



Credit Suisse European Credit Conference 2011 presentation

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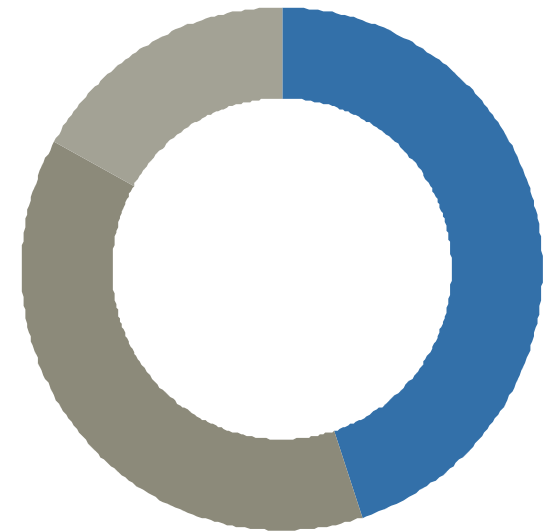
Introduction



M-real in Brief

- Annual sales about EUR 2.6 billion
- Approximately 4,500 employees
- Business areas: Consumer Packaging, Office Papers, Speciality Papers and Market Pulp and Energy
- Present in over 70 countries
- 12 production units in 4 European countries
- Part of Metsäliitto Group and listed on the NASDAQ OMX Helsinki Ltd

Sales breakdown 2010



- Consumer Packaging 45%
- Paper 38%
- Market pulp and energy 17%

Production Locations

Consumer Packaging:

- Simpele
- Äänekoski board and paper
- Kyro
- Tako
- Kemi
- Joutseno

Office Papers:

- Alizay
- Husum paper and pulp

Speciality Papers:

- Gohrmühle
- Reflex

Market Pulp and Energy:

- Kaskinen

Alizay planned to be divested or closed

Gohrmühle and Reflex operations planned to be divested or materially downsized



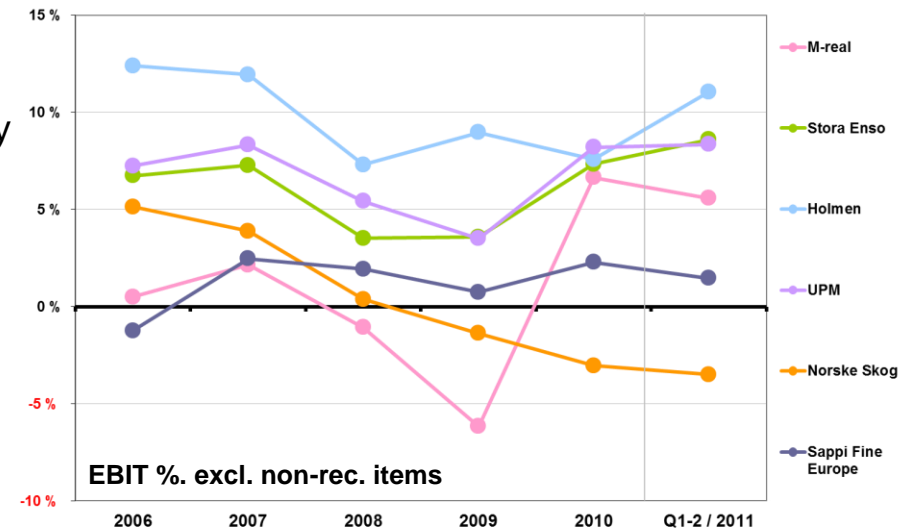
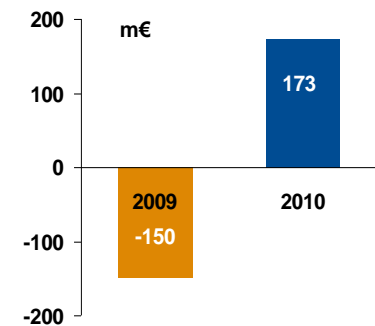
A woman with purple headphones is lying down in the background, out of focus. In the foreground, a white paper container with green abstract patterns and a handle sits on a white saucer. The text 'Strategic Direction' is overlaid in blue.

Strategic Direction

Strategy Has Been Successful - Material Profitability Turn-Around Achieved

- Operating result improved in excess of 300 m€ in 2010
- M-real reached the profitability level of main competitors' in 2010 after many years of underperformance
- Excellent potential to reach a best in class profitability in European paper and board industry

EBIT, excl. non-rec. items



Consistent Strategic Direction

- Cartonboard is the core business
 - Growth through maximizing capacity of existing mills
 - Lot of growth potential also in the developing markets
- Smaller but healthier paper business
 - Heavy re-engineering and successful divestments
- High fibre know-how and self-sufficiency
- Working towards Super Productivity



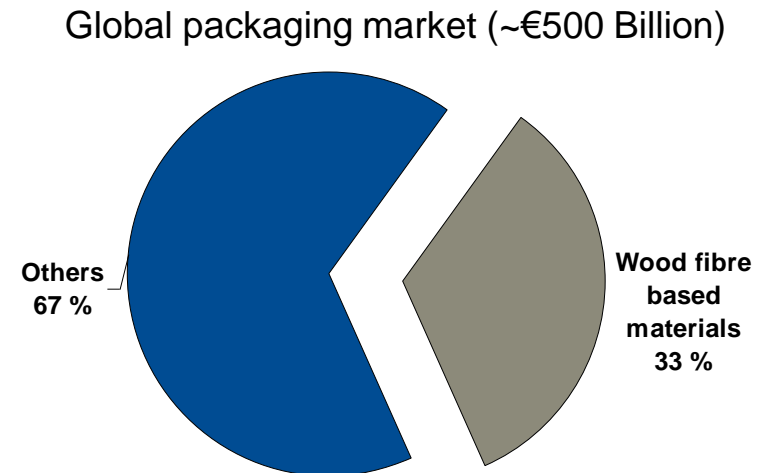
A woman with purple headphones is blurred in the background, looking towards the right. In the foreground, a white paper teapot with green abstract patterns sits on a white saucer. The teapot has a handle on top and is decorated with several green, rounded, abstract shapes. The background is a plain, light-colored wall.

Cartonboard Is the Core Business

Packaging Material Business Is One of the Biggest Businesses in the World

- Demand for Good packaging is heavily increasing
- Good packaging is
 - Ecological
 - Safe
 - Efficient marketing and communication tool
 - Economical

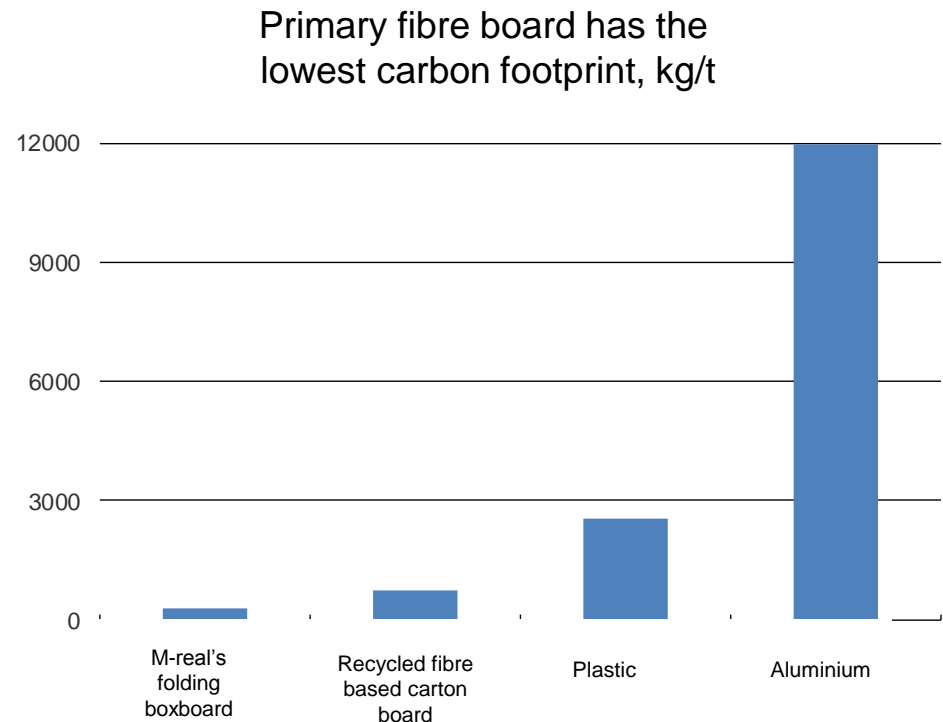
Wood fibre the best raw material for Good packaging



Sources: Pira & M-real

M-real Focuses on Good Packaging - Primary Fibre Cartonboard Business

- Primary fibre board the most environmentally sound packaging material
- Wood fibre based products replace non-renewable materials like plastic and aluminium
- In the food segment primary fibre board replaces also recycled fibre based packaging materials

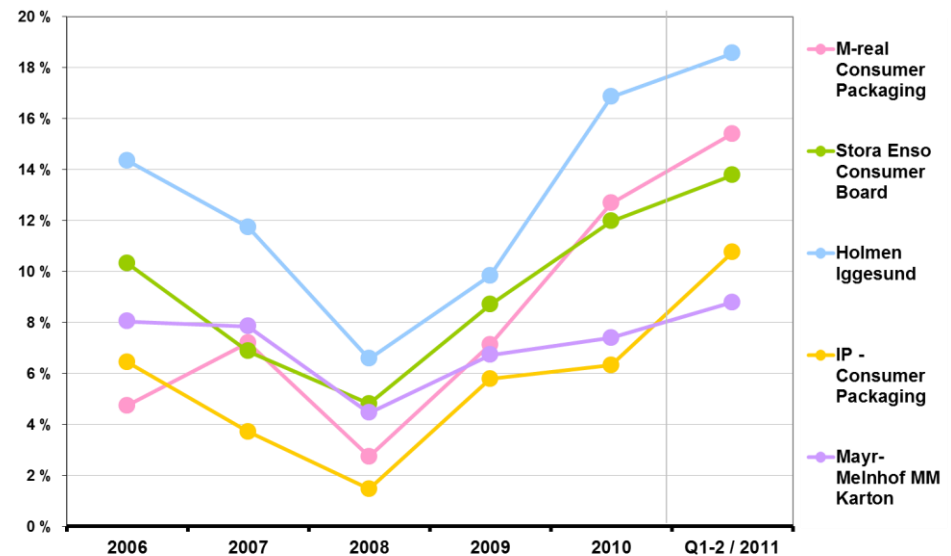


Source: M-real and Sustainable Packaging Coalition - SPC

Chosen Cartonboard Strategy Has Led to Good Results

- Material improvement in profitability
- Intensive development lead to an increase of European market share from 23 to 28 %
- European market leader in FBB since 2009
- Top class profitability in its field, cartonboard EBIT, of sales getting close to 20 %

EBIT % excl. non-rec. items



A woman in a white dress is lying down, wearing large purple headphones and listening to music. In the foreground, a white paper teapot with green leaf patterns sits on a white saucer. The text "Future For Paper Business" is overlaid in the center.

Future For Paper Business

Large Pulp and Paper Integrated Sites in Favourable Locations Are the Winners

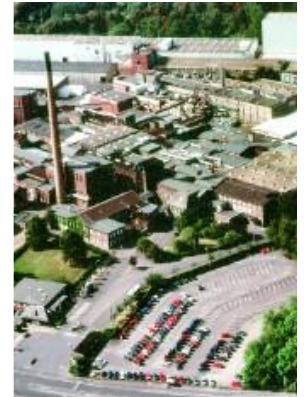
- European coated paper industry still suffering from huge overcapacity
 - Slowly declining demand in traditional markets
 - Export opportunities reducing especially in WFC
- Overcapacity in uncoated fine papers not as severe as in coated papers
 - Demand outlook more positive than in coated grades
 - Uncoated fine paper business more local
- Capacity closures are still needed both in coated and uncoated papers

Company	Location	Pulp and Paper Kt/a	Paper Kt/a	Pulp Kt/a
M-real	Husum	1440	710	730
Stora Enso	Oulu	1440	1100	340
UPM-Kymmene	Kuusankoski	1400	850	350
Soporcel	Figueira da Foz	1340	800	540
Soporcel	Setubal	1300	790	510
Sappi	Gratkorn	1200	950	250

Largest fine paper and pulp integrates, source: RISI

M-real Is Divesting or Potentially Closing Its Small Inefficient Paper Mills

- No possibilities for profitable future for small non-integrated paper mills
- Negotiations to divest Alizay mill ongoing
 - M-real approached over 80 potential buyers of which a couple still in process
 - If divestment does not materialize M-real plans to start a closure process in October
- Difficult to find an industrial buyer for the entire Gohrsmühle mill. Negotiations to discontinue the unprofitable operations and implement a paper park concept started
 - Profitable Chromolux business will be continued
- Negotiations to discontinue M-real's remaining operations at Reflex mill started
 - Some potential to find a buyer for Premium Papers business



M-real Will Have a Profitable Paper Business by Exploiting the Full Potential of Husum Site

- Modern paper machines integrated to one of Europe's largest pulp mills and an own harbour
- Extensive re-engineering implemented in Husum
 - Headcount from 1200 to 800
- Development work to further improve Husum's uncoated fine and coated paper profitability ongoing
- M-real continues to be interested to take part in the European wide paper industry consolidation



A woman in a white bathrobe is lying down, wearing large purple headphones and listening to music. In the foreground, a white paper container with green leaf patterns sits on a white saucer. The background is a bright, out-of-focus room.

Fibre Know-How and Self-Sufficiency

Fibre Know-How and Strong Pulp Assets Important Key Success Factors for M-real

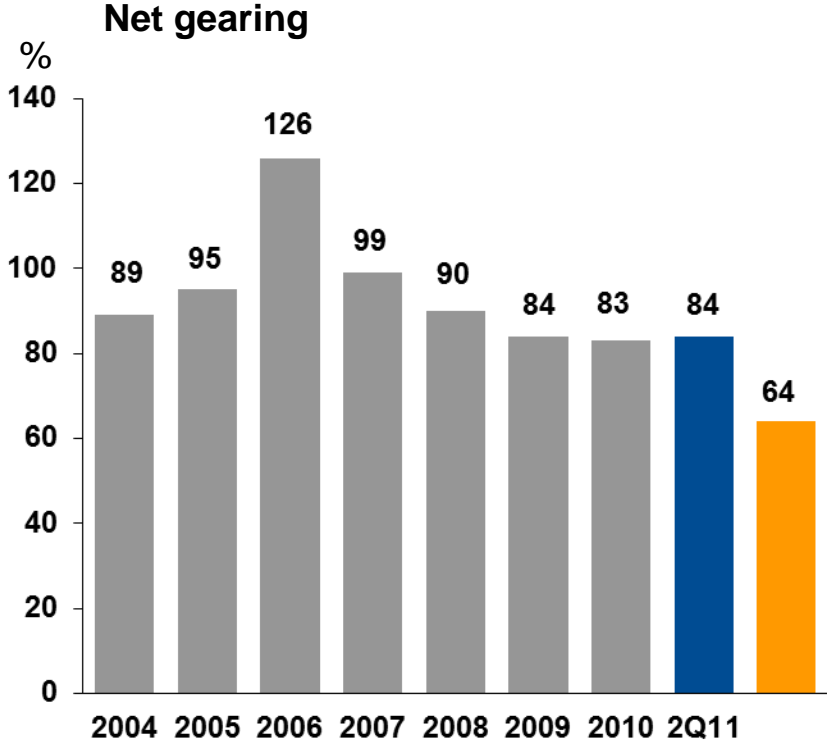
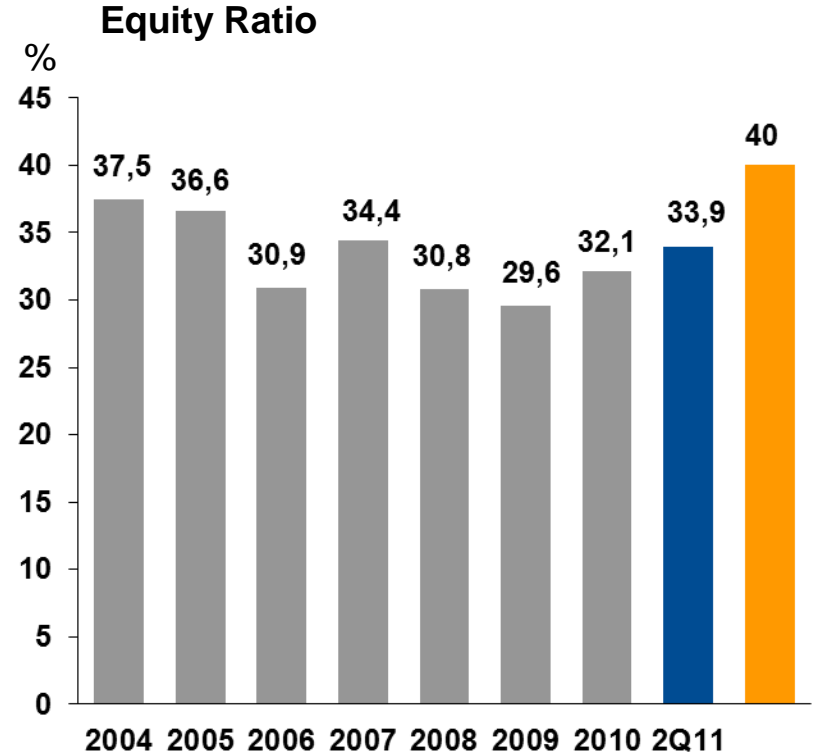
- Integration of M-real's board and paper making to pulp production enables high energy efficiency and a low carbon footprint
- Thanks to superior fibre knowhow, pulp self-sufficiency and high quality Nordic fibre M-real is the global quality leader in cartonboard
- M-real has about 2,3 million annual tons of pulp production capacity
 - Husum soft- and hardwood chemical pulp mill 750 kt/a
 - Joutseno BCTMP mill 280 kt/a
 - Kaskinen BCTMP mill 300 kt/a
 - Botnia (four mills total capacity 2 400 kt/a) ownership 32 % 760 kt/a
 - Mechanical pulp at Simpele and Kyro board mills 170 kt/a



A woman in a white robe is lying down, wearing large purple headphones and listening to music. In the foreground, a white ceramic saucer holds a decorative paper container with a green and white pattern. The container has a handle on top and is partially filled with a white substance. The background is a soft, out-of-focus white wall.

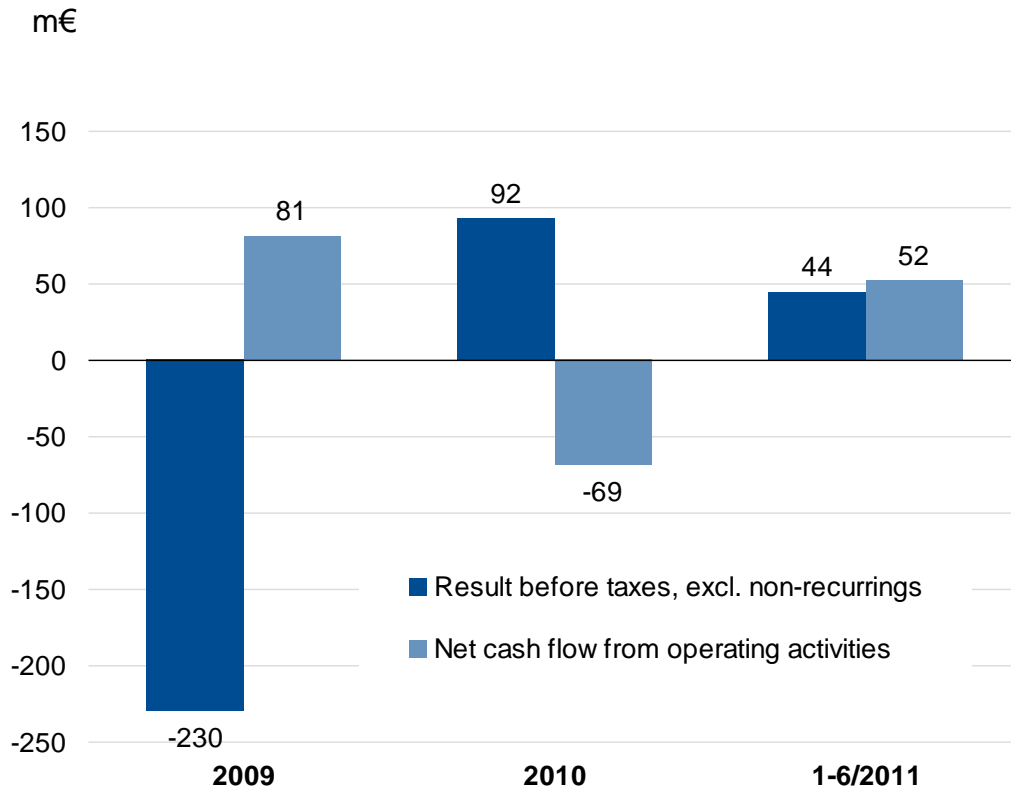
Balance Sheet and Financing

Balance Sheet Ratios



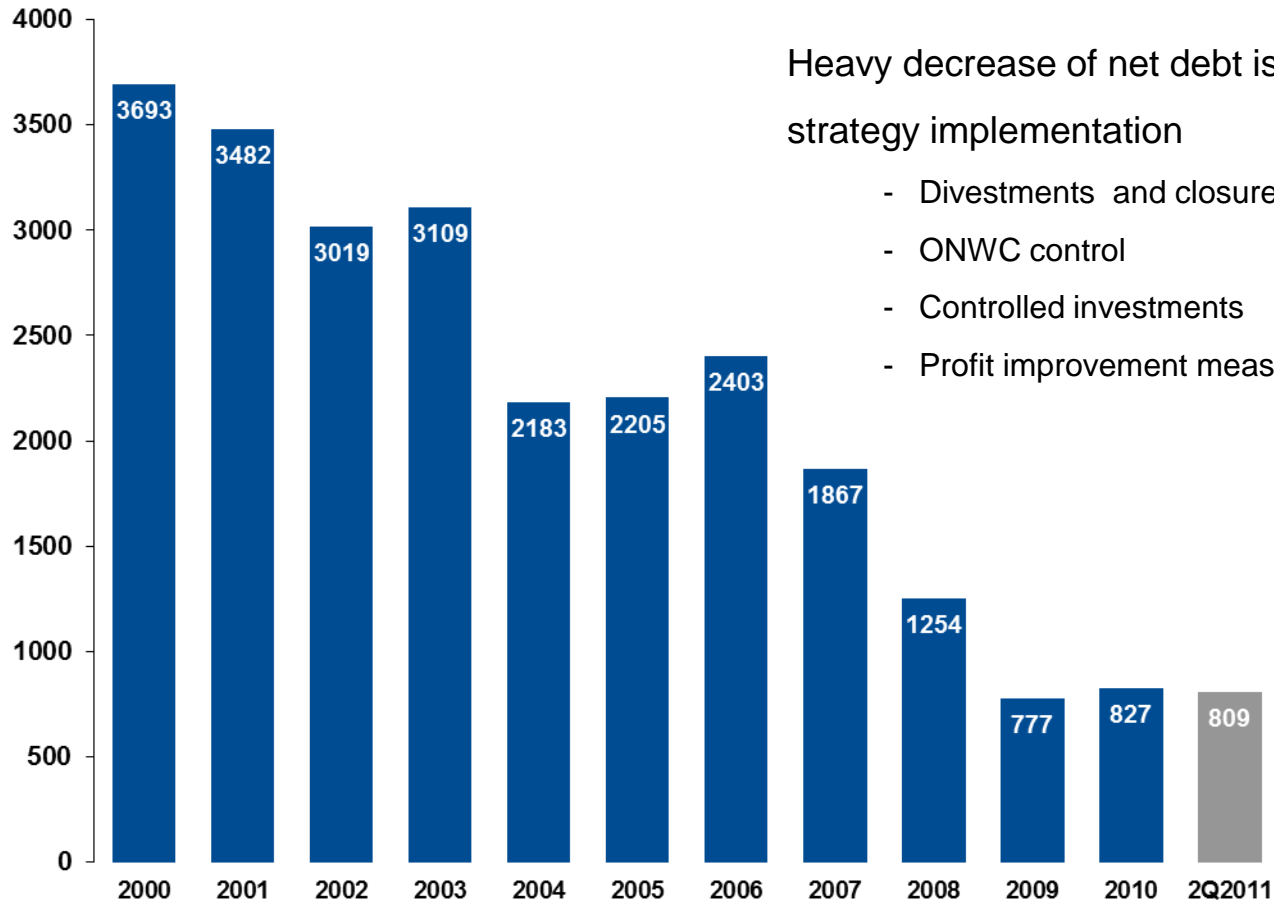
■ 2Q11 calculated as defined in the loan agreements

Cash Flow Improvement Behind the Profitability Turn-Around



- Cash flow in 2009 impacted e.g. by clear decrease of ONWC due lower operating activity as a result of the global financial crisis. Equity hedging instruments had a large positive cash flow impact.
- Clearly better market situation in 2010 led to an increase of ONWC. Metsä-Botnia paid no dividend in 2010. Equity hedging instruments had a large negative cash flow impact.
- In 1Q 2011 ONWC increased and Metsä-Botnia paid dividends. Equity hedging instruments had a negative cash flow impact. In 2Q 2011, ONWC was actively reduced. Equity hedging did not have a significant cash flow impact.

Interest-Bearing Net Debt Reducing

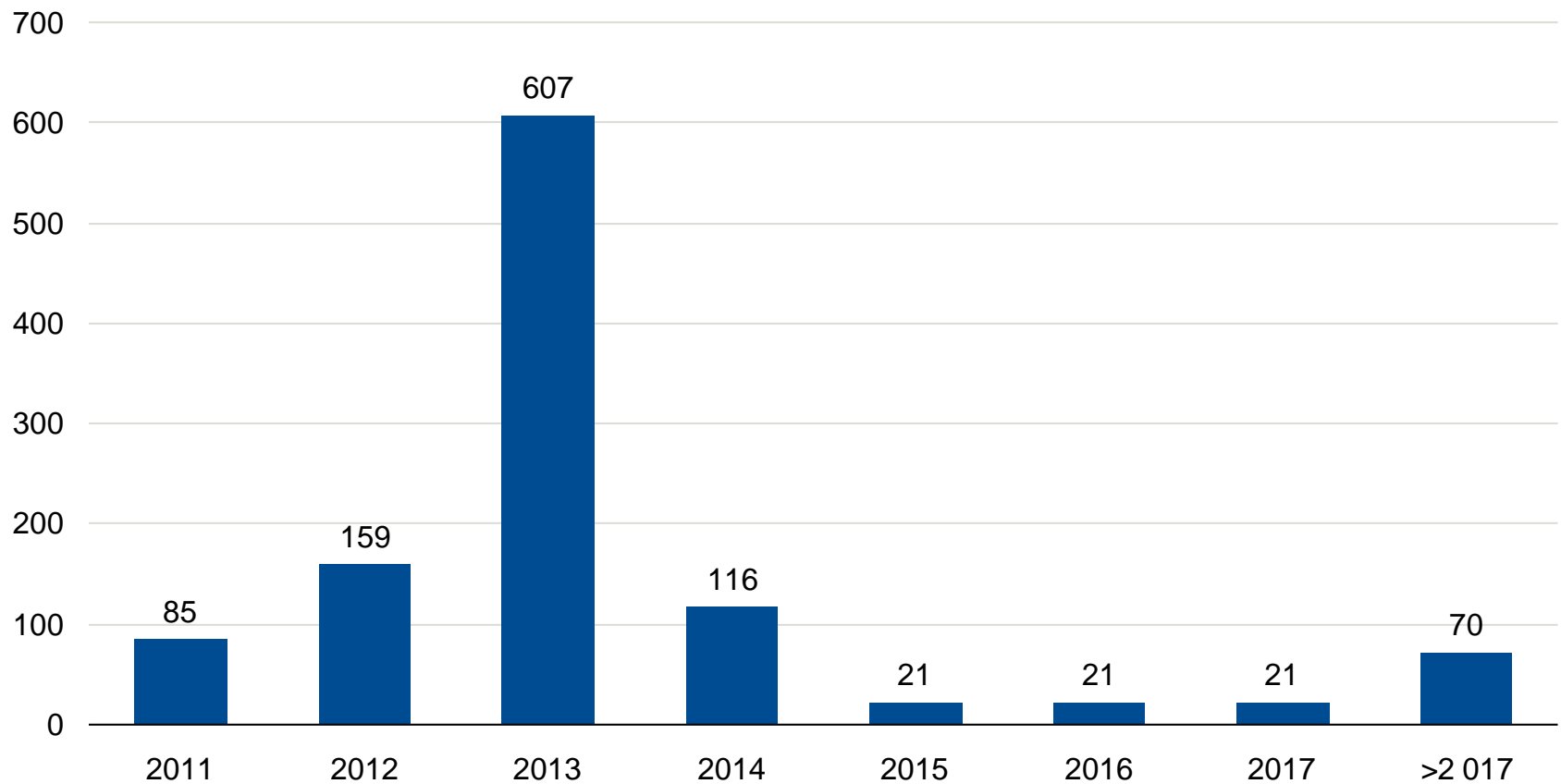


Heavy decrease of net debt is a result of successful strategy implementation

- Divestments and closures of unprofitable units
- ONWC control
- Controlled investments
- Profit improvement measures

Maturity of Long-Term Interest Bearing Liabilities

30.6.2011



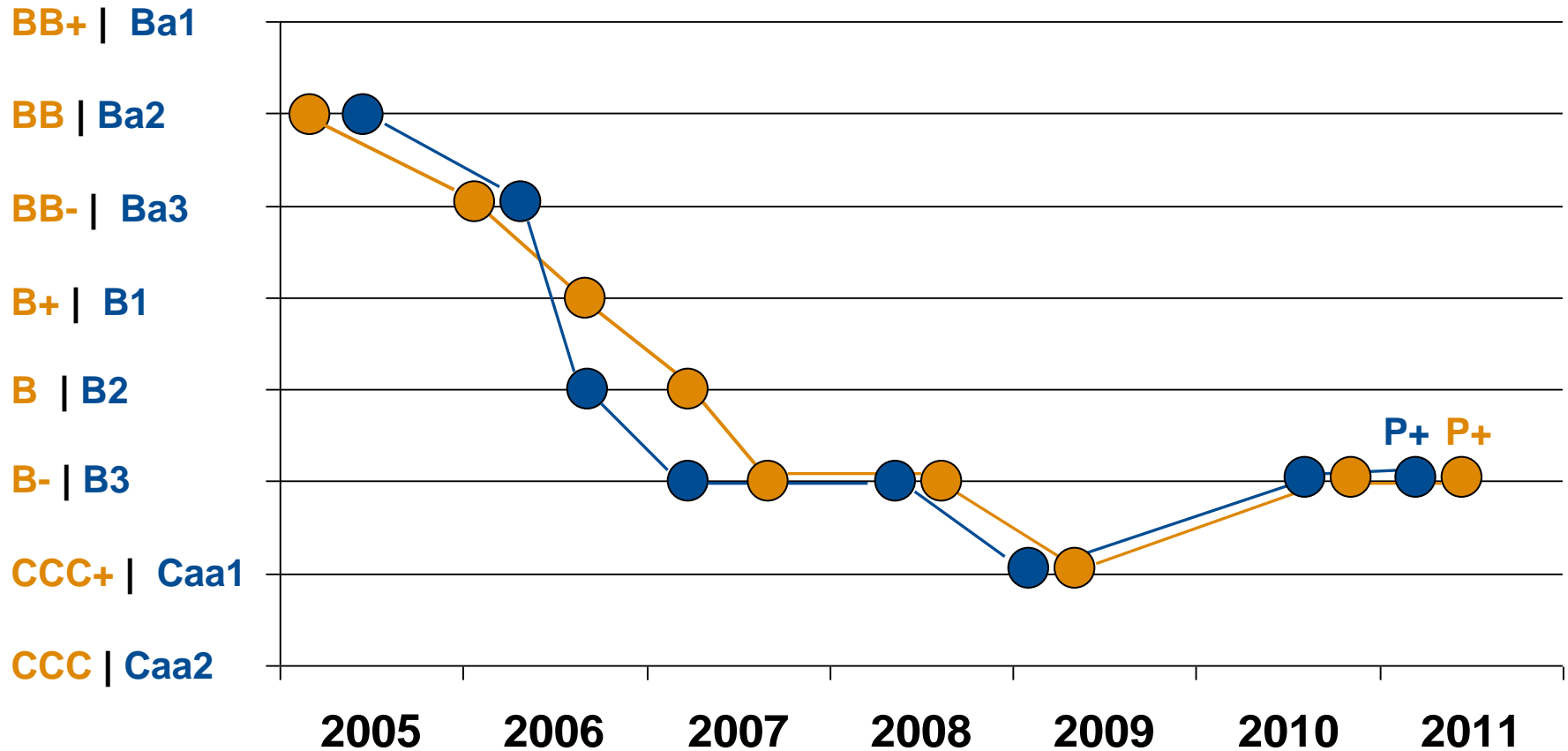
Interest Rates 30.6.2011



- Net debt 809 m€
 - Average interest rate 5.9 %, duration of loans 11.9 months and maturity 2.2 years
- Interest rate swaps and option structures are used to hedge interest rate risk
 - About 77 % of the loans floating rate and 23 % fixed rate
- For majority of loans and derivatives hedge accounting is applied according to the IFRS standards

Rating Development

- Standard & Poor's
- Moody's



Next Steps in Financing

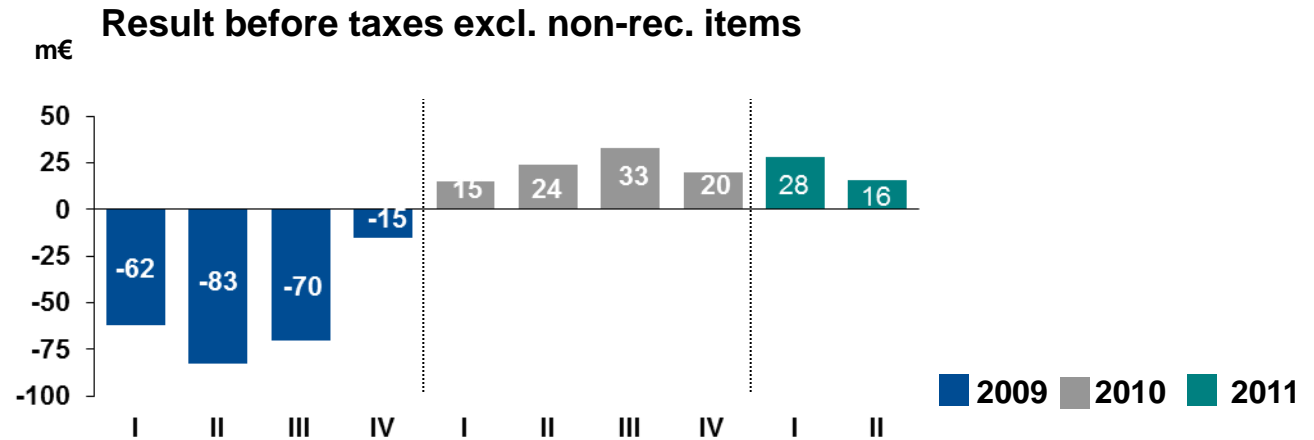
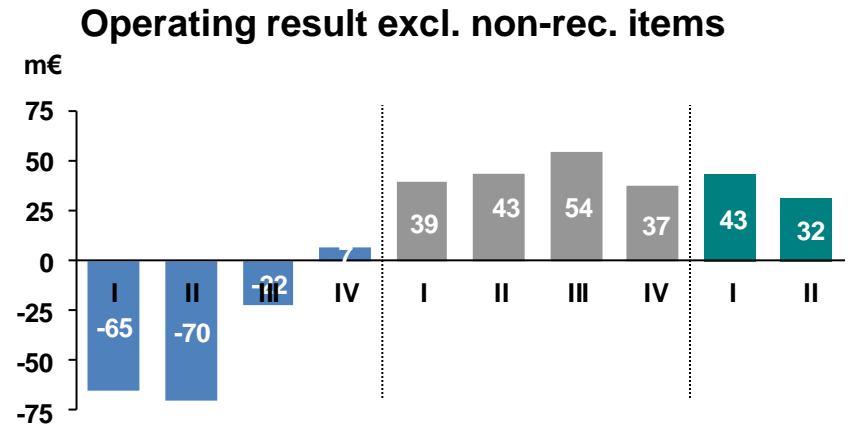
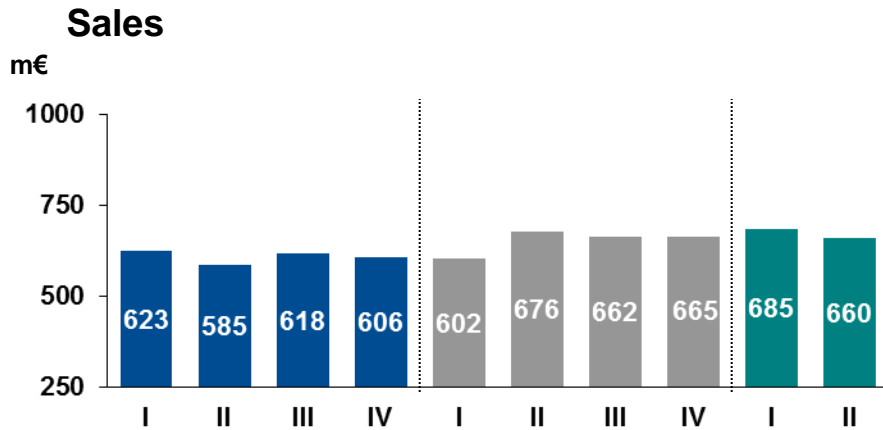
- Next major step will be the refinancing of the 500 m€ bond due in April 2013
 - Active process for refinancing has been started and negotiations with banks have been initiated
- Different financial instruments for bond refinancing are under intensive consideration
 - Timing of new arrangements will depend on market environment and suitability to M-real's overall situation
- Improved profitability and cash flow may have a positive impact to rating, nevertheless impact of global economy and own structuring process may delay positive rating development
- Generally, we are very confident on successful refinancing





Profit Improvements in Process

Key Figures – Quarterly



Short- Term Profitability Outlook

M-real's 3Q 2011 operating result, excluding non-recurring items, is expected to weaken clearly from 2Q 2011

- Worsened paper and pulp market situation
- Planned measures at Alizay and Speciality Papers
- Investment and maintenance shutdowns at Botnia's pulp mills

Profitability of board production is expected to be good also in 3Q 2011

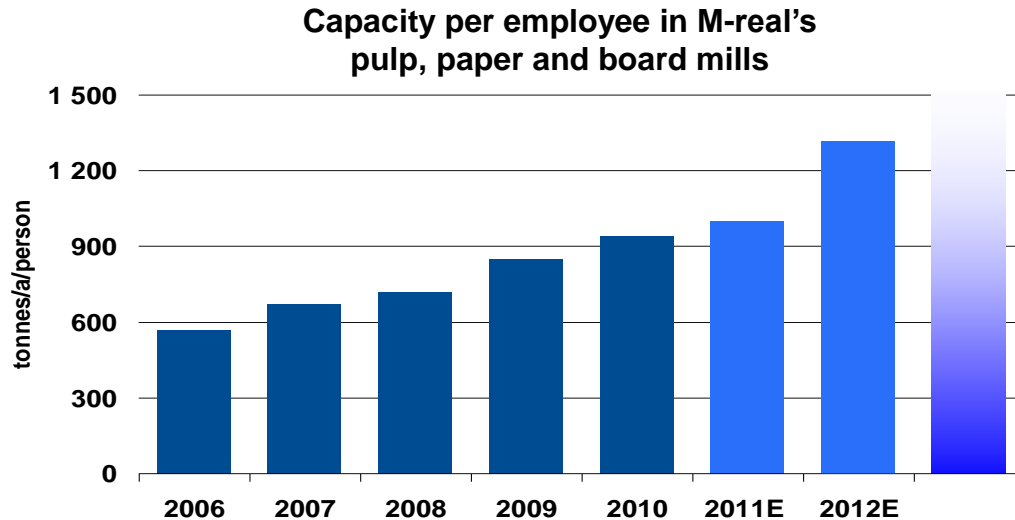


Major Result Improvements in the Pipeline

- Profitable growth by increasing annual FBB capacity by 150 000 t
- Divestment or potential closures of Alizay mill and Speciality Papers improving results by 60 m€ vs. 2010 run rate and even more vs. 2011 run rate
- Hallein divestment improves results by 5 m€ vs. 2010
- New measures to improve coated paper results under investigation
- Further productivity improvement and variable cost savings
 - Fixed costs per tonne to be further reduced
 - Optimization of recipes and raw material purchases



M-real Is Working Towards "Super Productivity"



- Productivity almost doubled 2006-2011 thanks to re-engineering, continuing operations' fixed costs reduced by 160 m€/a
- Measures under implementation improving productivity materially in 2011, lot of further improvement potential identified
- M-real in good pace towards Super Productivity

Thank You!

