

M-real's operating result excluding non-recurring items for the first half of 2010 EUR 82 million

Result for the first half of 2010

- Sales EUR 1.278 million (Q1–Q2/2009: 1.208)
- Operating result excluding non-recurring items EUR 82 million (-135). Operating result including non-recurring items EUR 84 million (-191)
- Result before taxes excluding non-recurring items EUR 39 million (-145). Result before taxes including non-recurring items EUR 25 million (-212)
- Earnings per share from continuing operations excluding non-recurring items EUR 0.08 (-0.42) and including non-recurring items EUR 0.03 (-0.61)

Result for the second quarter

- Sales EUR 676 million (Q1/2010: 602)
- Operating result excluding non-recurring items EUR 43 million (39). Operating result including non-recurring items EUR 35 million (49)
- Result before taxes excluding non-recurring items EUR 24 million (15). Result before taxes including non-recurring items EUR 0 million (25)
- Earnings per share from continuing operations excluding non-recurring items EUR 0.05 (0.03) and including non-recurring items EUR -0.03 (0.06)

Events during the second quarter of 2010

- M-real's market leadership in folding boxboard strengthened further.
- M-real signed a MoU on the partial divestment of the Reflex mill to Metsä Tissue Corporation.
- M-real completed negotiations on the reduction of 220 jobs in the Speciality Papers business area.
- M-real continued to increase prices of its main products.
- M-real announced to redeem early its remaining bonds, maturing in December 2010.

Events after the period

- In July, M-real finalised the consultation process related to the permanent closure of the Alizay pulp mill.

“M-real's profit improvement continued in the second quarter. Demand continued to improve, and we increased the prices of all our main products. We will actively carry out price increases also in the future to cover the higher fibre costs. The profit improvement measures in the paper business are progressing, and we expect them to be completed as planned.”

Mikko Helander, CEO

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 2009, M-real's sales totalled EUR 2.4 billion. M-real has approximately 5,000 employees.

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M-real Corporation Interim report 1 January–30 June 2010

5 August 2010 at 12:00 EET

KEY FIGURES	2010	2010	2009	2010	2009	2009
	Q2	Q1	Q2	Q1-Q2	Q1-Q2	
Sales, EUR million	676	602	585	1,278	1,208	2,432
EBITDA, EUR million	61	82	-23	143	-71	88
excl. non-recurring items, EUR million	77	72	-20	149	-33	44
Operating result, EUR million	35	49	-73	84	-191	-267
excl. non-recurring items, EUR million	43	39	-70	82	-135	-150
Result before taxes						
from continuing operations, EUR million	0	25	-97	25	-212	-358
excl. non-recurring items, EUR million	24	15	-83	39	-145	-230
Result for the period						
from continuing operations, EUR million	-8	19	-93	11	-198	-331
from discontinued operations, EUR million	0	0	-2	0	-12	-23
Total, EUR million	-8	19	-95	11	-210	-354
Result per share						
from continuing operations, EUR	-0.03	0.06	-0.29	0.03	-0.61	-1.02
from discontinued operations, EUR	0.00	0.00	-0.01	0.00	-0.04	-0.07
Total, EUR	-0.03	0.06	-0.30	0.03	-0.65	-1.09
Result per share						
excl. non-recurring items, EUR	0.05	0.03	-0.24	0.08	-0.42	-0.66
Return on equity, %	-3.1	7.9	-32.1	2.4	-31.9	-28.6
excl. non-recurring items, %	6.8	3.6	-27.2	5.3	-22.0	-18.3
Return on capital employed, %	3.8	9.1	-10.2	6.1	-11.5	-8.9
excl. non-recurring items, %	8.1	7.3	-8.3	7.3	-7.3	-4.5
Equity ratio at end of period, %	31.1	32.7	29.4	31.1	29.4	29.6
Gearing ratio at end of period, %	140	121	168	140	168	153
Net gearing ratio at end of period, %	89	86	116	89	116	84
Interest-bearing net liabilities, EUR million	845	821	1,276	845	1,276	777
Gross investments, EUR million	10	7	16	17	32	73
Deliveries, 1 000 tonnes						
Paper businesses	278	311	269	589	590	1,132
Consumer Packaging	372	321	296	693	570	1,212
Personnel at the end of period						
in continuing operations	4,946	4,796	6,080	4,946	6,080	4,903

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

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Result for April–June compared to the previous quarter

M-real's sales totalled EUR 676 million (Q1/2010: 602). Comparable sales were up 12.3 per cent. The operating result was EUR 35 million (49), and the operating result excluding non-recurring items was EUR 43 million (39).

A net total of EUR -8 million was recognised as non-recurring items. The most significant items were:

- EUR 16 million cost provision in the Speciality Papers business area, related to the planned closure of two paper machines at the Reflex mill and to the reorganisation of the Reflex and Gohrsmühle organisations
- Reversal of a EUR 8 million impairment loss under "Other operations", concerning the agreed sale of the Kangas paper machine 2, which remained in M-real's ownership after the Graphic Papers transaction

In the previous quarter, a non-recurring income item of EUR 12 million was recognised under "Other operations" in connection with IT arrangements. EUR 10 million of this was allocated to the operating result and EUR 2 million to the result from discontinued operations.

The operating result excluding non-recurring items was up from the previous quarter thanks to higher delivery volumes, an increase in the average sales prices, and strengthening of the US dollar and British pound against euro. The operating result was weakened by the investment shutdown at the Husum pulp mill, the maintenance shutdowns and strikes at the Alizay paper mill, as well as the additional costs caused by the stevedore strike in Finland.

The total paper business delivery volume was 278,000 tonnes for April–June (311,000). Deliveries by the Consumer Packaging business area totalled 372,000 tonnes (321,000).

Finance income and costs totalled EUR -17 million (-22). Exchange differences from accounts receivable, trade payables, financial items and the valuation of currency hedging were EUR 0 million (-6). Net interest and other finance income and costs stood at EUR -17 million (-16). Other finance costs include EUR 0 million of valuation gains on interest rate hedges (valuation gain of 0).

In April–June, the result from continuing operations before taxes was EUR 0 million (25). The result includes an impairment loss of EUR -16 million, related to M-real's holding in Myllykoski Paper Oy, reported as a non-recurring item in "Share of results in associated companies" after the operating result. The result from continuing operations before taxes, excluding non-recurring items, was EUR 24 million (15). Income taxes, including the change in deferred tax liabilities, totalled EUR 8 million (6).

Earnings per share were EUR -0.03 (0.06). Earnings per share from continuing operations, excluding non-recurring items, were EUR 0.05 (0.03). Return on equity was -3.1 per cent (7.9), and 6.8 per cent (3.6) excluding non-recurring items. Return on capital employed was 3.8 per cent (9.1), and, excluding non-recurring items, 8.1 per cent (7.3).

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

M-real's sales totalled EUR 1,278 million (1,208). Comparable sales were up 17.9 per cent. The operating result was EUR 84 million (-191), and the operating result excluding non-recurring items was EUR 82 million (-135).

A net total of EUR 2 million was recognised as non-recurring items in the operating result for January–June, the most significant items being:

- EUR 16 million cost provision in the Speciality Papers business area, related to the planned closure of two paper machines at the Reflex mill and to the reorganisation of the Reflex and Gohrsmühle organisations
- EUR 10 million income item in operating profit under "Other operations", as well as a EUR 2 million income item allocated to the result of discontinued operations, both of which were related to IT arrangements
- EUR 8 million reversal of impairment loss under "Other operations", concerning the agreed sale of the Kangas paper machine 2, which remained in M-real's ownership after the Graphic Papers transaction

The non-recurring items of the corresponding period in the previous year were EUR -56 million net.

Operating profit excluding non-recurring items compared with the corresponding period last year was improved by increased delivery volumes as a result of recovery in overall demand, higher pulp price, implemented cost savings and lower raw material costs. The operating result was weakened by the investment shutdown at the Husum pulp mill, the stevedore strike in Finland, and strengthening of the Swedish krona against euro.

The total paper business delivery volume in January–September was 589,000 tonnes (590,000). The deliveries of Consumer Packaging amounted to 693,000 tonnes (570,000).

Finance income and costs in the period totalled EUR -39 million (-8). The finance income of the corresponding period the previous year included a profit of some EUR 31 million from a partial repurchase of M-real's own bonds. Exchange differences from accounts receivable, trade payables, financial items and the valuation of currency hedging were EUR -6 million (2). Net interest and other finance income and costs stood at EUR -33 million (-10). Other finance costs include EUR 0 million of valuation gains on interest rate hedges (valuation gain of 9).

The period's result from continuing operations before taxes was EUR 25 million (-212). The result includes an impairment loss of EUR -16 million, related to M-real's holding in Myllykoski Paper Oy, reported as a non-recurring item in "Share of results in associated companies" after the operating result. The result from continuing operations before taxes, excluding non-recurring items, was EUR 39 million (-145). Income taxes, including the change in deferred tax liabilities, came to EUR 14 million (-14).

Earnings per share were EUR 0.03 (-0.65). Earnings per share from continuing operations, excluding non-recurring items, were EUR 0.08 (-0.42). Return on equity was 2.4 per cent (-31.9), and excluding non-recurring items, 5.3 per cent (-22.0). Return on capital employed was 6.1 per cent (-11.5), and, excluding non-recurring items, 7.3 per cent (-7.3).

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Personnel

At the end of June, the company had 4,946 employees (31 December 2009: 4,903), of which 2,019 (1,824) worked in Finland. In January–June, M-real employed an average of 4,842 people (2009: 5,913). The headcount in January–November 2009 included 30 per cent of Metsä-Botnia's employees.

Investments

Gross investments in January–June totalled EUR 17 million (2009: 32). In 2009, the January–June investments included a EUR 6 million share of Metsä-Botnia's investments, based on M-real's 30 per cent share of ownership and Metsä-Botnia's consolidation method used until 8 December 2009.

Structural change

In December 2009, M-real announced the launch of a new profit improvement programme for 2010. The most significant measures included the plans to permanently shut down the Alizay pulp mill in France and close two speciality paper machines at Reflex, Germany; the plan to streamline the organisation and management model in M-real Zanders; a EUR 22 million investment at the Husum mill to improve its energy efficiency; and a new EUR 20 million internal profit improvement programme covering all of M-real's business areas. Once implemented, the planned measures are expected to improve M-real's annual operating result by EUR 80 million with full effect from 2011 onwards. In 2010, the planned measures are expected to have a EUR 40 million positive impact on profit. The combined positive profit impact of these measures and the previous years' profit improvement programmes are expected to be approximately EUR 100 million in 2010.

In May, M-real released its future plans for the Reflex mill in Germany. The mill will be developed based on a Paper Park concept, the target being to find industrial partners to the mill site and thus create new jobs. At the same time, the company announced that the negotiations on cutting 220 jobs at the M-real Zanders mills had been concluded.

In June, M-real announced it had signed a Memorandum of Understanding on the partial divestment of the Reflex mill to Metsä Tissue Corporation for approximately EUR 10 million. The planned divestment includes paper machine 5, the real estate related to it and certain assets belonging to the site's infrastructure. Based on preliminary estimates, Metsä Tissue would employ around 50 people at the Reflex mill, which will reduce the need for previously agreed job cuts correspondingly. If the arrangement goes ahead as planned, M-real will recognise a positive non-recurring item of some EUR 15 million in the operating profit of Speciality Papers. Once implemented, the arrangement is expected to have a positive cash flow impact of some EUR 10 million taken into account certain investments needed in the Premium Papers operations. The arrangement is scheduled for completion by the end of 2010.

M-real's structural change from a paper company to become more clearly a packaging material producer has proceeded according to plans. The strategic review of the paper business continues.

Financing

At the end of June, M-real's equity ratio was 31.1 per cent (31 December 2009: 29.6) and the gearing ratio was 140 per cent (153). The net gearing ratio was 89 (84). Some of

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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 67 per cent (63) and the equity ratio some 37 per cent (35).

The change in the fair value of investments available for sale was approximately EUR +20 million, mainly based on the increase in the fair value of the Pohjolan Voima shares.

At the end of June net interest-bearing liabilities totalled EUR 845 million (777). Of these, foreign-currency-denominated loans accounted for 11 per cent, floating-rate loans for 79 per cent and fixed-rate loans for the rest. At the end of June, the average interest rate on loans was 5.5 per cent and the average maturity of long-term loans 2.9 years. The interest rate maturity of loans was 9.6 months at the end of June. During the period, the interest rate maturity has varied between 6 and 10 months.

Cash flow from operating activities amounted to EUR 0 million (Q1-Q2/2009: -36). Working capital was up by EUR 71 million (down 74).

At the end of June, an average of 4.8 months of the net foreign currency exposure was hedged. The degree of hedging varied between 4 and 6 months during the period. Approximately 80 per cent of the non-euro-denominated equity was hedged at the end of June.

Liquidity continues at a good level. At the end of June, liquidity was EUR 510 million, of which EUR 144 million consisted of undrawn pension premium (TyEL) loans and EUR 366 million of liquid assets and investments. 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 520 million.

In January, M-real redeemed early a EUR 250 million item of the bond maturing in December 2010 at a 100 per cent redemption price, according to the terms of the bond. At the end of June, the company announced it would redeem the remaining EUR 90.05 million. The early redemption took place on 30 July 2010 and the redemption price was 100 per cent of the par value according to the terms of the notes. In June 2010, M-real drew pension loans (TyEL) worth EUR 135 million with a maturity of ten years. With these measures, M-real extends the maturity profile of its loans and strengthens its liquidity.

Shares

In January–June, the highest price for M-real's B share on the NASDAQ OMX Helsinki was EUR 3.26, the lowest EUR 1.46, and the average price EUR 2.21. At the end of June, the price of the B share was EUR 2.90. At the end of 2009, the price of the B share was EUR 1.53, while the average price in 2009 was EUR 0.66.

The trading volume of B shares was EUR 455 million, 71 per cent of the share capital. The market value of the A and B shares totalled EUR 968 million at the end of June. Metsäliitto Cooperative owned 38.8 per cent of the shares at the end of June. The voting rights conferred by these shares amounted to 60.5 per cent. International investors held 21 per cent of the shares.

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On 8 April 2010, the holdings of Norway's Central Bank (Norges Bank) in M-real dropped to 4.4 per cent of the share capital and 1.4 per cent of the voting rights.

The company does not hold any of its own shares.

Board of Directors and Auditors

The Annual General Meeting in March confirmed the number of members of the M-real Board of Directors as nine (9). The Annual General Meeting elected as members of the Board of Directors Mikael Aminoff, M.Sc. (Forestry), Martti Asunta, M. Sc. (Forestry), Kari Jordan, vuorineuvos (Finnish honorary title); Kirsi Komi, LL.M.; Kai Korhonen, M.Sc. (Eng); Liisa Leino, MA (Education); Juha Niemelä, vuorineuvos (Finnish honorary title); Antti Tanskanen, Minister; and Erkki Varis, M.Sc. (Eng). The term of office of the Board members expires at the end of the next Annual General Meeting.

At its organising meeting, the Board of Directors elected Kari Jordan as its Chairman and Martti Asunta as its Vice Chairman. The Board further resolved to organise the Board committees as follows: The members of the Audit Committee are Kirsi Komi, Kai Korhonen, Antti Tanskanen and Erkki Varis. The members of the Nomination and Compensation Committee are Mikael Aminoff, Martti Asunta, Kari Jordan, Liisa Leino and Juha Niemelä.

The Annual General Meeting elected Authorised Public Accountants PricewaterhouseCoopers Oy as M-real's auditor. The term of office of the auditor expires at the end of the next Annual General Meeting.

Events after the period

On 16 December 2009, M-real announced its plan to permanently shut down the Alizay pulp mill as a part of the 2010 profit improvement programme worth EUR 80 million. M-real also launched consultation process targeting the possible closure of the pulp mill. M-real concluded the consultation process in July, unable to find the necessary economic preconditions for continuing the pulp mill's operations. The mill is shut down permanently, resulting in the reduction of a maximum of 89 jobs. As a result of the concluded consultation process, M-real will recognise an additional non-recurring cost provision of some EUR 4 million in the 2010 third-quarter operating result of the Market Pulp and Energy business area.

In July, M-real exercised its option to purchase the former Kangas paper mill real estate and land area from Sappi for a price of EUR 13 million. The deal was part of an agreement with which M-real and Sappi settled the issues still open related to the divestment of M-real's Graphic Papers business area in 2008. M-real plans to develop the Kangas real estate, located near the centre of Jyväskylä, jointly with the planning authorities and potential other partners.

Near-term outlook

The demand for board is expected to remain good in the third quarter. The prices of folding boxboard and liner were raised in the first half of the year. In the second quarter, the average price of folding boxboard was around 4 to 5 per cent higher than the 2009 year-end price. The average price of liner was up some 8 per cent from the end of 2009.

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Actions to increase the prices of folding boxboard and liner will continue, and are expected to result in a slight increase in average prices by the end of the third quarter.

The demand for uncoated fine paper seems to continue strong. In order to compensate for the higher fibre costs, prices were raised by more than 10 per cent in the first half of the year. Price increase actions will continue, and prices are expected to be somewhat higher at the end of the third quarter compared to the end of the second quarter.

Speciality Papers business area's delivery volume is expected to increase in the third quarter. The prices of speciality papers have been raised over 5 per cent in recent months. The positive impact of this was seen partially in the second quarter, but the full impact will be felt in the second half of the year. Actions to increase prices continue.

The worldwide availability of pulp has improved but is still tight. The average price of pulp is expected to continue to increase in the third quarter compared to the second quarter.

In December 2009, M-real launched the EUR 80 million profit improvement programme for 2010. The decreasing trend in costs will have an impact on the business areas, as well as "Other operations".

The price pressure on wood raw material has increased, and wood costs are expected to increase towards the end of the year. The average total costs for other factors of production, excluding pulp, are not forecasted to increase considerably in 2010.

Taking the factors mentioned above into account, M-real's 3Q 2010 operating result excluding non-recurring items is expected to improve from 2Q 2010.

Near-term business risks

Despite several positive signs, there is still a risk of the global economic recovery slowing down or coming to a standstill and of the demand for board and paper products, which has partially picked up, experiencing another downturn.

Following the positive development in the demand for pulp and the increase in pulp prices, M-real has announced significant price increases in its main grades. There is however a risk of the company being unable to implement the increases as planned.

The production of M-real's paper mills may have to be curtailed more than expected due to the short-fibre pulp availability problems.

No significant changes in the costs of production factors are expected this year. However, there is a risk of cost levels changing rapidly if, for example, the price of oil should increase.

Because the forward-looking estimates and statements about these financial statements are based on current plans and estimates, they contain risks and other uncertainty factors that may cause the results to differ from the statements concerning them. In the short term, M-real's result will be particularly impacted by the price of, and demand for, finished products, raw material costs, the price of energy and the exchange rate development of

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the euro. More information about long-term risk factors can be found on pages 37–38 in M-real's 2009 annual report.

M-REAL CORPORATION

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More information available starting at 1 p.m. on 5 August 2010. A telephone conference for investors and analysts in English starts at 3 p.m.

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BUSINESS AREAS AND MARKET TRENDS**Consumer Packaging business area**

Consumer Packaging	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2010 Q1-Q2	2009 Q1-Q2	2009 Q1-Q4
Sales, EUR million	310	257	255	250	237	567	463	968
EBITDA, EUR million	51	52	50	51	24	103	39	140
excl. non-recurring items	51	52	51	51	25	103	44	146
Operating result, EUR million	38	39	33	31	4	77	-13	51
excl. non-recurring items	38	39	34	31	5	77	4	69
Return on capital employed, %	26.1	27.9	20.5	16.4	2.1	26.7	-3.4	7.5
excl. non-recurring items, %	26.1	27.9	21.0	16.4	2.5	26.7	1.0	10.2
Deliveries, 1,000 tonnes	372	321	327	315	296	693	570	1,212
Production, 1,000 tonnes	363	342	342	323	275	705	567	1,232
Personnel at the end of period	1,761	1,529	1,533	1,545	1,690	1,761	1,690	1,533

Result for April–June compared to the previous quarter

The operating result for Consumer Packaging, excluding non-recurring items, remained stable, totalling EUR 38 million (Q1/2010:39). The result was weakened by logistics costs, which were higher than normal due to the stevedore strike in the previous quarter. The result was boosted by an increase in delivery volumes and higher average price as a result of price increases and weaker euro. Demand continued to be very strong.

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

The deliveries of European folding boxboard producers were 6 per cent higher compared with the previous quarter. Consumer Packaging's deliveries of folding boxboard were up by 19 per cent.

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

The operating result for Consumer Packaging, excluding non-recurring items, improved from the corresponding period last year and totalled EUR 77 million (4). The most significant factor boosting the result was the higher delivery volume resulting from demand picking up.

The result does not include non-recurring items. The result for the corresponding period last year included non-recurring items of EUR -17 million, mainly related to the closure of Metsä-Botnia's Kaskinen mill.

The deliveries of European folding boxboard producers increased by 15 per cent year-over-year. Consumer Packaging's deliveries of folding boxboard were up by 19 per cent.

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Office Papers business area

Office Papers	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2010 Q1-Q2	2009 Q1-Q2	2009 Q1-Q4
Sales, EUR million	153	160	132	133	131	313	278	543
EBITDA, EUR million	6	11	6	0	-3	17	-5	1
excl. non-recurring items	6	11	13	0	-3	17	-5	8
Operating result, EUR million	-4	0	-54	-15	-18	-4	-35	-104
excl. non-recurring items	-4	0	0	-13	-18	-4	-35	-48
Return on capital employed, %	-4.1	0.1	-47.5	-13.0	-13.7	-2.0	-12.9	-21.2
excl. non-recurring items, %	-4.1	0.1	0.0	-11.4	-13.7	-2.0	-12.9	-9.8
Deliveries, 1,000 tonnes	212	237	198	199	190	449	393	790
Production, 1,000 tonnes	209	235	213	181	202	444	401	795
Personnel at the end of period	1,225	1,320	1,374	1,407	1,428	1,225	1,428	1,374

Result for April–June compared to the previous quarter

The operating result excluding non-recurring items for Office Papers decreased from the previous quarter and was EUR -4 million (Q1/2010: 0). The result was weakened by the shutdown caused by the recovery boiler investment at the Husum pulp mill, as well as the maintenance shutdowns, strikes and short-fibre pulp availability problems at the Alizay paper mill. The result improved thanks to a higher average price as a result of the price increase actions.

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 up by 1 per cent compared to the previous quarter. The delivery volumes of Office Papers decreased by 11 per cent, mainly due to the Alizay paper mill maintenance shutdown, strikes and problems with short-fibre pulp availability.

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

The operating result for Office Papers, excluding non-recurring items, improved from the corresponding period last year and totalled EUR -4 million (-35). The result improved thanks to higher delivery volumes resulting from the recovery in demand. Higher fibre and energy costs, in turn, weakened the result.

The result does 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 rose by 12 per cent year-over-year. The delivery volume of Office Papers increased by 14 per cent.

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Speciality Papers business area

Speciality Papers	2010	2010	2009	2009	2009	2010	2009	2009
	Q2	Q1	Q4	Q3	Q2	Q1-Q2	Q1-Q2	Q1-Q4
Sales, EUR million	80	82	73	80	82	162	199	352
EBITDA, EUR million	-18	-4	-8	-7	-17	-22	-50	-65
excl. non-recurring items	-2	-4	-2	-8	-16	-6	-21	-31
Operating result, EUR million	-21	-6	-78	-10	-23	-27	-63	-151
excl. non-recurring items	-5	-6	-6	-11	-22	-11	-34	-51
Return on capital employed, %	-124.9	-30.5	-215.3	-16.0	-32.2	-87.6	-37.6	-62.1
excl. non-recurring items, %	-26.4	-30.5	-16.5	-17.6	-30.4	-32.8	-19.8	-20.3
Deliveries, 1,000 tonnes	66	74	68	76	80	140	198	342
Production, 1,000 tonnes	73	78	71	75	74	151	173	319
Personnel at the end of period	1,358	1,373	1,389	1,563	1,742	1,358	1,742	1,389

Result for April–June compared to the previous quarter

The operating result excluding non-recurring items for Speciality Papers improved compared to the previous quarter and was EUR -5 million (Q1/2010: -6). The result was boosted by higher average price due to price increase actions and weaker euro. The result was weakened by lower delivery volumes caused by poor availability of short-fibre pulp as well as higher pulp prices.

A non-recurring item of EUR -16 million related to the shutdown of the two paper machines at the Reflex mill and the reorganisation of the Reflex and Gohrsmühle organisations was recognised in the result. The result for the previous quarter did not include non-recurring items.

The delivery volume of Speciality Papers fell by 11 per cent.

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

The operating result for Office Papers, excluding non-recurring items, improved from the corresponding period last year and totalled EUR -11 million (-34). The result was improved by the implemented price increases and cost savings. It was weakened by the higher price of pulp.

The result includes non-recurring items of EUR -16 million. The result for the corresponding period last year included non-recurring items of EUR -29 million related to the closure of the Hallein paper mill.

The delivery volume of Speciality Papers fell by 29 per cent. This figure includes the discontinuation of standard coated fine paper production.

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Market Pulp and Energy business area

Market Pulp and Energy	2010	2010	2009	2009	2009	2010	2009	2009
	Q2	Q1	Q4	Q3	Q2	Q1-Q2	Q1-Q2	Q1-Q4
Sales, EUR million	126	95	126	132	116	221	250	508
EBITDA, EUR million	23	14	-1	-6	-10	37	-14	-21
excl. non-recurring items	23	14	2	-6	-10	37	-13	-17
Operating result, EUR million	16	9	-39	-15	-19	25	-37	-91
excl. non-recurring items	16	9	-9	-14	-19	25	-31	-54
Return on capital employed, %	11.9	6.1	-22.8	-7.3	-9.2	9.0	-8.8	-12.8
excl. non-recurring items, %	11.9	6.1	-5.2	-6.9	-9.2	9.0	-7.5	-7.7
Deliveries, 1,000 tonnes	194	161	246	295	327	355	614	1,155
Personnel at the end of period	24	24	18	19	19	24	19	18

Result for April–June compared to the previous quarter

The operating result for Market Pulp and Energy, excluding non-recurring items, improved compared with the previous quarter and was EUR 16 million (Q1/2010: 9). The result was improved by higher pulp prices and increased delivery volumes resulting from strong demand.

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

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

The operating result of Market Pulp and Energy, excluding non-recurring items, improved from the corresponding period last year and totalled EUR 25 million (-31). The result improved especially thanks to higher pulp prices. Moreover, the comparable delivery volume increased considerably. Last year's deliveries included Metsä-Botnia's external deliveries.

The result does not include non-recurring items. The result for the corresponding period last year included non-recurring items of EUR -6 million, mainly related to the closure of Metsä-Botnia's Kaskinen mill.

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Condensed consolidated statement of comprehensive income

EUR million	2010 Q1- Q2	2009 Q1- Q2	Change	2009	2010 Q1	2010 Q2
Continuing operations						
Sales	1,278	1,208	70	2,432	602	676
Other operating income	32	61	-29	252	16	16
		-				
Operating expenses	-1,201	1,340	139	-2,597	-547	-654
Share of results in associated companies *)	34	0	34	2	11	23
Depreciation and impairment losses	-59	-120	61	-356	-33	-26
Operating result	84	-191	275	-267	49	35
% of sales	6.6	-15.8		-11.0	8.1	5.2
Share of results in associated companies	-20	-13	-7	-16	-2	-18
Net exchange gains and losses	-6	2	-8	5	-6	0
Other net financial items	-33	-10	-23	-80	-16	-17
Result before income tax	25	-212	237	-358	25	0
% of sales	2.0	-17.5		-14.7	4.2	0.0
Income taxes	-14	14	-28	27	-6	-8
Result for the period from continuing operations	11	-198	209	-331	19	-8
% of sales	0.9	-16.4		-13.6	3.2	-1.2
Discontinued operations						
Result from discontinued operations	0	-12	12	-23	0	0
Result for the period	11	-210	221	-354	19	-8
Other comprehensive income						
Cash flow hedges	-10	11	-21	26	-5	-5
Available for sale financial assets	20	-120	140	-115	16	4
Translation differences	6	4	2	5	2	4
Share of results in associated companies	3		3		2	1
Income tax relating to components of other comprehensive income	2	28	-26	27	0	2
Other comprehensive income, net of tax	21	-77	98	-57	15	6
Total comprehensive income for the period	32	-287	319	-411	34	-2
Result for the period attributable to						
Shareholders of parent company	11	-212	223	-358	19	-8
Non-controlling interests	0	2	-2	4	0	0
Total comprehensive income for the period attributable to						
Shareholders of parent company	32	-289	321	-412	34	-2
Non-controlling interests	0	2	-2	1	0	0
Total	32	-287	319	-411	34	-2
Earnings per share for result attributable to shareholders of parent company (EUR/share)						
from continuing operations	0.03	-0.61	0.64	-1.02	0.06	-0.03
from discontinued operations	0.00	-0.04	0.04	-0.07	0.00	0.00
Total	0.03	-0.65	0.68	-1.09	0.06	-0.03

*) Metsä-Botnia's netresult is included from 8.12.2009 on in operating result's row "Share of results in associated companies"

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Condensed consolidated balance sheet

EUR million	30.6.		30.6.		31.12.	
	2010	%	2009	%	2009	%
ASSETS						
Non-current assets						
Goodwill	13	0.4	51	1.4	13	0.4
Other intangible assets	34	1.1	47	1.3	32	1.0
Tangible assets	1,108	36.0	1,468	39.1	1,130	36.1
Biological assets	0	0.0	2	0.1	0	0.0
Investments in associated companies	226	7.3	49	1.3	210	6.7
Available for sale investments	324	10.5	304	8.1	316	10.1
Other non-current financial assets	65	2.1	229	6.1	64	2.0
Deferred tax receivables	4	0.1	5	0.1	3	0.1
	1,774	57.5	2,155	57.5	1,768	56.4
Current assets						
Inventories	336	10.9	373	9.9	313	10.0
Accounts receivables and other receivables	598	19.4	575	15.3	554	17.7
Cash and cash equivalents	366	11.9	247	6.6	497	15.9
	1,300	42.2	1,195	31.8	1,364	43.6
Assets classified as held for sale	8	0.3	402	10.7		
Total assets	3,082	100.0	3,752	100.0	3,132	100.0
SHAREHOLDERS' EQUITY AND LIABILITIES						
Shareholders' equity						
Equity attributable to shareholders of parent company	948	30.8	1,040	27.7	916	29.2
Non-controlling interests	6	0.2	59	1.6	8	0.3
Total equity	954	31.0	1,099	29.3	924	29.5
Non-current liabilities						
Deferred tax liabilities	169	5.5	184	4.9	162	5.2
Post-employment benefit obligations	81	2.6	92	2.5	89	2.8
Provisions	68	2.2	48	1.3	60	1.9
Borrowings	1,072	34.8	1,394	37.2	943	30.1
Other liabilities	29	0.9	27	0.7	30	1.0
	1,419	46.0	1,745	46.6	1,284	41.0
Current liabilities						
Provisions	13	0.4	33	0.9	44	1.4
Current borrowings	265	8.6	337	9.0	467	14.9
Accounts payable and other liabilities	431	14.0	402	10.6	413	13.2
	709	23.0	772	20.5	924	29.5
Liabilities classified as held for sale			136	3.6		
Total liabilities	2,128	69.0	2,653	70.7	2,208	70.5
Total shareholders' equity and liabilities	3,082	100.0	3,752	100.0	3,132	100.0

Non-current portion of derivative financial instruments has been transferred to non-current financial assets from accounts receivables and other receivables (EUR 0 million 30 June 2009 and EUR 5 million 31 December 2009). Non-current portion of derivative financial instruments has been transferred to other non-current liabilities from accounts payable and other liabilities (EUR 12 million 30 June 2009 and EUR 18 million 31 December 2009).

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Condensed consolidated cash flow statement

EUR million	2010 Q1-Q2	2009 Q1-Q2	2009	2010 Q2
Result for the period	11	-211	-354	-8
Total adjustments	60	101	324	38
Change in working capital	-71	74	140	-3
Cash flow arising from operations	0	-36	110	27
Net financial items	-55	-1	-38	-43
Income taxes paid	-10	10	9	-6
Net cash flow arising from operating activities	-65	-27	81	-22
Investments in intangible and tangible assets	-17	-32	-73	-10
Divestments of assets and other	14	5	284	8
Net cash flow arising from investing activities	-3	-27	211	-2
		0	0	0
Changes in non-current loans and in other financial items	-62	-235	-344	228
Dividends paid	-2	0	0	0
Net cash flow arising from financing activities	-64	-235	-344	228
Changes in cash and cash equivalents	-132	-289	-52	204
Cash and cash equivalents at beginning of period	497	550	550	162
Translation difference in cash and cash equivalents	1	0	-1	0
Changes in cash and cash equivalents	-132	-289	-52	204
Assets held for sale	0	-14	0	0
Cash and cash equivalents at end of period	366	247	497	366

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Statement of changes in shareholders' equity

EUR million	Equity attributable to shareholders of parent company							Non-controlling interests	Total
	Share capital	Share premium account	Translation differences	Fair value and other reserves	Retained earnings	Total			
Shareholders' equity, 1 January 2009	558	667	-9	259	-146	1,329	57	1,386	
Comprehensive income for the period									
Result for the period					-212	-212	2	-210	
Other comprehensive income									
Cash flow hedges				11		11		11	
Available for sale investments				-120		-120		-120	
Translation differences			4			4	0	4	
Share of result in associated companies									
Income tax relating to components of other comprehensive income				28		28		28	
Shareholders' equity, 30 June 2009	558	667	-5	178	-358	1,040	59	1,099	
Shareholders' equity, 1 January 2010	558	667	2	194	-504	916	8	924	
Comprehensive income for the period									
Result for the period					11	11		11	
Other comprehensive income									
Cash flow hedges				-10		-10		-10	
Available for sale investments				20		20		20	
Translation differences			6			6		6	
Share of result in associated companies			2	1		3		3	
Income tax relating to components of other comprehensive income			4	-2		2		2	
Related party transaction									
Dividends paid							-2	-2	
Shareholders' equity, 30 June 2010	558	667	14	203	-493	948	6	954	

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Key ratios	2010	2009	2009	2010	2010
	Q1-Q2	Q1-Q2		Q1	Q2
Sales, EUR million	1,278	1,208	2,432	602	676
EBITDA, EUR million	143	-71	88	82	61
excl. non-recurring items, EUR million	149	-33	44	72	77
Operating result, EUR million	84	-191	-267	49	35
excl. non-recurring items, EUR million	82	-135	-150	39	43
Result from continuing operations					
before taxes, EUR million	25	-212	-358	25	0
excl. non-recurring items, EUR million	39	-145	-230	15	24
Result for the period					
from continuing operations, EUR million	11	-198	-331	19	-8
from discontinued operations, EUR million	0	-12	-23	0	0
Total, EUR million	11	-210	-354	19	-8
Earnings per share					
from continuing operations, EUR	0.03	-0.61	-1.02	0.06	-0.03
from discontinued operations, EUR	0.00	-0.04	-0.07	0.00	0.00
Total, EUR	0.03	-0.65	-1.09	0.06	-0.03
Earnings per share, excl. non-recurring items, EUR	0.08	-0.42	-0.66	0.03	0.05
Return on equity, %	2.4	-31.9	-28.6	7.9	-3.1
excl. non-recurring items, %	5.3	-22.0	-18.3	3.6	6.8
Return on capital employed, %	6.1	-11.5	-8.9	9.1	3.8
excl. non-recurring items, %	7.3	-7.3	-4.5	7.3	8.1
Equity ratio at end of period, %	31.1	29.4	29.6	32.7	31.1
Gearing ratio at end of period, %	140	168	153	121	140
Net gearing ratio at end of period, %	89	116	84	86	89
Shareholders' equity per share at end of period, EUR	2.89	3.17	2.79	2.90	2.89
Interest-bearing net liabilities, EUR million	845	1,276	777	821	845
Gross capital expenditure, EUR million	17	32	73	7	10
Deliveries, 1 000 tonnes					
Paper businesses	589	590	1,132	311	278
Consumer Packaging	693	570	1,212	321	372
Personnel at the end of period					
In continuing operations	4,946	6,080	4,903	4,796	4,946

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

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Securities and guarantees	2010	2009	2009
EUR million	Q2	Q2	
For own liabilities	247	130	113
On behalf of associated companies	0	1	0
On behalf of Group companies	13	5	0
On behalf of others	2	4	2
Total	262	140	115

Open derivative contracts	2010	2009	2009
EUR million	Q2	Q2	
Interest rate derivatives	1,006	1,334	981
Currency derivatives	2,225	3,166	2,806
Other derivatives	185	290	183
Total	3,416	4,790	3,970

The fair value of open derivative contracts calculated at market value at the end of the review period was EUR -37.5 million (EUR -19.5 million 31 December 2009 and EUR -14.6 million 30 June 2009)

Also includes other closed contracts to a total amount of EUR 1,555.7 million (EUR 2,158.5 million 31 December 2009 and EUR 2,611.2 million 30 June 2009).

Commitments related to fixed assets	2010	2009	2009
EUR million	Q1	Q1	
Payments due in following 12 months	1	4	0
Payments due later	1	2	1

Changes in property, plant and equipment	2010	2009	2009
EUR million	Q1	Q1	
Carrying value at beginning of period	1,130	1,808	1,808
Capital expenditure	17	29	70
Decreases	0	-1	-454
Assets classified as held for sale	-8	-253	0
Depreciation and impairment charges	-55	-112	-312
Translation difference	24	-3	18
Carrying value at end of period	1,108	1,468	1,130

Assets classified as held for sale include EUR 8 million paper machine 2 in Kangas paper mill and in previous year the property, plant and equipment of Metsä-Botnia's Uruguay business (based on M-real's 30 per cent ownership share)

Impairment charges made at closure of Kangas' paper machine 2 were partly reversed in June based on sales agreement of the machine. Depreciation and impairment charges include this reversal (EUR 8 million).

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Related-party transactions

Transactions and balances with parent and sister companies	2010	2009	2009
EUR million	Q1-Q2	Q1-Q2	
Sales	18	15	22
Other operating income	3	2	37
Purchases	378	163	360
Interest income	5	2	1
Interest expenses	0	1	2
Non-current receivables	53	5	53
Current receivables	97	60	107
Non-current liabilities	0	0	0
Current liabilities	200	203	106

Transactions with associated companies	2010	2009	2008
EUR million	Q1-Q2	Q1-Q2	
Sales	0	0	1
Purchases	0	2	4
Non-current receivables	0	1	0
Current receivables	9	7	7
Current liabilities	5	1	2

Transactions with Metsä-Botnia are included in transactions with sister companies from 8.12.2009 on.

Accounting policies

The financial statements were prepared in accordance with accounting policies set out in International Accounting Standard 34 and in the M-real's Annual Report for 2009.

The figures in the financial statement are unaudited.

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Calculation of key ratios

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

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Sales and operating result by segment

EUR million	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2010 Q1-Q2	2009 Q1-Q2	2009 Q1-Q4
Consumer Packaging	310	257	255	250	237	567	463	968
Office Papers	153	160	132	133	131	313	278	543
Speciality Papers	80	82	73	80	82	162	199	352
Market Pulp and Energy	126	95	126	132	116	221	250	508
Other operations	44	46	59	56	40	90	74	189
Internal sales	-37	-38	-39	-33	-21	-75	-56	-128
Sales	676	602	606	618	585	1,278	1,208	2,432
Consumer Packaging	51	52	50	51	24	103	39	140
Office Papers	6	11	6	0	-3	17	-5	1
Speciality Papers	-18	-4	-8	-7	-17	-22	-50	-65
Market Pulp and Energy	23	14	-1	-6	-10	37	-14	-21
Other operations	-1	9	85	-11	-17	8	-41	33
EBITDA	61	82	132	27	-23	143	-71	88
% of sales	9.0	13.6	21.8	4.4	-3.9	11.2	-5.9	3.6
Consumer Packaging	38	39	33	31	4	77	-13	51
Office Papers	-4	0	-54	-15	-18	-4	-35	-104
Speciality Papers	-21	-6	-78	-10	-23	-27	-63	-151
Market Pulp and Energy	16	9	-39	-15	-19	25	-37	-91
Other operations	6	7	86	-15	-17	13	-43	28
Operating result	35	49	-52	-24	-73	84	-191	-267
% of sales	5.2	8.1	-8.6	-3.9	-12.5	6.6	-15.8	-11.0
Non-recurring items								
Consumer Packaging	0	0	-1	0	-1	0	-17	-18
Office Papers	0	0	-54	-2	0	0	0	-56
Speciality Papers	-16	0	-72	1	-1	-16	-29	-100
Market Pulp and Energy	0	0	-30	-1	0	0	-6	-37
Other operations	8	10	98	0	-1	18	-4	94
Non-recurring items in operating result	-8	10	-59	-2	-3	2	-56	-117
Consumer Packaging	51	52	51	51	25	103	44	146
Office Papers	6	11	13	0	-3	17	-5	8
Speciality Papers	-2	-4	-2	-8	-16	-6	-21	-31
Market Pulp and Energy	23	14	2	-6	-10	37	-13	-17
Other operations	-1	-1	-13	-11	-16	-2	-38	-62
EBITDA, excl. non-recurring items	77	72	51	26	-20	149	-33	44
% of sales	11.4	12.0	8.4	4.2	-3.4	11.7	-2.7	1.8
Consumer Packaging	38	39	34	31	5	77	4	69
Office Papers	-4	0	0	-13	-18	-4	-35	-48
Speciality Papers	-5	-6	-6	-11	-22	-11	-34	-51
Market Pulp and Energy	16	9	-9	-14	-19	25	-31	-54
Other operations	-2	-3	-12	-15	-16	-5	-39	-66
Operating result, excl. non-recurring items	43	39	7	-22	-70	82	-135	-150
% of sales	6.4	6.5	1.2	-3.6	-12.0	6.4	-11.2	-6.2

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EUR million	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2010 Q1-Q2	2009 Q1-Q2	2009 Q1-Q4
Return on capital employed %								
Consumer Packaging	26.1	27.9	20.5	16.4	2.1	26.7	-3.4	7.5
Office Papers	0.1	0.1	-47.5	-13.0	-13.7	-2.0	-12.9	-21.2
Speciality Papers	-124.9	-30.5	-215.3	-16.0	-32.2	-87.6	-37.6	-62.1
Market Pulp and Energy	11.9	6.1	-22.8	-7.3	-9.2	9.0	-8.8	-12.8
Group	3.8	9.1	-8.7	-2.3	-10.2	6.1	-11.5	-8.9
Capital employed, EUR million								
Consumer Packaging	595	565	556	744	771	595	771	556
Office Papers	417	438	420	479	501	417	501	420
Speciality Papers	52	77	65	225	241	52	241	65
Market Pulp and Energy	546	539	550	830	822	546	822	550
Unallocated and eliminations	680	496	743	541	611	680	611	743
Group	2,290	2,115	2,334	2,819	2,946	2,290	2,946	2,334

The capital employed for a segment includes 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)).

Deliveries 1,000 tonnes	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2010 Q1-Q2	2009 Q1-Q2	2009 Q1-Q4
Consumer Packaging	372	321	327	315	296	693	570	1,212
Office Papers	212	237	198	199	190	449	393	790
Speciality Papers	66	74	68	76	80	140	198	342
Paper business, total	278	311	266	275	270	589	591	1,132
Market Pulp	194	161	246	295	327	355	614	1,155
Production 1,000 tonnes								
Consumer Packaging	363	342	342	323	275	705	567	1,232
Office Papers	209	235	213	181	202	444	401	795
Speciality Papers	73	78	71	75	74	151	173	319
Paper business, total	282	313	283	257	276	595	574	1,114
Metsä-Botnia pulp ¹⁾	164	164	203	219	210	328	441	863
M-real pulp	308	329	316	263	264	637	541	1,120

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