

Unaudited

M-real Corporation Interim report 1 January–30 June 2009 23.7.2009 at 12.00 a.m. 1 (23)

## **M-real's operating result for the first half of the year excluding non-recurring items was EUR -135 million**

### **Result for the first half of 2009**

- Sales were EUR 1,208 million (Q1–Q2/2008: 1,688).
- The operating result excluding non-recurring items amounted to EUR -135 million (13). The operating result including non-recurring items was EUR -191 million (108).
- The result before taxes excluding non-recurring items totalled EUR -145 million (-57). The result before taxes including non-recurring items totalled EUR -212 million (38).
- Earnings per share from continuing operations excluding non-recurring items were EUR -0.42 (-0.18) and including non-recurring items EUR -0.61 (0.10)

### **Result for the second quarter of 2009**

- Sales were EUR 585 million (Q1/2009: 623).
- The operating result excluding non-recurring items amounted to EUR -70 million (-65). The operating result including non-recurring items was EUR -73 million (-118).
- The result before taxes excluding non-recurring items totalled EUR -83 million (-62). The result before taxes including non-recurring items totalled EUR -97 million (-115).
- Earnings per share from continuing operations excluding non-recurring items were EUR -0.24 (-0.18) and including non-recurring items EUR -0.29 (-0.32)

### **Events during the second quarter**

- The revised organisational structure was published. The Other Papers business area was renamed Speciality Papers
- Matti Mörsky started as M-real's CFO
- The Hallein paper mill was closed down and the production of standard coated fine paper was discontinued at the Gohrsmühle mill

### **Events after the period**

- On 15 July 2009, M-real's associated company Oy Metsä-Botnia Ab and its owners, M-real Corporation, Metsäliitto Cooperative and UPM-Kymmene Corporation, signed a letter of intent regarding the divestment of the pulp mill and forests located in Fray Bentos, Uruguay, to UPM

***“Despite the weak demand environment, we have been able to defend paper and board prices. Pulp prices have been rising now for almost four months, and we believe that the positive development will continue. We are particularly pleased to say that despite the poor financial performance, we have succeeded in keeping our operating cash flow neutral mainly by lowering operating net working capital.”***

***Mikko Helander, CEO, M-real Corporation***

*M-real is Europe's leading primary fibre paperboard producer and a major paper supplier. It offers premium solutions for consumer packaging and communications and advertising end-uses. M-real's sales network serves brand owners, converters, publishers, printing houses, merchants and office suppliers.*

*M-real is part of Metsäliitto Group and is listed on the NASDAQ OMX Helsinki Ltd. In 2008, M-real's sales totalled EUR 3.2 billion. M-real has approximately 6,100 employees*

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| KEY FIGURES   | 2009<br>Q2 | 2009<br>Q1 | 2008<br>Q2 | 2009<br>Q1-Q2 | 2008<br>Q1-Q2 | 2008  |
|---|------------|------------|------------|---------------|---------------|-------|
| Sales, EUR million  | 585        | 623        | 829        | 1,208         | 1,688         | 3,236 |
| EBITDA, EUR million   | -23        | -48        | 127        | -71           | 223           | 254   |
| excl. non-recurring items, EUR million  | -20        | -13        | 55         | -33           | 128           | 192   |
| Operating result, EUR million   | -73        | -118       | 71         | -191          | 108           | -61   |
| excl. non-recurring items, EUR million  | -70        | -65        | -1         | -135          | 13            | -35   |
| Result before taxes   |            |            |            |               |               |       |
| from continuing operations, EUR million                                       | -97        | -115       | 36         | -212          | 38            | -204  |
| excl. non-recurring items, EUR million  | -83        | -62        | -36        | -145          | -57           | -178  |
| Result for the period   |            |            |            |               |               |       |
| from continuing operations, EUR million                                       | -93        | -105       | 37         | -198          | 37            | -170  |
| from discontinued operations, EUR million                                     | -2         | -10        | -45        | -12           | -64           | -338  |
| Total, EUR million  | -95        | -115       | -8         | -210          | -27           | -508  |
| Result per share  |            |            |            |               |               |       |
| from continuing operations, EUR   | -0.29      | -0.32      | 0.10       | -0.61         | 0.10          | -0.55 |
| from discontinued operations, EUR   | -0.01      | -0.03      | -0.14      | -0.04         | -0.20         | -1.03 |
| Total, EUR  | -0.30      | -0.35      | -0.04      | -0.65         | -0.10         | -1.58 |
| Result per share  |            |            |            |               |               |       |
| excl. non-recurring items, EUR  | -0.24      | -0.18      | -0.12      | -0.42         | -0.18         | -0.48 |
| Return on equity, %   | -32.1      | -32.0      | 7.9        | -31.9         | 4.0           | -10.4 |
| excl. non-recurring items, %  | -27.2      | -17.6      | -7.4       | -22.0         | -6.1          | -9.0  |
| Return on capital employed, %   | -10.2      | -13.4      | 8.9        | -11.5         | 7.3           | -1.3  |
| excl. non-recurring items, %  | -8.3       | -7.0       | -0.2       | -7.3          | 1.4           | -0.5  |
| Equity ratio at end of period, %  | 29.4       | 30.3       | 36.5       | 29.4          | 36.5          | 30.8  |
| Gearing ratio at end of period, %   | 168        | 151        | 112        | 168           | 112           | 152   |
| Net gearing ratio at end of period, %   | 116        | 101        | 100        | 116           | 100           | 90    |
| Interest-bearing net liabilities, EUR million                                 | 1,276      | 1,243      | 1,888      | 1,276         | 1,888         | 1,254 |
| Gross investments, EUR million  | 16         | 16         | 30         | 32            | 51            | 128   |
| Deliveries, 1 000 tonnes  |            |            |            |               |               |       |
| Paper businesses  | 269        | 321        | 448        | 590           | 929           | 1,761 |
| Consumer Packaging  | 296        | 274        | 351        | 570           | 693           | 1,345 |
| Personnel at the end of period  |            |            |            |               |               |       |
| in continuing operations  | 6,080      | 6,314      | 7,035      | 6,080         | 7,035         | 6,546 |
| in discontinued operations  |            |            | 2,322      |               | 2,322         |       |
| EBITDA = Earnings before interest, taxes, depreciation and impairment charges |            |            |            |               |               |       |

Map Merchant divested in 2007 and the Graphic Papers divested in 2008 are reported under discontinued operations.

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### **Result for April–June compared with the previous quarter**

M-real's sales totalled EUR 585 million (Q1/2009): 623). Comparable sales were down 6.2 per cent. The operating result was EUR -73 million (-118), and the operating result excluding non-recurring items was EUR -70 million (-65).

Non-recurring items in the operating result for January–June totalled EUR -3 million net consisting of the following:

- EUR 1 million cost provision in the Consumer Packaging business area related to personnel cuts.
- EUR 1 million cost provision in the Speciality Papers business area connected to the closure of the Hallein paper mill.
- EUR 1 million cost under Other operations related to the streamlining of the sales network.

The non-recurring items for the previous quarter totalled EUR -53 million net. The key items were:

- EUR 28 million cost provision and write-downs of in the Speciality Papers business area connected to the closure of the Hallein paper mill.
- EUR 22 million cost provisions and write-downs of associated with the closure of the Metsä-Botnia Kaskinen mill. This total consists of EUR 16 million related to the Consumer Packaging business area and EUR 6 million to the Market Pulp and Energy segment.
- EUR 2 million cost under Other operations related to the streamlining of the sales network.

Compared to the previous period, the operating result excluding non-recurring items was weakened by low pulp sales prices, a decrease in the price of uncoated fine paper and cost associated with the discontinuation of the coated fine paper production. The result was boosted by the implemented cost savings.

The total paper business delivery volume was 269,000 tonnes for April–June (321,000). Deliveries by the Consumer Packaging business area totalled 296,000 tonnes (274,000).

Financing income and expenses totalled EUR -12 million (+4). Foreign exchange gains and losses from accounts receivable, accounts payable, financial income and expenses and the valuation of currency hedging were EUR 2 million (0). Net interest and other financing income and expenses were EUR -14 million (4). Other financial expenses include EUR 7 million of valuation gains on interest rate hedges (valuation gain: 2). The financing income of the previous quarter includes a profit of about EUR 31 million from repurchases of M-real's EUR 400 million bond due in December 2010.

The result from continuing operations in April–June before taxes was EUR -97 million (-115). The result includes a non-recurring item of EUR -11 million from the Sunila pulp mill divested by Myllykoski Paper in the line "share of results in associated companies". The result from continuing operations before taxes and non-recurring items was EUR -83 million (-62). Income taxes, including the change in deferred tax liabilities, came to EUR +4 million (+10).

Earnings per share were EUR -0.30 (-0.35). Earnings per share from continuing operations excluding non-recurring items were EUR -0.24 (-0.18). The return on equity was -32.1 per cent (-32.0); excluding non-recurring items, -27.2 per cent (-17.6). Return on capital employed was -10.2 per cent (-13.4); excluding non-recurring items -8.3 per cent (-7.0).

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**Result for January–June compared with the corresponding period last year**

M-real's sales totalled EUR 1,208 million (1,688). Comparable sales were down 24.9 per cent. Operating result was EUR -191 million (+108), and the operating result excluding non-recurring items was EUR -135 million (+13).

Non-recurring items in the operating result for January–June totalled EUR -56 million net, including the following key items:

- EUR 29 million cost provisions and write-downs of in the Speciality Papers business area connected to the closure of the Hallein paper mill.
- EUR 22 million cost provisions and write-downs of associated with the closure of the Metsä-Botnia Kaskinen mill. This total consists of EUR 16 million related to Consumer Packaging business area and EUR 6 million to Market Pulp and Energy segment.
- EUR 3 million cost under Other operations related to the streamlining of the sales network.

The non-recurring items of the corresponding period in the previous year were EUR 95 million net.

Compared to the corresponding period last year, the operating result excluding non-recurring items was weakened by the reduced delivery volumes caused by weakened demand and the reduced value of product, wood and pulp inventories. The result was improved by the implemented price increases and cost savings.

The total paper business delivery volume was 590,000 tonnes for January–June (930,000). Consumer Packaging deliveries totalled 570,000 tonnes (693,000).

Financial income and expenses over the period totalled EUR -8 million (-69). Foreign exchange gains and losses from accounts receivable, accounts payable, financial income and expenses and the valuation of currency hedging were EUR 2 million (1). Net interest and other financing income and expenses stood at EUR -10 million (-70). Other financial expenses include EUR 9 million of valuation gains on interest rate derivatives (valuation gain: 4). The financing income of the review period includes a profit of about EUR 31 million from repurchases of M-real's EUR 400 million bond due in December 2010.

The result from continuing operations over the review period before taxes was EUR -212 million (38). The result includes a non-recurring item of EUR -11 million from the Sunila pulp mill divested by Myllykoski Paper in the line "share of results in associated companies". The result from continuing operations before taxes and excluding non-recurring items was EUR -145 million (-57). Income taxes, including the change in deferred tax liabilities, came to EUR +14 million (-1).

Earnings per share were EUR -0.65 (-0.10). Earnings per share from continuing operations excluding non-recurring items were EUR -0.42 (-0.18). The return on equity was -31.9 per cent (4.0); excluding non-recurring items -22.0 per cent (-6.1). Return on capital employed was -11.5 per cent (+7.3); excluding non-recurring items -7.3 per cent (1.4).

**Personnel**

On 30 June 2009, the company had 6,080 employees (31 March 2009: 6,314), of which 2,318 (2,189) worked in Finland. In January–June 2009, M-real employed an average of 6,252 people (2008: 9,087). The numbers include 30 per cent of Metsä-Botnia's personnel.

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### Investments

Gross investments in January–June totalled EUR 32 million (Q1–Q2/2008: 51). Investments include a EUR 6 million share of Metsä-Botnia's capital expenditure (13). Metsä-Botnia's investment share is based on M-real's 30 per cent ownership.

### Structural change

In February 2009, M-real launched a new profit improvement programme with an annual target of EUR 80 million. The improvement actions target at savings in the business areas and streamlining the support functions to reflect the new company structure and size after the divestment of Graphic Papers. The full annual effect of the programme will be visible from 2011. The majority of the profit improvement measures are expected to be implemented in 2009, and the profit impact is estimated to be EUR 20–25 million in 2009. The related non-recurring costs booked during 2009 are expected to be about EUR 18 million. M-real launched also a separate EUR 60 million programme to improve the 2009 cash flow including, e.g., the reduction of operating net working capital and cuts in investments.

In 2008, M-real announced to be planning the discontinuation of the standard coated fine paper production at the Hallein and Gohrsmühle mills based on earlier examined strategic options. Both mills have been loss-making for a long period of time. At Hallein, paper production was discontinued at the end of April 2009. At the Gohrsmühle mill, the standard coated fine paper production was discontinued in April. At Gohrsmühle, the production of speciality papers as well as uncoated fine paper reels and folio sheets has been expanded. M-real continues to explore various options for the Hallein pulp mill.

The organisation of M-real was revised following the closure of the Hallein paper mill and the discontinuation of standard coated fine paper production at the Gohrsmühle mill. The Other Papers business area was renamed Speciality Papers. The new structure took effect on 17 June 2009.

The strategic review of M-real's paper business continues.

### Management changes

Matti Mörsky started as M-real's CFO on 4 May 2009.

On 17 June 2009, Heikki Husso was appointed Head of the Speciality Papers business area, and Soili Hietanen was appointed Head of Market Pulp and Energy segment. Hietanen is also responsible for contract manufacturing between M-real and Sappi.

### Financing

At the end of June 2009, M-real's equity ratio was 29.4 per cent (31 December 2008: 30.8) and the gearing ratio 168 per cent (152). Net gearing ratio was 116 (90). Some of M-real's loan agreements set a 120 per cent limit on the company's net gearing ratio and a 30 per cent limit on the equity ratio. Calculated as defined in the loan agreements, the net gearing ratio at the end of June was approximately 91 per cent (74) and the equity ratio some 34 per cent (36).

The change in the fair value of investments available for sale was approximately EUR -120 million in the first half of the year based mainly on the decrease in the value of the Pohjolan Voima shares.

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At the end of June, net interest-bearing liabilities totalled EUR 1,276 million (1,254). Foreign-currency-denominated loans accounted for 14 per cent; 90 per cent were floating-rate and the rest were fixed-rate. At the end of June, the average interest rate on loans was 5.2 per cent and the average maturity of long-term loans 2.9 years. The interest rate maturity was 5.4 months at the end of June. During the period the interest rate maturity has varied between 2 and 6 months.

In January–June, cash flow from operations amounted to EUR -36 million (Q1/2009: -20). Working capital was down by EUR 74 million (down 50).

At the end of the period, an average of 4.1 months of net foreign currency exposure was hedged. The degree of hedging varied between 4 and 5 months during the period; approximately 99 per cent of the non-euro-denominated equity was hedged at the end of the period.

Liquidity continues at a good level. At the end of the review period, liquidity was EUR 1,039 million, of which EUR 778 million consisted of committed credit facilities, and EUR 261 million of liquid assets and investments. The amount of committed credit facilities include the undrawn EUR 450 million share of the EUR 500 million syndicated revolving credit facility due in December 2009. In addition, the Group had other interest-bearing receivables totalling EUR 310 million. To meet its short-term financing needs, the Group also had at its disposal uncommitted domestic and foreign commercial paper programmes and credit facilities amounting to about EUR 570 million.

In the second quarter, M-real drew a EUR 60 million pension premium (TyEL) loan. After this draw down, M-real still has a total of about EUR 260 million of undrawn pension premium (TyEL) loans.

In the first quarter, M-real repurchased its own bonds (EUR 400 million bond due in December 2010) with a nominal value of EUR 59.95 million. A gain of approximately EUR 31 million from the purchases was recorded in the first quarter result.

M-real's liquidity is ensured and the company is in negotiations to secure long-term financing.

Standard & Poor's downgraded M-real's credit rating from B- to CCC+ on 16 January 2009. The outlook of the rating remains negative. The downgrade has an about EUR 2 million impact on current annual financing costs.

On 13 February 2009, Moody's Investors Service downgraded M-real's B3 credit rating to Caa1. The outlook of the rating remains negative. The downgrade has an about EUR 2 million impact on current annual financing costs.

## Shares

In January–June 2009, the highest price for M-real's B share on the NASDAQ OMX Helsinki was EUR 0.92, the lowest EUR 0.19, and the average price EUR 0.50. At the end of June, the price of the B share was EUR 0.53.

The trading volume of B shares was EUR 149 million, 104 per cent of the share capital. The market value of the A and B shares totalled EUR 212 million at the end of June.



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At the end of June, Metsäliitto Cooperative owned 38.6 per cent of the shares and held 60.5 per cent of the voting rights conferred by these shares. International investors' holdings decreased to 15 per cent.

On 5 February 2009, Financier de l'Echiquier SA's holding in M-real decreased to 4.8 per cent of the share capital and 1.6 per cent of the voting rights.

The company does not hold any of its own shares.

### **Events after the period**

On 15 July 2009, M-real Corporation's associated company Oy Metsä-Botnia Ab and its owners, M-real Corporation, Metsäliitto Group and UPM-Kymmene Oyj, signed a letter of intent regarding the divestment of the pulp mill and forests located in Fray Bentos, Uruguay, to UPM.

Once the transaction is closed, M-real's net debt will decrease by around EUR 550 million, also taking into account the change of Metsä-Botnia's consolidation method in M-real's consolidated financial accounts. Cash proceeds to be received by M-real is around EUR 300 million. M-real will use the proceeds for debt repayments. The arrangement will not have a significant impact on M-real's equity.

After the closing of the transaction, M-real will change the consolidation method of Metsä-Botnia in its consolidated financial accounts and process its ownership in Metsä-Botnia as an associated company according to IAS 28. As a result of the transaction and the change in the consolidation method, approximately EUR 250 million of consolidated net debt will leave M-real Group. The closing of the transaction and the change in the consolidation method of Metsä-Botnia are estimated to decrease M-real's annual sales by around EUR 250 million and to slightly improve the result before taxes compared to the first quarter 2009.

The closing of the transaction is subject to approvals by the respective parties' Board of Directors, the execution of final agreements, conclusion of negotiations with financing parties and approval of the competition authorities. The transaction is estimated to be closed during the last quarter of 2009. After the closing of the transaction M-real owns 30% of Metsä-Botnia, Metsäliitto Cooperative 53% and UPM 17%.

M-real's Board of Directors has processed and approved the letter of intent acting without those of its members who are dependent on Metsäliitto Cooperative. At the request of M-real's Board of Directors Handelsbanken Capital Markets has issued a Fairness Opinion, according to which the transaction is financially fair from the point of view of M-real's shareholders. Castrén & Snellman Oy, Attorneys-at-law, provides legal advice in the transaction.

### **Near-term outlook**

The demand for folding boxboard improved steadily in the second quarter, and the operating rates are approaching normal levels. A process to increase prices of folding boxboard has been started in the UK. Price increases are under consideration to be implemented also in the other markets in Europe.

Over the past few weeks, order inflows for uncoated fine paper have improved, and at the moment it appears that the price decline is bottoming out.

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The demand for coated papers has remained weak. After the discontinuation of standard coated fine paper production at Hallein and Gohrsmühle, the strategic importance of coated papers is no longer significant to M-real.

Following the discontinuation of the standard coated fine paper production, the expansion of uncoated fine paper and speciality paper production has progressed according to plan. The demand for speciality papers still remains somewhat under the normal level, but the producers have managed to keep the price level fairly stable.

Pulp prices have been rising for almost four months, but the euro prices still remain clearly under the price level seen at the end of 2008. The prices appear to continue their moderate rise primarily based on production curtailments. With economic recovery and growing demand for pulp, pulp prices are expected to rise more rapidly.

M-real's internal profit improvement programmes, concurrently with declining wood raw material and chemical costs, will ease the challenging profitability situation. Performance in 2009 will be negatively affected by significant extraordinary operating costs related to adapting operations to a smaller scale and more profitable entity.

Despite some recent signs of improvement, M-real's operating result for 2009, excluding non-recurring items, will be clearly weaker than last year's result, due to the company's weak performance in the first part of the year.

### **Near-term business risks**

The weakening of and general uncertainty in the global economy have also had a negative impact on the operating conditions of the European paper and board industry. Despite some signs of improvement, there is still the risk that the slowdown of the global economy and the resulting weak demand for paper and board will be prolonged. A prolonged period of weak demand increases the risk of weakening cash flow.

Due to the overall situation of the financial market, the availability of corporate financing remains constrained. M-real owns significant assets that can be liquidated when needed in order to ensure sufficient financing.

Weak demand may lead to production curtailments that are larger than planned. There is also the risk that product prices may fall.

There is a risk of a strengthening euro, particularly in relation to the US dollar and the British pound, which would have a negative impact on operating conditions in the paper and board industry.

Because the forward-looking estimates and statements of these financial statements are based on current plans and estimates, they contain risks and other uncertain factors that may cause the results to differ from the statements concerning them.

In the short term, M-real's result will be particularly affected by the price of, and demand for, finished products, raw material costs, the price of energy, and the exchange rate development of the euro.

More information about longer-term risk factors can be found on pages 37–38 of M-real's 2008 annual report.



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## M-REAL CORPORATION

### **Further information:**

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More information available starting from 1 pm on 23 July 2009. A telephone conference for investors and analysts starts at 3 pm.

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## BUSINESS AREAS AND MARKET TRENDS

|                                | 2009  | 2009  | 2008  | 2008  | 2008  | 2009  | 2008  | 2008  |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Consumer Packaging             | Q2    | Q1    | Q4    | Q3    | Q2    | Q1-Q2 | Q1-Q2 |       |
| Sales, EUR million             | 237   | 226   | 248   | 274   | 274   | 463   | 540   | 1,061 |
| EBITDA, EUR million            | 24    | 15    | 11    | 37    | 23    | 39    | 60    | 108   |
| excl. non-recurring items      | 25    | 19    | 11    | 37    | 23    | 44    | 61    | 109   |
| Operating result, EUR million  | 4     | -17   | -13   | 17    | 3     | -13   | 20    | 24    |
| excl. non-recurring items      | 5     | -1    | -9    | 17    | 3     | 4     | 21    | 29    |
| Return on capital employed, %  | 2.1   | -8.8  | -6.0  | 8.3   | 1.4   | -3.4  | 5.0   | 3.2   |
| excl. non-recurring items, %   | 2.5   | -0.4  | -4.0  | 8.3   | 1.4   | 1.0   | 5.3   | 3.8   |
| Deliveries, 1,000 tonnes       | 296   | 274   | 303   | 348   | 351   | 570   | 693   | 1,345 |
| Production, 1,000 tonnes       | 275   | 292   | 293   | 347   | 335   | 567   | 696   | 1,336 |
| Personnel at the end of period | 1,690 | 1,535 | 1,541 | 1,576 | 1,825 | 1,690 | 1,825 | 1,541 |

### Result for April–June compared with the previous quarter

The operating result excluding non-recurring items for the Consumer Packaging business area improved from the previous quarter and was EUR 5 million (Q1/2009: -1). The result was improved by the increase in delivery volumes. The result was weakened by falling average selling prices caused mainly by the weakening of the US dollar.

The result includes a non-recurring item consisting of a EUR -1 million cost provision in the Consumer Packaging business area related to personnel reductions. The result for the previous quarter included non-recurring items of EUR -16 million in cost provisions, and write-downs related to the closure of the Metsä-Botnia Kaskinen mill.

The deliveries of European folding boxboard producers were 2 per cent higher compared with the previous quarter. Consumer Packaging's deliveries of folding boxboard were up by 9 per cent.

### Result for January–June compared with the corresponding period last year

The operating result excluding non-recurring items for the Consumer Packaging business area weakened compared to the corresponding period last year and totalled EUR 4 million (21). The most significant factor weakening the result was the general decline in demand. Price increases, the implementation of cost-saving measures and the strengthening of the US dollar improved the result.

The result includes EUR -17 million non-recurring items. The result for the corresponding period last year included non-recurring items of EUR -1 million.

The deliveries of European folding boxboard producers fell by 19 per cent compared with the corresponding period last year. Consumer Packaging's deliveries of folding boxboard were down by 17 per cent.

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|                                | 2009  | 2009  | 2008  | 2008  | 2008  | 2009  | 2008  | 2008  |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Office Papers                  | Q2    | Q1    | Q4    | Q3    | Q2    | Q1-Q2 | Q1-Q2 |       |
| Sales, EUR million             | 131   | 147   | 174   | 203   | 204   | 278   | 427   | 804   |
| EBITDA, EUR million            | -3    | -2    | -3    | 11    | 10    | -5    | 27    | 35    |
| excl. non-recurring items      | -3    | -2    | -1    | 11    | 10    | -5    | 27    | 37    |
| Operating result, EUR million  | -18   | -17   | -38   | -6    | -7    | -35   | -9    | -53   |
| excl. non-recurring items      | -18   | -17   | -14   | -6    | -7    | -35   | -9    | -29   |
| Return on capital employed, %  | -13.7 | -12.4 | -25.6 | -3.2  | -3.2  | -12.9 | -1.8  | -7.4  |
| excl. non-recurring items, %   | -13.7 | -12.4 | -9.2  | -3.2  | -3.2  | -12.9 | -1.8  | -3.8  |
| Deliveries, 1,000 tonnes       | 190   | 203   | 237   | 270   | 274   | 393   | 574   | 1,081 |
| Production, 1,000 tonnes       | 202   | 199   | 177   | 226   | 245   | 401   | 502   | 905   |
| Personnel at the end of period | 1,428 | 1,454 | 1,495 | 1,518 | 1,504 | 1,428 | 1,504 | 1,495 |

#### Result for April–June compared with the previous quarter

The operating result excluding non-recurring items for the Office Papers business area weakened compared with the previous quarter and was EUR -18 million (Q1/2009: -17). The result was weakened by the lower average selling prices. The result was improved by lower production costs. The result does not include non-recurring items.

The result for the previous quarter did not include non-recurring items.

Total deliveries by European uncoated fine paper producers were down by 3 per cent compared to the previous quarter. The delivery volume of Office Papers fell by 6 per cent.

#### Result for January–June compared with the corresponding period last year

The operating result excluding non-recurring items for Office Papers weakened compared to the corresponding period last year and totalled EUR -35 million (-9). The result was weakened by the lower average selling prices and the reduced demand for products. The result was improved by lower raw material costs and implemented cost savings measures. The result did not include non-recurring items.

The result for the corresponding period last year did not include non-recurring items.

Total deliveries by European uncoated fine paper producers fell by 17 per cent compared to the corresponding period last year. The delivery volume of Office Papers fell by 32 per cent. This figure includes the impact of the divestment of the New Thames mill.

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| <b>Speciality Papers</b>       | <b>2009<br/>Q2</b> | <b>2009<br/>Q1</b> | <b>2008<br/>Q4</b> | <b>2008<br/>Q3</b> | <b>2008<br/>Q2</b> | <b>2009<br/>Q1-Q2</b> | <b>2008<br/>Q1-Q2</b> | <b>2008</b> |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|-----------------------|-------------|
| Sales, EUR million             | 82                 | 117                | 147                | 153                | 158                | 199                   | 322                   | 622         |
| EBITDA, EUR million            | -17                | -33                | -1                 | 7                  | 8                  | -50                   | 39                    | 45          |
| excl. non-recurring items      | -16                | -5                 | 1                  | 7                  | 9                  | -21                   | 15                    | 23          |
| Operating result, EUR million  | -23                | -40                | -75                | -3                 | -2                 | -63                   | 19                    | -59         |
| excl. non-recurring items      | -22                | -12                | -8                 | -3                 | -1                 | -34                   | -4                    | -15         |
| Return on capital employed, %  | -32.2              | -43.4              | -63.5              | -2.3               | -1.2               | -37.6                 | 8.3                   | -14.3       |
| excl. non-recurring items, %   | -30.4              | -12.5              | -5.8               | -2.3               | -0.8               | -19.8                 | -1.7                  | -3.4        |
| Deliveries, 1,000 tonnes       | 80                 | 118                | 157                | 168                | 174                | 198                   | 355                   | 680         |
| Production, 1,000 tonnes       | 74                 | 99                 | 160                | 170                | 186                | 173                   | 376                   | 705         |
| Personnel at the end of period | 1,742              | 1,971              | 1,965              | 2,009              | 2,026              | 1,742                 | 2,026                 | 1,965       |

#### Result for April–June compared with the previous quarter

The operating result excluding non-recurring items for the Speciality Papers business area weakened compared to the previous quarter and was EUR -22 million (Q1/2009: -12). The result was weakened by the costs associated with discontinuation of the standard coated fine paper production.

The result includes a non-recurring item of EUR -1 million connected to the closure of the Hallein paper mill.

The result for the previous quarter included non-recurring items of EUR -28 million connected to the closure of the Hallein paper mill.

Total deliveries by European coated fine paper producers fell by 5 per cent compared to the previous quarter. The delivery volume of Speciality Papers fell by 32 per cent; this figure includes the discontinuation of the standard coated fine paper production.

#### Result for January–June compared with the corresponding period last year

The operating result excluding non-recurring items for Speciality Papers weakened compared to the corresponding period last year and totalled EUR -34 million (-4). The result was weakened by the heavy decline in the demand for products and the cost associated with discontinuation of coated fine paper production. The result was improved by higher selling prices and implemented cost savings measures.

The result includes total EUR -29 million in non-recurring items.

The result for the corresponding period last year included non-recurring items of EUR 23 million.

Total deliveries by European coated fine paper producers fell by 26 per cent compared to the corresponding period last year. The delivery volume of Speciality Papers fell by 44 per cent; this figure includes the discontinuation of the standard coated fine paper production.

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|                               | 2009      | 2009      | 2008      | 2008      | 2008      | 2009         | 2008         | 2008  |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|--------------|--------------|-------|
| <b>Market Pulp and Energy</b> | <b>Q2</b> | <b>Q1</b> | <b>Q4</b> | <b>Q3</b> | <b>Q2</b> | <b>Q1-Q2</b> | <b>Q1-Q2</b> |       |
| Sales, EUR million            | 116       | 134       | 150       | 172       | 160       | 250          | 322          | 644   |
| EBITDA, EUR million           | -10       | -4        | 8         | 23        | 96        | -14          | 117          | 148   |
| excl. non-recurring items     | -10       | -3        | 8         | 23        | 22        | -13          | 43           | 73    |
| Operating result, EUR million | -19       | -18       | -2        | 12        | 86        | -37          | 96           | 106   |
| excl. non-recurring items     | -19       | -12       | -2        | 12        | 12        | -31          | 22           | 32    |
| Return on capital employed, % | -9.2      | -8.4      | -1.3      | 5.1       | 37.3      | -8.8         | 22.8         | 12.6  |
| excl. non-recurring items, %  | -9.2      | -5.8      | -1.3      | 5.1       | 4.8       | -7.5         | 5.0          | 3.6   |
| Deliveries, 1,000 tonnes      | 327       | 287       | 264       | 291       | 279       | 614          | 559          | 1,115 |

#### Result for April–June compared with the previous quarter

The operating result excluding non-recurring items for the Market Pulp and Energy reporting segment weakened compared with the previous quarter and was EUR -19 million (Q1/2009: -12). The result was weakened by lower pulp selling prices due to weakened US dollar. Lower wood costs improved the result.

The result did not include non-recurring items.

The result for the previous quarter included EUR -6 million in non-recurring items.

#### Result for January–June compared with the corresponding period last year

The operating result excluding non-recurring items for the Market Pulp and Energy reporting segment weakened compared to the corresponding period last year and totalled EUR -31 million (22). The result was weakened by the lower selling price of pulp and the production curtailments of pulp mills due to low demand. The result was improved by lower wood costs.

In addition, cost provisions and write-downs of EUR 6 million associated with the closure of the Metsä-Botnia Kaskinen mill were recognised as non-recurring items in the result.

The result for the corresponding period last year included EUR 74 million non-recurring items.

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**Condensed consolidated statement of comprehensive income**

| EUR million   | 2009<br>Q1-Q2 | 2008<br>Q1-Q2 | Change       | 2008         | 2009<br>Q1   | 2009<br>Q2   |
|---|---------------|---------------|--------------|--------------|--------------|--------------|
| <b>Continuing operations</b>  |               |               |              |              |              |              |
| <b>Sales</b>  | <b>1,208</b>  | <b>1,688</b>  | <b>-480</b>  | <b>3,236</b> | <b>623</b>   | <b>585</b>   |
| Other operating income  | 61            | 148           | -87          | 182          | 33           | 28           |
| Operating expenses  | -1,340        | -1,613        | 273          | -3,164       | -704         | -636         |
| Depreciation and impairment losses  | -120          | -115          | -5           | -315         | -70          | -50          |
| <b>Operating result</b>   | <b>-191</b>   | <b>108</b>    | <b>-299</b>  | <b>-61</b>   | <b>-118</b>  | <b>-73</b>   |
| % of sales  | -15.8         | 6.4           |              | -1.9         | -18.9        | -12.5        |
| Share of results in associated companies  | -13           | -1            | -12          | -1           | -1           | -12          |
| Net exchange gains and losses   | 2             | 1             | 1            | 13           | 0            | 2            |
| Other net financial items   | -10           | -70           | 60           | -155         | 4            | -14          |
| <b>Result before income tax</b>   | <b>-212</b>   | <b>38</b>     | <b>-250</b>  | <b>-204</b>  | <b>-115</b>  | <b>-97</b>   |
| % of sales  | -17.5         | 2.3           |              | -6.3         | -18.5        | -16.6        |
| Income taxes  | 14            | -1            | 15           | 34           | 10           | 4            |
| <b>Result for the period from continuing operations</b>   | <b>-198</b>   | <b>37</b>     | <b>-235</b>  | <b>-170</b>  | <b>-105</b>  | <b>-93</b>   |
| % of sales  | -16.4         | 2.2           |              | -5.3         | -16.9        | -15.9        |
| <b>Discontinued operations</b>  |               |               |              |              |              |              |
| Result from discontinued operations   | -12           | -64           | 52           | -338         | -10          | -2           |
| <b>Result for the period</b>  | <b>-210</b>   | <b>-27</b>    | <b>-183</b>  | <b>-508</b>  | <b>-115</b>  | <b>-95</b>   |
| <b>Other comprehensive income</b>   |               |               |              |              |              |              |
| Cash flow hedges  | 12            | 12            | 0            | -41          | -1           | 13           |
| Available for sale financial assets   | -120          | 67            | -187         | 87           | -63          | -57          |
| Translation differences   | 3             | -2            | 5            | 11           | 3            | 0            |
| Income tax relating to components of other comprehensive income                                 | 28            | -22           | 50           | -19          | 18           | 10           |
| <b>Other comprehensive income, net of tax</b>   | <b>-77</b>    | <b>55</b>     | <b>-132</b>  | <b>38</b>    | <b>-43</b>   | <b>-34</b>   |
| <b>Total comprehensive income for the period</b>  | <b>-287</b>   | <b>28</b>     | <b>-315</b>  | <b>-470</b>  | <b>-158</b>  | <b>-129</b>  |
| <b>Result for the period attributable to</b>  |               |               |              |              |              |              |
| Shareholders of parent company  | -212          | -31           | -181         | -517         | -116         | -96          |
| Minority interest   | 2             | 4             | -2           | 9            | 1            | 1            |
|   | -210          | -27           | -183         | -508         | -115         | -95          |
| <b>Total comprehensive income for the period attributable to</b>                                |               |               |              |              |              |              |
| Shareholders of parent company  | -289          | 26            | -315         | -481         | -162         | -127         |
| Minority interest   | 2             | 2             | 0            | 11           | 4            | -2           |
|   | -287          | 28            | -315         | -470         | -158         | -129         |
| <b>Earnings per share for result attributable to shareholders of parent company (EUR/share)</b> |               |               |              |              |              |              |
| from continuing operations  | -0.61         | 0.10          | -0.71        | -0.55        | -0.32        | -0.29        |
| from discontinued operations  | -0.04         | -0.20         | 0.16         | -1.03        | -0.03        | -0.01        |
| <b>Total</b>  | <b>-0.65</b>  | <b>-0.10</b>  | <b>-0.55</b> | <b>-1.58</b> | <b>-0.35</b> | <b>-0.30</b> |

The change in the fair value of investments available for sale is based mainly on the decrease in the value of the Pohjolan Voima shares. The change in the fair value of the Pohjolan Voima shares relates mainly to the decrease of the 12 month moving average value of Nord Pool electricity futures used in the valuation.



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**Condensed consolidated balance sheet**

| EUR million                                | 30.6.<br>2009 | %     | 30.6.<br>2008 | %     | 31.12.<br>2008 | %     |
|--|---------------|-------|---------------|-------|----------------|-------|
| <b>ASSETS</b>                              |               |       |               |       |                |       |
| <b>Non-current assets</b>                  |               |       |               |       |                |       |
| Goodwill                                   | 51            | 1.4   | 172           | 3.3   | 51             | 1.1   |
| Other intangible assets                    | 47            | 1.3   | 71            | 1.4   | 51             | 1.1   |
| Tangible assets                            | 1,468         | 39.1  | 2,633         | 50.7  | 1,808          | 40.1  |
| Biological assets                          | 2             | 0.1   | 43            | 0.8   | 57             | 1.3   |
| Investments in associated companies        | 49            | 1.3   | 62            | 1.2   | 63             | 1.4   |
| Available for sale investments             | 304           | 8.1   | 387           | 7.4   | 440            | 9.8   |
| Non-current financial assets               | 229           | 6.1   | 33            | 0.6   | 232            | 5.2   |
| Deferred tax receivables                   | 5             | 0.1   | 3             | 0.1   | 5              | 0.1   |
|  | <b>2,155</b>  | 57.5  | <b>3,404</b>  | 65.5  | <b>2,707</b>   | 60.1  |
| <b>Current assets</b>                      |               |       |               |       |                |       |
| Inventories                                | 373           | 9.9   | 653           | 12.6  | 505            | 11.2  |
| Accounts receivables and other receivables | 575           | 15.3  | 1,068         | 20.5  | 743            | 16.5  |
| Cash and cash equivalents                  | 247           | 6.6   | 73            | 1.4   | 550            | 12.2  |
|  | <b>1,195</b>  | 31.8  | <b>1,794</b>  | 34.5  | <b>1,798</b>   | 39.9  |
| Assets classified as held for sale         | 402           | 10.7  |               |       |                |       |
| <b>Total assets</b>                        | <b>3,752</b>  | 100.0 | <b>5,198</b>  | 100.0 | <b>4,505</b>   | 100.0 |

**SHAREHOLDERS' EQUITY AND LIABILITIES****Shareholders' equity**

|   |              |      |              |      |              |      |
|---|--------------|------|--------------|------|--------------|------|
| Equity attributable to shareholders of parent company | 1,040        | 27.7 | 1,836        | 35.3 | 1,329        | 29.5 |
| Minority interest                                     | 59           | 1.6  | 56           | 1.1  | 57           | 1.3  |
| <b>Total equity</b>                                   | <b>1,099</b> | 29.3 | <b>1,892</b> | 36.4 | <b>1,386</b> | 30.8 |

**Non-current liabilities**

|                                     |              |      |              |      |              |      |
|-------------------------------------|--------------|------|--------------|------|--------------|------|
| Deferred tax liabilities            | 184          | 4.9  | 307          | 5.9  | 232          | 5.1  |
| Post-employment benefit obligations | 92           | 2.4  | 141          | 2.7  | 98           | 2.2  |
| Provisions                          | 81           | 2.2  | 45           | 0.9  | 99           | 2.2  |
| Borrowings                          | 1,394        | 37.2 | 1,637        | 31.5 | 1,568        | 34.8 |
| Other liabilities                   | 15           | 0.4  | 30           | 0.6  | 18           | 0.4  |
|                                     | <b>1,766</b> | 47.1 | <b>2,160</b> | 41.6 | <b>2,015</b> | 44.7 |

**Current liabilities**

|   |              |       |              |       |              |       |
|---|--------------|-------|--------------|-------|--------------|-------|
| Current borrowings                                | 337          | 9.0   | 491          | 12.6  | 538          | 11.9  |
| Accounts payable and other liabilities            | 414          | 11.0  | 655          | 9.4   | 566          | 12.6  |
|   | <b>751</b>   | 20.0  | <b>1,146</b> | 22.0  | <b>1,104</b> | 24.5  |
| Liabilities classified as held for sale           | <b>136</b>   | 3.6   |              |       |              |       |
| <b>Total liabilities</b>                          | <b>2,653</b> | 70.7  | <b>3,306</b> | 63.6  | <b>3,119</b> | 69.2  |
| <b>Total shareholders' equity and liabilities</b> | <b>3,752</b> | 100.0 | <b>5,198</b> | 100.0 | <b>4,505</b> | 100.0 |

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**Condensed consolidated cash flow statement**

| <b>EUR million</b>  | <b>2009<br/>Q1-Q2</b> | <b>2008<br/>Q1-Q2</b> | <b>2008</b> | <b>2009<br/>Q2</b> |
|---|-----------------------|-----------------------|-------------|--------------------|
| Result for the period                                     | -211                  | -27                   | -508        | -97                |
| Total adjustments   | 101                   | 126                   | 619         | 57                 |
| Change in working capital                                 | 74                    | -60                   | 7           | 24                 |
| <b>Cash flow arising from operations</b>                  | <b>-36</b>            | <b>39</b>             | <b>118</b>  | <b>-16</b>         |
| Net financial items                                       | -1                    | -54                   | -193        | -17                |
| Income taxes paid   | 10                    | -23                   | -22         | 13                 |
| <b>Net cash flow arising from operating activities</b>    | <b>-27</b>            | <b>-38</b>            | <b>-97</b>  | <b>-20</b>         |
| Investments in intangible and tangible assets             | -32                   | -51                   | -128        | -16                |
| Divestments of assets and other                           | 5                     | 138                   | 483         | 3                  |
| <b>Net cash flow arising from investing activities</b>    | <b>-27</b>            | <b>87</b>             | <b>355</b>  | <b>-13</b>         |
| Share issue, minority interest                            | 0                     | 2                     | 2           | 0                  |
| Changes in non-current loans and in other financial items | -235                  | -337                  | -71         | -6                 |
| Dividends paid  | 0                     | -20                   | -20         | 0                  |
| <b>Net cash flow arising from financing activities</b>    | <b>-235</b>           | <b>-355</b>           | <b>-89</b>  | <b>-6</b>          |
| <b>Changes in cash and cash equivalents</b>               | <b>-289</b>           | <b>-306</b>           | <b>169</b>  | <b>-39</b>         |
| Cash and cash equivalents at beginning of period          | 550                   | 380                   | 380         | 301                |
| Translation difference in cash and cash equivalents       | 0                     | -1                    | 1           | -1                 |
| Changes in cash and cash equivalents                      | -289                  | -306                  | 169         | -39                |
| Assets held for sale                                      | -14                   | 0                     | 0           | -14                |
| <b>Cash and cash equivalents at end of period</b>         | <b>247</b>            | <b>73</b>             | <b>550</b>  | <b>247</b>         |

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**Statement of changes in shareholders' equity**

|                                       | Equity attributable to shareholders of parent company |                       |                           |                               |                   |       |                   |       |
|---------------------------------------|---|-----------------------|---------------------------|-------------------------------|-------------------|-------|-------------------|-------|
|                                       | Share capital   | Share premium account | Trans-lation diffe-rences | Fair value and other reserves | Retained earnings | Total | Minority interest | Total |
| EUR million                           |   |                       |                           |                               |                   |       |                   |       |
| Shareholders' equity, 1 January 2008  | 558   | 667                   | -11                       | 225                           | 391               | 1,830 | 52                | 1,882 |
| Dividends paid                        |   |                       |                           |                               | -20               | -20   |                   | -20   |
| Metsä Botnia restructuring in Uruguay |   |                       |                           |                               |                   |       | 2                 | 2     |
| Comprehensive income for the period   |   |                       | -2                        | 59                            | -31               | 26    | 2                 | 28    |
| Shareholders' equity, 30 June 2008    | 558   | 667                   | -13                       | 284                           | 340               | 1,836 | 56                | 1,892 |
| Shareholders' equity, 1 January 2009  | 558   | 667                   | -9                        | 259                           | -146              | 1,329 | 57                | 1,386 |
| Comprehensive income for the period   |   |                       | 4                         | -81                           | -212              | -289  | 2                 | -287  |
| Shareholders' equity, 30 June 2009    | 558   | 667                   | -5                        | 178                           | -358              | 1,040 | 59                | 1,099 |

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| Key ratios   | 2009<br>Q1-Q2 | 2008<br>Q1-Q2 | 2008  | 2009<br>Q2 |
|--|---------------|---------------|-------|------------|
| Sales, EUR million                                   | 1,208         | 1,688         | 3,236 | 585        |
| EBITDA, EUR million                                  | -71           | 223           | 254   | -23        |
| excl. non-recurring items, EUR million               | -33           | 128           | 192   | -20        |
| Operating result, EUR million                        | -191          | 108           | -61   | -73        |
| excl. non-recurring items, EUR million               | -135          | 13            | -35   | -70        |
| Result from continuing operations                    |               |               |       |            |
| before taxes, EUR million                            | -212          | 38            | -204  | -97        |
| excl. non-recurring items, Eur million               | -145          | -57           | -178  | -83        |
| Result for the period                                |               |               |       |            |
| from continuing operations, EUR million              | -198          | 37            | -170  | -93        |
| from discontinued operations, EUR million            | -12           | -64           | -338  | -2         |
| Total, EUR million                                   | -210          | -27           | -508  | -95        |
| Earnings per share                                   |               |               |       |            |
| from continuing operations, EUR                      | -0.61         | 0.10          | -0.55 | -0.29      |
| from discontinued operations, EUR                    | -0.04         | -0.20         | -1.03 | -0.01      |
| Total, EUR   | -0.65         | -0.10         | -1.58 | -0.30      |
| Earnings per share, excl. non-recurring items, EUR   | -0.42         | -0.18         | -0.48 | -0.24      |
| Return on equity, %                                  | -31.9         | 4.0           | -10.4 | -32.1      |
| excl. non-recurring items, %                         | -22.0         | -6.1          | -9.0  | -27.2      |
| Return on capital employed, %                        | -11.5         | 7.3           | -1.3  | -10.2      |
| excl. non-recurring items, %                         | -7.3          | 1.4           | -0.5  | -8.3       |
| Equity ratio at end of period, %                     | 29.4          | 36.5          | 30.8  | 29.4       |
| Gearing ratio at end of period, %                    | 168           | 112           | 152   | 168        |
| Net gearing ratio at end of period, %                | 116           | 100           | 90    | 116        |
| Shareholders' equity per share at end of period, EUR | 3.17          | 5.60          | 4.05  | 3.17       |
| Interest-bearing net liabilities, EUR million        | 1,276         | 1,888         | 1,254 | 1,276      |
| Gross capital expenditure, EUR million               | 32            | 51            | 128   | 16         |
| Deliveries, 1 000<br>tonnes                          |               |               |       |            |
| Paper business                                       | 590           | 929           | 1,761 | 269        |
| Consumer Packaging                                   | 570           | 693           | 1,345 | 296        |
| Personnel at the end of period                       |               |               |       |            |
| in continuing operations                             | 6,080         | 7,035         | 6,546 | 6,080      |
| in discontinued operations                           |               | 2,322         |       |            |

EBITDA = Earnings before interest, taxes, depreciation and impairment charges

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| <b>Securities and guarantees</b>  | <b>2009</b> | <b>2008</b> | <b>2008</b> |
|-----------------------------------|-------------|-------------|-------------|
| <b>EUR million</b>                | <b>Q2</b>   | <b>Q2</b>   |             |
| For own liabilities               | 130         | 58          | 61          |
| On behalf of associated companies | 1           | 1           | 1           |
| On behalf of Group companies      | 5           | 5           | 5           |
| On behalf others                  | 4           | 3           | 2           |
| <b>Total</b>                      | <b>140</b>  | <b>67</b>   | <b>69</b>   |

| <b>Open derivative contracts</b> | <b>2009</b>  | <b>2008</b>  | <b>2008</b>  |
|----------------------------------|--------------|--------------|--------------|
| <b>EUR million</b>               | <b>Q2</b>    | <b>Q2</b>    |              |
| Interest rate derivatives        | 1,334        | 1,815        | 1,286        |
| Currency derivatives             | 3,166        | 3,326        | 2,805        |
| Other derivatives                | 290          | 176          | 185          |
| <b>Total</b>                     | <b>4,790</b> | <b>5,317</b> | <b>4,276</b> |

The fair value of open derivative contracts calculated at market value at the end of the review period was EUR -14.6 million (EUR 15.0 million 31 December 2008 and EUR 27.7 million 30 June 2008).

Also include other closed contracts to a total amount of EUR 2,611.2 million (EUR 2,068.8 million 31 December 2008 and EUR 2,623.2 million June 30 2008 ).

| <b>Commitments related to fixed assets</b> | <b>2009</b> | <b>2008</b> | <b>2008</b> |
|--|-------------|-------------|-------------|
| <b>EUR million</b>                         | <b>Q2</b>   | <b>Q2</b>   |             |
| Payments due in following 12 months        | 4           | 5           | 0           |
| Payments due later                         | 2           | 1           | 1           |

| <b>Changes in property, plant and equipment</b> | <b>2009</b>  | <b>2008</b>  | <b>2008</b>  |
|---|--------------|--------------|--------------|
| <b>EUR million</b>                              | <b>Q2</b>    | <b>Q2</b>    |              |
| Carrying value at beginning of period           | 1,808        | 2,820        | 2,820        |
| Capital expenditure                             | 29           | 51           | 128          |
| Decreases                                       | -1           | -73          | -670         |
| Assets classified as held for sale              | -253         | 0            | 0            |
| Depreciation and impairment charges             | -112         | -107         | -282         |
| related to discontinued operations              | 0            | -38          | -149         |
| Translation difference                          | -3           | -20          | -39          |
| <b>Carrying value at end of period</b>          | <b>1,468</b> | <b>2,633</b> | <b>1,808</b> |

Depreciation and impairment losses related to discontinued operations include Graphic Papers business.

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**Related-party transaction**

| <b>Transaction and balances with parent and sister companies</b> | <b>2009</b> | <b>2008</b> | <b>2008</b> |
|--|-------------|-------------|-------------|
| <b>EUR million</b>   | <b>Q2</b>   | <b>Q2</b>   |             |
| Sales  | 15          | 16          | 34          |
| Other operating income   | 2           | 2           | 3           |
| Purchases  | 163         | 318         | 571         |
| Interest income  | 2           | 3           | 7           |
| Interest expences  | 1           | 3           | 4           |
| Non-current receivables  | 5           | 19          | 5           |
| Current receivables  | 60          | 117         | 49          |
| Non-current liabilities  | 0           | 0           | 0           |
| Current liabilities  | 203         | 34          | 228         |

| <b>Transaction with associated companies</b> | <b>2009</b> | <b>2008</b> | <b>2008</b> |
|--|-------------|-------------|-------------|
| <b>EUR million</b>                           | <b>Q2</b>   | <b>Q2</b>   |             |
| Sales  | 0           | 0           | 0           |
| Purchases                                    | 2           | 2           | 4           |
| Non-current receivables                      | 1           | 2           | 0           |
| Current receivables                          | 7           | 10          | 7           |
| Current liabilities                          | 1           | 2           | 2           |



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## Accounting policies

This unaudited interim report has been prepared in accordance with accounting policies set out in International Accounting Standard 34 and in the M-real's Annual Report for 2008.

*The Group has adopted the following standards:*

IAS 1 (revisited), Presentation of Financial Statements. The revisited standard is aimed at improving users' ability to analyse and compare the information given in financial statements by separating changes in equity of an entity arising from transactions with owners from other changes in equity. The Group presents non-owner changes in equity in the statement of comprehensive income.

IFRS 8, Operating Segments. The new standard replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The operating segments are the same as in 2008 according to IAS 14 or Consumer Packaging, Office Papers, Speciality Papers and Market Pulp and Energy.

The figures in the financial statement are unaudited.

## Calculation of key ratios

|                                |   |   |
|--------------------------------|---|---|
| Return on equity (%)           | = | (Result from continuing operations before tax - direct taxes) per<br>(Shareholders' equity (average))   |
| Return on capital employed (%) | = | (Result from continuing operations before tax + interest expenses,<br>net exchange gains/losses and other financial expenses) per<br>(Shareholders' equity + interest-bearing borrowings (average)) |
| Equity ratio (%)               | = | (Shareholders' equity) per<br>(Total assets - advance payments received)  |
| Gearing ratio (%)              | = | (Interest-bearing borrowings) per<br>(Shareholders' equity)   |
| Net gearing ratio (%)          | = | (Interest-bearing borrowings - liquid funds - interest-bearing receivables) per<br>(Shareholders' equity)   |
| Earnings per share             | = | (Profit attributable to shareholders of parent company) per<br>(Adjusted number of shares (average))  |
| Shareholders' equity per share | = | (Equity attributable to shareholders of parent company) per<br>(Adjusted number of shares at the end of period)   |

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| <b>Sales and result by segment</b>             | <b>2009</b> | <b>2009</b> | <b>2008</b> | <b>2008</b> | <b>2008</b> | <b>2009</b>  | <b>2008</b>  | <b>2008</b>  |
|--|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| <b>EUR million</b>                             | <b>Q2</b>   | <b>Q1</b>   | <b>Q4</b>   | <b>Q3</b>   | <b>Q2</b>   | <b>Q1-Q2</b> | <b>Q1-Q2</b> |              |
| Consumer Packaging                             | 237         | 226         | 248         | 274         | 274         | 463          | 540          | 1,061        |
| Office Papers                                  | 131         | 147         | 174         | 203         | 204         | 278          | 427          | 804          |
| Speciality Papers                              | 82          | 117         | 147         | 153         | 158         | 199          | 322          | 622          |
| Market Pulp and Energy                         | 116         | 134         | 150         | 172         | 160         | 250          | 322          | 644          |
| Other operations                               | 40          | 34          | 57          | 77          | 87          | 74           | 189          | 323          |
| Internal sales                                 | -21         | -35         | -54         | -53         | -54         | -56          | -112         | -218         |
| <b>Sales</b>                                   | <b>585</b>  | <b>623</b>  | <b>722</b>  | <b>826</b>  | <b>829</b>  | <b>1,208</b> | <b>1,688</b> | <b>3,236</b> |
| Consumer Packaging                             | 24          | 15          | 11          | 37          | 23          | 39           | 60           | 108          |
| Office Papers                                  | -3          | -2          | -3          | 11          | 10          | -5           | 27           | 35           |
| Speciality Papers                              | -17         | -33         | -1          | 7           | 8           | -50          | 39           | 45           |
| Market Pulp and Energy                         | -10         | -4          | 8           | 23          | 96          | -14          | 117          | 148          |
| Other operations                               | -17         | -24         | -33         | -29         | -10         | -41          | -20          | -82          |
| <b>EBITDA</b>                                  | <b>-23</b>  | <b>-48</b>  | <b>-18</b>  | <b>49</b>   | <b>127</b>  | <b>-71</b>   | <b>223</b>   | <b>254</b>   |
| % of sales                                     | -3.9        | -7.7        | -2.5        | 5.9         | 15.3        | -5.9         | 13.2         | 7.8          |
| Consumer Packaging                             | 4           | -17         | -13         | 17          | 3           | -13          | 20           | 24           |
| Office Papers                                  | -18         | -17         | -38         | -6          | -7          | -35          | -9           | -53          |
| Speciality Papers                              | -23         | -40         | -75         | -3          | -2          | -63          | 19           | -59          |
| Market Pulp and Energy                         | -19         | -18         | -2          | 12          | 86          | -37          | 96           | 106          |
| Other operations                               | -17         | -26         | -33         | -28         | -9          | -43          | -18          | -79          |
| <b>Operating result</b>                        | <b>-73</b>  | <b>-118</b> | <b>-161</b> | <b>-8</b>   | <b>71</b>   | <b>-191</b>  | <b>108</b>   | <b>-61</b>   |
| % of sales                                     | -12.5       | -18.9       | -22.3       | -1.0        | 8.6         | -15.8        | 6.4          | -1.9         |
| <b>Non-recurring items</b>                     |             |             |             |             |             |              |              |              |
| Consumer Packaging                             | -1          | -16         | -4          | 0           | 0           | -17          | -1           | -5           |
| Office Papers                                  | 0           | 0           | -24         | 0           | 0           | 0            | 0            | -24          |
| Speciality Papers                              | -1          | -28         | -67         | 0           | -1          | -29          | 23           | -44          |
| Market Pulp and Energy                         | 0           | -6          | 0           | 0           | 74          | -6           | 74           | 74           |
| Other operations                               | -1          | -3          | -14         | -11         | -1          | -4           | -1           | -27          |
| <b>Non-recurring items in operating result</b> | <b>-3</b>   | <b>-53</b>  | <b>-110</b> | <b>-11</b>  | <b>72</b>   | <b>-56</b>   | <b>95</b>    | <b>-26</b>   |
| Consumer Packaging                             | 25          | 19          | 11          | 37          | 23          | 44           | 61           | 109          |
| Office Papers                                  | -3          | -2          | -1          | 11          | 10          | -5           | 27           | 37           |
| Speciality Papers                              | -16         | -5          | 1           | 7           | 9           | -21          | 15           | 23           |
| Market Pulp and Energy                         | -10         | -3          | 8           | 23          | 22          | -13          | 43           | 73           |
| Other operations                               | -16         | -22         | -15         | -18         | -8          | -38          | -18          | -50          |
| <b>EBITDA, excl. non-recurring items</b>       | <b>-20</b>  | <b>-13</b>  | <b>4</b>    | <b>60</b>   | <b>55</b>   | <b>-33</b>   | <b>128</b>   | <b>192</b>   |
| % of sales                                     | -3.4        | -2.1        | 0.6         | 7.3         | 6.6         | -2.7         | 7.6          | 5.9          |

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|  | 2009<br>Q2   | 2009<br>Q1   | 2008<br>Q4   | 2008<br>Q3   | 2008<br>Q2   | 2009<br>Q1-Q2 | 2008<br>Q1-Q2 | 2008         |
|--|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|
| Consumer Packaging                                     | 5            | -1           | -9           | 17           | 3            | 4             | 21            | 29           |
| Office Papers  | -18          | -17          | -14          | -6           | -7           | -35           | -9            | -29          |
| Speciality Papers                                      | -22          | -12          | -8           | -3           | -1           | -34           | -4            | -15          |
| Market Pulp and Energy                                 | -19          | -12          | -2           | 12           | 12           | -31           | 22            | 32           |
| Other operations                                       | -16          | -23          | -18          | -17          | -8           | -39           | -17           | -52          |
| <b>Operating result,<br/>excl. non-recurring items</b> | <b>-70</b>   | <b>-65</b>   | <b>-51</b>   | <b>3</b>     | <b>-1</b>    | <b>-135</b>   | <b>13</b>     | <b>-35</b>   |
| % of sales   | -12.0        | -10.4        | -7.1         | 0.4          | -0.1         | -11.2         | 0.8           | -1.1         |
| <b>Return on capital employed %</b>                    |              |              |              |              |              |               |               |              |
| Consumer Packaging                                     | 2.1          | -8.8         | -6.0         | 8.3          | 1.4          | -3.4          | 5.0           | 3.2          |
| Office Papers  | -13.7        | -12.4        | -25.6        | -3.2         | -3.2         | -12.9         | -1.8          | -7.4         |
| Speciality Papers                                      | -32.2        | -43.4        | -63.5        | -2.3         | -1.2         | -37.6         | 8.3           | -14.3        |
| Market Pulp and Energy                                 | -9.2         | -8.4         | -1.3         | 5.1          | 37.3         | -8.8          | 22.8          | 12.6         |
| <b>Group</b>   | <b>-10.2</b> | <b>-13.4</b> | <b>-19.7</b> | <b>-0.5</b>  | <b>8.9</b>   | <b>-11.5</b>  | <b>7.3</b>    | <b>-1.3</b>  |
| <b>Capital employed EUR million</b>                    |              |              |              |              |              |               |               |              |
| Consumer Packaging                                     | 771          | 774          | 801          | 839          | 829          | 771           | 829           | 801          |
| Office Papers  | 501          | 517          | 556          | 645          | 664          | 501           | 664           | 556          |
| Speciality Papers                                      | 241          | 312          | 415          | 518          | 532          | 241           | 532           | 415          |
| Market Pulp and Energy                                 | 822          | 876          | 899          | 929          | 921          | 822           | 921           | 899          |
| Unallocated and eliminations                           | 611          | 609          | 822          | -12          | 165          | 611           | 165           | 822          |
| <b>Group</b>   | <b>2,946</b> | <b>3,088</b> | <b>3,493</b> | <b>2,919</b> | <b>3,111</b> | <b>2,946</b>  | <b>3,111</b>  | <b>3,493</b> |

The capital employed for a segment included its assets: goodwill, other intangible goods, tangible assets, biological assets, investments in associates, inventories, accounts receivables, prepayments and accrued income (excluding interest and taxes), less the segment's liabilities (accounts payable, advance payments, accruals and deferred income (excluding interest and taxes)).

| <b>Deliveries</b>                      | 2009<br>Q2 | 2009<br>Q1 | 2008<br>Q4 | 2008<br>Q3 | 2008<br>Q2 | 2009<br>Q1-Q2 | 2008<br>Q1-Q2 | 2008  |
|--|------------|------------|------------|------------|------------|---------------|---------------|-------|
| <b>1,000 tonnes</b>                    |            |            |            |            |            |               |               |       |
| <b>Consumer Packaging</b>              | 296        | 274        | 303        | 348        | 351        | 570           | 693           | 1,345 |
| Office Papers                          | 190        | 203        | 237        | 270        | 274        | 393           | 574           | 1,081 |
| Speciality Papers                      | 80         | 118        | 157        | 168        | 174        | 198           | 355           | 680   |
| <b>Paper business, total</b>           | 269        | 321        | 394        | 438        | 448        | 590           | 929           | 1,761 |
| <b>Market Pulp</b>                     | 327        | 287        | 264        | 291        | 279        | 614           | 559           | 1,115 |
| <b>Production</b>                      |            |            |            |            |            |               |               |       |
| <b>1,000 tonnes</b>                    |            |            |            |            |            |               |               |       |
| <b>Consumer Packaging</b>              | 275        | 292        | 293        | 347        | 335        | 567           | 696           | 1,336 |
| Office Papers                          | 202        | 199        | 177        | 226        | 245        | 401           | 502           | 905   |
| Speciality Papers                      | 74         | 99         | 160        | 170        | 186        | 173           | 376           | 705   |
| <b>Paper business, total</b>           | 276        | 298        | 337        | 396        | 431        | 574           | 878           | 1,610 |
| <b>Metsä-Botnia pulp <sup>1)</sup></b> | 210        | 231        | 235        | 270        | 233        | 441           | 485           | 990   |
| <b>M-real pulp</b>                     | 264        | 277        | 303        | 377        | 391        | 541           | 806           | 1,486 |

1) corresponds to M-real's ownership share of 30% in Metsä-Botnia