



M-real

A More Focused Company

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CFO, Deputy to CEO

Handelsbanken Basic Industry Seminar 5.3.2009

Agenda

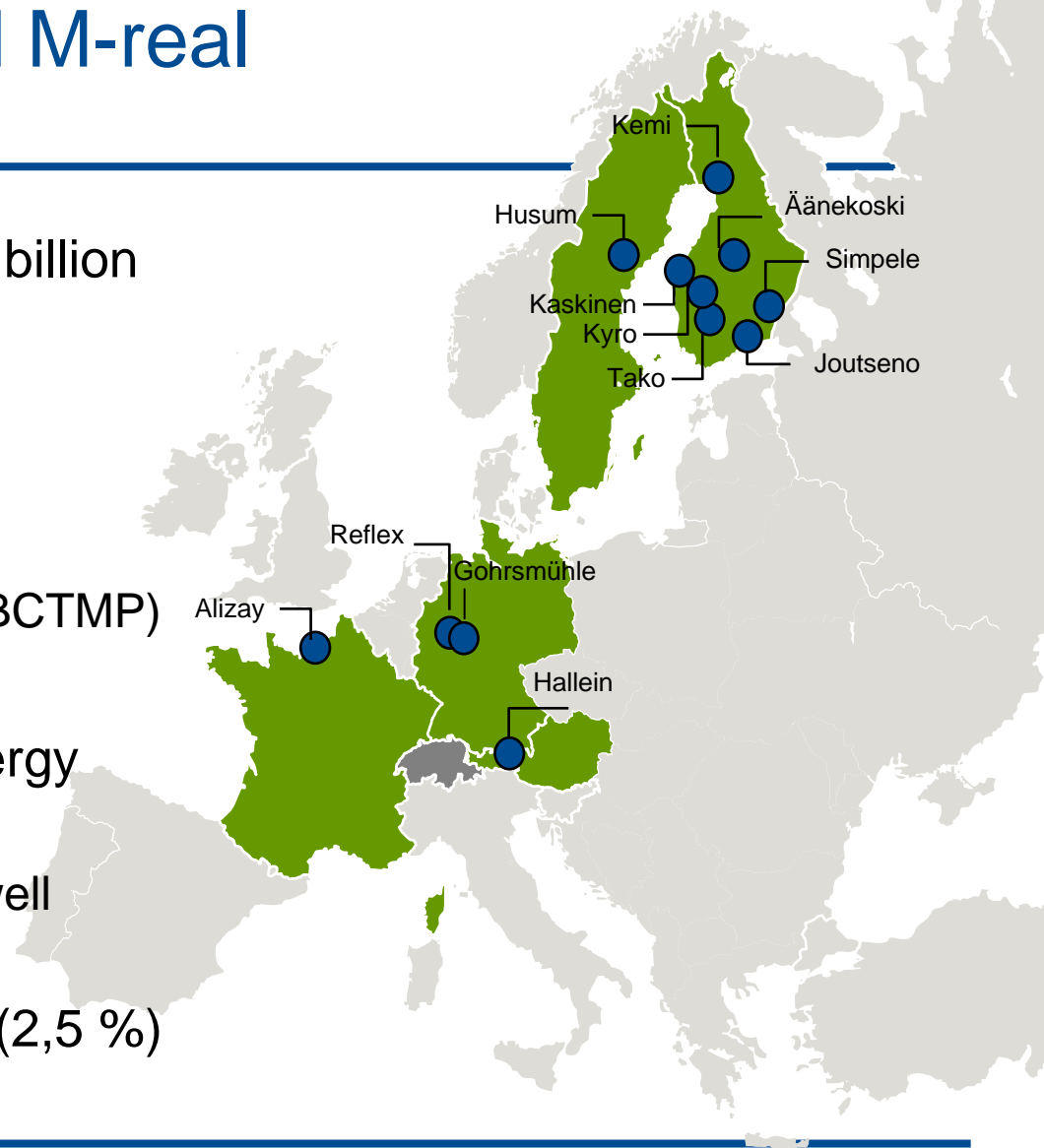
1. General
2. Operating Environment
3. M-real's Actions to Improve the Financial Position
4. 2008 Results and Near-Term Outlook
5. Financing
6. M-real in the Future

General



New Better Focused M-real

- Annual sales in 2008 EUR 3.2 billion
- Production capacity
 - 1.2 million tons of board
 - 2.2 million tons of paper
 - 3.0 million tons of pulp
(incl. 30% of Metsä-Botnia & BCTMP)
- Personnel about 6,500
- Further improved pulp and energy balance
 - Pulp to be sold to market as well
- Valuable shareholdings in Metsä-Botnia (30%) and PVO (2,5 %)



Importance of Paperboard Increasing Steadily in M-real's Portfolio

- Business areas:
 - Consumer Packaging
 - Office Papers
 - Other Papers
 - Market Pulp and Energy reporting segment

Annual sales breakdown



- Paper 50%
- Paperboard 30 %
- Market pulp and energy 20 %

Our Focus Areas

- We develop **lightweight** products with higher visual properties, which are both economical and ecological.
- We seek **sustainability** in all our operation by optimizing the use of fibre, water, energy and transportation.
- We are **dedicated** to excellent service to help our customers achieve superior end-results.
- We aim at reducing complexity to create **simplicity** and efficiency that will enhance packaging and print media competitiveness.

New Cartonboard Concept LITE4U Launched Successfully in 2008

- Cartonboards business managed as one entity
- Streamlined product portfolio
 - Carta Integra, Carta Elegia, Carta Solida, Avanta Prima and Simcote
- Better availability and faster deliveries
- Fine-tuned Express Board concept
- More uniform product quality
- Higher operating efficiencies
- Improved cost efficiency
 - Less products per mill

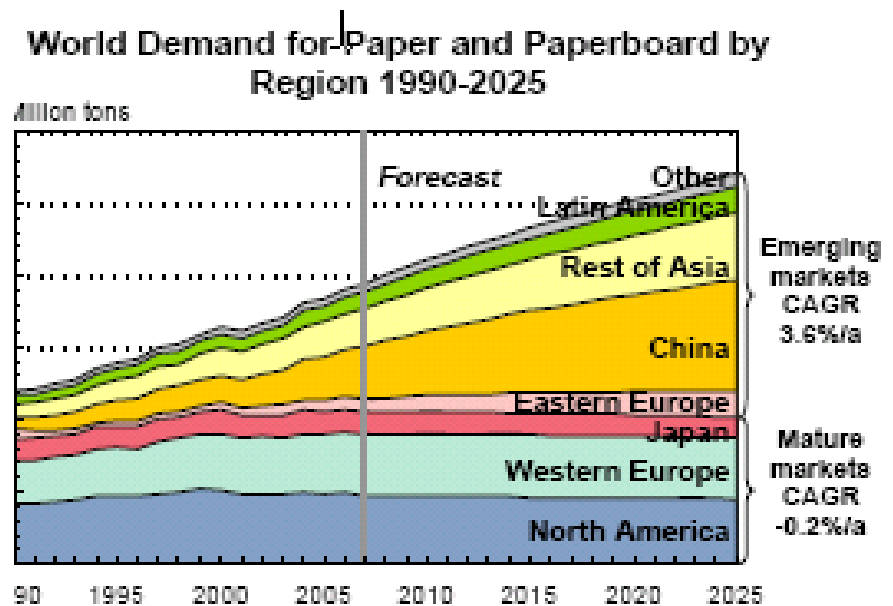
Lightweighting
Innovative
Time
Environment
4 mills
Unique offer

Operating Environment



Global Paper and Board Demand Growth Continues

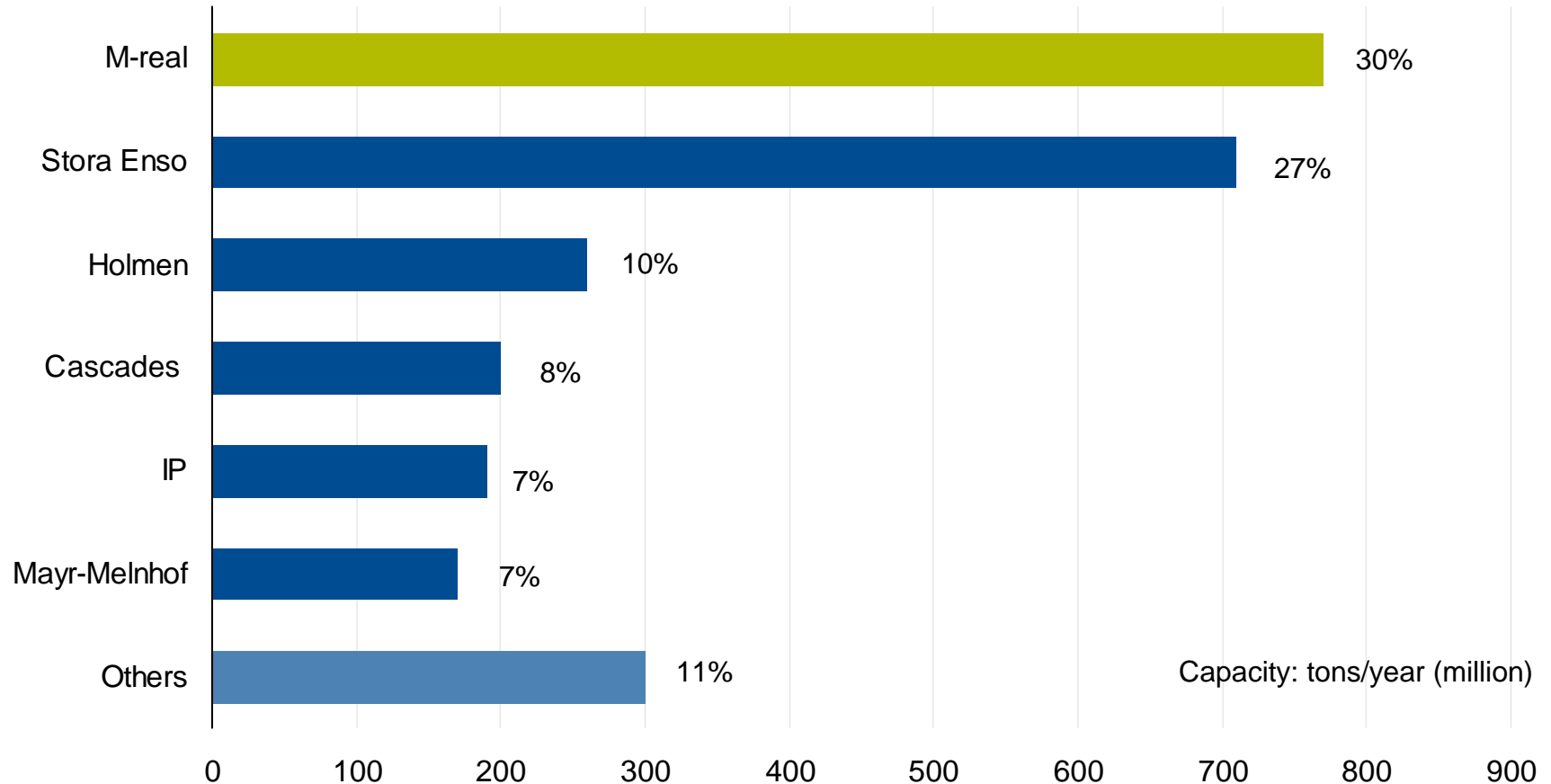
- Global demand expected to increase steadily over the years
 - Paperboard demand growing also in the mature markets
- Industry is gradually consolidating and in the mature markets closing overcapacity
- Business environment will be back to normal after many difficult years
 - Weaker euro
 - Cost inflation normalizing
 - Economic upturn



Source: Pöyry

Folding Boxboard Capacities in Europe 2008

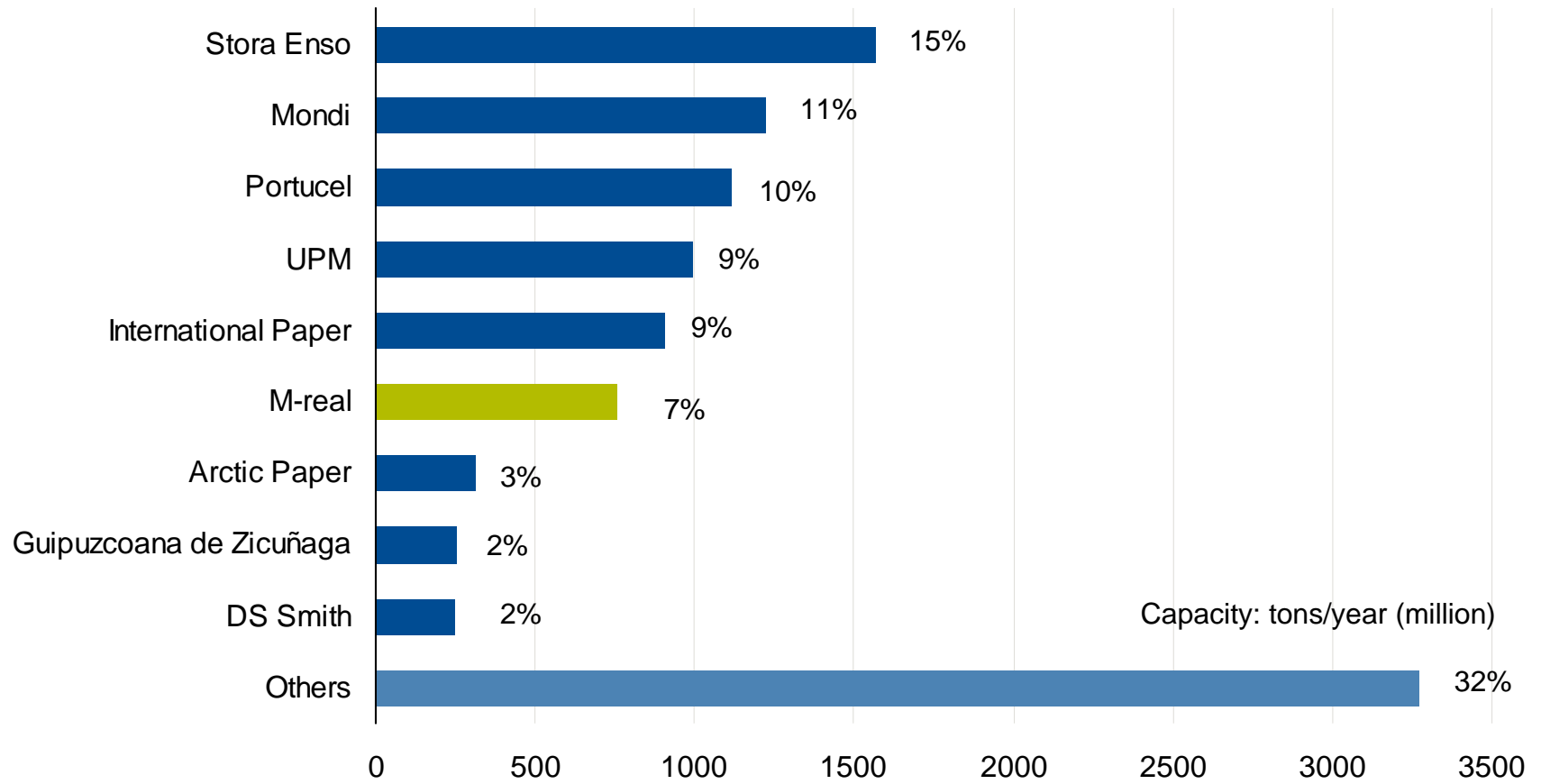
BIG-5 = 82% of total



Source: Pöyry Forest Industry Consulting

Uncoated Fine Paper Capacities in Europe 2008

BIG-5 = 55% of total

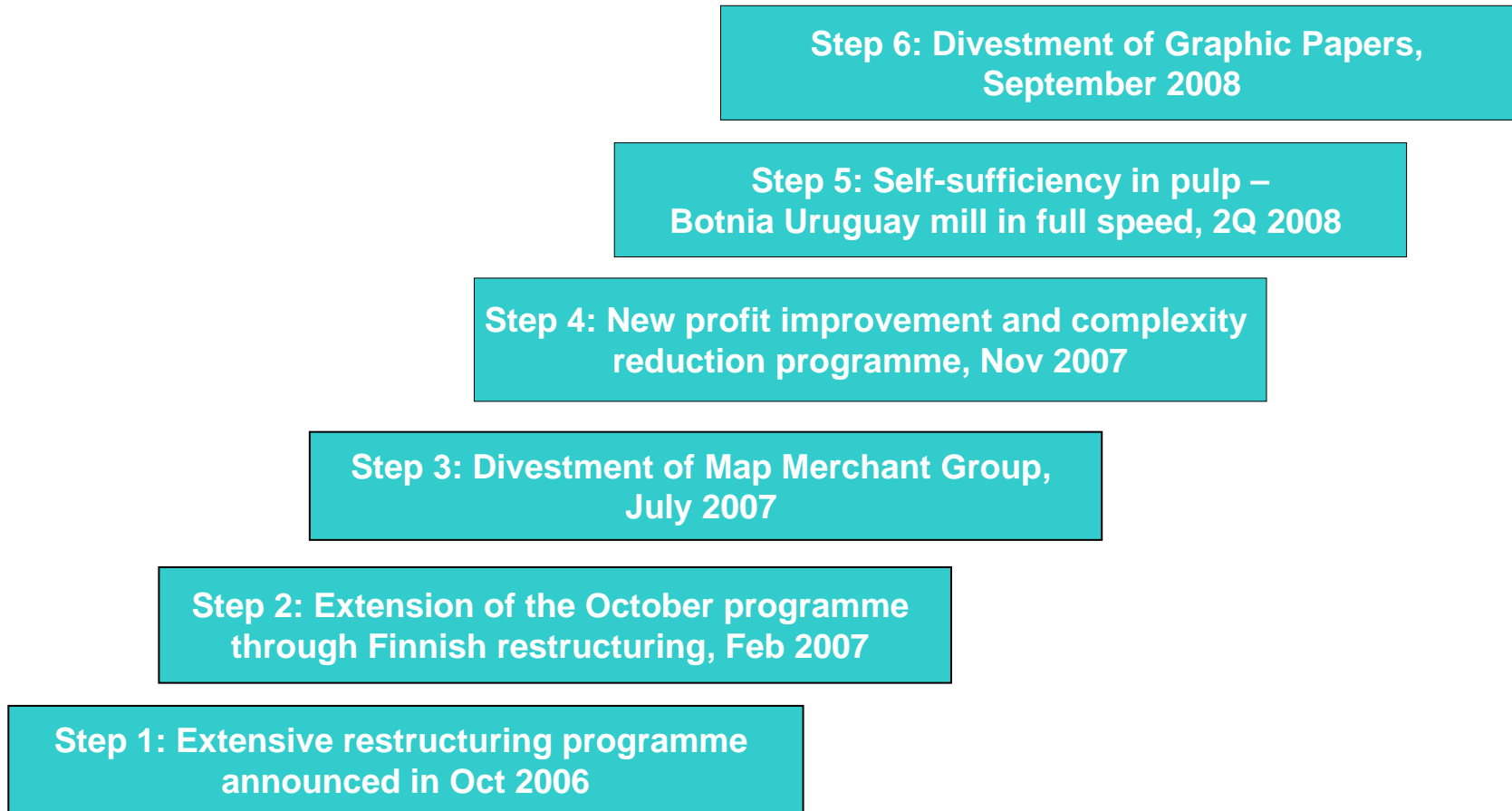


Source: Pöyry Forest Industry Consulting

The image features a 3D rendered scene. In the center, three rectangular blocks are stacked vertically. Each block has a different face illuminated with a bright, intense fire, creating a stark contrast with the dark, blue-tinted environment. The background consists of jagged, rocky terrain and large, translucent ice formations, suggesting a cold, mountainous or cavernous setting. The overall lighting is dim, with the primary light source being the fire on the blocks.

M-real's Actions to Improve the Financial Position

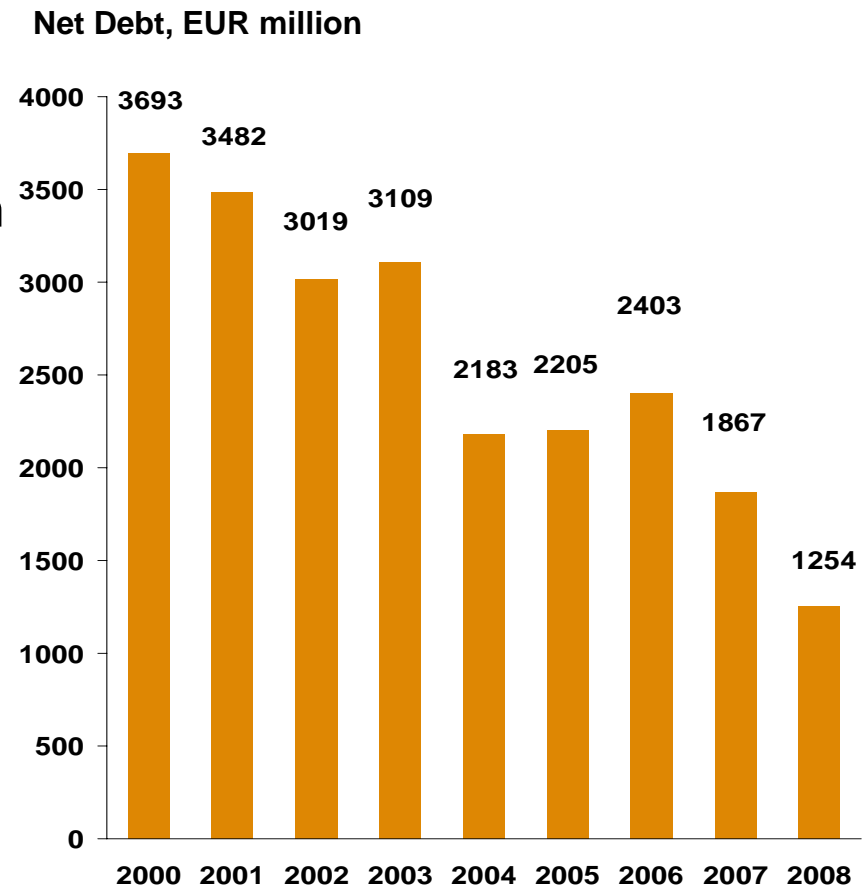
Significant Step Taken in M-real Strategic Review. The Review Continues



Financial Position Improved Due to Extensive Own Actions. Net Debt Reduction Continues

2006-2008:

- Divestments of about EUR 1,6 billion
 - Non core businesses
 - Heavily loss-making businesses
- Cost savings EUR 300 million
- Price increases EUR 130 million
- ONWC reduction of EUR 100 million



Times are Difficult in 2009 due to the Severe Economic Downturn. Measures to Fight Against in Process

- Discontinuation of Hallein and Gohrsmühle mills' standard coated fine paper production in April 2009 in process
 - Biggest loss-makers in recent years
- New EUR 80 million profit improvement programme launched
 - Profit impact in 2009 EUR 20-25 million
 - Non-recurring costs in 2009 EUR 18 million
- EUR 60 million 2009 cash flow boosting programme initiated
 - Reductions in ONWC, investments etc.



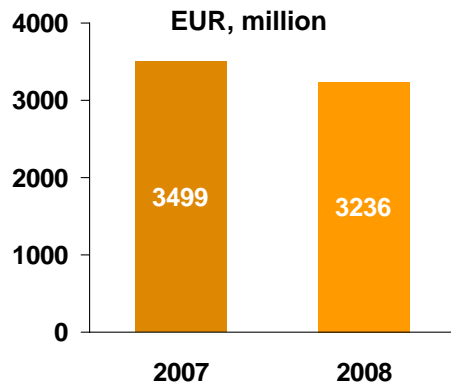
2008 Results and Near-term Outlook

Key Events in 2008

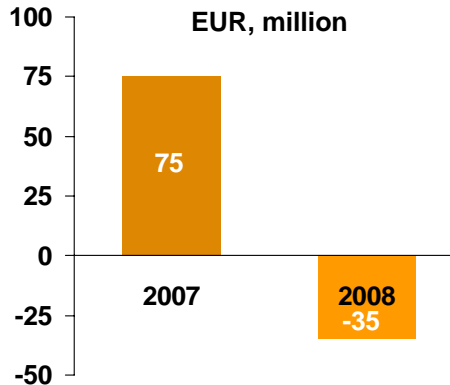
- Successful price increases in cartonboards and coated papers
- Thanks to good progress in internal profit improvement actions major part of the severe cost inflation was covered
- Unfavourable currency rates and weakening pulp cycle hit results
- Divestment of Graphic Papers to Sappi for EUR 750 million closed in December and total divestments of over EUR 900 million in 2008
- Standard WFC production in Gohrsmühle and Hallein planned to end in April 2009

Key Figures

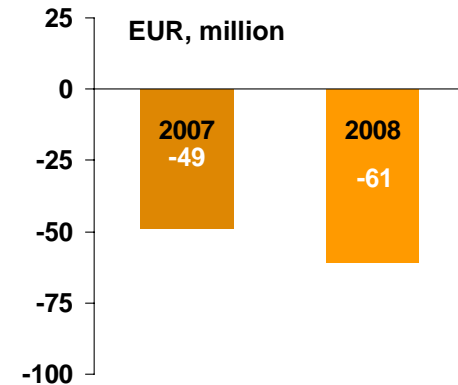
Sales



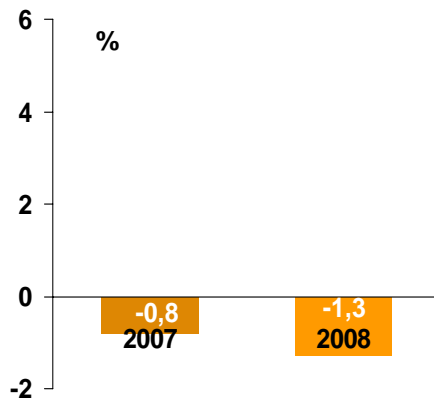
Operating Result, excl. non-rec. items



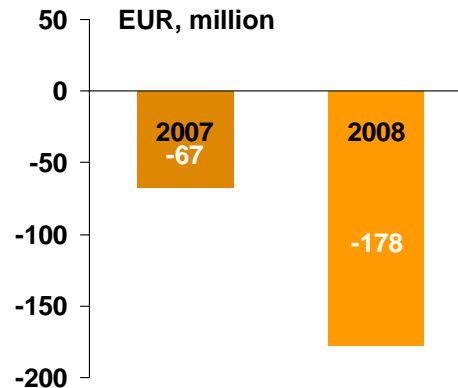
Operating Result



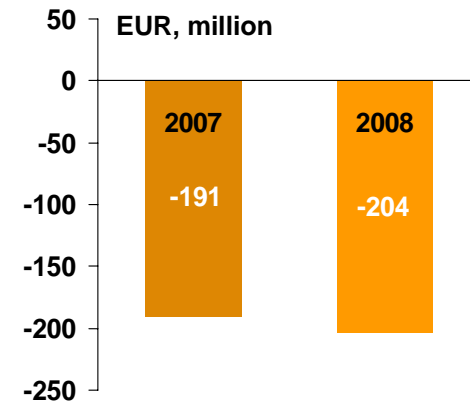
ROCE*



Result before taxes, excl. non-rec. items



Result before taxes



Key Cash Flow and Balance Sheet Figures*

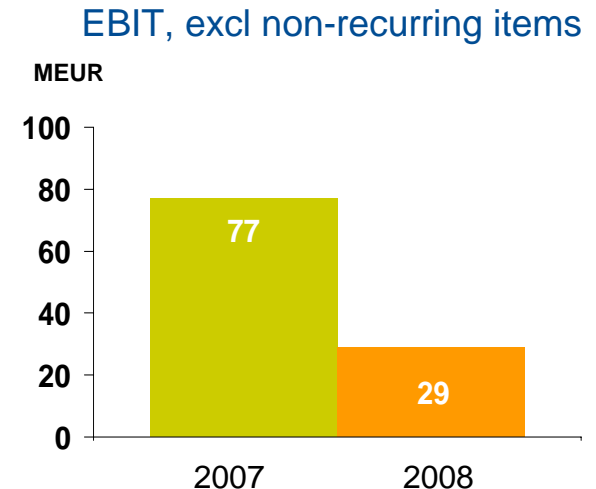
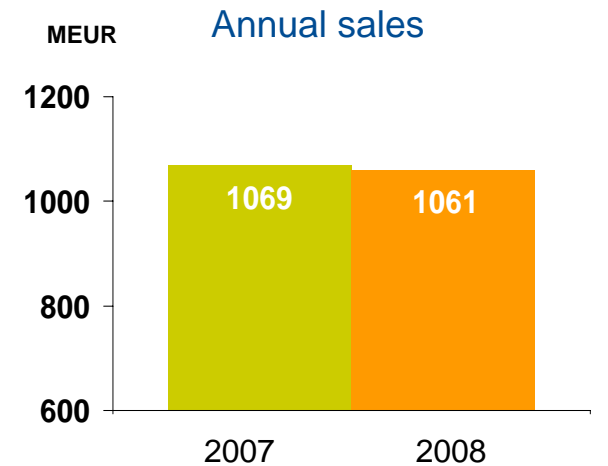
	4Q08	3Q08	Diff.	2008	2007	Diff.
Net cash flow arising from operations, M€ (including change in working capital)	-115	56	-171	-97	127	-224
Investments, M€	-39	-38	-1	-128	-259	131
Disposals, M€	366	3	363	507	628	-121
Net investments, M€	327	-35	362	379	369	10
Net cash flow after investments, M€	212	21	191	282	496	-214
Net gearing at the end of period, %	90	114	-24	90	99	-9
Covenant gearing at the end of period, %	74	97	-23	74	86	-12
Equity ratio at the end of period, %	30,8	32,5	-1,7	30,8	34,4	-4
Covenant equity ratio at the end of period, %	36	38	-2	36,0	40,0	-4
Board's dividend proposal to the AGM. €				0,00	0,06	-0,06

Board of Directors is proposing to the AGM that dividend will not be paid for the financial year 2008

* Cash flow figures including also Discontinued operations

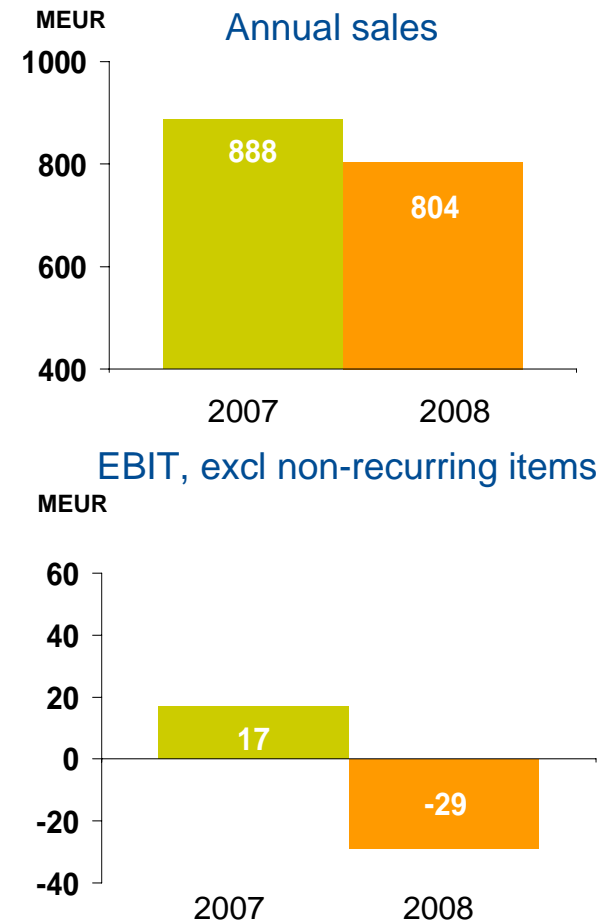
Consumer Packaging Successfully Implemented the Cartonboard Price Increase in 2008

- Profitability weakened due to high cost inflation, lower pulp result and weak USD/GBP
- Profitability improved by cost saving actions and price increases
- Demand dropped in late 2008, partly due to customer inventory reduction
 - Demand is recovering in 1Q 2009, but is expected to remain below last year
- Achieved price increase in 2008 of close to 10% improves average annual price in 2009
- Clear need for further cartonboard price increases to cover cost inflation experienced in recent years



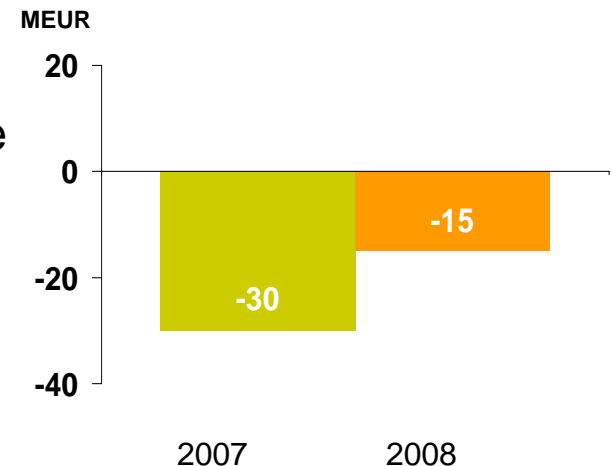
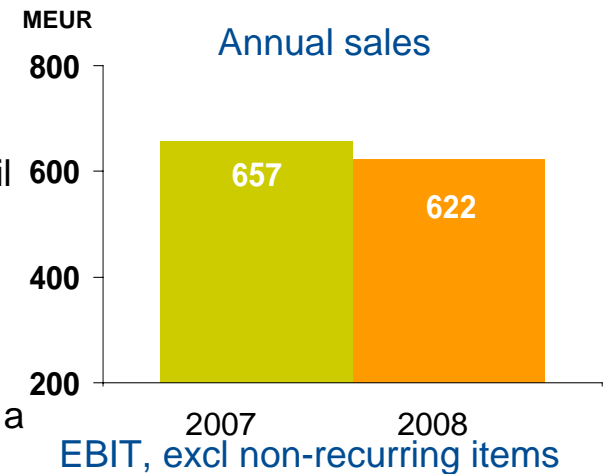
Office Papers Benefits from Recent Capacity Closures. Demand Outlook Unclear

- Profitability weakened by lower pulp result mainly due to expensive wood raw material and production curtailments
- Profitability improved by internal cost savings
- Sales prices under pressure but remained stable
- Demand weakened in the main markets
 - Demand expected to pick up in 1Q 2009, but to remain below last year
- Capacity closures of about 0.5 million tons by M-real and International Paper
- New price increases needed to restore profitability
 - Near-term increase potential limited



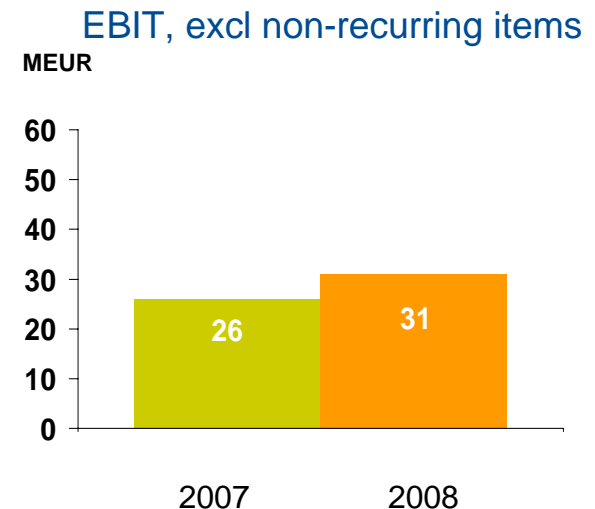
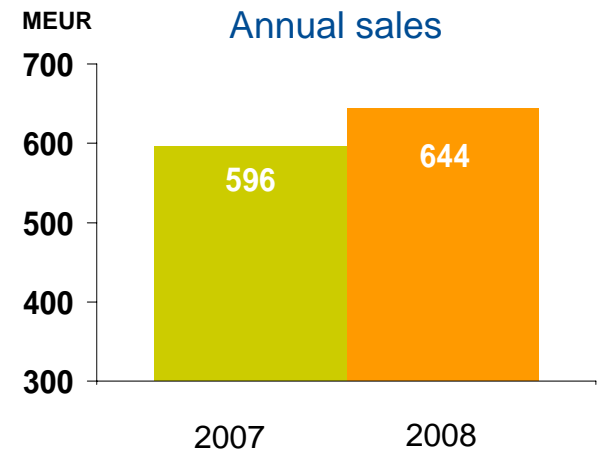
Other Papers' to Focus on the Speciality Papers

- Other Papers to be dedicated to speciality papers through M-real Zanders (Gohrsmühle and Reflex)
 - Hallein and Gohrsmühle standard WFC production end in April
- Speciality papers' profitability better and demand outlook more stable than standard coated papers
 - Hallein and Gohsmühle standard WFC heavy loss-makers for a long time
- Profitability improved due to cost saving actions, success of Uruguay pulp mill and coated paper price increases
- Profitability weakened by higher wood and energy costs, strong euro and lower pulp result



Market Pulp and Energy Benefit The Success of Uruguay Pulp Mill

- Relatively profitability weakened due to increased wood costs and production curtailments
 - Despite success of Uruguay pulp mill absolute profit improvement remained modest
- Pulp prices under pressure as producers' inventories have remained high
 - Capacity closures implemented and announced improve the situation
- Pulp price to increase rapidly when the cycle turns
 - We might see positive development before the year-end



Outlook

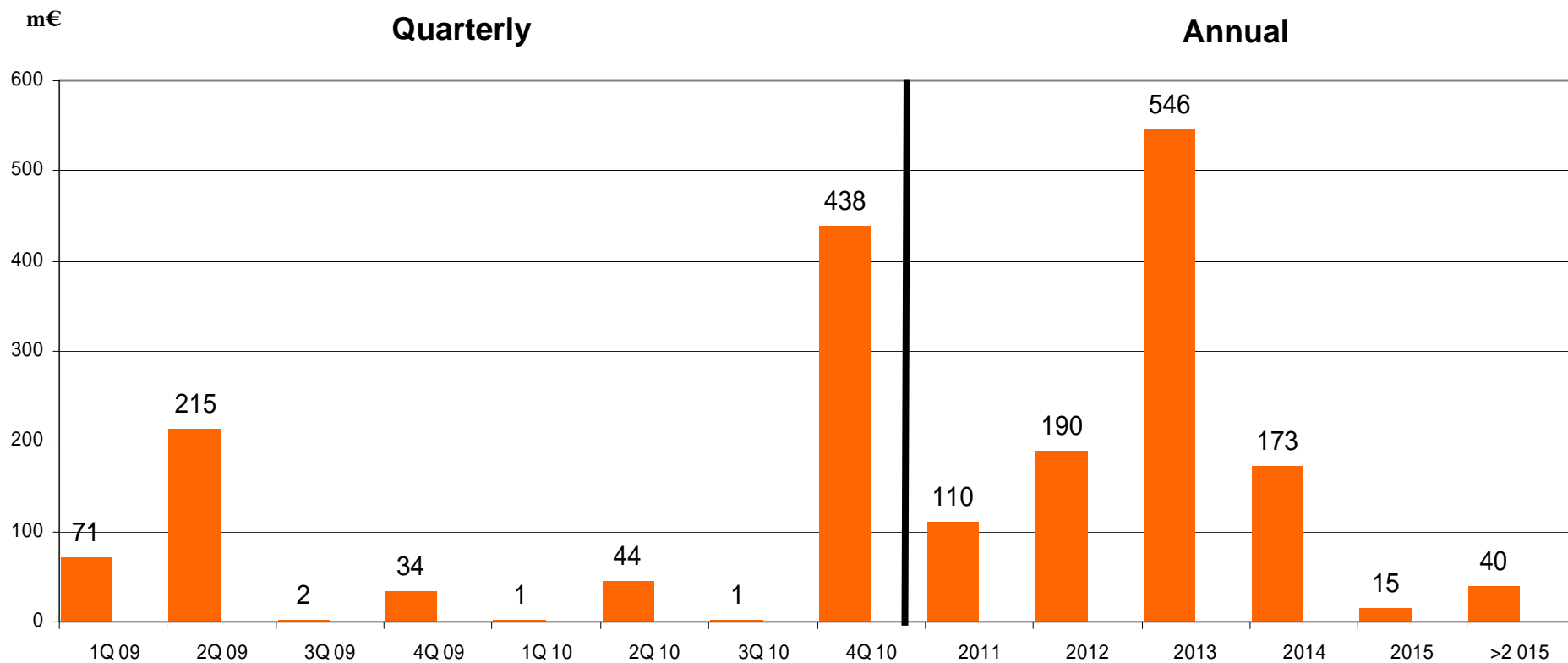
- Demand for the main products expected to improve compared with the exceptionally weak late 2008, but to remain weaker than a year ago
- Cost inflation easing considerably
- Internal profit improvement and cash flow boosting programmes proceed
 - In 2009 the total impact of the new profit improvement programme together with the earlier implemented measures about EUR 70 million
 - Expected cost inflation about EUR 10 million
- 1Q 2009 operating result, excluding non-recurring items expected to improve from 4Q 2008 but to remain clearly negative

Financing

Liquidity Continues Strong

- Strong liquidity of cash EUR 550 million and vendor note EUR 220 million from Sappi improve financing position significantly
- Refinancing negotiations with banks started to address future funding and to secure liquidity in the longer run

Current Liquidity Enough to Take Care of Maturities During the Next Couple of Years



Additionally, the EUR 500 million syndicated credit facility (totally undrawn) maturing in Dec. 2009



M-real in the Future

When the Business Environment Is Back to Normal M-real Will Be In a Strong Position

- Smaller, more focused cartonboard and paper producer
- Europe's market leader in cartonboard
- Heavily lossmaking coated paper units out of the company
- Modern and very competitive pulp assets in Europe and South America
- Streamlined operations after successful efficiency improvement programmes
- Significantly lower financing costs due to net debt reduction
- Investments below depreciations also in the future