loss of EUR 2 million). Sales decreased to EUR 334 million (370 million).

The increase in the fair value of biological assets net of wood harvested was EUR 42 million (20 million). The increase in the fair value of biological assets (growing trees) was EUR 78 million (64 million), including gains on forest sales. The cost of wood harvested from own forests was EUR 36 million (44 million).

Shares

In January–September 2014, UPM shares worth EUR 4,459 million (3,816 million) in total were traded on the NASDAQ OMX Helsinki stock exchange. This is estimated to represent approximately two-thirds of all trading volume in UPM shares. The highest quotation was EUR 13.51 in March and the lowest was EUR 10.73 in August.

The company's ADSs are traded on the US over-the-counter (OTC) market under a Level 1 sponsored American Depositary Receipt programme.

The Annual General Meeting held on 8 April 2014 authorised the Board of Directors to acquire no more than 50,000,000 of the company's own shares. This authorisation is valid for 18 months from the date of the decision.

The Annual General Meeting held on 4 April 2013 authorised the Board to decide on the issuance of new shares and/or the transfer of the company's own shares held by the company and/or the issue of special rights entitling to shares of the company as follows: (i) the maximum number of new shares that may be issued and the company's own shares held by the company that may be transferred is, in total, 25,000,000 shares. This figure also includes the number of shares that can be received on the basis of special rights; (ii) new shares and special rights entitling to shares of the company may be issued, and the company's own shares held by the company may be transferred to the company's shareholders in proportion to their existing shareholdings in the company, or in a directed share issue, deviating from the shareholder's pre-emptive subscription rights. This authorisation is valid until 4 April 2016.

On 30 September 2014, UPM had one option series 2007C that would entitle holders to subscribe to a total of 5,000,000 shares.

Aside from the above, the Board of Directors has no current authorisation to issue shares, convertible bonds or share options.

The number of shares entered in the Trade Register on 30 September 2014 was 532,149,381, including subscriptions in 2014 of 2,848,484 shares through exercising 2007C share options. Through the issuance authorisation and share options, the number of shares may increase to a maximum of 559,300,397.

On 30 September 2014, the company held 230,737 of its own shares, representing approximately 0.04% of the total number of the company shares and voting rights.

Litigation

In 2011, Metsähallitus (a Finnish state enterprise which administers state-owned land) filed a claim for damages against UPM and two other Finnish forest companies. The claim relates to the Finnish Market Court decision of 3 December 2009 whereby the defendants were deemed to have breached competition rules in the Finnish roundwood market. In addition to Metsähallitus, individuals and companies, as well as municipalities and parishes, have filed claims relating to the Market Court decision. The capital amount of all of the claims totals EUR 196 million in the aggregate jointly and severally against UPM and two other companies; alternatively and individually against UPM, this represents EUR 34 million in the aggregate. In addition to the claims on capital amounts, the claimants are also requesting compensation relating to value added tax and interests. UPM considers all the claims unfounded in their entirety. No provision has been made in UPM's accounts for any of these claims.

In 2012 UPM commenced arbitration proceedings against Metsäliitto Cooperative and Metsä Board Corporation due to their breaches of UPM's tag-along right under the shareholders' agreement

concerning Metsä Fibre Oy in connection with the sale of shares in Metsä Fibre to Itochu Corporation. UPM claimed jointly from Metsäliitto and Metsä Board a capital amount of EUR 58.5 million. Metsäliitto and Metsä Board had sold a 24.9% holding in Metsä Fibre to Itochu Corporation for EUR 472 million. In connection with the transaction with Itochu, Metsäliitto had exercised a call option to purchase UPM's remaining 11% shareholding in Metsä Fibre for EUR 150 million. The arbitral tribunal rendered its final decision (arbitral award) in February 2014 and ordered Metsäliitto and Metsä Board to pay UPM the capital amount of EUR 58.5 million and penalty interest and compensate UPM for its legal fees. As a result, UPM has recorded an income of EUR 67 million as a special item in Q1 2014. In May 2014 Metsäliitto and Metsä Board have commenced litigation proceedings in the Helsinki District Court challenging the arbitral award and requesting the District Court to set aside the arbitral award or to declare it null and void. UPM considers Metsäliitto's and Metsä Board's claims unfounded. At the moment, it is not known when the District Court will give its decision.

Neste Oil Oyj, a Finnish company producing traffic fuels (Neste), has filed an action for declaratory judgment against UPM in June 2013 in the Helsinki District Court. Neste seeks a declaration from the court that Neste enjoys protection on the basis of its patent against the technology that Neste alleges UPM intends to use at the biorefinery which is being constructed at UPM's Kaukas mill site. In March 2014 Neste has filed an action with the Finnish Market Court in which Neste requests the Market Court to prohibit UPM from continuing the alleged infringement of Neste's patent at UPM's Kaukas biorefinery in Finland. In June 2014 the Market Court dismissed Neste's demand for preliminary injunction. Neste's actions relate to the same Neste patent concerning which UPM has filed an invalidation claim in 2012. The invalidation claim was filed as a procedural precautionary measure to avoid unfounded legal processes. UPM considers Neste's actions to be without merit.

In Finland, UPM is participating in a project to construct a new nuclear power plant unit Olkiluoto 3 (OL3) through its shareholdings in Pohjolan Voima Oy. Pohjolan Voima Oy is a majority shareholder of Teollisuuden Voima Oyj (TVO), holding 58.47% of its shares. UPM's indirect share of OL3 is approximately 31%. Originally the commercial electricity production of the OL3 plant unit was scheduled to start in April 2009. The completion of the project, however, has been delayed. In September 2014 TVO announced that it had received additional data about the schedule for the OL3 project from the AREVA-Siemens-Consortium (Supplier), which is constructing OL3 as a fixed-price turnkey project. According to this data, the start of regular electricity production of the plant unit would take place in late 2018. According to TVO, detailed evaluation of the received data is ongoing.

In December 2008 the Supplier initiated the International Chamber of Commerce (ICC) arbitration proceedings and submitted a claim concerning the delay at the OL3 project and related costs. According to TVO, both parties to the dispute have updated their estimates of costs and losses caused by the delay of the OL3 project as part of their recent submissions in the arbitration proceedings. The updated quantification which the Supplier submitted on 23 October 2014 brings the total amount claimed by the Supplier for events occurring during the construction period ending June 2011 to approximately EUR 3.5 billion. Among other things, this sum includes over EUR 1.3 billion in respect of penalty interest (calculated until October 2014) and payments allegedly delayed by TVO under the plant contract, as well as approximately EUR 150 million of

alleged lost profit. TVO has previously considered the claims upon which the amounts demanded are based, and found them to be without merit. TVO will scrutinize the new material which has been submitted, and respond to it in due course. TVO's current quantification estimate of its costs and losses related to its claim in the arbitration proceedings is approximately EUR 2.3 billion until the end of 2018, which is the estimated start of the regular electricity

production of OL3 according to the schedule submitted by the Supplier in September 2014. TVO's updated estimate was submitted to the tribunal in the arbitration proceedings on 20 October 2014. The arbitration proceedings may continue for several years, and the claimed amounts may change. No receivables or provisions have been recorded by TVO on the basis of claims presented in the arbitration proceedings.

Helsinki, 28 October 2014

UPM-Kymmene Corporation

Board of Directors

Financial information

Consolidated income statement

EURm	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q3/2013	Q1-Q4/2013
Sales	2,415	2,472	7,337	7,466	10,054
Other operating income	14	28	30	55	60
Costs and expenses	-2,082	-2,190	-6,422	-6,726	-9,091
Change in fair value of biological assets and wood harvested	17	11	46	31	68
Share of results of associated companies and joint ventures	1	1	3	2	2
Depreciation, amortisation and impairment charges	-129	-135	-391	-414	-545
Operating profit (loss)	236	187	603	414	548
Gains on available-for-sale investments, net	-	1	59	1	1
Exchange rate and fair value gains and losses	-3	-	-7	10	10
Interest and other finance costs, net	-19	-22	-45	-65	-84
Profit (loss) before tax	214	166	610	360	475
Income taxes	-32	-28	-106	-61	-140
Profit (loss) for the period	182	138	504	299	335
Attributable to:					
Owners of the parent company	182	138	504	299	335
Non-controlling interests	-	-	-	-	-
	182	138	504	299	335
Earnings per share for profit (loss) attributable to owners of the parent company					
Basic earnings per share, EUR	0.34	0.26	0.95	0.57	0.63
Diluted earnings per share, EUR	0.34	0.26	0.95	0.57	0.63

Consolidated statement of comprehensive income

EURm	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q3/2013	Q1-Q4/2013
Profit (loss) for the period	182	138	504	299	335
Other comprehensive income for the period, net of tax:					
Items that will not be reclassified to income statement:					
Actuarial gains and losses on defined benefit obligations	-32	-13	-93	62	69
Items that may be reclassified subsequently to income statement:					
Translation differences	226	-85	249	-129	-219
Net investment hedge	-31	19	-35	39	77
Cash flow hedges	-44	-15	-99	-29	-28
Available-for-sale investments	-1	-	-55	7	58
	150	-81	60	-112	-112
Other comprehensive income for the period, net of tax	118	-94	-33	-50	-43
Total comprehensive income for the period	300	44	471	249	292
Total comprehensive income attributable to:					
Owners of the parent company	300	44	471	249	292
Non-controlling interests	-	-	-	-	-
	300	44	471	249	292

Consolidated balance sheet

EURm	30.9.2014	30.9.2013	31.12.2013
ASSETS			
Non-current assets			
Goodwill	227	220	219
Other intangible assets	344	346	342
Property, plant and equipment	4,801	4,864	4,757
Investment property	32	41	40
Biological assets	1,461	1,460	1,458
Investments in associated companies and joint ventures	26	21	22
Available-for-sale investments	2,596	2,628	2,661
Other non-current financial assets	301	319	282
Deferred tax assets	565	718	564
Other non-current assets	113	103	142
	10,466	10,720	10,487
Current assets			
Inventories	1,391	1,398	1,327
Trade and other receivables	2,157	1,971	1,948
Income tax receivables	51	41	50
Cash and cash equivalents	825	298	787
	4,424	3,708	4,112
Total assets	14,890	14,428	14,599
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	890	890	890
Treasury shares	-2	-2	-2
Translation differences	220	58	6
Fair value and other reserves	1,990	2,206	2,256
Reserve for invested non-restricted equity	1,256	1,223	1,226
Retained earnings	3,268	3,028	3,073
	7,622	7,403	7,449
Non-controlling interests	6	6	6
Total equity	7,628	7,409	7,455
Non-current liabilities			
Deferred tax liabilities	468	615	501
Retirement benefit obligations	774	669	680
Provisions	145	189	189
Interest-bearing liabilities	3,120	3,456	3,485
Other liabilities	146	139	164
	4,653	5,068	5,019
Current liabilities			
Current interest-bearing liabilities	973	474	643
Trade and other payables	1,568	1,404	1,419
Income tax payables	68	73	63
	2,609	1,951	2,125
Total liabilities	7,262	7,019	7,144
Total equity and liabilities	14,890	14,428	14,599

Consolidated statement of changes in equity

EURm	Attributable to owners of the parent company								Total equity
	Share capital	Treasury shares	Translation differences	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interests	
Balance at 1 January 2013	890	-2	148	2,232	1,207	2,980	7,455	6	7,461
Profit (loss) for the period	-	-	-	-	-	299	299	-	299
Actuarial gains and losses on defined benefit obligations, net of tax	-	-	-	-	-	62	62	-	62
Translation differences	-	-	-129	-	-	-	-129	-	-129
Net investment hedge, net of tax	-	-	39	-	-	-	39	-	39
Cash flow hedges, net of tax	-	-	-	-29	-	-	-29	-	-29
Available-for-sale investments, net of tax	-	-	-	7	-	-	7	-	7
Total comprehensive income for the period	-	-	-90	-22	-	361	249	-	249
Share options exercised	-	-	-	-	16	-	16	-	16
Share-based compensation, net of tax	-	-	-	-4	-	7	3	-	3
Dividend distribution	-	-	-	-	-	-317	-317	-	-317
Other items	-	-	-	-	-	-3	-3	-	-3
Total transactions with owners for the period	-	-	-	-4	16	-313	-301	-	-301
Balance at 30 September 2013	890	-2	58	2,206	1,223	3,028	7,403	6	7,409
Balance at 1 January 2014	890	-2	6	2,256	1,226	3,073	7,449	6	7,455
Profit (loss) for the period	-	-	-	-	-	504	504	-	504
Actuarial gains and losses on defined benefit obligations, net of tax	-	-	-	-	-	-93	-93	-	-93
Translation differences	-	-	249	-	-	-	249	-	249
Net investment hedge, net of tax	-	-	-35	-	-	-	-35	-	-35
Cash flow hedges, net of tax	-	-	-	-99	-	-	-99	-	-99
Available-for-sale investments, net of tax	-	-	-	-55	-	-	-55	-	-55
Total comprehensive income for the period	-	-	214	-154	-	411	471	-	471
Share options exercised	-	-	-	-	30	-	30	-	30
Share-based compensation, net of tax	-	-	-	-9	-	10	1	-	1
Dividend distribution	-	-	-	-	-	-319	-319	-	-319
Other items and reclassifications	-	-	-	-103	-	93	-10	-	-10
Total transactions with owners for the period	-	-	-	-112	30	-216	-298	-	-298
Balance at 30 September 2014	890	-2	220	1,990	1,256	3,268	7,622	6	7,628

Condensed consolidated cash flow statement

EURm	Q1-Q3/2014	Q1-Q3/2013	Q1-Q4/2013
Cash flow from operating activities			
Profit (loss) for the period	504	299	335
Adjustments	438	497	750
Change in working capital	-71	-185	-128
Cash generated from operations	871	611	957
Finance costs, net	-33	-49	-65
Income taxes paid	-59	-89	-157
Net cash generated from operating activities	779	473	735
Cash flow from investing activities			
Capital expenditure	-275	-246	-337
Acquisitions and share purchases	-1	-32	-32
Asset sales and other investing cash flow	85	17	72
Net cash used in investing activities	-191	-261	-297
Cash flow from financing activities			
Change in loans and other financial items	-273	-96	166
Share options exercised	30	16	19
Dividends paid	-319	-317	-317
Net cash used in financing activities	-562	-397	-132
Change in cash and cash equivalents	26	-185	306
Cash and cash equivalents at beginning of period	787	486	486
Foreign exchange effect on cash and cash equivalents	12	-3	-5
Change in cash and cash equivalents	26	-185	306
Cash and cash equivalents at end of period	825	298	787

Quarterly information

EURm	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q1-Q3/14	Q1-Q3/13	Q1-Q4/13
Sales	2,415	2,441	2,481	2,588	2,472	2,520	2,474	7,337	7,466	10,054
Other operating income	14	9	7	5	28	-10	37	30	55	60
Costs and expenses	-2,082	-2,161	-2,179	-2,365	-2,190	-2,245	-2,291	-6,422	-6,726	-9,091
Change in fair value of biological assets and wood harvested	17	17	12	37	11	14	6	46	31	68
Share of results of associated companies and joint ventures	1	2	-	-	1	1	-	3	2	2
Depreciation, amortisation and impairment charges	-129	-132	-130	-131	-135	-134	-145	-391	-414	-545
Operating profit (loss)	236	176	191	134	187	146	81	603	414	548
Gains on available-for-sale investments, net	-	-	59	-	1	-	-	59	1	1
Exchange rate and fair value gains and losses	-3	-1	-3	-	-	5	5	-7	10	10
Interest and other finance costs, net	-19	-16	-10	-19	-22	-23	-20	-45	-65	-84
Profit (loss) before tax	214	159	237	115	166	128	66	610	360	475
Income taxes	-32	-30	-44	-79	-28	-14	-19	-106	-61	-140
Profit (loss) for the period	182	129	193	36	138	114	47	504	299	335
Attributable to:										
Owners of the parent company	182	129	193	36	138	114	47	504	299	335
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
	182	129	193	36	138	114	47	504	299	335
Basic earnings per share, EUR	0.34	0.25	0.36	0.06	0.26	0.22	0.09	0.95	0.57	0.63
Diluted earnings per share, EUR	0.34	0.25	0.36	0.06	0.26	0.22	0.09	0.95	0.57	0.63
Earnings per share, excluding special items, EUR	0.32	0.26	0.27	0.27	0.26	0.20	0.18	0.85	0.64	0.91
Average number of shares basic (1,000)	531,932	531,932	529,514	528,887	528,211	527,922	526,252	531,126	527,462	527,818
Average number of shares diluted (1,000)	532,114	532,201	529,777	528,329	528,155	528,158	526,631	531,364	527,648	527,818
Special items in operating profit (loss)	1	-10	-5	-73	-7	8	-63	-14	-62	-135
Operating profit (loss), excl. special items	235	186	196	207	194	138	144	617	476	683
% of sales	9.7	7.6	7.9	8.0	7.8	5.5	5.8	8.4	6.4	6.8
Special items in financial items	-	-	66	-	-	-	-	66	-	-
Special items before tax	1	-10	61	-73	-7	8	-63	52	-62	-135
Profit (loss) before tax, excl. special items	213	169	176	188	173	120	129	558	422	610
% of sales	8.8	6.9	7.1	7.3	7.0	4.8	5.2	7.6	5.7	6.1
Impact on taxes from special items	11	4	-13	-31	6	-	15	2	21	-10
Return on equity, excl. special items, %	9.1	7.3	7.7	7.5	7.5	5.7	5.1	8.0	6.1	6.4
Return on capital employed, excl. special items, %	8.0	6.5	6.6	7.2	6.8	4.9	5.1	7.0	5.6	6.0
EBITDA	346	298	313	302	311	258	284	957	853	1,155
% of sales	14.3	12.2	12.6	11.7	12.6	10.2	11.5	13.0	11.4	11.5

Quarterly segment information

EURm	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q1-Q3/14	Q1-Q3/13	Q1-Q4/13
Sales										
UPM Biorefining	480	477	496	497	484	512	495	1,453	1,491	1,988
UPM Energy	113	112	124	115	109	110	132	349	351	466
UPM Raflatac	312	306	300	298	307	309	299	918	915	1,213
UPM Paper Asia	274	285	277	268	274	289	277	836	840	1,108
UPM Paper ENA	1,303	1,286	1,334	1,445	1,392	1,358	1,365	3,923	4,115	5,560
UPM Plywood	101	118	114	112	98	111	108	333	317	429
Other operations	102	113	119	120	117	128	125	334	370	490
Internal sales	-248	-241	-263	-259	-283	-292	-297	-752	-872	-1,131
Eliminations and reconciliations	-22	-15	-20	-8	-26	-5	-30	-57	-61	-69
Sales, total	2,415	2,441	2,481	2,588	2,472	2,520	2,474	7,337	7,466	10,054
EBITDA										
UPM Biorefining	100	66	92	100	100	128	107	258	335	435
UPM Energy	46	49	59	48	43	49	58	154	150	198
UPM Raflatac	29	25	28	25	30	28	26	82	84	109
UPM Paper Asia	49	47	44	36	40	42	43	140	125	161
UPM Paper ENA	113	100	95	86	83	34	29	308	146	232
UPM Plywood	13	18	17	15	6	12	10	48	28	43
Other operations	2	-7	-10	-3	-1	-2	-10	-15	-13	-16
Eliminations and reconciliations	-6	-	-12	-5	10	-33	21	-18	-2	-7
EBITDA, total	346	298	313	302	311	258	284	957	853	1,155
Operating profit (loss)										
UPM Biorefining	64	31	56	63	73	102	68	151	243	306
UPM Energy	43	46	56	45	40	46	55	145	141	186
UPM Raflatac	21	7	20	16	7	19	18	48	44	60
UPM Paper Asia	29	27	25	17	19	22	22	81	63	80
UPM Paper ENA	63	45	38	14	36	-18	-91	146	-73	-59
UPM Plywood	7	12	11	9	1	7	4	30	12	21
Other operations	13	8	-3	-27	1	1	-17	18	-15	-42
Eliminations and reconciliations	-4	-	-12	-3	10	-33	22	-16	-1	-4
Operating profit (loss), total	236	176	191	134	187	146	81	603	414	548
% of sales	9.8	7.2	7.7	5.2	7.6	5.8	3.3	8.2	5.5	5.5
Special items in operating profit										
UPM Biorefining	1	-	-	-3	6	5	-2	1	9	6
UPM Energy	-	-	-	-	-	-	-	-	-	-
UPM Raflatac	-	-10	-	-	-15	-	-	-10	-15	-15
UPM Paper Asia	-	-	-	1	-1	-	-	-	-1	-
UPM Paper ENA	1	-2	-4	-17	7	5	-54	-5	-42	-59
UPM Plywood	-	-	-	-	-	-	-	-	-	-
Other operations	-1	2	-1	-54	-4	-2	-7	-	-13	-67
Special items in operating profit, total	1	-10	-5	-73	-7	8	-63	-14	-62	-135
Operating profit (loss) excl. special items										
UPM Biorefining	63	31	56	66	67	97	70	150	234	300
UPM Energy	43	46	56	45	40	46	55	145	141	186
UPM Raflatac	21	17	20	16	22	19	18	58	59	75
UPM Paper Asia	29	27	25	16	20	22	22	81	64	80
UPM Paper ENA	62	47	42	31	29	-23	-37	151	-31	-
UPM Plywood	7	12	11	9	1	7	4	30	12	21
Other operations	14	6	-2	27	5	3	-10	18	-2	25
Eliminations and reconciliations	-4	-	-12	-3	10	-33	22	-16	-1	-4
Operating profit (loss) excl. special items, total	235	186	196	207	194	138	144	617	476	683
% of sales	9.7	7.6	7.9	8.0	7.8	5.5	5.8	8.4	6.4	6.8

Changes in property, plant and equipment

EURm	Q1-Q3/2014	Q1-Q3/2013	Q1-Q4/2013
Book value at beginning of period	4,757	5,089	5,089
Capital expenditure	250	220	333
Decreases	-14	-13	-83
Depreciation	-353	-370	-490
Impairment charges	-3	-7	-6
Translation difference and other changes	164	-55	-86
Book value at end of period	4,801	4,864	4,757

Financial assets and liabilities measured at fair value

EURm	30.9.2014				30.9.2013				31.12.2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets												
Trading derivatives	-	123	-	123	2	61	-	63	1	56	-	57
Derivatives used for hedging	41	281	-	322	48	339	-	387	101	307	-	408
Available-for-sale investments	-	-	2,596	2,596	-	-	2,628	2,628	-	-	2,661	2,661
Total	41	404	2,596	3,041	50	400	2,628	3,078	102	363	2,661	3,126
Liabilities												
Trading derivatives	20	108	-	128	9	160	-	169	20	166	-	186
Derivatives used for hedging	70	176	-	246	59	41	-	100	104	43	-	147
Total	90	284	-	374	68	201	-	269	124	209	-	333

There have been no transfers between Levels.

Fair values of Level 2 derivative financial instruments (e.g. over-the-counter derivatives) have been estimated as follows: Interest forward rate agreements and futures contracts are fair valued based on quoted market rates on the balance sheet date; forward foreign exchange contracts are fair valued based on the contract forward rates in effect on the balance sheet date; foreign currency options are fair valued based on quoted market rates on the balance sheet date; interest and

currency swap agreements are fair valued based on discounted cash flows; and commodity derivatives are fair valued based on quoted market rates on the balance sheet date. The fair values of non-traded derivatives such as embedded derivatives are assessed by using valuation methods and assumptions that are based on market quotations existing at each balance sheet date.

Fair value measurements using significant unobservable inputs, Level 3

EURm	Available-for-sale investments		
	Q1-Q3/2014	Q1-Q3/2013	Q1-Q4/2013
Opening balance	2,661	2,587	2,587
Additions	-	31	31
Transfers into Level 3	-	1	1
Transfers from Level 3	-10	-	-
Gains and losses			
Recognised in income statement, under gains on available-for-sale investments	-	-	-1
Recognised in statement of comprehensive income, under available-for-sale investments	-55	9	43
Closing balance	2,596	2,628	2,661

Fair valuation of available-for-sale investments in the UPM Energy segment (Pohjolan Voima Oy's A, B, B2, C, C2, H, M and V-shares, Kemijoki Oy shares, and Länsi-Suomen Voima Oy shares) is based on discounted cash flows model. The Group's electricity price estimate is based on fundamental simulation of the Finnish area price. The electricity price used in the model is based on the company's estimates. A change of +/-5% in the electricity price used in the model would change the total value of the assets by +/- EUR 381 million. The discount rate of 5.85% used in the valuation model is determined using the weighted average cost of capital method. A change of +/-0.5% in the discount rate would change the total value of the assets by approximately +/- EUR 340 million. Other uncertainties and risk

factors in the value of the assets relate to start-up schedule of the fixed price turn-key Olkiluoto 3 nuclear power plant project and the on-going arbitration proceedings between the plant supplier AREVA-Siemens Consortium and the plant owner Teollisuuden Voima Oyj (TVO). UPM's indirect share of the capacity of Olkiluoto 3 is approximately 31%, through its PVO B2 shares. The possible outcome of the arbitration proceedings has not been taken into account in the valuation. Changes in regulatory environment or taxation could also have an impact on the value of the energy generating assets.

Fair value of the OEP Technologie B.V. shares is based on the discounted value of sales option related to the shareholding.

Fair value of financial assets and liabilities measured at carrying amount

EURm	30.9.2014	30.9.2013	31.12.2013
Non-current interest bearing liabilities, excl. derivative financial instruments	3,077	3,346	3,489

The fair values of all other financial assets and liabilities approximate their carrying amount.

Commitments and contingencies

EURm	30.9.2014	30.9.2013	31.12.2013
Own commitments			
Mortgages	285	387	357
On behalf of others			
Other guarantees	5	5	5
Other own commitments			
Leasing commitments for the next 12 months	60	55	57
Leasing commitments for subsequent periods	341	342	339
Other commitments	168	141	141

Capital commitments

EURm	Completion	Total cost	By 31.12.2013	Q1-Q3/2014	After 30.9.2014
PM3 / Changshu	Q4 2015	277	9	39	229
Capacity increase / Kymi	Q4 2015	160	-	24	136
Power plant / Schongau	Q4 2014	85	45	27	13
Capacity increase / Raflatac	Q1 2015	14	-	2	12

Notional amounts of derivative financial instruments

EURm	30.9.2014	30.9.2013	31.12.2013
Forward foreign exchange contracts	4,598	4,865	4,973
Currency options, bought	14	10	18
Currency options, written	19	13	15
Interest rate forward contracts	1,783	2,589	2,332
Interest rate swaps	2,519	1,626	1,609
Cross currency swaps	864	831	804
Commodity contracts	499	586	490

Related party (associated companies and joint ventures) transactions and balances

EURm	Q1-Q3/2014	Q1-Q3/2013	Q1-Q4/2013
Sales	1	1	2
Purchases	57	58	80
Non-current receivables at end of period	9	7	8
Trade and other receivables at end of period	1	2	1
Trade and other payables at end of period	1	2	2

Basis of preparation and accounting policies

This unaudited interim report has been prepared in accordance with the accounting policies set out in International Accounting Standard

34 on Interim Financial Reporting and in the Group's consolidated financial statements for 2013. Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

Calculation of key indicators

Return on equity, %:

$$\frac{\text{Profit before tax} - \text{income taxes}}{\text{Total equity (average)}} \times 100$$

Return on capital employed, %:

$$\frac{\text{Profit before tax} + \text{interest expenses and other financial expenses}}{\text{Total equity} + \text{interest-bearing liabilities (average)}} \times 100$$

Earnings per share:

$$\frac{\text{Profit for the period attributable to owners of the parent company}}{\text{Adjusted average number of shares during the period excluding treasury shares}}$$

Key exchange rates for the euro at end of period

	30.9.2014	30.6.2014	31.3.2014	31.12.2013	30.9.2013	30.6.2013	31.3.2013
USD	1.2583	1.3658	1.3788	1.3791	1.3505	1.3080	1.2805
CAD	1.4058	1.4589	1.5225	1.4671	1.3912	1.3714	1.3021
JPY	138.11	138.44	142.42	144.72	131.78	129.39	120.87
GBP	0.7773	0.8015	0.8282	0.8337	0.8361	0.8572	0.8456
SEK	9.1465	9.1762	8.9483	8.8591	8.6575	8.7773	8.3553

It should be noted that certain statements herein, which are not historical facts, including, without limitation, those regarding expectations for market growth and developments; expectations for growth and profitability; and statements preceded by “believes”, “expects”, “anticipates”, “foresees”, or similar expressions, are forward-looking statements. Since these statements are based on current plans, estimates and projections, they involve risks and uncertainties which may cause actual results to materially differ from those expressed in such forward-looking statements. Such factors include, but are not limited to: (1) operating factors such as continued success of manufacturing activities and the achievement of efficiencies therein including the availability and cost of production inputs, continued success of product development, acceptance of new products or services by the Group’s targeted customers, success of the existing and future collaboration arrangements, changes in business strategy or development plans or targets, changes in the degree of protection created by the Group’s patents and other intellectual property rights, the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for the Group’s products and the pricing pressures thereto, financial condition of the customers and the competitors of the Group, the potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in the Group’s principal geographic markets or fluctuations in exchange and interest rates. For more detailed information about risk factors, see pages 73–74 of the company’s annual report 2013.



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