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UPM FINANCIAL STATEMENTS RELEASE 2015

UPM financial statements release 2015

Q4 2015 compared with Q4 2014

- Earnings per share excluding special items were EUR 0.37 (0.32) and reported EUR 0.36 (0.01)
- Operating profit excluding special items was EUR 225 million, 8.7% of sales (230 million, 9.1% of sales)
- Growth projects began contributing to UPM's earnings, with a strong start in the expanded UPM Kymi pulp mill and UPM Biofuels reaching break-even level. In addition, the speciality paper machine at the UPM Changshu mill in China started production in December
- The profit improvement programme exceeded its target, reaching a cost reduction impact of EUR 41 million in Q4 2015 (annualised EUR 165 million)
- Operating cash flow was strong at EUR 390 million (462 million), and net debt decreased to EUR 2,100 million (2,401 million)

Full year 2015 compared with 2014

- Earnings per share excluding special items were EUR 1.75 (1.17) and reported EUR 1.72 (0.96)
- Operating profit excluding special items was EUR 1,163 million, 11.5% of sales (847 million, 8.6% of sales)
- In 2015, UPM completed several growth projects: the speciality paper machine at UPM Changshu mill, expansion of the UPM Kymi pulp mill, Lappeenranta advanced biofuel refinery and UPM Raflatac expansions in Poland and APAC. New expansion projects began at the Kaukas pulp mill and Otepää plywood mill
- UPM closed 800,000 tonnes of graphic paper production capacity in Europe in H1 2015
- The Board proposes a dividend of EUR 0.75 (0.70) per share, representing 34% of operating cash flow per share

Key figures

	Q4/2015	Q4/2014	Q3/2015 [2]	Q1–Q4/2015 [2]	Q1–Q4/2014
Sales, EURm	2,574	2,531	2,530	10,138	9,868
EBITDA, EURm [1]	363	334	345	1,350	1,306
% of sales	14.1	13.2	13.6	13.3	13.2
Operating profit (loss), EURm	220	71	513	1,142	674
excluding special items, EURm	225	230	507	1,163	847
% of sales	8.7	9.1	20.0	11.5	8.6
Profit (loss) before tax, EURm	214	57	498	1,075	667
excluding special items, EURm	219	216	492	1,096	774
Profit (loss) for the period, EURm	193	8	408	916	512
Earnings per share, EUR	0.36	0.01	0.77	1.72	0.96
excluding special items, EUR	0.37	0.32	0.76	1.75	1.17
Diluted earnings per share, EUR	0.36	0.01	0.77	1.72	0.96
Return on equity, %	9.7	0.4	21.0	11.9	6.9
excluding special items, %	9.9	9.2	20.7	12.1	8.3
Return on capital employed, %	8.2	2.5	18.4	10.3	6.5
excluding special items, %	8.4	8.2	18.2	10.5	7.5
Operating cash flow per share, EUR	0.73	0.86	0.68	2.22	2.33
Capital expenditure, EURm	188	156	132	520	411
Capital expenditure excluding acquisitions and shares, EURm	157	121	132	486	375
Equity per share at end of period, EUR	14.89	14.02	14.89	14.89	14.02
Gearing ratio at end of period, %	26	32	31	26	32
Net interest-bearing liabilities at end of period, EURm	2,100	2,401	2,465	2,100	2,401
Capital employed at end of period, EURm	11,010	10,944	11,148	11,010	10,944
Personnel at end of period	19,578	20,414	19,874	19,578	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

Q4 2015 compared with Q4 2014

Q4 2015 sales were EUR 2,574 million, 2% higher than the EUR 2,531 million in Q4 2014. Sales grew in UPM Biorefining and UPM Raflatac and decreased in the other business areas.

EBITDA increased to EUR 363 million (14.1% of sales) from the EUR 334 million (13.2% of sales) in the comparison period. Variable and fixed costs decreased, both largely driven by UPM´s profit improvement programme. Favourable exchange rates had a positive impact, which was moderated by hedging. In Q4 2015, realised currency hedges decreased EBITDA by EUR 24 million, which mainly affected the UPM Paper ENA and UPM Paper Asia business areas. Lower publication paper prices were a negative factor, too.

UPM Biorefining increased its EBITDA mainly because of higher pulp prices and improved cost efficiency. UPM Raflatac increased its 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 the negative impact of currency hedging and higher pulp costs. EBITDA also decreased slightly in UPM Plywood.

Operating profit excluding special items totalled EUR 225 million, 8.7% of sales (230 million, 9.1%). Depreciation totalled EUR 132 million (132 million, excluding special items). The increase in the fair value of biological assets net of wood harvested was EUR 16 million (32 million). The fair value change of unrealised cash flow and commodity hedges reported in operating profit, under Eliminations and reconciliations, was EUR 22 million negative (4 million negative).

Reported operating profit was EUR 220 million, 8.5% of sales (71 million, 2.8% of sales). Operating profit includes net charges of EUR 5 million (159 million) as special items.

Profit before tax was EUR 214 million (57 million) and excluding special items EUR 219 million (216 million). Net interest and other finance costs were EUR 17 million (17 million). Exchange rate and fair value gains and losses resulted to a gain of EUR 11 million (3 million).

Income tax expenses totalled EUR 21 million (49 million). The effect of special items on income taxes was EUR 1 million benefit (EUR 6 million expense).

Profit for Q4 2015 was EUR 193 million (8 million), and earnings per share were EUR 0.36 (0.01). Earnings per share, excluding special items, were EUR 0.37 (0.32).

Q4 2015 compared with Q3 2015

EBITDA increased to EUR 363 million, 14.1% of sales (345 million, 13.6% of sales). EBITDA increased in UPM Energy mainly due to lower electricity purchase prices from partly owned energy companies. In UPM Paper ENA, the negative impact from currency hedges eased somewhat, and variable costs decreased. UPM Biorefining increased its EBITDA, as growth projects started to contribute to earnings. EBITDA also increased slightly for UPM Plywood. EBITDA decreased due to seasonally higher fixed costs at UPM Raflatac. In UPM Paper Asia EBITDA decreased due to lower deliveries, sales prices and costs relating to the start-up of the new production unit.

Operating profit excluding special items was EUR 225 million, 8.7% of sales (507 million, 20.0%).

The increase in the fair value of biological assets net of wood harvested was EUR 16 million (289 million, including a fair value increase of biological assets in Finland totalling EUR 265 million).

Depreciation totalled EUR 132 million (132 million).

Full year 2015 compared with 2014

2015 sales were EUR 10,138 million, 3% higher than EUR 9,868 million in 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 1,350 million (13.3% of sales) from EUR 1,306 million (13.2% of sales) in the comparison period. Variable and fixed costs decreased, largely driven by UPM´s profit improvement programmes. The favourable exchange rates had a significant positive impact, which was moderated by hedging. In 2015, realised currency hedges decreased EBITDA by EUR 114 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 prices and improved cost efficiency. UPM Raflatac and UPM Plywood increased their EBITDA mainly because of increased sales margins and deliveries. 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 the negative impact of currency hedging. EBITDA decreased in UPM Energy, mainly because of lower electricity prices.

Operating profit excluding special items was EUR 1,163 million, 11.5% of sales (847 million, 8.6%). This includes a fair value increase of biological assets in Finland totalling EUR 265 million booked in Q3 2015, 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 352 million (78 million). Depreciation totalled EUR 524 million (521 million, excluding special items).

Reported operating profit was EUR 1,142 million, 11.3% of sales (674 million, 6.8% of sales). Operating profit includes net charges of EUR 21 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 1,075 million (667 million) and, excluding special items, EUR 1,096 million (774 million). Net interest and other finance costs were EUR 68 million (62 million). Exchange rate and fair value gains and losses resulted in a gain of EUR 1 million (loss of EUR 4 million).

Income tax expenses totalled EUR 159 million (155 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 6 million (EUR 4 million expense).

Profit for 2015 was EUR 916 million (512 million), and earnings per share were EUR 1.72 (0.96). Earnings per share, excluding special items, were EUR 1.75 (1.17).

Operating cash flow per share was EUR 2.22 (2.33).

Financing

In 2015, cash flow from operating activities before capital expenditure and financing totalled EUR 1,185 million (1,241 million). Working capital increased by EUR 8 million (decreased by EUR 73 million) during the period.

The gearing ratio as of 31 December 2015 was 26% (32%). Net interest-bearing liabilities at the end of the period decreased to EUR 2,100 million (2,401 million).

On 31 December 2015, UPM's cash funds and unused committed credit facilities totalled EUR 1.7 billion.

Personnel

In 2015, UPM had an average of 20,246 employees (20,852). At the beginning of the year, the number of employees was 20,414 and at the end of Q4 2015, it was 19,578.

Capital expenditure

In 2015, capital expenditure was EUR 520 million, 5.1% of sales (411 million, 4.2% of sales) and, excluding investments in shares, EUR 486 million, 4.8% of sales (375 million, 3.8% of sales). Total capital expenditure, excluding investments in shares, in 2016 is estimated to be approximately EUR 350 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 m^3 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 Q4 2015, EUR 31 million in Q4 2014 and EUR 31 million in Q2 2013. The remaining part of the share issue will be implemented in 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 644 million has already been invested, and the total remaining capital expenditure during 2016 will be EUR 36 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 is capable of producing 360,000 tonnes of labelling materials and speciality papers. The total investment is approximately EUR 285 million. The unit started production as planned in December 2015.

In February 2014, UPM announced that it was expanding 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 of EUR 160 million increased the pulp mill's production capacity by 170,000 tonnes and was 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 expansions 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 Q4 2014. The target included 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 H1 2015. Newsprint machine 1 at UPM Shotton in the UK, SC paper machine Jämsänkoski 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 annual fixed cost reduction from the capacity closures is 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 Q4 2015, the actions taken under the profit improvement programme reduced UPM's costs by EUR 41 million (annualised EUR 165 million), meaning about 110% of the annualised savings target 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 to the main input cost items and currency exchange rates. Most of these items depend on general economic developments.

Currently, the main near-term uncertainties relate to global economic growth and currency markets, as well as the global chemical pulp market.

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

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

The main earnings sensitivities and the group's cost structure are presented on page 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 31 December 2015.

Dividend

The Board of Directors proposes to the Annual General Meeting convening on 7 April 2016 that a dividend of EUR 0.75 per share be paid in respect of the 2015 financial year (0.70). The proposed dividend represents 34% of UPM's operating cash flow per share for the year 2015. It is proposed that the dividend be paid on 21 April 2016. On 31 December 2015, the distributable funds of the parent company were EUR 3,532.8 million.

Outlook for 2016

UPM's profitability improved in 2015 and the improvement is expected to continue in 2016. The business performance is underpinned by the company's growth projects and continuous cost efficiency measures.

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 the same level as at the end of 2015.

Business area reviews

UPM Biorefining

	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/15	Q1–Q4/14
Sales, EURm	584	554	601	533	484	480	477	496	2,272	1,937
EBITDA, EURm	166	161	153	134	100	100	66	92	614	358
% of sales	28.4	29.1	25.5	25.1	20.7	20.8	13.8	18.5	27.0	18.5
Change in fair value of biological assets and wood harvested, EURm	8	5	6	2	5	1	2	1	21	9
Share of results of associated companies and joint ventures, EURm	–	–	1	–	–	–	1	–	1	1
Depreciation, amortisation and impairment charges, EURm	–44	–44	–42	–39	–37	–38	–38	–37	–169	–150
Operating profit, EURm	129	122	118	97	72	64	31	56	466	223
% of sales	22.1	22.0	19.6	18.2	14.9	13.3	6.5	11.3	20.5	11.5
Special items, EURm [1]	–1	–	–	–	5	1	–	–	–1	6
Operating profit excl. special items, EURm	130	122	118	97	67	63	31	56	467	217
% of sales	22.3	22.0	19.6	18.2	13.8	13.1	6.5	11.3	20.6	11.2
Pulp deliveries, 1,000 t	806	771	837	810	791	848	832	816	3,224	3,287
Capital employed (average), EURm									3,191	2,862
ROCE excl special items, %									14.6	7.6

Pulp mill maintenance shutdowns: Q4 2015 UPM Fray Bentos, 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 2015, special items of EUR 1 million relate to increase of pension obligations due to Finnish employee pension reform. 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.

Q4 2015 compared with Q4 2014

Operating profit excluding special items for UPM Biorefining increased significantly to EUR 130 million (67 million). Sales increased by 21% to EUR 584 million (484 million). Pulp deliveries increased by 2% to 806,000 tonnes (791,000).

Operating profit increased mainly because of higher average pulp sales prices in euro. Delivery volumes increased mainly because of the successful ramp-up of the expanded capacity at the Kymi pulp mill and increased biofuel production. Variable costs decreased partly because of improved cost efficiency.

Q4 2015 compared with Q3 2015

Operating profit excluding special items increased because of lower variable costs and higher delivery volumes, mainly driven by the successful ramp-up of the expanded capacity at the Kymi pulp mill and increased biofuel production. Pulp sales prices decreased.

Full year 2015 compared with 2014

Operating profit excluding special items for UPM Biorefining increased significantly to EUR 467 million (217 million). Sales increased by 17% to EUR 2,272 million (1,937 million). Pulp deliveries decreased by 2% to 3,224,000 tonnes (3,287,000).

In UPM Biorefining, operating profit increased mainly because of higher average pulp sales prices in euro. Variable costs decreased, partly because of improved cost efficiency in pulp production. Biofuels production ramp-up was slow in the first half of the year and improved after the maintenance shutdown in the third quarter. Profitability reached break-even by year-end. Profitability in sawmill operations decreased due to stiffer price competition, more than offsetting the positive impacts of increased delivery volumes and improved production 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 production ramp-up in Q3 2015.

Market review

In 2015, global chemical pulp demand remained robust and growth was well distributed over several regions. Demand growth was strongest in Asia, particularly in China, and Eastern Europe.

The average northern bleached softwood kraft (NBSK) pulp market price in Europe in 2015 was EUR 771/tonne, 10% higher than the previous year (698/tonne).

The average market price of bleached hardwood kraft pulp (BHKP) in Europe was EUR 707/tonne, 26% higher than the previous year (561/tonne).

In the first nine months of the year, USD-denominated NBSK pulp prices slipped, while the market price of BHKP increased. The market price difference between NBSK and BHKP narrowed as producers and end-use consumers responded to the high NBSK price premium in the beginning of the year. Price competition increased in Q4 2015.

Demand for advanced biofuel increased, and regulations developed in favour of advanced biofuels. Compared to energy prices in general, which decreased significantly in 2015, advanced biofuel price development was positive.

UPM Energy

	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/15	Q1–Q4/14
Sales, EURm	110	112	94	99	115	113	112	124	415	464
EBITDA, EURm	62	47	43	40	59	46	49	59	192	213
% of sales	56.4	42.0	45.7	40.4	51.3	40.7	43.7	47.6	46.3	45.9
Depreciation, amortisation and impairment charges, EURm	–4	–2	–3	–2	–2	–3	–3	–3	–11	–11
Operating profit, EURm	51	45	21	38	57	43	46	56	155	202
% of sales	46.4	40.2	22.3	38.4	49.6	38.1	41.1	45.2	37.3	43.5
Special items, EURm [1)]	–7	–	–19	–	–	–	–	–	–26	–
Operating profit excl. special items, EURm	58	45	40	38	57	43	46	56	181	202
% of sales	52.7	40.2	42.6	38.4	49.6	38.1	41.1	45.2	43.6	43.5
Electricity deliveries, GWh	2,337	2,339	2,213	2,077	2,169	2,135	2,112	2,305	8,966	8,721
Capital employed (average), EURm									2,716	2,903
ROCE excl special items, %									6.7	7.0

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

Q4 2015 compared with Q4 2014

Operating profit excluding special items for UPM Energy increased to EUR 58 million (57 million). Sales decreased to EUR 110 million (115 million). The total electricity sales volume increased by 8% to 2,337 GWh (2,169 GWh).

Operating profit increased because of significantly higher hydropower generation volumes and lower costs, offsetting the negative impact of lower electricity prices. Costs decreased mainly because of lower electricity purchase prices from partly owned energy companies.

The average electricity sales price decreased by 14% to EUR 39.2/MWh (45.5/MWh).

Q4 2015 compared with Q3 2015

Operating profit excluding special items increased. Costs decreased mainly because of lower electricity purchase prices from partly owned energy companies.

The average electricity sales price increased to EUR 39.2/MWh (38.6/MWh).

Full year 2015 compared with 2014

Operating profit excluding special items for UPM Energy decreased to EUR 181 million (202 million). Sales decreased to EUR 415 million (464 million). The total electricity sales volume increased by 3% to 8,966 GWh (8,721 GWh).

Operating profit decreased due to lower average electricity sales prices, more than offsetting the positive impact of higher hydropower generation volumes.

The average electricity sales price decreased by 15% to EUR 38.7/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 2015. At the end of December, the hydrological balance was well above the long-term average level. The average Finnish area spot price on the Nordic electricity exchange was EUR 29,7/MWh, 18% lower than the same period the previous year (EUR 36.0/MWh), because of mild temperatures and improved hydrology. The Finnish area price was above the Nord Pool system price because of dependency on imports. The price difference between the Finnish area price and Nord Pool system price increased as a result of a sharp decrease in the Nord Pool system price, driven predominately by improved hydrology.

Due to global oversupply and weakening demand outlook, coal prices decreased significantly in 2015. The CO_2 emission allowance price of EUR 8.0/tonne at the end of the period was higher than at the end of the comparison period (EUR 6.9/tonne).

The Finnish area front-year forward electricity price closed at EUR 30.7/MWh at the end of the year, 15% lower than on the same date the previous year (36.1/MWh).

UPM Raflatac

	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/15	Q1–Q4/14
Sales, EURm	363	353	351	342	330	312	306	300	1,409	1,248
EBITDA, EURm	36	39	33	29	30	29	25	28	137	112
% of sales	9.9	11.0	9.4	8.5	9.1	9.3	8.2	9.3	9.7	9.0
Depreciation, amortisation and impairment charges, EURm	–8	–10	–9	–8	–9	–8	–10	–8	–35	–35
Operating profit, EURm	28	30	20	21	21	21	7	20	99	69
% of sales	7.7	8.5	5.7	6.1	6.4	6.7	2.3	6.7	7.0	5.5
Special items, EURm [1]	–	1	–4	–	–1	–	–10	–	–3	–11
Operating profit excl. special items, EURm	28	29	24	21	22	21	17	20	102	80
% of sales	7.7	8.2	6.8	6.1	6.7	6.7	5.6	6.7	7.2	6.4
Capital employed (average), EURm									581	530
ROCE excl special items, %									17.6	15.1

[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.

Q4 2015 compared with Q4 2014

Operating profit excluding special items for UPM Raflatac increased to EUR 28 million (22 million). Sales increased by 10% to EUR 363 million (330 million), driven by solid volume growth and weaker euro exchange rate.

Operating profit increased because of higher sales margins and delivery volumes, more than offsetting the impact of increased fixed costs.

Q4 2015 compared with Q3 2015

Operating profit decreased mainly due to seasonally higher fixed costs.

Full year 2015 compared with 2014

Operating profit excluding special items for UPM Raflatac increased to EUR 102 million (80 million). Sales increased by 13% to EUR 1,409 million (1,248 million), driven by solid volume growth and weaker euro exchange rate.

Operating profit increased because of higher sales margins partly resulting from improved operational efficiency and higher delivery volumes, more than offsetting the impact of increased fixed costs.

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 2015, global demand for self-adhesive label material increased by approximately 4–5% compared with the previous year. Demand strengthened particularly in Europe, thanks to higher consumer spending. In North America, demand remained robust, while, in Asia, growth continued at a lower level than in the previous year. In Latin America, demand was at the previous year's level.

UPM Paper Asia

	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/15	Q1–Q4/14
Sales, EURm	284	286	300	298	288	274	285	277	1,168	1,124
EBITDA, EURm	31	35	32	43	48	49	47	44	141	188
% of sales	10.9	12.2	10.7	14.4	16.7	17.9	16.5	15.9	12.1	16.7
Depreciation, amortisation and impairment charges, EURm	–21	–23	–21	–21	–21	–20	–20	–19	–86	–80
Operating profit, EURm	10	12	11	22	27	29	27	25	55	108
% of sales	3.5	4.2	3.7	7.4	9.4	10.6	9.5	9.0	4.7	9.6
Special items, EURm	–	–	–	–	–	–	–	–	–	–
Operating profit excl. special items, EURm	10	12	11	22	27	29	27	25	55	108
% of sales	3.5	4.2	3.7	7.4	9.4	10.6	9.5	9.0	4.7	9.6
Paper deliveries, 1,000 t	342	349	361	349	359	350	365	347	1,401	1,421
Capital employed (average), EURm									1,012	861
ROCE excl special items, %									5.4	12.5

Q4 2015 compared with Q4 2014

Operating profit excluding special items for UPM Paper Asia decreased to EUR 10 million (27 million).

Sales were EUR 284 million (288 million). Deliveries decreased by 5% to 342,000 tonnes (359,000).

Operating profit decreased mainly due to the negative impact of currency hedging and higher pulp costs. Deliveries and sales prices decreased in many Asian markets.

Q4 2015 compared with Q3 2015

Operating profit excluding special items decreased mainly due to lower deliveries, sales prices and costs relating to the start-up of the new production unit. Profitability was moderated by currency hedging, not as much as in the previous quarter, however.

Full year 2015 compared with 2014

Operating profit excluding special items for UPM Paper Asia decreased to EUR 55 million (108 million). Sales increased by 4% to EUR 1,168 million (1,124 million) mainly because of the weaker euro exchange rate. Deliveries decreased by 1% to 1,401,000 tonnes (1,421,000).

Operating profit decreased mainly due to the negative impact of currency hedging.

Market review

In the Asia-Pacific region, fine paper demand decreased slightly in 2015, although the development varied by product and market segment. Growth in office paper demand continued. Overcapacity prevailed in all paper grades, and the preliminary United States anti-dumping duties added regional supply. In 2015, the average market price in local currencies was slightly lower in most markets compared with 2014. Label and release paper demand increased globally, and average prices were slightly lower than in 2014.

New investments and paper machine conversions to uncoated woodfree and labelling material in Asia and conversions to labelling material in Europe increased competition.

UPM Paper ENA

	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/15	Q1–Q4/14
Sales, EURm	1,311	1,279	1,210	1,256	1,361	1,303	1,286	1,334	5,056	5,284
EBITDA, EURm	64	55	38	56	84	113	100	95	213	392
% of sales	4.9	4.3	3.1	4.5	6.2	8.7	7.8	7.1	4.2	7.4
Share of results of associated companies and joint ventures, EURm	–	1	–	–	–	1	–	–	1	1
Depreciation, amortisation and impairment charges, EURm	–46	–47	–45	–52	–189	–52	–54	–54	–190	–349
Operating profit, EURm	23	13	–9	5	–178	63	45	38	32	–32
% of sales	1.8	1.0	–0.7	0.4	–13.1	4.8	3.5	2.8	0.6	–0.6
Special items, EURm [1)]	5	4	–1	–	–208	1	–2	–4	8	–213
Operating profit excl. special items, EURm	18	9	–8	5	30	62	47	42	24	181
% of sales	1.4	0.7	–0.7	0.4	2.2	4.8	3.7	3.1	0.5	3.4
Paper deliveries, 1,000 t	2,171	2,130	2,046	2,023	2,225	2,136	2,098	2,148	8,370	8,607
Capital employed (average), EURm									2,289	2,511
ROCE excl special items, %									1.0	7.2

[1)] In Q4 2015, special items include income of EUR 7 million related to restructurings and special charge of EUR 2 million related to increase of pension obligations due to Finnish employee pension reform. 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.

Q4 2015 compared with Q4 2014

Operating profit excluding special items for UPM Paper ENA was EUR 18 million (EUR 30 million).

Sales decreased by 4% to EUR 1,311 million (1,361 million). Paper deliveries decreased by 2% to 2,171,000 tonnes (2,225,000).

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% because of favourable currency development on export prices. This positive impact was moderated by currency hedges.

Q4 2015 compared with Q3 2015

Operating profit excluding special items increased mainly because of lower variable costs and higher delivery volumes, more than offsetting the impact of seasonally higher fixed costs. Profitability was moderated by currency hedging, not as much as in the previous quarter, however.

The average price for paper deliveries remained stable.

Full year 2015 compared with 2014

Operating profit excluding special items for UPM Paper ENA was EUR 24 million (181 million).

Sales decreased by 4% to EUR 5,056 million (5,284 million). Deliveries decreased by 3% to 8,370,000 tonnes (8,607,000).

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% because of 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 United Kingdom.

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

In November, UPM announced a study of a potential sale and conversion of UPM Schwedt mill into liner production to LEIPA Georg Leinfelder GmbH.

Market review

In 2015, demand for graphic paper in Europe was 4% lower than in 2014. The decline was steeper in newsprint and magazine paper, while uncoated fine paper demand decline was more moderate. Demand development by country also varied. The German market is experiencing slower decline than, for example, the United Kingdom or Nordic markets.

In the fourth quarter, publication paper prices in Europe were on average at the same level as in Q3 2015. In 2015, publication paper prices were on average 5% lower than in 2014.

In the fourth quarter, fine paper prices in Europe were on average at the same level as in Q3 2015. In 2015, fine paper prices were on average 4% higher than in 2014.

In 2015, demand for magazine papers in North America was 7% lower than the previous year. In the fourth quarter, the average US dollar price for magazine papers were at the same level as in Q3 2015. In 2015, the average US dollar price for magazine papers were on average 1% higher than in 2014.

UPM Plywood

	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/15	Q1–Q4/14
Sales, EURm	102	105	113	119	107	101	118	114	439	440
EBITDA, EURm	18	17	18	25	20	13	18	17	78	68
% of sales	17.6	16.2	15.9	21.0	18.7	12.9	15.3	14.9	17.8	15.5
Depreciation, amortisation and impairment charges, EURm	–6	–6	–5	–6	–6	–6	–6	–6	–23	–24
Operating profit, EURm	10	11	13	19	14	7	12	11	53	44
% of sales	9.8	10.5	11.5	16.0	13.1	6.9	10.2	9.6	12.1	10.0
Special items, EURm [1]	–2	–	–	–	–	–	–	–	–2	–
Operating profit excl. special items, EURm	12	11	13	19	14	7	12	11	55	44
% of sales	11.8	10.5	11.5	16.0	13.1	6.9	10.2	9.6	12.5	10.0
Deliveries, plywood, 1,000 m^3	169	179	193	199	176	168	199	188	740	731
Capital employed (average), EURm									263	268
ROCE excl special items, %									20.9	16.4

[1] In Q4 2015, special item of EUR 2 million relates to Lahti estate restructuring charges.

Q4 2015 compared with Q4 2014
Operating profit excluding special items for UPM Plywood decreased to EUR 12 million (14 million). Sales decreased by 5% to EUR 102 million (107 million) and deliveries by 4% to 169,000 cubic metres (176,000).

Operating profit decreased mainly due to higher fixed costs and lower delivery volumes, more than offsetting the positive variable cost impact.

In October, UPM Plywood started a programme to improve the cost-competitiveness of its Finnish birch plywood mills. Central plans of the programme are to increase Savonlinna plywood mill's production volume by adding new shifts and to re-organise and rationalise Jyväskylä plywood mill's production along with outsourcing of mill cleaning.

Q4 2015 compared with Q3 2015
Operating profit excluding special items increased mainly because of lower variable costs.

Full year 2015 compared with 2014
Operating profit excluding special items for UPM Plywood increased to EUR 55 million (44 million).

Sales were EUR 439 million (440 million) and deliveries increased by 1% to 740,000 cubic metres (731,000).

Operating profit increased because of lower variable costs, partly driven by favourable currency development and improved cost efficiency. Delivery volumes increased.

Market review
In 2015, plywood demand in Europe is estimated to have increased slightly. Demand grew in both industrial applications and construction-related end-use segments. The plywood market in Europe was in balance during the first half of 2015. Imports increased over the course of the year, leading to price pressure in some product segments in the fourth quarter.

Other operations

	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/15	Q1–Q4/14
Sales, EURm	76	97	119	114	113	102	113	119	406	447
EBITDA, EURm	–8	–4	–1	–3	–5	1	–7	–10	–16	–21
Change in fair value of biological assets and wood harvested, EURm	8	284 [2)]	25	14	27	16	15	11	331 [2)]	69
Share of results of associated companies and joint ventures, EURm	–	1	–	–	–	–	1	–	1	1
Depreciation, amortisation and impairment charges, EURm	–4	–2	–4	–3	–3	–3	–2	–3	–13	–11
Operating profit, EURm	–3	280	23	6	64	13	8	–3	306	82
Special items, EURm [1)]	–	1	3	–1	45	–1	2	–1	3	45
Operating profit excl. special items, EURm	–3	279	20	7	19	14	6	–2	303	37
Capital employed (average), EURm									1,483	1,445
ROCE excl special items, %									20.4	2.6

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.

Q4 2015 compared with Q4 2014

Operating loss excluding special items was EUR 3 million (profit of 19 million). Sales decreased to EUR 76 million (113 million).

The increase in the fair value of biological assets net of wood harvested was EUR 8 million (27 million). The increase in the fair value of biological assets (growing trees) was EUR 19 million (43 million), including gains on forest sales. The cost of wood harvested from UPM forests was EUR 11 million (16 million).

Q4 2015 compared with Q3 2015

Operating loss excluding special items was EUR 3 million (profit of 279 million). Sales decreased to EUR 76 million (97 million).

The increase in the fair value of biological assets net of wood harvested was EUR 8 million (284 million). The increase in the fair value of biological assets (growing trees) was EUR 19 million (295 million), including gains on forest sales. The comparison figure 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 (11 million).

Full year 2015 compared with 2014

Operating profit excluding special items was EUR 303 million (37 million). Sales decreased to EUR 406 million (447 million).

The increase in the fair value of biological assets net of wood harvested was EUR 331 million (69 million). The increase in the fair value of biological assets (growing trees) was EUR 377 million (121 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 46 million (52 million).

In 2015, UPM sold 63,669 (51,000) hectares of forests.

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

Shares

In 2015, UPM shares worth EUR 7,469 million (6,233 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 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 31 December 2015 was 533,735,699. Through the issuance authorisation, the number of shares may increase to a maximum of 558,735,699.

On 31 December 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 filed a separate action with the Finnish Market Court in which Neste requested the Market Court to prohibit UPM from continuing the alleged infringement of Neste's patent at UPM's biorefinery. The Market Court rejected Neste's action on 3 December 2015. The decision is not final.

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 was appealed by the claimants to Court of Appeal of Nancy, which dismissed all of the claimants' claims in its judgment on 27 January 2016. The judgment is not final.

Other shareholdings

In Finland, UPM is participating in a project to construct a new nuclear power plant unit Olkiluoto 3 (OL3) through its shareholdings in Pohjolan Voima Oy. Pohjolan Voima Oy is a majority shareholder of Teollisuuden Voima Oyj (TVO), holding 58.5% of its shares. UPM's indirect share of OL3 is approximately 31%. Originally the commercial electricity production of the OL3 plant unit was scheduled to start in April 2009. The completion of the project, however, has been delayed. In September 2014 TVO announced that it had received additional information about the schedule for the OL3 project from the 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 would take place in late 2018. According to TVO, the proposed schedule is currently undergoing detailed scrutiny.

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 31 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 the end of 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 Supplier consortium companies (AREVA GmbH, AREVA NP SAS and Siemens AG) are jointly and severally liable for the plant contract obligations. The arbitration proceedings may continue for several years, and the claimed amounts may change. No receivables or provisions have been recorded by TVO on the basis of claims presented in the arbitration proceedings.

Helsinki, 2 February 2016

UPM-Kymmene Corporation

Board of Directors

Financial information

Consolidated income statement

EURm	Q4/2015	Q4/2014	Q1–Q4/2015	Q1–Q4/2014
Sales	2,574	2,531	10,138	9,868
Other operating income	–29	61	13	91
Costs and expenses	–2,209	–2,286	–8,840	–8,708
Change in fair value of biological assets and wood harvested	16	32	352	78
Share of results of associated companies and joint ventures	–	–	3	3
Depreciation, amortisation and impairment charges	–132	–267	–524	–658
Operating profit (loss)	220	71	1,142	674
Gains on available-for-sale investments, net	–	–	–	59
Exchange rate and fair value gains and losses	11	3	1	–4
Interest and other finance costs, net	–17	–17	–68	–62
Profit (loss) before tax	214	57	1,075	667
Income taxes	–21	–49	–159	–155
Profit (loss) for the period	193	8	916	512
Attributable to:				
Owners of the parent company	193	8	916	512
Non-controlling interests	–	–	–	–
	193	8	916	512
Earnings per share for profit (loss) attributable to owners of the parent company				
Basic earnings per share, EUR	0.36	0.01	1.72	0.96
Diluted earnings per share, EUR	0.36	0.01	1.72	0.96

Consolidated statement of comprehensive income

EURm	Q4/2015	Q4/2014	Q1–Q4/2015	Q1–Q4/2014
Profit (loss) for the period	193	8	916	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	90	–88	113	–181
Items that may be reclassified subsequently to income statement:				
Translation differences	72	42	221	291
Net investment hedge	–43	–6	–28	–41
Cash flow hedges	–4	–8	24	–107
Available-for-sale investments	–307	–109	–405	–164
	–282	–81	–188	–21
Other comprehensive income for the period, net of tax	–192	–169	–75	–202
Total comprehensive income for the period	1	–161	841	310
Total comprehensive income attributable to:				
Owners of the parent company	1	–161	841	310
Non-controlling interests	–	–	–	–
	1	–161	841	310

Consolidated balance sheet

EURm	31.12.2015	31.12.2014
ASSETS		
Non-current assets		
Goodwill	241	230
Other intangible assets	329	340
Property, plant and equipment	4,895	4,707
Investment property	–	31
Biological assets	1,738	1,469
Investments in associated companies and joint ventures	28	25
Available-for-sale investments	2,085	2,510
Other non-current financial assets	332	334
Deferred tax assets	466	532
Other non-current assets	145	91
	10,259	10,269
Current assets		
Inventories	1,376	1,356
Trade and other receivables	1,876	1,856
Income tax receivables	56	14
Cash and cash equivalents	626	700
	3,934	3,926
Total assets	14,193	14,195
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent company		
Share capital	890	890
Treasury shares	–2	–2
Translation differences	449	256
Fair value and other reserves	1,486	1,867
Reserve for invested non-restricted equity	1,273	1,273
Retained earnings	3,846	3,194
	7,942	7,478
Non-controlling interests	2	2
Total equity	7,944	7,480
Non-current liabilities		
Deferred tax liabilities	456	428
Retirement benefit obligations	747	867
Provisions	154	214
Interest-bearing liabilities	2,797	3,058
Other liabilities	174	150
	4,328	4,717
Current liabilities		
Current interest-bearing liabilities	269	406
Trade and other payables	1,619	1,549
Income tax payables	33	43
	1,921	1,998
Total liabilities	6,249	6,715
Total equity and liabilities	14,193	14,195

Consolidated statement of changes in equity

	Attributable to owners of the parent company								
EURm	Share capital	Treasury shares	Translation differences	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2014	890	–2	6	2,256	1,226	3,073	7,449	6	7,455
Profit (loss) for the period	–	–	–	–	–	512	512	–	512
Actuarial gains and losses on defined benefit obligations, net of tax	–	–	–	–	–	–181	–181	–	–181
Translation differences	–	–	291	–	–	–	291	–	291
Net investment hedge, net of tax	–	–	–41	–	–	–	–41	–	–41
Cash flow hedges, net of tax	–	–	–	–107	–	–	–107	–	–107
Available-for-sale investments, net of tax	–	–	–	–164	–	–	–164	–	–164
Total comprehensive income for the period	–	–	250	–271	–	331	310	–	310
Share options exercised	–	–	–	–	47	–	47	–	47
Share-based compensation, net of tax	–	–	–	–15	–	16	1	–	1
Dividend distribution	–	–	–	–	–	–319	–319	–	–319
Acquisition of non-controlling interests	–	–	–	–	–	–1	–1	–4	–5
Other items and reclassifications	–	–	–	–103	–	94	–9	–	–9
Total transactions with owners for the period	–	–	–	–118	47	–210	–281	–4	–285
Balance at 31 December 2014	890	–2	256	1,867	1,273	3,194	7,478	2	7,480
Balance at 1 January 2015	890	–2	256	1,867	1,273	3,194	7,478	2	7,480
Profit (loss) for the period	–	–	–	–	–	916	916	–	916
Actuarial gains and losses on defined benefit obligations, net of tax	–	–	–	–	–	113	113	–	113
Translation differences	–	–	221	–	–	–	221	–	221
Net investment hedge, net of tax	–	–	–28	–	–	–	–28	–	–28
Cash flow hedges, net of tax	–	–	–	24	–	–	24	–	24
Available-for-sale investments, net of tax	–	–	–	–405	–	–	–405	–	–405
Total comprehensive income for the period	–	–	193	–381	–	1,029	841	–	841
Share-based compensation, net of tax	–	–	–	–	–	–4	–4	–	–4
Dividend distribution	–	–	–	–	–	–373	–373	–	–373
Total transactions with owners for the period	–	–	–	–	–	–377	–377	–	–377
Balance at 31 December 2015	890	–2	449	1,486	1,273	3,846	7,942	2	7,944

Consolidated cash flow statement

EURm	Q1–Q4/2015	Q1–Q4/2014
Cash flow from operating activities		
Profit (loss) for the period	916	512
Adjustments	449	779
Interest received	6	7
Interest paid	–22	–40
Dividends received	1	2
Other financial items, net	–17	–11
Income taxes paid	–140	–81
Change in working capital	–8	73
Net cash generated from operating activities	1,185	1,241
Cash flow from investing activities		
Capital expenditure	–432	–378
Acquisition of shares in associated companies and joint ventures	–1	–1
Acquisition of available-for-sale investments	–33	–31
Proceeds from sale of tangible and intangible assets	26	89
Proceeds from disposal of subsidiaries	8	1
Proceeds from disposal of available-for-sale investments	35	68
Change in other non-current assets	5	5
Net cash used in investing activities	–392	–247
Cash flow from financing activities		
Proceeds from non-current liabilities	22	–
Payments of non-current liabilities	–519	–836
Change in current liabilities	22	34
Share options exercised	–	47
Dividends paid	–373	–319
Other financing cash flow	–20	–22
Net cash used in financing activities	–868	–1,096
Change in cash and cash equivalents	–75	–102
Cash and cash equivalents at beginning of period	700	787
Foreign exchange effect on cash and cash equivalents	1	15
Change in cash and cash equivalents	–75	–102
Cash and cash equivalents at end of period	626	700

Quarterly information

EURm	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/15	Q1–Q4/14
Sales	2,574	2,530	2,548	2,486	2,531	2,415	2,441	2,481	10,138	9,868
Other operating income	–29	10	25	7	61	14	9	7	13	91
Costs and expenses	–2,209	–2,186	–2,270	–2,175	–2,286	–2,082	–2,161	–2,179	–8,840	–8,708
Change in fair value of biological assets and wood harvested	16	289	31	16	32	17	17	12	352	78
Share of results of associated companies and joint ventures	–	2	1	–	–	1	2	–	3	3
Depreciation, amortisation and impairment charges	–132	–132	–129	–131	–267	–129	–132	–130	–524	–658
Operating profit (loss)	220	513	206	203	71	236	176	191	1,142	674
Gains on available-for-sale investments, net	–	–	–	–	–	–	–	59	–	59
Exchange rate and fair value gains and losses	11	–	–3	–7	3	–3	–1	–3	1	–4
Interest and other finance costs, net	–17	–15	–21	–15	–17	–19	–16	–10	–68	–62
Profit (loss) before tax	214	498	182	181	57	214	159	237	1,075	667
Income taxes	–21	–90	–22	–26	–49	–32	–30	–44	–159	–155
Profit (loss) for the period	193	408	160	155	8	182	129	193	916	512
Attributable to:										
Owners of the parent company	193	408	160	155	8	182	129	193	916	512
Non-controlling interests	–	–	–	–	–	–	–	–	–	–
	193	408	160	155	8	182	129	193	916	512
Basic earnings per share, EUR	0.36	0.77	0.30	0.29	0.01	0.34	0.25	0.36	1.72	0.96
Diluted earnings per share, EUR	0.36	0.77	0.30	0.29	0.01	0.34	0.25	0.36	1.72	0.96
Earnings per share, excluding special items, EUR	0.37	0.76	0.33	0.29	0.32	0.32	0.26	0.27	1.75	1.17
Average number of shares basic (1,000)	533,505	533,505	533,505	533,505	532,916	531,932	531,932	529,514	533,505	531,574
Average number of shares diluted (1,000)	533,505	533,505	533,505	533,505	532,202	532,114	532,201	529,777	533,505	531,574
Special items in operating profit (loss)	–5	6	–21	–1	–159	1	–10	–5	–21	–173
Operating profit (loss), excl. special items	225	507	227	204	230	235	186	196	1,163	847
% of sales	8.7	20.0	8.9	8.2	9.1	9.7	7.6	7.9	11.5	8.6
Special items in financial items	–	–	–	–	–	–	–	66	–	66
Special items before tax	–5	6	–21	–1	–159	1	–10	61	–21	–107
Profit (loss) before tax, excl. special items	219	492	203	182	216	213	169	176	1,096	774
% of sales	8.5	19.4	8.0	7.3	8.5	8.8	6.9	7.1	10.8	7.8
Effect of special items on income taxes	1	–1	5	1	–6	11	4	–13	6	–4
Return on equity, excl. special items, %	9.9	20.7	9.1	8.1	9.2	9.1	7.3	7.7	12.1	8.3
Return on capital employed, excl. special items, %	8.4	18.2	8.1	7.0	8.2	8.0	6.5	6.6	10.5	7.5
EBITDA	363	345	317	325	334	344	305	323	1,350	1,306
% of sales	14.1	13.6	12.4	13.1	13.2	14.2	12.5	13.0	13.3	13.2

Quarterly segment information

EURm	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q1–Q4/15	Q1–Q4/14
Sales										
UPM Biorefining	584	554	601	533	484	480	477	496	2,272	1,937
UPM Energy	110	112	94	99	115	113	112	124	415	464
UPM Raflatac	363	353	351	342	330	312	306	300	1,409	1,248
UPM Paper Asia	284	286	300	298	288	274	285	277	1,168	1,124
UPM Paper ENA	1,311	1,279	1,210	1,256	1,361	1,303	1,286	1,334	5,056	5,284
UPM Plywood	102	105	113	119	107	101	118	114	439	440
Other operations	76	97	119	114	113	102	113	119	406	447
Internal sales	–248	–239	–219	–267	–248	–248	–241	–263	–973	–1,000
Eliminations and reconciliations	–8	–17	–21	–8	–19	–22	–15	–20	–54	–76
Sales, total	2,574	2,530	2,548	2,486	2,531	2,415	2,441	2,481	10,138	9,868
EBITDA										
UPM Biorefining	166	161	153	134	100	100	66	92	614	358
UPM Energy	62	47	43	40	59	46	49	59	192	213
UPM Raflatac	36	39	33	29	30	29	25	28	137	112
UPM Paper Asia	31	35	32	43	48	49	47	44	141	188
UPM Paper ENA	64	55	38	56	84	113	100	95	213	392
UPM Plywood	18	17	18	25	20	13	18	17	78	68
Other operations	–8	–4	–1	–3	–5	1	–7	–10	–16	–21
Eliminations and reconciliations	–6	–5	1	1	–2	–7	7	–2	–9	–4
EBITDA, total	363	345	317	325	334	344	305	323	1,350	1,306
Operating profit (loss)										
UPM Biorefining	129	122	118	97	72	64	31	56	466	223
UPM Energy	51	45	21	38	57	43	46	56	155	202
UPM Raflatac	28	30	20	21	21	21	7	20	99	69
UPM Paper Asia	10	12	11	22	27	29	27	25	55	108
UPM Paper ENA	23	13	–9	5	–178	63	45	38	32	–32
UPM Plywood	10	11	13	19	14	7	12	11	53	44
Other operations	–3	280 [1]	23	6	64	13	8	–3	306 [1]	82
Eliminations and reconciliations	–28	–	9	–5	–6	–4	–	–12	–24	–22
Operating profit (loss), total	220	513	206	203	71	236	176	191	1,142	674
% of sales	8.5	20.3	8.1	8.2	2.8	9.8	7.2	7.7	11.3	6.8
Special items in operating profit										
UPM Biorefining	–1	–	–	–	5	1	–	–	–1	6
UPM Energy	–7	–	–19	–	–	–	–	–	–26	–
UPM Raflatac	–	1	–4	–	–1	–	–10	–	–3	–11
UPM Paper Asia	–	–	–	–	–	–	–	–	–	–
UPM Paper ENA	5	4	–1	–	–208	1	–2	–4	8	–213
UPM Plywood	–2	–	–	–	–	–	–	–	–2	–
Other operations	–	1	3	–1	45	–1	2	–1	3	45
Special items in operating profit, total	–5	6	–21	–1	–159	1	–10	–5	–21	–173
Operating profit (loss) excl. special items										
UPM Biorefining	130	122	118	97	67	63	31	56	467	217
UPM Energy	58	45	40	38	57	43	46	56	181	202
UPM Raflatac	28	29	24	21	22	21	17	20	102	80
UPM Paper Asia	10	12	11	22	27	29	27	25	55	108
UPM Paper ENA	18	9	–8	5	30	62	47	42	24	181
UPM Plywood	12	11	13	19	14	7	12	11	55	44
Other operations	–3	279 [1]	20	7	19	14	6	–2	303 [1]	37
Eliminations and reconciliations	–28	–	9	–5	–6	–4	–	–12	–24	–22
Operating profit (loss) excl. special items, total	225	507	227	204	230	235	186	196	1,163	847
% of sales	8.7	20.0	8.9	8.2	9.1	9.7	7.6	7.9	11.5	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	31.12.2015	30.9.2015	30.6.2015	31.3.2015	31.12.2014	30.9.2014	30.6.2014	31.3.2014
Assets								
UPM Biorefining	3,384	3,304	3,356	3,441	3,171	3,113	2,951	2,985
UPM Energy	2,425	2,720	2,719	2,825	2,826	2,913	2,915	2,922
UPM Raflatac	697	693	713	729	678	673	652	635
UPM Paper Asia	1,200	1,106	1,086	1,093	1,008	987	912	903
UPM Paper ENA	2,637	2,698	2,790	2,800	2,754	3,033	3,016	3,026
UPM Plywood	284	285	296	304	284	292	299	307
Other operations [1]	1,720	1,813	1,573	1,630	1,605	1,612	1,620	1,666
Eliminations and reconciliations	−218	−226	−245	−280	−246	−252	−232	−265
Unallocated assets	2,064	1,917	1,888	2,046	2,115	2,519	2,328	2,632
Assets, total	14,193	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%.

Notes to the consolidated cash flow statement

Adjustments

EURm	Q1–Q4/2015	Q1–Q4/2014
Change in fair value of biological assets and wood harvested	−352	−78
Share of results of associated companies and joint ventures	−3	−3
Depreciation, amortisation and impairment charges	524	658
Capital gains on sale of non-current assets, net	−18	−117
Finance costs, net	67	66
Taxes	159	155
Change in restructuring provisions	−62	14
Other adjustments	134	84
Total	449	779

Change in working capital

EURm	Q1–Q4/2015	Q1–Q4/2014
Inventories	15	18
Current receivables	−30	59
Current non-interest-bearing liabilities	7	−4
Total	−8	73

Changes in property, plant and equipment

EURm	Q1–Q4/2015	Q1–Q4/2014
Book value at beginning of period	4,707	4,757
Capital expenditure	471	369
Decreases	−14	−21
Depreciation	−487	−471
Impairment charges	–	−138
Translation difference and other changes	218	211
Book value at end of period	4,895	4,707

Financial assets and liabilities measured at fair value

	31.12.2015				31.12.2014			
EURm	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Trading derivatives	6	63	–	69	1	61	–	62
Derivatives used for hedging	88	283	–	371	52	328	–	380
Available-for-sale investments	–	–	2,085	2,085	–	–	2,510	2,510
Total	94	346	2,085	2,525	53	389	2,510	2,952
Liabilities								
Trading derivatives	59	62	–	121	22	111	–	133
Derivatives used for hedging	109	89	–	198	81	156	–	237
Total	168	151	–	319	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

	Available-for-sale investments	
EURm	Q1–Q4/2015	Q1–Q4/2014
Opening balance	2,510	2,661
Additions	33	31
Disposals	–35	–1
Transfers into Level 3	1	–
Transfers from Level 3	–	–10
Translation differences	–	2
Gains and losses		
Recognised in statement of comprehensive income, under available-for-sale investments	–424	–173
Closing balance	2,085	2,510

Fair valuation of available-for-sale investments in the UPM Energy (Pohjolan Voima Oy's A, B, B2, C, C2, M and V-shares, Kemijoki Oy shares, and Länsi-Suomen Voima Oy shares) is based on discounted cash flows model. The Group's electricity price estimate is based on fundamental simulation of the Finnish area price. A change of +/-5% in the electricity price used in the model would change the total value of the assets by +/- EUR 342 million. The discount rate of 5.85% used in the valuation model is determined using the weighted average cost of capital method. A change of +/- 0.5% in the discount rate would change the total value of the assets by approximately -/+ EUR 330 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.

In Q4 2015, UPM sold its 10.6% share of the OEP Technologie B.V. (SMARTRAC).

Fair value of financial assets and liabilities measured at carrying amount

EURm	31.12.2015	31.12.2014
Non-current interest bearing liabilities, excl. derivative financial instruments	2,755	3,037

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

Commitments and contingencies

EURm	31.12.2015	31.12.2014
Own commitments		
Mortgages	220	289
On behalf of others		
Guarantees	4	5
Other own commitments		
Leasing commitments for the next 12 months	65	60
Leasing commitments for subsequent periods	355	339
Other commitments	180	160

Capital commitments

EURm	Completion	Total cost	By 31.12.2014	Q1–Q4/2015	After 31.12.2015
Debottlenecking / Kaukas Pulp Mill	Q4 2016	52	–	3	49
Mill expansion / Otepää	Q4 2016	42	–	12	30

Notional amounts of derivative financial instruments

EURm	31.12.2015	31.12.2014
Interest rate forward contracts	1,906	2,310
Interest rate swaps	2,131	2,134
Forward foreign exchange contracts	2,949	4,465
Currency options, bought	25	19
Currency options, written	48	19
Cross currency swaps	669	617
Commodity contracts	400	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.

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

	31.12.2015	30.9.2015	30.6.2015	31.3.2015	31.12.2014	30.9.2014	30.6.2014	31.3.2014
USD	1.0887	1.1203	1.1189	1.0759	1.2141	1.2583	1.3658	1.3788
CAD	1.5116	1.5034	1.3839	1.3738	1.4063	1.4058	1.4589	1.5225
JPY	131.07	134.69	137.01	128.95	145.23	138.11	138.44	142.42
GBP	0.7340	0.7385	0.7114	0.7273	0.7789	0.7773	0.8015	0.8282
SEK	9.1895	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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