The Biofore Company UPM

INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2010

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Q3/2010

- Earnings per share were EUR 0.34 (0.08), excluding special items EUR 0.28 (0.14)
- EBITDA was EUR 384 million, 16.6% of sales (334 million, 17.5% of sales)
- Best EBITDA in three years
- Sales prices and delivery volumes increased in all businesses – sales grew by 21%

Q1–Q3/2010

- Earnings per share were EUR 0.80 (–0.24), excluding special items EUR 0.72 (–0.10)
- EBITDA was EUR 1,025 million, 15.6% of sales (700 million, 12.5% of sales)
- Demand and delivery volumes increased in all businesses – sales grew by 17%
- Solid cash flow – net debt now lower than before the Uruguay acquisition in Q4 2009

Key figures

	Q3/2010	Q3/2009	Q1–Q3/2010	Q1–Q3/2009	Q1–Q4/2009
Sales, EURm	2,312	1,913	6,567	5,611	7,719
EBITDA, EURm [1]	384	334	1,025	700	1,062
% of sales	16.6	17.5	15.6	12.5	13.8
Operating profit (loss), EURm	238	96	548	9	135
excluding special items, EURm	204	131	519	84	270
% of sales	8.8	6.8	7.9	1.5	3.5
Profit (loss) before tax, EURm	199	64	462	–124	187
excluding special items, EURm	165	99	433	–49	107
Net profit (loss) for the period, EURm	178	40	417	–126	169
Earnings per share, EUR	0.34	0.08	0.80	–0.24	0.33
excluding special items, EUR	0.28	0.14	0.72	–0.10	0.11
Diluted earnings per share, EUR	0.34	0.08	0.80	–0.24	0.33
Return on equity, %	10.3	2.8	8.2	neg.	2.8
excluding special items, %	8.6	5.0	7.4	neg.	1.0
Return on capital employed, %	8.0	3.5	6.5	0.0	3.2
excluding special items, %	6.8	4.9	6.1	0.9	2.5
Operating cash flow per share, EUR	0.63	0.59	1.23	1.71	2.42
Shareholders' equity per share at end of period, EUR	13.28	11.13	13.28	11.13	12.67
Gearing ratio at end of period, %	51	64	51	64	56
Net interest-bearing liabilities at end of period, EURm	3,553	3,688	3,553	3,688	3,730
Capital employed at end of period, EURm	11,377	10,172	11,377	10,172	11,066
Capital expenditure, EURm	68	39	153	172	913
Capital expenditure excluding acquisitions and shares, EURm	66	38	148	171	229
Personnel at end of period	22,293	23,180	22,293	23,180	23,213

[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 of 2010 compared with Q3 of 2009

Sales for the third quarter of 2010 were EUR 2,312 million, 21% higher than the EUR 1,913 million in the third quarter of 2009. Sales increased due to higher delivery volumes and sales prices across all of UPM's business areas.

EBITDA was EUR 384 million, 16.6% of sales (334 million, 17.5% of sales).

EBITDA increased from the same period last year. Higher sales prices and delivery volumes in all of UPM's business areas, and the inclusion of the acquired Uruguayan operation were the main contributors to the improvement.

Contribution of higher sales prices in euro terms to EBITDA improvement was about EUR 108 million. Sales prices increased in all business areas, both compared with the same period last year and with the second quarter of 2010. The average paper price in euros increased by approximately 4% from the same period last year, or by about 3% from the second quarter of 2010.

Variable costs increased clearly from last year. The biggest cost increase was seen in fibre, with purchased pulp, recovered paper and round wood all showing cost increases.

Operating profit was EUR 238 million, 10.3% of sales (96 million, 5.0% of sales). The operating profit excluding special items was EUR 204 million, 8.8% of sales (131 million, 6.8% of sales).

Operating profit includes net income of EUR 34 million as special items. This includes a EUR 33 million capital gain from selling a conservation easement on 187,876 acres (76,000 hectares) of UPM-owned forest land in northern Minnesota.

The increase in the fair value of biological assets net of wood harvested was EUR 14 million compared to a decrease of EUR 13 million a year before.

The share of results of associated companies and joint ventures was EUR 2 million negative (21 million negative). As of December 2009, Metsä-Botnia is no longer an associated company of UPM.

Profit before tax was EUR 199 million (64 million) and excluding special items EUR 165 million (99 million). Interest and other finance costs, net, were EUR 28 million (28 million). Exchange rate and fair value gains and losses resulted in a loss of EUR 11 million (loss of EUR 3 million).

Income taxes were EUR 21 million (24 million). The impact on taxes from special items was EUR 5 million negative (3 million positive).

Profit for the third quarter was EUR 178 million (40 million) and earnings per share were EUR 0.34 (0.08). Earnings per share excluding special items were EUR 0.28 (0.14).

January–September of 2010 compared with January–September 2009

Sales for January–September were EUR 6,567 million, 17% higher than the EUR 5,611 million in the same period in 2009. Sales increased due to higher delivery volumes across all of UPM's business areas.

EBITDA was EUR 1,025 million, 15.6% of sales (700 million, 12.5% of sales).

EBITDA improved clearly from last year. Higher delivery volumes in all of UPM's business areas and the inclusion of the Uruguayan operation acquired in December 2009 were the main contributors to the improvement.

Variable costs were higher than last year, even though wood and energy costs were lower. Wood costs increased from the latter part of 2009, but were still approximately EUR 65 million lower than the peak levels of the comparison period. Energy costs decreased by about EUR 54 million. However, costs increased for purchased pulp, recovered paper and other raw materials.

Changes in sales prices in euro terms had a negative net impact (EUR 22 million) on EBITDA. The average paper price in euros decreased by about 3% from the same period last year. Plywood prices were at approximately the same level as last year. Average sales prices increased for label materials and sawn timber, as well as for external pulp and electricity sales.

Fixed costs (comparable) were approximately EUR 60 million higher than last year mainly due to higher operating rates at production units.

Operating profit was EUR 548 million, 8.3% of sales (9 million, 0.2% of sales). The operating profit excluding special items was EUR 519 million, 7.9% of sales (84 million, 1.5% of sales). Operating profit includes net income of EUR 29 million as special items. This includes a EUR 33 million capital gain from selling a conservation easement.

The increase in the fair value of biological assets net of wood harvested was EUR 64 million compared to EUR 8 million a year before.

The share of results of associated companies and joint ventures was EUR 9 million (96 million negative). As of December 2009, Metsä-Botnia is no longer an associated company of UPM.

Profit before tax was EUR 462 million (loss of EUR 124 million) and excluding special items EUR 433 million (loss of EUR 49 million). Interest and other finance costs, net, were EUR 81 million (123 million). Exchange rate and fair value gains and losses resulted in a loss of EUR 6 million (9 million).

Income taxes were EUR 45 million (2 million). The impact on taxes from special items was EUR 12 million positive (3 million positive).

Profit for the period was EUR 417 million (loss of EUR 126 million) and earnings per share were EUR 0.80 (-0.24). Earnings per share excluding special items were EUR 0.72 (-0.10). Operating cash flow per share was EUR 1.23 (1.71).

Financing

In January–September, cash flow from operating activities, before investing and financing activities, was EUR 639 million (889 million). Working capital increased by EUR 237 million during the period (decreased by EUR 437 million), driven by the increase in business activity.

The gearing ratio as of 30 September 2010 was 51% (64%). Net interest-bearing liabilities at the end of the period came to EUR 3,553 million (3,688 million).

On 30 September 2010, UPM's cash funds and unused committed credit facilities totalled EUR 1.5 billion. In September 2010, UPM cancelled the EUR 825 million credit facility that was to mature in 2012. Given its cash flow generation, the company saw the current liquidity as adequate.

Personnel

In January–September, UPM had an average of 22,916 employees (23,826). At the beginning of the year, the number of employees was 23,213 and at the end of September it was 22,293. The reduction of 920 employees is mostly attributable to restructuring in the Plywood and Forest and timber business areas.

Capital expenditure

During January–September, capital expenditure was EUR 153 million, 2.3% of sales (172 million, 3.1% of sales).

The largest ongoing project is the rebuild of the debarking plant at the Pietarsaari mill in Finland. The total investment cost is estimated to be EUR 25 million.

Negotiations with Myllykoski Group

On 28 September 2010 UPM confirmed, following an article in a Finnish business newspaper, that it is engaged in discussions with the Finnish publication paper producer Myllykoski Group concerning a potential transaction of Myllykoski's operations in Finland, Germany and the United States.

The discussions continue and a number of significant issues remain unresolved. Therefore, there can be no certainty that the discussions between UPM, Myllykoski and its lenders will result in a transaction.

Shares

UPM shares worth EUR 6,405 million (4,382 million) in total were traded on the NASDAQ OMX Helsinki stock exchange during January–September of 2010. The highest quotation was EUR 12.73 in September and the lowest EUR 7.37 in February.

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 22 March 2010, authorised the Board of Directors to acquire no more than 51,000,000 of the company's own shares. The authorisation is valid for 18 months from the date of the decision.

The Board was authorised to decide on the issuance of shares and/or transfer the company's own shares held by the company and/or issue 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) The 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 right. This authorisation is valid until 22 March 2013.

To date these authorisations have not been used.

The company has four option series that would entitle the holders to subscribe for a total of 18,000,000 shares. Share options 2005H may be subscribed for 3,000,000 shares, and share options 2007A, 2007B and 2007C may be subscribed for a total of 15,000,000 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 2010 was 519,970,088. Through the issuance authorisation and share options, the number of shares may increase to a maximum of 562,970,088.

At the end of the period, the company did not hold any of its own shares.

The listing of UPM 2007A stock options on the NASDAQ OMX Helsinki stock exchange commenced on 1 October 2010.

Litigation and other legal actions

In Finland, UPM is participating in the project for construction of a new nuclear power plant, Olkiluoto 3, through its associated company Pohjolan Voima Oy. Pohjolan Voima Oy is a majority shareholder of Teollisuuden Voima Oy ("TVO") with 58.28% of shares. UPM's indirect share of the capacity of the Olkiluoto 3 is approximately 29%. The original agreed timetable for the start-up of the power plant was summer 2009 but the construction of the unit has been delayed. In June 2010, the AREVA-Siemens Consortium announced that the majority of the work is expected to be completed in 2012 and, consequently, electricity production at Olkiluoto 3 is estimated to start in 2013.

TVO has informed that the arbitration filed in December 2008 by AREVA-Siemens, concerning the delay at Olkiluoto 3 and related costs, amounted to EUR 1.0 billion. 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.

The International Court of Justice published its final decision on a litigation against the government of Uruguay on 20 April 2010 in a dispute between the governments of Uruguay and Argentina. In Uruguay, there are two pending litigations against the government of Uruguay related to Fray Bentos pulp mill, and in Argentina, one such litigation against the company operating the pulp mill.

Risk factors

Expected decisions on the proposed EU Energy Package have increased uncertainty on how the proposed policies and measures will impact the availability and cost of wood fibre for wood processing industries in Europe. At the same time, global competition for fibres has already created disruptions in fibre availability resulting in volatile price developments.

Events after the balance sheet date

The Group's management is not aware of any significant events occurring after 30 September 2010.

Outlook for the fourth quarter of 2010
Comparisons with the third quarter of the year

Economic indicators point to a slower momentum of recovery in Europe and a subdued economic growth in the US. These are expected to limit continuation of demand rebound and recovery in investment activities. A robust economic growth in emerging market is expected to continue but, on the other hand, this has resulted in strong demand and higher prices for important commodities.

The electricity generation volume is estimated to be higher. Based on current forward sale agreements and Nordpool forward prices, the average sales price for electricity is estimated to be somewhat higher.

Chemical pulp price on average is expected to be lower. Current pulp prices in USD are not expected to change materially. Pulp prices in euro are lower due to weaker USD. Deliveries are expected to be about the same.

The cost of wood raw material will be higher; both log and fibre wood prices have remained at a high level despite a short spell in increase of supply due to storms in Finland during August. Sawn timber deliveries are estimated to be about the same but average price is expected be slightly lower.

Both the average paper price in euro and paper deliveries are expected to be about the same. Paper prices in invoicing currencies are expected to be higher but weaker USD will lower average price in euro. Market balance has improved from last year. The company aims to increase prices in all new contracts to compensate already materialised increases in main material costs.

Demand growth for self-adhesive labelstock in the main markets is expected to continue, albeit at a more moderate pace. Prices are expected to be higher. An intense cost pressure continues and will at least temporarily challenge current sales margins.

Plywood deliveries and prices are expected to be about the same. In industrial end uses business prospects have improved.

For the Group both sales prices in euro and deliveries are estimated to be in line with the third quarter. Increases in variable costs continue. Outlook for the operating profit, excluding special items, for the year remains unchanged.

BUSINESS AREA REVIEWS

Energy

	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q3/10	Q1–Q3/09	Q1–Q4/09
Sales, EURm	124	116	174	128	108	100	136	414	344	472
EBITDA, EURm [1]	48	39	79	57	35	41	57	166	133	190
% of sales	38.7	33.6	45.4	44.5	32.4	41.0	41.9	40.1	38.7	40.3
Share of results of associated companies and joint ventures, EURm	–3	6	4	–8	–24	–4	–4	7	–32	–40
Depreciation, amortisation and impairment charges, EURm	–1	–1	–2	–2	–1	–1	–2	–4	–4	–6
Operating profit, EURm	44	44	81	47	10	36	51	169	97	144
% of sales	35.5	37.9	46.6	36.7	9.3	36.0	37.5	40.8	28.2	30.5
Special items, EURm [2]	–	–	–	–1	–17	–	–	–	–17	–18
Operating profit excl. special items, EURm	44	44	81	48	27	36	51	169	114	162
% of sales	35.5	37.9	46.6	37.5	25.0	36.0	37.5	40.8	33.1	34.3
Electricity deliveries, 1,000 MWh	2,276	2,303	2,411	2,277	2,103	1,999	2,486	6,990	6,588	8,865

1) EBITDA is operating profit before depreciation, amortisation and impairment charges, excluding the change in value of biological assets and wood harvested, the share of results of associated companies and joint ventures, and special items.
2) In 2009, special items relate to impairments of associated company Pohjolan Voima's two power plants.

Q3 of 2010 compared with Q3 of 2009
Operating profit excluding special items was EUR 44 million, EUR 17 million higher than last year (27 million). Sales increased by 15% to EUR 124 million (108 million), of which EUR 31 million was external sales (24 million). The electricity sales volume was 2.3 TWh in the quarter (2.1 TWh). Hydropower volume was 24% higher in comparison with last year.

January–September 2010 compared with January–September 2009
Operating profit excluding special items was EUR 169 million (114 million). Sales increased by 20% to EUR 414 million (344 million), of which EUR 160 million was external sales (97 million). The electricity sales volume was 7.0 TWh (6.6 TWh).

Profitability improved in comparison with the previous year, due to the higher sales price and higher electricity sales volume. The average electricity sales price increased almost by 16% to EUR 49.9/MWh (43.1/MWh). Both condensing and hydropower volumes were higher in comparison with last year.

Market review
The average electricity system price in the Nordic electricity exchange in the first nine months of the year was EUR 50.0/MWh, 45% higher than in the same period last year (34.5/MWh) due to the weak hydropower situation and increased industrial consumption.

Oil and coal market prices increased compared to the same period last year. The CO_2 emissions allowance price was EUR 15.4/t on 30 September, 14% higher than on the same date last year. At the end of September Nordic water reservoirs were about 19% (-22.3 TWh) below their long-term average at the same time of year.

The electricity system forward price for the rest of the year on the Nordic electricity exchange was EUR 50.5/MWh on 30 September, 61% higher than on the same date last year (31.4/MWh).

Pulp

	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q3/10	Q1–Q3/09	Q1–Q4/09
Sales, EURm	489	455	341	226	156	132	139	1,285	427	653
EBITDA, EURm [1]	239	199	120	53	8	–24	–55	558	–71	–18
% of sales	48.9	43.7	35.2	23.5	5.1	–18.2	–39.6	43.4	–16.6	–2.8
Change in fair value of biological assets and wood harvested, EURm	–2	–	–	–1	–	–	–	–2	–	–1
Share of results of associated companies and joint ventures, EURm [3]	–	–	–	7	4	–16	–47	–	–59	–52
Depreciation, amortisation and impairment charges, EURm	–38	–37	–36	–24	–21	–20	–20	–111	–61	–85
Operating profit, EURm	199	163	83	35	–9	–60	–122	445	–191	–156
% of sales	40.7	35.8	24.3	15.5	–5.8	–45.5	–87.8	34.6	–44.7	–23.9
Special items, EURm [2]	–	1	–1	–	–	–	–29	–	–29	–29
Operating profit excl. special items, EURm	199	162	84	35	–9	–60	–93	445	–162	–127
% of sales	40.7	35.6	24.6	15.5	–5.8	–45.5	–66.9	34.6	–37.9	–19.4
Pulp deliveries, 1,000 t	752	768	700	550	446	391	372	2,220	1,209	1,759

[1] EBITDA is operating profit before depreciation, amortisation and impairment charges, excluding the change in value of biological assets and wood harvested, the share of results of associated companies and joint ventures, and special items.
[2] In 2009, special items of EUR 29 million relate to the associated company Metsä-Botnia's Kaskinen pulp mill closure.
[3] In the balance sheet in the interim report for January–June, on 30 June 2009, UPM has regrouped the 30% transferable share of Botnia's book value as assets held for sale. Consequently, from July 2009, UPM has not included the share of the transferable Botnia operations in the share of results of associated companies.

Q3 of 2010 compared with Q3 of 2009

As of December 2009, the Fray Bentos pulp mill and Forestal Oriental eucalyptus plantation forestry company in Uruguay have been included in the Pulp business area and Metsä-Botnia is no longer an associated company of UPM.

Operating profit excluding special items was EUR 199 million (loss of EUR 9 million). Sales increased to EUR 489 million (156 million) and deliveries to 752,000 tonnes (446,000).

Profitability improved in comparison with last year due to higher pulp sales prices and volumes.

January–September 2010 compared with January–September 2009

Operating profit excluding special items was EUR 445 million (loss of EUR 162 million). Sales increased to EUR 1,285 million (427 million) and deliveries to 2,220,000 tonnes (1,209,000).

Profitability improved significantly from last year due to higher pulp sales prices and volumes. External sales represented about 23% of total sales. Wood costs were lower.

Market review

Due to a tight market balance, global chemical market prices increased until August 2010 but then levelled off and started to decline slightly towards end the of the period as Chinese buyers significantly reduced their pulp purchases in the third quarter of 2010.

During the first half of the year the global chemical market pulp supply was reduced temporarily due to the earthquake in Chile, along with other occasional supply constrains. During the summer the chemical pulp supply returned back to normal.

Global chemical pulp shipments were slightly below last year. The shipments to China were significantly lower compared to previous year, especially during the third quarter, but the shipments grew to other regions. The pulp producer inventories returned to normal during the third quarter of 2010.

The average softwood pulp (NBSK) market price in euro terms, at EUR 705/tonne, was 55% higher than in the same period last year (EUR 454/tonne). At the end of the period the NBSK market price was EUR 725/tonne.

The average hardwood pulp (BHKP) market price in euro terms increased by 66% from last year, to EUR 640/tonne (EUR 385/tonne). At the end of the period the BHKP market price was EUR 649/tonne.

Forest and timber

	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q3/10	Q1–Q3/09	Q1–Q4/09
Sales, EURm	387	393	339	348	295	309	385	1,119	989	1,337
EBITDA, EURm [1)]	18	26	3	30	24	–15	–15	47	–6	24
% of sales	4.7	6.6	0.9	8.6	8.1	–4.9	–3.9	4.2	–0.6	1.8
Change in fair value of biological assets and wood harvested, EURm	16	31	19	10	–13	10	11	66	8	18
Share of results of associated companies and joint ventures, EURm	2	1	1	1	–1	1	1	4	1	2
Depreciation, amortisation and impairment charges, EURm	–5	–6	–4	–11	–4	–14	–5	–15	–23	–34
Operating profit, EURm	68	52	19	21	6	–18	–18	139	–30	–9
% of sales	17.6	13.2	5.6	6.0	2.0	–5.8	–4.7	12.4	–3.0	–0.7
Special items, EURm [2)]	37	–	–	–14	1	–8	–10	37	–17	–31
Operating profit excl. special items, EURm	31	52	19	35	5	–10	–8	102	–13	22
% of sales	8.0	13.2	5.6	10.1	1.7	–3.2	–2.1	9.1	–1.3	1.6
Sawn timber deliveries, 1,000 m^3	428	504	371	413	355	366	363	1,303	1,084	1,497

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 33 million in the third quarter of 2010, relate to a capital gain from selling a conservation easement in Minnesota. Other special items of EUR 4 million relate to a capital gain and reversals of restructuring provisions of Timber operations in Finland. Special items of EUR 14 million including impairment charges of EUR 5 million, in the fourth quarter of 2009 relate to restructuring of Timber operations in Finland. Special items for the second quarter of 2009 include impairment charges of EUR 8 million related to wood procurement operations. In the first quarter of 2009, special items of EUR 10 million relate to the sales loss of Miramichi's forestry and sawmilling operations' assets.

Q3 of 2010 compared with Q3 of 2009

Operating profit excluding special items was EUR 31 million (5 million). Sales increased by 31% to EUR 387 million (295 million). Sawn timber deliveries increased by 21% to 428,000 cubic metres (355,000).

The increase in the fair value of biological assets net of wood harvested was EUR 16 million (13 million negative). The increase in the fair value of biological assets (growing trees) was EUR 35 million (11 million). The cost of wood raw material harvested from the Group's own forests was EUR 19 million (24 million).

UPM's own forests in Finland were damaged due to storms during the third quarter of 2010. The estimated amount of felled wood is approximately 700,000 cubic metres. Most of the felled wood will be harvested by the end of the year 2010.

January–September 2010 compared with January–September 2009

Operating profit excluding special items was EUR 102 million (loss of EUR 13 million). Sales increased by 13% to EUR 1,119 million (989 million). Sawn timber deliveries increased by 20% to 1,303,000 cubic metres (1,084,000).

Profitability improved from the same period last year mainly due to higher delivery volumes of timber products and higher average sawn timber prices.

The increase in the fair value of biological assets net of wood harvested was EUR 66 million (8 million). The increase in the fair value of biological assets (growing trees) was EUR 128 million (46 million). The cost of wood raw material harvested from the Group's own forests was EUR 62 million (38 million).

Market review

Wood purchase volumes returned to long-term average levels towards the end of the period. During the first nine months of the year, wood purchases in the Finnish wood market were 22.1 million cubic metres, which was four times higher than in the same period last year. The increased market activity in Finland was also partly stimulated by storm impact and temporary tax relief that is valid until the end of the year.

Both pulpwood and log market prices in Finland increased in comparison with the prices of the last year being above the long-term average prices. During the third quarter of 2010, wood prices declined temporarily due to storm impact but returned to the pre-storm levels towards the end of the period.

The European demand for sawn softwood timber continued to be weak due to low building activity. Market activity slowed down during the third quarter of 2010 after seasonal upturn in the summer. Demand in the export markets weakened towards the end of the period due to seasonal variation.

Paper

	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q3/10	Q1–Q3/09	Q1–Q4/09
Sales, EURm	1,672	1,540	1,401	1,558	1,454	1,388	1,367	4,613	4,209	5,767
EBITDA, EURm [1]	67	72	75	221	274	247	187	214	708	929
% of sales	4.0	4.7	5.4	14.2	18.8	17.8	13.7	4.6	16.8	16.1
Share of results of associated companies and joint ventures, EURm	–	–	–	1	–	–1	–1	–	–2	–1
Depreciation, amortisation and impairment charges, EURm	–131	–130	–136	–140	–142	–147	–149	–397	–438	–578
Operating profit, EURm	–71	–57	–69	74	126	85	60	–197	271	345
% of sales	–4.2	–3.7	–4.9	4.7	8.7	6.1	4.4	–4.3	6.4	6.0
Special items, EURm [2]	–7	4	–8	–8	–6	–10	23	–11	7	–1
Operating profit excl. special items, EURm	–64	–61	–61	82	132	95	37	–186	264	346
% of sales	–3.8	–4.0	–4.4	5.3	9.1	6.8	2.7	–4.0	6.3	6.0
Deliveries, publication papers, 1,000 t	1,633	1,446	1,364	1,576	1,464	1,323	1,304	4,443	4,091	5,667
Deliveries, fine and speciality papers, 1,000 t	947	994	937	945	872	813	724	2,878	2,409	3,354
Paper deliveries total, 1,000 t	2,580	2,440	2,301	2,521	2,336	2,136	2,028	7,321	6,500	9,021

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

[2] Special items in the third quarter of 2010, relate to restructuring charges. In 2010, special items in the second quarter include impairment reversals of EUR 3 million. Other special items in the first and second quarter of 2010, include mainly employee-related restructuring charges. In the fourth and third quarter of 2009, special items of EUR 8 million and EUR 6 million relate to restructuring charges. Special items for the second quarter of 2009 include charges of EUR 9 million related to personnel reduction in Nordland mill, impairment reversals of EUR 4 million and other restructuring charges of EUR 5 million. In the first quarter of 2009, special items include an income of EUR 31 million related to the sale of the assets of the former Miramichi paper mill and charges of EUR 8 million related to restructuring measures.

Q3 of 2010 compared with Q3 of 2009

Operating loss excluding special items was EUR 64 million (profit of EUR 132 million). Sales were EUR 1,672 million (1,454 million). Paper deliveries increased by 10% to 2,580,000 tonnes (2,336,000). Publication paper deliveries (magazine papers and newsprint) increased by 12% from last year. Fine and speciality paper deliveries increased by 9%. Deliveries grew especially in North America. In Europe, deliveries grew broadly in line with the market.

The Paper business area incurred an operating loss, as the cost of fibre increased significantly from last year.

Higher paper prices and delivery volumes had a positive impact on operating profit. The average paper price for all paper deliveries when translated into euros was 4% higher than last year. Compared with the second quarter of 2010, the average paper price increased by around 3%. Prices increased across all paper grades.

January–September 2010 compared with January–September 2009

Operating loss excluding special items was EUR 186 million (profit of EUR 264 million). Sales were EUR 4,613 million (4,209 million). Paper deliveries increased by 13% to 7,321,000 tonnes (6,500,000). Publication paper deliveries (magazine papers and newsprint) increased by 9% and fine and speciality paper deliveries by 19% from last year. Deliveries grew in all main markets.

The Paper business area incurred an operating loss, as the cost of fibre increased significantly from last year and paper prices decreased. The average paper price for all paper deliveries when translated into euros was 3% lower than last year.

Higher paper deliveries had a positive impact on operating profit.

Market review

Demand for publication papers in Europe increased by 4% and for fine papers by 7% from last year. In North America, demand for magazine papers was 6% higher than a year ago. In Asia, demand for fine papers grew. Demand for speciality papers grew in all main markets.

In Europe, magazine paper prices decreased at the start of the year, but increased in the third quarter. On average, magazine paper prices in euros in the first nine months were 7% lower than last year. Newsprint prices also decreased at the start of the year and were on average 17% lower than last year. Fine paper prices increased throughout the period and were on average 4% higher than last year. Prices for speciality papers increased from last year.

In North America, the average US dollar price for magazine papers was 7% lower than last year. In Asia, market prices for fine papers increased in the first half of the year and decreased slightly in the third quarter.

Label

	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q3/10	Q1–Q3/09	Q1–Q4/09
Sales, EURm	284	280	260	252	242	226	223	824	691	943
EBITDA, EURm 1)	33	34	31	25	29	18	6	98	53	78
% of sales	11.6	12.1	11.9	9.9	12.0	8.0	2.7	11.9	7.7	8.3
Depreciation, amortisation and impairment charges, EURm	–8	–10	–7	–8	–9	–11	–9	–25	–29	–37
Operating profit, EURm	25	24	24	16	18	4	–3	73	19	35
% of sales	8.8	8.6	9.2	6.3	7.4	1.8	–1.3	8.9	2.7	3.7
Special items, EURm 2)	1	–	1	–1	–2	–5	–	2	–7	–8
Operating profit excl. special items, EURm	24	24	23	17	20	9	–3	71	26	43
% of sales	8.5	8.6	8.8	6.7	8.3	4.0	–1.3	8.6	3.8	4.6

1) EBITDA is operating profit before depreciation, amortisation and impairment charges, excluding the change in value of biological assets and wood harvested, the share of results of associated companies and joint ventures, and special items.
2) In 2010, special items relate to impairment reversals. In the fourth and third quarter of 2009, special items relate to restructuring charges. In the second quarter of 2009, special items include impairment charges of EUR 2 million and other restructuring charges of EUR 3 million.

Q3 of 2010 compared with Q3 of 2009

Operating profit excluding special items was EUR 24 million (20 million). Sales grew by 17% to EUR 284 million (242 million).

Profitability improved slightly from the same period last year. Delivery volumes and sales prices of self-adhesive label materials increased from last year. Raw material costs were higher.

Sales prices increased in the third quarter from the second quarter of 2010, but in most regions not enough to fully compensate for the rise in raw material costs.

January–September 2010 compared with January–September 2009

Operating profit excluding special items was EUR 71 million (26 million). Sales grew by 19% to EUR 824 million (691 million).

Profitability improved noticeably from last year, mainly due to higher sales volumes. Delivery volumes of self-adhesive label materials increased in all regions from last year. Volume growth was highest in Eastern Europe and Asia. Average sales prices increased from last year.

Market review

Demand for self-adhesive label materials grew noticeably in the first six months from the depressed level seen in the same period last year. Demand also continued to grow in the third quarter, although at a slower pace.

Demand growth has continued strongly in Eastern Europe, Asia Pacific and Latin America. In mature markets in Western Europe and North America, demand recovered to close to pre-recession levels.

Plywood

	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q3/10	Q1–Q3/09	Q1–Q4/09
Sales, EURm	83	97	76	81	73	77	75	256	225	306
EBITDA, EURm [1]	2	2	−2	3	−5	−5	−23	2	−33	−30
% of sales	2.4	2.1	−2.6	3.7	−6.8	−6.5	−30.7	0.8	−14.7	−9.8
Depreciation, amortisation and impairment charges, EURm	−5	−5	−5	−12	−5	−5	−5	−15	−15	−27
Operating profit, EURm	−4	−1	−7	−33	−10	−10	−29	−12	−49	−82
% of sales	−4.8	−1.0	−9.2	−40.7	−13.7	−13.0	−38.7	−4.7	−21.8	−26.8
Special items, EURm [2]	−1	2	–	−30	–	–	−1	1	−1	−31
Operating profit excl. special items, EURm	−3	−3	−7	−3	−10	−10	−28	−13	−48	−51
% of sales	−3.6	−3.1	−9.2	−3.7	−13.7	−13.0	−37.3	−5.1	−21.3	−16.7
Deliveries, plywood, 1,000 m^3	156	182	140	150	143	141	133	478	417	567

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

[2] Special items in 2010, include mainly a capital gain from asset sale in Finland. Special items in the fourth quarter of 2009, include impairment charges of EUR 6 million and other restructuring charges of EUR 24 million.

Q3 of 2010 compared with Q3 of 2009

Operating loss excluding special items was EUR 3 million (loss of EUR 10 million). Sales grew by 14% to EUR 83 million (73 million), as plywood deliveries grew by 9% to 156,000 cubic metres (143,000) and sales prices increased.

Operating loss for Plywood decreased from last year, mainly due to higher sales prices and delivery volumes.

January–September 2010 compared with January–September 2009

Operating loss excluding special items was EUR 13 million (loss of EUR 48 million). Sales grew by 14% to EUR 256 million (225 million), as plywood deliveries grew by 15% to 478,000 cubic metres (417,000).

Operating loss for Plywood decreased from last year, mainly due to higher delivery volumes. UPM's delivery volumes benefited from supply constraints of some Chilean and Russian competitors. Variable costs were lower than last year.

Sales prices for plywood have increased from the early part of the year. On average, plywood sales prices were at the same level as last year.

Market review

In Europe, in January–September, plywood demand increased from last year. Demand started to improve in various industrial end-use areas, but the recovery remained weak in construction end-uses.

The overall plywood market prices remained low during the first nine months of the year, even though they increased during the third quarter.

Other operations

	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q3/10	Q1–Q3/09	Q1–Q4/09
Sales, EURm	45	51	40	35	21	21	34	136	76	111
EBITDA, EURm [1)]	–23	–19	–18	–27	–31	–24	–29	–60	–84	–111
Share of results of associated companies and joint ventures, EURm	–1	1	–2	–	–	–2	–2	–2	–4	–4
Depreciation, amortisation and impairment charges, EURm	–2	–3	–3	–3	–3	–3	–3	–8	–9	–12
Operating profit, EURm	–23	–22	–24	–34	–45	–29	–34	–69	–108	–142
Special items, EURm [2)]	4	–3	–1	–6	–11	–	–	–	–11	–17
Operating profit excl. special items, EURm	–27	–19	–23	–28	–34	–29	–34	–69	–97	–125

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

2) Special items in the third quarter of 2010, include mainly a capital gain from asset sale in Finland. Other special items in 2010, relate to net restructuring charges. In 2009, special items in the fourth quarter include impairment charges of EUR 2 million and other charges of EUR 4 million both relating to terminated activities. Special items of EUR 11 million in the third quarter of 2009 relate mainly to estates of closed industrial sites in Finland.

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

Q3 of 2010 compared with Q3 of 2009

Operating loss excluding special items was EUR 27 million (loss of EUR 34 million). Sales amounted to EUR 45 million (21 million).

The development units incurred a smaller operating loss than last year.

January–September 2010 compared with January–September 2009

Operating loss excluding special items was EUR 69 million (loss of EUR 97 million). Sales amounted to EUR 136 million (76 million).

The development units incurred a smaller operating loss than last year.

Helsinki, 28 October 2010

UPM-Kymmene Corporation

Board of Directors

FINANCIAL INFORMATION

Consolidated income statement

EURm	Q3/2010	Q3/2009	Q1–Q3/2010	Q1–Q3/2009	Q1–Q4/2009
Sales	2,312	1,913	6,567	5,611	7,719
Other operating income	42	5	68	29	47
Costs and expenses	–1,938	–1,603	–5,585	–4,964	–6,774
Change in fair value of biological assets and wood harvested	14	–13	64	8	17
Share of results of associated companies and joint ventures	–2	–21	9	–96	–95
Depreciation, amortisation and impairment charges	–190	–185	–575	–579	–779
Operating profit (loss)	238	96	548	9	135
Gains on available-for-sale investments, net	–	–1	1	–1	–1
Exchange rate and fair value gains and losses	–11	–3	–6	–9	–9
Interest and other finance costs, net	–28	–28	–81	–123	62
Profit (loss) before tax	199	64	462	–124	187
Income taxes	–21	–24	–45	–2	–18
Profit (loss) for the period	178	40	417	–126	169
Attributable to:					
Owners of the parent company	178	40	417	–126	169
Non-controlling interests	–	–	–	–	–
	178	40	417	–126	169
Earnings per share for profit (loss) attributable to owners of the parent company					
Basic earnings per share, EUR	0.34	0.08	0.80	–0.24	0.33
Diluted earnings per share, EUR	0.34	0.08	0.80	–0.24	0.33

Consolidated statement of comprehensive income

EURm	Q3/2010	Q3/2009	Q1–Q3/2010	Q1–Q3/2009	Q1–Q4/2009
Profit (loss) for the period	178	40	417	–126	169
Other comprehensive income for the period, net of tax:					
Translation differences	–317	–16	182	50	165
Net investment hedge	50	–17	–38	–37	–56
Cash flow hedges	55	18	–24	9	–4
Available-for-sale investments	2	–	7	–	21
Share of other comprehensive income of associated companies	1	–2	3	–10	30
Other comprehensive income for the period, net of tax	–209	–17	130	12	156
Total comprehensive income for the period	–31	23	547	–114	325
Total comprehensive income attributable to:					
Owners of the parent company	–31	23	547	–114	325
Non-controlling interests	–	–	–	–	–
	–31	23	547	–114	325

Condensed consolidated balance sheet

EURm	30.09.2010	30.09.2009	31.12.2009
ASSETS			
Non-current assets			
Goodwill	1,024	933	1,017
Other intangible assets	436	390	423
Property, plant and equipment	5,894	5,253	6,192
Biological assets	1,347	1,126	1,293
Investments in associated companies and joint ventures	567	801	553
Deferred tax assets	340	244	287
Other non-current assets	973	644	816
	10,581	9,391	10,581
Current assets			
Inventories	1,320	1,011	1,112
Trade and other receivables	1,636	1,460	1,474
Cash and cash equivalents	484	367	438
	3,440	2,838	3,024
Assets classified as held for sale	–	327	–
Total assets	14,021	12,556	13,605
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	890	890	890
Fair value and other reserves	111	–155	–23
Reserve for invested non-restricted equity	1,145	1,145	1,145
Retained earnings	4,758	3,908	4,574
	6,904	5,788	6,586
Non-controlling interests	16	14	16
Total equity	6,920	5,802	6,602
Non-current liabilities			
Deferred tax liabilities	631	590	608
Non-current interest-bearing liabilities	4,034	3,941	4,164
Other non-current liabilities	636	595	660
	5,301	5,126	5,432
Current liabilities			
Current interest-bearing liabilities	423	429	300
Trade and other payables	1,377	1,199	1,271
	1,800	1,628	1,571
Total liabilities	7,101	6,754	7,003
Total equity and liabilities	14,021	12,556	13,605

Consolidated statement of changes in equity

EURm	Attributable to owners of the parent company: Share capital	Translation differences	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2009	890	–295	130	1,145	4,236	6,106	14	6,120
Profit (loss) for the period	–	–	–	–	–126	–126	–	–126
Translation differences	–	50	–	–	–	50	–	50
Net investment hedge, net of tax	–	–37	–	–	–	–37	–	–37
Cash flow hedges, net of tax	–	–	9	–	–	9	–	9
Available-for-sale investments	–	–	–	–	–	–	–	–
Share of other comprehensive income of associated companies	–	–15	–	–	5	–10	–	–10
Total comprehensive income for the period	–	–2	9	–	–121	–114	–	–114
Share-based compensation, net of tax	–	–	3	–	–	3	–	3
Dividend paid	–	–	–	–	–208	–208	–	–208
Other items	–	–	–	–	1	1	–	1
Total transactions with owners for the period	–	–	3	–	–207	–204	–	–204
Balance at 30 September 2009	890	–297	142	1,145	3,908	5,788	14	5,802
Balance at 1 January 2010	890	–164	141	1,145	4,574	6,586	16	6,602
Profit (loss) for the period	–	–	–	–	417	417	–	417
Translation differences	–	182	–	–	–	182	–	182
Net investment hedge, net of tax	–	–38	–	–	–	–38	–	–38
Cash flow hedges, net of tax	–	–	–24	–	–	–24	–	–24
Available-for-sale investments	–	–	7	–	–	7	–	7
Share of other comprehensive income of associated companies	–	–	–	–	3	3	–	3
Total comprehensive income for the period	–	144	–17	–	420	547	–	547
Share-based compensation, net of tax	–	–	7	–	–	7	–	7
Dividend paid	–	–	–	–	–234	–234	–	–234
Other items	–	–	–	–	–2	–2	–	–2
Total transactions with owners for the period	–	–	7	–	–236	–229	–	–229
Balance at 30 September 2010	890	–20	131	1,145	4,758	6,904	16	6,920

Condensed consolidated cash flow statement

EURm	Q1–Q3/2010	Q1–Q3/2009	Q1–Q4/2009
Cash flow from operating activities			
Profit (loss) for the period	417	–126	169
Adjustments	552	735	772
Change in working capital	–237	437	532
Cash generated from operations	732	1,046	1,473
Finance costs, net	–67	–135	–183
Income taxes paid	–26	–22	–31
Net cash generated from operating activities	639	889	1,259
Cash flow from investing activities			
Acquisitions and share purchases	–4	–	–586
Capital expenditure	–150	–191	–236
Asset sales and other investing cash flow	49	36	608
Net cash used in investing activities	–105	–155	–214
Cash flow from financing activities			
Change in loans and other financial items	–261	–489	–732
Dividends paid	–234	–208	–208
Net cash used in financing activities	–495	–697	–940
Change in cash and cash equivalents	39	37	105
Cash and cash equivalents at the beginning of period	438	330	330
Foreign exchange effect on cash	7	–	3
Change in cash and cash equivalents	39	37	105
Cash and cash equivalents at end of period	484	367	438

Quarterly information

EURm	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q3/10	Q1–Q3/09	Q1–Q4/09
Sales	2,312	2,216	2,039	2,108	1,913	1,841	1,857	6,567	5,611	7,719
Other operating income	42	17	9	18	5	7	17	68	29	47
Costs and expenses	−1,938	−1,877	−1,770	−1,810	−1,603	−1,627	−1,734	−5,585	−4,964	−6,774
Change in fair value of biological assets and wood harvested	14	31	19	9	−13	10	11	64	8	17
Share of results of associated companies and joint ventures	−2	8	3	1	−21	−22	−53	9	−96	−95
Depreciation, amortisation and impairment charges	−190	−192	−193	−200	−185	−201	−193	−575	−579	−779
Operating profit (loss)	238	203	107	126	96	8	−95	548	9	135
Gains on available-for-sale investments, net	–	1	–	–	−1	–	–	1	−1	−1
Exchange rate and fair value gains and losses	−11	4	1	–	−3	3	−9	−6	−9	−9
Interest and other finance costs, net	−28	−27	−26	185	−28	−37	−58	−81	−123	62
Profit (loss) before tax	199	181	82	311	64	−26	−162	462	−124	187
Income taxes	−21	−12	−12	−16	−24	18	4	−45	−2	−18
Profit (loss) for the period	178	169	70	295	40	−8	−158	417	−126	169
Attributable to:										
Owners of the parent company	178	169	70	295	40	−8	−158	417	−126	169
Non-controlling interests	–	–	–	–	–	–	–	–	–	–
	178	169	70	295	40	−8	−158	417	−126	169
Basic earnings per share, EUR	0.34	0.33	0.13	0.57	0.08	−0.02	−0.30	0.80	−0.24	0.33
Diluted earnings per share, EUR	0.34	0.33	0.13	0.57	0.08	−0.02	−0.30	0.80	−0.24	0.33
Earnings per share, excluding special items, EUR	0.28	0.29	0.15	0.21	0.14	0.03	−0.27	0.72	−0.10	0.11
Average number of shares basic (1,000)	519,970	519,970	519,970	519,958	519,954	519,954	519,954	519,970	519,954	519,955
Average number of shares diluted (1,000)	521,742	521,333	520,018	518,876	521,036	519,954	519,954	521,031	520,315	519,955
Special items in operating profit (loss)	34	4	−9	−60	−35	−23	−17	29	−75	−135
Operating profit (loss), excl. special items	204	199	116	186	131	31	−78	519	84	270
% of sales	8.8	9.0	5.7	8.8	6.8	1.7	−4.2	7.9	1.5	3.5
Special items before tax	34	4	−9	155	−35	−23	−17	29	−75	80
Profit (loss) before tax, excl. special items	165	177	91	156	99	−3	−145	433	−49	107
% of sales	7.1	8.0	4.5	7.4	5.2	−0.2	−7.8	6.6	−0.9	1.4
Return on equity, excl. special items, %	8.6	8.9	4.6	7.4	5.0	0.8	neg.	7.4	neg.	1.0
Return on capital employed, excl. special items, %	6.8	7.3	4.3	7.2	4.9	1.3	neg.	6.1	0.9	2.5
EBITDA	384	353	288	362	334	238	128	1,025	700	1,062
% of sales	16.6	15.9	14.1	17.2	17.5	12.9	6.9	15.6	12.5	13.8
Share of results of associated companies and joint ventures										
Energy	−3	6	4	−8	−24	−4	−4	7	−32	−40
Pulp	–	–	–	7	4	−16	−47	–	−59	−52
Forest and timber	2	1	1	1	−1	1	1	4	1	2
Paper	–	–	–	1	–	−1	−1	–	−2	−1
Other operations	−1	1	−2	–	–	−2	−2	−2	−4	−4
Total	−2	8	3	1	−21	−22	−53	9	−96	−95

Deliveries

	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q3/10	Q1–Q3/09	Q1–Q4/09
Electricity, 1,000 MWh	2,276	2,303	2,411	2,277	2,103	1,999	2,486	6,990	6,588	8,865
Pulp, 1,000 t	752	768	700	550	446	391	372	2,220	1,209	1,759
Sawn timber, 1,000 m^3	428	504	371	413	355	366	363	1,303	1,084	1,497
Publication papers, 1,000 t	1,633	1,446	1,364	1,576	1,464	1,323	1,304	4,443	4,091	5,667
Fine and speciality papers, 1,000 t	947	994	937	945	872	813	724	2,878	2,409	3,354
Paper deliveries total, 1,000 t	2,580	2,440	2,301	2,521	2,336	2,136	2,028	7,321	6,500	9,021
Plywood, 1,000 m^3	156	182	140	150	143	141	133	478	417	567

Quarterly segment information

EURm	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q3/10	Q1–Q3/09	Q1–Q4/09
Sales										
Energy	124	116	174	128	108	100	136	414	344	472
Pulp	489	455	341	226	156	132	139	1,285	427	653
Forest and timber	387	393	339	348	295	309	385	1,119	989	1,337
Paper	1,672	1,540	1,401	1,558	1,454	1,388	1,367	4,613	4,209	5,767
Label	284	280	260	252	242	226	223	824	691	943
Plywood	83	97	76	81	73	77	75	256	225	306
Other operations	45	51	40	35	21	21	34	136	76	111
Internal sales	–772	–716	–592	–520	–436	–412	–502	–2,080	–1,350	–1,870
Sales, total	2,312	2,216	2,039	2,108	1,913	1,841	1,857	6,567	5,611	7,719
EBITDA										
Energy	48	39	79	57	35	41	57	166	133	190
Pulp	239	199	120	53	8	–24	–55	558	–71	–18
Forest and timber	18	26	3	30	24	–15	–15	47	–6	24
Paper	67	72	75	221	274	247	187	214	708	929
Label	33	34	31	25	29	18	6	98	53	78
Plywood	2	2	–2	3	–5	–5	–23	2	–33	–30
Other operations	–23	–19	–18	–27	–31	–24	–29	–60	–84	–111
EBITDA, total	384	353	288	362	334	238	128	1,025	700	1,062
Operating profit (loss)										
Energy	44	44	81	47	10	36	51	169	97	144
Pulp	199	163	83	35	–9	–60	–122	445	–191	–156
Forest and timber	68	52	19	21	6	–18	–18	139	–30	–9
Paper	–71	–57	–69	74	126	85	60	–197	271	345
Label	25	24	24	16	18	4	–3	73	19	35
Plywood	–4	–1	–7	–33	–10	–10	–29	–12	–49	–82
Other operations	–23	–22	–24	–34	–45	–29	–34	–69	–108	–142
Operating profit (loss), total	238	203	107	126	96	8	–95	548	9	135
% of sales	10.3	9.2	5.2	6.0	5.0	0.4	–5.1	8.3	0.2	1.7
Special items in operating profit										
Energy	–	–	–	–1	–17	–	–	–	–17	–18
Pulp	–	1	–1	–	–	–	–29	–	–29	–29
Forest and timber	37	–	–	–14	1	–8	–10	37	–17	–31
Paper	–7	4	–8	–8	–6	–10	23	–11	7	–1
Label	1	–	1	–1	–2	–5	–	2	–7	–8
Plywood	–1	2	–	–30	–	–	–1	1	–1	–31
Other operations	4	–3	–1	–6	–11	–	–	–	–11	–17
Special items in operating profit, total	34	4	–9	–60	–35	–23	–17	29	–75	–135
Operating profit (loss) excl.special items										
Energy	44	44	81	48	27	36	51	169	114	162
Pulp	199	162	84	35	–9	–60	–93	445	–162	–127
Forest and timber	31	52	19	35	5	–10	–8	102	–13	22
Paper	–64	–61	–61	82	132	95	37	–186	264	346
Label	24	24	23	17	20	9	–3	71	26	43
Plywood	–3	–3	–7	–3	–10	–10	–28	–13	–48	–51
Other operations	–27	–19	–23	–28	–34	–29	–34	–69	–97	–125
Operating profit (loss) excl. special items, total	204	199	116	186	131	31	–78	519	84	270
% of sales	8.8	9.0	5.7	8.8	6.8	1.7	–4.2	7.9	1.5	3.5

EURm	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q3/10	Q1–Q3/09	Q1–Q4/09
External sales										
Energy	31	35	94	38	24	24	49	160	97	135
Pulp	102	106	86	34	9	10	10	294	29	63
Forest and timber	181	193	154	171	145	150	152	528	447	618
Paper	1,636	1,499	1,353	1,500	1,409	1,355	1,327	4,488	4,091	5,591
Label	283	280	259	252	243	225	222	822	690	942
Plywood	79	93	73	77	69	73	72	245	214	291
Other operations	–	10	20	36	14	4	25	30	43	79
External sales, total	2,312	2,216	2,039	2,108	1,913	1,841	1,857	6,567	5,611	7,719
Internal sales										
Energy	93	81	80	90	84	76	87	254	247	337
Pulp	387	349	255	192	147	122	129	991	398	590
Forest and timber	206	200	185	177	150	159	233	591	542	719
Paper	36	41	48	58	45	33	40	125	118	176
Label	1	–	1	–	–1	1	1	2	1	1
Plywood	4	4	3	4	4	4	3	11	11	15
Other operations	45	41	20	–1	7	17	9	106	33	32
Internal sales, total	772	716	592	520	436	412	502	2,080	1,350	1,870

Changes in property, plant and equipment

EURm	Q1–Q3/2010	Q1–Q3/2009	Q1–Q4/2009
Book value at beginning of period	6,192	5,688	5,688
Capital expenditure	119	139	181
Companies acquired	–	–	1,013
Decreases	–14	–14	–20
Depreciation	–534	–530	–696
Impairment charges	–	–6	–14
Impairment reversal	4	4	5
Translation difference and other changes	127	–28	35
Book value at end of period	5,894	5,253	6,192

Commitments and contingencies

EURm	30.09.2010	30.09.2009	31.12.2009
Own commitments			
Mortgages [1]	1,031	760	1,043
On behalf of associated companies and joint ventures			
Guarantees for loans	7	8	8
On behalf of others			
Other guarantees	–	1	1
Other own commitments			
Leasing commitments for the next 12 months	22	18	24
Leasing commitments for subsequent periods	88	57	60
Other commitments	86	63	69

[1] Mortgages and pledges relate mainly to Uruguayan operations, and to giving mandatory security for borrowing from Finnish pension insurance companies.

Capital commitments

EURm	Completion	Total cost	By 31.12.2009	Q1–Q3/2010	After 30.09.2010
Materials recovery facility (MRF), Shotton	January 2011	19	–	7	12
Plywood development	December 2011	18	–	6	12
Energy saving TMP plant, Steyrermühl	January 2011	16	–	4	12
Power plant rebuild, Schongau	January 2011	12	–	3	9
Rebuild of debarking plant, Pietarsaari	October 2010	25	15	2	8

Notional amounts of derivative financial instruments

EURm	30.09.2010	30.09.2009	31.12.2009
Currency derivatives			
Forward contracts	3,950	3,696	3,791
Options, bought	–	35	20
Options, written	–	48	20
Swaps	710	511	514
Interest rate derivatives			
Forward contracts	1,924	2,487	3,259
Swaps	2,475	2,947	2,701
Other derivatives			
Forward contracts	157	164	25
Options, bought	41	78	73
Options, written	41	78	73
Swaps	1	5	4

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

EURm	Q1–Q3/2010	Q1–Q3/2009	Q1–Q4/2009
Sales to associated companies	110	81	114
Purchases from associated companies	254	384	560
Non-current receivables at end of period	5	2	2
Trade and other receivables at end of period	18	23	23
Trade and other payables at end of period	29	30	32

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 2009. Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The Group has adopted the following standard:

Amendment to IAS 27 Consolidated and Separate Financial Statements requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of the amended standard has changed the name of previous minority interests to non-controlling interests, and in addition the adoption has amended the presentation of consolidated statement of changes in equity.

Calculation of key indicators

Return on equity, %:

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

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:

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

Key exchange rates for the euro at end of period

	30.09.2010	30.06.2010	31.03.2010	31.12.2009	30.09.2009	30.06.2009	31.03.2009
USD	1.3648	1.2271	1.3479	1.4406	1.4643	1.4134	1.3308
CAD	1.4073	1.2890	1.3687	1.5128	1.5709	1.6275	1.6685
JPY	113.68	108.79	125.93	133.16	131.07	135.51	131.17
GBP	0.8600	0.8175	0.8898	0.8881	0.9093	0.8521	0.9308
SEK	9.1421	9.5259	9.7135	10.2520	10.2320	10.8125	10.9400

UPM – The Biofore Company

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

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 87–88 of the company's annual report 2009

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