The Biofore Company UPM

INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2016

Interim report Q3/2016:

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

Q3 2016 highlights

- Comparable EBIT increased by 31% to EUR 314 million (240 million).
- Growth projects contributed significantly to earnings, driving delivery growth in UPM Biorefining, UPM Raflatac and UPM Specialty Papers.
- UPM Paper ENA results were seasonally strong, with high operational efficiency and exceptionally low fixed costs.
- Cost-efficiency measures continued on a strong track.
- Record strong operating cash flow at EUR 506 million (363 million).

Q1–Q3 2016 highlights

- Comparable EBIT increased by 28% to EUR 859 million (669 million).
- Operating cash flow increased to EUR 1,281 million (795 million).
- Net debt decreased to EUR 1,479 million (2,465 million) and gearing to 19% (31%).
- UPM sold the Schwedt newsprint mill in Germany in July.
- In July, UPM announced expansion of the UPM Kymi pulp mill capacity to 870,000 tonnes.
- In October, UPM announced a new self-adhesive label stock investment in Poland to meet the growing demand in Europe.

Key figures

	Q3/2016	Q3/2015	Q2/2016	Q1–Q3/2016	Q1–Q3/2015	Q1–Q4/2015
Sales, EURm	2,445	2,530	2,445	7,336	7,564	10,138
Comparable EBITDA, EURm	423	345	385	1,210	987	1,350
% of sales	17.3	13.6	15.8	16.5	13.0	13.3
Operating profit, EURm	364	513	262	903	922	1,142
Comparable EBIT, EURm	314	240	264	859	669	916
% of sales	12.8	9.5	10.8	11.7	8.8	9.0
Profit before tax, EURm	336	498	250	848	861	1,075
Comparable profit before tax, EURm	288	225	252	807	608	849
Profit for the period, EURm	268	408	198	693	723	916
Comparable profit for the period, EURm	234	189	200	659	519	734
Earnings per share (EPS), EUR	0.50	0.77	0.37	1.30	1.36	1.72
Comparable EPS, EUR	0.44	0.35	0.37	1.23	0.97	1.38
Return on equity (ROE), %	13.8	21.0	10.1	11.7	12.5	11.9
Comparable ROE, %	12.1	9.7	10.2	11.1	9.0	9.5
Return on capital employed (ROCE), %	13.4	18.4	9.9	11.0	10.9	10.3
Comparable ROCE, %	11.5	8.6	10.0	10.5	7.9	8.3
Operating cash flow, EURm	506	363	434	1,281	795	1,185
Operating cash flow per share, EUR	0.95	0.68	0.81	2.40	1.49	2.22
Equity per share at end of period, EUR	14.75	14.89	14.36	14.75	14.89	14.89
Capital employed at end of period, EURm	10,463	11,148	10,403	10,463	11,148	11,010
Net interest-bearing liabilities at end of period, EURm	1,479	2,465	1,876	1,479	2,465	2,100
Gearing ratio at end of period, %	19	31	24	19	31	26
Personnel at end of period	19,559	19,874	20,711	19,559	19,874	19,578

From Q1 2016 UPM has relabeled the previously referenced "excluding special items" non-GAAP financial measures with "comparable" performance measures. These performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS. More information on UPM's alternative performance measures is published in UPM's stock exchange release on 14 April 2016. The reconciliation of key figures to the most comparable IFRS measures is presented in Financial information.

As of 1 October 2016, UPM Paper Asia was renamed as UPM Specialty Papers. The change has no impact on reported figures.

Jussi Pesonen, President and CEO, comments on the Q3 results:

"UPM's performance in the third quarter was excellent and demonstrated the strength of our business model. Our growth projects and cost-efficiency measures continued to deliver. UPM Paper ENA was particularly successful in this seasonally strong quarter. Our comparable EBIT increased by 31% and our operating cash flow reached record-strong EUR 506 million. Furthermore, our net debt was EUR 986 million lower than a year ago.

UPM Paper ENA's performance shows that value can also be created in a challenging business environment. Successful commercial strategy, continued strict cost management and optimal use of assets deliver results. This was particularly visible in the seasonally strong third quarter, as operational efficiency was on a high level and fixed costs very low.

Going forward, we expect the structural decline in demand of graphic papers in Europe to continue as in the recent years. Therefore we are in the process of conducting a review of our European graphic paper assets. Any potential restructuring plans would be announced in the near future.

Our growth investments continued to gather pace, and contributed significantly to the earnings growth. On top of the pulp and self-adhesive label investments, the Lappeenranta biorefinery and the specialty paper machine in UPM Changshu made good contributions to our performance. We have now reached 80% of the EUR 200 million EBITDA target we have set for this first wave of growth investments.

Our second wave of focused growth investments is proceeding well. The Otepää plywood mill and UPM Kaukas pulp mill expansions are ramping up in the fourth quarter. The second expansion of UPM Kymi pulp mill is proceeding according to plans. In October, we announced a EUR 35 million investment in UPM Raflatac factory in Poland to meet the increasing label stock demand in Europe. In Uruguay we are continuing negotiations on prospects for long-term development.

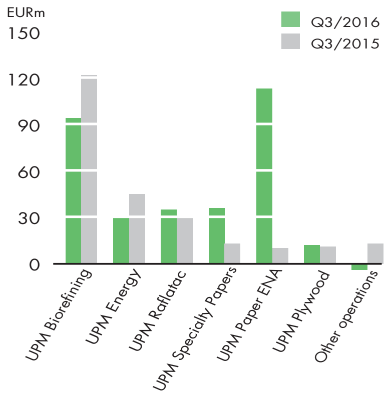
All in all, we have every reason to be pleased with the quarter. Our strong cash flow enables both focused growth investments and attractive distribution to shareholders. A strong balance sheet gives us the opportunity to accelerate business transformation, when the opportunity and timing are right. UPM aims to maintain a strong balance sheet in all situations."

Outlook for 2016

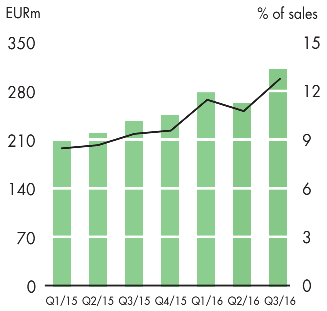
UPM's outlook for 2016 is unchanged. Profitability is expected to improve in both the full year 2016 and H2 2016, compared with last year. Q4 2016 performance is expected to be negatively impacted compared to Q3 2016 by seasonal factors and clearly higher maintenance activity in UPM Biorefining and UPM 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.

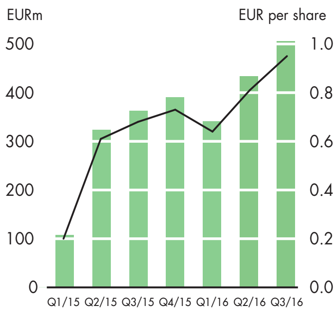
Comparable EBIT



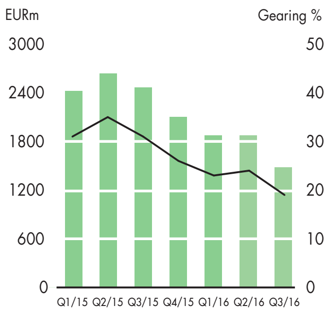
Comparable EBIT



Operating cash flow



Net interest-bearing debt



Results

Q3 2016 compared with Q3 2015

Q3 2016 sales were EUR 2,445 million, 3% lower than the EUR 2,530 million for Q3 2015. Delivery volumes grew in UPM Biorefining, UPM Specialty Papers, UPM Raflatac and UPM Plywood, and decreased in UPM Paper ENA and UPM Energy. Sales were impacted by lower sales prices in several businesses, as well as the sale of Tilhill Forestry business in the UK in Q3 2015.

Comparable EBITDA increased by 23% to EUR 423 million, 17.3% of sales (345 million, 13.6% of sales). Variable and fixed costs were significantly lower than in the comparison period, partly driven by UPM's ongoing profit improvement measures. In addition, UPM Paper ENA's operational efficiency was high and fixed costs were exceptionally low during the quarter. The company's growth projects contributed significantly to Q3 2016 comparable EBITDA growth, with pulp, specialty paper and self-adhesive label material deliveries as well as fine papers in Asia, increasing on last year. Realised currency hedges had only a minor impact on Q3 2016 comparable EBITDA, whereas they had a significant negative impact in the comparison period. Changes in sales prices in UPM's product range had a clear negative net impact on the comparable EBITDA.

Comparable EBIT increased by 31% to EUR 314 million, 12.8% of sales (240 million, 9.5%). Depreciation, excluding items affecting comparability, totalled EUR 118 million (131 million). The increase in the fair value of biological assets net of wood harvested, excluding items affecting comparability, was EUR 7 million (24 million).

Operating profit totalled EUR 364 million (513 million). Items affecting comparability in operating profit totalled gains of EUR 50 million (273 million). This includes a gain of EUR 47 million from the sale of the Schwedt newsprint mill site and relevant assets.

Net interest and other finance costs were EUR 4 million (15 million). The exchange rate and fair value gains and losses resulted in a loss of EUR 25 million (EUR 0 million). Income taxes totalled EUR 68 million (90 million). Items affecting comparability in taxes totalled EUR -14 million (-54 million).

Profit for Q3 2016 was EUR 268 million (408 million), and comparable profit was EUR 234 million (189 million).

Q3 2016 compared with Q2 2016

Comparable EBITDA increased by 10% to EUR 423 million, 17.3% of sales (385 million, 15.8% of sales). Fixed costs were seasonally lower. Variable costs and sales prices were broadly stable. UPM Paper ENA showed a strong seasonal improvement, driven by higher delivery volumes, high operational efficiency and exceptionally low fixed costs.

Comparable EBIT increased by 19% to EUR 314 million, 12.8% of sales (264 million, 10.8%). The increase in the fair value of biological assets net of wood harvested, was EUR 7 million (11 million). Depreciation, excluding items affecting comparability, totalled EUR 118 million (134 million).

Operating profit totalled EUR 364 million (262 million).

January–September 2016 compared with January–September 2015

Sales for Q1–Q3 2016 were EUR 7,336 million, 3% lower than the EUR 7,564 million in Q1–Q3 2015. Delivery volumes grew in UPM Biorefining, UPM Specialty Papers, UPM Raflatac and UPM Plywood, and decreased in UPM Paper ENA. Sales were impacted by the sale of Tilhill Forestry business in the UK in Q3 2015, as well as lower sales prices in several businesses.

Comparable EBITDA increased by 23% to EUR 1,210 million, 16.5% of sales (987 million, 13.0% of sales). Variable and fixed costs were significantly lower than in the comparison period, partly driven by UPM's ongoing profit improvement measures. The company's growth projects contributed positively to Q1–Q3 2016 comparable EBITDA, with pulp, renewable diesel, specialty paper and self-adhesive label material deliveries as well as fine papers in Asia, increasing on last year. Realised currency hedges had only a minor impact on Q1–Q3 2016 comparable EBITDA, whereas they had a significant negative impact in the comparison period. Changes in sales prices in UPM's product range had a clear negative impact on the comparable EBITDA.

Comparable EBIT increased by 28% to EUR 859 million, 11.7% of sales (669 million, 8.8%). Depreciation, excluding items affecting comparability, totalled EUR 390 million (392 million). The increase in the fair value of biological assets net of wood harvested, excluding items affecting comparability, was EUR 35 million (71 million).

Operating profit totalled EUR 903 million (922 million). Items affecting comparability in operating profit totalled gains of EUR 44 million (gains of EUR 253 million). The sale of the Schwedt newsprint mill site and relevant assets resulted in a gain of

EUR 47 million. Closure of the Madison Paper Industries joint operation resulted in charges of EUR 28 million (EUR 55 million in UPM Paper ENA and a corresponding elimination of EUR 27 million in eliminations and reconciliations). The fair value change of unrealised cash flow and commodity hedges resulted in a gain of EUR 25 million (gain of EUR 4 million).

Net interest and other finance costs were EUR 33 million (51 million). The exchange rate and fair value gains and losses resulted in a loss of EUR 22 million (loss of EUR 10 million). Income taxes totalled EUR 155 million (138 million). Items affecting comparability in taxes were EUR -8 million (EUR -49 million).

Profit for Q1–Q3 2016 was EUR 693 million (723 million), and comparable profit was EUR 659 million (519 million).

Financing and cash flow

In Q1–Q3 2016, cash flow from operating activities before capital expenditure and financing totalled EUR 1,281 million (795 million). Working capital decreased by EUR 115 million (increased by EUR 68 million) during the period.

A dividend of EUR 0.75 per share (totalling EUR 400 million) was paid on 21 April 2016, in accordance with the decision of the Annual General Meeting held on 7 April 2016.

Net interest-bearing liabilities decreased to EUR 1,479 million at the end of the period (2,465 million). The gearing ratio as of 30 September 2016 was 19% (31%).

On 30 September 2016, UPM's cash funds and unused committed credit facilities totalled EUR 1.4 billion.

Capital expenditure

In Q1–Q3 2016, capital expenditure excluding investments in shares was EUR 231 million, 3.1% of sales (329 million, 4.3% of sales). Total capital expenditure, excluding investments in shares, in 2016 is estimated to be approximately EUR 350 million.

On 23 April 2015, UPM announced that it would 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 the mill expansion, a new bio power plant will be built at the mill site. The investment in Otepää totals approximately EUR 40 million and the expansion will be completed by the end of 2016.

On 16 June 2015, UPM announced it would further strengthen the efficiency, competitiveness and optimisation of the Kaukas pulp mill in Lappeenranta, Finland. UPM will invest approximately EUR 50 million to modernise both the pulp-drying machines and install a new baling line at the mill. Completion of the investment is scheduled for the end of 2016. The investment will benefit the entire Kaukas mill integrate thanks to increased resource efficiency and operational flexibility.

In June 2013, UPM announced that it was 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 93 million has been paid during the previous years. The remaining part of the share issue will be implemented in the coming years based on the financing needs of the project.

Personnel

In Q1–Q3 2016, UPM had an average of 20,024 employees (20,455). At the beginning of the year, the number of employees was 19,578 and at the end of Q3 2016, it was 19,559.

Events during January–September 2016

On 14 March, UPM announced the closure of Madison Paper Industries in the US. Madison Paper Industries was a joint operation between UPM-Kymmene Inc. and Northern SC Paper Corp., a subsidiary of the New York Times Company. The mill ceased production on 21 May. With the closure of the mill, UPM reduced its supercalendered paper capacity by 195,000 tonnes. The closure impacted 214 employees located at the mill site. Hydropower assets located at the mill site will be sold.

On 23 March, UPM announced that UPM Biochemicals will establish an innovation unit at the Biomedicum research and educational centre in Meilahti, Helsinki. The unit will focus on biomedical applications for the cellulose nanofibril technology developed by UPM.

On 26 April, UPM announced it had signed an agreement to sell its Schwedt newsprint mill site and relevant assets to LEIPA Georg Leinfelder GmbH with the aim of a conversion into liner production. The mill site and relevant assets were transferred from UPM to LEIPA Georg Leinfelder GmbH on 1 July 2016. The entire personnel of the mill transferred to LEIPA as old employees. The transaction price was EUR 70 million, and UPM recorded a gain of EUR 47 million as an item affecting comparability in its Q3 2016 results. As part of the transaction, the parties have agreed to enter into a contract manufacturing agreement for newsprint for a transition period lasting at the latest until the end of 2017. The mill's annual capacity is 280,000 tonnes of newsprint.

On 26 May, UPM-Kymmene Corporation announced proceeding with its plan to change its corporate structure in Finland to better match its current business structure. The plan was originally announced on 10 December 2015. Three new subsidiaries were established in Finland: UPM Energy Oy, UPM Paper Asia Oy and UPM Paper ENA Oy. The personnel and assets of UPM Energy, UPM Specialty Papers and UPM Paper ENA (Europe & North America) in Finland were transferred to the new companies on 1 July 2016. UPM Raflatac and UPM Plywood already operated in their own subsidiaries in Finland. UPM Biorefining remains part of UPM-Kymmene Corporation.

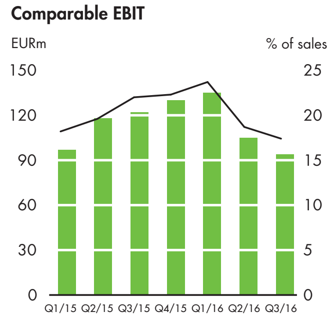
On 4 July UPM announced it will invest EUR 98 million in UPM Kymi pulp mill in Finland to further strengthen its position as a supplier of bleached chemical pulp for growing consumer and industrial end-use segments like tissue, speciality paper, as well as packaging papers and board. Kymi's annual pulp production capacity is expected to increase from the current 700,000 tonnes to 870,000 tonnes of bleached northern softwood and birch pulp by the end of 2017. Moreover, the new investment will further improve UPM Kymi's cost-competitiveness and environmental performance.

Events after the balance sheet date

On 11 October, UPM announced it will build a new coating line at the Wroclaw, Poland label stock factory. By introducing a new coating line together with related reel handling and slitting capacity additions, UPM Raflatac aims to meet the increasing demand for self-adhesive label stock in Europe. Production of the new line is planned to commence in the first half of 2018. The investment will total approximately EUR 35 million.

UPM Biorefining

UPM Biorefining consists of pulp, timber and biofuels businesses. UPM has three pulp mills in Finland and one mill and plantation operation in Uruguay. UPM operates four sawmills in Finland. UPM's biorefinery producing wood-based renewable diesel started up in early 2015. The main customers of UPM Biorefining are tissue, specialty paper and board producers in the pulp industry, fuel distributors in the biofuel industry and construction and joinery industries in the timber sector.



	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q1–Q3/16	Q1–Q3/15	Q1–Q4/15
Sales, EURm	541	563	568	584	554	601	533	1,672	1,688	2,272
Comparable EBITDA, EURm	132	140	175	166	161	153	134	448	448	614
% of sales	24.5	24.8	30.9	28.4	29.1	25.5	25.1	26.8	26.5	27.0
Change in fair value of biological assets and wood harvested, EURm	3	9	3	8	5	6	2	15	13	21
Share of results of associated companies and joint ventures, EURm	1	1	–	–	–	1	–	1	1	1
Depreciation, amortisation and impairment charges, EURm	–42	–44	–44	–44	–44	–42	–39	–130	–125	–169
Operating profit, EURm	94	105	135	129	122	118	97	334	337	466
% of sales	17.4	18.7	23.7	22.1	22.0	19.6	18.2	20.0	20.0	20.5
Items affecting comparability in operating profit, EURm [1]	–	–	–	–1	–	–	–	–	–	–1
Comparable EBIT, EURm	94	105	135	130	122	118	97	334	337	467
% of sales	17.4	18.7	23.7	22.3	22.0	19.6	18.2	20.0	20.0	20.6
Capital employed (average), EURm	3,230	3,185	3,217	3,203	3,164	3,205	3,193	3,211	3,187	3,191
Comparable ROCE, %	11.6	13.2	16.7	16.2	15.4	14.7	12.2	13.9	14.1	14.6
Pulp deliveries, 1,000 t	849	891	848	806	771	837	810	2,588	2,418	3,224

Pulp mill maintenance shutdowns: Q3 2016 UPM Kaukas, Q4 2015 UPM Fray Bentos, Q3 2015 UPM Pietarsaari and UPM Kymi, Q2 2015 UPM Kaukas.

[1] In Q4 2015, items affecting comparability include a charge of EUR 1 million relating to increase of pension obligations due to Finnish employee pension reform.

Actions

- Scheduled maintenance shutdown and debottlenecking investments carried out at the UPM Kaukas pulp mill, ramp-up proceeding into Q4.
- Production efficiency improved at the Lappeenranta biorefinery, volumes reaching record levels.

Results

Q3 2016 compared with Q3 2015

Comparable EBIT for UPM Biorefining decreased. Lower variable and fixed costs as well as higher pulp delivery volumes partly offset the negative impact of lower pulp sales prices. Production efficiency improved significantly at the Lappeenranta biorefinery.

The average price for UPM's pulp deliveries decreased by 14%.

Q3 2016 compared with Q2 2016

Comparable EBIT decreased mainly due to the negative impact of the scheduled maintenance shutdown at the UPM Kaukas pulp mill. Production efficiency improved at the Lappeenranta biorefinery.

The average price for UPM's pulp deliveries remained stable.

January–September 2016 compared with January–September 2015

Comparable EBIT for UPM Biorefining remained broadly stable. Lower variable and fixed costs as well as higher delivery volumes partly offset the negative impact of lower pulp sales prices. Production efficiency improved significantly at the Lappeenranta biorefinery.

The average price for UPM's pulp deliveries decreased by 9%.

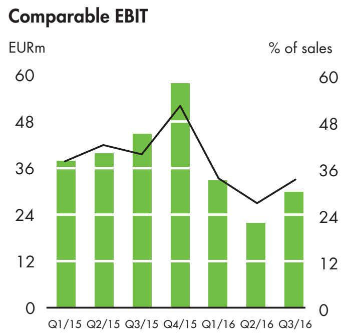
Market environment

- Chemical pulp demand continued to be strong. Demand growth was primarily recorded in Asia, particularly in China.
- In Europe in the third quarter, the market price of northern bleached softwood kraft (NBSK) pulp increased somewhat, while the market price of bleached hardwood kraft pulp (BHKP) decreased slightly compared to the previous quarter. The hardwood pulp market price in China decreased slightly to the previous quarter.
- In Europe in the first nine months of 2016, the average market price in euros of NBSK was 8% lower and the market price of BHKP was 9% lower than last year. In China, the average market price in USD of NBSK was 10% lower and BHKP was 19% lower than last year.
- Demand for advanced renewable diesel continued to be strong and prices increased compared to the previous quarter.
- Sawn timber demand was good, while market prices remained stable at low levels in the third quarter.

Sources: PPPC, FOEX

UPM Energy

UPM Energy creates value through cost competitive, low-emission electricity generation and through physical electricity and financial trading. UPM Energy is the second largest electricity producer in Finland. UPM's power generation capacity consists of hydropower, nuclear power and condensing power.



	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q1–Q3/16	Q1–Q3/15	Q1–Q4/15
Sales, EURm	89	81	97	110	112	94	99	266	305	415
Comparable EBITDA, EURm	32	25	36	62	47	43	40	93	130	192
% of sales	36.3	30.4	37.1	56.4	42.0	45.7	40.4	34.8	42.6	46.3
Share of results of associated companies and joint ventures, EURm	–	–	–1	–	–	–	–	–1	–	–
Depreciation, amortisation and impairment charges, EURm	–2	–2	–2	–4	–2	–3	–2	–7	–7	–11
Operating profit, EURm	30	22	33	51	45	21	38	85	104	155
% of sales	33.7	27.6	34.0	46.4	40.2	22.3	38.4	32.0	34.1	37.3
Items affecting comparability in operating profit, EURm [1]	–	–	–	–7	–	–19	–	–	–19	–26
Comparable EBIT, EURm	30	22	33	58	45	40	38	85	123	181
% of sales	33.7	27.6	34.0	52.7	40.2	42.6	38.4	32.0	40.3	43.6
Capital employed (average), EURm	2,313	2,360	2,396	2,605	2,693	2,762	2,804	2,356	2,753	2,716
Comparable ROCE, %	5.2	3.8	5.5	8.9	6.7	5.8	5.4	4.8	6.0	6.7
Electricity deliveries, GWh	2,246	2,102	2,282	2,337	2,339	2,213	2,077	6,630	6,629	8,966

[1] In Q4 2015, items affecting comparability of EUR 7 million relate to restructuring charges regarding PVO Thermal closure. In Q2 2015, items affecting comparability of EUR 19 million relate to project expenses of Olkiluoto 4 nuclear power plant.

Actions

- As part of the expansion project at Harjavalta hydropower plant, a new machine unit was taken into use in September.

Results

Q3 2016 compared with Q3 2015

Comparable EBIT for UPM Energy decreased mainly due to lower average electricity sales price.

UPM's average electricity sales price decreased by 14% to EUR 33.2/MWh (38.6/MWh).

Q3 2016 compared with Q2 2016

Comparable EBIT increased due to higher generation volumes and higher average electricity sales price. In the previous quarter profitability was negatively impacted by scheduled maintenance shutdown at the Olkiluoto nuclear power plant units.

UPM's average electricity sales price increased by 3% to EUR 33.2/MWh (32.1/MWh).

January–September 2016 compared with January–September 2015

Comparable EBIT for UPM Energy decreased due to lower average electricity sales prices.

UPM's average electricity sales price decreased by 13% to EUR 33.4/MWh (38.5/MWh).

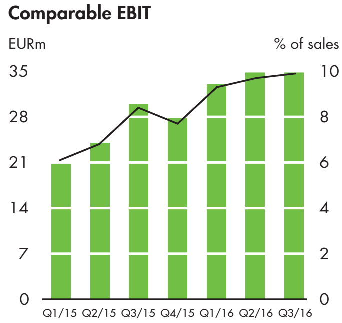
Market environment

- The Nordic hydrological balance deteriorated during the first nine months of 2016. At the end of September, the hydrological balance was somewhat below the long-term average level.
- In the first nine months of 2016, the average Finnish area spot price on the Nordic electricity exchange was EUR 30.8/MWh, 5% higher than in the same period last year (EUR 29.4/MWh).
- Pricing was driven by the deteriorating hydrological balance and increasing coal prices.
- The Finnish area front-year forward electricity price closed at EUR 33.5/MWh in September, 15% higher than at the end of Q2 2016 (29.2/MWh).
- Coal prices and CO_2 emission allowance price increased in Q3 2016.

Sources: The Norwegian Water Resources and Energy Directorate, Svensk Energi, Finnish Environment Institute, Nord Pool, Nasdaq OMX, Bloomberg, UPM

UPM Raflatac

UPM Raflatac manufactures self-adhesive label materials for product and information labelling for label printers and brand owners in the food, personal care, pharmaceutical and retail segments, for example. UPM Raflatac is the second-largest producer of self-adhesive label materials worldwide.



	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q1–Q3/16	Q1–Q3/15	Q1–Q4/15
Sales, EURm	355	360	351	363	353	351	342	1,065	1,046	1,409
Comparable EBITDA, EURm	43	43	41	36	39	33	29	128	101	137
% of sales	12.2	12.1	11.7	9.9	11.0	9.4	8.5	12.0	9.7	9.7
Depreciation, amortisation and impairment charges, EURm	–8	–8	–8	–8	–10	–9	–8	–25	–27	–35
Operating profit, EURm	36	35	33	28	30	20	21	103	71	99
% of sales	10.1	9.7	9.3	7.7	8.5	5.7	6.1	9.7	6.8	7.0
Items affecting comparability in operating profit, EURm [1)]	–	–	–	–	1	–4	–	–	–3	–3
Comparable EBIT, EURm	35	35	33	28	29	24	21	103	74	102
% of sales	9.9	9.7	9.3	7.7	8.2	6.8	6.1	9.7	7.1	7.2
Capital employed (average), EURm	516	524	540	574	576	595	580	527	584	581
Comparable ROCE, %	27.3	26.7	24.2	19.5	20.1	16.1	14.5	26.0	16.9	17.6

[1)] In Q3 2015 and Q2 2015, items affecting comparability relate to restructurings.

Actions

- In response to increasing demand in Europe, UPM Raflatac announced in October the building of a new coating line at the label stock factory in Wroclaw, Poland.
- A new scalable global operating model was adopted.

Results

Q3 2016 compared with Q3 2015

Comparable EBIT for UPM Raflatac increased mainly due to the improved sales margins, partly due to a more favourable mix, and higher delivery volumes.

Q3 2016 compared with Q2 2016

Comparable EBIT remained stable.

January–September 2016 compared with January–September 2015

Comparable EBIT for UPM Raflatac increased mainly due to the improved sales margins and higher delivery volumes. Improved operational efficiency and a more favourable product mix enabled higher sales margins.

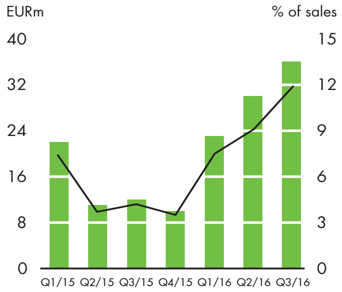
Market environment

- Global demand for self-adhesive label materials grew in the first nine months of 2016.
- In Europe, demand growth continued, albeit at a lower level than last year. Growth remained stable in North America. In Asia, growth picked up, while in Latin America, demand growth started to recover from a low level.

Sources: FINAT, TLMI

UPM Specialty Papers

UPM Specialty Papers serves growing global markets with label papers and release liners, fine papers in Asia and flexible packaging in Europe. The operations consist of the UPM Changshu and UPM Tervasaari mills in China and Finland, as well as label and packaging papers production lines at the UPM Jämsänkoski mill in Finland. The main customers are retailers, printers, publishers, distributors and paper converters.



	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q1–Q3/16	Q1–Q3/15	Q1–Q4/15
Sales, EURm	305	327	312	284	286	300	298	944	884	1,168
Comparable EBITDA, EURm	58	53	48	31	35	32	43	160	110	141
% of sales	19.1	16.2	15.6	10.9	12.2	10.7	14.4	16.9	12.4	12.1
Depreciation, amortisation and impairment charges, EURm	–22	–23	–25	–21	–23	–21	–21	–71	–65	–86
Operating profit, EURm	36	30	23	10	12	11	22	89	45	55
% of sales	11.9	9.1	7.5	3.5	4.2	3.7	7.4	9.5	5.1	4.7
Items affecting comparability in operating profit, EURm	–	–	–	–	–	–	–	–	–	–
Comparable EBIT, EURm	36	30	23	10	12	11	22	89	45	55
% of sales	11.9	9.1	7.5	3.5	4.2	3.7	7.4	9.5	5.1	4.7
Capital employed (average), EURm	987	1,027	1,051	1,068	1,013	983	986	1,022	994	1,012
Comparable ROCE, %	14.7	11.6	8.9	3.7	4.7	4.5	8.9	11.6	6.0	5.4
Paper deliveries, 1,000 t	374	407	379	342	349	361	349	1,159	1,059	1,401

As of 1 October 2016, UPM Paper Asia was renamed as UPM Specialty Papers. The change has no impact on reported figures.

Actions

- Production ramped up at the new specialty paper machine at the UPM Changshu mill in China, further optimisation of customer and product mix.

Results

Q3 2016 compared with Q3 2015

Comparable EBIT for UPM Specialty Papers increased due to lower variable costs and higher delivery volumes, more than offsetting a less favourable sales mix and lower paper prices. Net change in currencies, including hedges, had a positive impact.

Q3 2016 compared with Q2 2016

Comparable EBIT increased mainly due to lower costs.

January–September 2016 compared with January–September 2015

Comparable EBIT for UPM Specialty Papers increased due to lower variable costs and higher delivery volumes, more than offsetting a less favourable sales mix and lower paper prices. Net change in currencies, including hedges, had a positive impact.

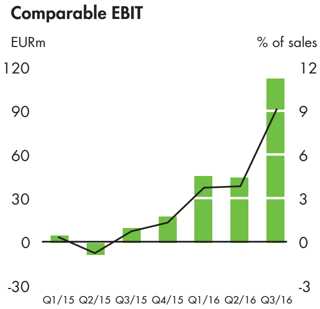
Market environment

- Fine paper demand remained stable in the Asia-Pacific region. The development varied by product and market segment. Growth continued in office paper demand.
- Overcapacity in fine papers prevailed and price competition was intense. The average market price decreased slightly in the third quarter. In the first nine months of 2016, the average price was lower compared with the same period last year.
- Label and release paper demand increased globally. Price development varied between the regions and was on average stable compared to the previous quarter.

Sources: UPM, RISI, Pöyry, AWA

UPM Paper ENA

UPM Paper ENA offers graphic papers for advertising, magazines, newspapers and home and office. The business has extensive low-cost operations consisting of 15 efficient paper mills in Europe and the United States, a global sales network and an efficient logistic system. The main customers are publishers, cataloguers, retailers, printers and merchants.



	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q1–Q3/16	Q1–Q3/15	Q1–Q4/15
Sales, EURm	1,234	1,155	1,202	1,311	1,279	1,210	1,256	3,590	3,745	5,056
Comparable EBITDA, EURm	148	93	96	64	55	38	56	337	149	213
% of sales	12.0	8.1	8.0	4.9	4.3	3.1	4.5	9.4	4.0	4.2
Share of results of associated companies and joint ventures, EURm	1	–	–	–	1	–	–	1	1	1
Depreciation, amortisation and impairment charges, EURm	–35	–47	–72	–46	–47	–45	–52	–153	–144	–190
Operating profit, EURm	160	47	–11	23	13	–9	5	197	9	32
% of sales	13.0	4.1	–0.9	1.8	1.0	–0.7	0.4	5.5	0.2	0.6
Items affecting comparability in operating profit, EURm [1]	47	2	–57	5	4	–1	–	–8	3	8
Comparable EBIT, EURm	113	45	46	18	9	–8	5	205	6	24
% of sales	9.2	3.9	3.8	1.4	0.7	–0.7	0.4	5.7	0.2	0.5
Capital employed (average), EURm	1,915	1,988	2,098	2,258	2,294	2,301	2,302	2,000	2,299	2,289
Comparable ROCE, %	23.7	9.1	8.8	3.2	1.6	–1.4	0.9	13.7	0.3	1.0
Paper deliveries, 1,000 t	2,068	1,940	1,982	2,171	2,130	2,046	2,023	5,990	6,199	8,370

[1] In Q3 2016, items affecting comparability include gain amounting to EUR 47 million relating to Schwedt mill's sale. In Q2 2016, items affecting comparability include income amounting to EUR 2 million related to Madison mill closure and restructuring charges of EUR 2 million and impairment reversals of EUR 2 million related to prior capacity closures. In Q1 2016, items affecting comparability include write-offs totalling EUR 22 million and restructuring charges totalling EUR 35 million related to the closure of Madison Paper Industries in the USA. In Q4 2015, items affecting comparability include an income of EUR 7 million relating to restructurings and a charge of EUR 2 million relating to increase of pension obligations due to Finnish employee pension reform. In Q3 2015 and Q2 2015, items affecting comparability relate to restructurings.

Actions

- Strong seasonal variation combined with exceptionally low fixed costs boosted a strong underlying performance in Q3 2016.
- Strong cash flow driven by profit improvement.
- The organisational structure was renewed and simplified.

Results

Q3 2016 compared with Q3 2015

Comparable EBIT increased significantly for UPM Paper ENA mainly due to lower variable and fixed costs. In the comparison period, realised currency hedges had a negative impact. Cost efficiency was strong, partly due to high capacity utilisation for seasonal reasons and partly due to ongoing profit improvement measures. Fixed costs were exceptionally low.

The average price for UPM's paper deliveries in euros decreased by 2%. Price increases in the euro area were offset by less favourable development in markets outside the euro area.

Q3 2016 compared with Q2 2016

Comparable EBIT increased mainly due to lower costs and seasonally higher delivery volumes. Cost efficiency was strong due to high capacity utilisation, partly for seasonal reasons. Fixed costs were exceptionally low.

The average price for UPM's paper deliveries remained stable. Lower product sales prices were offset by a more favourable product mix.

January–September 2016 compared with January–September 2015

Comparable EBIT increased for UPM Paper ENA mainly due to lower variable and fixed costs, more than offsetting the negative impacts of lower sales prices and delivery volumes. In the comparison period, realised currency hedges had a negative impact. The decrease in variable and fixed costs was partly due to ongoing profit improvement measures.

The average price for UPM's paper deliveries in euros decreased by 2%. Price increases in the euro area were offset by less favourable development in markets outside the euro area.

Market environment

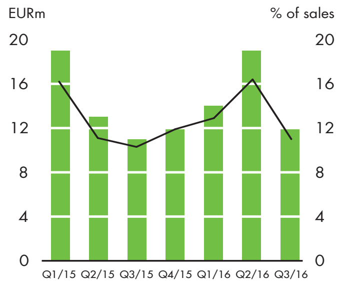
- In the first nine months of 2016, demand for graphic papers in Europe was 4% lower than last year. Newsprint demand decreased by 3%, magazine paper by 3% and fine paper by 6% compared with the first nine months of 2015.
- In the third quarter, publication paper prices and fine paper prices in Europe decreased by 3% and 4% respectively compared to the previous quarter, partly impacted by the weakening GBP exchange rate.
- In the first nine months of 2016, publication paper prices were 3% lower, whereas fine paper prices were on average at the same level as in 2015.
- In the first nine months of 2016, demand for magazine papers in North America decreased by 5% compared with last year. The average US dollar price for magazine papers in the first nine months of 2016 was 5% lower than in the same period last year. In the third quarter, the average price was 3% lower than in the previous quarter.

Sources: PPI/RISI, Euro-Graph, PPPC

UPM Plywood

UPM Plywood offers plywood and veneer products, mainly for construction, vehicle flooring and LNG shipbuilding, as well as other manufacturing industries. Production facilities are located in Finland, Estonia and Russia.

Comparable EBIT



	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q1–Q3/16	Q1–Q3/15	Q1–Q4/15
Sales, EURm	106	119	110	102	105	113	119	335	337	439
Comparable EBITDA, EURm	17	25	20	18	17	18	25	61	60	78
% of sales	16.2	20.9	17.8	17.6	16.2	15.9	21.0	18.4	17.8	17.8
Depreciation, amortisation and impairment charges, EURm	–5	–5	–5	–6	–6	–5	–6	–16	–17	–23
Operating profit, EURm	12	19	14	10	11	13	19	45	43	53
% of sales	11.0	16.4	12.9	9.8	10.5	11.5	16.0	13.5	12.8	12.1
Items affecting comparability in operating profit, EURm [1]	–	–	–	–2	–	–	–	–	–	–2
Comparable EBIT, EURm	12	19	14	12	11	13	19	45	43	55
% of sales	11.0	16.4	12.9	11.8	10.5	11.5	16.0	13.5	12.8	12.5
Capital employed (average), EURm	259	262	252	259	257	269	266	258	264	263
Comparable ROCE, %	18.0	29.7	22.6	18.5	17.1	19.3	28.6	23.5	21.7	20.9
Plywood deliveries, 1,000 m^3	184	206	189	169	179	193	199	579	571	740

[1] In Q4 2015, items affecting comparability of EUR 2 million relate to Lahti estate restructuring charges.

Actions

- Otepää mill expansion proceeding according to plan and production ramp-up starting during Q4
- WISA-BondedFloor, a new fixing solution for trailer floors, was introduced at IAA (Internationale Automobil-Ausstellung) exhibition.

Results

Q3 2016 compared with Q3 2015

Comparable EBIT for UPM Plywood increased slightly. Higher delivery volumes offset the negative impact of slightly lower sales prices and higher costs.

Q3 2016 compared with Q2 2016

Comparable EBIT decreased mainly due to seasonally lower delivery volumes.

January–September 2016 compared with January–September 2015

Comparable EBIT for UPM Plywood increased due to lower costs, partly supported by favourable currency impact, and higher delivery volumes more than offsetting the negative impact of slightly lower sales prices.

Market environment

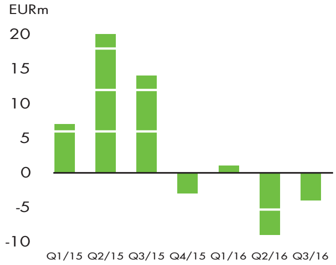
- Market environment improved gradually during the first nine months of 2016 in Europe, and demand is estimated to have increased from last year. Impact of low-priced imports in the beginning of the year eased in the second quarter, and since then, demand has picked up particularly in birch plywood related industrial applications, but also to some extent in construction-related end-use segments.

Source: UPM

Other operations

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

Comparable EBIT



	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q1–Q3/16	Q1–Q3/15	Q1–Q4/15
Sales, EURm	65	76	73	76	97	119	114	213	330	406
Comparable EBITDA, EURm	–7	–9	–10	–8	–4	–1	–3	–26	–8	–16
Change in fair value of biological assets and wood harvested, EURm	4	2	13	8	284	25	14	20	323	331
Share of results of associated companies and joint ventures, EURm	1	1	1	–	1	–	–	3	1	1
Depreciation, amortisation and impairment charges, EURm	–3	–3	–3	–4	–2	–4	–3	–10	–9	–13
Operating profit, EURm	–4	–9	0	–3	280	23	6	–13	309	306
Items affecting comparability in operating profit, EURm [1]	–	–	–	–	266	3	–1	–	268	268
Comparable EBIT, EURm	–4	–9	1	–3	14	20	7	–13	41	38
Capital employed (average), EURm	1,532	1,553	1,571	1,614	1,469	1,417	1,433	1,552	1,440	1,483
Comparable ROCE, %	–1.2	–2.4	0.2	–0.7	3.8	5.6	2.0	–1.1	3.8	2.6

[1] In Q3 2015, items affecting comparability include a capital gain of EUR 3 million from the sale of Tilhill Forestry Ltd shares, restructuring charges of EUR 2 million and a fair value increase of biological assets in Finland totalling EUR 265 million, due to adjusted long-term wood price estimates and a change in the discount rate. In Q2 2015, items affecting comparability of EUR 3 million mainly relate to capital gains from the sale of assets. In Q1 2015, items affecting comparability include cost of EUR 1 million relating to restructuring charges.

Results

Q3 2016 compared with Q3 2015

Comparable EBIT for Other operations decreased. The increase in the fair value of biological assets net of wood harvested, excluding items affecting comparability, was EUR 4 million (19 million). The increase in the fair value of biological assets (growing trees), excluding items affecting comparability, was EUR 20 million (30 million), including gains on forest sales. The cost of wood harvested from UPM forests was EUR 16 million (11 million).

Q3 2016 compared with Q2 2016

Comparable EBIT increased. The increase in the fair value of biological assets net of wood harvested was EUR 4 million (2 million). The increase in the fair value of biological assets (growing trees) was EUR 20 million (17 million), including gains on forest sales. The cost of wood harvested from UPM forests was EUR 16 million (15 million).

January–September 2016 compared with January–September 2015

Comparable EBIT for Other operations decreased. The increase in the fair value of biological assets net of wood harvested, excluding items affecting comparability, was EUR 20 million (58 million). The increase in the fair value of biological assets (growing trees), excluding items affecting comparability, was EUR 61 million (93 million), including gains on forest sales. The cost of wood harvested from UPM forests was EUR 42 million (35 million).

Risks and near-term uncertainties

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

The UK's EU referendum was held on 23 June to decide whether the UK should leave or remain in the EU. The Leave side won the referendum. This has increased uncertainty and risks related to economic growth, especially in the UK and the EU. The EU is the most significant market for UPM, representing 59% of the company's sales in 2015. The UK represented 9% of UPM's sales.

Changes to the monetary policies of major central banks may significantly impact various currencies that directly or indirectly affect UPM. The UK's EU referendum has also increased uncertainty related to currencies.

There are uncertainties regarding developing economies, including China, which may significantly influence the overall global economy and many of UPM's product markets in particular.

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

The main earnings sensitivities and the group's cost structure are presented on page 18 of the 2015 Annual Report. Risks and opportunities are discussed on pages 17–18 and risks and risk management are presented on pages 84–86.

Shares

In Q1–Q3 2016, UPM shares worth EUR 4,932 million (5,979 million) in total were traded on the NASDAQ OMX Helsinki stock exchange. This is estimated to represent two-thirds of all trading volumes in UPM shares. The highest listing was EUR 19.21 in July and the lowest was EUR 13.71 in February.

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 authorised the Board of Directors to decide on the repurchase of a maximum of 50,000,000 of the Company's own shares. The authorisation will be valid for 18 months from the date of the AGM resolution.

The Board of Directors was authorised to decide on the issuance of new shares, transfer of treasury shares and issuance of special rights entitling to shares in proportion to the shareholders' existing holdings in the Company, or in a directed share issue, deviating from the shareholders' pre-emptive subscription rights. The Board of Directors may also decide on a share issue without payment to the Company itself. The aggregate maximum number of new shares that may be issued and treasury shares that may be transferred is 25,000,000, including also the number of shares that can be received on the basis of the special rights. The authorisation will be valid for three years from the date of the AGM resolution.

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

The number of shares entered in the Trade Register on 30 September 2016 was 533,735,699. Through the issuance authorisation, the number of shares may increase to a maximum of 558,735,699.

On 30 September 2016, 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 after certain claimants have waived their claims totals currently EUR 188 million in the aggregate jointly and severally against UPM and two other companies; alternatively and individually against UPM, this represents EUR 32 million in the aggregate. In addition to the claims on capital amounts, the claimants are also requesting compensation relating to value added tax and interests. UPM considers all the claims unfounded in their entirety. No provision has been made in UPM's accounts for any of these claims. On 22 June 2016 the District Court rendered a judgment whereby it rejected the damages claim of Metsähallitus against UPM, and the other two Finnish forest companies. The District Court ordered Metsähallitus to pay UPM compensation for legal expenses. The capital amount of Metsähallitus' claim was in total EUR 159 million, of which EUR 23 million was based on agreements between Metsähallitus and UPM. Metsähallitus has appealed the District Court judgment to the Court of Appeal.

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 item affecting comparability 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. In June 2015 the District Court dismissed the actions by Metsäliitto and Metsä Board. Metsäliitto and Metsä Board appealed to the Helsinki Court of Appeal. In October 2016 the Helsinki Court of Appeal rejected the actions by Metsäliitto and Metsä Board. The decision is not final.

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 58.5% 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 information about the schedule for the OL3 project from the Supplier consortium companies (AREVA GmbH, AREVA NP SAS and Siemens AG), which is constructing OL3 as a fixed-price turnkey project. According to this information, the start of regular electricity production of the plant unit would take place in late 2018.

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's monetary claim, as updated in February 2016, is in total approximately EUR 3.52 billion. The sum is based on the Supplier's updated analysis of events occurred through September 2014, with certain claims quantified to December 31, 2014. The sum includes penalty interest (calculated to June 30, 2016) and payments allegedly delayed by TVO under the plant contract amounting to a combined total of approximately EUR 1.45 billion, as well as approximately EUR 135 million in alleged loss of profit. TVO has considered and found the earlier claims and the updated claim by the Supplier to be without merit.

According to TVO, the quantification estimate of its costs and losses related to its claim in the arbitration proceedings is approximately EUR 2.6 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. TVO´s current estimate was submitted to the tribunal in the arbitration proceedings in July 2015. The Supplier consortium companies (AREVA GmbH, AREVA NP SAS ja Siemens AG) are jointly and severally liable for the plant contract obligations. 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.

According to TVO, Areva Group announced in 2016 a restructuring of its business. The restructuring plan involves a transfer of the operations of Areva NP, excluding the OL3 project and resources necessary for its completion, to a new company which is to be sold to a consortium led by EDF. According to Areva's announcement, the consummation of the restructuring is expected to take place during the second half of 2017. The implementation of the restructuring plan is subject to decisions and clearances, such as those related to the contemplated state aid connected with the plan. TVO requires that the restructuring ensures that the OL3 project will be completed within the current schedule and that all obligations under the plant contract are fulfilled. TVO has sought to obtain more detailed information from Areva Group on its announced restructuring and its impacts on the OL3 project with a view to securing the assurances that all the necessary financial and other resources, particularly in relation to the EPR technology capabilities, will be allocated for the completion and long-term operation of OL3 and that the Supplier Areva-Siemens will meet all their contractual obligations.

Helsinki, 25 October 2016

UPM-Kymmene Corporation
Board of Directors

Financial information

Consolidated income statement

EURm	Q3/2016	Q3/2015	Q1–Q3/2016	Q1–Q3/2015	Q1–Q4/2015
Sales	2,445	2,530	7,336	7,564	10,138
Other operating income	60	10	92	42	13
Costs and expenses	–2,032	–2,186	–6,163	–6,631	–8,840
Change in fair value of biological assets and wood harvested	7	289	35	336	352
Share of results of associated companies and joint ventures	2	2	5	3	3
Depreciation, amortisation and impairment charges	–118	–132	–401	–392	–524
Operating profit	364	513	903	922	1,142
Gains on available-for-sale investments, net	–	–	1	–	–
Exchange rate and fair value gains and losses	–25	–	–22	–10	1
Interest and other finance costs, net	–4	–15	–33	–51	–68
Profit before tax	336	498	848	861	1,075
Income taxes	–68	–90	–155	–138	–159
Profit for the period	268	408	693	723	916
Attributable to:					
Owners of the parent company	268	408	692	723	916
Non-controlling interests	–	–	–	–	–
	268	408	693	723	916
Earnings per share for profit attributable to owners of the parent company					
Basic earnings per share, EUR	0.50	0.77	1.30	1.36	1.72
Diluted earnings per share, EUR	0.50	0.77	1.30	1.36	1.72

Consolidated statement of comprehensive income

EURm	Q3/2016	Q3/2015	Q1–Q3/2016	Q1–Q3/2015	Q1–Q4/2015
Profit for the period	268	408	693	723	916
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	–76	–40	–192	23	113
Items that may be reclassified subsequently to income statement:					
Translation differences	–21	–166	–129	149	221
Net investment hedge	1	48	9	15	–28
Cash flow hedges	35	11	46	28	24
Available-for-sale investments	–	–	–97	–98	–405
	15	–57	–171	94	–188
Other comprehensive income for the period, net of tax	–61	–97	–363	117	–75
Total comprehensive income for the period	207	311	330	840	841
Total comprehensive income attributable to:					
Owners of the parent company	207	311	330	840	841
Non-controlling interests	–	–	–	–	–
	207	311	330	840	841

Consolidated balance sheet

EURm	30 Sep 2016	30 Sep 2015	31 Dec 2015
ASSETS			
Non-current assets			
Goodwill	238	238	241
Other intangible assets	301	337	329
Property, plant and equipment	4,622	4,796	4,895
Investment property	–	28	–
Biological assets	1,697	1,726	1,738
Investments in associated companies and joint ventures	30	28	28
Available-for-sale investments	1,983	2,412	2,085
Other non-current financial assets	282	330	332
Deferred tax assets	470	512	466
Other non-current assets	91	100	145
	9,715	10,507	10,259
Current assets			
Inventories	1,333	1,394	1,376
Trade and other receivables	1,833	1,987	1,876
Income tax receivables	19	28	56
Cash and cash equivalents	771	394	626
	3,956	3,803	3,934
Assets classified as held for sale	8	–	–
Total assets	13,678	14,310	14,193
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	890	890	890
Treasury shares	–2	–2	–2
Translation differences	329	420	449
Fair value and other reserves	1,435	1,797	1,486
Reserve for invested non-restricted equity	1,273	1,273	1,273
Retained earnings	3,944	3,564	3,846
	7,867	7,942	7,942
Non-controlling interests	3	2	2
Total equity	7,870	7,944	7,944
Non-current liabilities			
Deferred tax liabilities	434	472	456
Retirement benefit obligations	911	824	747
Provisions	130	162	154
Interest-bearing liabilities	1,957	2,742	2,797
Other liabilities	113	149	174
	3,545	4,349	4,328
Current liabilities			
Current interest-bearing liabilities	636	461	269
Trade and other payables	1,573	1,535	1,619
Income tax payables	53	21	33
	2,262	2,017	1,921
Liabilities related to assets classified as held for sale	–	–	–
Total liabilities	5,808	6,366	6,249
Total equity and liabilities	13,678	14,310	14,193

Consolidated statement of changes in equity

	ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY								
EURm	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 2015	890	−2	256	1,867	1,273	3,194	7,478	2	7,480
Profit for the period	–	–	–	–	–	723	723	–	723
Actuarial gains and losses on defined benefit obligations, net of tax	–	–	–	–	–	23	23	–	23
Translation differences	–	–	149	–	–	–	149	–	149
Net investment hedge, net of tax	–	–	15	–	–	–	15	–	15
Cash flow hedges, net of tax	–	–	–	28	–	–	28	–	28
Available-for-sale investments, net of tax	–	–	–	−98	–	–	−98	–	−98
Total comprehensive income for the period	–	–	164	−70	–	746	840	–	840
Share-based compensation, net of tax	–	–	–	–	–	−3	−3	–	−3
Dividend distribution	–	–	–	–	–	−373	−373	–	−373
Total transactions with owners for the period	–	–	–	–	–	−376	−376	–	−376
Balance at 30 September 2015	890	−2	420	1,794	1,273	3,564	7,942	2	7,944
Balance at 1 January 2016	890	−2	449	1,486	1,273	3,846	7,942	2	7,944
Profit for the period	–	–	–	–	–	692	692	–	693
Actuarial gains and losses on defined benefit obligations, net of tax	–	–	–	–	–	−192	−192	–	−192
Translation differences	–	–	−129	–	–	–	−129	–	−129
Net investment hedge, net of tax	–	–	9	–	–	–	9	–	9
Cash flow hedges, net of tax	–	–	–	46	–	–	46	–	46
Available-for-sale investments, net of tax	–	–	–	−97	–	–	−97	–	−97
Total comprehensive income for the period	–	–	−120	−51	–	501	330	–	330
Share-based compensation, net of tax	–	–	–	−1	–	−3	−4	–	−4
Dividend distribution	–	–	–	–	–	−400	−400	–	−400
Total transactions with owners for the period	–	–	–	−1	–	−403	−404	–	−404
Balance at 30 September 2016	890	−2	329	1,435	1,273	3,944	7,867	3	7,870

Condensed consolidated cash flow statement

EURm	Q1–Q3/2016	Q1–Q3/2015	Q1–Q4/2015
Cash flow from operating activities			
Profit for the period	693	723	916
Adjustments	567	278	449
Change in working capital	115	–68	–8
Cash generated from operations	1,375	933	1,357
Finance costs, net	–11	–21	–32
Income taxes paid	–83	–117	–140
Net cash generated from operating activities	1,281	795	1,185
Cash flow from investing activities			
Capital expenditure	–275	–322	–432
Acquisitions and share purchases	–	–2	–34
Asset sales and other investing cash flow	91	34	74
Net cash used in investing activities	–184	–290	–392
Cash flow from financing activities			
Change in loans and other financial items	–550	–437	–495
Dividends paid	–400	–373	–373
Net cash used in financing activities	–950	–810	–868
Change in cash and cash equivalents	147	–305	–75
Cash and cash equivalents at beginning of period	626	700	700
Foreign exchange effect on cash and cash equivalents	–2	–1	1
Change in cash and cash equivalents	147	–305	–75
Cash and cash equivalents at end of period	771	394	626

Quarterly key figures

In addition to the conventional financial performance measures established by the IFRS, certain key figures (alternative performance measures) are presented to reflect the underlying business performance and enhance comparability from period to period.

	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q1–Q3/16	Q1–Q3/15	Q1–Q4/15
Sales, EURm	2,445	2,445	2,446	2,574	2,530	2,548	2,486	7,336	7,564	10,138
Comparable EBITDA, EURm	423	385	403	363	345	317	325	1,210	987	1,350
% of sales	17.3	15.8	16.5	14.1	13.6	12.4	13.1	16.5	13.0	13.3
Comparable EBIT, EURm	314	264	281	247	240	219	210	859	669	916
% of sales	12.8	10.8	11.5	9.6	9.5	8.6	8.4	11.7	8.8	9.0
Comparable profit before tax, EURm	288	252	267	241	225	195	188	807	608	849
Capital employed (average), EURm	10,433	10,701	11,005	11,079	11,080	11,059	11,025	10,737	11,046	10,977
Comparable ROCE, %	11.5	10.0	10.1	9.2	8.6	7.8	7.3	10.5	7.9	8.3
Comparable profit for the period, EURm	234	200	225	215	189	170	160	659	519	734
Total equity, average, EURm	7,767	7,819	7,959	7,944	7,788	7,718	7,642	7,907	7,712	7,712
Comparable ROE, %	12.1	10.2	11.3	10.8	9.7	8.8	8.4	11.1	9.0	9.5
Average number of shares basis (1,000)	533,505	533,505	533,505	533,505	533,505	533,505	533,505	533,505	533,505	533,505
Comparable EPS, EUR	0.44	0.37	0.42	0.41	0.35	0.32	0.30	1.23	0.97	1.38
Items affecting comparability in operating profit, EURm	50	–2	–4	–27	273	–13	–7	44	253	226
Items affecting comparability in financial items, EURm	–2	–	–	–	–	–	–	–2	–	–
Items affecting comparability in taxes, EURm	–14	–	6	5	–54	3	2	–8	–49	–44
Operating cash flow, EURm	506	434	341	390	363	324	108	1,281	795	1,185
Operating cash flow per share, EUR	0.95	0.81	0.64	0.73	0.68	0.61	0.20	2.40	1.49	2.22
Net interest-bearing liabilities at the end of period, EURm	1,479	1,876	1,873	2,100	2,465	2,635	2,419	1,479	2,465	2,100
Gearing ratio, %	19	24	23	26	31	35	31	19	31	26
Capital expenditure, EURm	98	85	47	188	132	126	74	231	332	520
Capital expenditure excluding acquisitions, EURm	98	85	47	157	132	123	74	231	329	486
Equity per share at the end of period, EUR	14.75	14.36	14.94	14.89	14.89	14.30	14.61	14.75	14.89	14.89
Personnel at the end of period	19,559	20,711	19,870	19,578	19,874	20,900	20,210	19,559	19,874	19,578

Formulae of key figures are presented at the end of this report.

Reconciliation of key figures to IFRS

EURm	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q1–Q3/16	Q1–Q3/15	Q1–Q4/15
Items affecting comparability										
Impairment charges	–	1	–12	–	–1	1	–	–11	–	–
Restructuring charges	–	–	–18	–2	4	–6	–1	–18	–3	–5
Change in fair value of unrealised cash flow and commodity hedges	3	–3	25	–22	2	8	–6	25	4	–18
Capital gains and losses on sale of non-current assets	47	–	–	–	3	3	–	47	6	6
Fair value changes of biological assets resulting from changes in estimates	–	–	–	–	265	–	–	–	265	265
Other non-operational items	–	–	–	–3	–	–19	–	–	–19	–22
Total items affecting comparability in operating profit	50	–2	–4	–27	273	–13	–7	44	253	226
Items affecting comparability in financial items	–2	–	–	–	–	–	–	–2	–	–
Items affecting comparability in taxes	–14	–	6	5	–54	3	2	–8	–49	–44
Items affecting comparability, total	34	–2	2	–22	219	–10	–5	34	204	182
Comparable EBITDA										
Operating profit	364	262	277	220	513	206	203	903	922	1,142
Less:										
Depreciation, amortisation and impairment charges [1]	118	134	138	132	131	130	131	390	392	524
Change in fair value of biological assets and wood harvested [1]	–7	–11	–16	–16	–24	–31	–16	–35	–71	–87
Share of result of associated companies and joint ventures	–2	–2	–	–	–2	–1	–	–5	–3	–3
Items affecting comparability in operating profit	–50	2	4	27	–273	13	7	–44	–253	–226
Comparable EBITDA	423	385	403	363	345	317	325	1,210	987	1,350
% of sales	17.3	15.8	16.5	14.1	13.6	12.4	13.1	16.5	13.0	13.3
[1] exluding items affecting comparability										
Comparable EBIT										
Operating profit	364	262	277	220	513	206	203	903	922	1,142
Less: Items affecting comparability in operating profit	–50	2	4	27	–273	13	7	–44	–253	–226
Comparable EBIT	314	264	281	247	240	219	210	859	669	916
% of sales	12.8	10.8	11.5	9.6	9.5	8.6	8.4	11.7	8.8	9.0
Comparable profit before tax										
Profit before tax	336	250	263	214	498	182	181	848	861	1,075
Less: Items affecting comparability in operating profit	–50	2	4	27	–273	13	7	–44	–253	–226
Items affecting comparability in financial items	2	–	–	–	–	–	–	2	–	–
Comparable profit before tax	288	252	267	241	225	195	188	807	608	849
Less: Interest expenses and other financial expenses	13	15	10	13	12	20	12	38	44	57
	301	266	277	254	237	215	200	845	652	906
Capital employed, average	10,433	11,701	11,005	11,079	11,080	11,059	11,025	10,737	11,046	10,977
Comparable ROCE, %	11.5	10.0	10.1	9.2	8.6	7.8	7.3	10.5	7.9	8.3
Comparable profit for the period										
Profit for the period	268	198	227	193	408	160	155	693	723	916
Less: Items affecting comparability, total	–34	2	–2	22	–219	10	5	–34	–204	–182
Comparable profit for the period	234	200	225	215	189	170	160	659	519	734
Less: Profit attributable to non-controlling interest	–	–1	–	–	–	–	–	–	–	–
	234	199	225	215	189	170	160	658	519	734
Average number of shares basic (1,000)	533,505	533,505	533,505	533,505	533,505	533,505	533,505	533,505	533,505	533,505
Comparable EPS, EUR	0.44	0.37	0.42	0.41	0.35	0.32	0.30	1.23	0.97	1.38
Total equity, average	7,767	7,819	7,959	7,944	7,788	7,718	7,642	7,907	7,712	7,712
Comparable ROE, %	12.1	10.2	11.3	10.8	9.7	8.8	8.4	11.1	9.0	9.5
Net interest-bearing liabilities										
Non-current interest-bearing liabilities	1,957	2,148	2,452	2,797	2,742	2,844	2,952	1,957	2,742	2,797
Current interest-bearing liabilities	636	592	574	269	461	537	350	636	461	269
Interest-bearing liabilities	2,593	2,740	3,025	3,066	3,203	3,381	3,302	2,593	3,203	3,066
Non-current interest-bearing financial assets	292	350	321	318	325	313	362	292	325	318
Cash and cash equivalents	771	459	803	626	394	409	469	771	394	626
Other current interest-bearing financial assets	50	55	29	22	19	24	52	50	19	22
Interest-bearing financial assets	1,114	864	1,153	966	738	746	883	1,114	738	966
Net interest-bearing liabilities	1,479	1,876	1,873	2,100	2,465	2,635	2,419	1,479	2,465	2,100

Quarterly segment information

EURm	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q1–Q3/16	Q1–Q3/15	Q1–Q4/15
Sales										
UPM Biorefining	541	563	568	584	554	601	533	1,672	1,688	2,272
UPM Energy	89	81	97	110	112	94	99	266	305	415
UPM Raflatac	355	360	351	363	353	351	342	1,065	1,046	1,409
UPM Specialty Papers	305	327	312	284	286	300	298	944	884	1,168
UPM Paper ENA	1,234	1,155	1,202	1,311	1,279	1,210	1,256	3,590	3,745	5,056
UPM Plywood	106	119	110	102	105	113	119	335	337	439
Other operations	65	76	73	76	97	119	114	213	330	406
Internal sales	–246	–229	–233	–248	–239	–219	–267	–708	–725	–973
Eliminations and reconciliations	–2	–6	–34	–8	–17	–21	–8	–42	–46	–54
Sales, total	2,445	2,445	2,446	2,574	2,530	2,548	2,486	7,336	7,564	10,138
Comparable EBITDA										
UPM Biorefining	132	140	175	166	161	153	134	448	448	614
UPM Energy	32	25	36	62	47	43	40	93	130	192
UPM Raflatac	43	43	41	36	39	33	29	128	101	137
UPM Specialty Papers	58	53	48	31	35	32	43	160	110	141
UPM Paper ENA	148	93	96	64	55	38	56	337	149	213
UPM Plywood	17	25	20	18	17	18	25	61	60	78
Other operations	–7	–9	–10	–8	–4	–1	–3	–26	–8	–16
Eliminations and reconciliations	–2	16	–4	–6	–5	1	1	10	–3	–9
Comparable EBITDA, total	423	385	403	363	345	317	325	1,210	987	1,350
Operating profit										
UPM Biorefining	94	105	135	129	122	118	97	334	337	466
UPM Energy	30	22	33	51	45	21	38	85	104	155
UPM Raflatac	36	35	33	28	30	20	21	103	71	99
UPM Specialty Papers	36	30	23	10	12	11	22	89	45	55
UPM Paper ENA	160	47	–11	23	13	–9	5	197	9	32
UPM Plywood	12	19	14	10	11	13	19	45	43	53
Other operations [1]	–4	–9	0	–3	280	23	6	–13	309	306
Eliminations and reconciliations	1	12	50	–28	–	9	–5	62	4	–24
Operating profit, total	364	262	277	220	513	206	203	903	922	1,142
% of sales	14.9	10.7	11.3	8.5	20.3	8.1	8.2	12.3	12.2	11.3
Items affecting comparability in operating profit										
UPM Biorefining	–	–	–	–1	–	–	–	–	–	–1
UPM Energy	–	–	–	–7	–	–19	–	–	–19	–26
UPM Raflatac	–	–	–	–	1	–4	–	–	–3	–3
UPM Specialty Papers	–	–	–	–	–	–	–	–	–	–
UPM Paper ENA	47	2	–57	5	4	–1	–	–8	3	8
UPM Plywood	–	–	–	–2	–	–	–	–	–	–2
Other operations [1]	–	–	–	–	266	3	–1	–	268	268
Eliminations and reconciliations [2]	3	–4	53	–22	2	8	–6	51	4	–18
Items affecting comparability in operating profit, total	50	–2	–4	–27	273	–13	–7	44	253	226
Comparable EBIT										
UPM Biorefining	94	105	135	130	122	118	97	334	337	467
UPM Energy	30	22	33	58	45	40	38	85	123	181
UPM Raflatac	35	35	33	28	29	24	21	103	74	102
UPM Specialty Papers	36	30	23	10	12	11	22	89	45	55
UPM Paper ENA	113	45	46	18	9	–8	5	205	6	24
UPM Plywood	12	19	14	12	11	13	19	45	43	55
Other operations	–4	–9	1	–3	14	20	7	–13	41	38
Eliminations and reconciliations	–2	16	–3	–6	–2	1	1	11	–	–6
Comparable EBIT, total	314	264	281	247	240	219	210	859	669	916
% of sales	12.8	10.8	11.5	9.6	9.5	8.6	8.4	11.7	8.8	9.0

[1] Q3 2015 Other operations includes a fair value increase of biological assets in Finland totalling EUR 265 million, due to adjusted long-term wood price estimates and a change in the discount rate.

[2] Q3 2016, eliminations and reconciliation includes EUR 3 million income relating to changes in fair value of unrealised cash flow and currency hedges. Q2 2016 eliminations and reconciliation includes EUR 3 million expenses relating to changes in fair value of unrealised cash flow and currency hedges and EUR –1 million elimination adjustment related to the joint operation Madison Paper Industries (MPI). Q1 2016 eliminations and reconciliation includes EUR 28 million elimination adjustments of the joint operation Madison Paper Industries (MPI) reported as subsidiary in UPM Paper ENA and EUR 25 million of changes in fair value of unrealised cash flow and commodity hedges. In 2015 eliminations and reconciliation include changes in fair value of unrealised cash flow and commodity hedges.

Changes in property, plant and equipment

EURm	Q1–Q3/2016	Q1–Q3/2015	Q1–Q4/2015
Book value at beginning of period	4,895	4,707	4,707
Capital expenditure	224	317	471
Decreases	–33	–11	–14
Depreciation	–362	–364	–487
Impairment charges	–9	–	–
Translation difference and other changes	–93	147	218
Book value at end of period	4,622	4,796	4,895

Financial assets and liabilities measured at fair value

EURm	30 Sep 2016				30 Sep 2015				31 Dec 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets												
Trading derivatives	5	65	–	70	2	53	–	55	6	63	–	69
Derivatives used for hedging	10	301	–	311	76	397	–	473	88	283	–	371
Available-for-sale investments	–	–	1,983	1,983	–	–	2,412	2,412	–	–	2,085	2,085
Total	15	366	1,983	2,364	78	450	2,412	2,940	94	346	2,085	2,525
Liabilities												
Trading derivatives	20	88	–	108	21	156	–	177	59	62	–	121
Derivatives used for hedging	38	85	–	123	99	91	–	190	109	89	–	198
Total	58	173	–	231	120	247	–	367	168	151	–	319

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–Q3/2016**	**Q1–Q3/2015**	**Q1–Q4/2015**
Opening balance	2,085	2,510	2,510
Additions	–	1	33
Disposals	–5	–	–35
Transfers into Level 3	–	1	1
Translation differences	–	1	–
Gains and losses			
Recognised in statement of comprehensive income, under available-for-sale investments	–97	–101	–424
Closing balance	1,983	2,412	2,085

Fair valuation of available-for-sale investments in the UPM Energy (Pohjolan Voima Oy's A, B, B2, C, C2, 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 334 million. The discount rate of 5.85% used in the valuation model is determined using the weighted average cost of capital method. A change of +/- 0.5% in the discount rate would change the total value of the assets by approximately -/+ EUR 320 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 financial assets and liabilities measured at carrying amount

EURm	30 Sep 2016	30 Sep 2015	31 Dec 2015
Non-current interest bearing liabilities, excl. derivative financial instruments	1,878	2,694	2,755

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

Commitments and contingencies

EURm	30 Sep 2016	30 Sep 2015	31 Dec 2015
Own commitments			
Mortgages	150	218	220
On behalf of others			
Guarantees	2	5	4
Other own commitments			
Leasing commitments for the next 12 months	69	59	65
Leasing commitments for subsequent periods	356	335	355
Other commitments	164	137	180

Capital commitments

EURm	Completion	Total cost	By 31 Dec 2015	Q1–Q3/2016	After 30 Sep 2016
Capacity increase / Kymi	Q4 2017	98	–	7	91
Debottlenecking / Kaukas Pulp Mill	Q4 2016	52	3	24	25
Mill expansion / Otepää	Q4 2016	42	12	20	10

Notional amounts of derivative financial instruments

EURm	30 Sep 2016	30 Sep 2015	31 Dec 2015
Interest rate forward contracts	2,245	1,672	1,906
Interest rate swaps	1,990	2,118	2,131
Forward foreign exchange contracts	2,568	4,323	2,949
Currency options, bought	5	–	25
Currency options, written	–	–	48
Cross currency swaps	566	658	669
Commodity contracts	434	325	400

Assets classified as held for sale

Assets classified as held for sale relate to hydro power assets located at the mill site in Madison Paper Industries in the US. More information is presented under "Events during January–September 2016".

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 Group's consolidated statements for 2015. Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full year.

Alternative performance measures presented in this report should not be considered as a substitute for measures of performance in accordance with the IFRS and may not be comparable to similarly titled amounts used by other companies.

Figures presented in this report have been rounded and therefore the sum of individual figures might deviate from the presented total figure. Key figures have been calculated using exact figures.

Formulae for key figures

Comparable EBITDA:

Operating profit – depreciation – impairment charges
– change in fair value of biological assets and wood harvested
– share of results of associated companies and joint ventures
– items affecting comparability

Comparable EBIT:

Operating profit – items affecting comparability in operating profit

Comparable profit for the period:

Profit for the period
– items affecting comparability

Gearing ratio, %:

$$\frac{\text{Net interest-bearing liabilities}}{\text{Total equity}} \times 100$$

Net interest-bearing liabilities:

Interest-bearing liabilities – interest-bearing financial assets

Return on equity (ROE), %:

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

Comparable ROE, %:

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

Return on capital employed (ROCE), %:

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

Comparable ROCE, %:

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

Comparable ROCE, for the segments (operating capital), %:

$$\frac{\text{Operating profit – items affecting comparability}}{\text{Non-current assets + inventories + trade receivables – trade payables (average)}} \times 100$$

Earnings per share (EPS):

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

Comparable EPS:

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

Equity per share:

$$\frac{\text{Equity attributable to owners of the parent company}}{\text{Adjusted number of shares at end of period}}$$

Operating cash flow per share:

$$\frac{\text{Operating cash flow}}{\text{Adjusted average number of shares during the period excluding treasury shares}}$$

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. The main earnings sensitivities and the group´s cost structure are presented on page 18 of the 2015 Annual Report. Risks and opportunities are discussed on pages 17–18 and risks and risk management are presented on pages 84–86 of the report.

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