

MORE WITH BIOFORE

UPM RESULTS Q1 2015

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President and CEO
28 April 2015



Q1 2015 – good profitability continued

Operating profit excl. special items increased to EUR 204m (196m)

- + Underpinned by profit improvement actions and favourable currencies, mitigated by hedging
- Publication paper prices and paper deliveries in Europe, as well as electricity sales prices had a negative impact

Good performance in UPM Biorefining, UPM Plywood, UPM Raflatac and UPM Paper Asia

UPM is well positioned for earnings growth – outlook is unchanged











UPM invests in the top performing plywood business by expanding the Otepää mill in Estonia





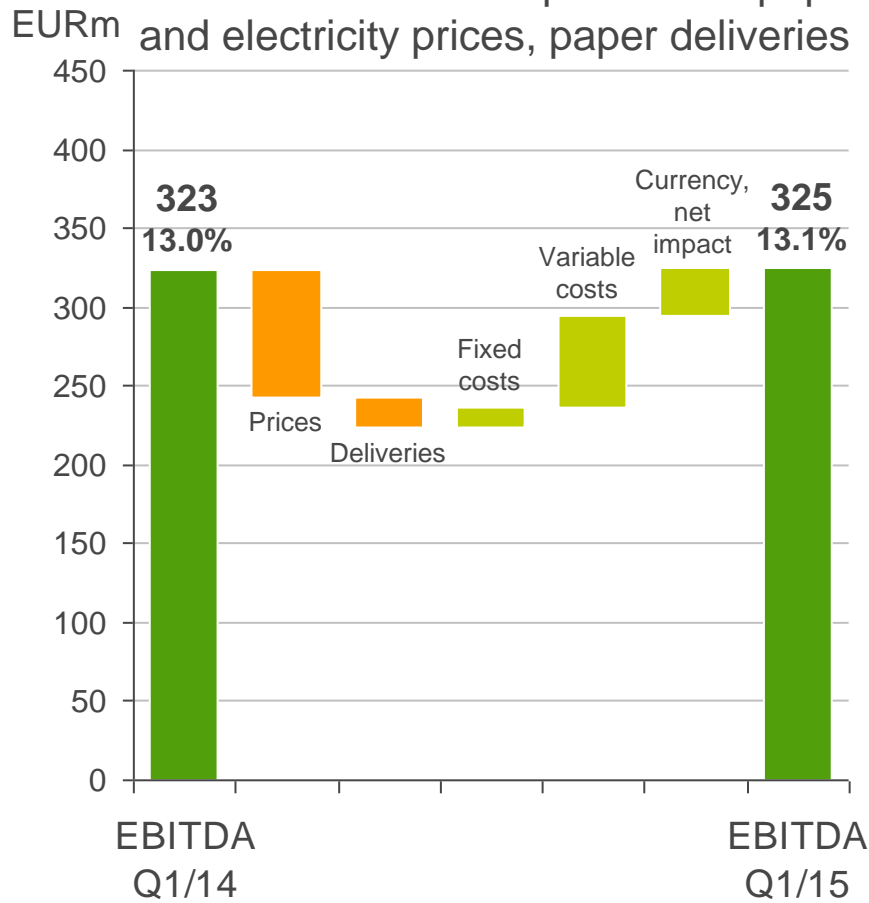
Q1 2015 – good profitability continued

Q1 2015 vs. Q1 2014:

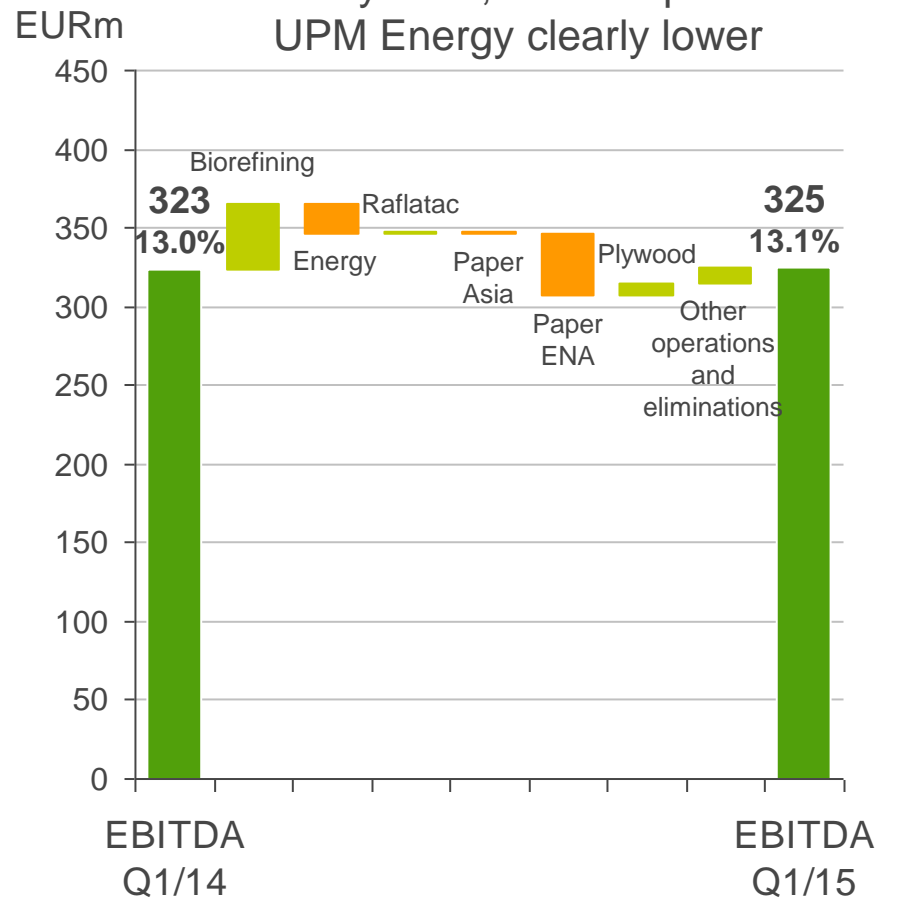
| | | | | | |
|----------------------------------|---|-------|---|---|--------|
| Sales EUR 2,486m |  | 0% | ROE (* 8.1% |  | +0.4pp |
| EBITDA EUR 325m |  | +2m | Operating cash flow EUR 108m |  | -156m |
| Operating profit (* EUR 204m |  | +8m | Net debt EUR 2,419m |  | -358m |
| Profit before tax (* EUR 182m |  | +6m | Net debt / EBITDA 1.8x |  | -0.5x |
| EPS (* EUR 0.29 |  | +0.02 | Operating cash flow / share, 12 month EUR 2.03 |  | +0.34 |

EBITDA in Q1 2015 vs. Q1 2014

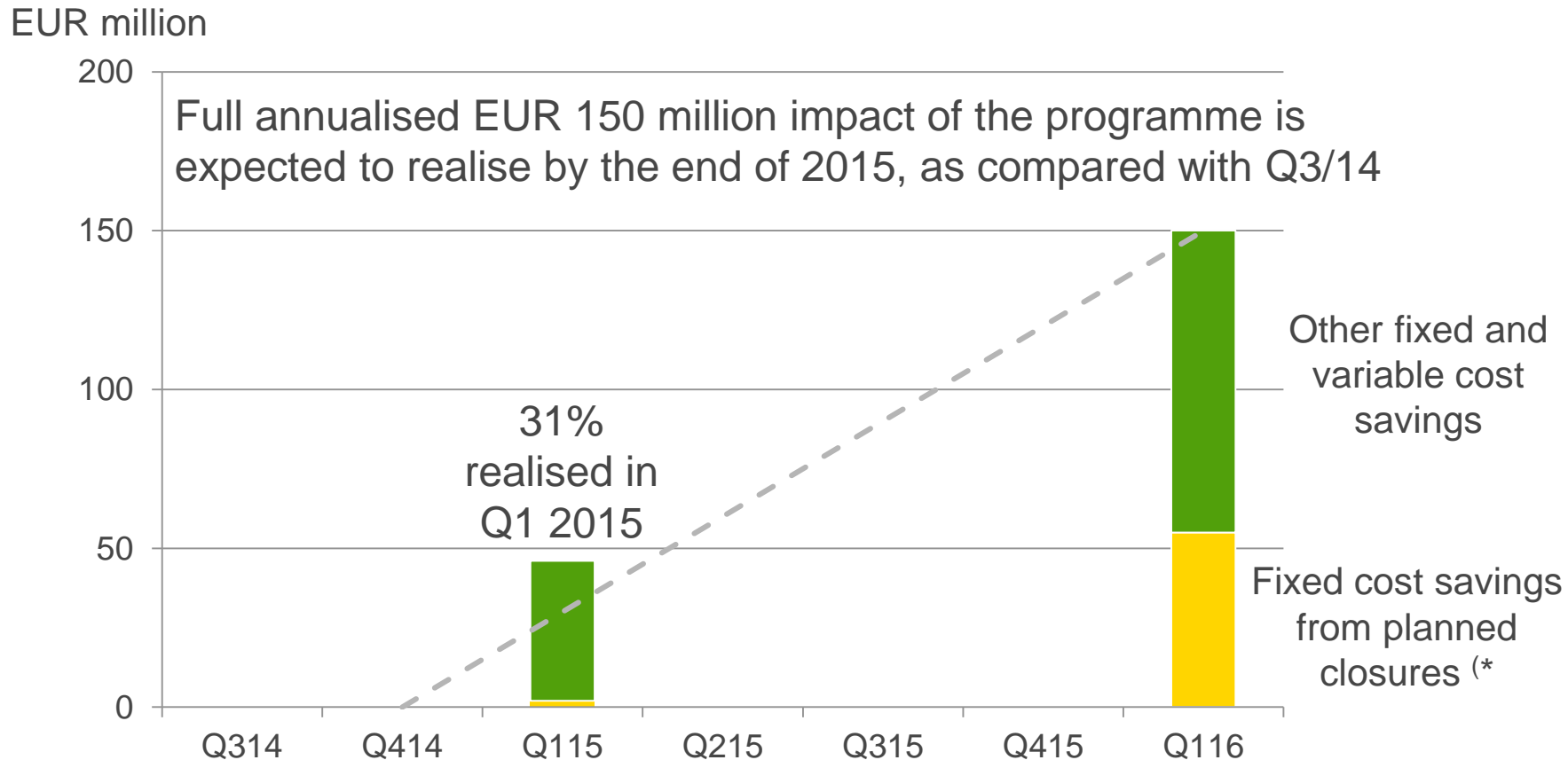
Profit improvement actions and currencies offset the decrease in publication paper and electricity prices, paper deliveries



Significant improvement in UPM Biorefining and UPM Plywood, UPM Paper ENA and UPM Energy clearly lower



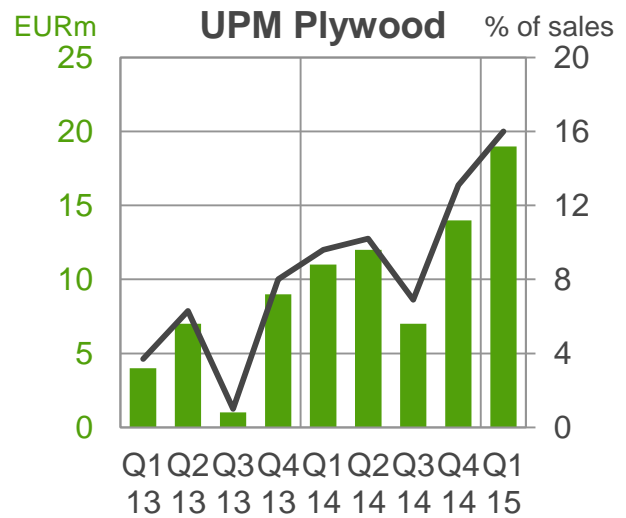
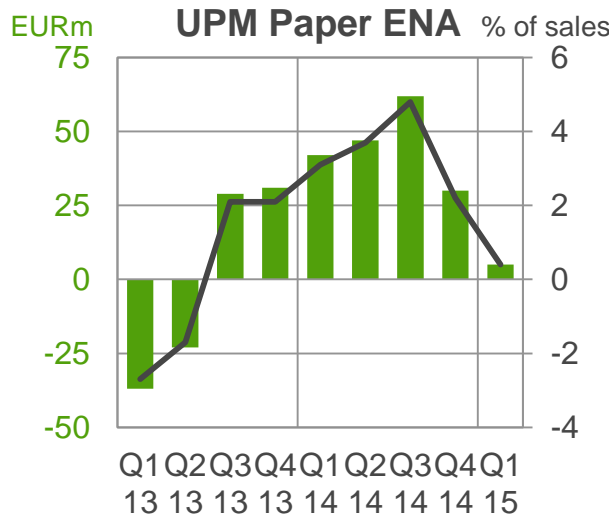
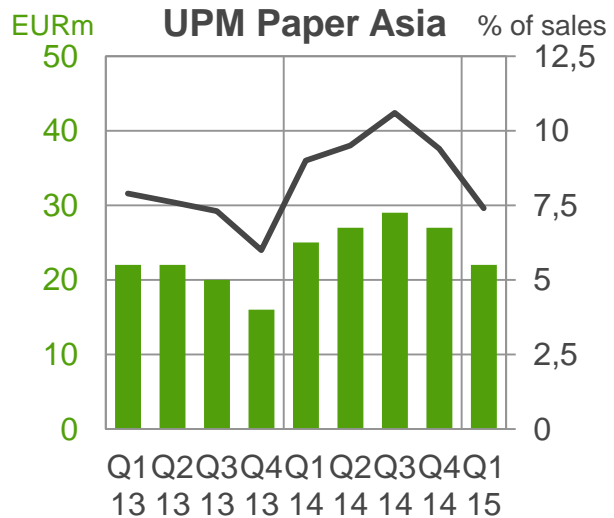
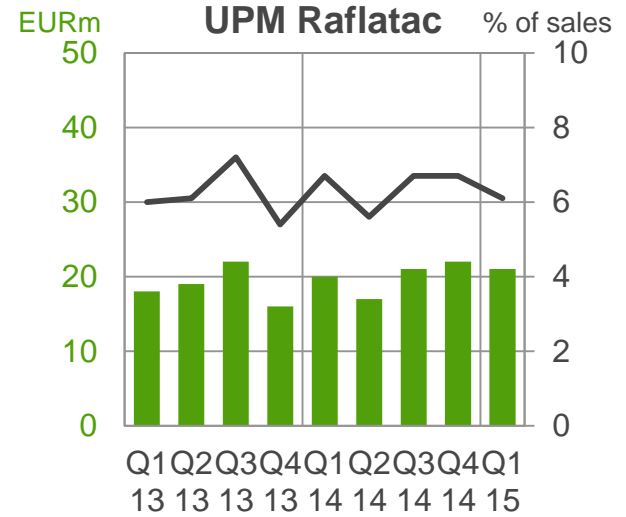
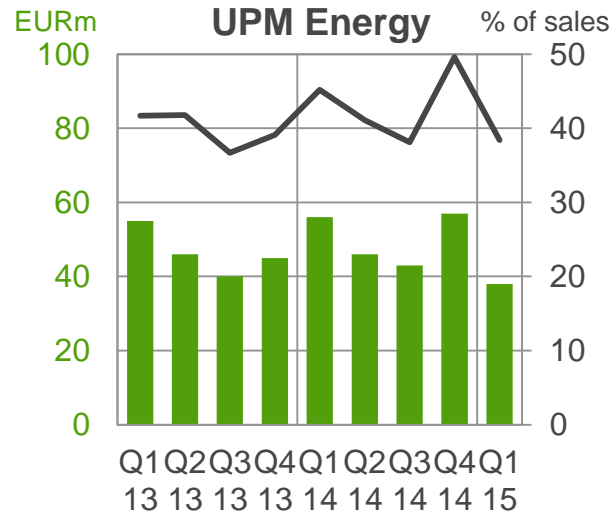
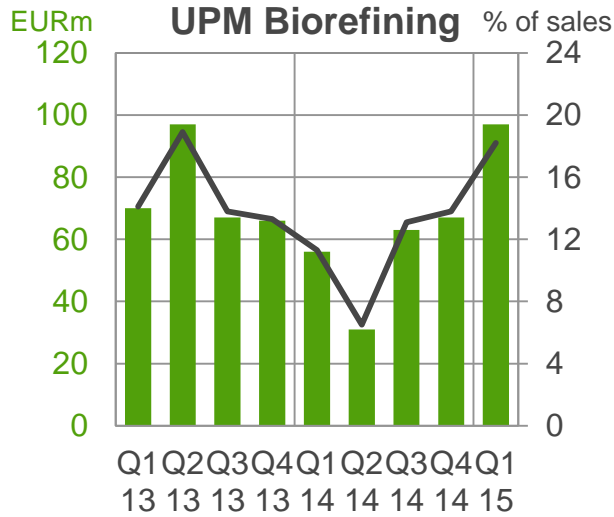
Profit improvement programme targeting EUR 150 million of fixed and variable cost savings



(* 800,000 tonnes of publication paper capacity in Europe: three paper machines were closed in Q1/15, employee consultation process is proceeding regarding one machine)



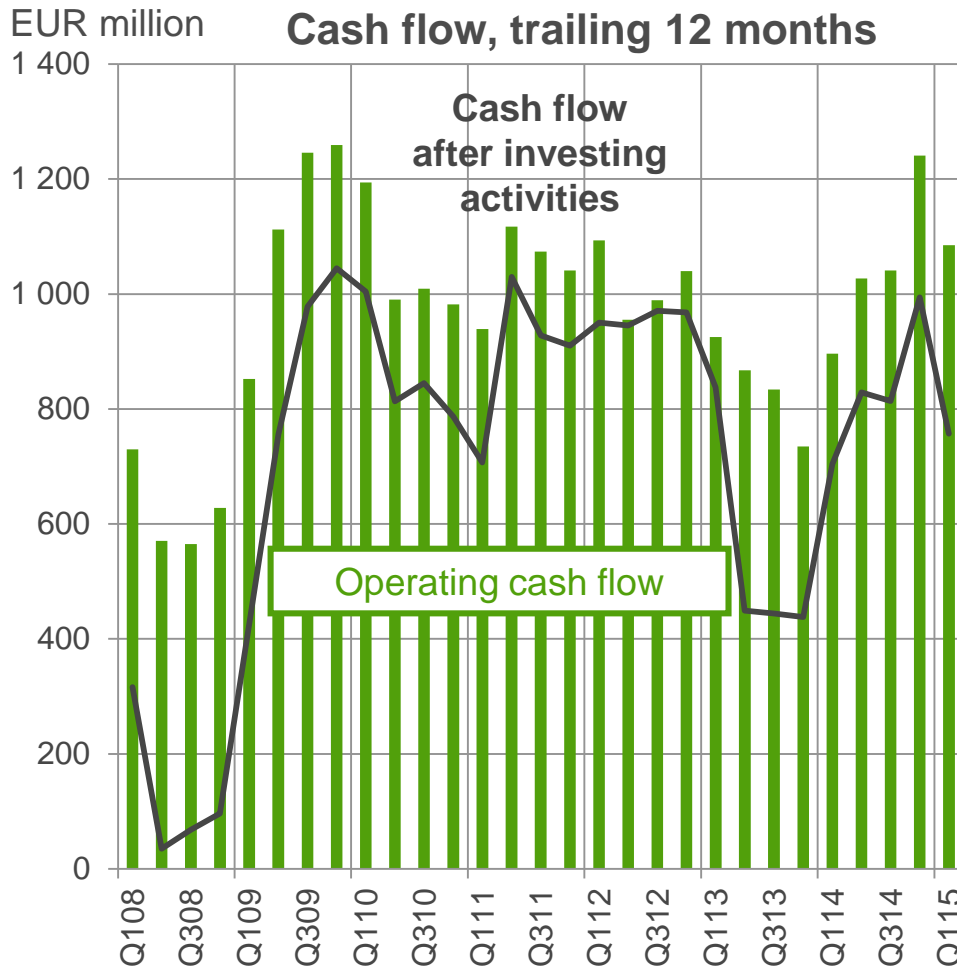
Operating profit ^{*)} by business area



*) excluding special items

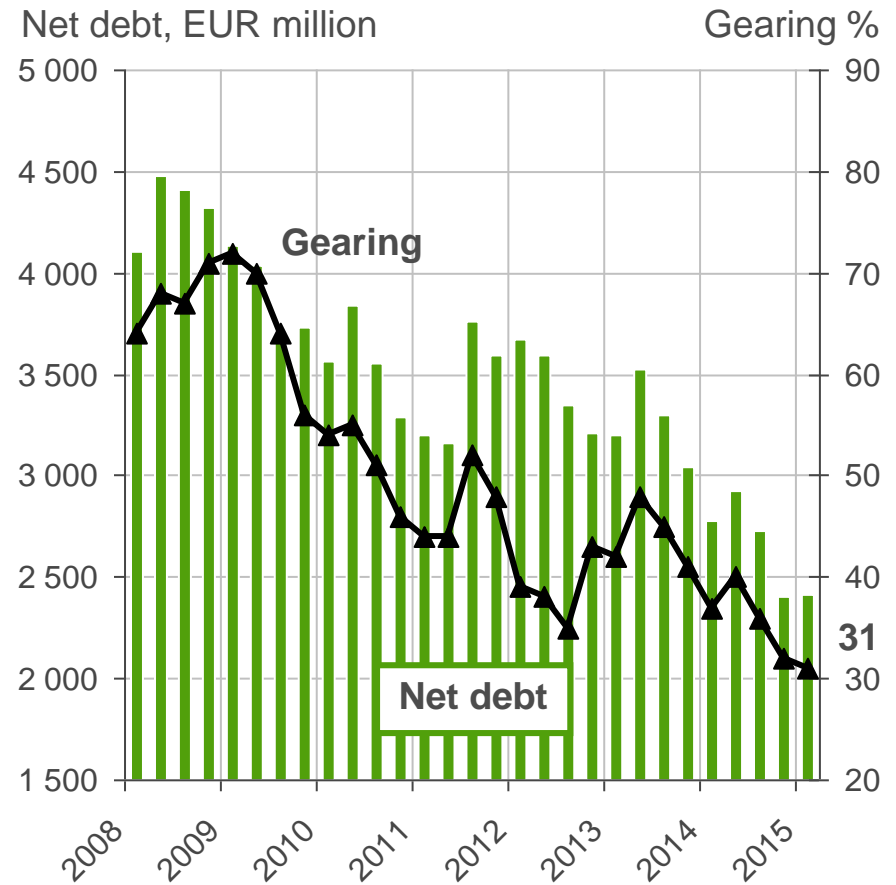
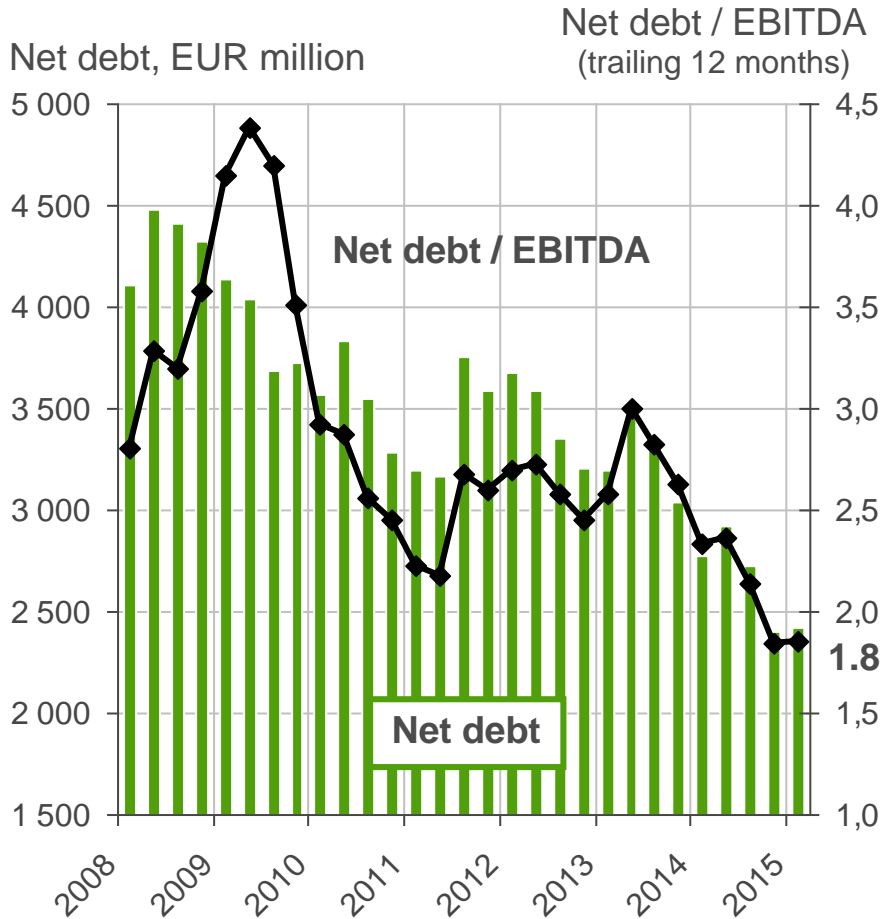


Solid cash flow



- Q1 2015 operating cash flow was EUR 108m (264m)
- In Q1 2015, working capital increased by EUR 147m (decreased by EUR 1m), mainly due to seasonal factors
- In the latest 12 months, operating cash flow was EUR 1,085m (896m), i.e. EUR 2.03 per share

Strong balance sheet



Liquidity was EUR 0.9bn at the end of Q1 2015
 Repayments total EUR 0.3bn in 2015



Outlook for 2015

- The improved profitability achieved in 2014 is expected to continue in 2015, and there are prospects for further improvement.
- Profitability is underpinned by the EUR 150 million profit improvement programme, as well as the first positive impacts from the company's growth projects.
- Profitability is affected by lower publication paper prices and lower electricity sales prices in the beginning of the year. The current weakened euro and lower oil price are supportive for the company's earnings.

UPM invests in the top performing plywood business by expanding the Otepää mill

- UPM will almost double the production at the Otepää plywood mill in Estonia to 90,000 m³
- Investment includes a new bio power plant at the mill
- The total investment of EUR 40 million will be completed by the end of 2016
- Enables serving the growing demand in key customer industries



Lappeenranta biorefinery started commercial production

- World's first biorefinery producing 120 million litres of wood based advanced renewable diesel
- Commercial production started in January 2015, ramp up still in early stage
- Production technology works as planned and the high-quality product fulfils customer specifications
- Distribution starts through Finnish service stations St1 and ABC in May 2015





10% increase in pulp production capacity

- Pietarsaari pulp mill modernisation and 70,000 tonnes capacity expansion completed in June 2014
- Fray Bentos pulp mill production permit allows a 100,000 tonnes increase in production. Minor investments were carried out in Q4 2014
- Kymi pulp mill 170,000 tonnes capacity expansion proceeding well, start-up by the end of 2015



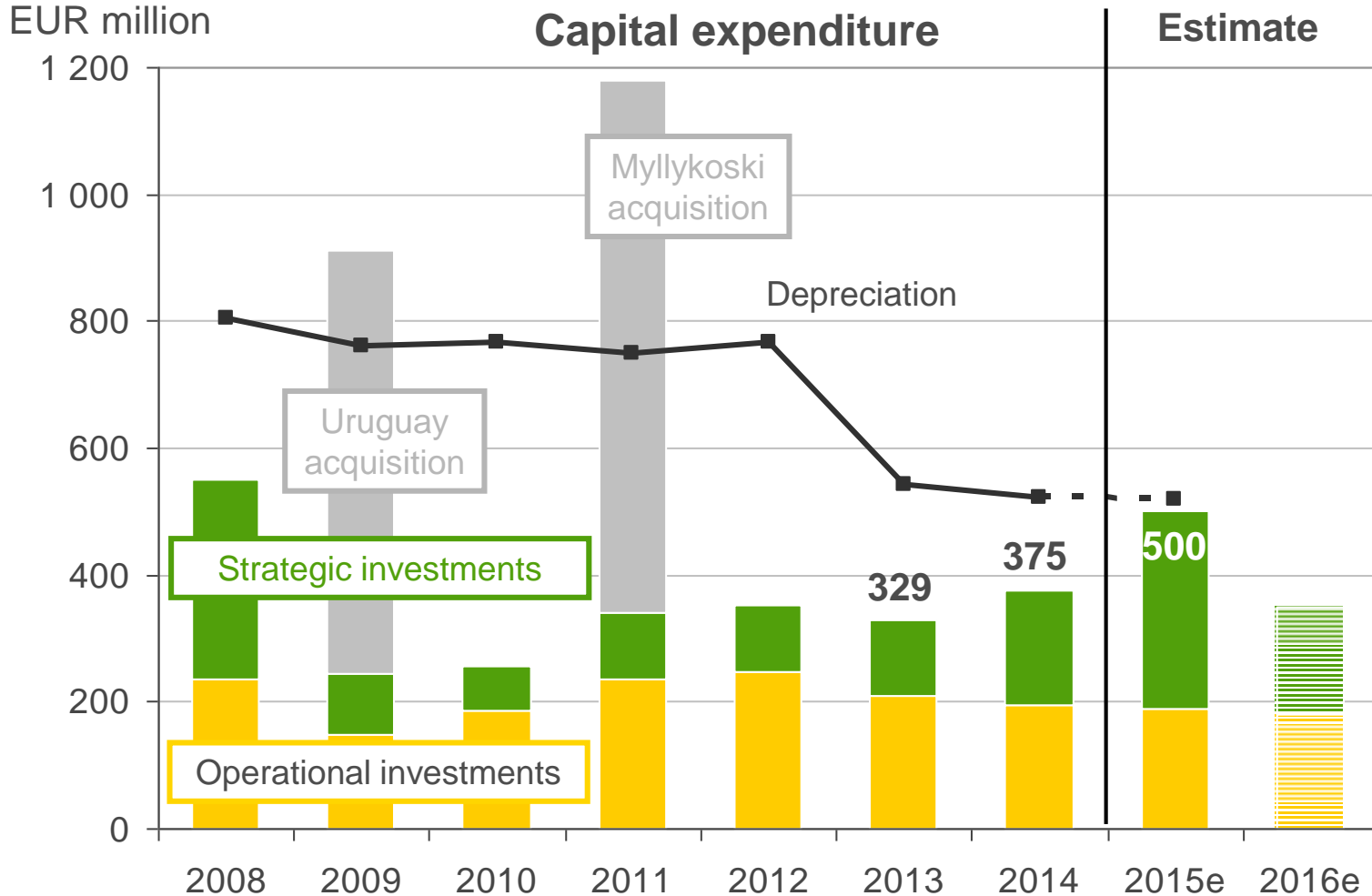


Advancing in growth markets

- Investment in labelling materials and woodfree speciality papers at the UPM Changshu mill in China proceeding well. Capacity 360,000 tonnes, start-up by the end of 2015
- 50% increase in self-adhesive labelstock coating capacity in APAC, start-up in Q2 2015
- Expansion of filmic labelstock production in Nowa Wies, Poland, start-up in Q2 2015



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





Summary

Good profitability continued in Q1 2015

- Profit improvement actions and currencies offset the market headwinds in UPM Paper ENA and UPM Energy

UPM is well positioned for earnings growth

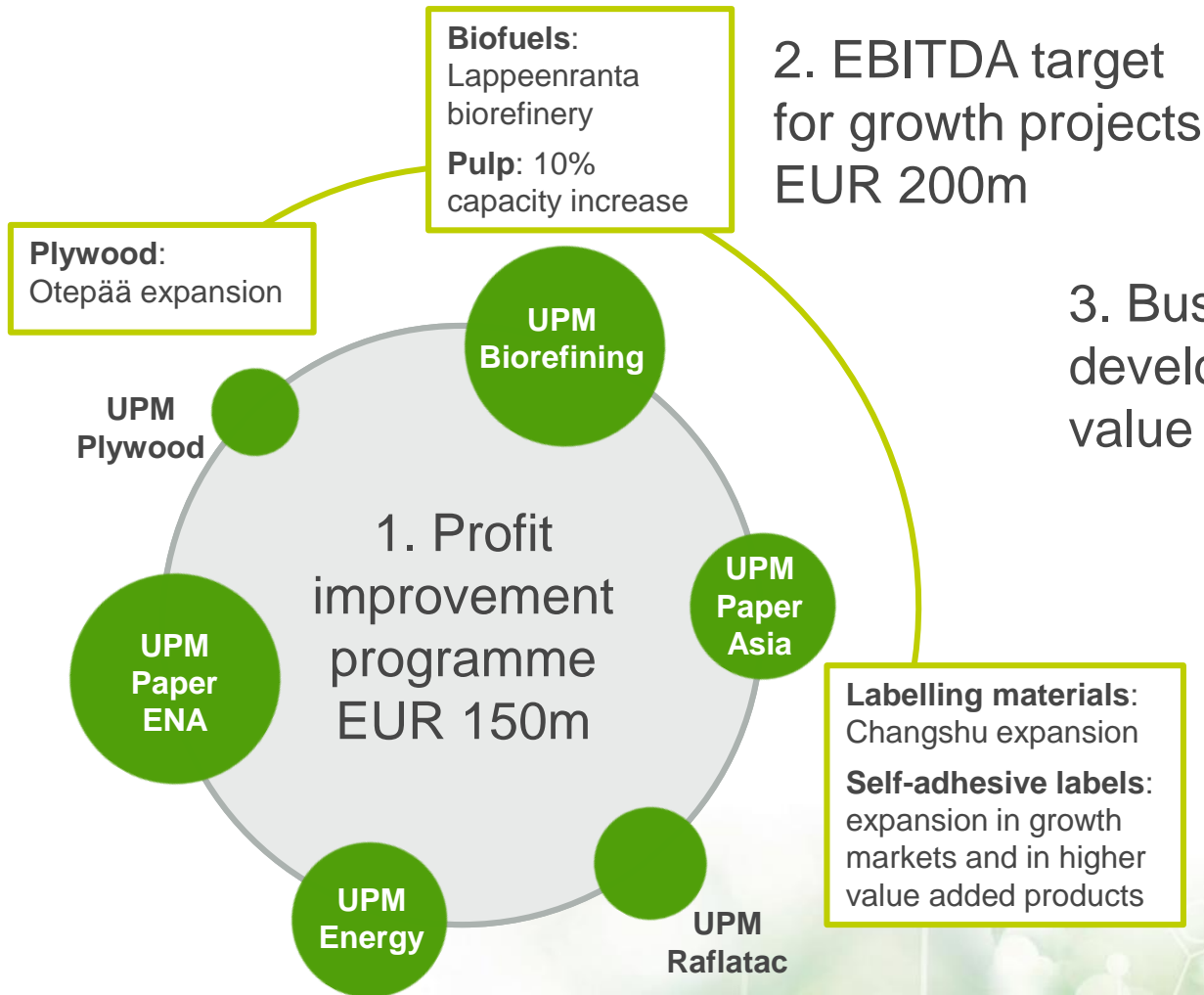
- Profit improvement programme has more than EUR 100m of further annualised impact to materialise by the end of 2015
- More than half of the growth capex has been spent, nearly all of the EUR 200m EBITDA impact is yet to come
- Current exchange rates promise further tailwind

Strong cash flow and balance sheet

- ➔ UPM is in a unique position to simultaneously distribute attractive dividend, implement growth projects and act on strategic opportunities



UPM strategy in action

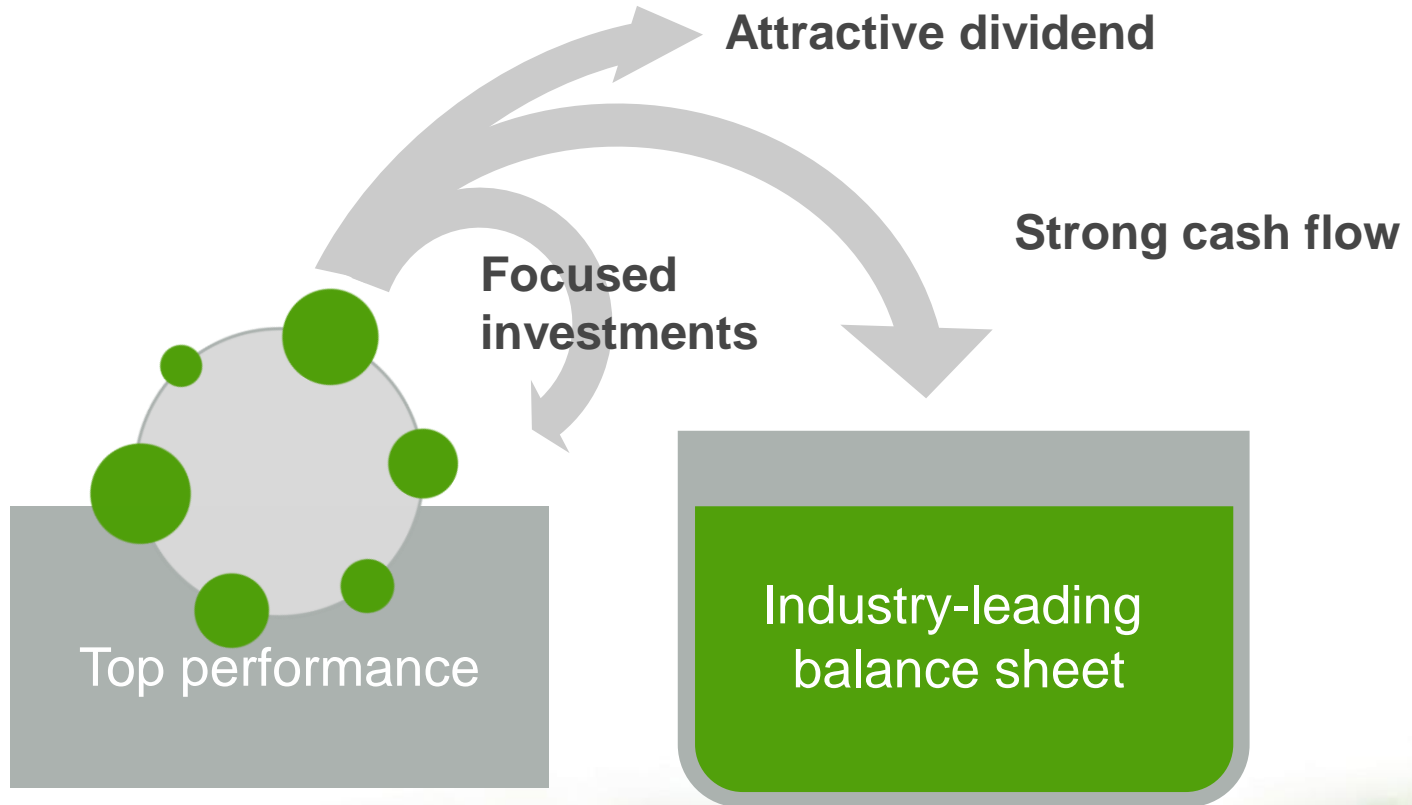


3. Business portfolio development and value creation

4. New businesses

-  BIOFUELS
-  BIOCHEMICALS
-  BIOCOMPOSITES

Strengths of UPM's model





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Q1 2015 – good profitability continued

| EUR million | Q1 2015 | Q1 2014 | Q4 2014 | 2014 |
|-----------------------------|------------|------------|------------|-------|
| Sales | 2,486 | 2,481 | 2,531 | 9,868 |
| EBITDA | 325 | 323 | 334 | 1,306 |
| % of sales | 13.1 | 13.0 | 13.2 | 13.2 |
| Operating profit (*) | 204 | 196 | 230 | 847 |
| Profit before tax (*) | 182 | 176 | 216 | 774 |
| Earnings per share, EUR (*) | 0.29 | 0.27 | 0.32 | 1.17 |
| ROE, % (*) | 8.1 | 7.7 | 9.2 | 8.3 |
| Operating cash flow | 108 | 264 | 462 | 1,241 |
| Net debt | 2,419 | 2,777 | 2,401 | 2,401 |
| Gearing, % | 31 | 37 | 32 | 32 |

(* excluding special items)



Cash flow

| EUR million | Q1 2015 | Q1 2014 | Q4 2014 | 2014 |
|---|------------|------------|------------|--------------|
| EBITDA | 325 | 323 | 334 | 1,306 |
| Cash flow before change in working capital | 292 | 297 | 349 | 1,291 |
| Change in working capital | -147 | 1 | 144 | 73 |
| Finance costs and income taxes | -37 | -34 | -31 | -123 |
| Net cash from operating activities | 108 | 264 | 462 | 1,241 |
| Capital expenditure | -82 | -68 | -103 | -378 |
| Asset sales and acquisitions | 2 | 69 | 47 | 131 |
| Cash flow after investing activities | 28 | 265 | 406 | 994 |



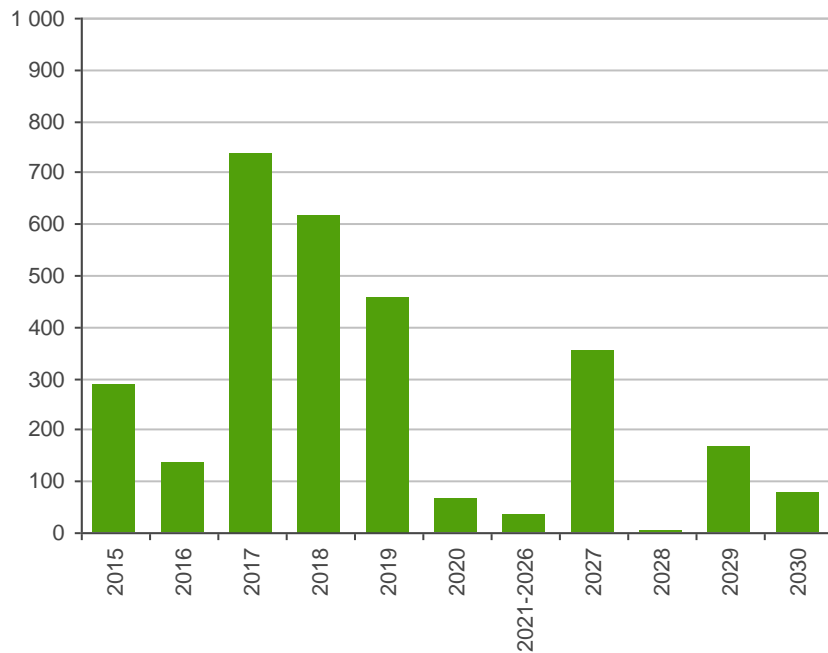
Maturity profile and liquidity

Liquidity

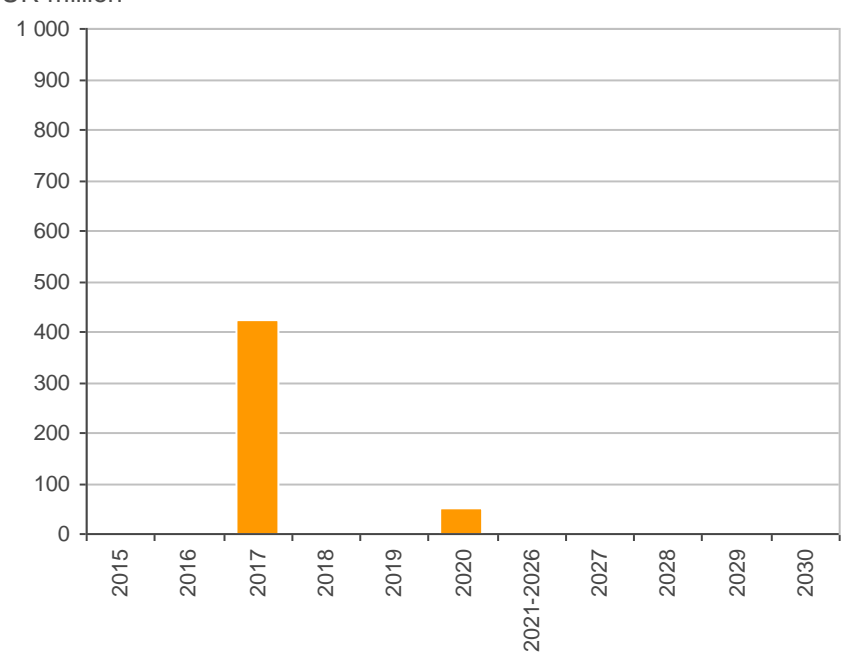
Liquidity on 31 March 2015 was EUR 0.9bn (cash and unused credit facilities)

Committed credit facilities EUR 0.475bn

EUR million **Maturity profile of outstanding debt**



EUR million **Committed credit facilities' maturities**





Currency exposure

- Key currency exposures USD, GBP and JPY
- Policy to hedge an average of 50% of the estimated net currency cash flow for the next 12 months

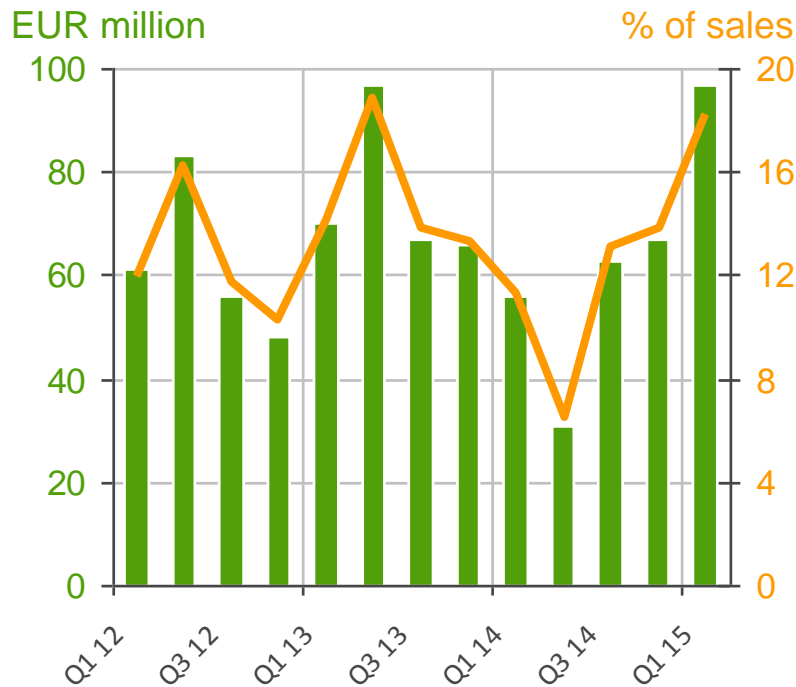
Estimated annual foreign currency net cash flow, before hedging

| | USD | GBP | JPY | Others |
|------|-----|-----|-----|--------|
| EURm | 810 | 500 | 160 | 170 |



UPM Biorefining Q1 2015 vs. Q1 2014

Operating profit excluding special items



Business performance

- Operating profit increased mainly due to higher euro-denominated average pulp sales prices. In the comparison period profitability was negatively impacted by scheduled maintenance shutdown at the UPM Kaukas pulp mill.
- Pulp deliveries decreased by 1% to 810,000 tonnes (816,000).

Sales **Q1 2015** **533** **7%**
 EUR million Q1 2014 496

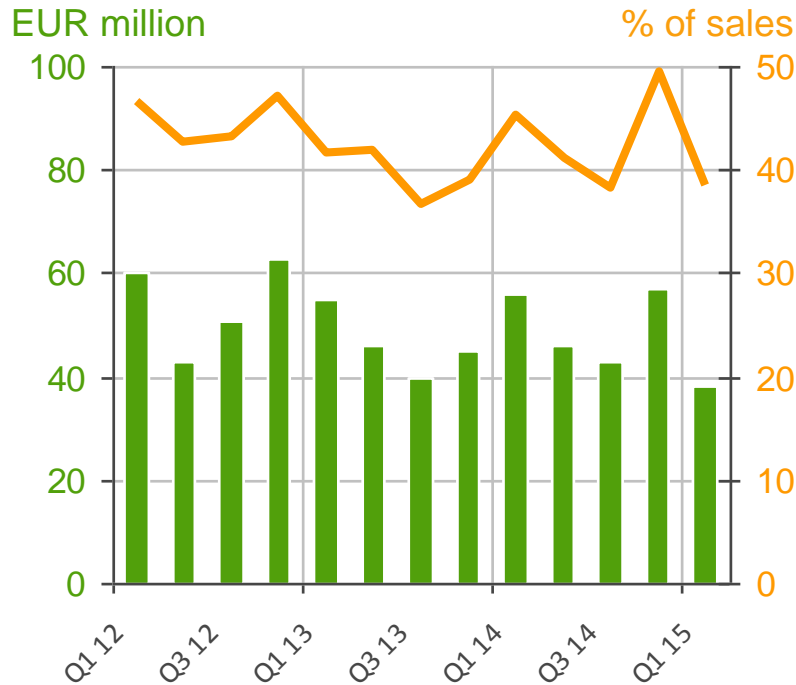
Operating profit **Q1 2015** **97** **41**
 EUR million*) Q1 2014 56 EUR million

*) excluding special items



UPM Energy Q1 2015 vs. Q1 2014

Operating profit excluding special items



Business performance

- Operating profit decreased due to lower average electricity sales price and lower nuclear and hydropower generation volumes, partly relating to an unplanned outage in Olkiluoto 2 nuclear plant.
- The average electricity sales price decreased by 13% to EUR 40.0/MWh (45.8/MWh).

Sales **Q1 2015** **99** **-20%**
 EUR million Q1 2014 124

Operating profit **Q1 2015** **38** **-18**
 EUR million*) Q1 2014 56 EUR million

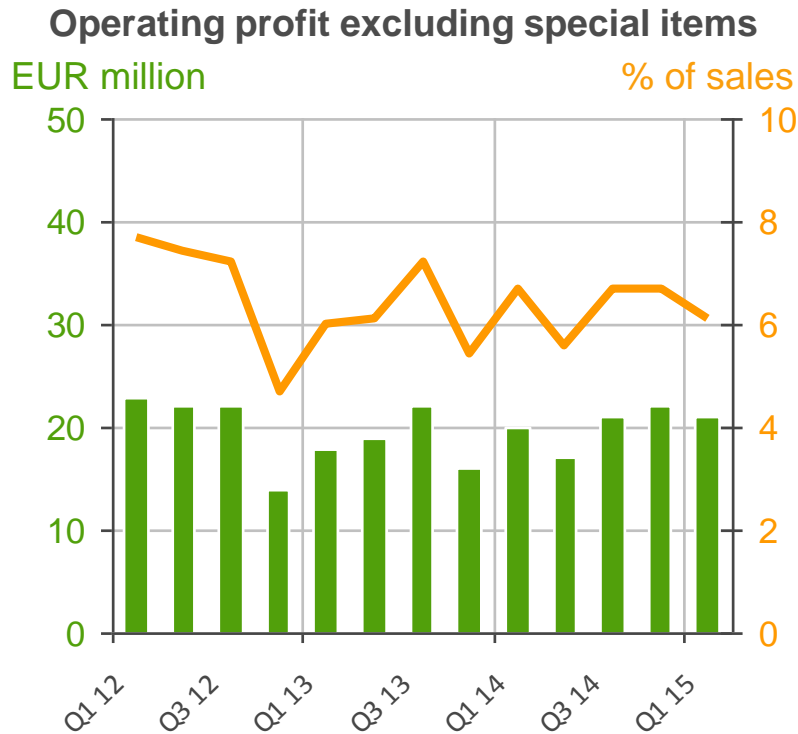
*) excluding special items



UPM Raflatac Q1 2015 vs. Q1 2014

Business performance

- Operating profit increased due to higher delivery volumes.



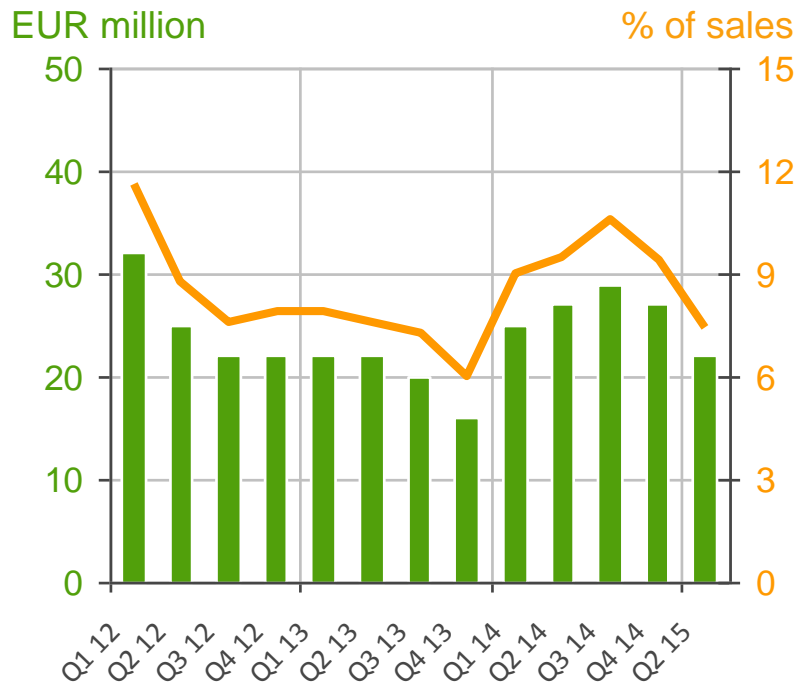
Sales **Q1 2015 342** **14%**
 EUR million Q1 2014 300

Operating profit **Q1 2015 21** **1**
 EUR million*) Q1 2014 20
 *) excluding special items



UPM Paper Asia Q1 2015 vs. Q1 2014

Operating profit excluding special items



Business performance

- Operating profit decreased as the net impact of changes in currencies including hedging was slightly negative.
- Deliveries increased by 1% to 349,000 tonnes (347,000).

Sales **Q1 2015 298** **8%**
 EUR million Q1 2014 277

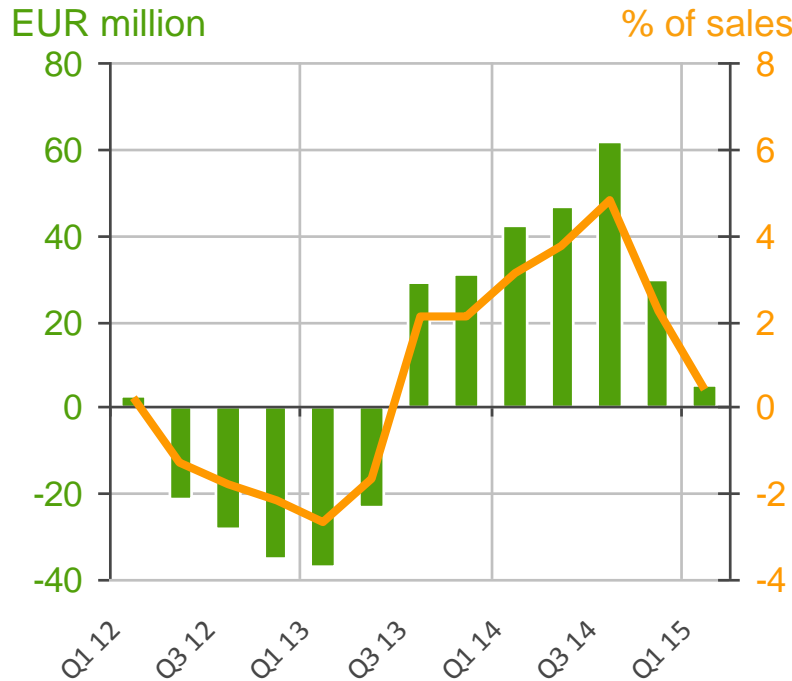
Operating profit **Q1 2015 22** **-3**
 EUR million*) Q1 2014 25
 EUR million

*) excluding special items



UPM Paper ENA Q1 2015 vs. Q1 2014

Operating profit excluding special items



Business performance

- Operating profit decreased mainly due to higher euro-denominated pulp costs and lower delivery volumes.
- The average price for all paper deliveries in euro was at the previous year's level. Favourable currency impacts on export prices and an improved product mix offset the negative impacts of lower publication paper prices in Europe.
- Paper deliveries decreased by 6% to 2,023,000 tonnes (2,148,000).

Sales **Q1 2015** **1,256** **-6%**
 EUR million Q1 2014 1,334

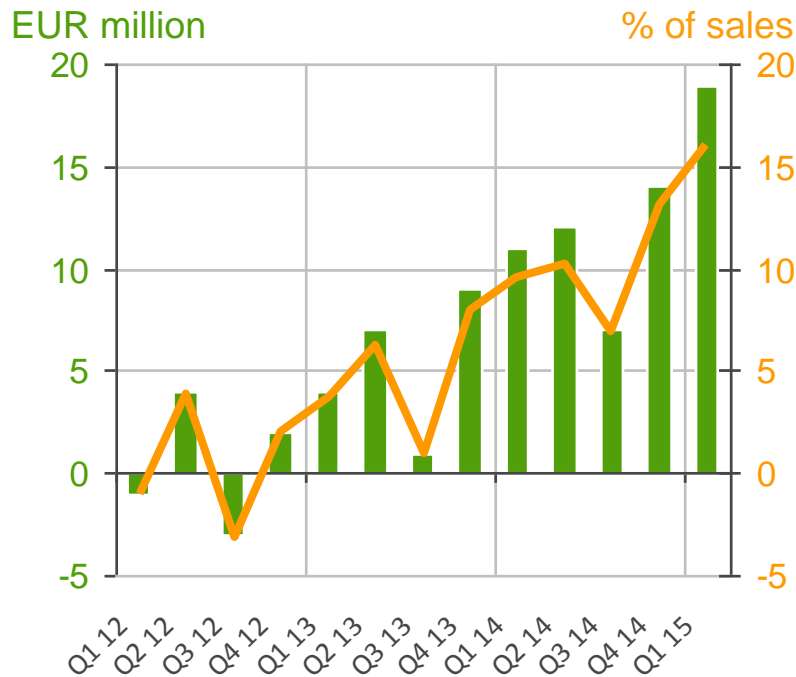
Operating profit **Q1 2015** **5** **-37**
 EUR million*) Q1 2014 42 EUR million

*) excluding special items



UPM Plywood Q1 2015 vs. Q1 2014

Operating profit excluding special items



Business performance

- Operating profit increased due to lower variable costs and higher delivery volumes.
- Deliveries increased by 6% to 199,000 cubic metres (188,000).

Sales **Q1 2015** **119** **4%**
 EUR million Q1 2014 114

Operating profit **Q1 2015** **19** **8**
 EUR million*) Q1 2014 11 EUR million

*) excluding special items



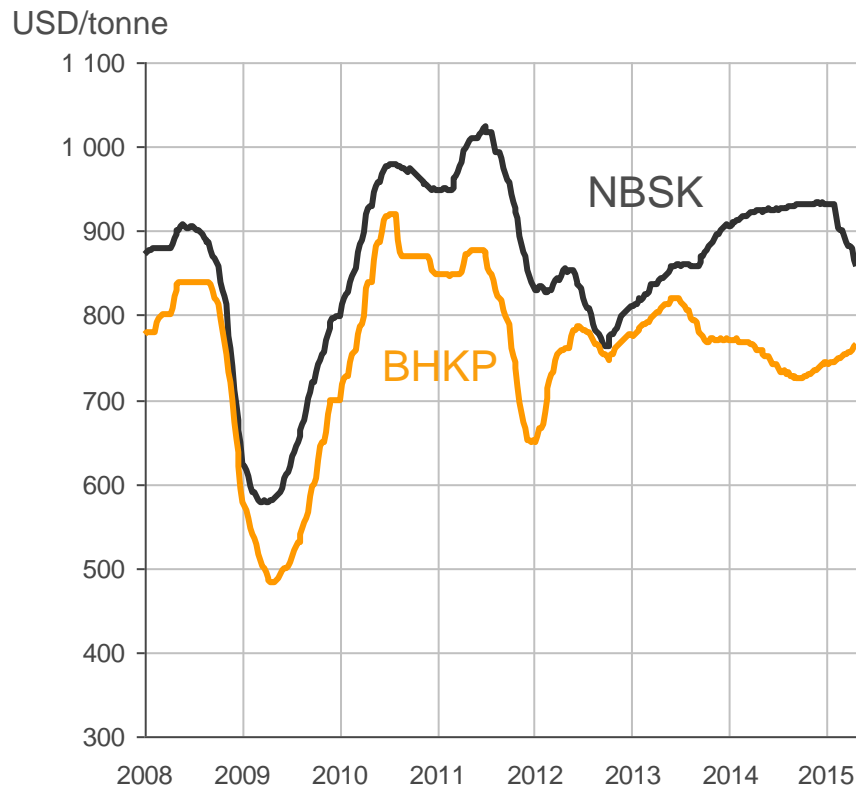
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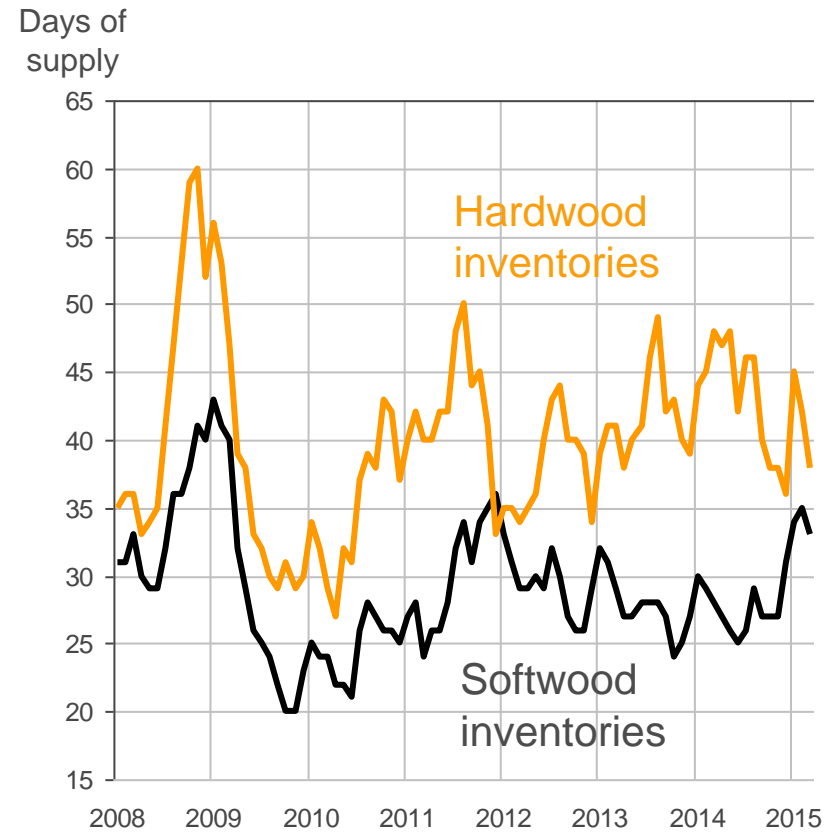
Chemical pulp market

Q1 NBSK pulp price decreased 3% from Q4
Q1 BHKP pulp price increased 2% from Q4



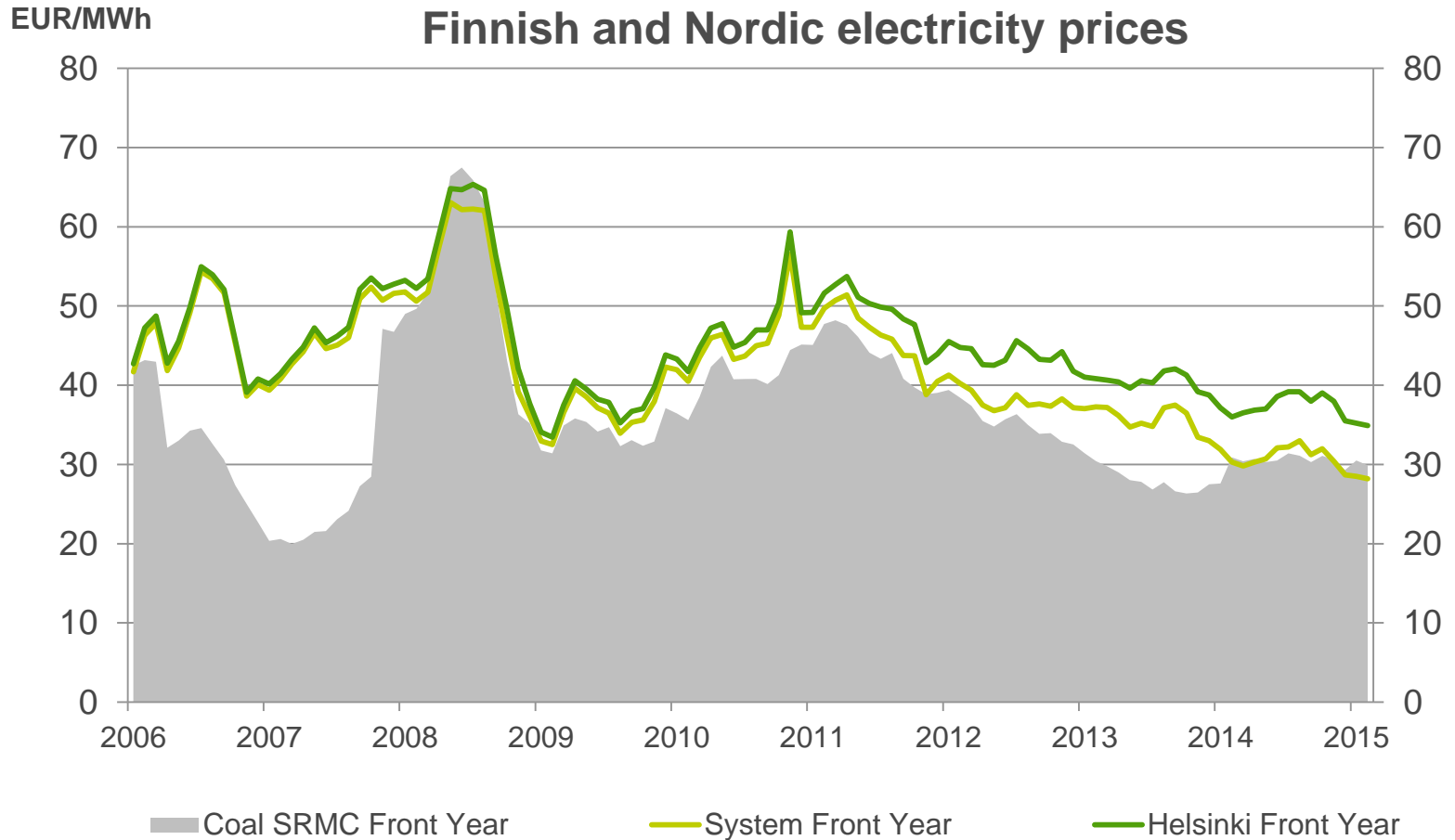
Source: FOEX Indexes Ltd.

Pulp inventories



Source: PPPC World-20 statistics

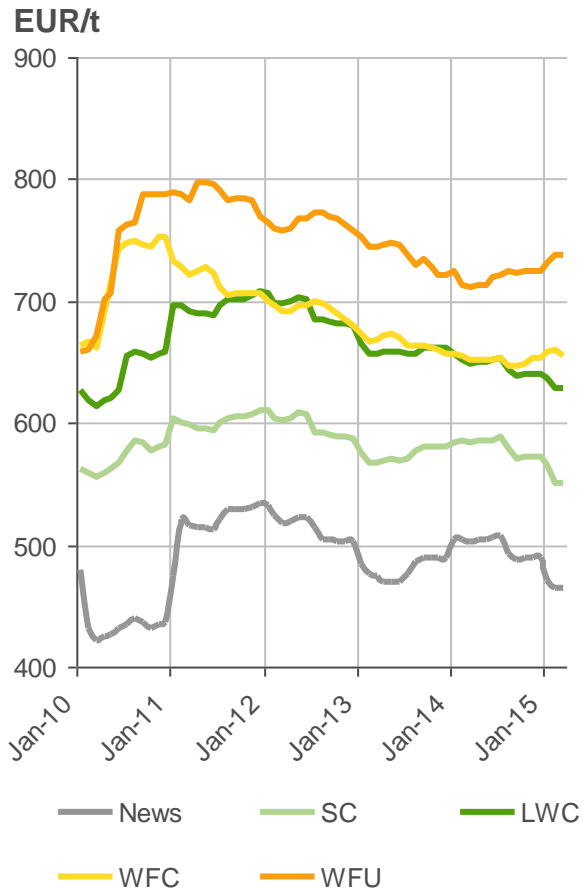
Price development in the Nordic and Helsinki power markets



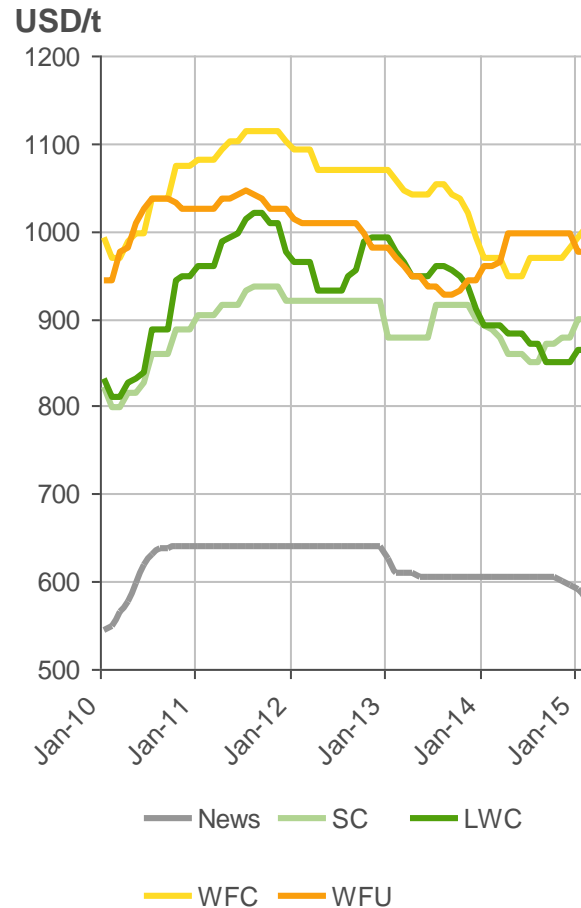
Source: Reuters

Graphic paper prices

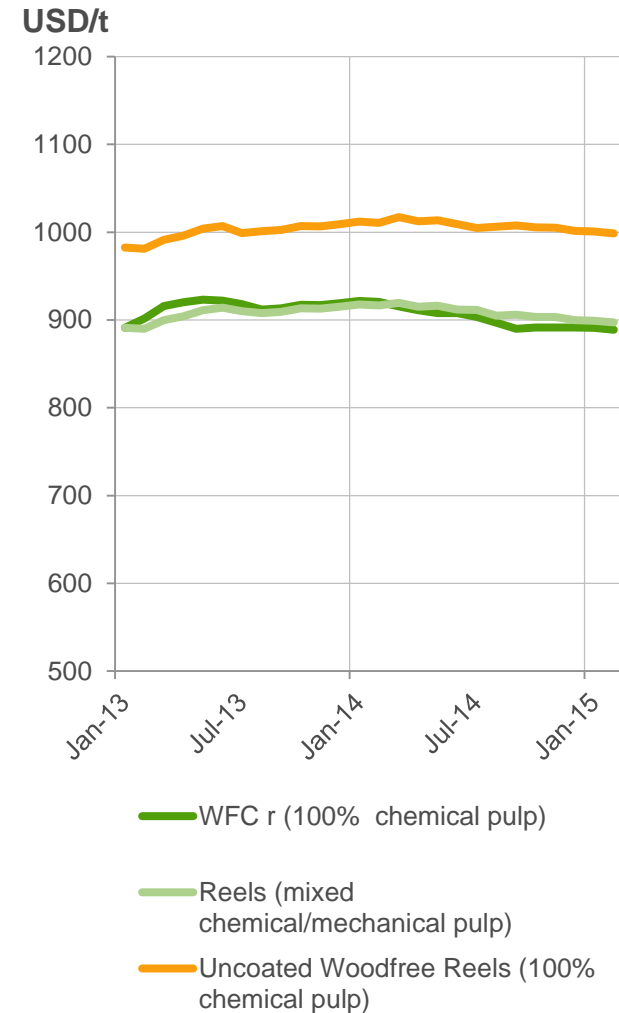
Europe



North America



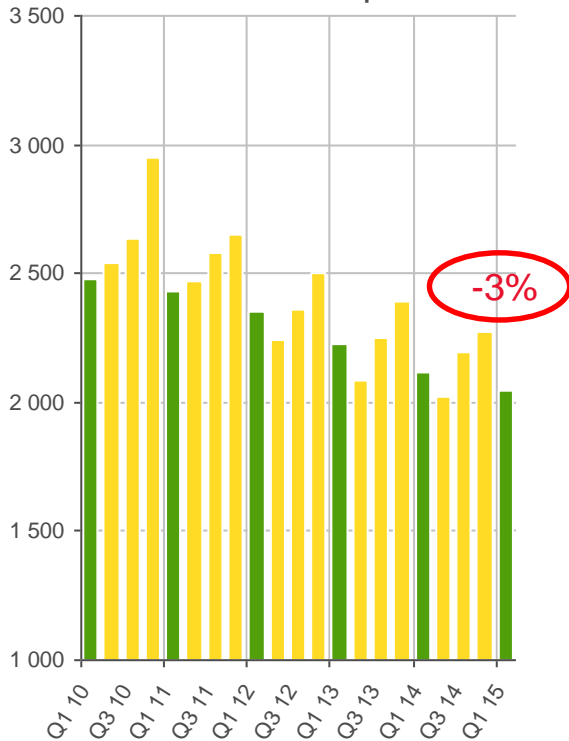
China



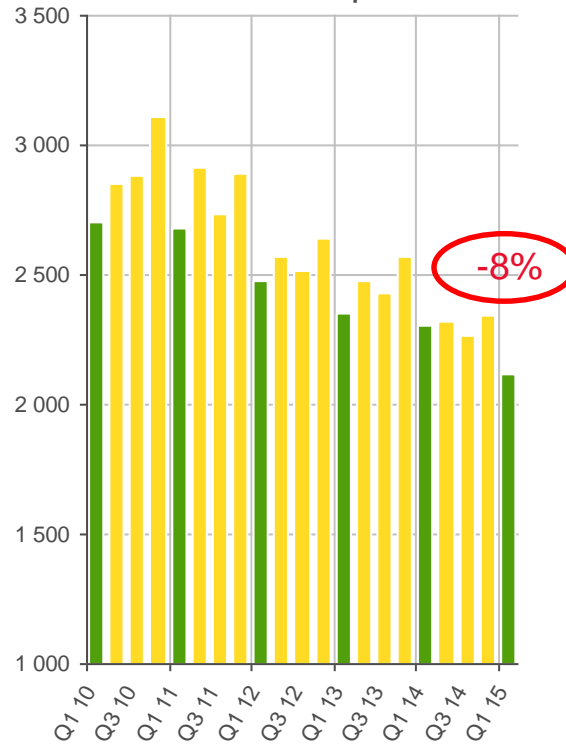
Sources: PPI, RISI

Graphic papers demand in Europe decreased by 5% in Q1 2015

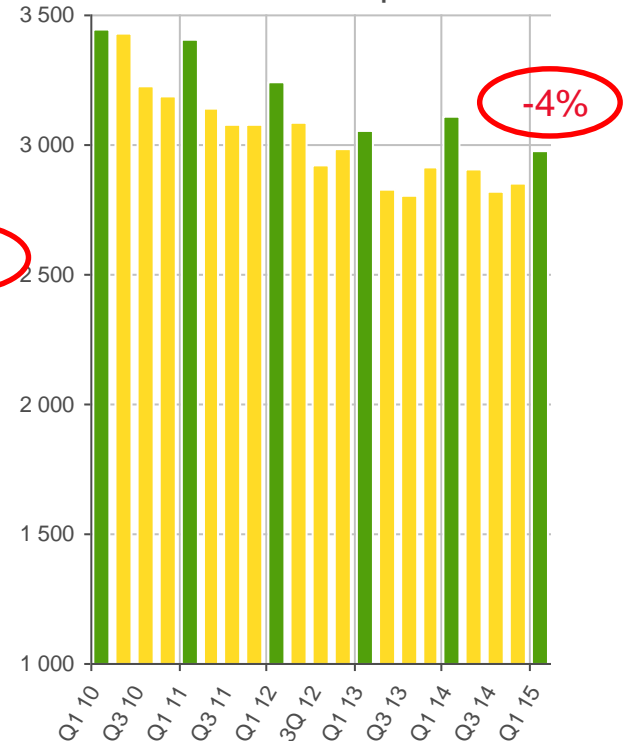
'000 tonnes Magazine papers demand in Europe



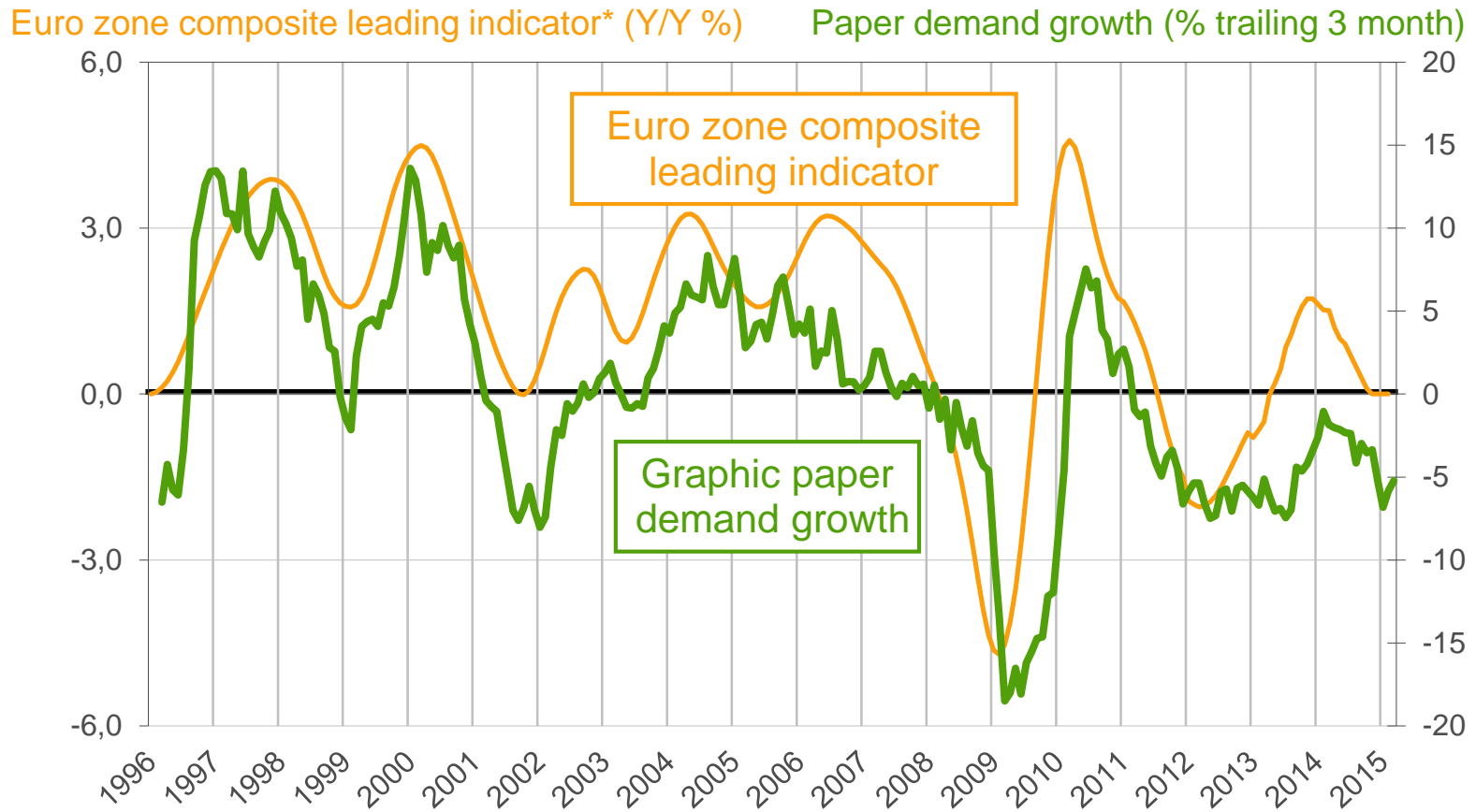
Newsprint demand in Europe



Fine papers demand in Europe



Growth in the European economy remains low



Sources: Cepiprint, Cepifine, OECD



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