The Biofore Company UPM

INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2013

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UPM interim report 1 January – 30 September 2013

Q3/2013 (compared with Q3/2012)

- Earnings per share excluding special items were EUR 0.26 (0.16), and reported EUR 0.26 (0.07)
- Operating profit excluding special items was EUR 194 million, 7.8% of sales (126 million, 4.9%)
- EBITDA was EUR 311 million, 12.6% of sales (313 million, 12.1% of sales)
- 25% of the targeted annualised EUR 200 million cost savings achieved in Q3/2013
- Operating cash flow was EUR 286 million, net debt decreased to EUR 3,301 million

Q1–Q3/2013 (compared with Q1–Q3/2012)

- Earnings per share excluding special items were EUR 0.64 (0.54), and reported EUR 0.57 (0.69)
- Operating profit excluding special items was EUR 476 million, 6.4% of sales (410 million, 5.2%)
- EBITDA was EUR 853 million, 11.4% of sales (995 million, 12.7% of sales)
- UPM announced a new group structure, profit improvement programme and targets for focused growth initiatives

Key figures

	Q3/2013	Q3/2012	Q1–Q3/2013	Q1–Q3/2012	Q1–Q4/2012
Sales, EURm	2,472	2,595	7,466	7,835	10,492
EBITDA, EURm [1]	311	313	853	995	1,312
% of sales	12.6	12.1	11.4	12.7	12.5
Operating profit (loss), EURm	187	73	414	341	–1,318
excluding special items, EURm	194	126	476	410	556
% of sales	7.8	4.9	6.4	5.2	5.3
Profit (loss) before tax, EURm	166	52	360	419	–1,271
excluding special items, EURm	173	105	422	348	471
Net profit (loss) for the period, EURm	138	36	299	364	–1,122
Earnings per share, EUR	0.26	0.07	0.57	0.69	–2.14
excluding special items, EUR	0.26	0.16	0.64	0.54	0.74
Diluted earnings per share, EUR	0.26	0.07	0.57	0.69	–2.13
Return on equity, %	7.5	1.5	5.4	5.1	neg.
excluding special items, %	7.5	3.5	6.1	4.0	4.2
Return on capital employed, %	6.5	2.2	4.9	4.7	neg.
excluding special items, %	6.8	3.7	5.6	4.1	4.2
Operating cash flow per share, EUR	0.55	0.60	0.90	1.29	1.98
Equity per share at end of period, EUR	14.01	18.03	14.01	18.03	14.18
Gearing ratio at end of period, %	45	35	45	35	43
Net interest-bearing liabilities at end of period, EURm	3,301	3,349	3,301	3,349	3,210
Capital employed at end of period, EURm	11,339	13,719	11,339	13,719	11,603
Capital expenditure, EURm	83	87	251	238	357
Capital expenditure excluding acquisitions and shares, EURm	82	77	218	228	347
Personnel at end of period	21,609	22,496	21,609	22,496	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.

Results

Q3 2013 compared with Q3 2012

Sales for Q3 2013 were EUR 2,472 million, 5% lower than the EUR 2,595 million in Q3 2012. Sales decreased due to a reduction in paper deliveries and prices.

EBITDA was practically unchanged at EUR 311 million, 12.6% of sales (313 million, 12.1% of sales). Energy reported lower EBITDA mainly due to lower hydropower volumes, whereas Pulp and Plywood showed small improvements. Paper achieved the same EBITDA level as last year, as lower variable and fixed costs offset the impact of lower paper prices and deliveries.

The Group's fixed costs were EUR 29 million lower than last year.

Operating profit excluding special items was EUR 194 million, 7.8% of sales (126 million, 4.9%). The improvement in operating profit excluding special items mainly came from lower depreciation. Depreciation totalled EUR 135 million (200 million), and excluding special items EUR 129 million (201 million).

Reported operating profit was EUR 187 million, 7.6% of sales (73 million, 2.8% of sales). Operating profit includes net charges of EUR 7 million as special items, including restructuring charges of EUR 15 million in the Label business area.

The increase in the fair value of biological assets net of wood harvested was EUR 11 million (13 million).

Profit before tax was EUR 166 million (52 million) and excluding special items EUR 173 million (105 million). Net interest and other financing costs were EUR 22 million (27 million). Exchange rate and fair value gains and losses were EUR 0 million (gain of EUR 8 million).

Income taxes were EUR 28 million (16 million). Special items in taxes were EUR 6 million positive (5 million positive).

Profit for Q3 2013 was EUR 138 million (36 million) and earnings per share were EUR 0.26 (0.07). Earnings per share excluding special items were EUR 0.26 (0.16).

Q3 2013 compared with Q2 2013

EBITDA was EUR 311 million, 12.6% of sales (258 million, 10.2% of sales). EBITDA increased in the Paper business area, which reported lower fixed and variable costs, partly driven by the company's ongoing profit improvement programme, and seasonally higher deliveries. Paper also benefited from a positive market value change of unrealised energy hedges, whereas the comparison period was affected by a larger negative change. EBITDA decreased in the Pulp business area mainly due to the maintenance shutdown at the UPM Fray Bentos mill and lower hardwood pulp prices.

Operating profit excluding special items was EUR 194 million, 7.8% of sales (138 million, 5.5%). Depreciation excluding special items totalled EUR 129 million (135 million).

The increase in the fair value of biological assets net of wood harvested was EUR 11 million (14 million).

January–September of 2013 compared with January–September 2012

Sales for Q1-Q3 2013 were EUR 7,466 million, 5% lower than the EUR 7,835 million in Q1-Q3 2012. Sales decreased due to a reduction in paper deliveries and prices.

EBITDA was EUR 853 million, 11.4% of sales (995 million, 12.7% of sales). The decrease in EBITDA was mainly attributable to the Paper business area, as a result of lower average paper prices and lower delivery volumes. Fixed and variable costs in the Paper 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 95 million from the comparison period.

Operating profit excluding special items was EUR 476 million, 6.4% of sales (410 million, 5.2%). Reported operating profit was EUR 414 million, 5.5% of sales (341 million, 4.4% of sales). Depreciation totalled EUR 414 million (631 million), and excluding special items EUR 410 million (601 million).

Operating profit includes net charges totalling EUR 62 million as special items. The Paper business area recognised net charges of EUR 43 million related to the ongoing restructuring. The Label business area recognised restructuring charges of EUR 15 million. Charges of EUR 13 million were recognised in Other operations, mainly related to the streamlining of global functions.

The increase in the fair value of biological assets net of wood harvested was EUR 31 million (13 million).

Profit before tax was EUR 360 million (419 million) and excluding special items EUR 422 million (348 million). Net interest and other financing costs were EUR 65 million (29 million positive 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 (13 million).

Income taxes were EUR 61 million (55 million). Special items in taxes were EUR 21 million positive (8 million positive).

Profit for Q1-Q3 2013 was EUR 299 million (364 million) and earnings per share were EUR 0.57 (0.69). Earnings per share excluding special items were EUR 0.64 (0.54).

Operating cash flow per share was EUR 0.90 (1.29).

Financing

In January-September 2013, cash flow from operating activities before capital expenditure and financing totalled EUR 473 million (679 million). Working capital increased by EUR 185 million during the period (increase of EUR 68 million) mainly due to seasonal reasons.

The gearing ratio as of 30 September 2013 was 45% (35%). Net interest-bearing liabilities at the end of the period came to EUR 3,301 million (3,349 million).

On 30 September 2013, UPM's cash funds and unused committed credit facilities totalled EUR 1.7 billion.

Personnel

In January-September 2013, UPM had an average of 22,156 employees (23,441). At the beginning of the year the number of employees was 22,180, and at the end of Q3 it was 21,609.

Capital expenditure

In January-September 2013, capital expenditure excluding investments in shares was EUR 218 million, 2.9% of sales (228 million, 2.9% of sales).

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 mid-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.

UPM is rebuilding the Pietarsaari pulp mill's effluent treatment plant. The project is expected to be completed by the end of 2013. Total investment is approximately EUR 30 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 H1 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 Paper Business Group and the Group's global functions. The restructuring plans are estimated to result in annual fixed cost savings of EUR 90 million. The one-off cash restructuring cost is estimated to be EUR 100 million. EUR 49 million of the restructuring costs were recognised in the Q1-Q3 2013 results. From Q3 2013 onwards, the follow-up of the remaining part of the savings has been combined with the larger profitability improvement programme announced in August, described later in this report.

Production at the UPM Stracel mill was ceased in January. 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. Both machines produced uncoated magazine paper; in total 420,000 tonnes annually.

The process of selling the UPM Docelles paper mill in France is ongoing. Docelles produces 160,000 tonnes of uncoated woodfree papers annually. In July UPM initiated an employee information and consultation process with the Central Workers' Council of UPM France on two alternatives, i.e. the sale or permanent closure of the mill.

New business structure to sharpen operational focus and facilitate portfolio change

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

UPM's new structure will consist 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 will be reported in Other operations.

The new structure will be valid as of 1 November 2013. Financial reporting according to the new structure will take place from Q4 2013 onwards.

The new Paper Business Areas will be located at the centres of their markets. UPM Paper Asia will be headquartered in Shanghai, China, and UPM Paper ENA in Augsburg, Germany. The Group Head Office will remain in Helsinki, Finland.

Through the new management structure, the company aims to sharpen the targets and required actions for each business. The competitive challenge in the mature European businesses will be addressed while profitable growth is pursued outside Europe and in biorefining. 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 has identified actions with an overall profit improvement impact of EUR 200 million in its existing businesses. Each business will implement 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.

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.

UPM will follow and update the progress of the programme in its quarterly reporting. The full impact of the programme is expected to materialise by the end of 2014 as compared with the Q2 2013 results.

In Q3 2013, the actions under the profit improvement programme reduced UPM's costs by EUR 13 million, i.e. approximately 25% of the annualised savings had been achieved.

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 development 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 Changshu paper machine and Lappeenranta biorefinery. EUR 96 million has already been invested, and the total remaining capital expenditure in the coming three years would be EUR 584 million.

Business area reviews

Energy

	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1–Q3/13	Q1–Q3/12	Q1–Q4/12
Sales, EURm	101	124	117	127	122	100	145	342	367	494
EBITDA, EURm [1]	47	40	61	65	56	45	66	148	167	232
% of sales	46.5	32.3	52.1	51.2	45.9	45.0	45.5	43.3	45.5	47.0
Share of results of associated companies and joint ventures, EURm	–1	–	–	–	–	–	–	–1	–	–
Depreciation, amortisation and impairment charges, EURm	–2	–3	–3	–3	–3	–2	–3	–8	–8	–11
Operating profit, EURm	44	37	58	62	53	43	63	139	159	221
% of sales	43.6	29.8	49.6	48.8	43.4	43.0	43.4	40.6	43.3	44.7
Special items, EURm	–	–	–	–	–	–	–	–	–	–
Operating profit excl. special items, EURm	44	37	58	62	53	43	63	139	159	221
% of sales	43.6	29.8	49.6	48.8	43.4	43.0	43.4	40.6	43.3	44.7
Electricity deliveries, GWh	2,027	2,221	2,513	2,583	2,340	2,158	2,405	6,761	6,903	9,486

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

Q3 2013 compared with Q3 2012

Operating profit excluding special items for Energy was EUR 44 million (53 million). Sales decreased to EUR 101 million (122 million). The total electricity sales volume was 2,027 GWh during the quarter (2,340 GWh).

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

The average electricity sales price increased by 6% to EUR 46.4/MWh (43.9/MWh).

Q3 2013 compared with Q2 2013

Operating profit excluding special items increased, mainly due to positive impact from market value changes of electricity derivatives and higher prices. The average electricity sales price increased by 3% to EUR 46.4/MWh (45.0/MWh).

January–September 2013 compared with January–September 2012

Operating profit excluding special items for Energy decreased to EUR 139 million (159 million). Sales decreased by 7% to EUR 342 million (367 million). The total electricity sales volume was 6,761 GWh (6,903 GWh).

The decrease in operating profit was mainly due to lower hydropower generation volumes and negative impact from market value changes of electricity derivatives. The average electricity sales price increased by 3% to EUR 46.1/MWh (44.7/MWh).

Market review

The average Finnish area spot price on the Nordic electricity exchange in the first nine months of the year was EUR 41.6/MWh, 18% higher than during the same period last year (35.2/MWh). Coal prices were lower than in last year. The CO_2 emission allowance price was EUR 5.0/tonne at the end of the period, 38% lower than on the same date last year (EUR 8.0/tonne).

The Finnish area front-year forward price was EUR 42.5/MWh at the end of the period, 3% lower than on the same date last year (44.0/MWh).

Pulp

	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1–Q3/13	Q1–Q3/12	Q1–Q4/12
Sales, EURm	413	414	407	386	406	413	433	1,234	1,252	1,638
EBITDA, EURm [1]	108	133	114	86	104	127	111	355	342	428
% of sales	26.2	32.1	28.0	22.3	25.6	30.8	25.6	28.8	27.3	26.1
Change in fair value of biological assets and wood harvested, EURm	3	6	2	9	3	3	–	11	6	15
Share of results of associated companies and joint ventures, EURm	–	1	–	1	–	–	–	1	–	1
Depreciation, amortisation and impairment charges, EURm	–34	–37	–36	–37	–37	–37	–36	–107	–110	–147
Operating profit, EURm	77	104	80	59	70	93	75	261	238	297
% of sales	18.6	25.1	19.7	15.3	17.2	22.5	17.3	21.2	19.0	18.1
Special items, EURm [2]	–	1	–	–	–	–	–	1	–	–
Operating profit excl. special items, EURm	77	103	80	59	70	93	75	260	238	297
% of sales	18.6	24.9	19.7	15.3	17.2	22.5	17.3	21.1	19.0	18.1
Pulp deliveries, 1,000 t	789	774	790	730	759	755	884	2,353	2,398	3,128

[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 Q2 2013, special income of EUR 1 million relate to restructuring measures.

Q3 2013 compared with Q3 2012

Operating profit excluding special items for Pulp increased to EUR 77 million (70 million). Sales remained virtually unchanged at EUR 413 million (406 million). Deliveries increased by 4% to 789,000 tonnes (759,000).

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

Q3 2013 compared with Q2 2013

Operating profit excluding special items decreased, mainly due to lower production volume, affected by scheduled maintenance shutdown at the UPM Fray Bentos mill.

January–September 2013 compared with January–September 2012

Operating profit excluding special items for Pulp increased to EUR 260 million (238 million). Sales decreased by 1% to EUR 1,234 million (1,252 million). Deliveries decreased by 2% to 2,353,000 tonnes (2,398,000).

The increase in operating profit was mainly due to higher prices. Variable costs increased.

Market review

In the first nine months of 2013, the average market price of softwood pulp (NBSK) was on the same level as last year at EUR 642/tonne. At the end of September, the NBSK market price was EUR 644/tonne. The average market price of hardwood pulp (BHKP) was EUR 607/tonne, 4% higher than in the same period last year (EUR 583/tonne). At the end of September, the BHKP market price was EUR 573/tonne.

In the first eight months of 2013 global chemical pulp shipments increased by 3% compared to the same period last year. Shipments to China remained same, whereas shipments to Western Europe and North America increased by 1% and 7% respectively.

Forest and Timber

	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1–Q3/13	Q1–Q3/12	Q1–Q4/12
Sales, EURm	397	439	436	428	364	473	426	1,272	1,263	1,691
EBITDA, EURm 1)	2	11	3	–5	3	7	8	16	18	13
% of sales	0.5	2.5	0.7	–1.2	0.8	1.5	1.9	1.3	1.4	0.8
Change in fair value of biological assets and wood harvested, EURm	8	8	4	23	10	–2	–1	20	7	30
Share of results of associated companies and joint ventures, EURm	–	–	–	–	–	1	–	–	1	1
Depreciation, amortisation and impairment charges, EURm	–3	–3	–4	–3	–6	–35	–5	–10	–46	–49
Operating profit, EURm	14	20	1	15	3	–41	2	35	–36	–21
% of sales	3.5	4.6	0.2	3.5	0.8	–8.7	0.5	2.8	–2.9	–1.2
Special items, EURm 2)	6	4	–2	–1	–4	–43	–	8	–47	–48
Operating profit excl. special items, EURm	8	16	3	16	7	2	2	27	11	27
% of sales	2.0	3.6	0.7	3.7	1.9	0.4	0.5	2,1	0.9	1.6
Sawn timber deliveries, 1,000 m^3	355	469	419	426	382	462	426	1,243	1,270	1,696

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

2) In Q3 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 4 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 4 million. In Q2 2012, special items of EUR 43 million comprise charges of EUR 41 million relating to the restructuring of sawn timber and further processing operations including an impairment charge of EUR 31 million and other charges of EUR 10 million, and restructuring charges of EUR 2 million in Wood sourcing and forestry operations.

Q3 2013 compared with Q3 2012

Operating profit excluding special items was EUR 8 million (7 million). Sales increased by 9% to EUR 397 million (364 million). In sawn timber, the sales mix was more favourable and cost efficiency improved as a result of restructuring.

The increase in the fair value of biological assets net of wood harvested was EUR 8 million (10 million). The increase in the fair value of biological assets (growing trees) was EUR 22 million (26 million), including gains on sales of forest. The cost of wood harvested from own forests was EUR 14 million (16 million).

In July, UPM sold the Pestovo sawmill.

Q3 2013 compared with Q2 2013

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

The increase in the fair value of biological assets net of wood harvested was EUR 8 million (8 million). The increase in the fair value of biological assets (growing trees) was EUR 22 million (26 million), including gains on sales of forest. The cost of wood harvested from own forests was EUR 14 million (18 million).

January–September 2013 compared with January–September 2012

Operating profit excluding special items for Forest and Timber was EUR 27 million (11 million). Sales increased by 1% to EUR 1,272 million (1,263 million).

In sawn timber, the sales mix improved, and fixed costs decreased as a result of restructuring.

The increase in the fair value of biological assets net of wood harvested was EUR 20 million (7 million). The increase in the fair value of biological assets (growing trees) was EUR 64 million (63 million), including gains on sales of forest. The cost of wood harvested from own forests was EUR 44 million (56 million).

Market review

In the first nine months of 2013, Finnish wood market activity improved slightly compared with the same period last year. Wood purchases in the Finnish wood market totalled 22.7 million cubic metres (20.6 million). Wood purchases increased compared to the previous quarter.

In Finland, wood market prices for log and pulpwood remained fairly stable in the first nine months of 2013 and were on average 3% higher than last year. In Central Europe, wood market prices remained stable during the first nine months of 2013 and were slightly higher than last year.

In Western Europe demand for sawn timber remained low due to continued weak building activity during the first nine months of 2013. In markets outside of Europe, such as North Africa, Japan and China, demand was good.

Paper

	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1–Q3/13	Q1–Q3/12	Q1–Q4/12
Sales, EURm	1,665	1,644	1,641	1,841	1,821	1,841	1,813	4,950	5,475	7,316
EBITDA, EURm [1]	134	60	89	137	135	146	160	283	441	578
% of sales	8.0	3.6	5.4	7.4	7.4	7.9	8.8	5.7	8.1	7.9
Share of results of associated companies and joint ventures, EURm	1	–	–	–	–	–	1	1	1	1
Depreciation, amortisation and impairment charges, EURm	–77	–75	–85	–1,921	–140	–139	–141	–237	–420	–2,341
Operating profit, EURm	66	–11	–51	–1,805	–48	28	18	4	–2	–1,807
% of sales	4.0	–0.7	–3.1	–98.0	–2.6	1.5	1.0	0.1	0.0	–24.7
Special items, EURm [2]	6	5	–54	–1,800	–43	21	–2	–43	–24	–1,824
Operating profit excl. special items, EURm	60	–16	3	–5	–5	7	20	47	22	17
% of sales	3.6	–1.0	0.2	–0.3	–0.3	0.4	1.1	0.9	0.4	0.2
Deliveries, publication papers, 1,000 t	1,818	1,698	1,629	1,965	1,878	1,803	1,744	5,145	5,425	7,390
Deliveries, fine and speciality papers, 1,000 t	781	837	849	842	840	910	889	2,467	2,639	3,481
Paper deliveries total, 1,000 t	2,599	2,535	2,478	2,807	2,718	2,713	2,633	7,612	8,064	10,871

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

[2] In Q3 2013, special items include impairment charges of EUR 3 million and net income of EUR 9 million related to 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.

Q3 2013 compared with Q3 2012

Operating profit excluding special items was EUR 60 million (loss of EUR 5 million).

Sales were EUR 1,665 million (1,821 million).

Paper deliveries decreased by 4% to 2,599,000 tonnes (2,718,000). Deliveries of publication papers (magazine papers and newsprint) decreased by 3% and fine and speciality paper deliveries decreased by 7%.

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 last year.

Q3 2013 compared with Q2 2013

Operating profit excluding special items benefited from a positive market value change of unrealised energy hedges, whereas the comparison period was affected by a larger negative change. Fixed and variable costs decreased, partly driven by the ongoing profit improvement programme, and delivery volumes increased seasonally.

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

January–September 2013 compared with January–September 2012

Operating profit excluding special items was EUR 47 million (22 million).

Sales were EUR 4,950 million (5,475 million).

Paper deliveries decreased by 6% to 7,612,000 tonnes (8,064,000). Deliveries of publication papers (magazine papers and newsprint) decreased by 5%. Fine and speciality paper deliveries decreased by 7%, partly affected by the sale of packaging paper operations of the Tervasaari and Pietarsaari mills.

The increase in operating profit was 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.

The average price for paper deliveries in euros was approximately 4% lower than last year.

Market review

In the first nine months of 2013, demand for publication papers in Europe was 5% lower, and for fine papers 6% lower, than in the same period last year. In North America, demand for magazine papers remained on the same level as last year. In Asia, demand for fine papers grew by approximately 2%.

In Europe, publication paper prices increased in the third quarter of the year by 1% compared to the second quarter, whereas in the first nine months of the year prices decreased by 6% from the same period last year. Fine paper prices slipped by 1% compared to the previous quarter, and in the first nine months of the year decreased by 3% compared to the same period last year.

In North America, the average US dollar price for magazine papers increased in the third quarter by 2% compared to the previous quarter, whereas in the first nine months of the year prices decreased by 2% from the same period last year. In Asia, market prices for fine papers remained on the same level as in previous quarter and in the first nine months of the year prices decreased by 1% compared to the same period last year.

Label

	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1–Q3/13	Q1–Q3/12	Q1–Q4/12
Sales, EURm	307	309	299	301	305	298	298	915	901	1,202
EBITDA, EURm [1]	30	28	26	23	30	31	31	84	92	115
% of sales	9.8	9.1	8.7	7.6	9.8	10.4	10.4	9.2	10.2	9.6
Depreciation, amortisation and impairment charges, EURm	–10	–9	–8	–9	–8	–9	–8	–27	–25	–34
Operating profit, EURm	7	19	18	13	20	22	23	44	65	78
% of sales	2.3	6.1	6.0	4.3	6.6	7.4	7.7	4.8	7.2	6.5
Special items, EURm [2]	–15	–	–	–1	–2	–	–	–15	–2	–3
Operating profit excl. special items, EURm	22	19	18	14	22	22	23	59	67	81
% of sales	7.2	6.1	6.0	4.7	7.2	7.4	7.7	6.4	7.4	6.7

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

[2] In Q3 2013, special items of EUR 15 million relate to restructuring charges, including impairment charges 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.

Q3 2013 compared with Q3 2012

Operating profit excluding special items for Label was EUR 22 million (22 million). Sales increased by 1% to EUR 307 million (305 million).

Operating profit was on last year's level. Volume growth offset lower unit value added. Fixed costs were on last year's level.

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

Q3 2013 compared with Q2 2013

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

January–September 2013 compared with January–September 2012

Operating profit excluding special items for Label was EUR 59 million (67 million). Sales increased by 2% to EUR 915 million (901 million).

The decrease in operating profit was mainly due to lower unit value added. Expanded operations in growth markets enabled volume growth, more than offsetting the increase in fixed costs.

Market review

In the first nine months of 2013, demand in Western Europe and North America is estimated to have grown slightly compared to the same period last year. In emerging markets, demand growth has continued on a good level. In the third quarter there were some early signs of improving demand in Western Europe.

Plywood

	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1–Q3/13	Q1–Q3/12	Q1–Q4/12
Sales, EURm	98	111	108	99	94	103	97	317	294	393
EBITDA, EURm [1]	7	12	10	8	2	11	4	29	17	25
% of sales	7.1	10.8	9.3	8.1	2.1	10.7	4.1	9.1	5.8	6.4
Depreciation, amortisation and impairment charges, EURm	–5	–5	–6	–6	–5	–6	–5	–16	–16	–22
Operating profit, EURm	2	7	4	2	–3	5	–1	13	1	3
% of sales	2.0	6.3	3.7	2.0	–3.2	4.9	–1.0	4.1	0.3	0.8
Special items, EURm	–	–	–	–	–	–	–	–	–	–
Operating profit excl. special items, EURm	2	7	4	2	–3	5	–1	13	1	3
% of sales	2.0	6.3	3.7	2.0	–3.2	4.9	–1.0	4.1	0.3	0.8
Deliveries, plywood, 1,000 m^3	169	191	186	169	165	175	170	546	510	679

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

Q3 2013 compared with Q3 2012

Operating profit excluding special items for Plywood was EUR 2 million (loss of EUR 3 million). Sales increased by 4% to EUR 98 million (94 million) and deliveries by 2% to 169,000 cubic metres (165,000), supported by increased exports outside Europe.

Operating profit increased mainly due to lower costs and higher delivery volumes.

Q3 2013 compared with Q2 2013

Operating profit excluding special items decreased, mainly due to seasonally lower delivery volumes.

January–September 2013 compared with January–September 2012

Operating profit excluding special items for Plywood was EUR 13 million (1 million). Sales increased by 8% to EUR 317 million (294 million) and deliveries by 7% to 546,000 cubic metres (510,000).

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

Market review

In the first nine months of 2013 plywood demand is estimated to have remained stable compared to the same period last year. Demand for industrial applications continued slightly stronger. In the third quarter, there were some early signs of improving demand for construction-related end-use segments in certain markets in Europe. Market prices increased slightly during the third quarter and were somewhat higher than last year.

Other operations

	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1–Q3/13	Q1–Q3/12	Q1–Q4/12
Sales, EURm	52	53	57	61	63	77	54	162	194	255
EBITDA, EURm [1]	–17	–24	–18	–3	–14	–28	–16	–59	–58	–61
Share of results of associated companies and joint ventures, EURm	1	–	–	–2	1	–	–	1	1	–1
Depreciation, amortisation and impairment charges, EURm	–4	–2	–4	–4	–3	–2	–3	–10	–8	–12
Operating profit, EURm	–23	–28	–29	–11	–21	–28	–13	–80	–62	–73
Special items, EURm [2]	–4	–2	–7	–3	–4	2	6	–13	4	1
Operating profit excl. special items, EURm	–19	–26	–22	–8	–17	–30	–19	–67	–66	–74

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

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

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

Q3 2013 compared with Q3 2012

Operating loss excluding special items for Other operations was EUR 19 million (17 million). Sales totalled EUR 52 million (63 million).

Q3 2013 compared with Q2 2013

Operating loss excluding special items for Other operations was EUR 19 million (26 million).

January–September 2013 compared with January–September 2012

Excluding special items, the operating loss for Other operations was EUR 67 million (66 million). Sales totalled EUR 162 million (194 million).

Outlook for 2013

Economic growth in Europe is expected to remain low in the latter part of 2013. This will continue to have a negative impact on the European graphic paper markets in particular. Growth market economies are expected to fare better, which is supportive for the global pulp and label materials markets, as well as paper markets in Asia and wood products markets outside Europe. The current hydrological situation in Finland is weaker than the long-term average. Based on forward prices, electricity prices in Finland in H2 2013 are expected to be slightly higher than in H1 2013.

In H2 2013 compared with H1 2013, the Paper (UPM Paper ENA in the new business structure) business area is expected to benefit from lower costs, driven partly by the ongoing cost reduction measures and seasonally stronger demand. The Pulp (UPM Biorefining) business area will be impacted by annual maintenance stops in three of the four pulp mills. However, the Fray Bentos maintenance shutdown was shorter than in previous years.

Capital expenditure for 2013 is forecast to be approximately EUR 400 million.

Shares

In January-September 2013, UPM shares worth EUR 3,816 million (4,480 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 11.00 in September 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 Annual General Meeting held on 4 April 2013 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 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 two option series that would entitle holders to subscribe for a total of 10,000,000 shares. Share options 2007B and 2007C may both be subscribed 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 30 September 2013 was 528,704,962, including subscriptions of 2,580,552 shares through exercising 2007B share options. Through the issuance authorisation and share options, the number of shares may increase to a maximum of 559,970,388.

At the end of Q3 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.

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 Uruguay, there is one pending litigation case against the government of Uruguay regarding the Fray Bentos pulp mill.

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. 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 the 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 30%. The start-up of Olkiluoto 3 was originally scheduled for the end of April 2009; however, the construction of the unit has been delayed. Based on the recent progress reports received from the AREVA-Siemens Consortium (Supplier), which is constructing Olkiluoto 3 under a fixed-price turnkey contract, TVO is preparing for the possibility that the start of the regular electricity production of Olkiluoto 3 may be postponed until 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. The Supplier's latest monetary claim including indirect items and interest is approximately EUR 1.9 billion. TVO has considered and found the Supplier's claim to be without merit. TVO has submitted a claim and defence in the arbitration proceedings concerning the delay and the ensuing costs incurred at the Olkiluoto 3 project. The quantification estimate of TVO's costs and losses 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 counterclaimed amounts may change. No receivables or provisions have been recorded by TVO on the basis of claims presented in the arbitration proceedings.

Risks and near term uncertainties

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

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

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

The main earnings sensitivities and the Group's cost structure are presented in the Annual Report of 2012, on page 10. Risks and risk management are presented in the Annual Report of 2012, pages 74-75.

Events after the balance sheet date

The Group's management is not aware of any significant events occurring after 30 September 2013.

Helsinki, 24 October 2013

UPM-Kymmene Corporation

Board of Directors

Financial information

Consolidated income statement

EURm	Q3/2013	Q3/2012 Restated *)	Q1–Q3/2013	Q1–Q3/2012 Restated *)	Q1–Q4/2012 Restated *)
Sales	2,472	2,595	7,466	7,835	10,492
Other operating income	28	14	55	73	110
Costs and expenses	–2,190	–2,350	–6,726	–6,952	–9,353
Change in fair value of biological assets and wood harvested	11	13	31	13	45
Share of results of associated companies and joint ventures	1	1	2	3	2
Depreciation, amortisation and impairment charges	–135	–200	–414	–631	–2,614
Operating profit (loss)	187	73	414	341	–1,318
Gains on available-for-sale investments, net	1	–2	1	36	38
Exchange rate and fair value gains and losses	–	8	10	13	11
Interest and other finance costs, net	–22	–27	–65	29	–2
Profit (loss) before tax	166	52	360	419	–1,271
Income taxes	–28	–16	–61	–55	149
Profit (loss) for the period	138	36	299	364	–1,122
Attributable to:					
Owners of the parent company	138	36	299	364	–1,122
Non-controlling interests	–	–	–	–	–
	138	36	299	364	–1,122
Earnings per share for profit (loss) attributable to owners of the parent company					
Basic earnings per share, EUR	0.26	0.07	0.57	0.69	–2.14
Diluted earnings per share, EUR	0.26	0.07	0.57	0.69	–2.13

Consolidated statement of comprehensive income

EURm	Q3/2013	Q3/2012 Restated *)	Q1–Q3/2013	Q1–Q3/2012 Restated *)	Q1–Q4/2012 Restated *)
Profit (loss) for the period	138	36	299	364	–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	–13	–	62	–	–98
Items that may be reclassified subsequently to income statement:					
Translation differences	–85	–35	–129	79	–14
Net investment hedge	19	–6	39	–22	4
Cash flow hedges	–15	23	–29	18	46
Available-for-sale investments	–	–	7	–272	–672
	–81	–18	–112	–197	–636
Other comprehensive income for the period, net of tax	–94	–18	–50	–197	–734
Total comprehensive income for the period	44	18	249	167	–1,856
Total comprehensive income attributable to:					
Owners of the parent company	44	18	249	167	–1,856
Non-controlling interests	–	–	–	–	–
	44	18	249	167	–1,856

*) Retrospective application of new and revised IFRS

Consolidated balance sheet

EURm	30.9.2013	30.9.2012 Restated *)	31.12.2012 Restated *)	1.1.2012 Restated *)
ASSETS				
Non-current assets				
Goodwill	220	1,007	222	1,022
Other intangible assets	346	455	366	467
Property, plant and equipment	4,864	6,115	5,089	6,505
Investment property	41	41	39	39
Biological assets	1,460	1,485	1,476	1,513
Investments in associated companies and joint ventures	21	22	20	28
Available-for-sale investments	2,628	2,999	2,587	3,345
Non-current financial assets	319	476	441	423
Deferred tax assets	718	544	739	529
Other non-current assets	103	93	87	81
	10,720	13,237	11,066	13,952
Current assets				
Inventories	1,398	1,454	1,388	1,439
Trade and other receivables	1,971	2,176	1,982	2,016
Income tax receivables	41	15	21	26
Cash and cash equivalents	298	297	486	512
	3,708	3,942	3,877	3,993
Assets classified as held for sale	–	–	–	24
Total assets	14,428	17,179	14,943	17,969
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent company				
Share capital	890	890	890	890
Treasury shares	–2	–2	–2	–2
Translation differences	58	215	148	158
Fair value and other reserves	2,206	2,610	2,232	2,857
Reserve for invested non-restricted equity	1,223	1,204	1,207	1,199
Retained earnings	3,028	4,561	2,980	4,511
	7,403	9,478	7,455	9,613
Non-controlling interests	6	6	6	6
Total equity	7,409	9,484	7,461	9,619
Non-current liabilities				
Deferred tax liabilities	615	684	612	702
Retirement benefit obligations	669	621	745	641
Provisions	189	208	207	327
Interest-bearing liabilities	3,456	3,844	3,724	3,972
Other liabilities	139	141	142	79
	5,068	5,498	5,430	5,721
Current liabilities				
Current interest-bearing liabilities	474	391	417	906
Trade and other payables	1,404	1,754	1,566	1,682
Income tax payables	73	52	69	37
	1,951	2,197	2,052	2,625
Liabilities related to assets classified as held for sale	–	–	–	4
Total liabilities	7,019	7,695	7,482	8,350
Total equity and liabilities	14,428	17,179	14,943	17,969

*) Retrospective application of new and revised IFRS

Consolidated statement of changes in equity

EURm	Attributable to owners of the parent company: Share capital	Treasury shares	Translation differences	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interests	Total equity
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	–	–	–	–	–	364	364	–	364
Translation differences	–	–	79	–	–	–	79	–	79
Net investment hedge, net of tax	–	–	–22	–	–	–	–22	–	–22
Cash flow hedges, net of tax	–	–	–	18	–	–	18	–	18
Available-for-sale investments, net of tax	–	–	–	–272	–	–	–272	–	–272
Total comprehensive income for the period	–	–	57	–254	–	364	167	–	167
Share options exercised	–	–	–	–	5	–	5	–	5
Share-based compensation, net of tax	–	–	–	6	–	2	8	–	8
Dividend distribution	–	–	–	–	–	–315	–315	–	–315
Other items	–	–	–	1	–	–1	–	–	–
Total transactions with owners for the period	–	–	–	7	5	–314	–302	–	–302
Balance at 30 September 2012	890	–2	215	2,610	1,204	4,561	9,478	6	9,484
Balance at 1 January 2013	890	–2	148	2,232	1,207	2,980	7,455	6	7,461
Profit (loss) for the period	–	–	–	–	–	299	299	–	299
Actuarial gains and losses on defined benefit obligations, net of tax	–	–	–	–	–	62	62	–	62
Translation differences	–	–	–129	–	–	–	–129	–	–129
Net investment hedge, net of tax	–	–	39	–	–	–	39	–	39
Cash flow hedges, net of tax	–	–	–	–29	–	–	–29	–	–29
Available-for-sale investments, net of tax	–	–	–	7	–	–	7	–	7
Total comprehensive income for the period	–	–	–90	–22	–	361	249	–	249
Share options exercised	–	–	–	–	16	–	16	–	16
Share-based compensation, net of tax	–	–	–	–4	–	7	3	–	3
Dividend distribution	–	–	–	–	–	–317	–317	–	–317
Other items	–	–	–	–	–	–3	–3	–	–3
Total transactions with owners for the period	–	–	–	–4	16	–313	–301	–	–301
Balance at 30 September 2013	890	–2	58	2,206	1,223	3,028	7,403	6	7,409

[*] Retrospective application of new and revised IFRS

Condensed consolidated cash flow statement

EURm	Q1–Q3/2013	Q1–Q3/2012 Restated *)	Q1–Q4/2012 Restated *)
Cash flow from operating activities			
Profit (loss) for the period	299	364	–1,122
Adjustments	497	487	2,278
Change in working capital	–185	–68	34
Cash generated from operations	611	783	1,190
Finance costs, net	–49	–55	–77
Income taxes paid	–89	–49	–73
Net cash generated from operating activities	473	679	1,040
Cash flow from investing activities			
Capital expenditure	–246	–270	–379
Acquisitions and share purchases	–32	–10	–10
Asset sales and other investing cash flow	17	337	317
Net cash used in investing activities	–261	57	–72
Cash flow from financing activities			
Change in loans and other financial items	–96	–642	–687
Share options exercised	16	5	8
Dividends paid	–317	–315	–315
Net cash used in financing activities	–397	–952	–994
Change in cash and cash equivalents	–185	–216	–26
Cash and cash equivalents at beginning of period	486	512	512
Foreign exchange effect on cash and cash equivalents	–3	1	–
Change in cash and cash equivalents	–185	–216	–26
Cash and cash equivalents at end of period	298	297	486

*) Retrospective application of new and revised IFRS

Quarterly information

EURm	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1–Q3/13	Q1–Q3/12	Q1–Q4/12
Sales	2,472	2,520	2,474	2,657	2,595	2,632	2,608	7,466	7,835	10,492
Other operating income	28	–10	37	37	14	41	18	55	73	110
Costs and expenses	–2,190	–2,245	–2,291	–2,401	–2,350	–2,337	–2,265	–6,726	–6,952	–9,353
Change in fair value of biological assets and wood harvested	11	14	6	32	13	1	–1	31	13	45
Share of results of associated companies and joint ventures	1	1	–	–1	1	1	1	2	3	2
Depreciation, amortisation and impairment charges	–135	–134	–145	–1,983	–200	–230	–201	–414	–631	–2,614
Operating profit (loss)	187	146	81	–1,659	73	108	160	414	341	–1,318
Gains on available-for-sale investments, net	1	–	–	2	–2	34	4	1	36	38
Exchange rate and fair value gains and losses	–	5	5	–2	8	–3	8	10	13	11
Interest and other finance costs, net	–22	–23	–20	–31	–27	82	–26	–65	29	–2
Profit (loss) before tax	166	128	66	–1,690	52	221	146	360	419	–1,271
Income taxes	–28	–14	–19	204	–16	–13	–26	–61	–55	149
Profit (loss) for the period	138	114	47	–1,486	36	208	120	299	364	–1,122
Attributable to:										
Owners of the parent company	138	114	47	–1,486	36	208	120	299	364	–1,122
Non-controlling interests	–	–	–	–	–	–	–	–	–	–
	138	114	47	–1,486	36	208	120	299	364	–1,122
Basic earnings per share, EUR	0.26	0.22	0.09	–2.83	0.07	0.39	0.23	0.57	0.69	–2.14
Diluted earnings per share, EUR	0.26	0.22	0.09	–2.82	0.07	0.39	0.23	0.57	0.69	–2.13
Earnings per share, excluding special items, EUR	0.26	0.20	0.18	0.20	0.16	0.16	0.22	0.64	0.54	0.74
Average number of shares basic (1,000)	528,211	527,922	526,252	525,649	525,592	525,592	524,903	527,462	525,362	525,434
Average number of shares diluted (1,000)	528,155	528,158	526,631	526,264	526,703	526,408	526,528	527,648	526,546	526,476
Special items in operating profit (loss)	–7	8	–63	–1,805	–53	–20	4	–62	–69	–1,874
Operating profit (loss), excl. special items	194	138	144	146	126	128	156	476	410	556
% of sales	7.8	5.5	5.8	5.5	4.9	4.9	6.0	6.4	5.2	5.3
Special items in financial items	–	–	–	–8	–	140	–	–	140	132
Special items before tax	–7	8	–63	–1,813	–53	120	4	–62	71	–1,742
Profit (loss) before tax, excl. special items	173	120	129	123	105	101	142	422	348	471
% of sales	7.0	4.8	5.2	4.6	4.0	3.8	5.4	5.7	4.4	4.5
Impact on taxes from special items	6	–	15	222	5	3	–	21	8	230
Return on equity, excl. special items, %	7.5	5.7	5.1	4.6	3.5	3.6	4.9	6.1	4.0	4.2
Return on capital employed, excl. special items, %	6.8	4.9	5.1	4.3	3.7	3.7	5.0	5.6	4.1	4.2
EBITDA	311	258	284	317	313	325	357	853	995	1,312
% of sales	12.6	10.2	11.5	11.9	12.1	12.3	13.7	11.4	12.7	12.5
Share of results of associated companies and joint ventures										
Energy	–1	–	–	–	–	–	–	–1	–	–
Pulp	–	1	–	1	–	–	–	1	–	1
Forest and Timber	–	–	–	–	–	1	–	–	1	1
Paper	1	–	–	–	–	–	1	1	1	1
Other operations	1	–	–	–2	1	–	–	1	1	–1
Total	1	1	–	–1	1	1	1	2	3	2

Deliveries

	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1–Q3/13	Q1–Q3/12	Q1–Q4/12
Electricity, GWh	2,027	2,221	2,513	2,583	2,340	2,158	2,405	6,761	6,903	9,486
Pulp, 1,000 t	789	774	790	730	759	755	884	2,353	2,398	3,128
Sawn timber, 1,000 m^3	355	469	419	426	382	462	426	1,243	1,270	1,696
Publication papers, 1,000 t	1,818	1,698	1,629	1,965	1,878	1,803	1,744	5,145	5,425	7,390
Fine and speciality papers, 1,000 t	781	837	849	842	840	910	889	2,467	2,639	3,481
Paper deliveries total, 1,000 t	2,599	2,535	2,478	2,807	2,718	2,713	2,633	7,612	8,064	10,871
Plywood, 1,000 m^3	169	191	186	169	165	175	170	546	510	679

Quarterly segment information

EURm	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1–Q3/13	Q1–Q3/12	Q1–Q4/12
Sales										
Energy	101	124	117	127	122	100	145	342	367	494
Pulp	413	414	407	386	406	413	433	1,234	1,252	1,638
Forest and Timber	397	439	436	428	364	473	426	1,272	1,263	1,691
Paper	1,665	1,644	1,641	1,841	1,821	1,841	1,813	4,950	5,475	7,316
Label	307	309	299	301	305	298	298	915	901	1,202
Plywood	98	111	108	99	94	103	97	317	294	393
Other operations	52	53	57	61	63	77	54	162	194	255
Internal sales	–547	–560	–576	–571	–561	–658	–642	–1,683	–1,861	–2,432
Eliminations	–14	–14	–15	–15	–19	–15	–16	–43	–50	–65
Sales, total	2,472	2,520	2,474	2,657	2,595	2,632	2,608	7,466	7,835	10,492
EBITDA										
Energy	47	40	61	65	56	45	66	148	167	232
Pulp	108	133	114	86	104	127	111	355	342	428
Forest and Timber	2	11	3	–5	3	7	8	16	18	13
Paper	134	60	89	137	135	146	160	283	441	578
Label	30	28	26	23	30	31	31	84	92	115
Plywood	7	12	10	8	2	11	4	29	17	25
Other operations	–17	–24	–18	–3	–14	–28	–16	–59	–58	–61
Eliminations	–	–2	–1	6	–3	–14	–7	–3	–24	–18
EBITDA, total	311	258	284	317	313	325	357	853	995	1,312
Operating profit (loss)										
Energy	44	37	58	62	53	43	63	139	159	221
Pulp	77	104	80	59	70	93	75	261	238	297
Forest and Timber	14	20	1	15	3	–41	2	35	–36	–21
Paper	66	–11	–51	–1,805	–48	28	18	4	–2	–1,807
Label	7	19	18	13	20	22	23	44	65	78
Plywood	2	7	4	2	–3	5	–1	13	1	3
Other operations	–23	–28	–29	–11	–21	–28	–13	–80	–62	–73
Eliminations	–	–2	–	6	–1	–14	–7	–2	–22	–16
Operating profit (loss), total	187	146	81	–1,659	73	108	160	414	341	–1,318
% of sales	7.6	5.8	3.3	–62.4	2.8	4.1	6.1	5.5	4.4	–12.6
Special items in operating profit										
Energy	–	–	–	–	–	–	–	–	–	–
Pulp	–	1	–	–	–	–	–	1	–	–
Forest and Timber	6	4	–2	–1	–4	–43		8	–47	–48
Paper	6	5	–54	–1,800	–43	21	–2	–43	–24	–1,824
Label	–15	–	–	–1	–2	–	–	–15	–2	–3
Plywood	–	–	–	–	–	–	–	–	–	–
Other operations	–4	–2	–7	–3	–4	2	6	–13	4	1
Eliminations	–	–	–	–	–	–	–	–	–	–
Special items in operating profit, total	–7	8	–63	–1,805	–53	–20	4	–62	–69	–1,874
Operating profit (loss) excl. special items										
Energy	44	37	58	62	53	43	63	139	159	221
Pulp	77	103	80	59	70	93	75	260	238	297
Forest and Timber	8	16	3	16	7	2	2	27	11	27
Paper	60	–16	3	–5	–5	7	20	47	22	17
Label	22	19	18	14	22	22	23	59	67	81
Plywood	2	7	4	2	–3	5	–1	13	1	3
Other operations	–19	–26	–22	–8	–17	–30	–19	–67	–66	–74
Eliminations	–	–2	–	6	–1	–14	–7	–2	–22	–16
Operating profit (loss) excl. special items, total	194	138	144	146	126	128	156	476	410	556
% of sales	7.8	5.5	5.8	5.5	4.9	4.9	6.0	6.4	5.2	5.3

EURm	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q1–Q3/13	Q1–Q3/12	Q1–Q4/12
External sales										
Energy	32	66	59	69	62	46	87	157	195	264
Pulp	258	247	238	208	215	201	191	743	607	815
Forest and Timber	162	194	179	188	172	199	189	535	560	748
Paper	1,584	1,569	1,572	1,796	1,787	1,799	1,756	4,725	5,342	7,138
Label	307	308	298	301	305	298	298	913	901	1,202
Plywood	92	104	102	93	89	97	92	298	278	371
Other operations	38	29	27	7	–16	7	11	94	2	9
Eliminations	–1	3	–1	–5	–19	–15	–16	1	–50	–55
External sales, total	2,472	2,520	2,474	2,657	2,595	2,632	2,608	7,466	7,835	10,492
Internal sales										
Energy	69	58	58	58	60	54	58	185	172	230
Pulp	155	167	169	178	191	212	242	491	645	823
Forest and Timber	235	245	257	240	192	274	237	737	703	943
Paper	81	75	69	45	34	42	57	225	133	178
Label	–	1	1	–	–	–	–	2	–	–
Plywood	6	7	6	6	5	6	5	19	16	22
Other operations	14	24	30	54	79	70	43	68	192	246
Eliminations	–13	–17	–14	–10	–	–	–	–44	–	–10
Internal sales, total	547	560	576	571	561	658	642	1,683	1,861	2,432

EURm	30.9.2013	30.6.2013	31.3.2013	31.12.2012	30.9.2012	30.6.2012	31.3.2012
Assets							
Energy	2,954	2,951	2,921	2,917	3,329	3,327	3,567
Pulp	2,642	2,737	2,777	2,676	2,713	2,786	2,678
Forest and Timber	1,806	1,825	1,880	1,851	1,861	1,927	1,993
Paper	3,949	4,044	4,079	4,138	6,162	6,310	6,342
Label	647	652	660	654	664	642	629
Plywood	287	298	301	295	308	311	305
Other operations	366	308	293	291	235	234	334
Eliminations	–249	–248	–244	–208	–223	–228	–237
Unallocated assets	2,026	2,044	2,201	2,329	2,130	1,941	1,692
Assets, total	14,428	14,611	14,868	14,943	17,179	17,250	17,303

Changes in property, plant and equipment

EURm	Q1–Q3/2013	Q1–Q3/2012	Q1–Q4/2012
Book value at beginning of period	5,089	6,505	6,505
Capital expenditure	220	189	312
Companies acquired	–	6	5
Companies sold	–	–19	–19
Decreases	–13	–34	–35
Depreciation	–370	–545	–716
Impairment charges	–7	–27	–954
Translation difference and other changes	–55	40	–9
Book value at end of period	4,864	6,115	5,089

Fair value of financial instruments

Financial assets and liabilities measured at fair value

	30.9.2013				31.12.2012			
EURm	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Trading derivatives	2	61	–	63	1	92	–	93
Derivatives used for hedging	48	339	–	387	78	417	–	495
Available-for-sale investments	–	–	2,619	2,619	–	–	2,580	2,580
Total	50	400	2,619	3,069	79	509	2,580	3,168
Liabilities								
Trading derivatives	9	160	–	169	12	124	–	136
Derivatives used for hedging	59	41	–	100	66	38	–	104
Total	68	201	–	269	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

	Q1–Q3/2013	Q1–Q4/2012		
EURm	Available-for-sale investments	Available-for-sale investments	Other receivables	Total
Opening balance	2,580	3,338	3	3,341
Additions	31	33	–	33
Transfers into Level 3	–	–	–	–
Transfers from Level 3	–	–	–	–
Gains and losses				
Recognised in income statement, under gains on available-for-sale investments	–	−109	−3	−112
Recognised in statement of comprehensive income, under available-for-sale investments	8	−682	–	−682
Closing balance	2,619	2,580	–	2,580

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 360 million. The discount rate of 5.7% 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 30%, 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	30.9.2013	31.12.2012
Non-current interest bearing liabilities, excl. derivative financial instruments	3,346	3,345

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

Commitments and contingencies

EURm	30.9.2013	30.9.2012	31.12.2012
Own commitments			
Mortgages	387	600	570
On behalf of others			
Other guarantees	5	4	5
Other own commitments			
Leasing commitments for the next 12 months	55	53	57
Leasing commitments for subsequent periods	342	314	365
Other commitments	141	115	123

Capital commitments

EURm	Completion	Total cost	By 31.12.2012	Q1–Q3/2013	After 30.9.2013
Changshu PM3	June 2015	390	2	6	382
Biorefinery/Kaukas	May 2014	150	27	61	62
Power plant/Schongau	December 2014	85	11	22	52
Modernisation of fibreline/Pietarsaari	June 2014	13	–	1	12

Notional amounts of derivative financial instruments

EURm	30.9.2013	30.9.2012	31.12.2012
Forward foreign exchange contracts	4,865	4,731	4,994
Currency options, bought	10	7	9
Currency options, written	13	12	14
Interest rate forward contracts	2,589	2,953	3,755
Interest rate swaps	1,626	1,694	1,629
Cross currency swaps	831	931	882
Commodity contracts	586	429	400

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

EURm	Q1–Q3/2013	Q1–Q3/2012	Q1–Q4/2012
Sales	1	32	4
Purchases	58	56	80
Non-current receivables at end of period	7	5	7
Trade and other receivables at end of period	2	3	4
Trade and other payables at end of period	2	6	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 Paper 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 Paper 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	Q3/2012	Q1–Q3/2012	Q1–Q4/2012
Sales	17	47	54
Other operating income	1	2	2
Costs and expenses	–10	–22	–13
Share of results of associated companies and joint ventures	2	18	16
Depreciation, amortisation and impairment charges	–6	–20	–27
Operating profit (loss)	4	25	32
Interest and other finance costs, net	–1	103	103
Profit (loss) before tax	3	128	135
Income taxes	–	–1	–3
Profit (loss) for the period	3	127	132
Basic earnings per share, EUR	0.01	0.24	0.25
Diluted earnings per share, EUR	0.01	0.24	0.25

Impact on consolidated statement of comprehensive income

EURm	Q3/2012	Q1–Q3/2012	Q1–Q4/2012
Profit (loss) for the period	3	127	132
Actuarial gains and losses on defined benefit obligations	–	–	–98
Available-for-sale investments	–1	–234	–635
Share of other comprehensive income of associated companies	1	–1	–
Other comprehensive income for the period, net of tax	–	–235	–733
Total comprehensive income for the period	3	–108	–601

Impact on consolidated balance sheet

EURm	30.9.2012	31.12.2012	1.1.2012
ASSETS			
Non-current assets			
Other intangible assets	8	9	9
Property, plant and equipment	249	243	263
Investments in associated companies and joint ventures	–568	–569	–689
Available-for-sale investments	2,852	2,440	3,085
Non-current financial assets	8	10	8
Deferred tax assets	20	53	21
Other non-current assets	–155	–163	–157
	2,414	2,023	2,540
Current assets			
Inventories	10	11	10
Trade and other receivables	8	–2	13
Cash and cash equivalents	13	18	17
	31	27	40
Total assets	2,445	2,050	2,580
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Translation differences	–3	–3	–3
Fair value and other reserves	2,495	2,093	2,728
Retained earnings	–448	–540	–573
	2,044	1,550	2,152
Non-controlling interests	–10	–10	–10
Total equity	2,034	1,540	2,142
Non-current liabilities			
Deferred tax liabilities	28	15	27
Retirement benefit obligations	146	269	151
Provisions	2	2	1
Interest-bearing liabilities	205	203	222
Other liabilities	–1	–2	–
	380	487	401
Current liabilities			
Current interest-bearing liabilities	23	21	23
Trade and other payables	8	2	15
Income tax payables	–	–	–1
	31	23	37
Total liabilities	411	510	438
Total equity and liabilities	2,445	2,050	2,580

Impact on condensed consolidated cash flow statement

EURm	Q1–Q3/2012	Q1–Q4/2012
Cash flow from operating activities		
Profit (loss) for the period	127	132
Adjustments	–102	–93
Change in working capital	–6	–10
Cash generated from operations	19	29
Finance costs, net	–2	–3
Net cash generated from operating activities	17	26
Cash flow from investing activities		
Capital expenditure	–4	–5
Asset sales and other investing cash flow	–	–2
Net cash used in investing activities	–4	–7
Cash flow from financing activities		
Change in loans and other financial items	–17	–18
Net cash used in financing activities	–17	–18
Change in cash and cash equivalents	–4	1
Cash and cash equivalents at beginning of period	17	17
Change in cash and cash equivalents	–4	1
Cash and cash equivalents at end of period	13	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

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

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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