

WE LEAD.
WE LEARN.



1	2	3	4
---	---	---	---

INTERIM REPORT 1 JANUARY – 30 JUNE 2009

UPM Interim Report 1 January – 30 June 2009

- Earnings per share for the second quarter were € -0.02 (0.18), and excluding special items € 0.03 (0.17)
- Operating profit excluding special items was € 31 million (155 million) and reported operating profit was € 8 million (157 million)
- Good operating cash flow ensured liquidity and thus the net interest-bearing liabilities at the end of June came to € 4,036 million (4,479 million)
- Cost saving measures and temporary layoffs resulted in a fixed cost reduction of € 100 million in the second quarter in comparison with the same period last year

Key figures

	Q2/2009	Q2/2008	Q1-Q2/2009	Q1-Q2/2008	Q1-Q4/2008
Sales, €m	1,841	2,378	3,698	4,788	9,461
EBITDA, €m ¹⁾	238	313	366	650	1,206
% of sales	12.9	13.2	9.9	13.6	12.7
Operating profit (loss), €m	8	157	-87	350	24
excluding special items, €m	31	155	-47	343	513
% of sales	1.7	6.5	-1.3	7.2	5.4
Profit (loss) before tax, €m	-26	115	-188	249	-201
excluding special items, €m	-3	113	-148	242	282
Net profit (loss) for the period, €m	-8	90	-166	193	-180
Earnings per share, €	-0.02	0.18	-0.32	0.38	-0.35
excluding special items, €	0.03	0.17	-0.24	0.36	0.42
Diluted earnings per share, €	-0.02	0.18	-0.32	0.38	-0.35
Return on equity, %	neg.	5.5	neg.	5.8	neg.
excluding special items, %	0.8	5.4	neg.	5.6	3.4
Return on capital employed, %	0.4	5.8	neg.	6.2	0.2
excluding special items, %	1.3	5.7	neg.	6.0	4.6
Operating cash flow per share, €	0.59	0.09	1.12	0.19	1.21
Shareholders' equity per share at end of period, €	11.08	12.64	11.08	12.64	11.74
Gearing ratio at end of period, %	70	68	70	68	71
Net interest-bearing liabilities at end of period, €m	4,036	4,479	4,036	4,479	4,321
Capital employed at end of period, €m	10,294	11,260	10,294	11,260	11,193
Capital expenditure, €m	66	137	133	274	551
Personnel at end of period	23,792	27,059	23,792	27,059	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

Q2 of 2009 compared with Q2 of 2008

Sales for the second quarter of 2009 were € 1,841 million, 23% lower than the € 2,378 million in the second quarter of 2008. Sales decreased due to lower deliveries across all of UPM's business areas.

Operating profit was € 8 million, 0.4% of sales (157 million, 6.6% of sales). The operating profit excluding special items was € 31 million, 1.7% of sales (155 million, 6.5% of sales). Operating profit includes net restructuring charges of € 23 million as special items.

Operating profit declined clearly from the same period last year. The main reason for weaker profitability was significantly lower deliveries in all of UPM's business areas due to lower economic activity.

UPM continued its flexible operating mode in all of its business areas, adjusting production to the low demand. Due to cost saving

measures and temporary layoffs, the company's fixed costs decreased by € 100 million in comparison to the same period last year.

Wood costs decreased slightly from the comparison period. Energy costs increased.

The average paper price in euro increased by approximately 1% from the same period last year. The average price for label materials was clearly higher. However, timber and plywood prices fell substantially. Overall, the net effect of sales prices in euro terms across UPM's businesses had a minor negative impact on profitability.

The increase in the fair value of biological assets net of wood harvested was € 10 million compared to € 20 million a year before.

The share of results of associated companies and joint ventures was € 22 million negative (21 million positive).

The loss before tax was € 26 million (profit of € 115 million) and excluding special items the loss was € 3 million (profit of € 113 million). Interest and other finance costs, net, were € 37 million (43

million). Exchange rate and fair value gains and losses resulted in a gain of € 3 million (loss of € 1 million).

Income taxes were € 18 million positive (25 million negative). The impact on taxes from special items was € 3 million positive (1 million negative).

The loss for the second quarter was € 8 million (profit of € 90 million) and earnings per share were € -0.02 (0.18). Earnings per share excluding special items were € 0.03 (0.17).

January-June of 2009 compared with January-June of 2008

Sales for January-June were € 3,698 million, 23% lower than the € 4,788 million in the same period in 2008. Sales decreased due to lower deliveries across all of UPM's business areas.

Operating loss was € 87 million, -2.4% of sales (profit of € 350 million, 7.3% of sales). The operating loss excluding special items was € 47 million, -1.3% of sales (profit of € 343 million, 7.2% of sales). Operating loss includes charges net of € 40 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 into net special charges of € 32 million. The share of the results of associated companies includes special charges of € 29 million.

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

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 and temporary layoffs, the company's fixed costs decreased by € 170 million in comparison to the same period last year. This could not, however, compensate for the impact of lower deliveries.

Energy costs increased € 60 million from the comparison period. Wood costs started to decrease during the period. The positive impact on operating profit was still relatively minor as UPM consumed wood inventories built up in 2008 at high wood prices.

The average paper price in euro increased by approximately 2% from the same period last year. The average price for label materials was clearly higher. However, timber and plywood prices fell substantially. Overall, the net effect of sales prices in euro terms across UPM's businesses had a minor positive impact on profitability.

The increase in the fair value of biological assets net of wood harvested was € 21 million compared to € 48 million a year before.

The share of results of associated companies and joint ventures was € 75 million negative (43 million positive). The result includes special charges of € 29 million from Metsä-Botnia's Kaskinen pulp mill closure.

The loss before tax was € 188 million (profit of € 249 million) and excluding special items the loss was € 148 million (profit of € 242 million). Interest and other finance costs, net, were € 95 million (92 million). Exchange rate and fair value gains and losses resulted in a loss of € 6 million (11 million).

Income taxes were € 22 million positive (56 million negative). The impact on taxes from special items was € 0 million (1 million negative).

The loss for the period was € 166 million (profit of € 193 million) and earnings per share were € -0.32 (0.38). Earnings per share excluding special items were € -0.24 (0.36). Operating cash flow per share was € 1.12 (0.19).

Financing

In January-June cash flow from operating activities, before capital expenditure and financing, was € 580 million (96 million). Net working capital decreased by € 355 million during the period (increased by € 245 million).

The gearing ratio as of 30 June 2009 was 70% (68% on 30 June 2008). Net interest-bearing liabilities at the end of the period came to € 4,036 million (4,479 million).

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 30 June 2009, UPM's cash funds and unused committed credit facilities totalled € 1.7 billion.

Personnel

In January-June, UPM had an average of 24,043 employees (26,274). At the beginning of the year, the number of employees was 24,983 and at the end of June it was 23,792. The reduction of 1,191 employees is mostly attributable to ongoing restructuring.

Capital expenditure

During January-June, capital expenditure was € 133 million, 3.6% of sales (€ 274 million, 5.7% of sales).

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 the first six months of 2009. 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.

Restructuring

In September 2008, UPM announced the plan to close the Kajaani paper mill and Tervasaari pulp mill, as well as new measures to improve efficiency in all of the company's business areas and functions. In November 2008, UPM's Label business area announced restructuring of its European operations.

Mill closures were completed at the end of 2008 and the Label business area completed most of the planned closures of production lines during the first half of the year. In Plywood business restructuring continued as processing operations of Lahti mill were transferred to other plywood mills. In Forest and timber a plan for closing of Boulogne operations was published.

Restructuring has been a continuous process to improve profitability. Together with earlier measures the reduction in the number of employees from the same period last year, excluding seasonal employees, is about 2,160 of which 600 due to closures of production. The annualised employee related cost savings are about € 110 million.

Shares

UPM shares worth € 3,086 million (5,326 million) in total were traded on the NASDAQ OMX Helsinki stock exchange during January-June of 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 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 AGM 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 the holders 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 30 June 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 the termination of employment contracts.

Litigation and other legal actions

Certain competition authorities are continuing investigations into alleged antitrust activities with respect to various UPM products. 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.

In Finland, UPM is participating in the country's fifth nuclear power plant unit, Olkiluoto 3, through its associated company Poh-

jolan Voima Oy. Pohjolan Voima Oy is with 58.12% a majority shareholder of Teollisuuden Voima Oy ("TVO"). In January 2009, the constructor TVO disclosed information, confirmed by the plant supplier, consortium AREVA-Siemens, that the construction of the unit is delayed and the unit is estimated to start up in summer 2012. In June 2009, TVO informed that the arbitration filed in December by AREVA-Siemens, concerning Olkiluoto 3 delay and related costs amounted to € 1.0 billion. In response, TVO has filed in April 2009 a counter-claim 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 is currently approximately € 1.4 billion.

Events after the balance sheet date

On 15 July 2009, UPM and Metsäliitto Cooperative signed a letter of intent to restructure the ownership of the assets of the pulp company Oy Metsä-Botnia Ab (Botnia). The transaction is subject to a definitive agreement, due diligence, finalising negotiations with Botnia's lenders and required regulatory approvals.

In the proposed transaction, UPM would receive Metsäliitto's and Botnia's share of the Fray Bentos pulp mill and the eucalyptus plantation forestry company Forestal Oriental in Uruguay, and dispose part of its current 47% ownership in Botnia. After the transaction, Botnia would consist of its current operations in Finland and be owned by Metsäliitto 53%, M-real 30% and UPM 17%.

UPM's share of the pulp capacity of Botnia's Finnish mills would decrease from 1.1 million tonnes to 400,000 tonnes. At the same time, UPM would become 91% owner of the Fray Bentos pulp mill and UPM's share of eucalyptus pulp would increase by approx. 500,000 tonnes.

In addition, UPM would acquire 1.2% of the energy company Pohjolan Voima Oy from Botnia.

The proposed transactions are expected to be concluded during the last quarter of 2009.

Outlook for the second half of 2009

Contraction of economic activity in UPM's main markets has slowed down and economic indicators show improving consumer confidence. However, recession continues to have an impact on consumer demand, construction activity, and advertising in print media and thus on demand for all of UPM's products.

UPM will continue to curtail production in most of its businesses to respond to the market demand.

UPM's paper deliveries for the second half of 2009 are forecast to be somewhat higher than during the first half of the year as order intake has improved from the end of the year 2008. The average price for paper deliveries in euro is expected to be lower than during the first half of the year.

Demand for self-adhesive labelstock in the main markets is estimated to remain at current levels and pressure on product prices to continue.

Demand for birch and spruce plywood is forecast to continue at the current low level for the rest of the year and average price to be somewhat lower than during the first half of the year.

Compared to the first half of the year, wood and other raw material costs for the Group are expected to be lower.

Business area reviews

Energy

	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1-Q2/09	Q1-Q2/08	Q1-Q4/08
Sales, €m	100	136	141	129	103	105	236	208	478
EBITDA, €m ¹⁾	41	57	76	58	34	39	98	73	207
% of sales	41.0	41.9	53.9	45.0	33.0	37.1	41.5	35.1	43.3
Share of results of associated companies and joint ventures, €m	-4	-4	-11	-8	-2	-5	-8	-7	-26
Depreciation, amortisation and impairment charges, €m	-1	-2	-3	-1	-1	-1	-3	-2	-6
Operating profit, €m	36	51	62	49	31	33	87	64	175
% of sales	36.0	37.5	44.0	38.0	30.1	31.4	36.9	30.8	36.6
Special items, €m	-	-	-	-	-	-	-	-	-
Operating profit excl. special items, €m	36	51	62	49	31	33	87	64	175
% of sales	36.0	37.5	44.0	38.0	30.1	31.4	36.9	30.8	36.6
Electricity deliveries, 1,000 MWh	1,999	2,486	2,731	2,653	2,344	2,439	4,485	4,783	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.

Q2 of 2009 compared with Q2 of 2008

Operating profit excluding special items was € 36 million, € 5 million higher than last year (31 million). Sales decreased by 3% to € 100 million (103 million), of which € 24 million was external sales (20 million). The electricity sales volume was 2.0 TWh in the quarter (2.3 TWh).

January-June 2009 compared with January-June 2008

Operating profit excluding special items was € 87 million, € 23 million higher than last year (64 million). Sales increased by 13% to € 236 million (208 million), of which € 73 million was external sales (35 million). Internal sales decreased by 6% due to lower energy consumption in the company's own mills. The electricity sales volume was 4.5 TWh (4.8 TWh).

Profitability improved compared with the same period last year, due to the higher average electricity sales price. The average elec-

tricity sales price increased by 31% to € 43.6/MWh (33.3/MWh).

The average cost of procured electricity increased as the hydropower volume was 17% lower than last year.

Market review

The average electricity price in the Nordic electricity exchange in the first half of the year was unchanged at € 36.1/MWh (36.3/MWh). The consumption of electricity in the Nordic area decreased due to low industrial activity.

Oil and coal market prices were lower compared to the same period last year. CO₂ emission allowance prices decreased.

The one year forward electricity price in the Nordic electricity exchange averaged € 36.0/MWh in the first half of the year, 34% lower than in the same period last year (54.4/MWh).

In the first half of the year the Nordic water reservoirs were below the long-term average.

Pulp

	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1-Q2/09	Q1-Q2/08	Q1-Q4/08
Sales, €m	132	139	200	228	247	269	271	516	944
EBITDA, €m ¹⁾	-24	-55	9	38	35	57	-79	92	139
% of sales	-18.2	-39.6	4.5	16.7	14.2	21.2	-29.2	17.8	14.7
Share of results of associated companies and joint ventures, €m	-16	-47	-4	44	20	26	-63	46	86
Depreciation, amortisation and impairment charges, €m	-20	-20	-73	-22	-17	-16	-40	-33	-128
Operating profit, €m	-60	-122	-76	60	38	67	-182	105	89
% of sales	-45.5	-87.8	-38.0	26.3	15.4	24.9	-67.2	20.3	9.4
Special items, €m ²⁾	-	-29	-59	-	-	-	-29	-	-59
Operating profit excl. special items, €m	-60	-93	-17	60	38	67	-153	105	148
% of sales	-45.5	-66.9	-8.5	26.3	15.4	24.9	-56.5	20.3	15.7
Pulp deliveries, 1,000 t	391	372	421	480	527	554	763	1,081	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.

Q2 of 2009 compared with Q2 of 2008

Operating loss excluding special items was € 60 million (profit of € 38 million). The sales of UPM's own pulp mills decreased by 47% to € 132 million (247 million) and deliveries by 26% to 391,000 tonnes (527,000).

The share of results of the associated company Metsä-Botnia was loss of € 16 million (profit of € 20 million).

January–June 2009 compared with January–June 2008

Operating loss excluding special items was € 153 million (profit of € 105 million). The sales of UPM's own pulp mills decreased by 47% to € 271 million (516 million) and deliveries by 29% to 763,000 tonnes (1,081,000).

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

Profitability weakened substantially in comparison with the previous year, mainly due to the approximately 26% lower average pulp price and lower deliveries. Wood costs remained at a high level. Chemical pulp inventories increased slightly from the beginning of the year.

The share of results of the associated company Metsä-Botnia was loss of € 63 million (profit of € 46 million). The result includes special charges of € 29 million from Metsä-Botnia's Kaskinen mill closure. However, the utilisation rate of the Uruguay mill has remained high and the result of the mill slightly positive.

Market review

In the first half of 2009, global chemical market pulp shipments declined from the comparison period by almost 7%. Chemical pulp producer inventories declined from the high level of the beginning of the year to a normal level at the end of the period due to extensive production curtailments and strong demand in China.

Chemical pulp market prices declined. The average softwood pulp (NBSK) market price in euro terms, at € 445/tonne, was 24% lower than in the same period last year (€ 582/tonne). The bottom market price during the period was € 421/tonne. In the end of the period the NBSK market price was € 441/tonne.

The average hardwood pulp (BHKP) market price in euro terms also decreased by 28% from last year to € 385/tonne (€ 531/tonne). The bottom market price during the period was € 352/tonne. In the end of the period the BHKP market price was € 359/tonne.

Forest and timber

	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1-Q2/09	Q1-Q2/08	Q1-Q4/08
Sales, €m	309	385	419	475	518	508	694	1,026	1,920
EBITDA, €m ¹⁾	-15	-15	-52	-4	4	4	-30	8	-48
% of sales	-4.9	-3.9	-12.4	-0.8	0.8	0.8	-4.3	0.8	-2.5
Change in fair value of biological assets and wood harvested, €m	10	11	-2	4	20	28	21	48	50
Share of results of associated companies and joint ventures, €m	1	1	-1	-	-	1	2	1	-
Depreciation, amortisation and impairment charges, €m	-14	-5	-6	-36	-7	-7	-19	-14	-56
Operating profit, €m	-18	-18	-63	-38	17	25	-36	42	-59
% of sales	-5.8	-4.7	-15.0	-8.0	3.3	4.9	-5.2	4.1	-3.1
Special items, €m ²⁾	-8	-10	-2	-33	-	-1	-18	-1	-36
Operating profit excl. special items, €m	-10	-8	-61	-5	17	26	-18	43	-23
% of sales	-3.2	-2.1	-14.6	-1.1	3.3	5.1	-2.6	4.2	-1.2
Sawn timber deliveries, 1,000 m ³	366	363	421	510	628	573	729	1,201	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⁾ Special items for the second quarter of 2009 include impairment charges of € 8 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.

Q2 of 2009 compared with Q2 of 2008

Operating loss excluding special items was € 10 million (profit of € 17 million). Sales declined by 40% to € 309 million (518 million). Sawn timber deliveries decreased by 42% to 366,000 cubic metres (628,000).

The increase in the fair value of biological assets (growing trees) was € 14 million (51 million). The cost of wood raw material harvested from the Group's own forests was € 4 million (31 million). The net effect was € 10 million positive (20 million positive).

January–June 2009 compared with January–June 2008

Operating loss excluding special items was € 18 million (profit of € 43 million). Sales declined by 32% to € 694 million (1,026 mil-

lion). Sawn timber deliveries decreased by 39% to 729,000 cubic metres (1,201,000).

Profitability weakened from the same period last year, mainly due to the approximately 16% lower average price of delivered timber goods as well as lower deliveries.

Wood deliveries to the company's own mills were considerably lower than a year ago. Despite lower than planned consumption the wood inventories decreased, however, due to both reduced purchases of wood and loggings from the company's own forests. At the end of the period company's wood inventory level was closer to current consumption requirements. Wood costs remained at a high level, due to consumption of inventories retained in 2008.

The increase in the fair value of biological assets (growing

trees) was € 35 million (92 million). The cost of wood raw material harvested from the Group's own forests was € 14 million (44 million). The net effect was € 21 million positive (48 million positive).

Market review

During the first half of the year, demand for both redwood and whitewood sawn timber in Europe declined substantially in comparison with the last year due to low construction activity. The weak

market balance resulted in significantly lower prices.

Wood purchases in the Finnish wood market were significantly lower compared to the same period last year. The main reasons for this were the industry's lower production and high wood inventories.

However, the non-integrated saw mills suffered from log shortages in the second quarter due to low market supply. Wood prices declined by on average of about 16% compared to the same period in the previous year.

Paper

	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1-Q2/09	Q1-Q2/08	Q1-Q4/08
Sales, €m	1,388	1,367	1,750	1,761	1,727	1,773	2,755	3,500	7,011
EBITDA, €m ¹⁾	247	187	189	271	216	209	434	425	885
% of sales	17.8	13.7	10.8	15.4	12.5	11.8	15.8	12.1	12.6
Share of results of associated companies and joint ventures, €m	-1	-1	1	-	-	-	-2	-	1
Depreciation, amortisation and impairment charges, €m	-147	-149	-264	-388	-156	-159	-296	-315	-967
Operating profit, €m	85	60	-126	-114	60	51	145	111	-129
% of sales	6.1	4.4	-7.2	-6.5	3.5	2.9	5.3	3.2	-1.8
Special items, €m ²⁾	-10	23	-153	-227	-	1	13	1	-379
Operating profit excl. special items, €m	95	37	27	113	60	50	132	110	250
% of sales	6.8	2.7	1.5	6.4	3.5	2.8	4.8	3.1	3.6
Deliveries, publication papers, 1,000 t	1,323	1,304	1,809	1,760	1,749	1,772	2,627	3,521	7,090
Deliveries, fine and speciality papers, 1,000 t	813	724	784	863	923	981	1,537	1,904	3,551
Paper deliveries total, 1,000 t	2,136	2,028	2,593	2,623	2,672	2,753	4,164	5,425	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⁾ 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.

Q2 of 2009 compared with Q2 of 2008

Operating profit excluding special items was € 95 million, € 35 million higher than a year ago (60 million). Sales were € 1,388 million (1,727 million). Paper deliveries decreased by 20% to 2,136,000 tonnes (2,672,000). Paper deliveries for publication papers (magazine papers and newsprint) decreased by 24% and for fine and speciality papers by 12% from the previous year.

Profitability improved from the comparison period. Lower deliveries had a significant negative impact on profitability, but this was offset by lower fibre costs, mainly for chemical pulp. Fixed costs decreased significantly.

The average price for all paper deliveries when translated into euros was 1% higher than in the second quarter of 2008.

January-June 2009 compared with January-June 2008

Operating profit excluding special items was € 132 million, € 22 million higher than a year ago (110 million). Sales were € 2,755 million (3,500 million). Paper deliveries decreased by 23% to 4,164,000 tonnes (5,424,000). Paper deliveries for publication papers (magazine papers and newsprint) decreased by 25% and for fine and speciality papers by 19% from the previous year.

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

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

The average price for all paper deliveries when translated into euros was 2% higher than last year.

Market review

In Europe, during the first half of the year, demand for publication papers was 19% lower and for fine papers 19% lower than a year ago. In North America, demand for publication papers continued to decline and was 28% down from last year. Demand for fine papers also decreased in Asia, even though it started to recover during the period under review.

The average market prices in euro area increased, but decreased in the GBP area when translated into euros due to 15% devaluation of the pound. In Europe, the average market prices in euros increased by about 3% for magazine papers and by about 1% for standard newsprint when compared with the first half of 2008. The average market price increased by 4% for coated fine papers and declined by 7% for uncoated fine papers in comparison to the previous year.

In North America, the average US dollar prices for magazine papers were 6% lower compared to the corresponding period a year ago. In Asia, market prices for fine papers decreased.

Label

	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1-Q2/09	Q1-Q2/08	Q1-Q4/08
Sales, €m	226	223	233	239	245	242	449	487	959
EBITDA, €m ¹⁾	18	6	-1	9	15	11	24	26	34
% of sales	8.0	2.7	-0.4	3.8	6.1	4.5	5.3	5.3	3.5
Depreciation, amortisation and impairment charges, €m	-11	-9	-16	-8	-7	-8	-20	-15	-39
Operating profit, €m	4	-3	-38	1	8	3	1	11	-26
% of sales	1.8	-1.3	-16.3	0.4	3.3	1.2	0.2	2.3	-2.7
Special items, €m ²⁾	-5	-	-28	-	-	-	-5	-	-28
Operating profit excl. special items, €m	9	-3	-10	1	8	3	6	11	2
% of sales	4.0	-1.3	-4.3	0.4	3.3	1.2	1.3	2.3	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 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.

Q2 of 2009 compared with Q2 of 2008

Operating profit excluding special items was € 9 million (8 million). Sales were € 226 million (245 million).

Profitability improved slightly despite lower deliveries, mainly due to fixed cost reductions and higher sales prices.

The delivery volumes of self-adhesive label materials declined by close to 15%, remaining roughly at the level of the first quarter. Average prices converted to euros increased by about 7%.

January-June 2009 compared with January-June 2008

Operating profit excluding special items was € 6 million (11 million). Sales were € 449 million (487 million).

Profitability weakened mainly due to lower sales volumes. The delivery volumes of self-adhesive label materials declined by some 15%, driven by lower economic activity. Average prices converted to euros increased by about 8%, more than compensating for higher raw material costs. Fixed costs decreased.

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.

The restructuring of European operations, which was announced in the fourth quarter of 2008, has proceeded as planned. Most of the capacity closures were implemented by the end of the second quarter and the programme will be completed by the end of the year 2009.

Market review

During the first half of the year, demand for self-adhesive label materials declined in all markets as demand for consumer products and shipments of goods slowed down. In all markets, demand has now stabilised at the current low level during the first half of the year.

The market prices in euro terms were higher than in the comparison period. In local currencies, depending on the region, prices in the second quarter either increased slightly or were stable compared with the first quarter of 2009.

Plywood

	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1-Q2/09	Q1-Q2/08	Q1-Q4/08
Sales, €m	77	75	102	121	150	157	152	307	530
EBITDA, €m ¹⁾	-5	-23	-5	3	22	26	-28	48	46
% of sales	-6.5	-30.7	-4.9	2.5	14.7	16.6	-18.4	15.6	8.7
Depreciation, amortisation and impairment charges, €m	-5	-5	-5	-5	-6	-5	-10	-11	-21
Operating profit, €m	-10	-29	-10	-2	19	21	-39	40	28
% of sales	-13.0	-38.7	-9.8	-1.7	12.7	13.4	-25.7	13.0	5.3
Special items, €m ²⁾	-	-1	-	-	3	-	-1	3	3
Operating profit excl. special items, €m	-10	-28	-10	-2	16	21	-38	37	25
% of sales	-13.0	-37.3	-9.8	-1.7	10.7	13.4	-25.0	12.1	4.7
Deliveries, plywood, 1,000 m ³	141	133	160	188	227	231	274	458	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.

Q2 of 2009 compared with Q2 of 2008

Operating loss excluding special items was € 10 million (profit of € 16 million). Sales decreased by € 73 million to € 77 million (150 million), as plywood deliveries declined by 38% to 141,000 cubic metres (227,000).

Plywood reported an operating loss due to significantly lower delivery volumes and lower sales prices than in the comparison period.

January–June 2009 compared with January–June 2008

Operating loss excluding special items was € 38 million (profit of € 37 million). Sales halved by € 155 million to € 152 million (307 million), as plywood deliveries declined by 40% to 274,000 cubic metres (458,000).

Plywood reported an operating loss due to significantly lower delivery volumes and lower sales prices than in the comparison period. Significant fixed cost reductions were implemented throughout the organisation, but these could not compensate for the adverse impact of deliveries and prices.

Weak market demand led to extensive production downtime at all mills. The Heinola mill was temporarily shut down from January 2009 onwards. The Kaukas mill was temporarily shut down from

May onwards. UPM announced in April that operations at the Lahti mill will be moved to other mills by the end of the year.

At the Kalso veneer mill, a production automation project was completed in May. As a result, the number of personnel at the mill will be reduced by 53 people.

Market review

In Europe, plywood demand declined substantially from the first half 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. Inventories have been reduced in all parts of the supply chain. The market prices have declined.

Other operations

	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1–Q2/09	Q1–Q2/08	Q1–Q4/08
Sales, €m	21	34	34	52	66	48	55	114	200
EBITDA, €m ¹⁾	-24	-29	-38	3	-13	-9	-53	-22	-57
% of sales	-114.3	-85.3	-111.8	5.8	-19.7	-18.8	-96.4	-19.3	-28.5
Share of results of associated companies and joint ventures, €m	-2	-2	-1	-1	3	-	-4	3	1
Depreciation, amortisation and impairment charges, €m	-3	-3	2	-2	-5	-3	-6	-8	-8
Operating profit, €m	-29	-34	-35	4	-16	-7	-63	-23	-54
% of sales	-138.1	-100.0	-102.9	7.7	-24.2	-14.6	-114.5	20.2	-27.0
Special items, €m ²⁾	-	-	2	4	-1	5	-	4	10
Operating profit excl. special items, €m	-29	-34	-37	0	-15	-12	-63	-27	-64
% of sales	-138.1	-100.0	-108.8	0.0	-22.7	-25.0	-114.5	-23.7	-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.

Q2 of 2009 compared with Q2 of 2008

Excluding special items, operating loss was € 29 million (loss of € 15 million). Sales amounted to € 21 million (66 million).

The operating loss was greater than in the comparison period,

mainly due to negative hedging results. The development units continued to incur an operating loss.

January–June 2009 compared with January–June 2008

Excluding special items, operating loss was € 63 million (loss of € 27 million). Sales amounted to € 55 million (114 million).

The operating loss was greater than in the comparison period, mainly due to negative hedging results. In addition, the development units incurred somewhat higher losses and costs than last year.

Helsinki, 4 August 2009

UPM-Kymmene Corporation

Board of Directors

Financial information

Consolidated income statement

€m	Q2/2009	Q2/2008	Q1-Q2/2009	Q1-Q2/2008	Q1-Q4/2008
Sales	1,841	2,378	3,698	4,788	9,461
Other operating income	7	11	24	51	83
Costs and expenses	-1,627	-2,074	-3,361	-4,182	-8,407
Change in fair value of biological assets and wood harvested	10	20	21	48	50
Share of results of associated companies and joint ventures	-22	21	-75	43	62
Depreciation, amortisation and impairment charges	-201	-199	-394	-398	-1,225
Operating profit (loss)	8	157	-87	350	24
Gains on available-for-sale investments, net	-	2	-	2	2
Exchange rate and fair value gains and losses	3	-1	-6	-11	-25
Interest and other finance costs, net	-37	-43	-95	-92	-202
Profit (loss) before tax	-26	115	-188	249	-201
Income taxes	18	-25	22	-56	21
Profit (loss) for the period	-8	90	-166	193	-180
Attributable to:					
Equity holders of the parent company	-8	92	-166	194	-179
Minority interest	-	-2	-	-1	-1
	-8	90	-166	193	-180
Earnings per share for profit (loss) attributable to the equity holders of the parent company					
Basic earnings per share, €	-0.02	0.18	-0.32	0.38	-0.35
Diluted earnings per share, €	-0.02	0.18	-0.32	0.38	-0.35

Statement of comprehensive income

€m	Q2/2009	Q2/2008	Q1-Q2/2009	Q1-Q2/2008	Q1-Q4/2008
Profit (loss) for the period	-8	90	-166	193	-180
Other comprehensive income for the period, after tax:					
Translation differences	37	26	66	-104	-206
Net investment hedge	-12	-9	-20	26	56
Cash flow hedges	9	-20	-9	-	-33
Share of other comprehensive income of associated companies	-12	10	-8	-8	1
Other comprehensive income for the period, net of tax	22	7	29	-86	-182
Total comprehensive income for the period	14	97	-137	107	-362
Total comprehensive income attributable to:					
Equity holders of the parent company	14	99	-137	108	-361
Minority interest	-	-2	-	-1	-1
	14	97	-137	107	-362

Condensed consolidated balance sheet

€m	30.06.2009	30.06.2008	31.12.2008
ASSETS			
Non-current assets			
Goodwill	933	1,163	933
Other intangible assets	394	425	403
Property, plant and equipment	5,439	6,007	5,688
Biological assets	1,152	1,138	1,133
Investments in associated companies and joint ventures	829	1,210	1,263
Deferred tax assets	247	247	258
Other non-current assets	622	398	697
	9,616	10,588	10,375
Current assets			
Inventories	1,062	1,438	1,354
Trade and other receivables	1,422	1,806	1,710
Cash and cash equivalents	192	103	330
	2,676	3,347	3,394
Assets classified as held for sale	327	–	12
Total assets	12,619	13,935	13,781
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	890	890	890
Fair value and other reserves	–132	–76	–165
Reserve for invested non-restricted equity	1,145	1,145	1,145
Retained earnings	3,860	4,615	4,236
	5,763	6,574	6,106
Minority interest	14	11	14
Total equity	5,777	6,585	6,120
Non-current liabilities			
Deferred tax liabilities	592	743	658
Non-current interest-bearing liabilities	4,003	3,971	4,534
Other non-current liabilities	591	584	624
	5,186	5,298	5,816
Current liabilities			
Current interest-bearing liabilities	514	704	537
Trade and other payables	1,142	1,348	1,291
	1,656	2,052	1,828
Liabilities related to assets classified as held for sale	–	–	17
Total liabilities	6,842	7,350	7,661
Total equity and liabilities	12,619	13,935	13,781

This Interim Report is unaudited

Condensed consolidated cash flow statement

€m	Q1-Q2/2009	Q1-Q2/2008	Q1-Q4/2008
Cash flow from operating activities			
Profit (loss) for the period	-166	193	-180
Adjustments	493	351	1,232
Change in working capital	355	-245	-132
Cash generated from operations	682	299	920
Finance costs, net	-85	-118	-216
Income taxes paid	-17	-85	-76
Net cash generated from operating activities	580	96	628
Cash flow from investing activities			
Acquisitions and share purchases	-	-6	-19
Purchases of intangible and tangible assets	-143	-310	-558
Asset sales and other investing cash flow	20	17	45
Net cash used in investing activities	-123	-299	-532
Cash flow from financing activities			
Change in loans and other financial items	-387	375	305
Share options exercised	-	78	78
Dividends paid	-208	-384	-384
Net cash used in financing activities	-595	69	-1
Change in cash and cash equivalents			
	-138	-134	95
Cash and cash equivalents at the beginning of period	330	237	237
Foreign exchange effect on cash	-	-	-2
Change in cash and cash equivalents	-138	-134	95
Cash and cash equivalents at end of period	192	103	330
Operating cash flow per share, €	1.12	0.19	1.21

Consolidated statement of changes in equity

€m	Attributable to equity holders of the parent company							Minority interest	Total equity
	Share capital	Translation differences	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Total			
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	-	-	-19	-	21	2	-	2	
Dividend paid	-	-	-	-	-384	-384	-	-384	
Business combinations	-	-	-	-	-	-	-1	-1	
Total comprehensive income for the period	-	-91	-1	-	200	108	-1	107	
Balance at 30 June 2008	890	-249	173	1,145	4,615	6,574	11	6,585	
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	-	-	-	-	-	-	-	-	
Other items	-	-	-	-	1	1	-	1	
Total comprehensive income for the period	-	41	-9	-	-169	-137	-	-137	
Balance at 30 June 2009	890	-254	122	1,145	3,860	5,763	14	5,777	

Quarterly information

€m	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1-Q2/09	Q1-Q2/08	Q1-Q4/08
Sales	1,841	1,857	2,315	2,358	2,378	2,410	3,698	4,788	9,461
Other operating income	7	17	9	23	11	40	24	51	83
Costs and expenses	-1,627	-1,734	-2,227	-1,998	-2,074	-2,108	-3,361	-4,182	-8,407
Change in fair value of biological assets and wood harvested	10	11	-2	4	20	28	21	48	50
Share of results of associated companies and joint ventures	-22	-53	-16	35	21	22	-75	43	62
Depreciation, amortisation and impairment charges	-201	-193	-365	-462	-199	-199	-394	-398	-1,225
Operating profit (loss)	8	-95	-286	-40	157	193	-87	350	24
Gains on available-for-sale investments, net	-	-	-	-	2	-	-	2	2
Exchange rate and fair value gains and losses	3	-9	-14	-	-1	-10	-6	-11	-25
Interest and other finance costs, net	-37	-58	-60	-50	-43	-49	-95	-92	-202
Profit (loss) before tax	-26	-162	-360	-90	115	134	-188	249	-201
Income taxes	18	4	74	3	-25	-31	22	-56	21
Profit (loss) for the period	-8	-158	-286	-87	90	103	-166	193	-180
Attributable to:									
Equity holders of the parent company	-8	-158	-287	-86	92	102	-166	194	-179
Minority interest	-	-	1	-1	-2	1	-	-1	-1
	-8	-158	-286	-87	90	103	-166	193	-180
Basic earnings per share, €	-0.02	-0.30	-0.56	-0.17	0.18	0.20	-0.32	0.38	-0.35
Diluted earnings per share, €	-0.02	-0.30	-0.56	-0.17	0.18	0.20	-0.32	0.38	-0.35
Earnings per share, excluding special items, €	0.03	-0.27	-0.19	0.25	0.17	0.19	-0.24	0.36	0.42
Average number of shares basic (1,000)	519,954	519,954	519,979	519,999	517,622	512,581	519,954	515,102	517,545
Average number of shares diluted (1,000)	519,954	519,954	519,979	519,999	516,791	513,412	519,954	515,102	517,545
Special items in operating profit (loss)	-23	-17	-240	-256	2	5	-40	7	-489
Operating profit (loss), excl. special items	31	-78	-46	216	155	188	-47	343	513
% of sales	1.7	-4.2	-2.0	9.2	6.5	7.8	-1.3	7.2	5.4
Special items before tax	-23	-17	-240	-250	2	5	-40	7	-483
Profit (loss) before tax, excl. special items	-3	-145	-120	160	113	129	-148	242	282
% of sales	-0.2	-7.8	-5.2	6.8	4.8	5.4	-4.0	5.1	3.0
Return on equity, excl. special items, %	0.8	neg.	neg.	7.8	5.4	5.9	neg.	5.6	3.4
Return on capital employed, excl. special items, %	1.3	neg.	neg.	7.7	5.7	6.5	neg.	6.0	4.6
EBITDA	238	128	178	378	313	337	366	650	1,206
% of sales	12.9	6.9	7.7	16.0	13.2	14.0	9.9	13.6	12.7
Share of results of associated companies and joint ventures									
Energy	-4	-4	-11	-8	-2	-5	-8	-7	-26
Pulp	-16	-47	-4	44	20	26	-63	46	86
Forest and timber	1	1	-1	-	-	1	2	1	-
Paper	-1	-1	1	-	-	-	-2	-	1
Other operations	-2	-2	-1	-1	3	-	-4	3	1
Total	-22	-53	-16	35	21	22	-75	43	62

Deliveries

	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1-Q2/09	Q1-Q2/08	Q1-Q4/08
Electricity, 1,000 MWh	1,999	2,486	2,731	2,653	2,344	2,439	4,485	4,783	10,167
Pulp, 1,000 t	391	372	421	480	527	554	763	1,081	1,982
Sawn timber, 1,000 m ³	366	363	421	510	628	573	729	1,201	2,132
Publication papers, 1,000 t	1,323	1,304	1,809	1,760	1,749	1,772	2,627	3,521	7,090
Fine and speciality papers, 1,000 t	813	724	784	863	923	981	1,537	1,904	3,551
Paper deliveries total, 1,000 t	2,136	2,028	2,593	2,623	2,672	2,753	4,164	5,425	10,641
Plywood, 1,000 m ³	141	133	160	188	227	231	274	458	806

Quarterly segment information

€m	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1-Q2/09	Q1-Q2/08	Q1-Q4/08
Sales									
Energy	100	136	141	129	103	105	236	208	478
Pulp	132	139	200	228	247	269	271	516	944
Forest and timber	309	385	419	475	518	508	694	1,026	1,920
Paper	1,388	1,367	1,750	1,761	1,727	1,773	2,755	3,500	7,011
Label	226	223	233	239	245	242	449	487	959
Plywood	77	75	102	121	150	157	152	307	530
Other operations	21	34	34	52	66	48	55	114	200
Internal sales	-412	-502	-564	-647	-678	-692	-914	-1,370	-2,581
Sales, total	1,841	1,857	2,315	2,358	2,378	2,410	3,698	4,788	9,461
External sales									
Energy	24	49	57	45	20	15	73	35	137
Pulp	10	10	6	17	18	22	20	40	63
Forest and timber	150	152	199	197	240	233	302	473	869
Paper	1,355	1,327	1,701	1,699	1,657	1,704	2,682	3,361	6,761
Label	225	222	233	238	244	241	447	485	956
Plywood	73	72	94	111	139	147	145	286	491
Other operations	4	25	25	51	60	48	29	108	184
External sales, total	1,841	1,857	2,315	2,358	2,378	2,410	3,698	4,788	9,461
Internal sales									
Energy	76	87	84	84	83	90	163	173	341
Pulp	122	129	194	211	229	247	251	476	881
Forest and timber	159	233	220	278	278	275	392	553	1,051
Paper	33	40	49	62	70	69	73	139	250
Label	1	1	-	1	1	1	2	2	3
Plywood	4	3	8	10	11	10	7	21	39
Other operations	17	9	9	1	6	-	26	6	16
Internal sales, total	412	502	564	647	678	692	914	1,370	2,581
EBITDA									
Energy	41	57	76	58	34	39	98	73	207
Pulp	-24	-55	9	38	35	57	-79	92	139
Forest and timber	-15	-15	-52	-4	4	4	-30	8	-48
Paper	247	187	189	271	216	209	434	425	885
Label	18	6	-1	9	15	11	24	26	34
Plywood	-5	-23	-5	3	22	26	-28	48	46
Other operations	-24	-29	-38	3	-13	-9	-53	-22	-57
EBITDA, total	238	128	178	378	313	337	366	650	1,206
Operating profit (loss)									
Energy	36	51	62	49	31	33	87	64	175
Pulp	-60	-122	-76	60	38	67	-182	105	89
Forest and timber	-18	-18	-63	-38	17	25	-36	42	-59
Paper	85	60	-126	-114	60	51	145	111	-129
Label	4	-3	-38	1	8	3	1	11	-26
Plywood	-10	-29	-10	-2	19	21	-39	40	28
Other operations	-29	-34	-35	4	-16	-7	-63	-23	-54
Operating profit (loss), total	8	-95	-286	-40	157	193	-87	350	24
% of sales	0.4	-5.1	-12.4	-1.7	6.6	8.0	-2.4	7.3	0.3
Special items									
Energy	-	-	-	-	-	-	-	-	-
Pulp	-	-29	-59	-	-	-	-29	-	-59
Forest and timber	-8	-10	-2	-33	-	-1	-18	-1	-36
Paper	-10	23	-153	-227	-	1	13	1	-379
Label	-5	-	-28	-	-	-	-5	-	-28
Plywood	-	-1	-	-	3	-	-1	3	3
Other operations	-	-	2	4	-1	5	-	4	10
Special items, total	-23	-17	-240	-256	2	5	-40	7	-489

€m	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q1-Q2/09	Q1-Q2/08	Q1-Q4/08
Operating profit (loss) excl. special items									
Energy	36	51	62	49	31	33	87	64	175
Pulp	-60	-93	-17	60	38	67	-153	105	148
Forest and timber	-10	-8	-61	-5	17	26	-18	43	-23
Paper	95	37	27	113	60	50	132	110	250
Label	9	-3	-10	1	8	3	6	11	2
Plywood	-10	-28	-10	-2	16	21	-38	37	25
Other operations	-29	-34	-37	-	-15	-12	-63	-27	-64
Operating profit (loss) excl. special items, total	31	-78	-46	216	155	188	-47	343	513
% of sales	1.7	-4.2	-2.0	9.2	6.5	7.8	-1.3	7.2	5.4

Changes in property, plant and equipment

€m	Q1-Q2/2009	Q1-Q2/2008	Q1-Q4/2008
Book value at beginning of period	5,688	6,179	6,179
Capital expenditure	109	262	471
Decreases	-11	-6	-24
Depreciation	-358	-356	-748
Impairment charges	-7	-	-182
Impairment reversals	4	-	-
Translation difference and other changes	14	-63	-8
Book value at end of period	5,439	6,007	5,688

Commitments and contingencies

€m	30.06.2009	30.06.2008	31.12.2008
Own commitments			
Mortgages ¹⁾	765	89	787
On behalf of associated companies and joint ventures			
Guarantees for loans	9	10	10
On behalf of others			
Other guarantees	1	3	2
Other own commitments			
Leasing commitments for the next 12 months	20	23	17
Leasing commitments for subsequent periods	58	88	56
Other commitments	65	65	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-Q2/2009	After 30.06.2009
Rebuild of debarking plant, Pietarsaari	October 2010	30	1	3	26
Waste water treatment plant, Blandin	September 2010	19	-	-	19
Power plant rebuild, Schongau	December 2011	12	-	-	12
Efficiency improvement, Chudovo	September 2009	9	-	3	6
Fibre line improvement, Blandin	December 2011	10	3	2	5

Notional amounts of derivative financial instruments

€m	30.06.2009	30.06.2008	31.12.2008
Currency derivatives			
Forward contracts	4,049	6,621	4,598
Options, bought	20	40	-
Options, written	25	45	-
Swaps	522	502	508
Interest rate derivatives			
Forward contracts	2,206	3,511	2,668
Swaps	2,996	2,130	2,833
Other derivatives			
Forward contracts	164	28	172
Options, bought	78	-	-
Options, written	78	-	78
Swaps	6	5	8

This Interim Report is unaudited

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

€m	Q1-Q2/2009	Q1-Q2/2008	Q1-Q4/2008
Sales to associated companies	54	67	138
Purchases from associated companies	229	263	592
Non-current receivables at end of period	2	-	-
Trade and other receivables at end of period	22	29	37
Trade and other payables at end of period	28	22	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

	30.06.2009	31.03.2009	31.12.2008	30.09.2008	30.06.2008	31.03.2008
USD	1.4134	1.3308	1.3917	1.4303	1.5764	1.5812
CAD	1.6275	1.6685	1.6998	1.4961	1.5942	1.6226
JPY	135.51	131.17	126.14	150.47	166.44	157.37
GBP	0.8521	0.9308	0.9525	0.7903	0.7923	0.7958
SEK	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-Kymmene Corporation, Eteläesplanadi 2, P.O.Box 380, FI-00101 Helsinki, tel. +358 204 15 111, fax +358 204 15 110, info@upm-kymmene.com, ir@upm-kymmene.com

www.upm-kymmene.com