

A hummingbird with iridescent green and white feathers is hovering in flight, its long beak extended towards a pink flower on a cardboard box. The boxes are arranged in a cluster and feature a repeating pattern of pink flowers. The background is a soft, light green gradient.

M-real

Leading European Cartonboard Producer

Mikko Helander, CEO
DB, European Paper Seminar

November 11 2009

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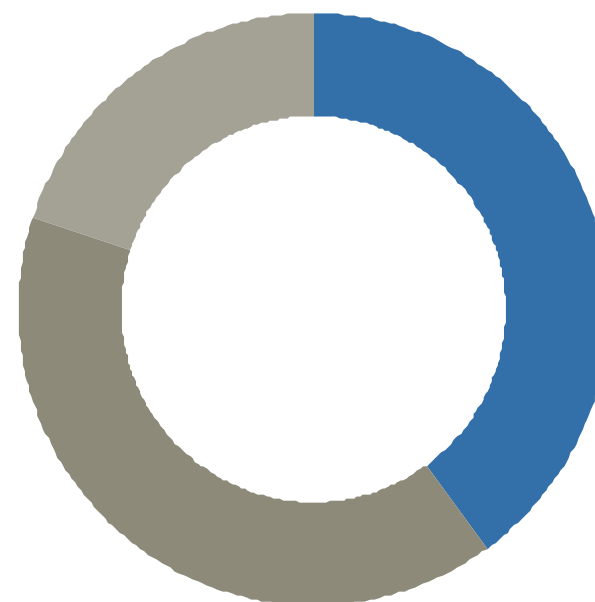


General

M-real in Brief

- Leading European supplier
 - Cartonboard and linerboard
 - Office and speciality papers
- Annual sales ~EUR 2.5 billion
- Approximately 5,700 employees
- Present in over 70 countries
- Production in 5 European countries
- Listed on NASDAQ OMX Helsinki

Sales breakdown 1-3Q 2009



■ Paperboard 40%
■ Paper 40%
■ Market pulp and energy 20%



Strategic Review and Focus Areas

Difficult Starting Point for M-real's Re-Engineering

- Unsuccessful acquisitions in fine papers in the beginning of the decade
- Net debt increased to EUR 3.6 billion due to acquisitions
- Integration of acquired operations and overall efficiency improvement approach insufficient
- Worsening operating environment for European paper industry
- Record high cost inflation in energy and raw materials

Consistent Strategic Direction Since 2006

- Consumer Packaging the strategic core business
- Divestment of underperforming paper businesses
- Complexity reduction
- Major cost savings and ONWC reductions
- Responsible and proactive approach to increase prices

Step 7: Divestment of Botnia's Uruguayan operations 4Q 2009

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

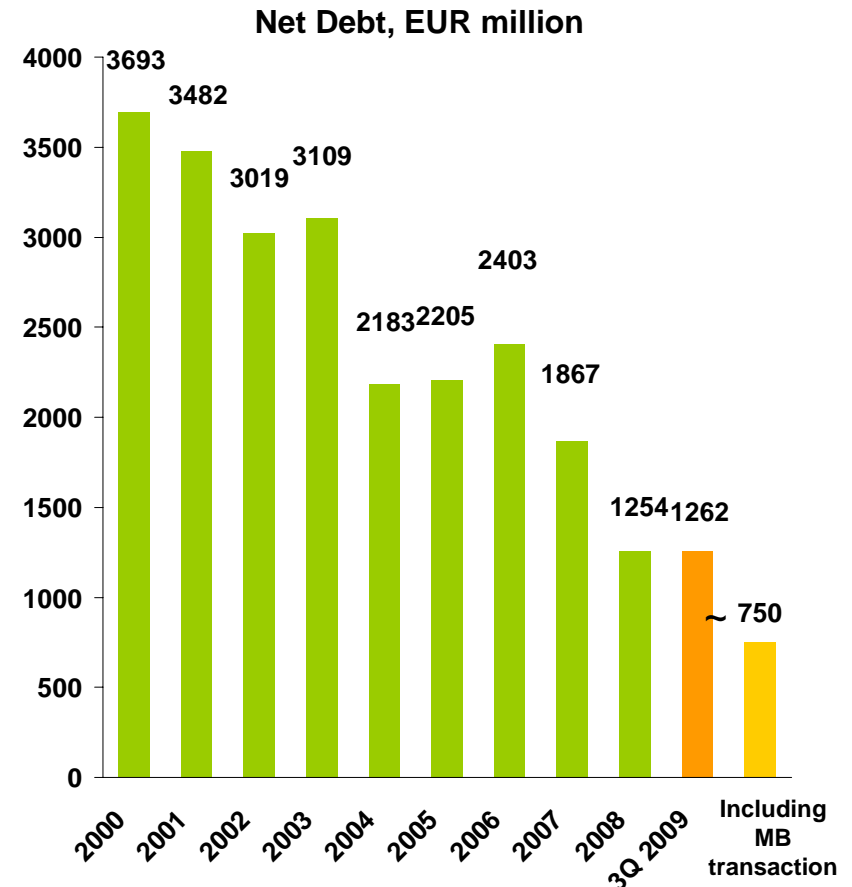
Step 1: Extensive restructuring programme announced in Oct 2006

Metsä-Botnia Uruguay Transaction Signed

- Eucalyptus pulp no longer strategic raw material for M-real
- M-real's pulp consumption and production to balanced situation
- M-real's net debt reduction 500 M€ including 300 M€ cash
- Closing expected latest in 1Q 2010. Subject to signing of financing arrangements and competition authorities' approval
- New Metsä-Botnia ownership structure: Metsäliitto Cooperative 53%, M-real 30%, UPM-Kymmene 17%

Main Results from the Restructuring Since 2006

- Divestments worth over 2 bilj. €
- Net debt to reduce to ~750 M€
- Strong development in Cartonboard
 - Market leadership
 - Good and further improving profitability
- Profit improvements over 400 M€
- ONWC reduction over 300 M€



Actions Focused on the Last Problem Areas

- Additional profit improvement programmes in Husum and Alizay
- Further efficiency improvements in Gohrsmühle and Reflex
- Investments in Hallein pulp mill
- Kaskinen BCTMP sales increase
- Finalization of the adaptation of IT and support functions to fulfil needs of the streamlined company

Strategic Cornerstones of Consumer Packaging

- Strengthening of the market leadership and continuation of organic growth in Europe
- Growth potential in the emerging markets alone or together with the best selected local partners
- Innovative, environmentally superior products based on own active product development
- Fibre know-how and high self-sufficiency
- Modern well invested asset base



Cartonboard Business Concept LITE4U a Great Success

Main features of LITE4U

- Streamlined product portfolio, focus on lightweighting
- More uniform product quality
- Better availability and faster deliveries
- Improved cost efficiency, less products per mill



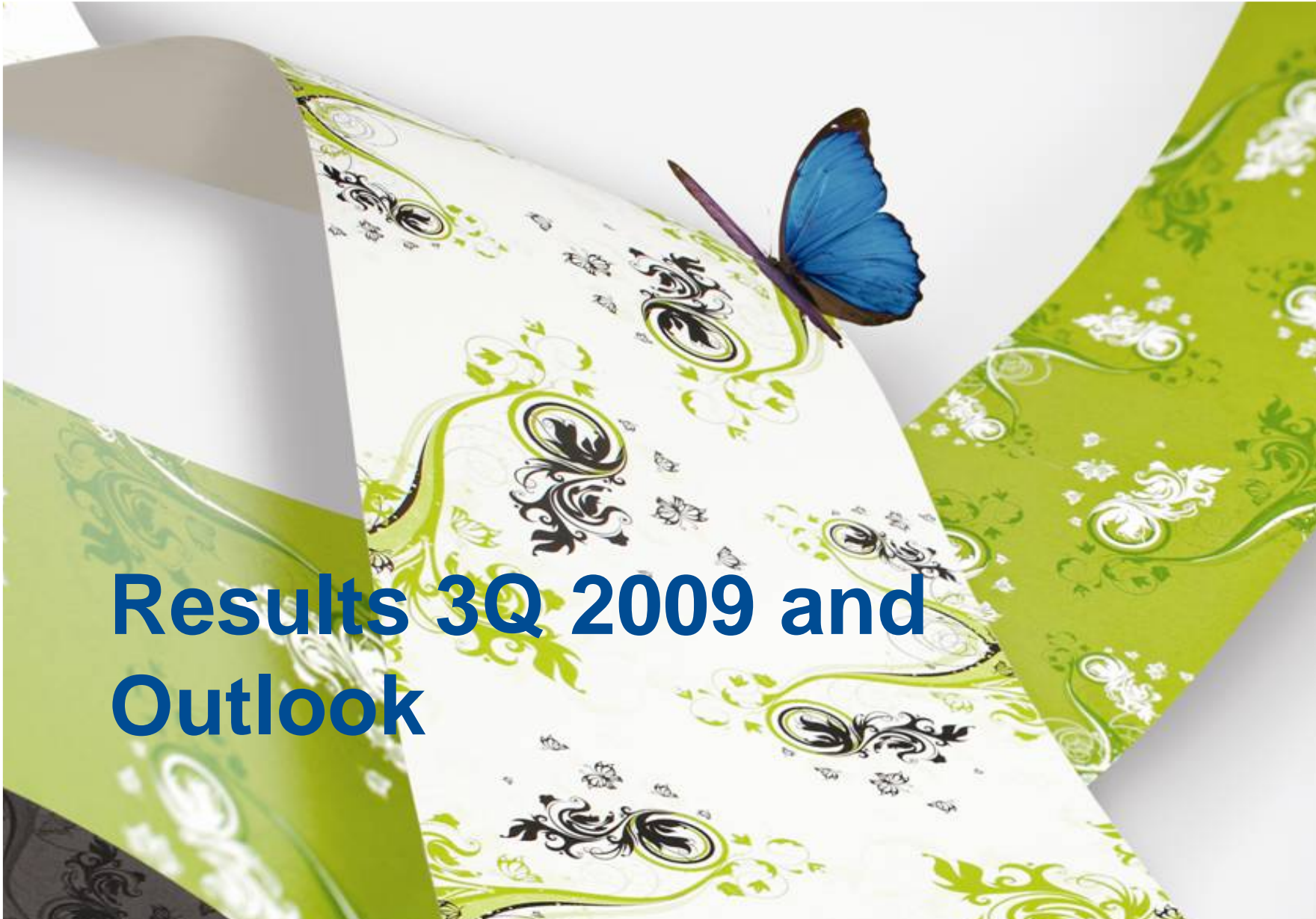
Lightweighting
Innovative
Time
Environment
4 mills
Unique offer

From day one customers have warmly welcomed LITE4U

- Major influence when M-real reached the market leadership in early 2009

Strategic Review of the Paper Business Proceeds

- Successful divestments of Map Merchants and Graphic Papers
- M-real in strong position in participating restructuring of the European uncoated fine paper business
 - After efficiency improvements Husum with own strong brands very competitive
 - Alizay the leading European mill with own brands in fast growing recycled business
 - M-real is seeking innovative structural options to improve WFU business
- M-real Zanders is the leading European speciality paper producer
 - New measures needed to reduce complexity and improve efficiency
 - After completion of these changes it is the time to participate in the European speciality paper consolidation



Results 3Q 2009 and Outlook

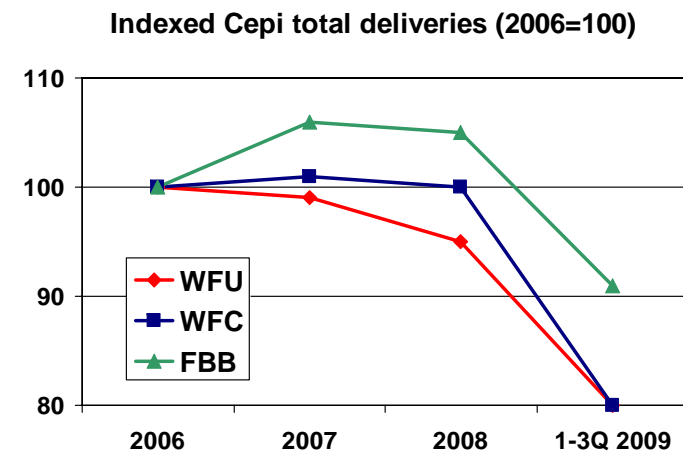
Difficult Year 2009

Global recession

- Drastic drop in demand for pulp, paper and board since late 2008
- Dramatic drop of pulp price and negative price development of WFU
- Unfavourable USD and GBP exchange rates
- Lower valuations of wood and pulp inventories

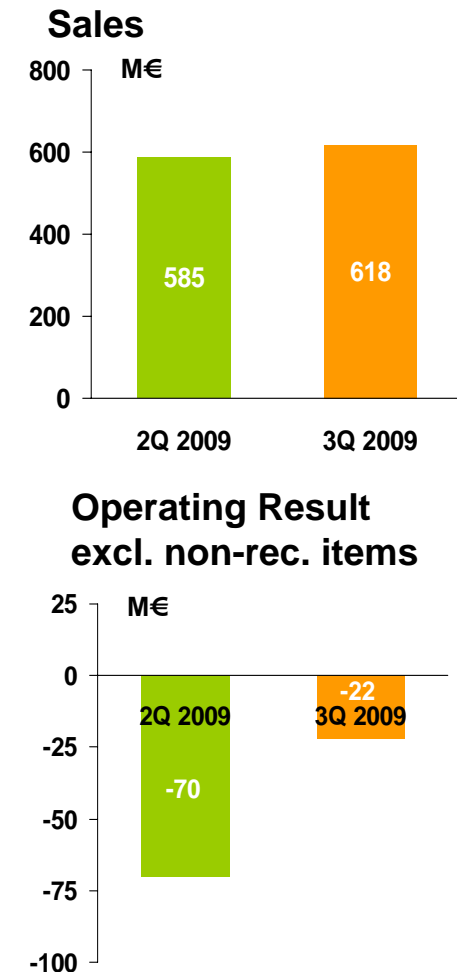
Restructuring of operations

- Adaptation to the divestment of Graphic Papers
- Hallein paper mill closure
- Production changes in Gohrsmühle



Profitability Improved Clearly in 3Q From the Weak First Half of the Year

- Operating cash flow 49 M€ in 1-3Q 2009
- Consumer Packaging EBIT exceeded 12% of sales
- Operating rates improved, especially in boards
- Price increases announced for linerboard and FBB
- Pulp price continued to increase
- Successful major rebuild of Husum pulp mill boilers
- 190 M€ vendor loan repayment by Sappi



Last Quarter in 2009 Expected to be Clearly Better Than the First Two Quarters

- Folding boxboard demand to remain good also in 4Q
 - Price increase proceeding
- Uncoated fine paper demand at a relatively good level
 - Price pressure seems to continue
- Speciality paper demand still below normal but improving gradually
 - Prices expected to remain stable
- Pulp price increase expected to continue during the fourth quarter



Thanks to Restructuring M-real in Clearly Better Position to Improve Profitability from 2010

- Consumer Packaging's good performance to become more visible
- Heavily loss making coated paper business out of the company
- Improved demand for pulp, board and paper
- Positive price development in pulp and board
- Significant cost savings through implemented and planned efficiency improvements
- Lowering depreciations and financing costs



