

Salary and remuneration report

This salary and remuneration report of M-real Corporation (M-real or the Company) has been issued pursuant to Recommendation 47 of the Finnish Corporate Governance Code of June 15, 2010 and it has been published on the Company's website on March 1, 2011. In accordance with the Company's practice the salary and remuneration report is updated two times every calendar year as a starting point, however, always in March in connection with the annual Corporate Governance Statement.

Decision-making and principles of remuneration

The purpose of the management's compensation system is to compensate the management in a fair and competitive way for a successful and profitable implementation of the Company's strategy. The objective of remuneration is also to encourage management in the development of the Company's strategy and business to thereby act for the benefit of the Company.

The Board approves the salary and compensation of the CEO and the principles applied in the compensation of other Corporate Management Team members. The Board further approves the structures and basis for the Company's remuneration and incentive schemes. The Nomination and Compensation Committee assists the Board in matters relating to management remuneration, conditions of employment and engagement of management members as well as prepares Board decisions relating to management remuneration.

The CEO decides on matters related to the compensation of other senior management members in accordance with the principles approved and guidance issued by the Board.

Financial benefits

Board of Directors

The Annual General Meeting 2010 resolved to maintain the remuneration of the members of the Board of Directors unchanged. Thus, the Chairman receives an annual remuneration of EUR 76,500, the Vice Chairman EUR 64,500 and members EUR 50,400. One half of the remuneration was decided to be paid in cash while the other half was to

be paid in the Company's B series shares to be acquired from the stock exchange between 1 and 30 April 2010. As a result, the Chairman received 14,300, the Vice Chairman 12,100 and each Board member 9,400 B-series shares. The amount of the cash consideration corresponds to the estimated withholding tax. In addition, the Annual General Meeting resolved to pay to the members a fee of EUR 500 per each attended Board and committee meeting. The Nomination and Compensation Committee of the Board of Directors has proposed to the Annual General Meeting convening on March 23, 2011 that the Board remuneration be kept unchanged and also that the practice of paying the remuneration in shares and in cash be continued. Board remuneration has been paid in shares and cash since 2009.

Managing Director

The CEO has a written service contract approved by the Board. The Board monitors the CEO's performance and provides a performance evaluation once a year. The Board appoints and discharges the CEO. The Board can discharge the CEO without a specific reason. The CEO can also resign from his assignment. The mutual term of notice is six months. The Board may, however, decide to discharge the CEO without a period of notice. When the service contract of the CEO is terminated by the Board, the CEO is entitled to receive discharge compensation equal to his 18-month salary. In addition, in case the Company or its business is divested, the CEO is entitled to resign from his assignment against discharge compensation equal to his 24-month salary.

The contractual retirement age of the CEO is 62 years. The Company has commissioned an extra pension insurance policy for the CEO, covering the period between the contractual and statutory retirement age of 63 years and entitling the CEO to receive pension compensation equal to 60 per cent of his salary at the time of retirement (calculated in accordance with Finnish pension laws). The cost to the Company of the CEO's pension insurance policy amounted in 2010 to approximately EUR 255,000 (EUR 130,000 in 2009). In case the service relationship of the CEO is terminated prior to retirement, the CEO is entitled to a free policy.

Short-term compensation

The monthly salary of CEO Mikko Helander is EUR 39,793. The salary includes car and mobile phone benefits. In addition, the Board may, in accordance with the managing director's service contract, decide that the CEO receives bonus pay based on his overall performance and corresponding to his six-month salary. In 2010, the CEO received a total of EUR 1,429,371 in salary, bonuses and other benefits, of which EUR 497,849 was fixed compensation and EUR 931,522 was bonus pay, including bonus pay in accordance with the CEO's service contract as well as a separate compensation approved by the Board of Directors in August 2010 and relating to the CEO's withdrawal from the Company's 2010 share bonus system and the simultaneous joining to Metsäliitto Group's management share ownership scheme.

Long-term compensation

The CEO takes part in the management ownership scheme of Metsäliitto Group's executive management, through which he indirectly owns shares in the Company. As a consequence, Helander is not entitled to the share bonus for the 2010 financial period under the Company's own share bonus system. Helander has in August 2010 invested approximately EUR 500,000 of his own funds in Metsäliitto's new management holding company, in which he is a co-owner together with other Metsäliitto Group's executive management members. The holding company entitled Metsäliitto Management Ltd. has in August 2010 purchased M-real's B series shares using its own capital and additional debt capital obtained from Metsäliitto Cooperative. Altogether 881,933 B shares purchased for the aggregate purchase price of approximately EUR 2.5 million have been indirectly allocated to the CEO. Helander is tied to the holding company and, as a result, to an indirect ownership of M-real's shares until the end of 2013, at which time the management ownership system is planned to be terminated and dismantled. The system will, however, be extended for one year at a time if, in October–November 2013, 2014, 2015 or 2016, the price of M-real's B shares is lower than the average price at which Metsäliitto Management Ltd. originally acquired such shares. Upon dismantling of the system, the

loan granted by Metsäliitto Cooperative to the management holding company becomes due. The remaining funds will be distributed to the participating shareholders in accordance with the shareholdings. The management holding company also has the right to prematurely repay the loan.

Should Helander prior to the above point in time either resign or his service relationship with the Company is terminated by the Board of Directors, he is entitled to receive from the management holding company the funds he has personally invested in such company, however, no possible value increase. The transfer of M-real's B shares owned by Metsäliitto Management Ltd. is restricted during the entire validity of the system.

Corporate Management Team

Also other Corporate Management Team members have written employment contracts. The term of notice of Corporate Management Team members is six months. Termination of employment without cause entitles members of the Corporate Management Team to receive discharge compensation equal to their 6 to 18-month salary.

Excluding the CEO, Corporate Management Team members have no extraordinary pension arrangements which would deviate from applicable pension legislation. According to Finnish pension legislation, a person has the option to retire between the ages of 63 to 68. The Finnish TyEL pension system provides for a retirement benefit based on years of service and earnings according to the prescribed statutory system. For purposes of the Finnish pension system earnings include salary, bonuses and fringe benefits but exclude share or stock option based income.

Short-term compensation

In 2010, other Corporate Management Team members received a total of EUR 1,977,048 (EUR 1,899,040 in 2009) in salary and bonuses of which EUR 1,469,132 (EUR 1,544,139) were fixed salaries and benefits (car and mobile phone) and EUR 507,917 (EUR 354,901) bonuses. The members of the Corporate Management Team are entitled to bonus pay corresponding to a maximum of their respec-

tive 6-month salaries. The bonus pay is defined and decided by the Board and was in the financial year 2019 based on the Company's and its business areas' (business area heads) operating results (EBIT) and cash flow development. The 2011 bonus pay will be determined on the basis of the Company's and its business areas' operating results (EBIT), as determined by the Board of Directors.

Long-term compensation

M-real has implemented a share-based reward system for its senior management for the years 2008–2010. The possible annual reward produced by the system has been based on M-real's operating results (EBIT) and cash flow development as decided by the Board of Directors. The possible reward is partially paid in M-real's B-shares and partially in cash. The amount of cash compensation corresponds to the amount of withholding tax. The maximum amount of shares available for 2010 was 165,000 B-shares (140,000 in 2009). In 2010, the targets defined by the Board materialized in the level of 100 per cent (73 per cent in 2009 and zero in 2008) entitling a full share based remuneration in the same proportion. The shares include a lock-up condition restricting their transfer for two years following the end of the earning period. The system covered in 2010 the Company's management team members excluding the managing director.

In December 2010, the Board of Directors resolved on a new share-based incentive plan. The aim of the plan is to combine the objectives of shareholders and executives in order to increase the value of the Company, to commit the executives to perform the mutual strategy, and to offer them a competitive reward plan based on share ownership. The plan consists of three three-year earning periods, calendar years 2011–2013, 2012–2014 and 2013–2015. At the beginning of each period, the Board of Directors will decide on the earnings criteria and define targets. The potential reward from the plan for the earning period 2011–2013 will be based on M-real Group's equity ratio and the development of return on capital employed (ROCE) and earnings before interest and taxes (EBIT). Each earning period is followed

by a two-year restriction period during which a participant is not entitled to transfer or dispose of the shares.

The potential reward from the earning period 2011–2013 will be paid in 2014 partly in the company's B series shares and partly in cash. The proportion to be paid in cash will cover taxes and tax-related costs. At the beginning the plan concerns 9 people, including members of the Corporate Management Team. The maximum reward to be paid for the first earning period corresponds to the purchase price of approximately 1,000,000 B series shares.