

Divestment of Graphic Papers

September 29 2008

Significant Step Taken in M-real 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**

Consolidation is a Must Due to the Challenging Operating Environment in Coated Papers

- Still about 1 million ton overcapacity in the very fragmented coated fine paper market in Europe
 - Despite capacity closures in Europe the strong euro and resulted export repatriation has maintained overcapacity
- Thanks to capacity closures coated magazine paper market has improved
- All in all, severe cost inflation together with weakening USD and GBP have hurt profitability in coated papers
- Profitability of all main coated paper producers has for a long time been unsatisfactory in Europe

M-real is Again Showing Industry Leadership

- M-real was the first to start heavy re-engineering and a strategic review to restructure European paper industry in 2006
- In the strategic review all options related to the paper businesses have been under evaluation
- M-real took the leading role in European paper merchanting restructuring in 2007
- M-real has successfully taken the leading role in uncoated fine paper and folding boxboard price increases

Now M-real also takes the leading role in European coated paper industry restructuring

Scope of the Transaction

- M-real divests Graphic Papers business to Sappi
 - Total annual sales of about EUR 2.3 billion
 - Total sales volume of about 1.7 million tons of fine paper and 1.2 million tons of coated magazine paper
- Transaction includes the following mills:
 - Biberist, Kangas, Kirkniemi and Stockstadt mills with total annual sales volume of 0.8 million tons of coated fine paper and 0.9 million tons of coated magazine paper
 - Äänekoski, Gohrsmühle, Reflex, Hallein and Husum PM8 excluded
- Extensive long-term commercial agreements
 - Pulp and BCTMP supply
 - Sales and distribution contract for Husum PM8 and Äänekoski PM2 production
 - Number of other smaller service and supply agreements

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

- Äänekoski and Husum PM8 continue current production that will be sold and distributed 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

Proceeds from the Transaction

- EV 750 m€
 - Cash and assumed debt 500 m€*
 - Vendor loan note of 200 m€*
 - Newly issued shares in Sappi worth 50 m€
- As a long-term shareholder in Sappi M-real shall benefit from synergies and improving operating environment of the industry
- Transaction related negative non-recurring impact of about EUR 225 million booked in 3Q
 - Write offs 210 m€, non-recurring costs 15 m€
- Closing of the transaction estimated to take place latest during the first quarter of 2009
 - Depending on approvals by competition authorities and Sappi's shareholders' meeting and the implementation of Sappi's planned rights offering

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

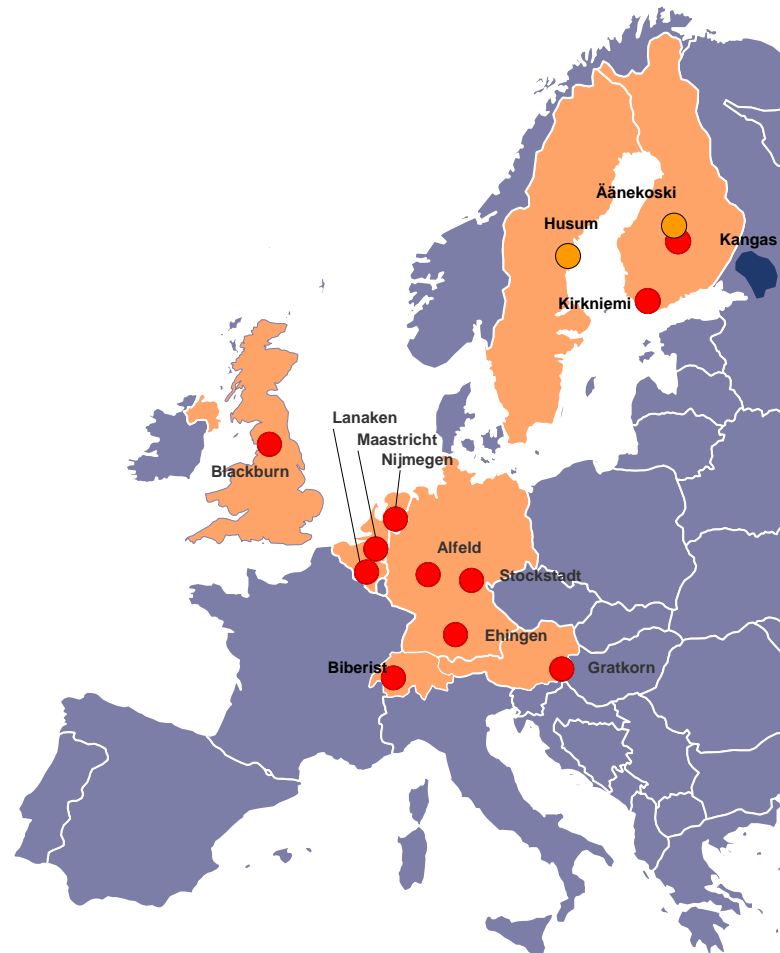
Combined Capacity About 5 Million Tons Annually

- Mills transferred to Sappi
 - Kirkniemi 740 ktons, Kangas 210 ktons, Stockstadt 420 ktons, Biberist 505 ktons

Total of 1,9 million tons/a
- Existing Sappi mills
 - Blackburn* 120 ktons, Lanaken 420 ktons, Maastricht** 320 ktons, Nijmegen 240 ktons, Alfeld 360 ktons, EHINGEN 250 ktons, Gratkorn 860 ktons

Total of 2.6 million tons/a
- M-real mills, capacity sold by Sappi
 - Äänekoski 200 ktons, Husum PM8 285 ktons

Total of 0.5 million tons/a

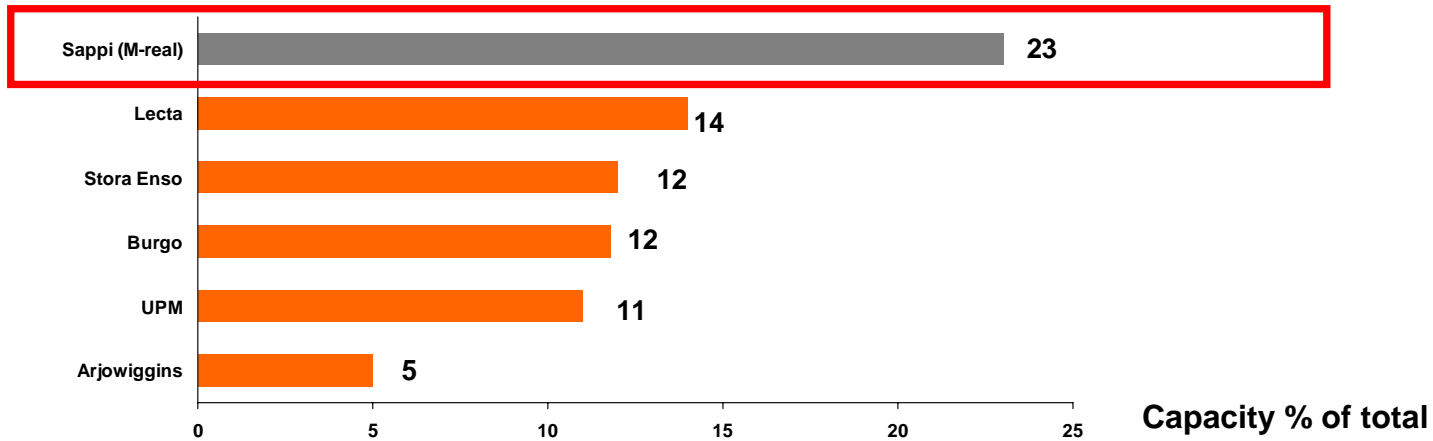


* Sappi has announced intentions to close Blackburn mill

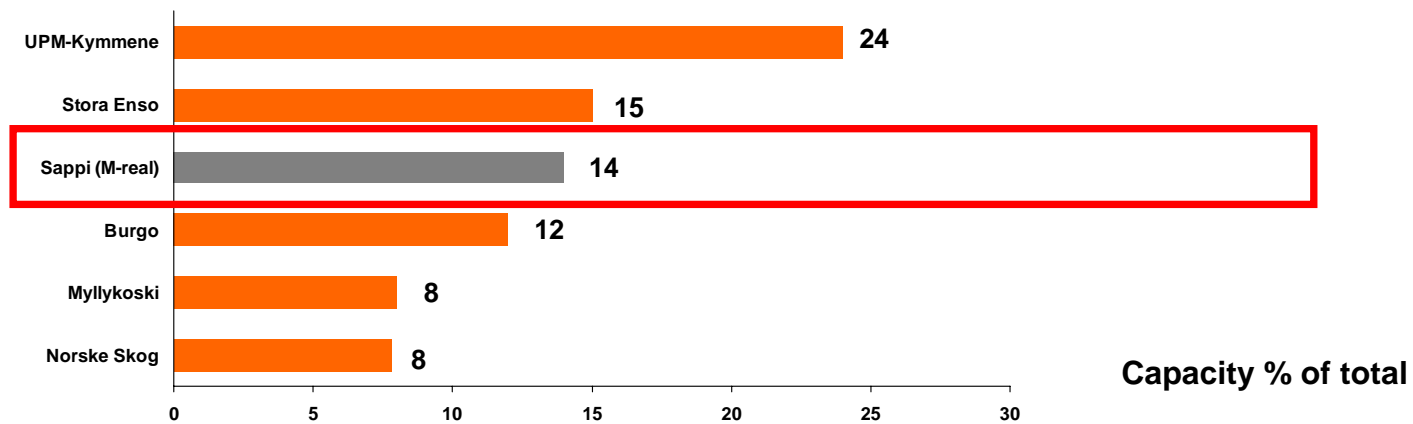
** Sappi has announced intentions to close PM5 (60 ktons/a) at the Maastricht mill

Creation of The Strongest Coated Paper Player

Coated Fine Paper in Europe after transaction and M-real planned capacity changes



Coated Magazine Paper in Europe after transaction



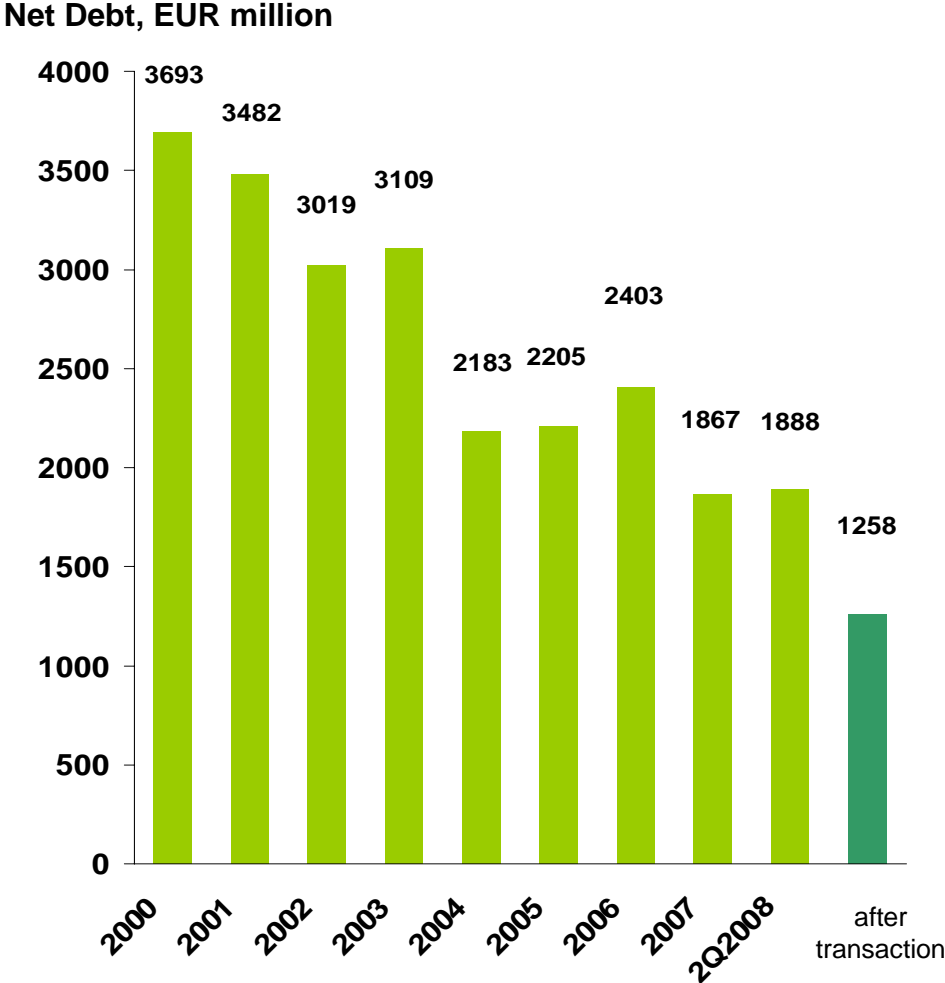
Main Annual Financial Impacts After the Transaction

- Indicative figures based on 1-2Q 2008 development

Sales reduction	EUR 950 million
EBITDA reduction	EUR 15 million
EBIT improvement	EUR 65 million
Reduction in financial net costs	EUR 55 million
Profit before taxes improvement	EUR 120 million
Reduction in Capex	EUR 50 million
Net debt reduction	EUR 630 million
Non-recurring Items	EUR -225 million
Improvement of net gearing (2Q: 100%)	23%-units
• Improvement of covenant gearing (2Q: 86%)	22%-units
Improvement of equity ratio (2Q: 36.5%)	3%-units
• Improvement of covenant equity ratio (2Q: 42%)	5%-units

Significant Net Debt Reduction Continues

- M-real is financially a clearly stronger company after the transaction
- Refinancing needs in 2009-2010 significantly below previous assumptions
- Refinancing 2009-2010 shall be addressed next year



M-real Businesses After the Transaction

- **Consumer Packaging**
 - Market leader in cartonboard and white top linerboard in Europe
 - Annual sales about EUR 1 billion
 - Good demand and profitability outlook
- **Office Papers**
 - A leading European office paper producer with strong own brands
 - Annual sales about EUR 0.7 billion
 - Capacity closures and fast growing East-European demand improve the market dynamics
- **Speciality and other papers**
 - Gohrsmühle and Reflex the leading speciality paper producers in Europe
 - Hallein paper and pulp mill
 - Äänekoski paper and Husum PM8 to produce coated papers for Sappi based on a long-term contract
 - Annual sales about EUR 0.9 billion
- **Others including market pulp, energy etc.**
 - Annual sales about EUR 0.9 billion

- Valuable shareholdings in Metsä-Botnia 30% and PVO 2,5%

M-real Mill Locations After the Transaction

Consumer Packaging:

- Simpele
- Äänekoski
- Kyro
- Tako
- Kemi

Office Papers:

- Alizay paper and pulp
- Husum PM6 & PM7 and pulp

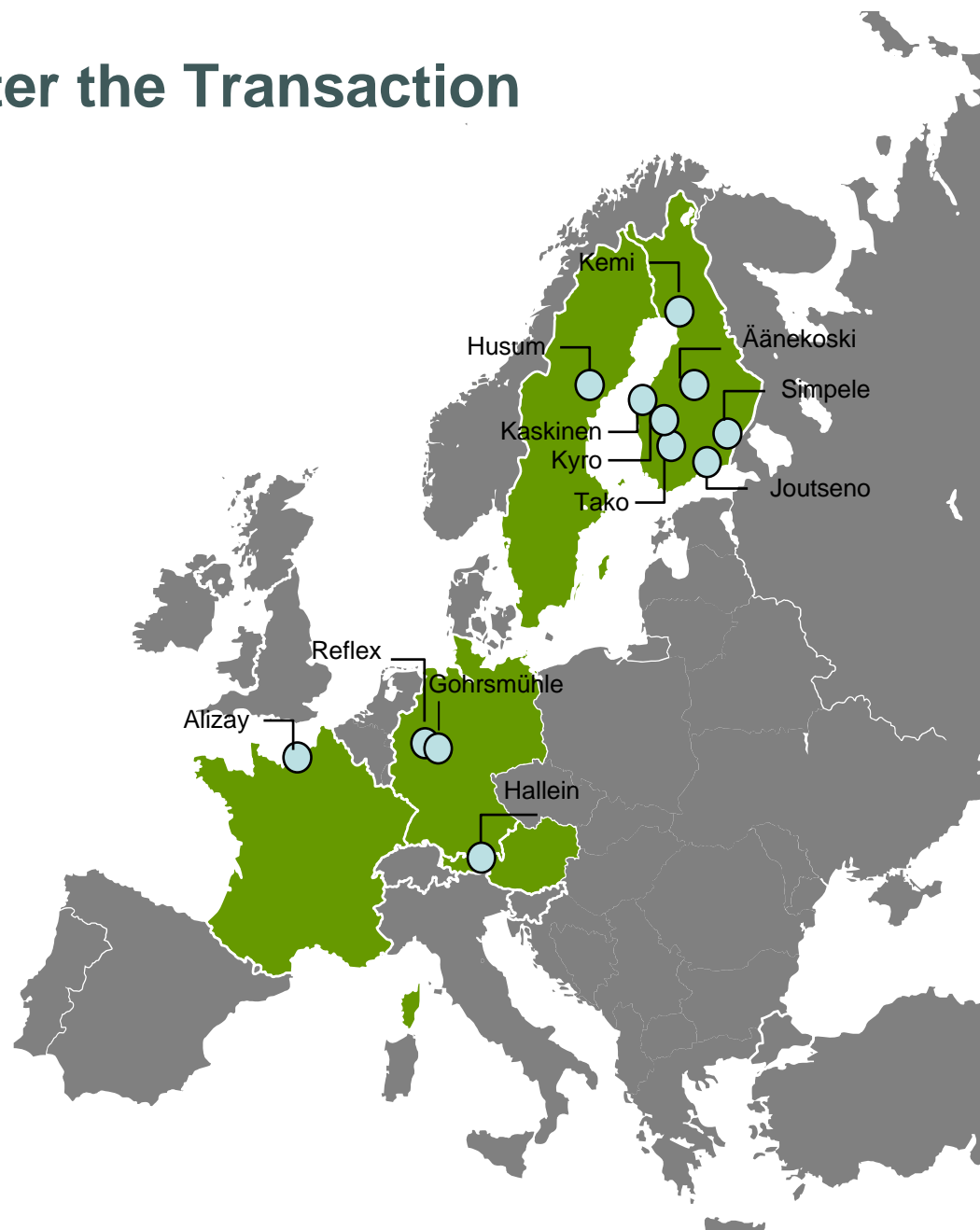
Speciality Papers and others:

- Gohrsmühle
- Reflex
- Äänekoski Paper
- Husum PM8
- Hallein

In Hallein M-real continues to investigate various business options with selected partners

BCTMP mills:

- Joutseno and Kaskinen



M-real in Numbers After the Transaction

- Annual sales of about EUR 3.5 billion
- Production capacity of about 1.2 million tons of board, 2.2 million tons of paper, 2.4 million tons of chemical pulp (including 30% of Metsä-Botnia) and 0.6 million tons of BCTMP
- Pro forma personnel about 7,000
- Net debt approximately EUR 1.25 billion

Good Progress and Prospects in Cartonboard Business

- Successful implementation of the cartonboard price increase of about 95 €/ton announced in the summer
 - Not enough to cover cost inflation experienced during recent years
- Profitability still unsatisfactory after the current price increase
- Major internal cost savings and efficiency improvements on target
 - Closure of Tako BM2 improved the whole industry's market dynamics
- LITE4U programme proceeds as planned

- Clear need for further cartonboard price increases

Emphasis Moved from Restructuring to Development

- Strategic review of remaining paper businesses continues
- More resources to be directed to the development of the high-quality cartonboard business
- Actions to explore new business opportunities to be increased

Summary

- M-real divests Graphic Papers business for EUR 750 million
- Major restructuring of the European coated paper industry
- Significant improvement in M-real's financial position through improved profitability and reduction of net debt
- Closing of the deal estimated to occur latest in the first quarter of 2009
 - Depending on approvals by competition authorities and Sappi's shareholders' meeting and the implementation of Sappi's planned rights offering
- M-real starts a review to optimize the remaining corporate structure
- Emphasis in M-real will be moved from restructuring to development
- Strategic review of the paper businesses continues