



UPM RESULTS Q3 2016

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President and CEO
25 October 2016

Performance improvement continued into second half of 2016 – excellent, seasonally strong Q3

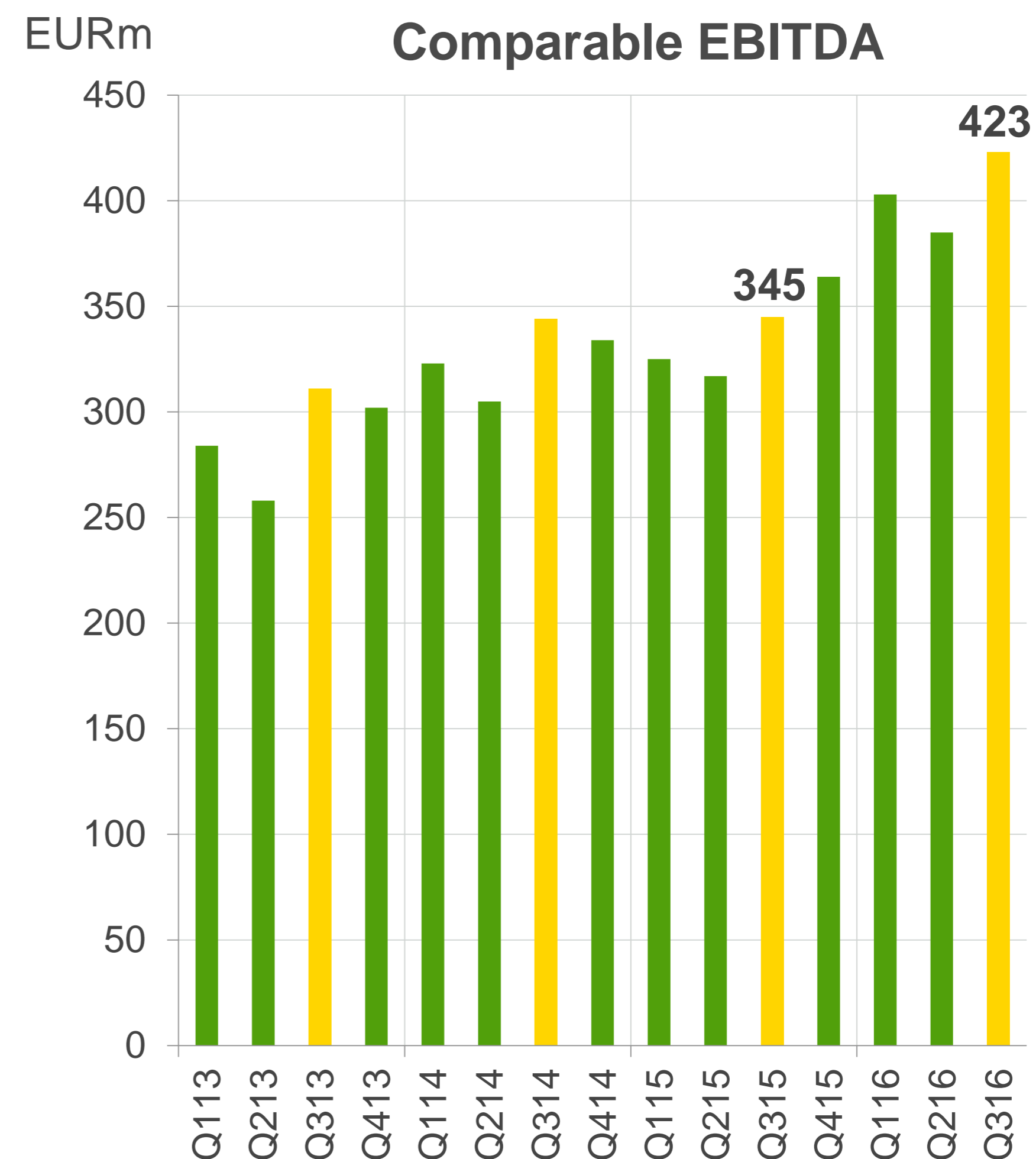
EBITDA increased by 23%

- + Growth projects contributed significantly
- + UPM Paper ENA seasonally strong, with high operational efficiency and very low fixed costs
- + Cost efficiency measures continued
- + Realised currency hedges neutral

Comparable EBIT increased by 31% to EUR 314m (240m)

Record strong operating cash flow at EUR 506m (363m)

Net debt decreased by EUR 986m to EUR 1,479m (2,465m)



Mostly favourable market demand in Q3 2016

Growing demand

- Pulp
- Advanced biofuels
- Self-adhesive label materials
- Label, pack and release materials
- Office papers in Asia
- Plywood
- Sawn timber

Stable demand

- Electricity
- Fine papers in Asia

Declining demand

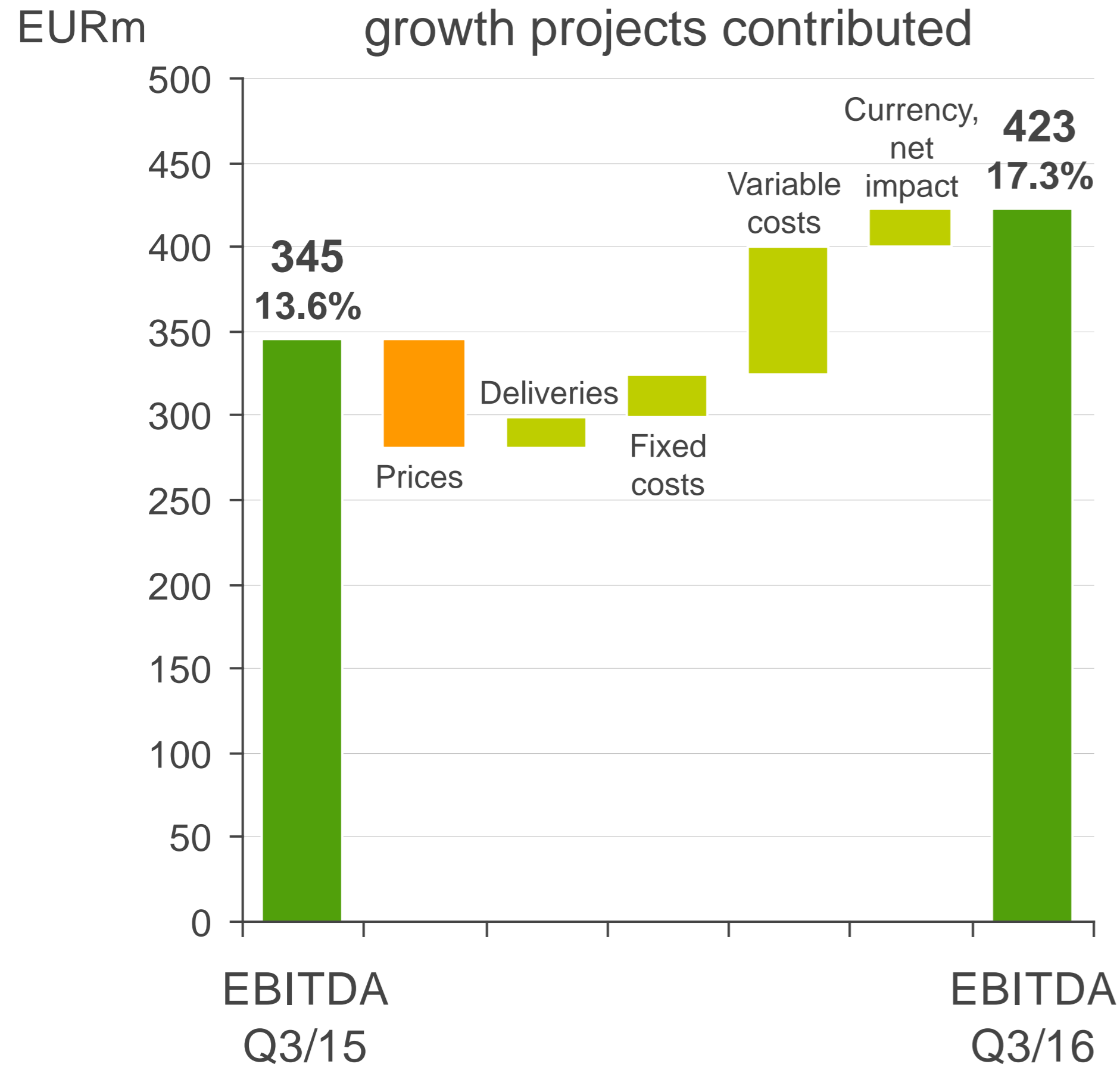
- Graphic papers in Europe and North America



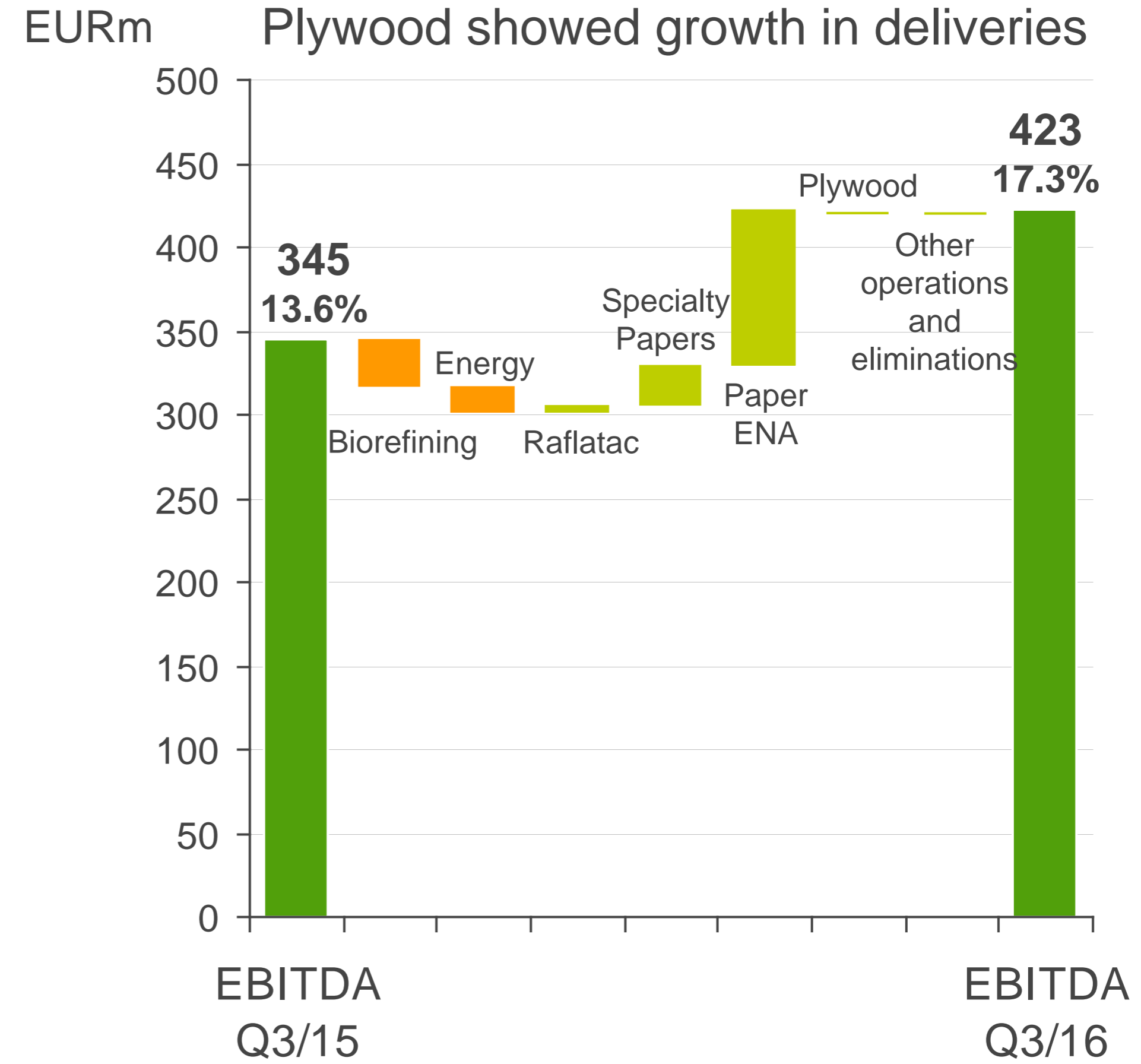


Comparable EBITDA in Q3 2016 vs. Q3 2015

Cost efficiency measures on strong track in a deflationary business environment, growth projects contributed

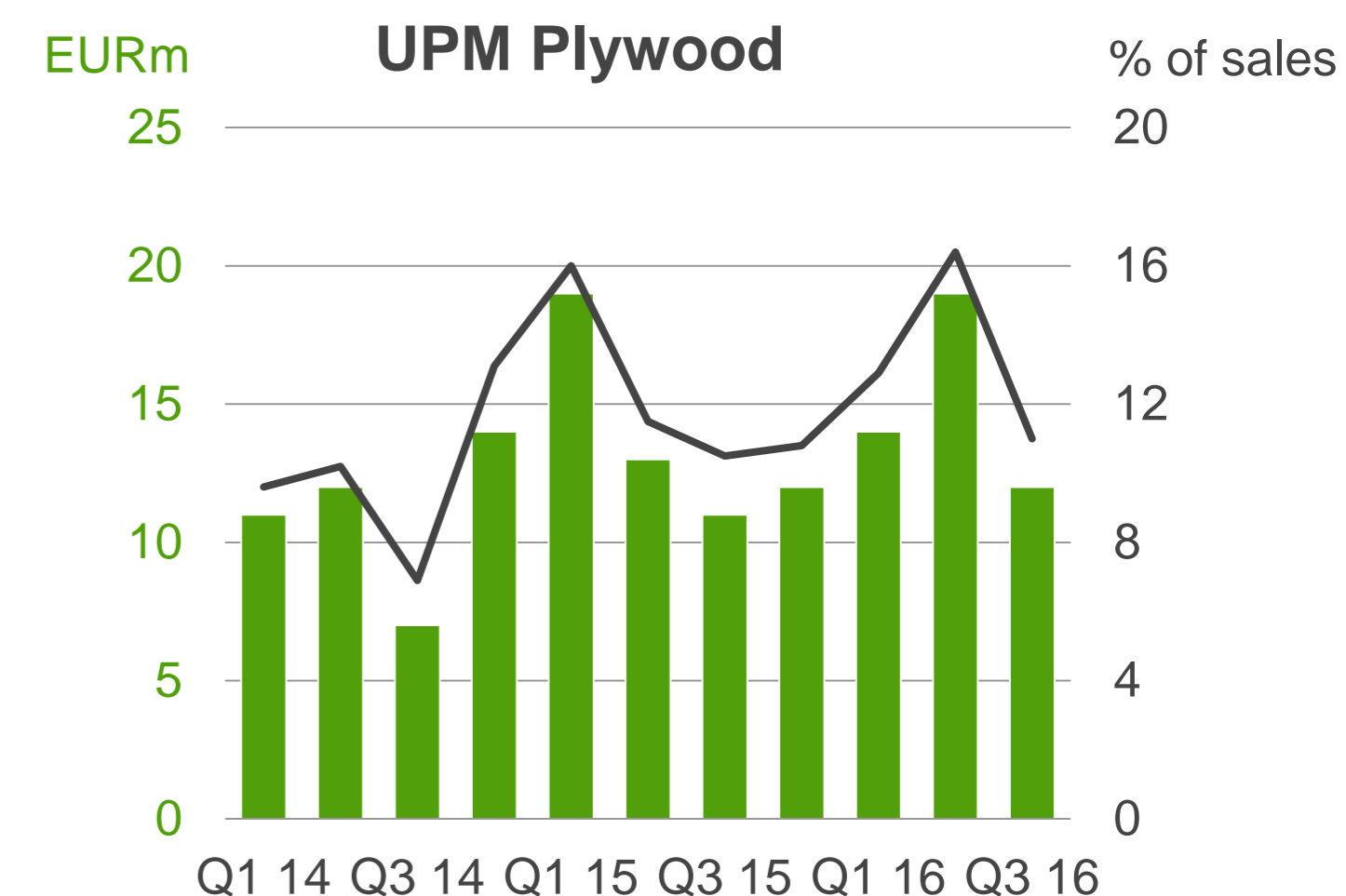
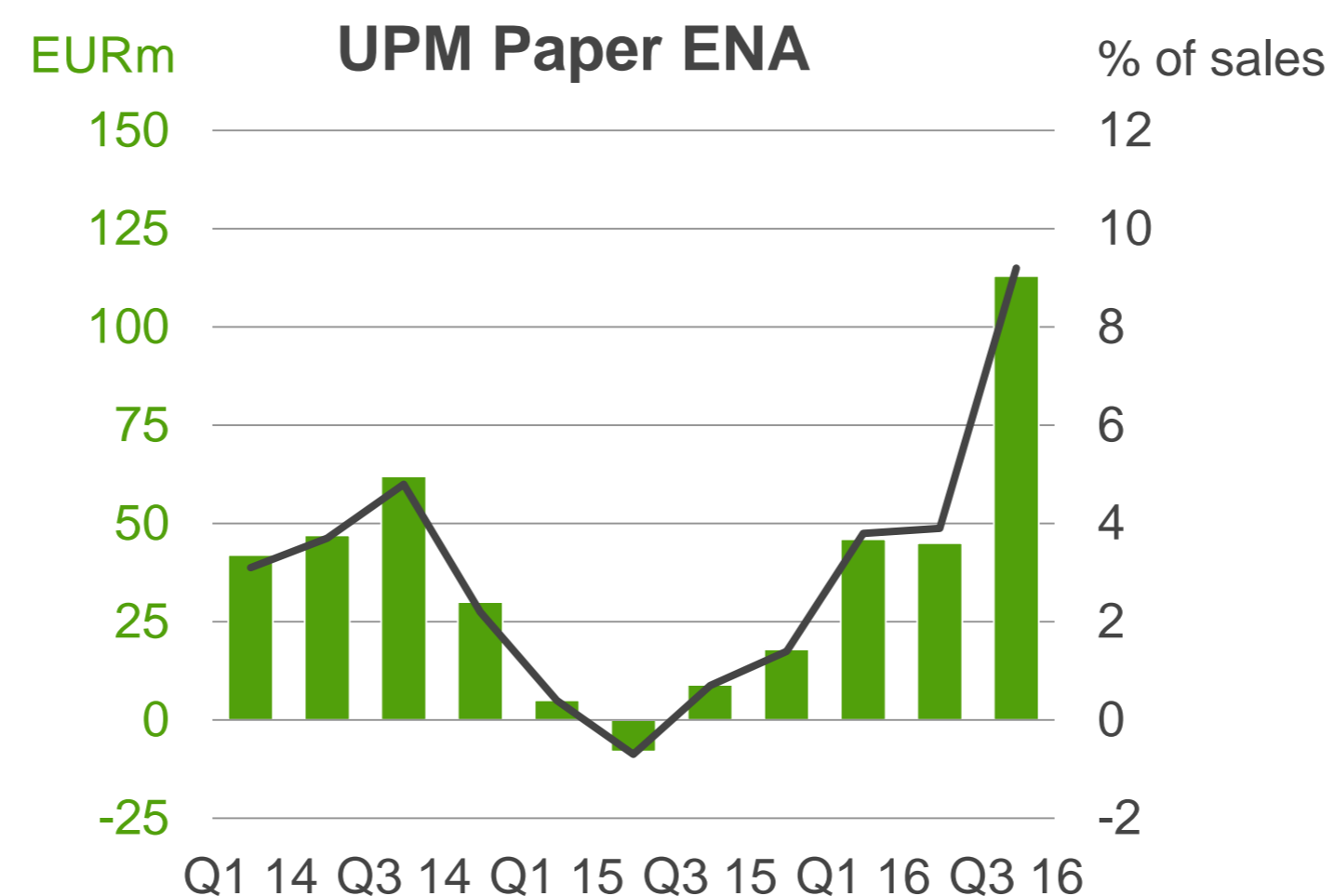
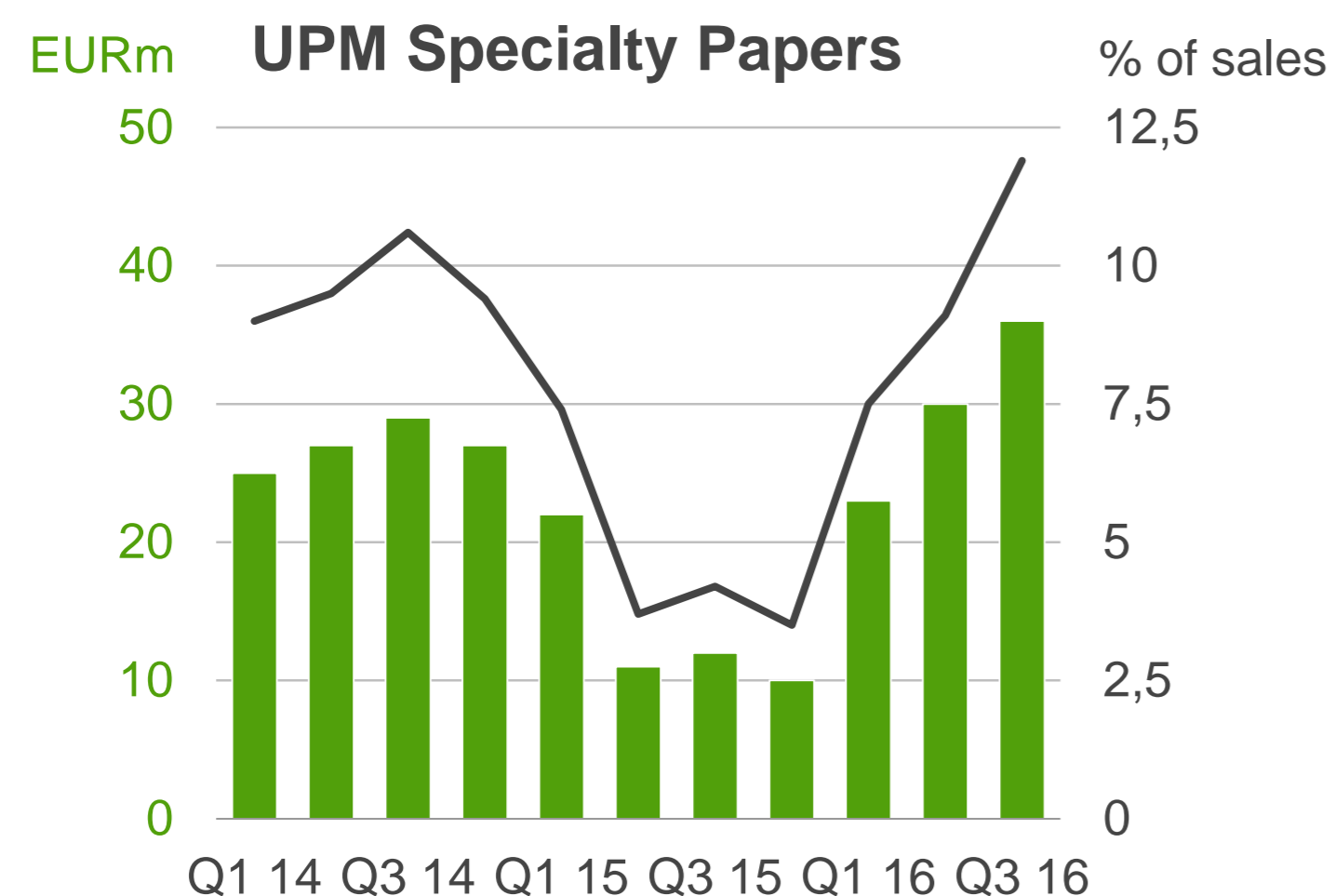
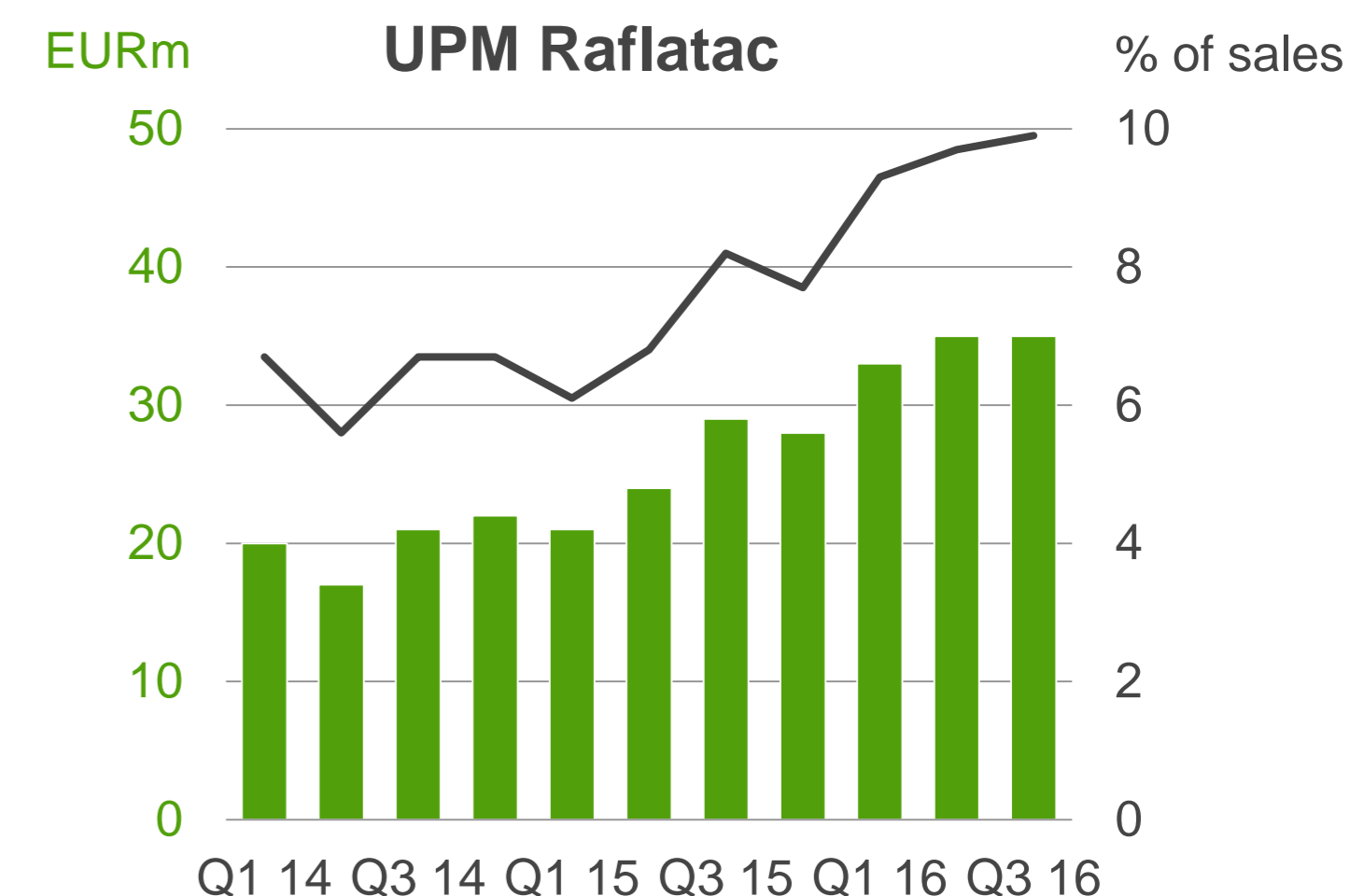
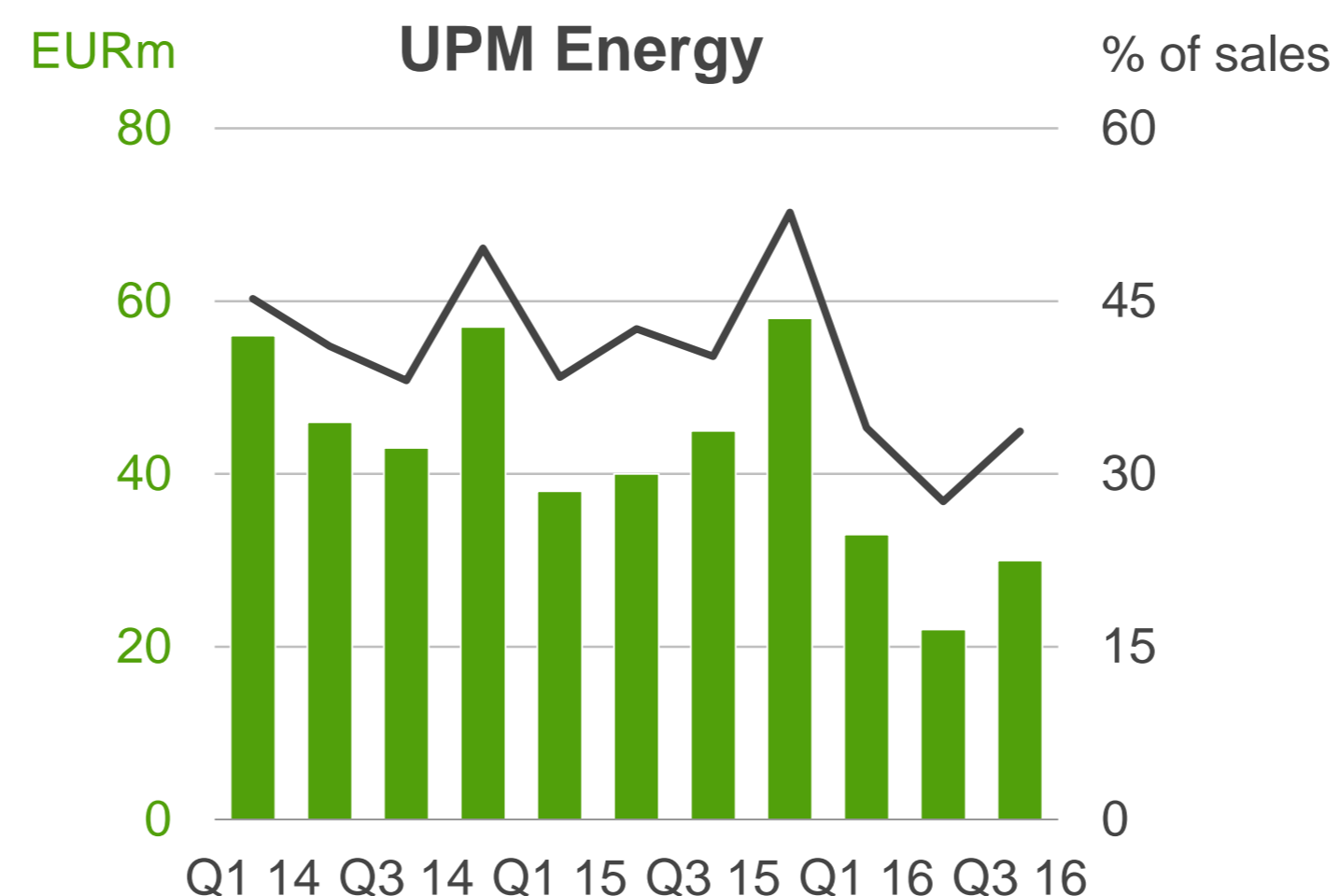
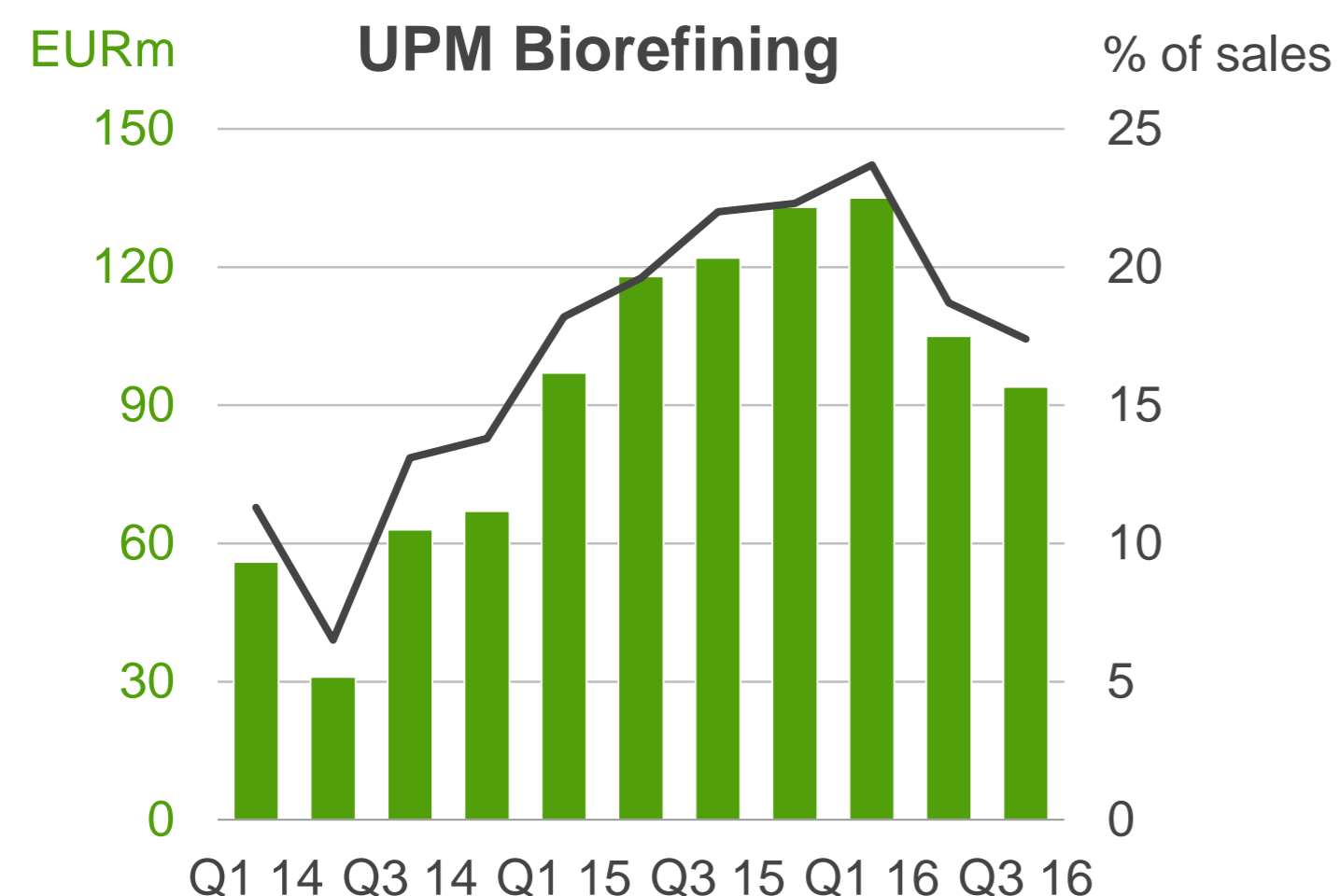


Cost efficiency improved in all businesses. Biorefining, Raflatac, Specialty Papers and Plywood showed growth in deliveries





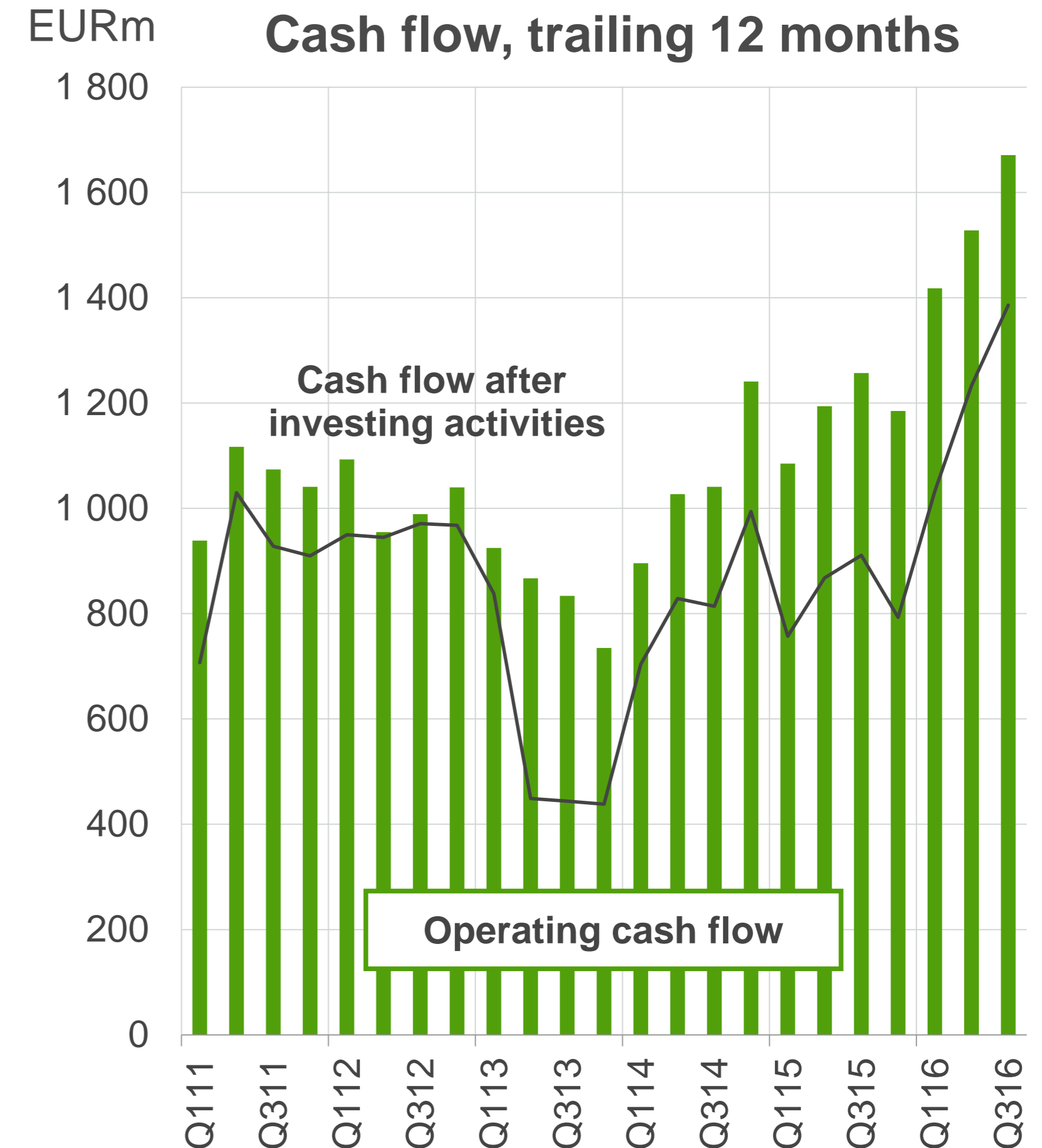
Comparable EBIT by business area





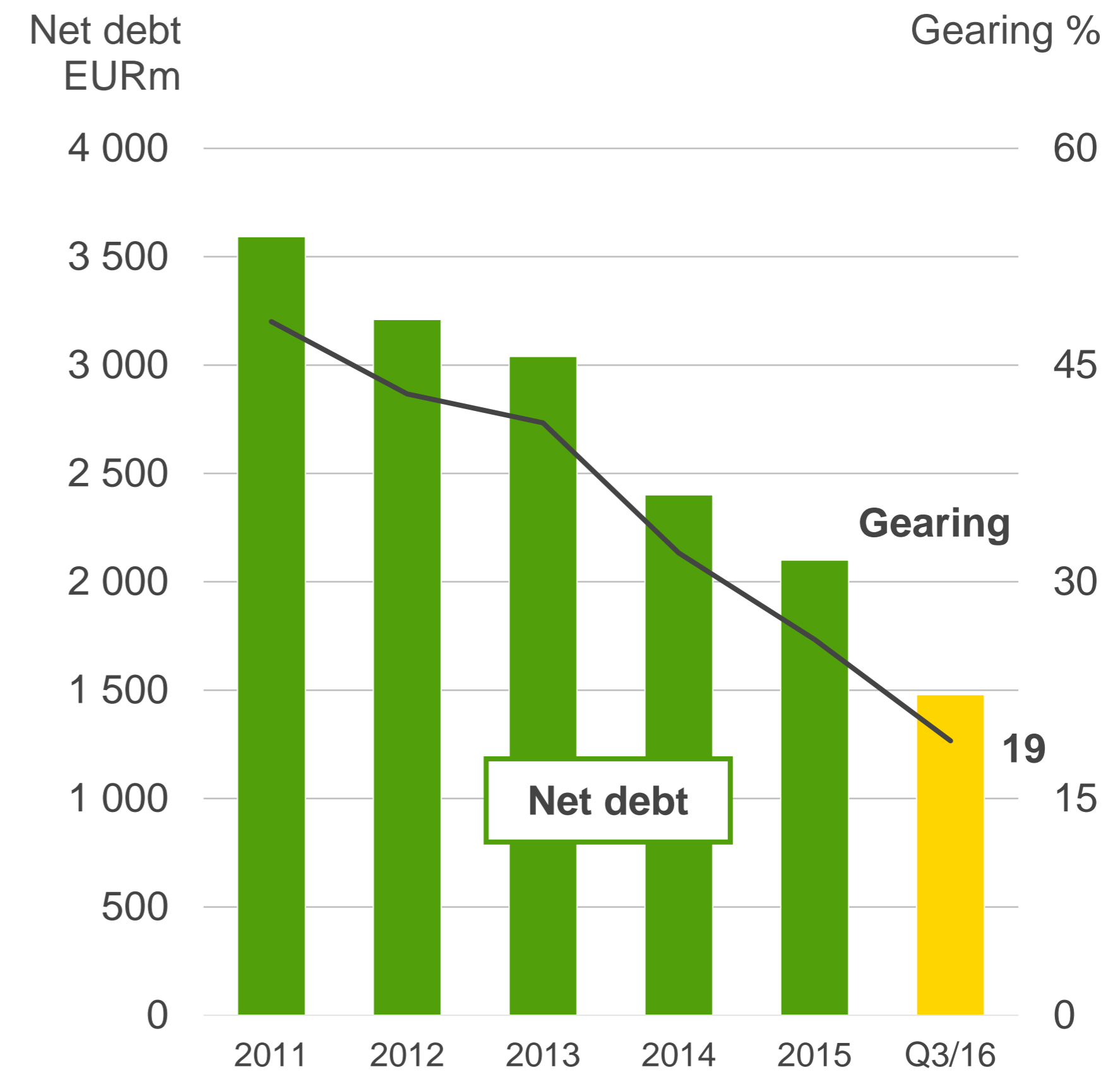
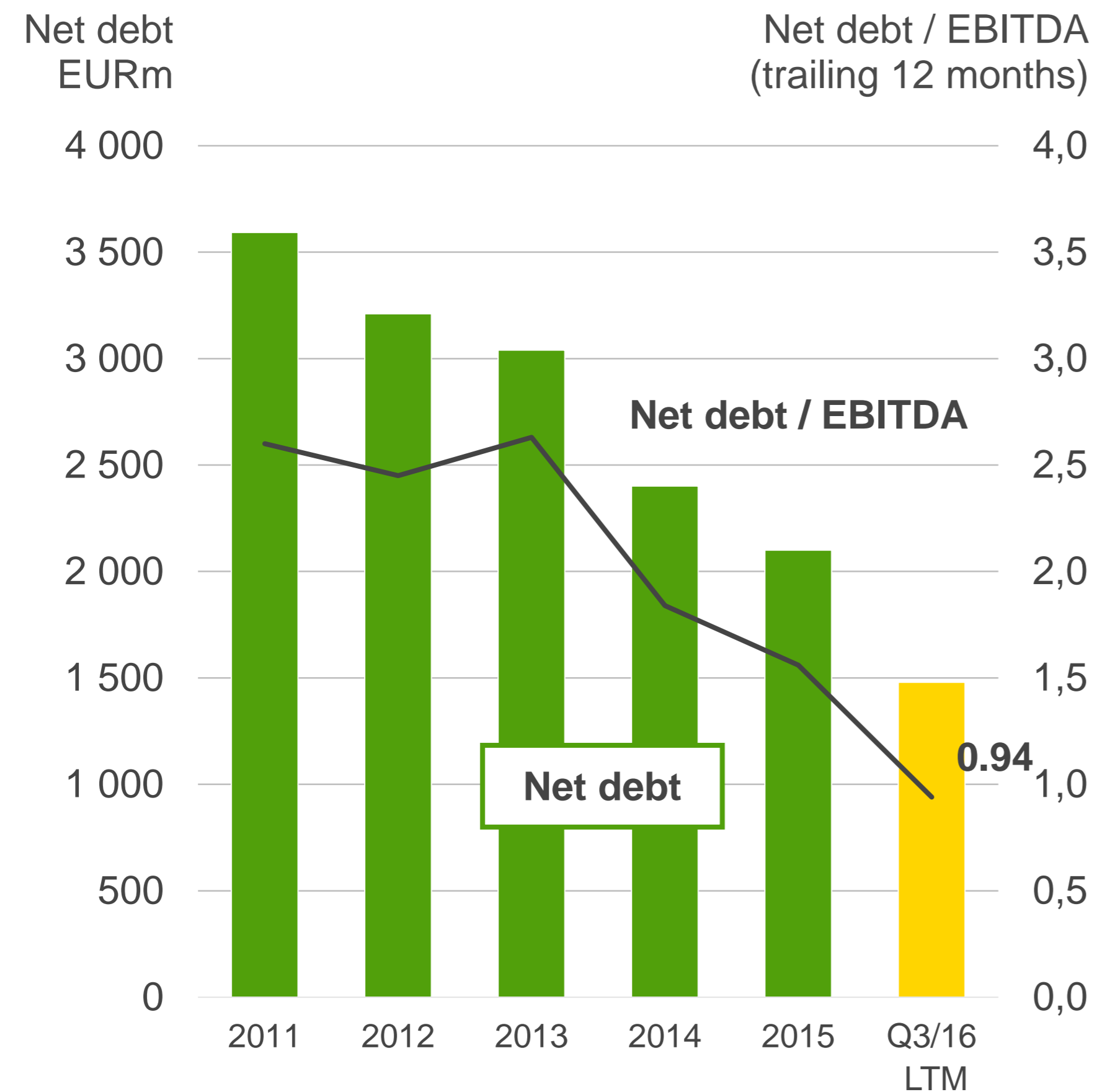
Record strong cash flow

- Q3 2016 operating cash flow was EUR 506m (363m). Working capital decreased by EUR 119m (48m).
- Q1-Q3 2016 operating cash flow was EUR 1,281m (795m). Working capital decreased by EUR 115m (increased by EUR 68m)
- In the latest 12 months, operating cash flow was EUR 1,671m (1,257m), or EUR 3.13 per share (2.36). Working capital decreased by EUR 175m (76m)





UPM aims to maintain strong balance sheet



Focused growth investments contributed significantly to Q3 2016 results



Fully contributing in 2016

- Pietarsaari pulp mill expansion
- Fray Bentos pulp mill expansion
- Kymi pulp mill expansion
- Raflatac expansion in APAC, Poland



Ramp-up progressing well

- Lappeenranta biorefinery
- Changshu speciality papers

Capex EUR 680m
Capacity ~800kt
+ label stock

80% run-rate of the EUR 200m EBITDA target achieved in Q3 2016



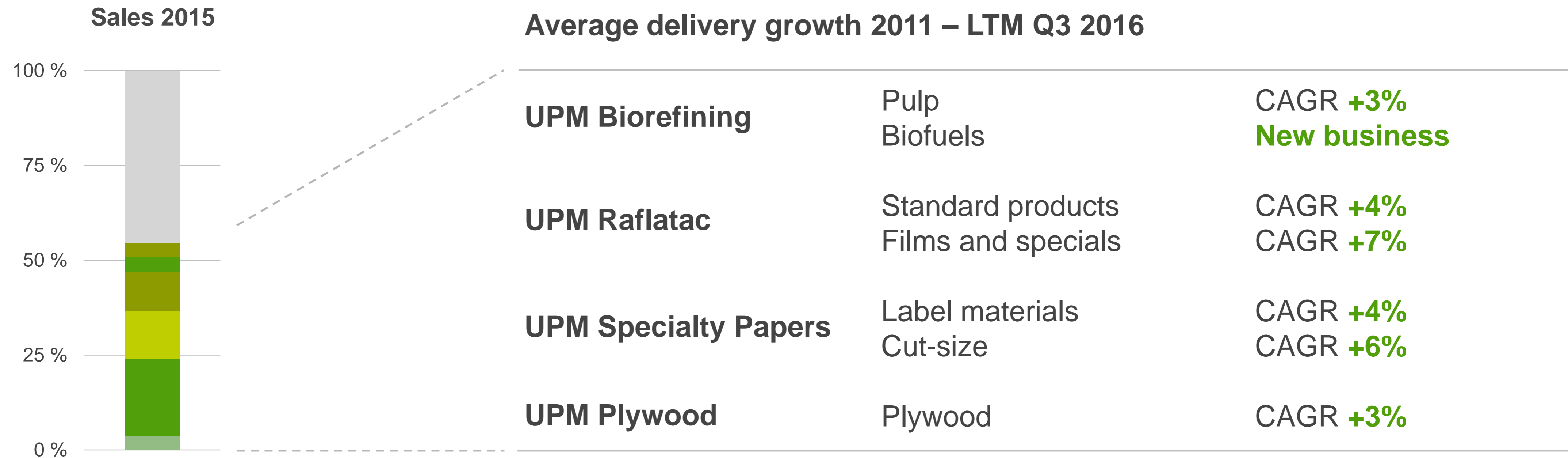
Ramp-up starting, or under construction

- Otepää plywood mill expansion
- Kaukas pulp mill efficiency
- Kymi pulp mill expansion
- Raflatac expansion in Poland

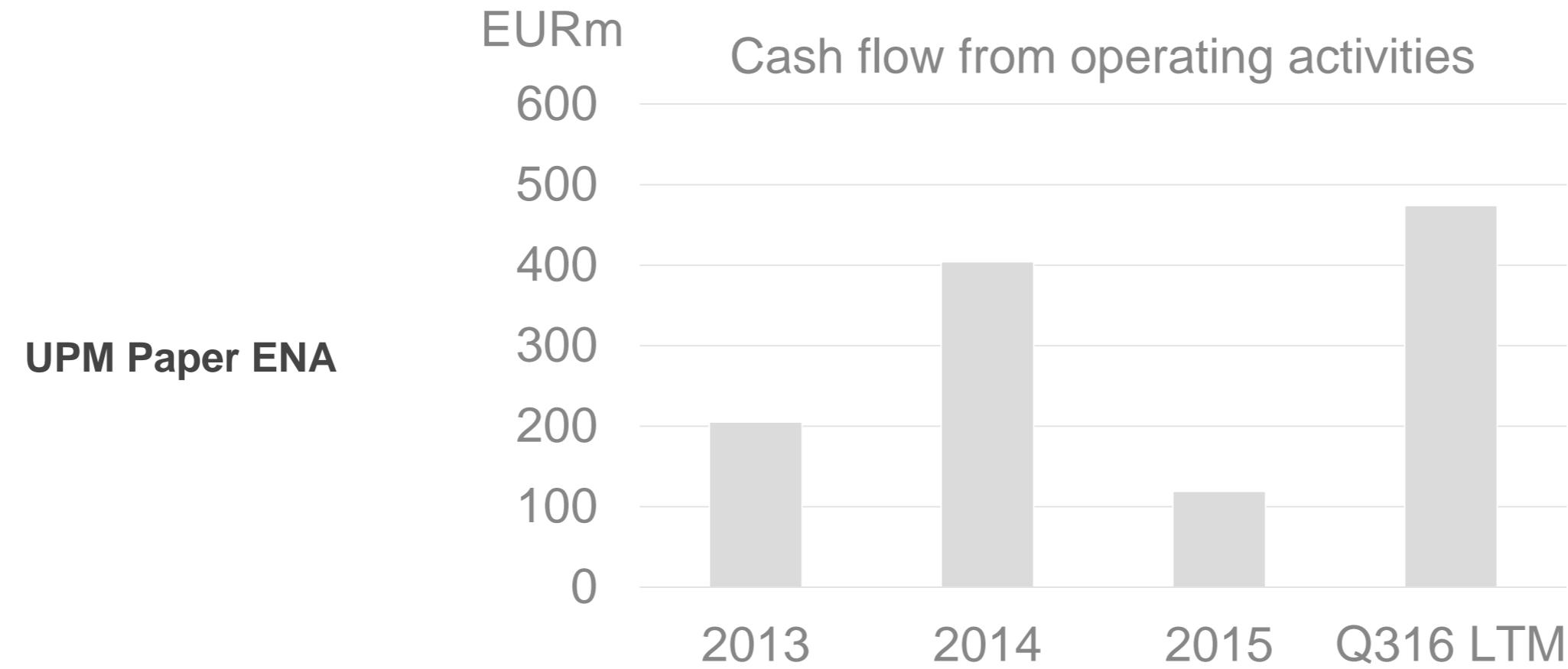
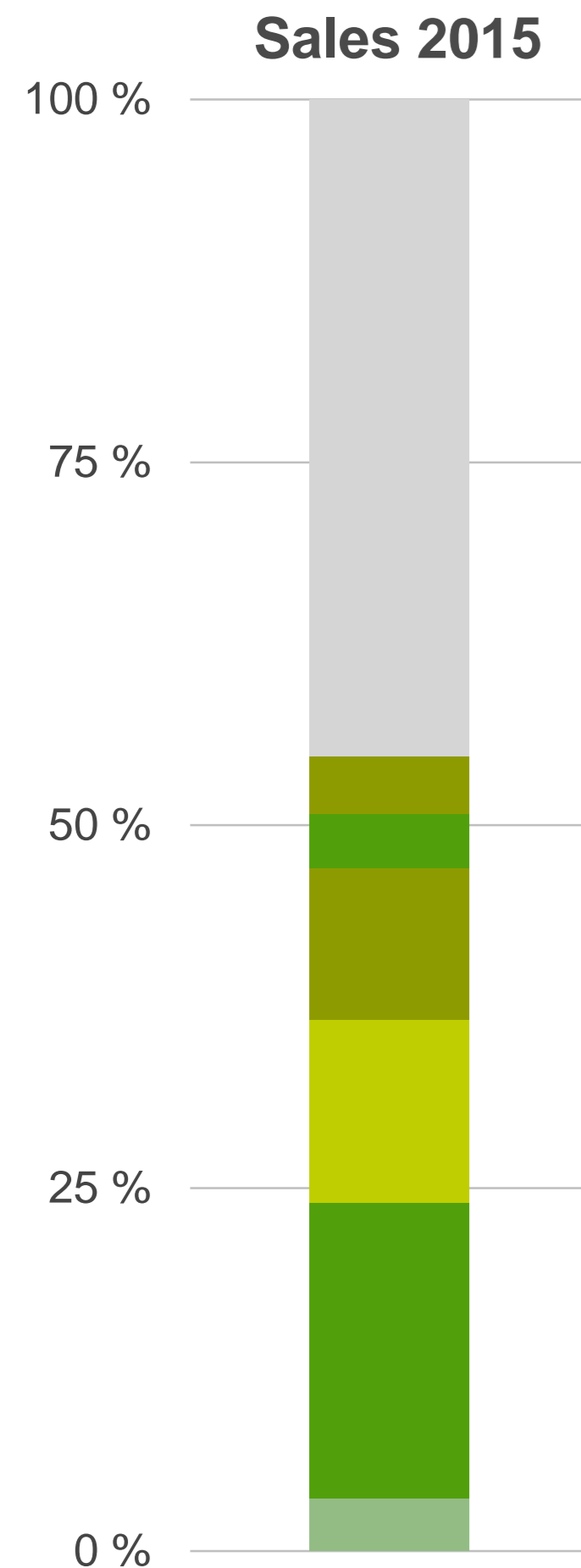
Capex EUR 225m
Capacity ~200kt,
+ plywood + label stock



Focused investments are delivering growth

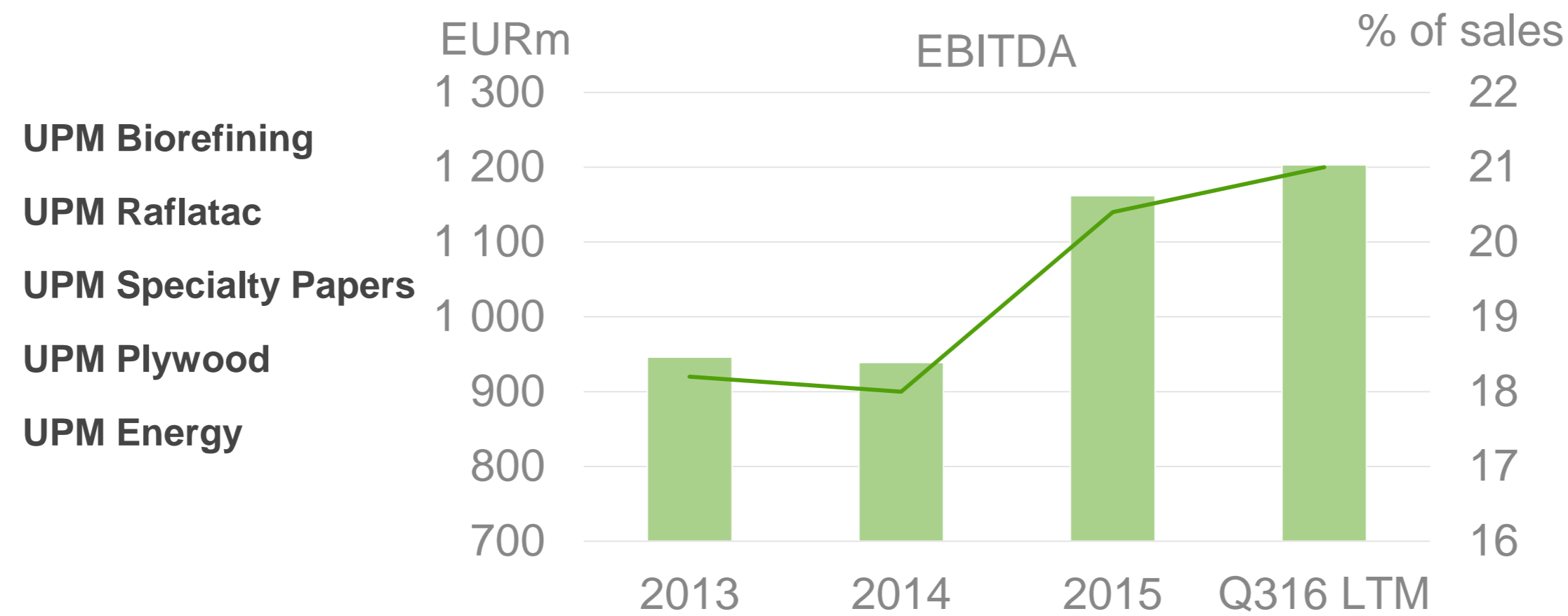


Value creation through cash generation and sustainable growth



Maintain strong cash flow

- Commercial success
- Cost efficiency
- Efficient use of assets, including restructuring



Sustainable growth

- Commercial success
- Cost efficiency
- Focused growth investments
- Product mix development

Outlook for 2016 is unchanged

- UPM's profitability is expected to improve in both the full year 2016 and H2 2016, compared with last year. Q4 2016 performance is expected to be negatively impacted compared to Q3 2016 by seasonal factors and clearly higher maintenance activity in UPM Biorefining and UPM Paper ENA.
- UPM's growth projects are expected to contribute positively to the company's earnings in 2016, compared with 2015. UPM is continuing its measures to reduce variable and fixed costs in 2016. Currencies are expected to contribute positively as hedges have rolled over.

Summary

Excellent, seasonally strong Q3 2016 results, with record strong cash flow and balance sheet

Value creation through cash generation and sustainable growth

- UPM Paper ENA: maintaining strong cash flow in a challenging business environment
- Growth projects contributed significantly: 80% run-rate of the EUR 200m EBITDA target achieved in Q3 2016

UPM is well positioned

- Focused growth projects continue.
- Cost efficiency measures continue, a review of European graphic paper assets is being conducted.





UPM

The Biofore
Company

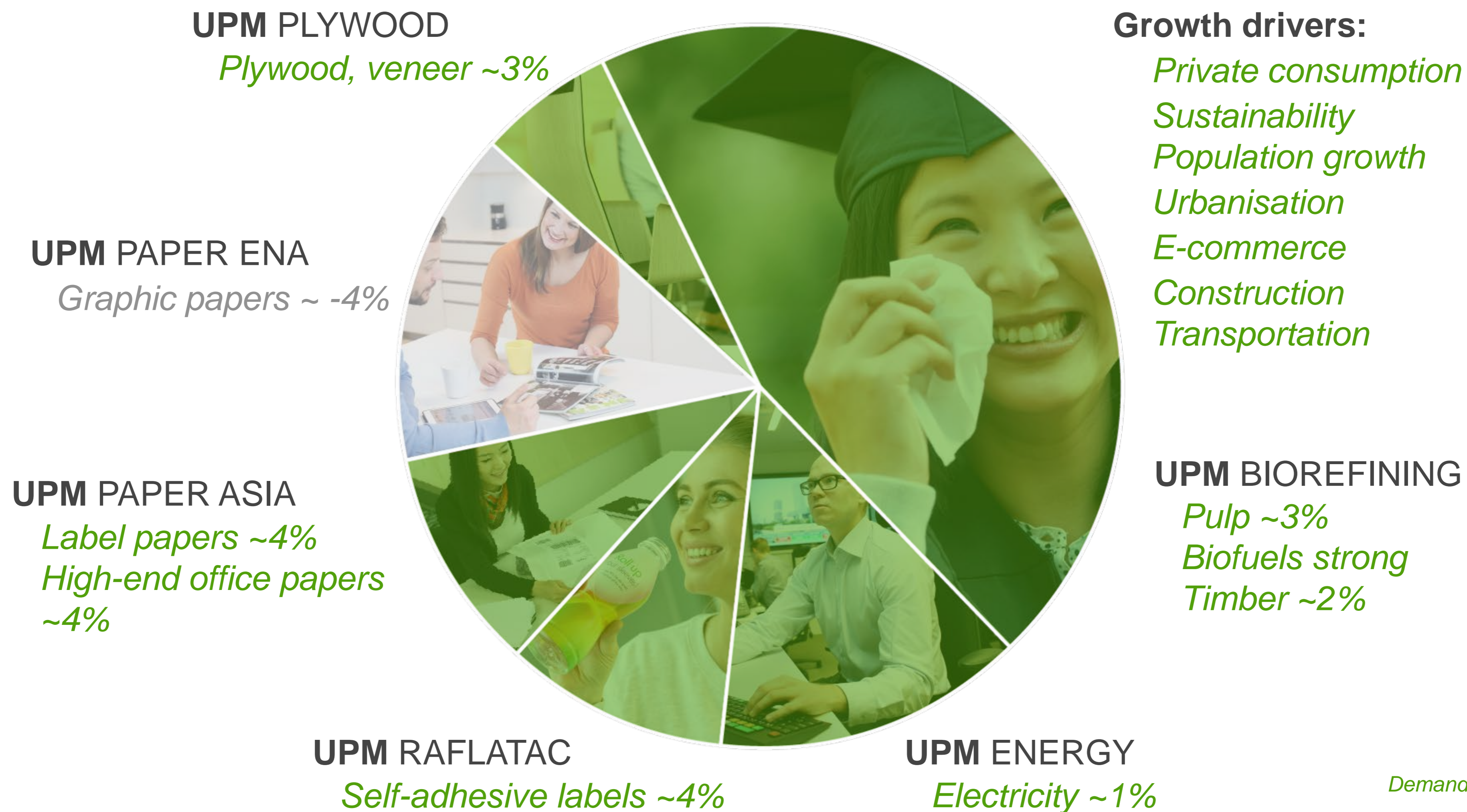
UPM business portfolio today *)

Competitive businesses with strong market positions

Operating on healthily growing markets



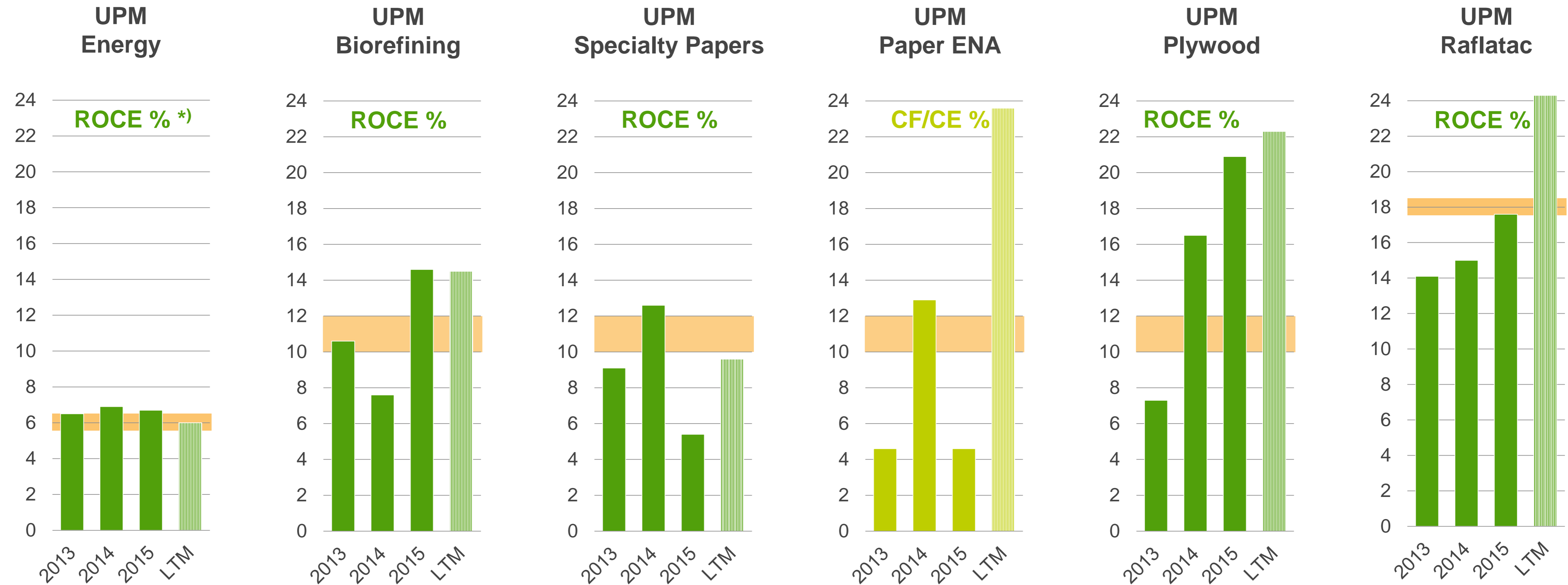
The Biofore Company UPM



*) by EBITDA 2015.
Demand trend growth, % pa



Business area returns and targets



Each business targets top relative performance in their respective markets

*) shareholdings in UPM Energy valued at fair value



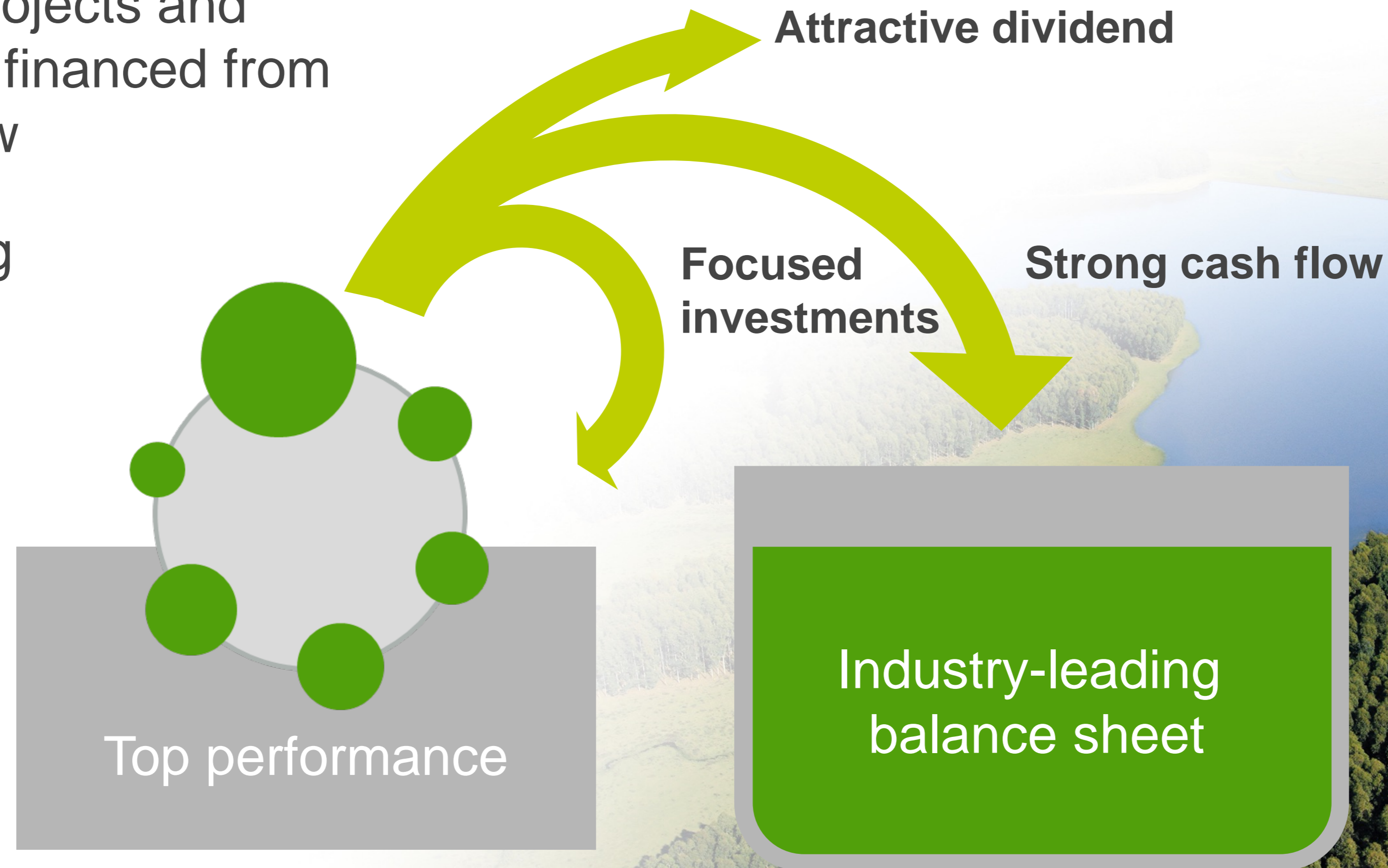
Long-term return target



Disciplined capital allocation

Focused growth projects and attractive dividend financed from operating cash flow

Consistently strong balance sheet





Maturity profile and liquidity

Liquidity

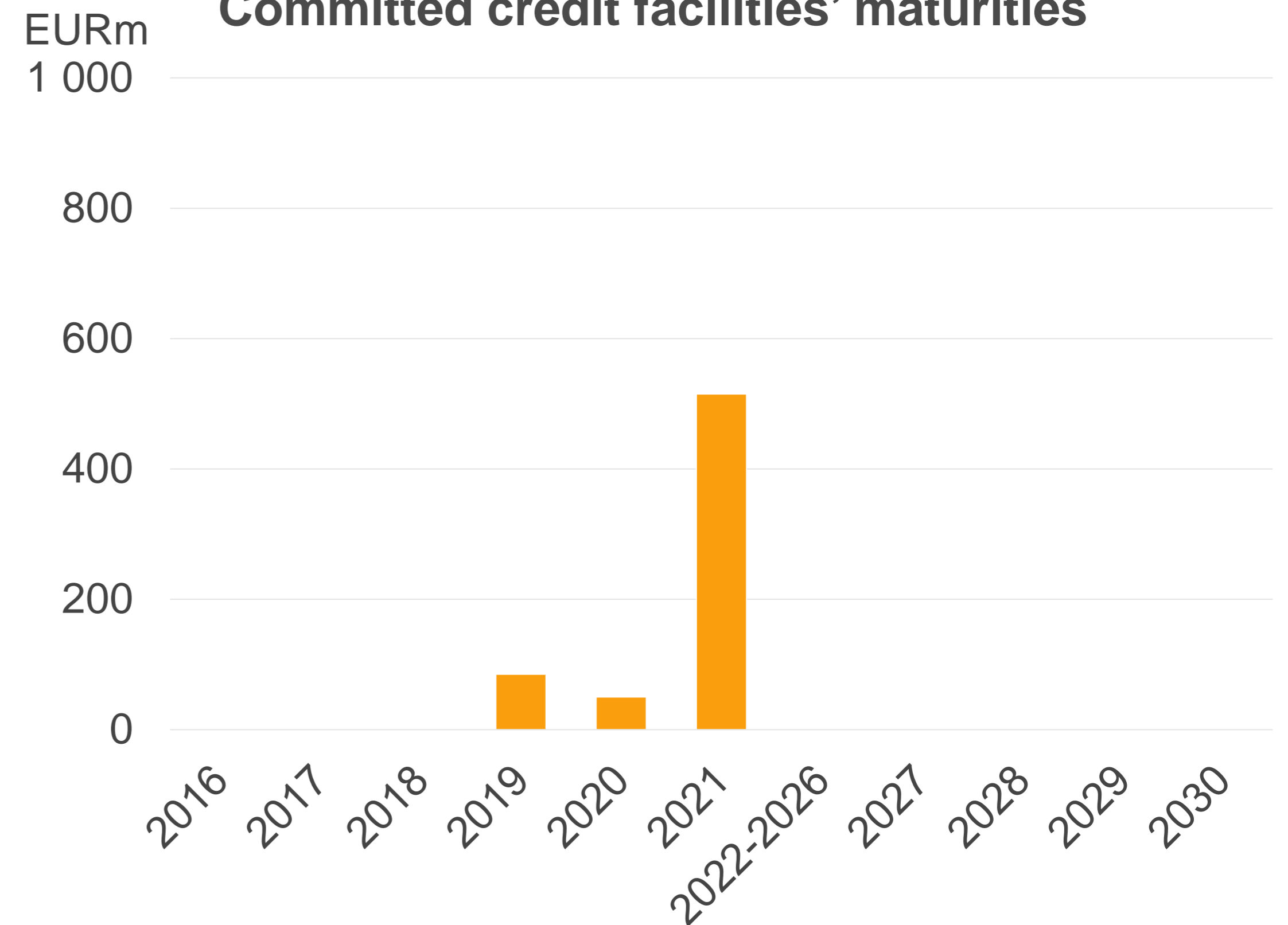
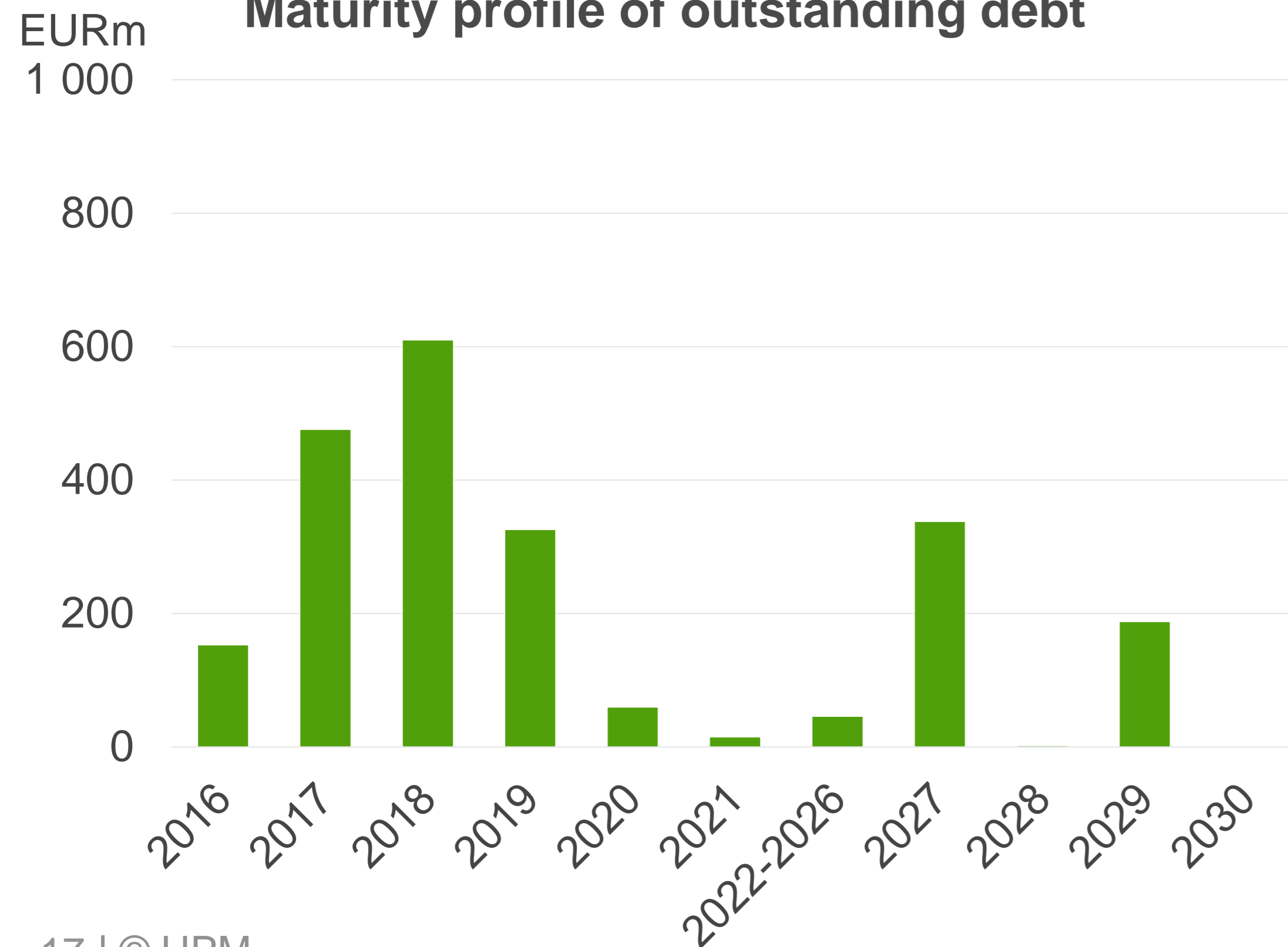
Liquidity on 30 September 2016 was EUR 1.4bn (cash and unused credit facilities)

Committed credit facilities

Bilateral committed credit facilities EUR 650m

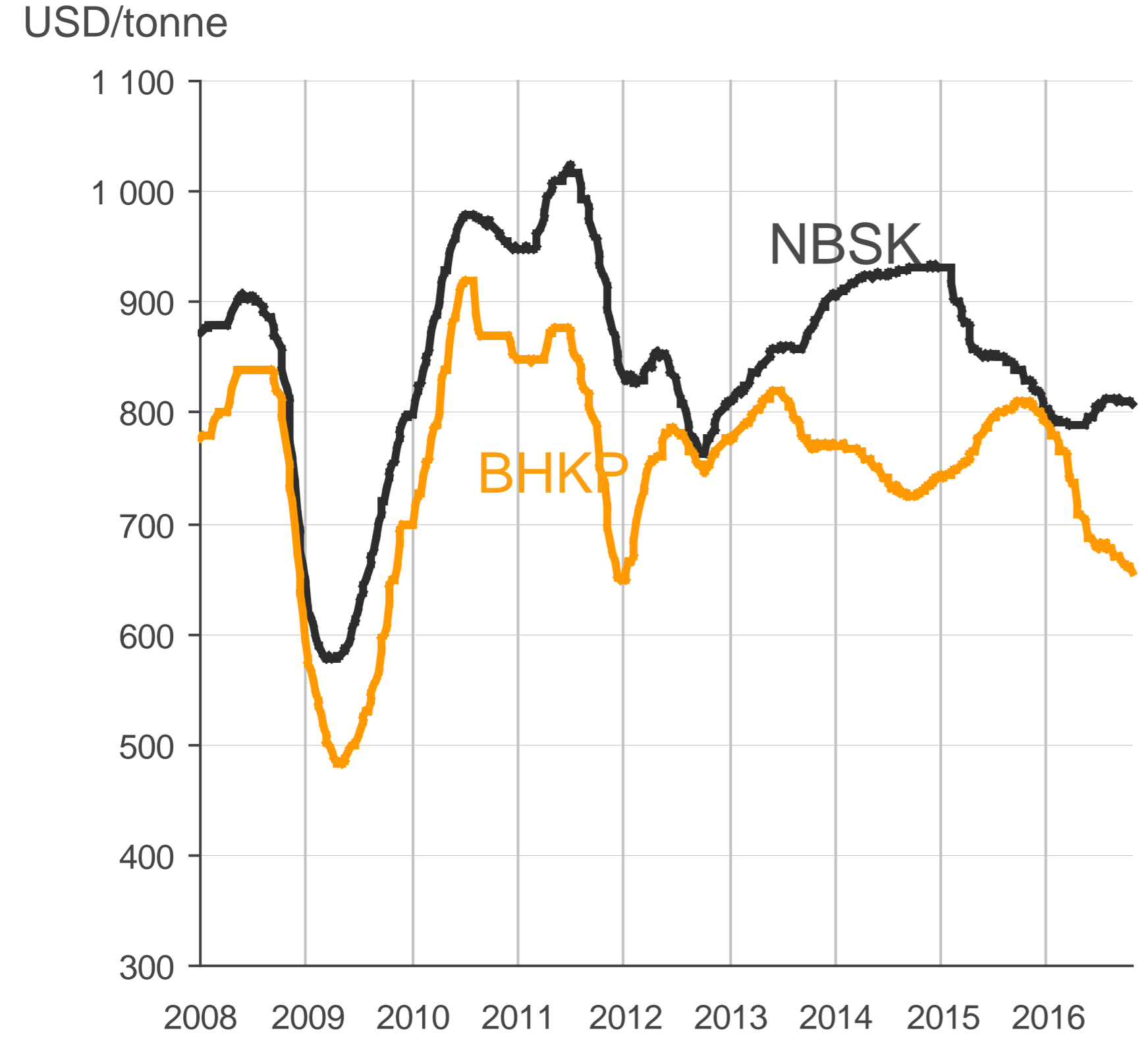
Maturity profile of outstanding debt

Committed credit facilities' maturities



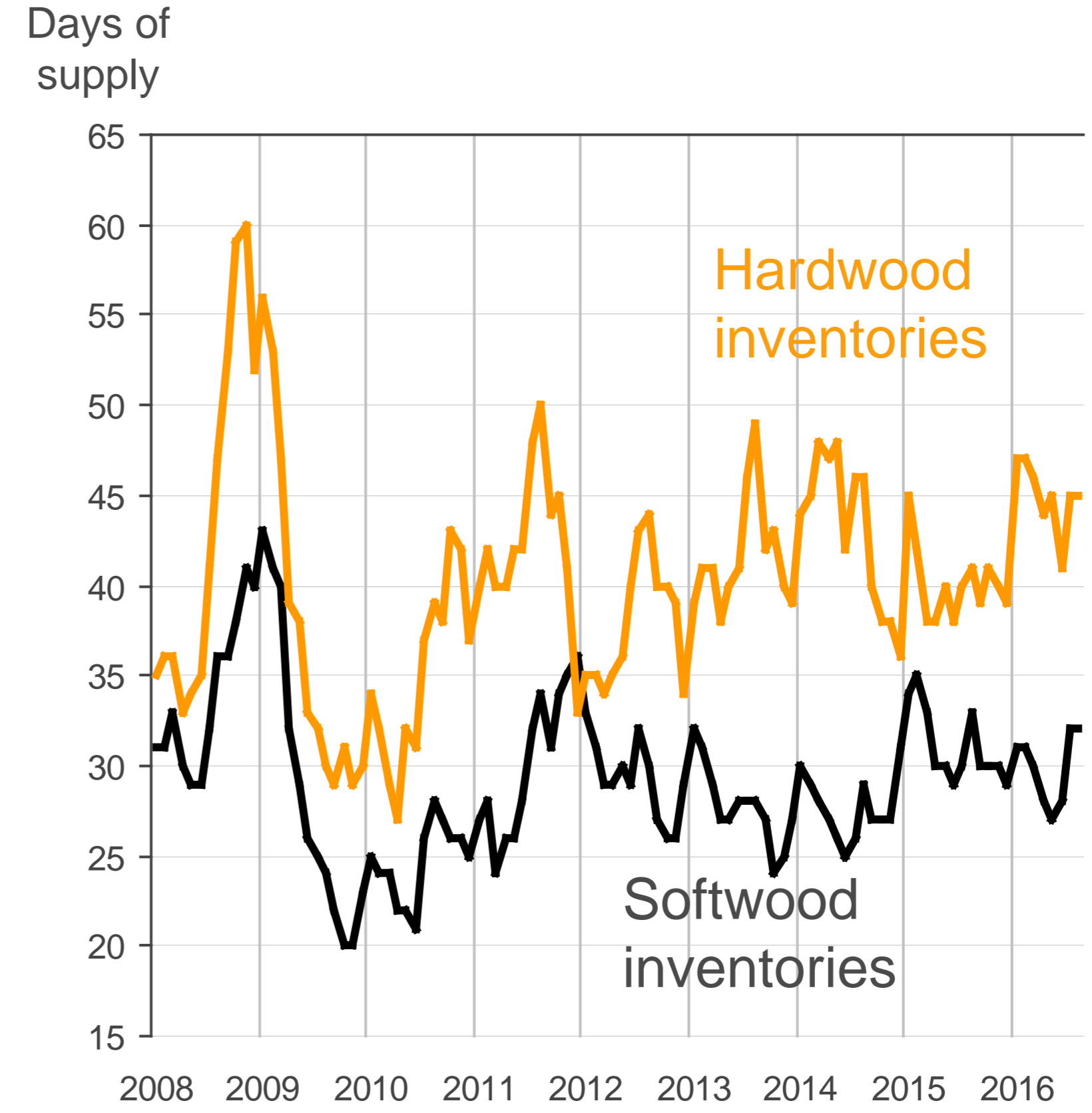
Chemical pulp market

Q3 NBSK pulp price increased 2% from Q2
 Q3 BHKP pulp price decreased 3% from Q2



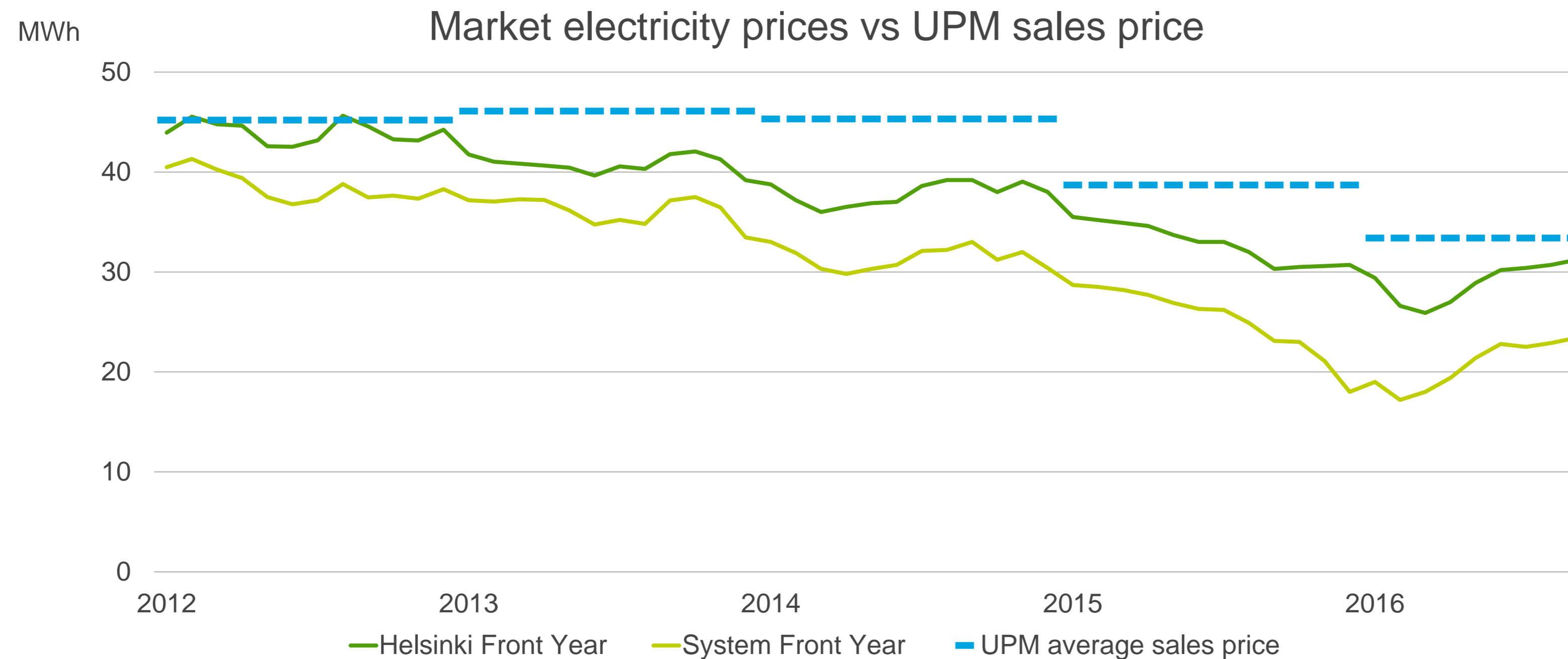
Source: FOEX Indexes Ltd.

Pulp inventories



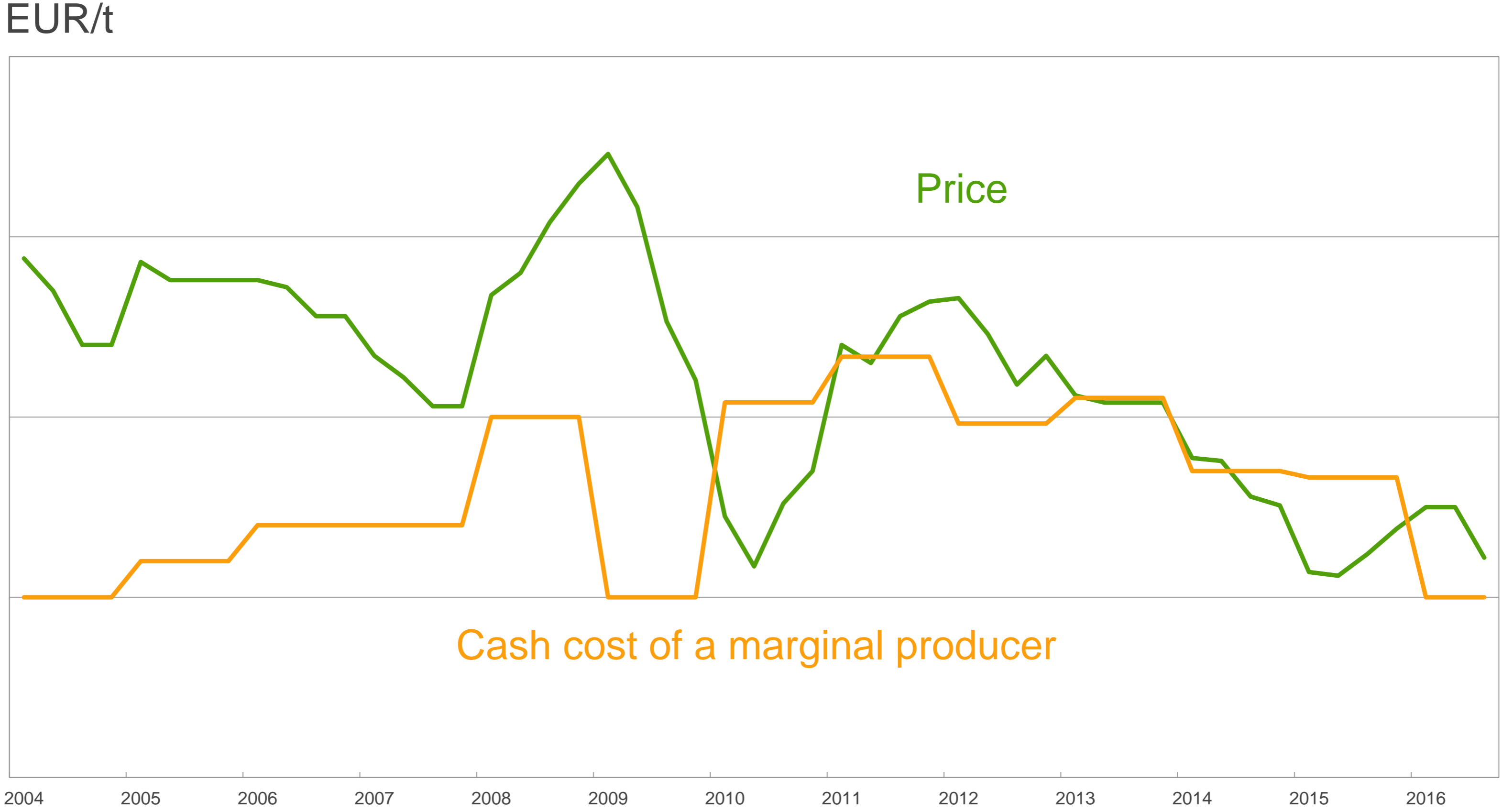
Source: PPPC World-20 statistics

Cost efficient generation enables robust profitability also in challenging market environment



UPM Energy profitability	2012	2013	2014	2015	9M 2016
Comparable EBIT, EURm	217	186	202	181	85
% of sales	45.0	39.9	43.5	43.6	32.0

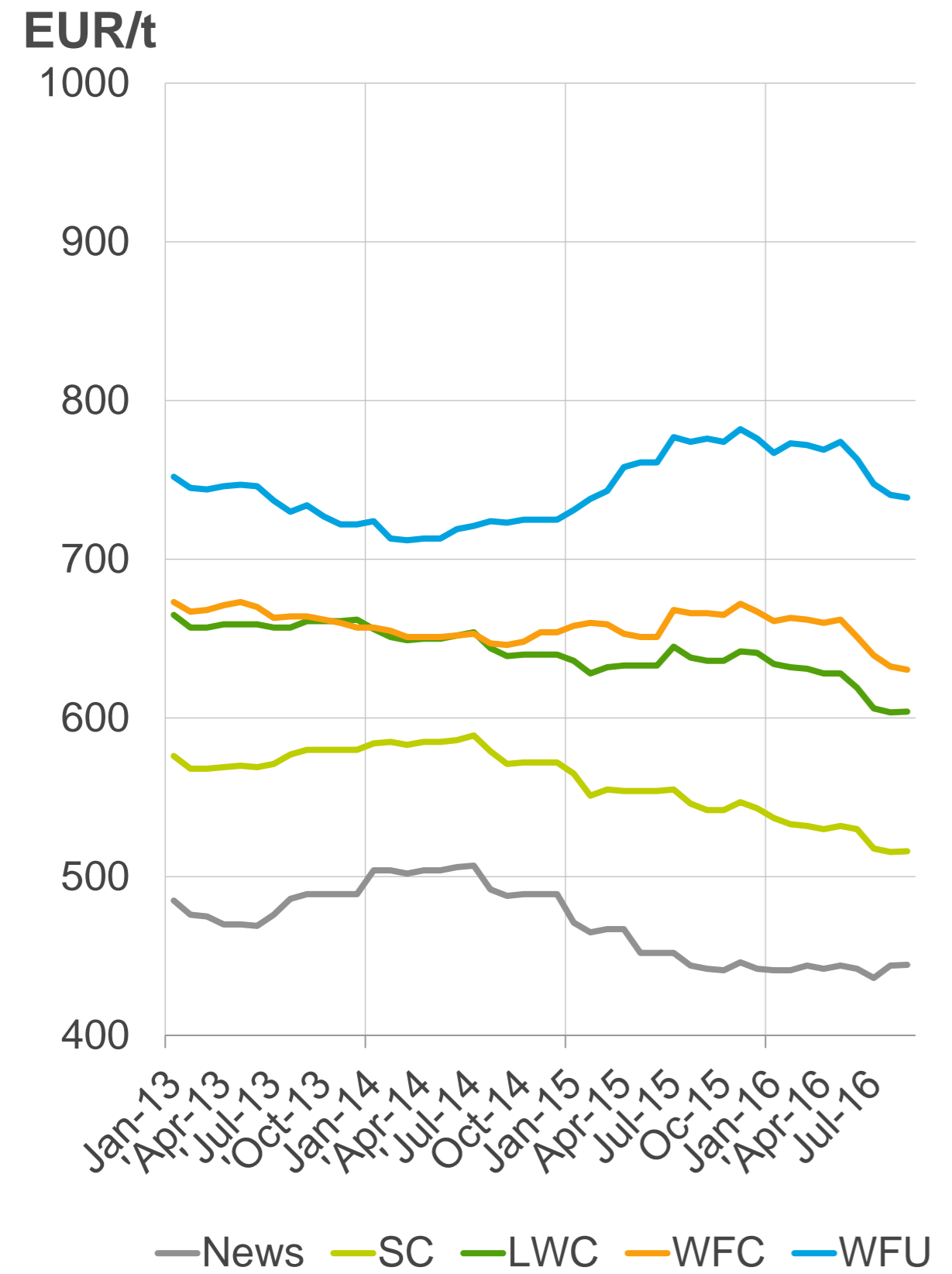
Demand-supply balance in European graphic paper is visible in margins



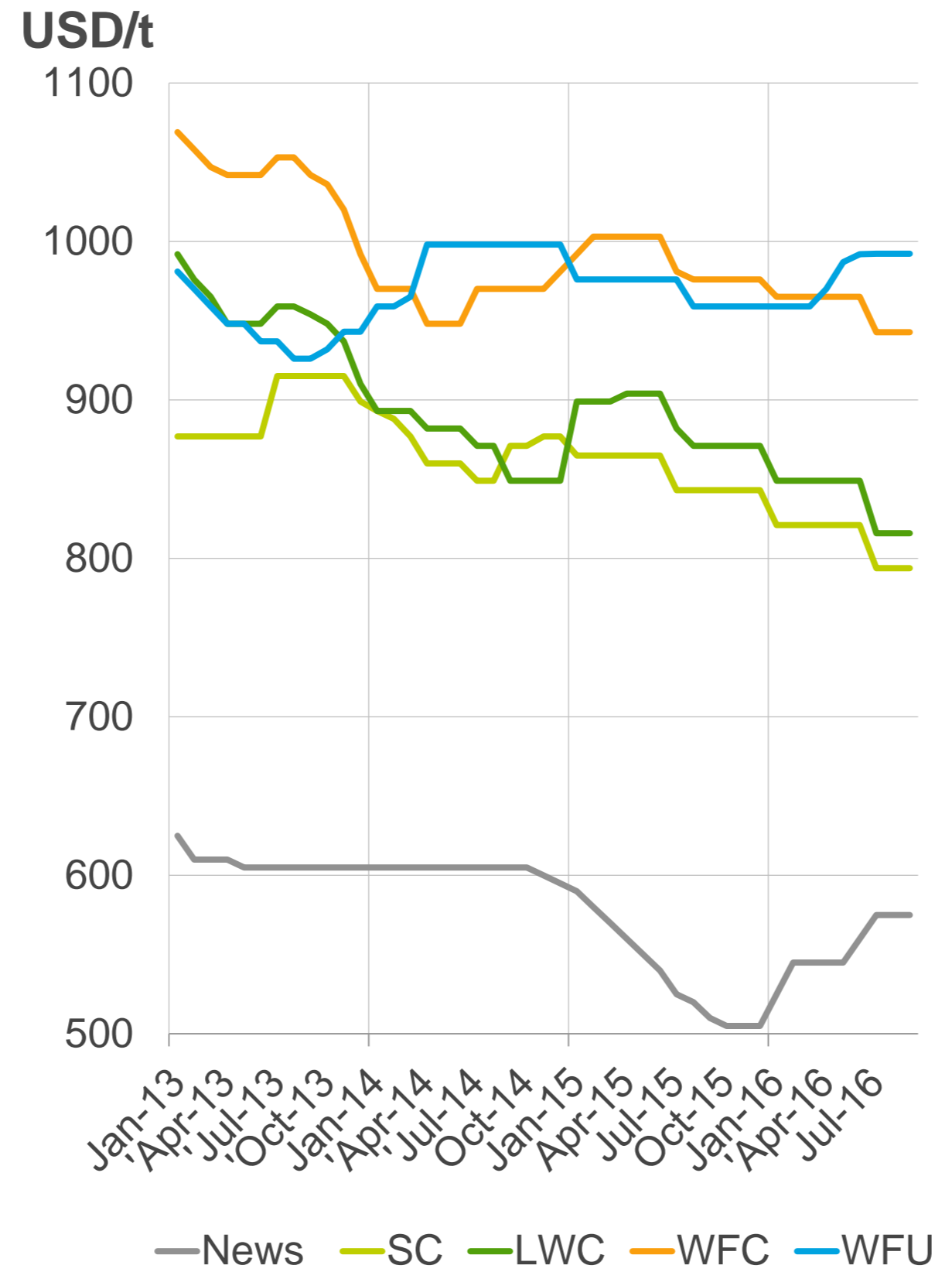
Sources: PPI, RISI, Pöyry

Graphic paper prices

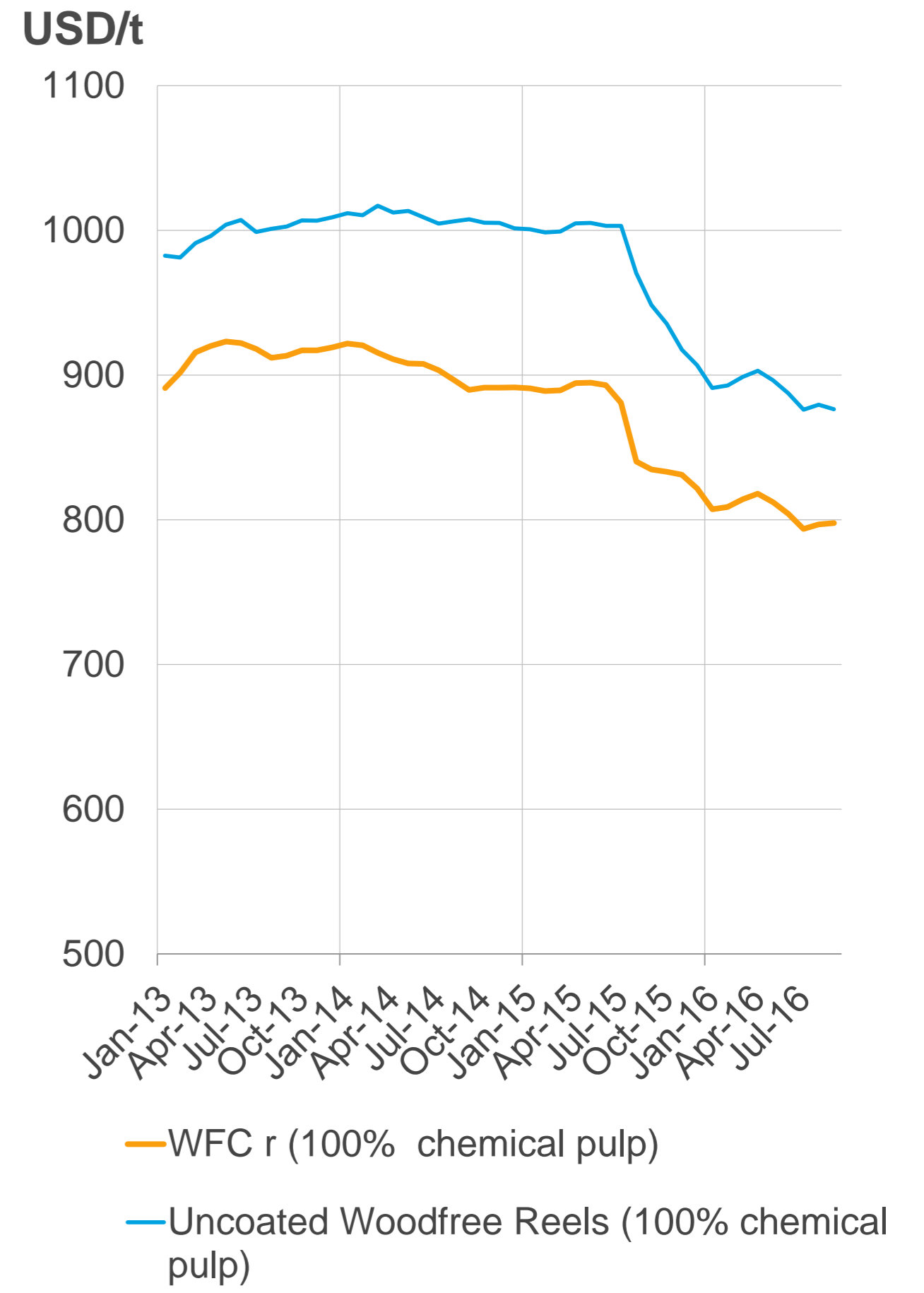
Europe



North America



China





UPM

The Biofore
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