The Biofore Company UPM

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INTERIM REPORT 1 JANUARY – 31 MARCH 2015

UPM interim report 1 January – 31 March 2015

Q1 2015 compared with Q1 2014

- Earnings per share excluding special items were EUR 0.29 (0.27), and reported EUR 0.29 (0.36)
- Operating profit excluding special items was EUR 204 million, 8.2% of sales (196 million, 7.9% of sales)
- Profitability was underpinned by the profit improvement actions and favourable exchange rates
- The UPM Lappeenranta Biorefinery started commercial production of advanced renewable diesel
- UPM invests in the top performing plywood business by expanding the Otepää mill in Estonia

Key figures

	Q1/2015	Q1/2014	Q4/2014	Q1–Q4/2014
Sales, EURm	2,486	2,481	2,531	9,868
EBITDA, EURm [1]	325	323	334	1,306
% of sales	13.1	13.0	13.2	13.2
Operating profit (loss), EURm	203	191	71	674
excluding special items, EURm	204	196	230	847
% of sales	8.2	7.9	9.1	8.6
Profit (loss) before tax, EURm	181	237	57	667
excluding special items, EURm	182	176	216	774
Profit (loss) for the period, EURm	155	193	8	512
Earnings per share, EUR	0.29	0.36	0.01	0.96
excluding special items, EUR	0.29	0.27	0.32	1.17
Diluted earnings per share, EUR	0.29	0.36	0.01	0.96
Return on equity, %	8.1	10.3	0.4	6.9
excluding special items, %	8.1	7.7	9.2	8.3
Return on capital employed, %	7.0	8.7	2.5	6.5
excluding special items, %	7.0	6.6	8.2	7.5
Operating cash flow per share, EUR	0.20	0.50	0.86	2.33
Capital expenditure, EURm	74	48	156	411
Capital expenditure excluding acquisitions and shares, EURm	74	47	121	375
Equity per share at end of period, EUR	14.61	14.12	14.02	14.02
Gearing ratio at end of period, %	31	37	32	32
Net interest-bearing liabilities at end of period, EURm	2,419	2,777	2,401	2,401
Capital employed at end of period, EURm	11,106	11,610	10,944	10,944
Personnel at end of period	20,210	20,768	20,414	20,414

[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 change in fair value of unrealised cash flow and commodity hedges, excluding the share of results of associated companies and joint ventures, and special items.

Results

Q1 2015 compared with Q1 2014

Sales for Q1 2015 were EUR 2,486 million, at the same level as the EUR 2,481 million in Q1 2014. Sales increased in UPM Raflatac, UPM Biorefining, UPM Paper Asia and UPM Plywood, and decreased in UPM Paper ENA and UPM Energy.

EBITDA was EUR 325 million (13.1% of sales), at the same level as the EUR 323 million (13.0% of sales) in the comparison period. The actions taken under the Group´s profit improvement programmes and favourable exchange rates, moderated by hedging, had a positive impact on UPM's EBITDA. This was offset by lower paper deliveries and lower publication paper prices in Europe, as well as lower electricity sales prices.

UPM Biorefining increased its EBITDA due to higher pulp sales prices in euro terms. UPM Plywood and UPM Raflatac increased their EBITDA, mainly due to higher deliveries. UPM Paper Asia reported about the same EBITDA as last year. EBITDA decreased in UPM Paper ENA, mainly due to lower paper deliveries, lower publication paper prices in Europe and higher pulp costs. EBITDA decreased in UPM Energy, mainly due to lower electricity sales prices and volumes.

Operating profit excluding special items was EUR 204 million, 8.2% of sales (196 million, 7.9%). Depreciation totalled EUR 131 million (130 million).

Reported operating profit was EUR 203 million, 8.2% of sales (191 million, 7.7% of sales).

The increase in the fair value of biological assets net of wood harvested was EUR 16 million (12 million).

Profit before tax was EUR 181 million (237 million) and, excluding special items, EUR 182 million (176 million). Net interest and other finance costs were EUR 15 million (10 million). Exchange rate and fair value gains and losses resulted in a loss of EUR 7 million (loss of EUR 3 million).

Income tax expense totalled EUR 26 million (44 million). Effect of special items on income taxes was EUR 1 million benefit (EUR 13 million expense).

Profit for Q1 2015 was EUR 155 million (193 million) and earnings per share were EUR 0.29 (0.36). Earnings per share excluding special items were EUR 0.29 (0.27).

Operating cash flow per share was EUR 0.20 (0.50).

Q1 2015 compared with Q4 2014

EBITDA was EUR 325 million, 13.1% of sales (334 million, 13.2% of sales). EBITDA decreased in UPM Paper ENA, mainly due to lower paper deliveries, lower publication paper prices in Europe and higher pulp costs, in UPM Energy, mainly due to lower electricity sales prices and in UPM Paper Asia as variable costs increased more than sales prices. UPM Biorefining increased its EBITDA due to higher pulp sales prices in euro terms. UPM Plywood increased its EBITDA, mainly due to higher deliveries. UPM Raflatac reported about the same EBITDA as in the comparison period.

Operating profit excluding special items was EUR 204 million, 8.2% of sales (230 million, 9.1%). Depreciation excluding special items totalled EUR 131 million (132 million).

The increase in the fair value of biological assets net of wood harvested was EUR 16 million (32 million).

Financing

In Q1 2015, cash flow from operating activities before capital expenditure and financing totalled EUR 108 million (264 million in Q1 2014). Working capital increased by EUR 147 million (decreased by EUR 1 million) during the period, mainly due to seasonal factors.

The gearing ratio as of 31 March 2015 was 31% (37%). Net interest-bearing liabilities at the end of the period came to EUR 2,419 million (2,777 million).

On 31 March 2015, UPM's cash funds and unused committed credit facilities totalled EUR 0.9 billion.

Personnel

In Q1 2015, UPM had an average of 20,266 employees (20,770). At the beginning of the year the number of employees was 20,414, and at the end of Q1 2015 it was 20,210.

Capital expenditure

In Q1 2015, capital expenditure was EUR 74 million, 3.0% of sales (47 million, 1.9% of sales). The total capital expenditure in 2015 is estimated to be approximately EUR 500 million.

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

In June 2013, UPM announced that it is participating in the share issue from Pohjolan Voima Oy to finance the Olkiluoto 3 nuclear power plant project. UPM's share of the issue is EUR 119 million, of which EUR 31 million was paid in Q2 2013 and another EUR 31 million was paid in Q4 2014. The remaining part of the share issue will be implemented during the coming years, based on the financing needs of the project.

Growth projects targeting EBITDA impact of EUR 200 million

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

Biofuels, a 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 EBITDA impact of EUR 200 million when the projects are in full operation.

The total investment requirement for these projects is EUR 680 million. EUR 348 million has already been invested, and the total remaining capital expenditure over the course of 2015–2016 will be EUR 332 million.

UPM invested EUR 179 million in a biorefinery to produce renewable diesel from crude tall oil in Lappeenranta, Finland. The biorefinery is capable of producing approximately 120 million litres of advanced renewable diesel for transport each year. The refinery started its commercial production in January 2015.

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 360,000 tonnes of labelling materials and speciality papers. The total investment is approximately EUR 277 million, and the unit is expected to start production at the end of 2015.

In February 2014, UPM announced that it is investing approximately 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.

In addition to the investment in the UPM Kymi pulp mill, the 10% increase in UPM´s pulp production capacity also inludes the expansion at the UPM Pietarsaari and UPM Fray Bentos pulp mills, completed in 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 at the Changshu labelstock factory in China and upgrading machinery at the Johor Bahru factory in Malaysia. Investment totalling approximately EUR 14 million is expected to be completed in Q2 2015.

In April 2014 UPM also announced it is increasing production capacity for its film labelstock business in Europe by investing approximately EUR 13 million in a new coating line at the self-adhesive labelstock factory in Nowa Wies, Poland. The investment is expected to be completed in Q2 2015.

Profit improvement programmes

On 13 November 2014, UPM announced a profit improvement programme targeting a total annualised cost reduction impact of EUR 150 million by the end of 2015, as compared with Q3 2014. The target includes savings in variable and fixed costs in all UPM businesses and functions, as well as planned capacity closures in UPM Paper ENA.

As part of the programme, UPM plans to permanently reduce its publication paper capacity in Europe by approximately 800,000 tonnes. This includes newsprint machine 1 at UPM Shotton in the UK, SC paper machine Jämsänkoski 5 at UPM Jämsä River Mills in Finland and coated mechanical paper machine 2 at UPM Kaukas in

Finland, all of which were permanently closed during Q1 2015. The plan also includes the closure of newsprint machine 3 at UPM Chapelle Darblay in France, where the employee consultation process is underway.

The fixed cost reduction from the planned capacity closures is expected to be EUR 55 million, and is included in the total savings target.

As part of the profit improvement programme, UPM has started a review of production, maintenance and other site operating practices across all UPM businesses and operating countries.

In Q1 2015, the actions taken under the profit improvement programme reduced UPM's costs by EUR 46 million, meaning approximately 31% of the annualised savings had been achieved.

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 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, the economic outlook in Europe has slightly improved, but it remains fragile and there are concerns, partly related to geopolitical issues. Growth has slowed, and there are also uncertainties regarding developing economies, including China, which may have a significant influence on the 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 that directly or indirectly affect UPM.

Recently, the price of oil has decreased significantly. The oil price directly and indirectly impacts many of UPM's cost items, such as logistics costs. It is uncertain whether the current price level will remain stable and how fast or to what extent it will be reflected in UPM's profitability.

The main earnings sensitivities and the Group's cost structure are presented on page 13 of the 2014 Annual Report. Risks and risk management are presented on pages 76–77 of the Report.

Events after the balance sheet date

The decisions of the Annual General Meeting held on 9 April 2015 are presented separately in this report.

On 23 April, UPM announced that it will strengthen its position as the leading plywood manufacturer in Europe, by expanding the Otepää plywood mill in Estonia. The expansion will almost double the mill's production to 90,000 m^3 per annum. In addition to mill expansion, a new bio power plant will be built at the mill site to replace the old, partly oil-burning plant. The investments to Otepää total about EUR 40 million. The expansion will be completed by the end of 2016.

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.

Business area reviews

UPM Biorefining

	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/14
Sales, EURm	533	484	480	477	496	1,937
EBITDA, EURm	134	100	100	66	92	358
% of sales	25.1	20.7	20.8	13.8	18.5	18.5
Change in fair value of biological assets and wood harvested, EURm	2	5	1	2	1	9
Share of results of associated companies and joint ventures, EURm	–	–	–	1	–	1
Depreciation, amortisation andimpairment charges, EURm	–39	–37	–38	–38	–37	–150
Operating profit, EURm	97	72	64	31	56	223
% of sales	18.2	14.9	13.3	6.5	11.3	11.5
Special items, EURm [1]	–	5	1	–	–	6
Operating profit excl. special items, EURm	97	67	63	31	56	217
% of sales	18.2	13.8	13.1	6.5	11.3	11.2
Pulp deliveries, 1,000 t	810	791	848	832	816	3,287

[1] In Q4 2014, special income of EUR 5 million relate to a gain on sale of property, plant and equipment. In Q3 2014, special income of EUR 1 million relate to restructuring measures.

Q1 2015 compared with Q1 2014

Operating profit excluding special items for UPM Biorefining was EUR 97 million (56 million). Sales increased by 7% to EUR 533 million (496 million). Pulp deliveries decreased by 1% to 810,000 tonnes (816,000).

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.

Commercial production of advanced renewable diesel began at the Lappeenranta biorefinery in Finland in January 2015.

Q1 2015 compared with Q4 2014

Operating profit increased mainly due to higher euro-denominated average pulp sales prices. In the previous quarter profitability was negatively impacted by scheduled maintenance shutdown at the UPM Fray Bentos pulp mill.

Market review

In the first quarter of 2015, the average softwood pulp (NBSK) market price was EUR 799/tonne, 20% higher than last year (668/tonne). At the end of March, the softwood pulp market price was EUR 805/tonne (669/tonne).

The average market price of hardwood pulp (BHKP) was EUR 663/tonne, 18% higher than last year (561/tonne). At the end of March, the BHKP market price was EUR 694/tonne (555/tonne).

The market price difference between NBSK and BHKP narrowed during the quarter as producers and end-use consumers responded to the historically high NBSK market pulp price premium. USD-denominated NBSK pulp prices slipped, while the market price of BHKP increased.

In Q1 2015 global chemical pulp shipments increased by 6% from last year. Demand growth was well spread over several regions, with strongest growth recorded in Asia and Latin America. Shipments to both Western Europe and North America increased by 3%.

Shipments of NBSK pulp were on last year's level whilst shipments of BHKP grew strongly.

UPM Energy

	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/14
Sales, EURm	99	115	113	112	124	464
EBITDA, EURm	40	59	46	49	59	213
% of sales	40.4	51.3	40.7	43.7	47.6	45.9
Depreciation, amortisation and impairment charges, EURm	–2	–2	–3	–3	–3	–11
Operating profit, EURm	38	57	43	46	56	202
% of sales	38.4	49.6	38.1	41.1	45.2	43.5
Special items, EURm	–	–	–	–	–	–
Operating profit excl. special items, EURm	38	57	43	46	56	202
% of sales	38.4	49.6	38.1	41.1	45.2	43.5
Electricity deliveries, GWh	2,077	2,169	2,135	2,112	2,305	8,721

Q1 2015 compared with Q1 2014

Operating profit excluding special items for UPM Energy decreased to EUR 38 million (56 million). Sales were EUR 99 million (124 million). The total electricity sales volume was 2,077 GWh (2,305 GWh).

Operating profit decreased due to lower average electricy sales price and lower nuclear and hydro power 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).

Q1 2015 compared with Q4 2014

Operating profit excluding special items decreased mainly due to lower average electricy sales price and lower nuclear production, due to an unplanned outage in Olkiluoto 2 nuclear plant unit.

The average electricity sales price decreased to EUR 40.0/MWh (45.5/MWh).

Market review

In Q1 2015, the Nordic and Finnish hydrological balance remained at the long-term average level.

The average Finnish area spot price on the Nordic electricity exchange was EUR 32.1/MWh, 9% lower than during the same period last year (EUR 35.2/MWh), mainly due to warmer weather. The Finnish area price was above the Nord Pool system price due to dependency on imports.

Coal prices were significantly lower than last year.

The CO_2 emission allowance price of EUR 6.9/tonne at the end of March was higher than at the end of the comparison period (EUR 4.6/tonne).

The Finnish area front-year forward electricity price closed at EUR 35.3 /MWh in March, nearly at the same level compared to same date last year (35.7/MWh).

UPM Raflatac

	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/14
Sales, EURm	342	330	312	306	300	1,248
EBITDA, EURm	29	30	29	25	28	112
% of sales	8.5	9.1	9.3	8.2	9.3	9.0
Depreciation, amortisation and impairment charges, EURm	–8	–9	–8	–10	–8	–35
Operating profit, EURm	21	21	21	7	20	69
% of sales	6.1	6.4	6.7	2.3	6.7	5.5
Special items, EURm [1]	–	–1	–	–10	–	–11
Operating profit excl. special items, EURm	21	22	21	17	20	80
% of sales	6.1	6.7	6.7	5.6	6.7	6.4

[1] In Q4 2014, special items of EUR 1 million include impairment charges related to restructurings. In Q2 2014, special items of EUR 10 million relate to restructuring charges, including impairments of EUR 2 million.

Q1 2015 compared with Q1 2014

Operating profit excluding special items for UPM Raflatac was EUR 21 million (20 million). Sales increased by 14% to EUR 342 million (300 million), driven by the decline in the euro exchange rate, as well as solid volume growth across all regions.

Operating profit increased slightly due to higher delivery volumes.

Q1 2015 compared with Q4 2014

Operating profit decreased slightly, mainly due to seasonally lower deliveries.

Market review

In Q1 2015, global demand for self-adhesive label materials increased. In Western Europe, demand strengthened. Demand in North America increased after a weak first quarter in last year. In Eastern Europe, Asia and Latin America, growth continued.

UPM Paper Asia

	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/14
Sales, EURm	298	288	274	285	277	1,124
EBITDA, EURm	43	48	49	47	44	188
% of sales	14.4	16.7	17.9	16.5	15.9	16.7
Depreciation, amortisation and impairment charges, EURm	–21	–21	–20	–20	–19	–80
Operating profit, EURm	22	27	29	27	25	108
% of sales	7.4	9.4	10.6	9.5	9.0	9.6
Special items, EURm	–	–	–	–	–	–
Operating profit excl. special items, EURm	22	27	29	27	25	108
% of sales	7.4	9.4	10.6	9.5	9.0	9.6
Paper deliveries, 1,000 t	349	359	350	365	347	1,421

Q1 2015 compared with Q1 2014

Operating profit excluding special items for UPM Paper Asia decreased to EUR 22 million (25 million).

Sales increased by 8% to EUR 298 million (277 million), mainly due to the decline in the euro exchange rate. Deliveries increased by 1% to 349,000 tonnes (347,000).

Operating profit decreased as the net impact of changes in currencies including hedging was slightly negative.

Q1 2015 compared with Q4 2014

Operating profit excluding special items decreased. Variable costs increased more than sales prices, and the net impact of changes in currencies including hedging was slightly positive.

Market review

In Asia Pacific, growth in fine paper demand is levelling off, though development varies by product and market segment. Region-by-region growth is strongest in China and South East Asia. Growth in office paper demand continues. Competition in the region remains intense as overcapacity prevails in all paper grades. The average market price in local currencies remained stable and was at the same level as in the first quarter of 2014.

The demand for labelling materials grew globally in the first quarter of the year and average prices remained stable.

New investment and paper machine conversions to uncoated woodfree and labelling materials in Asia, as well as conversions to labelling materials in Europe, have intensified competition.

UPM Paper ENA

	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/14
Sales, EURm	1,256	1,361	1,303	1,286	1,334	5,284
EBITDA, EURm	56	84	113	100	95	392
% of sales	4.5	6.2	8.7	7.8	7.1	7.4
Share of results of associated companies and joint ventures, EURm	–	–	1	–	–	1
Depreciation, amortisation and impairment charges, EURm	–52	–189	–52	–54	–54	–349
Operating profit, EURm	5	–178	63	45	38	–32
% of sales	0.4	–13.1	4.8	3.5	2.8	–0.6
Special items, EURm [1)]	–	–208	1	–2	–4	–213
Operating profit excl. special items, EURm	5	30	62	47	42	181
% of sales	0.4	2.2	4.8	3.7	3.1	3.4
Paper deliveries, 1,000 t	2,023	2,225	2,136	2,098	2,148	8,607

[1)] In Q4 2014, special items include write-offs totalling EUR 135 million and restructuring charges totalling EUR 73 million related to planned capacity closures. 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.

Q1 2015 compared with Q1 2014

Operating profit excluding special items for UPM Paper ENA decreased to EUR 5 million (42 million).

Sales decreased to EUR 1,256 million (1,334 million). Paper deliveries decreased by 6% to 2,023,000 tonnes (2,148,000).

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 last 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.

Q1 2015 compared with Q4 2014

Operating profit excluding special items decreased, mainly due to lower delivery volumes and higher pulp costs.

The average price for all paper deliveries in euro increased by 1% due to favourable currency developments and mix impacts, more than offsetting the negative impacts of lower publication paper prices in Europe.

In March 2015, UPM closed down paper machine 2 at UPM Kaukas and paper machine 5 at UPM Jämsänkoski in Finland and in February paper machine 1 at UPM Shotton in the UK.

Market review

In Q1 2015, demand for graphic papers in Europe was 5% lower than in the same period in last year. Demand declined the most in newsprint, down 8% compared to Q1 2014. Overcapacity plagued the publication paper segments, in particular newsprint. In Europe, publication paper prices were 3% lower compared to the previous quarter and 5% lower compared to Q1 2014. Fine paper prices increased by 1% compared to the previous quarter and by 2% compared to Q1 2014.

In January-February, demand for magazine papers in North America decreased by 2% compared to last year, while the average US dollar price for magazine papers increased by 2% compared to previous quarter and in the first two months of 2015 were at the same level as in Q1 2014.

UPM Plywood

	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/14
Sales, EURm	119	107	101	118	114	440
EBITDA, EURm	25	20	13	18	17	68
% of sales	21.0	18.7	12.9	15.3	14.9	15.5
Depreciation, amortisation and impairment charges, EURm	–6	–6	–6	–6	–6	–24
Operating profit, EURm	19	14	7	12	11	44
% of sales	16.0	13.1	6.9	10.2	9.6	10.0
Special items, EURm	–	–	–	–	–	–
Operating profit excl. special items, EURm	19	14	7	12	11	44
% of sales	16.0	13.1	6.9	10.2	9.6	10.0
Deliveries, plywood, 1,000 m^3	199	176	168	199	188	731

Q1 2015 compared with Q1 2014

Operating profit excluding special items for UPM Plywood increased to EUR 19 million (11 million). Sales increased by 4% to EUR 119 million (114 million) and deliveries by 6% to 199,000 cubic metres (188,000).

Operating profit increased due to lower variable costs and higher delivery volumes.

Q1 2015 compared with Q4 2014

Operating profit excluding special items increased, mainly due to higher delivery volumes.

Market review

Plywood demand continued to strengthen in the first quarter. Demand development was slightly stronger in industrial applications compared to construction-related end-use segments.

Other operations

	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/14
Sales, EURm	114	113	102	113	119	447
EBITDA, EURm	–3	–5	1	–7	–10	–21
Change in fair value of biological assets and wood harvested, EURm	14	27	16	15	11	69
Share of results of associated companies and joint ventures, EURm	–	–	–	1	–	1
Depreciation, amortisation and impairment charges, EURm	–3	–3	–3	–2	–3	–11
Operating profit, EURm	6	64	13	8	–3	82
Special items, EURm [1)]	–1	45	–1	2	–1	45
Operating profit excl. special items, EURm	7	19	14	6	–2	37

[1)] In Q1 2015, special items of EUR 1 million relate to restructuring measures. In Q4 2014, special items relate to a capital gain of EUR 45 million from the sale of forestland in the UK. 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.

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

Q1 2015 compared with Q1 2014

Operating profit excluding special items increased to EUR 7 million (loss of EUR 2 million). Sales decreased to EUR 114 million (119 million).

The increase in the fair value of biological assets net of wood harvested was EUR 14 million (11 million). The increase in the fair value of biological assets (growing trees) was EUR 25 million (23 million), including gains on forest sales. The cost of wood harvested from UPM forests was EUR 11 million (12 million).

Q1 2015 compared with Q4 2014

Operating profit excluding special items decreased to EUR 7 million (19 million). Sales were EUR 114 million (113 million).

The increase in the fair value of biological assets net of wood harvested was EUR 14 million (27 million). The increase in the fair value of biological assets (growing trees) was EUR 25 million (43 million), including gains on forest sales. The cost of wood harvested from UPM forests was EUR 11 million (16 million).

Annual General Meeting on 9 April 2015

The Annual General Meeting held on 9 April 2015 decided that a dividend of EUR 0.70 per share (totalling EUR 373 million) would be paid on 23 April 2015. The dividend was paid to shareholders who were registered on the Company's shareholders' register maintained by Euroclear Finland Ltd on 13 April 2015, the record date for the dividend payment.

The Annual General Meeting 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.

Company Directors

At the Annual General Meeting held on 9 April 2015, the number of members of the Board of Directors was increased from nine to ten and Berndt Brunow, Piia-Noora Kauppi, Wendy E. Lane, Jussi Pesonen, Ari Puheloinen, Veli-Matti Reinikkala, Kim Wahl and Björn Wahlroos were re-elected to the Board for a term continuing until the end of the next Annual General Meeting. Suzanne Thoma and Henrik Ehrnrooth were elected as new members to the board. Matti Alahuhta stepped down from the Board.

At the organisation meeting of the Board of Directors, Björn Wahlroos was re-elected as Chairman, and Berndt Brunow as Deputy Chairman of the Board of Directors. In addition, Piia-Noora Kauppi was elected as chair of the Audit Committee, and Wendy E. Lane and Kim Wahl were elected as other committee members. Veli-Matti Reinikkala was elected as chair of the Remuneration Committee, and Henrik Ehrnrooth and Suzanne Thoma were elected as other committee members. Björn Wahlroos was elected as chair of the Nomination and Governance Committee, and Berndt Brunow and Ari Puheloinen were elected as other committee members.

Shares

In Q1 2015, UPM shares worth EUR 2,291 million (1,682 million) in total were traded on the NASDAQ OMX Helsinki stock exchange. This is estimated to represent approximately two-thirds of all trading volumes in UPM shares. The highest quotation was EUR 18.81 in March and the lowest was EUR 13.45 in January.

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 9 April 2015 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.

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 31 March 2015 was 533,735,699. Through the issuance authorisation, the number of shares may increase to a maximum of 558,735,699.

On 31 March 2015, the company held 230,737 of its own shares, representing approximately 0.04% of the total number of company shares and voting rights.

Litigation

Group companies

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. It is expected that the amounts claimed will change as a result of new claims, which have not yet been served. 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 recorded an income of EUR 67 million as a special item in Q1 2014. In May 2014 Metsäliitto and Metsä Board 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. The District Court is expected to give its decision by Q3 2015.

On 27 March 2015 Helsinki District Court gave decisions regarding UPM's action for invalidation of a patent of Neste Oil Oyj (Neste) and Neste's action for a declaratory judgment against UPM, in which Neste sought the court's declaration that based on its patent Neste enjoys protection against the technology allegedly used by UPM at its biorefinery. The District Court dismissed both actions. The decisions can be appealed. Neste has filed a separate 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 biorefinery. UPM considers Neste's action to be without merit.

In February 2015, the claims relating to the implementation of the social plan after the closure of the Docelles mill in 2014 were brought to Commercial Court of Epinal, France. The claimants, the co-operative (SCOP) established by former employees of the Docelles mill as well as certain former employees of the mill, seek the forced sale of the assets of the Docelles mill to the SCOP for EUR 2 and damages in the amount of approximately EUR 45 million for the alleged lost sales. Exact claim amounts are not yet known to UPM and the amounts may change. UPM considers the claims to be without merit. No provisions have been made for the claims.

Other shareholdings

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, the Supplier updated its claim in 2014 which brings the total amount claimed by the Supplier for events occurring during the construction period ending June 2011 to approximately EUR 3.4 billion. Among other things, this sum includes over EUR 1.2 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 Supplier's updated claim, and respond to it in due course. According to TVO, the 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 in 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 April 2015

UPM-Kymmene Corporation

Board of Directors

Financial information

Consolidated income statement

EURm	Q1/2015	Q1/2014	Q1–Q4/2014
Sales	2,486	2,481	9,868
Other operating income	7	7	91
Costs and expenses	–2,175	–2,179	–8,708
Change in fair value of biological assets and wood harvested	16	12	78
Share of results of associated companies and joint ventures	–	–	3
Depreciation, amortisation and impairment charges	–131	–130	–658
Operating profit (loss)	203	191	674
Gains on available-for-sale investments, net	–	59	59
Exchange rate and fair value gains and losses	–7	–3	–4
Interest and other finance costs, net	–15	–10	–62
Profit (loss) before tax	181	237	667
Income taxes	–26	–44	–155
Profit (loss) for the period	155	193	512
Attributable to:			
Owners of the parent company	155	193	512
Non-controlling interests	–	–	–
	155	193	512
Earnings per share for profit (loss) attributable to owners of the parent company			
Basic earnings per share, EUR	0.29	0.36	0.96
Diluted earnings per share, EUR	0.29	0.36	0.96

Consolidated statement of comprehensive income

EURm	Q1/2015	Q1/2014	Q1–Q4/2014
Profit (loss) for the period	155	193	512
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	–107	–41	–181
Items that may be reclassified subsequently to income statement:			
Translation differences	375	–46	291
Net investment hedge	–42	20	–41
Cash flow hedges	–50	–31	–107
Available-for-sale investments	–1	–54	–164
	282	–111	–21
Other comprehensive income for the period, net of tax	175	–152	–202
Total comprehensive income for the period	330	41	310
Total comprehensive income attributable to:			
Owners of the parent company	330	41	310
Non-controlling interests	–	–	–
	330	41	310

Consolidated balance sheet

EURm	31.3.2015	31.3.2014	31.12.2014
ASSETS			
Non-current assets			
Goodwill	242	219	230
Other intangible assets	345	360	340
Property, plant and equipment	4,904	4,676	4,707
Investment property	30	33	31
Biological assets	1,505	1,454	1,469
Investments in associated companies and joint ventures	26	23	25
Available-for-sale investments	2,510	2,598	2,510
Other non-current financial assets	376	296	334
Deferred tax assets	560	561	532
Other non-current assets	68	125	91
	10,566	10,345	10,269
Current assets			
Inventories	1,464	1,370	1,356
Trade and other receivables	2,063	2,039	1,856
Income tax receivables	26	52	14
Cash and cash equivalents	469	1,005	700
	4,022	4,466	3,926
Total assets	14,588	14,811	14,195
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	890	890	890
Treasury shares	–2	–2	–2
Translation differences	589	–20	256
Fair value and other reserves	1,813	2,059	1,867
Reserve for invested non-restricted equity	1,273	1,256	1,273
Retained earnings	3,239	3,329	3,194
	7,802	7,512	7,478
Non-controlling interests	2	6	2
Total equity	7,804	7,518	7,480
Non-current liabilities			
Deferred tax liabilities	405	488	428
Retirement benefit obligations	989	711	867
Provisions	192	175	214
Interest-bearing liabilities	2,952	3,399	3,058
Other liabilities	142	181	150
	4,680	4,954	4,717
Current liabilities			
Current interest-bearing liabilities	350	693	406
Trade and other payables	1,720	1,565	1,549
Income tax payables	34	81	43
	2,104	2,339	1,998
Total liabilities	6,784	7,293	6,715
Total equity and liabilities	14,588	14,811	14,195

Consolidated statement of changes in equity

EURm	Attributable to owners of the parent company								
	Share capital	Treasury shares	Translation differences	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2014	890	–2	6	2,256	1,226	3,073	7,449	6	7,455
Profit (loss) for the period	–	–	–	–	–	193	193	–	193
Actuarial gains and losses on defined benefit obligations, net of tax	–	–	–	–	–	–41	–41	–	–41
Translation differences	–	–	–46	–	–	–	–46	–	–46
Net investment hedge, net of tax	–	–	20	–	–	–	20	–	20
Cash flow hedges, net of tax	–	–	–	–31	–	–	–31	–	–31
Available-for-sale investments, net of tax	–	–	–	–54	–	–	–54	–	–54
Total comprehensive income for the period	–	–	–26	–85	–	152	41	–	41
Share options exercised	–	–	–	–	30	–	30	–	30
Share-based compensation, net of tax	–	–	–	–9	–	11	2	–	2
Other items and reclassifications	–	–	–	–103	–	93	–10	–	–10
Total transactions with owners for the period	–	–	–	–112	30	104	22	–	22
Balance at 31 March 2014	890	–2	–20	2,059	1,256	3,329	7,512	6	7,518
Balance at 1 January 2015	890	–2	256	1,867	1,273	3,194	7,478	2	7,480
Profit (loss) for the period	–	–	–	–	–	155	155	–	155
Actuarial gains and losses on defined benefit obligations, net of tax	–	–	–	–	–	–107	–107	–	–107
Translation differences	–	–	375	–	–	–	375	–	375
Net investment hedge, net of tax	–	–	–42	–	–	–	–42	–	–42
Cash flow hedges, net of tax	–	–	–	–50	–	–	–50	–	–50
Available-for-sale investments, net of tax	–	–	–	–1	–	–	–1	–	–1
Total comprehensive income for the period	–	–	333	–51	–	48	330	–	330
Share options exercised	–	–	–	–	–	–	–	–	–
Share-based compensation, net of tax	–	–	–	–3	–	–3	–6	–	–6
Other items and reclassifications	–	–	–	–	–	–	–	–	–
Total transactions with owners for the period	–	–	–	–3	–	–3	–6	–	–6
Balance at 31 March 2015	890	–2	589	1,813	1,273	3,239	7,802	2	7,804

Condensed consolidated cash flow statement

EURm	Q1/2015	Q1/2014	Q1–Q4/2014
Cash flow from operating activities			
Profit (loss) for the period	155	193	512
Adjustments	137	104	779
Change in working capital	–147	1	73
Cash generated from operations	145	298	1,364
Finance costs, net	–6	–10	–42
Income taxes paid	–31	–24	–81
Net cash generated from operating activities	108	264	1,241
Cash flow from investing activities			
Capital expenditure	–82	–68	–378
Acquisitions and share purchases	–	–1	–32
Asset sales and other investing cash flow	2	70	163
Net cash used in investing activities	–80	1	–247
Cash flow from financing activities			
Change in loans and other financial items	–267	–73	–824
Share options exercised	–	30	47
Dividends paid	–	–	–319
Net cash used in financing activities	–267	–43	–1,096
Change in cash and cash equivalents	–239	222	–102
Cash and cash equivalents at beginning of period	700	787	787
Foreign exchange effect on cash and cash equivalents	8	–4	15
Change in cash and cash equivalents	–239	222	–102
Cash and cash equivalents at end of period	469	1,005	700

Quarterly information

EURm	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/14
Sales	2,486	2,531	2,415	2,441	2,481	9,868
Other operating income	7	61	14	9	7	91
Costs and expenses	–2,175	–2,286	–2,082	–2,161	–2,179	–8,708
Change in fair value of biological assets and wood harvested	16	32	17	17	12	78
Share of results of associated companies and joint ventures	–	–	1	2	–	3
Depreciation, amortisation and impairment charges	–131	–267	–129	–132	–130	–658
Operating profit (loss)	203	71	236	176	191	674
Gains on available-for-sale investments, net	–	–	–	–	59	59
Exchange rate and fair value gains and losses	–7	3	–3	–1	–3	–4
Interest and other finance costs, net	–15	–17	–19	–16	–10	–62
Profit (loss) before tax	181	57	214	159	237	667
Income taxes	–26	–49	–32	–30	–44	–155
Profit (loss) for the period	155	8	182	129	193	512
Attributable to:						
Owners of the parent company	155	8	182	129	193	512
Non-controlling interests	–	–	–	–	–	–
	155	8	182	129	193	512
Basic earnings per share, EUR	0.29	0.01	0.34	0.25	0.36	0.96
Diluted earnings per share, EUR	0.29	0.01	0.34	0.25	0.36	0.96
Earnings per share, excluding special items, EUR	0.29	0.32	0.32	0.26	0.27	1.17
Average number of shares basic (1,000)	533,505	532,916	531,932	531,932	529,514	531,574
Average number of shares diluted (1,000)	533,505	532,202	532,114	532,201	529,777	531,574
Special items in operating profit (loss)	–1	–159	1	–10	–5	–173
Operating profit (loss), excl. special items	204	230	235	186	196	847
% of sales	8.2	9.1	9.7	7.6	7.9	8.6
Special items in financial items	–	–	–	–	66	66
Special items before tax	–1	–159	1	–10	61	–107
Profit (loss) before tax, excl. special items	182	216	213	169	176	774
% of sales	7.3	8.5	8.8	6.9	7.1	7.8
Effect of special items on income taxes	1	–6	11	4	–13	–4
Return on equity, excl. special items, %	8.1	9.2	9.1	7.3	7.7	8.3
Return on capital employed, excl. special items, %	7.0	8.2	8.0	6.5	6.6	7.5
EBITDA	325	334	344	305	323	1,306
% of sales	13.1	13.2	14.2	12.5	13.0	13.2

Quarterly segment information

EURm	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/14
Sales						
UPM Biorefining	533	484	480	477	496	1,937
UPM Energy	99	115	113	112	124	464
UPM Raflatac	342	330	312	306	300	1,248
UPM Paper Asia	298	288	274	285	277	1,124
UPM Paper ENA	1,256	1,361	1,303	1,286	1,334	5,284
UPM Plywood	119	107	101	118	114	440
Other operations	114	113	102	113	119	447
Internal sales	–267	–248	–248	–241	–263	–1,000
Eliminations and reconciliations	–8	–19	–22	–15	–20	–76
Sales, total	2,486	2,531	2,415	2,441	2,481	9,868
EBITDA						
UPM Biorefining	134	100	100	66	92	358
UPM Energy	40	59	46	49	59	213
UPM Raflatac	29	30	29	25	28	112
UPM Paper Asia	43	48	49	47	44	188
UPM Paper ENA	56	84	113	100	95	392
UPM Plywood	25	20	13	18	17	68
Other operations	–3	–5	1	–7	–10	–21
Eliminations and reconciliations	1	–2	–7	–7	–2	–4
EBITDA, total	325	334	344	305	323	1,306
Operating profit (loss)						
UPM Biorefining	97	72	64	31	56	223
UPM Energy	38	57	43	46	56	202
UPM Raflatac	21	21	21	7	20	69
UPM Paper Asia	22	27	29	27	25	108
UPM Paper ENA	5	–178	63	45	38	–32
UPM Plywood	19	14	7	12	11	44
Other operations	6	64	13	8	–3	82
Eliminations and reconciliations	–5	–6	–4	–	–12	–22
Operating profit (loss), total	203	71	236	176	191	674
% of sales	8.2	2.8	9.8	7.2	7.7	6.8
Special items in operating profit						
UPM Biorefining	–	5	1	–	–	6
UPM Energy	–	–	–	–	–	–
UPM Raflatac	–	–1	–	–10	–	–11
UPM Paper Asia	–	–	–	–	–	–
UPM Paper ENA	–	–208	1	–2	–4	–213
UPM Plywood	–	–	–	–	–	–
Other operations	–1	45	–1	2	–1	45
Special items in operating profit, total	–1	–159	1	–10	–5	–173
Operating profit (loss) excl. special items						
UPM Biorefining	97	67	63	31	56	217
UPM Energy	38	57	43	46	56	202
UPM Raflatac	21	22	21	17	20	80
UPM Paper Asia	22	27	29	27	25	108
UPM Paper ENA	5	30	62	47	42	181
UPM Plywood	19	14	7	12	11	44
Other operations	7	19	14	6	–2	37
Eliminations and reconciliations	–5	–6	–4	–	–12	–22
Operating profit (loss) excl. special items, total	204	230	235	186	196	847
% of sales	8.2	9.1	9.7	7.6	7.9	8.6

Changes in property, plant and equipment

EURm	Q1/2015	Q1/2014	Q1–Q4/2014
Book value at beginning of period	4,707	4,757	4,757
Capital expenditure	73	45	369
Decreases	–3	–3	–21
Depreciation	–121	–118	–471
Impairment charges	–	–1	–138
Translation difference and other changes	248	–4	211
Book value at end of period	**4,904**	**4,676**	**4,707**

Financial assets and liabilities measured at fair value

	31.3.2015				31.3.2014				31.12.2014			
EURm	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets												
Trading derivatives	1	88	–	89	–	43	–	43	1	61	–	62
Derivatives used for hedging	58	366	–	424	114	313	–	427	52	328	–	380
Available-for-sale investments	–	–	2,510	2,510	–	–	2,598	2,598	–	–	2,510	2,510
Total	59	454	2,510	3,023	114	356	2,598	3,068	53	389	2,510	2,952
Liabilities												
Trading derivatives	23	72	–	95	26	185	–	211	22	111	–	133
Derivatives used for hedging	86	284	–	370	125	42	–	167	81	156	–	237
Total	109	356	–	465	151	227	–	378	103	267	–	370

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

	Available-for-sale investments		
EURm	Q1/2015	Q1/2014	Q1–Q4/2014
Opening balance	2,510	2,661	2,661
Additions	–	–	31
Disposals	–	–	–1
Transfers from Level 3	–	–10	–10
Translation differences	2	–	2
Gains and losses			
Recognised in statement of comprehensive income, under available-for-sale investments	–2	–53	–173
Closing balance	**2,510**	**2,598**	**2,510**

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. A change of +/-5% in the electricity price used in the model would change the total value of the assets by +/- EUR 369 million. The discount rate of 5.82% 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 360 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	31.3.2015	31.3.2014	31.12.2014
Non-current interest bearing liabilities, excl. derivative financial instruments	2,899	3,355	3,037

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

Commitments and contingencies

EURm	31.3.2015	31.3.2014	31.12.2014
Own commitments			
Mortgages	252	319	289
On behalf of others			
Other guarantees	6	5	5
Other own commitments			
Leasing commitments for the next 12 months	68	59	60
Leasing commitments for subsequent periods	343	338	339
Other commitments	154	143	160

Capital commitments

EURm	Completion	Total cost	By 31.12.2014	Q1/2015	After 31.3.2015
PM3 / Changshu	Q4 2015	277	65	14	198
Capacity increase / Kymi	Q4 2015	160	42	8	110

Notional amounts of derivative financial instruments

EURm	31.3.2015	31.3.2014	31.12.2014
Forward foreign exchange contracts	5,142	4,694	4,465
Currency options, bought	34	8	19
Currency options, written	53	18	19
Interest rate forward contracts	2,438	1,089	2,310
Interest rate swaps	2,187	1,958	2,134
Cross currency swaps	677	810	617
Commodity contracts	397	512	442

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 2014. 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, %:

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

Return on capital employed, %:

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

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

	31.3.2015	31.12.2014	30.9.2014	30.6.2014	31.3.2014
USD	1.0759	1.2141	1.2583	1.3658	1.3788
CAD	1.3738	1.4063	1.4058	1.4589	1.5225
JPY	128.95	145.23	138.11	138.44	142.42
GBP	0.7273	0.7789	0.7773	0.8015	0.8282
SEK	9.2901	9.3930	9.1465	9.1762	8.9483

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 76–77 of the company's annual report 2014.

UPM

www.upm.com

UPM-Kymmene Corporation
Alvar Aallon katu 1
PO Box 380
FI-00101 Helsinki, Finland
tel. +358 2041 5111
fax +358 2041 5110
info@upm.com
ir@upm.com