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INTERIM REPORT 1 JANUARY – 31 MARCH 2009

UPM Interim Report 1 January – 31 March 2009

- Earnings per share for the first quarter were € –0.30 (0.20), and excluding special items € –0.27 (0.19)
- Operating loss was € 95 million (profit of € 193 million), and excluding special items operating loss was € 78 million (profit of € 188 million)
- Operating cash flow was € 274 million (50 million). Cash preservation and cost-savings were emphasised

Key figures

	Q1/2009	Q1/2008	Q1–Q4/2008
Sales, €m	1,857	2,410	9,461
EBITDA, €m [1)]	128	337	1,206
% of sales	6.9	14.0	12.7
Operating profit (loss), €m	–95	193	24
excluding special items, €m	–78	188	513
% of sales	–4.2	7.8	5.4
Profit (loss) before tax, €m	–162	134	–201
excluding special items, €m	–145	129	282
Net profit (loss) for the period, €m	–158	103	–180
Earnings per share, €	–0.30	0.20	–0.35
excluding special items, €	–0.27	0.19	0.42
Diluted earnings per share, €	–0.30	0.20	–0.35
Return on equity, %	neg.	6.2	neg.
excluding special items, %	neg.	5.9	3.4
Return on capital employed, %	neg.	6.7	0.2
excluding special items, %	neg.	6.5	4.6
Operating cash flow per share, €	0.53	0.10	1.21
Shareholders' equity per share at end of period, €	11.05	12.48	11.74
Gearing ratio at end of period, %	72	64	71
Net interest-bearing liabilities at end of period, €m	4,139	4,107	4,321
Capital employed at end of period, €m	10,501	10,772	11,193
Capital expenditure, €m	67	137	551
Personnel at end of period	24,039	25,841	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.

Results

Q1 of 2009 compared with Q1 of 2008

Sales for the first quarter of 2009 were € 1,857 million, 23% lower than the € 2,410 million in the first quarter of 2008. Sales decreased due to lower deliveries across most of UPM's business areas.

The operating loss was € 95 million, -5.1% of sales (profit of € 193 million, 8.0% of sales). The operating loss excluding special items was € 78 million, -4.2% of sales (profit of € 188 million, 7.8% of sales). Operating loss includes charges net of € 17 million as special items. UPM sold assets related to the former Miramichi paper mill in Canada, and recorded an income of € 21 million. The share of the results of associated companies includes special charges of € 29 million. Other special charges of € 9 million relate to restructuring measures.

Profitability declined clearly from the same period last year. The main reason for the weaker profitability was significantly lower deliveries in most of UPM's business areas.

UPM responded to the decline in demand and deliveries with a flexible way of operating in all of its business areas. Through permanent cost saving measures and temporary layoffs, the company lowered its fixed costs by € 70 million from the same period last year. Furthermore, the Label business area is restructuring its European operations.

Wood costs remained at the same high level as in the comparison period. In addition, EBITDA and operating profit excluding special items include a write down of € 43 million in wood inventories and reserves. Energy costs increased by approximately € 44 million.

The average paper price in euro increased by approximately 4% from the same period last year. The average price for label materials was clearly higher. Timber and plywood prices declined materially.

The change in the fair value of biological assets net of wood harvested was € 11 million compared with € 28 million a year before.

The share of results of associated companies and joint ventures was € 53 million negative (22 million positive). The result includes special charges of € 29 million from Metsä-Botnia's Kaskinen pulp mill closure.

The loss before tax was € 162 million (profit of € 134 million) and excluding special items the loss was € 145 million (profit of € 129 million). Interest and other finance costs, net, of € 58 million (49 million) include the arrangement fee of the new syndicated revolving credit facility. Exchange rate and fair value gains and losses resulted in a loss of € 9 million (10 million).

Income taxes were € 4 million positive (31 million negative). The impact on taxes from special items was € 3 million negative (0 million).

The loss for the first quarter was € 158 million (profit of € 103 million) and earnings per share were € -0.30 (0.20). Earnings per share excluding special items were € -0.27 (0.19). Operating cash flow per share was € 0.53 (0.10).

Financing

Cash flow from operating activities, before capital expenditure and financing, was € 274 million (50 million). Net working capital decreased by € 216 million during the period (increased by € 106 million).

The gearing ratio as of 31 March 2009, was 72% (64% on 31 March 2008). Net interest-bearing liabilities at the end of the period came to € 4,139 million (4,107 million).

UPM signed a new € 825 million revolving credit facility on 12 March 2009. The facility matures in 2012 and replaces the € 1.5 billion facility that was to mature in 2010. On 31 March 2009, UPM's cash funds and unused committed credit facilities totalled € 1.7 billion.

Personnel

In the first quarter of 2009, UPM had an average of 24,199 employees (25,971). At the beginning of the year the number of employees was 24,983, and at the end of the first quarter it was 24,039. The reduction of 944 persons is mostly attributable to ongoing restructuring.

Capital expenditure

During the first three months of 2009, capital expenditure was € 67 million, 3.6% of sales (€ 137 million, 5.7% of sales).

The largest ongoing project is a new renewable energy power plant at the Caledonian mill in Irvine, Scotland. The total investment cost is estimated to be € 75 million. The new power plant is scheduled to start in the second quarter of 2009.

Shares

In the first quarter of 2009, UPM shares worth € 1,503 million (2,840 million) in total were traded on the NASDAQ OMX Helsinki stock exchange. The highest quotation was € 9.78 in January and the lowest € 4.35 in March.

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 of the Board of Directors to authorise the Board of Directors to decide on the buy-back of not more than 51,000,000 own shares. The authorisation is valid for 18 months from the date of the decision.

The Annual General Meeting of 27 March 2007 decided to authorise 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 own shares bought back under the buy-back authorisation may not exceed 1/10 of the total number of shares of 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 amount 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 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 Meeting of 27 March 2007 also decided on granting 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 to subscribe for a total of no more than 15,000,000 new shares of the company.

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 March 2009 was 519,970,088. Through the issuance authorisation and share options, the number of shares may increase to a maximum of 790,970,088.

At the end of the period, the company held 15,944 of its own shares, or 0.003% of the total number of shares, which have been granted under the Group's share reward scheme. These shares have been returned to the company in connection with termination of employment contracts.

Dividend

The Annual General Meeting of 25 March 2009 approved the Board's proposal to pay a dividend of € 0.40 per share for the 2008 financial year. The dividend of € 208 million was approved to be paid on 8 April 2009 and is included in short-term non-interest-bearing liabilities at the end of March.

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

Certain competition authorities are continuing investigations into alleged antitrust activities with respect to various products of UPM. The authorities have granted UPM conditional full immunity with respect to certain conduct disclosed to them. UPM has settled or agreed to settle the class-action lawsuits in the US except for those filed by indirect purchasers of labelstock. The remaining litigation matters may last several years. No provisions have been made in relation to these investigations.

Events after the balance sheet date

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

Outlook for 2009

Economic activity in UPM's main markets continues to contract and this will have an impact on consumer demand, construction activity, and advertising expenditure in media and thus on demand for all of UPM's products.

UPM curtails production to respond to the changes in demand. Pressure on product prices exists, however, due to excess market supply.

UPM's paper deliveries for 2009 are forecast to be markedly lower than last year. Deliveries for the second quarter of the year are estimated to be somewhat higher than for the first quarter of 2009.

Demand for self-adhesive labelstock in the main markets is estimated not to improve during the rest of the year.

Demand for birch and spruce plywood is forecast to continue at current low level for the rest of the year. Cost of wood raw material will gradually be lower.

For the Group wood and other raw material costs are expected to be lower than 2008, however, main impact would be during the latter part of the year. Also fixed costs are expected to be lower.

Capital expenditure for 2009 is forecast to be about € 300 million.

Business area reviews

Energy

	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/08
Sales, €m	136	141	129	103	105	478
EBITDA, €m [1]	57	76	58	34	39	207
% of sales	41.9	53.9	45.0	33.0	37.1	43.3
Share of results of associated companies and joint ventures, €m	–4	–11	–8	–2	–5	–26
Depreciation, amortisation and impairment charges, €m	–2	–3	–1	–1	–1	–6
Operating profit, €m	51	62	49	31	33	175
% of sales	37.5	44.0	38.0	30.1	31.4	36.6
Special items, €m	–	–	–	–	–	–
Operating profit excl. special items, €m	51	62	49	31	33	175
% of sales	37.5	44.0	38.0	30.1	31.4	36.6
Electricity deliveries, 1,000 MWh	2,486	2,731	2,653	2,344	2,439	10,167

[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.

Q1 of 2009 compared with Q1 of 2008

The operating profit excluding special items for Energy was € 51 million, € 18 million higher than last year (33 million). Sales increased by 30% to € 136 million (105 million), whereof € 49 million was external sales (15 million). The electricity sales volume was 2.5 TWh in the quarter (2.4 TWh).

Profitability improved compared with the same period last year, mainly due to the higher average electricity sales price. The average electricity sales price increased by 40% to € 45.2/MWh (32.3/MWh). Hydropower volume was 9% lower than last year, which increased the average cost of procuring electricity.

Market review

The average electricity price in the Nordic electricity exchange in the first quarter was € 38.2/MWh, unchanged from the same period last year (38.0/MWh).

Oil and coal prices decreased significantly in the global energy markets from the comparison period. CO_2 emission allowance prices decreased as well.

The one year forward electricity price in the Nordic electricity exchange averaged € 33.8/MWh in the first quarter, 34% lower than in the same period last year (51.4/MWh).

Pulp

	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/08
Sales, €m	139	200	228	247	269	944
EBITDA, €m [1]	–55	9	38	35	57	139
% of sales	–39.6	4.5	16.7	14.2	21.2	14.7
Share of results of associated companies and joint ventures, €m	–47	–4	44	20	26	86
Depreciation, amortisation and impairment charges, €m	–20	–73	–22	–17	–16	–128
Operating profit, €m	–122	–76	60	38	67	89
% of sales	–87.8	–38.0	26.3	15.4	24.9	9.4
Special items, €m [2]	–29	–59	–	–	–	–59
Operating profit excl. special items, €m	–93	–17	60	38	67	148
% of sales	–66.9	–8.5	26.3	15.4	24.9	15.7
Pulp deliveries, 1,000 t	372	421	480	527	554	1,982

[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.

Q1 of 2009 compared with Q1 of 2008

The operating loss excluding special items for Pulp was € 93 million (profit of € 67 million). The sales of UPM's own pulp mills decreased by 48% to € 139 million (269 million) and deliveries by 33% to 372,000 tonnes (554,000).

Profitability weakened substantially from the previous year. The main reasons for the fall in profitability were the approximately 23% lower average pulp price and lower deliveries at the same time as wood costs remained high. The company chose to reduce wood inventories and reserves during the quarter. This resulted in higher pulp inventories for later internal use.

EBITDA and operating profit excluding special items in the quarter include a wood inventory write down of € 28 million and a pulp inventory write down of € 10 million.

The share of results of the associated company Metsä-Botnia was € 47 million negative (26 million positive). The result includes special charges of € 29 million from Metsä-Botnia's Kaskinen pulp mill closure.

Market review

In the first quarter of 2009, chemical market pulp shipments declined from the comparison period by about 9%. Despite production curtailments, pulp producer inventories remained at a high level. Global chemical pulp prices continued to decline. The average softwood pulp (NBSK) market price in euro terms, at € 455/tonne, was 23% lower than in the same period last year (€ 588/tonne). The average hardwood pulp (BHKP) market price in euro terms also decreased by 23% from last year, to € 409/tonne (€ 529/tonne).

Forest and timber

	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/08
Sales, €m	385	419	475	518	508	1,920
EBITDA, €m [1]	–15	–52	–4	4	4	–48
% of sales	–3.9	–12.4	–0.8	0.8	0.8	–2.5
Change in fair value of biological assets and wood harvested, €m	11	–2	4	20	28	50
Share of results of associated companies and joint ventures, €m	1	–1	–	–	1	–
Depreciation, amortisation and impairment charges, €m	–5	–6	–36	–7	–7	–56
Operating profit, €m	–18	–63	–38	17	25	–59
% of sales	–4.7	–15.0	–8.0	3.3	4.9	–3.1
Special items, €m [2]	–10	–2	–33	–	–1	–36
Operating profit excl. special items, €m	–8	–61	–5	17	26	–23
% of sales	–2.1	–14.6	–1.1	3.3	5.1	–1.2
Sawn timber deliveries, 1,000 m^3	363	421	510	628	573	2,132

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 € 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.

Q1 of 2009 compared with Q1 of 2008

The operating loss excluding special items for Forest and timber was € 8 million (profit of € 26 million). Sales declined by 24% to € 385 million (508 million). Sawn timber deliveries decreased by 37% to 363,000 cubic metres (573,000 cubic metres).

Profitability weakened from the same period last year, mainly due to the approximately 21% lower average price of delivered timber goods and lower deliveries. Wood costs remained at a high level.

The increase in the fair value of biological assets (growing trees) was € 21 million (41 million). The cost of wood raw material harvested from the Group's own forests was € 10 million (13 million). The net effect was € 11 million positive (28 million positive).

Market review

Demand for both redwood and whitewood sawn timber in Europe declined materially from last year, due to low construction activity. Weaker market balance resulted in significantly lower prices.

Wood purchases in the Finnish wood market were some 50% lower than in the first quarter of 2008. In 2008 the industry prepared for prohibitive wood export duties from Russia with high wood inventories. This combined with low wood consumption slowed down market activity during the quarter.

In Finland fibre wood market prices decreased as wood demand slowed down. Log market prices decreased from the previous year as well.

Paper

	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/08
Sales, €m	1,367	1,750	1,761	1,727	1,773	7,011
EBITDA, €m [1]	187	189	271	216	209	885
% of sales	13.7	10.8	15.4	12.5	11.8	12.6
Share of results of associated companies and joint ventures, €m	–1	1	–	–	–	1
Depreciation, amortisation and impairment charges, €m	–149	–264	–388	–156	–159	–967
Operating profit, €m	60	–126	–114	60	51	–129
% of sales	4.4	–7.2	–6.5	3.5	2.9	–1.8
Special items, €m [2]	23	–153	–227	–	1	–379
Operating profit excl. special items, €m	37	27	113	60	50	250
% of sales	2.7	1.5	6.4	3.5	2.8	3.6
Deliveries, publication papers, 1,000 t	1,304	1,809	1,760	1,749	1,772	7,090
Deliveries, fine and speciality papers, 1,000 t	724	784	863	923	981	3,551
Paper deliveries total, 1,000 t	2,028	2,593	2,623	2,672	2,753	10,641

[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 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.

Q1 of 2009 compared with Q1 of 2008

The operating profit excluding special items for Paper was € 37 million, € 13 million lower than a year ago (50 million). Sales were € 1,367 million (1,773 million). Paper deliveries decreased by 26% to 2,028,000 tonnes (2,753,000). Paper deliveries for publication papers (magazine papers and newsprint) decreased by 26% and for fine and speciality papers by 27% from the previous year. The deliveries in Europe declined less than exports from Europe as company concentrated to improve market and customer mix.

The profitability weakened from the corresponding period last year due to lower deliveries. The average price for all paper deliveries when translated into euros was 4% higher. The stronger euro against the GBP impacted profitability negatively.

Pulp costs were significantly lower than last year. Also, logistic costs and fixed costs decreased. In response to the weak market situation, extensive production downtime was taken during the quarter.

Market review

Demand for publication papers in Europe was 19% and for fine papers 20% lower than a year ago. In North America the demand for publication papers continued to decline and demand was 26% down from last year. In Asia demand for fine papers decreased likewise.

The average market prices in euro area increased but decreased in GBP area when translated into euros due to 20% devaluation of GBP. In Europe the average market prices in euros increased by about 2% for magazine papers and decreased by some 3% for standard newsprint when compared with the first quarter of 2008. The average market price increased by 4% for coated fine papers and declined by 7% for uncoated fine papers from the previous year.

In North America the average US dollar prices for magazine papers were 1% higher for the quarter compared to the corresponding period a year ago. In Asia market prices for fine papers decreased.

Label

	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/08
Sales, €m	223	233	239	245	242	959
EBITDA, €m 1)	6	–1	9	15	11	34
% of sales	2.7	–0.4	3.8	6.1	4.5	3.5
Depreciation, amortisation and impairment charges, €m	–9	–16	–8	–7	–8	–39
Operating profit, €m	–3	–38	1	8	3	–26
% of sales	–1.3	–16.3	0.4	3.3	1.2	–2.7
Special items, €m 2)	–	–28	–	–	–	–28
Operating profit excl. special items, €m	–3	–10	1	8	3	2
% of sales	–1.3	–4.3	0.4	3.3	1.2	0.2

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) In 2008, special items of € 28 million relate to measures to reduce coating capacity and close two slitting terminals in Europe.

Q1 of 2009 compared with Q1 of 2008

The operating loss excluding special items for Label was € 3 million (profit of € 3 million). Sales were € 223 million (242 million). Profitability weakened due to lower sales volumes.

Delivery volumes of self-adhesive label materials declined by 10–20% depending on the region driven by lower economic activity. Average prices converted to euros increased by about 9% which fully compensated for the higher raw material costs. Fixed costs were lower.

In 2008, UPM Raflatac opened two new labelstock factories; one in Dixon, USA in January, and another in Wroclaw, Poland in November. The start-up of both factories has proceeded according to the plan.

Restructuring of European operations, which was announced in the fourth quarter of 2008, has proceeded as planned. The first capacity closures have already taken place and the programme will be completed by end of the year 2009.

Market review

Demand for self-adhesive label materials has declined in all markets as demand for consumer products has slowed down. In Europe and North America demand has stabilised at the current low level during the first three months of the year, and in Asia, it has shown some first signs of partial recovery.

Plywood

	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/08
Sales, €m	75	102	121	150	157	530
EBITDA, €m 1)	–23	–5	3	22	26	46
% of sales	–30.7	–4.9	2.5	14.7	16.6	8.7
Depreciation, amortisation and impairment charges, €m	–5	–5	–5	–6	–5	–21
Operating profit, €m	–29	–10	–2	19	21	28
% of sales	–38.7	–9.8	–1.7	12.7	13.4	5.3
Special items, €m 2)	–1	–	–	3	–	3
Operating profit excl. special items, €m	–28	–10	–2	16	21	25
% of sales	–37.3	–9.8	–1.7	10.7	13.4	4.7
Deliveries, plywood, 1,000 m^3	133	160	188	227	231	806

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 2008 include reversals of provisions related to the disposed Kuopio plywood mill.

Q1 of 2009 compared with Q1 of 2008

The operating loss excluding special items for Plywood was € 28 million (profit of € 21 million). Sales decreased by € 82 million to € 75 million as plywood deliveries declined by 42% to 133,000 m^3.

Profitability for Plywood declined from last year due to significantly lower delivery volumes and lower prices. The cost of logs remained at a record high level.

EBITDA and operating profit excluding special items in the quarter include a wood inventory write down of € 15 million.

Weak market demand led to extensive production downtime at all mills. The Heinola mill was temporarily shut down from 19 January 2009 onwards. Decisions to move the Lahti operations to other mills and temporarily shut down the Kaukas mill were announced after the period on 14 April 2009.

Market review
In Europe, plywood demand declined substantially from the first quarter of 2008 due to record low construction activity and demand for engineered end products in transportation and other industrial end uses. Declining demand in Europe has left much idle capacity and increased need to reduce inventories in all parts of the supply chain. The market price levels have been under pressure.

Other operations

	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/08
Sales, €m	34	34	52	66	48	200
EBITDA, €m [1]	–29	–38	3	–13	–9	–57
% of sales	–85.3	–111.8	5.8	–19.7	–18.8	–28.5
Share of results of associated companies and joint ventures, €m	–2	–1	–1	3	–	1
Depreciation, amortisation and impairment charges, €m	–3	2	–2	–5	–3	–8
Operating profit, €m	–34	–35	4	–16	–7	–54
% of sales	–100.0	–102.9	7.7	–24.2	–14.6	–27.0
Special items, €m [2]	–	2	4	–1	5	10
Operating profit excl. special items, €m	–34	–37	0	–15	–12	–64
% of sales	–100.0	–108.8	0.0	–22.7	–25.0	–32.0

[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 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 (the wood plastic composite unit UPM ProFi, RFID tags and biofuels), logistic services and corporate administration.

Q1 of 2009 compared with Q1 of 2008
Excluding special items, the operating loss for Other operations was € 34 million (loss of € 12 million). Sales amounted to € 34 million (48 million). The development units incurred an operating loss.

Helsinki, 29 April 2009

UPM-Kymmene Corporation

Board of Directors

Financial information

Consolidated income statement

€m	Q1/2009	Q1/2008	Q1–Q4/2008
Sales	1,857	2,410	9,461
Other operating income	17	40	83
Costs and expenses	–1,734	–2,108	–8,407
Change in fair value of biological assets and wood harvested	11	28	50
Share of results of associated companies and joint ventures	–53	22	62
Depreciation, amortisation and impairment charges	–193	–199	–1,225
Operating profit (loss)	–95	193	24
Gains on available-for-sale investments, net	–	–	2
Exchange rate and fair value gains and losses	–9	–10	–25
Interest and other finance costs, net	–58	–49	–202
Profit (loss) before tax	–162	134	–201
Income taxes	4	–31	21
Profit (loss) for the period	–158	103	–180
Attributable to:			
Equity holders of the parent company	–158	102	–179
Minority interest	–	1	–1
	–158	103	–180
Earnings per share for profit (loss) attributable to the equity holders of the parent company			
Basic earnings per share, €	–0.30	0.20	–0.35
Diluted earnings per share, €	–0.30	0.20	–0.35

Statement of comprehensive income

€m	Q1/2009	Q1/2008	Q1–Q4/2008
Profit (loss) for the period	–158	103	–180
Other comprehensive income for the period, after tax:			
Translation differences	29	–130	–206
Net investment hedge	–8	35	56
Cash flow hedges	–18	20	–33
Available-for-sale investments	–	–	–
Share of other comprehensive income of associated companies	4	–18	1
Other comprehensive income for the period, net of tax	7	–93	–182
Total comprehensive income for the period	–151	10	–362
Total comprehensive income attributable to:			
Equity holders of the parent company	–151	9	–361
Minority interest	–	1	–1
	–151	10	–362

Condensed consolidated balance sheet

€m	31.03.2009	31.03.2008	31.12.2008
ASSETS			
Non–current assets			
Goodwill	934	1,163	933
Other intangible assets	409	411	403
Property, plant and equipment	5,584	6,048	5,688
Biological assets	1,144	1,121	1,133
Investments in associated companies and joint ventures	1,219	1,178	1,263
Deferred tax assets	260	252	258
Other non-current assets	726	442	697
	10,276	10,615	10,375
Current assets			
Inventories	1,198	1,420	1,354
Trade and other receivables	1,447	1,791	1,710
Cash and cash equivalents	197	98	330
	2,842	3,309	3,394
Assets classified as held for sale	–	–	12
Total assets	13,118	13,924	13,781
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	890	890	890
Fair value and other reserves	–151	–53	–165
Reserve for invested non-restricted equity	1,145	1,067	1,145
Retained earnings	3,864	4,492	4,236
	5,748	6,396	6,106
Minority interest	14	13	14
Total equity	5,762	6,409	6,120
Non-current liabilities			
Deferred tax liabilities	612	748	658
Non-current interest-bearing liabilities	4,189	3,368	4,534
Other non-current liabilities	605	594	624
	5,406	4,710	5,816
Current liabilities			
Current interest-bearing liabilities	550	995	537
Trade and other payables	1,400	1,810	1,291
	1,950	2,805	1,828
Liabilities related to assets classified as held for sale	–	–	17
Total liabilities	7,356	7,515	7,661
Total equity and liabilities	13,118	13,924	13,781

Condensed consolidated cash flow statement

€m	Q1/2009	Q1/2008	Q1–Q4/2008
Cash flow from operating activities			
Profit (loss) for the period	–158	103	–180
Adjustments	289	152	1,232
Change in working capital	216	–106	–132
Cash generated from operations	347	149	920
Finance costs, net	–59	–59	–216
Income taxes paid	–14	–40	–76
Net cash generated from operating activities	274	50	628
Cash flow from investing activities			
Acquisitions and share purchases	–	–5	–19
Purchases of intangible and tangible assets	–78	–175	–558
Asset sales and other investing cash flow	14	9	45
Net cash used in investing activities	–64	–171	–532
Cash flow from financing activities			
Change in loans and other financial items	–342	–17	305
Share options exercised	–	–	78
Dividends paid	–	–	–384
Net cash used in financing activities	–342	–17	–1
Change in cash and cash equivalents	–132	–138	95
Cash and cash equivalents at the beginning of period	330	237	237
Foreign exchange effect on cash	–1	–1	–2
Change in cash and cash equivalents	–132	–138	95
Cash and cash equivalents at end of period	197	98	330
Operating cash flow per share, €	0.53	0.10	1.21

Consolidated statement of changes in equity

	Attributable to equity holders of the parent company								
€m	Share capital	Treasury shares	Translation differences	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2008	890	–	–158	193	1,067	4,778	6,770	13	6,783
Changes in equity for 2008									
Share-based compensation, net of tax	–	–	–	1	–	–	1	–	1
Dividend paid	–	–	–	–	–	–384	–384	–	–384
Business combinations	–	–	–	–	–	–	–	–1	–1
Total comprehensive income for the period	–	–	–109	20	–	98	9	1	10
Balance at 31 March 2008	890	–	–267	214	1,067	4,492	6,396	13	6,409
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	–	–	–	1	–	–	1	–	1
Dividend paid	–	–	–	–	–	–208	–208	–	–208
Business combinations	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	31	–18	–	–164	–151	–	–151
Balance at 31 March 2009	890	–	–264	113	1,145	3,864	5,748	14	5,762

Quarterly information

€m	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/08
Sales	1,857	2,315	2,358	2,378	2,410	9,461
Other operating income	17	9	23	11	40	83
Costs and expenses	−1,734	−2,227	−1,998	−2,074	−2,108	−8,407
Change in fair value of biological assets and wood harvested	11	−2	4	20	28	50
Share of results of associated companies and joint ventures	−53	−16	35	21	22	62
Depreciation, amortisation and impairment charges	−193	−365	−462	−199	−199	−1,225
Operating profit (loss)	−95	−286	−40	157	193	24
Gains on available-for-sale investments, net	–	–	–	2	–	2
Exchange rate and fair value gains and losses	−9	−14	–	−1	−10	−25
Interest and other finance costs, net	−58	−60	−50	−43	−49	−202
Profit (loss) before tax	−162	−360	−90	115	134	−201
Income taxes	4	74	3	−25	−31	21
Profit (loss) for the period	−158	−286	−87	90	103	−180
Attributable to:						
Equity holders of the parent company	−158	−287	−86	92	102	−179
Minority interest	–	1	−1	−2	1	−1
	−158	−286	−87	90	103	−180
Basic earnings per share, €	−0.30	−0.56	−0.17	0.18	0.20	−0.35
Diluted earnings per share, €	−0.30	−0.56	−0.17	0.18	0.20	−0.35
Earnings per share, excluding special items, €	−0.27	−0.19	0.25	0.17	0.19	0.42
Average number of shares basic (1,000)	519,954	519,979	519,999	517,622	512,581	517,545
Average number of shares diluted (1,000)	519,954	519,979	519,999	516,791	513,412	517,545
Special items in operating profit (loss)	−17	−240	−256	2	5	−489
Operating profit (loss), excl. special items	−78	−46	216	155	188	513
% of sales	−4.2	−2.0	9.2	6.5	7.8	5.4
Special items before tax	−17	−240	−250	2	5	−483
Profit (loss) before tax, excl. special items	−145	−120	160	113	129	282
% of sales	−7.8	−5.2	6.8	4.8	5.4	3.0
Return on equity, excl. special items, %	neg.	neg.	7.8	5.4	5.9	3.4
Return on capital employed, excl. special items, %	neg.	neg.	7.7	5.7	6.5	4.6
EBITDA	128	178	378	313	337	1,206
% of sales	6.9	7.7	16.0	13.2	14.0	12.7
Share of results of associated companies and joint ventures						
Energy	−4	−11	−8	−2	−5	−26
Pulp	−47	−4	44	20	26	86
Forest and timber	1	−1	–	–	1	–
Paper	−1	1	–	–	–	1
Other operations	−2	−1	−1	3	–	1
Total	−53	−16	35	21	22	62

Deliveries

	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/08
Electricity, 1,000 MWh	2,486	2,731	2,653	2,344	2,439	10,167
Pulp, 1,000 t	372	421	480	527	554	1,982
Sawn timber, 1,000 m^3	363	421	510	628	573	2,132
Publication papers, 1,000 t	1,304	1,809	1,760	1,749	1,772	7,090
Fine and speciality papers, 1,000 t	724	784	863	923	981	3,551
Paper deliveries total, 1,000 t	2,028	2,593	2,623	2,672	2,753	10,641
Plywood, 1,000 m^3	133	160	188	227	231	806

Quarterly segment information

€m	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/08
Sales by segment						
Energy	136	141	129	103	105	478
Pulp	139	200	228	247	269	944
Forest and timber	385	419	475	518	508	1,920
Paper	1,367	1,750	1,761	1,727	1,773	7,011
Label	223	233	239	245	242	959
Plywood	75	102	121	150	157	530
Other operations	34	34	52	66	48	200
Internal sales	–502	–564	–647	–678	–692	–2,581
Sales, total	1,857	2,315	2,358	2,378	2,410	9,461
External sales						
Energy	49	57	45	20	15	137
Pulp	10	6	17	18	22	63
Forest and timber	152	199	197	240	233	869
Paper	1,327	1,701	1,699	1,657	1,704	6,761
Label	222	233	238	244	241	956
Plywood	72	94	111	139	147	491
Other operations	25	25	51	60	48	184
External sales, total	1,857	2,315	2,358	2,378	2,410	9,461
Internal sales						
Energy	87	84	84	83	90	341
Pulp	129	194	211	229	247	881
Forest and timber	233	220	278	278	275	1,051
Paper	40	49	62	70	69	250
Label	1	–	1	1	1	3
Plywood	3	8	10	11	10	39
Other operations	9	9	1	6	–	16
Internal sales, total	502	564	647	678	692	2,581
EBITDA by segment						
Energy	57	76	58	34	39	207
Pulp	–55	9	38	35	57	139
Forest and timber	–15	–52	–4	4	4	–48
Paper	187	189	271	216	209	885
Label	6	–1	9	15	11	34
Plywood	–23	–5	3	22	26	46
Other operations	–29	–38	3	–13	–9	–57
EBITDA, total	128	178	378	313	337	1,206
Operating profit (loss) by segment						
Energy	51	62	49	31	33	175
Pulp	–122	–76	60	38	67	89
Forest and timber	–18	–63	–38	17	25	–59
Paper	60	–126	–114	60	51	–129
Label	–3	–38	1	8	3	–26
Plywood	–29	–10	–2	19	21	28
Other operations	–34	–35	4	–16	–7	–54
Operating profit (loss), total	–95	–286	–40	157	193	24
% of sales	–5.1	–12.4	–1.7	6.6	8.0	0.3
Special items by segment						
Energy	–	–	–	–	–	–
Pulp	–29	–59	–	–	–	–59
Forest and timber	–10	–2	–33	–	–1	–36
Paper	23	–153	–227	–	1	–379
Label	–	–28	–	–	–	–28
Plywood	–1	–	–	3	–	3
Other operations	–	2	4	–1	5	10
Special items, total	–17	–240	–256	2	5	–489

€m	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q4/08
Operating profit (loss) excl.special items by segment						
Energy	51	62	49	31	33	175
Pulp	–93	–17	60	38	67	148
Forest and timber	–8	–61	–5	17	26	–23
Paper	37	27	113	60	50	250
Label	–3	–10	1	8	3	2
Plywood	–28	–10	–2	16	21	25
Other operations	–34	–37	–	–15	–12	–64
Operating profit (loss) excl. special items, total	–78	–46	216	155	188	513
% of sales	–4.2	–2.0	9.2	6.5	7.8	5.4

Changes in property, plant and equipment

€m	Q1/2009	Q1/2008	Q1–Q4/2008
Book value at beginning of period	5,688	6,179	6,179
Capital expenditure	65	128	471
Decreases	–11	–2	–24
Depreciation	–178	–183	–748
Impairment charges	–	–	–182
Translation difference and other changes	20	–74	–8
Book value at end of period	5,584	6,048	5,688

Commitments and contingencies

€m	31.03.2009	31.03.2008	31.12.2008
Own commitments			
Mortgages[1]	760	89	787
On behalf of associated companies and joint ventures			
Guarantees for loans	9	10	10
On behalf of others			
Other guarantees	2	3	2
Other own commitments			
Leasing commitments for the next 12 months	20	26	17
Leasing commitments for subsequent periods	51	86	56
Other commitments	68	66	62

[1] Mortgages relate mainly to giving mandatory security for borrowing from Finnish pension insurance companies.

Capital commitments

€m	Completion	Total cost	By 31.12.2008	Q1/2009	After 31.03.2009
Rebuild of debarking plant, UPM Pietarsaari	October 2010	30	1	1	28
Waste water treatment plant, Blandin	September 2010	19	–	–	19
New bioboiler, Caledonian	May 2009	75	57	10	8
Efficiency improvement, Chudovo	September 2009	9	–	1	8
Gas usage reduction, Schwedt	August 2009	9	2	–	7

Notional amounts of derivative financial instruments

€m	31.03.2009	31.03.2008	31.12.2008
Currency derivatives			
Forward contracts	3,824	5,964	4,598
Options, bought	–	121	–
Options, written	–	174	–
Swaps	505	511	508
Interest rate derivatives			
Forward contracts	2,718	4,639	2,668
Swaps	2,809	2,148	2,833
Other derivatives			
Forward contracts	161	18	172
Options, bought	78	–	–
Options, written	78	–	78
Swaps	8	2	8

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

€m	Q1/2009	Q1/2008	Q1–Q4/2008
Sales to associated companies	27	26	138
Purchases from associated companies	103	127	592
Non-current receivables at end of period	2	–	–
Trade and other receivables at end of period	22	26	37
Trade and other payables at end of period	30	25	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, %:

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

Earnings per share:

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

Key exchange rates for the euro at end of period	31.03.2009	31.12.2008	30.09.2008	30.06.2008	31.03.2008
USD	1.3308	1.3917	1.4303	1.5764	1.5812
CAD	1.6685	1.6998	1.4961	1.5942	1.6226
JPY	131.17	126.14	150.47	166.44	157.37
GBP	0.9308	0.9525	0.7903	0.7923	0.7958
SEK	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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