

M-real Corporation  
Interim Report January-September 2007

October 25, 2007  
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## **M-real's operating profit excluding non-recurring items in the third quarter increased to EUR 42 million**

### **Result for the third quarter of 2007**

- Sales were EUR 1,366 million (Q2/07: 1,360)
- Operating profit excluding non-recurring items was EUR 42 million (4). Operating profit including non-recurring items was EUR 49 million (-9)
- Result before taxes, excluding non-recurring items, was EUR -3 million (-29). Result before taxes, including non-recurring items, was EUR 4 million (-42)

### **Result for the first nine months of 2007**

- Sales were EUR 4,158 million (Q1-Q3/06: 4,186)
- Operating profit excluding non-recurring items was EUR 77 million (31). Operating profit including non-recurring items was EUR 144 million (-25)
- Result before taxes, excluding non-recurring items, EUR -47 million (-61). Result before taxes, including non-recurring items, was EUR 20 million (-117)

### **Events during the third quarter**

- M-real agreed to sell the paper merchant Map Merchant Group to Sequana Capital's subsidiary Antalis. The total value of the divestment was EUR 382 million. It is estimated that a capital gain of EUR 80 million will be recognised for the transaction. EU Commission approved the sale.
- Machine line 2 of the Tako board mill located in Finland and the Wifsta fine paper mill located in Sweden were shut down.
- M-real negotiated on the sale of its speciality paper mill Zanders Reflex located in Germany to Arjowiggins Group. The sales contract was signed on 12 October 2007. The implementation of the transaction requires the approval of the competition authorities.

- "Despite the difficult operating environment, M-real's result improved clearly. The higher prices of uncoated fine paper, the strong demand for packaging board as well as successful profit improvement measures support the development of comparable profit, too. The rise of production costs is continuing – nevertheless we are able to cover the higher costs through our own actions. As the ongoing programmes are completed, we will start new profit improvement programmes, the aim of which is to cover the higher production costs in 2008 and 2009 as well."

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

*M-real is one of Europe's leading paper and paperboard manufacturers. It offers first-class solutions for consumer packaging and for the communications and marketing sectors. The company's global sales network caters for the needs of publishers, printing companies, paper merchants, offices, well-known consumer goods manufacturers, and folding carton printers.*

*M-real is a Metsäliitto Group company listed on the OMX Nordic Exchange. In 2006, the company's sales totalled EUR 5.6 billion. M-real employs over 12,000 people.*

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| KEY FIGURES   | Q1-Q3  |        |        | Q1-Q3  |        |        |
|---|--------|--------|--------|--------|--------|--------|
|   | Q3/07  | Q2/07  | Q3/06  | 2007   | 2006   | 2006   |
| Sales, MEUR   | 1,366  | 1,360  | 1,367  | 4,158  | 4,186  | 5,624  |
| EBITDA, MEUR  | 123    | 73     | 106    | 397    | 251    | 299    |
| excl. non-recurring items, MEUR                         | 118    | 84     | 108    | 314    | 307    | 411    |
| Operating profit, MEUR                                  | 49     | -9     | 15     | 144    | -25    | -271   |
| excl. non-recurring items, MEUR                         | 42     | 4      | 17     | 77     | 31     | 45     |
| Result before taxes, MEUR                               | 4      | -42    | -22    | 20     | -117   | -408   |
| excl. non-recurring items, MEUR                         | -3     | -29    | -20    | -47    | -61    | -92    |
| Result for the period, MEUR                             | -8     | -49    | -33    | -3     | -133   | -399   |
| Earnings per share, EUR                                 | -0.02  | -0.15  | -0.10  | -0.01  | -0.40  | -1.21  |
| Return on equity, %                                     | -1.6   | -10.4  | -6.1   | -0.2   | -7.9   | -18.9  |
| excl. non-recurring items, %                            | -3.1   | -8.8   | -5.8   | -5.8   | -4.7   | -4.4   |
| Return on capital employed, %                           | 4.6    | -0.5   | 1.8    | 4.6    | -0.2   | -5.2   |
| excl. non-recurring items, %                            | 3.9    | 0.7    | 2.0    | 2.6    | 1.4    | 1.4    |
| Equity ratio at end of period, %                        | 32.7   | 32.8   | 34.3   | 32.7   | 34.3   | 30.9   |
| Gearing ratio at end of period, %                       | 117    | 117    | 111    | 117    | 111    | 126    |
| Interest-bearing net liabilities at end of period, MEUR | 2,187  | 2,192  | 2,402  | 2,187  | 2,402  | 2,403  |
| Gross investments, MEUR                                 | 66     | 62     | 101    | 178    | 305    | 428    |
| Paper deliveries, 1,000 tonnes                          | 975    | 965    | 1,031  | 2,969  | 3,151  | 4,192  |
| Paperboard deliveries, 1,000 tonnes                     | 297    | 313    | 285    | 912    | 873    | 1,161  |
| Personnel at end of period                              | 12,449 | 13,302 | 14,509 | 12,449 | 14,509 | 14,125 |

EBITDA = Earnings before interest, taxes, depreciation and amortization

### Result for July-September compared to the previous quarter

Sales totalled EUR 1,366 million (Q2/07: 1,360). Operating profit totalled EUR 49 million (Q2/07: -9). It includes, as a positive non-recurring item, decrease of the cost provision for completing the closedown of the Sittingbourne mill by EUR 7 million. Operating profit excluding non-recurring items was EUR 42 million (4).

The previous quarter's operating profit included non-recurring costs, EUR 9 million in cost provisions and EUR 2 million in asset write-downs related to the profitability improvement programme in Finland. These figures include, for example, the closedown expenses incurred from paperboard machine line No. 2 at the Tako board mill. The operating profit also included a loss on sale of EUR 2 million from the divestment of the carton plants in Finland and Hungary.

Net non-recurring items in the third quarter of 2007 totalled EUR 7 million (Q2/07: -13).

Operating profit excluding non-recurring items compared to the previous quarter improved by the profit improvement programme and the approximately 2 per cent price increase in selling price of uncoated magazine paper. The demand for coated magazine was strengthened and the price decreases have levelled off. The operating profit in the previous quarter was negatively affected by maintenance shutdowns. The cost of wood continued to rise in the third quarter.

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In July-September the volume of paper deliveries totalled 975,000 tonnes (Q2/07: 965,000). Production was curtailed by 60,000 tonnes (50,000) in line with demand. Paperboard deliveries totalled 297,000 tonnes (313,000) and there were no production curtailments (31,000).

Financial income and expenses totalled EUR -46 million (-32). Exchange differences from trade receivables, trade payables, financial items and the valuation of currency hedging were EUR -2 million (2). Net interest and other financial expenses amounted to EUR -44 million (-34). Other financial expenses include a profit of EUR 6 million (7) from unwinding and valuation of interest rate hedges.

The result before taxes for the review period was EUR 4 million (-42). The result before taxes, excluding non-recurring items, totalled EUR -3 million (-29). The negative impact of income taxes, including the change in deferred tax liabilities, was EUR 12 million (7).

Earnings per share were EUR -0.02 (-0.15). Excluding non-recurring items, earnings per share were EUR -0.04 (-0.13). Return on equity was -1.6 per cent (-10.4), and -3.1 per cent (-8.8) excluding non-recurring items. The return on capital employed was 4.6 per cent (-0.5), and 3.9 per cent (0.7) excluding non-recurring items.

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

Sales totalled EUR 4,158 million (Q1-Q3/06: 4,186). Operating profit was EUR 144 million (-25). The operating profit excluding non-recurring items amounted to EUR 77 million (31).

Net non-recurring items in January-September 2007 totalled EUR 67 million, the most significant being:

- sales gain of EUR 135 million from Metsä-Botnia shares
- a cost provision of EUR 14 million for completing the closedown of the Sittingbourne mill in the first quarter and the decrease of this cost provision by EUR 7 million in the third quarter
- a cost provision of EUR 29 million for completing the closedown of the Wifsta mill
- an impairment loss of EUR 16 million from the valuation of assets held for sale at the expected selling price in compliance with IFRS 5
- a total of EUR 11 million consisting of a cost provision and asset write-downs related to the programme to improve profitability of operations in Finland.

Net non-recurring items in January-September 2006 totalled EUR -56 million, the most significant being:

- a sales loss of EUR 37 million for the Pont Sainte Maxence paper mill
- a cost provision totalling EUR 19 million related to the efficiency improvement programmes at the Alizay, Stockstadt and Hallein mills.

The profitability of all business areas except for Publishing improved. The market situation for Publishing business area was challenging during the first six months of the year and the selling prices decreased.

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Operating profit excluding non-recurring items improved following the implemented cost savings and the approximately 9 per cent price hike for uncoated fine paper. In addition, Consumer Packaging business area clearly improved its profitability mainly due to increased deliveries.

The operating profit excluding non-recurring items was affected by on average 8 per cent weaker U.S. dollar, increase in pulpwood price and production losses at pulp mills due to the weakened availability of wood.

The volume of paper deliveries in January-September totalled 2,969,000 tonnes (3,151,000). Production was curtailed by 151,000 tonnes in line with demand (151,000). Paperboard deliveries amounted to 912,000 tonnes (873,000) and production curtailments to 48,000 tonnes (41,000).

Financing income and expenses totalled EUR -124 million (-92). The increase in net financing expenses is a result of the higher market interest rate, the downgrading of the company's credit rating, and foreign exchange gains in the corresponding period last year. Foreign exchange gains and losses from accounts receivable, accounts payable, financial income and expenses and the valuation of currency hedging were EUR -5 million (4). Net interest and other financing expenses stood at EUR -119 million (-96). Other financing expenses include EUR 9 million (6) in gains from the unwinding of interest rate hedging and gains from the valuation of interest rate hedging.

The result before taxes was EUR 20 million (-117). The result before taxes, excluding non-recurring items, totalled EUR -47 million (-61). Income taxes, including the change in deferred tax liabilities, were EUR -23 million (-16).

Earnings per share were EUR -0.01 (-0.40). Excluding non-recurring items, earnings per share were EUR -0.25 (-0.23). Return on equity was -0.2 per cent (-7.9), and -5.8 per cent (-4.7) excluding non-recurring items. The return on capital employed was 4.6 per cent (-0.2), and 2.6 per cent (1.4) excluding non-recurring items.

## Personnel

On 30 September 2007 the company had 12,449 employees (31 December 2006: 14,125), of which 3,687 (4,220) worked in Finland. Divestments accounted for a reduction of 655 employees in 2007. In January-September 2007 M-real employed an average of 13,370 people (Q1-Q3/06: 15,085). In 2007 the figures include 30 per cent of Metsä-Botnia's personnel compared to 39 per cent in 2006.

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## Investments

Gross capital expenditure in January-September 2007 totalled EUR 178 million (Q1-Q3/06: 305). This includes a EUR 95 million share of Metsä-Botnia's capital expenditure (161), based on M-real's ownership, which in 2007 amounted to 30 per cent and in 2006 to 39 per cent.

Metsä-Botnia's pulp mill investment in Uruguay is progressing as planned, and the construction and installation works are technically nearly completed. The mill's start-up process will begin as soon as the Uruguayan environmental authorities permit it. As the new mill will start up, M-real will gain self-sufficiency in pulp, in line with its strategy. The Uruguay mill will be one of the world's most cost-efficient chemical pulp mills.

## Structural change

The restructuring programme started in October 2006 is progressing on an extended scale. In January 2007, M-real sold 9 per cent of the shares of Metsä-Botnia to Metsäliitto Group for EUR 240 million, for which it booked a capital gain of EUR 135 million. The Sittingbourne fine paper mill in the UK was closed at the end of January and the Gohrsmühle fine paper machines 6 and 7 in Germany were shut down at the end of February. The Wifsta fine paper mill in Sweden was closed in July. A total of about one-third of the production of the machines that were shut down has been transferred to M-real's other machines. Related to the closures, EUR 76 million was recognised as an expense in the 2006 financial statements and an expense reserve of EUR 36 million was booked in the first quarter of 2007 for the completion of closures. The closures' impact on cash flow is approximately EUR -70 million, slightly over half of which will be realised in 2007 and the rest in 2008–2015.

The statutory negotiations related to the profit improvement programme in Finland were concluded during the summer. The programme's overall impact on staff is approximately 500 person work years. The talks also agreed on changes in vacancies and on other enhancement measures, which will decrease the need for temporary employees and holiday replacements by some 100 person work years. Previous measures and those now agreed on will result in annual cost savings of approximately EUR 40 million in Finnish operations. They will be felt in full from the beginning of 2009. The non-recurring expenses resulting from the programme, totalling some EUR 11 million, were recognised in the second quarter. The amount includes an asset write-down of approximately EUR 2 million. Paperboard machine line 2 at the Tako board mill, with an annual capacity of 70,000 tonnes, was closed down in July as announced previously. Most of the production has been transferred to other machines in the Consumer Packaging business area.

At the turn of May and June M-real sold Tako Carton Plant Ltd. to Finnish Pyroll Oy and M-real Petöfi Nyomda Kft to Germany's STI Group. The total debt-free transaction price of the divestment of these carton plants located in Finland and Hungary was EUR 35 million. A loss of EUR 2 million from the transactions was booked in the second-quarter result. Excluding non-recurring items, the transactions will have a slightly negative impact on the operating result in 2007 and will lead to a decrease of approximately EUR 55 million in

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annual sales and in personnel by approximately 580. The sales process of the Meulemans carton plant continues.

In July, M-real announced its plans to sell Map Merchant Holdings BV and its subsidiaries to the French Antalis International SAS. The total value of the transaction, including possible debt and pension liabilities, is EUR 382 million. M-real expects to recognise a gain of approximately EUR 80 million in the figures for the quarter in which the sale is closed. The deal will not significantly affect M-real's result before taxes, except for the non-recurring profit impact of the closed sale. Gearing is estimated to decrease as a result of the divestment by approximately 20 percentage points. The EU Commission has approved the sale and the transaction is expected to be completed during the fourth quarter of 2007. Once the transaction has been finalised, M-real will have sold over EUR 650 million worth of asset items, exceeding its target of EUR 500 million.

In July, M-real exercised its contractual purchasing right to buy, for about EUR 13 million, the Kyröskoski gas combined power plant and the land on which M-real's Kyröskoski mills are located.

## Financing

At the end of September the equity ratio was 32.7 per cent (31 December 2006: 30.9) and the gearing ratio 117 per cent (126). Some of M-real's loan agreements set a 120 per cent limit on the company's gearing ratio and a 30 per cent limit on the equity ratio. Calculated as defined in the loan agreements, the gearing ratio at the end of September was approximately 102 per cent (111) and the equity ratio approximately 36 per cent (34).

Net interest-bearing liabilities totalled EUR 2,187 million at the end of September (2,402). 12 per cent of the long-term loans were denominated in foreign currencies. 77 per cent of the loans were floating-rate and the rest fixed-rate. At the end of September the average interest rate on loans was 7.0 per cent and the average maturity of long-term loans 3.7 years. The interest rate maturity of loans was 5.3 months at the end of September. During the period it varied from 5 to 8 months.

Cash flow from operations in January-September amounted to EUR 228 million (Q1-Q3/06: 188). Working capital was up by EUR 32 million (74).

At the end of September, an average of 6 months of net foreign exchange exposure was hedged. The degree of hedging varied between 6 and 7 months during the period. At the end of September, approximately 95 per cent of foreign-currency-denominated shareholders' equity was hedged.

Liquidity is good. At the end of September liquidity was EUR 985 million, of which EUR 856 million consisted of binding long-term credit agreements and EUR 129 million of liquid assets and investments. In August, a remaining tranche of approximately EUR 350 million of a EUR 850 million revolving credit facility that matures in November 2007 was cancelled. There is no reason to renew this facility due to the adequate liquidity reserve. To meet its short-term financing needs, M-real also had non-binding domestic and foreign commercial paper programmes and credit facilities amounting to nearly EUR 600 million.

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## Shares

In January-September, the highest price of M-real's B share on the OMX Nordic Exchange was EUR 5.94, the lowest EUR 3.57 and the average price EUR 4.89. At the end of September the price of the B share was EUR 3.92. The average price in 2006 was EUR 4.41. The closing price for 2006 was EUR 4.79.

The trading volume of B shares in January-September was EUR 1,923 million, or 135 per cent of the share capital. The market value of the A and B shares totalled EUR 1,287 million at the end of September. Metsäliitto Cooperative owned 38.6 per cent of the shares at the end of September and held 60.5 per cent of the voting rights conferred by these shares. International investors owned 40.4 per cent of the shares.

On 13 March 2007 the Annual General Meeting authorised the Board of Directors to decide on increasing the share capital through one or more share issues and/or one or more issues of convertible bonds in compliance with Chapter 10 of the Companies Act so that in either case a maximum of 58,365,212 of M-real Corporation's B shares with a nominal value of EUR 1.70 can be subscribed for and the company's share capital can be increased by a maximum of EUR 99,220,860.40. The authorisation, valid until further notice, entitles a deviation from the shareholders' pre-emptive right to subscribe for new shares and/or issues of convertible bonds and to decide on the subscription prices and other terms and conditions. The shareholders' pre-emptive subscription rights can be deviated from provided that there is a significant financial reason for the company to do so, such as strengthening the balance sheet, enabling business restructuring or developing the company's business in other ways.

## Events after the period

On 12 October 2007 M-real agreed to sell Zanders Reflex speciality paper mill in Düren, Germany to Arjowiggins Group. M-real will book a non-recurring loss of approximately MEUR 20 from the transaction. The transaction is expected to be completed by the end of 2007 and it will be booked in the result for the last quarter. The sale has no material impact on M-real's operating profit excluding non-recurring items. The transaction is subject to approval by the competition authorities.

## Wood supply

The wood supply situation has continued to be tight. Mills have been sufficiently supplied with wood for example from storm hit areas in Sweden and Germany. Some special arrangements have been made in production by, for example, bringing forward some maintenance shutdowns.

The demand for, and the price level of, pulpwood is expected to remain high. Due to the low wood stocks and the delivery situation in Russia, wood supply to mills will continue to be challenging in the last quarter of the year.

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## Outlook

The demand for M-real's main products is expected to be good in the last quarter of 2007. The price development of office papers and packaging board is expected to be good also in the fourth quarter. Despite the weaker U.S. dollar, the European magazine paper market will probably improve due to the reduced capacity in North America and the resulting increased export deliveries. Given the tight market situation, an increase in the prices of magazine paper should be possible at the end of the year and at the beginning of next year. Measures to increase the prices of coated fine paper will continue during the fourth quarter of the year.

No relief in production input costs is in sight. However, M-real's profit improvement programmes will cover cost increases in 2007. M-real will start new profit improvement programmes once the ongoing ones are completed. The objective of these programmes is to cover at least the higher production input costs in 2008 and 2009 as well.

Operating profit excluding non-recurring items is expected to weaken in the fourth quarter compared with the third quarter due to seasonal factors.

## Near-term business risks

Because the forward-looking estimates and statements of this interim financial report 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 U.S. dollar. More information about longer-term risk factors can be found on page 25 of M-real's 2006 Annual Report.

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## BUSINESS AREAS AND MARKET DEVELOPMENT

### Consumer Packaging

|                                    | Q3/07 | Q2/07 | Q1/07 | Q4/06 | Q3/06 | Q1-Q3<br>2007 | Q1-Q3<br>2006 | 2006  |
|------------------------------------|-------|-------|-------|-------|-------|---------------|---------------|-------|
| Sales, MEUR                        | 231   | 243   | 235   | 241   | 236   | 709           | 730           | 971   |
| EBITDA, MEUR                       | 45    | 28    | 39    | 25    | 38    | 112           | 106           | 131   |
| excl. non-recurring<br>items, MEUR | 45    | 33    | 39    | 25    | 38    | 117           | 106           | 131   |
| Operating profit, MEUR             | 27    | 8     | 21    | 0     | 17    | 56            | 43            | 43    |
| excl. non-recurring<br>items, MEUR | 27    | 15    | 21    | 4     | 17    | 63            | 43            | 47    |
| Return on capital<br>employed, %   | 15.3  | 4.1   | 10.9  | 0.3   | 7.5   | 10.0          | 6.6           | 5.1   |
| excl. non-recurring<br>items, %    | 15.3  | 7.9   | 10.9  | 2.1   | 7.5   | 11.2          | 6.6           | 5.6   |
| Deliveries, 1,000 t                | 297   | 313   | 302   | 288   | 285   | 912           | 873           | 1,161 |
| Board deliveries, 1,000 t          | 303   | 302   | 311   | 279   | 273   | 916           | 842           | 1,121 |

EBITDA = Earnings before interest, taxes, depreciation and amortization

#### The third quarter compared with the previous quarter

Operating profit excluding non-recurring items of the Consumer Packaging business area clearly improved from the previous quarter and stood at EUR 27 million (Q2/07: 15). No non-recurring items were recognised in the third quarter. EUR 5 million in expense reserves and EUR 2 million in asset write-downs related to the profit improvement programme of operations in Finland were recognised as non-recurring items in the operating profit for the second quarter.

The result was improved by higher production volume of folding boxboard compared with the previous quarter and implemented cost savings measures. The result continued to be burdened by the weak U.S. dollar.

Deliveries by folding boxboard producers in Western Europe remained at the same level as in the previous quarter. M-real's deliveries of folding boxboard were down 5 per cent. Due to implemented price increases the euro-denominated price of folding boxboard remained unchanged despite the weaker dollar.

Delivery volumes of liner paperboard were 6 per cent lower than in the second quarter. The euro-denominated selling price remained unchanged.

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### January-September compared with the corresponding period in 2006

The business area's operating profit excluding non-recurring items in January–September totalled EUR 63 million (Q1-Q3/06: 43). Compared to the previous year, profitability improved mainly due to increased delivery volumes and cost saving measures. Last year's January-September result was weakened by the investment shutdown at the Simpele mill.

The deliveries of Western European folding boxboard manufacturers increased by 6 per cent year on year. M-real's deliveries were up 8 per cent. The euro-denominated selling price of folding boxboard was lower than the previous year due to a weaker U.S. dollar.

The linerboard deliveries were 6 per cent higher than last year. The average euro-denominated price corresponded to that of 2006. The selling price of wallpaper base has risen significantly.

The carton plants divested in Finland and Hungary, and the Belgian mill currently for sale, have been reported under "Other operations" since the beginning of 2007.

### **Publishing**

|                                    | Q3/07 | Q2/07 | Q1/07 | Q4/06 | Q3/06 | Q1-Q3<br>2007 | Q1-Q3<br>2006 | 2006  |
|------------------------------------|-------|-------|-------|-------|-------|---------------|---------------|-------|
| Sales, MEUR                        | 227   | 208   | 212   | 220   | 226   | 647           | 667           | 887   |
| EBITDA, MEUR                       | 31    | 12    | 21    | 23    | 36    | 64            | 91            | 114   |
| excl. non-recurring<br>items, MEUR | 31    | 15    | 21    | 23    | 36    | 67            | 91            | 114   |
| Operating profit, MEUR             | 12    | -7    | 3     | 3     | 14    | 8             | 27            | 30    |
| excl. non-recurring<br>items, MEUR | 12    | -4    | 3     | 3     | 14    | 11            | 27            | 30    |
| Return on capital<br>employed, %   | 5.1   | -2.5  | 1.3   | 1.4   | 5.3   | 1.2           | 3.4           | 3.0   |
| excl. non-recurring<br>items, %    | 5.1   | -1.3  | 1.3   | 1.4   | 5.3   | 1.6           | 3.4           | 3.0   |
| Deliveries, 1,000 t                | 330   | 302   | 303   | 313   | 320   | 935           | 944           | 1,258 |
| Production, 1,000 t                | 324   | 287   | 282   | 283   | 307   | 893           | 884           | 1,167 |

EBITDA = Earnings before interest, taxes, depreciation and amortization

### The third quarter compared with the previous quarter

Operating profit excluding non-recurring items of the Publishing business area in the third quarter was EUR 12 million (Q2/07: -4). No non-recurring items were recognised in the third quarter. A EUR 3 million expense reserve related to the profit improvement programme for operations in Finland was recognised in the second-quarter operating profit.

The result was improved by delivery and production volumes that were clearly higher than in the previous quarter and by lower fixed costs.

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Deliveries by Western European producers of coated magazine paper were up 9 per cent. The delivery volume of the Publishing business area increased by about 9 per cent.

#### January-September compared with the corresponding period in 2006

The Publishing business area's operating profit excluding non-recurring items in January–September totalled EUR 11 million (Q1-Q3/06: 27). Operating profit was weakened mainly by higher fibre costs and a decrease in the average sales price. Operating profit was improved by the implemented cost saving measures.

Deliveries by Western European producers of coated magazine paper remained at last year's level. The delivery volume of the Publishing business area decreased by about 1 per cent.

### **Commercial Printing**

|                                    | Q3/07 | Q2/07 | Q1/07 | Q4/06 | Q3/06 | Q1-Q3<br>2007 | Q1-Q3<br>2006 | 2006  |
|------------------------------------|-------|-------|-------|-------|-------|---------------|---------------|-------|
| Sales, MEUR                        | 346   | 339   | 366   | 369   | 361   | 1,051         | 1,135         | 1,504 |
| EBITDA, MEUR                       | 22    | 19    | 6     | -33   | 14    | 47            | 12            | -21   |
| excl. non-recurring<br>items, MEUR | 17    | 18    | 20    | 19    | 16    | 55            | 55            | 74    |
| Operating profit, MEUR             | 3     | -5    | -17   | -179  | -10   | -19           | -63           | -242  |
| excl. non-recurring<br>items, MEUR | -4    | -6    | -3    | -6    | -8    | -13           | -20           | -26   |
| Return on capital<br>employed, %   | 1.3   | -1.6  | -6.3  | -63.3 | -3.2  | -2.2          | -7.0          | -21.7 |
| excl. non-recurring<br>items, %    | -1.5  | -2.0  | -0.8  | -1.9  | -2.6  | -1.5          | -0.6          | -2.2  |
| Deliveries, 1,000 t                | 430   | 422   | 454   | 464   | 453   | 1,306         | 1,431         | 1,895 |
| Production, 1,000 t                | 428   | 448   | 457   | 464   | 456   | 1,333         | 1,459         | 1,923 |

EBITDA = Earnings before interest, taxes, depreciation and amortization

#### The third quarter compared with the previous quarter

Operating profit of the Commercial Printing business area excluding non-recurring items was EUR -4 million (Q2/07: -6) in the third quarter. Operating profit including non-recurring items was EUR 3 million (Q2/07: -5). In the third quarter, a EUR 7 million reduction in cost provision relating to the closing of the Sittingbourne mill was recognised as a positive non-recurring item.

The result was improved by about 2 per cent higher delivery volume and was weakened by fibre costs that continued to rise and the weaker U.S. dollar.

Deliveries by Western European coated fine paper producers increased by 3 per cent. M-real's deliveries of coated fine paper were 2 per cent higher than in the previous quarter. The average euro-denominated selling price was down 1 per cent. The euro-denominated selling price of uncoated fine paper increased by 2 per cent. The average selling price of speciality papers increased slightly.

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### January-September compared with the corresponding period in 2006

The business area's operating profit excluding non-recurring items in January–September totalled EUR -13 million (Q1-Q3/06: -20). Overall deliveries were some 9 per cent lower year on year due to the closure of the Sittingbourne mill and the shutdown of the Gohrsmühle machines, as well as to the divestment of the Pont Sainte Maxence mill. Comparable delivery volume was about 1 per cent higher than in the previous year. Profitability was particularly hurt by fibre expenses, which increased considerably from the previous year, and by the weaker dollar. Profitability was improved by implemented cost saving measures and the divestments of unprofitable units.

Deliveries by Western European producers of coated fine paper increased by 1 per cent. M-real's overall deliveries of coated fine paper decreased by 9 per cent. This includes the impact of closures of Sittingbourne mill and shutdown of two Gohrsmühle machines. The average euro-denominated selling price of coated fine paper was about 1 per cent lower than during the previous year.

### **Office Papers**

|                                     | Q3/07 | Q2/07 | Q1/07 | Q4/06 | Q3/06 | Q1-Q3<br>2007 | Q1-Q3<br>2006 | 2006  |
|-------------------------------------|-------|-------|-------|-------|-------|---------------|---------------|-------|
| Sales, MEUR                         | 167   | 183   | 202   | 189   | 181   | 552           | 538           | 727   |
| EBITDA, MEUR                        | 21    | 15    | -8    | 26    | 15    | 28            | 33            | 59    |
| excl. non-recurring<br>items, MEUR  | 21    | 15    | 22    | 26    | 15    | 58            | 43            | 69    |
| Operating profit, MEUR              | 7     | 1     | -22   | -4    | -1    | -14           | -14           | -18   |
| excl. non-recurring<br>items, MEUR  | 7     | 1     | 8     | 11    | -1    | 16            | -4            | 7     |
| Return on capital<br>employed, MEUR | 4.9   | 0.6   | -12.0 | -1.9  | -0.2  | -2.2          | -2.3          | -2.3  |
| excl. non-recurring<br>items, %     | 4.9   | 0.6   | 5.0   | 6.0   | -0.2  | 3.3           | -0.6          | 1.1   |
| Deliveries, 1,000 t                 | 215   | 241   | 272   | 264   | 258   | 728           | 775           | 1,039 |
| Production, 1,000 t                 | 223   | 257   | 280   | 253   | 259   | 760           | 775           | 1,028 |

EBITDA = Earnings before interest, taxes, depreciation and amortization

### The third quarter compared with the previous quarter

Operating profit excluding non-recurring items of the Office Papers business area in the third quarter was EUR 7 million (Q2/07: 1). No non-recurring items were recognised in the second and third quarters.

The increase in the average selling price of approximately 2 per cent had a positive impact on operating profit. The result continued to be weakened by higher wood costs and the fall of delivery volumes. The result of the previous quarter was weakened particularly by the annual maintenance shutdowns at the Alizay and Husum mills.

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Overall deliveries by European uncoated fine paper producers were down by 5 per cent. The delivery volume of the Office Papers business area decreased by 11 per cent.

#### January-September compared with the corresponding period in 2006

The business area's operating profit excluding non-recurring items in January–September totalled EUR 16 million (Q1-Q3/06: -4). In 2006 the business area reported EUR 10 million cost provision for the Alizay mill efficiency improvement programme as a non-recurring item.

The result was improved mainly by the increase in the average selling price of about 9 per cent. The result was weakened by higher raw material costs, especially wood costs.

Overall deliveries by European uncoated fine paper producers were down by 1 per cent. The delivery volume of the Office Papers business area decreased by 6 per cent. This includes the impact of the closure of the Wifsta mill.

#### **Map Merchant Group**

|                                 | Q3/07 | Q2/07 | Q1/07 | Q4/06 | Q3/06 | Q1-Q3<br>2007 | Q1-Q3<br>2006 | 2006  |
|---------------------------------|-------|-------|-------|-------|-------|---------------|---------------|-------|
| Sales, MEUR                     | 351   | 349   | 379   | 377   | 342   | 1,079         | 1,061         | 1,438 |
| EBITDA, MEUR                    | 7     | 7     | 8     | 5     | 5     | 22            | 22            | 27    |
| excl. non-recurring items, MEUR | 7     | 7     | 11    | 11    | 5     | 25            | 22            | 33    |
| Operating profit, MEUR          | 6     | 6     | 7     | -59   | 3     | 19            | 17            | -42   |
| excl. non-recurring items, MEUR | 6     | 6     | 10    | 10    | 3     | 22            | 17            | 27    |
| Return on capital employed, %   | 8.3   | 8.9   | 11.8  | -82.8 | 4.9   | 9.7           | 7.3           | -14.2 |
| excl. non-recurring items, %    | 8.3   | 8.9   | 15.9  | 14.0  | 4.9   | 11.0          | 7.3           | 9.4   |
| Deliveries, 1,000 t             | 340   | 339   | 372   | 367   | 347   | 1,052         | 1,064         | 1,431 |

EBITDA = Earnings before interest, taxes, depreciation and amortization

#### The third quarter compared with the previous quarter

The third-quarter operating profit of the Map Merchant Group, excluding non-recurring items, totalled EUR 6 million (Q2/07: 6). The result was improved by lower fixed costs and weakened by the decreased sales margin.

#### January-September compared with the corresponding period in 2006

Operating profit excluding non-recurring items was EUR 22 million (Q1-Q3/06: 17). The result was improved by the higher average sales price of office paper.

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The interim report is unaudited.

| <b>Condensed consolidated<br/>income statement<br/>MEUR</b>                              | <b>Q1-Q3<br/>2007</b> | <b>Q1-Q3<br/>2006</b> | <b>Change</b> | <b>2006</b>  | <b>Q2/07</b> | <b>Q3/07</b> |
|--|-----------------------|-----------------------|---------------|--------------|--------------|--------------|
| <b>Continuing operations</b>   | <b>4,158</b>          | <b>4,186</b>          | <b>-28</b>    | <b>5,624</b> | <b>1,360</b> | <b>1,366</b> |
| <b>Sales</b>   |                       |                       |               |              |              |              |
| Other operating income   | 213                   | 98                    | 115           | 116          | 28           | 30           |
| Operating expenses   | -3,974                | -4,034                | 60            | -5,441       | -1,315       | -1 273       |
| Depreciation and impairment losses   | -253                  | -275                  | 22            | -570         | -82          | -74          |
| <b>Operating profit</b>  | <b>144</b>            | <b>-25</b>            | <b>169</b>    | <b>-271</b>  | <b>-9</b>    | <b>49</b>    |
| % of sales   | 3.5                   | -0.6                  |               | -4.8         | -0.7         | 3.6          |
| Share of results in associated companies   | 0                     | 0                     | 0             | 0            | -1           | 1            |
| Exchange gains and losses  | -5                    | 4                     | -9            | 0            | 2            | -2           |
| Other net financial items  | -119                  | -96                   | -23           | -137         | -34          | -44          |
| <b>Result before taxes</b>   | <b>20</b>             | <b>-117</b>           | <b>137</b>    | <b>-408</b>  | <b>-42</b>   | <b>4</b>     |
| % of sales   | 0.5                   | -2.8                  |               | -7.3         | -3.1         | 0.3          |
| Income taxes   | -23                   | -16                   | -7            | 9            | -7           | -12          |
| <b>Result for the period</b>   | <b>-3</b>             | <b>-133</b>           | <b>130</b>    | <b>-399</b>  | <b>-49</b>   | <b>-8</b>    |
| % of sales   | -0.1                  | -3.2                  |               | -7.1         | -3.6         | -0.6         |
| <b>Attributable to</b>   |                       |                       |               |              |              |              |
| Shareholders of parent company   | -2                    | -131                  | 129           | -396         | -49          | -7           |
| Minority interest  | -1                    | -2                    | 1             | -3           | 0            | -1           |
| Earnings per share for result attributable to shareholders of parent company (EUR/share) | -0.01                 | -0.40                 | 0.39          | -1.21        | -0.15        | -0.02        |

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

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### Condensed consolidated balance sheet

| MEUR  | 30.9.<br>2007 | %    | 30.9.<br>2006 | %    | 31.12.<br>2006 | %    |
|---|---------------|------|---------------|------|----------------|------|
| <b>Assets</b>   |               |      |               |      |                |      |
| <b>Non-current assets</b>                                     |               |      |               |      |                |      |
| Goodwill  | 375           | 6.6  | 569           | 9.0  | 376            | 6.1  |
| Other intangible assets                                       | 45            | 0.8  | 89            | 1.4  | 62             | 1.0  |
| Tangible assets   | 2,933         | 51.5 | 3,185         | 50.3 | 3,156          | 51.1 |
| Biological assets   | 45            | 0.8  | 37            | 0.6  | 52             | 0.8  |
| Shares in associated<br>and other companies                   | 107           | 1.9  | 114           | 1.8  | 109            | 1.8  |
| Interest-bearing receivables                                  | 34            | 0.6  | 38            | 0.6  | 34             | 0.6  |
| Deferred tax receivables                                      | 29            | 0.5  | 31            | 0.5  | 31             | 0.5  |
| Other non-interest-bearing<br>receivables                     | 6             | 0.1  | 14            | 0.2  | 18             | 0.3  |
|   | <b>3,574</b>  | 62.8 | <b>4,077</b>  | 64.4 | <b>3,838</b>   | 62.2 |
| <b>Current assets</b>   |               |      |               |      |                |      |
| Inventories   | 714           | 12.5 | 741           | 11.7 | 676            | 11.0 |
| Interest bearing receivables                                  | 57            | 1.0  | 175           | 2.7  | 163            | 2.6  |
| Non-interest-bearing receivables                              | 1,191         | 20.9 | 1,246         | 19.7 | 1,210          | 19.6 |
| Cash and cash equivalents                                     | 128           | 2.2  | 96            | 1.5  | 182            | 2.9  |
|   | <b>2,090</b>  | 36.6 | <b>2,258</b>  | 35.6 | <b>2,231</b>   | 36.1 |
| Assets classified as held for sale                            | 33            | 0.6  |               |      | 103            | 1.7  |
| <b>Total assets</b>   | <b>5,697</b>  | 100  | <b>6,335</b>  | 100  | <b>6,172</b>   | 100  |
| <b>SHAREHOLDERS' EQUITY AND<br/>LIABILITIES</b>               |               |      |               |      |                |      |
| <b>Shareholders' equity</b>                                   |               |      |               |      |                |      |
| Equity attributable to<br>shareholders of parent company      | 1,812         | 31.8 | 2,108         | 33.3 | 1,843          | 29.9 |
| Minority interest   | 51            | 0.9  | 60            | 1.0  | 63             | 1.0  |
|   | <b>1,863</b>  | 32.7 | <b>2,168</b>  | 34.3 | <b>1,906</b>   | 30.9 |
| <b>Non-current liabilities</b>                                |               |      |               |      |                |      |
| Deferred tax liabilities                                      | 265           | 4.7  | 331           | 5.2  | 284            | 4.6  |
| Post-employment benefit obligations                           | 190           | 3.4  | 205           | 3.2  | 199            | 3.2  |
| Provisions  | 65            | 1.1  | 61            | 1.0  | 79             | 1.3  |
| Other non-interest-bearing liabilities                        | 39            | 0.7  | 49            | 0.8  | 28             | 0.5  |
| Interest-bearing liabilities                                  | 2,122         | 37.2 | 1,997         | 31.5 | 2,182          | 35.4 |
|   | <b>2,681</b>  | 47.1 | <b>2,643</b>  | 41.7 | <b>2,772</b>   | 45.0 |
| <b>Current liabilities</b>                                    |               |      |               |      |                |      |
| Non-interest-bearing liabilities                              | 860           | 15.1 | 811           | 12.8 | 865            | 14.0 |
| Interest-bearing liabilities                                  | 281           | 4.9  | 713           | 11.2 | 599            | 9.7  |
|   | <b>1,141</b>  | 20.0 | <b>1,524</b>  | 24.0 | <b>1,464</b>   | 23.7 |
| Liabilities relating to assets<br>classified as held for sale | 12            | 0.2  |               |      | 30             | 0.4  |
| <b>Total liabilities</b>                                      | <b>3,834</b>  | 67.3 | <b>4,167</b>  | 65.7 | <b>4,266</b>   | 69.1 |
| <b>Total shareholders' equity<br/>and liabilities</b>         | <b>5,697</b>  | 100  | <b>6,335</b>  | 100  | <b>6,172</b>   | 100  |

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### Condensed consolidated cash flow statement

| MEUR   | Q1-Q3/<br>2007 | Q1-Q3/<br>2006 | 2006        | Q3/07      |
|--|----------------|----------------|-------------|------------|
| Result for the period                                  | -3             | -133           | -399        | -8         |
| Total adjustments                                      | 263            | 395            | 701         | 118        |
| Change in working capital                              | -32            | -74            | 65          | -14        |
| <b>Cash flow arising from operations</b>               | <b>228</b>     | <b>188</b>     | <b>367</b>  | <b>96</b>  |
| Net financial items                                    | -88            | -57            | -113        | -20        |
| Income taxes paid                                      | -32            | -24            | -32         | -11        |
| <b>Net cash flow arising from operating activities</b> | <b>108</b>     | <b>107</b>     | <b>222</b>  | <b>65</b>  |
| Investments in tangible and intangible assets          | -178           | -305           | -428        | -66        |
| Divestments of assets and other                        | 280            | 14             | 28          | 5          |
| <b>Net cash flow arising from investing activities</b> | <b>102</b>     | <b>-291</b>    | <b>-400</b> | <b>-61</b> |
| Share issue, minority interest                         | 3              | 28             | 31          | 1          |
| Changes in long-term loans and other financial items   | -246           | 181            | 259         | -49        |
| Dividends paid   | -20            | -39            | -39         | 0          |
| <b>Net cash flow arising from financing activities</b> | <b>-263</b>    | <b>170</b>     | <b>251</b>  | <b>-48</b> |
| <b>Changes in cash and cash equivalents</b>            | <b>-53</b>     | <b>-14</b>     | <b>73</b>   | <b>-44</b> |
| Cash and cash equivalents at beginning of period       | 182            | 112            | 112         | 174        |
| Translation difference in cash and cash equivalents    | -1             | -2             | -2          | 0          |
| Changes in cash and cash equivalents                   | -53            | -14            | 73          | -44        |
| Assets held for sale, folding carton plants            | 0              | 0              | -1          | -2         |
| <b>Cash and cash equivalents at end of period</b>      | <b>128</b>     | <b>96</b>      | <b>182</b>  | <b>128</b> |

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### Statement of changes in shareholders' equity

| MEUR   | Share capital | Share premium | Translation difference | Fair value and other reserves | Retained earnings | Minority interest | Total        |
|--|---------------|---------------|------------------------|-------------------------------|-------------------|-------------------|--------------|
| <b>Shareholders' equity</b>                                      |               |               |                        |                               |                   |                   |              |
| <b>31.12.2005, IFRS</b>  | <b>558</b>    | <b>667</b>    | <b>6</b>               | <b>0</b>                      | <b>1 040</b>      | <b>45</b>         | <b>2,316</b> |
| Net expenses recognised directly in equity                       |               |               |                        |                               |                   |                   |              |
| Translation differences  |               |               | -8                     |                               |                   |                   | -8           |
| Net investment hedge, net of tax                                 |               |               |                        |                               |                   |                   |              |
| Currency flow hedges transferred to income statement, net of tax |               |               |                        | 2                             |                   |                   | 2            |
| recognised in equity, net of tax                                 |               |               |                        | 7                             |                   |                   | 7            |
| Interest flow hedges recognised in equity, net of tax            |               |               |                        | 2                             |                   |                   | 2            |
| Commodity hedges recognised in equity, net of tax                |               |               |                        | 4                             |                   |                   | 4            |
| Change in minority interest                                      |               |               |                        |                               |                   |                   |              |
| Metsä-Botnia restructuring in Uruguay                            |               |               |                        |                               |                   | 18                | 18           |
| Result for the period  |               |               |                        |                               | -131              | -2                | -133         |
| Total recognised income and expenses for the period              |               |               | -8                     | 15                            | -131              | 16                | -108         |
| Dividends paid   |               |               |                        |                               | -39               | -1                | -40          |
| <b>Shareholders' equity</b>                                      |               |               |                        |                               |                   |                   |              |
| <b>30.9.2006, IFRS</b>   | <b>558</b>    | <b>667</b>    | <b>-2</b>              | <b>15</b>                     | <b>870</b>        | <b>60</b>         | <b>2,168</b> |

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|   |            |            |           |           |            |           |              |
|---|------------|------------|-----------|-----------|------------|-----------|--------------|
| <b>Shareholders' equity</b>   |            |            |           |           |            |           |              |
| <b>1.1.2007, IFRS</b>   | <b>558</b> | <b>667</b> | <b>3</b>  | <b>10</b> | <b>605</b> | <b>63</b> | <b>1,906</b> |
| Net expenses recognised directly in equity  |            |            |           |           |            |           |              |
| Translation differences   |            |            | -16       |           |            | -2        | -18          |
| Net investment hedge, net of tax  |            |            | 11        |           |            |           | 11           |
| Currency flow hedges transferred to income statement, net of tax recognised in equity, net of tax |            |            |           | -11       |            |           | -11          |
|   |            |            |           | 3         |            |           | 3            |
| Interest flow hedges transferred to income statement, net of tax recognised in equity, net of tax |            |            |           | -3        |            |           | -3           |
|   |            |            |           | 3         |            |           | 3            |
| Commodity hedges transferred to income statement, net of tax recognised in equity, net of tax     |            |            |           | 6         |            |           | 6            |
|   |            |            |           | -2        |            |           | -2           |
| Change in minority interest   |            |            |           |           |            |           |              |
| Sale of Metsä-Botnia shares (9%)  |            |            |           |           |            | -11       | -11          |
| Metsä-Botnia restructuring in Uruguay   |            |            |           |           |            | 3         | 3            |
| Result for the period   |            |            |           |           | -2         | -1        | -3           |
| Total recognised income and expenses for period   |            |            | -5        | -4        | -2         | -11       | -22          |
| Dividends paid  |            |            |           |           | -20        | -1        | -21          |
| <b>Shareholders' equity</b>   |            |            |           |           |            |           |              |
| <b>30.9.2007, IFRS</b>  | <b>558</b> | <b>667</b> | <b>-2</b> | <b>6</b>  | <b>583</b> | <b>51</b> | <b>1,863</b> |

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| <b>Key ratios</b>  | <b>Q1-Q3<br/>2007</b> | <b>Q1-Q3<br/>2006</b> | <b>2006</b> | <b>Q3/07</b> |
|--|-----------------------|-----------------------|-------------|--------------|
| Sales, MEUR  | 4,158                 | 4,186                 | 5,624       | 1,366        |
| EBITDA, MEUR   | 397                   | 251                   | 299         | 123          |
| excl. non-recurring items, MEUR                            | 314                   | 307                   | 411         | 118          |
| Operating profit, MEUR                                     | 144                   | -25                   | -271        | 49           |
| excl. non-recurring items, MEUR                            | 77                    | 31                    | 45          | 42           |
| Result before taxes, MEUR                                  | 20                    | -117                  | -408        | 4            |
| excl. non-recurring items, MEUR                            | -47                   | -61                   | -92         | -3           |
| Result for the period, MEUR                                | -3                    | -133                  | -399        | -8           |
| Earnings per share, EUR                                    | -0.01                 | -0.40                 | -1.21       | -0.02        |
| excl. non-recurring items, EUR                             | -0.25                 | -0.23                 | -0.27       | -0.04        |
| from continuing operations, EUR                            | -0.01                 | -0.40                 | -1.21       | -0.02        |
| from discontinued operations, EUR                          | 0.00                  | 0.00                  | 0.00        | 0.00         |
| Return on equity, %  | -0.2                  | -7.9                  | -18.9       | -1.6         |
| excl. non-recurring items, %                               | -5.8                  | -4.7                  | -4.4        | -3.1         |
| Return on capital employed, %                              | 4.6                   | -0.2                  | -5.2        | 4.6          |
| excl. non-recurring items, %                               | 2.6                   | 1.4                   | 1.4         | 3.9          |
| Equity ratio at end of period, %                           | 32.7                  | 34.3                  | 30.9        | 32.7         |
| Gearing at end of period, %                                | 117                   | 111                   | 126         | 117          |
| Shareholders' equity per share<br>at end of period, EUR    | 5.52                  | 6.42                  | 5.62        | 5.52         |
| Net interest-bearing liabilities<br>at end of period, MEUR | 2,187                 | 2,402                 | 2,403       | 2,187        |
| Gross capital expenditure, MEUR                            | 178                   | 305                   | 428         | 66           |
| Board deliveries, 1,000 t                                  | 912                   | 873                   | 1,161       | 297          |
| Paper deliveries, 1,000 t                                  | 2,969                 | 3,151                 | 4,192       | 975          |
| Personnel at end of period                                 | 12,449                | 14,509                | 14,125      | 12,449       |

EBITDA = Earnings before interest, taxes, depreciation and amortization

| <b>Securities and guarantees, MEUR</b> | <b>Q3/07</b> | <b>Q3/06</b> | <b>2006</b> |
|--|--------------|--------------|-------------|
| For own liabilities                    | 60           | 71           | 77          |
| On behalf of associated companies      | 1            | 1            | 1           |
| On behalf of Group companies           | 4            | 5            | 5           |
| On behalf of others                    | 3            | 10           | 3           |
| <b>Total</b>                           | <b>68</b>    | <b>87</b>    | <b>86</b>   |

| <b>Open derivative contracts, MEUR</b> | <b>Q3/07</b> | <b>Q3/06</b> | <b>2006</b>  |
|--|--------------|--------------|--------------|
| Interest rate derivatives              | 2,062        | 3,493        | 2,828        |
| Foreign exchange derivatives           | 3,524        | 3,658        | 4,747        |
| Other derivatives                      | 182          | 148          | 152          |
| <b>Total</b>                           | <b>5,768</b> | <b>7,299</b> | <b>7,727</b> |

The fair value of open derivative contracts calculated at market value was EUR 14.4 million at the end of the review period (31 December 2006: EUR -8.3 million and EUR 5.2 million 30 September 2006).

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The gross amount of open contracts also includes closed contracts, totalling EUR 2,020.1 million (31 December 2006: EUR 3,664.0 million and EUR 3,253.9 million 30 September 2006).

| <b>Commitments related to fixed assets,<br/>MEUR</b> | <b>Q1-Q3<br/>2007</b> | <b>Q1-Q3<br/>2006</b> | <b>2006</b> |
|--|-----------------------|-----------------------|-------------|
| Payments in less than a year                         | 35                    | 29                    | 146         |
| Payments later                                       | 4                     | 128                   | 16          |

| <b>Changes in property,<br/>plant and equipment, MEUR</b> | <b>Q1-Q3<br/>2007</b> | <b>Q1-Q3<br/>2006</b> | <b>2006</b>  |
|---|-----------------------|-----------------------|--------------|
| Carrying value at beginning of period                     | 3,156                 | 3,178                 | 3,178        |
| Capital expenditure                                       | 177                   | 317                   | 456          |
| Decrease  | -153                  | -71                   | -82          |
| Assets classified as held for sale                        | 0                     |                       | -28          |
| Depreciation and impairment losses                        | -225                  | -249                  | -385         |
| Translation difference                                    | -22                   | 10                    | 17           |
| <b>Carrying value at end of period</b>                    | <b>2,933</b>          | <b>3,185</b>          | <b>3,156</b> |

| <b>Related-party transactions, MEUR</b>                      | <b>Q1-Q3<br/>2007</b> | <b>Q1-Q3<br/>2006</b> | <b>2006</b> |
|--|-----------------------|-----------------------|-------------|
| <b>Transactions with parent company and sister companies</b> |                       |                       |             |
| Sales  | 26                    | 25                    | 35          |
| Other operating income                                       | 137                   | 2                     | 3           |
| Purchases  | 400                   | 374                   | 491         |
| Interest income  | 3                     | 5                     | 7           |
| Interest expenses  | 6                     | 10                    | 13          |
| Non-current receivables                                      | 20                    | 23                    | 21          |
| Current receivables  | 61                    | 185                   | 183         |
| Non-current liabilities                                      | 1                     | 1                     | 1           |
| Current liabilities  | 45                    | 45                    | 362         |

**Business transactions  
with associated companies**

|                         |   |   |   |
|-------------------------|---|---|---|
| Sales                   | 0 | 0 | 0 |
| Purchases               | 3 | 3 | 4 |
| Non-current receivables | 7 | 7 | 7 |
| Current receivables     | 1 | 0 | 3 |
| Current liabilities     | 2 | 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 Annual Report 2006.

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

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## New and changed standards

IFRS 7 Financial instruments: Disclosures and a complementary amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures, effective for annual periods beginning on or after 1 January 2007. IFRS 7 introduces new disclosure to improve the information about the financial instruments in the notes to the financial statements, but has no effect on classification or valuation of the financial instruments.

## Calculation of key ratios

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

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### Quarterly information

| <b>Sales and result<br/>by segment, MEUR</b>                                       | <b>Q3/07</b> | <b>Q2/07</b> | <b>Q1/07</b> | <b>Q4/06</b> | <b>Q3/06</b> | <b>Q1-Q3<br/>2007</b> | <b>Q1-Q3<br/>2006</b> | <b>2006</b>  |
|--|--------------|--------------|--------------|--------------|--------------|-----------------------|-----------------------|--------------|
| Consumer Packaging   | 231          | 243          | 235          | 241          | 236          | 709                   | 730                   | 971          |
| Publishing   | 227          | 208          | 212          | 220          | 226          | 647                   | 667                   | 887          |
| Commercial Printing  | 346          | 339          | 366          | 369          | 361          | 1,051                 | 1,135                 | 1,504        |
| Office Papers  | 167          | 183          | 202          | 189          | 181          | 552                   | 538                   | 727          |
| Map Merchant Group   | 351          | 349          | 379          | 377          | 342          | 1 079                 | 1,061                 | 1,438        |
| Internal sales and<br>other operations   | 44           | 38           | 38           | 42           | 21           | 120                   | 55                    | 97           |
| <b>Sales</b>   | <b>1,366</b> | <b>1,360</b> | <b>1,432</b> | <b>1,438</b> | <b>1,367</b> | <b>4,158</b>          | <b>4,186</b>          | <b>5,624</b> |
| Consumer Packaging   | 45           | 28           | 39           | 25           | 38           | 112                   | 106                   | 131          |
| Publishing   | 31           | 12           | 21           | 23           | 36           | 64                    | 91                    | 114          |
| Commercial Printing  | 22           | 19           | 6            | -33          | 14           | 47                    | 12                    | -21          |
| Office Papers  | 21           | 15           | -8           | 26           | 15           | 28                    | 33                    | 59           |
| Map Merchant Group   | 7            | 7            | 8            | 5            | 5            | 22                    | 22                    | 27           |
| Other operations   | -3           | -8           | 135          | 2            | -2           | 124                   | -13                   | -11          |
| <b>EBITDA</b>  | <b>123</b>   | <b>73</b>    | <b>201</b>   | <b>48</b>    | <b>106</b>   | <b>397</b>            | <b>251</b>            | <b>299</b>   |
| % of sales   | 9.0          | 5.4          | 14.0         | 3.3          | 7.8          | 9.5                   | 6.0                   | 5.3          |
| Consumer Packaging   | 27           | 8            | 21           | 0            | 17           | 56                    | 43                    | 43           |
| Publishing   | 12           | -7           | 3            | 3            | 14           | 8                     | 27                    | 30           |
| Commercial Printing  | 3            | -5           | -17          | -179         | -10          | -19                   | -63                   | -242         |
| Office Papers  | 7            | 1            | -22          | -4           | -1           | -14                   | -14                   | -18          |
| Map Merchant Group   | 6            | 6            | 7            | -59          | 3            | 19                    | 17                    | -42          |
| Other operations   | -6           | -12          | 112          | -7           | -8           | 94                    | -35                   | -42          |
| <b>Operating profit</b>  | <b>49</b>    | <b>-9</b>    | <b>104</b>   | <b>-246</b>  | <b>15</b>    | <b>144</b>            | <b>-25</b>            | <b>-271</b>  |
| % of sales   | 3.6          | -0.7         | 7.3          | -17.1        | 1.1          | 3.5                   | -0.6                  | -4.8         |
| Share of results in<br>associated companies  | 1            | -1           | 0            | 0            | 1            | 0                     | 0                     | 0            |
| Exchange gains and<br>losses   | -2           | 2            | -5           | -4           | -1           | -5                    | 4                     | 0            |
| Other net financial items  | -44          | -34          | -41          | -41          | -37          | -119                  | -96                   | -137         |
| <b>Result from continuing<br/>operations before tax</b>                            | <b>4</b>     | <b>-42</b>   | <b>58</b>    | <b>-291</b>  | <b>-22</b>   | <b>20</b>             | <b>-117</b>           | <b>-408</b>  |
| Income taxes   | -12          | -7           | -4           | 25           | -11          | -23                   | -16                   | 9            |
| <b>Result for the period<br/>from continuing<br/>operations</b>                    | <b>-8</b>    | <b>-49</b>   | <b>54</b>    | <b>-266</b>  | <b>-33</b>   | <b>-3</b>             | <b>-133</b>           | <b>-399</b>  |
| Result for period from<br>discontinued operations                                  | 0            | 0            | 0            | 0            | 0            | 0                     | 0                     | 0            |
| <b>Result for the period</b>   | <b>-8</b>    | <b>-49</b>   | <b>54</b>    | <b>-266</b>  | <b>-33</b>   | <b>-3</b>             | <b>-133</b>           | <b>-399</b>  |
| Minority interest  | 1            | 0            | 0            | 1            | 2            | 1                     | 2                     | 3            |
| <b>Financial result<br/>attributable to<br/>shareholders of<br/>parent company</b> | <b>-7</b>    | <b>-49</b>   | <b>54</b>    | <b>-265</b>  | <b>-31</b>   | <b>-2</b>             | <b>-131</b>           | <b>-396</b>  |
| Earnings per share, EUR  | -0.02        | -0.15        | 0.16         | -0.81        | -0.10        | -0.01                 | -0.40                 | -1.21        |

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| <b>Non-recurring items,<br/>MEUR</b>                            | <b>Q3/07</b> | <b>Q2/07</b> | <b>Q1/07</b> | <b>Q4/06</b> | <b>Q3/06</b> | <b>Q1-Q3<br/>2007</b> | <b>Q1-Q3<br/>2006</b> | <b>2006</b> |
|---|--------------|--------------|--------------|--------------|--------------|-----------------------|-----------------------|-------------|
| Consumer Packaging  | 0            | -7           | 0            | -4           | 0            | -7                    | 0                     | -4          |
| Publishing  | 0            | -3           | 0            | 0            | 0            | -3                    | 0                     | 0           |
| Commercial Printing   | 7            | 1            | -14          | -173         | -2           | -6                    | -43                   | -216        |
| Office Papers   | 0            | 0            | -30          | -15          | 0            | -30                   | -10                   | -25         |
| Map Merchant Group  | 0            | 0            | -3           | -69          | 0            | -3                    | 0                     | -69         |
| Other operations  | 0            | -4           | 120          | 1            | 0            | 116                   | -3                    | -2          |
| <b>Non-recurring items in<br/>operating result</b>              | <b>7</b>     | <b>-13</b>   | <b>73</b>    | <b>-260</b>  | <b>-2</b>    | <b>67</b>             | <b>-56</b>            | <b>-316</b> |
| Non-recurring items in<br>financial items                       | 0            | 0            | 0            | 0            | 0            | 0                     | 0                     | 0           |
| <b>Non-recurring items<br/>total</b>                            | <b>7</b>     | <b>-13</b>   | <b>73</b>    | <b>-260</b>  | <b>-2</b>    | <b>67</b>             | <b>-56</b>            | <b>-316</b> |
| Consumer Packaging  | 45           | 33           | 39           | 25           | 38           | 117                   | 106                   | 131         |
| Publishing  | 31           | 15           | 21           | 23           | 36           | 67                    | 91                    | 114         |
| Commercial Printing   | 17           | 18           | 20           | 19           | 16           | 55                    | 55                    | 74          |
| Office Papers   | 21           | 15           | 22           | 26           | 15           | 58                    | 43                    | 69          |
| Map Merchant Group  | 7            | 7            | 11           | 11           | 5            | 25                    | 22                    | 33          |
| Other operations  | -3           | -4           | -1           | 1            | -2           | -8                    | -10                   | -11         |
| <b>EBITDA, excl. non-<br/>recurring items</b>                   | <b>118</b>   | <b>84</b>    | <b>112</b>   | <b>105</b>   | <b>108</b>   | <b>314</b>            | <b>307</b>            | <b>411</b>  |
| % of sales  | 8.6          | 6.2          | 7.8          | 7.3          | 7.9          | 7.6                   | 7.3                   | 7.3         |
| Consumer Packaging  | 27           | 15           | 21           | 4            | 17           | 63                    | 43                    | 47          |
| Publishing  | 12           | -4           | 3            | 3            | 14           | 11                    | 27                    | 30          |
| Commercial Printing   | -4           | -6           | -3           | -6           | -8           | -13                   | -20                   | -26         |
| Office Papers   | 7            | 1            | 8            | 11           | -1           | 16                    | -4                    | 7           |
| Map Merchant Group  | 6            | 6            | 10           | 10           | 3            | 22                    | 17                    | 27          |
| Other operations  | -6           | -8           | -8           | -8           | -8           | -22                   | -32                   | -40         |
| <b>Operating profit excl.<br/>non-recurring items</b>           | <b>42</b>    | <b>4</b>     | <b>31</b>    | <b>14</b>    | <b>17</b>    | <b>77</b>             | <b>31</b>             | <b>45</b>   |
| % of sales  | 3.1          | 0.3          | 2.2          | 1.0          | 1.2          | 1.9                   | 0.7                   | 0.8         |
| Result before taxes,<br>excl. non-recurring<br>items            | -3           | -29          | -15          | -31          | -20          | -47                   | -61                   | -92         |
| % of sales  | -0.2         | -2.1         | -1.0         | -2.2         | -1.5         | -1.1                  | -1.5                  | -1.6        |
| Result per share, excl.<br>non-recurring items,<br>EUR          | -0.04        | -0.13        | -0.08        | -0.04        | -0.08        | -0.25                 | -0.23                 | -0.27       |
| Return on equity, excl.<br>non-recurring items, %               | -3.1         | -8.8         | -5.4         | -2.6         | -5.8         | -5.8                  | -4.7                  | -4.4        |
| Return on capital<br>employed, excl. non-<br>recurring items, % | 3.9          | 0.7          | 3.2          | 1.5          | 2.0          | 2.6                   | 1.4                   | 1.4         |

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|                                      | Q1-Q3        |              |              |              |              | Q1-Q3       |             |             |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| <b>Return on capital employed, %</b> | <b>Q3/07</b> | <b>Q2/07</b> | <b>Q1/07</b> | <b>Q4/06</b> | <b>Q3/06</b> | <b>2007</b> | <b>2006</b> | <b>2006</b> |
| Consumer Packaging                   | 15.3         | 4.1          | 10.9         | 0.3          | 7.5          | 10.0        | 6.6         | 5.1         |
| Publishing                           | 5.1          | -2.5         | 1.3          | 1.4          | 5.3          | 1.2         | 3.4         | 3.0         |
| Commercial Printing                  | 1.3          | -1.6         | -6.3         | -63.3        | -3.2         | -2.2        | -7.0        | -21.7       |
| Office Papers                        | 4.9          | 0.6          | -12.0        | -1.9         | -0.2         | -2.2        | -2.3        | -2.3        |
| Map Merchant Group                   | 8.3          | 8.9          | 11.8         | -82.8        | 4.9          | 9.7         | 7.3         | -14.2       |
| <b>Total</b>                         | <b>4.6</b>   | <b>-0.5</b>  | <b>9.6</b>   | <b>-20.3</b> | <b>1.8</b>   | <b>4.6</b>  | <b>-0.2</b> | <b>-5.2</b> |

| <b>Capital employed, MEUR</b> | <b>Q3/07</b> | <b>Q2/07</b> | <b>Q1/07</b> | <b>Q4/06</b> | <b>Q3/06</b> | <b>Q2/06</b> | <b>Q1/06</b> |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Consumer Packaging            | 742          | 741          | 777          | 809          | 914          | 907          | 917          |
| Publishing                    | 1,002        | 995          | 1,020        | 1,069        | 1,091        | 1,094        | 1,124        |
| Commercial Printing           | 1,044        | 1,047        | 1,057        | 1,040        | 1,208        | 1,243        | 1,273        |
| Office Papers                 | 681          | 665          | 669          | 722          | 742          | 746          | 754          |
| Map Merchant Group            | 286          | 276          | 264          | 257          | 313          | 318          | 323          |
| Other equity                  | 514          | 604          | 583          | 797          | 609          | 578          | 514          |
| <b>Total</b>                  | <b>4,269</b> | <b>4,328</b> | <b>4,371</b> | <b>4,694</b> | <b>4,877</b> | <b>4,886</b> | <b>4,904</b> |

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

|                           | <b>Q1-Q3</b>  | <b>Q1-Q3</b>  |               |
|---------------------------|---------------|---------------|---------------|
| <b>Personnel, average</b> | <b>2007</b>   | <b>2006</b>   | <b>2006</b>   |
| Consumer Packaging        | 1,557         | 2,632         | 2,573         |
| Publishing                | 1,338         | 1,470         | 1,437         |
| Commercial Printing       | 3,871         | 4,499         | 4,425         |
| Office Papers             | 1,695         | 1,846         | 1,822         |
| Map Merchant Group        | 2,410         | 2,494         | 2,481         |
| Other operations          | 2,499         | 2,144         | 2,146         |
| <b>Total</b>              | <b>13,370</b> | <b>15,085</b> | <b>14,884</b> |

|                              | Q1-Q3        |              |              |              |              | Q1-Q3        |              |              |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Deliveries, 1,000 t</b>   | <b>Q3/07</b> | <b>Q2/07</b> | <b>Q1/07</b> | <b>Q4/06</b> | <b>Q3/06</b> | <b>2007</b>  | <b>2006</b>  | <b>2006</b>  |
| <b>Consumer Packaging</b>    | <b>297</b>   | <b>313</b>   | <b>302</b>   | <b>288</b>   | <b>285</b>   | <b>912</b>   | <b>873</b>   | <b>1,161</b> |
| Publishing                   | 330          | 302          | 303          | 313          | 320          | 935          | 944          | 1,258        |
| Commercial Printing          | 430          | 422          | 454          | 464          | 453          | 1,306        | 1,431        | 1,895        |
| Office Papers                | 215          | 241          | 272          | 264          | 258          | 728          | 775          | 1,039        |
| <b>Paper segments, total</b> | <b>975</b>   | <b>965</b>   | <b>1,029</b> | <b>1,041</b> | <b>1,031</b> | <b>2,969</b> | <b>3,151</b> | <b>4,192</b> |
| <b>Map Merchant Group</b>    | <b>340</b>   | <b>339</b>   | <b>372</b>   | <b>367</b>   | <b>347</b>   | <b>1,052</b> | <b>1,064</b> | <b>1,431</b> |

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| Production, 1,000 t                    | Q3/07      | Q2/07      | Q1/07        | Q4/06        | Q3/06        | Q1-Q3        | Q1-Q3        |              |
|--|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  |            |            |              |              |              | 2007         | 2006         |              |
| <b>Consumer Packaging</b>              | <b>303</b> | <b>302</b> | <b>311</b>   | <b>279</b>   | <b>273</b>   | <b>916</b>   | <b>842</b>   | <b>1,121</b> |
| Publishing                             | 324        | 287        | 282          | 283          | 307          | 893          | 884          | 1,167        |
| Commercial Printing                    | 428        | 448        | 457          | 464          | 456          | 1,333        | 1,459        | 1,923        |
| Office Papers                          | 223        | 257        | 280          | 253          | 259          | 760          | 775          | 1,028        |
| <b>Paper mills, total</b>              | <b>975</b> | <b>992</b> | <b>1,019</b> | <b>1,000</b> | <b>1,023</b> | <b>2,986</b> | <b>3,119</b> | <b>4,119</b> |
| <b>Metsä-Botnia pulp <sup>1)</sup></b> | <b>203</b> | <b>200</b> | <b>203</b>   | <b>255</b>   | <b>243</b>   | <b>607</b>   | <b>728</b>   | <b>983</b>   |
| <b>M-real pulp</b>                     | <b>455</b> | <b>398</b> | <b>426</b>   | <b>449</b>   | <b>443</b>   | <b>1,279</b> | <b>1,305</b> | <b>1,754</b> |

1) corresponds to M-real's share in Metsä-Botnia (39 % until Q4/06, 30 % as of Q1/07).