



The Biofore Company

UPM

UPM FINANCIAL STATEMENTS RELEASE 2011

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Q4/2011

- Earnings per share excluding special items were EUR 0.16 (0.27), and reported EUR 0.20 (0.28)
- EBITDA was EUR 301 million, 11.2% of sales (318 million, 13.5% of sales)
- Delivery volumes decreased and variable costs remained high
- Operating cash flow continued to be strong at EUR 310 million

Q1-Q4/2011

- Earnings per share excluding special items were EUR 0.93 (0.99), and reported EUR 0.88 (1.08)
- EBITDA was EUR 1,383 million, 13.7% of sales (1,343 million, 15.0% of sales)
- Solid cash flow ensured strong balance sheet after the Myllykoski acquisition
- Board's proposal for dividend per share EUR 0.60 (0.55)

Key figures

	Q4/2011	Q4/2010	Q1-Q4/2011	Q1-Q4/2010
Sales, EURm	2,686	2,357	10,068	8,924
EBITDA, EURm ¹⁾	301	318	1,383	1,343
% of sales	11.2	13.5	13.7	15.0
Operating profit (loss), EURm	131	207	459	755
excluding special items, EURm	147	212	682	731
% of sales	5.5	9.0	6.8	8.2
Profit (loss) before tax, EURm	94	173	417	635
excluding special items, EURm	110	178	572	611
Net profit (loss) for the period, EURm	102	144	457	561
Earnings per share, EUR	0.20	0.28	0.88	1.08
excluding special items, EUR	0.16	0.27	0.93	0.99
Diluted earnings per share, EUR	0.19	0.28	0.87	1.08
Return on equity, %	5.5	8.2	6.3	8.2
excluding special items, %	4.6	8.0	6.7	7.5
Return on capital employed, %	4.1	7.4	4.4	6.6
excluding special items, %	4.6	7.5	5.8	6.4
Operating cash flow per share, EUR	0.59	0.66	1.99	1.89
Shareholders' equity per share at end of period, EUR	14.22	13.64	14.22	13.64
Gearing ratio at end of period, %	48	46	48	46
Net interest-bearing liabilities at end of period, EURm	3,592	3,286	3,592	3,286
Capital employed at end of period, EURm	12,110	11,087	12,110	11,087
Capital expenditure, EURm	116	104	1,179	257
Capital expenditure excluding acquisitions and shares, EURm	116	104	340	252
Personnel at end of period	23,909	21,869	23,909	21,869

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

The market in 2011

The year 2011 began with a momentum of recovery in the global economy. In Europe, the overall growth was picking up but the economic structure for the region remained unbalanced as core nations showed signs of overheating with inflation and some countries continued to struggle with slow growth, high unemployment and external debt. In the U.S., stimulatory fiscal and monetary policies began to take effect but downside risk nevertheless remained. As developed countries struggled to recover, emerging countries continued to drive growth in the rest of the

world. In China, the economy began to move towards consumer-led growth which created inflationary pressure and increased the need to protect the competitiveness of exporters.

In the second half of the year, the uncertainty in the global economy increased regarding the sovereign debt crisis in the Eurozone, monetary and fiscal policy in the U.S. and the struggle to restrain inflation and appreciating currencies in the emerging markets.

The overall growth in the global economy in 2011 was about 4%. The growth was mainly driven by emerging markets

particularly China. However, the economy also began to decelerate in China as a result of tighter monetary policy and declining export growth.

The Euro strengthened against the US dollar during the first half of the year before dropping off and finishing the year about 3% below where it had started, which began to improve the competitiveness of European exporters.

The year 2011 was characterised by high cost increases for all main raw materials. Prices for all main commodities and raw materials, such as fibre, chemicals, oil and gas increased compared with 2010. Raw material market prices peaked during the third quarter of 2011 and started to decrease gradually towards the end of the year.

In Finland, demand for wood raw material remained clearly lower compared with the previous year. Market prices for pulpwood and logs increased and continued to remain above long term average prices. In Central Europe, wood market prices increased due to higher demand and increased energy wood competition.

Global chemical pulp shipments increased by 4% compared with the previous year. The increase in demand was mainly attributed to China as shipments to Europe, North America and Latin America decreased in comparison with the previous year. Monthly demand fluctuated strongly.

Global chemical pulp market prices decreased compared with 2010. In the first half of the year, market prices rose, reaching a record high in June. As a result of weakening market conditions, market prices started to decrease rapidly in the second half of 2011.

Global recovered fibre demand grew in the first half of the year and prices increased to new record high levels in the summer of 2011. In the second half of the year, recovered fibre demand declined due to the weakening global economy and prices consequently decreased.

Global advertising expenditure is estimated to have grown by almost 4% from 2010. Internet media continued to grow throughout the year and contributed to positive developments in total advertising expenditure. The role of print media as an advertising medium remained stable.

Graphic papers demand declined by 4% in Europe and by 6% in North America. In Asia, paper demand grew by 2% even though the Chinese economy was also affected by the weakening global economy.

In Europe, publication paper prices increased by approximately 13% from 2010. Fine paper prices increased by 3% compared to the full year of 2010.

In North America, market prices for magazine papers were 12% higher than in 2010. In Asia, market prices for fine papers increased during the first half of 2011 but decreased in the second half of the year.

Consumer-driven label material market is growing globally. Growth in the retail sector was mainly driven by increasing consumer goods demand in the emerging markets of Asia, South America and Africa. In the western markets, consumer spending increased slightly as consumers remained relatively price sensitive due to uncertainties in the economy. However, in addition to growth in the new markets, global retailers expanded their oper-

ations through comprehensive multi-channel strategies both in developed and emerging markets.

In Europe, construction activity remained low throughout the year 2011, which had an impact on the demand for wood-based material. Building permits and new housing starts remained flat and clearly below the long term average level.

Results

Q4 of 2011 compared with Q4 of 2010

Sales for the fourth quarter of 2011 were EUR 2,686 million, 14% higher than the EUR 2,357 million in the fourth quarter of 2010. Sales increased mainly due to the inclusion of the acquired Myllykoski Corporation and Rhein Papier GmbH, as of 1 August 2011. In addition, sales prices increased, particularly in Paper.

EBITDA decreased to EUR 301 million, 11.2% of sales, from EUR 318 million, 13.5% of sales in the same period last year.

Sales prices increased in Paper, Label and Plywood, but decreased in Pulp, sawn timber and Energy. Higher sales prices improved EBITDA by approximately EUR 68 million. This was not enough to fully offset the noticeably higher variable costs. Energy and fibre costs were close to the same level as in the comparison period, but many other variable costs, such as chemicals and coating materials, were clearly higher.

Delivery volumes decreased from last year in most of UPM's businesses on a comparable basis, excluding the impact of the acquired Myllykoski Corporation and Rhein Papier.

Fixed costs were approximately EUR 9 million higher than last year, excluding the impact of the acquisition of Myllykoski Corporation and Rhein Papier.

Operating profit was EUR 131 million, 4.9% of sales (207 million, 8.8% of sales). Operating profit includes net charges of EUR 16 million as special items, mainly related to restructuring measures in Paper.

The operating profit excluding special items was EUR 147 million, 5.5% of sales (212 million, 9.0% of sales).

The increase in the fair value of biological assets net of wood harvested was EUR 49 million compared with EUR 85 million a year before.

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

Profit before tax was EUR 94 million (173 million), and excluding special items it was EUR 110 million (178 million). Interest and other finance costs net were EUR 29 million (36 million). Exchange rate and fair value gains and losses resulted into a loss of EUR 13 million (gain of EUR 2 million).

Income taxes were EUR 8 million positive (29 million negative). The impact on taxes from special items was EUR 33 million positive (9 million positive). This also includes a EUR 30 million decrease in deferred tax liabilities relating to the change in corporate tax rate in Finland.

Profit for the fourth quarter was EUR 102 million (144 million) and earnings per share were EUR 0.20 (0.28). Earnings per share excluding special items were EUR 0.16 (0.27).

2011 compared with 2010

Sales for 2011 were EUR 10,068 million, 13% higher than the EUR 8,924 million in 2010. Sales increased mainly due to higher sales prices in Paper, Label and Plywood, and the inclusion of the acquired Myllykoski Corporation and Rhein Papier GmbH, as of 1 August 2011.

EBITDA was EUR 1,383 million, 13.7% of sales (1,343 million, 15.0% of sales).

Sales prices increased in Paper, Label and Plywood, offsetting the negative impact of noticeably higher variable costs. Higher sales prices improved EBITDA by approximately EUR 475 million.

Variable costs were clearly higher than last year. The costs of wood and recovered paper increased by about EUR 177 million compared with last year. Costs of chemicals and coating materials increased noticeably. Costs of energy increased by about EUR 42 million. Other variable costs also increased.

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

Fixed costs were approximately EUR 62 million higher than last year, excluding the impact of the acquisition of Myllykoski Corporation and Rhein Papier.

Operating profit was EUR 459 million, 4.6% of sales (755 million, 8.5% of sales). In total, operating profit includes net charges of EUR 223 million as special items. The special income of EUR 86 million in Energy relates to the associated company Pohjolan Voima Oy's sale of Fingrid Oyj shares. In Paper, the special items of EUR 299 million comprise a one-off gain of EUR 28 million, transaction and other costs of EUR 29 million related to the acquisition of Myllykoski Corporation and Rhein Papier GmbH, and net charges of EUR 230 million relating mainly to the closures of the Myllykoski and Albrück mills, and write-offs of EUR 68 million from non-current assets. In other businesses, special items totalled net charges of EUR 10 million.

The operating profit excluding special items was EUR 682 million, 6.8% of sales (731 million, 8.2% of sales).

The increase in the fair value of biological assets net of wood harvested was EUR 64 million compared with EUR 149 million a year before.

The share of results of associated companies and joint ventures was EUR 82 million (8 million). This includes a special income of EUR 86 million, derived from Pohjolan Voima Oy's sale of Fingrid Oyj shares in the second quarter.

Profit before tax was EUR 417 million (635 million) and excluding special items EUR 572 million (611 million). Profit before tax includes a capital gain of EUR 68 million as a special item from the sale of 6.7% of Metsä-Botnia shares in the second quarter. Interest and other finance costs net were EUR 80 million (117 million). This includes dividend income of EUR 25 million from Metsä-Botnia in the first quarter. Exchange rate and fair value gains and losses resulted in a loss of EUR 33 million (loss of EUR 4 million).

Income taxes were EUR 40 million positive (74 million negative). The impact on taxes from special items was EUR 125 million positive (21 million positive). This also includes a EUR 30 million decrease in deferred tax liabilities in the fourth quarter, relating to the change in corporate tax rate in Finland.

Profit for the period was EUR 457 million (561 million) and earnings per share were EUR 0.88 (1.08). Earnings per share excluding special items were EUR 0.93 (0.99). Operating cash flow per share was EUR 1.99 (1.89).

Financing

In 2011, cash flow from operating activities before capital expenditure and financing was EUR 1,041 million (982 million). Net working capital increased by EUR 73 million (increased by EUR 139 million).

The gearing ratio as of 31 December 2011 was 48% (46%). Net interest-bearing liabilities at the end of the period came to EUR 3,592 million (3,286 million).

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

On 31 December 2011, UPM's cash funds and unused committed credit facilities totalled EUR 1.9 billion.

Personnel

In 2011, UPM had an average of 23,067 employees (22,689). At the beginning of the year, the number of employees was 21,869 and at the end of the year it was 23,909. The increase in the number of employees is mainly attributable to the acquisition of Myllykoski Corporation and Rhein Papier GmbH.

Capital expenditure and divestments

In 2011, capital expenditure was EUR 1,179 million, 11.7% of sales (EUR 257 million, 2.9% of sales) and, excluding acquisitions and share purchases, EUR 340 million, 3.4% of sales (EUR 252 million, 2.8% of sales). Operational capital expenditure totalled EUR 237 million (186 million).

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

In May, UPM acquired Gumtac, the Brazilian labelstock coating and slitting business of the BIC Group.

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

In July, UPM sold its Russian logging company ZAO Tikhvinsky Kompleksny Lespromkhoz to International Paper.

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

In December, UPM signed a contract to sell its RFID business to SMARTRAC for an indirect 10.6% ownership in SMARTRAC. The closing of the deal is expected to take place during the first quarter of 2012.

Acquisition of Myllykoski and Rhein Papier

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

Myllykoski Corporation and Rhein Papier GmbH consisted of six publication paper mills in Germany and Finland. The total annual paper production capacity was 2.6 million tonnes. In addition, a 50% share of the Madison Paper publication paper mill in the United States and a 0.8% share of the Finnish energy company Pohjolan Voima Oy were included in the acquisition. On 23 September, UPM completed the acquisition of M-real Corporation's 35% holding in Myllykoski Paper Oy.

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

If the transaction had occurred on 1 January 2011, UPM's sales would have been EUR 10,848 million for 2011 and operating profit would have been EUR 451 million (excluding special items EUR 674 million). Profit for the period would have been EUR 439 million.

Group - Pro forma key figures

EURm	Reported 1-12/2011	Pro forma adjustments	Pro forma 1-12/2011
Sales	10,068	780	10,848
EBITDA	1,383	40	1,423
Operating profit	459	-8	451
excluding special items	682	-8	674
Profit before tax	417	-25	392
excluding special items	572	-25	547
Profit for the period	457	-18	439

Paper Business Area - Pro forma key figures

EURm	Reported 1-12/2011	Pro forma adjustments	Pro forma 1-12/2011
Sales	7,184	780	7,964
EBITDA	517	40	557
Operating profit	-315	-8	-323
excluding special items	-16	-8	-24
Paper deliveries, 1,000 t	10,615	1,261	11,876

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

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

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

After concluding negotiations with the employees, Myllykoski paper mill in Finland (annual production capacity 600,000 tonnes of magazine papers) was closed down on 9 December 2011 and paper machine 3 at Ettringen paper mill in Germany (annual production capacity 110,000 tonnes of newsprint) was closed down on 14 December 2011. In January 2012 it was announced that the Albruck mill in Germany (annual production capacity 320,000 tonnes of magazine papers) would be closed by the end of January 2012. The Albruck decision finalised the paper capacity closure plans.

Sale or other exit is planned for the Stracel paper mill in France (annual production capacity 280,000 tonnes of magazine papers). The sales process is expected to be completed within twelve months of the initial announcement.

The completion of the measures is estimated to reduce the number of employees by approximately 1,170. Based on the plan, UPM booked a EUR 68 million write-off in fixed assets and costs of EUR 230 million in the third and fourth quarters 2011. Net cash impact from the restructuring amounts to approximately EUR 225 million. Annual cost synergies of the Myllykoski acquisition including the announced actions are estimated to total approximately EUR 200 million.

BUSINESS AREA REVIEWS

Energy

	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q4/11	Q1-Q4/10
Sales, EURm	112	104	108	128	153	124	116	174	452	567
EBITDA, EURm ¹⁾	66	40	38	60	70	48	39	79	204	236
% of sales	58.9	38.5	35.2	46.9	45.8	38.7	33.6	45.4	45.1	41.6
Share of results of associated companies and joint ventures, EURm	-5	-	81	1	-	-3	6	4	77	7
Depreciation, amortisation and impairment charges, EURm	-	-1	-1	-1	-2	-1	-1	-2	-3	-6
Operating profit, EURm	61	39	118	60	68	44	44	81	278	237
% of sales	54.5	37.5	109.3	46.9	44.4	35.5	37.9	46.6	61.5	41.8
Special items, EURm ²⁾	-	-	86	-	-	-	-	-	86	-
Operating profit excl. special items, EURm	61	39	32	60	68	44	44	81	192	237
% of sales	54.5	37.5	29.6	46.9	44.4	35.5	37.9	46.6	42.5	41.8
Electricity deliveries, GWh	2,322	2,057	2,178	2,354	2,436	2,276	2,303	2,411	8,911	9,426
Capital employed (average), EURm									956	882
ROCE (excl. special items), %									20.1	26.9

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

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

Q4 of 2011 compared with Q4 of 2010

Operating profit excluding special items was EUR 61 million, EUR 7 million lower than last year (68 million). Sales decreased by 27% to EUR 112 million (153 million). External sales were EUR 52 million (71 million). The electricity sales volume was 2,322 GWh in this quarter (2,436 GWh).

Operating profit excluding special items decreased compared with last year, mainly due to lower sales prices. The average electricity sales price decreased by 13% to EUR 45.1/MWh (52.1/MWh).

2011 compared with 2010

Operating profit excluding special items was EUR 192 million, EUR 45 million lower than last year (237 million). Sales decreased by 20% to EUR 452 million (567 million). External sales were EUR 177 million (231 million). The electricity sales volume was 8,911 GWh (9,426 GWh).

Operating profit excluding special items decreased compared with the same period last year, mainly due to the lower sales price and condensing power generation. The average electricity sales price decreased by 6% to EUR 46.2/MWh (48.9/MWh).

Market review

The average electricity spot price on the Nordic electricity exchange in 2011 was EUR 47.0/MWh, about 11% lower than in the same period last year (53.1/MWh).

Oil and coal market prices increased compared with the last year. During 2011, oil market prices increased from about USD 93/barrel to about USD 127/ barrel. The CO₂ emission allowance price was EUR 7.2/t on 31 December, 49% lower than on the same date last year (14.2/t).

The front year forward price in the Nordic electricity exchange was EUR 41.5/MWh at the end of 2011, 32% lower than on the same date last year (61.4/MWh).

The total Nordic hydrological balance improved towards the end of the period due to extremely rainy weather in Norway and Sweden, and was about 15% above the long term average at the end of the period. However, the Finnish hydrological balance remained 8% below long term average.

Pulp

	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q4/11	Q1-Q4/10
Sales, EURm	349	396	446	457	413	489	455	341	1,648	1,698
EBITDA, EURm ¹⁾	60	122	177	195	165	239	199	120	554	723
% of sales	17.2	30.8	39.7	42.7	40.0	48.9	43.7	35.2	33.6	42.6
Change in fair value of biological assets and wood harvested, EURm	7	-1	-	1	4	-2	-	-	7	2
Share of results of associated companies and joint ventures, EURm	1	-	-	-	-	-	-	-	1	-
Depreciation, amortisation and impairment charges, EURm	-32	-37	-34	-36	-37	-38	-37	-36	-139	-148
Operating profit, EURm	36	84	143	160	132	199	163	83	423	577
% of sales	10.3	21.2	32.1	35.0	32.0	40.7	35.8	24.3	25.7	34.0
Special items, EURm	-	-	-	-	-	-	1	-1	-	-
Operating profit excl. special items, EURm	36	84	143	160	132	199	162	84	423	577
% of sales	10.3	21.2	32.1	35.0	32.0	40.7	35.6	24.6	25.7	34.0
Pulp deliveries, 1,000 t	720	722	770	780	699	752	768	700	2,992	2,919
Capital employed (average), EURm									2,396	2,473
ROCE (excl. special items), %									17.7	23.3

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.

Q4 of 2011 compared with Q4 of 2010

Operating profit excluding special items was EUR 36 million, EUR 96 million lower than last year (132 million). Sales decreased by 15% to EUR 349 million (413 million). Deliveries were 720,000 tonnes (699,000).

Operating profit excluding special items decreased in comparison with last year due to the lower pulp sales prices. Also variable cost were higher than last year.

2011 compared with 2010

Operating profit excluding special items was EUR 423 million, EUR 154 million lower than last year (577 million). Sales decreased by 3% to EUR 1,648 million (1,698 million). Deliveries increased by 3% to 2,992,000 tonnes (2,919,000).

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

Market review

In 2011, global chemical pulp market prices decreased in comparison to 2010. In the first half of the year, USD-dominated market prices rose, reaching a record high in June. As a result of weakening market conditions, market prices started to decrease rapidly in the second half of 2011.

The average softwood pulp (NBSK) market price in terms of euro, at EUR 689/tonne, was 2% lower than last year (EUR 704/tonne). At the end of the year, the NBSK market price was EUR 639/tonne (EUR 724/tonne).

The average hardwood pulp (BHKP) market price in terms of euro was EUR 581/tonne, which was 9% lower than last year (EUR 639/tonne). At the end of the year, the BHKP market price was EUR 499/tonne (EUR 648/tonne).

Global chemical pulp shipments increased by 4% from the previous year. This increase in shipments was mainly attributed to China, where shipments grew 30% from 2010. Shipments to Europe, North America and Latin America decreased in comparison with the previous year. Market pulp producer inventories increased.

Forest and Timber

	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q4/11	Q1-Q4/10
Sales, EURm	414	403	440	394	402	387	393	339	1,651	1,521
EBITDA, EURm ¹⁾	-8	4	11	5	5	18	26	3	12	52
% of sales	-1.9	1.0	2.5	1.3	1.2	4.7	6.6	0.9	0.7	3.4
Change in fair value of biological assets and wood harvested, EURm	42	2	11	2	81	16	31	19	57	147
Share of results of associated companies and joint ventures, EURm	1	-	1	-	-1	2	1	1	2	3
Depreciation, amortisation and impairment charges, EURm	-6	-5	-5	-5	-6	-5	-6	-4	-21	-21
Operating profit, EURm	28	2	20	2	79	68	52	19	52	218
% of sales	6.8	0.5	4.5	0.5	19.7	17.6	13.2	5.6	3.1	14.3
Special items, EURm ²⁾	-1	1	2	-	-	37	-	-	2	37
Operating profit excl. special items, EURm	29	1	18	2	79	31	52	19	50	181
% of sales	7.0	0.2	4.1	0.5	19.7	8.0	13.2	5.6	3.0	11.9
Sawn timber deliveries, 1,000 m ³	412	422	495	354	426	428	504	371	1,683	1,729
Capital employed (average), EURm									1,812	1,709
ROCE (excl. special items), %									2.8	10.6

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

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

Q4 of 2011 compared with Q4 of 2010

Operating profit excluding special items was EUR 29 million (EUR 79 million). Sales increased by 3% to EUR 414 million (402 million). Sawn timber deliveries were 412,000 cubic metres (426,000).

Operating profit excluding special items decreased from the same period last year, mainly due to a smaller increase in the fair value of biological assets. In sawn timber, average prices decreased from last year.

The increase in the fair value of biological assets (growing trees) net of wood harvested was EUR 42 million (81 million). The increase in the fair value of biological assets was EUR 56 million (97 million). The cost of wood raw material harvested from the Group's own forests was EUR 14 million (16 million).

2011 compared with 2010

Operating profit excluding special items was EUR 50 million (EUR 181 million). Sales increased by 9% to EUR 1,651 million (1,521 million). Sawn timber deliveries decreased by 3% to 1,683,000 cubic metres (1,729,000).

Operating profit excluding special items decreased from the same period last year, mainly due to a smaller increase in the fair value of biological assets. In sawn timber, wood costs were higher, and sales prices decreased from last year.

The increase in the fair value of biological assets (growing trees) net wood harvested was EUR 57 million (147 million). The increase in the fair value of biological assets was EUR 129 million (225 million). The cost of wood raw material harvested from the Group's own forests was EUR 72 million (78 million).

Market review

In Finland, total wood purchases in the Finnish private wood market were 25.3 million cubic metres, which was 24% lower than 2010 (33.2 million) and lower than the long term average. Market activity remained modest in the first half of 2011, increased during the third quarter of the year and slowed down again towards the end of the year.

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

Pulpwood market prices increased by 2-4% and log market prices by 3-8% from the previous year, depending on the species.

Demand for sawn timber in Europe continued to be weak in 2011 due to economic uncertainty and low building activity.

The high supply of sawn timber from Scandinavia continued throughout the year putting pressure on sawn timber market prices, which decreased from 2010.

Paper

	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q4/11	Q1-Q4/10
Sales, EURm	1,976	1,895	1,666	1,647	1,656	1,672	1,540	1,401	7,184	6,269
EBITDA, EURm ¹⁾	150	139	126	102	61	67	72	75	517	275
% of sales	7.6	7.3	7.6	6.2	3.7	4.0	4.7	5.4	7.2	4.4
Share of results of associated companies and joint ventures, EURm	1	1	-	-	1	-	-	-	2	1
Depreciation, amortisation and impairment charges, EURm	-147	-205	-126	-125	-130	-131	-130	-136	-603	-527
Operating profit, EURm	-8	-286	2	-23	-75	-71	-57	-69	-315	-272
% of sales	-0.4	-15.1	0.1	-1.4	-4.5	-4.2	-3.7	-4.9	-4.4	-4.3
Special items, EURm ²⁾	-12	-289	2	-	-7	-7	4	-8	-299	-18
Operating profit excl. special items, EURm	4	3	0	-23	-68	-64	-61	-61	-16	-254
% of sales	0.2	0.2	0.0	-1.4	-4.1	-3.8	-4.0	-4.4	-0.2	-4.1
Deliveries, publication papers, 1,000 t	2,080	1,942	1,563	1,486	1,680	1,633	1,446	1,364	7,071	6,123
Deliveries, fine and speciality papers, 1,000 t	829	855	909	951	913	947	994	937	3,544	3,791
Paper deliveries total, 1,000 t	2,909	2,797	2,472	2,437	2,593	2,580	2,440	2,301	10,615	9,914
Capital employed (average), EURm									5,437	5,465
ROCE (excl. special items), %									-0.3	-4.6

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

²⁾ In the fourth quarter of 2011, special items include restructuring charges of EUR 12 million. In the third quarter of 2011, special items comprise of a one-off gain of EUR 28 million and transaction and other costs of EUR 27 million related to the acquisition of Myllykoski Corporation and Rhein Papier GmbH. In addition, restructuring charges of EUR 290 million were recorded relating to the planned closures of the Myllykoski and Albruck mills and other restructuring measures, including write-offs of EUR 68 million from non-current assets. Special items in the second quarter of 2011 include transaction costs of EUR 2 million related to Myllykoski acquisition, an income of EUR 5 million from a change in UK pension schemes and EUR 1 million of restructuring charges. In the fourth quarter of 2010, special items include transaction costs of EUR 4 million related to Myllykoski acquisition and EUR 3 million of restructuring charges. Special items for the third quarter of 2010, relate to restructuring charges. In 2010, special items in the second quarter include impairment reversals of EUR 3 million. Other special items in the first and second quarter of 2010, include mainly employee-related restructuring charges.

Q4 of 2011 compared with Q4 of 2010

Since August 2011, Myllykoski Corporation and Rhein Papier GmbH operations have been part of the Paper business area.

Operating profit excluding special items was EUR 4 million (loss of EUR 68 million). Sales increased by 19% to EUR 1,976 million (1,656 million). Paper deliveries increased by 12% to 2,909,000 tonnes (2,593,000). Deliveries of publication papers (magazine papers and newsprint) increased by 24%, mainly due to the Myllykoski acquisition. Deliveries of fine and speciality papers decreased by 9%.

Operating profit excluding special items increased from last year, mainly due to higher average sales prices and lower fibre and logistics costs.

The average paper price for all paper deliveries when translated into euro was 6% higher than last year. The average paper price remained at the same level as in the third quarter of 2011.

2011 compared with 2010

Since August 2011, the Myllykoski Corporation and Rhein Papier GmbH have been part of the Paper business area.

Operating loss excluding special items was EUR 16 million (a loss of EUR 254 million). Sales increased by 15% to EUR 7,184 million (6,269 million). Paper deliveries increased by 7% to 10,615,000 tonnes (9,914,000). Deliveries of publication papers (magazine papers and newsprint) increased by 15%, mainly due to the Myllykoski acquisition. Deliveries of fine and speciality papers decreased by 7% from last year.

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

In December, UPM ceased production at the Myllykoski paper mill in Finland and permanently closed paper machine 3 at the UPM Ettringen paper mill.

UPM also announced the plan to permanently close the Albruck mill in Germany. The decision for the closure was reached in January 2012.

Market review

In 2011, demand for publication papers in Europe was approximately 3% lower than last year and for fine papers 4% lower than a year ago. In North America, demand for magazine papers decreased by 7% from last year. In Asia, demand for fine papers grew.

In Europe, publication paper prices in 2011 increased by about 13% and fine paper prices by about 3% in comparison with the previous year.

In North America, the average US dollar price for magazine papers was 12% higher than in 2010. In Asia, market prices for fine papers increased during the first half but decreased in the second half of the year.

Label

	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q4/11	Q1-Q4/10
Sales, EURm	287	292	293	278	276	284	280	260	1,150	1,100
EBITDA, EURm ¹⁾	24	23	27	27	25	33	34	31	101	123
% of sales	8.4	7.9	9.2	9.7	9.1	11.6	12.1	11.9	8.8	11.2
Depreciation, amortisation and impairment charges, EURm	-9	-8	-8	-8	-9	-8	-10	-7	-33	-34
Operating profit, EURm	14	14	21	19	15	25	24	24	68	88
% of sales	4.9	4.8	7.2	6.8	5.4	8.8	8.6	9.2	5.9	8.0
Special items, EURm ²⁾	-1	-1	2	-	-1	1	-	1	-	1
Operating profit excl. special items, EURm	15	15	19	19	16	24	24	23	68	87
% of sales	5.2	5.1	6.5	6.8	5.8	8.5	8.6	8.8	5.9	7.9
Capital employed (average), EURm									486	509
ROCE (excl. special items), %									14.0	17.1

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

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

Q4 of 2011 compared with Q4 of 2010

Operating profit excluding special items was EUR 15 million (16 million). Sales increased by 4% to EUR 287 million (276 million).

Operating profit excluding special items decreased slightly from last year due to higher raw material and fixed costs. Sales prices in local currencies increased in comparison with last year but could not fully offset the negative impact of the cost increase.

2011 compared with 2010

Operating profit excluding special items was EUR 68 million (87 million). Sales increased by 5% to EUR 1,150 million (1,100 million).

Operating profit excluding special items decreased from last year, mainly due to significantly higher raw material costs.

Sales prices of self-adhesive label materials in local currencies increased clearly compared to the previous year but were not

high enough to cover high raw material cost inflation.

In May 2011, UPM completed the acquisition of Gumtac, the Brazilian labelstock coating and slitting business of the BIC Group.

Market review

In the first half of 2011, demand for self-adhesive label materials increased slightly in Europe and North America in comparison with the same period the previous year. In the second half of 2011, demand was more volatile and experienced a decline, especially in Europe.

In the rapidly growing consumer markets of Asia and Latin America, market growth continued throughout the year but at a more moderate pace than in 2010.

The year 2011 was characterised by high cost inflation in all main raw materials. Cost inflation peaked during the third quarter of 2011 and started to decrease gradually towards the end of the year.

Plywood

	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q4/11	Q1-Q4/10
Sales, EURm	88	87	107	94	91	83	97	76	376	347
EBITDA, EURm ¹⁾	6	0	8	4	-1	2	2	-2	18	1
% of sales	6.8	0.0	7.5	4.3	-1.1	2.4	2.1	-2.6	4.8	0.3
Depreciation, amortisation and impairment charges, EURm	-5	-4	-4	-5	-4	-5	-5	-5	-18	-19
Operating profit, EURm	1	-8	1	-1	-5	-4	-1	-7	-7	-17
% of sales	1.1	-9.2	0.9	-1.1	-5.5	-4.8	-1.0	-9.2	-1.9	-4.9
Special items, EURm ²⁾	-	-4	-3	-	-	-1	2	-	-7	1
Operating profit excl. special items, EURm	1	-4	4	-1	-5	-3	-3	-7	0	-18
% of sales	1.1	-4.6	3.7	-1.1	-5.5	-3.6	-3.1	-9.2	0.0	-5.2
Deliveries, plywood, 1,000 m ³	148	155	191	162	160	156	182	140	656	638
Capital employed (average), EURm									253	243
ROCE (excl. special items), %									0.2	-7.4

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

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

Q4 of 2011 compared with Q4 of 2010

Operating profit excluding special items was EUR 1 million (loss of EUR 5 million). Sales decreased by 3% to EUR 88 million (91 million). Plywood deliveries decreased by 8% to 148,000 cubic metres (160,000).

Operating profit excluding special items increased from last year due to higher sales prices and lower fixed costs. This more than offset the negative impact from lower delivery volumes.

2011 compared with 2010

Operating profit excluding special items was EUR 0 million (loss of EUR 18 million). Sales increased by 8% to EUR 376 million (347 million). Plywood deliveries increased by 3% to 656,000 cubic metres (638,000).

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

In May, UPM sold its Lohja veneer mill to the mill's operative management. The annual production capacity of the Lohja veneer mill is about 14,000 cubic metres of birch veneer.

In September, UPM announced a plan to restructure its plywood operations in Finland. UPM Plywood also reorganised its sales network.

Market review

In 2011, plywood demand in Europe increased from last year, although it still remained below the pre-recession level.

Growth in demand in Europe was driven by industrial end uses such as transport. Demand in industrial end uses increased until the end of the third quarter of the year and decreased in the fourth quarter, mainly due to lower construction activity. Demand in the distribution segment increased in the first half of the year but decreased in the second half of the year as economic uncertainty hit the European construction sector.

Plywood market prices increased from last year.

Other operations

	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q4/11	Q1-Q4/10
Sales, EURm	52	58	43	35	42	45	51	40	188	178
EBITDA, EURm ¹⁾	3	3	-15	-14	-7	-23	-19	-18	-23	-67
Share of results of associated companies and joint ventures, EURm	-	-	2	-2	-1	-1	1	-2	-	-3
Depreciation, amortisation and impairment charges, EURm	-2	-4	-2	-3	-2	-2	-3	-3	-11	-10
Operating profit, EURm	-1	-4	-16	-19	-7	-23	-22	-24	-40	-76
Special items, EURm ²⁾	-2	-2	-1	-	3	4	-3	-1	-5	3
Operating profit excl. special items, EURm	1	-2	-15	-19	-10	-27	-19	-23	-35	-79
Capital employed (average), EURm									287	278
ROCE (excl. special items), %									-12.2	-28.4

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

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

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

Q4 of 2011 compared with Q4 of 2010

Excluding special items, operating profit was EUR 1 million (a loss of EUR 10 million). Sales amounted to EUR 52 million (42 million).

2011 compared with 2010

Excluding special items, operating loss was EUR 35 million (loss of EUR 79 million). Sales amounted to EUR 188 million (178 million).

In December, UPM announced a plan to sell its RFID business to SMARTRAC N.V. The deal is expected to be closed during the first quarter of 2012.

Outlook for 2012

Global economic growth is expected to continue in 2012. In Europe, however, the on-going sovereign debt crisis introduces uncertainty to the economic outlook. Economists estimate that the Euro zone will experience a mild recession in the early part of 2012.

In UPM's businesses, market conditions are estimated to have stabilised. While the second half of 2011 was characterised by weakening demand, the demand and price outlook for UPM's products is broadly stable for early 2012 compared with late 2011, taking into account seasonal variations.

Costs are expected to decrease in the early part of 2012 from the fourth quarter of 2011. Raw material market prices started to decrease during the fourth quarter and this is expected to result into slightly lower variable costs in the first quarter of 2012 compared with the fourth quarter of 2011. The cost synergies from the Myllykoski acquisition and the associated restructuring measures will also start to be visible from the first quarter onwards.

Operating profit excluding special items in the first half of 2012 is expected to be at around the same level as in second half of 2011.

Capital expenditure for 2012 is forecast to be around EUR 350 million.

UPM's hydropower generation volume is expected to continue at a relatively good rate in the early part of the year.

UPM's average electricity sales price in Q1/2012 is expected to be about the same as in Q4/2011.

Chemical pulp deliveries in Q1/2012 are expected to increase from the Q4/2011 level. Market prices for chemical pulp are expected to have reached the bottom by the end of 2011. The average price of UPM's pulp deliveries is estimated to be slightly lower in Q1/2012 than in Q4/2011, following the price erosion during Q4.

Weak market conditions are expected to continue in the sawn timber business. UPM is making temporary closures to adjust to the market situation.

Graphic paper demand in Europe in the early part of the year is expected to be somewhat lower than last year. Solid demand is expected to continue in Asia. UPM's paper deliveries are expected to be seasonally somewhat lower in Q1/2012 than in Q4/2011. The average price of UPM's paper deliveries in euros is expected to be at about the same level in Q1/2012 as in Q4/2011. In December 2011 and January 2012, UPM has permanently closed down a total of 1 million tonnes of publication paper production capacity.

Label materials deliveries are expected to be at about the same level in Q1/2012 as in Q4/2011. Sales prices in local currencies are expected to be stable and variable costs are expected to decrease from Q4.

Plywood deliveries are expected to be at about the same level in Q1/2012 as in Q4/2011. Sales prices are expected to be stable from Q4.

Shares

UPM shares worth EUR 8,835 million (8,243 million) in total were traded on the NASDAQ OMX Helsinki stock exchange during 2011. This is estimated to represent about two thirds of all trading volume in UPM shares. The highest quotation was EUR 15.73 in April and the lowest EUR 7.34 in November.

The company's ADSs are traded on the US over-the-counter (OTC) market under a Level 1 sponsored American Depositary Receipt programme.

The Annual General Meeting, held on 7 April 2011, authorised the Board of Directors to acquire no more than 51,000,000 of the company's own shares. This authorisation is valid for 18 months from the date of the decision.

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

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

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

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

Apart from the above, the Board of Directors has no current authorisation to issue shares, convertible bonds or share options.

The number of shares entered in the Trade Register on 31 December 2011 was 524,972,838. Through the issuance authorisation and share options, the number of shares may increase to a maximum of 559,970,088.

In 2011, 300 shares were subscribed for through exercising 2007A share options, and 2,450 shares were subscribed for through exercising 2007B share options.

The listing of 2007B stock options on the NASDAQ OMX Helsinki stock exchange commenced on 3 October 2011.

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

Company directors

At the Annual General Meeting held on 7 April 2011, the following nine members were re-elected to the Board of Directors: Matti Alahuhta, Berndt Brunow, Karl Grotenfelt, Wendy E. Lane, Jussi Pesonen, Ursula Ranin, Veli-Matti Reinikkala, Robert J. Routs and Björn Wahlroos.

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

At the organisation meeting of the Board of Directors, Björn Wahlroos was re-elected as Chairman and Berndt Brunow was re-elected as Deputy Chairman.

In addition, the Board of Directors re-elected from among its members Karl Grotenfelt as Chairman of the Audit Committee and Wendy E. Lane and Veli-Matti Reinikkala as members of the committee. Berndt Brunow was re-elected as Chairman of the Human Resources Committee and Ursula Ranin and Robert J. Routs were re-elected as members. Furthermore, Björn Wahlroos was re-elected as Chairman of the Nomination and Corporate Governance Committee and Matti Alahuhta and Karl Grotenfelt were re-elected as members.

Litigation and other legal actions

In Finland, UPM is participating in the project to construct a new nuclear power plant, Olkiluoto 3, through its associated company Pohjolan Voima Oy. Pohjolan Voima Oy is a majority shareholder of Teollisuuden Voima Oyj ("TVO"), holding 58.47% of the shares. UPM's indirect share of the capacity of Olkiluoto 3 is approximately 30%. The agreed start-up of the power plant was originally scheduled for summer 2009 but the construction of the unit has been delayed. AREVA-Siemens Consortium, which is constructing the Olkiluoto 3 nuclear power plant unit on a fixed-price turnkey contract, has informed TVO that the unit is scheduled to be ready for regular electricity production in August 2014.

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

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

On 31 March 2011, Metsähallitus filed a claim for damages against UPM and two other Finnish forest companies. The claim relates to the Market Court decision of 3 December 2009 whereby the defendants were deemed to have breached competition rules in the roundwood market. Metsähallitus currently claims jointly and severally from the three companies an aggregate capital amount of EUR 159.4 million, of which alterna-

tively and independently from UPM EUR 22.6 million, in maximum as damages it allegedly incurred. In addition to the claims on capital amounts, Metsähallitus also claims for compensation relating to value added tax and interests. In late 2011, fifty-two Finnish municipalities, parishes, certain individuals and companies filed claims for damages, value added tax and interest against UPM and two other Finnish forest companies. The aggregate capital amount of the claims is EUR 44.4 million, of which the claimants claim alternatively and independently from UPM EUR 22.1 million. In addition certain individuals and companies have filed claims for damages, value added tax and interest against UPM and two other Finnish forest companies. The details of these claims are not yet known to UPM. UPM considers all the claims unfounded in their entirety.

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

Events after the balance sheet date

The Group's management is not aware of any significant events occurring after 31 December 2011.

Dividend for 2011

The Board of Directors will propose to the Annual General Meeting, to be held on 30 March 2012, that a dividend of EUR 0.60 per share be paid in respect of the 2011 financial year (EUR 0.55). It is proposed that the dividend be paid on 13 April 2012.

Financial information in 2012

The Annual Report for 2011 will be published on the company's website www.upm.com on 23 February 2012. The printed Annual Report will be available in the week starting on 12 March 2012.

Interim Report January–March 2012: 26 April 2012

Interim Report January–June 2012: 7 August 2012

Interim Report January–September 2012: 25 October 2012

Helsinki, 1 February 2012

UPM-Kymmene Corporation

Board of Directors

FINANCIAL INFORMATION

Consolidated income statement

EURm	Q4/2011	Q4/2010	Q1-Q4/2011	Q1-Q4/2010
Sales	2,686	2,357	10,068	8,924
Other operating income	24	8	86	76
Costs and expenses	-2,425	-2,052	-9,013	-7,637
Change in fair value of biological assets and wood harvested	49	85	64	149
Share of results of associated companies and joint ventures	-2	-1	82	8
Depreciation, amortisation and impairment charges	-201	-190	-828	-765
Operating profit (loss)	131	207	459	755
Gains on available-for-sale investments, net	5	-	71	1
Exchange rate and fair value gains and losses	-13	2	-33	-4
Interest and other finance costs, net	-29	-36	-80	-117
Profit (loss) before tax	94	173	417	635
Income taxes	8	-29	40	-74
Profit (loss) for the period	102	144	457	561
Attributable to:				
Owners of the parent company	102	144	457	561
Non-controlling interests	-	-	-	-
	102	144	457	561
Earnings per share for profit (loss) attributable to owners of the parent company				
Basic earnings per share, EUR	0.20	0.28	0.88	1.08
Diluted earnings per share, EUR	0.19	0.28	0.87	1.08

Consolidated statement of comprehensive income

EURm	Q4/2011	Q4/2010	Q1-Q4/2011	Q1-Q4/2010
Profit (loss) for the period	102	144	457	561
Other comprehensive income for the period, net of tax:				
Translation differences	183	106	112	288
Net investment hedge	-38	-31	-6	-69
Cash flow hedges	-15	-46	22	-70
Available-for-sale investments	-5	8	2	15
Share of other comprehensive income of associated companies	2	6	-	9
Other comprehensive income for the period, net of tax	127	43	130	173
Total comprehensive income for the period	229	187	587	734
Total comprehensive income attributable to:				
Owners of the parent company	229	187	587	734
Non-controlling interests	-	-	-	-
	229	187	587	734

Consolidated balance sheet

EURm	31.12.2011	31.12.2010
ASSETS		
Non-current assets		
Goodwill	1,022	1,022
Other intangible assets	458	424
Property, plant and equipment	6,242	5,860
Investment property	39	22
Biological assets	1,513	1,430
Investments in associated companies and joint ventures	717	573
Available-for-sale investments	260	333
Non-current financial assets	415	323
Deferred tax assets	508	359
Other non-current assets	238	211
	11,412	10,557
Current assets		
Inventories	1,429	1,299
Trade and other receivables	2,003	1,661
Income tax receivables	26	26
Cash and cash equivalents	495	269
	3,953	3,255
Assets classified as held for sale	24	-
Total assets	15,389	13,812
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent company		
Share capital	890	890
Treasury shares	-2	-
Translation differences	161	55
Fair value and other reserves	129	90
Reserve for invested non-restricted equity	1,199	1,145
Retained earnings	5,084	4,913
	7,461	7,093
Non-controlling interests	16	16
Total equity	7,477	7,109
Non-current liabilities		
Deferred tax liabilities	675	629
Retirement benefit obligations	490	424
Provisions	326	150
Interest-bearing liabilities	3,750	3,649
Other liabilities	79	70
	5,320	4,922
Current liabilities		
Current interest-bearing liabilities	883	330
Trade and other payables	1,667	1,417
Income tax payables	38	34
	2,588	1,781
Liabilities related to assets classified as held for sale	4	-
Total liabilities	7,912	6,703
Total equity and liabilities	15,389	13,812

Consolidated statement of changes in equity

EURm	Attributable to owners of the parent company								Non-controlling interests	Total equity
	Share capital	Treasury shares	Translation differences	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Total			
Balance at 1 January 2010	890	–	–164	141	1,145	4,574	6,586	16	6,602	
Profit (loss) for the period	–	–	–	–	–	561	561	–	561	
Translation differences	–	–	288	–	–	–	288	–	288	
Net investment hedge, net of tax	–	–	–69	–	–	–	–69	–	–69	
Cash flow hedges, net of tax	–	–	–	–70	–	–	–70	–	–70	
Available-for-sale investments	–	–	–	15	–	–	15	–	15	
Share of other comprehensive income of associated companies	–	–	–	–	–	9	9	–	9	
Total comprehensive income for the period	–	–	219	–55	–	570	734	–	734	
Share-based compensation, net of tax	–	–	–	8	–	3	11	–	11	
Dividend paid	–	–	–	–	–	–234	–234	–	–234	
Other items	–	–	–	–4	–	–	–4	–	–4	
Total transactions with owners for the period	–	–	–	4	–	–231	–227	–	–227	
Balance at 31 December 2010	890	–	55	90	1,145	4,913	7,093	16	7,109	
Balance at 1 January 2011	890	–	55	90	1,145	4,913	7,093	16	7,109	
Profit (loss) for the period	–	–	–	–	–	457	457	–	457	
Translation differences	–	–	112	–	–	–	112	–	112	
Net investment hedge, net of tax	–	–	–6	–	–	–	–6	–	–6	
Cash flow hedges, net of tax	–	–	–	22	–	–	22	–	22	
Available-for-sale investments	–	–	–	2	–	–	2	–	2	
Share of other comprehensive income of associated companies	–	–	–	–	–	–	–	–	–	
Total comprehensive income for the period	–	–	106	24	–	457	587	–	587	
Share issue	–	–2	–	–	54	–	52	–	52	
Share-based compensation, net of tax	–	–	–	16	–	–3	13	–	13	
Dividend paid	–	–	–	–	–	–286	–286	–	–286	
Other items	–	–	–	–1	–	3	2	–	2	
Total transactions with owners for the period	–	–2	–	15	54	–286	–219	–	–219	
Balance at 31 December 2011	890	–2	161	129	1,199	5,084	7,461	16	7,477	

Consolidated cash flow statement

EURm	2011	2010
Cash flow from operating activities		
Profit (loss) for the period	457	561
Adjustments to profit (loss) for the period	792	740
Interest received	7	4
Interest paid	-72	-92
Dividends received	37	1
Other financial items, net	-13	-16
Income taxes paid	-94	-77
Change in working capital	-73	-139
Net cash generated from operating activities	1,041	982
Cash flow from investing activities		
Capital expenditure	-286	-241
Acquisition of subsidiaries, net of cash acquired	-17	-
Acquisition of shares in associated companies	-1	-4
Proceeds from sale of tangible and intangible assets	32	55
Proceeds from disposal of subsidiaries	3	-
Proceeds from disposal of shares in associated companies	1	-
Proceeds from disposal of available-for-sale investments	141	1
Increase in non-current receivables	-4	-6
Net cash used in investing activities	-131	-195
Cash flow from financing activities		
Proceeds from non-current liabilities	801	167
Payments of non-current liabilities	-1,149	-855
Payments of current liabilities, net	-7	-23
Dividends paid	-286	-234
Other financing cash flow	-30	-21
Net cash used in financing activities	-671	-966
Change in cash and cash equivalents	239	-179
Cash and cash equivalents at beginning of year	269	438
Foreign exchange effect on cash and cash equivalents	-13	10
Change in cash and cash equivalents	239	-179
Cash and cash equivalents at end of year	495	269

Quarterly information

EURm	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q4/11	Q1-Q4/10
Sales	2,686	2,603	2,423	2,356	2,357	2,312	2,216	2,039	10,068	8,924
Other operating income	24	27	15	20	8	42	17	9	86	76
Costs and expenses	-2,425	-2,527	-2,064	-1,997	-2,052	-1,938	-1,877	-1,770	-9,013	-7,637
Change in fair value of biological assets and wood harvested	49	1	11	3	85	14	31	19	64	149
Share of results of associated companies and joint ventures	-2	1	84	-1	-1	-2	8	3	82	8
Depreciation, amortisation and impairment charges	-201	-264	-180	-183	-190	-190	-192	-193	-828	-765
Operating profit (loss)	131	-159	289	198	207	238	203	107	459	755
Gains on available-for-sale investments, net	5	-2	68	-	-	-	1	-	71	1
Exchange rate and fair value gains and losses	-13	-4	-14	-2	2	-11	4	1	-33	-4
Interest and other finance costs, net	-29	-23	-27	-1	-36	-28	-27	-26	-80	-117
Profit (loss) before tax	94	-188	316	195	173	199	181	82	417	635
Income taxes	8	79	-21	-26	-29	-21	-12	-12	40	-74
Profit (loss) for the period	102	-109	295	169	144	178	169	70	457	561
Attributable to:										
Owners of the parent company	102	-109	295	169	144	178	169	70	457	561
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
	102	-109	295	169	144	178	169	70	457	561
Basic earnings per share, EUR	0.20	-0.21	0.56	0.33	0.28	0.34	0.33	0.13	0.88	1.08
Diluted earnings per share, EUR	0.19	-0.21	0.57	0.32	0.28	0.34	0.33	0.13	0.87	1.08
Earnings per share, excluding special items, EUR	0.16	0.19	0.26	0.32	0.27	0.28	0.29	0.15	0.93	0.99
Average number of shares basic (1,000)	524,790	523,128	519,970	519,970	519,970	519,970	519,970	519,970	521,965	519,970
Average number of shares diluted (1,000)	526,154	523,184	523,080	523,182	522,193	521,742	521,333	520,018	523,900	521,321
Special items in operating profit (loss)	-16	-295	88	-	-5	34	4	-9	-223	24
Operating profit (loss), excl. special items	147	136	201	198	212	204	199	116	682	731
% of sales	5.5	5.2	8.3	8.4	9.0	8.8	9.0	5.7	6.8	8.2
Special items in financial items	-	-	68	-	-	-	-	-	68	-
Special items before tax	-16	-295	156	-	-5	34	4	-9	-155	24
Profit (loss) before tax, excl. special items	110	107	160	195	178	165	177	91	572	611
% of sales	4.1	4.1	6.6	8.3	7.6	7.1	8.0	4.5	5.7	6.8
Impact on taxes from special items	33	84	5	3	9	-5	14	3	125	21
Return on equity, excl. special items, %	4.6	5.6	7.4	9.3	8.0	8.6	8.9	4.6	6.7	7.5
Return on capital employed, excl. special items, %	4.6	4.6	6.6	7.8	7.5	6.8	7.3	4.3	5.8	6.4
EBITDA	301	331	372	379	318	384	353	288	1,383	1,343
% of sales	11.2	12.7	15.4	16.1	13.5	16.6	15.9	14.1	13.7	15.0
Share of results of associated companies and joint ventures										
Energy	-5	-	81	1	-	-3	6	4	77	7
Pulp	1	-	-	-	-	-	-	-	1	-
Forest and Timber	1	-	1	-	-1	2	1	1	2	3
Paper	1	1	-	-	1	-	-	-	2	1
Other operations	-	-	2	-2	-1	-1	1	-2	-	-3
Total	-2	1	84	-1	-1	-2	8	3	82	8

Deliveries

	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q4/11	Q1-Q4/10
Electricity, GWh	2,322	2,057	2,178	2,354	2,436	2,276	2,303	2,411	8,911	9,426
Pulp, 1,000 t	720	722	770	780	699	752	768	700	2,992	2,919
Sawn timber, 1,000 m ³	412	422	495	354	426	428	504	371	1,683	1,729
Publication papers, 1,000 t	2,080	1,942	1,563	1,486	1,680	1,633	1,446	1,364	7,071	6,123
Fine and speciality papers, 1,000 t	829	855	909	951	913	947	994	937	3,544	3,791
Paper deliveries total, 1,000 t	2,909	2,797	2,472	2,437	2,593	2,580	2,440	2,301	10,615	9,914
Plywood, 1,000 m ³	148	155	191	162	160	156	182	140	656	638

Quarterly segment information

EURm	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q4/11	Q1-Q4/10
Sales										
Energy	112	104	108	128	153	124	116	174	452	567
Pulp	349	396	446	457	413	489	455	341	1,648	1,698
Forest and Timber	414	403	440	394	402	387	393	339	1,651	1,521
Paper	1,976	1,895	1,666	1,647	1,656	1,672	1,540	1,401	7,184	6,269
Label	287	292	293	278	276	284	280	260	1,150	1,100
Plywood	88	87	107	94	91	83	97	76	376	347
Other operations	52	58	43	35	42	45	51	40	188	178
Internal sales	-592	-632	-680	-677	-676	-772	-716	-592	-2,581	-2,756
Sales, total	2,686	2,603	2,423	2,356	2,357	2,312	2,216	2,039	10,068	8,924
EBITDA										
Energy	66	40	38	60	70	48	39	79	204	236
Pulp	60	122	177	195	165	239	199	120	554	723
Forest and Timber	-8	4	11	5	5	18	26	3	12	52
Paper	150	139	126	102	61	67	72	75	517	275
Label	24	23	27	27	25	33	34	31	101	123
Plywood	6	-	8	4	-1	2	2	-2	18	1
Other operations	3	3	-15	-14	-7	-23	-19	-18	-23	-67
EBITDA, total	301	331	372	379	318	384	353	288	1,383	1,343
Operating profit (loss)										
Energy	61	39	118	60	68	44	44	81	278	237
Pulp	36	84	143	160	132	199	163	83	423	577
Forest and Timber	28	2	20	2	79	68	52	19	52	218
Paper	-8	-286	2	-23	-75	-71	-57	-69	-315	-272
Label	14	14	21	19	15	25	24	24	68	88
Plywood	1	-8	1	-1	-5	-4	-1	-7	-7	-17
Other operations	-1	-4	-16	-19	-7	-23	-22	-24	-40	-76
Operating profit (loss), total	131	-159	289	198	207	238	203	107	459	755
% of sales	4.9	-6.1	11.9	8.4	8.8	10.3	9.2	5.2	4.6	8.5
Special items in operating profit										
Energy	-	-	86	-	-	-	-	-	86	-
Pulp	-	-	-	-	-	-	1	-1	-	-
Forest and Timber	-1	1	2	-	-	37	-	-	2	37
Paper	-12	-289	2	-	-7	-7	4	-8	-299	-18
Label	-1	-1	2	-	-1	1	-	1	-	1
Plywood	-	-4	-3	-	-	-1	2	-	-7	1
Other operations	-2	-2	-1	-	3	4	-3	-1	-5	3
Special items in operating profit, total	-16	-295	88	-	-5	34	4	-9	-223	24
Operating profit (loss) excl. special items										
Energy	61	39	32	60	68	44	44	81	192	237
Pulp	36	84	143	160	132	199	162	84	423	577
Forest and Timber	29	1	18	2	79	31	52	19	50	181
Paper	4	3	0	-23	-68	-64	-61	-61	-16	-254
Label	15	15	19	19	16	24	24	23	68	87
Plywood	1	-4	4	-1	-5	-3	-3	-7	0	-18
Other operations	1	-2	-15	-19	-10	-27	-19	-23	-35	-79
Operating profit (loss) excl. special items, total	147	136	201	198	212	204	199	116	682	731
% of sales	5.5	5.2	8.3	8.4	9.0	8.8	9.0	5.7	6.8	8.2

EURm	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q1-Q4/11	Q1-Q4/10
External sales										
Energy	52	35	35	55	71	31	35	94	177	231
Pulp	117	123	152	151	103	102	106	86	543	397
Forest and Timber	196	190	214	171	193	181	193	154	771	721
Paper	1,932	1,841	1,605	1,606	1,621	1,636	1,499	1,353	6,984	6,109
Label	287	291	293	278	276	283	280	259	1,149	1,098
Plywood	82	83	102	90	87	79	93	73	357	332
Other operations	20	40	22	5	6	-	10	20	87	36
External sales, total	2,686	2,603	2,423	2,356	2,357	2,312	2,216	2,039	10,068	8,924
Internal sales										
Energy	60	69	73	73	82	93	81	80	275	336
Pulp	232	273	294	306	310	387	349	255	1,105	1,301
Forest and Timber	218	213	226	223	209	206	200	185	880	800
Paper	44	54	61	41	35	36	41	48	200	160
Label	-	1	-	-	-	1	-	1	1	2
Plywood	6	4	5	4	4	4	4	3	19	15
Other operations	32	18	21	30	36	45	41	20	101	142
Internal sales, total	592	632	680	677	676	772	716	592	2,581	2,756

Notes to the consolidated cash flow statement

Adjustments to profit (loss) for the period

EURm	Q1-Q4/2011	Q1-Q4/2010
Change in fair value of biological assets and wood harvested	-64	-149
Share of results of associated companies and joint ventures	-82	-8
Depreciation, amortisation and impairment charges	828	765
Capital gains on sale of non-current assets, net	-81	-52
Gain on bargain purchase	-28	-
Finance costs, net	113	121
Taxes	-40	74
Change in restructuring provisions	177	-36
Other adjustments	-31	25
Total	792	740

Change in working capital

EURm	Q1-Q4/2011	Q1-Q4/2010
Inventories	13	-145
Current receivables	-109	-78
Current non-interest-bearing liabilities	23	84
Total	-73	-139

Business combinations

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

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

If the transaction had occurred on 1 January 2011, UPM's sales for January–December 2011 would have been EUR 10,848 million and profit for the period EUR 439 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the depreciation and amortisation that would have been charged assuming application of fair value adjustments to property, plant and equipment and intangible assets from 1 January 2011, together with the consequential tax effects.

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

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

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

The fair value of EUR 52 million for the 4.8 million shares issued as part of the consideration paid was based on the volume weighted average price of UPM share on NASDAQ OMX Helsinki on 29 July 2011.

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

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

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

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

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

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

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

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

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

Changes in property, plant and equipment

EURm	Q1-Q4/2011	Q1-Q4/2010
Book value at beginning of period	5,860	6,192
Capital expenditure	302	217
Companies acquired	658	-
Decreases	-30	-18
Depreciation	-684	-707
Impairment charges	-64	-
Impairment reversal	-	4
Translation difference and other changes	200	172
Book value at end of period	6,242	5,860

Commitments and contingencies

EURm	31.12.2011	31.12.2010
Own commitments		
Mortgages	709	764
On behalf of associated companies and joint ventures		
Guarantees for loans	6	7
On behalf of others		
Other guarantees	5	2
Other own commitments		
Leasing commitments for the next 12 months	54	28
Leasing commitments for subsequent periods	343	80
Other commitments	87	164

Capital commitments

For 2012, total capital expenditure, excluding acquisitions, is forecast to be about EUR 350 million.

Notional amounts of derivative financial instruments

EURm	31.12.2011	31.12.2010
Currency derivatives		
Forward contracts	4,560	3,993
Options, bought	10	4
Options, written	18	4
Swaps	841	800
Interest rate derivatives		
Forward contracts	3,456	2,442
Swaps	2,315	2,478
Other derivatives		
Forward contracts	278	275

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

EURm	Q1-Q4/2011	Q1-Q4/2010
Sales to associated companies	153	153
Purchases from associated companies	356	341
Non-current receivables at end of period	5	5
Trade and other receivables at end of period	24	17
Trade and other payables at end of period	36	38

Basis of preparation

This unaudited interim report has been prepared in accordance with the accounting policies set out in International Accounting Standard 34 on Interim Financial Reporting and in the Group's Consolidated Financial Statements for 2010.

Calculation of key indicators

Return on equity, %:

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

Return on capital employed, %:

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

Earnings per share:

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

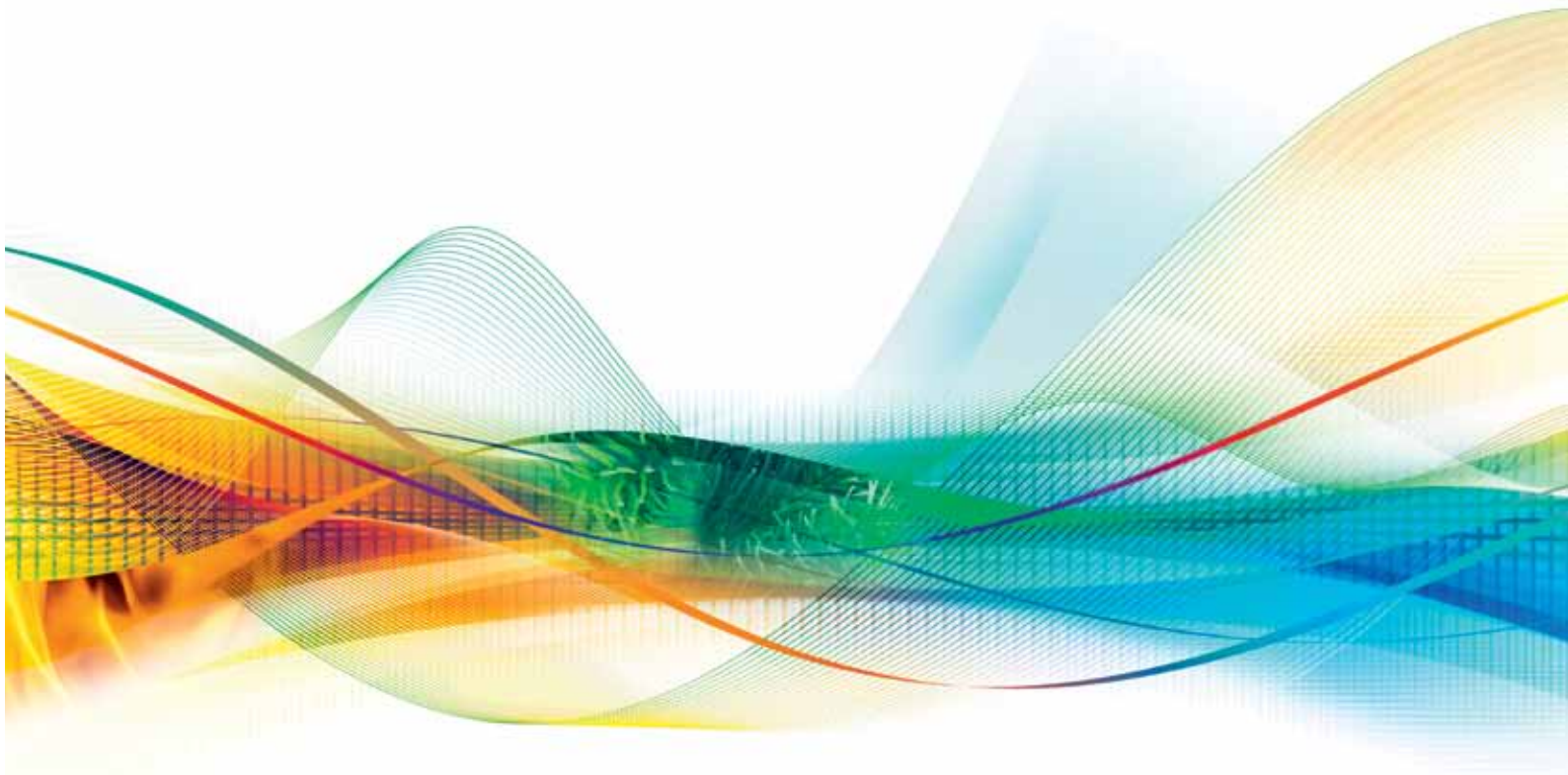
Key exchange rates for the euro at end of period

	31.12.2011	30.9.2011	30.6.2011	31.3.2011	31.12.2010	30.9.2010	30.6.2010	31.3.2010
USD	1.2939	1.3503	1.4453	1.4207	1.3362	1.3648	1.2271	1.3479
CAD	1.3215	1.4105	1.3951	1.3785	1.3322	1.4073	1.2890	1.3687
JPY	100.20	103.79	116.25	117.61	108.65	113.68	108.79	125.93
GBP	0.8353	0.8667	0.9026	0.8837	0.8608	0.8600	0.8175	0.8898
SEK	8.9120	9.2580	9.1739	8.9329	8.9655	9.1421	9.5259	9.7135

It should be noted that certain statements herein, which are not historical facts, including, without limitation, those regarding expectations for market growth and developments; expectations for growth and profitability; and statements preceded by “believes”, “expects”, “anticipates”, “foresees”, or similar expressions, are forward-looking statements. Since these statements are based on current plans, estimates and projections, they involve risks and uncertainties which may cause actual results to materially differ from those expressed in such forward-looking statements. Such factors include, but are not limited to: (1) operating factors such as continued success of manufacturing activities and the achievement of efficiencies therein including the availability and cost of production inputs, continued success of product development, acceptance of new products or services by the Group’s targeted customers, success of the existing and future collaboration arrangements, changes in business strategy or development plans or targets, changes in the degree of protection created by the Group’s patents and other intellectual property rights, the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for the Group’s products and the pricing pressures thereto, financial condition of the customers and the competitors of the Group, the potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in the Group’s principal geographic markets or fluctuations in exchange and interest rates. For more detailed information about risk factors, see pages 86–88 of the company’s annual report 2010.



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



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