

UPM FINANCIAL STATEMENTS RELEASE 2013

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UPM financial statements release 2013

Q4/2013 (compared with Q4/2012)

- Earnings per share excluding special items were EUR 0.27 (0.20), and reported EUR 0.06 (–2.83)
- Operating profit excluding special items was EUR 207 million, 8.0% of sales (146 million, 5.5% of sales)
- EBITDA was EUR 302 million, 11.7% of sales (317 million, 11.9% of sales)
- 48% of the targeted annualised EUR 200 million cost savings achieved in Q4/2013
- Operating cash flow was EUR 262 million, net debt decreased to EUR 3,040 million

Full year 2013 (compared with 2012)

- Earnings per share excluding special items were EUR 0.91 (0.74), and reported EUR 0.63 (–2.14)
- Operating profit excluding special items was EUR 683 million, 6.8% of sales (556 million, 5.3% of sales)
- EBITDA was EUR 1,155 million, 11.5% of sales (1,312 million, 12.5% of sales)
- UPM introduced a new business structure and is implementing a profit improvement programme and focused growth initiatives
- Board's proposal for dividend per share EUR 0.60 (0.60)

Key figures

	Q4/2013	Q4/2012	Q1-Q4/2013	Q1-Q4/2012
Sales, EURm	2,588	2,657	10,054	10,492
EBITDA, EURm ¹⁾	302	317	1,155	1,312
% of sales	11.7	11.9	11.5	12.5
Operating profit (loss), EURm	134	–1,659	548	–1,318
excluding special items, EURm	207	146	683	556
% of sales	8.0	5.5	6.8	5.3
Profit (loss) before tax, EURm	115	–1,690	475	–1,271
excluding special items, EURm	188	123	610	471
Net profit (loss) for the period, EURm	36	–1,486	335	–1,122
Earnings per share, EUR	0.06	–2.83	0.63	–2.14
excluding special items, EUR	0.27	0.20	0.91	0.74
Diluted earnings per share, EUR	0.06	–2.82	0.63	–2.13
Return on equity, %	1.9	neg.	4.5	neg.
excluding special items, %	7.5	4.6	6.4	4.2
Return on capital employed, %	4.7	neg.	4.8	neg.
excluding special items, %	7.2	4.3	6.0	4.2
Operating cash flow per share, EUR	0.49	0.69	1.39	1.98
Equity per share at end of period, EUR	14.08	14.18	14.08	14.18
Gearing ratio at end of period, %	41	43	41	43
Net interest-bearing liabilities at end of period, EURm	3,040	3,210	3,040	3,210
Capital employed at end of period, EURm	11,583	11,603	11,583	11,603
Capital expenditure, EURm	111	119	362	357
Capital expenditure excluding acquisitions and shares, EURm	111	119	329	347
Personnel at end of period	20,950	22,180	20,950	22,180

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

Market environment in 2013

Growth in the global economy in 2013 remained largely on the same low level as in the previous year. Slowing growth in the US offset strengthening sentiment in the Euro area, while growth in large developing economies such as China, India and Brazil remained on the previous year's level. Global GDP growth was approximately 3% in 2013.

The Euro area climbed out of recession during the second quarter and confidence in growth prospects improved during the second half of the year. Although growth improved slightly during the second

half, 2013 was revealed to be almost as weak as 2012. The real economy was held back by austerity programmes and weak labour markets, as the area recovered gradually from the sovereign debt crisis.

In the US, the avoidance of the fiscal cliff and the expansion of monetary easing, along with a continued recovery in the housing and labour markets improved growth prospects. The US economy sustained moderate growth in 2013, albeit at a slightly lower rate than in 2012.

In China, growth was on the same level as in the previous year, and the government strived to rebalance the economy by reducing

dependence on investments and exports in favour of consumption.

The Euro strengthened against many important currencies in 2013, which weakened the competitiveness of European exporters. Against the US dollar, the Euro strengthened during the second half of the year, and was on average 3% stronger compared to the previous year. Likewise, the Euro strengthened against the British pound sterling, and considerably against the Japanese yen. Emerging market currencies depreciated in 2013 amid talks of tightening monetary stimulus in the US.

In UPM's businesses, the recession in the Euro area continued to have a negative impact on the European graphic paper markets in particular during the first half of 2013. In the global pulp and label materials markets business conditions remained favourable, with growing demand during the year. The hydrological situation in Finland normalised after a record year in 2012, resulting in lower hydropower availability. During the second half of the year there were also some early signs of improving demand in certain construction-related products in Europe.

New reportable segments

UPM adopted a new business structure as of 1 November 2013. Financial reporting according to the new structure has taken place from Q4 2013 onwards. The financial figures for the comparison periods have been restated according to the new business and reportable segments structure.

Results

Q4 2013 compared with Q4 2012

Sales for Q4 2013 were EUR 2,588 million, 3% lower than the EUR 2,657 million in Q4 2012. Sales decreased due to a reduction in paper deliveries and prices.

EBITDA was EUR 302 million, 11.7% of sales (317 million, 11.9% of sales). UPM Biorefining and UPM Plywood showed improvements in EBITDA mainly due to higher deliveries. UPM Energy reported lower EBITDA mainly due to lower hydropower volumes. UPM Paper Asia showed a decrease in EBITDA mainly due to adverse development in prices and exchange rates. UPM Paper ENA achieved the same EBITDA level as in the previous year, as lower variable and fixed costs offset the impact of lower paper prices and deliveries.

The Group's fixed costs were EUR 39 million lower than in the previous year.

Operating profit excluding special items was EUR 207 million, 8.0% of sales (146 million, 5.5%). The improvement in operating profit excluding special items came mainly from lower depreciation. Depreciation totalled EUR 131 million (1,983 million), and excluding special items EUR 132 million (202 million).

Reported operating profit was EUR 134 million, 5.2% of sales (loss of EUR 1,659 million). Operating profit includes net charges of EUR 73 million as special items. UPM booked charges of EUR 25 million related to the restructuring of the UPM Docelles mill in France. Other restructuring measures under UPM's profit improvement programme resulted into net restructuring charges of EUR 8 million. UPM booked a EUR 40 million write-down of receivables due to the Finnish Customs' decision to dismiss UPM's application for the statutory refund of energy taxes for the year 2012. UPM has appealed against the decision of the authorities.

The increase in the fair value of biological assets net of wood harvested was EUR 37 million (32 million).

Profit before tax was EUR 115 million (loss of EUR 1,690 million) and excluding special items EUR 188 million (123 million).

Net interest and other finance costs were EUR 19 million (31 million). Exchange rate and fair value gains and losses were EUR 0 million (loss of EUR 2 million).

Income taxes were EUR 79 million (204 million positive). The net impact of special items in income taxes was EUR 31 million negative (222 million positive), including charges of EUR 120 million related to a change in recoverability of deferred tax assets in Canada and income of EUR 76 million related to the corporate income tax rate change from 24.5% to 20.0% in Finland.

Profit for Q4 2013 was EUR 36 million (loss of EUR 1,486 million) and earnings per share were EUR 0.06 (-2.83). Earnings per share excluding special items were EUR 0.27 (0.20).

Q4 2013 compared with Q3 2013

EBITDA was EUR 302 million, 11.7% of sales (311 million, 12.6% of sales). Combined EBITDA of business areas excluding Eliminations and reconciliations increased slightly from Q3. EBITDA increased in UPM Plywood, UPM Energy and UPM Paper ENA and decreased in UPM Raflatac and UPM Paper Asia. Group EBITDA was impacted by a negative market value change of unrealised energy hedges reported in Eliminations and reconciliations, whereas the comparison period was affected by a positive change.

Operating profit excluding special items was EUR 207 million, 8.0% of sales (194 million, 7.8%). Depreciation excluding special items totalled EUR 132 million (129 million).

The increase in the fair value of biological assets net of wood harvested was EUR 37 million (11 million), including gains on sale of forests in Finland.

Full year 2013 compared with 2012

Sales in 2013 were EUR 10,054 million, 4% lower than the EUR 10,492 million in 2012. Sales decreased due to a reduction in paper deliveries and prices.

EBITDA was EUR 1,155 million, 11.5% of sales (1,312 million, 12.5% of sales). The decrease in EBITDA was mainly attributable to the UPM Paper ENA business area, as a result of lower average paper prices and lower delivery volumes. Fixed and variable costs in the UPM Paper ENA business decreased significantly but, in the early part of the year, could not compensate for lower paper prices and deliveries.

The Group's fixed costs decreased by EUR 134 million from the comparison period.

Operating profit excluding special items was EUR 683 million, 6.8% of sales (556 million, 5.3%). Reported operating profit was EUR 548 million, 5.5% of sales (loss of EUR 1,318 million). Depreciation totalled EUR 545 million (2,614 million), and excluding special items EUR 542 million (803 million).

Operating profit includes net charges totalling EUR 135 million as special items. The UPM Paper ENA business area recognised net restructuring charges of EUR 59 million, mainly related to the restructuring of UPM Docelles mill and closures of paper machines Rauma PM3 and Ettringen PM4. The UPM Raflatac business area recognised restructuring charges of EUR 15 million. The streamlining of global functions and other actions under UPM's profit improvement programme resulted in net restructuring charges of EUR 27 million in Other operations. UPM booked a EUR 40 million write-down of receivables due to the Finnish Customs' decision to dismiss UPM's application for the statutory refund of energy taxes for the year 2012. UPM has appealed against the decision of the authorities.

The increase in the fair value of biological assets net of wood harvested was EUR 68 million (45 million).

Profit before tax was EUR 475 million (loss of EUR 1,271 million) and excluding special items EUR 610 million (471 million). Net interest and other finance costs were EUR 84 million (2 million including the dividend of EUR 105 million from Pohjolan Voima Oy as special income). Exchange rate and fair value gains and losses resulted in a gain of EUR 10 million (11 million).

Income taxes were EUR 140 million (149 million positive). The net impact of special items in income taxes was EUR 10 million negative (230 million positive), including charges of EUR 120 million related to a change in estimated recoverability of deferred tax assets in Canada and income of EUR 76 million related to the corporate income tax rate change from 24.5% to 20.0% in Finland.

Profit for 2013 was EUR 335 million (loss of EUR 1,122 million) and earnings per share were EUR 0.63 (-2.14). Earnings per share excluding special items were EUR 0.91 (0.74).

Operating cash flow per share was EUR 1.39 (1.98).

Financing

In 2013, cash flow from operating activities before capital expenditure and financing totalled EUR 735 million (1,040 million). Working capital increased by EUR 128 million (decreased by EUR 34 million) during the period, mainly due to the decrease in current liabilities.

The gearing ratio as of 31 December 2013 was 41% (43%). Net interest-bearing liabilities at the end of the period came to EUR 3,040 million (3,210 million).

On 31 December 2013, UPM's cash funds and unused committed credit facilities totalled EUR 1.8 billion.

Personnel

In 2013, UPM had an average of 21,898 employees (23,151). At the beginning of the year the number of employees was 22,180, and at the end of Q4 it was 20,950.

Capital expenditure

In 2013, capital expenditure excluding investments in shares was EUR 329 million, 3.3% of sales (347 million, 3.3% of sales). Operational capital expenditure totalled EUR 209 million (248 million).

UPM is investing in a biorefinery, which will produce renewable diesel from crude tall oil in Lappeenranta, Finland. The biorefinery will produce approximately 100,000 tonnes of advanced renewable diesel for transport each year. Diesel production is expected to begin in summer 2014. The total investment will amount to approximately EUR 150 million.

UPM is building 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 the mill's energy supply. Start-up is planned for the end of 2014. Total investment is approximately EUR 85 million.

The rebuilding of the Pietarsaari pulp mill's effluent treatment plant was completed in December 2013. Total investment was EUR 32 million.

UPM is building a new woodfree speciality paper machine at the UPM 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 (approximately EUR 390 million), and the machine is expected to start up in 2015.

In June, UPM announced that it is participating in the share issue from Pohjolan Voima Oy to finance the Olkiluoto 3 nuclear power plant project. UPM's share of the issue is EUR 119 million, of which

EUR 31 million was paid in Q2 2013. The remaining part of the share issue will be implemented during the coming years based on the financing needs of the project.

Restructuring in Paper and streamlining of functions

In January 2013, UPM announced that it is planning to permanently reduce paper production capacity in Europe by 850,000 tonnes during 2013. UPM also announced plans to streamline the European paper operations and the Group's global functions. The restructuring plans were estimated to result in annual fixed cost savings of EUR 90 million. The one-off cash restructuring cost was estimated to be EUR 100 million. EUR 82 million of the restructuring costs were recognised in the 2013 results.

Production at the UPM Stracel mill was ceased in January 2013. The mill produced 270,000 tonnes of coated magazine paper annually. The assets and part of the land at the mill site were sold to Blue Paper SAS in May. The new owner will convert the mill to produce recycled fibre-based fluting and test-liner.

Paper machine 3 at the UPM Rauma mill in Finland and paper machine 4 at the UPM Ettringen mill in Germany were permanently closed in April 2013. Both machines produced uncoated magazine paper; in total 420,000 tonnes annually.

Paper production at the UPM Docelles paper mill in France was permanently discontinued in January 2014. Docelles produced 160,000 tonnes of uncoated woodfree paper annually.

New business structure to sharpen operational focus and facilitate portfolio change

On 6 August 2013, UPM announced that it would implement a new business structure to drive clear improvement in profitability. The company also seeks to simplify and further develop its business portfolio.

UPM's new structure consists of the following business areas and reporting segments: UPM Biorefining, UPM Energy, UPM Raflatac, UPM Paper Asia, UPM Paper ENA (Europe and North America) and UPM Plywood. Forests and wood procurement are reported in Other operations. The new structure has been valid as of 1 November 2013.

The new Paper business areas are located at the centres of their markets. UPM Paper Asia is headquartered in Shanghai, China, and UPM Paper ENA in Augsburg, Germany. The Group Head Office remains in Helsinki, Finland.

Through the new business structure, the company aims to sharpen the targets and required actions for each business. The new structure will also increase the transparency of company performance.

UPM will also seek to simplify its business portfolio and uncover the value of its assets. These opportunities will be explored in parallel with the profitability improvement and growth initiatives and may involve changes in ownership structures.

Profit improvement through simplified business structure

On 6 August 2013, UPM announced that it had identified actions with an overall profit improvement impact of EUR 200 million in its existing businesses. Each business is implementing a profit improvement programme with a simplified business model and variable and fixed cost savings. These planned actions do not include additional capacity closures at this time.

The profit improvement programme includes the remaining part of the EUR 90 million savings announced in January 2013, as well as

further actions resulting from the new business structure and consequent profit improvement measures.

The full impact of the programme is expected to materialise by the end of 2014 as compared with the Q2 2013 results.

In Q4 2013, the actions under the profit improvement programme reduced UPM's costs by EUR 24 million, i.e. approximately 48% of the annualised savings had been achieved.

UPM has conducted employee consultations in UPM Paper ENA, Global Functions and in UPM Wood Sourcing and Forestry. The combined estimated total impact of the plans was a maximum of 275 positions, of which 195 in Finland and 80 in other countries. The realised impact is expected to be approximately 215 positions, of which 135 in Finland and 80 in other countries during 2014-2015.

UPM will follow and update the progress of the programme in its quarterly reporting.

Growth initiatives for the next three years

On 6 August 2013, UPM announced quantified targets for its growth initiatives in the coming three years.

Biofuels, woodfree specialty papers in China and continued growth in UPM Raflatac are expected to provide top line growth for UPM in the coming years. In addition, opportunities have been identified to expand production capacity in UPM's existing pulp mills by approximately 10%. With these growth initiatives, the company is targeting additional EBITDA contribution of EUR 200 million when in full operation.

The total investment requirement in these projects is EUR 680 million, including the earlier-announced EUR 540 million in the Changshu paper machine and Lappeenranta biorefinery. EUR 132 million has already been invested, and the total remaining capital expenditure in the coming three years would be EUR 548 million.

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 and fluctuations in currency market. 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.

In the global chemical pulp market, new production lines currently nearing completion may have significant impact on pulp prices in the short term.

The main earnings sensitivities and the Group's cost structure are

presented in the Annual Report of 2012, on page 10. Risks and risk management are presented in the Annual Report of 2012, on pages 74-75.

Events after the balance sheet date

On 22 January 2014, UPM announced that it will permanently close down the UPM Docelles paper mill in France. The production ceased by the end of January. Employee information and consultation negotiations were completed on 13 December 2013 and the Social Plan was approved by the French authorities on 13 January 2014.

Docelles mill employed 161 people and produced 160,000 tonnes of uncoated woodfree papers annually. Charges of EUR 25 million have been recognised related to the restructuring of the mill in Q4 2013.

Dividend

The Board of Directors proposes to the Annual General Meeting, to be held on 8 April 2014, that a dividend of EUR 0.60 per share be paid in respect of the 2013 financial year (EUR 0.60). It is proposed that the dividend be paid on 24 April 2014. On 31 December 2013, the distributable funds of the parent company were EUR 2,923.7 million.

Outlook for 2014

Growth in the European economy is expected to remain low in 2014, but improve from last year. Growth in the US and in the developing economies is expected to continue to outperform Europe.

This environment is expected to be supportive for the global pulp and label materials demand, as well as paper demand in Asia. The slight improvement in the European economy may moderate the negative demand development seen in the European graphic paper market in the past two years and stimulate European demand for wood products. The current hydrological situation in Finland is close to the long-term average level, and the forward electricity prices in Finland for H1 2014 are somewhat lower than the realised market prices in H1 2013.

UPM's business outlook for H1 2014 is broadly stable.

In H1 2014, UPM's performance is expected to be underpinned by stable overall outlook for UPM Energy, UPM Raflatac, UPM Paper Asia and UPM Plywood, as compared to H2 2013.

Profitability in UPM Paper ENA is expected to improve due to the on-going cost reduction measures. In H1 2014 compared to H2 2013, however, performance is negatively impacted by lower delivery volumes, including seasonal factors.

UPM Biorefining is starting the year in a stable market. Capacity additions in the global pulp market may impact the pulp market balance unfavourably during 2014, depending on the timing of the new start-ups.

Business area reviews

UPM Biorefining

	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1-Q4/13	Q1-Q4/12
Sales, EURm	497	484	512	495	468	477	512	513	1,988	1,970
EBITDA, EURm ¹⁾	100	100	128	107	77	94	119	101	435	391
% of sales	20.1	20.7	25.0	21.6	16.5	19.7	23.2	19.7	21.9	19.8
Change in fair value of biological assets and wood harvested, EURm	4	3	6	2	9	3	3	-	15	15
Share of results of associated companies and joint ventures, EURm	-	-	1	-	1	-	1	-	1	2
Depreciation, amortisation and impairment charges, EURm	-37	-38	-38	-39	-40	-40	-71	-40	-152	-191
Operating profit, EURm	63	73	102	68	47	55	42	61	306	205
% of sales	12.7	15.1	19.9	13.7	10.0	11.5	8.2	11.9	15.4	10.4
Special items, EURm	-3	6	5	-2	-1	-1	-41	-	6	-43
Operating profit excl. special items, EURm	66	67	97	70	48	56	83	61	300	248
% of sales	13.3	13.8	18.9	14.1	10.3	11.7	16.2	11.9	15.1	12.6
Pulp deliveries, 1,000 t	810	789	774	790	730	759	755	884	3,163	3,128
Capital employed (average), EURm									2,825	2,806
ROCE (excl. special items), %									10.6	8.8

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

²⁾ In Q4 2013, special charges of EUR 3 million relate to restructuring measures. In Q3 2013, special income of EUR 6 million relate to restructuring charges and a capital gain from a sale of property, plant and equipment. In Q2 2013, special income of EUR 5 million relate to restructuring measures. In Q1 2013, special items of EUR 2 million relate to restructuring charges. In Q4 2012, special items of EUR 1 million relate to restructuring charges. In Q3 2012, special items include restructuring charges of EUR 1 million. In Q2 2012, special items of EUR 41 million relate 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.

Q4 2013 compared with Q4 2012

Operating profit excluding special items for UPM Biorefining increased to EUR 66 million (48 million). Sales increased by 6% to EUR 497 million (468 million). Pulp deliveries increased by 11% to 810,000 tonnes (730,000), partly due to the increased production at the UPM Fray Bentos mill. In October, the State of Uruguay granted permission for the UPM Fray Bentos mill to increase its annual pulp production from 1.1 million to 1.2 million tonnes.

The increase in operating profit was mainly due to higher pulp production and delivery volumes.

In October in Timber, UPM completed the divestment of further processing operations by selling its Aigrefeuille operations in France.

Q4 2013 compared with Q3 2013

Operating profit excluding special items remained unchanged.

Full year 2013 compared with 2012

Operating profit excluding special items for UPM Biorefining increased to EUR 300 million (248 million). Sales increased by 1% to EUR 1,988 million (1,970 million). Pulp deliveries increased by 1% to 3,163,000 tonnes (3,128,000).

Operating profit increased due to higher pulp sales prices and increased deliveries. In sawmill operations cost efficiency improved as a result of restructuring. Fixed costs decreased in spite of preparation

for the commercial launch of UPM BioVerno – UPM's renewable diesel.

In July, UPM sold the Pestovo sawmill in Russia.

Market review

Chemical pulp market prices increased during the first half of 2013. Softwood pulp (NBSK) and hardwood pulp (BHKP) market prices diverged during the second half of the year. Balanced market conditions supported additional price increases for softwood market pulp during the second half of 2013. The euro-denominated price remained stable as the USD/EUR exchange rate weakened. In hardwood pulp, market prices decreased during the second half of the year as new capacity entered the market, impacting the supply-demand balance.

In 2013, the average softwood pulp (NBSK) market price was EUR 646/tonne (634/tonne) and the average hardwood pulp (BHKP) market price was EUR 596/tonne (585/tonne). At the end of the year, the softwood pulp market price was 656/tonne (613/tonne) and the hardwood pulp market price was EUR 557/tonne (587/tonne).

Global chemical pulp shipments increased by 2% from the previous year. Shipments to China and North America increased by 5%, while shipments to Western Europe remained the same.

Sawn timber demand increased in 2013. The increase was led by exports to Asia and North Africa. Demand in Europe remained fairly stable.

UPM Energy

	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1-Q4/13	Q1-Q4/12
Sales, EURm	115	109	110	132	134	118	101	129	466	482
EBITDA, EURm ¹⁾	48	43	49	58	66	54	45	63	198	228
% of sales	41.7	39.4	44.5	43.9	49.3	45.8	44.6	48.8	42.5	47.3
Share of results of associated companies and joint ventures, EURm	-	-1	-	-	-	-	-	-	-1	-
Depreciation, amortisation and impairment charges, EURm	-3	-2	-3	-3	-3	-3	-2	-3	-11	-11
Operating profit, EURm	45	40	46	55	63	51	43	60	186	217
% of sales	39.1	36.7	41.8	41.7	47.0	43.2	42.6	46.5	39.9	45.0
Special items, EURm	-	-	-	-	-	-	-	-	-	-
Operating profit excl. special items, EURm	45	40	46	55	63	51	43	60	186	217
% of sales	39.1	36.7	41.8	41.7	47.0	43.2	42.6	46.5	39.9	45.0
Electricity deliveries, GWh	2,164	2,027	2,221	2,513	2,583	2,340	2,158	2,405	8,925	9,486
Capital employed (average), EURm									2,882	3,266
ROCE (excl. special items), %									6.5	6.6

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

Q4 2013 compared with Q4 2012

Operating profit excluding special items for UPM Energy was EUR 45 million (63 million). Sales decreased to EUR 115 million (134 million). The total electricity sales volume was 2,164 GWh during the quarter (2,583 GWh).

The decrease in operating profit was mainly due to lower hydropower generation volumes.

The average electricity sales price remained virtually unchanged at EUR 46.0/MWh (46.2/MWh).

Q4 2013 compared with Q3 2013

Operating profit excluding special items increased, mainly due to higher sales volumes. The average electricity sales price decreased by 1% to EUR 46.0/MWh (46.4/MWh).

Full year 2013 compared with 2012

Operating profit excluding special items for UPM Energy decreased to EUR 186 million (217 million). Sales decreased by 3% to EUR 466 million (482 million). The total electricity sales volume was 8,925 GWh (9,486 GWh).

The decrease in operating profit was mainly due to lower hydropower generation volumes. The average electricity sales price increased by 2% to EUR 46.1/MWh (45.2/MWh).

Market review

The hydrological balance in Finland fluctuated in 2013 and was on average lower than in 2012. During the first half of the year the balance remained above the long-term average. However, a prolonged period of dry weather deteriorated the hydrological balance during the third quarter, whereas wet weather conditions in the fourth quarter restored the balance to close to normal levels by the year-end.

The average Finnish area spot price on the Nordic electricity exchange in 2013 was EUR 41.2/MWh, 13% higher than during the same period the previous year (36.6/MWh). The Finnish area price was above the Nord Pool system price as transmission cable maintenance work between Finland and Sweden limited imports, and at the same time imports from Russia remained low.

Coal prices were lower than in the previous year. The CO₂ emission allowance price was EUR 4.7/tonne at the end of the period, 30% lower than on the same date the previous year (EUR 6.7/tonne). The Finnish area front-year forward price closed at EUR 38.9/MWh in December, 11% lower than on the same date the previous year (43.5/MWh).

UPM Raflatac

	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1-Q4/13	Q1-Q4/12
Sales, EURm	298	307	309	299	301	305	298	298	1,213	1,202
EBITDA, EURm ¹⁾	25	30	28	26	23	30	31	31	109	115
% of sales	8.4	9.8	9.1	8.7	7.6	9.8	10.4	10.4	9.0	9.6
Depreciation, amortisation and impairment charges, EURm	-9	-10	-9	-8	-9	-8	-9	-8	-36	-34
Operating profit, EURm	16	7	19	18	13	20	22	23	60	78
% of sales	5.4	2.3	6.1	6.0	4.3	6.6	7.4	7.7	4.9	6.5
Special items, EURm ²⁾	-	-15	-	-	-1	-2	-	-	-15	-3
Operating profit excl. special items, EURm	16	22	19	18	14	22	22	23	75	81
% of sales	5.4	7.2	6.1	6.0	4.7	7.2	7.4	7.7	6.2	6.7
Capital employed (average), EURm									532	524
ROCE (excl. special items), %									14.1	15.5

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

²⁾ In Q3 2013, special items of EUR 15 million relate to restructuring charges, including impairments of EUR 2 million. In Q4 2012, special items of EUR 1 million relate to restructuring charges. In Q3 2012, special items include restructuring charges of EUR 2 million.

Q4 2013 compared with Q4 2012

Operating profit excluding special items for UPM Raflatac was EUR 16 million (14 million). Sales decreased by 1% to EUR 298 million (301 million).

Operating profit increased on the previous year's level. Volume growth more than offset the impact of lower sales margin.

Q4 2013 compared with Q3 2013

Operating profit excluding special items decreased, mainly due to the weaker sales mix and seasonally higher fixed costs.

Full year 2013 compared with 2012

Operating profit excluding special items for UPM Raflatac was EUR 75 million (81 million). Sales increased by 1% to EUR 1,213 million (1,202 million).

Operating profit decreased from the previous year, mainly due to the lower sales margin. Expanded operations enabled volume growth, more than offsetting the increase in fixed costs.

In July, UPM announced plans to reduce labelstock production capacity in Europe, South Africa and Australia.

Market review

Along with a gradual, albeit slow, improvement in the macro-economic environment, growth in the global demand for self-adhesive labelstock improved over the year. Demand in Western Europe is estimated to have improved slightly, especially during the second half of the year, whereas in North America demand is estimated to have experienced modest growth during the course of the year. In Eastern Europe, Asia and Latin America growth continued, but at a lower level.

UPM Paper Asia

	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1-Q4/13	Q1-Q4/12
Sales, EURm	268	274	289	277	280	290	285	276	1,108	1,131
EBITDA, EURm ¹⁾	36	40	42	43	44	43	46	52	161	185
% of sales	13.4	14.6	14.5	15.5	15.7	14.8	16.1	18.8	14.5	16.4
Depreciation, amortisation and impairment charges, EURm	-20	-20	-20	-21	-22	-21	-21	-20	-81	-84
Operating profit, EURm	17	19	22	22	22	22	25	32	80	101
% of sales	6.3	6.9	7.6	7.9	7.9	7.6	8.8	11.6	7.2	8.9
Special items, EURm ²⁾	1	-1	-	-	-	-	-	-	-	-
Operating profit excl. special items, EURm	16	20	22	22	22	22	25	32	80	101
% of sales	6.0	7.3	7.6	7.9	7.9	7.6	8.8	11.6	7.2	8.9
Paper deliveries, 1,000 t	344	341	354	339	348	343	344	335	1,378	1,370
Capital employed (average), EURm									882	915
ROCE (excl. special items), %									9.1	11.0

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

²⁾ In Q4 2013, special income of EUR 1 million relate to restructuring measures. In Q3 2013, special items of EUR 1 million relate to restructuring charges.

Q4 2013 compared with Q4 2012

Operating profit excluding special items for UPM Paper Asia was EUR 16 million (22 million).

Sales were EUR 268 million (280 million). Paper deliveries decreased by 1% to 344,000 tonnes (348,000).

The decrease in operating profit was mainly due to lower fine paper prices, including a material negative currency impact.

Q4 2013 compared with Q3 2013

Operating profit excluding special items decreased mainly due to negative currency impact.

Full year 2013 compared with 2012

Operating profit excluding special items for UPM Paper Asia was EUR 80 million (101 million).

Sales were EUR 1,108 million (1,131 million). Paper deliveries remained virtually on the previous year's level of 1,378,000 tonnes (1,370,000).

The operating profit decreased in 2013 mainly due to lower fine paper prices. Deliveries remained on the same level as the previous year.

Market review

Fine paper prices decreased in Asia during 2013. The slide levelled off towards the end of the year and price increases in selected markets were implemented. On average, market prices were lower than the previous year, which was compounded with the negative currency impact in some of UPM's major markets. Office paper prices remained fairly stable. In 2013, demand for fine paper increased only slightly in Asia, though the growth varied by product and market segment. There was overcapacity in all major fine paper grades in Asia.

Global demand in label papers picked up slightly during the course of the year and was approximately 4% higher than in the previous year. In Asia and other developing markets, demand continued to grow at about double the average global growth rate in 2013. Label paper prices remained stable.

UPM Paper ENA

	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1-Q4/13	Q1-Q4/12
Sales, EURm	1,445	1,392	1,358	1,365	1,563	1,533	1,558	1,538	5,560	6,192
EBITDA, EURm ¹⁾	86	83	34	29	87	91	98	124	232	400
% of sales	6.0	6.0	2.5	2.1	5.6	5.9	6.3	8.1	4.2	6.5
Share of results of associated companies and joint ventures, EURm	-	1	-	-	-	-	-	1	1	1
Depreciation, amortisation and impairment charges, EURm	-55	-57	-56	-65	-1,901	-119	-119	-122	-233	-2,261
Operating profit, EURm	14	36	-18	-91	-1,835	-71	0	1	-59	-1,905
% of sales	1.0	2.6	-1.3	-6.7	-117.4	-4.6	0.0	0.1	-1.1	-30.8
Special items, EURm ²⁾	-17	7	5	-54	-1,800	-43	21	-2	-59	-1,824
Operating profit excl. special items, EURm	31	29	-23	-37	-35	-28	-21	3	0	-81
% of sales	2.1	2.1	-1.7	-2.7	-2.2	-1.8	-1.3	0.2	0.0	-1.3
Paper deliveries, 1,000 t	2,332	2,258	2,181	2,139	2,459	2,375	2,369	2,298	8,910	9,501
Capital employed (average), EURm									2,672	4,732
ROCE (excl. special items), %									0.0	-1.7

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

²⁾ In Q4 2013, special items include charges of EUR 25 million related to the restructuring of the UPM Docelles mill in France and a net income of EUR 8 million related to other restructuring measures. In Q3 2013, special items include impairment charges of EUR 3 million and a net income of EUR 10 million related to the ongoing restructuring. In Q2 2013, special income of EUR 5 million relate to restructuring measures. In Q1 2013, special items of EUR 54 million relate to restructuring charges. In Q4 2012, special items include impairment charges of EUR 1,771 million, including EUR 783 million related to goodwill and EUR 988 million related to fixed assets in European graphic paper operations. In addition Q4 2012 special items include other restructuring charges of EUR 29 million of which impairment charges EUR 8 million. 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.

Q4 2013 compared with Q4 2012

Operating profit excluding special items for UPM Paper ENA was EUR 31 million (loss of EUR 35 million).

Sales decreased to EUR 1,445 million (1,563 million). Paper deliveries decreased by 5% to 2,332,000 tonnes (2,459,000).

The increase in operating profit was mainly due to lower depreciation. Lower average paper prices and deliveries were offset by lower variable and fixed costs, partly driven by the ongoing profit improvement programme.

The average price for paper deliveries in Euros was approximately 3% lower than the previous year.

Q4 2013 compared with Q3 2013

Operating profit excluding special items remained on the previous quarter's level. Higher delivery volumes and lower variable costs were offset by lower production and seasonally higher fixed costs.

The average price for paper deliveries was on the same level as in the previous quarter.

Full year 2013 compared with 2012

Operating profit excluding special items for UPM Paper ENA was EUR 0 million (loss of EUR 81 million).

Sales were EUR 5,560 million (6,192 million).

Paper deliveries decreased by 6% to 8,910,000 tonnes (9,501,000), partly affected by the sale of packaging paper operations of the UPM Tervasaari and UPM Pietarsaari mills.

Operating profit increased, mainly due to lower depreciation. The reduction in fixed and variable costs could not fully offset lower average paper prices and a reduction in deliveries. Profitability was also partly impacted by unfavourable exchange rate developments in many markets.

The average price of all paper deliveries in Euros was approximately 4% lower than in 2012.

Market review

In 2013, demand for graphic papers decreased by 5% in Europe. The decrease was steeper in the first half of the year, which was also reflected in the paper price development. Graphic paper prices decreased at the beginning of the year and remained largely stable during the second half of the year. On average, graphic paper prices were 4% lower than in 2012. Graphic paper production capacity was closed during the year, especially in newsprint, where the supply-demand balance was also improved. Newsprint prices increased during the second half of the year.

In North America, demand for magazine papers decreased by 1% and the average US dollar price for magazine papers was slightly lower than in the previous year.

UPM Plywood

	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1-Q4/13	Q1-Q4/12
Sales, EURm	112	98	111	108	99	94	103	97	429	393
EBITDA, EURm ¹⁾	15	6	12	10	8	2	10	4	43	24
% of sales	13.4	6.1	10.8	9.3	8.1	2.1	9.7	4.1	10.0	6.1
Depreciation, amortisation and impairment charges, EURm	-6	-5	-5	-6	-6	-5	-6	-5	-22	-22
Operating profit, EURm	9	1	7	4	2	-3	4	-1	21	2
% of sales	8.0	1.0	6.3	3.7	2.0	-3.2	3.9	-1.0	4.9	0.5
Special items, EURm	-	-	-	-	-	-	-	-	-	-
Operating profit excl. special items, EURm	9	1	7	4	2	-3	4	-1	21	2
% of sales	8.0	1.0	6.3	3.7	2.0	-3.2	3.9	-1.0	4.9	0.5
Deliveries, plywood, 1,000 m ³	191	169	191	186	169	165	175	170	737	679
Capital employed (average), EURm									286	300
ROCE (excl. special items), %									7.3	0.7

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

Q4 2013 compared with Q4 2012

Operating profit excluding special items for UPM Plywood was EUR 9 million (EUR 2 million). Sales increased by 13% to EUR 112 million (99 million) and deliveries by 13% to 191,000 cubic metres (169,000), supported by improved demand in certain important markets in Europe and overseas.

Operating profit increased mainly due to higher delivery volumes.

Q4 2013 compared with Q3 2013

Operating profit excluding special items increased, mainly due to higher delivery volumes.

Full year 2013 compared with 2012

Operating profit excluding special items for UPM Plywood was EUR 21 million (2 million). Sales increased by 9% to EUR 429 million (393 million) and deliveries by 9% to 737,000 cubic metres (679,000).

Operating profit excluding special items increased due to higher delivery volumes and lower fixed costs.

Market review

Following decreasing plywood demand in Europe during 2012, there were some initial signs of an improvement in demand during the second half of 2013. The Eurozone leading indicators and construction confidence in certain markets in Europe improved during the latter part of the year. Demand development in Europe was fairly similar in construction-related end-use segments and in industrial applications. Compared with pre-recession levels, overall demand in Europe remained, however, significantly lower. Raw material costs remained stable over the year.

In 2013, the plywood market in Europe was almost in balance, partly due to certain delivery problems with overseas suppliers, but also due to strengthening demand in the US. Market prices increased somewhat during the year, and were on average slightly higher than in the previous year.

Other operations

	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1-Q4/13	Q1-Q4/12
Sales, EURm	120	117	128	125	134	123	141	142	490	540
EBITDA, EURm ¹⁾	-3	-1	-2	-10	-2	2	2	-1	-16	1
Change in fair value of biological assets and wood harvested, EURm	33	8	8	4	23	10	-2	-1	53	30
Share of results of associated companies and joint ventures, EURm	-	1	-	-	-2	1	-	-	1	-1
Depreciation, amortisation and impairment charges, EURm	-3	-3	-3	-4	-3	-4	-3	-4	-13	-14
Operating profit, EURm	-27	1	1	-17	14	2	-3	0	-42	13
Special items, EURm ²⁾	-54	-4	-2	-7	-3	-7	-	6	-67	-4
Operating profit excl. special items, EURm	27	5	3	-10	17	9	-3	-6	25	17
Capital employed (average), EURm									1,533	1,561
ROCE (excl. special items), %									1.6	1.1

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

²⁾ In Q4 2013, special items of EUR 40 million relate to write-down of receivable due to the Finnish Customs' decision to dismiss UPM's application for the statutory refund of energy taxes for the year 2012. In addition, special items include restructuring charges of EUR 14 million. In Q3 2013, special items of EUR 4 million relate to restructuring of global functions. In Q2 2013, special items of EUR 2 million relate to restructuring charges. In Q1 2013, special items of EUR 7 million relate to restructuring charges mainly related to the streamlining of global functions. In Q4 2012, special items of EUR 3 million relate to restructuring charges. In Q3 2012, special items include restructuring charges of EUR 7 million. In Q2 2012, special items include restructuring charges of EUR 13 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.

Other operations include forests and wood sourcing, UPM Biocomposites, UPM Biochemicals business units and Group services.

Q4 2013 compared with Q4 2012

Operating profit excluding special items increased to EUR 27 million (17 million). Sales decreased by 10% to EUR 120 million (134 million).

The increase in the fair value of biological assets net of wood harvested was EUR 33 million (23 million). The increase in the fair value of biological assets (growing trees) was EUR 48 million (38 million), including gains on sales of forest. The cost of wood harvested from own forests was EUR 15 million (15 million).

Q4 2013 compared with Q3 2013

Operating profit excluding special items increased to EUR 27 million (5 million). Sales increased by 3% to EUR 120 million (117 million).

Shares

In 2013, UPM shares worth EUR 5,308 million (5,534 million) in total were traded on the NASDAQ OMX Helsinki stock exchange. This is estimated to represent approximately two-thirds of all trading volume in UPM shares. The highest quotation was EUR 13.02 in November and the lowest was EUR 7.30 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 4 April 2013, 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 same Annual General Meeting authorised the Board to decide on the issuance of new shares and/or the transfer of the company's own shares held by the company and/or the issue of special rights entitling to shares of 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

The increase in the fair value of biological assets net of wood harvested was EUR 33 million (8 million). The increase in the fair value of biological assets (growing trees) was EUR 48 million (22 million), including gains on sales of forest. The cost of wood harvested from own forests was EUR 15 million (14 million).

Full year 2013 compared with 2012

Operating profit excluding special items was EUR 25 million (17 million). Sales decreased by 9% to EUR 490 million (540 million).

The increase in the fair value of biological assets net of wood harvested was EUR 53 million (30 million). The increase in the fair value of biological assets (growing trees) was EUR 112 million (101 million), including gains on sales of forest. The cost of wood harvested from own forests was EUR 59 million (71 million).

In 2013, UPM sold 36,000 (31,000) hectares of forests.

can be received on the basis of the special rights. (ii) New shares and special rights entitling to shares of 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 4 April 2016.

UPM has one option series 2007C that would entitle holders to subscribe for a total of 5,000,000 shares.

Aside 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 2013 was 529,301,897, including subscriptions of 3,177,487 shares through exercising 2007B and 2007C share options. Through the issuance authorisation and share options, the number of shares may increase to a maximum of 559,300,397.

The share subscription period for share options 2007B ended on 31 October 2013. During the entire share subscription period 4,330,009 shares were subscribed for through exercising 2007B share options.

At the end of 2013, the company held 230,737 of its own shares, representing approximately 0.04% of the total number of the company shares and voting rights.

Company Directors

At the Annual General Meeting held on 4 April 2013, the number of members of the Board of Directors was increased from nine to ten and Matti Alahuhta, Berndt Brunow, Karl Grotenfelt, Wendy E. Lane, Jussi Pesonen, Ursula Ranin, Veli-Matti Reinikkala, Kim Wahl and Björn Wahlroos were re-elected to the Board for a term continuing until the end of the next Annual General Meeting. Piia-Noora Kauppi was elected as a new Board member.

At the organisation meeting of the Board of Directors, Björn Wahlroos was re-elected as Chairman, and Berndt Brunow as Deputy Chairman of the Board of Directors. In addition, the Board of Directors elected Karl Grotenfelt as Chairman of the Audit Committee, and Piia-Noora Kauppi, Wendy E. Lane and Kim Wahl as other members of the Committee from among its members. Berndt Brunow was elected as Chairman of the Remuneration Committee, and Ursula Ranin and Veli-Matti Reinikkala were elected as members. Björn Wahlroos was elected as Chairman of the Nomination and Governance Committee, and Matti Alahuhta and Karl Grotenfelt were elected as members.

Litigation

On 31 March 2011, Metsähallitus (a Finnish state enterprise which administers state-owned land) filed a claim for damages against UPM and two other Finnish forest companies. The claim relates to the Finnish 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 Metsähallitus, individuals and companies, as well as municipalities and parishes, have filed claims relating to the Market Court decision. The capital amount of all of the claims total EUR 208 million in the aggregate jointly and severally against UPM and two other companies; alternatively and individually against UPM, this represents EUR 38 million in the aggregate. In addition to the claims on capital amounts, the claimants are also requesting compensation relating to value added tax and interests. UPM considers all the claims unfounded in their entirety. No provision has been made in UPM's accounts for any of these claims.

In November 2012, UPM commenced arbitration proceedings against Metsäliitto Cooperative and Metsä Board Corporation due to their breaches of UPM's tag-along rights under the shareholders' agreement concerning Metsä Fibre Oy in connection with the sale of the shares in Metsä Fibre to Itochu Corporation. UPM claims jointly from Metsäliitto and Metsä Board a capital amount of EUR 58.5 million in damages. Metsäliitto and Metsä Board sold a 24.9% holding in Metsä Fibre to Itochu Corporation for EUR 472 million. In connection with the transaction with Itochu, Metsäliitto exercised a call option to purchase UPM's remaining 11% ownership in Metsä

Fibre for EUR 150 million. The arbitral tribunal is expected to render its final decision during Q1 2014. No receivables have been recorded by UPM on the basis of claims presented in the arbitration proceedings.

Neste Oil Oyj, a Finnish company producing traffic fuels (Neste), has filed an action for declaratory judgment against UPM in June 2013 in the Helsinki District Court. Neste seeks a declaration from the court that Neste enjoys protection on the basis of its patent against the technology that Neste alleges UPM intends to use at the biorefinery which is being constructed at UPM's Kaukas mill site. The said action relates to the same Neste patent concerning which UPM has filed an invalidation claim in December 2012. The invalidation claim was filed as a procedural precautionary measure to avoid unfounded legal processes. UPM considers Neste's action to be without merit.

In Finland, UPM is participating in a project to construct a new nuclear power plant unit (Olkiluoto 3) through its shareholdings in Pohjolan Voima Oy. Pohjolan Voima Oy is a majority shareholder of Teollisuuden Voima Oyj (TVO), holding 58.47% of its shares. UPM's indirect share of Olkiluoto 3 is approximately 31%. Originally the commercial electricity production of the Olkiluoto 3 plant was scheduled to start at the end of April 2009. The completion of the project, however, has been delayed. Based on the progress reports received from the AREVA-Siemens Consortium (Supplier), which is constructing Olkiluoto 3 under a fixed-price turnkey contract, TVO has announced that it will prepare for the possibility that the start of regular electricity production may be postponed until the year 2016. The Supplier is responsible for the schedule. In December 2008, the Supplier initiated arbitration proceedings before an International Chamber of Commerce (ICC) arbitration tribunal in relation to the delay of Olkiluoto 3 and related costs. At the end of 2013, the Supplier submitted its updated claim to the ICC arbitration proceedings concerning the delay of the project and the ensuing costs. The updated quantification until the end of June 2011, together with the earlier claim, is in total approximately EUR 2.7 billion. Among other things, the sum includes approximately EUR 70 million of payments delayed by TVO under the plant contract as well as approximately EUR 700 million of penalty interest and approximately EUR 120 million of alleged loss of profit. The Supplier's previous monetary claim was approximately EUR 1.9 billion. TVO has considered and found the earlier claim by the Supplier to be unfounded and without merit. TVO will scrutinise the new material and respond to it in due course. TVO has submitted a claim and defence in the arbitration proceedings concerning the delay and the ensuing costs incurred in the Olkiluoto 3 project. The quantification estimate of TVO's costs and losses in the claim that TVO submitted in the arbitration in September 2012 was approximately EUR 1.8 billion, which included TVO's actual claim and estimated part. The arbitration proceedings may continue for several years, and the claimed and counter-claimed amounts may change. No receivables or provisions have been recorded by TVO on the basis of claims presented in the arbitration proceedings.

Helsinki, 30 January 2014

UPM-Kymmene Corporation

Board of Directors

Financial information

Consolidated income statement

EURm	Q4/2013	Q4/2012 Restated ¹⁾	Q1-Q4/2013	Q1-Q4/2012 Restated ¹⁾
Sales	2,588	2,657	10,054	10,492
Other operating income	5	37	60	110
Costs and expenses	-2,365	-2,401	-9,091	-9,353
Change in fair value of biological assets and wood harvested	37	32	68	45
Share of results of associated companies and joint ventures	-	-1	2	2
Depreciation, amortisation and impairment charges	-131	-1,983	-545	-2,614
Operating profit (loss)	134	-1,659	548	-1,318
Gains on available-for-sale investments, net	-	2	1	38
Exchange rate and fair value gains and losses	-	-2	10	11
Interest and other finance costs, net	-19	-31	-84	-2
Profit (loss) before tax	115	-1,690	475	-1,271
Income taxes	-79	204	-140	149
Profit (loss) for the period	36	-1,486	335	-1,122
Attributable to:				
Owners of the parent company	36	-1,486	335	-1,122
Non-controlling interests	-	-	-	-
	36	-1,486	335	-1,122
Earnings per share for profit (loss) attributable to owners of the parent company				
Basic earnings per share, EUR	0.06	-2.83	0.63	-2.14
Diluted earnings per share, EUR	0.06	-2.82	0.63	-2.13

Consolidated statement of comprehensive income

EURm	Q4/2013	Q4/2012 Restated ¹⁾	Q1-Q4/2013	Q1-Q4/2012 Restated ¹⁾
Profit (loss) for the period	36	-1,486	335	-1,122
Other comprehensive income for the period, net of tax:				
Items that will not be reclassified to income statement:				
Actuarial gains and losses on defined benefit obligations	7	-98	69	-98
Items that may be reclassified subsequently to income statement:				
Translation differences	-90	-93	-219	-14
Net investment hedge	38	26	77	4
Cash flow hedges	1	28	-28	46
Available-for-sale investments	51	-400	58	-672
	-	-439	-112	-636
Other comprehensive income for the period, net of tax	7	-537	-43	-734
Total comprehensive income for the period	43	-2,023	292	-1,856
Total comprehensive income attributable to:				
Owners of the parent company	43	-2,023	292	-1,856
Non-controlling interests	-	-	-	-
	43	-2,023	292	-1,856

¹⁾ Retrospective application of new and revised IFRS

Consolidated balance sheet

EURm	31.12.2013	31.12.2012 Restated ¹⁾	1.1.2012 Restated ¹⁾
ASSETS			
Non-current assets			
Goodwill	219	222	1,022
Other intangible assets	342	366	467
Property, plant and equipment	4,757	5,089	6,505
Investment property	40	39	39
Biological assets	1,458	1,476	1,513
Investments in associated companies and joint ventures	22	20	28
Available-for-sale investments	2,661	2,587	3,345
Other non-current financial assets	282	441	423
Deferred tax assets	564	739	529
Other non-current assets	142	87	81
	10,487	11,066	13,952
Current assets			
Inventories	1,327	1,388	1,439
Trade and other receivables	1,948	1,982	2,016
Income tax receivables	50	21	26
Cash and cash equivalents	787	486	512
	4,112	3,877	3,993
Assets classified as held for sale	–	–	24
Total assets	14,599	14,943	17,969
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	890	890	890
Treasury shares	–2	–2	–2
Translation differences	6	148	158
Fair value and other reserves	2,256	2,232	2,857
Reserve for invested non-restricted equity	1,226	1,207	1,199
Retained earnings	3,073	2,980	4,511
	7,449	7,455	9,613
Non-controlling interests	6	6	6
Total equity	7,455	7,461	9,619
Non-current liabilities			
Deferred tax liabilities	501	612	702
Retirement benefit obligations	680	745	641
Provisions	189	207	327
Interest-bearing liabilities	3,485	3,724	3,972
Other liabilities	164	142	79
	5,019	5,430	5,721
Current liabilities			
Current interest-bearing liabilities	643	417	906
Trade and other payables	1,419	1,566	1,682
Income tax payables	63	69	37
	2,125	2,052	2,625
Liabilities related to assets classified as held for sale	–	–	4
Total liabilities	7,144	7,482	8,350
Total equity and liabilities	14,599	14,943	17,969

¹⁾ Retrospective application of new and revised IFRS

Consolidated statement of changes in equity

EURm	Attributable to owners of the parent company								Total equity
	Share capital	Treasury shares	Translation differences	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interests	
Balance at 1 January 2012	890	-2	161	129	1,199	5,084	7,461	16	7,477
Effect of new and revised IFRS, net of tax	-	-	-3	2,728	-	-573	2,152	-10	2,142
Balance at 1 January 2012 (restated ^{*)})	890	-2	158	2,857	1,199	4,511	9,613	6	9,619
Profit (loss) for the period	-	-	-	-	-	-1,122	-1,122	-	-1,122
Actuarial gains and losses on defined benefit obligations, net of tax	-	-	-	-	-	-98	-98	-	-98
Translation differences	-	-	-14	-	-	-	-14	-	-14
Net investment hedge, net of tax	-	-	4	-	-	-	4	-	4
Cash flow hedges, net of tax	-	-	-	46	-	-	46	-	46
Available-for-sale investments, net of tax	-	-	-	-672	-	-	-672	-	-672
Total comprehensive income for the period	-	-	-10	-626	-	-1,220	-1,856	-	-1,856
Share options exercised	-	-	-	-	8	-	8	-	8
Share-based compensation, net of tax	-	-	-	1	-	5	6	-	6
Dividend distribution	-	-	-	-	-	-315	-315	-	-315
Other items	-	-	-	-	-	-1	-1	-	-1
Total transactions with owners for the period	-	-	-	1	8	-311	-302	-	-302
Balance at 31 December 2012	890	-2	148	2,232	1,207	2,980	7,455	6	7,461
Balance at 1 January 2013	890	-2	148	2,232	1,207	2,980	7,455	6	7,461
Profit (loss) for the period	-	-	-	-	-	335	335	-	335
Actuarial gains and losses on defined benefit obligations, net of tax	-	-	-	-	-	69	69	-	69
Translation differences	-	-	-219	-	-	-	-219	-	-219
Net investment hedge, net of tax	-	-	77	-	-	-	77	-	77
Cash flow hedges, net of tax	-	-	-	-28	-	-	-28	-	-28
Available-for-sale investments, net of tax	-	-	-	58	-	-	58	-	58
Total comprehensive income for the period	-	-	-142	30	-	404	292	-	292
Share options exercised	-	-	-	-	19	-	19	-	19
Share-based compensation, net of tax	-	-	-	-6	-	9	3	-	3
Dividend distribution	-	-	-	-	-	-317	-317	-	-317
Other items	-	-	-	-	-	-3	-3	-	-3
Total transactions with owners for the period	-	-	-	-6	19	-311	-298	-	-298
Balance at 31 December 2013	890	-2	6	2,256	1,226	3,073	7,449	6	7,455

*) Retrospective application of new and revised IFRS

Consolidated cash flow statement

EURm	Q1-Q4/2013	Q1-Q4/2012 Restated ¹⁾
Cash flow from operating activities		
Profit (loss) for the period	335	-1,122
Adjustments	750	2,278
Interest received	3	7
Interest paid	-50	-83
Dividends received	2	15
Other financial items, net	-20	-16
Income taxes paid	-157	-73
Change in working capital	-128	34
Net cash generated from operating activities	735	1,040
Cash flow from investing activities		
Capital expenditure	-337	-379
Acquisition of businesses and subsidiaries, net of cash acquired	-	-10
Acquisition of shares in associated companies and joint ventures	-1	-
Acquisition of available-for-sale investments	-31	-
Proceeds from sale of tangible and intangible assets	33	100
Proceeds from disposal of subsidiaries	-2	-7
Proceeds from disposal of shares in associated companies and joint ventures	-	3
Proceeds from disposal of available-for-sale investments	1	150
Change in other non-current assets	40	-39
Dividends received	-	110
Net cash used in investing activities	-297	-72
Cash flow from financing activities		
Proceeds from non-current liabilities	553	140
Payments of non-current liabilities	-323	-937
Change in current liabilities	-64	110
Share options exercised	19	8
Dividends paid	-317	-315
Net cash used in financing activities	-132	-994
Change in cash and cash equivalents	306	-26
Cash and cash equivalents at beginning of period	486	512
Foreign exchange effect on cash and cash equivalents	-5	-
Change in cash and cash equivalents	306	-26
Cash and cash equivalents at end of period	787	486

¹⁾ Retrospective application of new and revised IFRS

Quarterly information

EURm	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1-Q4/13	Q1-Q4/12
Sales	2,588	2,472	2,520	2,474	2,657	2,595	2,632	2,608	10,054	10,492
Other operating income	5	28	-10	37	37	14	41	18	60	110
Costs and expenses	-2,365	-2,190	-2,245	-2,291	-2,401	-2,350	-2,337	-2,265	-9,091	-9,353
Change in fair value of biological assets and wood harvested	37	11	14	6	32	13	1	-1	68	45
Share of results of associated companies and joint ventures	-	1	1	-	-1	1	1	1	2	2
Depreciation, amortisation and impairment charges	-131	-135	-134	-145	-1,983	-200	-230	-201	-545	-2,614
Operating profit (loss)	134	187	146	81	-1,659	73	108	160	548	-1,318
Gains on available-for-sale investments, net	-	1	-	-	2	-2	34	4	1	38
Exchange rate and fair value gains and losses	-	-	5	5	-2	8	-3	8	10	11
Interest and other finance costs, net	-19	-22	-23	-20	-31	-27	82	-26	-84	-2
Profit (loss) before tax	115	166	128	66	-1,690	52	221	146	475	-1,271
Income taxes	-79	-28	-14	-19	204	-16	-13	-26	-140	149
Profit (loss) for the period	36	138	114	47	-1,486	36	208	120	335	-1,122
Attributable to:										
Owners of the parent company	36	138	114	47	-1,486	36	208	120	335	-1,122
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
	36	138	114	47	-1,486	36	208	120	335	-1,122
Basic earnings per share, EUR	0.06	0.26	0.22	0.09	-2.83	0.07	0.39	0.23	0.63	-2.14
Diluted earnings per share, EUR	0.06	0.26	0.22	0.09	-2.82	0.07	0.39	0.23	0.63	-2.13
Earnings per share, excluding special items, EUR	0.27	0.26	0.20	0.18	0.20	0.16	0.16	0.22	0.91	0.74
Average number of shares basic (1,000)	528,887	528,211	527,922	526,252	525,649	525,592	525,592	524,903	527,818	525,434
Average number of shares diluted (1,000)	528,329	528,155	528,158	526,631	526,264	526,703	526,408	526,528	527,818	526,476
Special items in operating profit (loss)	-73	-7	8	-63	-1,805	-53	-20	4	-135	-1,874
Operating profit (loss), excl. special items	207	194	138	144	146	126	128	156	683	556
% of sales	8.0	7.8	5.5	5.8	5.5	4.9	4.9	6.0	6.8	5.3
Special items in financial items	-	-	-	-	-8	-	140	-	-	132
Special items before tax	-73	-7	8	-63	-1,813	-53	120	4	-135	-1,742
Profit (loss) before tax, excl. special items	188	173	120	129	123	105	101	142	610	471
% of sales	7.3	7.0	4.8	5.2	4.6	4.0	3.8	5.4	6.1	4.5
Impact on taxes from special items	-31	6	-	15	222	5	3	-	-10	230
Return on equity, excl. special items, %	7.5	7.5	5.7	5.1	4.6	3.5	3.6	4.9	6.4	4.2
Return on capital employed, excl. special items, %	7.2	6.8	4.9	5.1	4.3	3.7	3.7	5.0	6.0	4.2
EBITDA	302	311	258	284	317	313	325	357	1,155	1,312
% of sales	11.7	12.6	10.2	11.5	11.9	12.1	12.3	13.7	11.5	12.5

Quarterly segment information

EURm	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1-Q4/13	Q1-Q4/12
Sales										
UPM Biorefining	497	484	512	495	468	477	512	513	1,988	1,970
UPM Energy	115	109	110	132	134	118	101	129	466	482
UPM Raflatac	298	307	309	299	301	305	298	298	1,213	1,202
UPM Paper Asia	268	274	289	277	280	290	285	276	1,108	1,131
UPM Paper ENA	1,445	1,392	1,358	1,365	1,563	1,533	1,558	1,538	5,560	6,192
UPM Plywood	112	98	111	108	99	94	103	97	429	393
Other operations	120	117	128	125	134	123	141	142	490	540
Internal sales	-259	-283	-292	-297	-297	-329	-350	-382	-1,131	-1,358
Eliminations and reconciliations	-8	-26	-5	-30	-25	-16	-16	-3	-69	-60
Sales, total	2,588	2,472	2,520	2,474	2,657	2,595	2,632	2,608	10,054	10,492
EBITDA										
UPM Biorefining	100	100	128	107	77	94	119	101	435	391
UPM Energy	48	43	49	58	66	54	45	63	198	228
UPM Raflatac	25	30	28	26	23	30	31	31	109	115
UPM Paper Asia	36	40	42	43	44	43	46	52	161	185
UPM Paper ENA	86	83	34	29	87	91	98	124	232	400
UPM Plywood	15	6	12	10	8	2	10	4	43	24
Other operations	-3	-1	-2	-10	-2	2	2	-1	-16	1
Eliminations and reconciliations	-5	10	-33	21	14	-3	-26	-17	-7	-32
EBITDA, total	302	311	258	284	317	313	325	357	1,155	1,312
Operating profit (loss)										
UPM Biorefining	63	73	102	68	47	55	42	61	306	205
UPM Energy	45	40	46	55	63	51	43	60	186	217
UPM Raflatac	16	7	19	18	13	20	22	23	60	78
UPM Paper Asia	17	19	22	22	22	22	25	32	80	101
UPM Paper ENA	14	36	-18	-91	-1,835	-71	0	1	-59	-1,905
UPM Plywood	9	1	7	4	2	-3	4	-1	21	2
Other operations	-27	1	1	-17	14	2	-3	0	-42	13
Eliminations and reconciliations	-3	10	-33	22	15	-3	-25	-16	-4	-29
Operating profit (loss), total	134	187	146	81	-1,659	73	108	160	548	-1,318
% of sales	5.2	7.6	5.8	3.3	-62.4	2.8	4.1	6.1	5.5	-12.6
Special items in operating profit										
UPM Biorefining	-3	6	5	-2	-1	-1	-41	-	6	-43
UPM Energy	-	-	-	-	-	-	-	-	-	-
UPM Raflatac	-	-15	-	-	-1	-2	-	-	-15	-3
UPM Paper Asia	1	-1	-	-	-	-	-	-	-	-
UPM Paper ENA	-17	7	5	-54	-1,800	-43	21	-2	-59	-1,824
UPM Plywood	-	-	-	-	-	-	-	-	-	-
Other operations	-54	-4	-2	-7	-3	-7	-	6	-67	-4
Special items in operating profit, total	-73	-7	8	-63	-1,805	-53	-20	4	-135	-1,874
Operating profit (loss) excl. special items										
UPM Biorefining	66	67	97	70	48	56	83	61	300	248
UPM Energy	45	40	46	55	63	51	43	60	186	217
UPM Raflatac	16	22	19	18	14	22	22	23	75	81
UPM Paper Asia	16	20	22	22	22	22	25	32	80	101
UPM Paper ENA	31	29	-23	-37	-35	-28	-21	3	-	-81
UPM Plywood	9	1	7	4	2	-3	4	-1	21	2
Other operations	27	5	3	-10	17	9	-3	-6	25	17
Eliminations and reconciliations	-3	10	-33	22	15	-3	-25	-16	-4	-29
Operating profit (loss) excl. special items, total	207	194	138	144	146	126	128	156	683	556
% of sales	8.0	7.8	5.5	5.8	5.5	4.9	4.9	6.0	6.8	5.3

EURm	31.12.2013	30.9.2013	30.6.2013	31.3.2013	31.12.2012	30.9.2012	30.6.2012	31.3.2012
Assets								
UPM Biorefining	2,946	2,949	3,038	3,063	2,944	2,952	3,056	2,969
UPM Energy	2,984	2,954	2,951	2,921	2,917	3,329	3,327	3,567
UPM Raflatac	616	647	652	660	654	664	642	629
UPM Paper Asia	937	960	988	991	969	1,014	1,028	997
UPM Paper ENA	3,013	3,118	3,197	3,237	3,307	5,285	5,430	5,496
UPM Plywood	299	305	319	322	315	327	332	326
Other operations	1,677	1,742	1,686	1,737	1,727	1,718	1,740	1,797
Eliminations and reconciliations	-247	-274	-265	-264	-219	-240	-247	-171
Unallocated assets	2,374	2,027	2,045	2,201	2,329	2,130	1,942	1,693
Assets, total	14,599	14,428	14,611	14,868	14,943	17,179	17,250	17,303

Notes to the consolidated cash flow statement

Adjustments

EURm	Q1-Q4/2013	Q1-Q4/2012
Change in fair value of biological assets and wood harvested	-68	-45
Share of results of associated companies and joint ventures	-2	-2
Depreciation, amortisation and impairment charges	545	2,614
Capital gains on sale of non-current assets, net	-19	-87
Finance costs, net	74	-9
Taxes	140	-149
Change in restructuring provisions	-13	-77
Other adjustments (in 2013 includes reversal of energy tax receivable)	93	33
Total	750	2,278

Change in working capital

EURm	Q1-Q4/2013	Q1-Q4/2012
Inventories	33	51
Current receivables	12	-54
Current non-interest-bearing liabilities	-173	37
Total	-128	34

Changes in property, plant and equipment

EURm	Q1-Q4/2013	Q1-Q4/2012
Book value at beginning of period	5,089	6,505
Capital expenditure	333	312
Companies acquired	-	5
Companies sold	-	-19
Decreases	-83	-35
Depreciation	-490	-716
Impairment charges	-6	-954
Translation difference and other changes	-86	-9
Book value at end of period	4,757	5,089

Fair value of financial instruments

Financial assets and liabilities measured at fair value

EURm	31.12.2013				31.12.2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Trading derivatives	1	56	–	57	1	92	–	93
Derivatives used for hedging	101	307	–	408	78	417	–	495
Available-for-sale investments	–	–	2,661	2,661	–	–	2,587	2,587
Total	102	363	2,661	3,126	79	509	2,587	3,175
Liabilities								
Trading derivatives	20	166	–	186	12	124	–	136
Derivatives used for hedging	104	43	–	147	66	38	–	104
Total	124	209	–	333	78	162	–	240

There have been no transfers between Levels.

Fair values of Level 2 derivative financial instruments have been estimated as follows: Interest forward rate agreements and futures contracts are fair valued based on quoted market rates on the balance sheet date; forward foreign exchange contracts are fair valued based on the contract forward rates in effect on the balance sheet date; foreign currency options are fair valued based on quoted market rates

on the balance sheet date; interest and currency swap agreements are fair valued based on discounted cash flows. The fair values of non-traded derivatives such as embedded derivatives are assessed by using valuation methods and assumptions that are based on market quotations existing at each balance sheet date.

Fair value measurements using significant unobservable inputs, Level 3

EURm	Q1–Q4/2013	Q1–Q4/2012		Total
	Available-for-sale investments	Available-for-sale investments	Other receivables	
Opening balance	2,587	3,345	3	3,348
Additions	31	33	–	33
Transfers into Level 3	1	–	–	–
Transfers from Level 3	–	–	–	–
Gains and losses				
Recognised in income statement, under gains on available-for-sale investments	–1	–109	–3	–112
Recognised in statement of comprehensive income, under available-for-sale investments	43	–682	–	–682
Closing balance	2,661	2,587	–	2,587

Fair valuation of available-for-sale investments in the Energy segment (Pohjolan Voima Oy's A, B, B2, C, C2, H, M and V-shares, Kemijoki Oy shares, and Länsi-Suomen Voima Oy shares) is based on discounted cash flows model. The electricity price used in the model is based on the company's estimates. A change of +/-5% in the electricity price used in the model would change the total value of the assets by +/- EUR 356 million. The discount rate of 5.79% used in the valuation model is determined using the weighted average cost of capital method. A change of +/- 0.5% in the discount rate would change the total value of the assets by approximately +/- EUR 340 million. Other uncertainties and risk factors in the value of the assets

relate to start-up schedule of the fixed price turn-key Olkiluoto 3 nuclear power plant project and the on-going arbitration proceedings between the plant supplier AREVA-Siemens Consortium (Supplier) and the plant owner Teollisuuden Voima Oyj (TVO). UPM's indirect share of the capacity of Olkiluoto 3 is approximately 31%, through its PVO B2 shares. The possible outcome of the arbitration proceedings has not been taken into account in the valuation. Changes in regulatory environment or taxation could also have an impact on the value of the energy generating assets.

Fair value of the OEP Technologie B.V. shares is based on the discounted value of sales option related to the shareholding.

Fair value of financial assets and liabilities measured at carrying amount

EURm	31.12.2013	31.12.2012
Non-current interest bearing liabilities, excl. derivative financial instruments	3,489	3,345

The fair values of all other financial assets and liabilities approximate their carrying amount.

Commitments and contingencies

EURm	31.12.2013	31.12.2012
Own commitments		
Mortgages	357	570
On behalf of others		
Other guarantees	5	5
Other own commitments		
Leasing commitments for the next 12 months	57	57
Leasing commitments for subsequent periods	339	365
Other commitments	141	123

Capital commitments

EURm	Completion	Total cost	By 31.12.2012	Q1-Q4/2013	After 31.12.2013
Changshu PM3	December 2015	390	2	7	381
Biorefinery/Kaukas	May 2014	150	27	96	27
Power plant/Schongau	December 2014	85	11	34	40
Modernisation of fibreline/Pietarsaari	June 2014	13	-	2	11

Notional amounts of derivative financial instruments

EURm	31.12.2013	31.12.2012
Forward foreign exchange contracts	4,973	4,994
Currency options, bought	18	9
Currency options, written	15	14
Interest rate forward contracts	2,332	3,755
Interest rate swaps	1,609	1,629
Cross currency swaps	804	882
Commodity contracts	490	400

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

EURm	Q1-Q4/2013	Q1-Q4/2012
Sales	2	4
Purchases	80	80
Non-current receivables at end of period	8	7
Trade and other receivables at end of period	1	4
Trade and other payables at end of period	2	4

Basis of preparation and accounting policies

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 2012 except as described below. Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The Group has adopted and early adopted on 1 January 2013 the following new and revised standards that have had impact on the Group's consolidated interim financial statements:

The amendment to IAS 19 Employee Benefits eliminates the corridor approach and calculates interest costs on a net funding basis. Upon the adoption the Group has retrospectively recognised all actuarial gains and losses arising from its defined benefit plans and replaced interest cost and expected return of plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability.

New IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. New IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In addition, proportional consolidation of joint ventures is no longer allowed. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. Revised IAS 27 standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10 and revised IAS 28 standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The adoption of the new and revised standards resulted into a change the accounting treatment of Pohjolan Voima Oy (PVO) hydropower (A), nuclear power (B, B2) and thermal power (C, C2, H, M and V) shares, Kemijoki Oy and Länsi-Suomen Voima Oy (LSV) shares that are recognised as financial assets (available-for-

sale investments) at fair value. PVO's combined heat and power plant Wisapower Oy (G7 shares) is consolidated as subsidiary under IFRS 10. UPM's interest in other PVO's combined heat and power plants (G, G2, G3, G4 and G9 shares), 50% interest in Madison Paper Industries (MPI), a paper mill in the United States and some other investments are consolidated as joint operations under IFRS 11. Previously, all PVO shares have been accounted for as an associated company and MPI as joint venture, using equity method and LSV has been accounted for as a subsidiary.

The amendment IAS 1 Presentation of Financial Statements – Other Comprehensive Income requires entities to group items presented in 'other comprehensive income' (OCI) based on whether they are potentially reclassifiable to profit or loss subsequently. The amended standard has changed the presentation of items of OCI in Group's financial statements.

New IFRS 13 Fair Value Measurement standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. IFRS 13 has consequently amended IAS 34 with new disclosure requirements about fair value of financial instruments.

The Group has changed the measures reported in UPM Paper ENA segment reporting to the chief operating decision maker regarding MPI. Previously Group's 50% direct interest in MPI has been consolidated as joint venture using the equity method of accounting. Due to adoption of IFRS 11 as of 1 January 2013, MPI has been classified as joint operation and consolidated in proportion to the direct ownership of 50% (UPM's interest in assets and liabilities, revenues and expenses). For the segment reporting MPI is consolidated on 100% basis similarly as a subsidiary. The deviation of segment reporting from the IFRS requirement is included in eliminations in segment reconciliation disclosures. Previously reported information is restated accordingly.

The impact (+ increase/- decrease) of the changes in accounting policies on the Group consolidated financial statements are presented below:

Impact on consolidated income statement

EURm	Q4/2012	Q1–Q4/2012
Sales	7	54
Other operating income	–	2
Costs and expenses	9	–13
Share of results of associated companies and joint ventures	–2	16
Depreciation, amortisation and impairment charges	–7	–27
Operating profit (loss)	7	32
Interest and other finance costs, net	–	103
Profit (loss) before tax	7	135
Income taxes	–2	–3
Profit (loss) for the period	5	132
Basic earnings per share, EUR	0.01	0.25
Diluted earnings per share, EUR	0.01	0.25

Impact on consolidated statement of comprehensive income

EURm	Q4/2012	Q1-Q4/2012
Profit (loss) for the period	5	132
Actuarial gains and losses on defined benefit obligations	-98	-98
Available-for-sale investments	-401	-635
Share of other comprehensive income of associated companies	1	-
Other comprehensive income for the period, net of tax	-498	-733
Total comprehensive income for the period	-493	-601

Impact on consolidated balance sheet

EURm	31.12.2012	1.1.2012
ASSETS		
Non-current assets		
Other intangible assets	9	9
Property, plant and equipment	243	263
Investments in associated companies and joint ventures	-569	-689
Available-for-sale investments	2,440	3,085
Other non-current financial assets	10	8
Deferred tax assets	53	21
Other non-current assets	-163	-157
	2,023	2,540
Current assets		
Inventories	11	10
Trade and other receivables	-2	13
Cash and cash equivalents	18	17
	27	40
Total assets	2,050	2,580
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent company		
Translation differences	-3	-3
Fair value and other reserves	2,093	2,728
Retained earnings	-540	-573
	1,550	2,152
Non-controlling interests	-10	-10
Total equity	1,540	2,142
Non-current liabilities		
Deferred tax liabilities	15	27
Retirement benefit obligations	269	151
Provisions	2	1
Interest-bearing liabilities	203	222
Other liabilities	-2	-
	487	401
Current liabilities		
Current interest-bearing liabilities	21	23
Trade and other payables	2	15
Income tax payables	-	-1
	23	37
Total liabilities	510	438
Total equity and liabilities	2,050	2,580

Impact on consolidated cash flow statement

EURm	Q1-Q4/2012
Cash flow from operating activities	
Profit (loss) for the period	132
Adjustments	-93
Interest paid	-3
Change in working capital	-10
Net cash generated from operating activities	26
Cash flow from investing activities	
Capital expenditure	-5
Change in other non-current assets	-2
Net cash used in investing activities	-7
Cash flow from financing activities	
Proceeds from non-current liabilities	14
Payments of non-current liabilities	-27
Change in current liabilities	-5
Net cash used in financing activities	-18
Change in cash and cash equivalents	1
Cash and cash equivalents at beginning of period	17
Change in cash and cash equivalents	1
Cash and cash equivalents at end of period	18

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

	31.12.2013	30.9.2013	30.6.2013	31.3.2013	31.12.2012	30.9.2012	30.6.2012	31.3.2012
USD	1.3791	1.3505	1.3080	1.2805	1.3194	1.2930	1.2590	1.3356
CAD	1.4671	1.3912	1.3714	1.3021	1.3137	1.2684	1.2871	1.3311
JPY	144.72	131.78	129.39	120.87	113.61	100.37	100.13	109.56
GBP	0.8337	0.8361	0.8572	0.8456	0.8161	0.7981	0.8068	0.8339
SEK	8.8591	8.6575	8.7773	8.3553	8.5820	8.4498	8.7728	8.8455

Financial information in 2014

In 2014, UPM will publish the following financial reports:

Interim Report January–March 2014: 29 April 2014

Interim Report January–June 2014: 5 August 2014

Interim Report January–September 2014: 28 October 2014

UPM's Annual Report 2013 will be published in English and Finnish as a pdf file on UPM's website at www.upm.com and www.upm.fi on 26 February 2014.

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 74–75 of the company's annual report 2012.



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