UPM FINANCIAL STATEMENTS RELEASE 2010

Q4/2010

- Earnings per share were EUR 0.28 (0.57), excluding special items EUR 0.27 (0.21)
- Operating profit excluding special items was EUR 212 million (186 million)
- Continued sales growth driven by prices and volume
- Strong cash flow momentum – best quarter in 2010
- EBITDA negatively impacted by higher than average maintenance and other costs

Q1–Q4/2010

- Earnings per share grew to EUR 1.08 (0.33), excluding special items to EUR 0.99 (0.11)
- Operating profit excluding special items was EUR 731 million (270 million)
- Solid top line recovery – sales increased by 16%
- Net debt down by EUR 444 million
- Board's proposal for dividend per share EUR 0.55 (0.45)

Key figures

	Q4/2010	Q4/2009	Q1–Q4/2010	Q1–Q4/2009
Sales, EURm	2,357	2,108	8,924	7,719
EBITDA, EURm [1)]	318	362	1,343	1,062
% of sales	13.5	17.2	15.0	13.8
Operating profit (loss), EURm	207	126	755	135
excluding special items, EURm	212	186	731	270
% of sales	9.0	8.8	8.2	3.5
Profit (loss) before tax, EURm	173	311	635	187
excluding special items, EURm	178	156	611	107
Net profit (loss) for the period, EURm	144	295	561	169
Earnings per share, EUR	0.28	0.57	1.08	0.33
excluding special items, EUR	0.27	0.21	0.99	0.11
Diluted earnings per share, EUR	0.28	0.57	1.08	0.33
Return on equity, %	8.2	19.4	8.2	2.8
excluding special items, %	8.0	7.4	7.5	1.0
Return on capital employed, %	7.4	13.2	6.6	3.2
excluding special items, %	7.5	7.2	6.4	2.5
Operating cash flow per share, EUR	0.66	0.71	1.89	2.42
Shareholders' equity per share at end of period, EUR	13.64	12.67	13.64	12.67
Gearing ratio at end of period, %	46	56	46	56
Net interest-bearing liabilities at end of period, EURm	3,286	3,730	3,286	3,730
Capital employed at end of period, EURm	11,087	11,066	11,087	11,066
Capital expenditure, EURm	104	741	257	913
Capital expenditure excluding acquisitions and shares, EURm	104	58	252	229
Personnel at end of period	21,869	23,213	21,869	23,213

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

The market in 2010

The year 2010 began with expectations of recovery in the global economy after a severe recession in 2009 and the overall growth was about 5%.

Economic growth in developed countries recovered from the recession faster than anticipated partly due to government interventions to recapitalize banks and stimulate demand. Interest rates were unusually low and reflected the aggressive monetary policies and weak demand for credit.

The global economy remained imbalanced as economic growth in developing countries was strong. This led to new inflationary pressure and as a response to it central banks in certain developing countries had to tighten their monetary policies with higher interest rates. However, at the same time they had to be cautious not to put additional upward pressure on their already strong currencies.

The euro weakened against the US dollar and improved the competitiveness of euro-area industries in the export markets. China also continued to depend heavily on exports, which was a major contributor to China's economy growth in addition to fixed investments.

Prices for all main commodities and raw materials, such as fibre, chemicals, oil, gas, electricity and grain increased significantly from 2009.

Demand for wood raw material increased due to higher industrial production and new end-uses. Average market prices for pulpwood and logs increased in comparison with the prices of the previous year.

Demand for chemical pulp increased in Western Europe and North America but decreased in China compared to 2009. Chemical pulp market prices increased to historical high levels until the end of the first half of the year and then stabilised towards the end of the year.

Recovered fibre demand in Europe increased in 2010 compared to 2009 but the availability of recovered fibre tightened. As a consequence recovered fibre prices increased to historically high levels and squeezed paper makers' margins.

Global advertising expenditure is estimated to have grown almost by 5% from 2009. Advertising expenditure recovered in every region, even though advertisers still remained cautious of the economy. The electronic media took an increasing share of growth, and print advertising continued to lose its share of the total advertising expenditure, especially in newspapers. The global direct mail advertising expenditure, however, recovered from the recession better than other print media and increased from the previous year.

Demand for graphic papers improved since the downturn. However, in mature markets, the recovery was mild. In China and other growth markets, including Eastern Europe, paper demand grew more rapidly. As a consequence of the rebound in the economy, the market balance was also impacted by customer inventory adjustments.

Growth in retail sector in Europe was mainly driven by consumer goods trade rather than domestic consumer spending, which remained relatively stagnant. In the US, the growth in the retail sector was slow, leading to substantial cost cutting, lean inventories and only modest expansion.

In Europe, construction activity remained low throughout the year 2010, impacting on the demand for building materials, including wood-based material. Building permits and new housing starts remained flat at their lowest levels in ten years.

Results

Q4 of 2010 compared with Q4 of 2009

Sales for the fourth quarter of 2010 were EUR 2,357 million, 12% higher than the EUR 2,108 million in the fourth quarter of 2009. Sales grew due to higher sales prices and delivery volumes in all of UPM's business areas.

EBITDA was EUR 318 million, 13.5% of sales (362 million, 17.2% of sales).

EBITDA decreased from last year due to higher variable costs. Fibre costs, including wood, recovered paper and purchased pulp, increased by about EUR 120 million. Other variable costs also increased. Energy costs were about the same as last year.

Fixed costs increased by about EUR 20 million from last year. The fourth quarter includes higher than average maintenance costs both in Paper and Pulp business areas.

Sales prices increased in all business areas from last year, improving EBITDA by about EUR 120 million. The average paper price in euros increased by approximately 3% from last year.

Operating profit was EUR 207 million, 8.8% of sales (126 million, 6.0% of sales). The operating profit excluding special items was EUR 212 million, 9.0% of sales (186 million, 8.8% of sales).

The increase in the fair value of biological assets net of wood harvested was EUR 85 million compared to EUR 9 million a year before. The increase is mainly attributable to the change in estimated timing of wood harvested.

The share of results of associated companies and joint ventures was EUR 1 million negative (1 million positive). As of December 2009, Metsä-Botnia is no longer an associated company of UPM.

Profit before tax was EUR 173 million (311 million) and excluding special items, EUR 178 million (156 million). Interest and other finance costs, excluding special items, were EUR 36 million (30 million) net. Exchange rate and fair value gains and losses were EUR 2 million positive (0 million).

Income taxes were EUR 29 million (16 million). The impact on taxes from special items was EUR 9 million positive (28 million positive).

Profit for the fourth quarter was EUR 144 million (295 million) and earnings per share were EUR 0.28 (0.57). Earnings per share excluding special items were EUR 0.27 (0.21).

2010 compared with 2009

Sales for 2010 were EUR 8,924 million, 16% higher than the EUR 7,719 million in 2009. Sales grew mainly due to higher delivery volumes across all of UPM's business areas.

EBITDA was EUR 1,343 million, 15.0% of sales (1,062 million, 13.8% of sales).

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

Changes in sales prices in euro terms had a EUR 95 million positive net impact on EBITDA. The average paper price in euros decreased by about 1% from last year. Sales prices increased in Label, Timber, Plywood, as well as in electricity and chemical pulp sales.

Variable costs were higher than last year. Fibre costs, including purchased pulp and recovered paper and wood, increased by about EUR 350 million. Other variable costs also increased, even though energy costs decreased by EUR 56 million.

Fixed costs (comparable) were approximately EUR 80 million higher than last year, mainly due to higher operating rates in UPM's production units.

Operating profit was EUR 755 million, 8.5% of sales (135 million, 1.7% of sales). The operating profit excluding special items was EUR 731 million, 8.2% of sales (270 million, 3.5% of sales). Operating profit includes net income of EUR 24 million as special items. This includes a EUR 33 million capital gain from selling a conservation easement on 76,000 hectares of UPM-owned forest land in northern Minnesota.

The increase in the fair value of biological assets net of wood harvested was EUR 149 million compared to EUR 17 million a year before. The increase includes the change in estimated timing of wood harvested.

The share of results of associated companies and joint ventures was EUR 8 million positive (95 million negative). As of December 2009, Metsä-Botnia is no longer an associated company of UPM.

Profit before tax was EUR 635 million (187 million). Profit before tax excluding special items was EUR 611 million (107 million). Interest and other finance costs, excluding special items, were EUR 117 million (153 million) net. Exchange rate and fair value gains and losses resulted in a loss of EUR 4 million (9 million).

Income taxes were EUR 74 million (18 million). The impact on taxes from special items was EUR 21 million positive (31 million positive).

Profit for the period was EUR 561 million (169 million) and earnings per share were EUR 1.08 (0.33). Earnings per share excluding special items were EUR 0.99 (0.11). Operating cash flow per share was EUR 1.89 (2.42).

Financing

In 2010, cash flow from operating activities before capital expenditure and financing was EUR 982 million (1,259 million). Net working capital increased by EUR 139 million during the period (decreased by EUR 532 million).

The gearing ratio as of 31 December 2010 was 46% (56%). Net interest-bearing liabilities at the end of the period came to EUR 3,286 million (3,730 million).

In December, UPM prepaid all of the Uruguay Fray Bentos pulp mill investment project loans of USD 372 million.

In December, UPM also agreed on new bilateral committed credit facilities totalling EUR 825 million. In addition, UPM has a EUR 1.0 billion syndicated credit facility that will expire in March 2012.

On 31 December 2010, UPM's cash funds and unused committed credit facilities totalled EUR 2.1 billion.

Personnel

In 2010, UPM had an average of 22,689 employees (23,618). At the beginning of the year, the number of employees was 23,213 and at the end of the year it was 21,869. The reduction of 1,344 employees is mostly attributable to ongoing restructuring.

Capital expenditure

In 2010, capital expenditure was EUR 257 million, 2.9% of sales (EUR 913 million, 11.8% of sales) and excluding acquisitions and share purchases, EUR 252 million, 2.8% of sales (EUR 229 million, 3.0% of sales). Operational capital expenditure totalled EUR 186 million (148 million).

UPM to acquire Myllykoski Corporation and Rhein Papier

In 21 December 2010, UPM entered into an agreement to acquire Myllykoski Corporation and Rhein Papier GmbH, which consist of seven publication paper mills in Germany, Finland and the United States. The total annual paper production capacity is 2.8 million tonnes. In addition, Myllykoski Corporation owns 0.8% of the Finnish energy company Pohjolan Voima Oy.

The transaction is subject to customary closing conditions, including, among others, the approval of the regulatory authorities. Myllykoski will continue to operate independently until the transaction is closed. The target is to close the transaction during the second quarter of 2011.

The approximate enterprise value of the businesses to be acquired is EUR 900 million. The transaction will be financed through a directed share issue of 5 million UPM shares, and long-term debt arrangements amounting to EUR 800 million.

The transaction is estimated to create annual synergy benefits exceeding EUR 100 million, mainly from 2012 onwards. Synergy benefits will be achieved for the most part by rationalising production, logistics and sourcing, as well as reducing overlapping activities. The related restructuring and investment costs of the combined operations are estimated to be approximately EUR 100-150 million.

The transaction is estimated to have an immediate positive impact on UPM's cash flow, starting from the second half of 2011, and on earnings per share in 2012.

After the completion of the transaction, UPM's gearing ratio is estimated to rise by 8 percentage points. At the end of December 2010, the gearing ratio was 46%. UPM estimates to recognise a one-off gain of approximately EUR 300 million from the transaction.

Shares

UPM shares worth EUR 8,243 million (5,691 million) in total were traded on the NASDAQ OMX Helsinki stock exchange during 2010. The highest quotation was EUR 13.57 in December and the lowest EUR 7.37 in February.

Taking into account other trading venues, NASDAQ OMX Helsinki represented roughly half of all trading volume in UPM shares in 2010.

The company's ADSs are traded on the US over-the-counter (OTC) market under a Level 1 sponsored American Depositary Receipt programme.

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

The Board was authorised to decide on the issuance of shares and/or transfer the company's own shares held by the company and/or issue special rights entitling holders to shares in the company as follows: (i) The maximum number of new shares that may be issued and the company's own shares held by the company that may be transferred is, in total, 25,000,000. This figure also includes the number of shares that can be received on the basis of the special rights. (ii) The new shares and special rights entitling holders to shares in the company may be issued and the company's own shares held by the company may be transferred to the company's shareholders in proportion to their existing shareholdings in the company, or in a directed share issue, deviating from the shareholder's pre-emptive subscription right. This authorisation is valid until 22 March 2013.

In 21 December 2010, UPM's Board of Directors decided on the issuance of five million new UPM shares as a part of the consideration for the acquisition of Myllykoski Corporation and Rhein Papier GmbH ("Myllykoski"). The new UPM shares will be offered for subscription to certain holders of subordinated loan notes of Rhein Papier GmbH, who are shareholders of Myllykoski Corporation and who have agreed to subscribe for the new shares in connection with the completion of the acquisition of Myllykoski. The subscription price for the new UPM shares will be paid by contribution of such loan notes to UPM as part of the overall transaction. The share issue is subject to the closing of the transaction.

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

The share options designated as 2005H expired at the end of October 2010. No shares were subscribed with share options 2005H.

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

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

The number of shares entered in the Trade Register on 31 December 2010 was 519,970,088. Through the issuance authorisation and share options, the number of shares may increase to a maximum of 559,970,088.

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

On 23 June 2010, BlackRock Inc. announced its ownership in UPM had declined below 5% of the company's shares and voting rights.

Company directors

At the Annual General Meeting, nine members were elected to the Board of Directors. Mr Matti Alahuhta, President and CEO of KONE Corporation, Mr Berndt Brunow, Chairman of the Board of Oy Karl Fazer Ab, Mr Karl Grotenfelt, Chairman of the Board of Directors of Famigro Oy, Ms Wendy E. Lane, Chairman of the American investment firm Lane Holdings, Inc., Mr Jussi Pesonen, President and CEO of UPM, Ms Ursula Ranin, Board member of Finnair plc, Mr Veli-Matti Reinikkala, President of ABB Process Automation Division and Mr Björn Wahlroos, Chairman of the Board of Sampo plc were re-elected as members of the Board of Directors. Mr. Robert J. Routs, Vice Chairman of the supervisory board of Aegon N.V. was elected to the Board of Directors as a new member.

The term of office of the members of the Board of Directors will last until the end of the next Annual General Meeting.

At the organisation meeting of the Board of Directors, Mr Björn Wahlroos was re-elected as Chairman, and Mr Berndt Brunow was re-elected as Deputy Chairman.

In addition, the Board of Directors appointed from among its members an Audit Committee, with Mr Karl Grotenfelt as Chairman, and Ms Wendy E. Lane and Mr Veli-Matti Reinikkala as members. A Human Resources Committee was appointed, with Mr Berndt Brunow as Chairman, and Ms Ursula Ranin and Mr Robert J. Routs as members. Furthermore, a Nomination and Corporate Governance Committee was appointed, with Mr Björn Wahlroos as Chairman, and Mr Matti Alahuhta and Mr Karl Grotenfelt as members.

Litigation and other legal actions

In Finland, UPM is participating in the project for construction of a new nuclear power plant, Olkiluoto 3, through its associated company Pohjolan Voima Oy. Pohjolan Voima Oy is a majority shareholder of Teollisuuden Voima Oy ("TVO") with 58.39% of shares. UPM's indirect share of the capacity of the Olkiluoto 3 is approximately 29%. The original agreed timetable for the start-up of the power plant was summer 2009 but the construction of the unit has been delayed. In November 2010, TVO informed that the plant supplier the AREVA-Siemens Consortium, had reported that most of the works are expected to be completed in 2012 and regular operation of the plant is estimated to start in the second half of 2013.

According to TVO, the arbitration filed in December 2008 by AREVA-Siemens, concerning the delay at Olkiluoto 3 and related costs, amounted to EUR 1.0 billion. In response, TVO filed a counterclaim in April 2009 for costs and losses that TVO is incurring due to the delay and other defaults on the part of the supplier. The value of TVO's counterclaim was approximately EUR 1.4 billion.

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

Events after the balance sheet date

On 20 January 2011, UPM's plantation company Forestal Oriental acquired about 25,000 hectares of land in Uruguay from a private land owner. The total price for the land acquisition, including the standing wood reserves, is about EUR 65 million.

On 26 January 2011 it was announced that Pohjolan Voima Oy, the State of Finland and the Mutual Pension Insurance Company Ilmarinen are negotiating on the sale of Pohjolan Voima's 25% shareholding of Fingrid Oyj, the Finnish electricity transmission system operator. The State would acquire approximately 81% of the shares and Ilmarinen approximately 19% of the shares owned by Pohjolan Voima. The closing of the transaction requires signing of the final transaction documentation and approvals of the decision making bodies of the respective parties as well as regulatory approval. Upon closing, the transaction price would be EUR 325 million, and Pohjolan Voima would record a capital gain of EUR 200 million for the transaction. UPM owns 43.09% of Pohjolan Voima. Upon closing, UPM will recognise a special income of EUR 86 million from the sale in the associated company results. Pohjolan Voima estimates that the transaction will be closed during the first half of 2011.

Risk factors

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

Outlook for 2011

Economic indicators point to continued economic growth, although in the mature European and North American markets, growth is expected to be slow. Robust economic growth is expected to continue in emerging markets. This is also likely to maintain demand and prices for various global commodities at a high level.

UPM's electricity generation volume is estimated to be about the same as in 2010. Based on current forward agreements and Nordpool forward prices, the average sales price for electricity is estimated to be slightly lower than last year.

Chemical pulp deliveries are expected to increase moderately from last year. Chemical pulp prices in the beginning of the year are about the same as the average during 2010. Market prices in USD are currently foreseen to remain stable.

The cost of wood raw material is expected to be in line with the second half of 2010. Weak market conditions are expected to continue in sawn timber.

UPM's paper deliveries are estimated to be about the same as in 2010, supported by continued success in export markets. UPM has increased paper prices in the beginning of the year. The average price for UPM's paper deliveries is expected to increase by about 6% in the beginning of the year from the fourth quarter of 2010. Price increases are the highest in newsprint and then in magazine papers. In fine and speciality papers, no material price changes are expected during the first quarter of 2011.

Demand growth for self-adhesive label materials is expected to be slow in the mature markets in North America and particularly in Europe, but continue to be robust in the fast growing markets. Overall, UPM's label materials deliveries are expected to increase slightly from last year. Sales prices in local currency are expected to increase from the fourth quarter. Raw material cost inflation is expected to continue, although at a more moderate pace than in 2010.

In Plywood, delivery volumes and sales prices are expected to increase from last year. Construction activity in Europe is however expected to remain subdued.

For the Group, delivery volumes in various businesses are expected to either remain stable or increase in 2011. Variable cost inflation is expected to moderate from the pace seen in 2010. Sales prices of UPM's products are expected to increase, especially in Paper. As a result, UPM operating profit, excluding special items, for 2011 is expected to improve from last year.

In the first half of 2011, operating profit, excluding special items, is expected to be clearly higher than that of the first half of 2010.

Capital expenditure, excluding acquisitions, for 2011 is forecast to be about EUR 300 million.

Dividend for 2010

The Board of Directors will propose to the Annual General Meeting, to be held on 7 April 2011, that a dividend of EUR 0.55 per share be paid in respect of the 2010 financial year (EUR 0.45). It is proposed that the dividend be paid on 20 April 2011.

Financial information in 2011

The Annual Report for 2010 will be published on the company's website www.upm.com on 24 February 2011. The printed Annual Report will be available in the week starting on 17 March 2011.

Interim Report January–March 2011: 28 April 2011
Interim Report January–June 2011: 3 August 2011
Interim Report January–September 2011: 26 October 2011

BUSINESS AREA REVIEWS

Energy

	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q4/10	Q1–Q4/09
Sales, EURm	153	124	116	174	128	108	100	136	567	472
EBITDA, EURm [1]	70	48	39	79	57	35	41	57	236	190
% of sales	45.8	38.7	33.6	45.4	44.5	32.4	41.0	41.9	41.6	40.3
Share of results of associated companies and joint ventures, EURm	–	–3	6	4	–8	–24	–4	–4	7	–40
Depreciation, amortisation and impairment charges, EURm	–2	–1	–1	–2	–2	–1	–1	–2	–6	–6
Operating profit, EURm	68	44	44	81	47	10	36	51	237	144
% of sales	44.4	35.5	37.9	46.6	36.7	9.3	36.0	37.5	41.8	30.5
Special items, EURm [2]	–	–	–	–	–1	–17	–	–	–	–18
Operating profit excl. special items, EURm	68	44	44	81	48	27	36	51	237	162
% of sales	44.4	35.5	37.9	46.6	37.5	25.0	36.0	37.5	41.8	34.3
Electricity deliveries, 1,000 MWh	2,436	2,276	2,303	2,411	2,277	2,103	1,999	2,486	9,426	8,865
Capital employed (average), EURm									882	870
ROCE (excl. special items), %									26.9	18.6

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

Q4 of 2010 compared with Q4 of 2009

Operating profit excluding special items was EUR 68 million, EUR 20 million higher than last year (48 million). Sales increased by 20% to EUR 153 million (128 million). External sales was EUR 71 million (38 million). The total electricity sales volume was 2.4 TWh in the quarter (2.3 TWh).

Profitability improved mainly due to higher external sales price and volume. The hydropower generation was 9% higher in comparison with the previous year.

2010 compared with 2009

Operating profit excluding special items was EUR 237 million (162 million). Sales increased to EUR 567 million (472 million). External sales were EUR 231 million (135 million). Electricity deliveries were 9.4 TWh (8.9 TWh).

Profitability improved in comparison with the previous year due to higher external sales price and volume. The annual hydropower generation was 6% higher than in the previous year.

The average electricity sales price increased by 9% to EUR 48.9/MWh (45.0/MWh) mainly due to increased market prices. The average cost of procured electricity was higher due to increased condensing production volumes.

Market review

In 2010, the average electricity system price in the Nordic electricity exchange was EUR 53.1/MWh, 52% higher than in the same period last year (35.0/MWh) due to a combination of weak hydropower situation and increased industrial consumption.

At the end of December Nordic water reservoirs were about 37% (-31.6 TWh) below their long-term average.

The CO_2 emissions allowance price was EUR 14.2/t on 31 December, 8% higher than on the same date last year.

Oil and coal market prices increased compared to the last year. During 2010, oil market prices increased from about USD 78/barrel to about USD 95/barrel.

The front year forward price in the Nordic electricity exchange was EUR 61.4/MWh at the end of 2010, 52% higher than the front year forward price at the end of 2009 (40.5/MWh).

Pulp

	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q4/10	Q1–Q4/09
Sales, EURm	413	489	455	341	226	156	132	139	1,698	653
EBITDA, EURm [1)]	165	239	199	120	53	8	–24	–55	723	–18
% of sales	40.0	48.9	43.7	35.2	23.5	5.1	–18.2	–39.6	42.6	–2.8
Change in fair value of biological assets and wood harvested, EURm	4	–2	–	–	–1	–	–	–	2	–1
Share of results of associated companies and joint ventures, EURm [3)]	–	–	–	–	7	4	–16	–47	–	–52
Depreciation, amortisation and impairment charges, EURm	–37	–38	–37	–36	–24	–21	–20	–20	–148	–85
Operating profit, EURm	132	199	163	83	35	–9	–60	–122	577	–156
% of sales	32.0	40.7	35.8	24.3	15.5	–5.8	–45.5	–87.8	34.0	–23.9
Special items, EURm [2)]	–	–	1	–1	–	–	–	–29	–	–29
Operating profit excl. special items, EURm	132	199	162	84	35	–9	–60	–93	577	–127
% of sales	32.0	40.7	35.6	24.6	15.5	–5.8	–45.5	–66.9	34.0	–19.4
Pulp deliveries, 1,000 t	699	752	768	700	550	446	391	372	2,919	1,759
Capital employed (average), EURm									2,473	1,668
ROCE (excl. special items), %									23.3	–7.6

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

Q4 of 2010 compared with Q4 of 2009

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

Operating profit excluding special items was EUR 132 million (35 million). Sales increased to EUR 413 million (226 million) and deliveries to 699,000 tonnes (550,000).

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

Fourth quarter includes extensive one month maintenance shut down in the Fray Bentos pulp mill.

2010 compared with 2009

Operating profit excluding special items was EUR 577 million (loss of EUR 127 million). Sales increased to EUR 1,698 million (653 million) and deliveries to 2,919,000 tonnes (1,759,000).

Profitability improved significantly from last year due to higher pulp sales prices and increased volumes due to the Fray Bentos pulp mill. External sales represented about 23% of total sales.

Market review

During the first half of the year, the pulp supply to global chemical market was constrained by abnormal weather conditions, such as heavy rain, and temporarily by the earthquake in Chile. During the third quarter the chemical pulp supply returned to normal.

Global chemical pulp shipments were on the same level as in the previous year. Pulp demand grew in Western Europe and North America but shipments to China decreased significantly compared to 2009. Pulp producer inventories were at historically low levels until the third quarter of 2010. During the fourth quarter, producer inventories returned close to their normal level, but customer inventories remained at a low level.

The market price for Northern bleached softwood kraft (NBSK) was EUR 554/tonne at the beginning of 2010 and rose to EUR 803/tonne in June before levelling off and finishing the year at EUR 724/tonne. The average price for softwood pulp at EUR 704/tonne, was 49% higher than in 2009 (471/tonne).

The market price for bleached hardwood kraft pulp (BHKP) was EUR 486/tonne at the beginning of 2010 and rose to EUR 752/tonne in June before levelling off and finishing the year at EUR 648/tonne. The average price for hardwood pulp at EUR 639/tonne, was 59% higher than in 2009 (402/tonne).

Forest and Timber

	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q4/10	Q1–Q4/09
Sales, EURm	402	387	393	339	348	295	309	385	1,521	1,337
EBITDA, EURm [1]	5	18	26	3	30	24	–15	–15	52	24
% of sales	1.2	4.7	6.6	0.9	8.6	8.1	–4.9	–3.9	3.4	1.8
Change in fair value of biological assets and wood harvested, EURm	81	16	31	19	10	–13	10	11	147	18
Share of results of associated companies and joint ventures, EURm	–1	2	1	1	1	–1	1	1	3	2
Depreciation, amortisation and impairment charges, EURm	–6	–5	–6	–4	–11	–4	–14	–5	–21	–34
Operating profit, EURm	79	68	52	19	21	6	–18	–18	218	–9
% of sales	19.7	17.6	13.2	5.6	6.0	2.0	–5.8	–4.7	14.3	–0.7
Special items, EURm [2]	–	37	–	–	–14	1	–8	–10	37	–31
Operating profit excl. special items, EURm	79	31	52	19	35	5	–10	–8	181	22
% of sales	19.7	8.0	13.2	5.6	10.1	1.7	–3.2	–2.1	11.9	1.6
Sawn timber deliveries, 1,000 m^3	426	428	504	371	413	355	366	363	1,729	1,497
Capital employed (average), EURm									1,709	1,717
ROCE (excl. special items), %									10.6	1.3

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

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

Q4 of 2010 compared with Q4 of 2009

Operating profit excluding special items was EUR 79 million (35 million). Sales increased by 16% to EUR 402 million (348 million). Sawn timber deliveries increased by 3% to 426,000 cubic metres (413,000).

The increase in the fair value of biological assets net of wood harvested was EUR 81 million (10 million). The increase is mainly attributable to the change in estimated timing of wood harvested. The increase in the fair value of biological assets (growing trees) was EUR 97 million (52 million). The cost of wood raw material harvested from the Group's own forests was EUR 16 million (42 million).

Fellings in own forests were lower due to increased market supply towards the end of the year.

2010 compared with 2009

Operating profit excluding special items was EUR 181 million (22 million). Sales increased by 14% to EUR 1,521 million (1,337 million). Sawn timber deliveries increased by 15% to 1,729,000 cubic metres (1,497,000).

The average price of delivered timber goods increased by 16%.

Profitability improved compared to the previous year, mainly due to higher delivery volumes of timber.

The increase in the fair value of biological assets net of wood harvested was EUR 147 million (18 million). The increase includes the change in estimated timing of wood harvested. The increase in the fair value of biological assets (growing trees) was EUR 225 million (98 million). The cost of wood raw material harvested from the Group's own forests was EUR 78 million (80 million). Approximately 700,000 cubic metres of wood from UPM's own forests was felled due to storms during the third quarter of 2010.

Market review

In Finland, wood purchases from private forests doubled compared to 2009 and returned to the long term average level. Total purchases amounted to 33.2 million cubic metres.

Market activity increased towards the end of the year in Finland. This was partly due to the storms in East and Central Finland during the summer and the temporary tax relief that was valid until the end of 2010.

Pulpwood market prices in Finland increased by an average of almost 9% and log prices increased by 17% in comparison with the prices of the previous year and were above the long term average prices. During the third quarter of 2010, wood prices declined temporarily due to the impact of the storms but returned to pre-storm levels towards the end of the period.

In 2010, demand for both redwood and whitewood sawn timber in Europe was weak due to low building activity. However, the timber markets in Japan and in the North Africa and Middle East were somewhat better than in Europe.

Paper

	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q4/10	Q1–Q4/09
Sales, EURm	1,656	1,672	1,540	1,401	1,558	1,454	1,388	1,367	6,269	5,767
EBITDA, EURm [1]	61	67	72	75	221	274	247	187	275	929
% of sales	3.7	4.0	4.7	5.4	14.2	18.8	17.8	13.7	4.4	16.1
Share of results of associated companies and joint ventures, EURm	1	–	–	–	1	–	–1	–1	1	–1
Depreciation, amortisation and impairment charges, EURm	–130	–131	–130	–136	–140	–142	–147	–149	–527	–578
Operating profit, EURm	–75	–71	–57	–69	74	126	85	60	–272	345
% of sales	–4.5	–4.2	–3.7	–4.9	4.7	8.7	6.1	4.4	–4.3	6.0
Special items, EURm [2]	–7	–7	4	–8	–8	–6	–10	23	–18	–1
Operating profit excl. special items, EURm	–68	–64	–61	–61	82	132	95	37	–254	346
% of sales	–4.1	–3.8	–4.0	–4.4	5.3	9.1	6.8	2.7	–4.1	6.0
Deliveries, publication papers, 1,000 t	1,680	1,633	1,446	1,364	1,576	1,464	1,323	1,304	6,123	5,667
Deliveries, fine and speciality papers, 1,000 t	913	947	994	937	945	872	813	724	3,791	3,354
Paper deliveries total, 1,000 t	2,593	2,580	2,440	2,301	2,521	2,336	2,136	2,028	9,914	9,021
Capital employed (average), EURm									5,465	5,714
ROCE (excl. special items), %									–4.6	6.1

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

Q4 of 2010 compared with Q4 of 2009

Operating loss excluding special items was EUR 68 million (profit of EUR 82 million). Sales were EUR 1,656 million (1,558 million). Paper deliveries increased by 3% to 2,593,000 tonnes (2,521,000). Publication paper deliveries (magazine papers and newsprint) increased by 7% from last year. Fine and speciality paper deliveries decreased by 3%.

The Paper business area incurred an operating loss, as fibre and other variable costs increased significantly from last year. Operating loss in the fourth quarter also includes higher than average maintenance and fixed costs.

Higher paper prices and delivery volumes had a positive impact on operating profit. The average price for all paper deliveries when translated into euros was 3% higher than last year.

Compared with the third quarter of 2010, the average paper price in euros decreased by nearly 2% due to changes in product mix and currencies. In local currencies prices increased in all main paper grades from the third quarter.

2010 compared with 2009

Operating loss excluding special items was EUR 254 million (profit of EUR 346 million). Sales were EUR 6,269 million (5,767 million). Paper deliveries increased by 10% to 9,914,000 tonnes (9,021,000). Publication paper deliveries (magazine papers and newsprint) increased by 8% and fine and speciality paper deliveries by 13% from last year. Deliveries grew in all main markets.

The Paper business area incurred an operating loss, as the cost of fibre increased significantly from last year and paper prices decreased. The average paper price for all paper deliveries when translated into euros was over 1% lower than last year.

Higher paper deliveries had a positive impact on operating profit.

UPM's Changshu paper mill in China received approval from the authorities to build a third paper machine on the site. No investment decisions have been made.

Market review

Demand for publication papers in Europe increased by 5% and for fine papers by 4% from last year. In North America, demand for magazine papers was 2% higher than a year ago. In Asia, demand for fine papers grew. Demand for speciality papers grew in all main markets.

In Europe, magazine paper prices decreased at the start of the year, but increased in the third quarter. On average, magazine paper prices in euros were 8% lower than last year. Newsprint prices also decreased at the start of the year and, due to annual contracts, were on average 17% lower than last year. Fine paper prices increased throughout the year and were on average 7% higher than last year. Prices for speciality papers increased from last year.

In North America, the average US dollar price for magazine papers was 3% lower than last year. In Asia, market prices for fine papers increased in the first half of the year and decreased in the second half. On average, the prices were higher than last year.

Label

	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q4/10	Q1–Q4/09
Sales, EURm	276	284	280	260	252	242	226	223	1,100	943
EBITDA, EURm [1]	25	33	34	31	25	29	18	6	123	78
% of sales	9.1	11.6	12.1	11.9	9.9	12.0	8.0	2.7	11.2	8.3
Depreciation, amortisation and impairment charges, EURm	–9	–8	–10	–7	–8	–9	–11	–9	–34	–37
Operating profit, EURm	15	25	24	24	16	18	4	–3	88	35
% of sales	5.4	8.8	8.6	9.2	6.3	7.4	1.8	–1.3	8.0	3.7
Special items, EURm [2]	–1	1	–	1	–1	–2	–5	–	1	–8
Operating profit excl. special items, EURm	16	24	24	23	17	20	9	–3	87	43
% of sales	5.8	8.5	8.6	8.8	6.7	8.3	4.0	–1.3	7.9	4.6
Capital employed (average), EURm									509	503
ROCE (excl. special items), %									17.1	8.5

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

[2] In 2010, special items of EUR 2 million relate to impairment reversals and EUR 1 million relates to restructuring charges. In the fourth and third quarter of 2009, special items relate to restructuring charges. In the second quarter of 2009, special items include impairment charges of EUR 2 million and other restructuring charges of EUR 3 million.

Q4 of 2010 compared with Q4 of 2009

Operating profit excluding special items was EUR 16 million (17 million). Sales grew by 10% to EUR 276 million (252 million).

Operating profit decreased from last year. Raw material costs increased substantially. Sales prices increased as well, but in all regions not enough to compensate for the rise in raw material costs. Delivery volumes of self-adhesive label materials were about the same as last year.

Compared with the third quarter of 2010, raw material costs increased considerably, whereas sales prices increased only slightly.

2010 compared with 2009

Operating profit excluding special items was EUR 87 million (43 million). Sales grew by 17% to EUR 1,100 million (943 million).

Operating profit improved noticeably from last year, mainly due to higher delivery volumes of self-adhesive label materials. Sales prices increased, compensating for the higher raw material costs.

Market review

In 2010, variable information printing (VIP) labelling grew strongly, especially at the beginning of the year due to higher shipments of goods globally, combined with replenishment of inventory levels. Product labelling grew steadily throughout the year as consumer confidence improved and the consuming middle class continued to grow in emerging markets.

Self-adhesive label materials demand growth was strongest in Asia, Eastern Europe and Latin America. In mature markets in Western Europe and North America, demand recovered close to pre-recession levels in the early part of the year. In North America, the positive demand continued in the second half of the year, although at a lower pace. In Western Europe, demand slowed down towards the end of the year.

Plywood

	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q4/10	Q1–Q4/09
Sales, EURm	91	83	97	76	81	73	77	75	347	306
EBITDA, EURm [1]	–1	2	2	–2	3	–5	–5	–23	1	–30
% of sales	–1.1	2.4	2.1	–2.6	3.7	–6.8	–6.5	–30.7	0.3	–9.8
Depreciation, amortisation and impairment charges, EURm	–4	–5	–5	–5	–12	–5	–5	–5	–19	–27
Operating profit, EURm	–5	–4	–1	–7	–33	–10	–10	–29	–17	–82
% of sales	–5.5	–4.8	–1.0	–9.2	–40.7	–13.7	–13.0	–38.7	–4.9	–26.8
Special items, EURm [2]	–	–1	2	–	–30	–	–	–1	1	–31
Operating profit excl. special items, EURm	–5	–3	–3	–7	–3	–10	–10	–28	–18	–51
% of sales	–5.5	–3.6	–3.1	–9.2	–3.7	–13.7	–13.0	–37.3	–5.2	–16.7
Deliveries, plywood, 1,000 m^3	160	156	182	140	150	143	141	133	638	567
Capital employed (average), EURm									243	266
ROCE (excl. special items), %									–7.4	–19.2

1) EBITDA is operating profit before depreciation, amortisation and impairment charges, excluding the change in value of biological assets and wood harvested, the share of results of associated companies and joint ventures, and special items.
2) Special items in 2010, include mainly a capital gain from asset sale in Finland. Special items in the fourth quarter of 2009, include impairment charges of EUR 6 million and other restructuring charges of EUR 24 million.

Q4 of 2010 compared with Q4 of 2009

Operating loss excluding special items was EUR 5 million (3 million). Sales grew by 12% to EUR 91 million (81 million). Plywood deliveries increased by 7% to 160,000 cubic metres (150,000).

Plywood reported a wider operating loss, mainly due to increased variable costs. Delivery volumes and sales prices increased, having a positive impact on profitability.

2010 compared with 2009

Operating loss excluding special items was EUR 18 million (51 million). Sales grew by 13% to EUR 347 million (306 million). Plywood deliveries increased by 13% to 638,000 cubic metres (567,000).

Plywood reported a smaller operating loss than last year, mainly due to higher delivery volumes.

Sales prices for plywood increased from the early part of the year. On average, plywood sales prices were slightly higher than last year.

Market review

2010 was a very volatile year in terms of plywood demand in Europe. Total plywood demand increased from last year, although it still remained clearly below the pre-recession demand.

Construction activity continued at a low level throughout the year. The winter season in early 2010 was particularly slow. Demand development was more positive in some industrial end-use areas compared with the previous year.

Overall plywood market prices remained low during 2010. They started to increase during the second half of the year, and on average were slightly higher than last year.

Other operations

	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q4/10	Q1–Q4/09
Sales, EURm	42	45	51	40	35	21	21	34	178	111
EBITDA, EURm [1]	–7	–23	–19	–18	–27	–31	–24	–29	–67	–111
Share of results of associated companies and joint ventures, EURm	–1	–1	1	–2	–	–	–2	–2	–3	–4
Depreciation, amortisation and impairment charges, EURm	–2	–2	–3	–3	–3	–3	–3	–3	–10	–12
Operating profit, EURm	–7	–23	–22	–24	–34	–45	–29	–34	–76	–142
Special items, EURm [2]	3	4	–3	–1	–6	–11	–	–	3	–17
Operating profit excl. special items, EURm	–10	–27	–19	–23	–28	–34	–29	–34	–79	–125
Capital employed (average), EURm									278	141
ROCE (excl. special items), %									–28.4	–88.7

[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] Special items in the third quarter of 2010, include mainly a capital gain of EUR 3 million from asset sale in Finland. Other special items in 2010, relate to net restructuring charges. In 2009, special items in the fourth quarter include impairment charges of EUR 2 million and other charges of EUR 4 million both relating to terminated activities. Special items of EUR 11 million in the third quarter of 2009 relate mainly to estates of closed industrial sites in Finland.

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

Q4 of 2010 compared with Q4 of 2009

Operating loss excluding special items was EUR 10 million (28 million). Sales amounted to EUR 42 million (35 million).

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

2010 compared with 2009

Operating loss excluding special items was EUR 79 million (125 million). Sales amounted to EUR 178 million (111 million).

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

Helsinki, 2 February 2011

UPM-Kymmene Corporation

Board of Directors

FINANCIAL INFORMATION

Consolidated income statement

EURm	Q4/2010	Q4/2009	Q1–Q4/2010	Q1–Q4/2009
Sales	2,357	2,108	8,924	7,719
Other operating income	8	18	76	47
Costs and expenses	–2,052	–1,810	–7,637	–6,774
Change in fair value of biological assets and wood harvested	85	9	149	17
Share of results of associated companies and joint ventures	–1	1	8	–95
Depreciation, amortisation and impairment charges	–190	–200	–765	–779
Operating profit (loss)	207	126	755	135
Gains on available-for-sale investments, net	–	–	1	–1
Exchange rate and fair value gains and losses	2	–	–4	–9
Interest and other finance costs, net	–36	185	–117	62
Profit (loss) before tax	173	311	635	187
Income taxes	–29	–16	–74	–18
Profit (loss) for the period	144	295	561	169
Attributable to:				
Owners of the parent company	144	295	561	169
Non-controlling interests	–	–	–	–
	144	295	561	169
Earnings per share for profit (loss) attributable to owners of the parent company				
Basic earnings per share, EUR	0.28	0.57	1.08	0.33
Diluted earnings per share, EUR	0.28	0.57	1.08	0.33

Consolidated statement of comprehensive income

EURm	Q4/2010	Q4/2009	Q1–Q4/2010	Q1–Q4/2009
Profit (loss) for the period	144	295	561	169
Other comprehensive income for the period, net of tax:				
Translation differences	106	115	288	165
Net investment hedge	–31	–19	–69	–56
Cash flow hedges	–46	–13	–70	–4
Available-for-sale investments	8	21	15	21
Share of other comprehensive income of associated companies	6	40	9	30
Other comprehensive income for the period, net of tax	43	144	173	156
Total comprehensive income for the period	187	439	734	325
Total comprehensive income attributable to:				
Owners of the parent company	187	439	734	325
Non-controlling interests	–	–	–	–
	187	439	734	325

Consolidated balance sheet

EURm	31.12.2010	31.12.2009
ASSETS		
Non-current assets		
Goodwill	1,022	1,017
Other intangible assets	424	423
Property, plant and equipment	5,860	6,192
Investment property	22	22
Biological assets	1,430	1,293
Investments in associated companies and joint ventures	573	553
Available-for-sale investments	333	320
Non-current financial assets	323	263
Deferred tax assets	359	287
Other non-current assets	211	211
	10,557	10,581
Current assets		
Inventories	1,299	1,112
Trade and other receivables	1,661	1,446
Income tax receivables	26	28
Cash and cash equivalents	269	438
	3,255	3,024
Total assets	13,812	13,605
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent company		
Share capital	890	890
Translation differences	55	–164
Fair value and other reserves	90	141
Reserve for invested non-restricted equity	1,145	1,145
Retained earnings	4,913	4,574
	7,093	6,586
Non-controlling interests	16	16
Total equity	7,109	6,602
Non-current liabilities		
Deferred tax liabilities	629	608
Retirement benefit obligations	424	418
Provisions	150	191
Interest-bearing liabilities	3,649	4,164
Other liabilities	70	51
	4,922	5,432
Current liabilities		
Current interest-bearing liabilities	330	300
Trade and other payables	1,417	1,206
Income tax payables	34	65
	1,781	1,571
Total liabilities	6,703	7,003
Total equity and liabilities	13,812	13,605

Consolidated statement of changes in equity

	Attributable to owners of the parent company							
EURm	Share capital	Translation differences	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2009	890	–295	130	1,145	4,236	6,106	14	6,120
Profit (loss) for the period	–	–	–	–	169	169	–	169
Translation differences	–	165	–	–	–	165	–	165
Net investment hedge, net of tax	–	–56	–	–	–	–56	–	–56
Cash flow hedges, net of tax	–	–	–4	–	–	–4	–	–4
Available-for-sale investments	–	–	21	–	–	21	–	21
Share of other comprehensive income of associated companies	–	22	–	–	8	30	–	30
Total comprehensive income for the period	–	131	17	–	177	325	–	325
Share-based compensation, net of tax	–	–	–6	–	12	6	–	6
Dividend paid	–	–	–	–	–208	–208	–	–208
Acquisitions and disposals	–	–	–	–	358	358	2	360
Other items	–	–	–	–	–1	–1	–	–1
Total transactions with owners for the period	–	–	–6	–	161	155	2	157
Balance at 31 December 2009	890	–164	141	1,145	4,574	6,586	16	6,602
Balance at 1 January 2010	890	–164	141	1,145	4,574	6,586	16	6,602
Profit (loss) for the period	–	–	–	–	561	561	–	561
Translation differences	–	288	–	–	–	288	–	288
Net investment hedge, net of tax	–	–69	–	–	–	–69	–	–69
Cash flow hedges, net of tax	–	–	–70	–	–	–70	–	–70
Available-for-sale investments	–	–	15	–	–	15	–	15
Share of other comprehensive income of associated companies	–	–	–	–	9	9	–	9
Total comprehensive income for the period	–	219	–55	–	570	734	–	734
Share-based compensation, net of tax	–	–	8	–	3	11	–	11
Dividend paid	–	–	–	–	–234	–234	–	–234
Other items	–	–	–4	–	–	–4	–	–4
Total transactions with owners for the period	–	–	4	–	–231	–227	–	–227
Balance at 31 December 2010	890	55	90	1,145	4,913	7,093	16	7,109

Consolidated cash flow statement

EURm	2010	2009
Cash flow from operating activities		
Profit (loss) for the period	561	169
Adjustments to profit (loss) for the period	740	772
Interest received	4	6
Interest paid	–92	–163
Dividends received	1	24
Other financial items, net	–16	–50
Income taxes paid	–77	–31
Change in working capital	–139	532
Net cash generated from operating activities	982	1,259
Cash flow from investing activities		
Capital expenditure	–241	–236
Acquisition of subsidiaries, net of cash acquired	–	–508
Acquisition of shares in associated companies	–4	–78
Proceeds from sale of tangible and intangible assets	55	46
Proceeds from disposal of shares in associated companies	–	565
Proceeds from disposal of available-for-sale investments	1	–
Increase in non-current receivables	–6	–3
Net cash used in investing activities	–195	–214
Cash flow from financing activities		
Proceeds from non-current liabilities	167	325
Payments of non-current liabilities	–855	–1,051
Payments of current liabilities, net	–23	–6
Dividends paid	–234	–208
Other financing cash flow	–21	–
Net cash used in financing activities	–966	–940
Change in cash and cash equivalents	–179	105
Cash and cash equivalents at beginning of year	438	330
Foreign exchange effect on cash and cash equivalents	10	3
Change in cash and cash equivalents	–179	105
Cash and cash equivalents at end of year	269	438

Quarterly information

EURm	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q4/10	Q1–Q4/09
Sales	2,357	2,312	2,216	2,039	2,108	1,913	1,841	1,857	8,924	7,719
Other operating income	8	42	17	9	18	5	7	17	76	47
Costs and expenses	–2,052	–1,938	–1,877	–1,770	–1,810	–1,603	–1,627	–1,734	–7,637	–6,774
Change in fair value of biological assets and wood harvested	85	14	31	19	9	–13	10	11	149	17
Share of results of associated companies and joint ventures	–1	–2	8	3	1	–21	–22	–53	8	–95
Depreciation, amortisation and impairment charges	–190	–190	–192	–193	–200	–185	–201	–193	–765	–779
Operating profit (loss)	207	238	203	107	126	96	8	–95	755	135
Gains on available-for-sale investments, net	–	–	1	–	–	–1	–	–	1	–1
Exchange rate and fair value gains and losses	2	–11	4	1	–	–3	3	–9	–4	–9
Interest and other finance costs, net	–36	–28	–27	–26	185	–28	–37	–58	–117	62
Profit (loss) before tax	173	199	181	82	311	64	–26	–162	635	187
Income taxes	–29	–21	–12	–12	–16	–24	18	4	–74	–18
Profit (loss) for the period	144	178	169	70	295	40	–8	–158	561	169
Attributable to:										
Owners of the parent company	144	178	169	70	295	40	–8	–158	561	169
Non-controlling interests	–	–	–	–	–	–	–	–	–	–
	144	178	169	70	295	40	–8	–158	561	169
Basic earnings per share, EUR	0.28	0.34	0.33	0.13	0.57	0.08	–0.02	–0.30	1.08	0.33
Diluted earnings per share, EUR	0.28	0.34	0.33	0.13	0.57	0.08	–0.02	–0.30	1.08	0.33
Earnings per share, excluding special items, EUR	0.27	0.28	0.29	0.15	0.21	0.14	0.03	–0.27	0.99	0.11
Average number of shares basic (1,000)	519,970	519,970	519,970	519,970	519,958	519,954	519,954	519,954	519,970	519,955
Average number of shares diluted (1,000)	522,193	521,742	521,333	520,018	518,876	521,036	519,954	519,954	521,321	519,955
Special items in operating profit (loss)	–5	34	4	–9	–60	–35	–23	–17	24	–135
Operating profit (loss), excl. special items	212	204	199	116	186	131	31	–78	731	270
% of sales	9.0	8.8	9.0	5.7	8.8	6.8	1.7	–4.2	8.2	3.5
Special items before tax	–5	34	4	–9	155	–35	–23	–17	24	80
Profit (loss) before tax, excl. special items	178	165	177	91	156	99	–3	–145	611	107
% of sales	7.6	7.1	8.0	4.5	7.4	5.2	–0.2	–7.8	6.8	1.4
Return on equity, excl. special items, %	8.0	8.6	8.9	4.6	7.4	5.0	0.8	neg.	7.5	1.0
Return on capital employed, excl. special items, %	7.5	6.8	7.3	4.3	7.2	4.9	1.3	neg.	6.4	2.5
EBITDA	318	384	353	288	362	334	238	128	1,343	1,062
% of sales	13.5	16.6	15.9	14.1	17.2	17.5	12.9	6.9	15.0	13.8
Share of results of associated companies and joint ventures										
Energy	–	–3	6	4	–8	–24	–4	–4	7	–40
Pulp	–	–	–	–	7	4	–16	–47	–	–52
Forest and Timber	–1	2	1	1	1	–1	1	1	3	2
Paper	1	–	–	–	1	–	–1	–1	1	–1
Other operations	–1	–1	1	–2	–	–	–2	–2	–3	–4
Total	–1	–2	8	3	1	–21	–22	–53	8	–95

Deliveries

	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q4/10	Q1–Q4/09
Electricity, 1,000 MWh	2,436	2,276	2,303	2,411	2,277	2,103	1,999	2,486	9,426	8,865
Pulp, 1,000 t	699	752	768	700	550	446	391	372	2,919	1,759
Sawn timber, 1,000 m^3	426	428	504	371	413	355	366	363	1,729	1,497
Publication papers, 1,000 t	1,680	1,633	1,446	1,364	1,576	1,464	1,323	1,304	6,123	5,667
Fine and speciality papers, 1,000 t	913	947	994	937	945	872	813	724	3,791	3,354
Paper deliveries total, 1,000 t	2,593	2,580	2,440	2,301	2,521	2,336	2,136	2,028	9,914	9,021
Plywood, 1,000 m^3	160	156	182	140	150	143	141	133	638	567

Quarterly segment information

EURm	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q4 /10	Q1–Q4 /09
Sales										
Energy	153	124	116	174	128	108	100	136	567	472
Pulp	413	489	455	341	226	156	132	139	1,698	653
Forest and Timber	402	387	393	339	348	295	309	385	1,521	1,337
Paper	1,656	1,672	1,540	1,401	1,558	1,454	1,388	1,367	6,269	5,767
Label	276	284	280	260	252	242	226	223	1,100	943
Plywood	91	83	97	76	81	73	77	75	347	306
Other operations	42	45	51	40	35	21	21	34	178	111
Internal sales	–676	–772	–716	–592	–520	–436	–412	–502	–2,756	–1,870
Sales, total	2,357	2,312	2,216	2,039	2,108	1,913	1,841	1,857	8,924	7,719
EBITDA										
Energy	70	48	39	79	57	35	41	57	236	190
Pulp	165	239	199	120	53	8	–24	–55	723	–18
Forest and Timber	5	18	26	3	30	24	–15	–15	52	24
Paper	61	67	72	75	221	274	247	187	275	929
Label	25	33	34	31	25	29	18	6	123	78
Plywood	–1	2	2	–2	3	–5	–5	–23	1	–30
Other operations	–7	–23	–19	–18	–27	–31	–24	–29	–67	–111
EBITDA, total	318	384	353	288	362	334	238	128	1,343	1,062
Operating profit (loss)										
Energy	68	44	44	81	47	10	36	51	237	144
Pulp	132	199	163	83	35	–9	–60	–122	577	–156
Forest and Timber	79	68	52	19	21	6	–18	–18	218	–9
Paper	–75	–71	–57	–69	74	126	85	60	–272	345
Label	15	25	24	24	16	18	4	–3	88	35
Plywood	–5	–4	–1	–7	–33	–10	–10	–29	–17	–82
Other operations	–7	–23	–22	–24	–34	–45	–29	–34	–76	–142
Operating profit (loss), total	207	238	203	107	126	96	8	–95	755	135
% of sales	8.8	10.3	9.2	5.2	6.0	5.0	0.4	–5.1	8.5	1.7
Special items in operating profit										
Energy	–	–	–	–	–1	–17	–	–	–	–18
Pulp	–	–	1	–1	–	–	–	–29	–	–29
Forest and Timber	–	37	–	–	–14	1	–8	–10	37	–31
Paper	–7	–7	4	–8	–8	–6	–10	23	–18	–1
Label	–1	1	–	1	–1	–2	–5	–	1	–8
Plywood	–	–1	2	–	–30	–	–	–1	1	–31
Other operations	3	4	–3	–1	–6	–11	–	–	3	–17
Special items in operating profit, total	–5	34	4	–9	–60	–35	–23	–17	24	–135
Operating profit (loss) excl.special items										
Energy	68	44	44	81	48	27	36	51	237	162
Pulp	132	199	162	84	35	–9	–60	–93	577	–127
Forest and Timber	79	31	52	19	35	5	–10	–8	181	22
Paper	–68	–64	–61	–61	82	132	95	37	–254	346
Label	16	24	24	23	17	20	9	–3	87	43
Plywood	–5	–3	–3	–7	–3	–10	–10	–28	–18	–51
Other operations	–10	–27	–19	–23	–28	–34	–29	–34	–79	–125
Operating profit (loss) excl. special items, total	212	204	199	116	186	131	31	–78	731	270
% of sales	9.0	8.8	9.0	5.7	8.8	6.8	1.7	–4.2	8.2	3.5

EURm	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q1–Q4 /10	Q1–Q4 /09
External sales										
Energy	71	31	35	94	38	24	24	49	231	135
Pulp	103	102	106	86	34	9	10	10	397	63
Forest and Timber	193	181	193	154	171	145	150	152	721	618
Paper	1,621	1,636	1,499	1,353	1,500	1,409	1,355	1,327	6,109	5,591
Label	276	283	280	259	252	243	225	222	1,098	942
Plywood	87	79	93	73	77	69	73	72	332	291
Other operations	6	–	10	20	36	14	4	25	36	79
External sales, total	2,357	2,312	2,216	2,039	2,108	1,913	1,841	1,857	8,924	7,719
Internal sales										
Energy	82	93	81	80	90	84	76	87	336	337
Pulp	310	387	349	255	192	147	122	129	1,301	590
Forest and Timber	209	206	200	185	177	150	159	233	800	719
Paper	35	36	41	48	58	45	33	40	160	176
Label	–	1	–	1	–	–1	1	1	2	1
Plywood	4	4	4	3	4	4	4	3	15	15
Other operations	36	45	41	20	–1	7	17	9	142	32
Internal sales, total	676	772	716	592	520	436	412	502	2,756	1,870

Notes to the consolidated cash flow statement

Adjustments to profit (loss) for the period

EURm	Q1–Q4/2010	Q1–Q4/2009
Depreciation, amortisation and impairment charges	765	779
Share of results of associated companies and joint ventures	–8	95
Capital gains on sale of non-current assets, net	–52	–235
Finance costs, net	121	167
Taxes	74	18
Change in fair value of biological assets and wood harvested	–149	–17
Settlement of restructuring charges	–36	–43
Other adjustments	25	8
Total	740	772

Change in working capital

EURm	Q1–Q4/2010	Q1–Q4/2009
Inventories	–145	400
Current receivables	–78	156
Current non-interest-bearing liabilities	84	–24
Total	–139	532

Changes in property, plant and equipment

EURm	Q1–Q4/2010	Q1–Q4/2009
Book value at beginning of period	6,192	5,688
Capital expenditure	217	181
Companies acquired	–	1,013
Decreases	–18	–20
Depreciation	–707	–696
Impairment charges	–	–14
Impairment reversal	4	5
Translation difference and other changes	172	35
Book value at end of period	5,860	6,192

Commitments and contingencies

EURm	31.12.2010	31.12.2009
Own commitments		
Mortgages	764	1,043
On behalf of associated companies and joint ventures		
Guarantees for loans	7	8
On behalf of others		
Other guarantees	2	1
Other own commitments		
Leasing commitments for the next 12 months	28	24
Leasing commitments for subsequent periods	80	60
Other commitments	164	69

Capital commitments

EURm	Completion	Total cost	By 31.12.2009	Q1–Q4/2010	After 31.12.2010
PM 8 rebuild, Tervasaari	March 2012	20	–	3	17
Power plant rebuild, Schongau	January 2011	12	–	6	6
Materials recovery facility (MRF), Shotton	January 2011	19	–	14	5
Plywood development	December 2011	18	–	13	5
Energy saving TMP plant, Steyrermühl	January 2011	16	–	11	5

Notional amounts of derivative financial instruments

EURm	31.12.2010	31.12.2009
Currency derivatives		
Forward contracts	3,993	3,791
Options, bought	4	20
Options, written	4	20
Swaps	800	514
Interest rate derivatives		
Forward contracts	2,442	3,259
Swaps	2,478	2,701
Other derivatives		
Forward contracts	275	25
Options, bought	–	73
Options, written	–	73
Swaps	–	4

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

EURm	Q1–Q4/2010	Q1–Q4/2009
Sales to associated companies	153	114
Purchases from associated companies	341	560
Non-current receivables at end of period	5	2
Trade and other receivables at end of period	17	23
Trade and other payables at end of period	38	32

Basis of preparation

This unaudited interim report has been prepared in accordance with the accounting policies set out in International Accounting Standard 34 on Interim Financial Reporting and in the Group's Consolidated Financial Statements for 2009. Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The Group has adopted the following standard:

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

Calculation of key indicators

Return on equity, %:

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

Return on capital employed, %:

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

Earnings per share:

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

Key exchange rates for the euro at end of period

	31.12.2010	30.09.2010	30.06.2010	31.03.2010	31.12.2009	30.09.2009	30.06.2009	31.03.2009
USD	1.3362	1.3648	1.2271	1.3479	1.4406	1.4643	1.4134	1.3308
CAD	1.3322	1.4073	1.2890	1.3687	1.5128	1.5709	1.6275	1.6685
JPY	108.65	113.68	108.79	125.93	133.16	131.07	135.51	131.17
GBP	0.8608	0.8600	0.8175	0.8898	0.8881	0.9093	0.8521	0.9308
SEK	8.9655	9.1421	9.5259	9.7135	10.2520	10.2320	10.8125	10.9400

It should be noted that certain statements herein, which are not historical facts, including, without limitation, those regarding expectations for market growth and developments; expectations for growth and profitability; and statements preceded by "believes", "expects", "anticipates", "foresees", or similar expressions, are forward-looking statements. Since these statements are based on current plans, estimates and projections, they involve risks and uncertainties which may cause actual results to materially differ from those expressed in such forward-looking statements. Such factors include, but are not limited to: (1) operating factors such as continued success of manufacturing activities and the achievement of efficiencies therein including the availability and cost of production inputs, continued success of product development, acceptance of new products or services by the Group's targeted customers, success of the existing and future collaboration arrangements, changes in business strategy or development plans or targets, changes in the degree of protection created by the Group's patents and other intellectual property rights, the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for the Group's products and the pricing pressures thereto, financial condition of the customers and the competitors of the Group, the potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in the Group's principal geographic markets or fluctuations in exchange and interest rates. For more detailed information about risk factors, see pages 87–88 of the company's annual report 2009

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