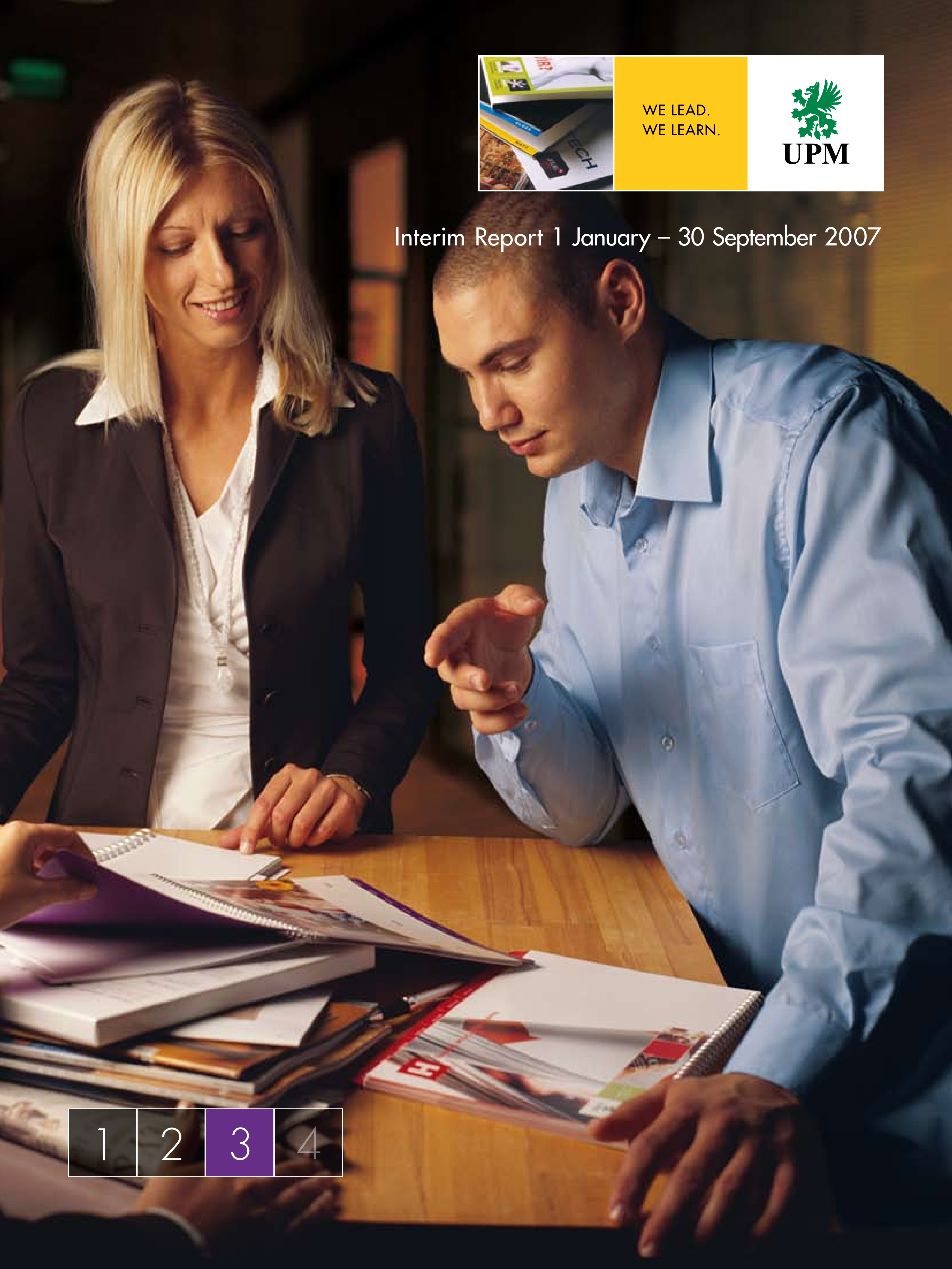

Interim Report 1 January – 30 September 2007

UPM Interim Report, 1 January – 30 September 2007

- Earnings per share, excluding special items, for the third quarter were € 0.23 (€ 0.25 for the third quarter of 2006).
- EBITDA was € 366 million, 14.8% of sales (€ 427 million, 17.1%).
- Operating profit excluding special items was € 195 million (€ 209 million).
- The increase in costs, particularly wood costs, and the strengthened euro decreased profitability.

Key figures

	Q3/2007	Q3/2006	Q1–Q3/2007	Q1–Q3/2006	Q1–Q4/2006
Sales, €m	2,467	2,495	7,523	7,439	10,022
EBITDA, €m [1]	366	427	1,195	1,211	1,678
% of sales	14.8	17.1	15.9	16.3	16.7
Operating profit, €m	195	173	341	289	536
excluding special items, €m	195	209	641	473	725
Profit before tax, €m	144	129	200	164	367
excluding special items, €m	144	165	500	348	550
Net profit for the period, €m	119	147	52	143	338
Earnings per share, €	0.23	0.29	0.10	0.28	0.65
excluding special items, €	0.23	0.25	0.76	0.50	0.80
Diluted earnings per share, €	0.23	0.28	0.10	0.27	0.65
Return on equity, %	6.9	8.3	1.0	2.6	4.6
excluding special items, %	6.9	7.2	7.5	4.8	5.7
Return on capital employed, %	6.8	5.9	4.1	3.4	4.7
excluding special items, %	6.8	7.1	7.6	5.4	6.2
Gearing ratio at end of period, %	60	62	60	62	56
Shareholders' equity per share at end of period, €	13.24	13.58	13.24	13.58	13.90
Net interest-bearing liabilities at end of period, €m	4,120	4,388	4,120	4,388	4,048
Capital employed at end of period, €m	11,173	11,787	11,173	11,787	11,634
Capital expenditure, €m	182	171	535	502	699
Personnel at end of period	27,550	29,939	27,550	29,939	28,704

[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 2007 compared with Q3 of 2006

Sales for the third quarter of 2007 were € 2,467 million (€ 2,495 million). Paper deliveries increased 4%.

Operating profit was € 195 million, 7.9% of sales (€ 173 million, 6.9% of sales). There were no special items for the third quarter of 2007. In the third quarter of last year, operating profit, excluding special items, was € 209 million, 8.4% of sales.

Operating profit decreased due to lower paper prices and higher costs. Especially wood and recycled paper costs were markedly higher. The average price for all paper deliveries translated into euros was approximately 2% lower than a year ago. The euro and the Canadian dollar both have strengthened approximately 11% against the US dollar during the past twelve months. Change in the fair value of biological assets net of wood harvested was € 21 million (negative € 15 million). The share of results of associated companies and joint ventures was € 14 million (€ 18 million).

Profit before tax was € 144 million (€ 129 million). Excluding special items, profit before tax was € 144 million (€ 165 million). Interest and other finance costs, net, were € 42 million (€ 41 million). Exchange rate and fair-value gains and losses resulted in a loss of € 9 million (loss of € 3 million).

Income taxes were € 25 million (positive € 18 million), which include as a positive item an income tax rate change in Germany and the UK.

Profit for the third quarter was € 119 million (€ 147 million). Earnings per share were € 0.23 (€ 0.29), and excluding special items € 0.23 (€ 0.25).

First nine months of 2007 compared with first nine months of 2006

Sales for January–September were € 7,523 million, slightly higher than the € 7,439 million in the same period in 2006. Paper deliveries increased by 5%.

Operating profit came to € 341 million, 4.5% of sales (€ 289 million, 3.9% of sales). Operating profit excluding special items was € 641 million, 8.5% of sales (€ 473 million, 6.4% of sales).

Cost increase was over 2% from last year. Wood and recycled paper saw the highest price increases. Price increases in Finland were triggered by low winter wood storage levels due to the mild winter and the increase in export duties on Russian wood. In Central Europe, alternate uses of wood competed with fibre usage for paper making. Energy costs, on the other hand, were lower than a year ago. Fixed costs decreased as overall operational efficiency improved partly because of closures of the production facilities. Delivery volumes of paper and self-adhesive label materials were higher than last year. The average price for newsprint and uncoated fine paper when translated into euros increased, while the average price for magazine and coated fine papers declined from the corresponding period of last year. Profitability of exports suffered from the strengthening of the euro and the Canadian dollar. The increase in the fair value of biological assets, net of wood harvested, was € 32 million (decrease of € 121 million). The share of results of associated companies and joint ventures was € 41 million (€ 52 million).

Profit before tax was € 200 million (€ 164 million) and excluding special items € 500 million (€ 348 million). Interest and other finance costs, net, were € 145 million (€ 139 million). Exchange rate and fair-value gains and losses resulted in a gain of € 2 million (gain of € 14 million).

Income taxes were € 148 million (€ 21 million), and the effective tax rate, excluding the impact of special items was 24% (26%).

Profit for the period was € 52 million (€ 143 million). Earnings per share were € 0.10 (€ 0.28) and excluding special items, € 0.76 (€ 0.50). Operating cash flow per share was € 1.09 (€ 1.53).

Paper deliveries

Paper deliveries for the first nine months were 8,472,000 (8,096,000) tonnes. Magazine paper deliveries were 3,610,000 (3,473,000) tonnes, newsprint 1,980,000 (1,980,000) tonnes, and fine and speciality papers 2,882,000 (2,643,000) tonnes.

Financing

Cash flow from operating activities, before capital expenditure and financing, was € 573 million (€ 800 million). The increase in net working capital amounted to € 271 million (€ 71 million).

The gearing ratio as of 30 September 2007 was 60% (62% on 30 September 2006). Equity to assets ratio on 30 September was 49.1% (48.8%). Net interest-bearing liabilities at the end of the period were € 4,120 million (€ 4,388 million).

Personnel

In January–September, UPM had an average of 28,830 employees (31,643 employees for Q1–Q3/2006). The number of employees at the end of September was 27,550 (29,939). Walki Wisa, which was sold in June 2007, employed approximately 950 people in 2006.

Capital expenditure and restructuring

For the first nine months, gross capital expenditure was € 535 million, 7.1% of sales (€ 502 million, 6.7% of sales).

At the Tervasaari mill, the new bleaching line for pulp started up in September, allowing increased use of integrated pulp. As part of the profitability programme, brown sack paper machine PM6 and the special chemical pulp line were closed in August.

The largest ongoing investment, a € 325 million rebuild of the recovery plant at the Kymi pulp mill, is proceeding according to plan.

The start up of UPM associated company Botnia's pulp mill in Uruguay will commence as soon as the permit procedure is finalised and the Uruguayan authorities give their permission.

Shares

In total, UPM shares worth € 12,812 million were traded on the Helsinki Stock Exchange (€ 12,307 million) in January–September. The highest quotation was € 20.59 in February and the lowest € 14.87 in August. On the New York Stock Exchange, the company's shares were traded to a total value of USD 213 million (244 million).

The Annual General Meeting held on 27 March 2007 approved a proposal by the Board of Directors to buy back not more than 52,000,000 own shares. The authorisation is valid for 18 months. The meeting authorised the board to decide on the disposal of shares so acquired as well as on a free issue of shares to the company itself so that the total number of shares to be issued to the company combined with the number of own shares bought back under the buyback authorisation may not exceed 1/10 of the total number of shares of the company.

On 20 August 2007, the UPM Board of Directors decided to buy back up to16,400,000 own shares. The share buy-backs were initiated on 29 August. At the end of the period, UPM had bought back 11,840,000 of its own shares for € 196.7 million, for an average price of € 16.61.

Additionally, the Annual General Meeting authorised the Board of Directors to decide to issue shares and special rights entitling to shares of the company. The number of new shares to be issued, including shares to be obtained under special rights, shall be no more than 250,000,000. Of that amount, the maximum number that can be issued to the company's shareholders based on their pre-emptive rights is 250,000,000 shares and the maximum amount that can be issued deviating from the shareholders' pre-emptive rights in a directed share issue is 100,000,000 shares. The maximum number of new shares to be issued as part of the company's incentive programmes is 5,000,000 shares. The authorisation is valid for no more than three years from the date of the decision. To date, this authorisation has not been used.

The meeting also decided on granting share options in connection with the company's share-based incentive plans. In option programmes 2007 A, 2007 B, and 2007 C, the total number of share options is no more than 15,000,000, and they will entitle to subscribe for, in total, no more than 15,000,000 new shares of the company. To date, this authorisation has not been used.

The meeting decided to decrease the share premium reserve by the amount of € 776,122,940.18, and the legal reserve by the amount of € 187,227,209.68 as shown in the balance sheet of the parent company as per 31 December 2006. The changes were executed on 1 August. The reserves were transferred to the invested non-restricted equity fund.

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

On 17 September 2007, UPM applied for listing of 2005G stock options on the OMX Nordic Exchange Helsinki. The total number of stock options is 3,000,000, each entitling for a subscription of one share.

In the third quarter of 2007, no shares were subscribed for through exercising of outstanding share options.

The number of shares entered in the Trade Register on 30 September 2007 was 528,969,320. Through the issuance authorisation and share options, the number of shares may increase to a maximum of 810,558,420.

On 13 September 2007, the Capital Group Companies, Inc. informed that the Finnish Financial Supervision Authority had granted exemption to the Capital Group Companies, Inc. to report its holdings and those of Capital Group International, Inc. separately from those of Capital Research and Management Company. Pursuant to this exemption, the aggregate holdings of Capital Group Companies, Inc.; Capital Group International, Inc.; and its subsidiaries had fallen below 5% of the shares and voting rights of UPM-Kymmene Corporation. The aggregate holdings on 12 September 2007 were 11,388,908 shares, representing 2.15% of the shares and voting rights. The Capital Research and Management Company held, on 12 September 2007, a total of 16,035,800 UPM-Kymmene Corporation shares, representing 3.03% of the shares and voting rights.

Litigation

Certain competition authorities are continuing investigations into alleged antitrust activities with respect to various products of the company.

The US Department of Justice, the EU authorities, and the authorities in several EU Member States, Canada and certain other countries have granted UPM conditional full immunity with respect to certain conduct disclosed to them. The US and Canadian investigations are now closed, and the European Commission has tentatively closed its investigation of the European fine paper, newsprint, magazine paper, label paper, and self-adhesive labelstock markets.

UPM has been named as a defendant in multiple class-action lawsuits against labelstock and magazine paper manufacturers in the United States. The remaining litigation matters may last several years. No provisions have been made in relation to these investigations or litigations.

Events after the balance sheet date

On 11 October 2007, UPM sold port operators Rauma Stevedoring and Botnia Shipping to Babcock & Brown Infrastructure (BBI) for approximately € 90 million. These companies had 665 employees as of 30 September 2007.

On 17 October 2007, UPM decided to close the Keuruu Veneer mill. The operations will cease in spring 2008.

On 30 October 2007, UPM decided to terminate listing of its American Depositary Shares (ADS) from the New York Stock Exchange (NYSE) and seek deregistration and termination of its reporting obligations under the Securities Exchange Act of 1934.

Apart from the above, the Group's management is not aware of any significant events occurring after 30 September that would have an impact on the financial statements.

Outlook for the fourth quarter

In Europe, demand for printing papers is forecast to grow slightly from the corresponding quarter of last year, while in North America it is expected to decrease. Strong growth in demand is expected to continue in emerging markets. UPM estimates its paper deliveries to be about the same as last year and the average price for all paper deliveries to be about the same as it was in the third quarter of 2007.

Demand for self-adhesive label materials will be seasonally high in all main markets, and prices are expected to remain at current level.

In wood products, good demand for plywood continues. Sawn-timber demand will be softer than earlier in the year. Availability of birch logs may limit production of birch plywood in the course of the period.

The company's overall cost inflation for 2007 is estimated to be approximately 2.5% including the expected cost savings from the ongoing profitability programme.

Divisional reviews

Magazine Papers

	Q3/07	Q2/07	Q1/07	Q4/06	Q3/06	Q2/06	Q1/06	Q1–Q3/07	Q1–Q3/06	Q1–Q4/06
Sales, €m	847	798	793	905	861	817	771	2,438	2,449	3,354
EBITDA, €m [1]	116	114	113	157	155	145	113	343	413	570
% of sales	13.7	14.3	14.2	17.3	18.0	17.7	14.7	14.1	16.9	17.0
Depreciation, amortisation and impairment charges, €m	–82	–443	–86	–88	–209	–210	–97	–611	–516	–604
Operating profit, €m	34	–339	27	75	–62	–85	16	–278	–131	–56
% of sales	4.0	–42.5	3.4	8.3	–7.2	–10.4	2.1	–11.4	–5.3	–1.7
Special items, €m [2]	–	–371	–	6	–126	–133	–	–371	–259	–253
Operating profit excl. special items, €m	34	32	27	69	64	48	16	93	128	197
% of sales	4.0	4.0	3.4	7.6	7.4	5.9	2.1	3.8	5.2	5.9
Deliveries, 1,000 t	1,266	1,189	1,155	1,288	1,227	1,148	1,098	3,610	3,473	4,761

[1] EBITDA is operating profit before depreciation, amortisation and impairment charges and excluding special items.

[2] Special items in the second quarter of 2007 include a goodwill impairment charge of € 350 million, an impairment charge of € 22 million and personnel costs of € 10 million related to the Miramichi paper mill, and an income of € 11 million related to impairment reversals. Special items in the second quarter of 2006 include personnel charges of € 20 million related to the profitability programme, and impairment charges of € 113 million related to the closure of the Voikkaa paper mill. In the third quarter, special items include personnel charges of € 8 million and impairment charges of € 3 million at Voikkaa, and impairment charges of € 115 million for Miramichi. In the fourth quarter, special items relate primarily to the capital gain on the sale of the Rauma power plant.

Q3 of 2007 compared with Q3 of 2006

The operating profit, excluding special items, for Magazine Papers was € 34 million, € 30 million lower than a year ago (€ 64 million). Sales were € 847 million (€ 861 million). Paper deliveries increased by 3% to 1,266,000 (1,227,000) tonnes.

Profitability weakened compared with the same period last year. The main reasons for the decline were lower paper prices and markedly increased fibre costs. The euro and the Canadian dollar strengthened, reducing profitability of exports. In Europe average prices decreased from last year and the average price for all magazine paper deliveries when translated into euros was over 6% lower than a year ago.

The Miramichi magazine paper mill in Canada, with a capacity of 450,000 t/a, was shut down for 9-12 months at the end of August.

Q1–Q3 of 2007 compared with Q1–Q3 of 2006

The operating profit, excluding special items, for Magazine Papers was € 93 million, € 35 million lower than in Q1–Q3 of the previous year (€ 128 million). Sales amounted to € 2,438 million, slightly below last year's level (€ 2,449 million). Paper deliveries increased by 4% to 3,610,000 (3,473,000) tonnes.

Profitability decreased from the same period in 2006. Efficiency improved with the closures of uncompetitive capacity, and fixed costs were lower. The positive impact of cost savings was, however, offset by lower paper prices and higher fibre costs. The euro and the Canadian dollar strengthened, reducing profitability of exports. When translated into euros, the average price for all magazine paper deliveries was approximately 5% lower than a year ago.

Market review

During January–September, magazine paper demand in Europe continued to be good, driven by a strong increase in demand in Eastern Europe. Demand for both coated and uncoated magazine paper increased by about 4% from that seen in the same period in 2006. Export of magazine paper from Europe decreased from the previous year. The average market price for magazine papers in Europe was 3% down from last year's figure.

In North America, demand for coated magazine paper increased by about 5% and the figure for uncoated magazine paper increased by about 6%. In North America, USD prices decreased by about 8%.

Newsprint

	Q3/07	Q2/07	Q1/07	Q4/06	Q3/06	Q2/06	Q1/06	Q1–Q3/07	Q1–Q3/06	Q1–Q4/06
Sales, €m	365	379	348	380	360	351	345	1,092	1,056	1,436
EBITDA, €m [1]	91	100	92	89	98	86	72	283	256	345
% of sales	24.9	26.4	26.4	23.4	27.2	24.5	20.9	25.9	24.2	24.0
Depreciation, amortisation and impairment charges, €m	–47	–47	–48	–48	–48	–47	–47	–142	–142	–190
Operating profit, €m	44	53	44	39	50	34	25	141	109	148
% of sales	12.1	14.0	12.6	10.3	13.9	9.7	7.2	12.9	10.3	10.3
Special items, €m [2]	–	–	–	–2	–	–5	–	–	–5	–7
Operating profit excl. special items, €m	44	53	44	41	50	39	25	141	114	155
% of sales	12.1	14.0	12.6	10.8	13.9	11.1	7.2	12.9	10.8	10.8
Deliveries, 1,000 t	667	683	630	697	666	660	654	1,980	1,980	2,677

1) EBITDA is operating profit before depreciation, amortisation and impairment charges and excluding special items.
2) The special items booked for 2006 relate mainly to the profitability programme.

Q3 of 2007 compared with Q3 of 2006

For Newsprint, operating profit, excluding special items, decreased to € 44 million (€ 50 million). Sales were € 365 million (€ 360 million). Paper deliveries amounted to 667,000 tonnes (666,000 tonnes).

Paper prices were higher but an increase in recycled fibre and wood costs weakened profitability. Lower energy costs mitigated the negative impact of higher fibre costs. The average price for all newsprint deliveries, when translated into euros, was up about 1% on the figure for the corresponding quarter in 2006. The price development was affected by the change in sales mix.

Q1–Q3 of 2007 compared with Q1–Q3 of 2006

Operating profit, excluding special items, for Newsprint came to € 141 million, € 27 million higher than a year ago (€ 114 million). Sales were € 1,092 million (€ 1,056 million). Paper deliveries were the same as a year ago, at 1,980,000 tonnes.

The main contributor to the improved profitability was the higher price of newsprint. The average price for all newsprint deliveries when translated into euros was 3% higher than a year ago, despite a decline of overseas market prices. Costs savings from energy investments mitigated the impact of increased recycled fibre and wood costs.

Market review

The first nine months of the year saw demand for standard and improved newsprint decrease by about 2% in Europe when compared with the figure for the same period last year. Imports to Europe increased from the previous year. In Europe, the average market price for standard newsprint was about 5% higher than a year ago.

In the other markets, with the exception of North America, demand increased but prices were lower than in the same period in 2006.

Fine and Speciality Papers

	Q3/07	Q2/07	Q1/07	Q4/06	Q3/06	Q2/06	Q1/06	Q1–Q3/07	Q1–Q3/06	Q1–Q4/06
Sales, €m	694	686	699	667	626	627	640	2,079	1,893	2,560
EBITDA, €m [1]	82	92	85	104	106	76	82	259	264	368
% of sales	11.8	13.4	12.2	15.6	16.9	12.1	12.8	12.5	13.9	14.4
Depreciation, amortisation and impairment charges, €m	–53	–53	–53	–56	–55	–71	–55	–159	–181	–237
Operating profit, €m	29	39	32	44	50	–13	27	100	64	108
% of sales	4.2	5.7	4.6	6.6	8.0	–2.1	4.2	4.8	3.4	4.2
Special items, €m [2]	–	–	–	–3	–2	–36	–	–	–38	–41
Operating profit excl. special items, €m	29	39	32	47	52	23	27	100	102	149
% of sales	4.2	5.7	4.6	7.0	8.3	3.7	4.2	4.8	5.4	5.8
Deliveries, 1,000 t	954	960	968	907	878	884	881	2,882	2,643	3,550

1) EBITDA is operating profit before depreciation, amortisation and impairment charges and excluding special items.
2) In 2006, special items include personnel and impairment charges related to the profitability programme.

Q3 of 2007 compared with Q3 of 2006

The operating profit, excluding special items, for Fine and Speciality Papers came to € 29 million which is € 23 million less than last year (€ 52 million). Sales increased from € 626 million to € 694 million. Paper deliveries increased by 9% to 954,000 (878,000) tonnes.

The average price for all fine and speciality paper deliveries when translated into euros was about 2% higher than a year ago. Increase in fibre costs, however, more than offset the positive impact of higher average prices and increased delivery volumes. Strengthening of the euro against the US dollar weakened the profitability of exports.

Q1–Q3 of 2007 compared with Q1–Q3 of 2006

The operating profit, excluding special items, for Fine and Speciality Papers was € 100 million, almost the same as last year (€ 102 million). Sales increased from € 1,893 million to € 2,079 million. Paper deliveries amounted to 2,882,000 tonnes, 9% higher than a year ago (2,643,000 tonnes). More efficient utilisation of capacity and investments at the Changshu mill last year were the main contributors to the higher delivery volumes.

The profitability of the division was almost the same as last year. When translated into euros, the average price for all fine and speciality paper deliveries was about 1% higher than a year ago. Increased efficiency and higher average paper prices mitigated the impact of increased fibre costs. Strengthening of the euro against the US dollar weakened profitability of exports.

Market review

In Europe, demand for coated fine paper increased by about 2% while that for uncoated fine paper remained the same when compared with the corresponding period last year. In Europe, the average market price for coated fine paper was about 1% higher and that for uncoated fine paper about 7% higher than in the same period last year. The good demand for packaging papers continued. Growth in demand for label papers slowed down from the previous year.

In Asia, demand and prices for fine paper increased from last year.

Label Materials

	Q3/07	Q2/07	Q1/07	Q4/06	Q3/06	Q2/06	Q1/06	Q1–Q3/07	Q1–Q3/06	Q1–Q4/06
Sales, €m	252	260	261	251	240	245	251	773	736	987
EBITDA, €m 1)	18	21	26	25	20	24	24	65	68	93
% of sales	7.1	8.1	10.0	10.0	8.3	9.8	9.6	8.4	9.2	9.4
Depreciation, amortisation and impairment charges, €m	–8	–8	–8	–8	–9	–8	–7	–24	–24	–32
Operating profit, €m	10	13	18	17	11	16	17	41	44	61
% of sales	4.0	5.0	6.9	6.8	4.6	6.5	6.8	5.3	6.0	6.2
Special items, €m	–	–	–	–	–	–	–	–	–	–
Operating profit excl. special items, €m	10	13	18	17	11	16	17	41	44	61
% of sales	4.0	5.0	6.9	6.8	4.6	6.5	6.8	5.3	6.0	6.2

1) EBITDA is operating profit before depreciation, amortisation and impairment charges and excluding special items.

Q3 of 2007 compared with Q3 of 2006

The operating profit, excluding special items, for Label Materials was € 10 million (€ 11 million). Sales increased to € 252 million (€ 240 million).

The division's profitability was slightly lower than last year. Delivery volumes of self-adhesive label materials grew in the European and North American markets. In Asia, volumes increased due to the start-up of the new factory in China at the end of 2006 and opening of new distribution terminals in the region. For RFID, third-quarter development of volumes was strong.

Q1–Q3 of 2007 compared with Q1–Q3 of 2006

Label Materials' operating profit, excluding special items, was € 41 million (€ 44 million). Sales increased to € 773 million (€ 736 million).

The profitability of the division continued to be good despite a strong expansion of operations. Sales growth was affected by the stronger euro and changes in the product mix. In local currencies, the average price of self-adhesive label materials declined in most markets due to the highly competitive market situation. There were no marked changes in raw material prices. In RFID business, strong growth in volume continued.

Market review

In Europe, the good demand continued in the first half of the year, but there were some signs of it slowing down during the third quarter. In North America, demand for self-adhesive label materials improved somewhat in the third quarter, after the flat first half of the year. In the Asia-Pacific region, demand continued to grow at a healthy rate, which helped to maintain stable prices.

For RFID, the retail and logistics markets were the strongest in Europe, while the media management, especially library sector, showed the strongest growth in the USA.

Wood Products

	Q3/07	Q2/07	Q1/07	Q4/06	Q3/06	Q2/06	Q1/06	Q1–Q3/07	Q1–Q3/06	Q1–Q4/06
Sales, €m	262	326	314	287	310	378	346	902	1,034	1,321
EBITDA, €m 1)	8	51	42	24	22	33	25	101	80	104
% of sales	3.1	15.6	13.4	8.4	7.1	8.7	7.2	11.2	7.7	7.9
Depreciation, amortisation and impairment charges, €m	–10	–11	–10	–10	–11	–11	–11	–31	–33	–43
Operating profit, €m	–2	41	32	14	104	22	4	71	130	144
% of sales	–0.8	12.6	10.2	4.9	33.5	5.8	1.2	7.9	12.6	10.9
Special items, €m 2)	–	–	–	–	93	–	–10	–	83	83
Operating profit excl. special items, €m	–2	41	32	14	11	22	14	71	47	61
% of sales	–0.8	12.6	10.2	4.9	3.5	5.8	4.0	7.9	4.5	4.6
Deliveries, plywood 1,000 m^3	204	247	255	243	205	232	251	706	688	931
Deliveries, sawn timber 1,000 m^3	480	637	587	598	517	622	580	1,704	1,719	2,317

1) EBITDA is operating profit before depreciation, amortisation and impairment charges and excluding special items.
2) Special items in the first quarter of 2006 include a loss of € 10 million from the sale of the Loulay plywood mill, and in the third quarter, a capital gain of € 93 million on the sale of Puukeskus.

Q3 of 2007 compared with Q3 of 2006

The operating profit, excluding special items, for Wood Products declined from € 11 million, to a € 2 million loss. Sales came to € 262 million (€ 310 million, including Puukeskus). Plywood deliveries were 204,000 (205,000) cubic metres in volume and sawn timber deliveries 480,000 (517,000) cubic metres.

The profitability of Wood Products suffered as a result of sharply rising wood costs. The profitability of plywood remained slightly behind the previous year's level. Availability of birch logs was tight, causing less optimal use of production capacity. Sawmilling's profitability clearly decreased due to higher log prices and a soft market situation.

Q1–Q3 of 2007 compared with Q1–Q3 of 2006

The operating profit, excluding special items, for the Wood Products was € 71 million, € 24 million higher than last year (€ 47 million). Sales came to € 902 million (€ 1,034 million). Excluding Puukeskus Oy, which was sold in August 2006, sales increased from last year. Plywood deliveries were 706,000 (688,000) cubic metres and sawn timber deliveries 1,704,000 (1,719,000) cubic metres.

Despite the unsatisfactory third-quarter results, the profitability of the division was better than it was last year. Plywood profitability continued to be good, and sawmilling performed clearly better than last year.

Market review

In the first nine months of the year, birch plywood demand continued to be strong and prices increased. Demand for spruce plywood and veneers remained solid and prices remained stable.

In the first half of the year, redwood and whitewood sawn timber demand was strong and prices increased. Following the summer, the markets have slowed down and inventories have increased.

In the beginning of the year the supply of logs was tight but the situation has normalised for all species except the birch. Prices of logs were considerably higher than in the corresponding period a year ago.

Other Operations

€m	Q3/07	Q2/07	Q1/07	Q4/06	Q3/06	Q2/06	Q1/06	Q1–Q3/07	Q1–Q3/06	Q1–Q4/06
Sales 1)	173	214	234	224	206	189	204	621	599	823
EBITDA 2)	51	32	60	69	27	33	70	143	130	199
Depreciation, amortisation and impairment charges	–6	–5	–10	–9	–9	–9	–6	–21	–24	–32
Operating profit										
Forestry 3)	43	34	28	23	20	–82	20	105	–42	–19
Energy Department, Finland	23	19	28	36	–	18	40	70	58	94
Other and eliminations 4)	–	59	–9	–10	–18	28	–5	50	5	–5
Operating profit, total	66	112	47	49	2	–36	55	225	21	70
Special items 4)	–	71	–	–6	–1	41	–5	71	35	29
Operating profit excl. special items	66	41	47	55	3	–77	60	154	–14	41

1) Includes sales outside the Group.
2) EBITDA is operating profit before depreciation, amortisation and impairment charges, excluding the change in value of biological assets and special items.
3) The second quarter of 2006 includes a change of € 102 million of the decrease in the fair value of biological assets and wood harvested.
4) Special items in the second quarter of 2007 include capital gains of € 42 million related to the sale of UPM-Asunnot and € 29 million related to the sale of Walki Wisa. Special items in 2006 include in the first quarter the donation of € 5 million to UPM-Kymmene Cultural Foundation, and in the second quarter the capital gain of € 41 million for the sale of the Group head office real estate.

Q3 of 2007 compared with Q3 of 2006

Excluding special items, the operating profit for Other Operations was € 66 million (€ 3 million). Sales amounted to € 173 million (€ 206 million).

The operating profit of Forestry was € 43 million (€ 20 million). The increase in the fair value of biological assets (growing trees) was € 49 million (€ 19 million), and the cost of wood raw material harvested from the Group's forests was € 28 million (€ 34 million).

For the Energy Department in Finland, operating profit was € 23 million (€ 0 million). Availability of hydropower was good. The Nord Pool price of electricity increased in the period under review but still remained lower than last year.

Q1–Q3 of 2007 compared with Q1–Q3 of 2006

Excluding special items, the operating profit of Other Operations was € 154 million (loss of € 14 million). Sales were € 621 million (€ 599 million).

The increase in the fair value of biological assets (growing trees) was € 121 million (decrease of € 41 million). The cost of wood raw material harvested from the Group's forests was € 89 million (€ 80 million).

Associated companies and joint ventures

€m	Q3/07	Q2/07	Q1/07	Q4/06	Q3/06	Q2/06	Q1/06	Q1–Q3/07	Q1–Q3/06	Q1–Q4/06
Share of result after tax										
Oy Metsä-Botnia Ab	19	12	21	18	24	13	14	52	51	69
Pohjolan Voima Oy	–5	–5	–	–9	–7	–5	7	–10	–5	–14
Other	–	–1	–	–	1	–	5	–1	6	6
Total	14	6	21	9	18	8	26	41	52	61

Deliveries

	Q3/07	Q2/07	Q1/07	Q4/06	Q3/06	Q2/06	Q1/06	Q1–Q3/07	Q1–Q3/06	Q1–Q4/06
Paper deliveries										
Magazine papers, 1,000 t	1,266	1,189	1,155	1,288	1,227	1,148	1,098	3,610	3,473	4,761
Newsprint, 1,000 t	667	683	630	697	666	660	654	1,980	1,980	2,677
Fine and speciality papers, 1,000 t	954	960	968	907	878	884	881	2,882	2,643	3,550
Paper deliveries total	2,887	2,832	2,753	2,892	2,771	2,692	2,633	8,472	8,096	10,988
Wood products deliveries										
Plywood 1,000 m^3	204	247	255	243	205	232	251	706	688	931
Sawn timber 1,000 m^3	505	666	617	621	557	663	616	1,788	1,836	2,457

Helsinki, 30 October 2007

UPM-Kymmene Corporation

Board of Directors

Financial information

Condensed consolidated income statement

€m	Q3/2007	Q3/2006	Q1–Q3/2007	Q1–Q3/2006	Q1–Q4/2006
Sales	2,467	2,495	7,523	7,439	10,022
Other operating income	15	103	113	211	231
Costs and expenses	–2,116	–2,088	–6,380	–6,373	–8,514
Change in fair value of biological assets and wood harvested	21	–15	32	–121	–126
Share of results of associated companies and joint ventures	14	18	41	52	61
Depreciation, amortisation and impairment charges	–206	–340	–988	–919	–1,138
Operating profit	195	173	341	289	536
Gains/losses on available-for-sale investments, net	–	–	2	–	–2
Exchange rate and fair value gains and losses	–9	–3	2	14	18
Interest and other finance costs	–42	–41	–145	–139	–185
Profit before tax	144	129	200	164	367
Income taxes	–25	18	–148	–21	–29
Profit for the period	119	147	52	143	338
Attributable to:					
Equity holders of the parent company	120	148	53	144	340
Minority interest	–1	–1	–1	–1	–2
	119	147	52	143	338
Basic earnings per share, €	0.23	0.29	0.10	0.28	0.65
Diluted earnings per share, €	0.23	0.28	0.10	0.27	0.65

Condensed consolidated balance sheet

€m	30.09.2007	30.09.2006	31.12.2006
ASSETS			
Non-current assets			
Goodwill	1,163	1,514	1,514
Other intangible assets	408	486	461
Property, plant and equipment	6,276	6,595	6,500
Biological assets	1,051	1,044	1,037
Investments in associated companies and joint ventures	1,188	1,165	1,177
Deferred tax assets	316	363	362
Other non-current assets	290	306	304
	10,692	11,473	11,355
Current assets			
Inventories	1,325	1,264	1,255
Trade and other receivables	1,824	1,730	1,660
Cash and cash equivalents	121	147	199
	3,270	3,141	3,114
Assets held for sale	41	–	–
Total assets	14,003	14,614	14,469
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company			
Share capital	890	890	890
Share premium reserve	–	826	826
Fair value and other reserves	947	219	189
Retained earnings	5,010	5,168	5,366
	6,847	7,103	7,271
Minority interest	16	19	18
Total equity	6,863	7,122	7,289
Non-current liabilities			
Deferred tax liabilities	753	820	790
Non-current interest-bearing liabilities	3,115	3,904	3,353
Other non-current liabilities	584	652	627
	4,452	5,376	4,770
Current liabilities			
Current interest-bearing liabilities	1,195	761	992
Trade and other payables	1,483	1,355	1,418
	2,678	2,116	2,410
Liabilities related to assets held for sale	10	–	–
Total liabilities	7,140	7,492	7,180
Total equity and liabilities	14,003	14,614	14,469

Condensed consolidated statement of changes in equity

€m	Share capital	Treasury shares	Translation differences	Share premium reserve	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Minority interest	Equity total
	Attributable to equity holders of the parent									
Balance at 1 January 2006	890	–3	–34	826	233	–	5,415	7,327	21	7,348
Transactions with equity holders										
Share options exercised	–	–	–	–	–	–	–	–	–	–
Reissuance of treasury shares	–	3	–	–	–	–	1	4	–	4
Share-based compensation	–	–	–	–	7	–	–	7	–	7
Dividend paid	–	–	–	–	–	–	–392	–392	–	–392
Business combination	–	–	–	–	–	–	–	–	–1	–1
Income and expenses recognised directly in equity										
Translation differences	–	–	–30	–	–	–	–	–30	–	–30
Other items	–	–	–	–	–2	–	–	–2	–	–2
Net investment hedge, net of tax	–	–	8	–	–	–	–	8	–	8
Cash flow hedges										
recorded in equity, net of tax	–	–	–	–	34	–	–	34	–	34
transferred to income statement, net of tax	–	–	–	–	3	–	–	3	–	3
Available-for-sale investments										
transferred to income statement, net of tax	–	–	–	–	–	–	–	–	–	–
Profit for the period	–	–	–	–	–	–	144	144	–1	143
Balance at 30 September 2006	890	–	–56	826	275	–	5,168	7,103	19	7,122
Balance at 1 January 2007	890	–	–89	826	278	–	5,366	7,271	18	7,289
Transactions with equity holders										
Share options exercised	–	–	–	–	–	104	–	104	–	104
Acquisitions of treasury shares	–	–197	–	–	–	–	–	–197	–	–197
Share-based compensation, net of tax	–	–	–	–	12	–	–	12	–	12
Dividend paid	–	–	–	–	–	–	–392	–392	–	–392
Transfers and other	–	–	–	–826	–122	963	–16	–1	–1	–2
Income and expenses recognised directly in equity										
Translation differences	–	–	–16	–	–	–	–	–16	–	–16
Other items	–	–	–	–	–2	–	–1	–3	–	–3
Cash flow hedges										
recorded in equity, net of tax	–	–	–	–	43	–	–	43	–	43
transferred to income statement, net of tax	–	–	–	–	–25	–	–	–25	–	–25
Available-for-sale investments										
transferred to income statement, net of tax	–	–	–	–	–2	–	–	–2	–	–2
Profit for the period	–	–	–	–	–	–	53	53	–1	52
Balance at 30 September 2007	890	–197	–105	–	182	1,067	5,010	6,847	16	6,863

Condensed consolidated cash flow statement

€m	Q1–Q3/2007	Q1–Q3/2006	Q1–Q4 /2006
Cash flow from operating activities			
Profit for the period	52	143	338
Adjustments, total	1,096	935	1,195
Change in working capital	–271	–71	21
Cash generated from operations	877	1,007	1,554
Finance costs, net	–162	–120	–180
Income taxes paid	–142	–87	–159
Net cash from operating activities	573	800	1,215
Cash flow from investing activities			
Acquisitions and share purchases	–13	–50	–68
Purchases of intangible and tangible assets	–520	–470	–635
Asset sales and other investing cash flow	186	329	389
Net cash used in investing activities	–347	–191	–314
Cash flow from financing activities			
Change in loans and other financial items	154	–320	–559
Share options exercised	104	–	–
Dividends paid	–392	–392	–392
Purchases of own shares	–169	–	–
Net cash used in financing activities	–303	–712	–951
Change in cash and cash equivalents	–77	–103	–50
Cash and cash equivalents at beginning of period	199	251	251
Foreign exchange effect on cash	–1	–1	–2
Change in cash and cash equivalents	–77	–103	–50
Cash and cash equivalents at end of period	121	147	199
Operating cash flow per share, €	1.09	1.53	2.32

Quarterly information

€m	Q3/07	Q2/07	Q1/07	Q4/06	Q3/06	Q2/06	Q1/06	Q1–Q3/07	Q1–Q3/06	Q1–Q4/06
Sales by segment										
Magazine Papers	847	798	793	905	861	817	771	2,438	2,449	3,354
Newsprint	365	379	348	380	360	351	345	1,092	1,056	1,436
Fine and Speciality Papers	694	686	699	667	626	627	640	2,079	1,893	2,560
Label Materials	252	260	261	251	240	245	251	773	736	987
Wood Products	262	326	314	287	310	378	346	902	1,034	1,321
Other Operations	173	214	234	224	206	189	204	621	599	823
Internal sales	−126	−126	−130	−131	−108	−123	−97	−382	−328	−459
Sales, total	2,467	2,537	2,519	2,583	2,495	2,484	2,460	7,523	7,439	10,022
Operating profit by segment										
Magazine Papers	34	−339	27	75	−62	−85	16	−278	−131	−56
Newsprint	44	53	44	39	50	34	25	141	109	148
Fine and Speciality Papers	29	39	32	44	50	−13	27	100	64	108
Label Materials	10	13	18	17	11	16	17	41	44	61
Wood Products	−2	41	32	14	104	22	4	71	130	144
Other Operations	66	112	47	49	2	−36	55	225	21	70
Share of results of associated companies and joint ventures	14	6	21	9	18	8	26	41	52	61
Operating profit (loss), total	195	−75	221	247	173	−54	170	341	289	536
% of sales	7.9	−3.0	8.8	9.6	6.9	−2.2	6.9	4.5	3.9	5.3
Gains on available-for-sale investments, net	–	–	2	−2	–	–	–	2	–	−2
Exchange rate and fair value gains and losses	−9	8	3	4	−3	5	12	2	14	18
Interest and other finance costs, net	−42	−54	−49	−46	−41	−52	−46	−145	−139	−185
Profit (loss) before tax	144	−121	177	203	129	−101	136	200	164	367
Income taxes	−25	−77	−46	−8	18	−2	−37	−148	−21	−29
Profit (loss) for the period	119	−198	131	195	147	−103	99	52	143	338
Basic earnings per share, €	0.23	−0.38	0.25	0.37	0.29	−0.20	0.19	0.10	0.28	0.65
Diluted earnings per share, €	0.23	−0.38	0.25	0.38	0.28	−0.20	0.19	0.10	0.27	0.65
Average number of shares basic (1,000)	527,012	527,111	523,261	523,258	523,256	523,256	523,108	525,794	523,207	523,220
Average number of shares diluted (1,000)	529,530	530,980	527,086	526,416	525,938	525,874	525,936	529,198	525,916	526,041
Special items in operating profit										
Special items in operating profit are specified in the divisional reviews on pages 5–8.										
Magazine Papers	–	−371	–	6	−126	−133	–	−371	−259	−253
Newsprint	–	–	–	−2	–	−5	–	–	−5	−7
Fine and Speciality Papers	–	–	–	−3	−2	−36	–	–	−38	−41
Label Materials	–	–	–	–	–	–	–	–	–	–
Wood Products	–	–	–	–	93	–	−10	–	83	83
Other Operations	–	71	–	−6	−1	41	−5	71	35	29
Share of results of associated companies and joint ventures	–	–	–	–	–	–	–	–	–	–
Special items in operating profit, total	–	−300	–	−5	−36	−133	−15	−300	−184	−189
Special items after operating profit	–	–	–	6	–	–	–	–	–	6
Special items reported in taxes (see page 3)	–	−32	–	35	20	−29	–	−32	−9	26
Special items, total	–	−332	–	36	−16	−162	−15	−332	−193	−157
Operating profit, excluding special items	195	225	221	252	209	79	185	641	473	725
% of sales	7.9	8.9	8.8	9.8	8.4	3.2	7.5	8.5	6.4	7.2
Profit before tax, excluding special items	144	179	177	202	165	32	151	500	348	550
% of sales	5.8	7.1	7.0	7.8	6.6	1.3	6.1	6.6	4.7	5.5
Earnings per share, excluding special items, €	0.23	0.28	0.25	0.30	0.25	0.04	0.21	0.76	0.50	0.80
Return on equity excl. special items, %	6.9	8.5	7.3	8.7	7.2	1.1	6.1	7.5	4.8	5.7
Return of capital empl. excl. special items, %	6.8	8.3	7.9	8.7	7.1	2.7	6.4	7.6	5.4	6.2

Changes in property, plant and equipment

€m	Q1–Q3/2007	Q1–Q3/2006	Q1–Q4/2006
Book value at beginning of period	6,500	7,316	7,316
Capital expenditure	503	442	604
Decreases	–84	–254	–325
Depreciation	–567	–617	–804
Impairment charges	–22	–243	–243
Impairment reversal	11	–	–
Translation difference and other changes	–65	–49	–48
Book value at end of period	6,276	6,595	6,500

Commitments and contingencies

€m	30.09.2007	30.09.2006	31.12.2006
Own commitments			
Mortgages	91	91	92
On behalf of associated companies and joint ventures			
Guarantees for loans	10	12	12
On behalf of others			
Guarantees for loans	–	2	1
Other guarantees	3	6	5
Other own commitments			
Leasing commitments for the next 12 months	18	19	23
Leasing commitments for subsequent periods	89	109	94
Other commitments	74	70	69

Capital commitments

€m	Completion	Total cost	By 31.12.2006	Q1–Q3/2007	After 30.09.2007
Pulp mill rebuild, Kymi	June 2008	325	25	169	131
New bioboiler, Caledonian	September 2009	84	–	7	77
New Poland mill, UPM Raflatac	November 2008	90	–	10	80
PM5 quality upgrade, Jämsänkoski	June 2008	38	–	6	32
New USA mill, UPM Raflatac, Dixon	March 2008	75	8	39	28

Notional amounts of derivative financial instruments

€m	30.09.2007	30.09.2006	31.12.2006
Currency derivatives			
Forward contracts	4,006	4,388	4,293
Options, bought	42	30	20
Options, written	47	35	10
Swaps	548	576	570
Interest rate derivatives			
Forward contracts	4,523	3,066	2,500
Swaps	2,504	2,643	2,566
Other derivatives			
Forward contracts	13	33	13
Swaps	4	20	16

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

€m	Q1–Q3/2007	Q1–Q3/2006	Q1–Q4 /2006
Sales to associated companies	91	41	61
Purchases from associated companies	356	334	448
Non-current receivables at end of period	–	4	–
Trade and other receivables at end of period	16	16	20
Trade and other payables at end of period	27	35	23

Key exchange rates for the euro at end of period

	30.9.2007	30.6.2007	31.3.2007	31.12.2006	30.9.2006	30.6.2006	31.3.2006
USD	1.4179	1.3505	1.3318	1.3170	1.2660	1.2713	1.2104
CAD	1.4122	1.4245	1.5366	1.5281	1.4136	1.4132	1.4084
JPY	163.55	166.63	157.32	156.93	149.34	145.75	142.42
GBP	0.6968	0.6740	0.6798	0.6715	0.6777	0.6921	0.6964
SEK	9.2147	9.2525	9.3462	9.0404	9.2797	9.2385	9.4315

Basis of preparation

This unaudited financial 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 2006. 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:

IFRS 7 Financial Instruments: Disclosures, and a complementary amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures, effective for annual periods beginning on or after 1 January 2007. IFRS 7 introduces new disclosures to improve the information about financial instruments. The amendment to IAS 1 introduces disclosures about how an entity manages its capital. Adoption of IFRS 7 and the amendment to IAS 1 will expand disclosures presented in the annual financial statements.

Calculation of key indicators

Return on equity, %:

$$\frac{\text{Profit before tax − income taxes}}{\text{Shareholders' equity (average)}} \times 100$$

Return on capital employed, %:

$$\frac{\text{Profit before tax + interest expenses and other financial expenses}}{\text{Balance sheet total − non-interest-bearing liabilities (average)}} \times 100$$

Earnings per share:

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

UPM

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