

INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2011

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Q3/2011

- Earnings per share excluding special items were EUR 0.19 (0.28), and reported EUR –0.21 (0.34)
- EBITDA was EUR 331 million, 12.7% of sales (384 million, 16.6% of sales)
- Delivery volumes turned down and variable costs reached the peak
- Operating cash flow continued solid at EUR 285 million

Q1–Q3/2011

- Earnings per share excluding special items were EUR 0.77 (0.72), and reported EUR 0.68 (0.80)
- EBITDA was EUR 1,082 million, 14.7% of sales (1,025 million, 15.6% of sales)
- Myllykoski acquisition was completed and a major restructuring plan announced
- Balance sheet is strong even after the Myllykoski acquisition

Key figures

	Q3/2011	Q3/2010	Q1–Q3/2011	Q1–Q3/2010	Q1–Q4/2010
Sales, EURm	2,603	2,312	7,382	6,567	8,924
EBITDA, EURm ¹⁾	331	384	1,082	1,025	1,343
% of sales	12.7	16.6	14.7	15.6	15.0
Operating profit (loss), EURm	–159	238	328	548	755
excluding special items, EURm	136	204	535	519	731
% of sales	5.2	8.8	7.2	7.9	8.2
Profit (loss) before tax, EURm	–188	199	323	462	635
excluding special items, EURm	107	165	462	433	611
Net profit (loss) for the period, EURm	–109	178	355	417	561
Earnings per share, EUR	–0.21	0.34	0.68	0.80	1.08
excluding special items, EUR	0.19	0.28	0.77	0.72	0.99
Diluted earnings per share, EUR	–0.21	0.34	0.68	0.80	1.08
Return on equity, %	neg.	10.3	6.6	8.2	8.2
excluding special items, %	5.6	8.6	7.5	7.4	7.5
Return on capital employed, %	neg.	8.0	4.6	6.5	6.6
excluding special items, %	4.6	6.8	6.3	6.1	6.4
Operating cash flow per share, EUR	0.54	0.63	1.40	1.23	1.89
Shareholders' equity per share at end of period, EUR	13.78	13.28	13.78	13.28	13.64
Gearing ratio at end of period, %	52	51	52	51	46
Net interest-bearing liabilities at end of period, EURm	3,758	3,553	3,758	3,553	3,286
Capital employed at end of period, EURm	11,812	11,377	11,812	11,377	11,087
Capital expenditure, EURm	903	68	1,063	153	257
Capital expenditure excluding acquisitions and shares, EURm	68	66	224	148	252
Personnel at end of period	24,235	22,293	24,235	22,293	21,869

¹⁾ EBITDA is operating profit before depreciation, amortisation and impairment charges, excluding the change in value of biological assets, excluding the share of results of associated companies and joint ventures, and special items.

Results

Q3 of 2011 compared with Q3 of 2010

Sales for the third quarter of 2011 were EUR 2,603 million, 13% higher than the EUR 2,312 million in the third quarter of 2010. Sales increased mainly due to the inclusion of the acquired Myllykoski Oyj and Rhein Papier GmbH as of 1 August 2011. In addition, sales prices increased, particularly in Paper.

EBITDA decreased to EUR 331 million, 12.7% of sales, from EUR 384 million, 16.6% of sales in the same period last year.

Delivery volumes decreased in most of UPM's businesses from last year.

Sales prices increased in Paper, Label and Plywood, but decreased in Pulp, sawn timber and Energy. Higher sales prices improved EBITDA by approximately EUR 71 million. This was not enough to fully offset the noticeably higher variable costs. Energy costs increased by about EUR 28 million from last year and fibre costs by about EUR 16 million. Costs for chemicals and fillers also increased.

Fixed costs were approximately EUR 19 million higher than last year, excluding the impact of the acquisition of Myllykoski Oyj and Rhein Papier.

UPM reported an operating loss of EUR 159 million, -6.1% of sales (profit of EUR 238 million, 10.3% of sales). In total, operating loss was affected by net charges of EUR 295 million as special items. Special items in Paper totaled to EUR 289 million comprising of a one-off gain of EUR 28 million and transaction and other costs of EUR 27 million related to the acquisition of Myllykoski Corporation and Rhein Papier GmbH, and restructuring charges of EUR 290 million relating to the planned closures of the Myllykoski and Albruck mills and other restructuring measures, including write-offs of EUR 68 million from non-current assets. In other businesses net restructuring charges amounted to EUR 6 million.

The operating profit excluding special items was EUR 136 million, 5.2% of sales (204 million, 8.8% of sales).

The increase in the fair value of biological assets net of wood harvested was EUR 1 million compared with EUR 14 million a year before.

The share of results of associated companies and joint ventures was EUR 1 million (-2 million).

Profit before tax excluding special items was EUR 107 million (165 million). Including special items, UPM reported a loss of EUR 188 million (profit of EUR 199 million). Interest and other finance costs net were EUR 23 million (28 million). Exchange rate and fair value gains and losses resulted in a loss of EUR 4 million (loss of EUR 11 million).

Income taxes were EUR 79 million positive (21 million negative). The impact on taxes from special items was EUR 84 million positive (5 million negative).

Loss for the third quarter was EUR 109 million (profit of EUR 178 million) and earnings per share were EUR -0.21 (0.34). Earnings per share excluding special items were EUR 0.19 (0.28).

January–September of 2011 compared with January–September 2010

Sales for January–September were EUR 7,382 million, 12% higher than the EUR 6,567 million in the same period in 2010. Sales grew due to higher sales prices and delivery volumes in Paper, Label and Plywood and the inclusion of the acquired Myllykoski Oyj and Rhein Papier GmbH as of 1 August 2011.

EBITDA increased to EUR 1,082 million, 14.7% of sales (1,025 million, 15.6% of sales). Sales prices increased in Paper, Label and Plywood, more than offsetting the negative impact from noticeably higher variable costs. Higher sales prices improved EBITDA by approximately EUR 407 million.

Variable costs were noticeably higher than last year. The costs of wood and recovered paper increased by about EUR 160 million from last year. Costs for chemicals and coating materials also increased noticeably. Costs for energy increased by about EUR 45 million.

Delivery volumes increased in Paper, Label and Plywood, but decreased in Energy and sawn timber. Changes in delivery volumes had a positive impact on EBITDA.

Fixed costs were approximately EUR 53 million higher than last year, excluding the impact of the acquisition of Myllykoski Oyj and Rhein Papier.

Operating profit was EUR 328 million, 4.4% of sales (548 million, 8.3% of sales). In total, operating profit includes net charges of EUR 207 million as special items. Special income of EUR 86 million in Energy relates to the associated company Pohjolan Voima Oy's sale of Fingrid Oyj shares. In Paper, special items of EUR 287 million comprise a one-off gain of EUR 28 million and transaction and other costs of EUR 27 million related to the acquisition of Myllykoski Corporation and Rhein Papier GmbH, and restructuring charges of EUR 290 million relating to the planned closures of the Myllykoski and Albruck mills and other restructuring measures, including write-offs of EUR 68 million from non-current assets, and net income of EUR 2 million. In other businesses special items totaled to net charges of EUR 6 million.

The operating profit excluding special items was EUR 535 million, 7.2% of sales (519 million, 7.9% of sales).

The increase in the fair value of biological assets net of wood harvested was EUR 15 million compared with EUR 64 million a year before.

The share of results of associated companies and joint ventures was EUR 84 million (9 million). This includes a special income of EUR 86 million, derived from Pohjolan Voima Oy's sale of Fingrid Oyj shares in the second quarter.

Profit before tax was EUR 323 million (462 million) and excluding special items EUR 462 million (433 million). Profit before tax includes a capital gain of EUR 68 million as a special item from the sale of 6.7% of Metsä-Botnia shares in the second quarter. Interest and other finance costs net were EUR 51 million (81 million). This includes dividend income of EUR 25 million from Metsä-Botnia in the first quarter. Exchange rate and fair value gains and losses resulted in a loss of EUR 20 million (loss of EUR 6 million).

Income taxes were EUR 32 million positive (45 million negative). The impact on taxes from special items was EUR 92 million positive (12 million positive).

Profit for the period was EUR 355 million (417 million) and earnings per share were EUR 0.68 (0.80). Earnings per share excluding special items were EUR 0.77 (0.72). Operating cash flow per share was EUR 1.40 (1.23).

Financing

In January–September, cash flow from operating activities, before investing and financing activities, was EUR 731 million (639 million). Net working capital increased by EUR 164 million during the period (increase of EUR 237 million).

The gearing ratio as of 30 September 2011 was 52% (51% on 30 September 2010). Net interest-bearing liabilities at the end of the period came to EUR 3,758 million (3,553 million).

On 1 August 2011, UPM raised EUR 800 million of long-term debt to finance the acquisition of Myllykoski Oyj and Rhein Papier GmbH.

On 30 September 2011, UPM's cash funds and unused committed credit facilities totalled EUR 1.7 billion.

Personnel

In January–September, UPM had an average of 22,780 employees (22,916). At the beginning of the year, the number of employees was 21,869 and at the end of September 24,235. The increase in the number of employees is mainly attributable to the acquisition of Myllykoski Corporation and Rhein Papier GmbH.

Capital expenditure

During January–September, capital expenditure was EUR 1,063 million, 14.4 % of sales (EUR 153 million, 2.3% of sales). Capital expenditure excluding acquisitions was EUR 224 million, 3.0% of sales (EUR 148 million, 2.3% of sales).

In August, UPM acquired Myllykoski Corporation and Rhein Papier GmbH. The enterprise value of the acquisition was EUR 835 million.

In June, UPM sold approximately 6.7% of Metsä-Botnia's shares to Metsä-Botnia for EUR 141 million. UPM recorded a tax exempt capital gain of EUR 68 million from the sale of the shares. After the redemption and cancellation of the redeemed shares, UPM owns 11% of Metsä-Botnia.

In January, UPM's plantation company, Forestal Oriental, acquired approximately 25,000 hectares of land in Uruguay for a total cost of about EUR 50 million.

Acquisition of Myllykoski and Rhein Papier

On 1 August 2011, UPM completed the acquisition of Myllykoski Oyj and Rhein Papier GmbH. The agreement was announced on 21 December 2010 and the Competition Directorate-General of the EU Commission approved the transaction on 13 July 2011.

Myllykoski Oyj and Rhein Papier GmbH consist of six publication paper mills in Germany and Finland. The total annual paper production capacity is 2.6 million tonnes. In addition, a 50% share of the Madison Paper publication paper mill in the United States was included in the acquisition. The transaction also includes Myllykoski Oyj's 0.8% ownership of the Finnish energy company Pohjolan Voima Oy. In addition, on 23 September, UPM completed the acquisition of M-real Corporation's 35% holding in Myllykoski Paper Oy and the capital loan M-real had granted to Myllykoski Paper Oy.

For the financing, UPM issued five million new UPM shares of which 4.8 million shares were directed to the owners of Myllykoski Oyj and Rhein Papier GmbH and raised EUR 800 in long-term debt.

If the transaction had occurred on 1 January 2011, UPM's sales would have been EUR 8,162 million for January–September 2011 and operating profit would have been EUR 320 million (excluding special items EUR 527 million). Profit for the period would have been EUR 337 million.

Group - Pro forma key figures

EURm	Reported 1–9/2011	Pro forma adjustments	Pro forma 1–9/2011
Sales	7,382	780	8,162
EBITDA	1,082	40	1,122
Operating profit	328	-8	320
excluding special items	535	-8	527
Profit before tax	323	-25	298
excluding special items	462	-25	437
Profit for the period	355	-18	337

Paper Business Area - Pro forma key figures

EURm	Reported 1–9/2011	Pro forma adjustments	Pro forma 1–9/2011
Sales	5,208	780	5,988
EBITDA	367	40	407
Operating profit	-307	-8	-315
excluding special items	-20	-8	-28
Paper deliveries, 1,000 t	7,706	1,261	8,967

Restructuring plan to improve the long-term competitiveness of UPM's publication paper business

As part of the Myllykoski integration, UPM performed a comprehensive review of the long-term competitiveness of its publication paper mills. The review covered asset efficiency, production input availability and costs as well as end-use markets.

On 31 August, UPM announced a plan to adjust its magazine paper capacity to match the needs of its global customer base. Therefore, UPM started negotiations with employees on the plan to permanently remove 1.2 million tonnes of magazine paper capacity in Finland, Germany and France, and 110,000 tonnes of newsprint capacity in Germany. The plan also includes restructuring of the overlapping paper sales and supply chain networks and global functions.

The planned measures include permanent closure of UPM Myllykoski mill in Kouvola in Finland, permanent closure of UPM Albrück mill in Germany, permanent closure of paper machine 3 at UPM Ettringen mill in Germany, transfer of the sheeting lines from UPM Albrück mill to UPM Plattling mill in Germany, sale or other exit of UPM Stracel paper mill from UPM Paper Business Group and restructuring of overlapping paper sales and supply chain network as well as global functions. The plan is subject to the statutory employee negotiations.

The planned closure of the Myllykoski and the Albrück mills and paper machine 3 at the Ettringen mill would be scheduled by the end of 2011. The Stracel mill sales process is expected to be completed within twelve months.

The implementation of the plan would reduce the number of employees by approximately 1,170. Based on the plan, UPM booked in the third quarter of 2011 a EUR 68 million write-off in fixed assets and costs of EUR 222 million. Net cash impact from the restructuring plan amounts to approximately EUR 210 million. Annual synergy benefits of the Myllykoski acquisition including the planned actions are estimated to total approximately EUR 200 million.

Shares

UPM shares worth EUR 7,172 million (6,405 million) in total were traded on the NASDAQ OMX Helsinki stock exchange during January–September 2011. This represents about half of all trading volume in UPM shares. The highest quotation was EUR 15.73 in April and the lowest was EUR 7.79 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 7 April 2011, authorised the Board of Directors to acquire no more than 51,000,000 of the company's own shares. This authorisation is valid for 18 months from the date of the decision.

The Annual General Meeting amended the terms and conditions of the company's stock options 2007 so that either new shares or existing shares held by the company may be subscribed for based on the stock options. The approved amendment does not affect the maximum total number of shares that may be subscribed for or acquired based on the stock options.

The Annual General Meeting, held on 22 March 2010, authorised the Board to decide on the issuance of shares and/or the transfer of the company's own shares held by the company and/or the issue of special rights entitling holders 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, in total, 25,000,000 shares. This figure also includes the number of shares that can be received on the basis of the special rights. (ii) The new shares and special rights entitling holders 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 in the company, or in a directed share issue, deviating from the shareholder's pre-emptive subscription right. This authorisation is valid until 22 March 2013.

As part of the Myllykoski transaction, UPM issued five million new shares in directed share issue. These shares were registered with the Trade Register on 3 August 2011. As a part of the contractual arrangements relating to the Myllykoski transaction, a total of 211,481 UPM shares out of the new shares were returned to UPM without consideration upon their issue.

UPM has three option series that would entitle the holders to subscribe for a total of 15,000,000 shares. Share options 2007A, 2007B and 2007C may each be subscribed for a total of 5,000,000 shares.

Apart 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 2011 was 524,970,388. Through the issuance authorisation and share options, the number of shares may increase to a maximum of 559,970,088.

At the end of the period, the company held 211,481 of its own shares.

Litigation and other legal actions

In Finland, UPM is participating in the project for construction of a new nuclear power plant, Olkiluoto 3, through its associated company Pohjolan Voima Oy. Pohjolan Voima Oy is a majority shareholder of Teollisuuden Voima Oyj ("TVO"), holding 58.39% of the shares. UPM's indirect share of the capacity of the Olkiluoto 3 is approximately 30%. The original agreed timetable for the start-up of the power plant was summer 2009 but the construction of the unit has been delayed. Based on the latest progress information submitted by the turn-key plant supplier AREVA-Siemens, Teollisuuden Voima Oyj estimates that the start of regular operation of the Olkiluoto 3 nuclear power plant unit may be postponed until 2014. The turn-key plant supplier is responsible for the time schedule and TVO has requested an analysis of the anticipated date for the start of regular operation.

According to TVO, the supplier initiated arbitration proceedings concerning the delay at Olkiluoto 3 and related costs in December 2008, and in June 2011 the supplier has submitted its updated claim, which includes updated claimed amounts with specified sums of indirect items and interest. The said updated monetary claim amounts to approximately EUR 1.9 billion. TVO has considered and found the supplier's claim to be without merit. In response, TVO filed a counterclaim in April 2009 for costs and losses that TVO is incurring due to the delay and other defaults on the part of the supplier. The value of TVO's counterclaim was approximately EUR 1.4 billion. TVO will update its counterclaim during the arbitration proceedings, which may continue for several years, and the claimed and counter-claimed amounts may change.

In Uruguay, there is one pending litigation against the government of Uruguay related to the Fray Bentos pulp mill.

On 31 March 2011, Metsähallitus filed a claim for damages against UPM and two other Finnish forest companies. The claim relates to the Market Court decision of 3 December 2009 whereby the defendants were deemed to have breached competition rules in the roundwood market. Metsähallitus claims jointly and severally from the three companies an aggregate capital amount of approximately EUR 282.6 million, of which alternatively and independently from UPM approximately EUR 41 million, in maximum as damages it allegedly incurred. In addition to the claims on capital amounts, Metsähallitus also claims for compensation relating to value added tax and interests. On 7 October 2011 five Finnish municipalities filed claims for damages, value added tax and interest against UPM and two other Finnish forest companies. UPM considers all the claims unfounded in their entirety.

No provisions have been made in UPM's accounts for any of the claims.

Events after the balance sheet date

The Group's management is not aware of any significant events occurring after 30 September 2011.

Outlook for 2011

Economic outlook has turned weaker during the second half of the year. As a result, demand for UPM's products for the rest of the year is lower than earlier anticipated. Price outlook for UPM's products is mostly stable for the rest of the year and variable costs are anticipated to start gradually to decrease during the fourth quarter of 2011 from the peak level reached in the third quarter of 2011.

UPM's full-year 2011 operating profit excluding special items is expected to be somewhat lower than last year. Previously, the full year 2011 operating profit excluding special items was expected to improve from last year.

Capital expenditure, excluding acquisitions, for 2011 is forecast to be about EUR 350 million.

UPM's hydropower generation volume is expected to improve in the fourth quarter of 2011 from the low level seen during the first nine months of the year. The average sales price for electricity in the fourth quarter of 2011 is expected to increase seasonally from the third quarter of 2011.

Chemical pulp deliveries in the fourth quarter of 2011 are expected to be on about the same level as in the third quarter of 2011. Market prices in USD are expected to decrease moderately from the third quarter of 2011.

Weak market conditions are expected to continue in sawn timber.

In Europe, graphic paper demand is expected to be somewhat lower in the fourth quarter of 2011 than last year. Solid demand is expected to continue in Asia. In the fourth quarter of 2011, UPM's paper deliveries are expected to be on about the same level as the pro forma deliveries in the earlier quarters of the year, and somewhat lower than last year. UPM's publication paper prices are expected to be stable in the fourth quarter of 2011 compared with the third quarter of 2011. On average, UPM's fine and speciality paper prices in local currencies are expected to be slightly lower in the fourth quarter of 2011 than in the third quarter of 2011.

Label materials deliveries in the fourth quarter of 2011 are expected to be slightly lower than in the third quarter of 2011. Sales prices in local currencies are expected to increase slightly from the third quarter of 2011. Variable costs are expected to start to decrease towards the end of the fourth quarter of 2011 from the peak level reached in the third quarter of 2011.

In Plywood, delivery volumes and sales prices in the fourth quarter of 2011 are expected to be about the same as in the third quarter of 2011.

BUSINESS AREA REVIEWS

Energy

	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q3/11	Q1-Q3/10	Q1-Q4/10
Sales, EURm	104	108	128	153	124	116	174	340	414	567
EBITDA, EURm ¹⁾	40	38	60	70	48	39	79	138	166	236
% of sales	38.5	35.2	46.9	45.8	38.7	33.6	45.4	40.6	40.1	41.6
Share of results of associated companies and joint ventures, EURm	–	81	1	–	–3	6	4	82	7	7
Depreciation, amortisation and impairment charges, EURm	–1	–1	–1	–2	–1	–1	–2	–3	–4	–6
Operating profit, EURm	39	118	60	68	44	44	81	217	169	237
% of sales	37.5	109.3	46.9	44.4	35.5	37.9	46.6	63.8	40.8	41.8
Special items, EURm ²⁾	–	86	–	–	–	–	–	86	–	–
Operating profit excl. special items, EURm	39	32	60	68	44	44	81	131	169	237
% of sales	37.5	29.6	46.9	44.4	35.5	37.9	46.6	38.5	40.8	41.8
Electricity deliveries, GWh	2,057	2,178	2,354	2,436	2,276	2,303	2,411	6,589	6,990	9,426

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

²⁾ In the second quarter of 2011, special income of EUR 86 million relates to the associated company Pohjolan Voima Oy's sale of Fingrid Oyj shares.

Q3 of 2011 compared with Q3 of 2010

Operating profit excluding special items was EUR 39 million, EUR 5 million lower than last year (44 million). Sales decreased by 16% to EUR 104 million (124 million). External sales were EUR 35 million (31 million). The electricity sales volume was 2,057 GWh in the quarter (2,276 GWh).

Operating profit excluding special items decreased compared with the same period last year mostly arising from lower condensing power generation. The average electricity sales decreased by 2% to EUR 43.6/MWh (44.3/MWh).

January–September 2011 compared with January–September 2010

Operating profit excluding special items was EUR 131 million, EUR 38 million lower than last year (169 million). Sales decreased by 18% to EUR 340 million (414 million). External sales were EUR 125 million (160 million). The electricity sales volume was 6,589 GWh (6,990 GWh).

Operating profit excluding special items decreased compared with the same period last year, mainly due to the lower hydro

power generation. The average electricity sales price decreased by 3% to EUR 46.6/MWh (47.8/MWh).

Market review

The average electricity spot price on the Nordic electricity exchange in the first nine months of the year was EUR 51.4/MWh, about 3% higher than in the same period last year (50.0/MWh).

Oil and coal market prices increased compared with the same period last year. The CO₂ emission allowance price was EUR 10.8/t on 30 September, 31% lower than on the same date last year (15.7/t).

The front year forward price in the Nordic electricity exchange was EUR 44.1/MWh on 30 September, 13% lower than on the same date last year (50.5/MWh).

The total Nordic hydrological balance improved towards the end of the period due to extremely rainy weather in Norway and Sweden and was about 7% above the long-term average at the end of the period. However, the Finnish hydrological balance remained 16% below the long-term average.

Pulp

	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q3/11	Q1-Q3/10	Q1-Q4/10
Sales, EURm	396	446	457	413	489	455	341	1,299	1,285	1,698
EBITDA, EURm ¹⁾	122	177	195	165	239	199	120	494	558	723
% of sales	30.8	39.7	42.7	40.0	48.9	43.7	35.2	38.0	43.4	42.6
Change in fair value of biological assets and wood harvested, EURm	-1	-	1	4	-2	-	-	-	-2	2
Share of results of associated companies and joint ventures, EURm	-	-	-	-	-	-	-	-	-	-
Depreciation, amortisation and impairment charges, EURm	-37	-34	-36	-37	-38	-37	-36	-107	-111	-148
Operating profit, EURm	84	143	160	132	199	163	83	387	445	577
% of sales	21.2	32.1	35.0	32.0	40.7	35.8	24.3	29.8	34.6	34.0
Special items, EURm	-	-	-	-	-	1	-1	-	-	-
Operating profit excl. special items, EURm	84	143	160	132	199	162	84	387	445	577
% of sales	21.2	32.1	35.0	32.0	40.7	35.6	24.6	29.8	34.6	34.0
Pulp deliveries, 1,000 t	722	770	780	699	752	768	700	2,272	2,220	2,919

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

Q3 of 2011 compared with Q3 of 2010

Operating profit excluding special items was EUR 84 million, EUR 115 million lower than last year (199 million). Sales decreased by 19% to EUR 396 million (489 million). Deliveries were 722,000 tonnes (752,000).

Operating profit excluding special items decreased in comparison with last year due to the lower pulp sales price, higher wood and other variable costs and lower sales volume.

January–September 2011 compared with January–September 2010

Operating profit excluding special items was EUR 387 million, EUR 58 million lower than last year (445 million). Sales increased to EUR 1,299 million (1,285 million) and deliveries by 2% to 2,272,000 tonnes (2,220,000).

Operating profit excluding special items decreased from last year due to the lower pulp sales price and higher wood and other variable costs.

Market review

In the first nine months of 2011, global chemical pulp market prices decreased from the same period last year. Global chemical pulp shipments increased from last year. Growth in shipments was mainly driven by China as shipments to Europe, North America and Latin America decreased compared to the previous year. Market pulp producer inventories increased from last year especially in the third quarter.

The average softwood pulp (NBSK) market price in euro terms, at EUR 700/tonne, was 1% lower than in the same period last year (EUR 705/tonne). At the end of the period, the NBSK market price was EUR 714/tonne (EUR 725/tonne).

The average hardwood pulp (BHKP) market price in euro terms was EUR 604/tonne, which was 6% lower than in the same period last year (EUR 640/tonne). At the end of the period, the BHKP market price was EUR 587/tonne (EUR 649/tonne).

Forest and Timber

	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q3/11	Q1-Q3/10	Q1-Q4/10
Sales, EURm	403	440	394	402	387	393	339	1,237	1,119	1,521
EBITDA, EURm ¹⁾	4	11	5	5	18	26	3	20	47	52
% of sales	1.0	2.5	1.3	1.2	4.7	6.6	0.9	1.6	4.2	3.4
Change in fair value of biological assets and wood harvested, EURm	2	11	2	81	16	31	19	15	66	147
Share of results of associated companies and joint ventures, EURm	–	1	–	–1	2	1	1	1	4	3
Depreciation, amortisation and impairment charges, EURm	–5	–5	–5	–6	–5	–6	–4	–15	–15	–21
Operating profit, EURm	2	20	2	79	68	52	19	24	139	218
% of sales	0.5	4.5	0.5	19.7	17.6	13.2	5.6	1.9	12.4	14.3
Special items, EURm ²⁾	1	2	–	–	37	–	–	3	37	37
Operating profit excl. special items, EURm	1	18	2	79	31	52	19	21	102	181
% of sales	0.2	4.1	0.5	19.7	8.0	13.2	5.6	1.7	9.1	11.9
Sawn timber deliveries, 1,000 m ³	422	495	354	426	428	504	371	1,271	1,303	1,729

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

²⁾ In the third quarter of 2011, special items include income of EUR 1 million related mainly to capital gains. Special items in the second quarter of 2011 include an income of EUR 1 million from a change in UK pension schemes and income of EUR 1 million of reversed restructuring provisions. Special items of EUR 33 million in the third quarter of 2010, relate to a capital gain from selling a conservation easement in Minnesota. Other special items of EUR 4 million relate to a capital gain and reversals of restructuring provisions of Timber operations in Finland.

Q3 of 2011 compared with Q3 of 2010

Operating profit excluding special items was EUR 1 million (EUR 31 million). Sales increased by 4% to EUR 403 million (387 million). Sawn timber deliveries decreased to 422,000 cubic metres (428,000).

The increase in the fair value of biological assets (growing trees) net of wood harvested was EUR 2 million (16 million). The increase in the fair value of biological assets was EUR 22 million (35 million). The cost of wood raw material harvested from the Group's own forests was EUR 20 million (19 million).

Average sawn timber prices decreased and wood costs were higher than the previous year.

January–September 2011 compared with January–September 2010

Operating profit excluding special items was EUR 21 million (EUR 102 million). Sales increased by 11% to EUR 1,237 million (1,119 million). Sawn timber deliveries decreased by 2% to 1,271,000 cubic metres (1,303,000).

Operating profit excluding special items decreased from the same period last year, mainly due to a smaller increase in the fair

value of biological assets. In sawn timber wood costs were higher and average sawn timber prices decreased from last year.

The increase in the fair value of biological assets (growing trees) net of wood harvested was EUR 15 million (66 million). The increase in the fair value of biological assets was EUR 73 million (128 million). The cost of wood raw material harvested from the Group's own forests was EUR 58 million (62 million).

Market review

During the first nine months of the year, wood purchases in the Finnish wood market totalled 17.8 million cubic metres, which was 19% below last year (22.1 million).

Wood market prices remained high in comparison with the long-term average prices.

Pulpwood market prices increased by 4–6% and log market prices by 4–9% from the same period last year depending on species.

The European demand for sawn timber continued to be weak. Economic uncertainty is impacting on construction activity.

Paper

	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q3/11	Q1-Q3/10	Q1-Q4/10
Sales, EURm	1,895	1,666	1,647	1,656	1,672	1,540	1,401	5,208	4,613	6,269
EBITDA, EURm ¹⁾	139	126	102	61	67	72	75	367	214	275
% of sales	7.3	7.6	6.2	3.7	4.0	4.7	5.4	7.0	4.6	4.4
Share of results of associated companies and joint ventures, EURm	1	-	-	1	-	-	-	1	-	1
Depreciation, amortisation and impairment charges, EURm	-205	-126	-125	-130	-131	-130	-136	-456	-397	-527
Operating profit, EURm	-286	2	-23	-75	-71	-57	-69	-307	-197	-272
% of sales	-15.1	0.1	-1.4	-4.5	-4.2	-3.7	-4.9	-5.9	-4.3	-4.3
Special items, EURm ²⁾	-289	2	-	-7	-7	4	-8	-287	-11	-18
Operating profit excl. special items, EURm	3	0	-23	-68	-64	-61	-61	-20	-186	-254
% of sales	0.2	0.0	-1.4	-4.1	-3.8	-4.0	-4.4	-0.4	-4.0	-4.1
Deliveries, publication papers, 1,000 †	1,942	1,563	1,486	1,680	1,633	1,446	1,364	4,991	4,443	6,123
Deliveries, fine and speciality papers, 1,000 †	855	909	951	913	947	994	937	2,715	2,878	3,791
Paper deliveries total, 1,000 †	2,797	2,472	2,437	2,593	2,580	2,440	2,301	7,706	7,321	9,914

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

²⁾ In the third quarter of 2011, special items comprise of a one-off gain of EUR 28 million and transaction and other costs of EUR 27 million related to the acquisition of Myllykoski Corporation and Rhein Papier GmbH. In addition, restructuring charges of EUR 290 million were recorded relating to the planned closures of the Myllykoski and Albruck mills and other restructuring measures, including write-offs of EUR 68 million from non-current assets. Special items in the second quarter of 2011 include transaction costs of EUR 2 million related to Myllykoski acquisition, an income of EUR 5 million from a change in UK pension schemes and EUR 1 million of restructuring charges. In the fourth quarter of 2010, special items include transaction costs of EUR 4 million related to Myllykoski acquisition and EUR 3 million of restructuring charges. Special items for the third quarter of 2010, relate to restructuring charges. In 2010, special items in the second quarter include impairment reversals of EUR 3 million. Other special items in the first and second quarter of 2010, include mainly employee-related restructuring charges.

Q3 of 2011 compared with Q3 of 2010

As of August 2011, the Myllykoski Corporation and Rhein Papier operations are part of the Paper business area.

Operating profit excluding special items was EUR 3 million (loss of EUR 64 million). Sales increased by 13% to EUR 1,895 million (1,672 million). Paper deliveries increased by 8% to 2,797,000 tonnes (2,580,000). Publication papers (magazine papers and newsprint) deliveries increased by 19% mainly due to the Myllykoski acquisition. Fine and speciality papers deliveries decreased by 10%.

Operating profit excluding special items increased from last year mainly due to higher average sales prices.

The average paper price for all paper deliveries when translated into euros was 4% higher than last year. Compared with the second quarter of 2011 the average paper price increased by 1%.

January–September 2011 compared with January–September 2010

Operating loss excluding special items was EUR 20 million (a loss of EUR 186 million). Sales increased by 13% to EUR 5,208 million (4,613 million). Paper deliveries increased by 5% to 7,706,000 tonnes (7,321,000). Publication papers (magazine papers and newsprint) deliveries increased by 12% mainly due to the Myllykoski acquisition. Fine and speciality papers deliveries decreased by 6% from last year.

Profitability improved from last year. Despite higher paper prices, the Paper business area incurred an operating loss due to increased variable costs. The average paper price for all paper deliveries when translated into euros was 7% higher than last year.

Market review

In January–September, demand for publication papers in Europe was approximately 2% lower than last year, and for fine papers 5% lower than a year ago. In North America, demand for magazine papers decreased by 5% from last year. In Asia, demand for fine papers grew.

In Europe, publication paper prices increased in the first nine months of the year by about 12% from the same period last year and in the third quarter of 2011 by about 2% from the second quarter of 2011.

Fine paper prices increased in the first nine months of the year by about 6% from the same period last year and in the third quarter of 2011 decreased by about 2% from the second quarter of 2011.

In North America, the average US dollar price for magazine papers was 14% higher than last year. In Asia, market prices for fine papers increased during the first half but decreased in the third quarter of the year.

Label

	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q3/11	Q1-Q3/10	Q1-Q4/10
Sales, EURm	292	293	278	276	284	280	260	863	824	1,100
EBITDA, EURm ¹⁾	23	27	27	25	33	34	31	77	98	123
% of sales	7.9	9.2	9.7	9.1	11.6	12.1	11.9	8.9	11.9	11.2
Depreciation, amortisation and impairment charges, EURm	-8	-8	-8	-9	-8	-10	-7	-24	-25	-34
Operating profit, EURm	14	21	19	15	25	24	24	54	73	88
% of sales	4.8	7.2	6.8	5.4	8.8	8.6	9.2	6.3	8.9	8.0
Special items, EURm ²⁾	-1	2	-	-1	1	-	1	1	2	1
Operating profit excl. special items, EURm	15	19	19	16	24	24	23	53	71	87
% of sales	5.1	6.5	6.8	5.8	8.5	8.6	8.8	6.1	8.6	7.9

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

²⁾ Special items in the third quarter of 2011 include charges of EUR 1 million related to restructuring of European operations. Special items in the second quarter of 2011 include an income of EUR 2 million from a change in UK pension schemes. In 2010, special items of EUR 2 million relate to impairment reversals and EUR 1 million relates to restructuring charges.

Q3 of 2011 compared with Q3 of 2010

Operating profit excluding special items was EUR 15 million (24 million). Sales increased by 3% to EUR 292 million (284 million).

Operating profit excluding special items decreased from last year due to an unfavourable product and regional sales mix combined with record-high raw material costs. Sales prices in local currencies increased clearly and delivery volumes were slightly higher in comparison with last year. These partly offset the negative impact of variable cost inflation.

January–September 2011 compared with January–September 2010

Operating profit excluding special items was EUR 53 million (71 million). Sales increased by 5% to EUR 863 million (824 million).

Operating profit excluding special items decreased from last year, mainly due to an unfavourable product and regional sales mix and significantly higher raw material costs.

Sales prices of self-adhesive label materials in local currencies increased clearly compared to the previous year.

Market review

Self-adhesive market development was particularly volatile in the third quarter. Demand in Europe is estimated to have fallen both sequentially and compared to the third quarter of 2010. Demand development weakened clearly towards the end of the quarter. In North America demand is estimated to have decreased slightly from last year. In Asia and Latin America market growth is estimated to have continued but at a moderate pace.

Plywood

	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q3/11	Q1-Q3/10	Q1-Q4/10
Sales, EURm	87	107	94	91	83	97	76	288	256	347
EBITDA, EURm ¹⁾	0	8	4	-1	2	2	-2	12	2	1
% of sales	0.0	7.5	4.3	-1.1	2.4	2.1	-2.6	4.2	0.8	0.3
Depreciation, amortisation and impairment charges, EURm	-4	-4	-5	-4	-5	-5	-5	-13	-15	-19
Operating profit, EURm	-8	1	-1	-5	-4	-1	-7	-8	-12	-17
% of sales	-9.2	0.9	-1.1	-5.5	-4.8	-1.0	-9.2	-2.8	-4.7	-4.9
Special items, EURm ²⁾	-4	-3	-	-	-1	2	-	-7	1	1
Operating profit excl. special items, EURm	-4	4	-1	-5	-3	-3	-7	-1	-13	-18
% of sales	-4.6	3.7	-1.1	-5.5	-3.6	-3.1	-9.2	-0.3	-5.1	-5.2
Deliveries, plywood, 1,000 m ³	155	191	162	160	156	182	140	508	478	638

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

²⁾ In the third quarter of 2011, special items include charges of EUR 4 million related to restructuring of operations in Finland. Special items of EUR 3 million in the second quarter of 2011 relate to a net loss from asset sales. Special items in 2010, include mainly a capital gain from asset sale in Finland.

Q3 of 2011 compared with Q3 of 2010

Operating loss excluding special items was EUR 4 million (a loss of EUR 3 million). Sales increased by 5% to EUR 87 million (83 million). Plywood deliveries were 155,000 cubic metres (156,000).

Operating loss excluding special items increased from last year due to higher variable and fixed costs. This was partly offset by the positive impact of higher sales prices.

January–September 2011 compared with January–September 2010

Operating loss excluding special items was EUR 1 million (a loss of EUR 13 million). Sales increased by 13% to EUR 288 million (256 million). Plywood deliveries increased by 6% to 508,000 cubic metres (478,000).

Operating loss excluding special items decreased from last year due to higher sales prices and delivery volumes.

Market review

In the first nine months of the year, plywood demand in Europe increased from the same period last year.

Demand growth in Europe was driven by industrial end uses such as transport end use. Demand in the distribution segment increased in the first half of the year but decreased in the third quarter.

Plywood market prices increased from last year.

Other operations

	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q3/11	Q1-Q3/10	Q1-Q4/10
Sales, EURm	58	43	35	42	45	51	40	136	136	178
EBITDA, EURm ¹⁾	3	-15	-14	-7	-23	-19	-18	-26	-60	-67
Share of results of associated companies and joint ventures, EURm	-	2	-2	-1	-1	1	-2	-	-2	-3
Depreciation, amortisation and impairment charges, EURm	-4	-2	-3	-2	-2	-3	-3	-9	-8	-10
Operating profit, EURm	-4	-16	-19	-7	-23	-22	-24	-39	-69	-76
Special items, EURm ²⁾	-2	-1	-	3	4	-3	-1	-3	-	3
Operating profit excl. special items, EURm	-2	-15	-19	-10	-27	-19	-23	-36	-69	-79

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

²⁾ In the third quarter of 2011, special items include restructuring charges of EUR 2 million. Special items in the third quarter of 2010, include mainly a capital gain of EUR 3 million from asset sale in Finland. Other special items relate to net restructuring charges.

Other operations include development units (RFID tags, the wood plastic composite unit UPM ProFi and biofuels), logistic services and Group services.

Q3 of 2011 compared with Q3 of 2010

Excluding special items, operating loss was EUR 2 million (a loss of EUR 27 million). Sales amounted to EUR 58 million (45 million).

January–September 2011 compared with January–September 2010

Excluding special items, operating loss was EUR 36 million (loss of EUR 69 million). Sales amounted to EUR 136 million (136 million).

Helsinki, 26 October 2011

UPM-Kymmene Corporation

Board of Directors

FINANCIAL INFORMATION

Consolidated income statement

EURm	Q3/2011	Q3/2010	Q1-Q3/2011	Q1-Q3/2010	Q1-Q4/2010
Sales	2,603	2,312	7,382	6,567	8,924
Other operating income	27	42	62	68	76
Costs and expenses	-2,527	-1,938	-6,588	-5,585	-7,637
Change in fair value of biological assets and wood harvested	1	14	15	64	149
Share of results of associated companies and joint ventures	1	-2	84	9	8
Depreciation, amortisation and impairment charges	-264	-190	-627	-575	-765
Operating profit (loss)	-159	238	328	548	755
Gains on available-for-sale investments, net	-2	-	66	1	1
Exchange rate and fair value gains and losses	-4	-11	-20	-6	-4
Interest and other finance costs, net	-23	-28	-51	-81	-117
Profit (loss) before tax	-188	199	323	462	635
Income taxes	79	-21	32	-45	-74
Profit (loss) for the period	-109	178	355	417	561
Attributable to:					
Owners of the parent company	-109	178	355	417	561
Non-controlling interests	-	-	-	-	-
	-109	178	355	417	561
Earnings per share for profit (loss) attributable to owners of the parent company					
Basic earnings per share, EUR	-0.21	0.34	0.68	0.80	1.08
Diluted earnings per share, EUR	-0.21	0.34	0.68	0.80	1.08

Consolidated statement of comprehensive income

EURm	Q3/2011	Q3/2010	Q1-Q3/2011	Q1-Q3/2010	Q1-Q4/2010
Profit (loss) for the period	-109	178	355	417	561
Other comprehensive income for the period, net of tax:					
Translation differences	138	-317	-71	182	288
Net investment hedge	6	50	32	-38	-69
Cash flow hedges	-39	55	37	-24	-70
Available-for-sale investments	2	2	7	7	15
Share of other comprehensive income of associated companies	-1	1	-2	3	9
Other comprehensive income for the period, net of tax	106	-209	3	130	173
Total comprehensive income for the period	-3	-31	358	547	734
Total comprehensive income attributable to:					
Owners of the parent company	-3	-31	358	547	734
Non-controlling interests	-	-	-	-	-
	-3	-31	358	547	734

Consolidated balance sheet

EURm	30.9.2011	30.9.2010	31.12.2010
ASSETS			
Non-current assets			
Goodwill	1,019	1,024	1,022
Other intangible assets	477	436	424
Property, plant and equipment	6,098	5,894	5,860
Investment property	35	22	22
Biological assets	1,458	1,347	1,430
Investments in associated companies and joint ventures	756	567	573
Available-for-sale investments	265	326	333
Non-current financial assets	398	412	323
Deferred tax assets	486	340	359
Other non-current assets	237	213	211
	11,229	10,581	10,557
Current assets			
Inventories	1,542	1,320	1,299
Trade and other receivables	1,946	1,614	1,661
Income tax receivables	26	22	26
Cash and cash equivalents	335	484	269
	3,849	3,440	3,255
Total assets	15,078	14,021	13,812
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	890	890	890
Treasury shares	-2	-	-
Translation differences	16	-20	55
Fair value and other reserves	146	131	90
Reserve for invested non-restricted equity	1,199	1,145	1,145
Retained earnings	4,981	4,758	4,913
	7,230	6,904	7,093
Non-controlling interests	16	16	16
Total equity	7,246	6,920	7,109
Non-current liabilities			
Deferred tax liabilities	700	631	629
Retirement benefit obligations	489	419	424
Provisions	340	151	150
Interest-bearing liabilities	3,676	4,034	3,649
Other liabilities	79	66	70
	5,284	5,301	4,922
Current liabilities			
Current interest-bearing liabilities	889	423	330
Trade and other payables	1,614	1,302	1,417
Income tax payables	45	75	34
	2,548	1,800	1,781
Total liabilities	7,832	7,101	6,703
Total equity and liabilities	15,078	14,021	13,812

Consolidated statement of changes in equity

EURm	Attributable to owners of the parent company								Non-controlling interests	Total equity
	Share capital	Treasury shares	Translation differences	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Total			
Balance at 1 January 2010	890	–	–164	141	1,145	4,574	6,586	16	6,602	
Profit (loss) for the period	–	–	–	–	–	417	417	–	417	
Translation differences	–	–	182	–	–	–	182	–	182	
Net investment hedge, net of tax	–	–	–38	–	–	–	–38	–	–38	
Cash flow hedges, net of tax	–	–	–	–24	–	–	–24	–	–24	
Available-for-sale investments	–	–	–	7	–	–	7	–	7	
Share of other comprehensive income of associated companies	–	–	–	–	–	3	3	–	3	
Total comprehensive income for the period	–	–	144	–17	–	420	547	–	547	
Share-based compensation, net of tax	–	–	–	7	–	–	7	–	7	
Dividend paid	–	–	–	–	–	–234	–234	–	–234	
Other items	–	–	–	–	–	–2	–2	–	–2	
Total transactions with owners for the period	–	–	–	7	–	–236	–229	–	–229	
Balance at 30 September 2010	890	–	–20	131	1,145	4,758	6,904	16	6,920	
Balance at 1 January 2011	890	–	55	90	1,145	4,913	7,093	16	7,109	
Profit (loss) for the period	–	–	–	–	–	355	355	–	355	
Translation differences	–	–	–71	–	–	–	–71	–	–71	
Net investment hedge, net of tax	–	–	32	–	–	–	32	–	32	
Cash flow hedges, net of tax	–	–	–	37	–	–	37	–	37	
Available-for-sale investments	–	–	–	7	–	–	7	–	7	
Share of other comprehensive income of associated companies	–	–	–	–	–	–2	–2	–	–2	
Total comprehensive income for the period	–	–	–39	44	–	353	358	–	358	
Share issue	–	–2	–	–	54	–	52	–	52	
Share-based compensation, net of tax	–	–	–	14	–	–3	11	–	11	
Dividend paid	–	–	–	–	–	–286	–286	–	–286	
Other items	–	–	–	–2	–	4	2	–	2	
Total transactions with owners for the period	–	–2	–	12	54	–285	–221	–	–221	
Balance at 30 September 2011	890	–2	16	146	1,199	4,981	7,230	16	7,246	

Condensed consolidated cash flow statement

EURm	Q1-Q3/2011	Q1-Q3/2010	Q1-Q4/2010
Cash flow from operating activities			
Profit (loss) for the period	355	417	561
Adjustments	631	552	740
Change in working capital	-164	-237	-139
Cash generated from operations	822	732	1,162
Finance costs, net	-13	-67	-103
Income taxes paid	-78	-26	-77
Net cash generated from operating activities	731	639	982
Cash flow from investing activities			
Capital expenditure	-193	-150	-241
Acquisitions and share purchases	-18	-4	-4
Asset sales and other investing cash flow	155	49	50
Net cash used in investing activities	-56	-105	-195
Cash flow from financing activities			
Change in loans and other financial items	-314	-261	-732
Dividends paid	-286	-234	-234
Net cash used in financing activities	-600	-495	-966
Change in cash and cash equivalents	75	39	-179
Cash and cash equivalents at beginning of period	269	438	438
Foreign exchange effect on cash	-9	7	10
Change in cash and cash equivalents	75	39	-179
Cash and cash equivalents at end of period	335	484	269

Quarterly information

EURm	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q3/11	Q1-Q3/10	Q1-Q4/10
Sales	2,603	2,423	2,356	2,357	2,312	2,216	2,039	7,382	6,567	8,924
Other operating income	27	15	20	8	42	17	9	62	68	76
Costs and expenses	-2,527	-2,064	-1,997	-2,052	-1,938	-1,877	-1,770	-6,588	-5,585	-7,637
Change in fair value of biological assets and wood harvested	1	11	3	85	14	31	19	15	64	149
Share of results of associated companies and joint ventures	1	84	-1	-1	-2	8	3	84	9	8
Depreciation, amortisation and impairment charges	-264	-180	-183	-190	-190	-192	-193	-627	-575	-765
Operating profit (loss)	-159	289	198	207	238	203	107	328	548	755
Gains on available-for-sale investments, net	-2	68	-	-	-	1	-	66	1	1
Exchange rate and fair value gains and losses	-4	-14	-2	2	-11	4	1	-20	-6	-4
Interest and other finance costs, net	-23	-27	-1	-36	-28	-27	-26	-51	-81	-117
Profit (loss) before tax	-188	316	195	173	199	181	82	323	462	635
Income taxes	79	-21	-26	-29	-21	-12	-12	32	-45	-74
Profit (loss) for the period	-109	295	169	144	178	169	70	355	417	561
Attributable to:										
Owners of the parent company	-109	295	169	144	178	169	70	355	417	561
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
	-109	295	169	144	178	169	70	355	417	561
Basic earnings per share, EUR	-0.21	0.56	0.33	0.28	0.34	0.33	0.13	0.68	0.80	1.08
Diluted earnings per share, EUR	-0.21	0.57	0.32	0.28	0.34	0.33	0.13	0.68	0.80	1.08
Earnings per share, excluding special items, EUR	0.19	0.26	0.32	0.27	0.28	0.29	0.15	0.77	0.72	0.99
Average number of shares basic (1,000)	523,128	519,970	519,970	519,970	519,970	519,970	519,970	521,023	519,970	519,970
Average number of shares diluted (1,000)	523,184	523,080	523,182	522,193	521,742	521,333	520,018	523,149	521,031	521,321
Special items in operating profit (loss)	-295	88	-	-5	34	4	-9	-207	29	24
Operating profit (loss), excl. special items	136	201	198	212	204	199	116	535	519	731
% of sales	5.2	8.3	8.4	9.0	8.8	9.0	5.7	7.2	7.9	8.2
Special items in financial items	-	68	-	-	-	-	-	68	-	-
Special items before tax	-295	156	-	-5	34	4	-9	-139	29	24
Profit (loss) before tax, excl. special items	107	160	195	178	165	177	91	462	433	611
% of sales	4.1	6.6	8.3	7.6	7.1	8.0	4.5	6.3	6.6	6.8
Impact on taxes from special items	84	5	3	9	-5	14	3	92	12	21
Return on equity, excl. special items, %	5.6	7.4	9.3	8.0	8.6	8.9	4.6	7.5	7.4	7.5
Return on capital employed, excl. special items, %	4.6	6.6	7.8	7.5	6.8	7.3	4.3	6.3	6.1	6.4
EBITDA	331	372	379	318	384	353	288	1,082	1,025	1,343
% of sales	12.7	15.4	16.1	13.5	16.6	15.9	14.1	14.7	15.6	15.0
Share of results of associated companies and joint ventures										
Energy	-	81	1	-	-3	6	4	82	7	7
Pulp	-	-	-	-	-	-	-	-	-	-
Forest and Timber	-	1	-	-1	2	1	1	1	4	3
Paper	1	-	-	1	-	-	-	1	-	1
Other operations	-	2	-2	-1	-1	1	-2	-	-2	-3
Total	1	84	-1	-1	-2	8	3	84	9	8

Deliveries

	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q3/11	Q1-Q3/10	Q1-Q4/10
Electricity, GWh	2,057	2,178	2,354	2,436	2,276	2,303	2,411	6,589	6,990	9,426
Pulp, 1,000 t	722	770	780	699	752	768	700	2,272	2,220	2,919
Sawn timber, 1,000 m ³	422	495	354	426	428	504	371	1,271	1,303	1,729
Publication papers, 1,000 t	1,942	1,563	1,486	1,680	1,633	1,446	1,364	4,991	4,443	6,123
Fine and speciality papers, 1,000 t	855	909	951	913	947	994	937	2,715	2,878	3,791
Paper deliveries total, 1,000 t	2,797	2,472	2,437	2,593	2,580	2,440	2,301	7,706	7,321	9,914
Plywood, 1,000 m ³	155	191	162	160	156	182	140	508	478	638

Quarterly segment information

EURm	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q3/11	Q1-Q3/10	Q1-Q4/10
Sales										
Energy	104	108	128	153	124	116	174	340	414	567
Pulp	396	446	457	413	489	455	341	1,299	1,285	1,698
Forest and Timber	403	440	394	402	387	393	339	1,237	1,119	1,521
Paper	1,895	1,666	1,647	1,656	1,672	1,540	1,401	5,208	4,613	6,269
Label	292	293	278	276	284	280	260	863	824	1,100
Plywood	87	107	94	91	83	97	76	288	256	347
Other operations	58	43	35	42	45	51	40	136	136	178
Internal sales	-632	-680	-677	-676	-772	-716	-592	-1,989	-2,080	-2,756
Sales, total	2,603	2,423	2,356	2,357	2,312	2,216	2,039	7,382	6,567	8,924
EBITDA										
Energy	40	38	60	70	48	39	79	138	166	236
Pulp	122	177	195	165	239	199	120	494	558	723
Forest and Timber	4	11	5	5	18	26	3	20	47	52
Paper	139	126	102	61	67	72	75	367	214	275
Label	23	27	27	25	33	34	31	77	98	123
Plywood	-	8	4	-1	2	2	-2	12	2	1
Other operations	3	-15	-14	-7	-23	-19	-18	-26	-60	-67
EBITDA, total	331	372	379	318	384	353	288	1,082	1,025	1,343
Operating profit (loss)										
Energy	39	118	60	68	44	44	81	217	169	237
Pulp	84	143	160	132	199	163	83	387	445	577
Forest and Timber	2	20	2	79	68	52	19	24	139	218
Paper	-286	2	-23	-75	-71	-57	-69	-307	-197	-272
Label	14	21	19	15	25	24	24	54	73	88
Plywood	-8	1	-1	-5	-4	-1	-7	-8	-12	-17
Other operations	-4	-16	-19	-7	-23	-22	-24	-39	-69	-76
Operating profit (loss), total	-159	289	198	207	238	203	107	328	548	755
% of sales	-6.1	11.9	8.4	8.8	10.3	9.2	5.2	4.4	8.3	8.5
Special items in operating profit										
Energy	-	86	-	-	-	-	-	86	-	-
Pulp	-	-	-	-	-	1	-1	-	-	-
Forest and Timber	1	2	-	-	37	-	-	3	37	37
Paper	-289	2	-	-7	-7	4	-8	-287	-11	-18
Label	-1	2	-	-1	1	-	1	1	2	1
Plywood	-4	-3	-	-	-1	2	-	-7	1	1
Other operations	-2	-1	-	3	4	-3	-1	-3	-	3
Special items in operating profit, total	-295	88	-	-5	34	4	-9	-207	29	24
Operating profit (loss) excl. special items										
Energy	39	32	60	68	44	44	81	131	169	237
Pulp	84	143	160	132	199	162	84	387	445	577
Forest and Timber	1	18	2	79	31	52	19	21	102	181
Paper	3	0	-23	-68	-64	-61	-61	-20	-186	-254
Label	15	19	19	16	24	24	23	53	71	87
Plywood	-4	4	-1	-5	-3	-3	-7	-1	-13	-18
Other operations	-2	-15	-19	-10	-27	-19	-23	-36	-69	-79
Operating profit (loss) excl. special items, total	136	201	198	212	204	199	116	535	519	731
% of sales	5.2	8.3	8.4	9.0	8.8	9.0	5.7	7.2	7.9	8.2

EURm	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q3/11	Q1-Q3/10	Q1-Q4/10
External sales										
Energy	35	35	55	71	31	35	94	125	160	231
Pulp	123	152	151	103	102	106	86	426	294	397
Forest and Timber	190	214	171	193	181	193	154	575	528	721
Paper	1,841	1,605	1,606	1,621	1,636	1,499	1,353	5,052	4,488	6,109
Label	291	293	278	276	283	280	259	862	822	1,098
Plywood	83	102	90	87	79	93	73	275	245	332
Other operations	40	22	5	6	-	10	20	67	30	36
External sales, total	2,603	2,423	2,356	2,357	2,312	2,216	2,039	7,382	6,567	8,924
Internal sales										
Energy	69	73	73	82	93	81	80	215	254	336
Pulp	273	294	306	310	387	349	255	873	991	1,301
Forest and Timber	213	226	223	209	206	200	185	662	591	800
Paper	54	61	41	35	36	41	48	156	125	160
Label	1	-	-	-	1	-	1	1	2	2
Plywood	4	5	4	4	4	4	3	13	11	15
Other operations	18	21	30	36	45	41	20	69	106	142
Internal sales, total	632	680	677	676	772	716	592	1,989	2,080	2,756

Business combinations

On 1 August 2011, UPM completed the acquisition of Myllykoski Oyj and Rhein Papier GmbH ("Myllykoski"). Myllykoski Oyj and Rhein Papier GmbH consist of six publication paper mills in Germany and in Finland. The total annual paper production capacity is 2.6 million tonnes. In addition, a 50% share of the Madison Paper publication paper mill in the United States was included in the acquisition. The transaction also includes the acquisition of Myllykoski Oyj's 0.8% share in the Finnish energy company Pohjolan Voima Oy and M-real Corporation's 35% holding in Myllykoski Paper Oy.

For the financing of the acquisition, UPM issued five million new UPM shares of which 4.8 million shares were directed to the owners of Myllykoski Oyj and Rhein Papier GmbH and has drawned EUR 800 million in long term debt. UPM estimates that the transaction will have an immediate positive impact on cash flow and a positive impact on earnings per share from 2012. UPM has announced an estimate of annual synergy benefits of approximately EUR 200 million.

If the transaction had occurred on 1 January 2011, UPM's sales for January-September 2011 would have been EUR 8,162 million and profit for the period EUR 337 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the depreciation and amortisation that would have been charged assuming application of fair value adjustments to property, plant and equipment and intangible assets from 1 January 2011, together with the consequential tax effects.

Information on the amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated income statement for the reporting period is not disclosed because it would be impracticable. The acquired businesses have been integrated into the Group's activities since the acquisition date and relevant information is therefore not available.

The following table summarises the consideration transferred and the recognised amounts of identifiable assets acquired and liabilities assumed at 1 August 2011:

EURm	At 1 August 2011
Consideration	
Cash	17
Equity instruments (4.8 million shares)	52
Total consideration transferred	69
Recognised amounts of identifiable assets acquired and liabilities assumed	
Customer relationships and other intangible assets	78
Property, plant and equipment	656
Investments in associated companies and joint ventures	108
Non-current financial assets	6
Other non-current assets	2
Inventories	138
Trade and other receivables	186
Cash and cash equivalents	-
Retirement benefit obligations	66
Provisions	13
Interest-bearing liabilities	772
Trade and other payables	196
Deferred tax liabilities, net	30
Total identifiable net assets	97
Gain on bargain purchase	28
	69

The fair value of EUR 52 million for the 4.8 million shares issued as part of the consideration paid was based on the volume weighted average price of UPM share on NASDAQ OMX Helsinki on 27 July 2011.

The acquisition related costs of EUR 15 million are included in other operating expenses.

Gain on bargain purchase of EUR 28 million was recognised from the acquisition as other operating income. The recognition of bargain purchase gain was due to distressed sale caused by the weak paper market situation and difficult financing environment during the year 2010 which affected the operations of the acquired companies.

The fair value of trade and other receivables includes trade receivables with fair value of EUR 178 million. The gross contractual amount for trade receivables due is EUR 183 million, of which EUR 5 million is expected to be uncollectible.

The fair values of the acquired identifiable assets and liabilities assumed are provisional pending on the final valuations.

On 10 May 2011, UPM acquired the Gumtac, the Brazilian labelstock coating and slitting business of the BIC Group. The acquisition was announced in February 2011. Gumtac employs approximately 35 people in its operations in Rio de Janeiro. By combining Gumtac's operations with UPM Raflatac the Group expects to further grow the business with label printer partners in Brazil and throughout South America.

If the Gumtac business had been included in the Group from 1 January 2011, it would have increased the Group's sales by EUR 4 million. Arising from the acquisition, Group recognised as other operating income an insignificant one-time bargain purchase gain.

The following table summarises the consideration paid for business and the amounts of the net assets acquired recognised at the acquisition date:

EURm	At 10 May 2011
Total consideration transferred, cash	3
Intangible assets	1
Property, plant and equipment and other assets	2
Total identifiable net assets	3
Gain on bargain purchase	0

The fair value of the acquired net assets is provisional pending on the final valuations.

Changes in property, plant and equipment

EURm	Q1-Q3/2011	Q1-Q3/2010	Q1-Q4/2010
Book value at beginning of period	5,860	6,192	6,192
Capital expenditure	203	119	217
Companies acquired	658	-	-
Decreases	-18	-14	-18
Depreciation	-506	-534	-707
Impairment charges	-68	-	-
Impairment reversal	-	4	4
Translation difference and other changes	-31	127	172
Book value at end of period	6,098	5,894	5,860

Commitments and contingencies

EURm	30.9.2011	30.9.2010	31.12.2010
Own commitments			
Mortgages	741	1,031	764
On behalf of associated companies and joint ventures			
Guarantees for loans	6	7	7
On behalf of others			
Other guarantees	4	-	2
Other own commitments			
Leasing commitments for the next 12 months	34	22	28
Leasing commitments for subsequent periods	124	88	80
Other commitments	111	86	164

Capital commitments

For 2011, total capital expenditure, excluding acquisitions, is forecast to be about EUR 350 million.

Notional amounts of derivative financial instruments

EURm	30.9.2011	30.9.2010	31.12.2010
Currency derivatives			
Forward contracts	4,294	3,950	3,993
Options, bought	3	-	4
Options, written	23	-	4
Swaps	809	710	800
Interest rate derivatives			
Forward contracts	3,615	1,924	2,442
Swaps	2,317	2,475	2,478
Other derivatives			
Forward contracts	476	157	275
Options, bought	-	41	-
Options, written	-	41	-
Swaps	-	1	-

Related party (associated companies and joint ventures) transactions and balances

EURm	Q1-Q3/2011	Q1-Q3/2010	Q1-Q4/2010
Sales to associated companies	105	110	153
Purchases from associated companies	273	254	341
Non-current receivables at end of period	5	5	5
Trade and other receivables at end of period	19	18	17
Trade and other payables at end of period	35	29	38

Basis of preparation

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 2010. 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, %:

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

Return on capital employed, %:

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

Earnings per share:

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

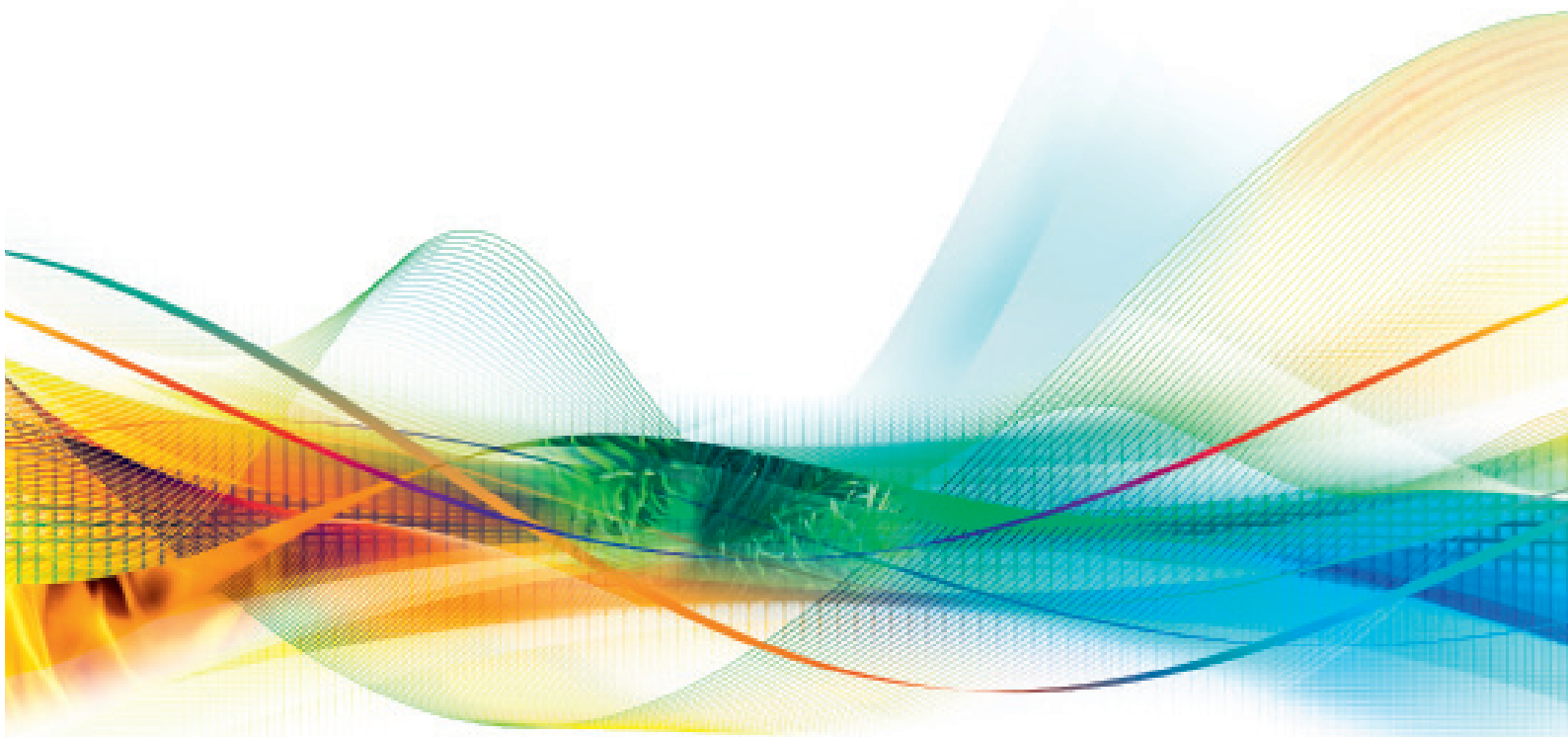
Key exchange rates for the euro at end of period

	30.9.2011	30.6.2011	31.3.2011	31.12.2010	30.9.2010	30.6.2010	31.3.2010
USD	1.3503	1.4453	1.4207	1.3362	1.3648	1.2271	1.3479
CAD	1.4105	1.3951	1.3785	1.3322	1.4073	1.2890	1.3687
JPY	103.79	116.25	117.61	108.65	113.68	108.79	125.93
GBP	0.8667	0.9026	0.8837	0.8608	0.8600	0.8175	0.8898
SEK	9.2580	9.1739	8.9329	8.9655	9.1421	9.5259	9.7135

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 86–88 of the company’s annual report 2010.



UPM – The Biofore Company
UPM leads the integration of bio and forest industries into a new, sustainable and innovation-driven future.



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