



M-real

Turn-Around and Future Direction

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Turn-Around



Difficult Starting Point for M-real's Re-Engineering

- Unsuccessful acquisitions in fine papers in the beginning of last decade
- Net debt increased to EUR 3.6 billion due to acquisitions
- Integration of acquired operations and overall efficiency improvement approach insufficient
- Weakening operating environment for European paper industry
- Record high cost inflation in energy and raw materials

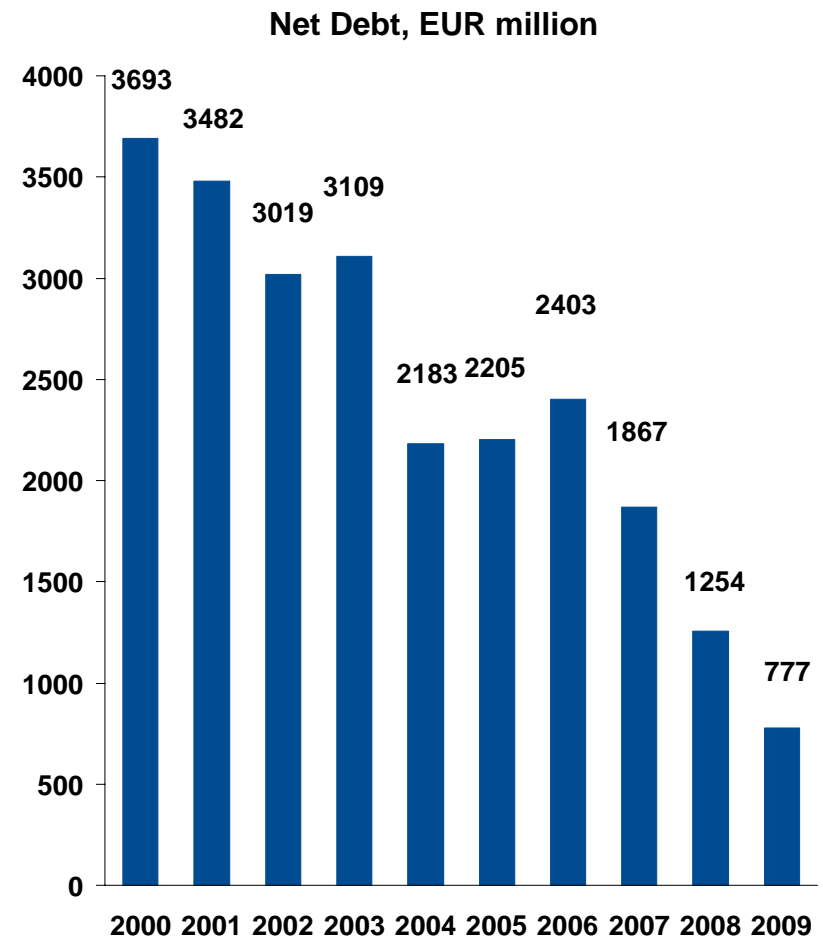
Simplicity the Main Driver in Re-Engineering

- All BAs reducing complexity of their own business
- Customers have truly appreciated the complexity reduction
- Simplicity measures the main drivers in cost savings and working capital reductions
- Complexity reduction philosophy offers still a lot of potential

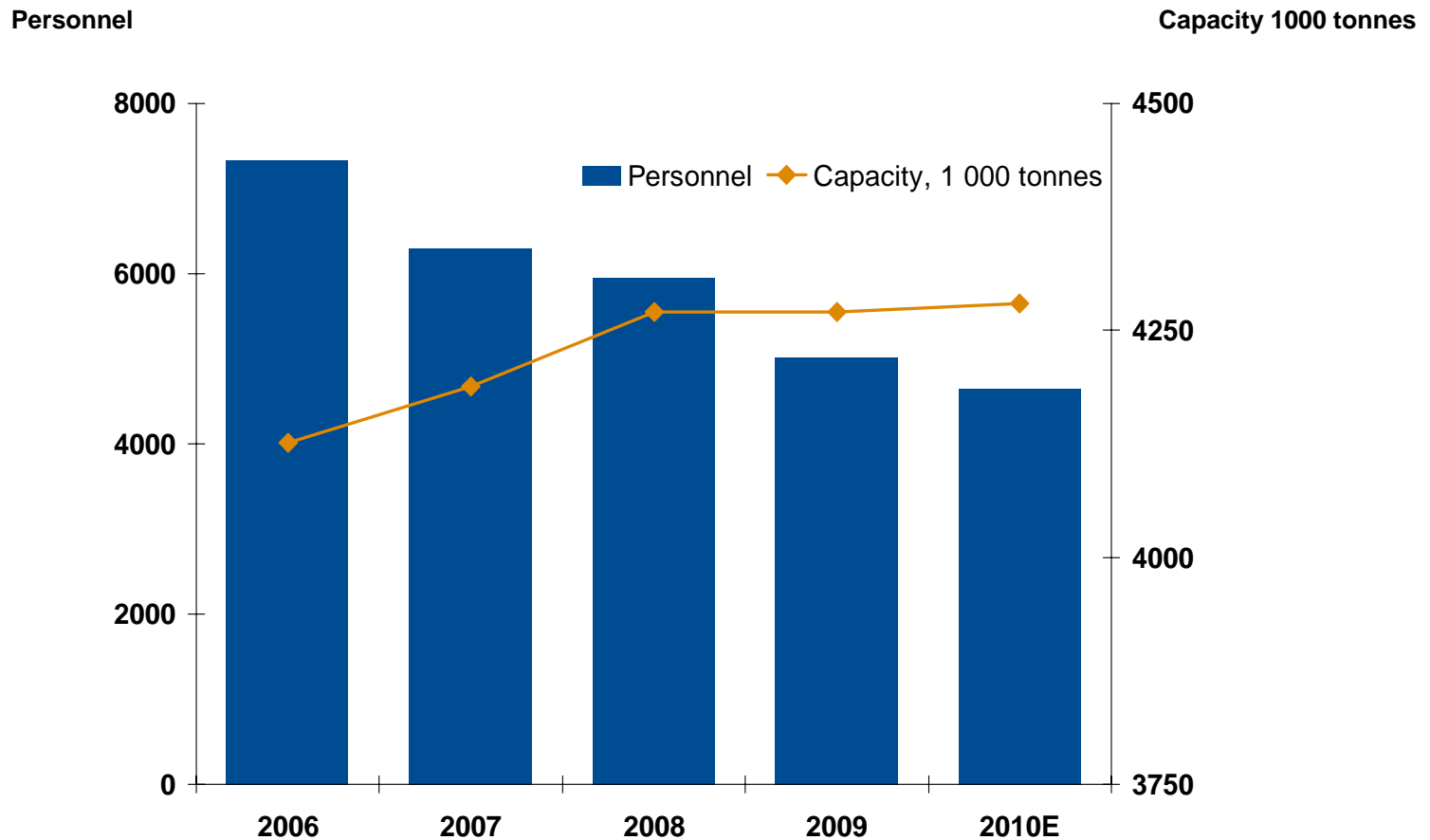


Significant Results from the Restructuring

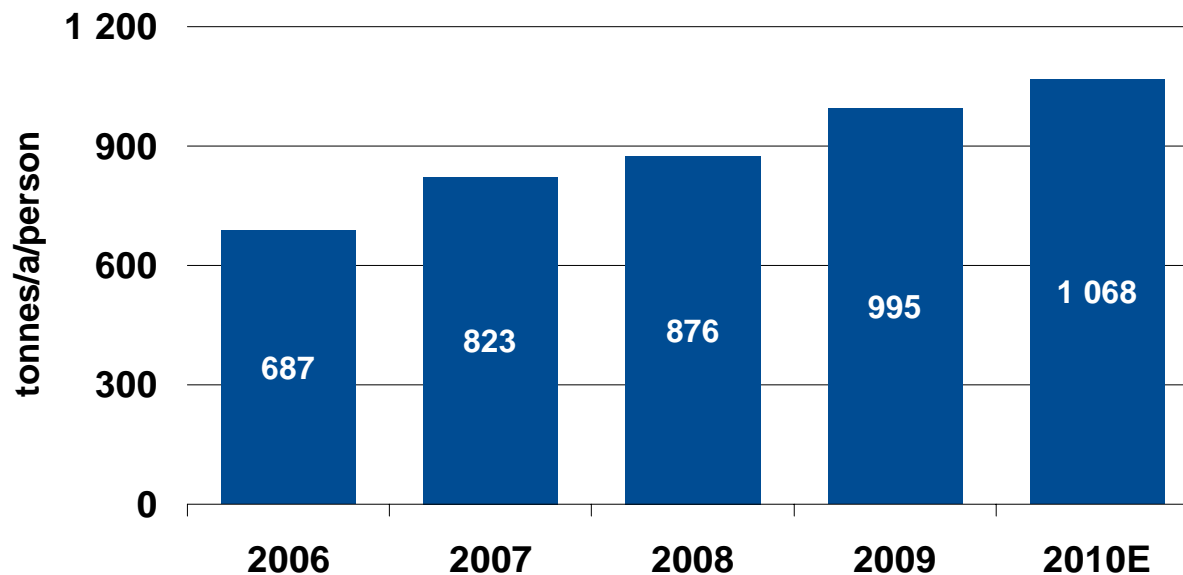
- Divestments worth over 2 bilj. €
 - Reduction of non-profitable paper capacity from 4.4 million to 1.7 million tonnes/a
- Profit improvements over 400 M€ due to own measures
- ONWC reduction about 300 M€
- Net debt reduced to about 800 M€



Personnel of Continuous Operations Decreased 37%, Production Capacity Increased 4%



Productivity of Production Units Improved 55%



Capacity per M-real board, paper and pulp employee



Consistent Strategy

Consistent Strategic Direction Since 2006

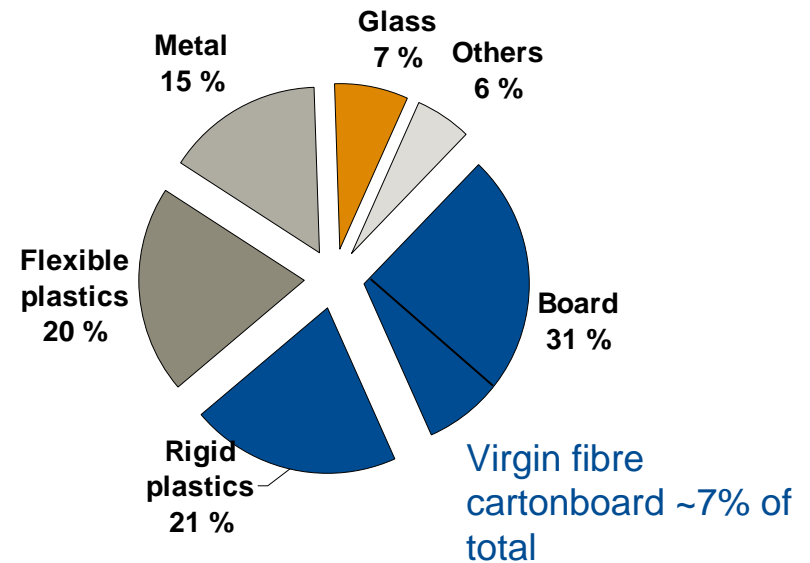
- Cartonboards for consumer packaging the strategic core business
- Divestment of underperforming paper businesses
- Major cost savings through complexity reduction
- Responsible and proactive approach to increase prices



Packaging is One of the Biggest and Fastest Growing Businesses in the World

- One of the most important well-being drivers in the world
- Product safety issues are crucial
- Branding and information sharing increasingly important
- Criticism against bad packaging increasing

Global Packaging Market (\$634 Billion)



Sources: Pira & M-real

M-real Targets Growth in Its Core Business Packaging

- Huge growth potential in wood fibre based packaging applications when replacing non-sustainable packaging materials
- M-real a strong producer of virgin fibre based cartonboard and white top linerboard as well as packaging related speciality papers
- Access to wood raw material, superior fibre knowhow and pulp self-sufficiency M-real's important competitive advantages



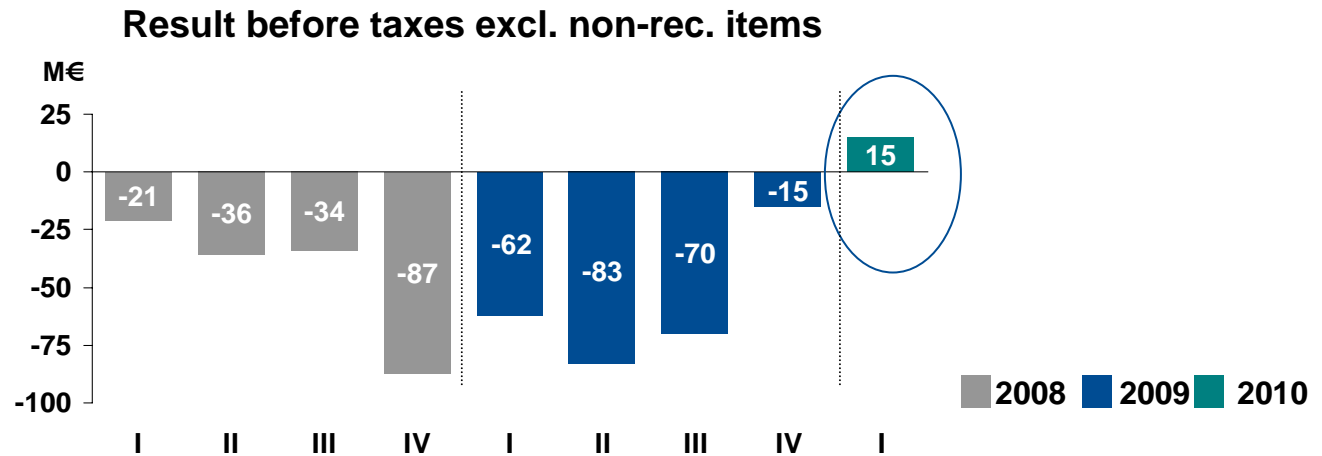
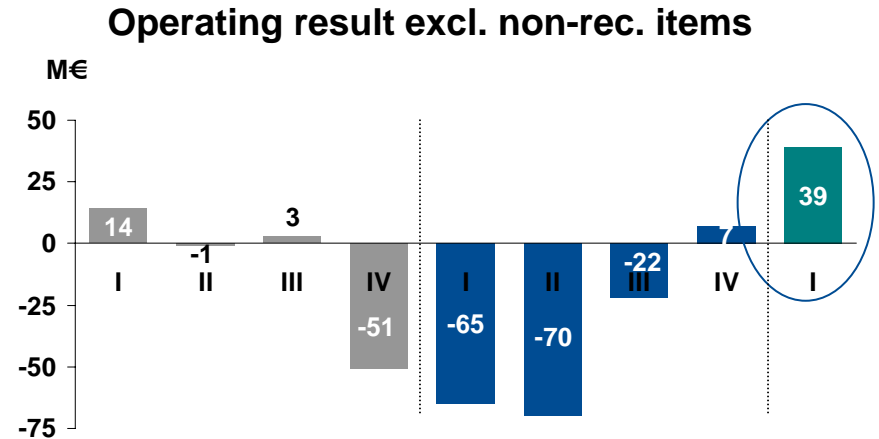
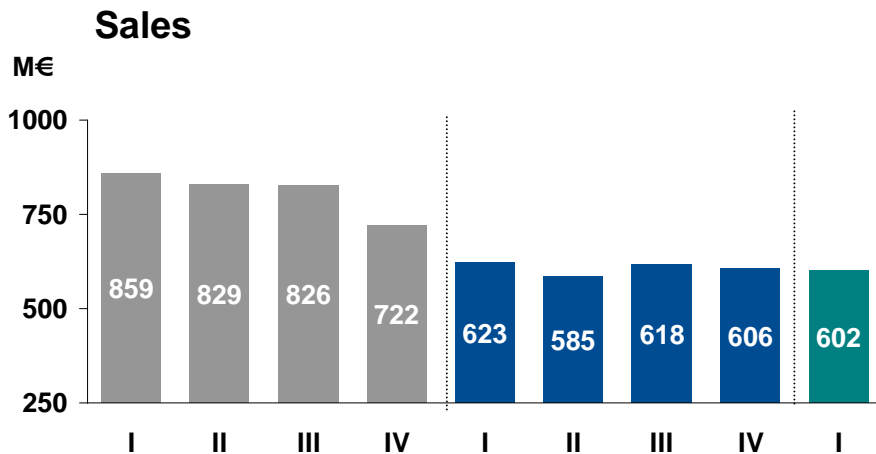
M-real Is a Leading European Producer of Uncoated Fine and Speciality Papers

- Heavy internal profit improvement measures continue by further reduction of complexity
- M-real is the most environmentally sound office paper producer and reduction of environmental impact continues to be the key driver
- M-real will further focus on packaging related speciality grades in Speciality Papers business area

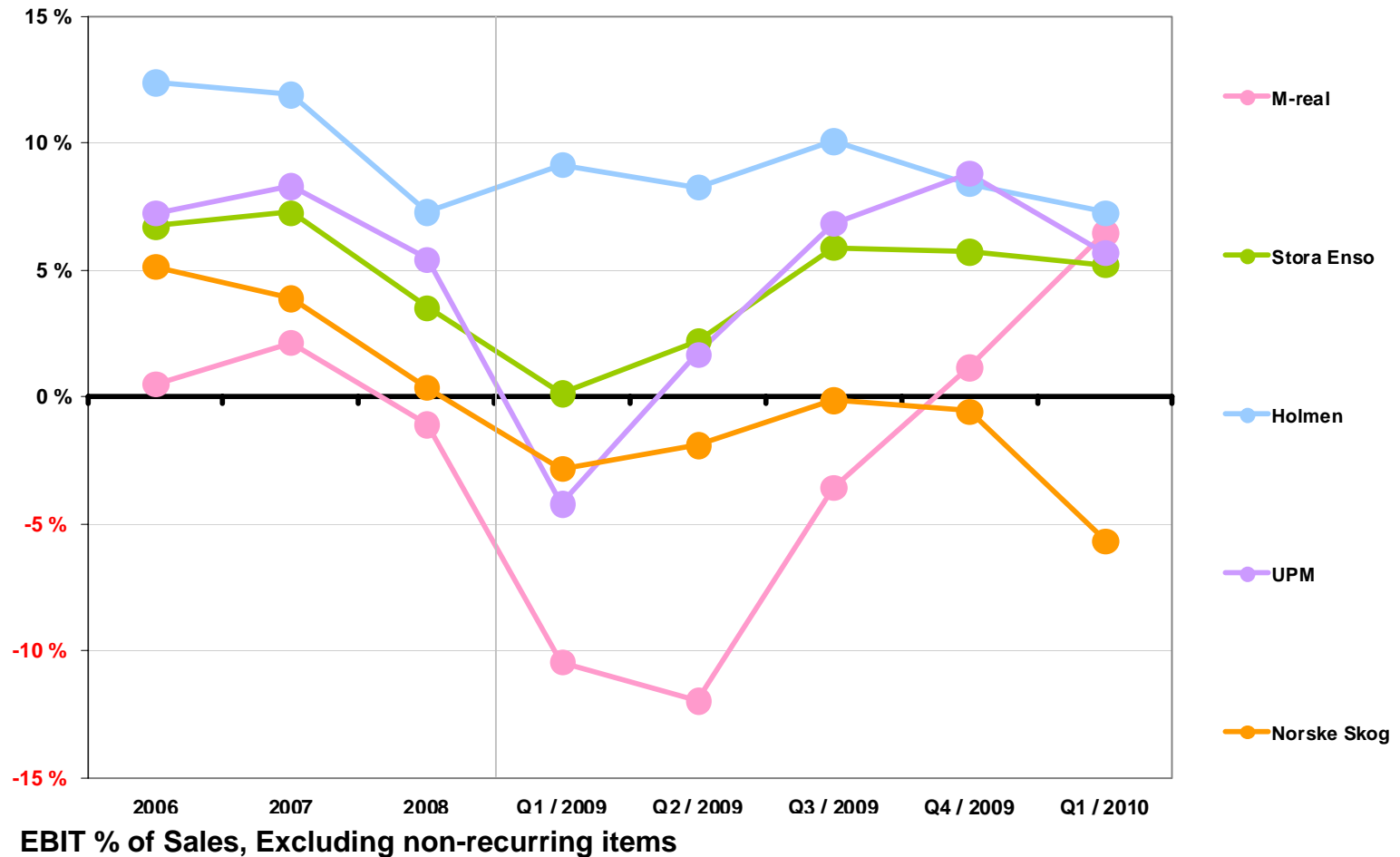


Result Development and Next Steps

M-real's Hard Work Finally Becoming Visible in the Results



M-real's Profitability in Line With Main Competitors



Good Profitability Trend Expected to Continue

- Internal profit improvement programmes' impact in 2010 expected to be 100 M€ positive
 - Additional 60 M€ expected from 2011 onwards
- M-real shows market leadership in price increases
 - Prices of all main products increasing in 2Q
- Only limited number of non-profitable units left
 - Alizay pulp and paper, Zanders mills and Hallein pulp



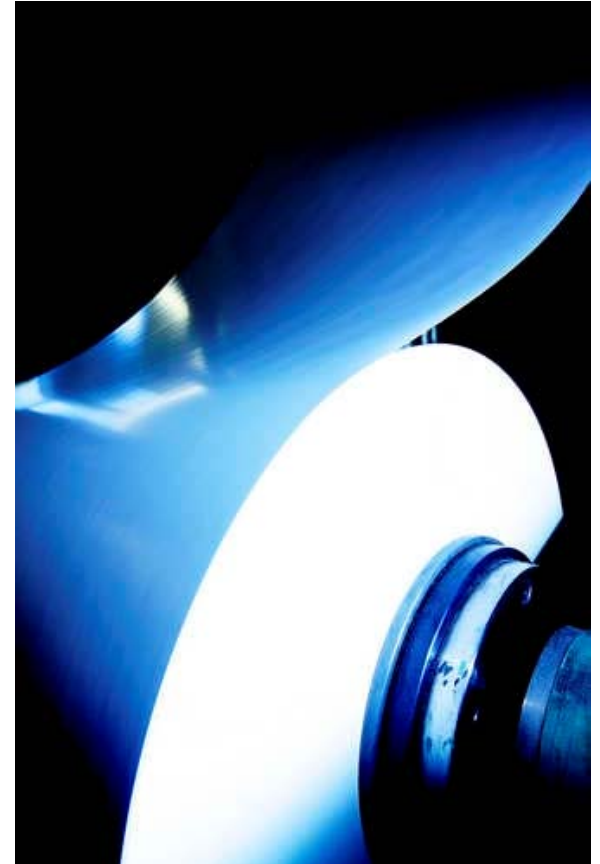
M-real Well Equipped for Expansion of Cartonboard Business

- Excellent potential to increase the output of current machines with modest investments
 - Significant amount of excess pulp currently
- Potential capacity expansion implemented in a way that is not disturbing demand-supply balance
- Investigations ongoing to benefit growth potential in Russia, Eastern Europe or Asia
 - Alone and together with the best selected local partners



Strategic Review of the Paper Business Proceeds

- M-real in strong position in participating restructuring of the European uncoated fine paper business
- M-real Zanders is a leading European speciality paper producer
- Potentially, also separate divestments of the non-profitable units



Conclusions



Modern Forest Industry Has Huge Potential Due to Genuinely Sustainable Business Approach

- Fast growing forests and more efficient recycling offer increasing amount of renewable raw material
- Improving technologies and streamlined processes improve efficiencies and reduce environmental impact
- Potential to develop new wood fibre based products replacing applications produced from non-renewable raw materials



In M-real's Grades Industry Has Clearly Improved Profitability Thanks to Strong Leadership

- Strong leadership is needed to exit the old volume driven business culture
- Strong leadership is needed to reduce complexity in product portfolio as well as in internal organizations
- Strong leadership is needed to increase prices

Overcapacity is only an excuse for poor leadership and business management

M-real's Positive Result Development From Summer 2009 Expected to Continue

- Demand expected to continue strong in pulp, board and paper
- Actions ongoing to increase pulp, paper and cartonboard prices
- Profit improvement programmes and strategic review in paper business continue
- Along with improved financial situation more emphasis will be put on business development



Thank You!