M-real's operating profit excluding non-recurring items for the first quarter EUR 3 million

Result for the first quarter of 2008

- Sales were EUR 1,099 million (Q4/2007: 1,085).
- Operating profit excluding non-recurring items was EUR 3 million (-6). Operating profit including non-recurring items was EUR 24 million (-245).
- Result before taxes, excluding non-recurring items, was EUR -37 million (-49). Result before taxes including non-recurring items, was EUR -16 million (-288).

Events during the first quarter

- M-real divested as part of its EUR 200 million divestment programme announced in February, its office paper mill located in the UK to DS Smith Plc. In relation to the sale, a separate agreement was made on the UK industrial operation's pension liabilities. The combined positive result effect was approximately EUR 24 million and correspondingly the cash flow effect approximately EUR 82 million.
- M-real closed Kangas paper machine 2 in February and Lielahti BCTMP mill in March. The closures were carried out ahead of the original schedule.

"Simplifying M-real's business concepts has started well. Our magazine paper customers have welcomed the new concepts, and our plans have also been moving ahead in other business areas. The situation regarding wood raw material continues to be challenging and the pulp production has been curtailed at the Metsä-Botnia's mills in Finland. The use of wood raw material is planned to be curtailed for the time being by 2 million cubic metres per annum which affects the pulp production at M-real's and Metsä-Botnia's mills in Finland and in Sweden. Despite the planned curtailments in pulp production, M-real's possibilities to maintain normal paperboard and paper production are good. Due to increased wood raw material costs the overall cost inflation can not be fully covered with our own profit improvement measures in 2008. New profit improvement programmes will be launched this year. The strength of the euro against the US dollar and the British pound has offset part of the earlier achieved paperboard and paper price increases in local currencies. Actions to increase paperboard and paper prices continue actively."

Mikko Helander, CEO, M-real Corporation

M-real is one of Europe's leading producers of paperboard and paper. It offers premium solutions for consumer packaging and communications and advertising end-uses. M-real's global sales network serves publishers, printing houses, well-known brand owners and folding carton printers, merchants and offices.

M-real is part of Metsäliitto Group and is listed on the OMX Nordic Exchange Helsinki. In 2007, M-real's sales totalled EUR 4.4 billion. M-real has over 9 000 employees

Key figures	**2008 Q1**	**2007 Q4**	**2007 Q3**	**2007 Q2**	**2007 Q1**	**2007**
Sales, MEUR	1,099	1,085	1,102	1,096	1,157	4,440
EBITDA, MEUR	102	70	116	66	193	444
excl. non-recurring items, MEUR	81	78	111	77	101	366
Operating profit, MEUR	24	-245	43	-15	97	-120
excl. non-recurring items, MEUR	3	-6	36	-2	21	49
Result before taxes						
from continuing operations, MEUR	-16	-288	4	-44	55	-273
excl. non-recurring items, MEUR	-37	-49	-3	-31	-21	-104
Result for the period						
from continuing operations, MEUR	-18	-249	-5	-48	52	-250
from discontinued operations, MEUR	-1	57	-3	-1	2	55
Total, MEUR	-19	-192	-8	-49	54	-195
Result per share						
from continuing operations, EUR	-0.06	-0.75	-0.02	-0.15	0.16	-0.76
from discontinued operations, EUR	0.00	0.17	0.00	0.00	0.00	0.17
Total, EUR	-0.06	-0.58	-0.02	-0.15	0.16	-0.59
Result per share excl. non-recurring items, EUR	-0.12	-0.07	-0.04	-0.12	-0.09	-0.32
Return on equity, %	-4.4	-53.0	-2.3	-11.2	9.9	-14.0
excl. non-recurring items, %	-9.4	-0.4	-0.9	-2.4	-7.3	-5.9
Return on capital employed, %	2.9	-24.4	4.4	-1.1	9.7	-2.6
excl. non-recurring items, %	0.8	-0.3	3.7	0.2	2.5	1.4
Equity ratio at end of period, %	32.2	32.1	32.7	32.8	32.9	32.1
Gearing ratio at end of period, %	117	112	117	117	114	112
Interest-bearing net liabilities	1,892	1,867	2,187	2,192	2,189	1,867
Gross investments, MEUR	21	81	66	62	50	259
Paper deliveries, 1,000 tonnes	986	980	975	965	1,029	3,949
Paperboard deliveries, 1,000 tonnes	298	291	297	313	302	1,203
Personnel at end of period	9,122	9,508	12,449	13,302	14,509	9,508

EBITDA = Earnings before interest, taxes, depreciation and amortization

Result January-March compared with the previous quarter

M-real's sales totalled EUR 1,099 million (Q4/07: 1,085). Comparable sales increased by 2 per cent. The operating result was EUR 24 million (-245) and the operating result excluding non-recurring items stood at EUR 3 million (-6). The net non-recurring items in the operating result for January-March totalled EUR 21 and were:

- EUR 24 million positive effect on the result for the Graphic Papers business area for the sale of New Thames mill and the agreement of pension liabilities from UK industrial operations and other liabilities related to the closure of the Sittingbourne mill.
- EUR 2 million cost provision in the Graphic Papers business area for the completion of the closure of the Kangas paper machine 2 for coated magazine paper.
- EUR 1 million cost provision in the Consumer Packaging business area for the completion of the closure of the Lielahti BCTMP mill.

In the previous quarter, the operating profit included non-recurring items of net EUR -239 million of which the most significant ones were:

- Net impairment loss of EUR 182 million which includes a EUR 185 million write-down of goodwill in the Office Papers business area and a EUR 3 million reversal of an impairment loss on the fixed assets of the Kyro paper mill in the Consumer Packaging business area
- EUR 13 million reduction in cost provision for the closure of the Wifsta mill in Office Papers business area
- EUR 68 million cost provision and write-down in the business areas; Consumer Packaging (11), Graphic Papers (49) and Office Papers (8).

In addition to the items recognised in the operating profit in the previous quarter, an estimated capital gain of EUR 76 million was recognised as a non-recurring item from discontinued operations from the sale of Map Merchant. The exact sales price will be determined later. Depending on the final amendment calculation, the exact sales price may, at maximum, be lowered by EUR 30 million. Lowering of the sales price, if realised, would have a negative effect on the result for the discontinued operations in 2008. Finalising the transaction will, anyhow, have a positive effect on M-real's cash flow in 2008.

The operating result excluding non-recurring items was improved compared with the previous quarter due to an increase in production volume of Metsä-Botnia's Uruguay pulp mill. The increased energy costs, the strength of the euro against the US dollar and the British pound and the production curtailments implemented at the Metsä-Botnia mills in Finland had a negative effect on the operating profit. The result from other operations was weakened by several factors, the most significant being the results from hedging related to energy and currency.

The paper delivery volume in January-March totalled 986,000 tonnes (980,000). Production was curtailed by 29,000 tonnes in line with demand (50,000). Paperboard deliveries amounted to 298,000 tonnes (291,000) and production curtailments to 1,000 tonnes (18,000).

Financing income and expenses totalled EUR -40 million (-40). Foreign exchange gains and losses from accounts receivable, accounts payable, financial income and expenses and the valuation of currency hedging were EUR 0 million (2). Net interest and other financing expenses stood at EUR -40 million (-42). Other financing expenses include a loss of EUR 3 million (3) from the valuation of interest rate hedging.

In January-March, the result from continuing operations before taxes was EUR -16 million (-288). The result from continuing operations before taxes, excluding non-recurring items, totalled EUR -37 million (-49). The effect of income taxes, including the change in deferred tax liabilities, was EUR -2 million (39).

Earnings per share were EUR -0.06 (-0.58). Excluding non-recurring items, earnings per share from continuing operations were EUR -0.12 (-0.07). Return on equity was -4.4 per cent (-53.0), and -9.4 per cent (-0.4) excluding non-recurring items. The return on capital employed was 2.9 per cent (-24.4), and 0.8 per cent (-0.3) excluding non-recurring items.

Result for January–March compared with the corresponding period previous year

M-real's sales were EUR 1,099 million (Q1/07: 1,157). Comparable sales decreased by 3 per cent. The operating profit was EUR 24 million (97) and the operating profit excluding non-recurring items was EUR 3 million (21).

Net non-recurring items recognised in operating profit were EUR 76 million. The non-recurring income totalled EUR 135 million and the non-recurring costs stood at EUR 59 million of which the most significant items were:

- Capital gain of EUR 135 million on the sale of Metsä-Botnia's shares to Metsäliitto Cooperative
- EUR 14 million cost provision for the closure of the Sittingbourne mill and EUR 29 million for the closure of the Wifsta mill
- Impairment loss of EUR 16 million due to the valuation of assets held for sale at the expected selling price in compliance with IFRS 5.

The operating result excluding non-recurring items compared with the corresponding period was negatively affected by the increased wood raw material and energy costs, the strength of the euro against the US dollar and the British pound as well as the production curtailments at the Metsä-Botnia mills in Finland. The implemented profit improvement actions and price increases as well as the start-up of Metsä-Botnia's Uruguay mill in November 2007 improved the result.

The paper delivery volume in January-March totalled 986,000 tonnes (1,029,000). Production was curtailed by 29,000 tonnes in line with demand (41,000). Paperboard deliveries amounted to 298,000 tonnes (302,000) and production curtailments to 1,000 tonnes (17,000).

Financing income and expenses in the review period totalled EUR -40 million (-42). Foreign exchange gains and losses from accounts receivable, accounts payable, financial income and expenses and the valuation of currency hedging were EUR 0 million (-5). Net interest and other financing expenses stood at EUR -40 million (-37). Other financing expenses include a loss from the valuation of interest rate hedging of EUR 3 million (1).

The result from continuing operations before taxes was EUR -16 million (55). The result from continuing operations before taxes, excluding non-recurring items, totalled EUR -37 million (-21). Income taxes, including the change in deferred tax liabilities, were EUR -2 million (-3).

Earnings per share were EUR -0.06 (0.16). Excluding non-recurring items, earnings per share from continuing operations were EUR -0.12 (-0.09). Return on equity was -4.4 per cent (9.9), and -9.4 per cent (-7.3) excluding non-recurring items. The return on capital employed was 2.9 per cent (9.7), and 0.8 per cent (2.5) excluding non-recurring items.

Personnel

On 31 March, 2008 the company had 9,122 employees (31 December 2007: 9,508), of which 3,333 (3,994) worked in Finland. On average, in January-March 2008, M-real had 9,265 employees (Q1/07: 13,664). The personnel figures include 30 per cent of Metsä-Botnia's personnel.

Investments

Gross capital expenditure in January-March totalled EUR 21 million (Q1/07: 50). This includes a EUR 7 million share of Metsä-Botnia's capital expenditure (35), based on M-real's ownership, which amounted to 30 per cent.

Structural change

M-real's profit improvement and business concept simplification programme launched in November 2007 has proceeded according to the targets. As part of the programme, the Lielahti BCTMP mill and Kangas mill's coated magazine paper machine 2 were closed. The Publishing and Commercial Printing business areas were combined under the Graphic Papers business area. At the same time, projects were launched to streamline the coated magazine paper business operations and the sales and marketing organisation. As part of the programme, M-real announced it is also prepared to take other measures, such as capacity cuts, if required by changes in the business environment. The aggregate annual profit improvement target of the programme is EUR 100 million by the end of 2009.

In February 2008, M-real announced an additional target of EUR 200 million from asset divestments, which should be achieved by the end of the first quarter of 2009. The target of EUR 200 million includes the sale of the New Thames mill in February. This transaction had a positive cash flow effect of EUR 82 million together with the arrangement on the pension liabilities of the UK industrial operations and a profit of approximately EUR 24 million was booked. Following this, M-real has no significant unfunded pension liabilities in the UK. Other asset items belonging to the divestment programme will be published later.

Financing

At the end of March, M-real's equity ratio stood at 32.2 per cent (31.12.2007: 32.1), and gearing at 117 per cent (112). In some of M-real's financing arrangements, a limit of 120 per cent has been set for gearing and a limit of 30 per cent for the equity ratio. At the end of March, gearing calculated in the manner defined in the financing agreements was approximately 98 per cent (95) and the equity ratio about 36 per cent (36).

Interest-bearing net debt stood at EUR 1,892 million at the end of March (1,867). Foreign-currency-denominated loans accounted for 10 per cent of long-term loans. Of these, 90 per cent were variable rate loans, and the rest were fixed-rate loans. At the end of March, the average interest rate on loans was 7.3 per cent and the average maturity of long-term loans was 3.3 years. At the end of March, the interest rate maturity of the loans was 4 months. During the period, the interest rate maturity has varied between 4 and 6 months.

Cash flow from operating activities amounted to EUR 40 million in January-March (Q4/07: 97). Working capital increased by EUR 33 million (decreased EUR 74 million).

At the end of the review period, an average of 5 months of net foreign exchange exposure was hedged. The level of hedging has varied between 5 and 6 months during the period. Approximately 98 per cent of non-euro-denominated equity was hedged at the end of the review period.

Liquidity is at a good level. At the end of the period under review, liquidity was EUR 1,053 million, of which EUR 856 million consisted of committed long-term credit facilities and

EUR 197 million of liquid assets and investments. To meet its short-term financing needs, the company also had at its disposal uncommitted domestic and foreign commercial paper programmes and credit facilities amounting to about EUR 500 million.

Shares

In January-March, the highest price of M-real's B share on the OMX Nordic Stock Exchange Helsinki was EUR 3.28, the lowest price EUR 1.66, and the average price EUR 2.24. At the end of March, the price of the B share was EUR 2.12.

The trading volume of the B share was EUR 357 million, or 59 per cent of the shares. The market value of the A and B shares totalled EUR 710 million at the end of March. At the end of the review period, Metsäliitto Cooperative owned 38.6 per cent of the shares, and the voting rights conferred by these shares was 60.5 per cent. The foreign shareholders' share of the shares fell to 31.5 per cent.

On 15 January, 2008 M-real was informed that the shareholding of Norges Bank (Central Bank of Norway) in the company had on 9 January9, 2008 increased to 5.3 percent of the share capital and to 1.7 percent of the voting rights.

The Annual General Meeting on 13 March 2008 resolved to delete from the company's Articles of Association the stipulation on the minimum and maximum share capital, the record date provisions of the book-entry system and the section concerning the par value of company's share.

Dividend

The Annual General Meeting decided that a dividend of EUR 0.06 per share, approximately EUR 19.7 million in total is to be paid for the financial year ending on 31 December 2007. The dividend was paid on 27 March 2008.

Board of Directors and Auditors

The Annual General Meeting elected the following persons to M-real's Board of Directors: Mr Heikki Asunmaa, Counsellor of Forest Economy; Mr Martti Asunta, M.Sc. (Forestry); Mr Kari Jordan, President and CEO of Metsäliitto Group; Mr Erkki Karmila, LL.M.; Mr Kai Korhonen, M.Sc. (Eng.); Mr Runar Lillandt, Counsellor of Agriculture; Mr Juha Niemelä, Honorary Counsellor; and Mr Antti Tanskanen, Minister. The term of office of board members continues until the end of the next Annual General Meeting. At its organising meeting, the Board of Directors elected Mr Kari Jordan as Chairman and Mr Martti Asunta as Vice Chairman.

The Annual General Meeting decided to change the maximum number of board members from eight to ten.

PricewaterhouseCoopers Oy, a firm of authorised public accountants, was elected as M-real's auditor, and Mr Göran Lindell, APA, as principal auditor. The term of office of auditors continues until the end of the next Annual General Meeting.

Near-term outlook

Demand for M-real's paperboard and paper products is expected to be reasonably good in the second quarter of 2008 but will experience slight seasonal weakening. Thus, the average operating rates of the M-real machines are expected to decrease slightly.

Measures to raise product prices continue in all business areas. In the second quarter, price increases for the paperboard spot deliveries are being sought primarily in the UK and in markets outside Europe. Another objective is to increase the spot prices of coated magazine paper, thus creating the preconditions for the increase of contract prices in the latter half of the year. Closed capacities will support positive uncoated fine paper price development during the rest of the year, with increases being sought already in the second quarter. The most challenging situation is for coated fine paper, as excess capacity and the strong euro is making the situation more difficult.

M-real's objective is to cover the cost increases as much as possible with own profit improvement actions. Due to the increased wood raw material costs, the cost inflation can not be fully covered with its own profit improvement actions in 2008. New profit improvement programmes will be launched this year. The exceptionally mild winter in Northern Europe and the increases in export duties on wood from Russia have created difficulties in wood supply, and the price of wood has remained high. For the time being, the use of wood raw material is planned to be curtailed per annum by 2 million cubic metres, which affects production at M-real’s and Metsä-Botnia’s pulp mills in Finland and in Sweden. Despite the planned pulp production curtailments, M-real’s possibilities to maintain normal paperboard and paper production are good.

The start-up of Metsä-Botnia's pulp mill in Uruguay in November 2007 was successful. The pulp from the Uruguay mill will significantly improve M-real's profitability this year. M-real's share of the output of the Uruguay mill will be used at M-real's own fine paper mills in Central Europe.

M-real's strategic review continues. The profit improvement and business concept simplification programme launched in November 2007 as the fourth phase of the strategy review is progressing according to plan, as is the divestment programme launched in February 2008.

The operating profit, excluding non-recurring items, for the second quarter of 2008 is forecast to remain approximately at the same level as in the second quarter of 2007.

Near-term business risks

If the uncertainty in the US economy continues for a longer period, it could spread worldwide and affect the operational preconditions of European paper and paperboard industry. As yet, no significant reduction in the demand for paper and paperboard has been observed in M-real's main markets in Europe. The risk of the euro becoming even stronger was realised during the first part of the year. Production input costs have also continued to increase. The risk of a need to implement more than currently planned production curtailments due to challenging wood supply situation, as well as the risk of the euro strengthening further, exists.

The eventual sales price of Map Merchant will be determined later. Depending on the final adjustment calculation, the exact sales price may, at maximum, be lowered by EUR 30 million. Lowering the sales price, if realised, would have a negative effect on the result for the discontinued operations in 2008. Finalising the transaction will, anyhow, have a positive effect on M-real's cash flow in 2008.

Because the forward-looking estimates and statements of this financial statements release are based on current plans and estimates, they contain risks and other uncertain factors which may lead the results to differ from the statements concerning them. In the short term, M-real's result will be influenced in particular by the price of, and demand for, finished products, the availability and price of wood, other raw material costs, the price of energy, and the exchange rate of the US dollar. More information about longer-term risk factors can be found on pages 28–29 of M-real's 2007 Annual Report.

M-REAL CORPORATION

Further information:
Seppo Parvi, CFO, tel. +358 10 465 4321
Juha Laine, Vice President, IR and Communications, tel. +358 10 465 4335

Further information on April 23, 2008 from 1 pm (EET).

Consumer Packaging

	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2007
Sales, MEUR	235	225	231	243	235	934
EBITDA, MEUR	36	24	45	28	39	136
excl. non-recurring items	37	25	45	33	39	142
Operating profit, MEUR	18	0	27	8	21	56
excl. non-recurring items	19	8	27	15	21	71
Return on capital employed, %	9.6	0.1	15.3	4.1	10.9	7.5
excl. non-recurring items, %	10.1	4.3	15.3	7.9	10.9	9.5
Deliveries, 1,000 t	298	291	297	313	302	1,203
Production, 1,000 t	314	294	303	302	311	1,210

EBITDA = Earnings before interest, taxes, depreciation and amortization

Result for January-March compared to the previous quarter

The operating profit of the Consumer Packaging business area excluding non-recurring items of the Consumer Packaging business area improved and stood at EUR 19 million (Q4/07: 8). The profit improvement resulted from higher average sales price and increased delivery volumes while the production curtailments at the Metsä-Botnia mills in Finland had a negative impact.

A non-recurring item of EUR 1 million was recognised in the operating profit for completion of the closure of the Lielahti BCTMP mill.

In the previous quarter, non-recurring items of EUR -8 million were recognised in the operating profit.

Deliveries by Western European folding boxboard producers increased by 4 per cent, and M-real's deliveries by 10 per cent compared to the previous quarter.

The delivery volume of linerboard was at a lower level compared to the previous quarter. The average euro-denominated price increased slightly. The sales prices of wallpaper base paper have increased clearly.

Result for January-March compared with the corresponding period previous year

Consumer Packaging's operating profit excluding non-recurring items stood at EUR 19 million (Q1/07: 21). The result was weakened by clearly increased wood raw material costs, the weakened US dollar and British pound as well as production curtailments at the Metsä-Botnia mills in Finland. The average euro-denominated price of folding boxboard was at a higher lever despite the weakened US dollar and British pound.

Deliveries by Western European folding boxboard producers decreased by 2 per cent compared with the corresponding period previous year. M-real's folding boxboard deliveries increased by 2 per cent.

The delivery volume of linerboard was lower than in the corresponding period previous year. The sales prices of wallpaper base paper increased clearly from previous year.

Graphic Papers

	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2007
Sales, MEUR	560	569	574	548	577	2,268
EBITDA, MEUR	56	10	52	31	27	120
excl. non-recurring items	34	20	48	33	41	142
Operating profit, MEUR	14	-71	16	-12	-14	-81
excl. non-recurring items	-8	-22	8	-9	0	-23
Return on capital employed, %	2.9	-14.1	3.2	-2.1	-2.5	-3.9
excl. non-recurring items, %	-1.5	-4.1	1.7	-1.6	0.2	-0.9
Deliveries, 1,000 t	748	761	760	724	757	3,002
Production, 1,000 t	755	736	752	735	739	2,962

EBITDA = Earnings before interest, taxes, depreciation and amortization

<u>Result for January-March compared with the previous quarter</u>

In the first quarter, the operating profit of the Graphic business area, excluding non-recurring items was EUR -8 million (Q4/07: -22). The operating profit was improved by the substantially increased production volume of Metsä-Botnia's Uruguay pulp mill and the increased price of magazine paper. The increase in energy costs and as well as strengthened euro against the US dollar and British pound and production curtailments at the Metsä-Botnia mills in Finland had a negative effect on the profitability.

Net non-recurring items of EUR 22 million were recognised in operating profit for the first quarter:

- A positive effect of EUR 24 million on the result for the sale of New Thames mill and the agreement of pension liabilities from UK industrial operations and other liabilities related to the closure of the Sittingbourne mill.
- EUR 2 million cost provision for the completion of the closure of the Kangas mill's paper machine 2, which produced coated magazine paper.

In the operating profit for the previous quarter net non-recurring items of EUR -49 million were recognised, comprising of EUR 10 million in cost provision connected to profit improvement programmes and EUR 39 million in write-downs of fixed assets.

Total deliveries by European producers of coated fine paper increased by 2 per cent from the previous quarter, and total deliveries by European producers of coated magazine paper decreased by 12 per cent. Total deliveries of M-real's Graphic Papers business area decreased by 2 per cent and included the impacts of capacity closures.

<u>Result for January-March compared with the corresponding period previous year</u>

Graphic Papers business area's operating profit excluding non-recurring items was EUR -8 million (Q1/07: 0). Profitability was weakened by increased wood raw material costs, the strengthened euro against US dollar and British pound as well as production curtailments at the Metsä-Botnia mills in Finland. Profitability was improved by the implemented profit improvement actions and the start-up of Uruguay pulp mill in November 2007.

A non-recurring item of EUR 14 million was recognised in the operating profit in the corresponding period previous year for completion of the closure of the Sittingbourne mill.

Total deliveries by European producers of coated fine paper decreased by 1 per cent and total deliveries by European producers of coated magazine paper remained at the same level. Total deliveries of M-real's Graphic Papers business area decreased by 1 per cent and included the impacts of capacity closures.

Office Papers

	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2007
Sales, MEUR	181	171	167	183	202	723
EBITDA, MEUR	16	25	21	15	-8	53
excl. non-recurring items	16	20	21	15	22	78
Operating profit, MEUR	3	-173	7	1	-22	-187
excl. non-recurring items	3	7	7	1	8	23
Return on capital employed, %	3.1	-114.8	4.9	0.6	-12.0	-29.6
excl. non-recurring items, %	3,1	5,3	4,9	0,6	5,0	4,2
Deliveries, 1,000 t	238	219	215	241	272	947
Production, 1,000 t	200	213	223	257	280	973

EBITDA = Earnings before interest, taxes, depreciation and amortization

Result for January-March compared with the previous quarter

In the first quarter the operating profit excluding non-recurring items of the Office Paper business area was EUR 3 million (Q4/07: 7). The operating profit was weakened by the declined average sales price mainly due to exchange rate changes as well as higher production costs. The operating profit did not include non-recurring items.

In the previous quarter, net non-recurring items of EUR -180 million were recognised in operating profit of which EUR 185 million was in impairment losses, EUR 8 million in cost provisions connected to profit improvement programmes and EUR 13 million reduction in cost provision for the closure of the Wifsta mill.

Total deliveries by European producers of uncoated fine paper were up 9 per cent, and deliveries of the Office Papers business area increased by 9 per cent.

Result for January-March compared with the corresponding period previous year

The business area's operating profit excluding non-recurring items was EUR 3 million in the fourth quarter (Q1/07: 8). The operating profit did not include non-recurring items. Profitability was weakened by increased costs, especially wood raw material costs. The increase in average sales price increased profitability.

A non-recurring cost provision of EUR 29 million was recognised in the operating profit in the corresponding period previous year for the closure of the Wifsta mill.

Total deliveries by European producers of uncoated fine paper decreased by 6 per cent. The delivery volume of the Office Papers business area decreased by 13 per cent and included the effect of closure of Wifsta mill.

The financial statements are unaudited.

Condensed consolidated income statement Continuing operations, MEUR	2008 Q1	2007 Q1	Change	2007	2007 Q4
Sales	**1,099**	**1,157**	**-58**	**4,440**	**1,085**
Other operating income	60	155	-95	239	27
Operating expenses	-1,057	-1,119	62	-4,235	-1,042
Depreciation and impairment losses	-78	-96	18	-564	-315
Operating profit	**24**	**97**	**-73**	**-120**	**-245**
% of sales	2.2	8.4		-2.7	-22.6
Share of results in associated companies	0	0	0	-3	-3
Exchange gains and losses	0	-5	5	-3	2
Other net financial items	-40	-37	-3	-147	-42
Result before taxes from continuing operations	**-16**	**55**	-71	**-273**	**-288**
% of sales	-1.5	4.8		-6.1	-26.5
Income taxes	-2	-3	1	23	39
Result for the period from continuing operations	**-18**	**52**	-70	**-250**	**-249**
% of sales	-1.6	4.5		-5.6	-22.9
Result from discontinued operations	**-1**	**2**	**-3**	**55**	**57**
Result for the period	**-19**	**54**	**-73**	**-195**	**-192**
	-1.7	4.7		-4.4	-17,7

Attributable to					
Shareholders of parent company	-20	54	-74	-194	-192
Minority interest	1	0	1	-1	0
Earnings per share for result attributable to shareholders of parent company (EUR/share)					
from continuing operations	-0.06	0.16	-0.22	-0.76	-0.75
from discontinued operations	0.00	0.00	0.00	0.17	0.17
Total	-0.06	0.16	-0.22	-0.59	-0.58

Taxes include taxes corresponding to the result for the period under review.

Condensed consolidated balance sheet

MEUR	31.3. 2008	%	31.3. 2007	%	31.12. 2007	%
Assets						
Non-current assets						
Goodwill	172	3.4	375	6.4	172	3.3
Other intangible assets	74	1.5	61	1.1	38	0.7
Tangible assets	2,680	53.1	2,991	51.4	2,820	54.3
Biological assets	44	0.9	41	0.7	47	0.9
Shares in associated and other companies	103	2.0	107	1.8	103	2.0
Interest-bearing receivables	26	0.5	34	0.6	27	0.5
Deferred tax receivables	5	0.1	31	0.5	4	0.1
Other non-interest-bearing receivables	8	0.2	19	0.3	14	0.3
	3,112	61.7	**3,659**	62.8	**3,225**	62.1
Current assets						
Inventories	651	12.9	666	11.4	619	11.9
Interest bearing receivables	145	2.9	93	1.6	62	1.2
Non-interest-bearing receivables	942	18.6	1 181	20.3	908	17.5
Cash and cash equivalents	197	3.9	137	2.4	380	7.3
	1,935	38.3	**2,077**	35.7	**1,969**	37.9
Assets classified as held for sale			86	1.5		
Total assets	**5,047**	100	**5,822**	100	**5,194**	100
SHAREHOLDERS' EQUITY AND LIABILITIES						
Shareholders' equity						
Equity attributable to shareholders of parent company	**1,571**	31.1	**1,864**	32.0	**1,618**	31.2
Minority interest	52	1.0	52	0.9	52	1.0
	1,623	32.1	**1,916**	32.9	**1,670**	32.2
Non-current liabilities						
Deferred tax liabilities	213	4.2	267	4.6	215	4.1
Post-employment benefit obligations	141	2.8	205	3.5	159	3.1
Provisions	61	1.2	99	1.7	72	1.4
Other non-interest-bearing liabilities	37	0.8	31	0.6	38	0.7
Interest-bearing liabilities	1,797	35.6	2,144	36.8	1,883	36.3
	2,249	44.6	**2,746**	47.2	**2,367**	45.6
Current liabilities						
Non-interest-bearing liabilities	712	14.0	825	14.2	704	13.5
Interest-bearing liabilities	463	9.3	304	5.2	453	8.7
	1,175	23.3	**1,129**	19.4	**1,157**	22.2
Liabilities relating to assets classified as held for sale			31	0.5		
Total liabilities	**3,424**	67.9	**3,906**	67.1	**3,524**	67.8
Total shareholders' equity and liabilities	**5, 047**	100	**5,822**	100	**5,194**	100

Condensed consolidated cash flow statement

MEUR	2008 Q1	2007 Q1	2007	2007 Q4
Result for the period	-19	54	-196	-193
Total adjustments	92	37	479	216
Change in working capital	-33	-27	42	74
Cash flow arising from operations	**40**	**64**	**325**	**97**
Net financial items	-18	-27	-160	-72
Income taxes paid	-13	-4	-38	-6
Net cash flow arising from operating activities	**9**	**33**	**127**	**19**
Investments in tangible and intangible assets	-21	-50	-259	-81
Divestments of assets and other	57	240	628	396
Net cash flow arising from investing activities	**36**	**190**	**369**	**315**
Share issue, minority interest	2	1	6	3
Changes in long-term loans and other financial items	-209	-247	-282	-84
Dividends paid	-20	-20	-20	0
Net cash flow arising from financing activities	**-227**	**-266**	**-296**	**-81**
Changes in cash and cash equivalents	**-182**	**-43**	**200**	**253**
Cash and cash equivalents at beginning of period	380	182	182	128
Translation difference in cash and cash equivalents	-1	-1	-2	-1
Changes in cash and cash equivalents	-182	-43	200	253
Assets held for sale, folding carton plants	0	-1	0	0
Cash and cash equivalents at end of period	**197**	**137**	**380**	**380**

Statement of changes in shareholders' equity

MEUR	Share capital	Share premium	Translation difference	Fair value and other reserves	Retained earnings	Minority interest	Total
Shareholders' equity 1.1.2007, IFRS	**558**	**667**	**3**	**10**	**605**	**63**	**1,906**
Translation differences			-13				-13
Net investment hedge			12				12
Currency flow hedges,							
recorded in equity				-16			-16
transferred to income statement's sales				6			6
Interest flow hedges recorded in equity							
Commodity hedges recorded in equity							
Transferred to income statement's purchases				-2			-2
Tax on equity components			-3	3			0
Net expenses recognised directly in equity			-4	-9			-13
Result for the period					54		54
Total recognised income and expenses for the period			-4	-9	54		41
Related party transactions							
Changes in minority interest							
Sale of Metsä-Botnia shares (9%)						-11	
Metsä-Botnia restructuring in Uruguay						1	
Total						-10	-10
Dividends paid					-20	-1	-21
Related party transactions					-20	-11	-31
Shareholders' equity 31.3.2007, IFRS	**558**	**667**	**-1**	**1**	**639**	**52**	**1,916**
Shareholders' equity 1.1.2008, IFRS	**558**	**667**	**-11**	**13**	**391**	**52**	**1,670**
Translation differences			-9			-2	-11
Net investment hedge			6				6
Currency flow hedges, recorded in equity				7			7
transferred to income statement's sales				-4			-4
Interest flow hedges recorded in equity				-1			-1

transferred income statement's financial items				-1			-1
Commodity hedges							
recorded in equity				-6			-6
transferred income statement's purchases				1			1
Tax on equity components			-1	1			0
Net expenses recognised directly in equity			-4	-3		-2	-9
Loss for the period					-20	1	-19
Total recognised income and expenses for the period			-4	-3	-20	-1	-28
Related party transactions							
Changes in minority interest							
Metsä-Botnia restructuring in Uruguay						1	
						1	1
Dividends paid					-20		-20
Related party transactions					-20	1	-19
Shareholders' equity 31.3.2008, IFRS	**558**	**667**	**-15**	**10**	**351**	**52**	**1,623**

Key ratios	2008 Q1	2007 Q1	2007	2007 Q4
Sales, MEUR	1,099	1,157	4,440	1,085
EBITDA, MEUR	102	193	444	70
excl. non-recurring items, MEUR	81	101	366	78
Operating profit, MEUR	24	97	-120	-245
excl. non-recurring items, MEUR	3	21	49	-6
Result from continuing operations				
before taxes, MEUR	-16	55	-273	-288
excl. non-recurring items, MEUR	-37	-21	-104	-49
Result for the period				
from continuing operations, MEUR	-18	52	-250	-249
from discontinued operations, MEUR	-1	2	55	57
Total, MEUR	-19	54	-195	-192
Earnings per share				
from discontinuing operations, EUR	-0.06	0.16	-0.76	-0.75
from discontinued operations, EUR	0.00	0.00	0.17	0.17
Total, EUR	-0.06	0.16	-0.59	-0.58
Earnings per share, excl. non-recurring items				
from continuing operations, EUR	-0.12	-0.09	-0.32	-0.07
Return on equity, %	-4.4	9.9	-14.0	-53.0
excl. non-recurring items, %	-9.4	-7.3	-5.9	-0.4
Return on capital employed, %	2.9	9.7	-2.6	-24.4
excl. non-recurring items, %	0.8	2.5	1.4	-0.3
Equity ratio at end of period, %	32.2	32.9	32.1	32.1
Gearing at end of period, %	117	114	112	112
Shareholders’ equity per share at end of period, EUR	4.79	5.68	4.93	4.93
Net interest-bearing liabilities				
at end of period, MEUR	1,892	2,189	1,867	1,867
Gross capital expenditure, MEUR	21	50	259	81
Paper deliveries, 1,000 t	986	1,029	3,949	980
Board deliveries, 1,000 t	298	291	1,203	291
Personnel at end of period	9,122	14,509	9,508	9,508

EBITDA = Earnings before interest, taxes, depreciation and amortization

Securities and guarantees, MEUR	2008 Q1	2007 Q1	2007
For own liabilities	59	60	61
On behalf of associated companies	1	1	1
On behalf of Group companies	4	5	4
On behalf of others	3	3	3
Total	**67**	**69**	**69**

Open derivative contracts, MEUR	2008 Q1	2007 Q1	2007
Interest rate derivatives	1,735	2,810	1,954
Foreign exchange derivatives	3,112	3,795	3,809
Other derivatives	150	167	133
Total	4,997	6,772	5,896

The fair value of open derivative contracts calculated at market value was EUR 4.3 million at the end of the review year (EUR 14.7 million 31 December 2007).

The gross amount of open contracts also includes closed contracts, totalling EUR 2,326.8 million (31 December 2007: EUR 2,713.9 million).

Commitments related to fixed assets, MEUR	**2008**	**2007**	**2007**
	Q1	**Q1**	
Payments in less than a year	5	103	22
Payments later	1	10	4

Changes in property, plant and equipment, MEUR	**2008**	**2007**	**2007**
	Q1	**Q1**	
Carrying value at beginning of period	2,820	3,156	3,156
Capital expenditure	21	49	250
Decrease	-72	-114	-186
Depreciation and impairment losses	-75	-77	-346
Translation difference	-14	-23	-54
Carrying value at end of period	**2,680**	**2,991**	**2,820**

Related-party transactions, MEUR	**2008**	**2007**	**2007**
Transactions with parent company and sister companies	**Q1**	**Q1**	
Sales	11	8	34
Other operating income	1	135	138
Purchases	161	121	549
Interest income	1	1	3
Interest expenses	1	2	8
Non-current receivables	19	21	19
Current receivables	49	63	41
Non-current liabilities	0	1	1
Current liabilities	46	38	149
Transactions with associated companies			
Sales	0	0	0
Purchases	1	1	4
Non-current receivables	2	7	0
Current receivables	8	0	7
Current liabilities	3	1	3

Accounting policies

The interim report was prepared in accordance with the IAS 34 standard Interim Financial Reporting and the accounting policies presented in M-real's Annual Report 2007.

The figures in the financial statement release are unaudited.

Taxes include taxes corresponding to the result for the period under review.

Calculation of key ratios

Return on equity (%)	=	(Profit from continuing operations before tax - direct taxes) per (Total equity (average))
Return on capital employed (%)	=	(Profit from continuing operations before tax + interest expenses, net exchange gains/losses and other financial expenses) per (Total assets - non-interest-bearing liabilities (average))
Equity ratio (%)	=	(Total equity) per (Total assets - advance payments received)
Gearing ratio (%)	=	(Interest-bearing liabilities - liquid funds - interest-bearing receivables) per (Total 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 end of review period)

Quarterly information

Sales and result by segment, MEUR	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2007
Consumer Packaging	235	225	231	243	235	934
Graphic Papers	560	569	574	548	577	2,268
Office Papers	181	171	167	183	202	723
Internal sales and other operations	123	120	130	122	143	515
Sales	**1,099**	**1,085**	**1,102**	**1,096**	**1,157**	**4,440**
Consumer Packaging	36	24	45	28	39	136
Graphic Papers	56	10	52	31	27	120
Office Papers	16	25	21	15	-8	53
Other operations	-6	11	-2	-8	135	135
EBITDA	**102**	**70**	**116**	**66**	**193**	**444**
% of sales	9.3	6.5	10.5	6.0	16.7	10.0
Consumer Packaging	18	0	27	8	21	56
Graphic Papers	14	-71	16	-12	-14	-81
Office Papers	3	-173	7	1	-22	-187
Other operations	-11	-1	-7	-12	112	92
Operating profit	**24**	**-245**	**43**	**-15**	**97**	**-120**
% of sales	2.2	-22.6	3.9	-1.5	8.4	-2.7
Share of results in associated companies	0	-3	1	-1	0	-3
Exchange gains and losses	0	2	-2	2	-5	-3
Other net financial items	-40	-42	-39	-29	-37	-147
Result from continuing operations before tax	**-16**	**-288**	**4**	**-44**	**55**	**-273**
Income taxes	-2	39	-9	-4	-3	23
Result for the period from continuing operations	**-18**	**-249**	**-5**	**-48**	**52**	**-250**
Result for period from discontinued operations	-1	57	-3	-1	2	55
Result for the period	**-19**	**-192**	**-8**	**-49**	**54**	**-195**
Minority interest	-1	0	1	0	0	1
Financial result attributable to shareholders of parent company	**-20**	**-192**	**-7**	**-49**	**54**	**-194**
Earnings per share, EUR	-0.06	-0.58	-0.02	-0.15	0.16	-0.59

Non-recurring items, MEUR	**2008 Q1**	**2007 Q4**	**2007 Q3**	**2007 Q2**	**2007 Q1**	**2007**
Consumer Packaging	-1	-8	0	-7	0	-15
Graphic Papers	22	-49	7	-2	-14	-58
Office Papers	0	-180	0	0	-30	-210
Other operations	0	-2	0	-4	120	114
Non-recurring items in operating result	**21**	**-239**	**7**	**-13**	**76**	**-169**
Non-recurring items in financial items	0	0	0	0	0	0
Non-recurring items total	**21**	**-239**	**7**	**-13**	**76**	**-169**
Consumer Packaging	37	25	45	33	39	142
Graphic Papers	34	20	48	33	41	142
Office Papers	16	20	21	15	22	78
Other operations	-6	13	-3	-4	-1	4
EBITDA, excl. non-recurring items	**81**	**78**	**111**	**77**	**101**	**366**
% of sales	7.4	7.2	10.1	7.0	8.7	8.2
Consumer Packaging	19	8	27	15	21	71
Graphic Papers	-8	-22	8	-9	0	-23
Office Papers	3	7	7	1	8	23
Other operations	-11	1	-6	-9	-8	-22
Operating profit excl. non-recurring items	**3**	**-6**	**36**	**-2**	**21**	**49**
% of sales	0.3	-0.6	3.3	-0.2	1.8	1.1
Result before taxes, excl. non-recurring items	-37	-49	-3	-31	-21	-104
% of sales	-3.4	-4.5	-0.2	-2.8	-1.8	-2.3
Result per share, excl. non-recurring items, EUR	-0.12	-0.07	-0.04	-0.12	-0.09	-0.32
Return on equity, excl. non-recurring items, %	-9.4	-0.4	-0.9	-2.4	-7.3	-5.9
Return on capital employed, excl. non-recurring items, %	0.8	-0.3	3.7	0.2	2.5	1.4

Return on capital employed, %	**2008 Q1**	**2007 Q4**	**2007 Q3**	**2007 Q2**	**2007 Q1**	**2007**
Consumer Packaging	9.6	0.1	15.3	4.1	10.9	7.5
Graphic Papers	2.9	-14.1	3.2	-2.1	-2.5	-3.9
Office Papers	3.1	-114.8	4.9	0.6	-12.0	-29.6
Continuing operations total	**2.9**	**-24.4**	**4.4**	**-1.1**	**9.7**	**-2.6**

Capital employed, MEUR	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2007
Consumer Packaging	781	731	742	741	777	731
Graphic Papers	2,025	1,907	2,046	2,042	2,077	1,907
Office Papers	475	518	681	665	669	518
Other equity	603	866	469	543	519	866
Continuing operations total	**3,884**	**4,022**	**3,938**	**3,991**	**4,043**	**4,022**

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

Personnel, average	2008 Q1	2007 Q1	2007
Consumer Packaging	1,292	1,513	1,504
Graphic Papers	4,814	5,290	5,135
Office Papers	1,441	1,694	1,657
Other continuing operations	1,718	2,748	2,372
Discontinued operations		2,419	2,007
Total	**9,265**	**13,664**	**12,675**

Deliveries, 1,000 t	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2007
Consumer Packaging	**298**	**291**	**297**	**313**	**302**	**1,203**
Graphic Papers	748	761	760	724	757	3,002
Office Papers	238	219	215	241	272	947
Paper segments, total	**986**	**980**	**975**	**965**	**1,029**	**3,949**

Production, 1,000 t	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2007
Consumer Packaging	**314**	**294**	**303**	**302**	**311**	**1,210**
Graphic Papers	755	736	752	735	739	2,962
Office Papers	200	213	223	257	280	973
Paper mills, total	**955**	**949**	**975**	**992**	**1,019**	**3,935**
Metsä-Botnia pulp 1)	**252**	**235**	**203**	**200**	**203**	**841**
M-real pulp	**446**	**400**	**455**	**398**	**426**	**1,679**

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