UPM Financial Review 2009

Q4/2009

- Earnings per share were € 0.57 (–0.56), excluding special items € 0.21 (–0.19)
- Operating profit excluding special items was € 186 million (loss of € 46 million)
- Stringent cost control contributed to profit improvement, EBITDA margin was 17.2%
- Demand has started to improve

Q1–Q4/2009

- Earnings per share were € 0.33 (–0.35), excluding special items € 0.11 (0.42)
- Operating profit excluding special items was € 270 million (513 million)
- Strong operating cash flow € 1,259 million, net debt reduced by € 591 million
- Fixed cost savings worth € 300 million

Key figures

	Q4/2009	Q4/2008	Q1–Q4/2009	Q1–Q4/2008
Sales, €m	2,108	2,315	7,719	9,461
EBITDA, €m [1]	362	178	1,062	1,206
% of sales	17.2	7.7	13.8	12.7
Operating profit (loss), €m	126	–286	135	24
excluding special items, €m	186	–46	270	513
% of sales	8.8	–2.0	3.5	5.4
Profit (loss) before tax, €m	311	–360	187	–201
excluding special items, €m	156	–120	107	282
Net profit (loss) for the period, €m	295	–286	169	–180
Earnings per share, €	0.57	–0.56	0.33	–0.35
excluding special items, €	0.21	–0.19	0.11	0.42
Diluted earnings per share, €	0.57	–0.56	0.33	–0.35
Return on equity, %	19.4	neg.	2.8	neg.
excluding special items, %	7.4	neg.	1.0	3.4
Return on capital employed, %	13.2	neg.	3.2	0.2
excluding special items, %	7.2	neg.	2.5	4.6
Operating cash flow per share, €	0.71	0.69	2.42	1.21
Shareholders' equity per share at end of period, €	12.67	11.74	12.67	11.74
Gearing ratio at end of period, %	56	71	56	71
Net interest-bearing liabilities at end of period, €m	3,730	4,321	3,730	4,321
Capital employed at end of period, €m	11,066	11,193	11,066	11,193
Capital expenditure, €m	741	113	913	551
Capital expenditure excluding acquisitions and shares	58	102	229	532
Personnel at end of period	23,213	24,983	23,213	24,983

[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.

The market in 2009

The global economy experienced a severe recession in 2009 as the financial crisis spread into the real economy. Consumer confidence bottomed out at a historic low level both in Europe and in the US. Declining demand led to lower industrial production, exports and investments. The global economy showed signals of stabilisation in the third quarter of 2009 supported by rebounding confidence and a pickup in global trade. This was partly driven by China, which performed exceptionally well during the recession in comparison with any other major country.

The euro strengthened against the US dollar from February onwards and weakened the competitiveness of euro-area industries.

The UK pound, the Russian rouble and the Swedish crown also weakened against the euro.

Prices for commodities and raw materials were declining most of the year but started to increase in the late autumn as the economy started to stabilise.

Demand for wood raw material decreased from the previous year due to exceptionally low industrial production and high wood inventories in the beginning of the year. Average market prices in Finland declined from peak year of 2007-2008.

Demand for chemical pulp declined in the first half of the year, but a rebound took place in the second half of the year due to strong demand in China. Chemical pulp market prices started to increase after the second quarter of the year.

Global advertising expenditure plummeted under the global economic downturn. In Europe, total advertising expenditure fell more than 10% in 2009 while the print media spend declined by some 15%. Although print advertising lost some of its share, it held its place as the largest media in Europe and as the second largest media globally after television. Global direct mail expenditure held up better than total advertising, declining by 4% from the previous year.

As a consequence of the decline in print advertising, the demand for graphic papers in Europe and North America declined. Market balance remained weak throughout the year.

The retail sector both in Europe and in the US suffered from the low level of private consumption. The demand shifted towards discount stores at the expense of branded products and affected the demand for packaging materials as well as the advertising focus of the retail sector.

Exceptionally low construction activity in 2009 decreased demand for building materials, including wood-based materials. The construction confidence indicator started to improve in late 2009, but still remained at a very low level.

Results

Q4 of 2009 compared with Q4 of 2008

Sales for the fourth quarter of 2009 were € 2,108 million, 9% lower than the € 2,315 million in the fourth quarter of 2008. Sales decreased mainly due to lower sales prices in most of UPM's business areas.

Operating profit was € 126 million, 6.0% of sales (loss of € 286 million, -12.4% of sales). The operating profit excluding special items was € 186 million, 8.8% of sales (loss of € 46 million, -2.0% of sales). Operating profit includes net charges of € 60 million as special items, including restructuring charges of € 44 million in Timber and Plywood operations in Finland.

Operating profit excluding special items was clearly better than in the same quarter last year. The comparison period was exceptionally weak, as it included a wood inventory write down and extensive production downtime in paper, pulp and plywood mills and sawmills.

The improvement in profitability was mainly driven by lower variable and fixed costs. Wood costs declined by € 80 million from the previous year. Other variable costs also decreased clearly, including € 25 million saved in lower energy costs.

Cost-saving measures reduced the company's fixed costs by € 60 million in comparison with the same period last year. As part of the measures, UPM initiated a flexible operating mode in the beginning of 2009, using temporary capacity shutdowns to adjust production to the low demand.

Changes in sales prices in euro terms reduced operating profit by about € 160 million. The average paper price in euros decreased by approximately 8% from the same period last year. The average price for label materials in local currencies was about the same. Timber and plywood prices fell substantially.

The increase in the fair value of biological assets net of wood harvested was € 9 million compared to a decrease of € 2 million a year before.

The share of results of associated companies and joint ventures was € 1 million (16 million negative). The accounting treatment of the associated company Metsä-Botnia was changed as of 30 June 2009. As of December 2009, Metsä-Botnia no longer is UPM's associated company (see Pulp business area footnote 3).

Profit before tax was € 311 million (loss of € 360 million) and excluding special items € 156 million (loss of € 120 million). Special items of € 215 million reported in financial items include a capital gain of € 220 million on the sales of the approximately 30% share in Metsä-Botnia and a capital loss of € 5 million related to investments in development units. Interest and other finance costs, excluding special items, were € 30 million (60 million) net. Exchange rate and fair value gains and losses were € 0 million (loss of € 14 million).

Income taxes were € 16 million (74 million positive). The impact on taxes from special items was € 28 million positive (51 million positive).

Profit for the fourth quarter was € 295 million (loss of € 286 million) and earnings per share were € 0.57 (-0.56). Earnings per share excluding special items were € 0.21 (-0.19).

2009 compared with 2008

Sales for 2009 were € 7,719 million, 18% lower than the € 9,461 million in 2008. Sales decreased mainly due to lower deliveries across all of UPM's business areas.

Operating profit was € 135 million, 1.7% of sales (24 million, 0.3% of sales). The operating profit excluding special items was € 270 million, 3.5% of sales (513 million, 5.4% of sales). Operating profit includes net charges of € 135 million as special items. UPM sold assets related to the former Miramichi paper mill in Canada and recorded an income of € 21 million. Restructuring measures resulted in net special charges of € 109 million including impairment charges of € 18 million. The share of the results of associated companies includes special charges of € 47 million.

Operating profit declined clearly from the previous year. The main reason for weaker profitability was significantly lower deliveries in all of UPM's business areas. Lower sales prices also impacted operating profit negatively.

Changes in sales prices in euro terms reduced operating profit by about € 260 million. The average paper price in euros decreased by approximately 3% from last year. The average price for label materials increased. Timber and plywood prices fell substantially.

UPM responded to lower demand with a flexible way of operating in all of its business areas, using temporary capacity shutdowns to adjust production to the low demand. Due to cost saving measures, the company's fixed costs decreased by € 300 million from the previous year.

Wood costs decreased from their earlier peak levels. Compared with last year, wood costs decreased by € 190 million. Energy costs increased slightly.

The increase in the fair value of biological assets net of wood harvested was € 17 million compared to € 50 million a year before.

The share of results of associated companies and joint ventures was € 95 million negative (62 million positive). The result includes special charges of € 29 million from Metsä-Botnia's Kaskinen pulp mill closure, and impairment charges of € 18 million related to Pohjolan Voima's two power plants. The accounting treatment of the associated company Metsä-Botnia was changed as of 30 June 2009. As of December 2009, Metsä-Botnia no longer is UPM's associated company (see Pulp business area footnote 3).

Profit before tax was € 187 million (loss of € 201 million). Profit before tax excluding special items was € 107 million (282 million). Special items of € 215 million reported in financial items include a capital gain of € 220 million on the sales of the approximately 30% share in Metsä-Botnia and a capital loss of € 5 million related to investments in development units. Interest and other finance costs, excluding special items, were € 153 million (202 million) net. Exchange rate and fair value gains and losses resulted in a loss of € 9 million (25 million).

Income taxes were € 18 million (21 million positive). The impact on taxes from special items was € 31 million positive (86 million positive).

Profit for the period was € 169 million (loss of € 180 million) and earnings per share were € 0.33 (-0.35). Earnings per share excluding special items were € 0.11 (0.42). Operating cash flow per share was € 2.42 (1.21).

Financing

In 2009, cash flow from operating activities before capital expenditure and financing, was € 1,259 million (628 million). Net working capital decreased by € 532 million during the period (increased by € 132 million).

The gearing ratio as of 31 December 2009 was 56% (71%). Net interest-bearing liabilities at the end of the period came to € 3,730 million (4,321 million). This includes the consolidated debt from the acquired Fray Bentos pulp mill and Forestal Oriental plantation forestry company.

In March 2009, UPM replaced the € 1.5 billion credit facility that was to mature in 2010 with a new € 825 million credit facility, maturing in 2012.

On 31 December 2009, UPM's cash funds and unused committed credit facilities totalled € 2.2 billion.

Personnel

In 2009, UPM had an average of 23,618 employees (26,017). At the beginning of the year, the number of employees was 24,983 and at the end of the year it was 23,213. The reduction of 2,294 employees, excluding the impact of Uruguay, is mostly attributable to ongoing restructuring. The acquisition of the Fray Bentos pulp mill and Forestal Oriental plantation forestry company added 524 employees.

Capital expenditure

In 2009, capital expenditure was € 913 million, 11.8% of sales (€ 551 million, 5.8% of sales) and excluding acquisitions and share purchases, € 229 million, 3.0% of sales (€ 532 million, 5.6% of sales). Acquisition of Metsä-Botnia's Uruguayan operations amounted to € 602 million. Operational capital expenditure totalled € 148 million (235 million).

The new renewable energy power plant at the Caledonian mill in Irvine, Scotland was started in June. The total investment cost was GBP 68 million.

UPM continued its tight investment discipline during 2009. Only few new investment decisions were made. The largest ongoing project is now the rebuild of the debarking plant at the Pietarsaari mill in Finland. The total investment cost is estimated to be € 30 million.

In December 2009, UPM made a decision to invest GBP 17 million in a materials recovery facility at its Shotton paper mill in North Wales. Construction of the facility will be completed by January 2011.

The ownership of Botnia and its assets in Uruguay

On 8 December, UPM, Metsäliitto Cooperative, M-real Corporation and Oy Metsä-Botnia Ab (Botnia) completed a transaction whereby Metsäliitto's and Botnia's shares of the Fray Bentos pulp mill and the eucalyptus plantation forestry company Forestal Oriental in Uruguay were acquired by UPM and UPM sold approximately 30% in Botnia to Metsäliitto. In addition UPM acquired 1.2% of the energy company Pohjolan Voima Oy from Botnia. The companies signed an agreement concerning the transaction on 22 October 2009.

Following the transaction, UPM has a 91% ownership of common shares in the Fray Bentos pulp mill, 100% in Forestal Oriental and 17% in Botnia. As of December 2009, Botnia no longer is UPM's associated company but accounted for as an available-for-sale investment. Consequently, UPM's own annual pulp production capacity increased from 2.1 million tonnes to 3.2 million tonnes a year and UPM's share of Botnia's capacity was reduced to 400,000 tonnes. UPM's total pulp production capacity including its entitlement to Botnia's capacity is 3.6 million tonnes a year.

UPM recorded a € 220 million capital gain on the sale of Botnia's shares. UPM's assets increased by € 1,209 million and interest-bearing net debt by € 370 million. In addition, the changes in fair values of the previous holding increased UPM's equity by € 443 million.

Pro forma financial information

If the of Botnia transaction had occurred on 1 January 2009, UPM's sales would have been € 7,923 million, operating profit € 202 million, and operating profit excluding special items € 308 million. Profit for the period would have been € 219 million.

Pro forma key figures

€m	Reported 2009	Pro forma[1)] adjustments	Pro forma[2)] 2009
Sales	7,719	204	7,923
EBITDA	1,062	92	1,154
Operating profit	135	67	202
excluding special items	270	38	308
Profit before tax	187	52	239
excluding special items	107	23	130
Profit for the period	169	50	219

1) Sales total of € 350 million include sales of € 146 million to UPM's units. Adjustments, among others, include reversal of special items of € 29 million related to the closure of the Kaskinen mill.

Pulp business area pro forma key figures

€m	Reported 2009	Pro forma adjustments	Pro forma[2)] 2009
Sales	653	350	1,003
EBITDA	–18	92	74
Operating profit	–156	67	–89
excluding special items	–127	38	–89

2) Reported 2009 includes December 2009, and pro forma adjustments January-November 2009 of the Uruguayan operations.

Restructuring

The Kajaani paper mill and Tervasaari pulp mill closures were completed at the end of 2008. Due to the reduced demand for paper and pulp, the closures had only minor impact on UPM's paper or pulp deliveries.

The Label business restructured its European operations in 2009. The plan was announced in November 2008. UPM Raflatac permanently closed a number of self-adhesive label-stock production lines and reduced slitting capacity in the United Kingdom, France, Germany, Hungary and Finland. One slitting terminal was also closed in the United States. The restructuring was completed by the end of the third quarter of 2009.

In November 2009, UPM announced a plan to improve the plywood and timber businesses' long term cost competitiveness and increase added value in birch plywood production in Finland. Decisions on the plan were announced in January 2010. UPM will permanently close the plywood mill and sawmill in Heinola, the Kaukas plywood mill in Lappeenranta, and the further processing mill in Parkano during the first half of 2010. These measures will decrease the number of UPM employees by approximately 830.

As part of the restructuring, UPM will invest approximately € 25 million in the expansion of the Savonlinna plywood mill and the development of production at the Kaukas sawmill and the Aureskoski further processing mill.

The Lahti plywood processing mill was closed in October and its production was moved to other mills.

In Forest and timber, a further processing mill in Boulogne in France was closed in August and the operations were centralised to the Aigrefeuille mill.

Restructuring has been necessary to improve cost competitiveness. The measures taken in 2009, together with measures initiated in previous years, reduced the number of employees by 2,300 from the end of 2008. Out of these, 620 were due to closures of production. The annualised employee-related cost savings are about € 115 million.

Shares

UPM shares worth € 5,691 million (10,549 million) in total were traded on the NASDAQ OMX Helsinki stock exchange during 2009. The highest quotation was € 9.78 in January and the lowest € 4.33 in April.

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 25 March 2009 approved a proposal by the Board of Directors to authorise the Board of Directors to decide on the buy-back of not more than 51,000,000 of the company's own shares. The authorisation is valid for 18 months from the date of the decision.

The Annual General Meeting of 27 March 2007 authorised the Board to decide on a free issue of shares to the company itself so that the total number of shares to be issued to the company combined with the number of its own shares bought back under the buy-back authorisation may not exceed 1/10 of the total number of shares in the company.

In addition, the Board has the authority to decide to issue shares and special rights entitling the holder to shares of the company. The number of new shares to be issued, including shares to be obtained under special rights, shall be no more than 250,000,000. Of that, the maximum number that can be issued to the company's shareholders based on their pre-emptive rights is 250,000,000 shares and the maximum number that can be issued deviating from the shareholders' pre-emptive rights in a directed share issue is 100,000,000 shares. The maximum number of new shares to be issued as part of the company's incentive programmes is 5,000,000. Furthermore, the Board is authorised to decide on the disposal of the company's own shares. To date, this authorisation has not been used. These authorisations of the Annual General Meeting 2007 will remain valid for no more than three years from the date of the decision.

The Annual General Meeting of 27 March 2007 also decided to grant share options in connection with the company's share-based incentive plans. In option programmes 2007A, 2007B and 2007C, the total number of share options is no more than 15,000,000 and they will entitle the holders to subscribe for a total of no more than 15,000,000 new shares in the company.

The Annual General Meeting of 2005 decided to grant a total of 9,000,000 share options of which the total number of share options designated as 2005H was not more than 3,000,000, and would entitle the holders to subscribe for a total of no more than 3,000,000 new shares. The share options designated as 2005H are outstanding as at 31 December 2009. The share options designated as 2005G expired at the end of October 2009. No shares were subscribed with share options 2005G.

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 31 December 2009 was 519,970,088. Through the issuance authorisation and share options, the number of shares may increase to a maximum of 787,970,088.

At the end of the year the company did not hold any of its own shares.

The company has received the following notifications from shareholders: BlackRock Inc. on 8 December 2009 held 5.36% of UPM's shares and voting rights. Franklin Templeton on 27 July 2009 announced its ownership in UPM had declined below 5% of the company's shares and voting rights.

Company directors

At the Annual General Meeting nine members were elected to the Board of Directors. Mr Matti Alahuhta, President and CEO of KONE Corporation, Mr Berndt Brunow, Board member of Oy Karl Fazer Ab, Mr Karl Grotenfelt, Chairman of the Board of Directors of Famigro Oy, Dr. Georg Holzhey, former Executive Vice President of UPM and Director of G. Haindl'sche Papierfabriken KGaA, Ms Wendy E. Lane, Chairman of the American investment firm Lane Holdings, Inc., Mr Jussi Pesonen, President and CEO of UPM, Ms Ursula Ranin, Board member of Finnair plc, Mr Veli-Matti Reinikkala, President of ABB Process Automation Division and Mr Björn Wahlroos, Chairman of the Board of Sampo plc were re-elected as members of the Board of Directors.

The term of office of the members of the Board of Directors lasts until the end of the next Annual General Meeting.

At the assembly meeting of the Board of Directors, Mr Björn Wahlroos was re-elected as Chairman, and Mr Berndt Brunow and Dr. Georg Holzhey were re-elected as Vice Chairmen.

In addition, the Board of Directors appointed from among its members an Audit Committee with Mr Karl Grotenfelt as Chairman, and Ms Wendy E. Lane and Mr Veli-Matti Reinikkala as members. A Human Resources Committee was appointed with Mr Berndt Brunow as Chairman, and Dr. Georg Holzhey and Ms Ursula Ranin as members. Furthermore, a Nomination and Corporate Governance Committee was appointed with Mr Björn Wahlroos as Chairman, and Mr Matti Alahuhta and Mr Karl Grotenfelt as members.

Litigation and other legal actions

The investigations of certain competition authorities into alleged antitrust activities with respect to various UPM products, as well as litigation arising therefrom, have ended in all material respects.

In Finland, UPM is participating in the building project 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 Oy ("TVO") with 58.12% of shares. UPM's indirect share of the capacity of the Olkiluoto 3 is approximately 29 %. The original agreed timetable for the start up was summer 2009 but the construction of the unit is delayed. The latest anticipated start-up time is after June 2012. TVO has requested the plant supplier, the consortium AREVA-Siemens to provide a re-analysis of the anticipated start-up time.

TVO has informed UPM that the arbitration filed in December 2008 by AREVA-Siemens, concerning the delay at Olkiluoto 3 and related costs, amounted to € 1.0 billion. In response, TVO filed a counter-claim 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 € 1.4 billion.

Events after the balance sheet date

The Group's management is not aware of any significant events occurring after 31 December 2009.

Risk factors

UPM has increased its ownership interest in the Fray Bentos pulp mill in Uruguay to 91% as a result of the acqusition of Metsäliitto Cooperative's and Oy Metsä-Botnia Ab's shares in the Fray Bentos pulp mill in December 2009. There are three separate litigations pending against the government of Uruguay related to the Fray Bentos pulp mill, and one litigation directly against the company operating the pulp mill. All of these litigations have been commenced before the pulp mill started its operations in November 2007 and may last several years.

Outlook for 2010

Recovery in UPM's main markets is expected to be slow and differ country by country. Demand for consumer goods is forecast to improve, but advertising expenditure in print media and demand for graphic papers are expected to improve with some delay. Investment activity, including construction, has shown only weak signs of recovery and this will delay pick up in demand for construction materials such as timber and plywood. In Asia growth is expected to continue especially in China.

Low capacity utilisation rates of the company's timber, plywood and European paper mills will continue. Necessary production curtailments will require continuation of a flexible way of working in these operations.

Electricity generation volume will be about the same as last year. This is assuming that lower than average hydrological balance continues in Finland. Based on current forward sale agreements and Nordpool forward prices, average sales price for electricity is estimated to be about the same as last year.

Chemical pulp deliveries, on a comparable basis, are expected to be higher than last year. Current prices for both hardwood and softwood pulp are higher than last year.

Paper demand in Europe is forecast to increase from 2009 and thus UPM's paper deliveries for 2010 are expected to be higher than last year. However, in Europe negotiations for 2010 deliveries of publication papers are still ongoing and there is a severe price pressure especially for newsprint deliveries. Price outlook for fine and speciality papers is more positive due to better market balance and increased cost of chemical pulp. Current estimate is that average price for UPM's all paper deliveries for the year will be clearly lower than last year. Order intake for the first quarter deliveries has been better than a year ago but average price for these deliveries is clearly lower than last year.

Demand for self-adhesive labelstock is estimated to improve from the last year in all main markets. There are cost pressures especially from oil based raw materials but on average prices are expected to increase to compensate at least part of such cost increases.

The operating profit (excluding special items) for the year 2010 is not expected to change materially from the last year. The first quarter is expected to be seasonally the weakest quarter.

Capital expenditure for 2010 is forecast to be about € 300 million.

Dividend for 2009

The Board of Directors will propose to the Annual General Meeting to be held on 22 March 2010 that a dividend of € 0.45 per share be paid in respect of the 2009 financial year (€ 0.40). It is proposed that the dividend be paid on 7 April 2010.

Financial information in 2010

The Annual Report for 2009 will be published on the company's website www.upm-kymmene.com on 23 February 2010. The printed Annual Report will be available on 15 March 2010.

Interim Report January–March 2010: 28 April 2010
Interim Report January–June 2010: 3 August 2010
Interim Report January–September 2010: 28 October 2010

Business area reviews

Energy

	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/09	Q1–Q4/08
Sales, €m	128	108	100	136	141	129	103	105	472	478
EBITDA, €m [1]	57	35	41	57	76	58	34	39	190	207
% of sales	44.5	32.4	41.0	41.9	53.9	45.0	33.0	37.1	40.3	43.3
Share of results of associated companies and joint ventures, €m	–8	–24	–4	–4	–11	–8	–2	–5	–40	–26
Depreciation, amortisation and impairment charges, €m	–2	–1	–1	–2	–3	–1	–1	–1	–6	–6
Operating profit, €m	47	10	36	51	62	49	31	33	144	175
% of sales	36.7	9.3	36.0	37.5	44.0	38.0	30.1	31.4	30.5	36.6
Special items, €m [2]	–1	–17	–	–	–	–	–	–	–18	–
Operating profit excl. special items, €m	48	27	36	51	62	49	31	33	162	175
% of sales	37.5	25.0	36.0	37.5	44.0	38.0	30.1	31.4	34.3	36.6
Electricity deliveries, 1,000 MWh	2,277	2,103	1,999	2,486	2,731	2,653	2,344	2,439	8,865	10,167
Capital employed (average), €m									870	951
ROCE (excl. special items), %									18.6	18.4

[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 2009, special items relate to impairments of associated company Pohjolan Voima's two power plants.

Q4 of 2009 compared with Q4 of 2008

Operating profit excluding special items was € 48 million, € 14 million lower than last year (62 million). Sales decreased by 9% to € 128 million (141 million). External sales was € 38 million (57 million). The total electricity sales volume was 2.3 TWh in the quarter (2.7 TWh).

Profitability weakened mainly due to lower sales volumes. The hydropower volume was 38% lower in comparison with the previous year.

2009 compared with 2008

Operating profit excluding special items was € 162 million (175 million). Sales decreased slightly to € 472 million (478 million). External sales was € 135 million (137 million). The electricity deliveries were 8.9 TWh (10.2 TWh).

Profitability weakened in comparison with the previous year due to lower sales volumes as the annual volume of hydropower was almost 32% lower than last year.

The average electricity sales price increased by 17% to € 43.8/MWh (37.5/ MWh) mainly due to long-term market-based pricing formula. The average cost of procured electricity increased due to the lower share of hydro power volumes.

The share of results of associated companies includes asset write-downs of € 18 million related to Pohjolan Voima's two power plants.

Market review

In 2009, the average spot electricity price in the Nordic electricity exchange decreased 22% from the previous year to € 35.0/MWh (44.7/MWh). The consumption of electricity in the Nordic area decreased due to low industrial activity.

The Nordic water reservoirs were 10% below the long term average level. The average price for EUA CO_2 emission allowances was € 13.8/t, almost 41% lower than in the previous year. After a substantial decline in the market prices of oil and coal during the second half of 2008, coal market prices remained fairly stable in 2009. During 2009, oil market prices increased from about USD 46/barrel to about USD 78/barrel.

The one-year forward electricity price in the Nordic electricity exchange was € 42.5/MWh at the end of 2009, 12% higher than the one year forward price at the end of 2008 (37.9/MWh).

Pulp

	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/09	Q1–Q4/08
Sales, €m	226	156	132	139	200	228	247	269	653	944
EBITDA, €m [1]	53	8	–24	–55	9	38	35	57	–18	139
% of sales	23.5	5.1	–18.2	–39.6	4.5	16.7	14.2	21.2	–2.8	14.7
Change in fair value of biological assets and wood harvested, €m	–1	–	–	–	–	–	–	–	–1	–
Share of results of associated companies and joint ventures, €m [3]	7	4	–16	–47	–4	44	20	26	–52	86
Depreciation, amortisation and impairment charges, €m	–24	–21	–20	–20	–73	–22	–17	–16	–85	–128
Operating profit, €m	35	–9	–60	–122	–76	60	38	67	–156	89
% of sales	15.5	–5.8	–45.5	–87.8	–38.0	26.3	15.4	24.9	–23.9	9.4
Special items, €m [2]	–	–	–	–29	–59	–	–	–	–29	–59
Operating profit excl. special items, €m	35	–9	–60	–93	–17	60	38	67	–127	148
% of sales	15.5	–5.8	–45.5	–66.9	–8.5	26.3	15.4	24.9	–19.4	15.7
Pulp deliveries, 1,000 t	550	446	391	372	421	480	527	554	1,759	1,982
Capital employed (average), €m									1,668	1,674
ROCE (excl. special items), %									–7.6	8.8

[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 2009, special items of € 29 million relate to the associated company Metsä-Botnia's Kaskinen pulp mill closure. In 2008, special items of € 59 million relate to the closure of the Tervasaari pulp mill.
[3] In the balance sheet in the interim report for January–June, on 30 June 2009, UPM has regrouped the 30% transferable share of Botnia's book value as assets held for sale. Consequently, from July 2009, UPM has not included the share of the transferable Botnia operations in the share of results of associated companies.

Q4 of 2009 compared with Q4 of 2008

Operating profit excluding special items was € 35 million (loss of € 17 million). The sales from UPM's own pulp mills increased by 13% to € 226 million (200 million) and deliveries by 31% to 550,000 tonnes (421,000) mainly attributed to the newly acquired Fray Bentos mill.

The share of results of the associated company Metsä-Botnia was profit of € 7 million (loss of € 4 million).

Profitability improved in comparison with the previous year due to lower wood and energy costs. The sales price was lower.

The Fray Bentos mill and Forestal Oriental eucalyptus plantation forestry company are included in the Pulp business area as of December 2009. Consequently, Oy Metsä-Botnia Ab is no longer an associated company of UPM and therefore is not reported on in the Pulp business area.

2009 compared with 2008

Operating loss excluding special items was € 127 million (profit of € 148 million). The sales from UPM's own pulp mills decreased by 31% to € 653 million (944 million) and deliveries by 11% to 1,759,000 tonnes (1,982,000).

Due to reduced internal consumption, the Tervasaari pulp mill closure at the end of 2008 did not have a notable impact on deliveries.

Profitability weakened from last year mainly due to an approximately 23% lower average pulp price and lower deliveries. Wood costs were at a high level until autumn but started to decline towards the end of the year.

Chemical pulp inventories decreased from the beginning of the year and remained low in the latter part of the year.

The share of results of the associated company Metsä-Botnia was loss of € 52 million (profit of € 86 million). The result includes special charges of € 29 million from Metsä-Botnia's Kaskinen mill closure.

The Fray Bentos mill and Forestal Oriental eucalyptus plantation forestry company are included in the Pulp business area as of December 2009. As of the same date, Oy Metsä-Botnia Ab is no longer an associated company of UPM and therefore is not reported in the Pulp business area.

Market review

Annual shipments of global chemical market pulp increased almost 2% from the previous year. In the first half of 2009, shipments declined from the comparison period, but in the second part of the year, shipments increased due to strong demand in China. Chemical pulp producer inventories declined from the high level of the beginning of the year due to extensive production curtailments and strong demand in China.

Chemical pulp market prices declined in the first half of the year but started to increase during the second half. The average softwood pulp (NBSK) market price in euro terms, at € 471/tonne, was 19% lower than in last year (€ 582/tonne). The bottom market price during the period was € 421/tonne. At the end of the year, the NBSK market price was € 555/ tonne.

The average hardwood pulp (BHKP) market price in euro terms also decreased by 25% from last year to € 402/tonne (€ 539/tonne). The bottom market price during the period was € 352/tonne. At the end of the year the BHKP market price was € 486/tonne.

Forest and timber

	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/09	Q1–Q4/08
Sales, €m	348	295	309	385	419	475	518	508	1,337	1,920
EBITDA, €m [1)]	30	24	–15	–15	–52	–4	4	4	24	–48
% of sales	8.6	8.1	–4.9	–3.9	–12.4	–0.8	0.8	0.8	1.8	–2.5
Change in fair value of biological assets and wood harvested, €m	10	–13	10	11	–2	4	20	28	18	50
Share of results of associated companies and joint ventures, €m	1	–1	1	1	–1	–	–	1	2	–
Depreciation, amortisation and impairment charges, €m	–11	–4	–14	–5	–6	–36	–7	–7	–34	–56
Operating profit, €m	21	6	–18	–18	–63	–38	17	25	–9	–59
% of sales	6.0	2.0	–5.8	–4.7	–15.0	–8.0	3.3	4.9	–0.7	–3.1
Special items, €m [2)]	–14	1	–8	–10	–2	–33	–	–1	–31	–36
Operating profit excl. special items, €m	35	5	–10	–8	–61	–5	17	26	22	–23
% of sales	10.1	1.7	–3.2	–2.1	–14.6	–1.1	3.3	5.1	1.6	–1.2
Sawn timber deliveries, 1,000 m^3	413	355	366	363	421	510	628	573	1,497	2,132
Capital employed (average), €m									1,717	1,878
ROCE (excl. special items), %									1.3	–1.2

[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 of € 14 million including impairment charges of € 5 million, in the fourth quarter of 2009 relate to restructuring of Timber operations in Finland. Special items for the second quarter of 2009 include impairment charges of € 7 million related to wood procurement operations. In the first quarter of 2009, special items of € 10 million relate to the sales loss of Miramichi's forestry and sawmilling operations' assets. Special items in 2008 include an impairment charge of € 31 million related to fixed assets of the Finnish sawmills.

Q4 of 2009 compared with Q4 of 2008

Operating profit excluding special items was € 35 million (loss of € 61 million). Sales declined by 17% to € 348 million (419 million). Sawn timber deliveries decreased by 2% to 413,000 cubic metres (421,000).

The increase in the fair value of biological assets (growing trees) was € 52 million (12 million). The cost of wood raw material harvested from the Group's own forests was € 42 million (14 million). The net effect was € 10 million positive (2 million negative).

2009 compared with 2008

Operating profit excluding special items was € 22 million (loss of € 23 million). Sales declined by 30% to € 1,337 million (1,920 million). Sawn timber deliveries decreased by 30% to 1,497,000 cubic metres (2,132,000).

Comparison period included a wood inventory write down of € 36 million, which was booked at the end of year 2008.

The average price of delivered timber goods decreased by 7%.

Wood inventories decreased significantly from the beginning of the year and released working capital.

The increase in the fair value of biological assets (growing trees) was € 98 million (138 million). The cost of wood raw material harvested from the Group's own forests was € 80 million (88 million). The net effect was € 18 million positive (50 million positive).

In November 2009, UPM announced restructuring plans to improve the competitiveness of its Timber operations in Finland. UPM will permanently close the sawmill in Heinola and the further processing mill in Parkano during the first half of 2010.

Market review

Wood purchases in the Finnish wood market were 45% lower compared to the previous year. However, market activity started to recover slightly towards the end of the year.

Lower industrial production and high wood inventories at the beginning of the year were the main reasons for lower purchases. Wood market prices declined by an average of almost 20% compared to the previous year.

In 2009, demand for both redwood and whitewood sawn timber in Europe declined substantially in comparison with the previous year. The weak market balance resulted in lower prices.

Paper

	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/09	Q1–Q4/08
Sales, €m	1,558	1,454	1,388	1,367	1,750	1,761	1,727	1,773	5,767	7,011
EBITDA, €m [1]	221	274	247	187	189	271	216	209	929	885
% of sales	14.2	18.8	17.8	13.7	10.8	15.4	12.5	11.8	16.1	12.6
Share of results of associated companies and joint ventures, €m	1	–	–1	–1	1	–	–	–	–1	1
Depreciation, amortisation and impairment charges, €m	–140	–142	–147	–149	–264	–388	–156	–159	–578	–967
Operating profit, €m	74	126	85	60	–126	–114	60	51	345	–129
% of sales	4.7	8.7	6.1	4.4	–7.2	–6.5	3.5	2.9	6.0	–1.8
Special items, €m [2]	–8	–6	–10	23	–153	–227	–	1	–1	–379
Operating profit excl. special items, €m	82	132	95	37	27	113	60	50	346	250
% of sales	5.3	9.1	6.8	2.7	1.5	6.4	3.5	2.8	6.0	3.6
Deliveries, publication papers, 1,000 t	1,576	1,464	1,323	1,304	1,809	1,760	1,749	1,772	5,667	7,090
Deliveries, fine and speciality papers, 1,000 t	945	872	813	724	784	863	923	981	3,354	3,551
Paper deliveries total, 1,000 t	2,521	2,336	2,136	2,028	2,593	2,623	2,672	2,753	9,021	10,641
Capital employed (average), €m									5,714	6,503
ROCE (excl. special items), %									6.1	3.8

[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 fourth and third quarter of 2009, special items of € 8 million and € 6 million relate to restructuring charges. Special items for the second quarter of 2009 include charges of € 9 million related to personnel reduction in Nordland mill, impairment reversals of € 4 million and other restructuring charges of € 5 million. In the first quarter of 2009, special items include an income of € 31 million related to the sale of the assets of the former Miramichi paper mill and charges of € 8 million related to restructuring measures. In 2008, special items include the goodwill impairment charge of € 230 million, impairment charges of € 101 million and other restructuring costs of € 42 million related to the closure of the Kajaani paper mill, and other restructuring costs, net of € 6 million.

Q4 of 2009 compared with Q4 of 2008

Operating profit excluding special items was € 82 million, € 55 million higher than a year ago (27 million). Sales were € 1,558 million (1,750 million). Paper deliveries decreased by 3% to 2,521,000 tonnes (2,593,000). Publication paper deliveries (magazine papers and newsprint) decreased by 13%. Fine and speciality paper deliveries increased by 21% from the previous year, driven especially by the recovery of fine paper demand in China.

Profitability improved from the comparison period. Lower paper prices had a significant negative impact on profitability, but this was more than offset by lower fibre and other variable costs, and decreased fixed costs.

The average price for all paper deliveries when translated into euros was 8% lower than in the fourth quarter of 2008.

2009 compared with 2008

Operating profit excluding special items was € 346 million, € 96 million higher than a year ago (250 million). Sales were € 5,767 million (7,011 million). Paper deliveries decreased by 15% to 9,021,000 tonnes (10,641,000). Publication paper deliveries (magazine papers and newsprint) decreased by 20% and fine and speciality paper deliveries by 6% from the previous year.

The Kajaani paper mill was closed at the end of 2008. Due to reduced demand, the closure had only a minor impact on UPM's paper deliveries.

Profitability improved from the corresponding period last year. Lower deliveries and sales prices had a significant negative impact on profitability, but this was more than offset by lower costs for fibre, mainly for chemical pulp, and decreased fixed costs.

The average price for all paper deliveries when translated into euros was 3% lower than last year.

Market review

In Europe in 2009, demand for both publication papers and fine papers was 16% lower than a year ago. In North America, demand for publication papers continued to decline and was 22% down from last year. In Asia, however, demand for fine papers grew.

In Europe, paper prices decreased in the fourth quarter of 2009 from the previous quarter. For magazine papers, prices decreased by about 3% from the third quarter and for newsprint by about 2%. Coated and uncoated fine paper prices decreased by about 2%. In 2009, average prices decreased by 1% for magazine papers and by 8% for uncoated fine paper, but increased by 2% for newsprint. Coated fine paper prices remained unchanged from the previous year.

In North America, the average US dollar price for magazine papers was 13% lower in 2009 than in 2008. In Asia, market prices for fine papers decreased from last year, but increased in the second half of 2009 from the first half. In the fourth quarter, prices had risen higher than in the same period last year.

Label

	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/09	Q1–Q4/08
Sales, €m	252	242	226	223	233	239	245	242	943	959
EBITDA, €m [1]	25	29	18	6	–1	9	15	11	78	34
% of sales	9.9	12.0	8.0	2.7	–0.4	3.8	6.1	4.5	8.3	3.5
Depreciation, amortisation and impairment charges, €m	–8	–9	–11	–9	–16	–8	–7	–8	–37	–39
Operating profit, €m	16	18	4	–3	–38	1	8	3	35	–26
% of sales	6.3	7.4	1.8	–1.3	–16.3	0.4	3.3	1.2	3.7	–2.7
Special items, €m [2]	–1	–2	–5	–	–28	–	–	–	–8	–28
Operating profit excl. special items, €m	17	20	9	–3	–10	1	8	3	43	2
% of sales	6.7	8.3	4.0	–1.3	–4.3	0.4	3.3	1.2	4.6	0.2
Capital employed (average), €m									503	510
ROCE (excl. special items), %									8.5	0.4

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 fourth and third quarter of 2009, special items relate to restructuring charges. In the second quarter of 2009, special items include impairment charges of € 2 million and other restructuring charges of € 3 million. In 2008, special items of € 28 million relate to measures to reduce coating capacity and close two slitting terminals in Europe.

Q4 of 2009 compared with Q4 of 2008

Operating profit excluding special items was € 17 million (loss of € 10 million). Sales were € 252 million (233 million).

Profitability improved clearly from the same period last year. Delivery volumes of self-adhesive label materials grew from the previous year. Raw material costs were lower than last year. Fixed costs decreased. Average sales prices in local currencies were on about the same level.

2009 compared with 2008

Operating profit excluding special items was € 43 million (2 million). Sales were € 943 million (959 million).

Profitability improved from the same period last year due to decreased costs and increased prices. Fixed costs decreased substantially and raw material costs were lower than in the previous year. Average sales prices both in local currency and converted to euros increased from last year.

Delivery volumes of self-adhesive label materials declined from last year, driven by lower economic activity.

The restructuring of European operations was completed as planned by the end of the third quarter. The restructuring, combined with the new plant in Wroclaw that started up in November 2008, has improved the competitiveness of European operations.

Market review

During the first half of the year, demand for self-adhesive label materials declined in all markets from last year as demand for consumer products and shipments of goods slowed down. Demand started to improve in the third quarter, and in the fourth quarter it is estimated to have grown compared with the same period last year.

Plywood

	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/09	Q1–Q4/08
Sales, €m	81	73	77	75	102	121	150	157	306	530
EBITDA, €m [1)]	3	–5	–5	–23	–5	3	22	26	–30	46
% of sales	3.7	–6.8	–6.5	–30.7	–4.9	2.5	14.7	16.6	–9.8	8.7
Depreciation, amortisation and impairment charges, €m	–12	–5	–5	–5	–5	–5	–6	–5	–27	–21
Operating profit, €m	–33	–10	–10	–29	–10	–2	19	21	–82	28
% of sales	–40.7	–13.7	–13.0	–38.7	–9.8	–1.7	12.7	13.4	–26.8	5.3
Special items, €m [2)]	–30	–	–	–1	–	–	3	–	–31	3
Operating profit excl. special items, €m	–3	–10	–10	–28	–10	–2	16	21	–51	25
% of sales	–3.7	–13.7	–13.0	–37.3	–9.8	–1.7	10.7	13.4	–16.7	4.7
Deliveries, plywood, 1,000 m^3	150	143	141	133	160	188	227	231	567	806
Capital employed (average), €m									266	307
ROCE (excl. special items), %									–19.2	8.1

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 fourth quarter of 2009 include impairment charges of € 6 million and other restructuring charges of € 24 million. Special items in 2008 include reversals of provisions related to the disposed Kuopio plywood mill.

Q4 of 2009 compared with Q4 of 2008

Operating loss excluding special items was € 3 million (loss of € 10 million). Sales decreased by 21% to € 81 million (102 million). Plywood deliveries declined by 6% to 150,000 cubic metres (160,000).

Plywood reported a smaller operating loss, than in the comparison period due to decreased fixed costs and lower wood costs. Lower sales prices had a negative impact on the results.

2009 compared with 2008

Operating loss excluding special items was € 51 million (profit of € 25 million). Sales decreased by 42% to € 306 million (530 million). Plywood deliveries declined by 30% to 567,000 cubic metres (806,000).

Plywood reported an operating loss due to significantly lower delivery volumes and sales prices than in the comparison period. Weak market demand led to extensive production downtime at all mills. Material fixed cost reductions were achieved throughout the organisation, but these could not compensate for the adverse impact of lower deliveries and prices.

In November 2009, UPM announced a plan to improve the plywood businesses' long term cost competitiveness and increase added value in birch plywood production in Finland.

UPM will rebuild the Savonlinna plywood mill and permanently close the Heinola and Kaukas mills. The Heinola mill was temporarily shut down from January 2009 onwards. The Kaukas plywood mill was temporarily shut down from May onwards.

At the Kalso veneer mill, a production automation project was completed in May 2009.

The Lahti plywood processing mill was closed in October 2009 and its production was moved to other mills.

Market review

In Europe, plywood demand declined substantially from last year due to record low construction activity and low demand for engineered end products in transportation and other industrial end uses. Declined demand in Europe has left much idle capacity.

Inventories were reduced in all parts of the supply chain in the first half of the year. This inventory reduction came to an end in the third quarter. The market prices of plywood declined from the previous year.

Other operations

	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/09	Q1–Q4/08
Sales, €m	35	21	21	34	34	52	66	48	111	200
EBITDA, €m [1]	–27	–31	–24	–29	–38	3	–13	–9	–111	–57
Share of results of associated companies and joint ventures, €m	–	–	–2	–2	–1	–1	3	–	–4	1
Depreciation, amortisation and impairment charges, €m	–3	–3	–3	–3	2	–2	–5	–3	–12	–8
Operating profit, €m	–34	–45	–29	–34	–35	4	–16	–7	–142	–54
Special items, €m [2]	–6	–11	–	–	2	4	–1	5	–17	10
Operating profit excl. special items, €m	–28	–34	–29	–34	–37	0	–15	–12	–125	–64
Capital employed (average), €m									141	137
ROCE (excl. special items), %									–88.7	–46.7

[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 2009, special items in the fourth quarter include impairment charges of € 2 million and other charges of € 4 million both relating to terminated activities. Special items of € 11 million in the third quarter of 2009 relate mainly to estates of closed industrial sites in Finland. In 2008, special items include an adjustment of € 5 million to sales of disposals of 2007 and other restructuring income net of € 5 million.

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

Q4 of 2009 compared with Q4 of 2008

Operating loss excluding special items was € 28 million (37 million). Sales amounted to € 35 million (34 million).

Hedging resulted in a profit of € 2 million (profit of € 2 million). The development units continued to incur an operating loss.

2009 compared with 2008

Operating loss excluding special items was € 125 million (loss of € 64 million). Sales amounted to € 111 million (200 million).

The operating loss was greater than in the comparison period, mainly due to hedging losses of € 23 million (profit of € 24 million). The development units continued to incur an operating loss.

Helsinki, 2 February 2010

UPM-Kymmene Corporation

Board of Directors

Financial information

Consolidated income statement

€m	Q4/2009	Q4/2008	Q1–Q4/2009	Q1–Q4/2008
Sales	2,108	2,315	7,719	9,461
Other operating income	18	9	47	83
Costs and expenses	−1,810	−2,227	−6,774	−8,407
Change in fair value of biological assets and wood harvested	9	−2	17	50
Share of results of associated companies and joint ventures	1	−16	−95	62
Depreciation, amortisation and impairment charges	−200	−365	−779	−1,225
Operating profit (loss)	126	−286	135	24
Gains on available-for-sale investments, net	–	–	−1	2
Exchange rate and fair value gains and losses	–	−14	−9	−25
Interest and other finance costs, net	185	−60	62	−202
Profit (loss) before tax	311	−360	187	−201
Income taxes	−16	74	−18	21
Profit (loss) for the period	295	−286	169	−180
Attributable to:				
Equity holders of the parent company	295	−287	169	−179
Minority interest	–	1	–	−1
	295	−286	169	−180
Earnings per share for profit (loss) attributable to the equity holders of the parent company				
Basic earnings per share, €	0.57	−0.56	0.33	−0.35
Diluted earnings per share, €	0.57	−0.56	0.33	−0.35

Statement of comprehensive income

€m	Q4/2009	Q4/2008	Q1–Q4/2009	Q1–Q4/2008
Profit (loss) for the period	295	−286	169	−180
Other comprehensive income for the period, after tax:				
Translation differences	115	−195	165	−206
Net investment hedge	−19	61	−56	56
Cash flow hedges	−13	18	−4	−33
Available-for-sale investments	21	–	21	–
Share of other comprehensive income of associated companies	40	−11	30	1
Other comprehensive income for the period, net of tax	144	−127	156	−182
Total comprehensive income for the period	439	−413	325	−362
Total comprehensive income attributable to:				
Equity holders of the parent company	439	−414	325	−361
Minority interest	–	1	–	−1
	439	−413	325	−362

Consolidated balance sheet

€m	31.12.2009	31.12.2008
ASSETS		
Non–current assets		
Goodwill	1,017	933
Other intangible assets	423	403
Property, plant and equipment	6,192	5,688
Investment property	22	19
Biological assets	1,293	1,133
Investments in associated companies and joint ventures	553	1,263
Available-for-sale investments	320	116
Non-current financial assets	263	361
Deferred tax assets	287	258
Other non-current assets	211	201
	10,581	10,375
Current assets		
Inventories	1,112	1,354
Trade and other receivables	1,446	1,686
Income tax receivables	28	24
Cash and cash equivalents	438	330
	3,024	3,394
Assets classified as held for sale	–	12
Total assets	13,605	13,781
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent company		
Share capital	890	890
Translation differences	–164	–295
Fair value and other reserves	141	130
Reserve for invested non-restricted equity	1,145	1,145
Retained earnings	4,574	4,236
	6,586	6,106
Minority interest	16	14
Total equity	6,602	6,120
Non-current liabilities		
Deferred tax liabilities	608	658
Retirement benefit obligations	418	408
Provisions	191	191
Interest-bearing liabilities	4,164	4,534
Other liabilities	51	25
	5,432	5,816
Current liabilities		
Current interest-bearing liabilities	300	537
Trade and other payables	1,206	1,258
Income tax payables	65	33
	1,571	1,828
Liabilities related to assets classified as held for sale	–	17
Total liabilities	7,003	7,661
Total equity and liabilities	13,605	13,781

Consolidated cash flow statement

€m	Year ended 31 December 2009	2008
Cash flow from operating activities		
Profit (loss) for the period	169	–180
Adjustments to profit (loss) for the period	772	1,232
Interest received	6	9
Interest paid	–163	–202
Dividends received	24	18
Other financial items, net	–50	–41
Income taxes paid	–31	–76
Change in working capital	532	–132
Net cash generated from operating activities	1,259	628
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	–508	–
Acquisition of shares in associated companies	–78	–19
Capital expenditure	–236	–558
Proceeds from disposal of subsidiary shares, net of cash	–	6
Proceeds from disposal of shares in associated companies	565	4
Proceeds from disposal of available-for-sale investments	–	2
Proceeds from sale of tangible and intangible assets	46	33
Increase in non-current receivables	–3	–
Net cash used in investing activities	–214	–532
Cash flow from financing activities		
Proceeds from non-current liabilities	325	1,083
Payments of non-current liabilities	–1,051	–624
Payments of current liabilities, net	–6	–153
Share options exercised	–	78
Dividends paid	–208	–384
Other financing cash flow	–	–1
Net cash used in financing activities	–940	–1
Change in cash and cash equivalents	105	95
Cash and cash equivalents at the beginning of year	330	237
Foreign exchange effect on cash	3	–2
Change in cash and cash equivalents	105	95
Cash and cash equivalents at year-end	438	330

Consolidated statement of changes in equity

€m	Share capital	Translation differences	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Minority interest	Total equity
	Attributable to equity holders of the parent company							
Balance at 1 January 2008	890	−158	193	1,067	4,778	6,770	13	6,783
Changes in equity for 2008								
Share options exercised	–	–	–	78	–	78	–	78
Share-based compensation, net of tax	–	–	−29	–	33	4	–	4
Dividend paid	–	–	–	–	−384	−384	–	−384
Acquisitions and disposals	–	–	–	–	–	–	2	2
Other items	–	–	−1	–	–	−1	–	−1
Total comprehensive income for the period	–	−137	−33	–	−191	−361	−1	−362
Balance at 31 December 2008	890	−295	130	1,145	4,236	6,106	14	6,120
Balance at 1 January 2009	890	−295	130	1,145	4,236	6,106	14	6,120
Changes in equity for 2009								
Share-based compensation, net of tax	–	–	−6	–	12	6	–	6
Dividend paid	–	–	–	–	−208	−208	–	−208
Acquisitions and disposals	–	–	–	–	358	358	2	360
Other items	–	–	–	–	−1	−1	–	−1
Total comprehensive income for the period	–	131	17	–	177	325	–	325
Balance at 31 December 2009	890	−164	141	1,145	4,574	6,586	16	6,602

Quarterly information

€m	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/09	Q1–Q4/08
Sales	2,108	1,913	1,841	1,857	2,315	2,358	2,378	2,410	7,719	9,461
Other operating income	18	5	7	17	9	23	11	40	47	83
Costs and expenses	–1,810	–1,603	–1,627	–1,734	–2,227	–1,998	–2,074	–2,108	–6,774	–8,407
Change in fair value of biological assets and wood harvested	9	–13	10	11	–2	4	20	28	17	50
Share of results of associated companies and joint ventures	1	–21	–22	–53	–16	35	21	22	–95	62
Depreciation, amortisation and impairment charges	–200	–185	–201	–193	–365	–462	–199	–199	–779	–1,225
Operating profit (loss)	126	96	8	–95	–286	–40	157	193	135	24
Gains on available-for-sale investments, net	–	–1	–	–	–	–	2	–	–1	2
Exchange rate and fair value gains and losses	–	–3	3	–9	–14	–	–1	–10	–9	–25
Interest and other finance costs, net	185	–28	–37	–58	–60	–50	–43	–49	62	–202
Profit (loss) before tax	311	64	–26	–162	–360	–90	115	134	187	–201
Income taxes	–16	–24	18	4	74	3	–25	–31	–18	21
Profit (loss) for the period	295	40	–8	–158	–286	–87	90	103	169	–180
Attributable to:										
Equity holders of the parent company	295	40	–8	–158	–287	–86	92	102	169	–179
Minority interest	–	–	–	–	1	–1	–2	1	–	–1
	295	40	–8	–158	–286	–87	90	103	169	–180
Basic earnings per share, €	0.57	0.08	–0.02	–0.30	–0.56	–0.17	0.18	0.20	0.33	–0.35
Diluted earnings per share, €	0.57	0.08	–0.02	–0.30	–0.56	–0.17	0.18	0.20	0.33	–0.35
Earnings per share, excluding special items, €	0.21	0.14	0.03	–0.27	–0.19	0.25	0.17	0.19	0.11	0.42
Average number of shares basic (1,000)	519,958	519,954	519,954	519,954	519,979	519,999	517,622	512,581	519,955	517,545
Average number of shares diluted (1,000)	518,876	521,036	519,954	519,954	519,979	519,999	516,791	513,412	519,955	517,545
Special items in operating profit (loss)	–60	–35	–23	–17	–240	–256	2	5	–135	–489
Operating profit (loss), excl. special items	186	131	31	–78	–46	216	155	188	270	513
% of sales	8.8	6.8	1.7	–4.2	–2.0	9.2	6.5	7.8	3.5	5.4
Special items before tax	155	–35	–23	–17	–240	–250	2	5	80	–483
Profit (loss) before tax, excl. special items	156	99	–3	–145	–120	160	113	129	107	282
% of sales	7.4	5.2	–0.2	–7.8	–5.2	6.8	4.8	5.4	1.4	3.0
Return on equity, excl. special items, %	7.4	5.0	0.8	neg.	neg.	7.8	5.4	5.9	1.0	3.4
Return on capital employed, excl. special items, %	7.2	4.9	1.3	neg.	neg.	7.7	5.7	6.5	2.5	4.6
EBITDA	362	334	238	128	178	378	313	337	1,062	1,206
% of sales	17.2	17.5	12.9	6.9	7.7	16.0	13.2	14.0	13.8	12.7
Share of results of associated companies and joint ventures										
Energy	–8	–24	–4	–4	–11	–8	–2	–5	–40	–26
Pulp	7	4	–16	–47	–4	44	20	26	–52	86
Forest and timber	1	–1	1	1	–1	–	–	1	2	–
Paper	1	–	–1	–1	1	–	–	–	–1	1
Other operations	–	–	–2	–2	–1	–1	3	–	–4	1
Total	1	–21	–22	–53	–16	35	21	22	–95	62

Deliveries

	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/09	Q1–Q4/08
Electricity, 1,000 MWh	2,277	2,103	1,999	2,486	2,731	2,653	2,344	2,439	8,865	10,167
Pulp, 1,000 t	550	446	391	372	421	480	527	554	1,759	1,982
Sawn timber, 1,000 m^3	413	355	366	363	421	510	628	573	1,497	2,132
Publication papers, 1,000 t	1,576	1,464	1,323	1,304	1,809	1,760	1,749	1,772	5,667	7,090
Fine and speciality papers, 1,000 t	945	872	813	724	784	863	923	981	3,354	3,551
Paper deliveries total, 1,000 t	2,521	2,336	2,136	2,028	2,593	2,623	2,672	2,753	9,021	10,641
Plywood, 1,000 m^3	150	143	141	133	160	188	227	231	567	806

Quarterly segment information

€m	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/09	Q1–Q4/08
Sales										
Energy	128	108	100	136	141	129	103	105	472	478
Pulp	226	156	132	139	200	228	247	269	653	944
Forest and timber	348	295	309	385	419	475	518	508	1,337	1,920
Paper	1,558	1,454	1,388	1,367	1,750	1,761	1,727	1,773	5,767	7,011
Label	252	242	226	223	233	239	245	242	943	959
Plywood	81	73	77	75	102	121	150	157	306	530
Other operations	35	21	21	34	34	52	66	48	111	200
Internal sales	–520	–436	–412	–502	–564	–647	–678	–692	–1,870	–2,581
Sales, total	2,108	1,913	1,841	1,857	2,315	2,358	2,378	2,410	7,719	9,461
EBITDA										
Energy	57	35	41	57	76	58	34	39	190	207
Pulp	53	8	–24	–55	9	38	35	57	–18	139
Forest and timber	30	24	–15	–15	–52	–4	4	4	24	–48
Paper	221	274	247	187	189	271	216	209	929	885
Label	25	29	18	6	–1	9	15	11	78	34
Plywood	3	–5	–5	–23	–5	3	22	26	–30	46
Other operations	–27	–31	–24	–29	–38	3	–13	–9	–111	–57
EBITDA, total	362	334	238	128	178	378	313	337	1,062	1,206
Operating profit (loss)										
Energy	47	10	36	51	62	49	31	33	144	175
Pulp	35	–9	–60	–122	–76	60	38	67	–156	89
Forest and timber	21	6	–18	–18	–63	–38	17	25	–9	–59
Paper	74	126	85	60	–126	–114	60	51	345	–129
Label	16	18	4	–3	–38	1	8	3	35	–26
Plywood	–33	–10	–10	–29	–10	–2	19	21	–82	28
Other operations	–34	–45	–29	–34	–35	4	–16	–7	–142	–54
Operating profit (loss), total	126	96	8	–95	–286	–40	157	193	135	24
% of sales	6.0	5.0	0.4	–5.1	–12.4	–1.7	6.6	8.0	1.7	0.3
Special items in operating profit										
Energy	–1	–17	–	–	–	–	–	–	–18	–
Pulp	–	–	–	–29	–59	–	–	–	–29	–59
Forest and timber	–14	1	–8	–10	–2	–33	–	–1	–31	–36
Paper	–8	–6	–10	23	–153	–227	–	1	–1	–379
Label	–1	–2	–5	–	–28	–	–	–	–8	–28
Plywood	–30	–	–	–1	–	–	3	–	–31	3
Other operations	–6	–11	–	–	2	4	–1	5	–17	10
Special items in operating profit, total	–60	–35	–23	–17	–240	–256	2	5	–135	–489
Operating profit (loss) excl.special items										
Energy	48	27	36	51	62	49	31	33	162	175
Pulp	35	–9	–60	–93	–17	60	38	67	–127	148
Forest and timber	35	5	–10	–8	–61	–5	17	26	22	–23
Paper	82	132	95	37	27	113	60	50	346	250
Label	17	20	9	–3	–10	1	8	3	43	2
Plywood	–3	–10	–10	–28	–10	–2	16	21	–51	25
Other operations	–28	–34	–29	–34	–37	–	–15	–12	–125	–64
Operating profit (loss) excl. special items, total	186	131	31	–78	–46	216	155	188	270	513
% of sales	8.8	6.8	1.7	–4.2	–2.0	9.2	6.5	7.8	3.5	5.4

€m	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/09	Q1–Q4/08
External sales										
Energy	38	24	24	49	57	45	20	15	135	137
Pulp	34	9	10	10	6	17	18	22	63	63
Forest and timber	171	145	150	152	199	197	240	233	618	869
Paper	1,500	1,409	1,355	1,327	1,701	1,699	1,657	1,704	5,591	6,761
Label	252	243	225	222	233	238	244	241	942	956
Plywood	77	69	73	72	94	111	139	147	291	491
Other operations	36	14	4	25	25	51	60	48	79	184
External sales, total	2,108	1,913	1,841	1,857	2,315	2,358	2,378	2,410	7,719	9,461
Internal sales										
Energy	90	84	76	87	84	84	83	90	337	341
Pulp	192	147	122	129	194	211	229	247	590	881
Forest and timber	177	150	159	233	220	278	278	275	719	1,051
Paper	58	45	33	40	49	62	70	69	176	250
Label	–	–1	1	1	–	1	1	1	1	3
Plywood	4	4	4	3	8	10	11	10	15	39
Other operations	–1	7	17	9	9	1	6	–	32	16
Internal sales, total	520	436	412	502	564	647	678	692	1,870	2,581

Business combinations

On 8 December 2009, UPM, Metsäliitto Cooperative, M-Real corporation and Oy Metsä-Botnia Ab (Botnia) completed a transaction whereby UPM acquired Botnia's and Metsäliitto's shares of the Uruguayan Fray Bentos pulp mill and the forestry company Forestal Oriental, and whereby UPM sold approximately 30% of shares in Oy Metsä-Botnia Ab. If the transaction had occurred on 1 January 2009, UPM's sales would have been € 7,923 million and profit for the period € 219 million.

Purchase consideration

€m	2009
Cash paid	597
Transaction costs	5
Total purchase consideration	602

The assets and liabilities as of 8 December 2009 arising from the acquisition are as follows:

€m	Fair value of net assets acquired	Fair value adjustments	Acquired carrying amount
Cash and cash equivalents	94	–	94
Goodwill	–	–43	43
Other intangible assets	4	–	4
Customer relationships and other intangible assets	43	43	–
Property, plant and equipment	1,013	227	786
Biological assets	150	–	150
Investment in associated companies	3	–	3
Inventories	121	11	110
Trade and other receivables	75	–	75
Trade and other payables	–68	–	–68
Interest-bearing liabilities	–359	–	–359
Deferred income taxes	–12	–10	–2
Total identifiable net assets	1,064	228	836
Minority interests	–2		
Asset valuation surplus and cost of the prior ownership	–542		
Total acquired net assets	520		
Goodwill	82		
Total purchase consideration	602		
Purchase consideration settled in cash	602		
Cash and cash equivalents in subsidiary acquired	–94		
Cash outflow on acquisition	508		

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

Notes to the consolidated cash flow statement

Adjustments to net profit (loss)

€m	Year ended 31 December 2009	2008
Taxes	18	–21
Depreciation, amortisation and impairment charges	779	1,225
Share of results in associated companies and joint ventures	95	–62
Capital gains on sale of non-current assets, net	–235	–30
Finance costs, net	167	227
Settlement of restructuring charges	–43	–56
One-time contributions to pension funds	–	–85
Other adjustments	–9	34
Total	772	1,232

Change in working capital

Inventories	400	–55
Current receivables	156	138
Current non-interest bearing liabilities	–24	–215
Total	532	–132

Changes in property, plant and equipment

€m	Q1–Q4/2009	Q1–Q4/2008
Book value at beginning of period	5,688	6,179
Capital expenditure	181	471
Companies acquired	1,013	–
Decreases	–20	–24
Depreciation	–696	–748
Impairment charges	–14	–182
Impairment reversal	5	–
Translation difference and other changes	35	–8
Book value at end of period	6,192	5,688

Commitments and contingencies

€m	31.12.2009	31.12.2008
Own commitments		
Mortgages and pledges [1]	1,043	787
On behalf of associated companies and joint ventures		
Guarantees for loans	8	10
On behalf of others		
Other guarantees	1	2
Other own commitments		
Leasing commitments for the next 12 months	24	17
Leasing commitments for subsequent periods	60	56
Other commitments	69	62

[1] Mortgages and pledges relate mainly to Uruguayan operations, and to giving mandatory security for borrowing from Finnish pension insurance companies.

Capital commitments

€m	Completion	Total cost	By 31.12.2008	Q1–Q4/2009	After 31.12.2009
Materials recovery facility (MRF), Shotton	January 2011	19	–	–	19
Waste water treatment plant, Blandin	September 2010	19	–	–	19
Plywood development	December 2011	18	–	–	18
Rebuild of debarking plant, Wisaforest	October 2010	30	1	13	16
Energy saving TMP plant, Steyrermühl	January 2011	16	–	–	16

Notional amounts of derivative financial instruments

€m	31.12.2009	31.12.2008
Currency derivatives		
Forward contracts	3,791	4,598
Options, bought	20	–
Options, written	20	–
Swaps	514	508
Interest rate derivatives		
Forward contracts	3,259	2,668
Swaps	2,701	2,833
Other derivatives		
Forward contracts	25	172
Options, bought	73	–
Options, written	73	78
Swaps	4	8

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

€m	Q1–Q4/2009	Q1–Q4/2008
Sales to associated companies	114	138
Purchases from associated companies	560	592
Non-current receivables at end of period	2	–
Trade and other receivables at end of period	23	37
Trade and other payables at end of period	32	27

Basis of preparation

This unaudited financial 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 2008. Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The Group has adopted the following standard:

IAS 1 (Revised) Presentation of Financial Statements became effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. Following the adoption of the revised standard the Group will present two separate statements (a separate income statement followed by a statement of comprehensive income).

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, %:

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

Earnings per share:

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

Key exchange rates for the euro at end of period

	31.12.2009	30.09.2009	30.06.2009	31.03.2009	31.12.2008	30.09.2008	30.06.2008	31.03.2008
USD	1.4406	1.4643	1.4134	1.3308	1.3917	1.4303	1.5764	1.5812
CAD	1.5128	1.5709	1.6275	1.6685	1.6998	1.4961	1.5942	1.6226
JPY	133.16	131.07	135.51	131.17	126.14	150.47	166.44	157.37
GBP	0.8881	0.9093	0.8521	0.9308	0.9525	0.7903	0.7923	0.7958
SEK	10.2520	10.2320	10.8125	10.9400	10.8700	9.7943	9.4703	9.3970

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 71–73 of the company's annual report 2008

UPM

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