

MORE WITH BIOFORE

UPM RESULTS Q3 2015

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President and CEO
27 October 2015

Momentum for improvement continued in Q3 2015

Comparable^(*) operating profit increased to EUR 242m (235m), operating profit excluding special items was EUR 507m

- + Profit improvement programme ahead of schedule
- + Favourable currencies
- Currency hedges affected UPM Paper ENA and UPM Paper Asia
- Publication paper prices in Europe, electricity sales prices below last year

Strong operating cash flow at EUR 363m (300m)











Growth projects progressed well – Kymi pulp mill expansion started, Changshu speciality paper production unit due to start up in Q4 2015

Net debt decreased to EUR 2,465m (2,726m)



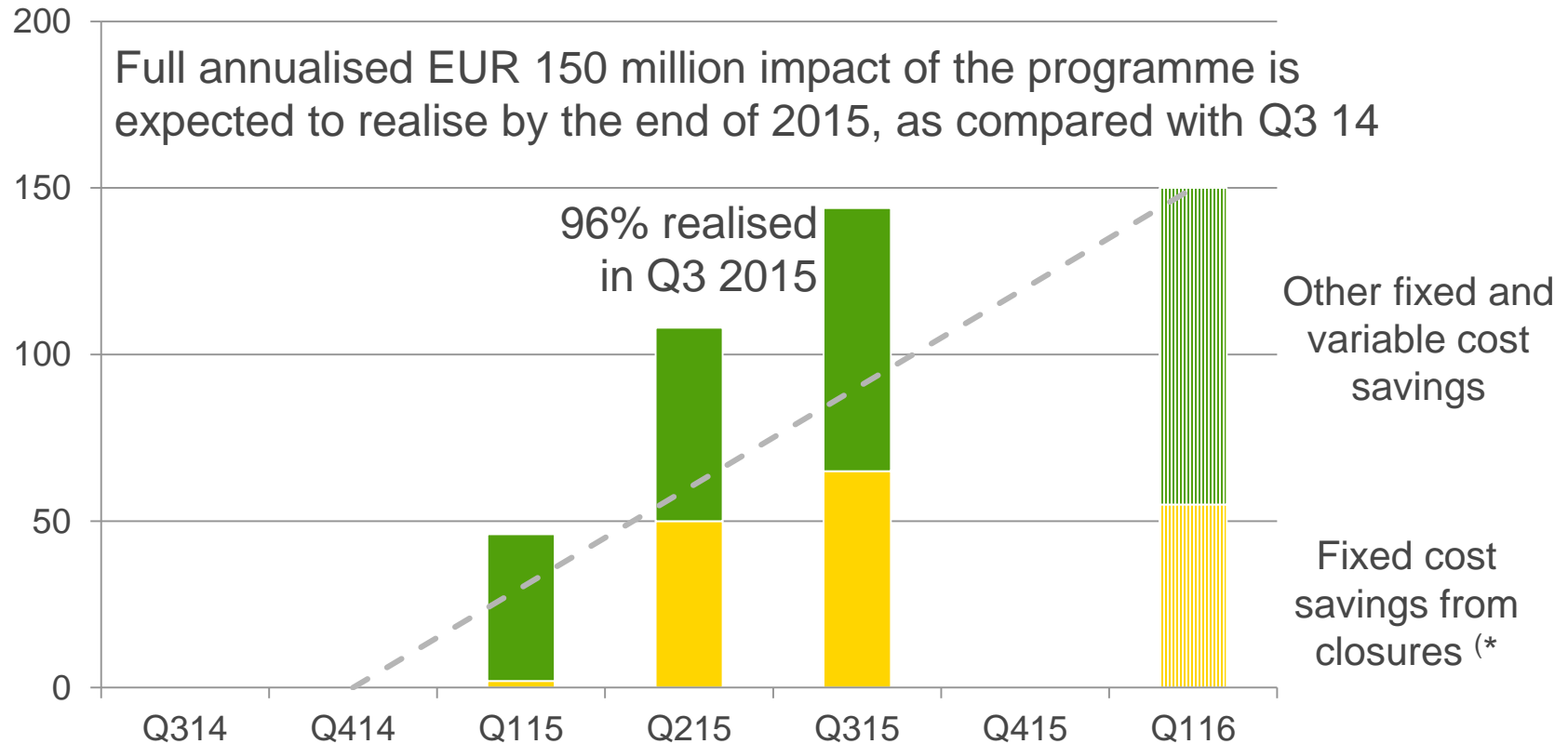
Q3 2015 – improvement continued

Q3 2015 vs. Q3 2014:

Sales EUR 2,530m		+5%	ROE (*) 10.0%		+0.9pp
EBITDA EUR 345m		+1m	Operating cash flow EUR 363m		+63m
Operating profit (*) EUR 242m		+7m	Net debt EUR 2,465m		-261m
Profit before tax (*) EUR 227m		+14m	Net debt / EBITDA 1.87x		-0.26x
EPS (*) EUR 0.36		+0.04	Operating cash flow / share, 12 month EUR 2.36		+0.40

Profit improvement programme proceeded ahead of schedule

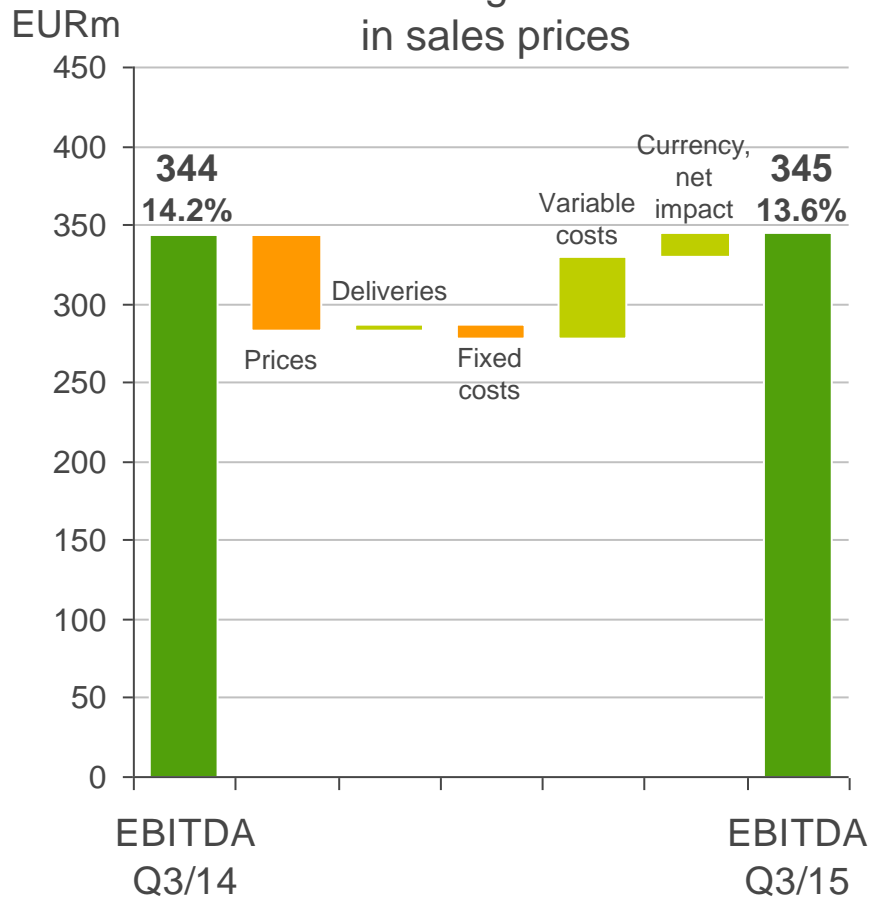
EUR million



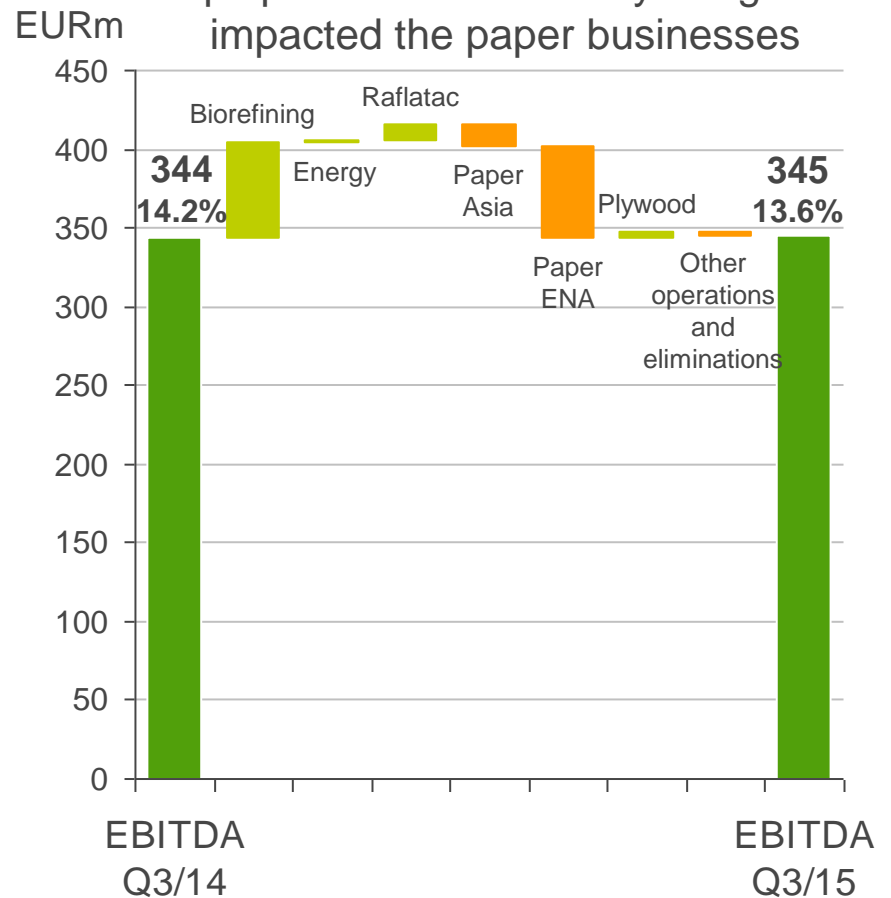
(* 800,000 tonnes of publication paper capacity in Europe: three paper machines were closed in Q1 15, one machine was closed in Q2 15)

EBITDA in Q3 2015 vs. Q3 2014

Profit improvement actions and currencies outweighed the decrease in sales prices

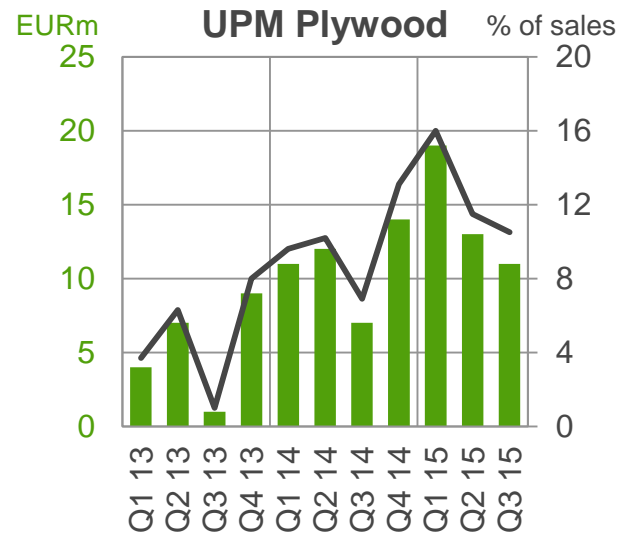
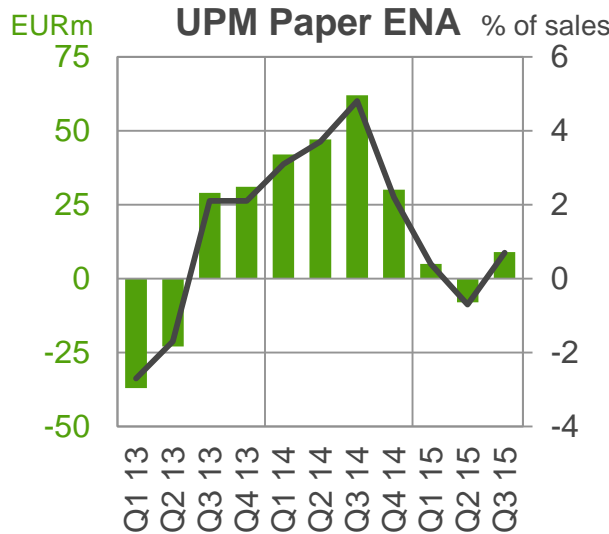
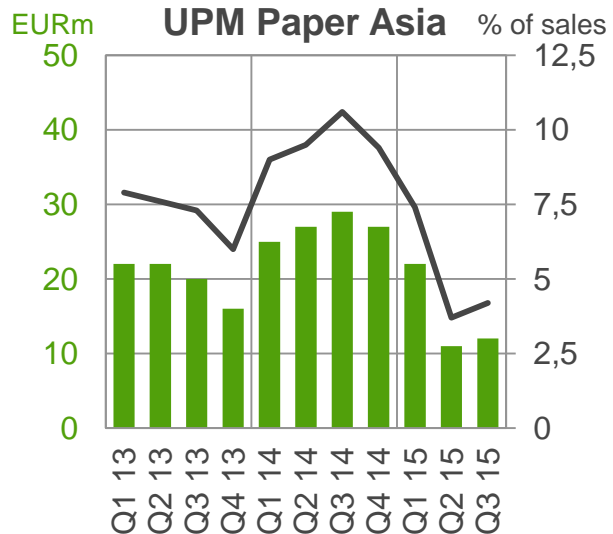
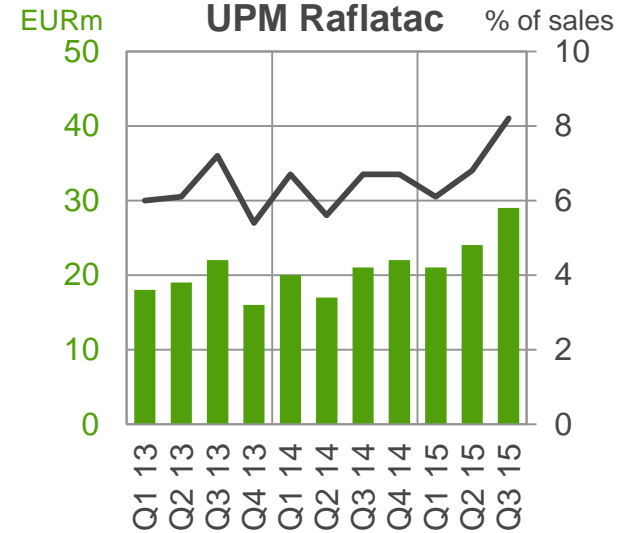
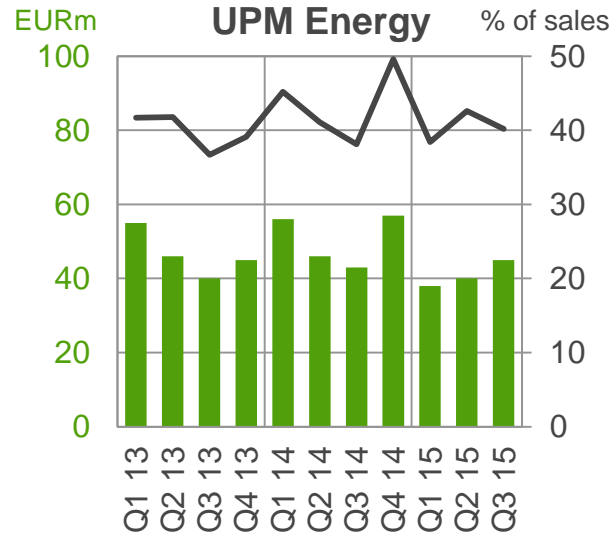
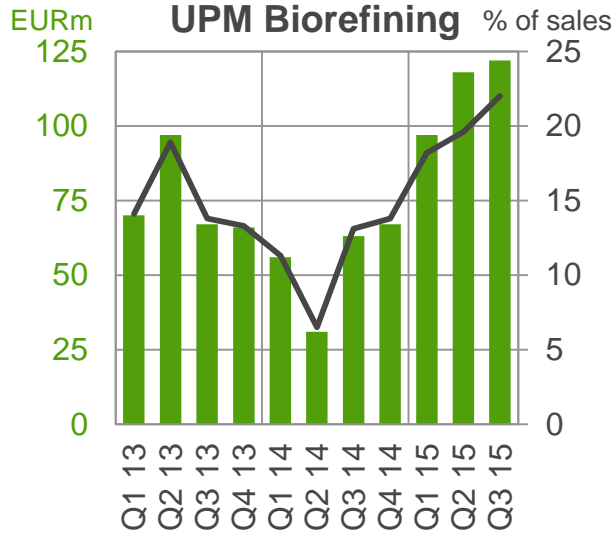


Favourable pulp markets and currencies benefited UPM Biorefining. Increased pulp costs and currency hedges impacted the paper businesses





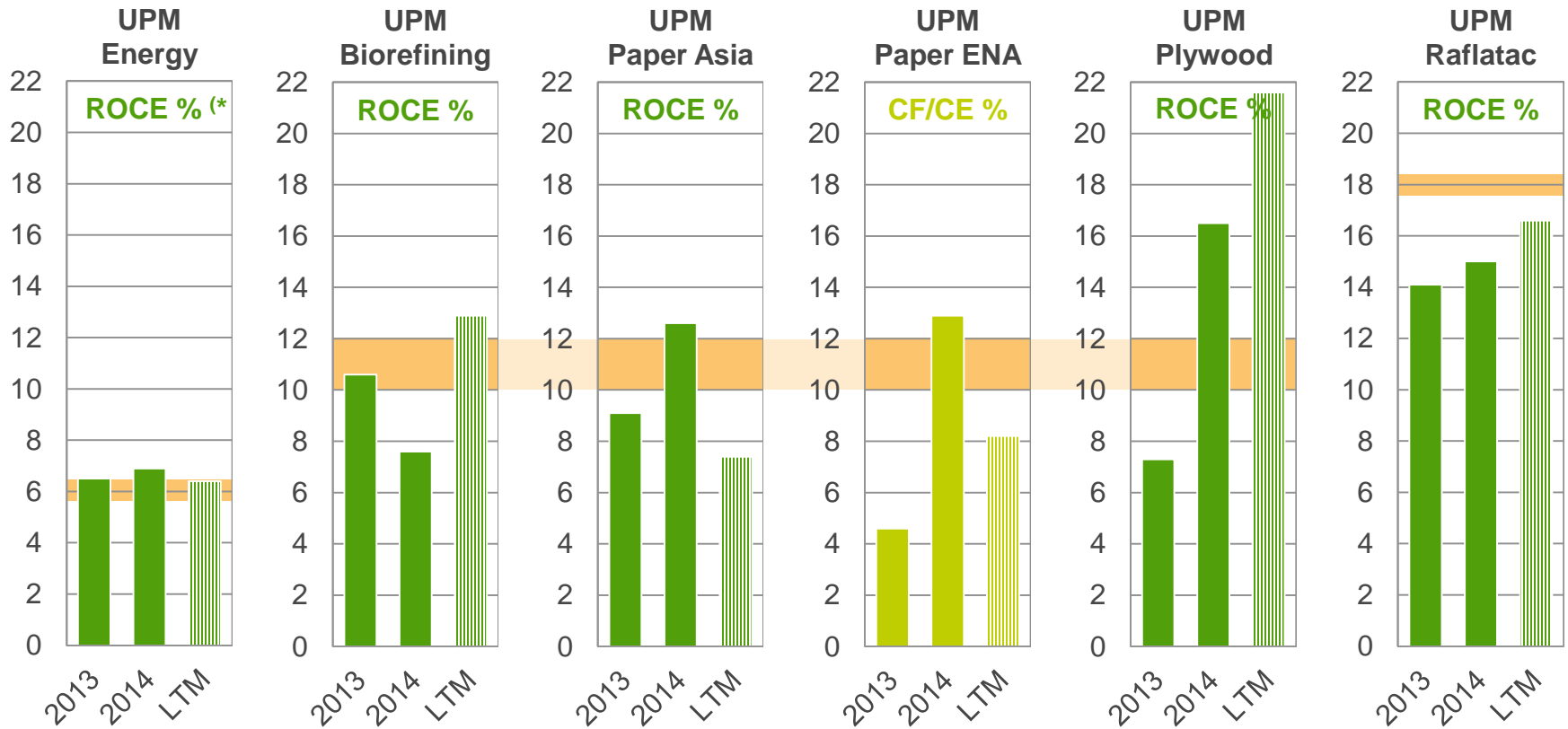
Operating profit ^{*)} by business area



*) excluding special items



Business area returns and long-term targets

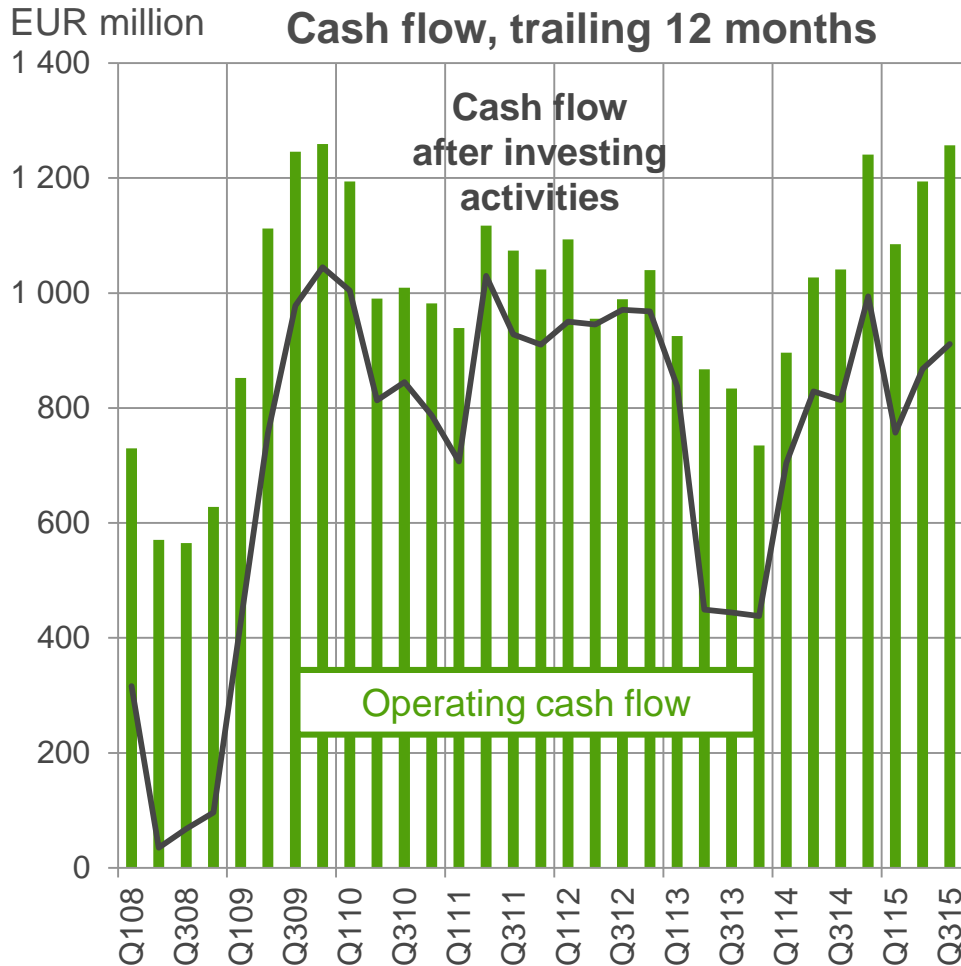


(* shareholdings in UPM Energy valued at fair value)

Long-term return target



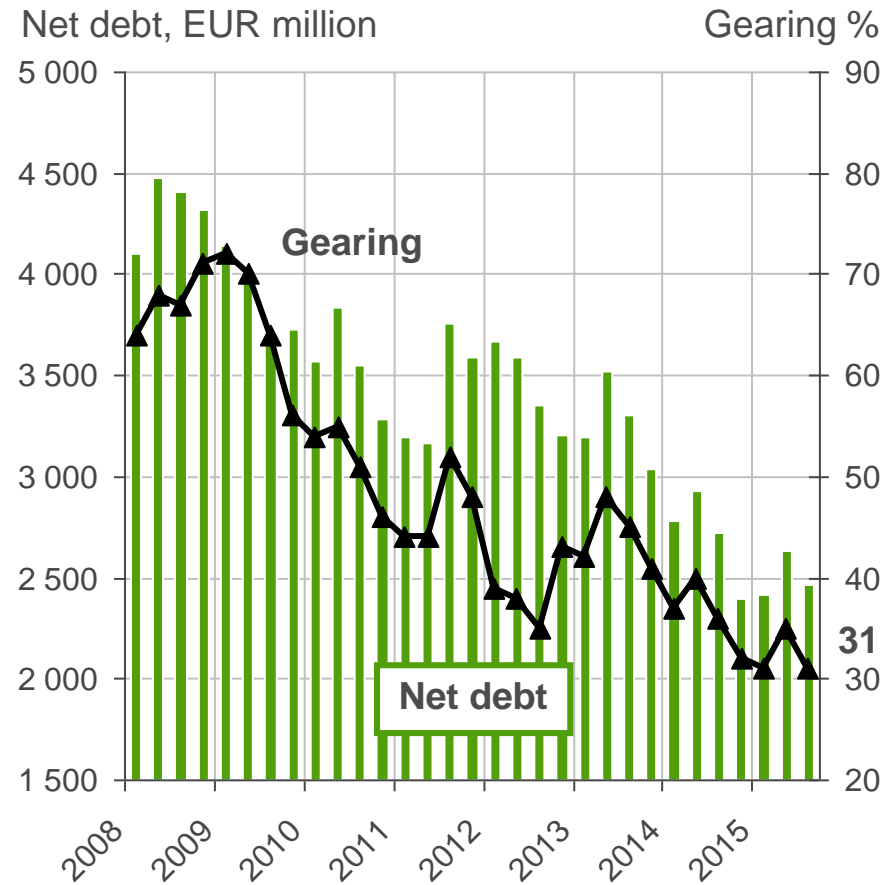
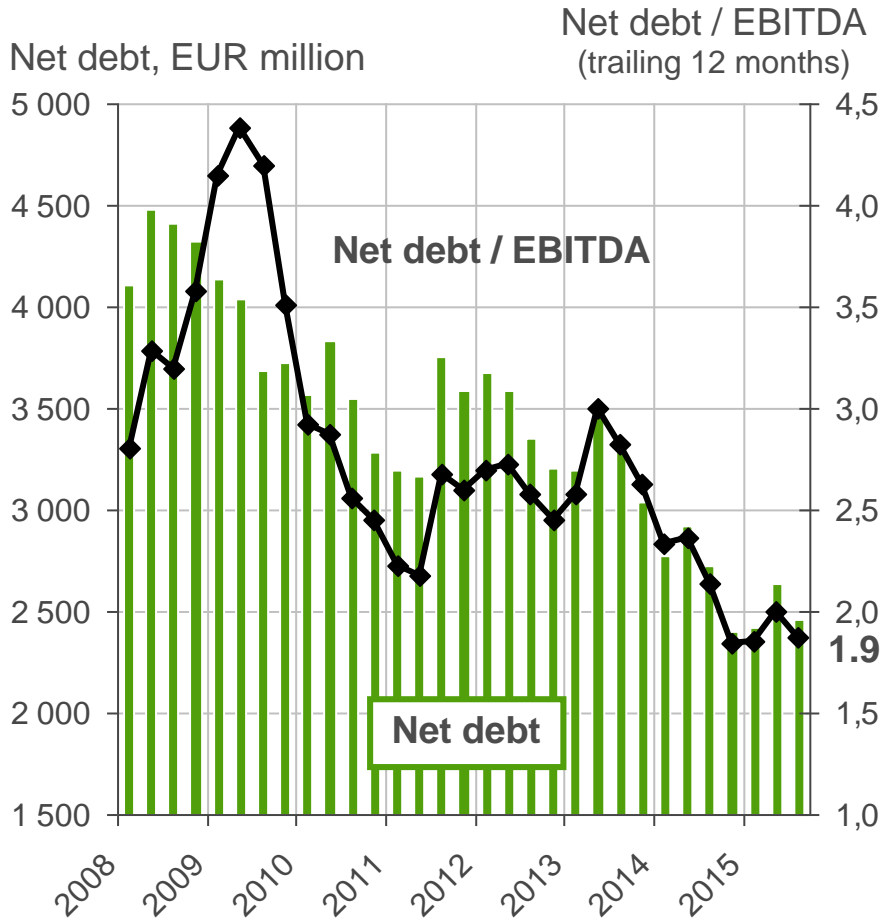
Strong cash flow



- Q3 2015 operating cash flow was EUR 363m (300m)
- In Q3 2015, working capital decreased by EUR 48m (increased by EUR 36m)
- In the last 12 months, operating cash flow was EUR 1,257m (1,041m), i.e. EUR 2.36 per share



Balance sheet continued to strengthen



Liquidity was EUR 1.3bn at the end of Q3 2015
Repayments total EUR 0.4bn in 2015-16

UPM increased the fair value of its forests in Finland by EUR 265 million

- UPM increased the fair value of its biological assets (growing trees) in Finland by EUR 265m, due to adjusted long-term wood price estimates and change in the discount rate
 - UPM continues to estimate a declining trend of real wood prices in Finland, although with a slightly slower rate than previously
 - The pre-tax discount rate for the Finnish forests was lowered from 7.5% to 7%
- At the end of Q3 2015 the fair value of UPM's biological assets in the balance sheet was EUR 1,726 million
 - Includes the company's forests in Finland (713,000 ha) and the US (75,000 ha) as well as the plantations in Uruguay (236,000 ha)



UPM confirms its full year 2015 outlook

- 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, favourable currencies, 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, compared to 2014.

Growth projects near completion – focus turns to reaping the benefits in 2016 and beyond

Pietarsaari
pulp mill expansion
70,000t

Fray Bentos
pulp mill expansion
100,000t

Lappeenranta
biorefinery
120m litres of
renewable diesel

Kymi
pulp mill expansion
170,000t

Kaukas
pulp mill efficiency
improvement, paper and
pulp decoupling completed



Capex so far EUR 514m

Remaining capex EUR 256m

Q2
2014

Q3
2014

Q4
2014

Q1
2015

Q2
2015

**Q3
2015**

Q4
2015

Q1
2016

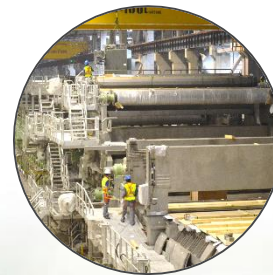
Q2
2016

Q3
2016

Q4
2016



UPM Raflatac
50% expansion in
APAC, growth in filmic
labelstock in Poland

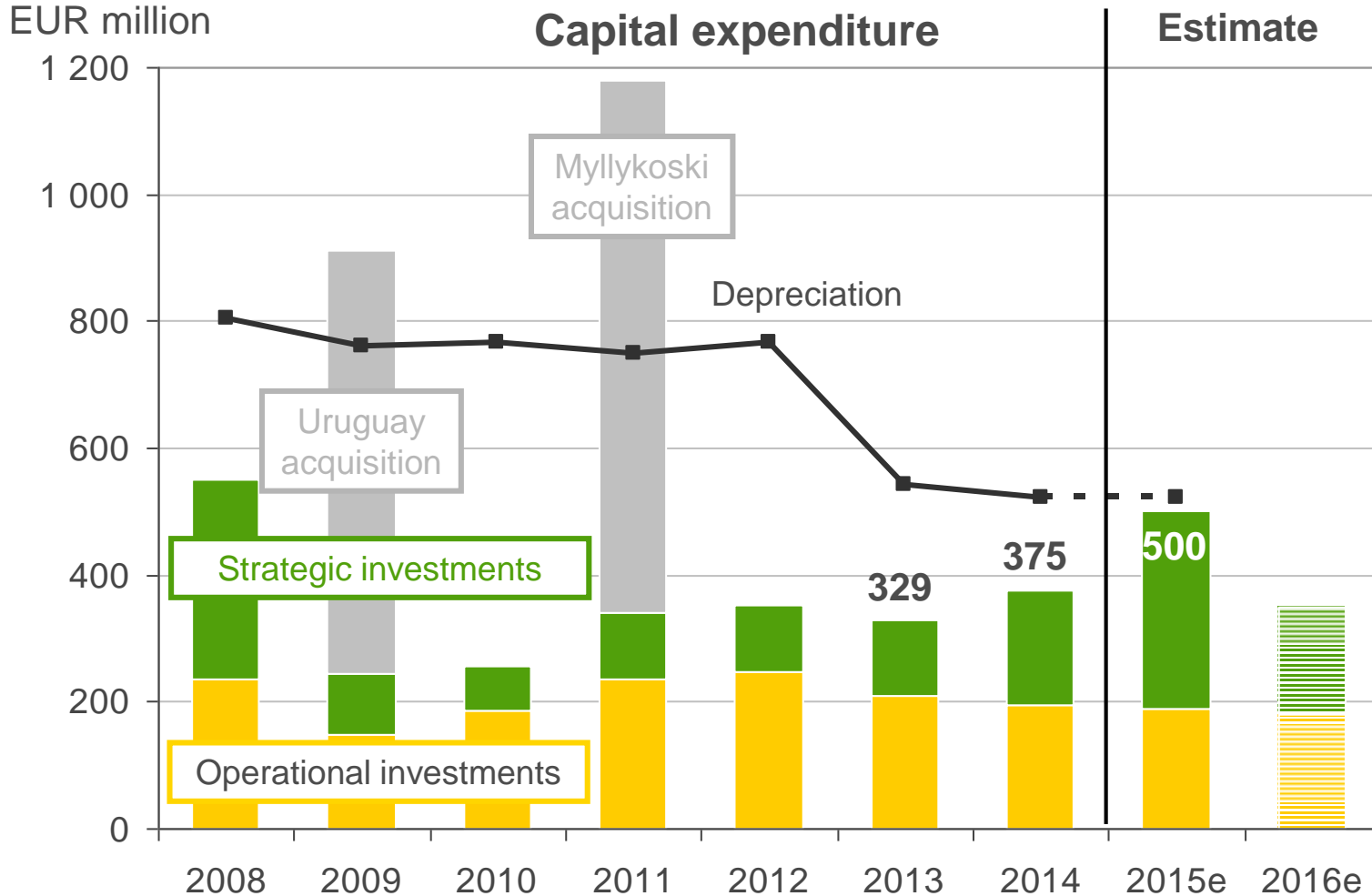


UPM Paper Asia
Changshu
new speciality
paper machine
360,000t



UPM Plywood
Otepää mill
expansion
to 90,000m³

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





Summary

Performance improvement continued in Q3 2015

- Operating profit, operating cash flow and balance sheet stronger than last year

UPM is well positioned for next year

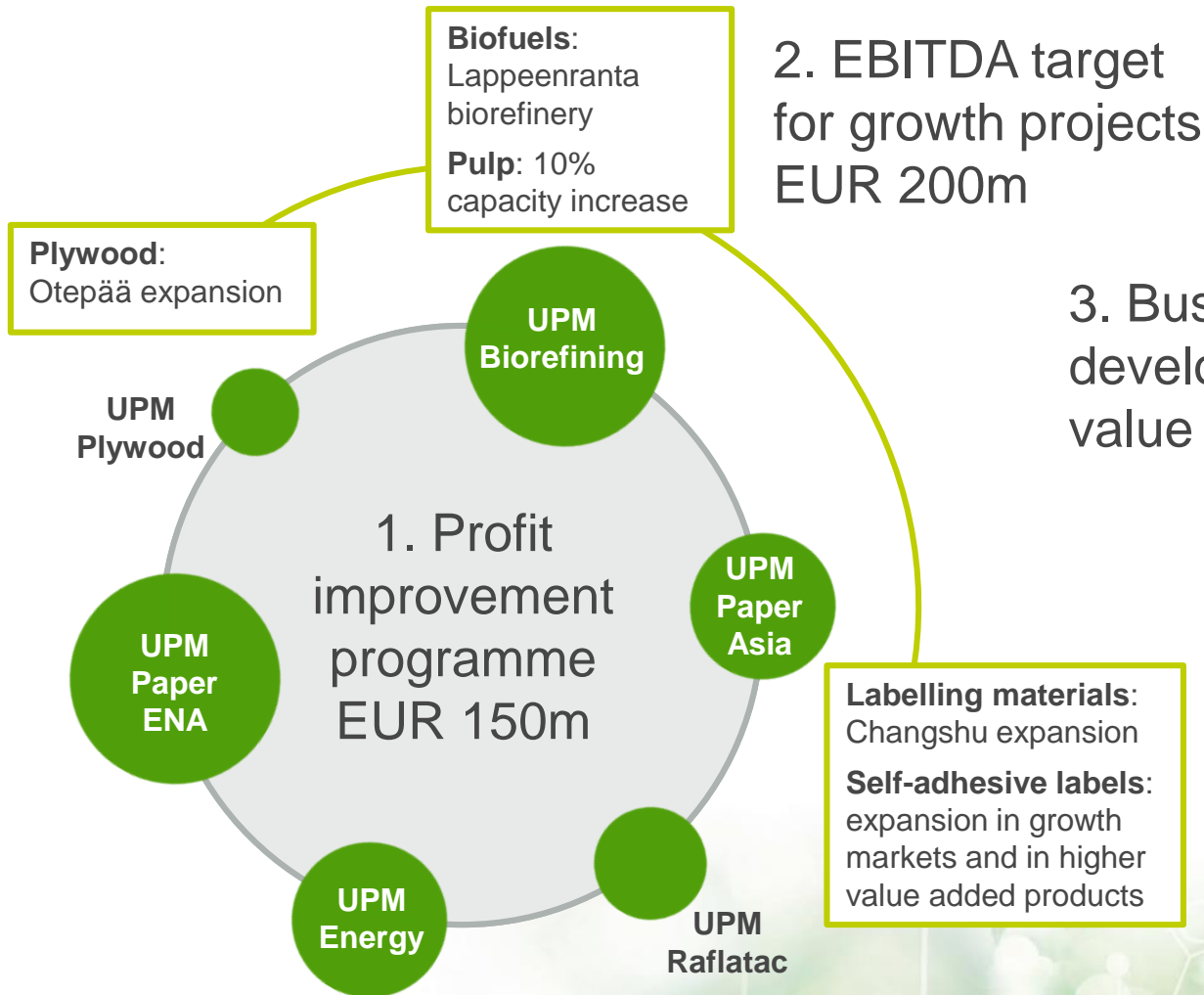
- Profit improvement programme is delivering results
- Growth projects are about to start contributing: Kymi and other pulp mill expansions, Changshu speciality paper machine, Lappeenranta biorefinery ramp-up
- Impact of favourable currencies, as hedges roll over

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



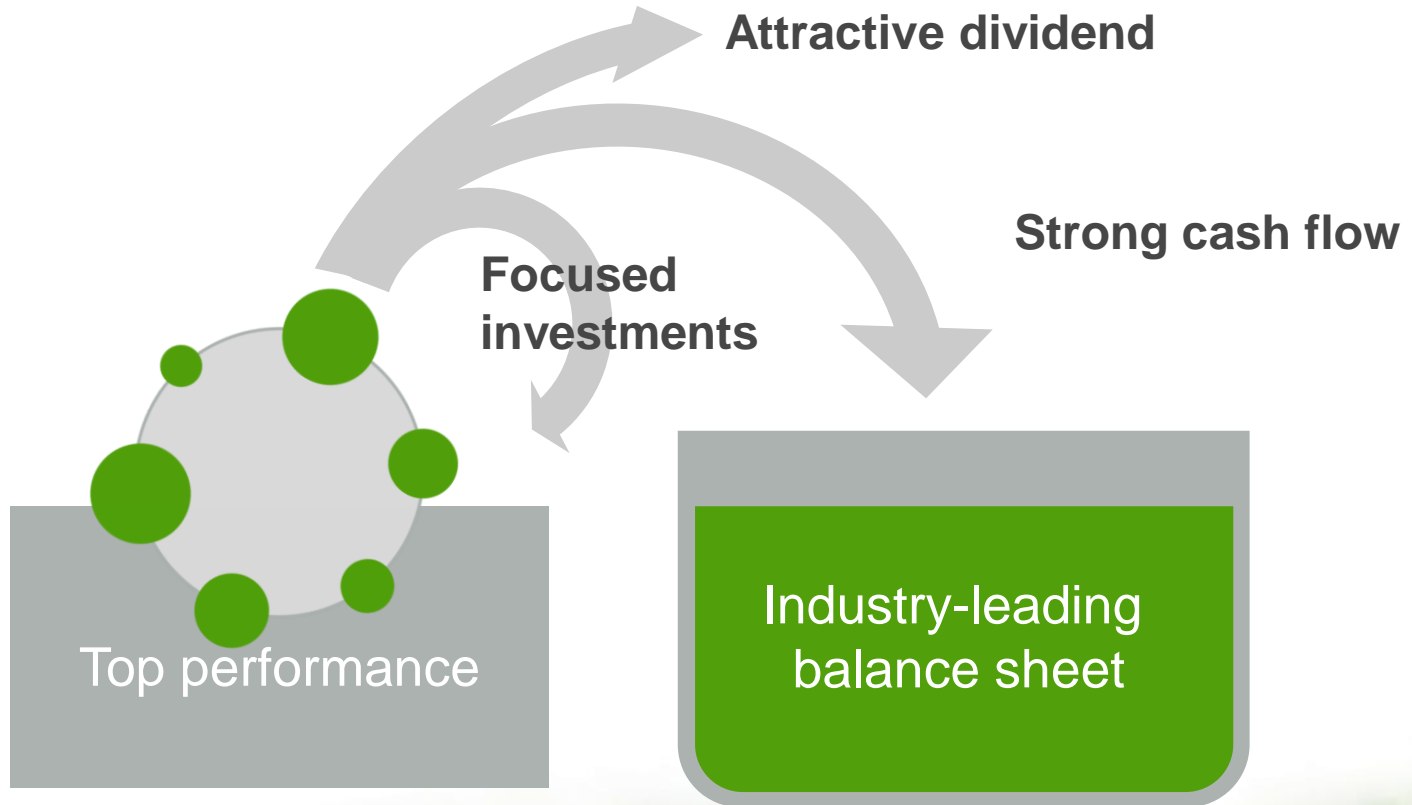
2. EBITDA target for growth projects EUR 200m

3. Business portfolio development and value creation

4. New businesses

-  BIOFUELS
-  BIOCHEMICALS
-  BIOCOMPOSITES

Strengths of UPM's model





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Company



Q3 2015 – good progress continued

EUR million	Q3 2015	Q3 2014	Q2 2015	9M 2015	9M 2014	2014
Sales	2,530	2,415	2,548	7,564	7,337	9,868
EBITDA	345	344	317	987	972	1,306
% of sales	13.6	14.2	12.4	13.0	13.2	13.2
Operating profit (*)	507	235	227	938	617	847
Profit before tax (*)	492	213	203	877	558	774
Earnings per share, EUR (*)	0.76	0.32	0.33	1.38	0.85	1.17
ROE, % (*)	20.7	9.1	9.1	12.7	8.0	8.3
Operating cash flow	363	300	324	795	779	1,241
Net debt	2,465	2,726	2,635	2,465	2,726	2,401
Gearing, %	31	36	35	31	36	32

(* excluding special items)

Cash flow

EUR million	Q3/15	Q3/14	Q2/15	9M/15	9M/14	2014
EBITDA	345	344	317	987	972	1,306
Cash flow before change in working capital	352	366	357	1,001	942	1,291
Change in working capital	48	-36	31	-68	-71	73
Finance costs and income taxes	-37	-30	-64	-138	-92	-123
Net cash from operating activities	363	300	324	795	779	1,241
Capital expenditure	-128	-101	-112	-322	-275	-378
Asset sales and acquisitions	21	14	9	32	84	131
Cash flow after investing activities	256	213	221	505	588	994



Maturity profile and liquidity

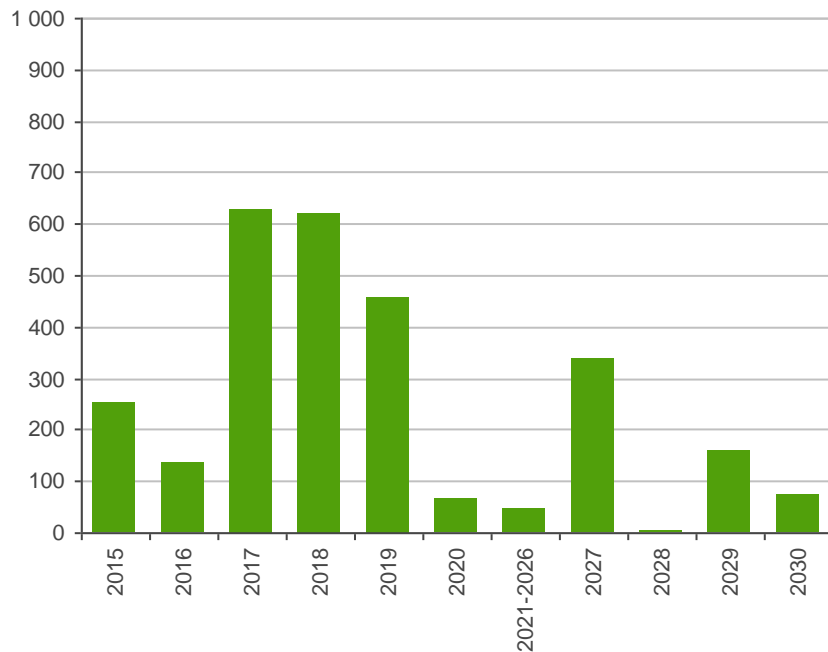
Liquidity

Liquidity on 30 September 2015 was EUR 1.3bn (cash and unused credit facilities)

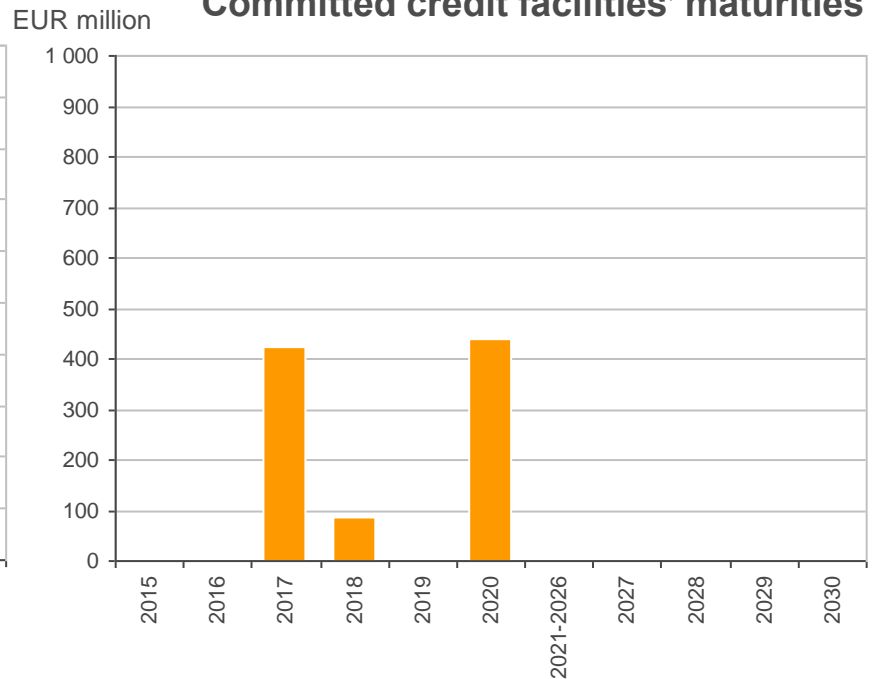
Committed credit facilities EUR 0.95bn

- bilateral committed credit facilities EUR 0.95bn

EUR million **Maturity profile of outstanding debt**

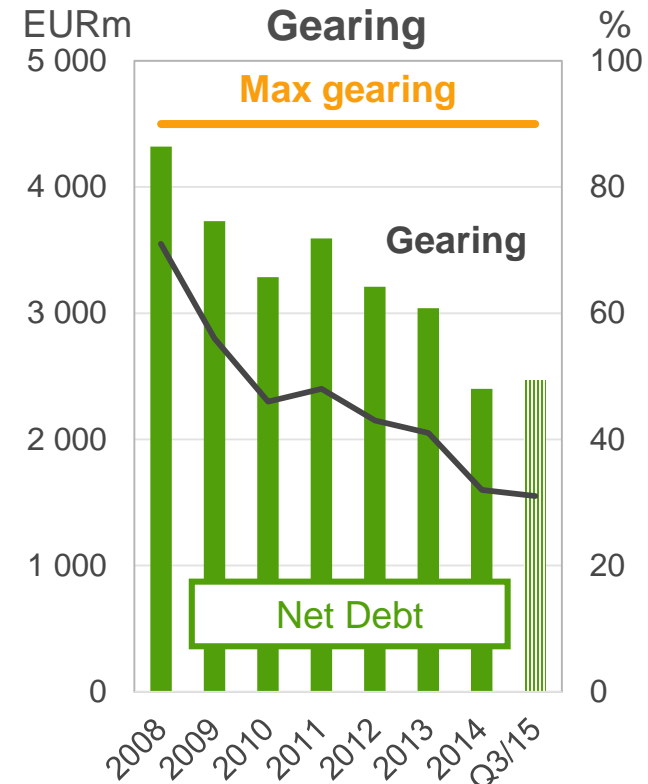
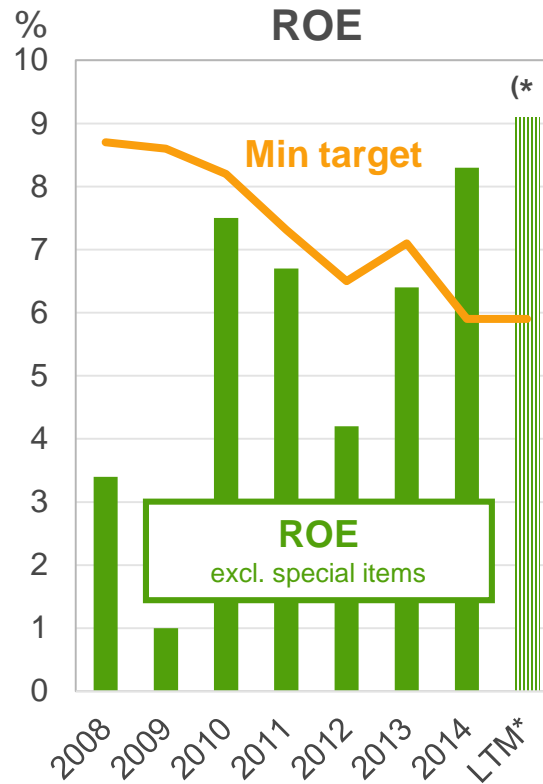
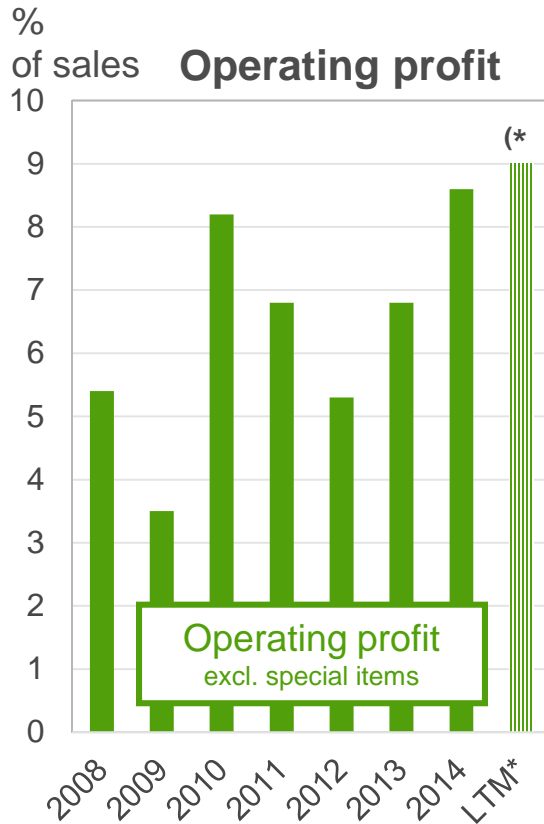


EUR million **Committed credit facilities' maturities**





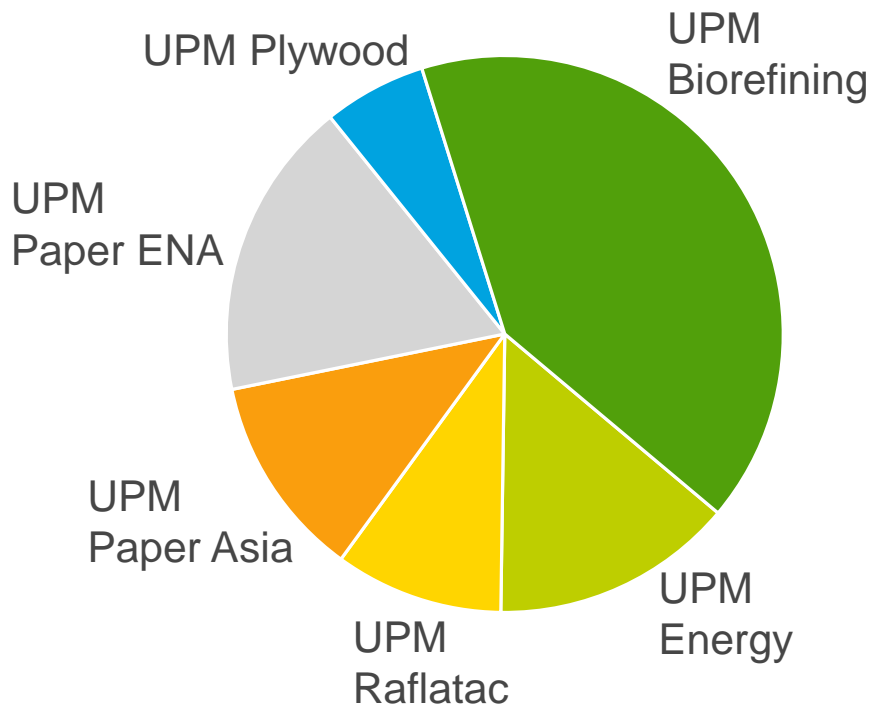
Group profitability and targets



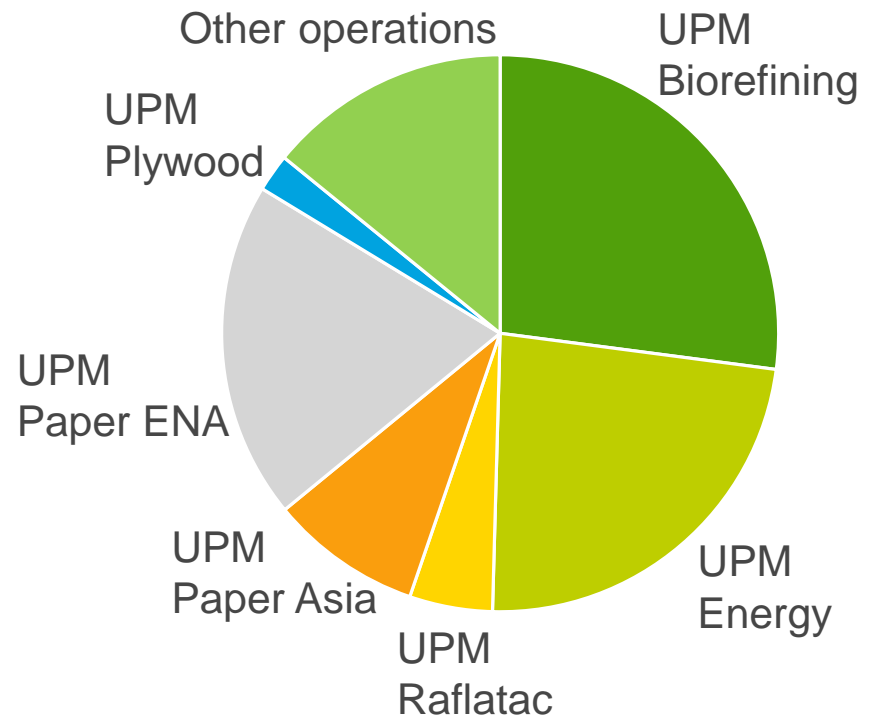
(* the figures exclude the EUR 265 million increase in the fair value of the forests in Finland in Q3 2015 and hence, deviate from the official UPM formulae for financial indicators.

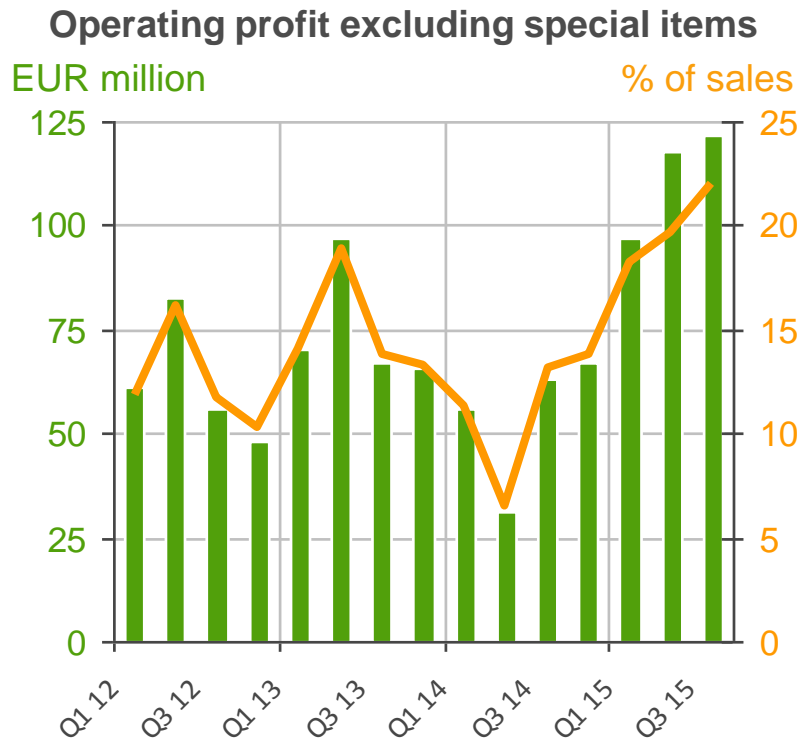
UPM businesses by EBITDA generation and capital employed

**EBITDA Q414-Q315
EUR 1,321m**



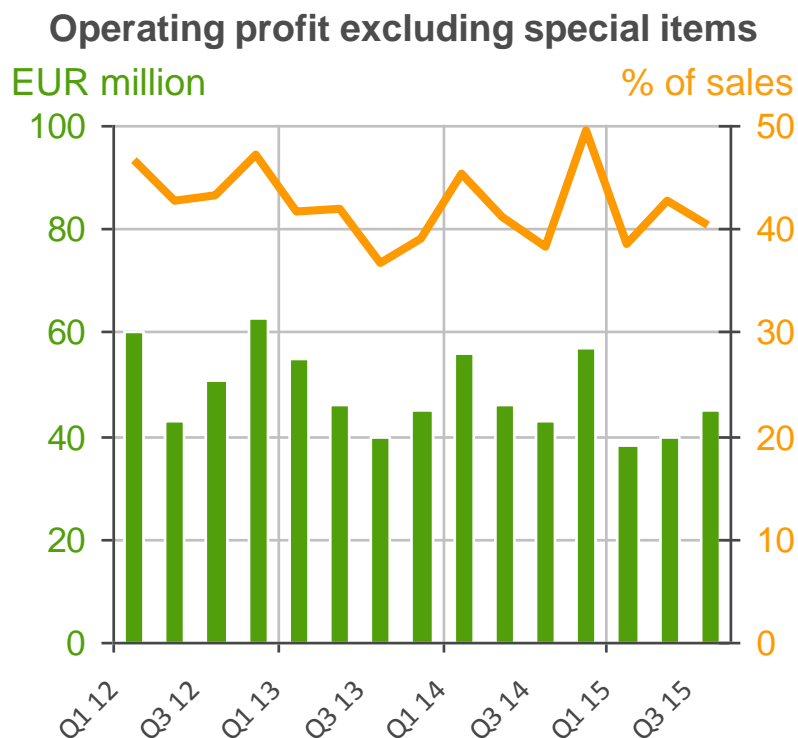
**Capital employed, September 2015
EUR 11.1bn**





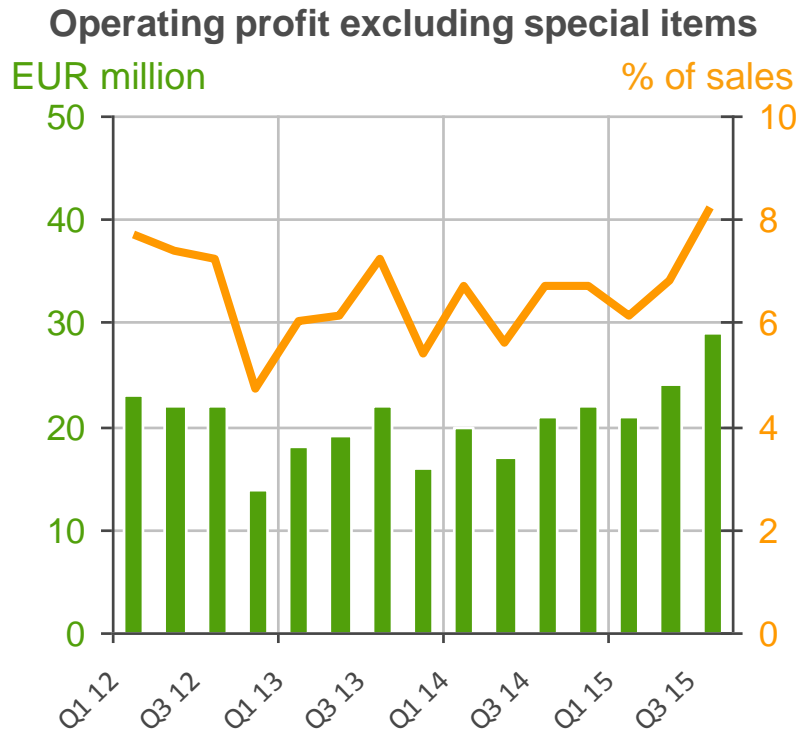
Market review Jan-Sep 2015

- Global chemical pulp demand remained robust and growth was well spread over several regions
- USD-denominated NBSK pulp market price was lower, while BHKP price was higher than last year
- Euro-denominated pulp prices were clearly higher than last year
- The market price difference between NBSK and BHKP narrowed



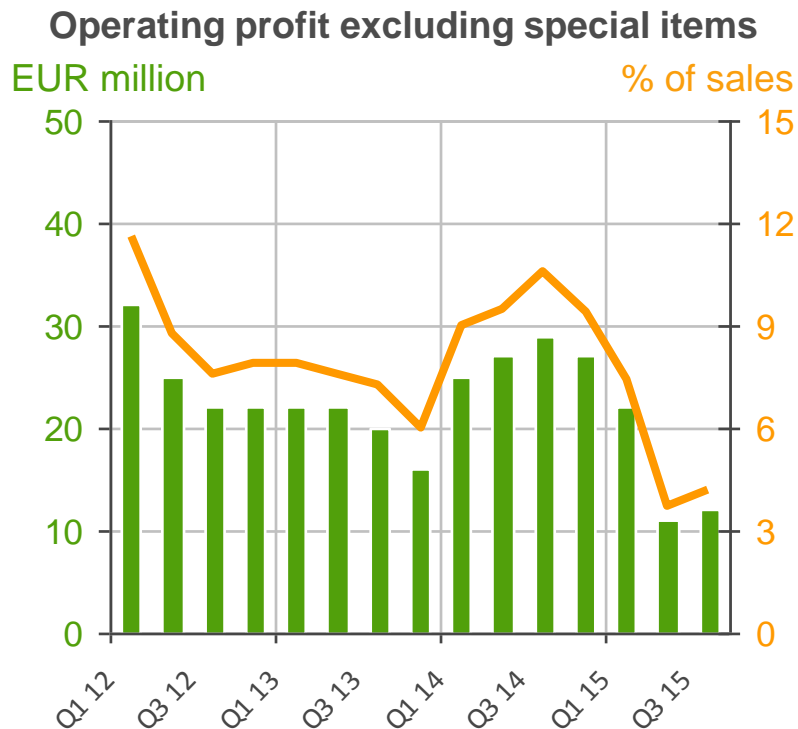
Market review Jan-Sep 2015

- The Nordic and Finnish hydrological balance improved in the first half of the year, and decreased slightly during the third quarter. At the end of September, the hydrological balance was above the long-term average level.
- Due to mild temperatures and improved hydrology the average Finnish area spot price was clearly lower compared with than the same period last year
- The Finnish area front-year forward electricity price closed at EUR 29.7/MWh in September, down 24% compared to the end of September last year



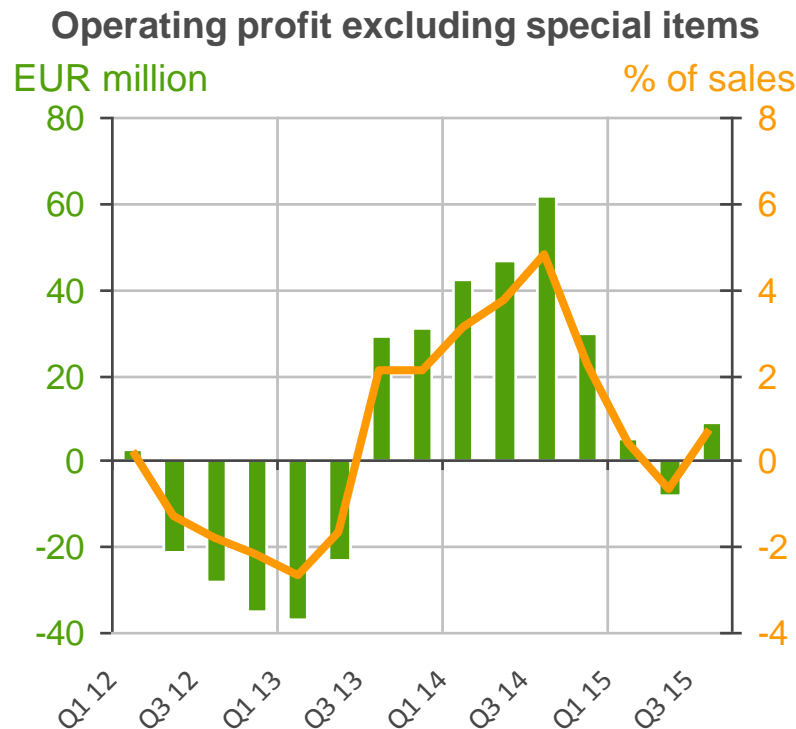
Market review Jan-Sep 2015

- Global demand for self-adhesive label materials increased
- Demand was robust in Europe and North America. In Asia and Latin America, growth continued, albeit at a lower level.



Market review Jan-Sep 2015

- Growth in fine paper demand is levelling off, office paper demand is growing
- Overcapacity prevails and the preliminary US anti-dumping duties are adding regional supply
- The average market price in local currencies were slightly lower in most of the markets, compared to 2014.
- The demand for labelling materials grew globally, and average prices remained stable



Market review Jan-Sep 2015

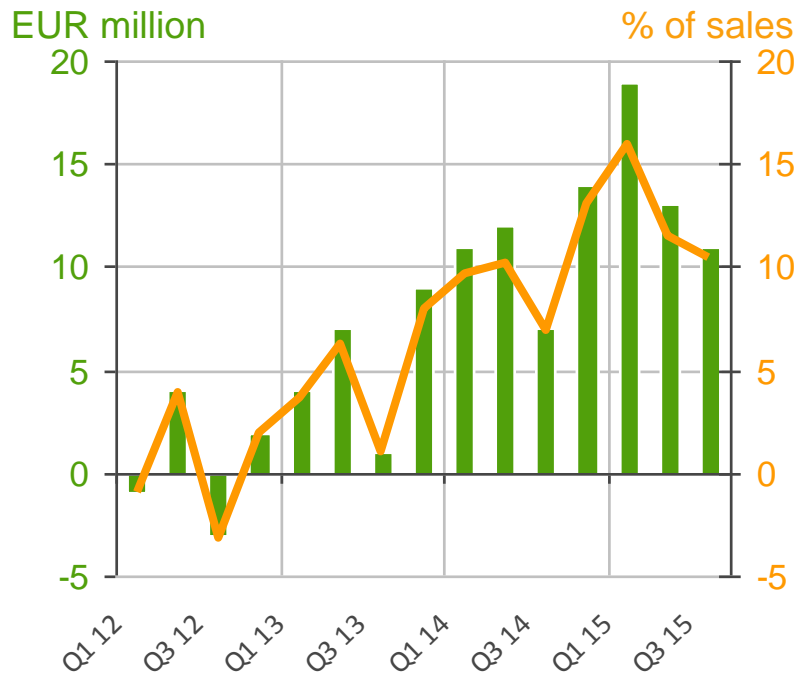
Europe

- Demand for graphic papers decreased by 4%
- Publication paper prices were 5% lower
- Fine paper prices were 3% higher

North America

- Demand for magazine papers decreased by 7%
- The average US dollar price for magazine papers was 1% higher

Operating profit excluding special items



Market review Jan-Sep 2015

- Plywood demand continued to strengthen somewhat in the first nine months of 2015
- Compared with last year, demand grew in both industrial applications and construction-related end-use segments



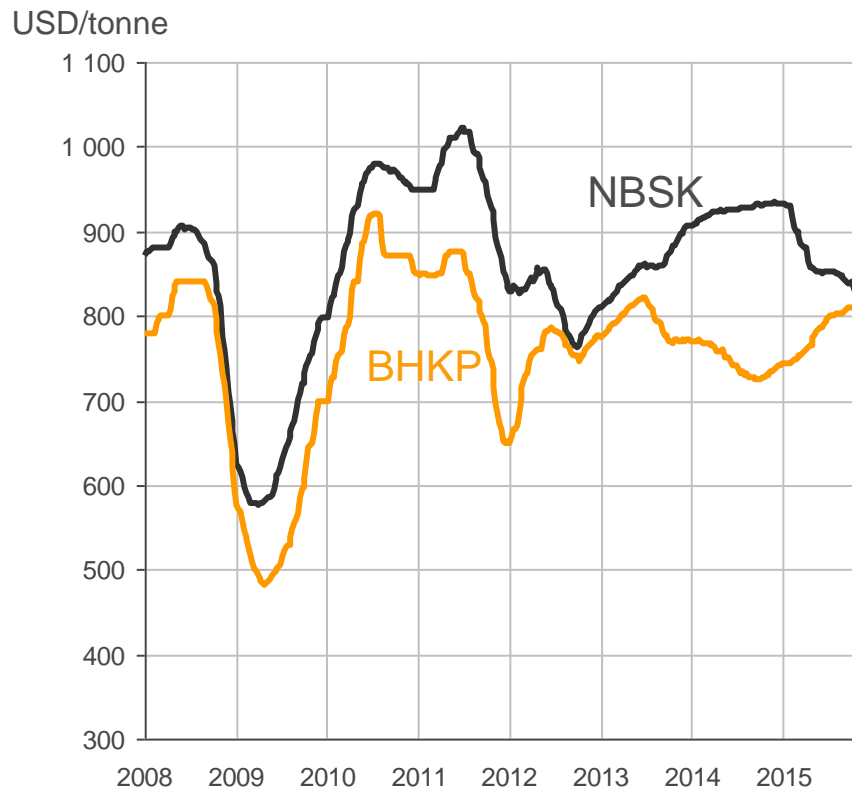
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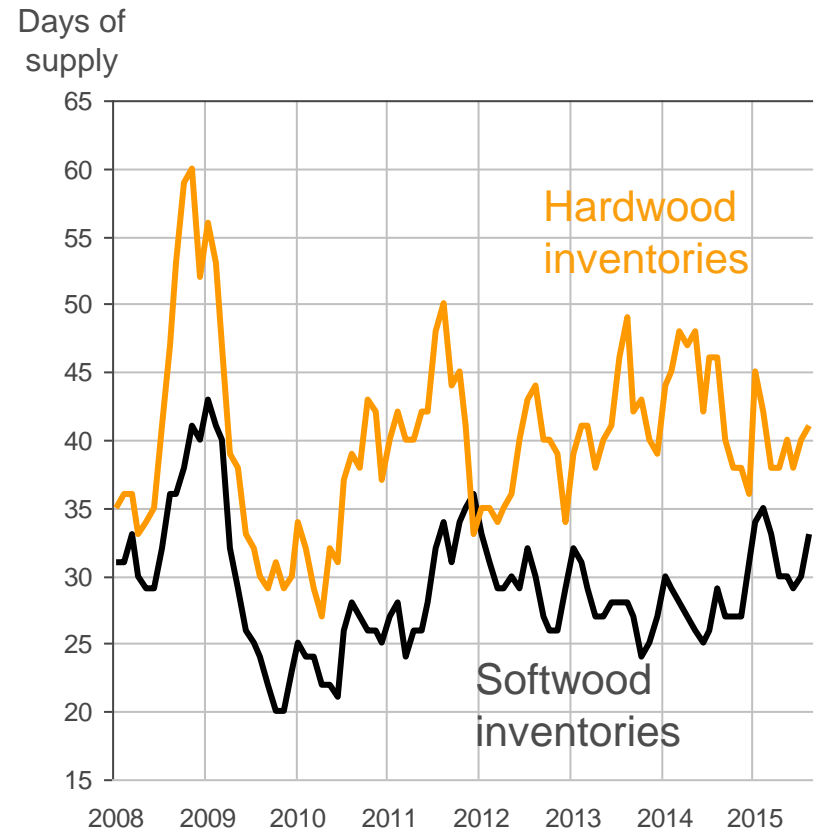
Chemical pulp market

Q3 NBSK pulp price decreased 1% from Q2
Q3 BHKP pulp price increased 3% from Q2



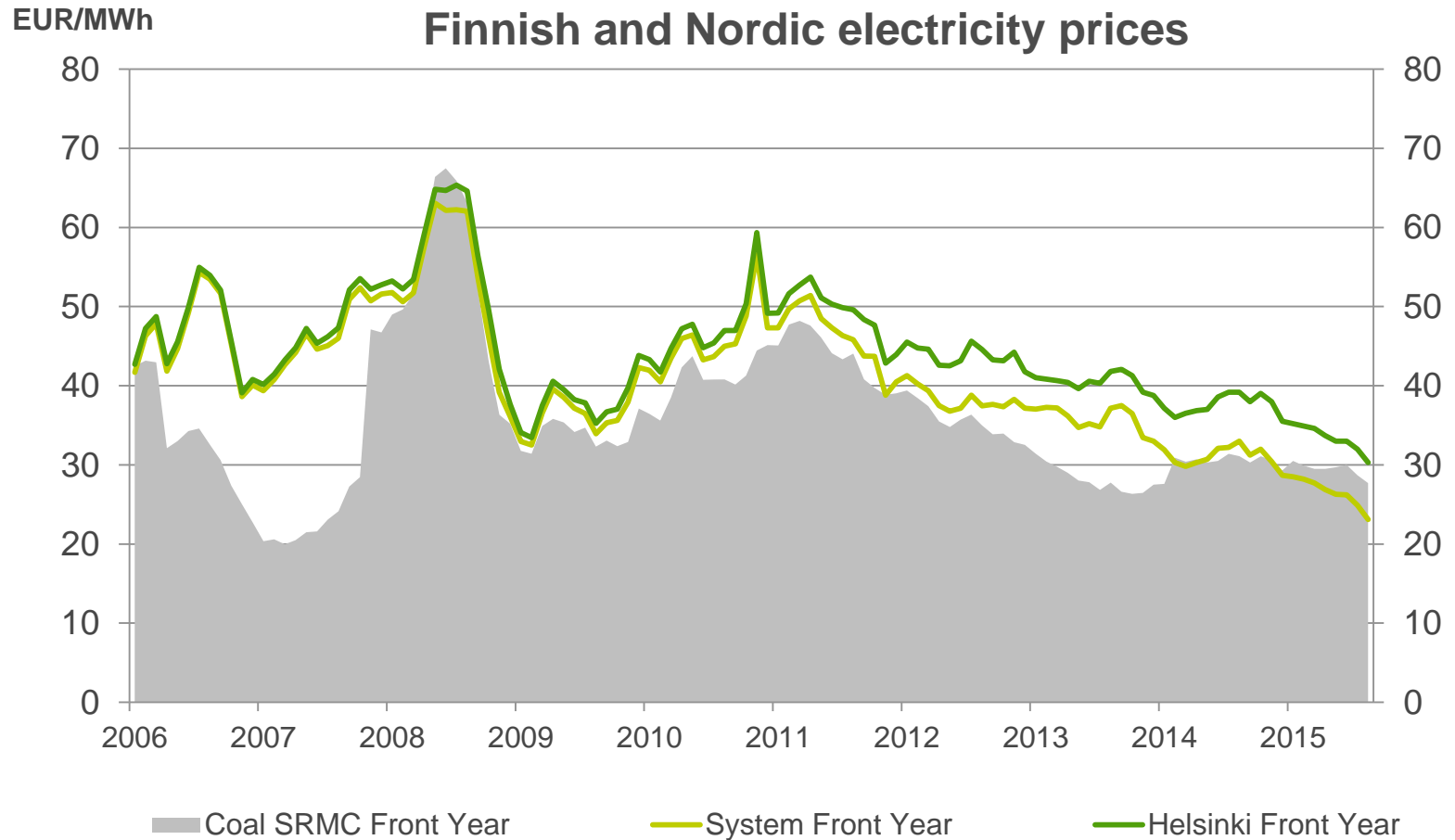
Source: FOEX Indexes Ltd.

Pulp inventories



Source: PPPC World-20 statistics

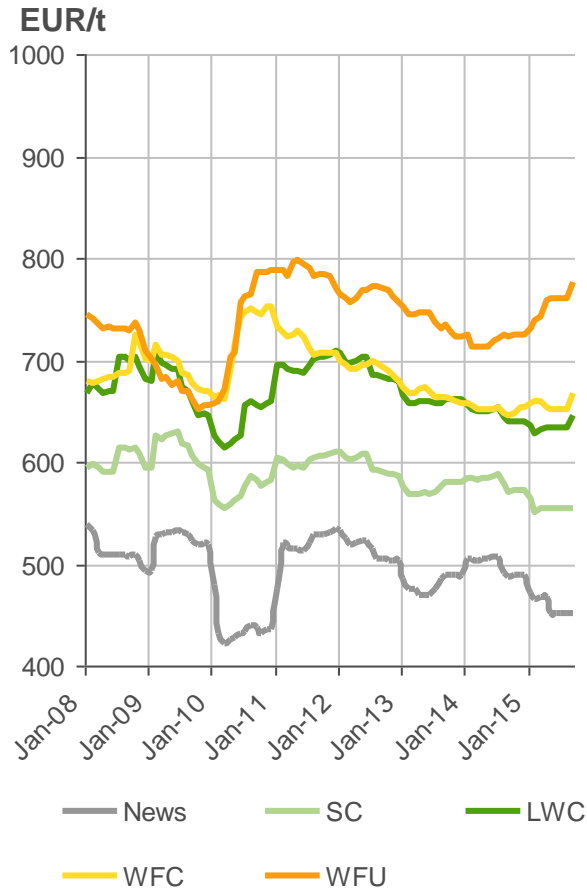
Price development in the Nordic and Helsinki power markets



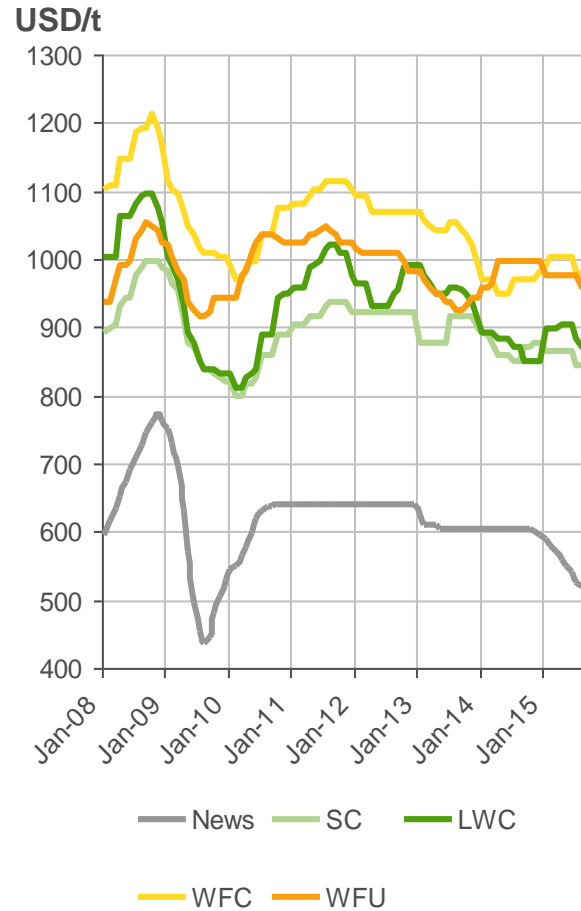
Source: Reuters

Graphic paper prices

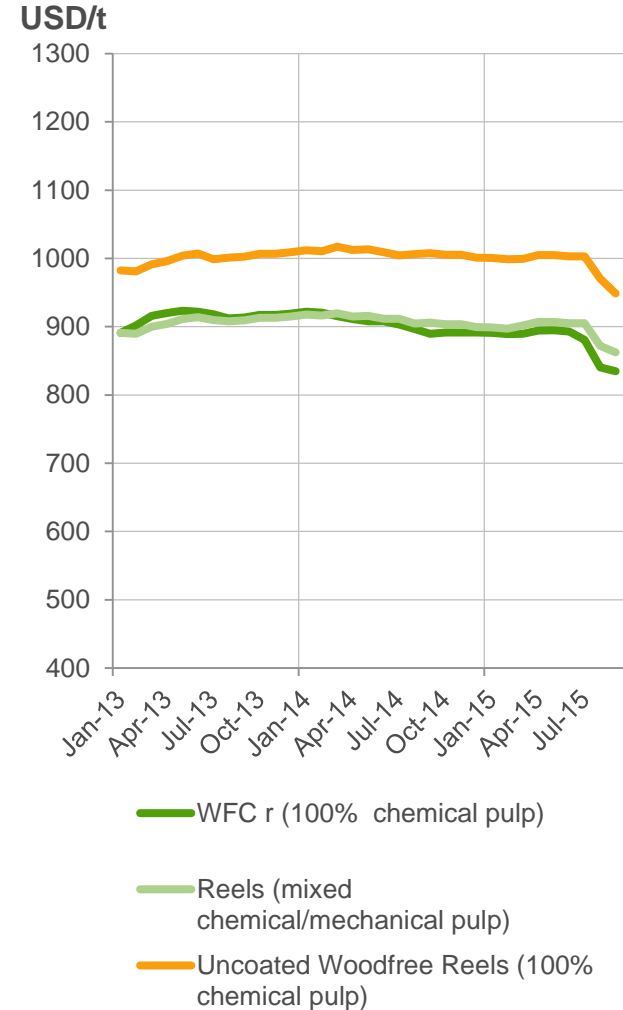
Europe



North America



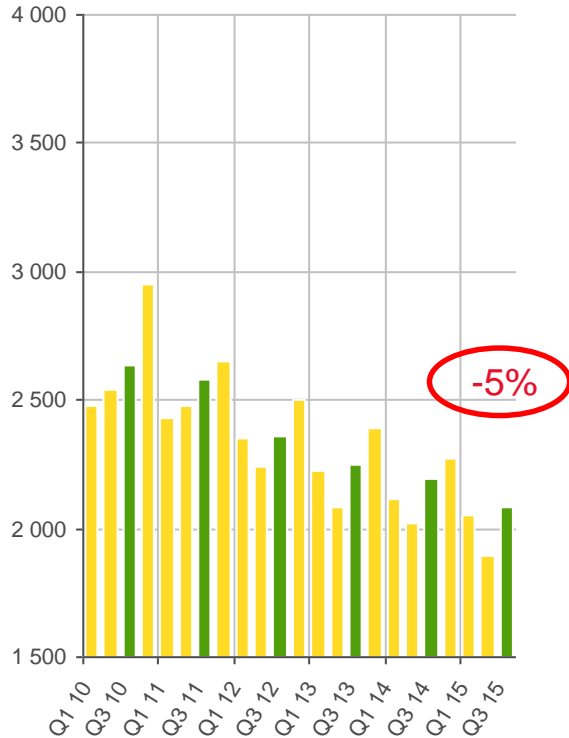
China



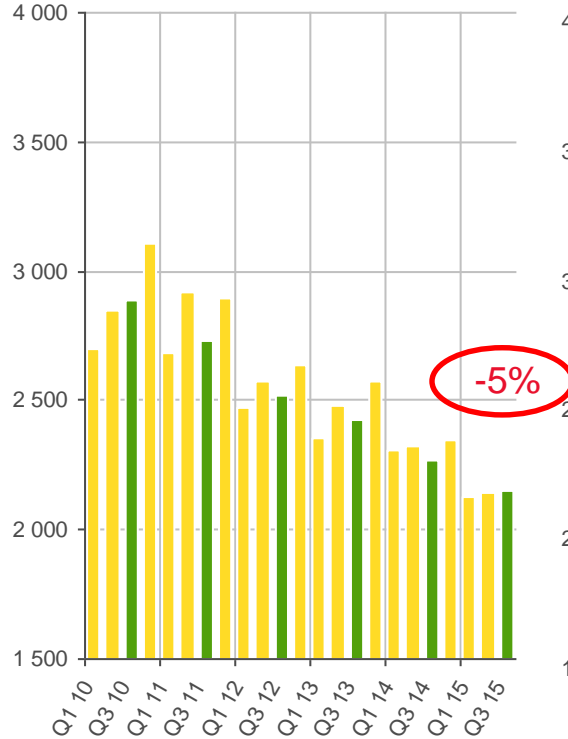
Sources: PPI, RISI

Graphic papers demand in Europe decreased by 3% in Q3 and 4% in 9M 2015 from last year

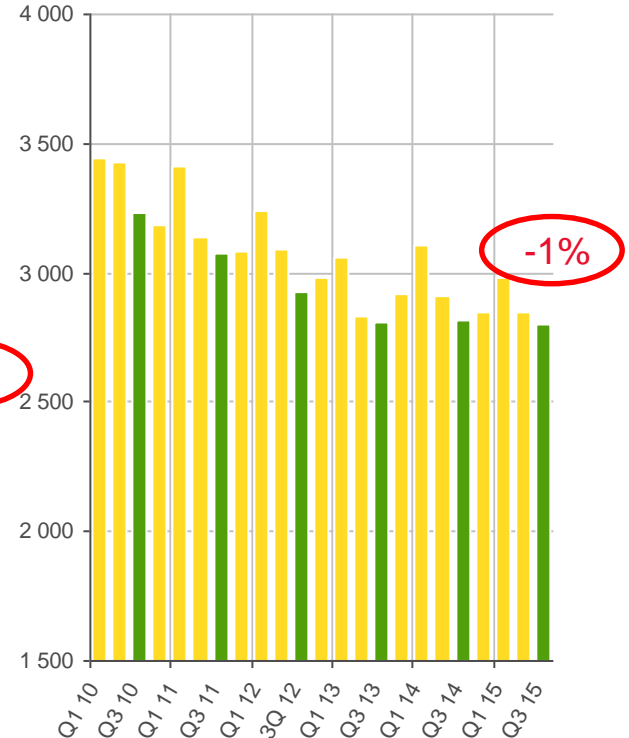
'000 tonnes Magazine papers demand in Europe -5% 9M 2015



Newsprint demand in Europe -7% 9M 2015



Fine papers demand in Europe -2% 9M 2015

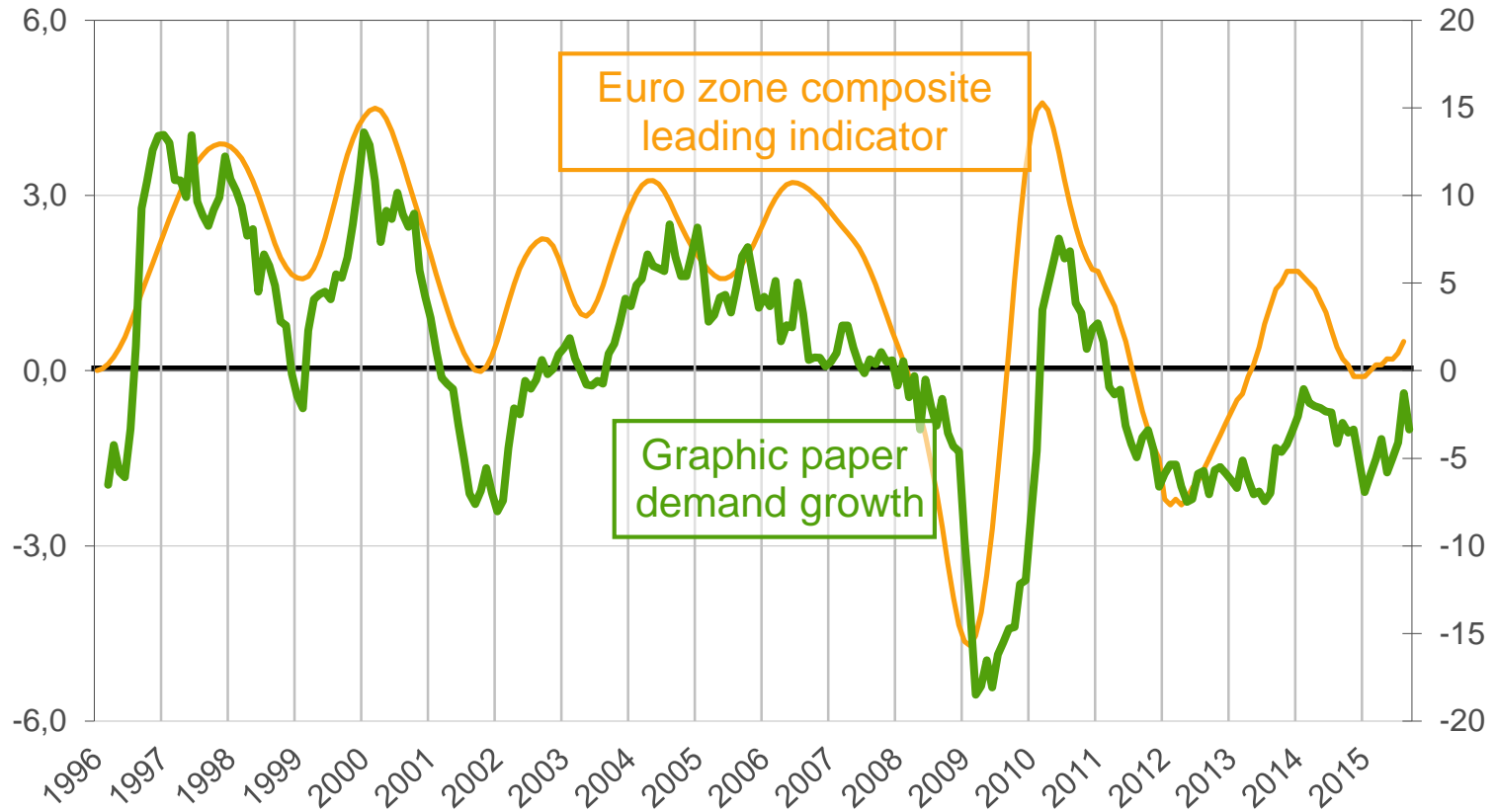


Sources: Cepiprint/fine, PPPC



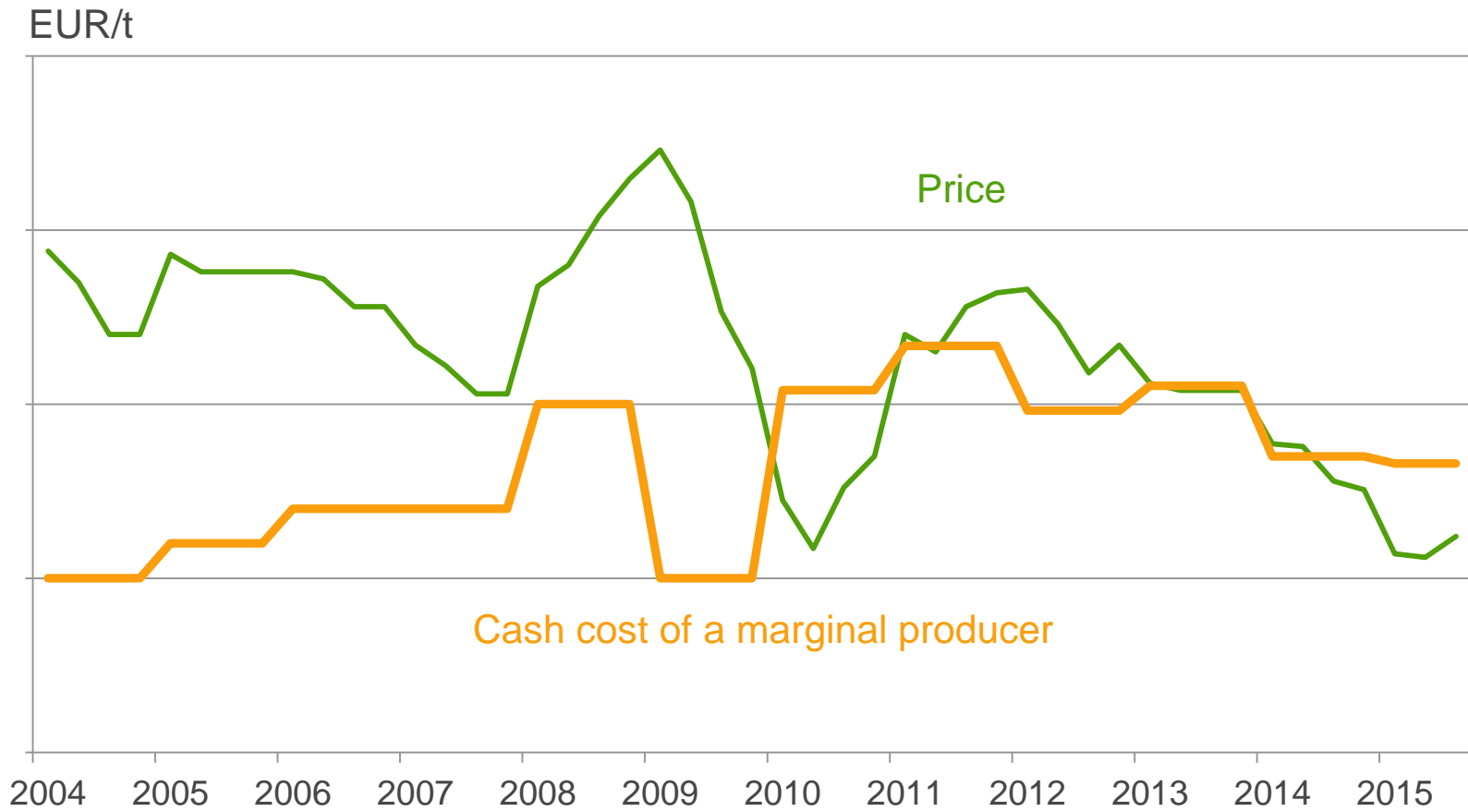
Growth in the European economy remains low

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



Sources: Cepiprint, Cepifine, OECD

Overcapacity in European graphic paper is visible in margins



Sources: PPI, RISI, Pöyry



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