The Biofore Company

UPM

Interim report 1 January – 30 September 2012

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Q3/2012

- Earnings per share excluding special items were EUR 0.15 (0.19), and reported EUR 0.06 (-0.21)
- EBITDA was EUR 305 million, 11.8% of sales (331 million, 12.7% of sales)
- EBITDA was affected by temporary production disruptions in Pulp
- Net debt decreased by EUR 246 million to EUR 3,139 million

Q1–Q3/2012

- Earnings per share excluding special items were EUR 0.51 (0.77), and reported EUR 0.45 (0.68)
- EBITDA was EUR 968 million, 12.4% of sales (1,082 million, 14.7% of sales)
- Fixed costs decreased by EUR 59 million, on comparable basis
- Operating cash flow was EUR 662 million (731 million), after restructuring payments of EUR 170 million

Key figures

	Q3/2012	Q3/2011	Q1–Q3/2012	Q1–Q3/2011	Q1–Q4/2011
Sales, EURm	2,578	2,603	7,788	7,382	10,068
EBITDA, EURm [1]	305	331	968	1,082	1,383
% of sales	11.8	12.7	12.4	14.7	13.7
Operating profit (loss), EURm	69	–159	316	328	459
excluding special items, EURm	122	136	391	535	682
% of sales	4.7	5.2	5.0	7.2	6.8
Profit (loss) before tax, EURm	49	–188	291	323	417
excluding special items, EURm	102	107	331	462	572
Net profit (loss) for the period, EURm	33	–109	237	355	457
Earnings per share, EUR	0.06	–0.21	0.45	0.68	0.88
excluding special items, EUR	0.15	0.19	0.51	0.77	0.93
Diluted earnings per share, EUR	0.06	–0.21	0.45	0.68	0.87
Return on equity, %	1.8	neg.	4.2	6.6	6.3
excluding special items, %	4.4	5.6	4.8	7.5	6.7
Return on capital employed, %	2.4	neg.	4.2	4.6	4.4
excluding special items, %	4.3	4.6	4.7	6.3	5.8
Operating cash flow per share, EUR	0.61	0.54	1.26	1.40	1.99
Shareholders' equity per share at end of period, EUR	14.14	13.78	14.14	13.78	14.22
Gearing ratio at end of period, %	42	52	42	52	48
Net interest-bearing liabilities at end of period, EURm	3,139	3,758	3,139	3,758	3,592
Capital employed at end of period, EURm	11,457	11,812	11,457	11,812	12,110
Capital expenditure, EURm	85	903	234	1,063	1,179
Capital expenditure excluding acquisitions and shares, EURm	75	68	224	224	340
Personnel at end of period	22,384	24,235	22,384	24,235	23,909

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

Results

Q3 2012 compared with Q3 2011

Sales for Q3 2012 were EUR 2,578 million, 1% lower than the EUR 2,603 million in Q3 2011. Sales decreased mainly due to a reduction in paper deliveries.

EBITDA was EUR 305 million, 11.8% of sales (331 million, 12.7% of sales).

The main negative earnings driver was lower paper delivery volumes.

Fixed costs were EUR 34 million lower than last year, on a comparable basis.

Variable costs were slightly lower than last year, mainly due to lower fibre and energy costs. Other variable costs, especially logistics costs, were higher than last year.

The net impact of sales prices on UPM's earnings was negative and offset the positive effect of lower variable costs.

Operating profit was EUR 69 million, 2.7% of sales (loss of EUR 159 million, -6.1%). Operating profit excluding special items was EUR 122 million, 4.7% of sales (136 million, 5.2%).

Operating profit included net charges totalling EUR 53 million as special items. In Paper, the planned Stracel mill closure resulted in restructuring charges of EUR 41 million. Other restructuring measures resulted in charges of EUR 4 million in Forest and Timber, EUR 2 million in Paper, EUR 2 million in Label and EUR 4 million in Other operations.

The increase in the fair value of biological assets net of wood harvested was EUR 13 million (1 million).

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

Profit before tax was EUR 49 million (loss of EUR 188 million) and excluding special items EUR 102 million (107 million). Interest and other financing costs net were EUR 26 million (23 million). Exchange rate and fair value gains and losses resulted in an income of EUR 8 million (loss of EUR 4 million).

Income taxes were EUR 16 million (79 million positive). Special items in taxes were EUR 5 million positive (84 million positive).

Profit for Q3 2012 was EUR 33 million (loss of EUR 109 million) and earnings per share were EUR 0.06 (-0.21). Earnings per share excluding special items were EUR 0.15 (0.19).

Q3 2012 compared with Q2 2012

EBITDA was EUR 305 million, 11.8% of sales (316 million, 12.1% of sales).

The average sales price decreased slightly in Paper. The divestment of packaging paper operations was concluded in June 2012.

Pulp business was affected by temporary production disruptions during the quarter.

Delivery volumes were stable in most businesses and decreased in Timber and Plywood seasonally.

Fixed costs decreased from Q2 2012, mainly due to seasonal factors. Variable costs increased slightly.

Operating profit excluding special items was EUR 122 million, 4.7% of sales (118 million, 4.5%).

The increase in the fair value of biological assets net of wood harvested was EUR 13 million (1 million).

The share of results of associated companies and joint ventures, excluding special items, was EUR -1 million (-13 million).

January–September of 2012 compared with January–September 2011

Sales for Q1–Q3 2012 were EUR 7,788 million, 5% higher than the EUR 7,382 million in Q1–Q3 2011. Sales increased mainly due to the Myllykoski acquisition in Paper in August 2011.

EBITDA was EUR 968 million, 12.4% of sales (1,082 million, 14.7% of sales).

The main negative earnings drivers related to paper delivery volumes and decreased chemical pulp prices.

Fixed costs were EUR 59 million lower than last year, on a comparable basis.

Variable costs were slightly lower than last year, mainly due to lower fibre and energy costs. Other variable costs were higher than last year.

The net impact of sales prices on UPM's earnings was slightly negative and offset the positive effect of lower variable costs.

Operating profit was EUR 316 million, 4.1% of sales (328 million, 4.4%). Operating profit excluding special items was EUR 391 million, 5.0% of sales (535 million, 7.2%).

Operating profit included net charges totalling EUR 75 million as special items. In Energy, special items of EUR -6 million relate to an adjustment in UPM's share of the capital gain from the Fingrid sale that was booked in 2011. In Forest and Timber, an impairment charge of EUR 31 million and restructuring charges of EUR 16 million were booked. In Paper, a net gain of EUR 35 million was booked from the sale of the packaging paper operations. The planned Stracel mill closure resulted in restructuring charges of EUR 41 million. Other restructuring measures in Paper resulted in charges of EUR 18 million. In Label, restructuring charges of EUR 2 million were recognised. In Other operations, special items amounted to net income of EUR 4 million.

The increase in the fair value of biological assets net of wood harvested was EUR 13 million (15 million).

The share of results of associated companies and joint ventures was EUR -15 million (84 million) and excluding special items EUR -9 million (-2 million).

Profit before tax was EUR 291 million (323 million) and excluding special items EUR 331 million (462 million). Profit before tax includes a capital gain of EUR 34 million (68 million) from the sale of Metsä Fibre shares. Interest and other financing costs net were EUR 74 million (51 million). Exchange rate and fair value gains and losses resulted in a gain of EUR 13 million (loss of EUR 20 million).

Income taxes were EUR 54 million (32 million positive). Special items in taxes were EUR 8 million positive (92 million positive).

Profit for the period was EUR 237 million (355 million) and earnings per share were EUR 0.45 (0.68). Earnings per share excluding special items were EUR 0.51 (0.77). Operating cash flow per share was EUR 1.26 (1.40).

Financing

In January–September 2012, cash flow from operating activities before capital expenditure and financing totalled EUR 662 million (731 million). Working capital increased by EUR 62 million during the period (increase of EUR 164 million). Cash flow included payments of EUR 170 million related to restructurings, mainly related to Paper business.

The gearing ratio as of 30 September 2012 was 42% (52%). Net interest-bearing liabilities at the end of the period came to EUR 3,139 million (3,758 million).

On 30 September 2012, UPM's cash funds and unused committed credit facilities totalled EUR 1.7 billion.

Personnel

In January–September 2012, UPM had an average of 23,331 employees (22,780). At the beginning of the year the number of employees was 23,909, and at the end of Q3 2012 it was 22,384.

Capital expenditure

During the first nine months of 2012, capital expenditure was EUR 234 million, 3.0% of sales (1,063 million, 14.4% of sales). Capital expenditure excluding acquisitions was EUR 224 million, 2.9% of sales (224 million, 3.0% of sales).

In February 2012, UPM announced that it will invest in a biorefinery, which produces biofuels from crude tall oil in Lappeenranta, Finland. The biorefinery will produce approximately 100,000 tonnes per annum of advanced second generation biodiesel for transport. The biodiesel production is expected to begin in 2014. The total investment will amount to approximately EUR 150 million.

In February 2012, UPM announced that it will build a new combined heat and power plant at the UPM Schongau mill in Germany. The target is to significantly reduce energy costs as well as to secure energy supply. The start-up is planned by the end of 2014. Total investment is approximately EUR 85 million.

In March 2012, UPM began the rebuild of the Pietarsaari pulp mill's effluent treatment plant. The project is expected to be completed at the end of 2013. Total investment is approximately EUR 30 million.

In August 2012, UPM announced that it will grow in the Asian paper and label materials market by building a new woodfree speciality paper machine at the Changshu mill in China. The new paper machine will be capable of producing label papers and uncoated woodfree grades. The total investment cost is CNY 3,000 million (EUR 390 million), and the machine is expected to start up by the end of 2014.

In August 2012, UPM acquired the labelstock business operations in Switzerland from the Gascogne Group. The acquisition supports UPM's growth in special labelstock products in Europe. Gascogne's labelstock operations' sales totalled EUR 44 million in 2011.

Divestments

In March 2012, UPM completed the sale of its RFID business to SMARTRAC N.V. UPM became an indirect shareholder of SMARTRAC with a 10.6% economic interest through the company OEP Technologie B.V., a holding company controlled by One Equity Partners and one of the major shareholders of SMARTRAC.

In April 2012, UPM sold its 11% share in Metsä Fibre Oy (formerly Oy Metsä-Botnia Ab) to Metsäliitto Cooperative for EUR 150 million. UPM reported a one-off gain of EUR 34 million from the transaction in Q2 2012.

In June 2012, UPM concluded the sale of its packaging paper operations at the Pietarsaari and Tervasaari mills to the Swedish paper company Billerud. UPM recorded a net gain of EUR 35 million from the disposed operations comprising the capital gain from the transaction of EUR 51 million and a charge of EUR 16 million related to goodwill allocated to the disposed operations. UPM and Billerud announced the transaction on 1 February 2012. The enterprise value of the transaction was EUR 130 million.

In August 2012, UPM sold the closed Papierfabrik Albbruck GmbH to the German Karl Group. UPM permanently ceased graphic paper production at the mill in January 2012.

On 3 July 2012, UPM announced that VPK Packaging Group NV and Klingele Papier-werke had made an offer for the acquisition of assets and part of the land at the UPM Stracel paper mill site in Strasbourg, France. The offer is subject to finalisation of a review by the bank mandated for the financing.

VPK and Klingele plan to convert the Stracel mill into a recycled fibre-based containerboard unit, producing fluting and test liner. The new converted mill would create 140 jobs.

In addition, this transaction is subject to completion of the employee information and consultation process on the planned closure of the Stracel mill (annual production capacity 280,000 tonnes of magazine papers) and the social plan implemented by UPM. This process is expected to be completed during the second half of 2012. In Q3 2012, UPM booked charges of EUR 41million for the restructuring.

Restructuring of the sawn timber and further processing operations

In June 2012, UPM decided to restructure its sawn timber and further processing operations in Finland and to renew its business strategy in the Timber and Living businesses.

In September, UPM sold its Kajaani sawmill to Pölkky Oy. UPM's Aureskoski and Heinola further processing mills will be closed down by the end of 2012, resulting in a personnel reduction of 97 employees.

The restructuring includes also the common sales and management staff functions, reducing staff function jobs by 42.

As part of the clarification of the Timber business strategy, UPM will assess the operational preconditions and role of the Pestovo sawmill and planing mill in Russia by the end of 2012.

In Q2 2012, UPM booked impairment charges of EUR 31 million and made a EUR 12 million provision for restructuring costs.

Myllykoski acquisition synergies

On 1 August 2011, UPM completed the acquisition of Myllykoski Corporation and Rhein Papier GmbH. On 31 August 2011, UPM announced a plan to adjust its magazine paper production capacity and realise cost synergies from the acquisition.

The annual cost synergies of the Myllykoski acquisition including the restructuring measures are estimated to total approximately EUR 200 million from 2013 onwards. About 60% of the total synergies are expected to come from fixed costs and 40% from variable costs.

The realisation of the synergies has proceeded according to the original plan. During the first nine months of 2012, synergy benefits reduced Paper business' costs by about EUR 120 million. The full cost synergies of EUR 200 million are expected to be visible in 2013.

At the end of September 2012, the measures taken so far had reduced Paper Business Group's number of employees by approximately 1,100.

The total planned permanent capacity removal is 1.2 million tonnes of magazine papers and 110,000 tonnes of newsprint. The Myllykoski paper mill in Finland (annual production capacity 600,000 tonnes of magazine papers) and paper machine 3 at the Ettringen paper mill in Germany (annual production capacity 110,000 tonnes of newsprint) were closed in December 2011. The Albbruck mill in Germany (annual production capacity 320,000 tonnes of magazine papers) was closed in January 2012.

In August 2012, UPM sold the closed Papierfabrik Albbruck GmbH to the German Karl Group.

Business area reviews

Energy

	Q3/12	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q1–Q3/12	Q1–Q3/11	Q1–Q4/11
Sales, EURm	119	99	140	112	104	108	128	358	340	452
EBITDA, EURm [1]	54	45	64	66	40	38	60	163	138	204
% of sales	45.4	45.5	45.7	58.9	38.5	35.2	46.9	45.5	40.6	45.1
Share of results of associated companies and joint ventures, EURm	–2	–14	–1	–5	–	81	1	–17	82	77
Depreciation, amortisation and impairment charges, EURm	–1	–1	–1	–	–1	–1	–1	–3	–3	–3
Operating profit, EURm	51	30	62	61	39	118	60	143	217	278
% of sales	42.9	30.3	44.3	54.5	37.5	109.3	46.9	39.9	63.8	61.5
Special items, EURm [2]	–	–6	–	–	–	86	–	–6	86	86
Operating profit excl. special items, EURm	51	36	62	61	39	32	60	149	131	192
% of sales	42.9	36.4	44.3	54.5	37.5	29.6	46.9	41.6	38.5	42.5
Electricity deliveries, GWh	2,340	2,158	2,405	2,322	2,057	2,178	2,354	6,903	6,589	8,911

[1] EBITDA is operating profit before depreciation, amortisation and impairment charges, excluding the change in value of biological assets and wood harvested, the share of results of associated companies and joint ventures, and special items.
[2] Special items of EUR –6 million in Q2 2012 relate to an adjustment in UPM's share of the capital gain reported in Q2 2011. In Q2 2011, special income of EUR 86 million relates to the associated company Pohjolan Voima Oy's sale of Fingrid Oyj shares.

Q3 2012 compared with Q3 2011
Operating profit excluding special items for Energy was EUR 51 million (39 million). Sales increased by 14% to EUR 119 million (104 million). External sales were EUR 59 million (35 million). The volume of electricity sales was 2,340 GWh in the quarter (2,057 GWh).

Operating profit excluding special items improved compared with the same period last year, mainly due to higher hydropower volume. The average electricity sales price increased by 1% to EUR 43.9/MWh (43.6/MWh).

Q3 2012 compared with Q2 2012
Operating profit excluding special items increased from the previous quarter, mainly due to higher nuclear power generation. The average electricity sales price increased by 2% to EUR 43.9/MWh (42.9/MWh).

January–September 2012 compared with January–September 2011
Operating profit excluding special items for Energy was EUR 149 million (131 million). Sales increased by 5% to EUR 358 million (340 million). External sales were EUR 186 million (125 million). The volume of electricity sales was 6,903 GWh (6,589 GWh).

Operating profit excluding special items improved compared with the same period last year, mainly due to higher hydropower volume. The average electricity sales price decreased by 4% to EUR 44.7/MWh (46.6/MWh).

Market review
The average Finnish area spot price on the Nordic electricity exchange in the first nine months was EUR 35.2/MWh, 34% lower than during the same period last year (53.3/MWh), mainly due to exceptionally high water reservoirs and hydropower volumes in the Nordic countries.

Coal prices were lower than the same period last year. The CO_2 emission allowance price was EUR 8.0/tonne at the end of period, 26% lower than on the same date last year (10.8/tonne).

The front year forward price in the Nordic electricity exchange was EUR 37.4/MWh at the end of period, 15% lower than on the same date last year (44.1/MWh).

Pulp

	Q3/12	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q1–Q3/12	Q1–Q3/11	Q1–Q4/11
Sales, EURm	403	410	430	349	396	446	457	1,243	1,299	1,648
EBITDA, EURm [1]	103	128	110	60	122	177	195	341	494	554
% of sales	25.6	31.2	25.6	17.2	30.8	39.7	42.7	27.4	38.0	33.6
Change in fair value of biological assets and wood harvested, EURm	3	3	–	7	–1	–	1	6	–	7
Share of results of associated companies and joint ventures, EURm	–	–	–	1	–	–	–	–	–	1
Depreciation, amortisation and impairment charges, EURm	–36	–37	–36	–32	–37	–34	–36	–109	–107	–139
Operating profit, EURm	70	94	74	36	84	143	160	238	387	423
% of sales	17.4	22.9	17.2	10.3	21.2	32.1	35.0	19.1	29.8	25.7
Special items, EURm	–	–	–	–	–	–	–	–	–	–
Operating profit excl. special items, EURm	70	94	74	36	84	143	160	238	387	423
% of sales	17.4	22.9	17.2	10.3	21.2	32.1	35.0	19.1	29.8	25.7
Pulp deliveries, 1,000 t	759	755	884	720	722	770	780	2,398	2,272	2,992

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

Q3 2012 compared with Q3 2011

Operating profit excluding special items for Pulp decreased to EUR 70 million (84 million). Sales increased by 2% to EUR 403 million (396 million). Deliveries increased by 5% to 759,000 tonnes (722,000 tonnes).

Operating profit excluding special items decreased compared with the same period last year, mainly due to lower pulp sales prices.

Q3 2012 compared with Q2 2012

Operating profit excluding special items decreased, due to low production volume, affected by process disruptions at the Pietarsaari mill.

January–September 2012 compared with January–September 2011

Operating profit excluding special items for Pulp decreased to EUR 238 million (387 million). Sales decreased by 4% to EUR 1,243 million (1,299 million). Deliveries grew by 6% to 2,398,000 tonnes (2,272,000 tonnes).

Operating profit excluding special items decreased from last year, mainly due to lower pulp sales prices.

Market review

In the first nine months of 2012, the average softwood pulp (NBSK) market price was EUR 642/tonne, 8% lower than during the same period last year (EUR 700/tonne). At the end of September, the NBSK market price was EUR 587/tonne. The average hardwood pulp (BHKP) market price was EUR 583/tonne, 3% lower than in the same period last year (EUR 604/tonne). At the end of September, the BHKP market price was EUR 579/tonne.

Global chemical pulp shipments increased by 2% from last year. Demand growth was mainly driven by China, while the mature markets of Western Europe, North America and Japan declined.

Forest and Timber

	Q3/12	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q1–Q3/12	Q1–Q3/11	Q1–Q4/11
Sales, EURm	364	473	426	414	403	440	394	1,263	1,237	1,651
EBITDA, EURm [1]	3	7	8	−8	4	11	5	18	20	12
% of sales	0.8	1.5	1.9	−1.9	1.0	2.5	1.3	1.4	1.6	0.7
Change in fair value of biological assets and wood harvested, EURm	10	−2	−1	42	2	11	2	7	15	57
Share of results of associated companies and joint ventures, EURm	–	1	–	1	–	1	–	1	1	2
Depreciation, amortisation and impairment charges, EURm	−6	−35	−5	−6	−5	−5	−5	−46	−15	−21
Operating profit, EURm	3	−41	2	28	2	20	2	−36	24	52
% of sales	0.8	−8.7	0.5	6.8	0.5	4.5	0.5	−2.9	1.9	3.1
Special items, EURm [2]	−4	−43	–	−1	1	2	–	−47	3	2
Operating profit excl. special items, EURm	7	2	2	29	1	18	2	11	21	50
% of sales	1.9	0.4	0.5	7.0	0.2	4.1	0.5	0.9	1.7	3.0
Sawn timber deliveries, 1,000 m^3	382	462	426	412	422	495	354	1,270	1,271	1,683

[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 Q3 2012, special items include restructuring charges of EUR 4 million. In Q2 2012, special items of EUR 43 million comprise charges of EUR 41 million relating to the restructuring of sawn timber and further processing operations including an impairment charge of EUR 31 million and other charges of EUR 10 million, and restructuring charges of EUR 2 million in Wood sourcing and forestry operations. In Q4 2011, special items include a capital gain adjustment of EUR 1 million. In Q3 2011, special items include income of EUR 1 million related mainly to capital gains. Special items in Q2 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.

Q3 2012 compared with Q3 2011

Operating profit excluding special items for Forest and Timber was EUR 7 million (1 million). Sales decreased by 10% to EUR 364 million (403 million).

Sawn timber deliveries decreased. Fixed costs were lower.

The increase in the fair value of biological assets net of wood harvested was EUR 10 million (increase of EUR 2 million). The increase in the fair value of biological assets (growing trees) was EUR 26 million (22 million). The cost of wood harvested from own forests was EUR 16 million (20 million).

Q3 2012 compared with Q2 2012

Sawn timber production and deliveries decreased seasonally, prices were stable.

The increase in the fair value of biological assets net of wood harvested was EUR 10 million (decrease of EUR 2 million). The increase in the fair value of biological assets (growing trees) was EUR 26 million (21 million). The cost of wood harvested from own forests was EUR 16 million (23 million).

January–September 2012 compared with January–September 2011

Operating profit excluding special items for Forest and Timber was EUR 11 million (21 million). Sales increased by 2% to EUR 1,263 million (1,237 million).

In sawn timber, lower fixed costs were not enough to offset the negative impact of lower deliveries and prices.

The increase in the fair value of biological assets net of wood harvested was EUR 7 million (increase of EUR 15 million). The increase in the fair value of biological assets (growing trees) was EUR 63 million (73 million). The cost of wood harvested from own forests was EUR 56 million (58 million).

In September 2012, Kajaani saw mill was sold to Pölkky Oy.

Market review

In the first nine months of 2012, Finnish wood market activity improved compared with the same period last year. Wood purchases in the Finnish wood market totalled 20.6 million cubic metres (17.8 million cubic metres).

Wood market prices for log and pulpwood increased during spring and have retreated since June. In the first nine months prices were on average slightly lower compared with the same period last year.

In the first nine months of 2012, sawn timber demand was stable in Northern Europe, North Africa and Asia. Weak demand continued in Southern Europe. In Western Europe demand slowed during the third quarter.

Paper

	Q3/12	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q1–Q3/12	Q1–Q3/11	Q1–Q4/11
Sales, EURm	1,776	1,797	1,762	1,976	1,895	1,666	1,647	5,335	5,208	7,184
EBITDA, EURm [1]	129	136	153	150	139	126	102	418	367	517
% of sales	7.3	7.6	8.7	7.6	7.3	7.6	6.2	7.8	7.0	7.2
Share of results of associated companies and joint ventures, EURm	–	–	–	1	1	–	–	–	1	2
Depreciation, amortisation and impairment charges, EURm	–136	–134	–136	–147	–205	–126	–125	–406	–456	–603
Operating profit, EURm	–50	23	15	–8	–286	2	–23	–12	–307	–315
% of sales	–2.8	1.3	0.9	–0.4	–15.1	0.1	–1.4	–0.2	–5.9	–4.4
Special items, EURm [2]	–43	21	–2	–12	–289	2	–	–24	–287	–299
Operating profit excl. special items, EURm	–7	2	17	4	3	0	–23	12	–20	–16
% of sales	–0.4	0.1	1.0	0.2	0.2	0.0	–1.4	0.2	–0.4	–0.2
Deliveries, publication papers, 1,000 t	1,828	1,759	1,695	2,080	1,942	1,563	1,486	5,282	4,991	7,071
Deliveries, fine and speciality papers, 1,000 t	840	910	889	829	855	909	951	2,639	2,715	3,544
Paper deliveries total, 1,000 t	2,668	2,669	2,584	2,909	2,797	2,472	2,437	7,921	7,706	10,615

[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 Q3 2012, special items include restructuring charges of EUR 41 million related into planned Stracel mill closure and EUR 2 million related to other restructuring measures. In Q2 2012, special items comprise of a net gain of EUR 35 million including a capital gain of EUR 51 million from the sale the packaging paper operations of the Pietarsaari and Tervasaari mills and a charge of EUR 16 million from goodwill allocated to the operations sold, and of other restructuring charges of EUR 14 million related to mill closures. Special items in Q1 2012 include restructuring charges of EUR 2 million. In Q4 2011, special items include restructuring charges of EUR 12 million. In Q3 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 Albbruck mills and other restructuring measures, including write-offs of EUR 68 million from non-current assets. Special items in Q2 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.

Q3 2012 compared with Q3 2011

Operating loss excluding special items was EUR 7 million (profit of EUR 3 million). Sales were EUR 1,776 million (1,895 million). Paper deliveries decreased by 5% to 2,668,000 tonnes (2,797,000 tonnes). Deliveries of publication papers (magazine papers and newsprint) decreased by 6%, and fine and speciality paper deliveries decreased by 2%. Proforma (UPM and Myllykoski) paper deliveries decreased by 10%.

Operating profit excluding special items decreased slightly from last year due to lower deliveries. Fixed and variable costs were lower. The packaging paper operations of the Tervasaari and Pietarsaari mills were sold in June 2012.

The average price for paper deliveries in euros was approximately 2% lower than last year.

Q3 2012 compared with Q2 2012

Operating profit excluding special items decreased slightly. The average paper price decreased by 1%. Costs decreased slightly. The packaging paper operations of the Tervasaari and Pietarsaari mills were sold in June 2012.

January–September 2012 compared with January–September 2011

Operating profit excluding special items was EUR 12 million (loss of EUR 20 million). Sales were EUR 5,335 million (5,208 million). Paper deliveries increased by 3% to 7,921,000 tonnes (7,706,000 tonnes).

Deliveries of publication papers (magazine papers and newsprint) increased by 6%, mainly due to the acquisition of Myllykoski. Deliveries of fine and speciality papers decreased by 3%. Proforma paper deliveries decreased by 12%.

Operating profit excluding special items improved by EUR 32 million compared to last year's level. On a comparable basis, fibre costs and fixed costs decreased. This was largely offset by lower delivery volumes.

The average price for all paper deliveries in euros was on a level with last year.

Market review

In January–September, demand for publication papers in Europe was 8% lower, and for fine papers 4% lower, than a year ago. In North America, demand for magazine papers decreased by 9% from last year. In Asia, demand for fine papers grew.

In Europe, publication paper prices remained approximately on the same level as in the first nine months of last year, and in the third quarter of 2012 decreased by 3% compared to the second quarter of 2012.

Fine paper prices decreased in the first nine months of the year by 3%, and increased in the third quarter by 1% compared to the second quarter of 2012.

In North America, the average US dollar price for magazine papers decreased in the first nine months of the year by 2% from the same period last year and in the third quarter of 2012 remained approximately on the same level as in the second quarter of 2012. In Asia, market prices for fine papers decreased both compared to last year and compared to the previous quarter.

Label

	Q3/12	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q1–Q3/12	Q1–Q3/11	Q1–Q4/11
Sales, EURm	305	298	298	287	292	293	278	901	863	1,150
EBITDA, EURm [1]	30	31	31	24	23	27	27	92	77	101
% of sales	9.8	10.4	10.4	8.4	7.9	9.2	9.7	10.2	8.9	8.8
Depreciation, amortisation and impairment charges, EURm	–8	–9	–8	–9	–8	–8	–8	–25	–24	–33
Operating profit, EURm	20	22	23	14	14	21	19	65	54	68
% of sales	6.6	7.4	7.7	4.9	4.8	7.2	6.8	7.2	6.3	5.9
Special items, EURm [2]	–2	–	–	–1	–1	2	–	–2	1	–
Operating profit excl. special items, EURm	22	22	23	15	15	19	19	67	53	68
% of sales	7.2	7.4	7.7	5.2	5.1	6.5	6.8	7.4	6.1	5.9

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 Q3 2012, special items include restructuring charges of EUR 2 million. Special items in Q4 2011 include charges of EUR 1 million related to restructuring of European operations. Special items in Q3 2011 include charges of EUR 1 million related to restructuring of European operations. Special items Q2 2011 include an income of EUR 2 million from a change in UK pension schemes.

Q3 2012 compared with Q3 2011

Operating profit excluding special items for Label was EUR 22 million (15 million). Sales increased by 4% to EUR 305 million (292 million).

Operating profit increased mainly due to lower variable costs. Fixed costs were higher, mainly due to expanded operations.

Q3 2012 compared with Q2 2012

Higher average sales prices offset the increase in raw material costs.

January–September 2012 compared with January–September 2011

Operating profit excluding special items for Label was EUR 67 million (53 million). Sales increased by 4% to EUR 901 million (863 million).

Operating profit increased mainly due to lower variable costs. Fixed costs increased, mainly due to expanded operations.

At the end of August 2012, UPM acquired the labelstock business operations in Switzerland from the Gascogne Group.

Market review

In January–September, due to the macro-economic weakness, demand for self-adhesive label materials has gradually softened. Demand in Western Europe is estimated to have declined slightly, whereas in North America it is estimated to have remained stable compared to the same period last year. Demand in Eastern Europe, Asia and Latin America is estimated to have experienced small growth compared with last year.

Plywood

	Q3/12	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q1–Q3/12	Q1–Q3/11	Q1–Q4/11
Sales, EURm	93	101	96	88	87	107	94	290	288	376
EBITDA, EURm [1]	2	10	4	6	0	8	4	16	12	18
% of sales	2.2	9.9	4.2	6.8	0.0	7.5	4.3	5.5	4.2	4.8
Depreciation, amortisation and impairment charges, EURm	–5	–5	–5	–5	–4	–4	–5	–15	–13	–18
Operating profit, EURm	–3	5	–1	1	–8	1	–1	1	–8	–7
% of sales	–3.2	5.0	–1.0	1.1	–9.2	0.9	–1.1	0.3	–2.8	–1.9
Special items, EURm [2]	–	–	–	–	–4	–3	–	–	–7	–7
Operating profit excl. special items, EURm	–3	5	–1	1	–4	4	–1	1	–1	0
% of sales	–3.2	5.0	–1.0	1.1	–4.6	3.7	–1.1	0.3	–0.3	0.0
Deliveries, plywood, 1,000 m^3	165	175	170	148	155	191	162	510	508	656

[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 Q3 2011, special items include charges of EUR 4 million related to restructuring of operations in Finland. Special items of EUR 3 million in Q2 2011 relate to a net loss from asset sales.

Q3 2012 compared with Q3 2011

Operating loss excluding special items for Plywood was EUR 3 million (loss of EUR 4 million). Sales increased by 7% to EUR 93 million (87 million) and deliveries by 6% to 165,000 cubic metres (155,000 cubic metres).

Operating profit increased slightly due to higher delivery volumes.

Q3 2012 compared with Q2 2012

Operating profit decreased due to lower deliveries.

January–September 2012 compared with January–September 2011

Operating profit excluding special items for Plywood was EUR 1 million (loss of EUR 1 million). Sales increased by 1% to EUR 290 million (288 million).

Fixed costs decreased.

The extension and the modernisation work at the Savonlinna mill was completed during the second quarter.

Market review

In January–September, plywood demand is estimated to have declined in Europe compared to the same period of 2011. Construction-related end-use segments weakened in particular.

Plywood prices increased during the period and on average were slightly higher than last year.

Other operations

	Q3/12	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q1–Q3/12	Q1–Q3/11	Q1–Q4/11
Sales, EURm	63	77	54	52	58	43	35	194	136	188
EBITDA, EURm [1]	–16	–41	–23	3	3	–15	–14	–80	–26	–23
Share of results of associated companies and joint ventures, EURm	1	–	–	–	–	2	–2	1	–	–
Depreciation, amortisation and impairment charges, EURm	–2	–2	–3	–2	–4	–2	–3	–7	–9	–11
Operating profit, EURm	–22	–41	–20	–1	–4	–16	–19	–83	–39	–40
Special items, EURm [2]	–4	2	6	–2	–2	–1	–	4	–3	–5
Operating profit excl. special items, EURm	–18	–43	–26	1	–2	–15	–19	–87	–36	–35

[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 Q3 2012, special items include restructuring charges of EUR 4 million. In Q2 2012, special items include restructuring charges of EUR 11 million, reimbursement of fine of EUR 6 million, and a sales price adjustment of EUR 7 million from the sale of RFID business. In Q1 2012, special items include a capital gain of EUR 5 million from the sale of RFID business and an income of EUR 1 million from restructuring measures. In Q4 2011, special items include restructuring charges of EUR 2 million. In Q3 2011, special items include restructuring charges of EUR 2 million.

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

Q3 2012 compared with Q3 2011

Operating loss excluding special items for Other operations was EUR 18 million (loss of EUR 2 million). Sales amounted to EUR 63 million (58 million).

Q3 2012 compared with Q2 2012

Operating loss excluding special items for Other operations was EUR 18 million (loss of EUR 43 million). Sales amounted to EUR 63 million (77 million).

The comparison period included net currency losses of EUR 11 million, mainly due to EUR 15 million fair value losses in currency cash flow hedges.

January–September 2012 compared with January–September 2011

Operating loss excluding special items for Other operations was EUR 87 million (loss of EUR 36 million). Sales amounted to EUR 194 million (136 million).

Operating profit includes losses of EUR 11 million (gains of EUR 12 million) mainly due to fair value changes in currency cash flow hedges.

UPM's sale of RFID business to SMARTRAC N.V. was completed in March 2012.

Outlook for 2012

Global economic growth has slowed down during 2012. The European economy is expected to be in recession in the second half of 2012. There are considerable uncertainties related to both to the European sovereign debt problems and to the growth prospects of the Chinese and other emerging economies.

In Q4 2012, UPM's operating profit excluding special items is expected to be about the same or lower than in Q3 2012. Operating profit excluding special items for the full year 2012 is expected to be lower than in 2011.

UPM's cost level is expected to remain stable in Q4 2012 compared with Q3 2012. The realisation of the Myllykoski cost synergies is expected to continue as planned, and cost synergies of more than EUR 150 million are expected to impact UPM's full-year 2012 results.

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

UPM's hydropower generation volume is expected to continue at a relatively good rate in Q4 2012. UPM's average electricity sales price in Q4 2012 is expected to be on about the same level as in Q3 2012.

Chemical pulp deliveries are expected to be lower in Q4 2012 than in Q3 2012, affected by the maintenance shutdown in the Fray Bentos mill in Uruguay. The average price of UPM's pulp deliveries is estimated to be on about the same level in Q4 2012 as in Q3 2012.

In the sawn timber business, delivery volumes are expected to increase seasonally in Q4 2012 from Q3 2012. Prices are expected to decline slightly from Q3 2012.

UPM's paper deliveries are expected to be on about the same level in Q4 2012 as in Q3 2012. The average price of UPM's paper deliveries in euros is expected to be on about the same level in Q4 2012 as in Q3 2012.

Label materials deliveries are expected to be on about the same level in Q4 2012 as in Q3 2012. Sales prices in local currencies are expected to be stable in Q4 2012 compared with Q3 2012. Variable costs are expected to increase slightly from Q3 2012.

Plywood deliveries are expected to be on about the same level in Q4 2012 as in Q3 2012. Sales prices are expected to remain stable.

Shares

In Q1–Q3 2012, UPM shares worth EUR 4,480 million (7,172 million) in total were traded on the NASDAQ OMX Helsinki stock exchange. This is estimated to represent approximately 60% of all trading volume in UPM shares. The highest quotation was EUR 10.98 in February and the lowest was EUR 7.82 in June.

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 30 March 2012, 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, 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 a directed share issue in August 2011.

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

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

The number of shares entered in the Trade Register on 30 September 2012 was 525,807,161, including subscriptions of 834,323 shares during January–September 2012 through exercising 2007B share options. Through the issuance authorisation and share options, the number of shares may increase to a maximum of 559,970,088.

At the end of the period, the company held 222,617 of its own shares, representing approximately 0.04% of the total number of the company's shares and voting rights. Of these shares, 11,136 shares have been returned to the company in accordance with the Group's share reward scheme due to the termination of employment contracts.

The listing of 2007C stock options on the NASDAQ OMX Helsinki stock exchange commenced on 1 October 2012.

Litigation

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.

Based on the information submitted by AREVA-Siemens Consortium, which is constructing the Olkiluoto 3 nuclear power plant unit under a fixed-price turnkey contract, TVO estimates that the nuclear power plant unit will not be ready for regular electricity production in 2014. The Supplier is responsible for the schedule.

The Supplier initiated arbitration proceedings before an International Chamber of Commerce (ICC) arbitration tribunal in relation to 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. In 2012 TVO has submitted its updated claim and defence in the arbitration proceedings. The updated quantification estimate of TVO's costs and losses is approximately EUR 1.8 billion which includes TVO's current actual claim and estimated part. The arbitration proceedings may continue for several years, and the claimed and counterclaimed amounts may change.

TVO has received an ICC arbitration tribunal decision made in June 2012, according to which a few partial payments, totalling approximately EUR 100 million, previously made to a blocked account by TVO under the plant contract, will be released to the Supplier and TVO will pay interest, the net amount of which is approximately EUR 23 million. The decision takes no position on the delay of the plant unit and the cost resulting from the delay.

In Uruguay, there is one pending litigation case against the government of Uruguay regarding 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 Finnish roundwood market. In addition to the state-owned forest administrator Metsähallitus, individuals and companies, as well as municipalities and parishes, have filed claims. The capital amounts of all of the claims amount to EUR 237 million in the aggregate jointly and severally from UPM and two other companies, or alternatively and individually from UPM in the aggregate EUR 55 million. In addition to the claims on capital amounts, the claimants are also claiming for compensation relating to value added tax and interests.

UPM considers all the claims unfounded in their entirety. No provisions have been made in UPM's accounts for any of these claims.

Risks and near term uncertainties

The main near term uncertainties in UPM's earnings relate to sales prices and delivery volumes of the Group's products, as well as to changes in the main input cost items and exchange rates. Most of these items are dependent on general economic developments.

Currently, the main near term uncertainties relate to the development of the European economy. The EU is the most significant market for UPM's businesses, particularly for paper products. There are also uncertainties related to the Chinese economy, which may have a significant influence on global economy overall and on many of UPM's products in particular.

Given the weak and uncertain economic outlook in Europe, combined with changing consumer behaviour, there is a risk that profitability in the European graphic paper industry will not recover in the near term.

The main earnings sensitivities and the Group's cost structure are presented in the Annual Report of 2011, on page 12. Risks and risk management are presented in the Annual Report of 2011, pages 103–105.

Events after the balance sheet date

The Group's management is not aware of any significant events occurring after 30 September 2012.

Helsinki, 25 October 2012

UPM-Kymmene Corporation

Board of Directors

Financial information

Consolidated income statement

EURm	Q3/2012	Q3/2011	Q1–Q3/2012	Q1–Q3/2011	Q1–Q4/2011
Sales	2,578	2,603	7,788	7,382	10,068
Other operating income	13	27	71	62	86
Costs and expenses	–2,340	–2,527	–6,930	–6,588	–9,013
Change in fair value of biological assets and wood harvested	13	1	13	15	64
Share of results of associated companies and joint ventures	–1	1	–15	84	82
Depreciation, amortisation and impairment charges	–194	–264	–611	–627	–828
Operating profit (loss)	69	–159	316	328	459
Gains on available-for-sale investments, net	–2	–2	36	66	71
Exchange rate and fair value gains and losses	8	–4	13	–20	–33
Interest and other finance costs, net	–26	–23	–74	–51	–80
Profit (loss) before tax	49	–188	291	323	417
Income taxes	–16	79	–54	32	40
Profit (loss) for the period	33	–109	237	355	457
Attributable to:					
Owners of the parent company	33	–109	237	355	457
Non-controlling interests	–	–	–	–	–
	33	–109	237	355	457
Earnings per share for profit (loss) attributable to owners of the parent company					
Basic earnings per share, EUR	0.06	–0.21	0.45	0.68	0.88
Diluted earnings per share, EUR	0.06	–0.21	0.45	0.68	0.87

Consolidated statement of comprehensive income

EURm	Q3/2012	Q3/2011	Q1–Q3/2012	Q1–Q3/2011	Q1–Q4/2011
Profit (loss) for the period	33	–109	237	355	457
Other comprehensive income for the period, net of tax:					
Translation differences	–35	138	79	–71	112
Net investment hedge	–6	6	–22	32	–6
Cash flow hedges	23	–39	18	37	22
Available-for-sale investments	1	2	–38	7	2
Share of other comprehensive income of associated companies	–1	–1	1	–2	–
Other comprehensive income for the period, net of tax	–18	106	38	3	130
Total comprehensive income for the period	15	–3	275	358	587
Total comprehensive income attributable to:					
Owners of the parent company	15	–3	275	358	587
Non-controlling interests	–	–	–	–	–
	15	–3	275	358	587

Consolidated balance sheet

EURm	30.9.2012	30.9.2011	31.12.2011
ASSETS			
Non-current assets			
Goodwill	1,007	1,019	1,022
Other intangible assets	447	477	458
Property, plant and equipment	5,866	6,098	6,242
Investment property	41	35	39
Biological assets	1,485	1,458	1,513
Investments in associated companies and joint ventures	590	756	717
Available-for-sale investments	147	265	260
Non-current financial assets	468	398	415
Deferred tax assets	524	486	508
Other non-current assets	248	237	238
	10,823	11,229	11,412
Current assets			
Inventories	1,444	1,542	1,429
Trade and other receivables	2,168	1,946	2,003
Income tax receivables	15	26	26
Cash and cash equivalents	284	335	495
	3,911	3,849	3,953
Assets classified as held for sale	–	–	24
Total assets	14,734	15,078	15,389
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	890	890	890
Treasury shares	–2	–2	–2
Translation differences	218	16	161
Fair value and other reserves	115	146	129
Reserve for invested non-restricted equity	1,204	1,199	1,199
Retained earnings	5,009	4,981	5,084
	7,434	7,230	7,461
Non-controlling interests	16	16	16
Total equity	7,450	7,246	7,477
Non-current liabilities			
Deferred tax liabilities	656	700	675
Retirement benefit obligations	475	489	490
Provisions	206	340	326
Interest-bearing liabilities	3,639	3,676	3,750
Other liabilities	142	79	79
	5,118	5,284	5,320
Current liabilities			
Current interest-bearing liabilities	368	889	883
Trade and other payables	1,746	1,614	1,667
Income tax payables	52	45	38
	2,166	2,548	2,588
Liabilities related to assets classified as held for sale	–	–	4
Total liabilities	7,284	7,832	7,912
Total equity and liabilities	14,734	15,078	15,389

Consolidated statement of changes in equity

EURm	Share capital	Treasury shares	Translation differences	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to owners of the parent company								
Balance at 1 January 2011	890	–	55	90	1,145	4,913	7,093	16	7,109
Profit (loss) for the period	–	–	–	–	–	355	355	–	355
Translation differences	–	–	–71	–	–	–	–71	–	–71
Net investment hedge, net of tax	–	–	32	–	–	–	32	–	32
Cash flow hedges, net of tax	–	–	–	37	–	–	37	–	37
Available-for-sale investments	–	–	–	7	–	–	7	–	7
Share of other comprehensive income of associated companies	–	–	–	–	–	–2	–2	–	–2
Total comprehensive income for the period	–	–	–39	44	–	353	358	–	358
Share issue	–	–2	–	–	54	–	52	–	52
Share-based compensation, net of tax	–	–	–	14	–	–3	11	–	11
Dividend distribution	–	–	–	–	–	–286	–286	–	–286
Other items	–	–	–	–2	–	4	2	–	2
Total transactions with owners for the period	–	–2	–	12	54	–285	–221	–	–221
Balance at 30 September 2011	890	–2	16	146	1,199	4,981	7,230	16	7,246
Balance at 1 January 2012	890	–2	161	129	1,199	5,084	7,461	16	7,477
Profit (loss) for the period	–	–	–	–	–	237	237	–	237
Translation differences	–	–	79	–	–	–	79	–	79
Net investment hedge, net of tax	–	–	–22	–	–	–	–22	–	–22
Cash flow hedges, net of tax	–	–	–	18	–	–	18	–	18
Available-for-sale investments	–	–	–	–38	–	–	–38	–	–38
Share of other comprehensive income of associated companies	–	–	–	–	–	1	1	–	1
Total comprehensive income for the period	–	–	57	–20	–	238	275	–	275
Share options exercised	–	–	–	–	5	–	5	–	5
Share-based compensation, net of tax	–	–	–	6	–	2	8	–	8
Dividend distribution	–	–	–	–	–	–315	–315	–	–315
Total transactions with owners for the period	–	–	–	6	5	–313	–302	–	–302
Balance at 30 September 2012	890	–2	218	115	1,204	5,009	7,434	16	7,450

Condensed consolidated cash flow statement

EURm	Q1–Q3/2012	Q1–Q3/2011	Q1–Q4/2011
Cash flow from operating activities			
Profit (loss) for the period	237	355	457
Adjustments	589	631	792
Change in working capital	–62	–164	–73
Cash generated from operations	764	822	1,176
Finance costs, net	–53	–13	–41
Income taxes paid	–49	–78	–94
Net cash generated from operating activities	662	731	1,041
Cash flow from investing activities			
Capital expenditure	–266	–193	–286
Acquisitions and share purchases	–10	–18	–18
Asset sales and other investing cash flow [1]	337	155	173
Net cash used in investing activities	61	–56	–131
Cash flow from financing activities			
Change in loans and other financial items	–625	–314	–385
Share options exercised	5	–	–
Dividends paid	–315	–286	–286
Net cash used in financing activities	–935	–600	–671
Change in cash and cash equivalents	–212	75	239
Cash and cash equivalents at beginning of period	495	269	269
Foreign exchange effect on cash and cash equivalents	1	–9	–13
Change in cash and cash equivalents	–212	75	239
Cash and cash equivalents at end of period	284	335	495

[1] Asset sales and other investing cash flow in Q1–Q3 2012 includes the dividend of EUR 105 million from Pohjolan Voima Oy.

Quarterly information

EURm	Q3/12	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q1–Q3/12	Q1–Q3/11	Q1–Q4/11
Sales	2,578	2,619	2,591	2,686	2,603	2,423	2,356	7,788	7,382	10,068
Other operating income	13	40	18	24	27	15	20	71	62	86
Costs and expenses	–2,340	–2,332	–2,258	–2,425	–2,527	–2,064	–1,997	–6,930	–6,588	–9,013
Change in fair value of biological assets and wood harvested	13	1	–1	49	1	11	3	13	15	64
Share of results of associated companies and joint ventures	–1	–13	–1	–2	1	84	–1	–15	84	82
Depreciation, amortisation and impairment charges	–194	–223	–194	–201	–264	–180	–183	–611	–627	–828
Operating profit (loss)	69	92	155	131	–159	289	198	316	328	459
Gains on available-for-sale investments, net	–2	34	4	5	–2	68	–	36	66	71
Exchange rate and fair value gains and losses	8	–3	8	–13	–4	–14	–2	13	–20	–33
Interest and other finance costs, net	–26	–22	–26	–29	–23	–27	–1	–74	–51	–80
Profit (loss) before tax	49	101	141	94	–188	316	195	291	323	417
Income taxes	–16	–14	–24	8	79	–21	–26	–54	32	40
Profit (loss) for the period	33	87	117	102	–109	295	169	237	355	457
Attributable to:										
Owners of the parent company	33	87	117	102	–109	295	169	237	355	457
Non-controlling interests	–	–	–	–	–	–	–	–	–	–
	33	87	117	102	–109	295	169	237	355	457
Basic earnings per share, EUR	0.06	0.17	0.22	0.20	–0.21	0.56	0.33	0.45	0.68	0.88
Diluted earnings per share, EUR	0.06	0.17	0.22	0.19	–0.21	0.57	0.32	0.45	0.68	0.87
Earnings per share, excluding special items, EUR	0.15	0.14	0.22	0.16	0.19	0.26	0.32	0.51	0.77	0.93
Average number of shares basic (1,000)	525,592	525,592	524,903	524,790	523,128	519,970	519,970	525,362	521,023	521,965
Average number of shares diluted (1,000)	526,703	526,408	526,528	526,154	523,184	523,080	523,182	526,546	523,149	523,900
Special items in operating profit (loss)	–53	–26	4	–16	–295	88	–	–75	–207	–223
Operating profit (loss), excl. special items	122	118	151	147	136	201	198	391	535	682
% of sales	4.7	4.5	5.8	5.5	5.2	8.3	8.4	5.0	7.2	6.8
Special items in financial items	–	35	–	–	–	68	–	35	68	68
Special items before tax	–53	9	4	–16	–295	156	–	–40	–139	–155
Profit (loss) before tax, excl. special items	102	92	137	110	107	160	195	331	462	572
% of sales	4.0	3.5	5.3	4.1	4.1	6.6	8.3	4.3	6.3	5.7
Impact on taxes from special items	5	3	–	33	84	5	3	8	92	125
Return on equity, excl. special items, %	4.4	4.1	6.1	4.6	5.6	7.4	9.3	4.8	7.5	6.7
Return on capital employed, excl. special items, %	4.3	4.1	5.9	4.6	4.6	6.6	7.8	4.7	6.3	5.8
EBITDA	305	316	347	301	331	372	379	968	1,082	1,383
% of sales	11.8	12.1	13.4	11.2	12.7	15.4	16.1	12.4	14.7	13.7
Share of results of associated companies and joint ventures										
Energy	–2	–14	–1	–5	–	81	1	–17	82	77
Pulp	–	–	–	1	–	–	–	–	–	1
Forest and Timber	–	1	–	1	–	1	–	1	1	2
Paper	–	–	–	1	1	–	–	–	1	2
Other operations	1	–	–	–	–	2	–2	1	–	–
Total	–1	–13	–1	–2	1	84	–1	–15	84	82

Deliveries

	Q3/12	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q1–Q3/12	Q1–Q3/11	Q1–Q4/11
Electricity, GWh	2,340	2,158	2,405	2,322	2,057	2,178	2,354	6,903	6,589	8,911
Pulp, 1,000 t	759	755	884	720	722	770	780	2,398	2,272	2,992
Sawn timber, 1,000 m^3	382	462	426	412	422	495	354	1,270	1,271	1,683
Publication papers, 1,000 t	1,828	1,759	1,695	2,080	1,942	1,563	1,486	5,282	4,991	7,071
Fine and speciality papers, 1,000 t	840	910	889	829	855	909	951	2,639	2,715	3,544
Paper deliveries total, 1,000 t	2,668	2,669	2,584	2,909	2,797	2,472	2,437	7,921	7,706	10,615
Plywood, 1,000 m^3	165	175	170	148	155	191	162	510	508	656

Quarterly segment information

EURm	Q3/12	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q1–Q3/12	Q1–Q3/11	Q1–Q4/11
Sales										
Energy	119	99	140	112	104	108	128	358	340	452
Pulp	403	410	430	349	396	446	457	1,243	1,299	1,648
Forest and Timber	364	473	426	414	403	440	394	1,263	1,237	1,651
Paper	1,776	1,797	1,762	1,976	1,895	1,666	1,647	5,335	5,208	7,184
Label	305	298	298	287	292	293	278	901	863	1,150
Plywood	93	101	96	88	87	107	94	290	288	376
Other operations	63	77	54	52	58	43	35	194	136	188
Internal sales	–545	–636	–615	–592	–632	–680	–677	–1,796	–1,989	–2,581
Sales, total	2,578	2,619	2,591	2,686	2,603	2,423	2,356	7,788	7,382	10,068
EBITDA										
Energy	54	45	64	66	40	38	60	163	138	204
Pulp	103	128	110	60	122	177	195	341	494	554
Forest and Timber	3	7	8	–8	4	11	5	18	20	12
Paper	129	136	153	150	139	126	102	418	367	517
Label	30	31	31	24	23	27	27	92	77	101
Plywood	2	10	4	6	–	8	4	16	12	18
Other operations	–16	–41	–23	3	3	–15	–14	–80	–26	–23
EBITDA, total	305	316	347	301	331	372	379	968	1,082	1,383
Operating profit (loss)										
Energy	51	30	62	61	39	118	60	143	217	278
Pulp	70	94	74	36	84	143	160	238	387	423
Forest and Timber	3	–41	2	28	2	20	2	–36	24	52
Paper	–50	23	15	–8	–286	2	–23	–12	–307	–315
Label	20	22	23	14	14	21	19	65	54	68
Plywood	–3	5	–1	1	–8	1	–1	1	–8	–7
Other operations	–22	–41	–20	–1	–4	–16	–19	–83	–39	–40
Operating profit (loss), total	69	92	155	131	–159	289	198	316	328	459
% of sales	2.7	3.5	6.0	4.9	–6.1	11.9	8.4	4.1	4.4	4.6
Special items in operating profit										
Energy	–	–6	–	–	–	86	–	–6	86	86
Pulp	–	–	–	–	–	–	–	–	–	–
Forest and Timber	–4	–43	–	–1	1	2	–	–47	3	2
Paper	–43	21	–2	–12	–289	2	–	–24	–287	–299
Label	–2	–	–	–1	–1	2	–	–2	1	–
Plywood	–	–	–	–	–4	–3	–	–	–7	–7
Other operations	–4	2	6	–2	–2	–1	–	4	–3	–5
Special items in operating profit, total	–53	–26	4	–16	–295	88	–	–75	–207	–223
Operating profit (loss) excl.special items										
Energy	51	36	62	61	39	32	60	149	131	192
Pulp	70	94	74	36	84	143	160	238	387	423
Forest and Timber	7	2	2	29	1	18	2	11	21	50
Paper	–7	2	17	4	3	0	–23	12	–20	–16
Label	22	22	23	15	15	19	19	67	53	68
Plywood	–3	5	–1	1	–4	4	–1	1	–1	0
Other operations	–18	–43	–26	1	–2	–15	–19	–87	–36	–35
Operating profit (loss) excl. special items, total	122	118	151	147	136	201	198	391	535	682
% of sales	4.7	4.5	5.8	5.5	5.2	8.3	8.4	5.0	7.2	6.8

EURm	Q3/12	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q1–Q3/12	Q1–Q3/11	Q1–Q4/11
External sales										
Energy	59	45	82	52	35	35	55	186	125	177
Pulp	220	206	197	117	123	152	151	623	426	543
Forest and Timber	172	199	189	196	190	214	171	560	575	771
Paper	1,751	1,766	1,721	1,932	1,841	1,605	1,606	5,238	5,052	6,984
Label	305	298	298	287	291	293	278	901	862	1,149
Plywood	90	96	92	82	83	102	90	278	275	357
Other operations	–19	9	12	20	40	22	5	2	67	87
External sales, total	2,578	2,619	2,591	2,686	2,603	2,423	2,356	7,788	7,382	10,068
Internal sales										
Energy	60	54	58	60	69	73	73	172	215	275
Pulp	183	204	233	232	273	294	306	620	873	1,105
Forest and Timber	192	274	237	218	213	226	223	703	662	880
Paper	25	31	41	44	54	61	41	97	156	200
Label	–	–	–	–	1	–	–	–	1	1
Plywood	3	5	4	6	4	5	4	12	13	19
Other operations	82	68	42	32	18	21	30	192	69	101
Internal sales, total	545	636	615	592	632	680	677	1,796	1,989	2,581

Changes in property, plant and equipment

EURm	Q1–Q3/2012	Q1–Q3/2011	Q1–Q4/2011
Book value at beginning of period	6,242	5,860	5,860
Capital expenditure	185	203	302
Companies acquired	6	658	658
Companies sold	–19	–	–
Decreases	–34	–18	–30
Depreciation	–527	–506	–684
Impairment charges	–27	–68	–64
Translation difference and other changes	40	–31	200
Book value at end of period	5,866	6,098	6,242

Commitments and contingencies

EURm	30.9.2012	30.9.2011	31.12.2011
Own commitments			
Mortgages	600	741	709
On behalf of associated companies and joint ventures			
Guarantees for loans	3	6	6
On behalf of others			
Other guarantees	4	4	5
Other own commitments			
Leasing commitments for the next 12 months	53	51	54
Leasing commitments for subsequent periods	314	351	343
Other commitments	115	111	87

Capital commitments

EURm	Completion	Total cost	By 31.12.2011	Q1–Q3/2012	After 30.9.2012
Changshu PM3	September 2014	390	–	–	390
Biorefinery/Kaukas	May 2014	150	–	10	140
Power plant/Schongau	December 2014	85	–	2	83
Waste water treatment plant/Pietarsaari	October 2013	30	–	6	24
Oxygen delignification stage for HW/Kymi pulp	March 2013	13	1	5	7

Notional amounts of derivative financial instruments

EURm	30.9.2012	30.9.2011	31.12.2011
Currency derivatives			
Forward contracts	4,731	4,294	4,560
Options, bought	7	3	10
Options, written	12	23	18
Swaps	931	809	841
Interest rate derivatives			
Forward contracts	2,953	3,615	3,456
Swaps	1,694	2,317	2,315
Other derivatives			
Forward contracts	429	476	278

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

EURm	Q1–Q3/2012	Q1–Q3/2011	Q1–Q4/2011
Sales	105	105	153
Purchases	260	273	356
Non-current receivables at end of period	21	5	5
Trade and other receivables at end of period	16	19	24
Trade and other payables at end of period	31	35	36

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 2011. Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

Calculation of key indicators

Return on equity, %:

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

Return on capital employed, %:

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

Earnings per share:

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

Key exchange rates for the euro at end of period

	30.9.2012	30.6.2012	31.3.2012	31.12.2011	30.9.2011	30.6.2011	31.3.2011
USD	1.2930	1.2590	1.3356	1.2939	1.3503	1.4453	1.4207
CAD	1.2684	1.2871	1.3311	1.3215	1.4105	1.3951	1.3785
JPY	100.37	100.13	109.56	100.20	103.79	116.25	117.61
GBP	0.7981	0.8068	0.8339	0.8353	0.8667	0.9026	0.8837
SEK	8.4498	8.7728	8.8455	8.9120	9.2580	9.1739	8.9329

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