



M-real

M-real in the Future

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Agenda

1. Challenging business environment
2. Adapt to changes through strategic review
 - Good progress since 2006
 - Lot of potential through complexity reduction
3. M-real in the future
 - Need of structural changes

Challenging Business Environment

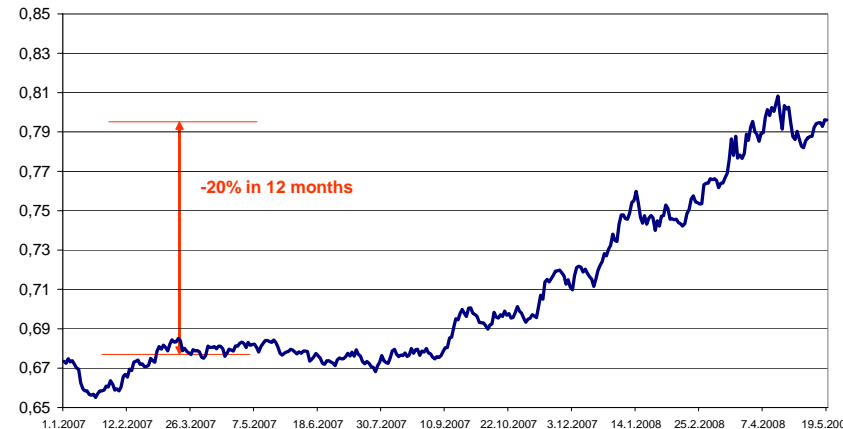
Strong Euro Maintains Overcapacity in Europe and Weakens Exports Profitability

- European producers have repatriated their export volumes especially in coated papers
 - Maintaining coated fine paper oversupply in Europe
- Coated and uncoated fine paper imports to Europe have increased, although volumes still small
- Strong euro vs. USD and GBP has offset the price increases achieved to significant extent
- Recovery of USD and GBP will make achieved price increases visible

USD has Weakened ~20% in 12 months



GBP has Weakened ~20% in 12 months



Wood Price and Availability a Major Challenges for the Paper Industry Globally

- Economic growth in Asia and Eastern Europe increases the demand for raw materials
- Increasing use of wood as energy source a threat for the paper industry
 - Modern forest industry is environmentally the most sound energy application
 - Chemical pulp mill is an energy surplus operation
- Russia aims at protecting their wood raw material by export tariffs
 - Big Challenge for Chinese producers as well as for Finnish and Swedish companies
- Unusually mild winters in Nordics has complicated harvesting temporarily

M-real and Metsä-Botnia Plan to Curtail Wood Consumption by about 2 million m³/a

- Affect Finnish and Swedish mills, full effect starting from 2009
- Planned reduction of wood consumption of close to 2 million m³/a for the time being (incl. 100 % of MB)
- Reduces average wood cost
 - Less expensive wood from imports
 - Balances domestic wood markets
- Good chance to keep paper and board mills' production normal

China Has Become the World's Leading Paper and Board Producer- Are Their Exports on Sustainable Basis?

- China has become a major exporter of paper, especially fine papers
- Exports from Europe to China have decreased during last 10 years
- Challenges in Chinese paper industry are increasing:
 - Severe environmental problems
 - Limited fibre sources
 - Increasing concerns regarding wood origin
 - Higher energy and transportation costs
- In the future Chinese companies must follow same the rules as Western companies today

Adapt to Changes through Strategic Review

M-real Strategic Review- Our Response to the Changes in Business Environment

- In March 2006, M-real's Board of Directors initiated a strategic review
- M-real was the first major paper company to emphasize the need for industry consolidation and extensive restructuring
- As part of the Strategic Review M-real started also heavy internal restructuring
- M-real took the leading role when European paper merchanting business was restructured
- And our journey continues...

Good Progress in Strategic Review

**Step 5: Self-sufficiency in pulp –
Botnia Uruguay mill in full speed, 2Q 2008**

**Step 4: New profit improvement and complexity
reduction programme, Nov 2007**

**Step 3: Divestment of Map Merchant Group,
July 2007**

**Step 2: Extension to the October programme
through Finnish restructuring, Feb 2007**

**Step 1: Extensive restructuring programme
announced in Oct 2006**

**Step 2: Extension to the October programme
through Finnish restructuring, Feb 2007**

**Step 1: Extensive restructuring programme
announced in Oct 2006
“Restructuring went better than originally planned”**

- Capacity closed more than 500 ktons/a
- Original 100 m€ cost savings target exceeded (150 m€)
- Asset divestment target of 500 m€ clearly exceeded (700 m€)
- Clear ONWC reduction
- Significant Net debt reduction

Excellent fighting spirit throughout M-real’s organization

Step 3: Divestment of Map Merchant Group, July 2007

“The Divestment of Map was a Strategic Decision to Clarify the Distribution Channels”

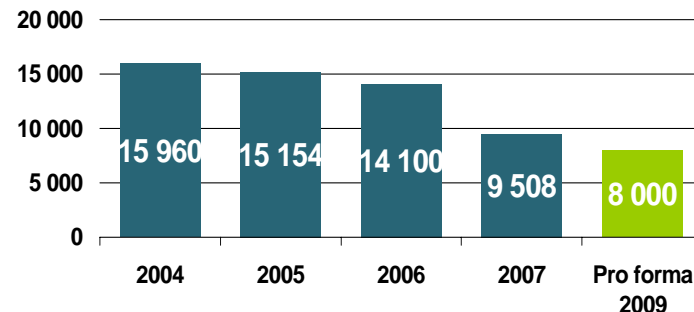
- The divestment enabled M-real to further develop its business relations with selected European paper merchants
- M-real the biggest supplier to the biggest paper merchant in Europe
- More potential to develop other distribution channels
- Divestment and consolidation of European paper merchanting supports overall targets to reduce business complexity

Step 4: New profit improvement and complexity reduction programme, Nov 2007

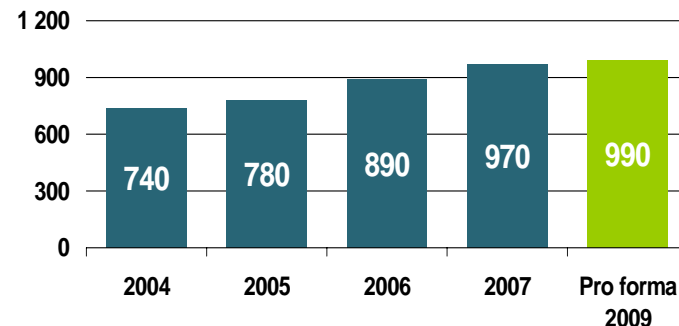
“The 100 m€ profit improvement target raised to 150 m€”

1. Kangas PM 2 and Lielahiti BCTMP mill closed
2. Simplification of business concepts
 - Galerie Customer Programme
 - Consumer Packaging' simplicity
3. Reduction of variable and fixed costs
 - New sources found
4. Min. 200 m€ asset divestments by the end of 1Q 09
 - New Thames divestment (82 m€) the first step

Personnel total



Capacity/a per paper, board and pulp employee

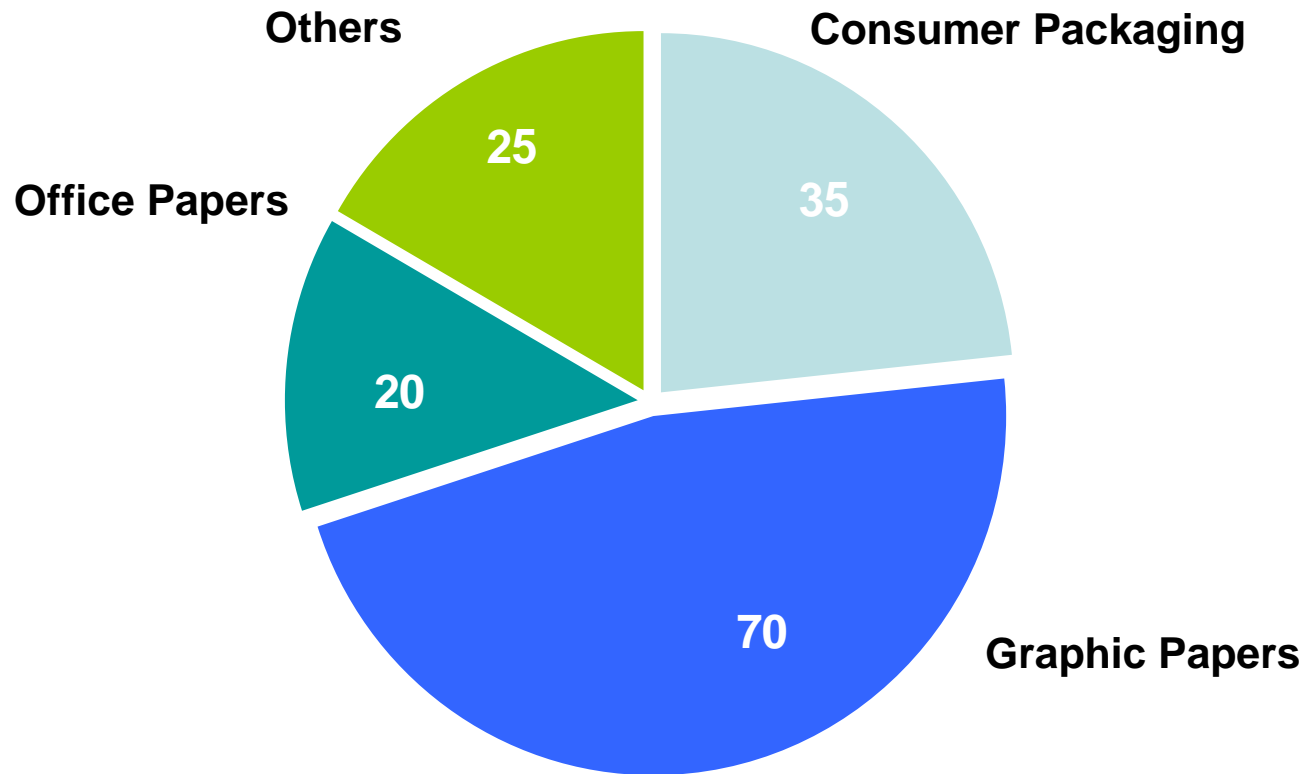


Covers most of the 2008 cost inflation

All Business Areas and Support Functions Contributing to the Profit Improvement Programme

Total 150 m€/a by 2010

Profit Improvement Targets



Keep It Simple- Offers Huge Profit Improvement Potential for Coming Years

- Markets and customer groups where we have the best competitiveness will be chosen
- Product and service concepts will be optimized in order to fulfil customers expectations
- Optimization product and service concepts brings great potential for better customer service
- Gives new potential for internal efficiency improvement and working capital reduction
- More environmentally friendly production and processes

Profit Improvement Programme 2008 Target Increased to 150 m€/a - More Actions to be Announced Later This Year

Profit impact vs. 2007, m€	total target	Cumulative		
		2008	2009	2010
1 Profit improvement programme 2008	150	60	115	150
2 Cost savings programmes 2007	80	60	80	80
3 Capacity closures 2007	10	10	10	10
Total	240	130	205	240
Estimated cost inflation 2008		-190		
Profit impact after cost inflation		-60		

Step 5: Self-sufficiency in pulp – Botnia Uruguay mill in full speed 2Q 2008

“Metsä-Botnia Uruguay Pulp Mill Start Up Very Successful”

- Mill started up in November 2007
- World record start up – 145 days to reach full production
- M-real’s pulp demand and supply are in balance
- Secured wood sources and very low production costs guarantee high profitability
- Improves M-real’s profitability annually by about 55 m€ from 2009 onwards. Estimated impact in 2008 about 45 m€



M-real in the Future

Consolidation and Leadership is Needed to Improve the Market Dynamics in Europe

- Companies becoming more focused and bigger in specific selected grades
- Visionary leaders are needed to restructure the European paper industry
- There are plenty of European players which are still paper department stores
 - Are strategic choices or drive of implementation missing?

M-real has initiated the strategic review and is actively working to support the industry restructuring

Better Profitability Through Industry Consolidation

- Will lead to capacity reduction
- A couple of major suppliers with leading market positions in each grade
- Increases supply and pricing discipline
- Significant synergies in product development, sales and supply chain
- Improves customer focus

Also the closures of small individual mills and capacity reductions by bigger companies transform the industry together with expected consolidation

M-real in the Future

- M-real will be a leading global supplier of high quality virgin fibre cartonboard
 - Alone and together with selected strategic partners
- A leading supplier of paper in Europe with a very focused range of selected paper products
- High self-sufficiency in pulp and energy within Metsäliitto Group
- Good profitability and solid financial position

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