

M-real

More Focused and Profitable Company

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Agenda

1. General
2. Successful strategic review
3. Graphic Papers divestment
4. Outlook
5. M-real in the future

General

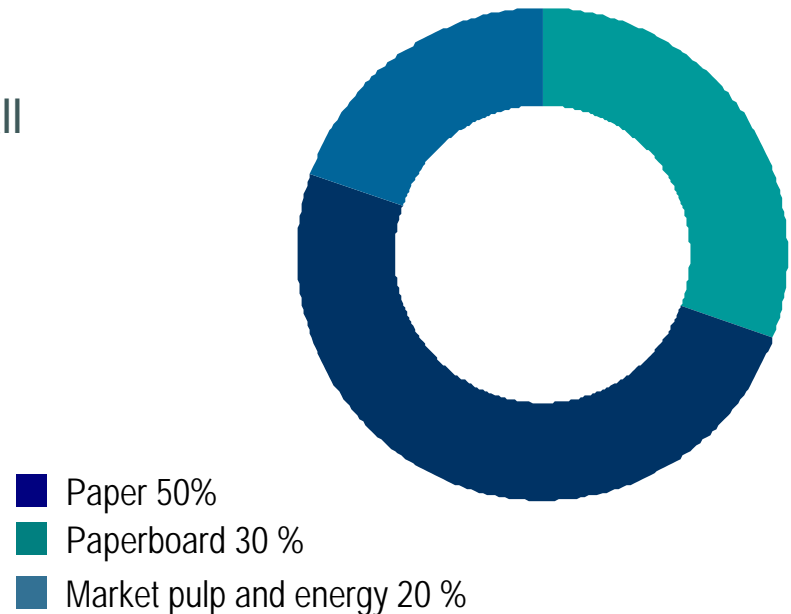


M-real in a Nutshell

- Annual sales of about EUR 3.5 billion*
- Pro forma personnel about 7,000*
- Close to markets with a presence in over 70 countries
- Production units in 5 European countries*
- ISO 14001 environmental certification for all production units
- Listed on Helsinki Stock Exchange



Annual sales breakdown*



* Includes impact of Graphic Papers transaction

Successful Strategic Review



Successful Strategic Review

**Step 6: Divestment of Graphic Papers,
September 2008**

**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 of the October programme
through Finnish restructuring, Feb 2007**

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

Implemented Profit Improvement Against Cost Inflation

- Profit improvements during 2006-2008 (annualized)
 - 300 m€ cost savings
 - 130 m€ price increases
 - 430 m€ total

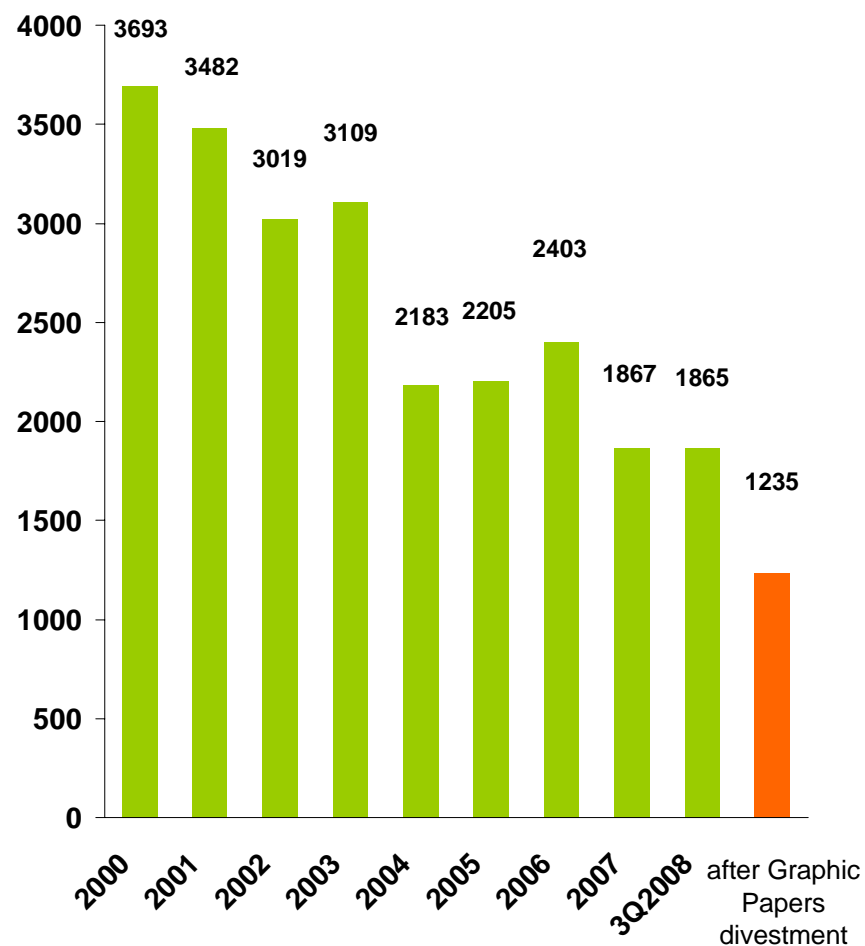
 - Additionally, 100 m€ ONWC reduction
- Severe cost inflation and unfavourable exchange rates 2006-2008 (annualized)
 - 370 m€ cost inflation
 - 80 m€ negative currency impact
 - 450 m€ total

Divestments of About 1,6 Billion € Done in 2006-2008

Thanks to Divestments Financing on Solid Ground in Difficult Circumstances

- Net debt halved since 2006
- No significant refinancing needs during next couple years
- Clear headroom to loan covenants

Net Debt, EUR million



Graphic Papers Divestment



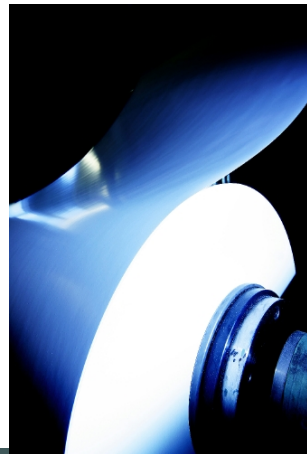
M-real Divests Graphic Papers Business to Sappi

- Transaction includes Biberist, Kangas, Kirkniemi and Stockstadt mills
- Extensive long-term commercial agreements
 - Pulp and BCTMP supply
 - Sales contract for Husum PM8 and Äänekoski PM2 production
 - Number of other smaller service and supply agreements
- EV 750 m€
 - Cash and assumed debt 500 m€*
 - Vendor loan note of 200 m€*
 - Newly issued shares in Sappi worth 50 m€
- M-real shall benefit from synergies and improving operating environment of the industry
 - As a long-term shareholder in Sappi
 - Through the sale of Husum PM8 and Äänekoski capacity

* Subject to minor changes due to adjustments of operating net working capital and net debt

Current Status of the Transaction

1. Both EU and US competition authorities have accepted the deal
2. Sappi's EGM has accepted the transaction
3. Sappi's rights offering is being implemented currently
4. Fair chance to close the transaction by the end of the year
 - Closing anyway at the latest in 1Q 2009



Main Annual Financial Impacts After the Transaction

- Indicative annualized figures based on 1H 2008

Sales reduction	EUR 950 million
EBITDA reduction	EUR 15 million
EBIT improvement	EUR 65 million
Profit before taxes improvement	EUR 120 million
Reduction in Capex	EUR 50 million
Net debt reduction	EUR 630 million
Net gearing (3Q 08: 114%)	~80%
• Covenant gearing (3Q 08: 97%)	~65%
Equity ratio (3Q: 32.5%)	~38%
• Covenant equity ratio (3Q 08: 38 %)	~46%

Future Plans for the Graphic Papers Mills Remaining with M-real

- Äänekoski and Husum PM8 continue current production that will be sold by Sappi
- Hallein and Gohrsmühle standard coated fine paper production planned to be discontinued based on earlier reviewed strategic options
- Gohrsmühle to be developed together with Reflex as the speciality paper unit
 - Gohrsmühle to expand the uncoated fine paper folio and reel production
- In Hallein M-real continues to investigate various business options with selected partners

Outlook



Encouraging Short-Term Outlook

- Profit improvement and simplicity actions continue in remaining businesses
- Price increases in cartonboard and coated papers improve profitability
 - Some slowdown seen in the demand of certain grades recently
- Weakening euro improve future prospects
- Cost inflation does not continue as high as in last three years
- Anyhow, 4Q 2008 operating result excluding non-recurring items weakens seasonally from 3Q 2008

Promising Medium-Term Outlook

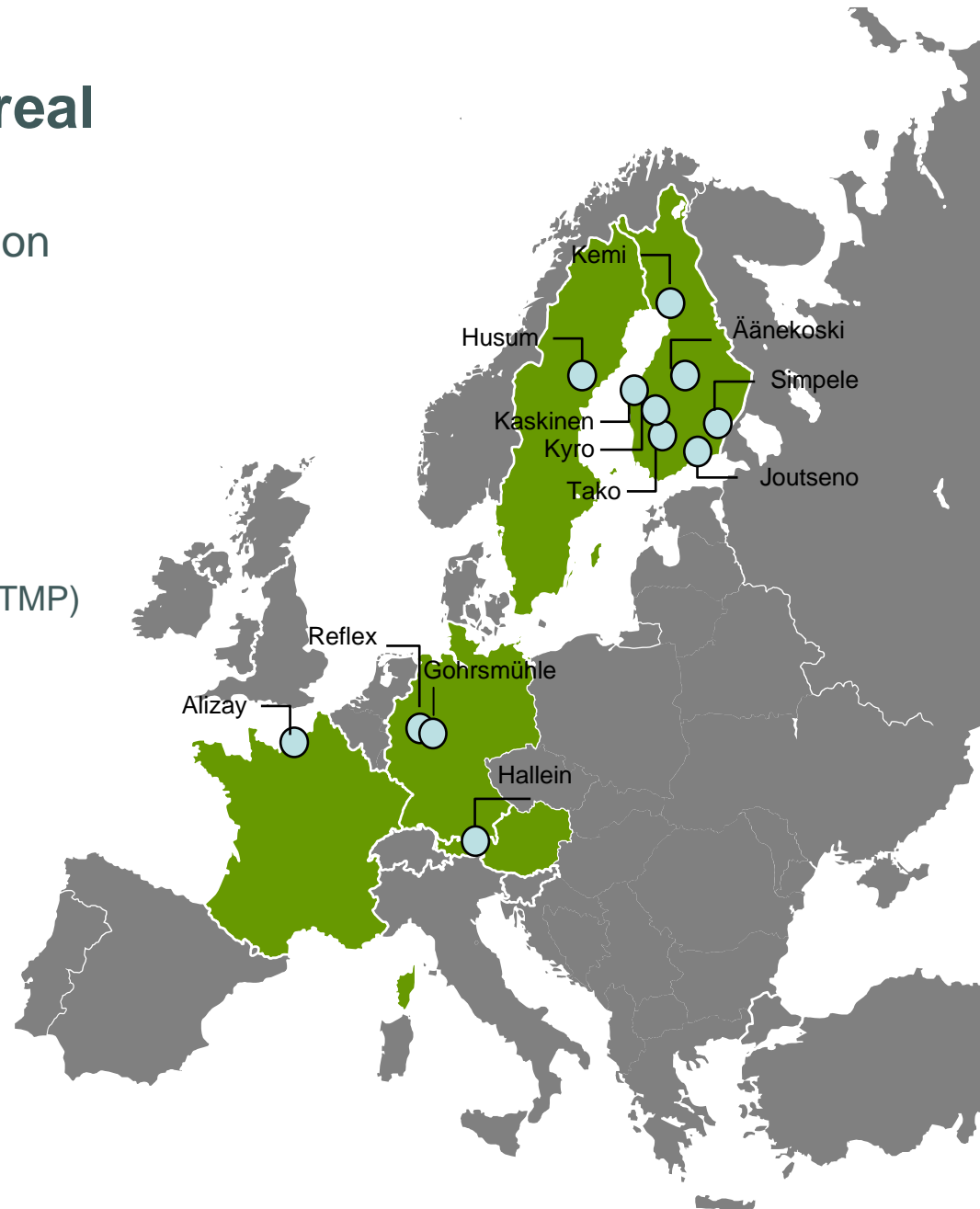
- Divestment of Graphic Papers improves profitability
- Significant profit improvement potential through Gohrsmühle and Hallein future development
- Downsizing of the company offers new opportunities to further simplify the corporate structure and support functions
- Profit improvement and simplicity actions continue in remaining businesses

M-real in the Future



New Better Focused M-real

- Annual sales of about EUR 3.5 billion
- Production capacity
 - 1.2 million tons of board
 - 2.2 million tons of paper
 - 3.0 million tons of pulp
(including 30% of Metsä-Botnia and BCTMP)
- Pro forma personnel about 7,000
- Further improved pulp and energy balance
 - Pulp to be sold to market as well
 - Valuable shareholdings in Metsä-Botnia (30%) and PVO (2,5 %)



M-real Is the Strongest Cartonboard Producer in Europe

- Market leader with about 30 % of capacity
- Growth potential in Europe and especially overseas markets
- Profitability better than main competitors' (EBIT 7-8 %)
- Modern mills and favourable energy prices based on own energy assets
- Innovative lightweight and environment friendly products based on own high quality BCTMP pulp
- Significant profit improvements through
 - LITE4U simplicity programme
 - Restructuring of Finnish operations
- Good potential to achieve more price increases in 2009



M-real's Vision Is to Produce Also Paper in the Future

- Husum PM8 and Äänekoski benefitting the improving market dynamics in *coated papers*
- M-real is a leading *speciality paper* producer in Europe
 - Speciality paper business profitability better than other paper grades'
 - Many capacity closures due to insolvency of small family businesses
- *Uncoated fine paper* market situation interesting
 - A lot of capacity is being closed down
- Strategic review of the paper business continues
 - Still good opportunities for interesting deals



Summary

- M-real is the strongest cartonboard producer in Europe
- M-real's profitability and financial situation improving significantly after closing the deal with Sappi
 - Additional improvement through new cost savings, complexity reduction measures and Hallein & Gohrsmühle development
- Encouraging mid-term outlook thanks for price increases, weaker euro, lower cost inflation and own profit improvement actions

A woman with short brown hair and blue eyes is holding a sign that says "IMMAGINE" and a dog's head. The background is a solid blue color. The text "Thank You!" and "Q&A" is overlaid on the right side of the image.

Thank You!

Q&A

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