



UPM RESULTS Q1 2016

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President and CEO
26 April 2016

Q1 2016 – growth projects and cost efficiency measures deliver improved earnings

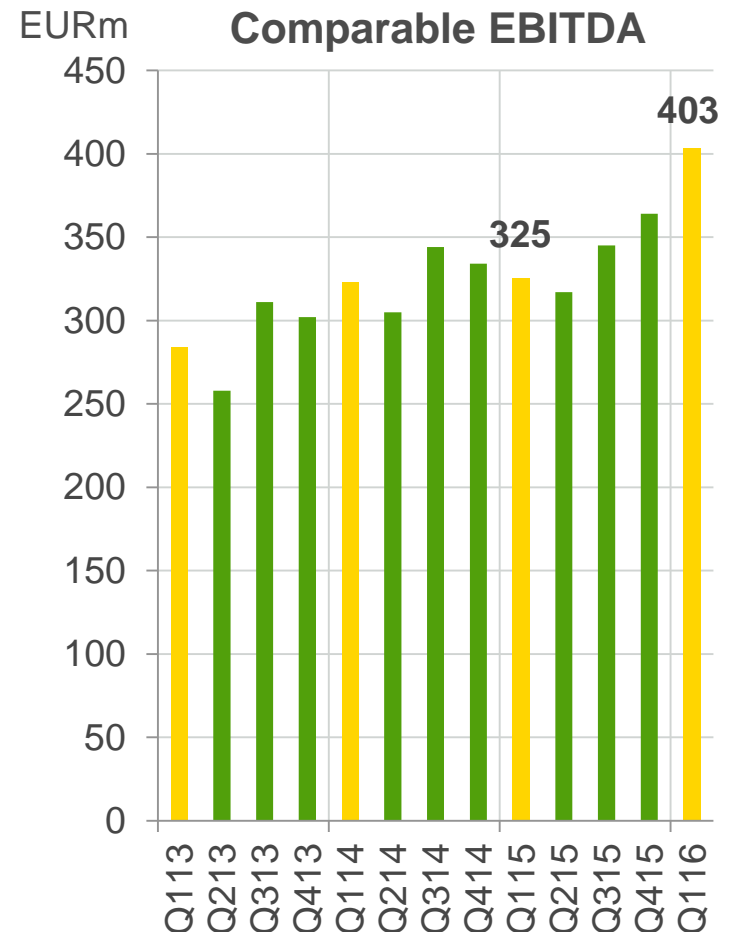
EBITDA increased by 24%

- + Cost efficiency measures resulted in significantly lower variable, fixed costs
- + Growth projects contributed to earnings
- + Realised currency hedges neutral
- + Operational efficiency on a good level

Comparable EBIT increased by 34% to EUR 281m (210m)

Strong operating cash flow at EUR 341m (108m)

Net debt decreased to EUR 1,873m (2,419m)





Mostly favourable market demand in Q1 2016

Growing demand

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

Stable demand

- Electricity
- Fine papers in Asia
- Sawn timber

Declining demand

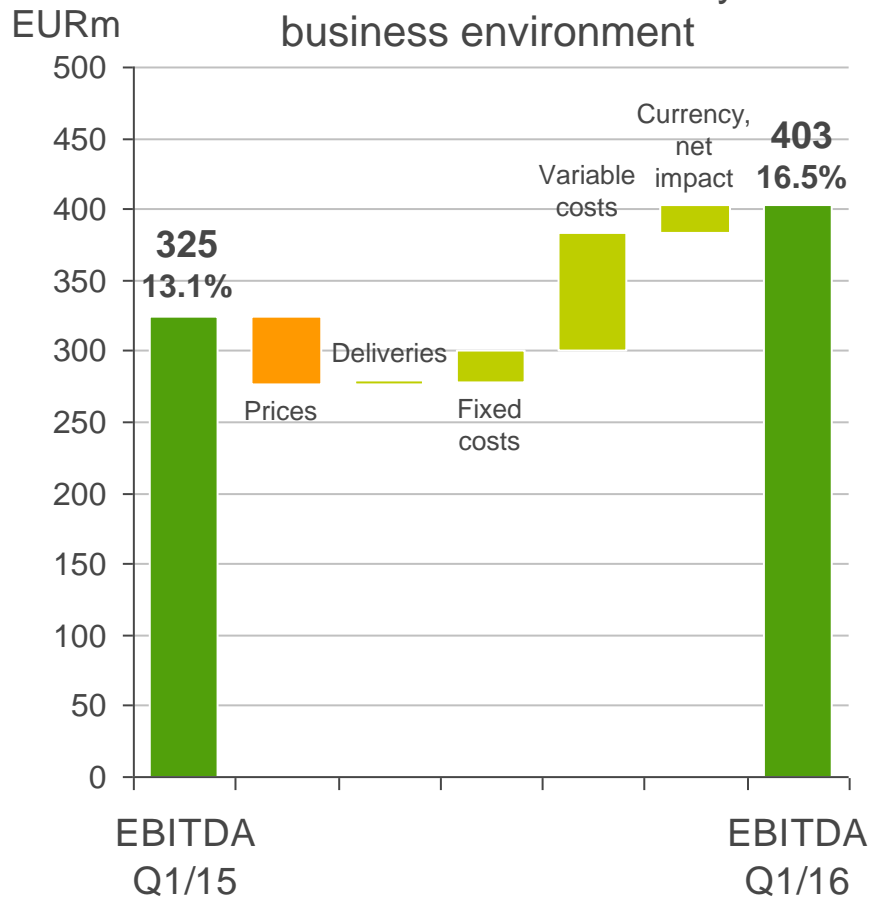
- Graphic papers in Europe and North America



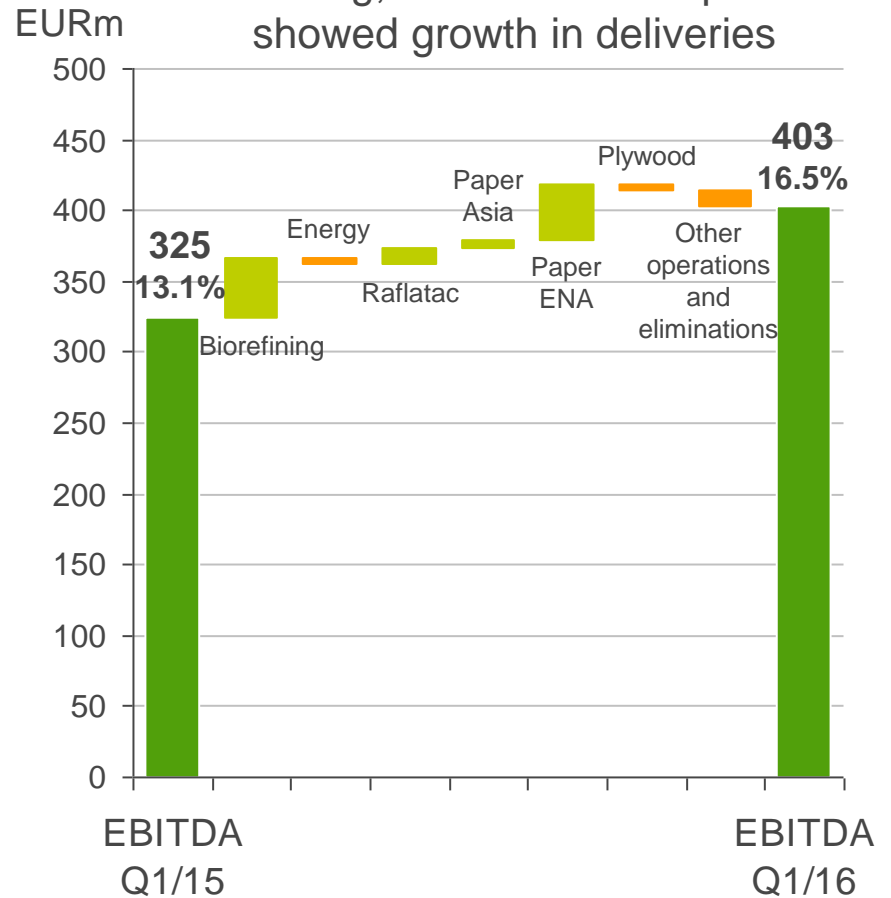


Comparable EBITDA in Q1 2016 vs. Q1 2015

UPM benefited from cost efficiency measures in a deflationary business environment

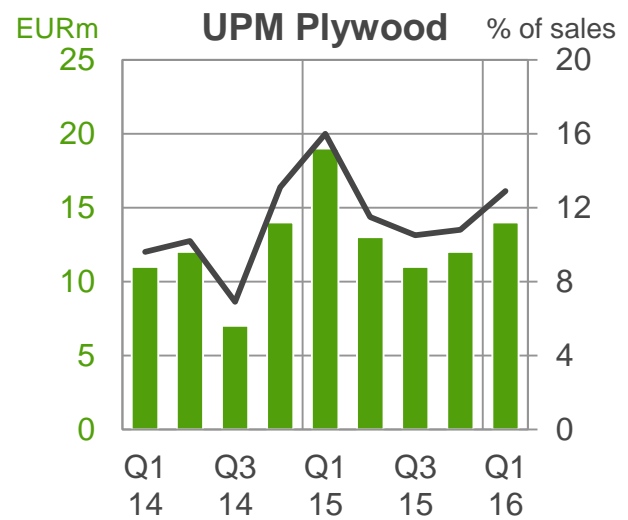
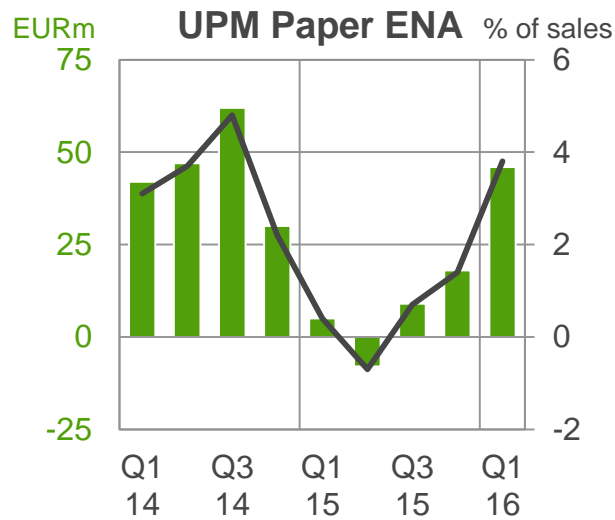
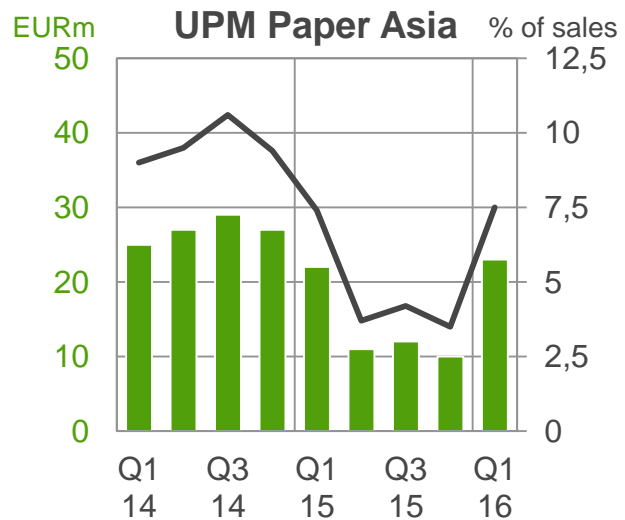
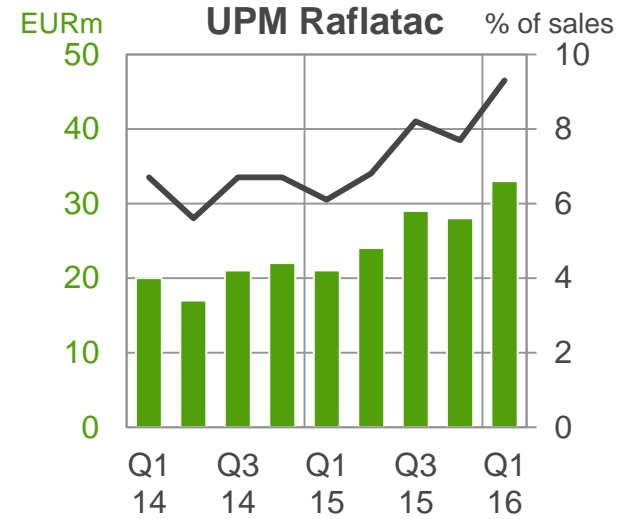
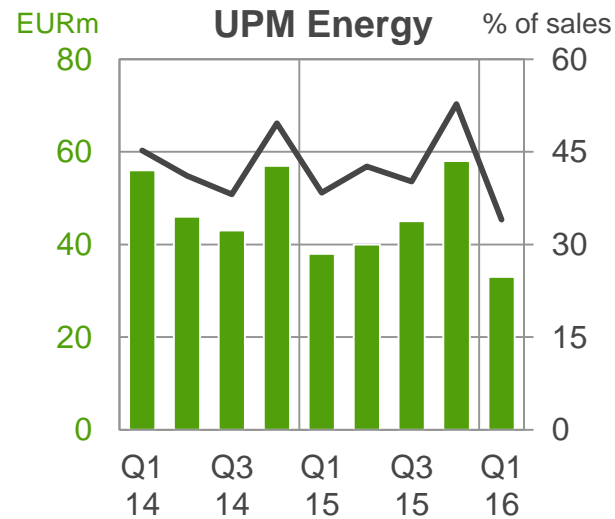
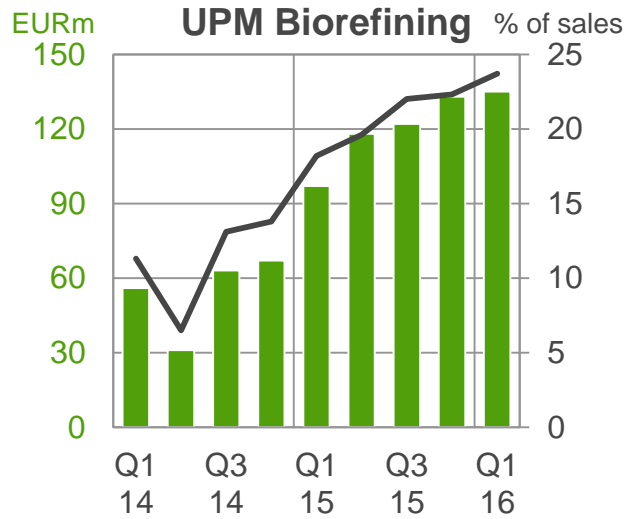


Cost efficiency improved in all businesses. Biorefining, Raflatac and Paper Asia showed growth in deliveries



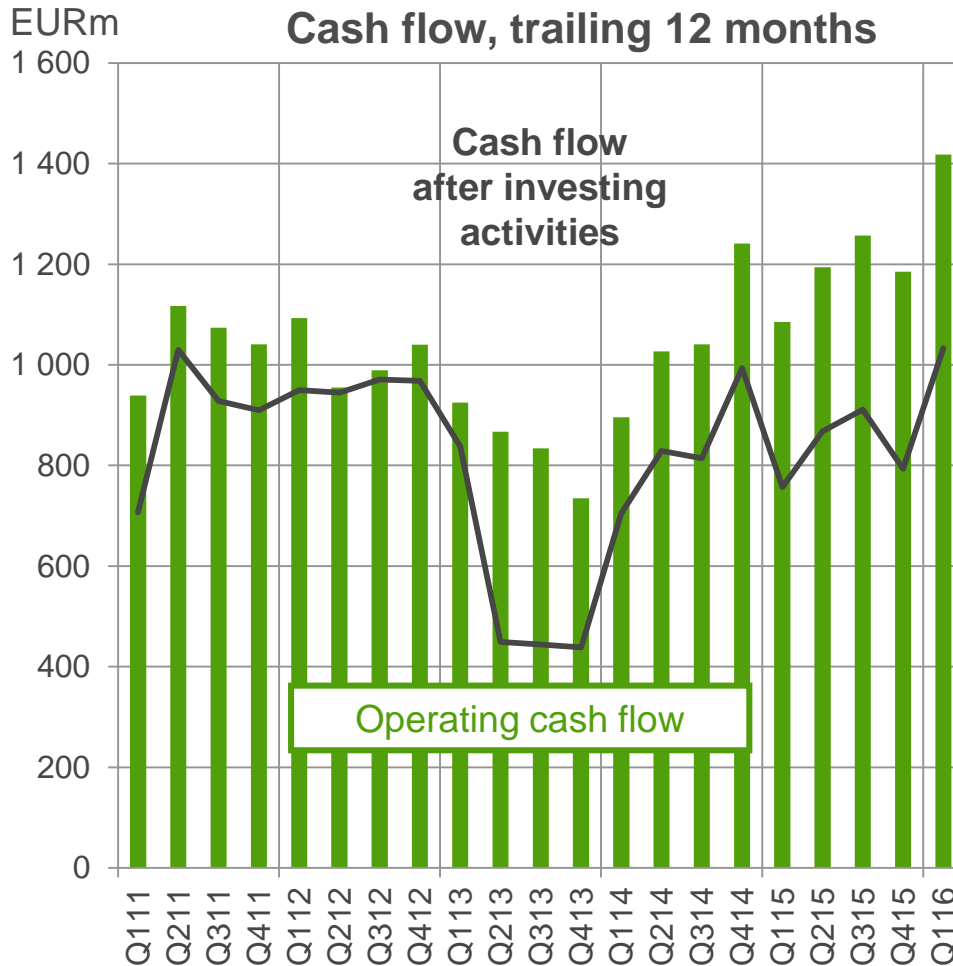


Comparable EBIT by business area





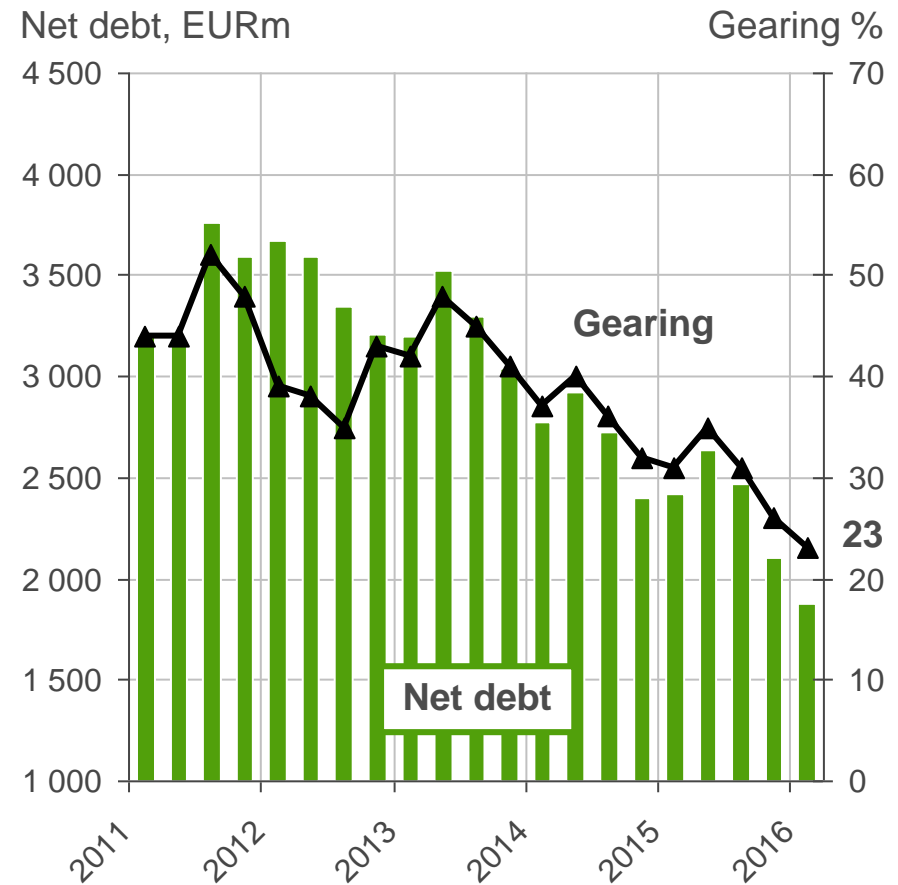
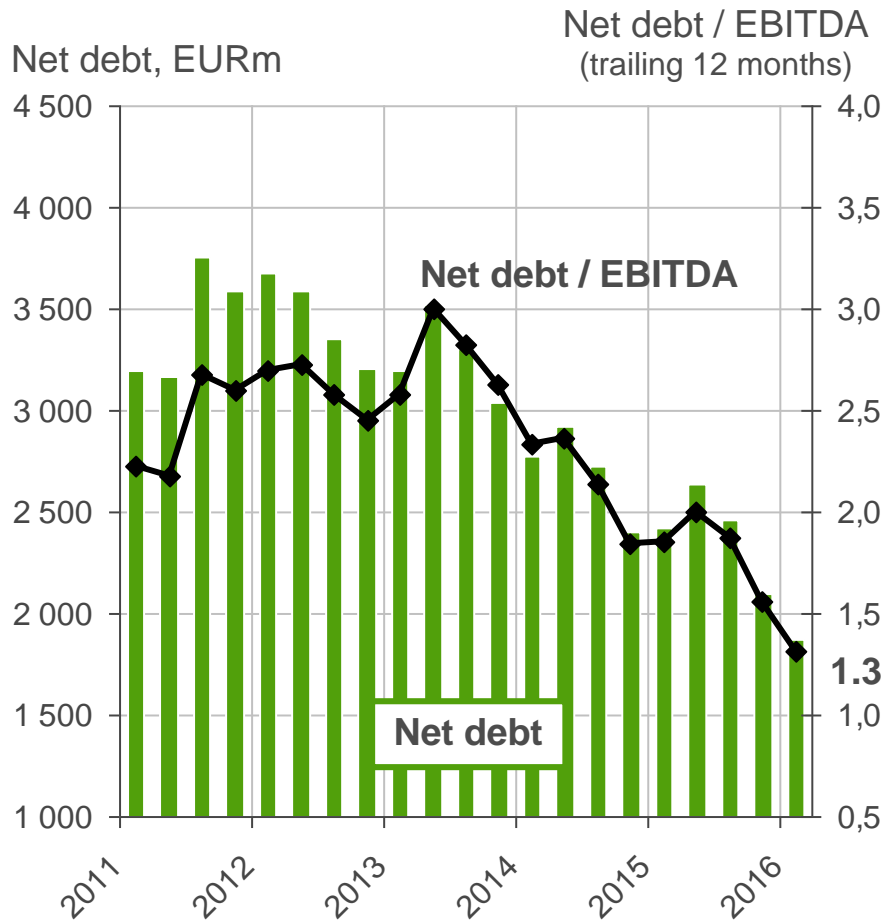
Strong cash flow



- Q1 2016 operating cash flow was EUR 341m (108m)
- In Q1 2016, working capital increased seasonally by EUR 14m (EUR 147m)
- In the latest 12 months, operating cash flow was EUR 1,418m (1,085m), EUR 2.66 per share (2.03)



Balance sheet continued to strengthen



Liquidity was EUR 1.9bn at the end of Q1 2016
Repayments total EUR 0.2bn in 2016

Growth projects ramping up and contributing to earnings in 2016 and beyond

Pietarsaari
pulp mill expansion
70,000t

Fray Bentos
pulp mill expansion
100,000t

Lappeenranta biorefinery
120m litres of renewable diesel

Kymi
pulp mill expansion
170,000t

Kaukas
pulp mill efficiency improvement, paper and pulp decoupling completed



Capex so far EUR 680m

Remaining EUR 90m

Q2
2014

Q3
2014

Q4
2014

Q1
2015

Q2
2015

Q3
2015

Q4
2015

**Q1
2016**

Q2
2016

Q3
2016

Q4
2016



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



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



UPM Plywood
Otepää mill expansion to 90,000m³



UPM is well positioned for 2016

UPM actions continue:

- Ramp-up at UPM Changshu PM3 and the Lappeenranta biorefinery
- Full potential of the pulp mills
- UPM Kaukas and UPM Otepää investments
- Cost efficiency measures
- Closure of Madison Paper Industries, sale of UPM Schwedt paper mill assets

Scheduled maintenance stops:

- Pulp (Q3, Q4) and paper mills (Q2, Q4), Lappeenranta biorefinery (Q2) and Olkiluoto nuclear power plant units (Q2)



Outlook for 2016 is unchanged

- UPM's profitability improved in 2015 and the improvement is expected to continue in 2016.
- UPM's growth projects are expected to contribute positively to the company's earnings in 2016, compared with 2015.
- UPM continues its measures to reduce variable and fixed costs also in 2016.
- Currencies are expected to contribute positively as hedges roll over, assuming relevant currencies stay at about the same level as at the end of 2015.



Summary

Strong Q1 2016 results

- Cost efficiency measures
- Growth projects
- Strong cash flow, record-strong balance sheet

UPM is well positioned for 2016

- Ramp-up of growth projects continues
- Cost efficiency measures continue

Strong cash flow and balance sheet

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

UPM strategic focus areas



1 Performance

Continuous improvement in performance

“Cost efficiency measures”



2 Growth

Focused growth projects

“EBITDA target for growth projects EUR 200m”



3 Portfolio

Business portfolio development and value creation

“Net debt reduction EUR 546m”

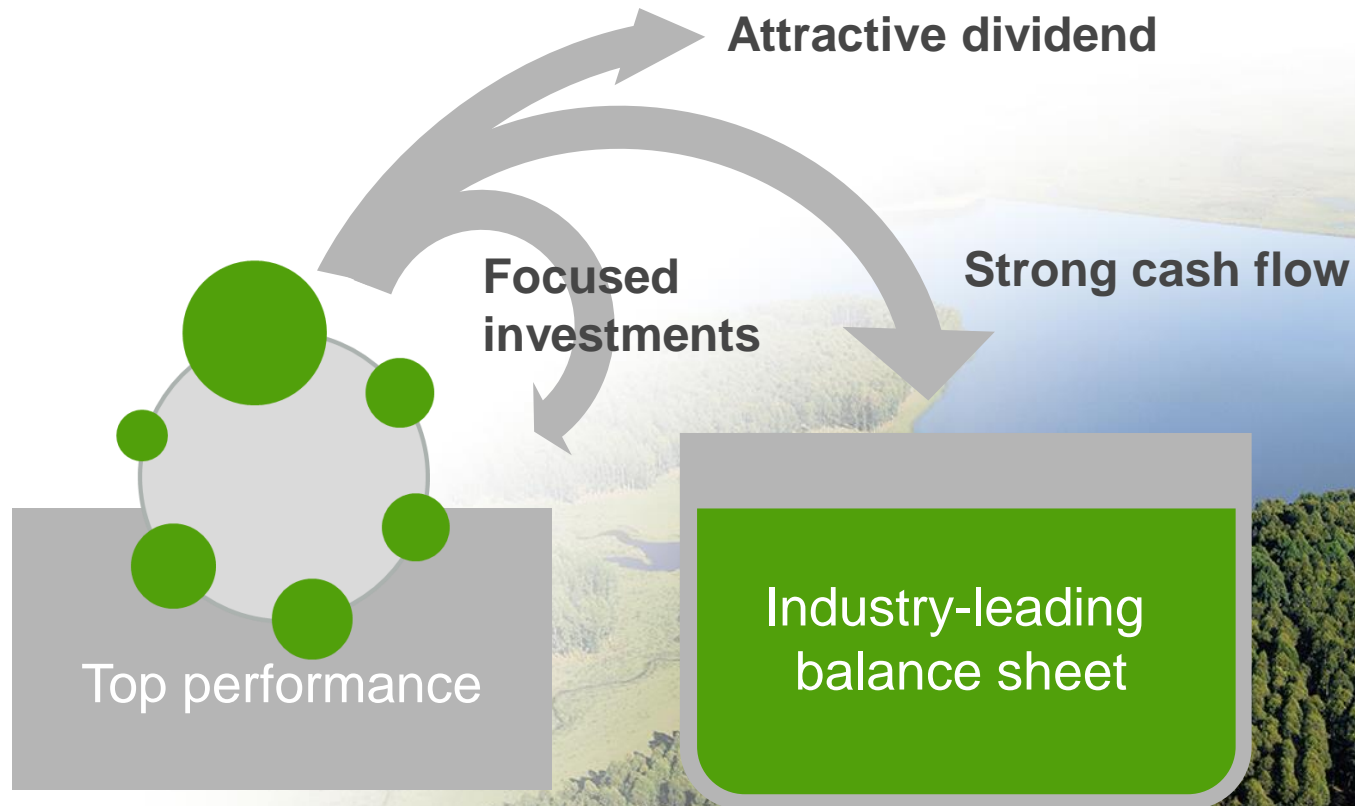


4 Innovation

New business and product development

“Biofuels commercial ramp-up”

Strengths of UPM's model















UPM

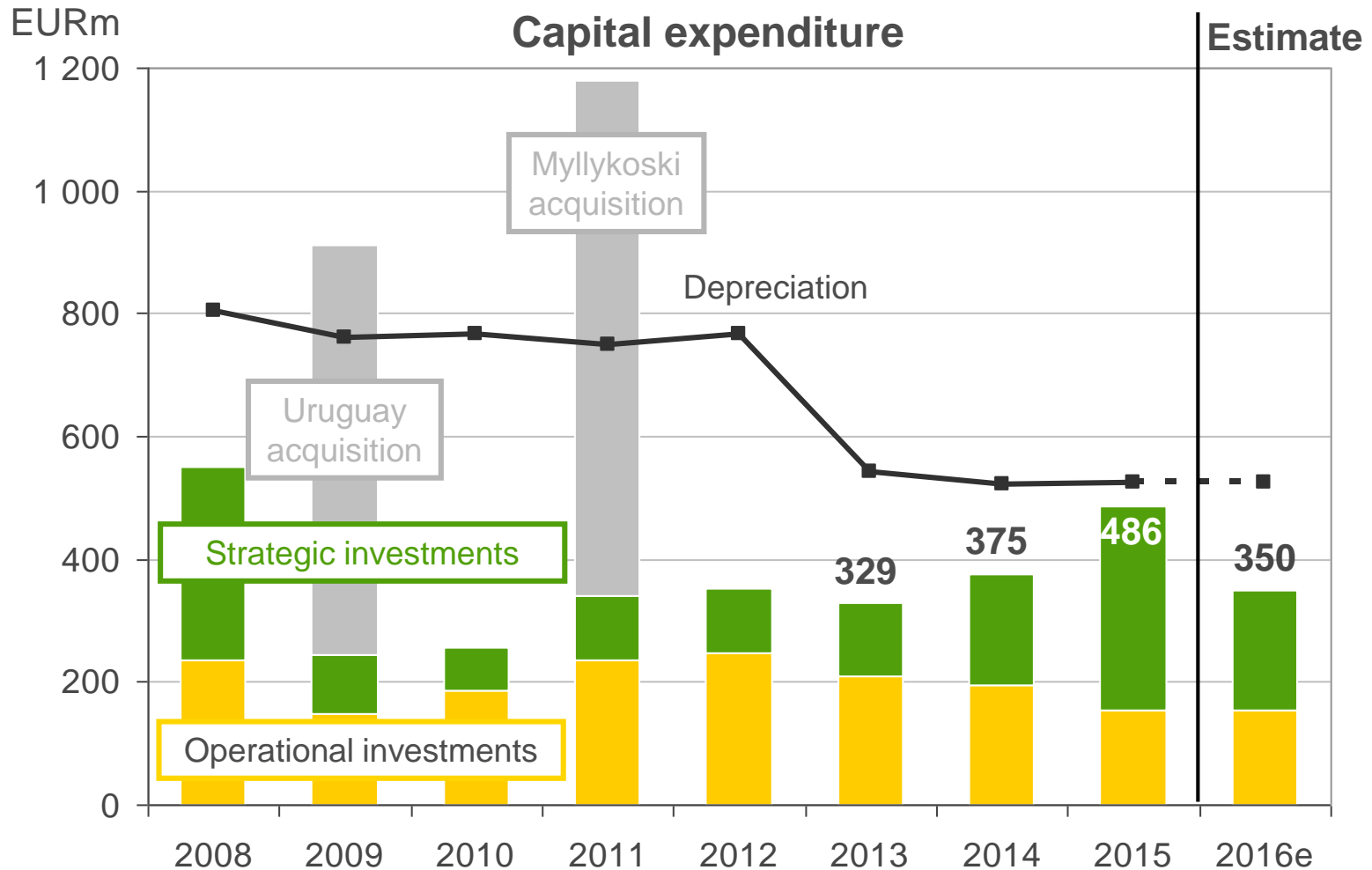
The Biofore
Company

Q1 2016 – growth projects and cost efficiency measures deliver improved earnings

Q1 2016 vs. Q1 2015:

Sales EUR 2,446m		-2%	Comparable ROE 11.3%		+2.9pp
Comparable EBITDA EUR 403m		+78m	Operating cash flow EUR 341m		+233m
Comparable EBIT EUR 281m		+71m	Net debt EUR 1,873m		-546m
Comparable profit before tax EUR 267m		+79m	Net debt / EBITDA 1.31x		-0.54x
Comparable EPS EUR 0.42		+0.12	Gearing 23%		-8pp

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





Maturity profile and liquidity

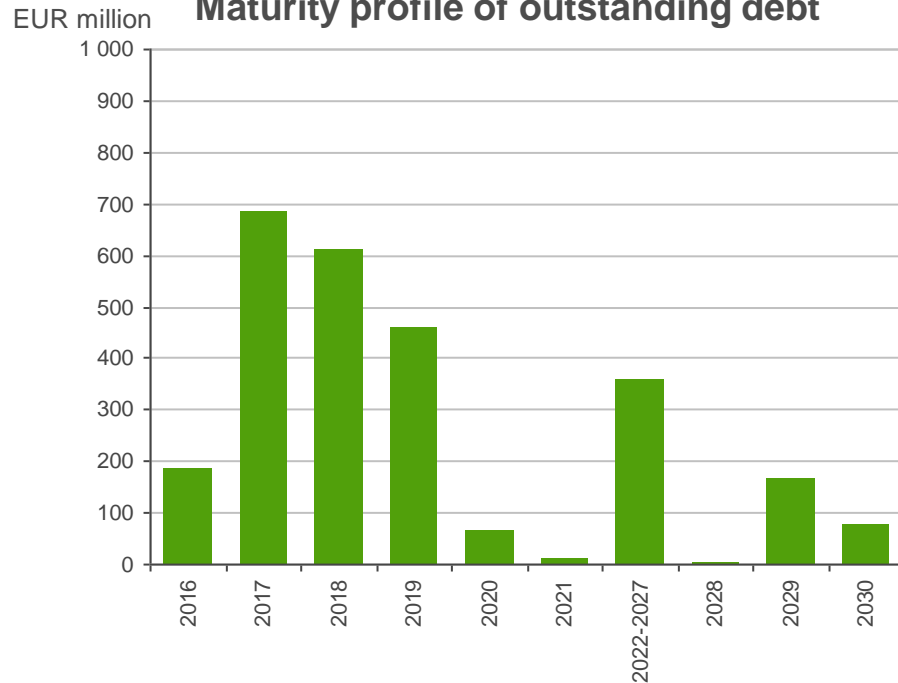
Liquidity

Liquidity on 31 March 2016 was EUR 1.9bn (cash and unused credit facilities)

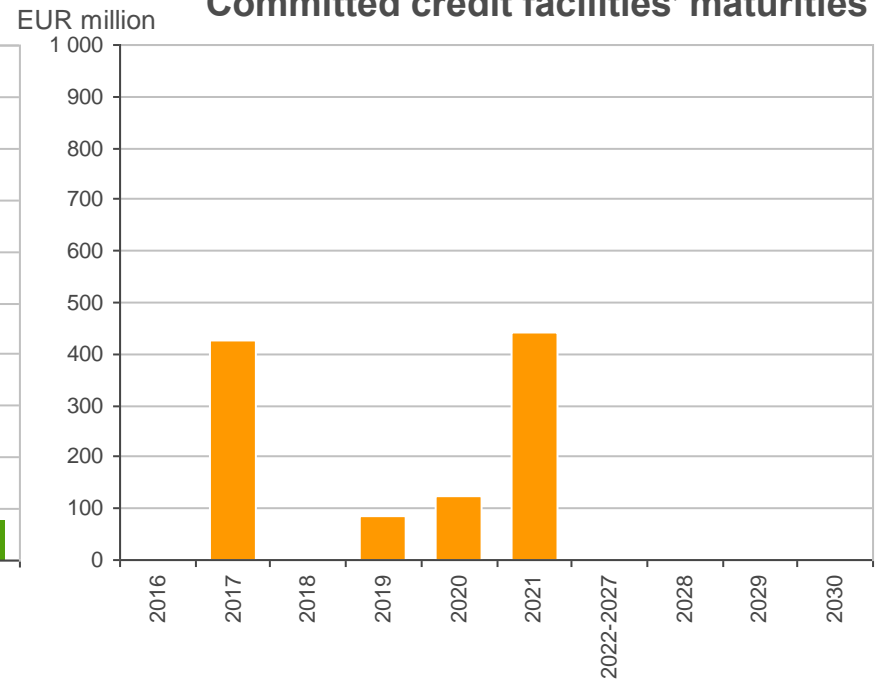
Committed credit facilities EUR 1,075m

Bilateral committed credit facilities EUR 1,075m

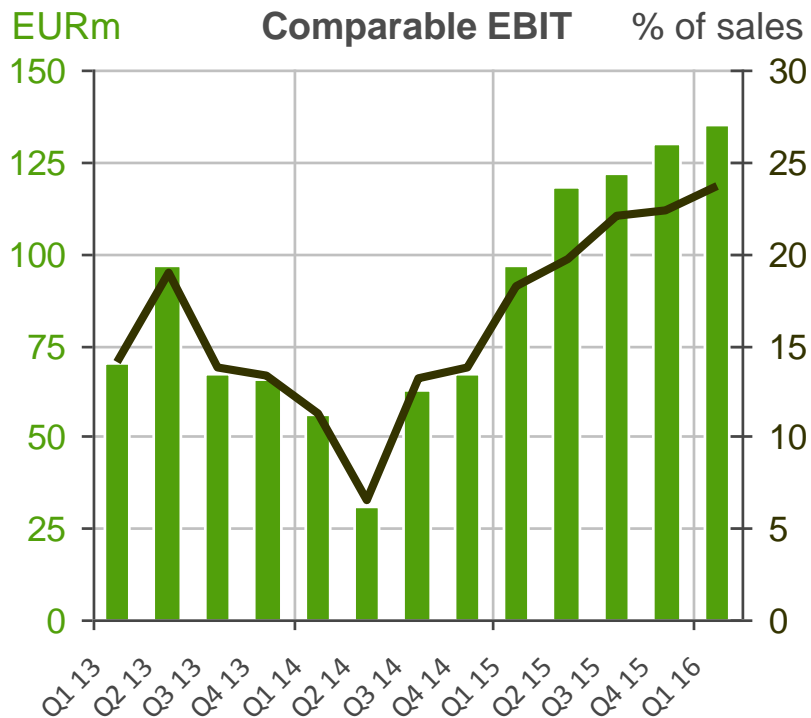
Maturity profile of outstanding debt



Committed credit facilities' maturities

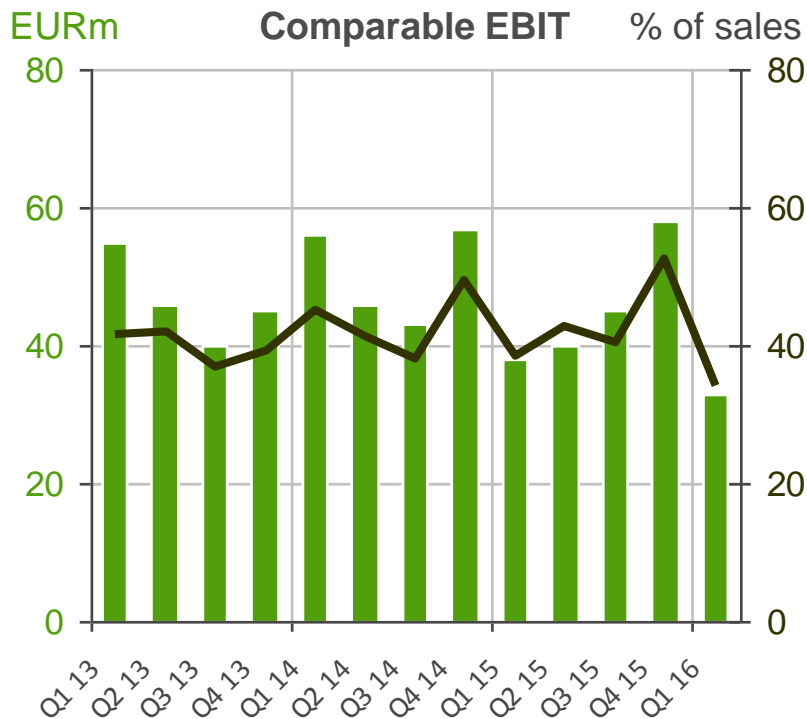


UPM Biorefining



Actions

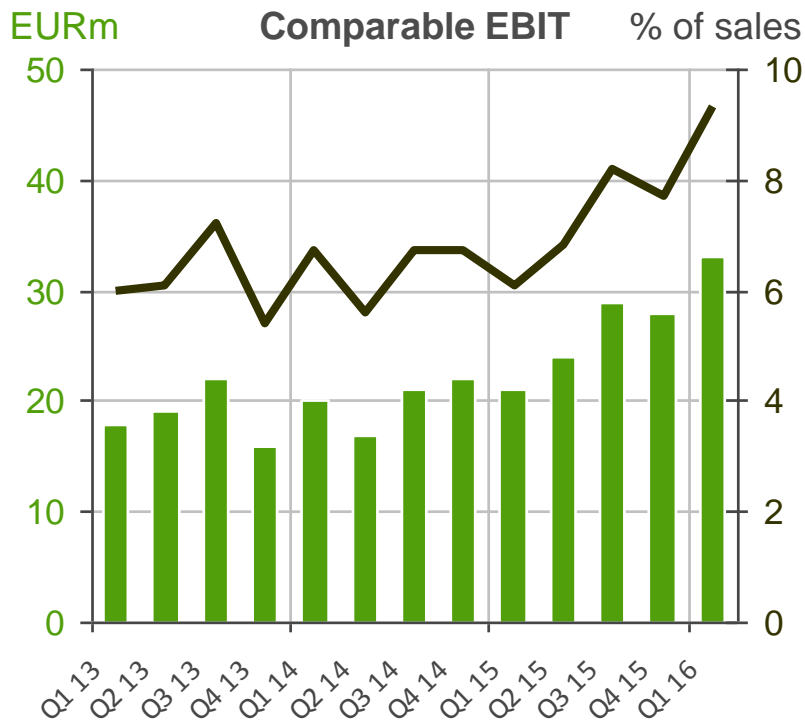
- Pulp production capacity increased and production efficiency improved.
- Steady production was achieved at the Lappeenranta biorefinery and a monthly production record was reached in January.
- Cost efficiency improved.



Actions

- Strong hydro and nuclear electricity production volumes.
- Average electricity sales price clearly above Finnish area spot price due to hedging and hydro optimisation.

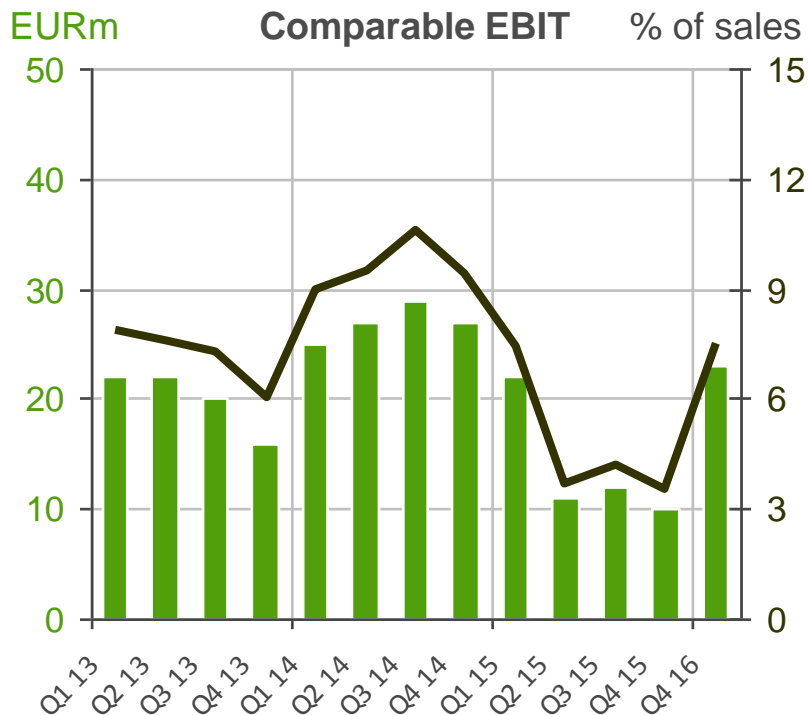
UPM Raflatac



Actions

- Improved product mix and cost-efficient growth in films and special products was achieved through growth investments, supported by an enhanced customer offering.

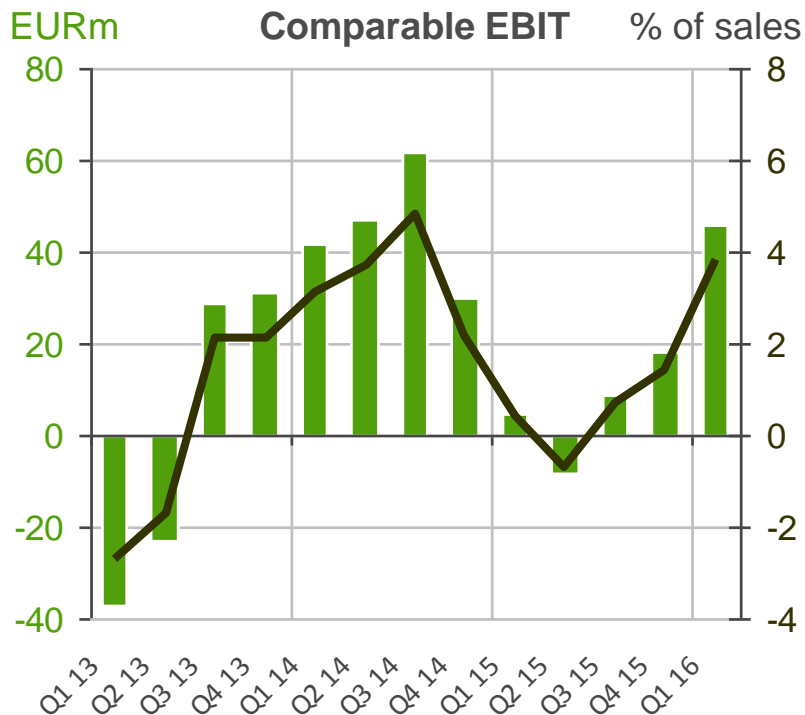
UPM Paper Asia



Actions

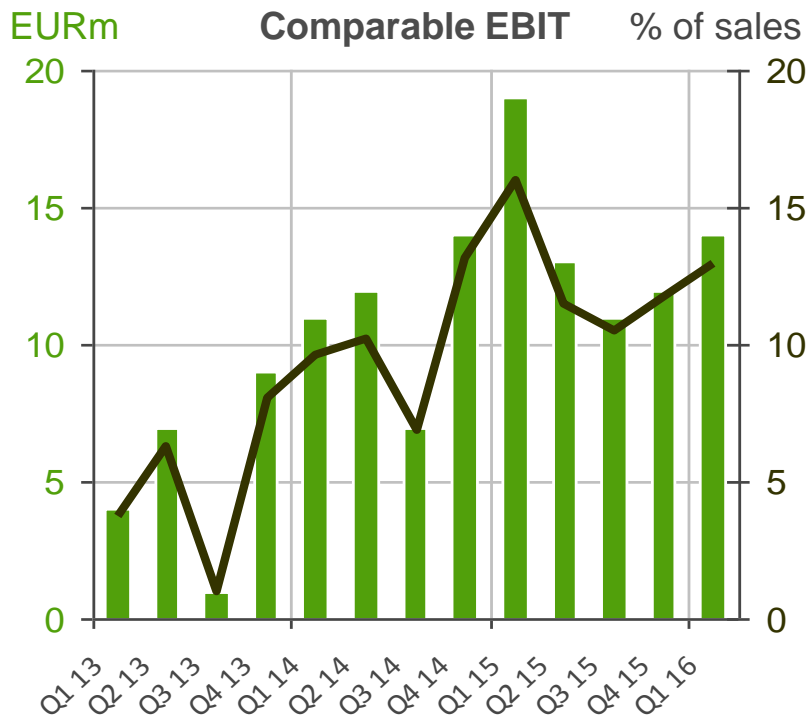
- Production was ramped up successfully at the new speciality paper machine at the UPM Changshu mill in China, and product qualification has met customers' high-quality requirements.

UPM Paper ENA



Actions

- Challenging market conditions were mitigated through a successful commercial strategy and improved cost efficiency.
- Announced closure of Madison Paper Industries in the US.



Actions

- Otepää mill expansion proceeded according to schedule; first installations already taken into use.
- Finnish birch mill competitiveness improvement programme proceeded according to plan.
- Production adjustments carried out in Pellos spruce plywood mills to mitigate negative impact of low-priced imports.



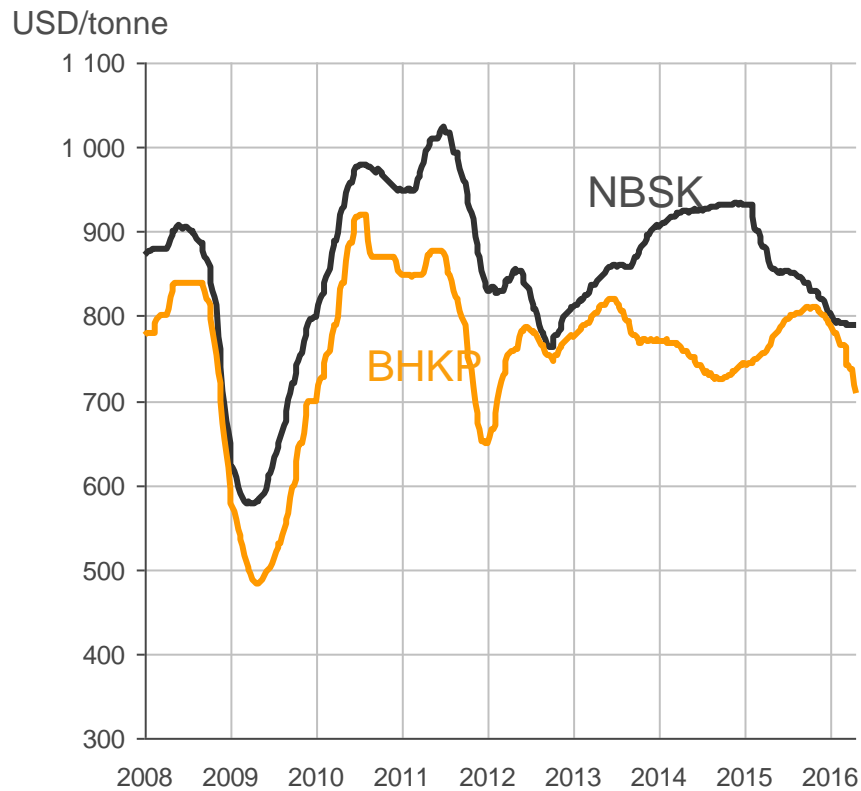
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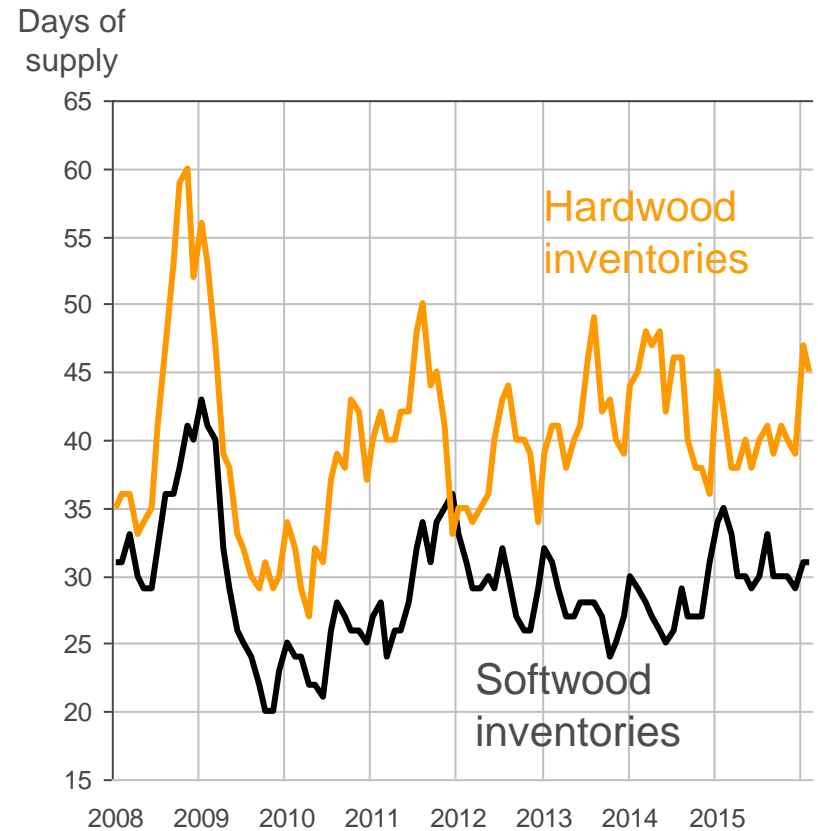
Chemical pulp market

Q1 NBSK pulp price decreased 3% from Q4
Q1 BHKP pulp price decreased 5% from Q4



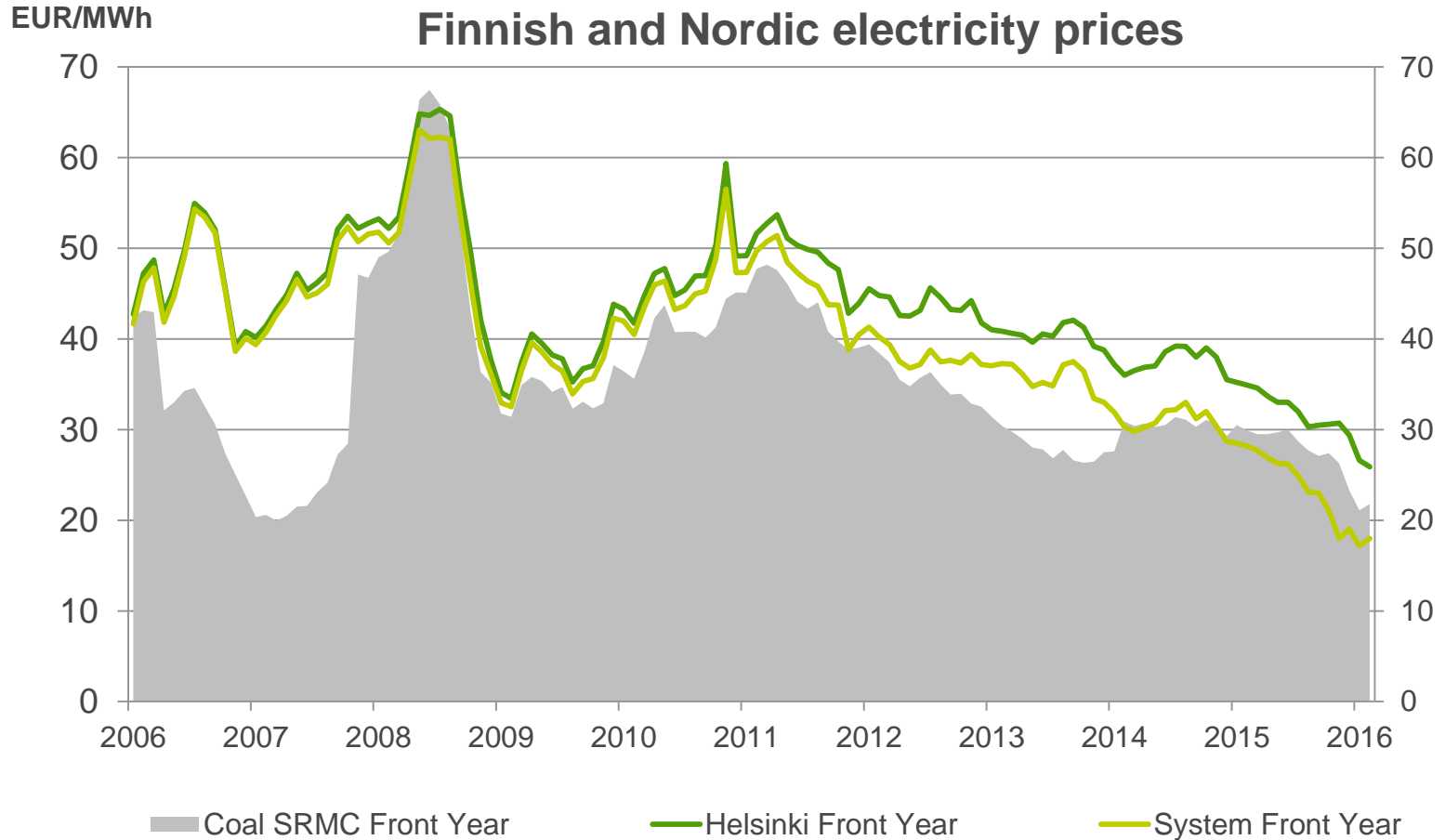
Source: FOEX Indexes Ltd.

Pulp inventories



Source: PPPC World-20 statistics

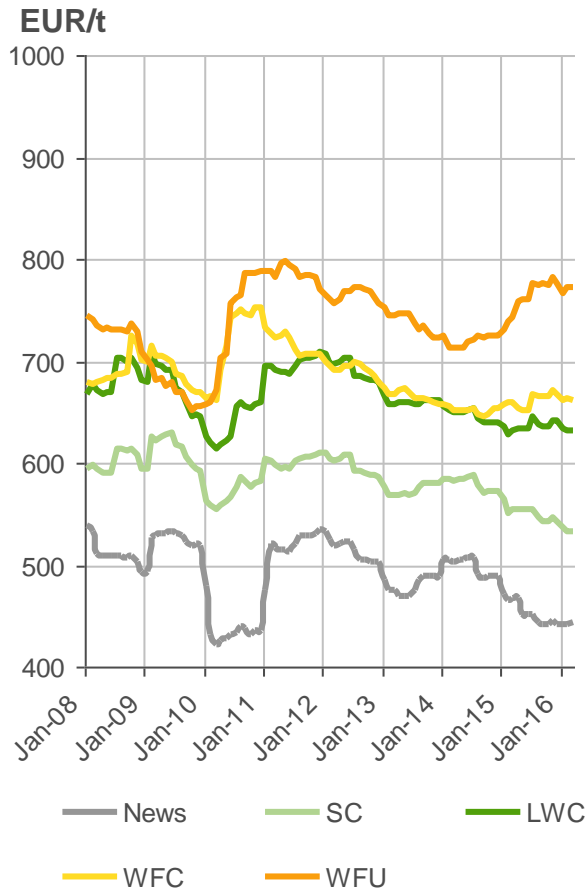
Price development in the Nordic and Helsinki power markets



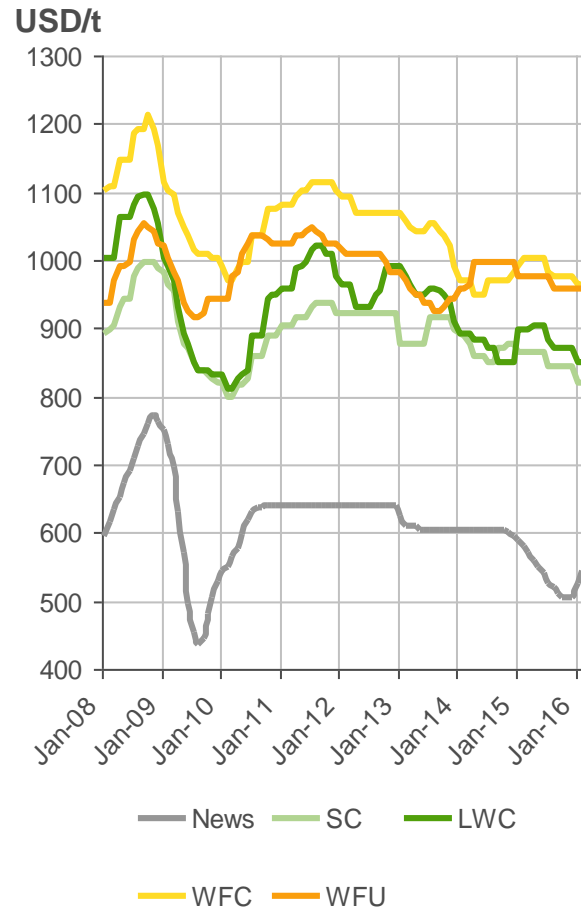
Source: Reuters

Graphic paper prices

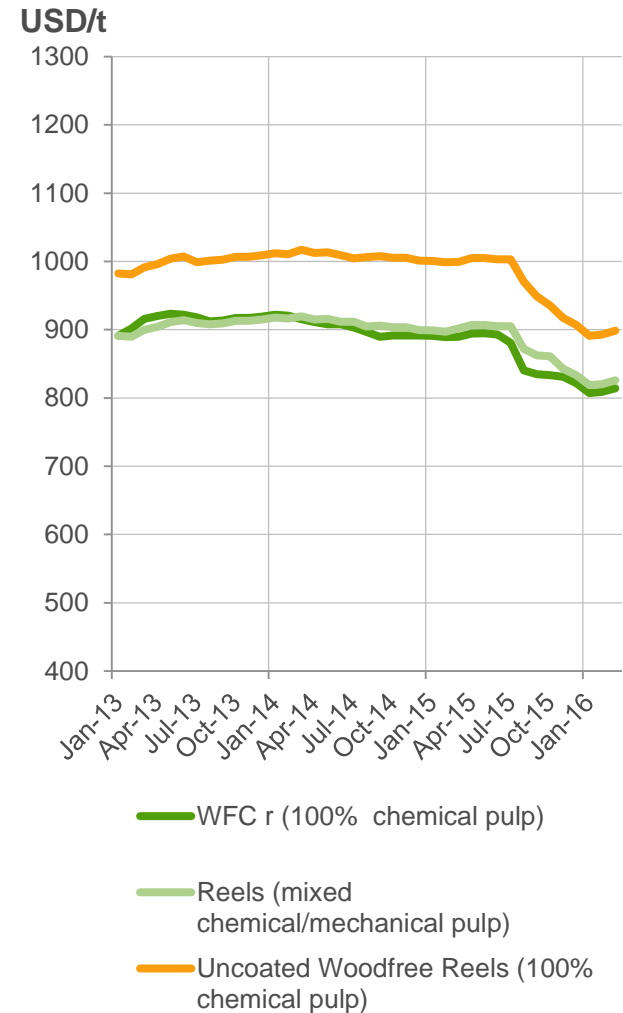
Europe



North America

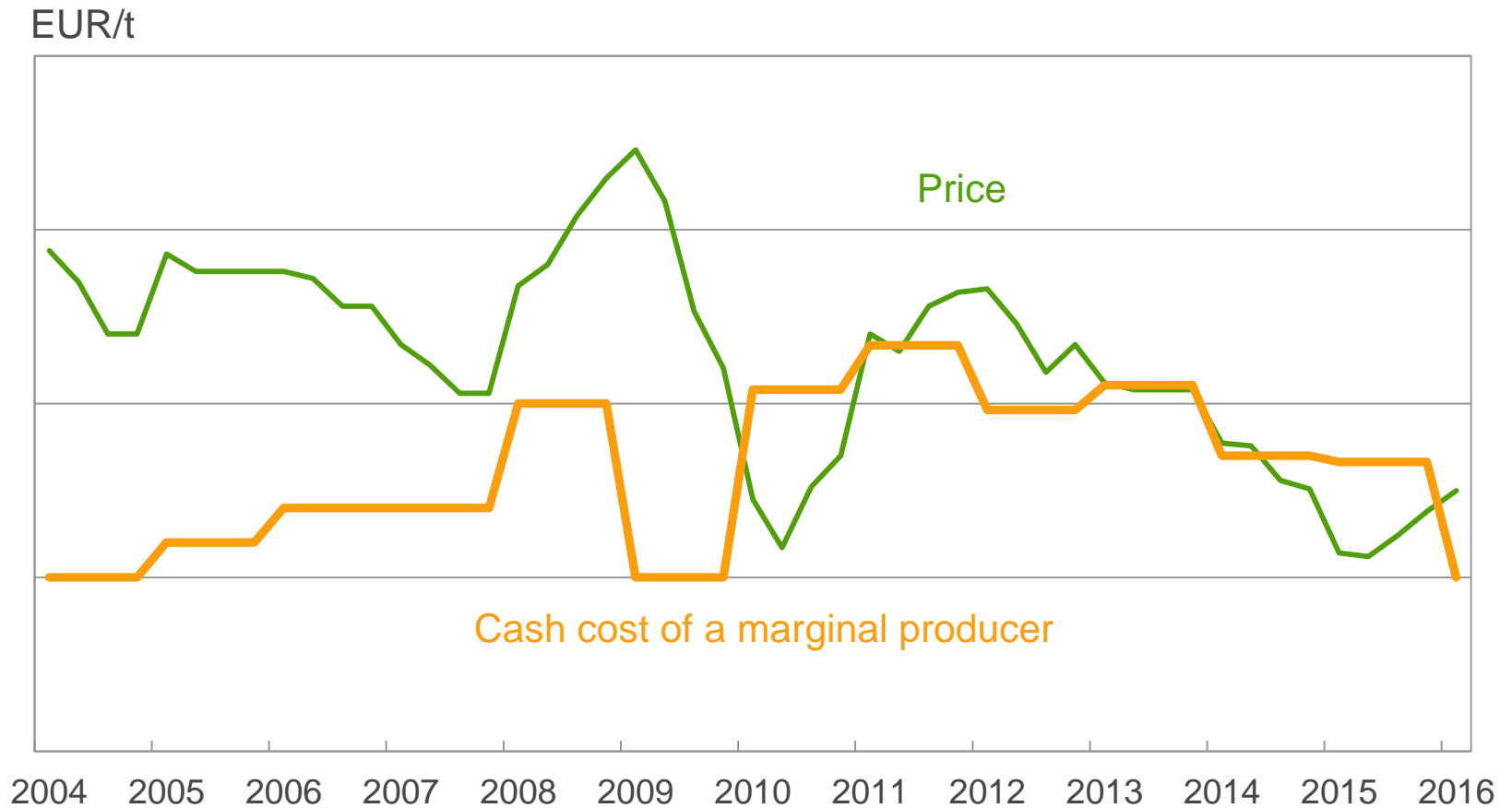


China



Sources: PPI, RISI

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



Sources: PPI, RISI, Pöyry



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