UPM Q1 2017 RESULTS

AIMING HIGHER

WITH BIOFORE

Jussi Pesonen
President and CEO
25 April 2017
UPM businesses delivered a strong Q1 2017

- Comparable EBIT increased by 8% to EUR 305m (281m)
- Operating cash flow was strong at EUR 396m (341m)
- Net debt decreased to EUR 807m (1,873m), net debt/EBITDA to 0.52x (1.31x)
- Comparable ROE (LTM) increased to 11.1% (10.0%)
- Operating cash flow (LTM) was EUR 1,741m, EUR 3.26 per share
Q1 2017 – strong operational efficiency and good growth in deliveries

**UPM BIOREFINING**
- Record production in Pulp, Biofuels and Timber
- Pulp deliveries +8%
- Good demand growth, particularly in China

**UPM PAPER ENA**
- Another good quarter
- Sale agreements of hydropower assets
- Closed 305,000t of capacity
- Graphic paper deliveries –2%

**UPM ENERGY**
- Hydropower generation below long-term average
- Market prices depressed by mild weather conditions

**UPM SPECIALTY PAPERS**
- Record profits
- Good progress in product mix
- Deliveries +3%
- Good demand growth, particularly in Asia

**UPM RAFLATAC**
- Record profits
- Deliveries +6%
- Good demand growth, particularly in Asia

**UPM PLYWOOD**
- Record profits
- Deliveries +7%, favourable product mix
- Good demand, activity in construction improved further
Serving the increasing customer demand with the help of the growth initiatives

Fully contributing
- Pietarsaari pulp mill expansion
- Fray Bentos pulp mill expansion
- Kymi pulp mill expansion
- Raflatac expansion in APAC, Poland
- Kaukas pulp mill efficiency

Contributing well in Q1 2017
- Lappeenranta biorefinery
- Changshu speciality paper machine
- Otepää plywood mill expansion

Under construction
- Kymi pulp mill expansion
- Raflatac expansion in Poland
Comparable EBIT by business area

UPM Biorefining

% of sales

EURm

UPM Specialty Papers

% of sales

EURm

UPM Energy

% of sales

EURm

UPM Paper ENA

% of sales

EURm

UPM Raflatac

% of sales

EURm

UPM Plywood

% of sales

EURm

UPM Biorefining

% of sales

EURm

UPM Specialty Papers

% of sales

EURm

UPM Energy

% of sales

EURm

UPM Paper ENA

% of sales

EURm

UPM Raflatac

% of sales

EURm

UPM Plywood

% of sales

EURm
Comparable EBIT in Q1 2017 vs. Q1 2016


Strong cash flow and balance sheet

**Operating cash flow**

- 2011: Operating cash flow EUR 1,741m
- 2016: Q1/17 operating cash flow EUR 396m
- Working capital decreased by EUR 36m

**Net debt**

- 2016: Net debt EURm 807
- Net debt / EBITDA (trailing 12 months) 0.52x
Outlook for 2017

• UPM’s profitability improved significantly in 2016 and is expected to remain on a good level in 2017.

• Demand growth is expected to continue for most of UPM’s businesses, while demand decline is expected to continue for UPM Paper ENA. The focused growth projects continue to contribute gradually to UPM’s performance.

• Following a deflationary environment in recent years, 2017 is expected to show modest input cost inflation. UPM will continue measures to reduce fixed and variable costs to mitigate this.

• In Q2 2017, UPM’s performance will be impacted by higher maintenance activity, especially in UPM Biorefining, UPM Paper ENA and UPM Energy, compared with Q1 2017.
Direction: grow businesses with strong long-term fundamentals and sustainable competitive advantage

Operating model → Better than sum of parts
- Separate businesses
- Top performance
- Corporate benefits

Performance → Continuous improvement
- Profit focus
- High performing people
- Value-based leadership and responsibility
- Innovation

Capability → Foundation for opportunities
- Strong cash flow
- Strong balance sheet
- Corporate structure

Capital allocation → Attractive returns
- Attractive dividend
- Focused growth investments
- Selected larger investments
- Synergistic M&A

Growth → Earnings growth and valuation
- Current growing businesses
- New bio-based businesses
Low investment needs in existing assets allow growth projects with modest total capex
Maturity profile and liquidity

Liquidity
Liquidity on 31 March 2017 was EUR 1.5bn (cash and unused credit facilities)

Maturity profile of outstanding debt

Committed credit facilities
Bilateral committed credit facilities EUR 656 million for general financing purposes

Committed credit facilities’ maturities
Chemical pulp market

Q1 NBSK pulp price increased by 1% from Q4
Q1 BHKP pulp price increased by 4% from Q4

USD/tonne

Source: FOEX Indexes Ltd.

Pulp inventories

Days of supply

Source: PPCP World-20 statistics
Cost efficient generation enables robust profitability also in challenging market environment

<table>
<thead>
<tr>
<th>Year</th>
<th>Comparable EBIT, EURm</th>
<th>% of sales</th>
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<tr>
<td>2012</td>
<td>217</td>
<td>45.0</td>
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<tr>
<td>2013</td>
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</tbody>
</table>
Graphic paper prices

Europe

North America

China

Sources: PPI, RISI

WFC r (100% chemical pulp)

Uncoated Woodfree Reels (100% chemical pulp)
Demand-supply balance in European graphic paper is visible in margins
UPM

The Biofore Company