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INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2015

UPM interim report 1 January – 30 September 2015

Q3 2015 compared with Q3 2014

- Earnings per share excluding special items were EUR 0.76 (0.32) and reported EUR 0.77 (0.34)
- Operating profit excluding special items was EUR 507 million, 20.0% of sales (235 million, 9.7% of sales)
- Operating profit excluding special items 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
- The profit improvement programme proceeded ahead of schedule, reaching a cost reduction impact of EUR 36 million in Q3 2015 (annualised EUR 144 million)
- Operating cash flow was strong at EUR 363 million (300 million)

Q1–Q3 2015 compared with Q1–Q3 2014

- Earnings per share excluding special items were EUR 1.38 (0.85) and reported EUR 1.36 (0.95)
- Operating profit excluding special items was EUR 938 million, 12.4% of sales (617 million, 8.4% of sales)
- Growth projects progressed well, dividends increased to EUR 373 million (319 million) and net debt decreased to EUR 2,465 million (2,726 million)
- UPM started ramping up the expanded Kymi Pulp mill in Q3, started commercial deliveries of advanced renewable diesel and completed the UPM Raflatac expansions in Poland and APAC in Q2 2015
- UPM closed 800,000 tonnes of graphic paper production capacity in Europe in Q1–Q2 2015

Key figures

	Q3/2015 ⁽²⁾	Q3/2014	Q2/2015	Q1–Q3/2015 ⁽²⁾	Q1–Q3/2014	Q1–Q4/2014
Sales, EURm	2,530	2,415	2,548	7,564	7,337	9,868
EBITDA, EURm ⁽¹⁾	345	344	317	987	972	1,306
% of sales	13.6	14.2	12.4	13.0	13.2	13.2
Operating profit (loss), EURm	513	236	206	922	603	674
excluding special items, EURm	507	235	227	938	617	847
% of sales	20.0	9.7	8.9	12.4	8.4	8.6
Profit (loss) before tax, EURm	498	214	182	861	610	667
excluding special items, EURm	492	213	203	877	558	774
Profit (loss) for the period, EURm	408	182	160	723	504	512
Earnings per share, EUR	0.77	0.34	0.30	1.36	0.95	0.96
excluding special items, EUR	0.76	0.32	0.33	1.38	0.85	1.17
Diluted earnings per share, EUR	0.77	0.34	0.30	1.36	0.95	0.96
Return on equity, %	21.0	9.7	8.3	12.5	8.9	6.9
excluding special items, %	20.7	9.1	9.1	12.7	8.0	8.3
Return on capital employed, %	18.4	8.1	7.3	10.9	7.6	6.5
excluding special items, %	18.2	8.0	8.1	11.1	7.0	7.5
Operating cash flow per share, EUR	0.68	0.57	0.61	1.49	1.47	2.33
Capital expenditure, EURm	132	103	126	332	255	411
Capital expenditure excluding acquisitions and shares, EURm	132	103	123	329	254	375
Equity per share at end of period, EUR	14.89	14.33	14.30	14.89	14.33	14.02
Gearing ratio at end of period, %	31	36	35	31	36	32
Net interest-bearing liabilities at end of period, EURm	2,465	2,726	2,635	2,465	2,726	2,401
Capital employed at end of period, EURm	11,148	11,721	11,012	11,148	11,721	10,944
Personnel at end of period	19,874	20,616	20,900	19,874	20,616	20,414

⁽¹⁾ EBITDA is operating profit before depreciation, amortisation and impairment charges, excluding the change in fair value of biological assets and wood harvested, excluding the change in fair value of unrealised cash flow and commodity hedges, excluding the share of results of associated companies and joint ventures, and special items.

⁽²⁾ 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.

Results

Q3 2015 compared with Q3 2014

Sales for Q3 2015 were EUR 2,530 million, 5% higher than EUR 2,415 million in Q3 2014. Sales grew in UPM Biorefining, UPM Raflatac, UPM Paper Asia and UPM Plywood, and decreased in UPM Paper ENA. Sales remained the same in UPM Energy.

EBITDA totalled EUR 345 million (13.6% of sales), in line with the EUR 344 million (14.2% of sales) in the comparison period. Variable costs decreased, to a large part driven by the Group's profit improvement programmes. The favourable exchange rates had a positive impact, which was moderated by hedging. In Q3 2015, realised currency hedges decreased EBITDA by EUR 29 million, which impacted UPM Paper ENA and UPM Paper Asia business areas. Lower publication paper prices in Europe were a negative factor.

UPM Biorefining increased its EBITDA mainly because of higher pulp sales prices in euro terms. UPM Raflatac and UPM Plywood increased their EBITDA mainly because of increased sales margins and higher deliveries. EBITDA also increased slightly in UPM Energy. EBITDA decreased in UPM Paper ENA, mainly because of lower publication paper prices in Europe, higher pulp costs and the negative impact of currency hedging. EBITDA decreased in UPM Paper Asia, mainly because of higher pulp costs and the negative impact of currency hedging.

Operating profit excluding special items increased to EUR 507 million, 20.0% of sales (235 million, 9.7%). This includes a fair value increase of biological assets in Finland of EUR 265 million, resulting from adjusted long-term wood price estimates and a change in the discount rate. The total increase in the fair value of biological assets net of wood harvested was EUR 289 million (17 million).

Depreciation totalled EUR 132 million (129 million).

Reported operating profit was EUR 513 million, 20.3% of sales (236 million, 9.8% of sales). Operating profit includes net gains of EUR 6 million as special items.

Profit before tax was EUR 498 million (214 million) and excluding special items was EUR 492 million (213 million). Net interest and other finance costs were EUR 15 million (19 million). Exchange rate and fair value gains and losses were EUR 0 million (loss of EUR 3 million).

Income tax expenses totalled EUR 90 million (32 million), including an increase in deferred tax liability of EUR 53 million, related to the fair value increase of biological assets in Finland. The effect of special items on income taxes was EUR 1 million expense (EUR 11 million benefit).

Profit for Q3 2015 was EUR 408 million (182 million), and earnings per share were EUR 0.77 (0.34). Earnings per share excluding special items were EUR 0.76 (0.32).

Q3 2015 compared with Q2 2015

EBITDA was EUR 345 million, 13.6% of sales (317 million, 12.4% of sales). EBITDA increased in all business areas, except in UPM Plywood. UPM Paper ENA benefited from higher deliveries and lower fixed costs. UPM Biorefining increased its EBITDA, as increased sales margins more than offset the impact of lower deliveries and higher fixed costs. UPM Raflatac benefited from higher sales margins. UPM Energy benefited from higher sales prices. In UPM Paper Asia, the negative impact from currency hedges decreased slightly. UPM Plywood reported a small seasonal decrease in EBITDA.

Operating profit excluding special items was EUR 507 million, 20.0% of sales (227 million, 8.9%).

The increase in the fair value of biological assets net of wood harvested was EUR 289 million (31 million), including a fair value increase of biological assets in Finland totalling EUR 265 million, resulting from adjusted long-term wood price estimates and a change in the discount rate.

Depreciation totalled EUR 132 million (129 million).

January–September 2015 compared with January–September 2014

Sales for Q1–Q3 2015 were EUR 7,564 million, 3% higher than EUR 7,337 million in Q1–Q3 2014. Sales grew in UPM Biorefining, UPM Raflatac and UPM Paper Asia, and decreased in UPM Paper ENA and UPM Energy. Sales remained at the same level in UPM Plywood.

EBITDA increased to EUR 987 million (13.0% of sales) from EUR 972 million (13.2% of sales) in the comparison period. Variable costs decreased, to a large part driven by the Group's profit improvement programmes. The favourable exchange rates had a significant positive impact, which was moderated by hedging. In Q1–Q3 2015, realised currency hedges decreased EBITDA by EUR 90 million, which mainly impacted the UPM Paper ENA and UPM Paper Asia business areas. Lower paper deliveries, publication paper prices in Europe and electricity sales prices had negative impacts.

UPM Biorefining increased its EBITDA mainly because of higher pulp sales prices in euro terms. UPM Raflatac and UPM Plywood increased their EBITDA mainly because of increased deliveries and sales margins. EBITDA decreased in UPM Paper ENA, mainly because of higher pulp costs, the negative impact of currency hedging and lower publication paper prices in Europe. EBITDA decreased in UPM Paper Asia, mainly because of higher pulp costs and the negative impact of currency hedging. EBITDA decreased in UPM Energy, mainly because of lower electricity sales prices.

Operating profit excluding special items was EUR 938 million, 12.4% of sales (617 million, 8.4%). This includes a fair value increase of biological assets in Finland totalling EUR 265 million, resulting from adjusted long-term wood price estimates and a change in the discount rate. The total increase in the fair value of biological assets net of wood harvested was EUR 336 million (46 million).

Depreciation totalled EUR 392 million (391 million).

Reported operating profit was EUR 922 million, 12.2% of sales (603 million, 8.2% of sales). Operating profit includes net charges of EUR 16 million as special items. In June 2015, Teollisuuden Voima Oyj decided not to apply for a building permit for the Olkiluoto 4 nuclear power plant unit, resulting in a charge of EUR 19 million related to UPM's participation in the tendering and planning phase of the project.

Profit before tax was EUR 861 million (610 million) and, excluding special items, EUR 877 million (558 million). Net interest and other finance costs were EUR 51 million (45 million). Exchange rate and fair value gains and losses resulted in a loss of EUR 10 million (loss of EUR 7 million).

Income tax expenses totalled EUR 138 million (106 million), including an increase in deferred tax liability of EUR 53 million, related to the fair value increase of biological assets in Finland. The effect of special items on income taxes was a benefit of EUR 5 million (EUR 2 million benefit).

Profit for Q1–Q3 2015 was EUR 723 million (504 million), and earnings per share were EUR 1.36 (0.95). Earnings per share excluding special items were EUR 1.38 (0.85).

Operating cash flow per share was EUR 1.49 (1.47).

Financing

In Q1–Q3 2015, cash flow from operating activities before capital expenditure and financing totalled EUR 795 million (779 million). Working capital increased by EUR 68 million (71 million) during the period, mainly because of seasonal factors.

The gearing ratio as of 30 September 2015 was 31% (36%). Net interest-bearing liabilities at the end of the period came to EUR 2,465 million (2,726 million).

On 30 September 2015, UPM's cash funds and unused committed credit facilities totalled EUR 1.3 billion.

Personnel

In Q1–Q3 2015, UPM had an average of 20,455 employees (20,982). At the beginning of the year, the number of employees was 20,414 and at the end of Q3 2015, it was 19,874.

Capital expenditure

In Q1–Q3 2015, capital expenditure excluding investments in shares was EUR 329 million, 4.3% of sales (254 million, 3.5% of sales). Total capital expenditure excluding investments in shares in 2015 is estimated to be approximately EUR 500 million.

UPM's main ongoing investments are related to growth projects, as described in the next chapter.

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 m³ per annum. In addition to mill expansion, a new bio power plant will be built at the mill site. The investments in Otepää total about EUR 40 million. 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 pulp-drying machines and install a new baling line at the mill. Start-up is scheduled for the end of 2016. The investment will benefit the entire Kaukas mill integrate through 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 31 million was paid in Q2 2013 and another EUR 31 million in Q4 2014. The remaining part of the share issue will be implemented during the coming years, based on the financing needs of the project.

Growth projects targeting EBITDA impact of EUR 200 million

On 6 August 2013, UPM announced quantified targets for its growth projects over three years.

Biofuels, a 10% capacity increase in UPM's existing pulp mills, wood-free speciality papers in China and growth measures in UPM Raflatac are expected to provide top-line growth for UPM in the coming years. With these growth projects, the company is targeting an EBITDA impact of EUR 200 million when the projects are in full operation.

The total investment requirement for these projects is EUR 680 million. EUR 514 million has already been invested, and the total remaining capital expenditure over the course of 2015–2016 will be EUR 166 million.

UPM invested EUR 179 million in a biorefinery to produce renewable diesel from crude tall oil in Lappeenranta, Finland. The

biorefinery is capable of producing approximately 120 million litres of advanced renewable diesel for transport every year. The refinery started its commercial production in January 2015.

In February 2014, UPM announced that it was building a new production unit at the UPM Changshu mill in China. The new unit will be capable of producing 360,000 tonnes of labelling materials and speciality papers. The total investment is approximately EUR 277 million, and the unit is expected to start production at the end of 2015.

In February 2014, UPM announced that it was investing approximately EUR 160 million in its UPM Kymi pulp mill, comprising a new pulp-drying machine, modernisation of the softwood fibre line, a new debarking plant and improvements to the energy balance of the Kymi integrate. The investment will increase the pulp mill's production capacity by 170,000 tonnes and will be completed in Q4 2015.

In addition to the investment in the UPM Kymi pulp mill, the 10% increase in UPM's pulp production capacity also includes the expansion at the UPM Pietarsaari and UPM Fray Bentos pulp mills, completed in 2014.

In April 2014, UPM announced that it is increasing its labelstock coating capacity in the Asia Pacific region by more than 50% with the building of a new coating line at the Changshu labelstock factory in China and machinery upgrades at the Johor Bahru factory in Malaysia. Investments totalling EUR 14 million were completed in Q2 2015.

In April 2014, UPM also announced that it was increasing production capacity for its film labelstock business in Europe by investing EUR 13 million in a new coating line at the self-adhesive labelstock factory in Nowa Wies, Poland. The investment was completed in Q2 2015.

Profit improvement programme

On 13 November 2014, UPM announced a profit improvement programme targeting a total annualised cost reduction impact of EUR 150 million by the end of 2015, compared with Q3 2014. The target includes savings in variable and fixed costs in all UPM businesses and functions, as well as capacity closures in UPM Paper ENA.

As part of the programme, UPM permanently reduced its publication paper production capacity in Europe by approximately 800,000 tonnes during Q1–Q2 2015. Newsprint machine 1 at UPM Shotton in the UK, SC paper machine Jämsänkösken 5 at UPM Jämsä River Mills in Finland and coated mechanical paper machine 2 at UPM Kaukas in Finland were permanently closed in Q1 2015. Newsprint machine 3 at UPM Chapelle Darblay in France was permanently closed in Q2 2015. The fixed cost reduction from the capacity closures is expected to be EUR 65 million and is part of the total savings target.

As part of the profit improvement programme, UPM started a review of production, maintenance and other site operating practices across all UPM businesses and operating countries.

In Q3 2015, the actions taken under the profit improvement programme reduced UPM's costs by EUR 36 million, meaning about 96% of the annualised savings had been achieved.

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 in 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.

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

Currently, the economic outlook in Europe has slightly improved, but it remains fragile and there are concerns related to sovereign debt and geopolitical issues. The EU is the most significant market for UPM. Growth has slowed, and there are uncertainties regarding developing economies, including China, which may have a significant influence on the global economy overall, and on many of UPM's product markets in particular. Furthermore, changes to the monetary policies of major central banks may have a significant impact on various currencies that directly or indirectly affect UPM.

The main earnings sensitivities and the Group's cost structure are presented on page 13 of the 2014 Annual Report. Risks and risk management are presented on pages 76–77 of the Report.

Events after the balance sheet date

The Group's management is not aware of any significant events occurring after 30 September 2015.

Outlook for 2015

UPM confirms its full year 2015 outlook:

The improved profitability achieved in 2014 is expected to continue in 2015, and there are prospects for further improvement. Profitability is underpinned by the EUR 150 million profit improvement programme, favourable currencies, as well as the first positive impacts from the company's growth projects. Profitability is affected by lower publication paper prices and lower electricity sales prices compared to 2014.

Business area reviews

UPM Biorefining

	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1-Q3/15	Q1-Q3/14	Q1-Q4/14
Sales, EURm	554	601	533	484	480	477	496	1,688	1,453	1,937
EBITDA, EURm	161	153	134	100	100	66	92	448	258	358
% of sales	29.1	25.5	25.1	20.7	20.8	13.8	18.5	26.5	17.8	18.5
Change in fair value of biological assets and wood harvested, EURm	5	6	2	5	1	2	1	13	4	9
Share of results of associated companies and joint ventures, EURm	–	1	–	–	–	1	–	1	1	1
Depreciation, amortisation and impairment charges, EURm	–44	–42	–39	–37	–38	–38	–37	–125	–113	–150
Operating profit, EURm	122	118	97	72	64	31	56	337	151	223
% of sales	22.0	19.6	18.2	14.9	13.3	6.5	11.3	20.0	10.4	11.5
Special items, EURm ¹⁾	–	–	–	5	1	–	–	–	1	6
Operating profit excl. special items, EURm	122	118	97	67	63	31	56	337	150	217
% of sales	22.0	19.6	18.2	13.8	13.1	6.5	11.3	20.0	10.3	11.2
Pulp deliveries, 1,000 t	771	837	810	791	848	832	816	2,418	2,496	3,287

Pulp mill maintenance shutdowns: Q3 2015 UPM Pietarsaari and UPM Kymi, Q2 2015 UPM Kaukas, Q4 2014 UPM Fray Bentos, Q2 2014 UPM Pietarsaari and Q1 2014 UPM Kaukas.

¹⁾ In Q4 2014, special income of EUR 5 million relate to a gain on sale of property, plant and equipment. In Q3 2014, special income of EUR 1 million relate to restructuring measures.

Q3 2015 compared with Q3 2014

Operating profit excluding special items for UPM Biorefining increased significantly to EUR 122 million (63 million). Sales increased by 15% to EUR 554 million (480 million). Pulp deliveries decreased by 9% to 771,000 tonnes (848,000). Scheduled maintenance shutdowns at the UPM Pietarsaari and Kymi pulp mills and a strike at the Finnish pulp mills impacted pulp deliveries negatively.

Operating profit increased mainly because of higher euro-denominated average pulp sales prices. Cost efficiency improved.

Q3 2015 compared with Q2 2015

Operating profit excluding special items increased slightly, as increased sales margins more than offset the impact of lower deliveries and higher fixed costs.

January–September 2015 compared with January–September 2014

Operating profit excluding special items for UPM Biorefining increased significantly to EUR 337 million (150 million). Sales increased by 16% to EUR 1,688 million (1,453 million). Pulp deliveries decreased to 2,418,000 tonnes (2,496,000).

Operating profit increased mainly because of higher euro-denominated average pulp sales prices. Improved production stability increased cost efficiency.

The UPM Lappeenranta Biorefinery started commercial production in January 2015. Deliveries of advanced renewable diesel started in May.

The UPM Kymi pulp mill expansion started the production ramp-up in Q3 2015.

Market review

In the first nine months of 2015, the average northern bleached softwood kraft (NBSK) pulp market price in Europe was EUR 778/tonne, 14% higher than last year (682/tonne).

The average market price of bleached hardwood kraft pulp (BHKP) in Europe was EUR 698/tonne, 26% higher than last year (552/tonne).

The market price difference between NBSK and BHKP narrowed as producers and end-use consumers responded to the historically high NBSK market pulp price premium. USD-denominated NBSK pulp prices slipped, while the market price of BHKP increased.

In the first eight months of 2015, global chemical pulp demand remained robust and growth was well spread over several regions.

UPM Energy

	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1-Q3/15	Q1-Q3/14	Q1-Q4/14
Sales, EURm	112	94	99	115	113	112	124	305	349	464
EBITDA, EURm	47	43	40	59	46	49	59	130	154	213
% of sales	42.0	45.7	40.4	51.3	40.7	43.7	47.6	42.6	44.1	45.9
Depreciation, amortisation and impairment charges, EURm	-2	-3	-2	-2	-3	-3	-3	-7	-9	-11
Operating profit, EURm	45	21	38	57	43	46	56	104	145	202
% of sales	40.2	22.3	38.4	49.6	38.1	41.1	45.2	34.1	41.5	43.5
Special items, EURm ¹⁾	-	-19	-	-	-	-	-	-19	-	-
Operating profit excl. special items, EURm	45	40	38	57	43	46	56	123	145	202
% of sales	40.2	42.6	38.4	49.6	38.1	41.1	45.2	40.3	41.5	43.5
Electricity deliveries, GWh	2,339	2,213	2,077	2,169	2,135	2,112	2,305	6,629	6,552	8,721

¹⁾ In Q2 2015, special item of EUR 19 million relate to project expenses of Olkiluoto 4 nuclear power plant.

Q3 2015 compared with Q3 2014

Operating profit excluding special items for UPM Energy increased to EUR 45 million (43 million). Sales were EUR 112 million (113 million).

The total electricity sales volume increased to 2,339 GWh (2,135 GWh).

Operating profit increased slightly due to significantly higher hydro power generation volumes, offsetting the impact of lower electricity prices.

The average electricity sales price decreased by 15% to EUR 38.6/MWh (45.5/MWh).

Q3 2015 compared with Q2 2015

Operating profit excluding special items increased due to higher average electricity sales price and nuclear power generation volumes.

The average electricity sales price increased to EUR 38.6/MWh (36.9/MWh).

January–September 2015 compared with January–September 2014

Operating profit excluding special items for UPM Energy decreased to EUR 123 million (145 million). Sales decreased to EUR 305 million (349 million). The total electricity sales volume was 6,629 GWh (6,552 GWh).

Operating profit decreased due to lower average electricity sales prices. Higher hydro power generation volumes had a positive impact.

The average electricity sales price decreased by 15% to EUR 38.5/MWh (45.3/MWh).

In June 2015, Teollisuuden Voima Oyj announced that it will not apply for a building permit for the Olkiluoto 4 nuclear power plant unit. UPM participated in the tendering and planning phase of the project as a shareholder. UPM owns 44.3% of Pohjolan Voima Oy, which is a majority shareholder (58.5%) in Teollisuuden Voima Oyj.

Market review

The Nordic and Finnish hydrological balance improved in the first half of the year, and decreased slightly during the third quarter. At the end of September, the hydrological balance was above the long-term average level.

In the first nine months of 2015, the average Finnish area spot price on the Nordic electricity exchange was EUR 29.4 /MWh, 18% lower than the same period last year (EUR 35.9/MWh), because of mild temperatures and improved hydrology. The Finnish area price was above the Nord Pool system price because of dependency on imports.

Coal prices were significantly lower than last year.

The CO₂ emission allowance price of EUR 8.2 /tonne at the end of the period was higher than at the end of the comparison period (EUR 5.8/tonne).

The Finnish area front-year forward electricity price closed at EUR 29.7/MWh in September, down 24% compared to the end of September last year (38.9/MWh).

UPM Raflatac

	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1-Q3/15	Q1-Q3/14	Q1-Q4/14
Sales, EURm	353	351	342	330	312	306	300	1,046	918	1,248
EBITDA, EURm	39	33	29	30	29	25	28	101	82	112
% of sales	11.0	9.4	8.5	9.1	9.3	8.2	9.3	9.7	8.9	9.0
Depreciation, amortisation and impairment charges, EURm	-10	-9	-8	-9	-8	-10	-8	-27	-26	-35
Operating profit, EURm	30	20	21	21	21	7	20	71	48	69
% of sales	8.5	5.7	6.1	6.4	6.7	2.3	6.7	6.8	5.2	5.5
Special items, EURm ¹⁾	1	-4	-	-1	-	-10	-	-3	-10	-11
Operating profit excl. special items, EURm	29	24	21	22	21	17	20	74	58	80
% of sales	8.2	6.8	6.1	6.7	6.7	5.6	6.7	7.1	6.3	6.4

¹⁾ In Q3 2015, special income of EUR 1 million relate to restructurings. In Q2 2015, special items of EUR 4 million mainly relate to restructuring charges. In Q4 2014, special items of EUR 1 million include impairment charges related to restructurings. In Q2 2014, special items of EUR 10 million relate to restructuring charges, including impairments of EUR 2 million.

Q3 2015 compared with Q3 2014

Operating profit excluding special items for UPM Raflatac increased to EUR 29 million (21 million). Sales increased by 13% to EUR 353 million (312 million), driven by solid volume growth and decline in the euro exchange rate. Operating profit increased due to higher sales margins, supported by favourable mix and improved operational efficiency and higher delivery volumes.

Q3 2015 compared with Q2 2015

Operating profit increased mainly due to higher sales margins, supported by favourable mix and improved operational efficiency.

January–September 2015 compared with January–September 2014

Operating profit excluding special items for UPM Raflatac increased to EUR 74 million (58 million). Sales increased by 14% to EUR 1,046 million (918 million), driven by solid volume growth and decline in the euro exchange rate.

Operating profit increased mainly because of higher delivery volumes. Sales margin increased due to favourable mix and improved operational efficiency.

Production started at the new labelstock coating line in Nowa Wies, Poland, in April 2015 and in Changshu, China, in June 2015.

Market review

In the first nine months of 2015, global demand for self-adhesive label materials increased. Demand was robust in Europe and North America. In Asia and Latin America, growth continued, albeit at a lower level.

UPM Paper Asia

	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1-Q3/15	Q1-Q3/14	Q1-Q4/14
Sales, EURm	286	300	298	288	274	285	277	884	836	1,124
EBITDA, EURm	35	32	43	48	49	47	44	110	140	188
% of sales	12.2	10.7	14.4	16.7	17.9	16.5	15.9	12.4	16.7	16.7
Depreciation, amortisation and impairment charges, EURm	-23	-21	-21	-21	-20	-20	-19	-65	-59	-80
Operating profit, EURm	12	11	22	27	29	27	25	45	81	108
% of sales	4.2	3.7	7.4	9.4	10.6	9.5	9.0	5.1	9.7	9.6
Special items, EURm	-	-	-	-	-	-	-	-	-	-
Operating profit excl. special items, EURm	12	11	22	27	29	27	25	45	81	108
% of sales	4.2	3.7	7.4	9.4	10.6	9.5	9.0	5.1	9.7	9.6
Paper deliveries, 1,000 t	349	361	349	359	350	365	347	1,059	1,062	1,421

Q3 2015 compared with Q3 2014

Operating profit excluding special items for UPM Paper Asia decreased to EUR 12 million (29 million).

Sales increased by 4% to EUR 286 million (274 million), mainly because of the decline in the euro exchange rate. Deliveries of 349,000 tonnes were at last year's level (350,000).

Operating profit decreased mainly due to higher pulp costs and the negative impact of currency hedging, more than offsetting savings in other costs.

Q3 2015 compared with Q2 2015

Operating profit excluding special items increased mainly due to the slightly smaller negative impact of currency hedging.

January–September 2015 compared with January–September 2014

Operating profit excluding special items for UPM Paper Asia decreased to EUR 45 million (81 million).

Sales increased by 6% to EUR 884 million (836 million), mainly because of the weaker euro exchange rate. Deliveries of 1,059,000 tonnes were at last year's level (1,062,000).

Operating profit decreased mainly due to higher pulp costs and the negative impact of currency hedging, more than offsetting cost savings.

Market review

In the Asia Pacific, growth in fine paper demand is levelling off, although the development varies by product and market segment. Growth in office paper demand continues. Overcapacity prevails in all paper grades and the preliminary US anti-dumping duties are adding regional supply. During the first nine months of 2015 the average market price in local currencies were slightly lower in most of the markets, compared to 2014.

The demand for labelling materials grew globally in the first half of the year and average prices remained stable.

New investment and paper machine conversions to uncoated woodfree and labelling materials in Asia, and conversions to labelling materials in Europe, have increased competition.

UPM Paper ENA

	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1-Q3/15	Q1-Q3/14	Q1-Q4/14
Sales, EURm	1,279	1,210	1,256	1,361	1,303	1,286	1,334	3,745	3,923	5,284
EBITDA, EURm	55	38	56	84	113	100	95	149	308	392
% of sales	4.3	3.1	4.5	6.2	8.7	7.8	7.1	4.0	7.9	7.4
Share of results of associated companies and joint ventures, EURm	1	–	–	–	1	–	–	1	1	1
Depreciation, amortisation and impairment charges, EURm	–47	–45	–52	–189	–52	–54	–54	–144	–160	–349
Operating profit, EURm	13	–9	5	–178	63	45	38	9	146	–32
% of sales	1.0	–0.7	0.4	–13.1	4.8	3.5	2.8	0.2	3.7	–0.6
Special items, EURm ¹⁾	4	–1	–	–208	1	–2	–4	3	–5	–213
Operating profit excl. special items, EURm	9	–8	5	30	62	47	42	6	151	181
% of sales	0.7	–0.7	0.4	2.2	4.8	3.7	3.1	0.2	3.8	3.4
Paper deliveries, 1,000 t	2,130	2,046	2,023	2,225	2,136	2,098	2,148	6,199	6,382	8,607

¹⁾ In Q3 2015, special income of EUR 4 million relate to restructurings. In Q2 2015, special items of EUR 1 million relate to restructuring charges. In Q4 2014, special items include write-offs totalling EUR 135 million and restructuring charges totalling EUR 73 million related to planned capacity closures. In Q3 2014, special income of EUR 1 million relate to restructuring measures. In Q2 2014, special items of EUR 2 million relate to restructuring measures. In Q1 2014, special items of EUR 4 million relate mainly to the closure of the UPM Docelles mill in France, including impairment charges of EUR 1 million.

Q3 2015 compared with Q3 2014

Operating profit excluding special items for UPM Paper ENA was EUR 9 million (EUR 62 million).

Sales decreased to EUR 1,279 million (1,303 million). Paper deliveries were 2,130,000 tonnes (2,136,000).

Operating profit decreased due to higher euro-denominated pulp costs and lower publication paper prices in Europe. The average price for all paper deliveries in euro increased by 1%, due to favourable currency development on export prices. This positive impact was moderated by currency hedges.

Q3 2015 compared with Q2 2015

Operating profit excluding special items increased because of seasonally higher delivery volumes and lower costs.

The average price for paper deliveries remained stable.

January–September 2015 compared with January–September 2014

Operating profit excluding special items for UPM Paper ENA was EUR 6 million (151 million).

Sales decreased to EUR 3,745 million (3,923 million). Deliveries decreased by 3% to 6,199,000 tonnes (6,382,000).

Operating profit decreased mainly due to higher euro-denominated pulp costs and lower publication paper prices in Europe. The average price for all paper deliveries in euro increased by 1%, due to favourable currency development on export prices. This positive impact was moderated by currency hedges.

In March 2015, UPM closed down paper machine 2 at UPM Kaukas and paper machine 5 at UPM Jämsänkoski in Finland and, in February, paper machine 1 at UPM Shotton in the UK.

In June 2015, UPM closed down paper machine 3 at UPM Chapelle Darblay in France.

Market review

In the first nine months of 2015, demand for graphic papers in Europe was 4% lower than in the same period last year. In the third quarter, publication paper prices in Europe were on average at the same level as in Q2 2015, and 5% lower in the first nine months of 2015 compared with the same period last year. Fine paper prices increased by 1% compared with the previous quarter and by 3% compared with the first nine months of 2014.

In the first nine months of 2015 demand for magazine papers in North America decreased by 6% compared with last year. In the third quarter average US dollar price for magazine papers decreased by 3% compared with Q2 2015. In the first nine months of the year, average US dollar price for magazine papers were 1% higher compared with the same period last year.

UPM Plywood

	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1-Q3/15	Q1-Q3/14	Q1-Q4/14
Sales, EURm	105	113	119	107	101	118	114	337	333	440
EBITDA, EURm	17	18	25	20	13	18	17	60	48	68
% of sales	16.2	15.9	21.0	18.7	12.9	15.3	14.9	17.8	14.4	15.5
Depreciation, amortisation and impairment charges, EURm	-6	-5	-6	-6	-6	-6	-6	-17	-18	-24
Operating profit, EURm	11	13	19	14	7	12	11	43	30	44
% of sales	10.5	11.5	16.0	13.1	6.9	10.2	9.6	12.8	9.0	10.0
Special items, EURm	-	-	-	-	-	-	-	-	-	-
Operating profit excl. special items, EURm	11	13	19	14	7	12	11	43	30	44
% of sales	10.5	11.5	16.0	13.1	6.9	10.2	9.6	12.8	9.0	10.0
Deliveries, plywood, 1,000 m ³	179	193	199	176	168	199	188	571	555	731

Q3 2015 compared with Q3 2014

Operating profit excluding special items for UPM Plywood increased to EUR 11 million (7 million). Sales increased by 4% to EUR 105 million (101 million) and deliveries by 7% to 179,000 cubic metres (168,000).

Operating profit increased mainly due to higher delivery volumes and lower variable costs, partly driven by favourable currency development.

Q3 2015 compared with Q2 2015

Operating profit excluding special items decreased mainly due to seasonally lower delivery volumes.

January–September 2015 compared with January–September 2014

Operating profit excluding special items for UPM Plywood increased to EUR 43 million (30 million).

Sales were EUR 337 million (333 million) and deliveries increased by 3% to 571,000 cubic metres (555,000).

Operating profit increased due to lower variable costs, partly driven by favourable currency development and higher delivery volumes.

Sales prices were slightly higher.

Market review

Plywood demand continued to strengthen somewhat in the first nine months of 2015. Compared with last year, demand grew in both industrial applications and construction-related end-use segments.

Other operations

	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1-Q3/15	Q1-Q3/14	Q1-Q4/14
Sales, EURm	97	119	114	113	102	113	119	330	334	447
EBITDA, EURm	-4	-1	-3	-5	1	-7	-10	-8	-16	-21
Change in fair value of biological assets and wood harvested, EURm	284 ²⁾	25	14	27	16	15	11	323 ²⁾	42	69
Share of results of associated companies and joint ventures, EURm	1	-	-	-	-	1	-	1	1	1
Depreciation, amortisation and impairment charges, EURm	-2	-4	-3	-3	-3	-2	-3	-9	-8	-11
Operating profit, EURm	280	23	6	64	13	8	-3	309	18	82
Special items, EURm ¹⁾	1	3	-1	45	-1	2	-1	3	-	45
Operating profit excl. special items, EURm	279	20	7	19	14	6	-2	306	18	37

¹⁾ In Q3 2015, special items include a capital gain of EUR 3 million from the sale of Tilhill Forestry Ltd shares and EUR 2 million of restructuring charges. In Q2 2015, special items of EUR 3 million mainly relate to capital gains from the sale of assets. In Q1 2015, special items of EUR 1 million relate to restructuring measures. In Q4 2014, special items relate to a capital gain of EUR 45 million from the sale of forestland in the UK. In Q3 2014, special items of EUR 1 million relate to restructuring measures. In Q2 2014, special income of EUR 2 million relate to restructuring measures. In Q1 2014, special items of EUR 1 million relate to restructuring charges.

²⁾ 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.

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

Q3 2015 compared with Q3 2014

Operating profit excluding special items was EUR 279 million (14 million). Sales decreased to EUR 97 million (102 million).

The increase in the fair value of biological assets net of wood harvested was EUR 284 million (16 million). The increase in the fair value of biological assets (growing trees) was EUR 295 million (29 million). This includes a fair value increase of biological assets in Finland totalling EUR 265 million, resulting from adjusted long-term wood price estimates and a change in the discount rate. The cost of wood harvested from UPM forests was EUR 11 million (13 million).

In September, UPM concluded the sale of 100% of its shares of Tilhill Forestry Ltd to BSW Timber Ltd in the United Kingdom.

Q3 2015 compared with Q2 2015

Operating profit excluding special items was EUR 279 million (20 million). Sales were EUR 97 million (119 million).

The increase in the fair value of biological assets net of wood harvested was EUR 284 million (25 million). The increase in the fair value of biological assets (growing trees) was EUR 294 million (38 million). This includes a fair value increase of biological assets in Finland totalling EUR 265 million, resulting from adjusted long-term wood price estimates and a change in the discount rate. The cost of wood harvested from UPM forests was EUR 11 million (13 million).

January–September 2015 compared with January–September 2014

Operating profit excluding special items was EUR 306 million (18 million). Sales were EUR 330 million (334 million).

The increase in the fair value of biological assets net of wood harvested was EUR 323 million (42 million). The increase in the fair value of biological assets (growing trees) was EUR 358 million (78 million). This includes a fair value increase of biological assets in Finland totalling EUR 265 million, resulting from adjusted long-term wood price estimates and a change in the discount rate. The cost of wood harvested from UPM forests was EUR 35 million (36 million).

Shares

In Q1–Q3 2015, UPM shares worth EUR 5,979 million (4,459 million) in total were traded on the NASDAQ OMX Helsinki stock exchange. This is estimated to represent about two-thirds of all trading volumes in UPM shares. The highest listing was EUR 19.26 in April and the lowest was EUR 13.19 in September.

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 held on 9 April 2015 authorised the Board of Directors to acquire no more than 50,000,000 of the company's own shares. This authorisation is valid for 18 months from the date of the decision.

The Annual General Meeting held on 4 April 2013 authorised the Board to decide on the issuance of new shares and/or the transfer of the company's own shares held by the company and/or the issue of special rights to shares in the company, as follows: (i) the maximum number of new shares that may be issued and the company's own shares held by the company that may be transferred is 25,000,000 shares. This figure also includes the number of shares that can be received on the basis of special rights; (ii) new shares and special rights to shares in the company may be issued, and the company's own shares held by the company may be transferred to the company's shareholders in proportion to their existing shareholdings, or in a directed share issue, deviating from the shareholder's pre-emptive subscription rights. This authorisation is valid until 4 April 2016.

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 2015 was 533,735,699. Through the issuance authorisation, the number of shares may increase to a maximum of 558,735,699.

On 30 September 2015, 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 totals EUR 196 million in the aggregate jointly and severally against UPM and two other companies; alternatively and individually against UPM, this represents EUR 34 million in the aggregate. It is expected that the amounts claimed will change as a result of new claims, which have not yet been served. 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.

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 a special item 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. On 18 June 2015 the District Court dismissed the actions by Metsäliitto and Metsä Board. Metsäliitto and Metsä Board have appealed to the Helsinki Court of Appeal.

On 27 March 2015 Helsinki District Court rendered decisions regarding UPM's action for invalidation of a patent of Neste Oil Oyj (Neste) and Neste's action for a declaratory judgment against UPM, in which Neste sought the court's declaration that based on its patent Neste enjoys protection against the technology allegedly used by UPM at its biorefinery. The District Court dismissed both actions. The decisions have been appealed to the Helsinki Court of Appeal. Neste has filed a separate action with the Finnish Market Court in which Neste requests the Market Court to prohibit UPM from continuing the alleged infringement of Neste's patent at UPM's biorefinery. UPM considers Neste's action to be without merit.

In February 2015, the claims relating to the implementation of the social plan after the closure of the Docelles mill in 2014 were brought to Commercial Court of Epinal, France. The claimants, the co-operative (SCOP) established by former employees of the Docelles mill as well as certain former employees of the mill, seek the forced sale of the assets of the Docelles mill to the SCOP for 2 euros and damages in the amount of approximately EUR 55 million for the alleged lost sales. Commercial Court dismissed all of the claimants' claims in its judgment on 29 September 2015. The judgment is not final. UPM considers the claims to be without merit. No provisions have been made for the claims.

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 AREVA-Siemens-Consortium (Supplier), which is constructing OL3 as a fixed-price turnkey project. According to this information, the start of regular electricity production of the plant unit will commence at the end of 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 July 2015, is in total approximately EUR 3.4 billion. The claim covers events occurred during the construction period until the end of June 2011. The sum includes penalty interest (until July 2015) and payments allegedly delayed by TVO under the plant contract together amounting to approximately EUR 1.4 billion as well as approximately

EUR 140 million in alleged lost of profit. Having considered and found the earlier claims by the Supplier to be without merit, TVO will scrutinize the updated claim and respond to it in due course. 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 December 2018, which is the estimated start of the regular electricity production of OL3 according to the schedule

submitted by the Supplier in September 2014. TVO's current estimate was submitted to the tribunal in the arbitration proceedings in July 2015. 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.

Helsinki, 27 October 2015

UPM-Kymmene Corporation

Board of Directors

Financial information

Consolidated income statement

EURm	Q3/2015	Q3/2014	Q1-Q3/2015	Q1-Q3/2014	Q1-Q4/2014
Sales	2,530	2,415	7,564	7,337	9,868
Other operating income	10	14	42	30	91
Costs and expenses	-2,186	-2,082	-6,631	-6,422	-8,708
Change in fair value of biological assets and wood harvested	289	17	336	46	78
Share of results of associated companies and joint ventures	2	1	3	3	3
Depreciation, amortisation and impairment charges	-132	-129	-392	-391	-658
Operating profit (loss)	513	236	922	603	674
Gains on available-for-sale investments, net	-	-	-	59	59
Exchange rate and fair value gains and losses	-	-3	-10	-7	-4
Interest and other finance costs, net	-15	-19	-51	-45	-62
Profit (loss) before tax	498	214	861	610	667
Income taxes	-90	-32	-138	-106	-155
Profit (loss) for the period	408	182	723	504	512
Attributable to:					
Owners of the parent company	408	182	723	504	512
Non-controlling interests	-	-	-	-	-
	408	182	723	504	512
Earnings per share for profit (loss) attributable to owners of the parent company					
Basic earnings per share, EUR	0.77	0.34	1.36	0.95	0.96
Diluted earnings per share, EUR	0.77	0.34	1.36	0.95	0.96

Consolidated statement of comprehensive income

EURm	Q3/2015	Q3/2014	Q1-Q3/2015	Q1-Q3/2014	Q1-Q4/2014
Profit (loss) for the period	408	182	723	504	512
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	-40	-32	23	-93	-181
Items that may be reclassified subsequently to income statement:					
Translation differences	-116	226	149	249	291
Net investment hedge	48	-31	15	-35	-41
Cash flow hedges	11	-44	28	-99	-107
Available-for-sale investments	-	-1	-98	-55	-164
	-57	150	94	60	-21
Other comprehensive income for the period, net of tax	-97	118	117	-33	-202
Total comprehensive income for the period	311	300	840	471	310
Total comprehensive income attributable to:					
Owners of the parent company	311	300	840	471	310
Non-controlling interests	-	-	-	-	-
	311	300	840	471	310

Consolidated balance sheet

EURm	30.9.2015	30.9.2014	31.12.2014
ASSETS			
Non-current assets			
Goodwill	238	227	230
Other intangible assets	337	344	340
Property, plant and equipment	4,796	4,801	4,707
Investment property	28	32	31
Biological assets	1,726	1,461	1,469
Investments in associated companies and joint ventures	28	26	25
Available-for-sale investments	2,412	2,596	2,510
Other non-current financial assets	330	301	334
Deferred tax assets	512	565	532
Other non-current assets	100	113	91
	10,507	10,466	10,269
Current assets			
Inventories	1,394	1,391	1,356
Trade and other receivables	1,987	2,157	1,856
Income tax receivables	28	51	14
Cash and cash equivalents	394	825	700
	3,803	4,424	3,926
Total assets	14,310	14,890	14,195
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	890	890	890
Treasury shares	-2	-2	-2
Translation differences	420	220	256
Fair value and other reserves	1,797	1,990	1,867
Reserve for invested non-restricted equity	1,273	1,256	1,273
Retained earnings	3,564	3,268	3,194
	7,942	7,622	7,478
Non-controlling interests	2	6	2
Total equity	7,944	7,628	7,480
Non-current liabilities			
Deferred tax liabilities	472	468	428
Retirement benefit obligations	824	774	867
Provisions	162	145	214
Interest-bearing liabilities	2,742	3,120	3,058
Other liabilities	149	146	150
	4,349	4,653	4,717
Current liabilities			
Current interest-bearing liabilities	461	973	406
Trade and other payables	1,535	1,568	1,549
Income tax payables	21	68	43
	2,017	2,609	1,998
Total liabilities	6,366	7,262	6,715
Total equity and liabilities	14,310	14,890	14,195

Consolidated statement of changes in equity

EURm	Attributable to owners of the parent company								Total equity
	Share capital	Treasury shares	Translation differences	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interests	
Balance at 1 January 2014	890	-2	6	2,256	1,226	3,073	7,449	6	7,455
Profit (loss) for the period	-	-	-	-	-	504	504	-	504
Actuarial gains and losses on defined benefit obligations, net of tax	-	-	-	-	-	-93	-93	-	-93
Translation differences	-	-	249	-	-	-	249	-	249
Net investment hedge, net of tax	-	-	-35	-	-	-	-35	-	-35
Cash flow hedges, net of tax	-	-	-	-99	-	-	-99	-	-99
Available-for-sale investments, net of tax	-	-	-	-55	-	-	-55	-	-55
Total comprehensive income for the period	-	-	214	-154	-	411	471	-	471
Share options exercised	-	-	-	-	30	-	30	-	30
Share-based compensation, net of tax	-	-	-	-9	-	10	1	-	1
Dividend distribution	-	-	-	-	-	-319	-319	-	-319
Other items and reclassifications	-	-	-	-103	-	93	-10	-	-10
Total transactions with owners for the period	-	-	-	-112	30	-216	-298	-	-298
Balance at 30 September 2014	890	-2	220	1,990	1,256	3,268	7,622	6	7,628
Balance at 1 January 2015	890	-2	256	1,867	1,273	3,194	7,478	2	7,480
Profit (loss) 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 options exercised	-	-	-	-	-	-	-	-	-
Share-based compensation, net of tax	-	-	-	-	-	-3	-3	-	-3
Dividend distribution	-	-	-	-	-	-373	-373	-	-373
Other items and reclassifications	-	-	-	-	-	-	-	-	-
Total transactions with owners for the period	-	-	-	-	-	-376	-376	-	-376
Balance at 30 September 2015	890	-2	420	1,797	1,273	3,564	7,942	2	7,944

Condensed consolidated cash flow statement

EURm	Q1-Q3/2015	Q1-Q3/2014	Q1-Q4/2014
Cash flow from operating activities			
Profit (loss) for the period	723	504	512
Adjustments	278	438	779
Change in working capital	-68	-71	73
Cash generated from operations	933	871	1,364
Finance costs, net	-21	-33	-42
Income taxes paid	-117	-59	-81
Net cash generated from operating activities	795	779	1,241
Cash flow from investing activities			
Capital expenditure	-322	-275	-378
Acquisitions and share purchases	-2	-1	-32
Asset sales and other investing cash flow	34	85	163
Net cash used in investing activities	-290	-191	-247
Cash flow from financing activities			
Change in loans and other financial items	-437	-273	-824
Share options exercised	-	30	47
Dividends paid	-373	-319	-319
Net cash used in financing activities	-810	-562	-1,096
Change in cash and cash equivalents	-305	26	-102
Cash and cash equivalents at beginning of period	700	787	787
Foreign exchange effect on cash and cash equivalents	-1	12	15
Change in cash and cash equivalents	-305	26	-102
Cash and cash equivalents at end of period	394	825	700

Quarterly information

EURm	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1-Q3/15	Q1-Q3/14	Q1-Q4/14
Sales	2,530	2,548	2,486	2,531	2,415	2,441	2,481	7,564	7,337	9,868
Other operating income	10	25	7	61	14	9	7	42	30	91
Costs and expenses	-2,186	-2,270	-2,175	-2,286	-2,082	-2,161	-2,179	-6,631	-6,422	-8,708
Change in fair value of biological assets and wood harvested	289	31	16	32	17	17	12	336	46	78
Share of results of associated companies and joint ventures	2	1	-	-	1	2	-	3	3	3
Depreciation, amortisation and impairment charges	-132	-129	-131	-267	-129	-132	-130	-392	-391	-658
Operating profit (loss)	513	206	203	71	236	176	191	922	603	674
Gains on available-for-sale investments, net	-	-	-	-	-	-	59	-	59	59
Exchange rate and fair value gains and losses	-	-3	-7	3	-3	-1	-3	-10	-7	-4
Interest and other finance costs, net	-15	-21	-15	-17	-19	-16	-10	-51	-45	-62
Profit (loss) before tax	498	182	181	57	214	159	237	861	610	667
Income taxes	-90	-22	-26	-49	-32	-30	-44	-138	-106	-155
Profit (loss) for the period	408	160	155	8	182	129	193	723	504	512
Attributable to:										
Owners of the parent company	408	160	155	8	182	129	193	723	504	512
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
	408	160	155	8	182	129	193	723	504	512
Basic earnings per share, EUR	0.77	0.30	0.29	0.01	0.34	0.25	0.36	1.36	0.95	0.96
Diluted earnings per share, EUR	0.77	0.30	0.29	0.01	0.34	0.25	0.36	1.36	0.95	0.96
Earnings per share, excluding special items, EUR	0.76	0.33	0.29	0.32	0.32	0.26	0.27	1.38	0.85	1.17
Average number of shares basic (1,000)	533,505	533,505	533,505	532,916	531,932	531,932	529,514	533,505	531,126	531,574
Average number of shares diluted (1,000)	533,505	533,505	533,505	532,202	532,114	532,201	529,777	533,505	531,364	531,574
Special items in operating profit (loss)	6	-21	-1	-159	1	-10	-5	-16	-14	-173
Operating profit (loss), excl. special items	507	227	204	230	235	186	196	938	617	847
% of sales	20.0	8.9	8.2	9.1	9.7	7.6	7.9	12.4	8.4	8.6
Special items in financial items	-	-	-	-	-	-	66	-	66	66
Special items before tax	6	-21	-1	-159	1	-10	61	-16	52	-107
Profit (loss) before tax, excl. special items	492	203	182	216	213	169	176	877	558	774
% of sales	19.4	8.0	7.3	8.5	8.8	6.9	7.1	11.6	7.6	7.8
Effect of special items on income taxes	-1	5	1	-6	11	4	-13	5	2	-4
Return on equity, excl. special items, %	20.7	9.1	8.1	9.2	9.1	7.3	7.7	12.7	8.0	8.3
Return on capital employed, excl. special items, %	18.2	8.1	7.0	8.2	8.0	6.5	6.6	11.1	7.0	7.5
EBITDA	345	317	325	334	344	305	323	987	972	1,306
% of sales	13.6	12.4	13.1	13.2	14.2	12.5	13.0	13.0	13.2	13.2

Quarterly segment information

EURm	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1-Q3/15	Q1-Q3/14	Q1-Q4/14
Sales										
UPM Biorefining	554	601	533	484	480	477	496	1,688	1,453	1,937
UPM Energy	112	94	99	115	113	112	124	305	349	464
UPM Raflatac	353	351	342	330	312	306	300	1,046	918	1,248
UPM Paper Asia	286	300	298	288	274	285	277	884	836	1,124
UPM Paper ENA	1,279	1,210	1,256	1,361	1,303	1,286	1,334	3,745	3,923	5,284
UPM Plywood	105	113	119	107	101	118	114	337	333	440
Other operations	97	119	114	113	102	113	119	330	334	447
Internal sales	-239	-219	-267	-248	-248	-241	-263	-725	-752	-1,000
Eliminations and reconciliations	-17	-21	-8	-19	-22	-15	-20	-46	-57	-76
Sales, total	2,530	2,548	2,486	2,531	2,415	2,441	2,481	7,564	7,337	9,868
EBITDA										
UPM Biorefining	161	153	134	100	100	66	92	448	258	358
UPM Energy	47	43	40	59	46	49	59	130	154	213
UPM Raflatac	39	33	29	30	29	25	28	101	82	112
UPM Paper Asia	35	32	43	48	49	47	44	110	140	188
UPM Paper ENA	55	38	56	84	113	100	95	149	308	392
UPM Plywood	17	18	25	20	13	18	17	60	48	68
Other operations	-4	-1	-3	-5	1	-7	-10	-8	-16	-21
Eliminations and reconciliations	-5	1	1	-2	-7	7	-2	-3	-2	-4
EBITDA, total	345	317	325	334	344	305	323	987	972	1,306
Operating profit (loss)										
UPM Biorefining	122	118	97	72	64	31	56	337	151	223
UPM Energy	45	21	38	57	43	46	56	104	145	202
UPM Raflatac	30	20	21	21	21	7	20	71	48	69
UPM Paper Asia	12	11	22	27	29	27	25	45	81	108
UPM Paper ENA	13	-9	5	-178	63	45	38	9	146	-32
UPM Plywood	11	13	19	14	7	12	11	43	30	44
Other operations	280 ¹⁾	23	6	64	13	8	-3	309 ¹⁾	18	82
Eliminations and reconciliations	-	9	-5	-6	-4	-	-12	4	-16	-22
Operating profit (loss), total	513	206	203	71	236	176	191	922	603	674
% of sales	20.3	8.1	8.2	2.8	9.8	7.2	7.7	12.2	8.2	6.8
Special items in operating profit										
UPM Biorefining	-	-	-	5	1	-	-	-	1	6
UPM Energy	-	-19	-	-	-	-	-	-19	-	-
UPM Raflatac	1	-4	-	-1	-	-10	-	-3	-10	-11
UPM Paper Asia	-	-	-	-	-	-	-	-	-	-
UPM Paper ENA	4	-1	-	-208	1	-2	-4	3	-5	-213
UPM Plywood	-	-	-	-	-	-	-	-	-	-
Other operations	1	3	-1	45	-1	2	-1	3	-	45
Special items in operating profit, total	6	-21	-1	-159	1	-10	-5	-16	-14	-173
Operating profit (loss) excl. special items										
UPM Biorefining	122	118	97	67	63	31	56	337	150	217
UPM Energy	45	40	38	57	43	46	56	123	145	202
UPM Raflatac	29	24	21	22	21	17	20	74	58	80
UPM Paper Asia	12	11	22	27	29	27	25	45	81	108
UPM Paper ENA	9	-8	5	30	62	47	42	6	151	181
UPM Plywood	11	13	19	14	7	12	11	43	30	44
Other operations	279 ¹⁾	20	7	19	14	6	-2	306 ¹⁾	18	37
Eliminations and reconciliations	-	9	-5	-6	-4	-	-12	4	-16	-22
Operating profit (loss) excl. special items, total	507	227	204	230	235	186	196	938	617	847
% of sales	20.0	8.9	8.2	9.1	9.7	7.6	7.9	12.4	8.4	8.6

¹⁾ 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.

EURm	30.9.2015	30.6.2015	31.3.2015	31.12.2014	30.9.2014	30.6.2014	31.3.2014
Assets							
UPM Biorefining	3,304	3,356	3,441	3,171	3,113	2,951	2,985
UPM Energy	2,720	2,719	2,825	2,826	2,913	2,915	2,922
UPM Raflatac	693	713	729	678	673	652	635
UPM Paper Asia	1,106	1,086	1,093	1,008	987	912	903
UPM Paper ENA	2,698	2,790	2,800	2,754	3,033	3,016	3,026
UPM Plywood	285	296	304	284	292	299	307
Other operations ¹⁾	1,813	1,573	1,630	1,605	1,612	1,620	1,666
Eliminations and reconciliations	-226	-245	-280	-246	-252	-232	-265
Unallocated assets	1,917	1,888	2,046	2,115	2,519	2,328	2,632
Assets, total	14,310	14,176	14,588	14,195	14,890	14,461	14,811

¹⁾ In Q3 2015, the fair value of biological assets in Finland was increased by EUR 265 million due to adjustment of long-term wood price estimates and change in discount rate. UPM continues to estimate a declining trend of real wood prices in Finland, although with a slightly slower rate than previously. In addition, the pre-tax discount rate used to determine the fair value of the Finnish forests has been lowered from 7.5% to 7.0%.

Changes in property, plant and equipment

EURm	Q1-Q3/2015	Q1-Q3/2014	Q1-Q4/2014
Book value at beginning of period	4,707	4,757	4,757
Capital expenditure	317	250	369
Decreases	-11	-14	-21
Depreciation	-364	-353	-471
Impairment charges	-	-3	-138
Translation difference and other changes	147	164	211
Book value at end of period	4,796	4,801	4,707

Financial assets and liabilities measured at fair value

EURm	30.9.2015				30.9.2014				31.12.2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets												
Trading derivatives	2	53	-	55	-	123	-	123	1	61	-	62
Derivatives used for hedging	76	397	-	473	41	281	-	322	52	328	-	380
Available-for-sale investments	-	-	2,412	2,412	-	-	2,596	2,596	-	-	2,510	2,510
Total	78	450	2,412	2,940	41	404	2,596	3,041	53	389	2,510	2,952
Liabilities												
Trading derivatives	21	156	-	177	20	108	-	128	22	111	-	133
Derivatives used for hedging	99	91	-	190	70	176	-	246	81	156	-	237
Total	120	247	-	367	90	284	-	374	103	267	-	370

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

EURm	Available-for-sale investments		
	Q1-Q3/2015	Q1-Q3/2014	Q1-Q4/2014
Opening balance	2,510	2,661	2,661
Additions	1	–	31
Disposals	–	–	–1
Transfers into Level 3	1	–	–
Transfers from Level 3	–	–10	–10
Translation differences	1	–	2
Gains and losses			
Recognised in statement of comprehensive income, under available-for-sale investments	–101	–55	–173
Closing balance	2,412	2,596	2,510

Fair valuation of available-for-sale investments in the UPM Energy segment (Pohjolan Voima Oy's A, B, B2, C, C2, H, 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 359 million. The discount rate of 5.82% 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 360 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 the OEP Technologie B.V. shares is based on the discounted value of sales option related to the shareholding.

Fair value of financial assets and liabilities measured at carrying amount

EURm	30.9.2015	30.9.2014	31.12.2014
Non-current interest bearing liabilities, excl. derivative financial instruments	2,694	3,077	3,037

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

Commitments and contingencies

EURm	30.9.2015	30.9.2014	31.12.2014
Own commitments			
Mortgages	218	285	289
On behalf of others			
Other guarantees	5	5	5
Other own commitments			
Leasing commitments for the next 12 months	59	60	60
Leasing commitments for subsequent periods	335	341	339
Other commitments	137	168	160

Capital commitments

EURm	Completion	Total cost	By		After
			31.12.2014	Q1-Q3/2015	30.9.2015
PM3 / Changshu	Q4 2015	277	65	103	109
Capacity increase / Kymi	Q4 2015	160	42	70	48
Debottlenecking / Kaukas Pulp Mill	Q4 2016	52	–	–	52
Mill expansion / Otepää	Q4 2016	42	–	8	34

Notional amounts of derivative financial instruments

EURm	30.9.2015	30.9.2014	31.12.2014
Forward foreign exchange contracts	4,323	4,598	4,465
Currency options, bought	–	14	19
Currency options, written	–	19	19
Interest rate forward contracts	1,672	1,783	2,310
Interest rate swaps	2,118	2,519	2,134
Cross currency swaps	658	864	617
Commodity contracts	325	499	442

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 in the Group's consolidated financial statements for 2014. Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

Calculation of key indicators

Return on equity, %:

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

Return on capital employed, %:

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

Earnings per share:

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

Key exchange rates for the euro at end of period

	30.9.2015	30.6.2015	31.3.2015	31.12.2014	30.9.2014	30.6.2014	31.3.2014
USD	1.1203	1.1189	1.0759	1.2141	1.2583	1.3658	1.3788
CAD	1.5034	1.3839	1.3738	1.4063	1.4058	1.4589	1.5225
JPY	134.69	137.01	128.95	145.23	138.11	138.44	142.42
GBP	0.7385	0.7114	0.7273	0.7789	0.7773	0.8015	0.8282
SEK	9.4083	9.2150	9.2901	9.3930	9.1465	9.1762	8.9483

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. For more detailed information about risk factors, see pages 76–77 of the company’s annual report 2014.



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