

Finland's UPM To Cut Over 1,100 Workers

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HELSINKI (AP) -- UPM-Kymmene plans up to 1,170 layoffs and mill closures in Finland and Europe as it slashes paper production by 1.3 million tons to cut costs and combat overcapacity.

The world's largest magazine paper maker said Wednesday that most of the production cuts will be in the magazine paper section, in Finland, Germany and France, with a 110,000 ton reduction of newsprint capacity in Germany.

UPM's share price surged on the news, up 8 percent at euro9.17 (\$13.21) in early Helsinki trading.

The Finnish company said that "to adjust its magazine paper capacity to match the needs of its global customer base," it will permanently close the Myllykoski mill in Finland, the Albrück mill in Germany and will shut down a paper machine at the Ettringen mill in Germany.

Streamlining paper and pulp operations will also mean some temporary closures in Germany and Finland.

UPM said the measures will cause a a \$100 million (euro70 million) write-off in fixed assets and a provision for costs of euro200 million in the third quarter.

"The paper industry faces severe challenges due to high raw material, energy and logistics costs, and considerable overcapacity," UPM CEO Jussi Pesonen said. "The profitability of our paper business is clearly below the level required to run long-term sustainable operations."

Like many forest product companies, UPM has been struggling with persistent overcapacity in European paper markets, forcing it to cut production, close mills and lay off thousands of workers in recent years.

Finland's other large paper maker, Stora Enso, last year cut paper volumes by 700,000 tons, shutting down four paper-making machines in Europe.

Helsinki-based UPM-Kymmene, with 24,500 workers worldwide, has production plants in 16 countries. Its net sales amounted to euro10 billion in 2010.

[SOURCE](#) [1]

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