Jussi Pesonen
President and CEO
25 July 2017
Q2 2017 – Good performance and favourable market demand continued

• Comparable EBIT increased by 2% to EUR 270m (264m)
• Temporarily higher fixed costs, lower efficiency due to high maintenance activity
• Operating cash flow was EUR 269m (434m)
• Net debt decreased to EUR 1,046m (1,876m), net debt/EBITDA to 0.68x (1.25x)
• Comparable ROE (LTM) was 11.4%
• Operating cash flow (LTM) was EUR 1,576m, EUR 2.95 per share
Q2 2017 – Good market demand, high maintenance activity

UPM BIOREFINING
- Good demand, pulp deliveries +2%, strong growth in biofuels
- Pulp prices higher
- Pietarsaari pulp mill maintenance
- Kaukas investment decision

UPM PAPER ENA
- Graphic paper deliveries –2%
- Seasonally high fixed costs, including maintenance
- Fibre costs higher

UPM ENERGY
- Electricity deliveries –17%
- Hydropower generation below average and prolonged maintenance at Olkiluoto nuclear power plant

UPM RAFLATA
- Good demand, deliveries +6%
- Variable costs higher
- Specialty label investment decision, Tampere

UPM SPECIALTY PAPERS
- Significant progress in product mix, higher release liner deliveries
- Good demand
- Pulp costs higher, sales prices higher

UPM PLYWOOD
- Good demand, deliveries +4%
- Variable costs higher, sales prices higher
Q2 2017 – main maintenance impacts

- UPM Biorefining – Pietarsaari pulp mill maintenance (no pulp mill maintenance in Q1/17 or Q2/16)

- UPM Energy – Olkiluoto nuclear power plant prolonged maintenance shut (no maintenance in Q1/17, longer shut than in Q2/16)

- UPM Paper ENA – seasonally higher fixed costs, incl. maintenance (seasonally higher than in Q1/17, similar to Q2/16)

Temporarily higher fixed costs and lower operational efficiency: Q2 2017 total impact on comparable EBIT was approx. EUR -20m compared with Q2 2016 EUR -45m compared with Q1 2017
Comparable EBIT by business area

- **UPM Biorefining**
  - EURm: 150
  - % of sales: 25

- **UPM Specialty Papers**
  - EURm: 50
  - % of sales: 12.5

- **UPM Energy**
  - EURm: 120
  - % of sales: 60

- **UPM Raflatac**
  - EURm: 50
  - % of sales: 12.5

- **UPM Paper ENA**
  - EURm: 120
  - % of sales: 12

- **UPM Plywood**
  - EURm: 25
  - % of sales: 20

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Comparable EBIT in Q2 2017 vs. Q2 2016

High maintenance activity in Q2/17 resulted in temporarily higher fixed costs and lower operational efficiency. Prices increased.


EURm 350

<table>
<thead>
<tr>
<th>Q2/16</th>
<th>Q2/17</th>
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<tbody>
<tr>
<td>Prices</td>
<td>264</td>
</tr>
<tr>
<td>Fixed costs</td>
<td>10.8%</td>
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<tr>
<td>Variable costs</td>
<td>10.8%</td>
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<tr>
<td>Currency impact</td>
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<tr>
<td>Depr., forests, plantations</td>
<td></td>
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<tr>
<td>Energy</td>
<td>264</td>
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<tr>
<td>Raflatac</td>
<td></td>
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<tr>
<td>Paper ENA</td>
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<tr>
<td>plywood</td>
<td></td>
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<tr>
<td>Other operations and eliminations</td>
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</table>
Strong cash flow and balance sheet

Operating cash flow

Free cash flow

- Q2/17 operating cash flow: EUR 269m
- Working capital increased by EUR 59m

Net debt

- Net debt / EBITDA (trailing 12 months)
- LTM
Outlook for 2017

- UPM’s profitability improved significantly in 2016 and is expected to continue 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.

- Q3 2017 is expected to include significantly less maintenance activity than Q2 2017 in UPM Biorefining, UPM Paper ENA and UPM Energy.
Focused growth projects have been successful, contributing well to UPM’s profits and returns

Ongoing projects under construction
- Kymi second pulp mill expansion, Finland
- UPM Raflatac expansion, Poland

New investments announced in Q2 2017
- Kaukas second pulp mill efficiency, expansion
- UPM Raflatac specialty labels expansion, Finland

Longer term growth option
- Discussions continue with the Government of Uruguay concerning the infrastructure development and other local prerequisites for a potential pulp mill investment
Summary

• Comparable EBIT continued on an increasing track in Q2, including maintenance-related impacts

• Favourable market demand continued

• Variable cost pressures mitigated with cost reduction measures and targeted price increases

• Two new focused investments announced, discussions continue in Uruguay concerning prerequisites for longer term growth

• Good profitability is expected to continue
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
Business area long-term targets compared with realised returns

<table>
<thead>
<tr>
<th>UPM Energy</th>
<th>UPM Biorefining</th>
<th>UPM Specialty Papers</th>
<th>UPM Paper ENA</th>
<th>UPM Plywood</th>
<th>UPM Raflatac</th>
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<tbody>
<tr>
<td>30-30</td>
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<td>30-30</td>
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* Shareholdings in UPM Energy valued at fair value

Long-term return target
Group financial performance

**Comparative EBIT**

- **Target:** EBIT growth

**Comparable ROE**

- **Target:** 10%

**Net debt/EBITDA**

- **Policy:** ≤ 2x

Comparable figures for 2014 – 2017, excluding special items for earlier years
Comparable EBIT +5% in H1 2017 vs. H1 2016

Good growth in deliveries. Higher maintenance activity in Q2/17. Prices and costs slightly negative.

Serving the increasing customer demand with the focused growth projects

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 H1 2017
• Lappeenranta biorefinery
• Changshu speciality paper machine
• Otepää plywood mill expansion

Under construction
• Kymi pulp mill expansion 2
• Raflatac expansions in Poland and Finland
• Kaukas pulp mill expansion 2
Low investment needs in existing assets allow growth projects with modest total capex
UPM’s main currency exposures

• Key currency exposures USD, GBP and JPY

• Policy to hedge an average of 50% of the estimated net currency cash flow for the next 12 months

Estimated annual foreign currency net cash flow, before hedging

<table>
<thead>
<tr>
<th>Currency</th>
<th>USD</th>
<th>GBP</th>
<th>JPY</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>EURm</td>
<td>1,060</td>
<td>370</td>
<td>210</td>
<td>90</td>
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Maturity profile and liquidity

**Liquidity**
Liquidity on 30 June 2017 was EUR 1.2bn (cash and unused credit facilities)

**Committed credit facilities**
Bilateral committed credit facilities EUR 657 million for general financing purposes

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**Maturity profile of outstanding debt**

**Committed credit facilities’ maturities**
Chemical pulp market

Q2 NBSK pulp price increased by 5% from Q1
Q2 BHKP pulp price increased by 15% from Q1

Price charts:
- NBSK
- BHKP

Source: FOEX Indexes Ltd.

Pulp inventories

Days of supply

Source: PPC World-20 statistics

Hardwood

Softwood

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

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<tbody>
<tr>
<td>Comparable EBIT, EURm</td>
<td>217</td>
<td>186</td>
<td>202</td>
<td>181</td>
<td>116</td>
<td>34</td>
</tr>
<tr>
<td>% of sales</td>
<td>45.0</td>
<td>39.9</td>
<td>43.5</td>
<td>43.6</td>
<td>32.7</td>
<td>23.4</td>
</tr>
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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

EUR/t

Price

Cash cost of a marginal producer

Sources: PPI, RISI, Pöyry