M-real Corporation Interim Report 1 January–30 September 2011 at 12:00 EET 2 November 2011

M-real's operating result excluding non-recurring items for the January–September 2011 EUR 81 million

Result for January–September 2011
- Sales were EUR 1,961 million (Q1–Q3/2010: 1,940)
- Operating result excluding non-recurring items EUR 81 million (136). Operating result including non-recurring items EUR 1 million (150).
- Result before taxes excluding non-recurring items EUR 33 million (72). Result before taxes including non-recurring items EUR -51 million (70).
- Earnings per share from continuing operations excluding non-recurring items EUR 0.06 (0.16), and including non-recurring items EUR -0.20 (0.15)

Result for the third quarter of 2011
- Sales EUR 616 million (Q2/2011: 660)
- Operating result excluding non-recurring items EUR 6 million (32). Operating result including non-recurring items EUR -13 million (-32).
- Result before taxes excluding non-recurring items EUR -11 million (16). Result before taxes including non-recurring items EUR -29 million (-53).
- Earnings per share from continuing operations excluding non-recurring items EUR -0.05 (0.04), and including non-recurring items EUR -0.11 (-0.17)

Events during the third quarter of 2011
- Profitability of cartonboard production continued to be good
- Profitability of paper and pulp production weakened
- A new coating unit of the Kemi linerboard machine was commissioned
- Divestment of Hallein pulp mill to Schweighofer Group was completed

Events after the period
- M-real announced to start processes to close the Alizay mill and discontinue the unprofitable operations at the Gohrsmühle mill.
- M-real announced to continue the Chromolux business and investigate opportunities to launch a folding boxboard customer service and logistics centre and a sheeting plant in Gohrsmühle.
- M-real announced in November plans to restructure its coated paper business, including proposedclosure of Äänekoski paper mill and increase of Husum mill's production

"Profitability of our cartonboard production continued to be strong in the third quarter. At the same time, the weakening of the paper and pulp market, our on-going measures at the Alizay mill and in Speciality Papers as well as the maintenance and investment shutdowns in Kemi and at the Metsä-Botnia mills weakened our profitability, as expected, in the third quarter."

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

M-real is part of Metsäliitto Group and is listed on the NASDAQ OMX Helsinki Stock Exchange Ltd. In 2010, M-real's sales totalled EUR 2.6 billion. M-real has approximately 4,500 employees.

“Cartonboard order books have been declining from the record level of early year 2011. Nevertheless, the demand and profitability outlook of folding boxboard are strong, and when the inventory levels of customers normalize, the order inflows are believed to improve rapidly. M-real will increase its folding boxboard capacity as planned in order to meet the increasing demand.”

“The measures to eliminate losses of Alizay, Specialty Papers and coated paper operations are progressing. They constitute a significant portion of the company's strategic transformation into a successful cartonboard company and will raise M-real's profitability to a new, improved level. Concurrently, taking full advantage of the potential of our cartonboard machines will further improve our cost competitiveness and support M-real's profitable growth.”

Mikko Helander, CEO

Unaudited

M-real Corporation Interim Report 1 January–30 September 2011 2 November 2011 at 12:00 EET

KEY FIGURES	2011 Q3	2011 Q2	2011 Q1	2010 Q3	2011 Q1-Q3	2010 Q1-Q3	2010 Q1-Q4
Sales, EUR million	616	660	685	662	1 961	1 940	2 605
EBITDA, EUR million	24	48	77	95	149	238	312
excl. non-recurring items, EUR million	36	62	74	85	172	234	305
EBITDA, %	3.9	7.3	11.2	14.4	7.6	12.3	12.0
excl. non-recurring items, %	5.8	9.4	10.8	12.8	8.8	12.1	11.7
Operating result, EUR million	-13	-32	46	66	1	150	146
excl. non-recurring items, EUR million	6	32	43	54	81	136	173
EBIT, %	-2.1	-4.8	6.7	10.0	0.1	7.7	5,6
excl. non-recurring items, %	1.0	4.8	6.3	8.2	4.1	7.0	6.6
Result before taxes							
from continuing operations, EUR million	-29	-53	31	45	-51	70	48
excl. non-recurring items, EUR million	-11	16	28	33	33	72	92
Result for the period							
from continuing operations, EUR million	-33	-59	28	38	-64	49	27
from discontinued operations, EUR million	0	0	0	0	0	0	0
Total, EUR million	-33	-59	28	38	-64	49	27
Result per share							
from continuing operations, EUR	-0.11	-0.17	0.08	0.12	-0.20	0.15	0.09
from discontinued operations, EUR	0.00	0.00	0.00	000	0.00	0.00	0.00
Total, EUR	-0.11	-0.17	0.08	0.12	-0.20	0.15	0.09
Result per share							
excl. non-recurring items, EUR	-0.05	0.04	0.07	0.08	0.06	0.16	0.23
Return on equity, %	-14.1	-23.5	10.8	15.5	-8.9	6.8	2.8
excl. non-recurring items, %	-6.3	4.2	9.5	10.7	2.7	7.1	7.6
Return on capital employed, %	-1.5	-6.1	8.4	11.6	0.4	7.8	5.7
excl. non-recurring items, %	2.0	6.4	7.8	9.6	5.4	8.0	7.6
Equity ratio at end of period, %	32.7	33.9	33.6	31.8	32.7	31.8	32.1
Gearing ratio at end of period, %	128	120	125	135	128	135	135
Net gearing ratio at end of period, %	83	84	78	81	83	81	83
Interest-bearing net liabilities, EUR million	772	809	799	821	772	821	827
Gross investments, EUR million	17	31	12	31	60	48	66
Deliveries, 1 000 tonnes							
Paper businesses	254	277	301	269	832	858	1 155
Consumer Packaging	307	315	334	353	956	1 046	1 390
Personnel at the end of period							
in continuing operations	4,163	4,699	4,515	4,682	4,163	4,682	4,538

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

Result for July-September compared with the previous quarter
M-real's sales totalled EUR 616 million (Q2/2011: 660). Comparable sales were down 5.2 per cent. The operating result was EUR -13 million (-32), and operating result excluding non-recurring items was EUR 6 million (32).

A total of EUR -19 million was recognised as non-recurring items in the operating result, the most significant of them being:

- EUR 9 million in cost provisions in the Specialty Papers business area associated with the measures announced on 18 October 2011
- EUR 8 million of impairment losses in Office Papers associated with the planned closure of the Alizay mill
- EUR 1 million of costs associated with the sales process of the Alizay paper mill

The net amount of non-recurring items in the previous quarter totalled EUR -64 million, of which the most significant items were connected to the divestment of the Hallein pulp mill, the Speciality Papers restructuring plans and the real property sales of the Niemenranta residential area in Tampere.

Compared to the previous period, the operating result excluding non-recurring items was decreased by the lower delivery volumes of paper, cartonboard and pulp, the lower price of pulp and the investment shutdowns at the Kemi liner mill, and the maintenance and investment shutdowns at the Metsä-Botnia pulp mills. Furthermore, the costs of chemicals were higher. Operating result excluding non-recurring items was improved by the strengthening of the US dollar and the weakening of the Swedish krona against the euro.

The July–September figures include sales of EUR 125 million and operating loss, excluding non-recurring items, of EUR -26 million associated with the Alizay and Äänekoski paper mills and Speciality Papers. M-real is planning to close the Alizay and Äänekoski paper mills and to materially downsize the Speciality Papers business operations. The chapter Events after the period in this report provides additional information on these measures.

The total delivery volume in the paper business was 254,000 tonnes for July–September (277,000). Deliveries of the Consumer Packaging business area were 307,000 tonnes (315,000).

Financial income and expenses totalled EUR -16 million (-17). Foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging were EUR 1 million (0). Net interest and other financial income and expenses amounted to EUR -17 million (-17). Other financial expenses include EUR 1 million of valuation losses on interest rate hedges (valuation loss of 1).

In July–September, the result from continuing operations before taxes was EUR -29 million (-53). The result from continuing operations before taxes and excluding non-recurring items was EUR -11 million (16). Income taxes, including the change in deferred tax liabilities, were EUR -4 million (-6).

Earnings per share were EUR -0.11 (-0.17). Earnings per share from continuing operations excluding non-recurring items were EUR -0.05 (0.04). Return on equity was -14.1 per cent (-23.5), and -6.3 per cent (4.2) excluding non-recurring items. Return on capital employed was -1.5 per cent (-6.1), and 2.0 per cent (6.4) excluding non-recurring items.

Result for January–September compared with the corresponding period last year
M-real's sales totalled EUR 1,961 million (1,940). Comparable sales were up 1.4 per cent. Operating result was EUR 1 million (150), and operating result excluding non-recurring items was EUR 81 million (136).

A net total of EUR -80 million was recognised as non-recurring items in the operating result for January–September, the most significant items being:

- A loss of EUR 49 million in Market Pulp and Energy related to the divestment of the Hallein pulp mill announced in June
- EUR 19 million of impairment loss and cost provisions in Speciality Papers related to the restructuring plans at Gohrsmühle announced in May
- A EUR 10 million income item in other operations related to sales of properties in Finland
- EUR 9 million in cost provisions in Specialty Papers associated with the measures announced on 18 October 2011
- EUR 8 million of impairment loss in Office Papers associated with the planned closure of the Alizay mill
- EUR 3 million personnel cost provision in Speciality Papers related to the personnel cuts at the Reflex mill

The non-recurring items of the corresponding period in the previous year were EUR +14 million net.

Operating result excluding non-recurring items compared with the corresponding period in the previous year was weakened by cost inflation in costs of wood, chemicals and energy, in particular. Furthermore, the lower delivery volumes of coated papers, specialty papers and cartonboard as well as the strengthening of the Swedish krona and weakening of the US dollar against the euro weakened the result. The operating result was improved by the average selling prices being clearly higher than in the previous year.

The January–September figures include sales of EUR 430 million and operating loss, excluding non-recurring items, of EUR -68 million associated with the Alizay and Äänekoski paper mills and Specialty Papers. M-real is planning to close the Alizay and Äänekoski paper mills and to materially downsize the Specialty Papers business operations. The chapter Events after the period of this report provides additional information on these measures.

The total delivery volume of the paper business was 832,000 tonnes for January–September (858,000). Deliveries by Consumer Packaging totalled 956,000 tonnes (1,046,000). The figure for the comparison period includes 35,000 tonnes of deliveries from Simpele Paper, closed down at the end of 2010. The cartonboard deliveries are affected by the 2011 investment shutdowns in Simpele and Kemi.

Financial income and expenses in the period totalled EUR -48 million (-59). Foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging were EUR 3 million (-7). Net interest and other financial income and expenses amounted to EUR -51 million (-52). Other financial expenses include EUR 2 million of valuation losses on interest rate hedges (valuation loss of 2).

In the review period, the result from continuing operations before taxes was EUR -51 million (70). The result includes an impairment loss of EUR 4 million, related to the sale of M-real's shares in Myllykoski Paper Oy to UPM-Kymmene, reported as a non-recurring item in "Share of results in associated companies" after the operating profit. Last year's result included an impairment loss of EUR 16 million, related to M-real's holding in Myllykoski Paper Oy, reported as a non-recurring item in "Share of results in associated companies" after the operating profit. The result from continuing operations before taxes and excluding non-recurring items was EUR 33 million (72). Income taxes, including the change in deferred tax liabilities, were EUR -13 million (-21).

Earnings per share were EUR -0.20 (0.15). Earnings per share from continuing operations, excluding non-recurring items, were EUR 0.06 (0.16). Return on equity was -8.9 per cent (6.8), and 2.7 per cent (7.1) excluding non-recurring items. Return on capital employed was 0.4 per cent (7.8), and 5.4 per cent (8.0) excluding non-recurring items.

Personnel
The number of personnel was 4,163 at the end of September (30 September 2010: 4 682, 31 December 2010: 4,538), of whom 1,692 (1,795,1,783) people worked in Finland. In January–September, M-real employed an average of 4,539 people (2010: 4,846).

Investments
Gross investments in January–September totalled EUR 60 million (January–September 2010: 48). M-real's most significant investments in 2011 are associated with the improvement of cartonboard production in the Simpele, Kemi and Kyro mills.

Structural changes
M-real's structural change from a paper company to a packaging material producer has progressed according to the strategy. The focus of the operations has increasingly shifted from restructuring to development, as demonstrated by the packaging business investments in the Simpele, Kemi, Kyro and Äänekoski mills scheduled for 2011–2012.

In November, M-real announced plans to restructure its coated paper business, including proposed closure of Äänekoski paper mill and increase of Husum mill's production. These measures are described in greater detail in the chapter Events after the period of this report.

In October, M-real announced its measures to eliminate losses of Alizay mill and Specialty Papers business. Also these measures are described in more detail in the chapter Events after the period of this report.

In September, M-real completed the sale of the entire share capital of M-real Hallein GmbH to Schweighofer Group. M-real Hallein GmbH's assets consist of the Hallein pulp mill, bioenergy plant, paper mill closed in 2009 and the surrounding estate. The pulp mill's annual capacity is 160,000 tonnes of sulphite pulp and the number of personnel is approximately 200. The debt-free value of the transaction was approximately EUR 34 million and its positive cash impact for M-real was approximately EUR 24 million. The divestment is expected to reduce M-real's annual sales by approximately EUR 70 million and to improve the operating result by approximately EUR 7 million based on Hallein mill's actual performance in Q1–Q3/2011.

In September, M-real completed the divestment of its 35 per cent holding in Myllykoski Paper and the capital loan that it had granted to Myllykoski Paper, to UPM-Kymmene Corporation. The transaction had a positive cash impact of EUR 10.5 million.

In January, M-real launched a EUR 70 million profit improvement programme for 2011. The programme focuses on improving the profitability of the paper business, as well as decreasing the variable costs of all businesses. The profit improvement impact of the cartonboard investments in Simpele in May and in Kemi in September–October as well as the discontinuation of speciality paper production at Simpele at the end of 2010 are included in the new profit improvement programme. The full effect of the programme on operating profit, or EUR 70 million, is expected to be achieved from 2012 onwards. The result improvement in 2011 is expected to be approximately EUR 30 million.

Cost inflation accelerated significantly in the first months of 2011. The combined positive impact of M-real's 2011 profit improvement programme and the programmes launched earlier is estimated to be EUR 90 million in 2011, which is believed to mainly offset the increased cost inflation.

Financing

At the end of September, M-real's equity ratio was 32.7 per cent (31 December 2010: 32.1) and gearing ratio was 128 per cent (135). The net gearing ratio was 83 per cent (83). Some of M-real's loan agreements set a 120 per cent limit on the company's net gearing ratio and a 30 per cent limit on the equity ratio. Calculated as defined in the loan agreements, the gearing ratio at the end of September was approximately 63 per cent (64) and equity ratio approximately 39 per cent (38).

During the period under review, the change in the fair value of investments available for sale was approximately EUR +22 million, mainly due to the increase in the fair value of the Pohjolan Voima Oy shares.

At the end of September, net interest-bearing liabilities totalled EUR 772 million (827). Foreign-currency-denominated loans accounted for 6 per cent; 73 per cent were floating-rate, and the rest were fixed-rate. At the end of September, the average interest rate on loans was 5.6 per cent and the average maturity of long-term loans 2.1 years. The interest rate maturity was 11.1 months at the end of September. During the period, the interest rate maturity varied between 7 and 13 months.

Cash flow from operations amounted to EUR 77 million (Q1–Q4/2010: 49). Working capital increased by EUR 5 million (86). In the cash flow statement, the net financial expenses for January–September include a dividend of EUR 45 million paid by Metsä-Botnia.

At the end of the period under review, an average of 4.9 months of the net foreign currency exposure was hedged. The degree of hedging varied between four and five months during the period. Approximately 9 per cent of the non-euro-denominated equity was hedged at the end of the period under review.

Liquidity continues at a good level. At the end of the period under review, liquidity was EUR 352 million, of which EUR 7 million consisted of undrawn pension premium (TyEL) loans and EUR 345 million of liquid assets and investments. At the end of September, EUR 130 million of the liquid assets and investments were assets deposited by other Metsäliitto Group businesses in M-real's subsidiary Metsä Finance. To meet its short-term financing needs, the Group also had at its disposal uncommitted domestic and foreign commercial paper programmes and credit facilities amounting to EUR 517 million.

In March, Standard & Poors raised the outlook of M-real's credit rating B- from stable to positive.

Shares

In January–September, the highest price for M-real's A share on NASDAQ OMX Helsinki Ltd. was EUR 3.34, the lowest EUR 1.73, and the average price was EUR 2.96. At the end of September, the price of the A share was EUR 2.04. At the end of 2010, the price of the A share was EUR 2.85, while the average price in 2010 was EUR 2.85.

In January–September, the highest price of M-real's B share was EUR 3.33, the lowest EUR 1.30, and the average price was EUR 2.45. At the end of September, the price of the B share was EUR 1.56. At the end of 2010, the price of the B share was EUR 2.54, while the average price in 2010 was EUR 2.44.

The trading volume of the A shares was EUR 4 million, or 4 per cent of the share capital. The trading volume of the B shares was EUR 514 million, or 71 per cent of the share capital. The market value of the A and B shares totalled EUR 529 million at the end of September.

Metsäliitto Cooperative owned 39 per cent of the shares at the end of September. The voting rights conferred by these shares amounted to 61 per cent. International investors held 9 per cent of the shares.

The company does not hold any treasury shares.

Reduction of the share premium reserve

The Annual General Meeting decided to reduce the share premium reserve in operating capital, as stated on the parent company's balance sheet on 31 December 2010, by transferring all funds in the account, or EUR 663,812,052.56, to the company's non-restricted equity reserve. The reduction of the share premium reserve took place without consideration and it did not impact the company's number of shares, the rights conferred by the shares, or the proportionate ownership of the shareholders. The reduction of the share premium reserve was contingent on the completion of the creditor protection procedure in accordance with the Finnish Limited Liability Companies Act. None of the company's creditors announced their opposition to the procedure by the deadline of 17 August 2011 set by the register authorities, and hence the processing of the matter in the Trade Register has completed. M-real Corporation recognised the reduction of the share premium reserve in accordance with the decision by the Annual General Meeting.

Events after the period

Restructuring of the coated paper business
M-real announced in November plans to restructure its coated paper business to achieve an approximately EUR 20 million improvement in annual operating result.

Paper production at the Husum mill in Sweden is planned to be reorganized. The annual coated paper capacity on the mill will be increased from 285,000 tonnes to approximately 340,000 tonnes without material investments. The reel production of Äänekoski paper machine is planned to be transferred to Husum.

Äänekoski mill's coated fine paper machine is planned to be closed and the sheeting capacity converted fully to folding boxboard sheeting. Statutory negotiations related to the possible closure of the paper production and the development of the sheeting capacity covering the whole of Äänekoski paper and board mills' personnel of approximately 370 people will be commenced on 9 November 2011. Amount of personnel at the Äänekoski mills is expected to reduce by 180 at the maximum.

Currently there is one machine at Äänekoski paper mill with an annual capacity of approximately 200,000 tonnes of coated fine paper. After the planned closure of paper production the paper and board sheeting operations at the site are planned to be combined. This would increase to the folding boxboard sheeting capacity, and thus improve M-real's profitability.

M-real's coated papers will also in the future be sold by Sappi Fine Paper Europe.Based on the planned measures M-real's annual coated paper capacity would reduce by approximately 145,000 tonnes. M-real's annual sales would reduce by approximately EUR 60 million and operating result would increase by approximately EUR 20 million based on the actual performance of the coated paper production in 1–3Q/2011. The full annual financial impact of the planned measures is expected to be seen from 2012 onwards.

Consumer Packaging's 4Q/2011 operating result is expected to include approximately EUR -25 million non-recurring impairments and cost provisions related to the planned measures at Äänekoski mill. Total net cash impact of the planned measures is expected to slightly positive taken into consideration also the reduction of working capital.

Elimination of losses of Alizay and Speciality Papers
M-real announced in October that it would start negotiations on closing the Alizay mill in France and on discontinuing the uncoated fine paper and unprofitable specialty paper business operations at the Gohrsmühle mill in Germany. Concurrently, M-real announced it would continue the Chromolux business operations in Gohrsmühle and investigate opportunities to launch a folding boxboard customer service and logistics centre and a sheeting plant in Gohrsmühle. Furthermore, M-real announced it is conducting

negotiations in order to sell the Premium Papers business operations of the Reflex mill. Negotiations on the discontinuation of the carbonless paper refining operations at the Reflex mill are under way.

M-real has been trying to make the operations planned for discontinuation at the Alizay and Gohrsmühle mills profitable for a long time, and in several different stages has tried to find a buyer that could continue the operations in a profitable manner. The company received several offers on both operations and conducted negotiations based on them. Nevertheless, none of the buyer candidates have been able to meet the requirements M-real has set for the completion of the transaction. These requirements focus on the buyer candidate's financial position, credibility of its business plan and its implementation, ability to bear the responsibility for employees and business risks as well as the economic impact of the transaction.

With the implementation of the planned measures, M-real's annual sales are estimated to decrease by nearly EUR 400 million and its operating result to improve by nearly EUR 80 million, based on the actual figures of Q1–Q3/2011. The majority of the sales and profit impact is expected to be seen in 2012 and full impact from 2013 onwards. Execution of the planned measures is contingent on the completion of the statutory labour negotiations required by local legislation.

When implemented in full, the planned measures are estimated to have a negative non-recurring result impact amounting to approximately EUR 180 million. Of this, a total of EUR -22 million of impairment losses and cost provisions was recognised as non-recurring items in the result on Specialty Papers in the second quarter of 2011. The operating result of the Office Papers business area in the third quarter of 2011 includes an impairment loss of EUR 8 million and Specialty Papers business area cost provisions of EUR 9 million. The remainder of non-recurring items will be recognised in the last quarter of 2011 and the first quarter of 2012. The estimated net cash costs of the planned measures, taking into consideration the change in the net working capital as of the beginning of May 2011, total approximately EUR 50 million in all.

Near-term outlook
No signs of weakness have been observed in the end demand of cartonboard. Cartonboard delivery volumes were at a record high level in late last year and early this year. Nevertheless, inventory levels have been clearly reduced in recent months in different parts of the supply chain as the general economic situation has become more uncertain and the producers' ability to supply board has improved. The long-term demand and profitability outlook of cartonboard continues to be strong. The inventory levels of cartonboard are expected to start normalize during the coming months.

M-real will increase its folding boxboard capacity as planned despite the temporarily weaker order book. At the Kyro mill a capacity increase investment is carried out in November, which will result in a shutdown of the mill for slightly more than a week. The capacity increase investment at the Äänekoski mill will be carried out in the spring of 2012.

Folding boxboard annual contract negotiations for 2012 have progressed as planned, and by the end of October, slightly more than a half of next year's annual contracts were signed. Depending on the end use segment and market area, the prices have remained unchanged or increased slightly compared to the 2011 level.

General economic uncertainty has weakened the paper and pulp market situation in all main markets in recent months. Paper and pulp order books are currently below the normal level and production curtailments are carried out in most mills during the remainder of the year. The price of office paper is estimated to decrease slightly in Europe during the last quarter of the year. Due to the reduced demand of paper and the maintenance works done at Husum pulp mill, M-real's pulp deliveries are estimated to decline slightly in the final quarter of the year. The euro-denominated average pulp price is estimated to decrease in the coming months.

Cost inflation has clearly accelerated in 2011. However, costs are not expected to increase further in the last quarter of the year. M-real launched a EUR 70 million profit improvement programme for 2011 in January. The combined positive impact of M-real's 2011 profit improvement programme and the programmes launched earlier is estimated to be EUR 90 million in 2011, which is believed to mainly offset the increased cost inflation.

M-real's operating result, excluding non-recurring items, is in the last quarter of 2011 expected to be roughly at the same level as in the third quarter of 2011. Profitability of cartonboard production is expected to continue strong. The measures under implementation in Alizay mill and in Speciality Papers business area will stress the paper business' results operatively also in the last quarter of 2011. Profitability of pulp production is expected to weaken during the remaining part of this year.

Near-term business risks
The risks of the economic growth in the euro region clearly slowing down or coming to a halt and demand for paper products weakening more than currently estimated have grown. If demand for M-real's main products declined significantly, there is a risk that the price of paper products in particular will also take a downward turn and the price of pulp will decrease more than expected.

M-real has launched significant measures to eliminate losses in the paper business. Implementing the restructuring of operations carries a risk of not being able to carry out the plans as pursued. There is a risk of the profit-making ability of the units concerned weakening significantly further as the implementation of the plans proceeds.

The company's short-term and medium-term financial position is secure. As a result of increasing uncertainty and regulation in the financial market, the operation of the credit and bond markets may become more difficult, which may hamper the company's ability to acquire long-term debt financing at a competitive price.

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

More information about longer-term risk factors can be found on pages 35–36 of M-real's 2010 annual report.

M-REAL CORPORATION

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More information available starting from 1 pm on 2 November 2011. A conference call held in English for investors and analysts starts at 3 p.m. (EET). Conference call participants are requested to dial in and register a few minutes prior to the start of the conference call on the following numbers:

Europe: +44 (0)20 7162 0025
US: +1 334 323 6201

The conference ID is 891240.

BUSINESS AREAS AND MARKET TRENDS

Consumer Packaging business area

Consumer Packaging	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2011 Q1-Q3	2010 Q1-Q3	2010 Q1-Q4
Sales, EUR million	274	279	299	303	305	852	872	1 175
EBITDA, EUR million	45	50	63	49	48	158	151	200
excl. non-recurring items	45	51	63	52	48	159	151	203
Operating result, EUR million	33	38	50	24	34	121	111	135
excl. non-recurring items	33	39	50	38	34	122	111	149
excl. non-recurring items, %	12.0	14.0	16.7	12.5	11.1	14.3	12.7	12.7
Return on capital employed, %	17.6	20.5	27.8	13.7	18.1	22.0	20.7	19.4
excl. non-recurring items, %	17.6	20.9	27.8	22.0	18.1	22.2	20.7	21.5
Deliveries, 1,000 tonnes	307	315	334	344	353	956	1,046	1,390
Production, 1,000 tonnes	308	317	344	362	353	969	1,058	1,420
Personnel at the end of period	1,381	1,622	1,441	1,441	1,461	1,381	1,461	1,441

(Personnel figures of Kaskinen pulp mill have been moved to Market Pulp and Energy's personnel)

Result for July–September compared with the previous quarter
The operating result excluding non-recurring items for the Consumer Packaging business area weakened from the previous quarter and was EUR 33 million (Q2/2011: 39). The investment shutdown of the Kemi mill and the maintenance shutdowns of the Metsä-Botnia pulp mills weakened the result of the quarter. In addition, chemical and other raw material costs continued to increase. Profitability of the Kyro paper production in the Consumer Packaging business area weakened, and the paper production of both Kyro and Äänekoski, also belonging to the Consumer Packaging business area, showed a loss in the third quarter. The result was improved by the strengthening of the US dollar against the euro. Deliveries fell short of the previous quarter.

No non-recurring items were recognised in the result. The result for the previous quarter included non-recurring items of EUR 1 million.

The deliveries of European folding boxboard producers were 4 per cent lower compared with the previous quarter. Consumer Packaging’s deliveries of folding boxboard were down by 3 per cent.

Result for January–September compared with the corresponding period last year
The operating result excluding non-recurring items for the Consumer Packaging business area improved from the corresponding period last year and totalled EUR 121 million (111). The most significant factor improving the result was the average sales price of cartonboard which had increased due to the price increases achieved. The result was weakened by increasing prices of raw materials and energy and the weakening of the US dollar against the euro. Profitability of paper manufacturing in Kyro and Äänekoski weakened during 2011.

The result included EUR 1 million of non-recurring items. The result for the corresponding period last year did not include non-recurring items.

The deliveries of European folding boxboard producers increased 1 per cent compared to the corresponding period last year. Consumer Packaging's deliveries of folding boxboard were up by 4 per cent.

Office Papers business area

Office Papers	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2011 Q1-Q3	2010 Q1-Q3	2010 Q1-Q4
Sales, EUR million	159	166	184	181	164	509	477	658
EBITDA, EUR million	4	7	4	9	17	15	34	43
excl. non-recurring items	4	7	4	10	17	15	34	44
Operating result, EUR million	-14	-3	-6	9	9	-23	5	14
excl. non-recurring items	-6	-3	-6	0	9	-15	5	5
excl. non-recurring items, %	-3.8	-1.8	-3.3	0.0	5.5	-2.9	1.0	0.8
Return on capital employed, %	-12.1	-2.5	-4.4	6.5	8.5	-6.2	1.5	2.8
excl. non-recurring items, %	-5.4	-2.4	-4.4	0.0	8.5	-4.1	1.5	1.1
Deliveries, 1,000 tonnes	210	222	241	248	212	673	661	909
Production, 1,000 tonnes	223	226	232	238	228	681	672	910
Personnel at the end of period	1,185	1,196	1,190	1,208	1,213	1,185	1,213	1,208

Result for July–September compared with the previous quarter
The operating result excluding non-recurring items for the Office Papers business area weakened compared to the previous quarter and was EUR -6 million (Q2/2011: -3). The result was weakened by a seasonal decrease in delivery volumes.

The result contains impairment losses of EUR 8 million associated with the planned closure of the Alizay paper mill. The result for the previous quarter did not include non-recurring items.

Total deliveries by European producers of uncoated fine paper were down by 3 per cent compared to the previous quarter. The delivery volume of Office Papers fell by 5 per cent.

Result for January–September compared with the corresponding period last year
The operating result for Office Papers, excluding non-recurring items, weakened compared to the corresponding period last year and totalled EUR -15 million (5). The result was weakened by the higher prices of raw materials and energy as well as the strengthening of the Swedish krona against the euro. The most significant factor improving the result was the average sales price which had increased due to the price increases.

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

Total deliveries by European producers of uncoated fine paper decreased by 2 per cent compared to the corresponding period in the previous year. The delivery volume of Office Papers increased by 2 per cent.

Speciality Papers business area

Speciality Papers	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2011 Q1-Q3	2010 Q1-Q3	2010 Q1-Q4
Sales, EUR million	60	73	78	66	75	211	237	303
EBITDA, EUR million	-21	-14	-7	0	5	-42	-17	-17
excl. non-recurring items	-12	-5	-7	-7	-3	-24	-9	-16
Operating result, EUR million	-23	-29	-9	-31	4	-61	-23	-54
excl. non-recurring items	-14	-7	-9	-8	-7	-30	-18	-26
excl. non-recurring items, %	-23.3	-9.6	-11.5	-12.1	-9.3	-14.2	-7.6	-8.6
Return on capital employed, %	-277.1	-207.3	-50.1	-155.6	18.0	-190.3	-26.6	-49.4
excl. non-recurring items, %	-168.1	-49.5	-50.1	-43.0	-24.5	-92.2	-20.4	-23.6
Deliveries, 1,000 tonnes	44	55	60	49	57	159	197	246
Production, 1,000 tonnes	37	55	59	46	52	151	210	235
Personnel at the end of period	936	994	1,006	1,007	1,132	936	1,132	1,007

(Personnel figures of Hallein pulp mill have been moved to Market Pulp and Energy's personnel)

Result for July–September compared with the previous quarter
The operating result excluding non-recurring items for the Speciality Papers business area weakened compared to the previous quarter and was EUR -14 million (Q2/2011: -7). The result was weakened by a clearly lower utilisation rate and lower delivery volumes. The measures to eliminate losses in the business area announced in May are burdening profitability because some of the customers are looking for substitute suppliers.

The result includes cost provisions of EUR 9 million associated with the measures announced on 18 October 2011. The result of the previous quarter included impairment losses and cost provisions of a total of EUR -22 million as non-recurring items related to the restructuring plans at Gohrsmühle and personnel cuts at Reflex.

The delivery volume of Specialty Papers fell by 20 per cent.

Result for January–September compared with the corresponding period last year
The operating result excluding non-recurring items for Speciality Papers weakened compared to the corresponding period last year and totalled EUR -30 million (-18). The result was weakened by the higher prices of chemicals and other raw materials and the lower delivery volume of paper. The result was improved by the implemented price increases and cost saving measures.

The result includes a non-recurring item of a total of EUR -31 million. The result for the corresponding period last year included net non-recurring items of EUR -5 million.

The delivery volume of Speciality Papers fell by 28 per cent.

Market Pulp and Energy business area

Market Pulp and Energy	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2011 Q1-Q3	2010 Q1-Q3	2010 Q1-Q4
Sales, EUR million	108	117	110	106	107	335	328	434
EBITDA, EUR million	4	-1	13	19	19	16	56	75
excl. non-recurring items	4	11	13	19	23	28	60	79
Operating result, EUR million	-1	-43	7	-1	12	-37	37	36
excl. non-recurring items	-1	5	7	12	16	11	41	53
excl. non-recurring items, %	-0.9	4.3	6.4	11.3	15.0	3.3	12.5	12.2
Return on capital employed, %	-0.8	-27.8	4.7	-0.4	7.6	-11.8	8.0	6.0
excl. non-recurring items, %	-0.8	3.3	4.7	7.9	10.1	3.6	8.9	8.9
Deliveries, 1,000 tonnes	181	195	174	168	167	550	522	690
Personnel at the end of period	107	305	302	301	304	107	304	301

(Personnel figures of Kaskinen and Hallein pulp mills have been included in Market Pulp and Energy's personnel)

Result for July–September compared with the previous quarter
The operating result excluding non-recurring items for the Market Pulp and Energy business area weakened compared with the previous quarter and was EUR -1 million (Q2/2011: 5). The result was weakened by the lower sales price and delivery volume of pulp.

The result does not include non-recurring items. The result of the previous quarter includes a non-recurring item of a total of EUR -49 million related to the divestment of the Hallein pulp mill.

Result for January–September compared with the corresponding period last year
The operating result of Market Pulp and Energy excluding non-recurring items weakened from the corresponding period last year and totalled EUR 11 million (41). The result was weakened by the higher cost of wood, chemicals, other raw materials and energy. Furthermore, the average sales price level of pulp was lower than that in the corresponding period last year.

The result includes a non-recurring item of a total of EUR -49 million related to the divestment of the Hallein pulp mill. Last year's result included an additional cost provision of EUR -4 million relating to the closure of the Alizay pulp mill as a non-recurring item.

Sales and result by segment

EUR million	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2011 Q1-Q3	2010 Q1-Q3	2010 Q1-Q4
Consumer Packaging	274	279	299	303	305	852	872	1,175
Office Papers	159	166	184	181	164	509	477	658
Speciality Papers	60	73	78	66	75	211	237	303
Market Pulp and Energy	108	117	110	106	107	335	328	434
Other operations	64	74	57	55	53	195	143	198
Internal sales	-49	-48	-43	-46	-42	-141	-117	-163
Sales	**616**	**660**	**685**	**665**	**662**	**1,961**	**1,940**	**2,605**
Consumer Packaging	45	50	63	49	48	158	151	200
Office Papers	4	7	4	9	17	15	34	43
Speciality Papers	-21	-14	-7	0	5	-42	-17	-17
Market Pulp and Energy	4	-1	13	19	19	16	56	75
Other operations	-6	6	4	-3	6	3	14	11
EBITDA	**24**	**48**	**77**	**74**	**95**	**149**	**238**	**312**
% of sales	3.9	7.3	11.2	11.1	14.4	7.6	12.3	12.0
Consumer Packaging	33	38	50	24	34	121	111	135
Office Papers	-14	-3	-6	9	9	-23	5	14
Speciality Papers	-23	-29	-9	-31	4	-61	-23	-54
Market Pulp and Energy	-1	-43	7	-1	12	-37	37	36
Other operations	-8	5	4	-5	7	1	20	15
Operating result	**-13**	**-32**	**46**	**-4**	**66**	**1**	**150**	**146**
% of sales	-2.1	-4.8	6.7	-0.6	10.0	0.1	7.7	5.6
Non-recurring items in operating result								
Consumer Packaging	0	-1	0	-14	0	-1	0	-14
Office Papers	-8	0	0	9	0	-8	0	9
Speciality Papers	-9	-22	0	-23	11	-31	-5	-28
Market Pulp and Energy	0	-49	0	-13	-4	-49	-4	-17
Other operations	-1	7	3	0	5	10	23	23
Group	**-18**	**-64**	**3**	**-41**	**12**	**-79**	**14**	**-27**
Consumer Packaging	45	51	63	52	48	159	151	203
Office Papers	4	7	4	10	17	15	34	44
Speciality Papers	-12	-5	-7	-7	-3	-24	-9	-16
Market Pulp and Energy	4	11	13	19	23	28	60	79
Other operations	-5	-2	1	-3	0	-6	-2	-5
EBITDA, excl. non-recurring items	**36**	**62**	**74**	**71**	**85**	**172**	**234**	**305**
% of sales	5.8	9.4	10.8	10.7	12.8	8.8	12.1	11.7

Consumer Packaging	33	39	50	38	34	122	111	149
Office Papers	-6	-3	-6	0	9	-15	5	5
Speciality Papers	-14	-7	-9	-8	-7	-30	-18	-26
Market Pulp and Energy	-1	5	7	12	16	11	41	53
Other operations	-6	-2	1	-5	2	-7	-3	-8
Operating result, excl. non-recurring items	**6**	**32**	**43**	**37**	**54**	**81**	**136**	**173**
% of sales	1	4,8	6,3	5,6	8,2	4,1	7,0	6,6
Operating result, excl. non-recurring items, % of sales								
Consumer Packaging	12.0	14.0	16.7	12.5	11.1	14.3	12.7	12.7
Office Papers	-3.8	-1.8	-3.3	0.0	5.5	-2.9	1.0	0.8
Speciality Papers	-23.3	-9.6	-11.5	-12.1	-9.3	-14.2	-7.6	-8.6
Market Pulp and Energy	-0.9	4.3	6.4	11.3	15.0	3.3	12.5	12.2
Group	**1.0**	**4.8**	**6.3**	**5.6**	**8.2**	**4.1**	**7.0**	**6.6**

Metsä-Botnia's net result is included in operating result at row "Share of results in associated companies" from 8.12.2009 on, before that Metsä-Botnia was consolidated on proportionate basis line by line.

Return on capital employed %								
Consumer Packaging	17.6	20.5	27.8	13.7	18.1	22.0	20.7	19.4
Office Papers	-12.1	-2.5	-4.4	6.5	8.5	-6.2	1.5	2.8
Speciality Papers	-277.1	-207.3	-50.1	-155.6	18.0	-190.3	-26.6	-49.4
Market Pulp and Energy	-0.8	-27.8	4.7	-0.4	7.6	-7.9	8.0	6.0
Group	**-1.5**	**-6.1**	**8.4**	**-0.7**	**11.6**	**0.4**	**7.8**	**5.7**
Capital employed, EUR million								
Consumer Packaging	759	744	739	711	749	759	749	711
Office Papers	452	482	539	557	490	452	490	557
Speciality Papers	30	45	69	64	94	30	94	64
Market Pulp and Energy	637	621	631	627	659	637	659	627
Unallocated and eliminations	253	257	330	390	380	253	380	390
Group	**2,131**	**2,149**	**2,308**	**2,349**	**2,372**	**2,131**	**2,372**	**2,349**

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

Deliveries 1,000 tonnes	**2011 Q3**	**2011 Q2**	**2011 Q1**	**2010 Q4**	**2010 Q3**	**2011 Q1-Q3**	**2010 Q1-Q3**	**2010 Q1-Q4**
Consumer Packaging	307	315	334	344	353	956	1,046	1,390
Office Papers	210	222	241	248	212	673	661	909
Speciality Papers	44	55	60	49	57	159	197	246
Paper business, total	254	277	301	297	269	832	858	1 155
Market Pulp	181	195	174	168	167	550	522	690

Production 1,000 tonnes	**2011 Q3**	**2011 Q2**	**2011 Q1**	**2010 Q4**	**2010 Q3**	**2011 Q1-Q3**	**2010 Q1-Q3**	**2010 Q1-Q4**
Consumer Packaging	308	317	344	362	353	969	1,058	1,420
Office Papers	223	226	232	238	228	681	672	910
Speciality Papers	37	55	59	46	52	151	210	235
Paper business, total	260	281	291	284	280	832	882	1 145
Metsä-Botnia pulp [1)]	197	170	164	164	160	531	488	652
M-real pulp	309	325	340	327	331	974	968	1 295

[1)] corresponds to M-real's ownership share of 32% in Metsä-Botnia

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

FINANCIAL STATEMENTS

Unaudited interim condensed consolidated statement of comprehensive income

		3 months ended September 30		9 months ended September 30		Year ended December 31
		2011	**2010**	**2011**	**2010**	**2010**
EUR million	**Note**					
Continuing operations						
Sales	**2,6**	**616**	**662**	**1,961**	**1,940**	**2,605**
Change in stocks of finished goods and work in progress		15	30	21	37	34
Other operating income	**6**	10	29	47	70	108
Material and services		-498	-527	-1,518	-1,484	-2,022
Employee costs		-86	-70	-248	-245	-312
Share of profits in associated companies	**6**	14	22	54	56	78
Depreciation, amortization and impairment losses		-37	-29	-148	-88	-179
Other operating expenses		-47	-51	-168	-136	-166
Operating result	**2**	**-13**	**66**	**1**	**150**	**146**
Share of results in associated companies		0	-1	-4	-21	-24
Net exchange gains and losses		1	-1	3	-7	-9
Other net financial items	**6**	-17	-19	-51	-52	-65
Result before income tax		**-29**	**45**	**-51**	**70**	**48**
Income taxes	**3**	-4	-7	-13	-21	-21
Result for the period from continuing operations		**-33**	**38**	**-64**	**49**	**27**
Discontinued operations						
Result from discontinued operations					0	0
Result for the period		**-33**	**38**	**-64**	**49**	**27**
Other comprehensive income						
Cash flow hedges		-13	10	-20	0	10
Available for sale financial assets		15	13	22	33	28
Translation differences		-2	1	-8	7	12
Share of results in associated companies		-1	-1	-1	2	2
Income tax relating to components of other comprehensive income		0	-4	0	-2	-2
Other comprehensive income, net of tax		**-1**	**19**	**-7**	**40**	**50**
Total comprehensive income for the period		**-34**	**57**	**-71**	**89**	**77**
Result for the period attributable to						
Shareholders of parent company		-33	39	-64	50	28
Non-controlling interests		0	-1	0	-1	-1
Tot. comprehensive income for the period attributable to						
Shareholders of parent company		-34	58	-71	90	78
Non-controlling interests		0	-1	0	-1	-1
Total		-34	57	-71	89	77
Earnings per share for result attributable to shareholders of parent company (EUR/share)						
from continuing operations		-0.11	0.12	-0.20	0.15	0.09
from discontinued operations		0.00	0.00	0.00	0.00	0.00
Total		-0.11	0.12	-0.20	0.15	0.09

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

Unaudited condensed consolidated balance sheet

EUR million	Note	As of September 30 2011	As of September 30 2010	As of December 31 2010
ASSETS				
Non-current assets				
Goodwill		13	13	13
Other intangible assets		23	29	26
Tangible assets	4	938	1,119	1,063
Investments in associated companies		266	246	265
Available for sale investments		337	321	314
Other non-current financial assets	6	20	68	67
Deferred tax receivables		4	4	3
		1,601	**1,800**	**1,751**
Current assets				
Inventories		386	383	391
Accounts receivables and other receivables	6	511	564	567
Cash and cash equivalents		345	437	408
		1,242	**1,384**	**1,366**
Assets classified as held for sale	4		3	
Total assets		**2,843**	**3,187**	**3,117**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Equity attributable to shareholders of parent company		923	1,006	994
Non-controlling interests		5	5	5
Total equity		**928**	**1,011**	**999**
Non-current liabilities				
Deferred tax liabilities		184	176	179
Post-employment benefit obligations		79	80	85
Provisions	5	15	56	35
Borrowings		880	1,009	1,016
Other liabilities		23	30	26
		1,181	**1,351**	**1,341**
Current liabilities				
Provisions	5	31	13	7
Current borrowings	6	307	351	334
Accounts payable and other liabilities	6	396	461	436
		734	**825**	**777**
Total liabilities		**1,915**	**2,176**	**2,118**
Total shareholders' equity and liabilities		**2,843**	**3,187**	**3,117**

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

Unaudited consolidated statement of changes in shareholders' equity

		Equity attributable to shareholders of parent company								
EUR million	Note	Share capital	Share premium account	Translation differences	Fair value and other reserves	Reserve for invested unstricted equity	Retained earnings	Total	Non-controlling interests	Total
Shareholders' equity, 1 January 2010		558	667	2	194		-504	916	8	924
Comprehensive income for the period										
Result for the period							50	50	-1	49
Other comprehensive income										
Cash flow hedges					0			0		0
Available for sale investments					33			33		33
Translation differences				7				7	0	7
Share of other comprehensive income of associated companies				1	1			2		2
Income tax relating to components of other comprehensive income				7	-9			-2		-2
Other comprehensive income total				15	25		0	40	0	40
Comprehensive income total				**15**	**25**		**50**	**90**	**-1**	**89**
Related party transactions										
Dividends paid									-2	-2
Shareholders' equity, 30 September 2010		**558**	**667**	**17**	**219**		**-454**	**1,006**	**5**	**1 011**

		Equity attributable to shareholders of parent company								
EUR million	Note	Share capital	Share premium account	Translation differences	Fair value and other reserves	Reserve for invested unstricted equity	Retained earnings	Total	Non-controlling interests	Total
Shareholders' equity, 1 January 2011		558	667	23	223		-476	994	5	999
Comprehensive income for the period										
Result for the period							-64	-64	0	-64
Other comprehensive income										
Cash flow hedges					-20			-20		-20
Available for sale investments					22			22		22
Translation differences				-8				-8		-8
Share of other comprehensive income of associated companies				-1	0			-1		-1
Income tax relating to components of other comprehensive income				0	0			0		0
Other comprehensive income total				-9	2		0	-7		-7
Comprehensive income total				**-9**	**2**		**-64**	**-71**	**0**	**-71**
Reduction of Share permium account	7		-667			664	3	0		0
Related party transactions										
Dividends paid									0	0
Shareholders' equity, 30 September 2011		**558**	**0**	**14**	**225**	**664**	**-537**	**923**	**5**	**928**

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

Unaudited condensed consolidated cash flow statement

		Nine months ended September 30		Year ended December 31
		2011	**2010**	**2010**
EUR million	**Note**			
Result for the period		-64	49	27
Total adjustments	8	146	75	108
Change in working capital		-5	-86	-86
Cash flow from operations		**77**	**38**	**49**
Net financial items	8	1	-71	-102
Income taxes paid		-8	-18	-16
Net cash flow from operating activities		**70**	**-51**	**-69**
Investments in intangible and tangible assets		-60	-48	-66
Disposals and other items	8	95	55	86
Net cash flow from investing activities		**35**	**7**	**20**
Changes in non-current loans and in other financial items		-168	-15	-39
Dividends paid		0	-2	-2
Net cash flow from financing activities		**-168**	**-17**	**-41**
Changes in cash and cash equivalents		**-63**	**-61**	**-90**
Cash and cash equivalents at beginning of period		408	497	497
Translation difference in cash and cash equivalents		0	1	1
Changes in cash and cash equivalents		-63	-61	-90
Assets held for sale		0	0	0
Cash and cash equivalents at end of period		**345**	**437**	**408**

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

Note 1 - Background and basis of presentation

M-real Corporation and its subsidiaries comprise a forest industry group whose main product areas are Consumer Packaging, Office papers and Speciality Papers. M-real Corporation, as the parent company is domiciled in Helsinki and the registered address of the company is Revontulentie 6, 02100 Espoo Finland. M-real´s ultimate parent company is Metsäliitto Cooperative.

These unaudited interim statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and the same accounting policies have been applied as in the 2010 annual consolidated financial statements.
This interim report is unaudited.
All amounts are presented in millions of euros, unless otherwise stated.
This interim report was authorizes for issue by the Board of Directors of M-real on 2 November, 2011.

Note 2 – Segment information

The Corporate Management Team is the chief operational decision-maker, who monitors the business operations based on the operating segments. The sales of the reporting segments are mainly generated by sales of board and paper, but the sales of the Market Pulp and Energy operating segment includes sales of pulp to external customers and sales of energy from the pulp mills and through energy companies owned by M-real.

The accounting principles for the segment information are equal to those of the Group. All inter-segment sales are based on market prices.

Sales by segments

EUR million	9 months ended September 30, 2011			9 months ended September 30, 2010		
	external	internal	Total	external	internal	Total
Consumer Packaging	851	1	852	871	1	872
Office Papers	509	0	509	477	0	477
Speciality Papers	210	1	211	236	1	237
Market Pulp and Energy	335	0	335	328	0	328
Other operations	56	139	195	28	115	143
Elimination		-141	-141		-117	-117
Total sales	1,961	0	1,961	1,940	0	1,940

	Year ended December 31, 2010		
	external	internal	Total
Consumer Packaging	1,174	1	1,175
Office Papers	658	0	658
Speciality Papers	302	1	303
Market Pulp and Energy	434	0	434
Other operations	37	161	198
Elimination		-163	-163
Total sales	2,605	0	2,605

Operating result by segment

EUR million	9 months ended September 30, 2011	2010	Year ended December 31, 2010
Consumer Packaging	121	111	135
Office Papers	-23	5	14
Speciality Papers	-61	-23	-54
Market Pulp and Energy	-37	37	36
Other operations	1	20	15
Operating result total	1	150	146
Share in profit from associated companies	-4	-21	-24
Finance costs, net	-48	-59	-74
Income taxes	-13	-21	-21
Result for the period	-64	49	27

Operating result for the nine months ended September 30, 2011 include EUR 49 million loss in Market Pulp and Energy business area related to the divestment of the Hallein pulp. Speciality Papers business area include a total of EUR 31 million impairment charges and cost provision related to the reorganisation plans in Gohrsmühle and Reflex. Office Papers include EUR 8 million impairment loss related to decision to commence an information and consultation process to close the Alizay paper mill. Other Operations include EUR 10 million gain related to sales properties in Finland.

Assets by segments

EUR million	Nine months ended September 30, 2011	2010	Year ended December 31, 2010
Consumer Packaging	903	907	911
Office Papers	560	632	679
Speciality Papers	148	225	183
Market Pulp and Energy	673	715	691
Other operations	264	369	342
Elimination	-117	-151	-46
Unallocated	410	489	357
Total	2,843	3,187	3,117

Segment assets include goodwill, other intangible assets, tangible assets, biological assets, investments in associated companies, inventories, accounts receivables and prepayments and accrued income (excl. interest and income tax items).

Note 3 - Income taxes

Tax expense in the interim condensed combined income statement is comprised of the current tax and deferred taxes. Income taxes for the nine months ended September 30, 2011 and 2010 and for the year ended December 31, 2010 are as follows:

	Nine months ended September 30		Year ended December 31
EUR million	2011	2010	2010
Taxes for the current period	8	16	14
Taxes for the prior periods	-4	0	0
Changes in deferred taxes	9	5	7
Total income taxes	13	21	21

Note 4 - Changes in property, plant and equipment

The following shows the components of changes in property, plant and equipment for the nine months ended September 30, 2011 and 2010 and year ended December 31, 2010:

	Nine months ended September 30		Year ended December 31
Changes in property, plant and equipment	**2011**	**2010**	**2010**
EUR million			
Carrying value at beginning of period	1,063	1,130	1,130
Capital expenditure	60	48	65
Decreases	-1	-9	-16
Assets clasified as held for sale/Disposals	-30	-3	0
Depreciation, amortization and impairment losses	-144	-83	-159
Translation difference	-10	36	43
Carrying value at end of period	**938**	**1,119**	**1,063**

M-real Hallein was classified in June 2011 as assets held for sale and it was sold in September 2011. Disposals for the nine months ended September 30, 2011 include Hallein’s assets.

In September 2010 EUR 3 million assets in Zanders' papermill Reflex to be sold to Metsä Tissue have been classified as assets held for sale.

Depreciation, amortization and impairment losses for the period, EUR 144 million, include impairments made in Market Pulp and Energy related to M-real Hallein’s disposal EUR 36 million, in Speciality Papers EUR 13 million related to reorganization plans in Gohrsmühle and EUR 8 million in Office Papers related to decision to commence an information and consultation process to close the Alizay paper mill.

Note 5 - Provisions

The following is a summary of M-real's provisions made for the nine months ended September 30, 2011 and year ended December 31, 2010.

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January 2011	**24**	**2**	**16**	**42**
Translation differences	0	0		
Increases	13	0	5	18
Utilized during the year	-10	0	-4	-14
Unused amounts reversed	0	0		0
At 30 September, 2011	**27**	**2**	**17**	**46**

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January 2010	**87**	**1**	**16**	**104**
Translation differences	2	0	0	2
Increases	21	1	4	26
Utilized during the year	-67	0	-4	-71
Unused amounts reversed	-20	0	0	-20
Effect of discounting	1	0	0	1
At December 31, 2010	**24**	**2**	**16**	**42**

The most significant increase in provision for nine months ended at September 30, 2011 was EUR 13 million redundancy cost provision in the Speciality Papers business area related to the reorganization plans at Gohrsmühle. The non-current portion of the total restructuring provision was some EUR 10 million and current portion some EUR 17 million. The non-current portion is estimated to be paid by the end of year 2013.

Note 6 - Related party transactions

These interim financial statements include transactions between M-real and its subsidiaries and M-real´s parent company Metsäliitto Cooperative and its other subsidiaries and associated companies, which are considered as related parties among members of Board of Directors as well as members of Corporate Management Team. M-real enters into a significant number of transactions with related parties for the purchases of inventory, sale of goods, corporate services as well as finance transaction. Product and services transfers and interest between M-real and the related parties have been made at arm's length prices.

Transactions between M-real and related parties for the nine months ended September 30, 2011 and 2010 and for the year ended December 31, 2010 are as follows:

Transactions and balances with parent and sister companies	September 30		December 31
EUR million	**2011**	**2010**	**2010**
Sales	47	28	39
Other operating income	4	4	14
Purchases	610	610	839
Share of profit from associated companies	54	56	78
Interest income	5	7	8
Interest expenses	2	1	1
Non-current receivables	4	53	53
Current receivables	87	76	82
Non-current liabilities	0	0	0
Current liabilities	193	313	277

Metsä-Botnia's net result is included within operating result line item "Share of profits from associated companies" and transactions with Metsä-Botnia are included in transactions with sister companies beginning from 8.12.2009. Dividend income for the nine months ended September 30, 2011 include a dividend of EUR 45 million paid by Metsä-Botnia. M-real Zanders has partly disposed Reflex mill to Metsä Tissue. A gain on disposal of EUR 7 million was recognized in other operating income in 2010.

Transactions with associated companies	9 months ended September 30		Year ended December 31
EUR million	**2011**	**2010**	**2010**
Sales	0	0	0
Purchases	1	1	2
Non-current receivables	0	0	0
Current receivables	0	8	8
Current liabilities	4	3	2

Note 7 – Reduction of share premium account

The Annual General Meeting decided to reduce the share premium account in restricted equity, as stated on the parent company's balance sheet on 31 December 2010, by transferring all funds in the account, or EUR 663,812,052.56, to the company's non-restricted equity reserve. The reduction of the share premium account will take place without consideration and it does not impact the company's number of shares, the rights conferred by the shares, or the proportionate ownership of the shareholders. The reduction became effective in August after the completion of the creditor protection procedure referred to in the Finnish Limited Liability Companies Act. M-real has recognized the reduction according to Annual General Meeting's decision. At the same time a previously recognized merger gain of EUR 3 million was reclassified and transferred from share premium account to retained earnings.

Note 8 – Notes to condensed consolidated cash flow statement

Adjustments to the result for the period

	Nine months ended September 30		Year ended December 31
EUR million	2011	2010	2010
Taxes	13	21	21
Depreciation, amortization and impairment charges	148	88	166
Share of results in associated companies	-50	-35	-54
Gains and losses on sale of fixed assets	-15	-17	-32
Finance costs, net	48	59	73
Provisions	2	-42	-66
Total	146	75	108

Net financial items

Net financial items for nine months ended September 30, 2011 include dividend of EUR 45 million paid by Metsä-Botnia. Net financial items for nine months ended September 30, 2011 include approximately EUR 14 million payments related to equity hedging.

Disposals and other items

Nine months ended September, 2011 includes EUR 49 million early repayment of Metsäliitto Cooperative vendor note received in connection to the restructuring of Metsä-Botnia ownership in 2009, EUR 24 million related to the disposal of M-real Hallein, EUR 7 million disposal of Myllykoski Paper shares, some EUR 11 million property sales in Finland and EUR 4 million other disposals.

Note 9 - Commitments and contingencies

Securities and guarantees

The following shows securities and guarantees for the nine months ended September 30, 2011 and 2010 and year ended December 31, 2010:

	9 months ended September 30		Year ended December 31
Securities and guarantees EUR million	**2011**	**2010**	**2010**
For own liabilities	187	223	192
On behalf of associated companies	0	0	0
On behalf of Group companies	13	14	13
On behalf of others	3	1	1
Total	203	238	206

Securities and guarantees include pledges, real estate mortgages, chattel mortgages and guarantee liabilities.

M-real holds operating leases for certain vehicles and equipment. Leasing liabilities are part of table above.

Non-cancellable purchase agreements concerning property, plant and equipment were EUR 0 million and EUR 2 million for the nine months ended September 30, 2011 and 2010, respectively and EUR 2 million for the year ended December 31, 2010.

	Nine months ended September 30		Year ended December 31
Open derivative contracts EUR million	**2011**	**2010**	**2010**
Interest rate derivatives	1,378	1,245	1,248
Currency derivatives	1,701	2,079	2,149
Other derivatives	105	151	83
Total	3,184	3,475	3,480

The fair value of open derivative contracts calculated at market value at the end of the review period was EUR -26.4 million (EUR -15.4 million 31 December 2010 and EUR -32.6 million 30 September 2010).
Also include other closed contracts to a total amount of EUR 1,633.9 million (EUR 1,787.2 million 31 December 2010 and EUR 1,444.3 million 30 September 2010).

Note 10 - Subsequent events

Restructuring of the coated paper business
M-real announced in November plans to restructure its coated paper business to achieve an approximately EUR 20 million improvement in annual operating result.

Paper production at the Husum mill in Sweden is planned to be reorganized. The annual coated paper capacity on the mill will be increased from 285,000 tonnes to approximately 340,000 tonnes without material investments. The reel production of Äänekoski paper machine is planned to be transferred to Husum.

Äänekoski mill's coated fine paper machine is planned to be closed and the sheeting capacity converted to folding boxboard sheeting. Based on the planned measures M-real's annual coated paper capacity would reduce by approximately 145,000 tonnes. M-real's annual sales would reduce by approximately EUR 60 million and operating result would increase by approximately EUR 20 million based on the actual performance of the coated paper production in Q1-Q3 /2011. The full annual financial impact of the planned measures is expected to be seen from 2012 onwards.

Consumer Packaging's 4Q/2011 operating result is expected to include approximately EUR 25 million non-recurring impairments and cost provisions related to the planned actions at Äänekoski mill. Total net cash impact of the planned measures is expected to be slightly positive taken into consideration also the reduction of working capital.

Elimination of losses of Alizay and Speciality Papers
M-real announced in October that it would start negotiations on closing the Alizay mill in France and on discontinuing the uncoated fine paper and unprofitable specialty paper business operations at the Gohrsmühle mill in Germany. Concurrently, M-real announced it would continue the Chromolux business operations in Gohrsmühle and investigate opportunities to launch a folding boxboard customer service and logistics centre and a sheeting plant in Gohrsmühle. Furthermore, M-real announced it is conducting negotiations in order to sell the Premium Papers business operations of the Reflex mill. Negotiations on the discontinuation of the carbonless paper refining operations at the Reflex mill are under way.

With the implementation of the planned measures, M-real's annual sales are estimated to decrease by nearly EUR 400 million and its operating result to improve by nearly EUR 80 million, based on the actual figures of Q1-Q3/2011. The majority of the sales and profit impact is expected to be seen in 2012 and full impact from 2013 onwards. Execution of the planned measures is contingent on the completion of the statutory labour negotiations required by local legislation.

When implemented in full, the planned measures are estimated to have a negative non-recurring result impact amounting to approximately EUR 180 million. Of this, a total of EUR -22 million of impairment losses and cost provisions was recognised as non-recurring items in the result on Specialty Papers in the second quarter of 2011. The operating result of the Office Papers business area in the third quarter of 2011 included an impairment loss of EUR 8 million and Specialty Papers business area cost provisions of EUR 9 million. The remainder of non-recurring items will be recognised in the last quarter of 2011 and the first quarter of 2012. The estimated net cash costs of the planned measures, taking into consideration the change in the net working capital as of the beginning of May 2011, total approximately EUR 50 million in all.