

## **M-real's operating result excluding non-recurring items for the first quarter of 2010 EUR 39 million**

### **Result for the first quarter of 2010**

- Sales EUR 602 million (Q1/2009: 623)
- Operating result excluding non-recurring items EUR 39 million (-65). Operating result including non-recurring items EUR 49 million (-118).
- Result before taxes excluding non-recurring items EUR 15 million (-62). Result before taxes including non-recurring items EUR 25 million (-115).
- Earnings per share from continuing operations excluding non-recurring items EUR 0.03 (-0.18) and including non-recurring items EUR 0.06 (-0.32).

### **Events during the first quarter**

- In January, M-real made a partial early redemption of its 2010 bonds (originally EUR 400 million) with a nominal value of EUR 250 million.
- M-real booked a positive EUR 12 million non-recurring item related to IT.
- M-real announced price increases in all its main products.

***"M-real's result improved further during the first quarter and we achieved a clearly positive net result. However, M-real's structural change is not ready yet; we have several measures underway to improve profitability further. The demand has improved in all of M-real's main products. M-real will increase the prices of all main products to cover increasing fibre costs."***

***CEO Mikko Helander***

*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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KEY FIGURES	2010	2009	2009	2009	2009	2009
	Q1	Q4	Q3	Q2	Q1	2009
Sales, EUR million	602	606	618	585	623	2,432
EBITDA, EUR million	82	132	27	-23	-48	88
excl. non-recurring items, EUR million	72	51	26	-20	-13	44
Operating result, EUR million	49	-52	-24	-73	-118	-267
excl. non-recurring items, EUR million	39	7	-22	-70	-65	-150
Result before taxes						
from continuing operations, EUR million	25	-74	-72	-97	-115	-358
excl. non-recurring items, EUR million	15	-15	-70	-83	-62	-230
Result for the period						
from continuing operations, EUR million	19	-60	-73	-93	-105	-331
from discontinued operations, EUR million	0	-8	-3	-2	-10	-23
Total, EUR million	19	-68	-76	-95	-115	-354
Result per share						
from continuing operations, EUR	0.06	-0.19	-0.22	-0.29	-0.32	-1.02
from discontinued operations, EUR	0.00	-0.02	-0.01	-0.01	-0.03	-0.07
Total, EUR	0.06	-0.21	-0.23	-0.30	-0.35	-1.09
Result per share						
excl. non-recurring items, EUR	0.03	-0.02	-0.22	-0.24	-0.18	-0.66
Return on equity, %	7.9	-24.3	-27.2	-32.1	-32.0	-28.6
excl. non-recurring items, %	3.6	-1.4	-26.6	-27.2	-17.6	-18.3
Return on capital employed, %	9.1	-8.7	-2.3	-10.2	-13.4	-8.9
excl. non-recurring items, %	7.3	0.4	-2.0	-8.3	-7.0	-4.5
Equity ratio at end of period, %	32.7	29.6	28.5	29.4	30.3	29.6
Gearing ratio at end of period, %	121	153	170	168	151	153
Net gearing ratio at end of period, %	86	84	121	116	101	84
Interest-bearing net liabilities, EUR million	821	777	1,262	1,276	1,243	777
Gross investments, EUR million	7	18	23	16	16	73
Deliveries, 1 000 tonnes						
Paper businesses	311	266	275	269	321	1,132
Consumer Packaging	321	327	315	296	274	1,212
Personnel at the end of period						
in continuing operations	4,796	4,903	5,649	6,080	6,314	4,903

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

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### **Result for January-March compared to the previous quarter**

M-real's sales totaled EUR 602 million (Q4/2009: 606). Comparable sales were up 9.8 per cent. The operating result was EUR 49 million (-52), and the operating result excluding non-recurring items was EUR 39 million (7).

EUR 12 million in profit related to IT arrangements was booked as a non-recurring item under Other operations, of which EUR 10 million is allocated to the operating result and EUR 2 million to the result for discontinued operations.

Non-recurring items totaling EUR -59 million net were recognised in the operating result for October-December 2009 as follows:

- EUR 134 million in profit related to the Metsä-Botnia arrangement, of which EUR 18 million is allocated to Market Pulp and Energy and EUR 116 million to Other operations.
- An impairment loss of EUR 113 million according to IAS 36, of which EUR 66 million is allocated to Speciality Papers and EUR 47 million to Office Papers. Of this, EUR 33 million was recognised in goodwill.
- EUR 48 million in write-downs and cost provisions in Market Pulp and Energy connected to the plan to permanently close down the Alizay pulp mill.
- EUR 12 million cost provision in Other operations associated with the terminated IT contract.
- EUR 8 million cost provision related to profit improvement measures of the Husum mill, of which EUR 7 million was in Office Papers and EUR 1 million in Market Pulp and Energy.
- EUR 5 million cost provision associated with the profit improvement programme of Speciality Papers
- EUR 7 million net in other non-recurring items, of which EUR 1 million was in Consumer Packaging, EUR 1 million was in Speciality Papers and EUR 5 million was in Other operations.

Compared to the previous period, the operating result excluding non-recurring items increased due to a rise in delivery volumes as a result of improved demand, higher average selling prices of board, paper and pulp, and the strengthening of the US dollar and British pound against the euro.

The total delivery volume of paper businesses in January-March was 311,000 tonnes (266,000). The deliveries by Consumer Packaging totalled 321,000 tonnes (327,000).

Financial income and expenses totalled EUR -22 million (-20). Foreign exchange gains and losses from accounts receivable, accounts payable, financial income and expenses and the valuation of currency hedging were EUR -6 million (1). Net interest and other financial income and expenses amounted to EUR -16 million (-21). Other financial expenses include EUR 0 million of valuation gains on interest rate derivatives (valuation gain of 1).

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In January-March, the result from continuing operations before taxes was EUR 25 million (-74). The result from continuing operations before taxes, excluding non-recurring items, was EUR 15 million (-15). Income taxes, including the change in deferred tax liabilities, were EUR -6 million (+14).

Earnings per share were EUR 0.06 (-0.21). Earnings per share from continuing operations excluding non-recurring items were EUR 0.03 (-0.02). Return on equity was 7.9 per cent (-24.3), and 3.6% (-1.4) excluding non-recurring items. Return on capital employed was 9.1 per cent (-8.7); excluding non-recurring items 7.3 per cent (0.4).

### **Result for January-March compared with the corresponding period last year**

M-real's sales totaled EUR 602 million (Q1/2009: 623). Comparable sales were up 7.3 per cent. The operating result was EUR 49 million (-118), and the operating result excluding non-recurring items was EUR 39 million (-65).

In January-March, a EUR 12 million profit related to IT arrangements was booked as a non-recurring item under Other operations, of which EUR 10 million is allocated to the operating result and EUR 2 million to the result for discontinued operations.

A net total of EUR -53 million was recognised as non-recurring items in the operating result for January-March 2009, the most significant being:

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

The operating result excluding non-recurring items compared with the corresponding period last year was improved by increased delivery volumes as a result of the recovery in general demand, higher pulp price and implemented cost savings. The result was impaired by lower average selling prices of office papers.

The total delivery volume of paper businesses in January-March this year was 311,000 tonnes (321,000). The deliveries by Consumer Packaging totalled 321,000 tonnes (274,000).

Financial income and expenses in the period totalled EUR -22 million (4). Financial income for the corresponding period of 2009 included an approximately EUR 31 million gain from the repurchase of M-real's 2010 bonds. Foreign exchange gains and losses from accounts receivable, accounts payable, financial income and expenses and the valuation of currency hedging were EUR -6 million (+0). Net interest and other financial income and expenses amounted to EUR -16 million (+4).

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Other financial expenses include EUR 0 million of valuation gains on interest rate derivatives (valuation gain of 2).

In the review period, the result from continuing operations before taxes was EUR 25 million (-115). The result from continuing operations before taxes, excluding non-recurring items, was EUR 15 million (-62). Income taxes, including the change in deferred tax liabilities, were EUR -6 million (+10).

Earnings per share were EUR 0.06 (-0.35). Earnings per share from continuing operations excluding non-recurring items were EUR 0.03 (-0.18). Return on equity was 7.9 per cent (-32.0), and 3.6 per cent (-17.6) excluding non-recurring items. Return on capital employed was 9.1 per cent (-13.4); excluding non-recurring items 7.3 per cent (-7.0).

### **Personnel**

The number of personnel was 4,796 at the end of March (31 December 2009: 4,903), of which 1,760 (1,824) worked in Finland. In January-March, M-real employed an average of 4,797 people (2009: 5,913). The number of personnel in January-November 2009 included 30 per cent of Metsä-Botnia personnel.

### **Investments**

Gross investments in January-March totaled EUR 7 million (2009: 16). The investments in January-March 2009 included a EUR 3 million share of Metsä-Botnia's investments based on M-real's 30 per cent share of ownership and the consolidation method of Metsä-Botnia until 8 December 2009.

### **Structural change**

In December 2009, M-real announced that it will start a new profit improvement programme for 2010, with the most significant actions being plans to permanently shut down the Alizay pulp mill in France and two speciality paper machines in 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. The resulting improvement of the planned measures in 2010 is expected to be EUR 40 million. The combined profit impact of these planned measures and the previous years' profit improvement programmes are expected to be approximately EUR 100 million positive in 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 March, M-real's equity ratio was 32.7 per cent (31 December 2009: 29.6) and the gearing ratio 121 per cent (153). The net gearing ratio was 86 per

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cent (84). 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 March was approximately 65 per cent (63) and the equity ratio some 38 per cent (35).

The change in the fair value of investments available for sale was approximately EUR +17 million based mainly on the increase in the value of the Pohjolan Voima shares.

At the end of March, net interest-bearing liabilities totalled EUR 821 million (777). Foreign-currency-denominated loans accounted for 11 per cent; 81 per cent were floating-rate and the rest were fixed-rate. At the end of March, the average interest rate on loans was 5.7 per cent and the average maturity of long-term loans 2.6 years. The interest rate maturity of loans was 6.5 months at the end of March. During the period, the interest rate maturity has varied between 6 and 7 months.

Cash flow from operations amounted to EUR -27 million (Q1-Q4/2009: 110). Working capital was up EUR 68 million (down 140).

At the end of the period, an average of 5.0 months of the net foreign currency exposure was hedged. The degree of hedging varied between 4 and 6 months during the period. Approximately 83 per cent of the non-euro-denominated equity was hedged at the end of the review period.

Liquidity continues at a good level. At the end of the review period, liquidity was EUR 441 million, of which EUR 279 million consisted of undrawn pension premium (TyEL) loans, and EUR 162 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 530 million. In January, M-real redeemed prematurely EUR 250 million of its bond maturing in December 2010 at a redemption price equalling 100 per cent of the par value according to the terms of the notes.

The amount of liquid funds has decreased by EUR 335 million during the period. EUR 252 million has been used for repayments of loans. In addition, the liquidity has decreased due to an increase in other interest-bearing receivables and the slightly negative cash flow. Metsäliitto Group's share of the EUR 175 million total of interest-bearing receivables is EUR 164 million, of which EUR 115 million can immediately be converted into cash.

## Shares

In January-March, the highest price for M-real's B share on the NASDAQ OMX Helsinki was EUR 2.15, the lowest EUR 1.46, and the average price EUR 1.75. At the end of March, the price of the B share was EUR 2.12. At the end of 2009, the price of the B share was EUR 1.53 and the average price during 2009 was EUR 0.66.

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The trading volume of B shares was EUR 167 million, 33 per cent of the share capital. The market value of the A and B shares totaled EUR 707 million at the end of March.

At the end of March, Metsäliitto Cooperative owned 38.6 per cent of the shares, and the voting rights conferred by these shares amounted to 60.5 per cent. International investors' holdings increased to 20 per cent.

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 company's Board of Directors Mikael Aminoff, M. Sc. (Forestry), Martti Asunta, M. Sc. (Forestry), Kari Jordan, Honorary Counsellor, Kirsi Komi, LL.M., Kai Korhonen, M. Sc. (Technology), Liisa Leino, M.Edu., Juha Niemelä, Honorary Counsellor, Antti Tanskanen, Minister and Erkki Varis, M. Sc. (Technology). 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**

The shareholding of Norges Bank decreased on 8 April, 2010 to 4.4 per cent of the total share capital and to 1.4 per cent of the total voting rights of M-real Corporation.

### **Near-term outlook**

The demand for board is expected to remain good during the second quarter. Measures to increase both folding boxboard and liner prices are underway, and as a result, the average prices are expected to increase slightly by the end of the second quarter.

The production shut-downs in Finland due to the holiday season at Midsummer will slightly weaken the result for the second quarter. Also, the stevedore strike in Finnish ports in March will cause some additional logistics costs during the second quarter.

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The demand for uncoated fine paper improved considerably during the first months of the year. The demand seems to continue to be strong during the second quarter. Prices were increased by about 8 per cent in March, and the positive result of this on the result will begin to show by the end of the second quarter. M-real has additionally announced a new price increase of 15 per cent, which is expected to materialise by the end of the second quarter, at least partially. The production of the Alizay paper production will need to be curtailed to some extent due to short fibre pulp availability problems in the coming months. The last phase of the Husum pulp mill recovery boiler investment will be realised during the second quarter, which will result in a negative effect of about EUR 5-6 million for the second quarter.

The demand for speciality papers has improved gradually but is still below normal. The demand is expected to remain unchanged during the second quarter. Due to problems with the availability of short fibre pulp, the delivery volumes of Speciality Papers seem to remain lower in the second quarter than in the first quarter. The prices of speciality papers have been increased depending on the products by 10 per cent at the most, and the positive impact of this on the result will be seen partially in the second quarter and fully from the third quarter onwards.

The availability of pulp has weakened considerably worldwide. This has caused board and paper production curtailments, which seem to continue. The price of pulp is likely to continue increasing.

In December 2009, M-real launched a new EUR 80 million profit improvement programme for 2010. The combined profit impact of the new planned measures and the previous years' profit improvement programmes is expected to be approximately EUR 100 million positive in 2010. In addition to the business areas, the downward development of costs will be seen in Other operations during 2010. The average total production input costs, apart from pulp, are not expected to change materially during 2010.

Taking the factors mentioned above into account, M-real's 2Q 2010 operating result excluding non-recurring items expected to remain about at the same level than in the 1Q 2010.

As earlier estimated, M-real's full year 2010 operating result excluding non-recurring items is expected to be positive.

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

In spite of several signs of improvement, there is still the risk that the revival of the global economy will be prolonged or stop, and that the demand for paperboard and paper products, which has already mainly revived, can experience another downturn.

M-real has announced significant price increases in its main product types as a result of favourable development of demand and an increase in the price of pulp



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price. There is a risk of not being able to realise the price increases according to plans.

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

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 2009 annual report.

## M-REAL CORPORATION

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More information available starting from 1 pm EET on 5 May 2010. A telephone conference for investors and analysts in English starts at 3 pm EET.

## BUSINESS AREAS AND MARKET TRENDS

### Consumer Packaging business area

<b>Consumer Packaging</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q1-Q4</b>	<b>Q1-Q4</b>
Sales, EUR million	257	255	250	237	226	248	968	1,061
EBITDA, EUR million	52	50	51	24	15	11	140	108
excl. non-recurring items	52	51	51	25	19	11	146	109
Operating result, EUR million	39	33	31	4	-17	-13	51	24
excl. non-recurring items	39	34	31	5	-1	-9	69	29
Return on capital employed, %	27.9	20.5	16.4	2.1	-8.8	-6.0	7.5	3.2
excl. non-recurring items, %	27.9	21.0	16.4	2.5	-0.4	-4.0	10.2	3.8
Deliveries, 1,000 tonnes	321	327	315	296	274	303	1,212	1,345
Production, 1,000 tonnes	342	342	323	275	292	293	1,232	1,336
Personnel at the end of period	1,529	1,533	1,545	1,690	1,535	1,541	1,533	1,541

#### Result for January-March compared to the previous quarter

The Consumer Packaging business area's operating result, excluding non-recurring items, improved compared to the previous quarter and totalled EUR 39 million (Q4/2009: 34). The improvement of the result was mainly due to a higher average price as a result of implemented price increases and weakened euro. Demand remained favourable. The delivery volumes were slightly lower due to a delay in deliveries as a result of the strike of Finnish stevedores. The result did not include non-recurring items.

The result for the previous quarter included non-recurring items of EUR -1 million.

The deliveries of European folding boxboard producers were level with the previous quarter. Consumer Packaging's deliveries of folding boxboard were down by 4 per cent.

#### Result for January-March compared with the corresponding period last year

The operating result excluding non-recurring items for the Consumer Packaging business area improved from the corresponding period last year and totalled EUR 39 million (Q1/2009: -1). The most significant factor contributing to the result was higher delivery volume resulting from the recovery in demand.

The result for the corresponding period last year included non-recurring items of EUR -16 million related to the closure of Metsä-Botnia's Kaskinen mill.

The deliveries of European folding boxboard producers increased by 13 per cent compared with the corresponding period last year. Consumer Packaging's deliveries of folding boxboard were up by 14 per cent.

## Office Papers business area

Office Papers	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2009 Q1-Q4	2008 Q1-Q4
Sales, EUR million	160	132	133	131	147	174	543	804
EBITDA, EUR million	11	6	0	-3	-2	-3	1	35
excl. non-recurring items	11	13	0	-3	-2	-1	8	37
Operating result, EUR million	0	-54	-15	-18	-17	-38	-104	-53
excl. non-recurring items	0	0	-13	-18	-17	-14	-48	-29
Return on capital employed, %	0.1	-47.5	-13.0	-13.7	-12.4	-25.6	-21.2	-7.4
excl. non-recurring items, %	0.1	0.0	-11.4	-13.7	-12.4	-9.2	-9.8	-3.8
Deliveries, 1,000 tonnes	237	198	199	190	203	237	790	1,081
Production, 1,000 tonnes	235	213	181	202	199	177	795	905
Personnel at the end of period	1,333	1,374	1,407	1,428	1,454	1,495	1,374	1,495

### Result for January-March compared to the previous quarter

The operating result for Office Papers, excluding non-recurring items, EUR 0 million, was on a par with the previous quarter (Q4/2009: 0). The result was improved by higher delivery volumes and higher average selling price due to implemented price increases. The result was weakened by higher raw material and energy costs. The result did not include non-recurring items.

The operating result for the previous quarter included EUR -54 million (net) of non-recurring items from impairment losses (-47) and cost provisions.

Total deliveries by European uncoated fine paper manufacturers were up by 7 per cent compared to the previous quarter. The delivery volume of Office Papers increased by 20 per cent.

### Result for January-March compared with the corresponding period last year

The operating result excluding non-recurring items for Office Papers improved compared to the corresponding period last year and was EUR 0 million (Q1/2009: -17). The most significant factor contributing to the result was a higher delivery volume resulting from the recovery in demand. The result was weakened by decreased average selling prices. The result did not include non-recurring items. The result for the corresponding period last year did not include non-recurring items either.

Total deliveries by European uncoated fine paper producers increased by 10 per cent compared to the corresponding period last year. The delivery volume of Office Papers increased by 17 per cent.

## Speciality Papers business area

<b>Speciality Papers</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q1-Q4</b>	<b>Q1-Q4</b>
Sales, EUR million	82	73	80	82	117	147	352	622
EBITDA, EUR million	-4	-8	-7	-17	-33	-1	-65	45
excl. non-recurring items	-4	-2	-8	-16	-5	1	-31	23
Operating result, EUR million	-6	-78	-10	-23	-40	-75	-151	-59
excl. non-recurring items	-6	-6	-11	-22	-12	-8	-51	-15
Return on capital employed, %	-30.5	-215.3	-16.0	-32.2	-43.4	-63.5	-62.1	-14.3
excl. non-recurring items, %	-30.5	-16.5	-17.6	-30.4	-12.5	-5.8	-20.3	-3.4
Deliveries, 1,000 tonnes	74	68	76	80	118	157	342	680
Production, 1,000 tonnes	78	71	75	74	99	160	319	705
Personnel at the end of period	1,373	1,389	1,563	1,742	1,971	1,965	1,389	1,965

### Result for January-March compared to the previous quarter

The operating result for Speciality Papers, excluding non-recurring items, EUR -6 million, was on a par with the previous quarter (Q4/2009: -6). The result was improved by an increase in average selling prices and growth of delivery volumes. The result was weakened by the increased pulp price. The result did not include non-recurring items.

The operating result for the previous quarter included EUR -72 million (net) of non-recurring items from impairment losses (-66) and other expenses.

The delivery volume of Speciality Papers increased by 9 per cent compared with the previous quarter.

### Result for January-March compared with the corresponding period last year

The operating result excluding non-recurring items for Speciality Papers improved compared to the corresponding period last year and was EUR -6 million (Q1/2009: -12). The result was improved by the implemented cost saving measures. The result was weakened by increased pulp price.

The result for the corresponding period last year included non-recurring items of EUR -28 million related to the closure of the Hallein paper mill.

The delivery volume of Speciality Papers, taking the closure of Hallein paper mill into account, decreased by 3 per cent compared with the same period last year.

## Market Pulp and Energy business area

<b>Market Pulp and Energy</b>	<b>2010 Q1</b>	<b>2009 Q4</b>	<b>2009 Q3</b>	<b>2009 Q2</b>	<b>2009 Q1</b>	<b>2008 Q4</b>	<b>2009 Q1-Q4</b>	<b>2008 Q1-Q4</b>
Sales, EUR million	95	126	132	116	134	150	508	644
EBITDA, EUR million	14	-1	-6	-10	-4	8	-21	148
excl. non-recurring items	14	2	-6	-10	-3	8	-17	73
Operating result, EUR million	9	-39	-15	-19	-18	-2	-91	106
excl. non-recurring items	9	-9	-14	-19	-12	-2	-54	32
Return on capital employed, %	6.1	-22.8	-7.3	-9.2	-8.4	-1.3	-12.8	12.6
excl. non-recurring items, %	6.1	-5.2	-6.9	-9.2	-5.8	-1.3	-7.7	3.6
Deliveries, 1,000 tonnes	161	246	295	327	287	264	1,155	1,115
Personnel at the end of period	24	18	19	19	19	19	18	19

### Result for January-March compared to the previous quarter

The operating result of the Market Pulp and Energy business area, excluding non-recurring items, improved compared to the previous quarter and was EUR 9 million (Q4/2009: -9). The result was mainly improved by the higher selling price of pulp. The deliveries of the previous quarter included Metsä-Botnia's external deliveries, but the comparable delivery volume increased. The result did not include non-recurring items.

The result for the previous quarter included non-recurring items of EUR -30 million net related to the closure of the Alizay pulp mill (-48) and the Metsä-Botnia arrangement (18).

### Result for January-March compared with the corresponding period last year

The operating result of the Market Pulp and Energy business area improved compared to the corresponding period last year and was EUR 9 million (Q1/2009: -12). The result was particularly improved by the higher selling price of pulp. Last year's deliveries included Metsä-Botnia's external deliveries, but the comparable delivery volume increased.

The result for the corresponding period last year included EUR -6 million net of non-recurring items.

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**Condensed consolidated statement of comprehensive income**

EUR million	2010 Q1	2009 Q1	Change	2009	2009 Q4
<b>Continuing operations</b>					
<b>Sales</b>	<b>602</b>	<b>623</b>	<b>-21</b>	<b>2,432</b>	<b>606</b>
Other operating income	25	33	-8	252	166
Operating expenses	-556	-704	148	-2,597	-641
Share of results in associated companies*)	11	0	11	2	2
Depreciation and impairment losses	-33	-70	37	-356	-185
<b>Operating result</b>	<b>49</b>	<b>-118</b>	<b>167</b>	<b>-267</b>	<b>-52</b>
% of sales	8.1	-18.9		-11.0	-8.6
Share of results in associated companies	-2	-1	-1	-16	-2
Net exchange gains and losses	-6	0	-6	5	1
Other net financial items	-16	4	-20	-80	-21
<b>Result before income tax</b>	<b>25</b>	<b>-115</b>	<b>140</b>	<b>-358</b>	<b>-74</b>
% of sales	4.2	-18.5		-14.7	-12.2
Income taxes	-6	10	-16	27	14
<b>Result for the period from continuing operations</b>	<b>19</b>	<b>-105</b>	<b>124</b>	<b>-331</b>	<b>-60</b>
% of sales	3.2	-16.9		-13.6	-9.9
<b>Discontinued operations</b>					
Result from discontinued operations	0	-10	10	-23	-8
<b>Result for the period</b>	<b>19</b>	<b>-115</b>	<b>134</b>	<b>-354</b>	<b>-68</b>
<b>Other comprehensive income</b>					
Cash flow hedges	-5	-1	-4	26	2
Available for sale financial assets	16	-63	79	-115	-22
Translation differences	2	3	-1	5	15
Share of results in associated companies	2		2		
Income tax relating to components of other comprehensive income	0	18	-18	27	5
<b>Other comprehensive income, net of tax</b>	<b>15</b>	<b>-43</b>	<b>58</b>	<b>-57</b>	<b>0</b>
<b>Total comprehensive income for the period</b>	<b>34</b>	<b>-158</b>	<b>192</b>	<b>-411</b>	<b>-68</b>
<b>Result for the period attributable to</b>					
Shareholders of parent company	19	-116	135	-358	-69
Non-controlling interests	0	1	-1	4	1
<b>Total comprehensive income for the period attributable to</b>					
Shareholders of parent company	34	-162	196	-412	-68
Non-controlling interests	0	4	-4	1	0
Total	34	-158	192	-411	-68
<b>Earnings per share for result attributable to shareholders of parent company (EUR/share)</b>					
from continuing operations	0.06	-0.32	0.38	-1.02	-0.19
from discontinued operations	0.00	-0.03	0.03	-0.07	-0.02
Total	0.06	-0.35	0.41	-1.09	-0.21

\*) Metsä-Botnia's netresult includes 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	31.3. 2010	%	31.3. 2009	%	31.12. 2009	%
<b>ASSETS</b>						
<b>Non-current assets</b>						
Goodwill	13	0.4	51	1.3	13	0.4
Other intangible assets	40	1.4	61	1.5	32	1.0
Tangible assets	1,123	38.3	1,766	43.4	1,130	36.1
Biological assets	0	0.0	60	1.5	0	0.0
Investments in associated companies	221	7.5	61	1.5	210	6.7
Available for sale investments	328	11.2	380	9.3	316	10.1
Other non-current financial assets	63	2.1	231	5.7	64	2.0
Deferred tax receivables	3	0.1	5	0.1	3	0.1
	<b>1,791</b>	61.0	<b>2,615</b>	64.3	<b>1,768</b>	56.4
<b>Current assets</b>						
Inventories	331	11.3	465	11.4	313	10.0
Accounts receivables and other receivables	651	22.2	689	16.9	554	17.7
Cash and cash equivalents	162	5.5	301	7.4	497	15.9
	<b>1,144</b>	39.0	<b>1,455</b>	35.7	<b>1,364</b>	43.6
<b>Total assets</b>	<b>2,935</b>	100.0	<b>4,070</b>	100.0	<b>3,132</b>	100.0
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>						
<b>Shareholders' equity</b>						
Equity attributable to shareholders of parent company	950	32.4	1,167	28.7	916	29.2
Non-controlling interests	6	0.2	61	1.5	8	0.3
<b>Total equity</b>	<b>956</b>	32.6	<b>1,228</b>	30.2	<b>924</b>	29.5
<b>Non-current liabilities</b>						
Deferred tax liabilities	167	5.7	202	5.0	162	5.2
Post-employment benefit obligations	88	3.0	91	2.2	89	2.8
Provisions	52	1.8	50	1.2	60	1.9
Borrowings	949	32.3	1,517	37.3	943	30.1
Other liabilities	31	1.0	39	1.0	30	1.0
	<b>1,287</b>	43.8	<b>1,899</b>	46.7	<b>1,284</b>	41.0
<b>Current liabilities</b>						
Provisions	28	1.0	47	1.2	44	1.4
Current borrowings	209	7.1	343	8.4	467	14.9
Accounts payable and other liabilities	455	15.5	553	13.5	413	13.2
	<b>692</b>	23.6	<b>943</b>	23.1	<b>924</b>	29.5
<b>Total liabilities</b>	<b>1,979</b>	67.4	<b>2,842</b>	69.8	<b>2,208</b>	70.5
<b>Total shareholders' equity and liabilities</b>	<b>2,935</b>	100.0	<b>4,070</b>	100.0	<b>3,132</b>	100.0

Non-current portion of derivative financial instruments have been transferred to non-current financial assets from accounts receivables and other receivables (EUR 0 million 31 March 2009 and EUR 5 million 31 December 2009). Non-current portion of derivative financial instruments have been transferred to other non-current liabilities from accounts payable and other liabilities (EUR 23 million 31 March 2009 and EUR 18 million 31 December 2009).

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**Condensed consolidated cash flow statement**

<b>EUR million</b>	<b>2010 Q1</b>	<b>2009 Q1</b>	<b>2009</b>	<b>2009 Q4</b>
Result for the period	19	-114	-354	-68
Total adjustments	22	44	324	134
Change in working capital	-68	50	140	9
<b>Cash flow arising from operations</b>	<b>-27</b>	<b>-20</b>	<b>110</b>	<b>75</b>
Net financial items	-12	16	-38	-33
Income taxes paid	-4	-3	9	-1
<b>Net cash flow arising from operating activities</b>	<b>-43</b>	<b>-7</b>	<b>81</b>	<b>41</b>
Investments in intangible and tangible assets	-7	-16	-73	-18
Divestments of assets and other	6	2	284	277
<b>Net cash flow arising from investing activities</b>	<b>-1</b>	<b>-14</b>	<b>211</b>	<b>259</b>
Changes in non-current loans and in other financial items	-290	-229	-344	-253
Dividends paid	-2	0	0	0
<b>Net cash flow arising from financing activities</b>	<b>-292</b>	<b>-229</b>	<b>-344</b>	<b>-253</b>
<b>Changes in cash and cash equivalents</b>	<b>-336</b>	<b>-250</b>	<b>-52</b>	<b>47</b>
Cash and cash equivalents at beginning of period	497	550	550	424
Translation difference in cash and cash equivalents	1	1	-1	0
Changes in cash and cash equivalents	-336	-250	-52	47
Assets held for sale	0	0	0	26
<b>Cash and cash equivalents at end of period</b>	<b>162</b>	<b>301</b>	<b>497</b>	<b>497</b>



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**Statement of changes in shareholders' equity**

**Equity attributable to shareholders of parent company**

<b>EUR million</b>	Share capital	Share premium account	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interests	Total
<b>Shareholders' equity, 1 January 2009</b>	558	667	-9	259	-146	1,329	57	1,386
<b>Comprehensive income for the period</b>								
Result for the period					-116	-116	1	-115
Other comprehensive income								
Cash flow hedges				-1		-1		-1
Available for sale investments				-63		-63		-63
Translation differences			0			0	3	3
Share of result in associated companies								
Income tax relating to components of other comprehensive income			1	17		18		18
<b>Shareholders' equity, 31 March 2009</b>	<b>558</b>	<b>667</b>	<b>-8</b>	<b>212</b>	<b>-262</b>	<b>1,167</b>	<b>61</b>	<b>1,228</b>
<b>Shareholders' equity, 1 January 2010</b>	558	667	2	194	-504	916	8	924
<b>Comprehensive income for the period</b>								
Result for the period					19	19		19
Other comprehensive income								
Cash flow hedges				-5		-5		-5
Available for sale investments				16		16		16
Translation differences			2			2		2
Share of result in associated companies			2	0		2		2
Income tax relating to components of other comprehensive income			3	-3		0		0
<b>Related party transaction</b>								
Dividends paid							-2	-2
<b>Shareholders' equity, 31 March 2010</b>	<b>558</b>	<b>667</b>	<b>9</b>	<b>202</b>	<b>-485</b>	<b>950</b>	<b>6</b>	<b>956</b>

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<b>Key ratios</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>	<b>2009</b>
	<b>Q1</b>	<b>Q1</b>		<b>Q4</b>
Sales, EUR million	602	623	2,432	606
EBITDA, EUR million	82	-48	88	132
excl. non-recurring items, EUR million	72	-13	44	51
Operating result, EUR million	49	-118	-267	-52
excl. non-recurring items, EUR million	39	-65	-150	7
Result from continuing operations				
before taxes, EUR million	25	-115	-358	-74
excl. non-recurring items, EUR million	15	-62	-230	-15
Result for the period				
from continuing operations, EUR million	19	-105	-331	-60
from discontinued operations, EUR million	0	-10	-23	-8
Total, EUR million	19	-115	-354	-68
Earnings per share				
from continuing operations, EUR	0.06	-0.32	-1.02	-0.19
from discontinued operations, EUR	0.00	-0.03	-0.07	-0.02
Total, EUR	0.06	-0.35	-1.09	-0.21
Earnings per share, excl. non-recurring items, EUR	0.03	-0.18	-0.66	-0.02
Return on equity, %	7.9	-32.0	-28.6	-24.3
excl. non-recurring items, %	3.6	-17.6	-18.3	-1.4
Return on capital employed, %	9.1	-13.4	-8.9	-8.7
excl. non-recurring items, %	7.3	-7.0	-4.5	0.4
Equity ratio at end of period, %	32.7	-30.3	29.6	29.6
Gearing ratio at end of period, %	121	151	153	153
Net gearing ratio at end of period, %	86	101	84	84
Shareholders' equity per share at end of period, EUR	2.90	3.56	2.79	2.79
Interest-bearing net liabilities, EUR million	821	1,243	777	777
Gross capital expenditure, EUR million	7	16	73	18
Deliveries, 1 000 tonnes				
Paper business	311	321	1,132	266
Consumer Packaging	321	274	1,212	327
Personnel at the end of period				
In continuing operations	4,796	6,314	4,903	4,903

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

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<b>Securities and guarantees</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
<b>EUR million</b>	<b>Q1</b>	<b>Q1</b>	
For own liabilities	116	57	113
On behalf of associated companies	0	1	0
On behalf of Group companies	0	5	0
On behalf of others	1	5	2
<b>Total</b>	<b>117</b>	<b>68</b>	<b>115</b>

<b>Open derivative contracts</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
<b>EUR million</b>	<b>Q1</b>	<b>Q1</b>	
Interest rate derivatives	999	1,271	981
Currency derivatives	2,769	2,541	2,806
Other derivatives	169	289	183
<b>Total</b>	<b>3,937</b>	<b>4,101</b>	<b>3,970</b>

The fair value of open derivative contracts calculated at market value at the end of the review period was EUR -36.1 million (EUR -19.5 million 31 December 2009).

Also include other closed contracts to a total amount of EUR 2,323.6 million (EUR 2,158.5 million 31 December 2009).

<b>Commitments related to fixed assets</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
<b>EUR million</b>	<b>Q1</b>	<b>Q1</b>	
Payments due in following 12 months	0	0	0
Payments due later	1	1	1

<b>Changes in property, plant and equipment</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
<b>EUR million</b>	<b>Q1</b>	<b>Q1</b>	
Carrying value at beginning of period	1,130	1,808	1,808
Capital expenditure	7	13	70
Decreases	0	0	-454
Depreciation and impairment charges	-32	-65	-312
related to discontinued operations	0	0	0
Translation difference	18	10	18
<b>Carrying value at end of period</b>	<b>1,123</b>	<b>1,766</b>	<b>1,130</b>

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**Related-party transaction**

<b>Transaction and balances with parent and sister companies</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
<b>EUR million</b>	<b>Q1</b>	<b>Q1</b>	
Sales	9	7	22
Other operating income	1	1	37
Purchases	174	92	360
Interest income	3	2	1
Interest expences	0	1	2
Non-current receivables	53	5	53
Current receivables	164	67	107
Non-current liabilities	0	0	0
Current liabilities	127	99	106

<b>Transaction with associated companies</b>	<b>2009</b>	<b>2008</b>
<b>EUR million</b>		
Sales	0	1
Purchases	0	4
Non-current receivables	0	0
Current receivables	8	7
Current liabilities	2	2

Transaction with Metsä-Botnia include in transaction with sister companies.

**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 result by segment**

<b>EUR million</b>	<b>2010 Q1</b>	<b>2009 Q4</b>	<b>2009 Q3</b>	<b>2009 Q2</b>	<b>2009 Q1</b>	<b>2008 Q4</b>	<b>2009 Q1-Q4</b>	<b>2008 Q1-Q4</b>
Consumer Packaging	257	255	250	237	226	248	968	1,061
Office Papers	160	132	133	131	147	174	543	804
Speciality Papers	82	73	80	82	117	147	352	622
Market Pulp and Energy	95	126	132	116	134	150	508	644
Other operations	46	59	56	40	34	57	189	323
Internal sales	-38	-39	-33	-21	-35	-54	-128	-218
<b>Sales</b>	<b>602</b>	<b>606</b>	<b>618</b>	<b>585</b>	<b>623</b>	<b>722</b>	<b>2,432</b>	<b>3,236</b>
Consumer Packaging	52	50	51	24	15	11	140	108
Office Papers	11	6	0	-3	-2	-3	1	35
Speciality Papers	-4	-8	-7	-17	-33	-1	-65	45
Market Pulp and Energy	14	-1	-6	-10	-4	8	-21	148
Other operations	9	85	-11	-17	-24	-33	33	-82
<b>EBITDA</b>	<b>82</b>	<b>132</b>	<b>27</b>	<b>-23</b>	<b>-48</b>	<b>-18</b>	<b>88</b>	<b>254</b>
% of sales	13.6	21.8	4.4	-3.9	-7.7	-2.5	3.6	7.8
Consumer Packaging	39	33	31	4	-17	-13	51	24
Office Papers	0	-54	-15	-18	-17	-38	-104	-53
Speciality Papers	-6	-78	-10	-23	-40	-75	-151	-59
Market Pulp and Energy	9	-39	-15	-19	-18	-2	-91	106
Other operations	7	86	-15	-17	-26	-33	28	-79
<b>Operating result</b>	<b>49</b>	<b>-52</b>	<b>-24</b>	<b>-73</b>	<b>-118</b>	<b>-161</b>	<b>-267</b>	<b>-61</b>
% of sales	8.1	-8.6	-3.9	-12.5	-18.9	-22.3	-11.0	-1.9
<b>Non-recurring items</b>								
Consumer Packaging	0	-1	0	-1	-16	-4	-18	-5
Office Papers	0	-54	-2	0	0	-24	-56	-24
Speciality Papers	0	-72	1	-1	-28	-67	-100	-44
Market Pulp and Energy	0	-30	-1	0	-6	0	-37	74
Other operations	10	98	0	-1	-3	-14	94	-27
<b>Non-recurring items in operating result</b>	<b>10</b>	<b>-59</b>	<b>-2</b>	<b>-3</b>	<b>-53</b>	<b>-110</b>	<b>-117</b>	<b>-26</b>
Consumer Packaging	52	51	51	25	19	11	146	109
Office Papers	11	13	0	-3	-2	-1	8	37
Speciality Papers	-4	-2	-8	-16	-5	1	-31	23
Market Pulp and Energy	14	2	-6	-10	-3	8	-17	73
Other operations	-1	-13	-11	-16	-22	-15	-62	-50
<b>EBITDA, excl. non-recurring items</b>	<b>72</b>	<b>51</b>	<b>26</b>	<b>-20</b>	<b>-13</b>	<b>4</b>	<b>44</b>	<b>192</b>
% of sales	12.0	8.4	4.2	-3.4	-2.1	0.6	1.8	5.9

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<b>EUR million</b>	<b>2010 Q1</b>	<b>2009 Q4</b>	<b>2009 Q3</b>	<b>2009 Q2</b>	<b>2009 Q1</b>	<b>2008 Q4</b>	<b>2009 Q1-Q4</b>	<b>2008 Q1-Q4</b>
Consumer Packaging	39	34	31	5	-1	-9	69	29
Office Papers	0	0	-13	-18	-17	-14	-48	-29
Speciality Papers	-6	-6	-11	-22	-12	-8	-51	-15
Market Pulp and Energy	9	-9	-14	-19	-12	-2	-54	32
Other operations	-3	-12	-15	-16	-23	-18	-66	-52
<b>Operating result, excl. non-recurring items</b>	<b>39</b>	<b>7</b>	<b>-22</b>	<b>-70</b>	<b>-65</b>	<b>-51</b>	<b>-150</b>	<b>-35</b>
% of sales	6.5	1.2	-3.6	-12.0	-10.4	-7.1	-6.2	-1.1
<b>Return on capital employed %</b>								
Consumer Packaging	27.9	20.5	16.4	2.1	-8.8	-6.0	7.5	3.2
Office Papers	0.1	-47.5	-13.0	-13.7	-12.4	-25.6	-21.2	-7.4
Speciality Papers	-30.5	-215.3	-16.0	-32.2	-43.4	-63.5	-62.1	-14.3
Market Pulp and Energy	6.1	-22.8	-7.3	-9.2	-8.4	-1.3	-12.8	12.6
<b>Group</b>	<b>9.1</b>	<b>-8.7</b>	<b>-2.3</b>	<b>-10.2</b>	<b>-13.4</b>	<b>-19.7</b>	<b>-8.9</b>	<b>-1.3</b>
<b>Capital employed, EUR million</b>								
Consumer Packaging	565	556	744	771	774	801	556	801
Office Papers	438	420	479	501	517	556	420	556
Speciality Papers	77	65	225	241	312	415	65	415
Market Pulp and Energy	539	550	830	822	876	899	550	899
Unallocated and eliminations	496	743	541	611	609	822	743	822
<b>Group</b>	<b>2,115</b>	<b>2,334</b>	<b>2,819</b>	<b>2,946</b>	<b>3,088</b>	<b>3,493</b>	<b>2,334</b>	<b>3,493</b>

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)).

Unaudited

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<b>Deliveries</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>1,000 tonnes</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q1-Q4</b>	<b>Q1-Q4</b>
Consumer Packaging	321	327	315	296	274	303	1,212	1,345
Office Papers	237	198	199	190	203	237	790	1,081
Speciality Papers	74	68	76	80	118	157	342	680
Paper business, total	311	266	275	270	321	394	1,132	1,761
Market Pulp	161	246	295	327	287	264	1,155	1,115
<b>Production</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>1,000 tonnes</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q1-Q4</b>	<b>Q1-Q4</b>
Consumer Packaging	342	342	323	275	292	293	1,232	1,336
Office Papers	235	213	181	202	199	177	795	905
Speciality Papers	78	71	75	74	99	160	319	705
Paper business, total	313	283	257	276	298	337	1,114	1,610
Metsä-Botnia pulp <sup>1)</sup>	164	203	219	210	231	235	863	990
M-real pulp	329	316	263	264	277	303	1,120	1,486

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