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INTERIM REPORT 1 JANUARY – 31 MARCH 2008

UPM Interim Report 1 January – 31 March 2008

- Earnings per share for the first quarter were € 0.20 (€ 0.25 for the first quarter of 2007), excluding special items € 0.19 (0.25)
- Operating profit was € 193 million (221 million), excluding special items € 188 million (221 million)
- Fibre costs and currencies effected UPM's result

Key figures

	Q1/2008	Q1/2007	Q1–Q4/2007
Sales, €m	2,410	2,519	10,035
EBITDA, €m [1]	337	418	1,546
% of sales	14.0	16.6	15.4
Operating profit, €m	193	221	483
excluding special items, €m	188	221	835
Profit before tax, €m	134	177	292
excluding special items, €m	129	177	644
Net profit for the period, €m	103	131	81
Earnings per share, €	0.20	0.25	0.16
excluding special items, €	0.19	0.25	1.00
Diluted earnings per share, €	0.20	0.25	0.16
Return on equity, %	6.2	7.3	1.2
excluding special items, %	5.9	7.3	7.4
Return on capital employed, %	6.7	7.9	4.3
excluding special items, %	6.5	7.9	7.4
Gearing ratio at end of period, %	64	57	59
Shareholders' equity per share at end of period, €	12.48	13.38	13.21
Net interest-bearing liabilities at end of period, €m	4,107	4,023	3,973
Capital employed at end of period, €m	10,772	11,330	11,098
Capital expenditure, €m	137	193	708
Personnel at end of period	25,841	28,578	26,352

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

Results

Q1 of 2008 compared with Q1 of 2007

Sales for the first quarter of 2008 were € 2,410 million, 4% less than the € 2,519 million in the first quarter of 2007. Operating profit was € 193 million (221 million), 8.0% (8.8%) of sales. Operating profit excluding special items was € 188 million (221 million).

Sales were unchanged when adjusted for the divested businesses. Delivery volumes were about the same as last year. The considerably weaker USD and GBP had an impact on sales and average prices in euros. The operating profit declined mainly due to the increased cost of wood and recycled fibre and the strengthened euro.

Delivery volumes of paper divisions remained about the same, despite reduction in capacity. The average paper price in euros for all paper deliveries remained about the same as last year. The profitability decreased due to the increased fibre costs.

Prices for magazine grades improved during the quarter, but were on average below the first quarter 2007 level. Standard newsprint prices declined and were 5% lower than last year. The average price for fine and speciality papers was about the same as last year.

The profitability of the label business for the period was weak. Prices were lower and the fixed costs increased. In North America, weakened economy resulted in contraction of demand.

The profitability of wood products decreased. While good profitability of plywood business was maintained, the sawmilling business weakened significantly as prices decreased and cost of wood raw material increased.

The increase in the fair value of biological assets, net of wood harvested, was € 28 million (decrease of € 3 million). The share of results of associated companies and joint ventures was € 22 million (21 million).

Profit before tax was € 134 million (177 million) and excluding special items € 129 million (177 million). Interest and other finance costs net were € 49 million (49 million). Exchange rate and fair value gains and losses, and gains on available-for-sale investments, resulted in a loss of € 10 million (a gain of € 5 million).

Income taxes were € 31 million (46 million). The effective tax rate was 23% (26%).

Profit for the first quarter was € 103 million (131 million) and earnings per share were € 0.20 (0.25). Earnings per share excluding special items were € 0.19 (0.25). Operating cash flow per share was € 0.10 (0.36).

Paper deliveries
Paper deliveries for the first three months were 2,753,000 tonnes, the same as in 2007. Magazine paper deliveries were 1,136,000 tonnes (1,155,000), newsprint 636,000 tonnes (630,000), and fine and speciality papers 981,000 tonnes (968,000).

Financing
Cash flow from operating activities, before capital expenditure and financing, was € 50 million (187 million). The cash flow includes cash contribution in the UK pension plans, and settlement of the restructuring provisions related to the closure of the Miramichi paper mill in 2007. The increase in working capital amounted to € 106 million (145 million).

The gearing ratio as of 31 March was 64% (57% on 31 March 2007). Equity to assets ratio on 31 March was 46.2% (48.4%). Net interest-bearing liabilities at the end of the period increased to € 4,107 million (4,023 million).

Personnel
In the first quarter, UPM had an average of 25,971 employees (28,558). At the beginning of the year, the number of employees was 26,352 and at the end of the period 25,841. Since the first quarter of last year, the number of personnel decreased as a result of the measures related to the profitability programme, closure of the Miramichi paper mill, and divestments of port operators and Walki Wisa.

Capital expenditure
During the first three months, gross capital expenditure was € 137 million, 5.7% of sales (193 million, 7.7% of sales).

The new self-adhesive label materials factory in Dixon, Illinois, in the USA, started operations in February. The total investment cost was USD 100 million (€ 70 million).

The largest ongoing investments are the rebuild of the recovery plant at the Kymi pulp mill, which is scheduled to start up during the second quarter of 2008; the new label materials plant in Poland, scheduled for start-up in the fourth quarter of 2008; and a biomass boiler in the Caledonian paper mill, Scotland, that is scheduled to begin operation in 2009.

Shares
In the first quarter of 2008, UPM shares worth, in total, € 2,840 million were traded on the OMX Nordic Exchange Helsinki (4,267 million). The highest quotation was € 13.87 in January and the lowest € 10.52 in March.

The Annual General Meeting held on 26 March 2008 approved a proposal to authorise the Board of Directors to decide to buy back not more than 51,000,000 own shares. The authorisation is valid for 18 months from the date of the decision.

On the basis of the decisions of the Annual General Meeting of 27 March, 2007, the Board has the authority to decide 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. In addition, the Board has the authority to decide to issue shares and special rights entitling the holder 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, 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. Furthermore, the Board is authorised to decide on the disposal of own shares. These authorisations of the 2007 Annual General Meeting will remain valid for no more than three years from the date of the decision.

In the first quarter of 2008, 23,000 shares were subscribed for through exercising of outstanding share options. The number of shares entered in the Trade Register as of 31 March 2008 was 512,592,320. Through the issuance authorisation and share options, the number of shares may increase to a maximum of 794,158,420.

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

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

Dividend
The Annual General Meeting of 26 March 2008 approved the Board's proposal to pay a dividend of € 0.75 per share for the 2007 financial year. The dividend of € 384 million that was paid on 10 April 2008 is included in short-term non-interest-bearing liabilities at the end of March.

Company directors
The Annual General Meeting of 26 March 2008 decided that the Board of Directors is composed of 10 members. Mr Matti Alahuhta, President and CEO of KONE Corporation, and Mr Björn Wahlroos, President and CEO of Sampo plc, were elected to the Board of Directors as new members. In addition, Mr Michael C. Bottenheim, LLM, MBA; Mr Berndt Brunow, Board member of Oy Karl Fazer Ab; Mr Karl Grotenfelt, LLM, Chairman of the Board of Directors of Famigro Oy; Dr Georg Holzhey, former Executive Vice President of UPM and Director of G. Haindl'sche Papierfabriken KGaA; Ms Wendy E. Lane, Chairman of American investment firm Lane Holdings, Inc.; Mr Jussi Pesonen, President and CEO of UPM; Ms Ursula Ranin; LLM, B.Sc. (Econ.); and Mr Veli-Matti Reinikkala, President of ABB Process Automation Division, were re-elected as

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

At the assembly meeting of the Board of Directors, Mr Björn Wahlroos was elected as Chairman, and Mr Berndt Brunow and Mr Georg Holzhey were elected as Vice Chairmen.

In addition, the Board of Directors elected from its members the Audit Committee with Mr Michael C. Bottenheim as Chairman, and Ms Wendy E. Lane and Mr Veli-Matti Reinikkala as members. The Human Resources Committee was elected, with Mr Berndt Brunow as Chairman, and Mr Georg Holzhey and Ms Ursula Ranin as members. Furthermore, the Nominating and Corporate Governance Committee was elected, with Mr Björn Wahlroos as Chairman, and the other members being Mr Matti Alahuhta and Mr Karl Grotenfelt.

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 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. UPM has agreed to settle the class-action lawsuits raised by direct purchasers of labelstock and magazine paper. Certain class-action lawsuits filed by indirect purchasers of labelstock and magazine paper continue to be pending.

The remaining litigation matters may last several years. No material provisions have been made in relation to these investigations.

Events after the balance sheet date

The Group's management is not aware of any significant events occurring after 31 March 2008.

Risk factors

If implemented, the announced third increase in the export duty on Russian wood from the beginning of 2009 will make imports of round wood uneconomical. There is a high risk that these imports cannot be fully replaced in a financially sound manner. The uncertainty about the final outcome will reduce imports from Russia during the latter part of this year. This could result in reduction of production at some of the Finnish mills during the second half of 2008.

Outlook for the second quarter of 2008

Global demand for printing papers is forecast to grow somewhat from last year. In Europe, good demand is expected to continue especially in Eastern Europe. In North America, weakening demand trend is expected to continue. The highest growth in demand will be in China.

Current order books in printing papers are good. Due to capacity closures and temporary shut downs, UPM's paper deliveries for the full year 2008 are expected to be somewhat lower than last year. For the second quarter the Group's average paper price in euros is expected to be slightly higher than that of the first quarter 2008.

Demand for self-adhesive labelstock is forecast to grow in Europe and Asia but in North America growth in demand has come to a halt due to weak economy and subdued consumer demand. Self-adhesive labelstock prices in local currencies are expected to increase from the first quarter in all main markets.

In wood products, strong demand for birch plywood and stable demand for spruce plywood is expected to continue. In sawn timber outlook is cautious. Demand for both redwood and whitewood is expected to weaken and prices to be lower than in the beginning of the year.

Wood fibre costs for 2008 are forecast to be higher than in the earlier forecast for the full year. However, the increase in the company's overall costs is still expected to be about 2%. This includes cost savings from the ongoing profitability programme.

Divisional reviews

Magazine Papers

	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q1–Q4/07
Sales, €m	781	811	847	798	793	3,249
EBITDA, €m [1]	120	98	116	114	113	441
% of sales	15.4	12.1	13.7	14.3	14.2	13.6
Depreciation, amortisation and impairment charges, €m	–76	–83	–82	–443	–86	–694
Operating profit, €m	44	–62	34	–339	27	–340
% of sales	5.6	–7.6	4.0	–42.5	3.4	–10.5
Special items, €m [2]	–	–77	–	–371	–	–448
Operating profit excl. special items, €m	44	15	34	32	27	108
% of sales	5.6	1.8	4.0	4.0	3.4	3.3
Deliveries, 1,000 t	1,136	1,238	1,266	1,189	1,155	4,848

1) EBITDA is operating profit before depreciation, amortisation and impairment charges and excluding special items.
2) Special items for 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. For the fourth quarter, special items include personnel expenses of € 44 million and other costs of € 36 million related to the Miramichi paper mill, and an income of € 3 million related to other restructuring measures.

Q1 of 2008 compared with Q1 of 2007

Operating profit, excluding special items, for Magazine Papers was € 44 million (27 million). Sales declined slightly to € 781 million (793 million). Paper deliveries had a volume of 1,136,000 tonnes (1,155,000).

First-quarter profitability improved, as a result of better efficiency. Fibre costs increased from last year's level but fixed costs were lower. In export markets, the average prices in local currencies were clearly higher. Due to the strengthened euro against the USD and GBP, the average price for all magazine paper deliveries was about the same as a year ago. Deliveries were maintained, despite the closure of the Miramichi paper mill and the transfer of Jämsänkoski PM4 to Fine and Speciality Papers Division.

Market review

In the first three months of the year, magazine paper demand in Europe continued to be good. Coated magazine paper demand increased by about 2% and demand for uncoated magazine paper by about 1% in comparison with the same period in 2007. Export of magazine paper from Europe increased compared with the previous year. In North America, demand for both coated and uncoated magazine paper increased 4%. In Europe, prices increased from the beginning of the year, but the average market price was down from last year. In North America, prices increased from last year by about 15%.

Newsprint

	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q1–Q4/07
Sales, €m	332	378	365	379	348	1,470
EBITDA, €m [1]	60	79	91	100	92	362
% of sales	18.1	20.9	24.9	26.4	26.4	24.6
Depreciation, amortisation and impairment charges, €m	–46	–48	–47	–47	–48	–190
Operating profit, €m	15	36	44	53	44	177
% of sales	4.5	9.5	12.1	14.0	12.6	12.0
Special items, €m [2]	1	5	–	–	–	5
Operating profit excl. special items, €m	14	31	44	53	44	172
% of sales	4.2	8.2	12.1	14.0	12.6	11.7
Deliveries, 1,000 t	636	702	667	683	630	2,682

1) EBITDA is operating profit before depreciation, amortisation and impairment charges and excluding special items.
2) Special items for the fourth quarter of 2007 include an income of € 5 million related mainly to other restructuring measures.

Q1 of 2008 compared with Q1 of 2007

Operating profit, excluding special items, for Newsprint decreased from € 44 million to € 14 million. Sales were € 332 million (348 million). Paper deliveries were 636,000 tonnes (630,000).

The main reasons for the decreased profitability were lower paper prices, the stronger euro against the GBP and USD, and higher cost of fibres. The average price for all newsprint deliveries when translated into euros was about 5% lower than in the corresponding period in 2007. Both recovered fibre and wood costs were higher. Operational efficiency improved. In February, the Kajaani PM4 was temporarily closed down for ten months.

Market review

In Europe, demand for standard and improved newsprint was approximately 2% lower than in the first quarter of last year. Net exports from Europe increased. In Europe, the average market price for standard newsprint was about 3% down. In North America, average prices for standard newsprint were flat and demand decreased. In the other markets, prices increased in invoicing currencies.

Fine and Speciality Papers

	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q1–Q4/07
Sales, €m	726	718	694	686	699	2,797
EBITDA, €m [1]	84	66	82	92	85	325
% of sales	11.6	9.2	11.8	13.4	12.2	11.6
Depreciation, amortisation and impairment charges, €m	–53	–54	–53	–53	–53	–213
Operating profit, €m	31	12	29	39	32	112
% of sales	4.3	1.7	4.2	5.7	4.6	4.0
Special items, €m	–	–	–	–	–	–
Operating profit excl. special items, €m	31	12	29	39	32	112
% of sales	4.3	1.7	4.2	5.7	4.6	4.0
Deliveries, 1,000 t	981	977	954	960	968	3,859

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

Q1 of 2008 compared with Q1 of 2007

Operating profit, excluding special items, for Fine and Speciality Papers was € 31 million (32 million). Sales increased from € 699 million to € 726 million. Paper deliveries were 981,000 tonnes (968,000).

The profitability of the division remained about the same. Wood and pulp costs were markedly higher. This cost increase and the effect of the strengthened euro were mainly offset by improved operational efficiency. The average price for all fine and speciality paper deliveries, translated into euros, was about the same. Prices for uncoated fine papers were higher, but those for coated fine papers lower.

Market review

In Europe, demand for coated fine paper was unchanged when compared with that in the same period last year. Demand for uncoated fine paper decreased by about 3%. Good demand for packaging papers continued, and demand for label papers improved slightly. In Europe, average market prices for coated fine paper were 5% lower than in the first quarter of 2007. The average market price for uncoated fine papers increased about 3%. In Asia, demand and prices for fine paper increased from last year.

Label Materials

	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q1–Q4/07
Sales, €m	249	249	252	260	261	1,022
EBITDA, €m 1)	9	15	18	21	26	80
% of sales	3.6	6.0	7.1	8.1	10.0	7.8
Depreciation, amortisation and impairment charges, €m	–9	–9	–8	–8	–8	–33
Operating profit, €m	0	10	10	13	18	51
% of sales	0.0	4.0	4.0	5.0	6.9	5.0
Special items, €m 2)	–	4	–	–	–	4
Operating profit excl. special items, €m	0	6	10	13	18	47
% of sales	0.0	2.4	4.0	5.0	6.9	4.6

1) EBITDA is operating profit before depreciation, amortisation and impairment charges and excluding special items.
2) Special items in the fourth quarter of 2007 include an income of € 4 million related to other restructuring measures.

Q1 of 2008 compared with Q1 of 2007

The Label Division did not make an operating profit for the period. Last year's operating profit, excluding special items, was € 18 million. Sales decreased to € 249 million (261 million).

The decrease in sales was due to lower prices, the strengthened euro and changes in market mix. In addition, the profitability of the division weakened due to increased fixed costs partly related to the ongoing investment programme, and due to higher raw material costs. The Label Division started to implement price increases in various markets. In the first quarter, prices were increased in North America, China and South Africa.

The Dixon, Illinois, factory project was completed in the quarter under review, and the ramp-up of the operation has proceeded smoothly.

Market review

Due to weak US economy and consumer demand, label material demand is estimated to have contracted during the first quarter in North America. In Europe, from the beginning of this year demand is estimated to have grown slightly slower than last year. In Asia, the strong increase in demand continued.

Wood Products

	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q1–Q4/07
Sales, €m	298	297	262	326	314	1,199
EBITDA, €m 1)	19	26	8	51	42	127
% of sales	6.4	8.8	3.1	15.6	13.4	10.6
Depreciation, amortisation and impairment charges, €m	–11	–11	–10	–11	–10	–42
Operating profit, €m	8	21	–2	41	32	92
% of sales	2.7	7.1	–0.8	12.6	10.2	7.7
Special items, €m 2)	–	6	–	–	–	6
Operating profit excl. special items, €m	8	15	–2	41	32	86
% of sales	2.7	5.1	–0.8	12.6	10.2	7.2
Deliveries, plywood 1,000 m^3	241	239	204	247	255	945
Deliveries, sawn timber 1,000 m^3	560	520	480	637	587	2,224

1) EBITDA is operating profit before depreciation, amortisation and impairment charges and excluding special items.
2) Special items in the fourth quarter of 2007 include a gain of € 6 million on sale of estate assets.

Q1 of 2008 compared with Q1 of 2007

Operating profit, excluding special items, for Wood Products decreased from € 32 million to € 8 million. Sales came to € 298 million (314 million). Plywood deliveries were 241,000 (255,000) cubic metres and sawn timber deliveries 560,000 (587,000) cubic metres.

The profitability of the division decreased mainly as a result of increased wood costs and weakened timber market. The prices of timber decreased and the profitability of sawmilling weakened further. The good profitability of plywood continued as the demand remained healthy. Birch log availability limited the production.

The closure of the Luumäki timber component and planing mill in Finland was announced in February. Timber production was curtailed due to slowdown of demand.

Market review

During the first quarter, plywood demand remained strong in all markets. Prices were higher than a year ago. The demand for both redwood and whitewood sawn timber was clearly weaker resulting in a decrease of prices. The supply of logs remained tight.

Other Operations

€m	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q1–Q4/07
Sales [1]	168	188	173	214	234	809
EBITDA [2]	45	67	51	32	60	210
Depreciation, amortisation and impairment charges	–4	–31	–6	–5	–10	–52
Operating profit						
Forestry	37	61	43	34	28	166
Energy Department, Finland	38	42	23	19	28	112
Other and eliminations	–2	20	–	59	–9	70
Operating profit, total	73	123	66	112	47	348
Special items [3]	4	10	–	71	–	81
Operating profit, excluding special items	69	113	66	41	47	267

[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] Special items for the first quarter of 2008 include adjustment to sales of disposals in 2007. Special items for 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. In the fourth quarter, special items include a capital gain of € 58 million on the sale of port operators Rauma Stevedoring and Botnia Shipping, a compensation charge of € 12 million related to class-action lawsuits in the US, impairment charges of € 31 million related mainly to Miramichi's forestry and sawmilling operations, and other restructuring costs of € 5 million.

Q1 of 2008 compared with Q1 of 2007

Excluding special items, operating profit for Other Operations was € 69 million (47 million). Sales decreased to € 168 million (234 million) due to sold businesses in 2007.

The operating profit of Forestry was € 37 million (28 million). The increase in the fair value of biological assets (growing trees) was € 41 million (23 million). Fellings from the Group's own forests decreased from last year and the cost of wood raw material harvested from the Group's forests was € 13 million (26 million).

The operating profit of the Energy Department in Finland was € 38 million (28 million). Hydropower availability was very good, as the water reservoirs in the Nordic countries were higher than normal, reducing the average cost of energy generation and enabling increased sales outside the company. The Nord Pool price of electricity was significantly higher than in the corresponding period a year ago.

Associated companies and joint ventures

€m	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q1–Q4/07
Share of result after tax						
Oy Metsä-Botnia Ab	26	6	19	12	21	58
Pohjolan Voima Oy	–5	–4	–5	–5	–	–14
Other	1	–	–	–1	–	–1
Total	22	2	14	6	21	43

Deliveries

	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q1–Q4/07
Paper deliveries						
Magazine papers, 1,000 t	1,136	1,238	1,266	1,189	1,155	4,848
Newsprint, 1,000 t	636	702	667	683	630	2,682
Fine and speciality papers, 1,000 t	981	977	954	960	968	3,859
Paper deliveries total	2,753	2,917	2,887	2,832	2,753	11,389
Wood products deliveries						
Plywood, 1,000 m^3	241	239	204	247	255	945
Sawn timber, 1,000 m^3	573	537	505	666	617	2,325

Helsinki, 24 April 2008

UPM-Kymmene Corporation

Board of Directors

Financial information

Consolidated income statement

€m	Q1/2008	Q1/2007	Q1–Q4/2007
Sales	2,410	2,519	10,035
Other operating income	40	18	200
Costs and expenses	–2,108	–2,119	–8,650
Change in fair value of biological assets and wood harvested	28	–3	79
Share of results of associated companies and joint ventures	22	21	43
Depreciation, amortisation and impairment charges	–199	–215	–1,224
Operating profit	193	221	483
Gains on available-for-sale investments, net	–	2	2
Exchange rate and fair value gains and losses	–10	3	–2
Interest and other finance costs, net	–49	–49	–191
Profit before tax	134	177	292
Income taxes	–31	–46	–211
Profit for the period	103	131	81
Attributable to:			
Equity holders of the parent company	102	131	85
Minority interest	1	–	–4
	103	131	81
Earnings per share for profit attributable to the equity holders of the parent company			
Basic earnings per share, €	0.20	0.25	0.16
Diluted earnings per share, €	0.20	0.25	0.16

Condensed consolidated balance sheet

€m	31.03.2008	31.03.2007	31.12.2007
ASSETS			
Non-current assets			
Goodwill	1,163	1,514	1,163
Other intangible assets	411	435	392
Property, plant and equipment	6,048	6,435	6,179
Biological assets	1,121	1,027	1,095
Investments in associated companies and joint ventures	1,178	1,175	1,193
Deferred tax assets	252	360	284
Other non-current assets	442	281	333
	10,615	11,227	10,639
Current assets			
Inventories	1,420	1,273	1,342
Trade and other receivables	1,791	1,699	1,735
Cash and cash equivalents	98	200	237
	3,309	3,172	3,314
Assets held for sale	–	157	–
Total assets	13,924	14,556	13,953
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	890	890	890
Share premium reserve	–	826	–
Fair value and other reserves	–53	178	35
Reserve for invested non-restricted equity	1,067	–	1,067
Retained earnings	4,492	5,106	4,778
	6,396	7,000	6,770
Minority interest	13	18	13
Total equity	6,409	7,018	6,783
Non-current liabilities			
Deferred tax liabilities	748	781	745
Non-current interest-bearing liabilities	3,368	3,238	3,384
Other non-current liabilities	594	600	624
	4,710	4,619	4,753
Current liabilities			
Current interest-bearing liabilities	995	1,068	931
Trade and other payables	1,810	1,809	1,486
	2,805	2,877	2,417
Liabilities related to assets held for sale	–	42	–
Total liabilities	7,515	7,538	7,170
Total equity and liabilities	13,924	14,556	13,953

Consolidated statement of changes in equity

€m	Share capital	Share premium reserve	Translation differences	Fair value and other reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Minority interest	Total equity
	Attributable to equity holders of the parent								
Balance at 1 January 2007	890	826	–89	278	–	5,366	7,271	18	7,289
Translation differences	–	–	–11	–	–	–	–11	–	–11
Other items	–	–	–	–	–	1	1	–	1
Net investment hedge, net of tax	–	–	–	–	–	–	–	–	–
Cash flow hedges									
fair value gains/losses, net of tax	–	–	–	9	–	–	9	–	9
transfers from equity, net of tax	–	–	–	–8	–	–	–8	–	–8
Available-for-sale investments									
fair value gains/losses, net of tax	–	–	–	–	–	–	–	–	–
transfers to income statement, net of tax	–	–	–	–2	–	–	–2	–	–2
Profit for the period	–	–	–	–	–	131	131	–	131
Total recognised income and expense for the period	–	–	–11	–1	–	132	120	–	120
Share-based compensation, net of tax	–	–	–	1	–	–	1	–	1
Dividend paid	–	–	–	–	–	–392	–392	–	–392
Business combinations	–	–	–	–	–	–	–	–	–
Total of other changes in equity	–	–	–	1	–	–392	–391	–	–391
Balance at 31 March 2007	890	826	–100	278	–	5,106	7,000	18	7,018
Balance at 1 January 2008	890	–	–158	193	1,067	4,778	6,770	13	6,783
Translation differences	–	–	–144	–	–	–	–144	–	–144
Other items	–	–	–	–	–	–4	–4	–	–4
Net investment hedge, net of tax	–	–	35	–	–	–	35	–	35
Cash flow hedges									
fair value gains/losses, net of tax	–	–	–	38	–	–	38	–	38
transfers from equity, net of tax	–	–	–	–18	–	–	–18	–	–18
Available-for-sale investments									
fair value gains/losses, net of tax	–	–	–	–	–	–	–	–	–
transfers to income statement, net of tax	–	–	–	–	–	–	–	–	–
Profit for the period	–	–	–	–	–	102	102	1	103
Total recognised income and expense for the period	–	–	–109	20	–	98	9	1	10
Share-based compensation, net of tax	–	–	–	1	–	–	1	–	1
Dividend paid	–	–	–	–	–	–384	–384	–	–384
Business combinations	–	–	–	–	–	–	–	–1	–1
Total of other changes in equity	–	–	–	1	–	–384	–383	–1	–384
Balance at 31 March 2008	890	–	–267	214	1,067	4,492	6,396	13	6,409

Condensed consolidated cash flow statement

€m	Q1/2008	Q1/2007	Q1–Q4/2007
Cash flow from operating activities			
Profit for the period	103	131	81
Adjustments, total	152	273	1,390
Change in working capital	–106	–145	–204
Cash generated from operations	149	259	1,267
Finance costs, net	–59	–24	–236
Income taxes paid	–40	–48	–164
Net cash from operating activities	50	187	867
Cash flow from investing activities			
Acquisitions and share purchases	–5	–2	–25
Purchases of intangible and tangible assets	–175	–201	–673
Asset sales and other investing cash flow	9	21	273
Net cash used in investing activities	–171	–182	–425
Cash flow from financing activities			
Change in loans and other financial items	–17	–3	–10
Dividends paid	–	–	–392
Net cash used in financing activities	–17	–3	–402
Change in cash and cash equivalents	–138	2	40
Cash and cash equivalents at beginning of period	237	199	199
Foreign exchange effect on cash	–1	–	–2
Change in cash and cash equivalents	–138	2	40
Cash and cash equivalents at end of period	98	201	237
Operating cash flow per share, €	0.10	0.36	1.66

Quarterly information

€m	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q1–Q4/07
Sales by segment						
Magazine Papers	781	811	847	798	793	3,249
Newsprint	332	378	365	379	348	1,470
Fine and Speciality Papers	726	718	694	686	699	2,797
Label Materials	249	249	252	260	261	1,022
Wood Products	298	297	262	326	314	1,199
Other Operations	168	188	173	214	234	809
Internal sales	–144	–129	–126	–126	–130	–511
Sales, total	2,410	2,512	2,467	2,537	2,519	10,035
Operating profit by segment						
Magazine Papers	44	–62	34	–339	27	–340
Newsprint	15	36	44	53	44	177
Fine and Speciality Papers	31	12	29	39	32	112
Label Materials	–	10	10	13	18	51
Wood Products	8	21	–2	41	32	92
Other Operations	73	123	66	112	47	348
Share of results of associated companies and joint ventures	22	2	14	6	21	43
Operating profit (loss), total	193	142	195	–75	221	483
% of sales	8.0	5.7	7.9	–3.0	8.8	4.8
Gains on available-for-sale investments, net	–	–	–	–	2	2
Exchange rate and fair value gains and losses	–10	–4	–9	8	3	–2
Interest and other finance costs, net	–49	–46	–42	–54	–49	–191
Profit (loss) before tax	134	92	144	–121	177	292
Income taxes	–31	–63	–25	–77	–46	–211
Profit (loss) for the period	103	29	119	–198	131	81
Basic earnings per share, €	0.20	0.06	0.23	–0.38	0.25	0.16
Diluted earnings per share, €	0.20	0.06	0.23	–0.38	0.25	0.16
Average number of shares, basic (1,000)	512,581	514,085	527,012	527,111	523,261	522,867
Average number of shares, diluted (1,000)	513,412	515,322	529,530	530,980	527,086	525,729
Special items in operating profit						
Special items in operating profit are specified in the divisional reviews on pages 5–8.						
Magazine Papers	–	–77	–	–371	–	–448
Newsprint	1	5	–	–	–	5
Fine and Speciality Papers	–	–	–	–	–	–
Label Materials	–	4	–	–	–	4
Wood Products	–	6	–	–	–	6
Other Operations	4	10	–	71	–	81
Share of results of associated companies and joint ventures	–	–	–	–	–	–
Special items in operating profit, total	5	–52	–	–300	–	–352
Special items reported after operating profit	–	–	–	–	–	–
Special items reported in taxes	–	–39	–	–32	–	–71
Special items, total	5	–91	–	–332	–	–423
Operating profit, excl. special items	188	194	195	225	221	835
% of sales	7.8	7.7	7.9	8.9	8.8	8.3
Profit before tax, excl. special items	129	144	144	179	177	644
% of sales	5.4	5.7	5.8	7.1	7.0	6.4
Earnings per share, excl. special items, €	0.19	0.24	0.23	0.28	0.25	1.00
Return on equity, excl. special items, %	5.9	7.1	6.9	8.5	7.3	7.4
Return on capital employed, excl. special items, %	6.5	6.9	6.8	8.3	7.9	7.4

Changes in property, plant and equipment

€m	Q1/2008	Q1/2007	Q1–Q4/2007
Book value at beginning of period	6,179	6,500	6,500
Capital expenditure	128	181	644
Decreases	–2	–12	–96
Depreciation	–183	–195	–752
Impairment charges	–	–	–42
Impairment reversal	–	–	12
Translation difference and other changes	–74	–39	–87
Book value at end of period	6,048	6,435	6,179

Commitments and contingencies

€m	31.03.2008	31.03.2007	31.12.2007
Own commitments			
Mortgages	89	94	90
On behalf of associated companies and joint ventures			
Guarantees for loans	10	11	10
On behalf of others			
Guarantees for loans	–	1	–
Other guarantees	3	5	3
Other own commitments			
Leasing commitments for the next 12 months	26	26	21
Leasing commitments for subsequent periods	86	94	99
Other commitments	66	80	70

Capital commitments

€m	Completion	Total cost	By 31.12.2007	Q1/2008	After 31.03.2008
Pulp mill rebuild, Kymi	June 2008	325	226	36	63
New bioboiler, Caledonian	September 2009	75	11	5	59
New Poland factory, UPM Raflatac	November 2008	90	23	11	56
PM5 quality upgrade, Jämsänkoski	May 2008	38	14	7	17
New wood-plastic composite mill, Germany	December 2008	12	–	–	12

Notional amounts of derivative financial instruments

€m	31.03.2008	31.03.2007	31.12.2007
Currency derivatives			
Forward contracts	5,964	3,968	4,369
Options, bought	121	3	50
Options, written	174	3	60
Swaps	511	565	529
Interest rate derivatives			
Forward contracts	4,639	2,851	3,642
Swaps	2,148	2,542	2,383
Other derivatives			
Forward contracts	18	12	12
Swaps	2	12	3

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

€m	Q1/2008	Q1/2007	Q1–Q4/2007
Sales to associated companies	26	15	130
Purchases from associated companies	127	103	500
Trade and other receivables at end of period	26	14	29
Trade and other payables at end of period	25	28	42

Key exchange rates for the euro at end of period

	31.03.2008	31.12.2007	30.09.2007	30.06.2007	31.03.2007
USD	1.5812	1.4721	1.4179	1.3505	1.3318
CAD	1.6226	1.4449	1.4122	1.4245	1.5366
JPY	157.37	164.93	163.55	166.63	157.32
GBP	0.7958	0.7334	0.6968	0.6740	0.6798
SEK	9.3970	9.4415	9.2147	9.2525	9.3462

Basis of preparation

This unaudited financial report has been prepared in accordance with the accounting policies set forth in International Accounting Standard 34 on Interim Financial Reporting and in the Group's Consolidated Financial Statements for 2007. Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

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:

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

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 68-69 of the company's annual report 2007.

UPM

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