



# Re-Engineering and New Innovations in Office Papers

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# Content

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# Our Business



# M-real Office Papers Today

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LOGIC<sup>®</sup>

Modo Papers

**SAVE!**  
RESOURCES PAPER MONEY

# Data Copy

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- On the market since over 25 years
- One of the leading pan-European office paper brands
- Positioned in the multifunctional segment



# Evolve

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- Leading European premium recycled brand with impressive growth and further growth potential
- Unquestionable green credentials
- Life cycle approach
- Loyal customer base

**Evolve**  
RECYCLED. NO COMPROMISE.

# SAVE!

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- A new dimension in low-weight office papers segment!
- Innovative fibre composition
- Excellent environmental credentials

**SAVE!**  
RESOURCES PAPER MONEY



# Husum- One of the Largest and most Efficient Integrated Paper Mills in Europe

## Capacity:

Chemical pulp	690 ktons/a
Uncoated fine paper	435 ktons/a
Coated Magazine Paper	275 ktons/a



# Alizay – European Market Leader in Recycled Office Paper Grades in the Middle of the Main Markets



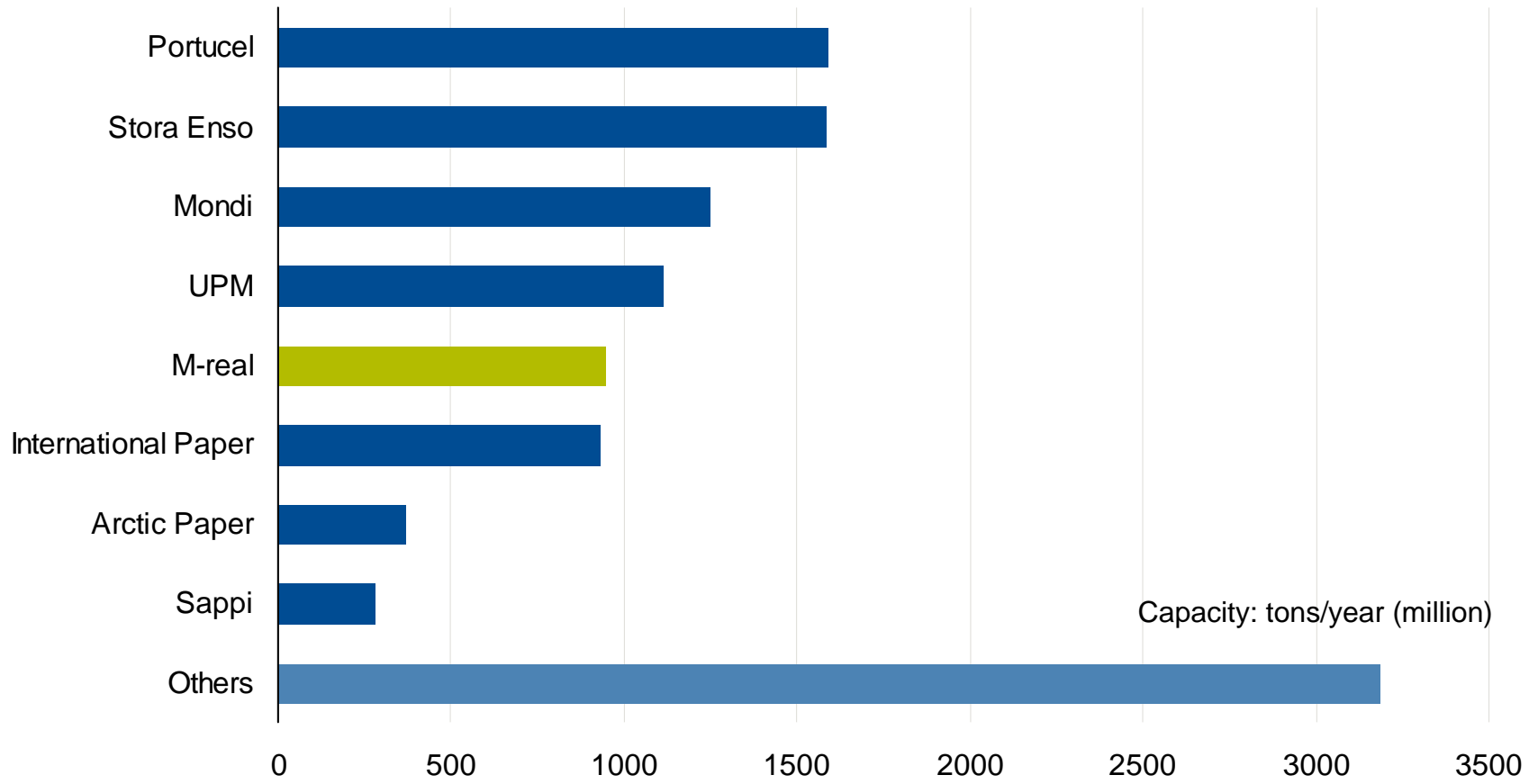
**Capacity:**

Uncoated fine paper

310 ktons/a



# M-real's Position Today



Source: Pöyry Forest Industry Consulting, M-real

# Strategy



# M-real Brings Innovative Fiber Based Solutions for Documentation and Communication

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**Focus on product niches where we have a unique selling proposition that enables us to avoid the commodity trap**

- **Lean organization**
- **Efficient asset base**
- **Long-term business partnerships**
- **Minimize cost, complexity and capital need**

# Multi-Channel Approach to Market

m·real

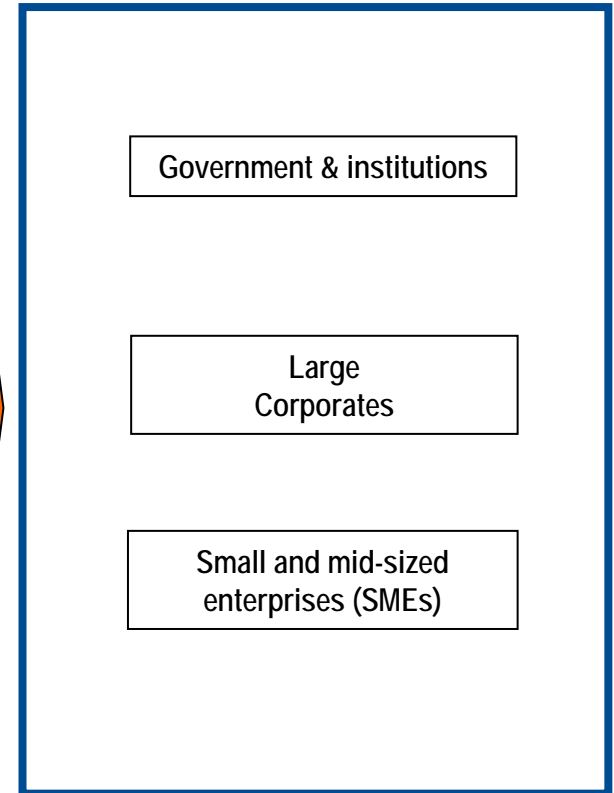
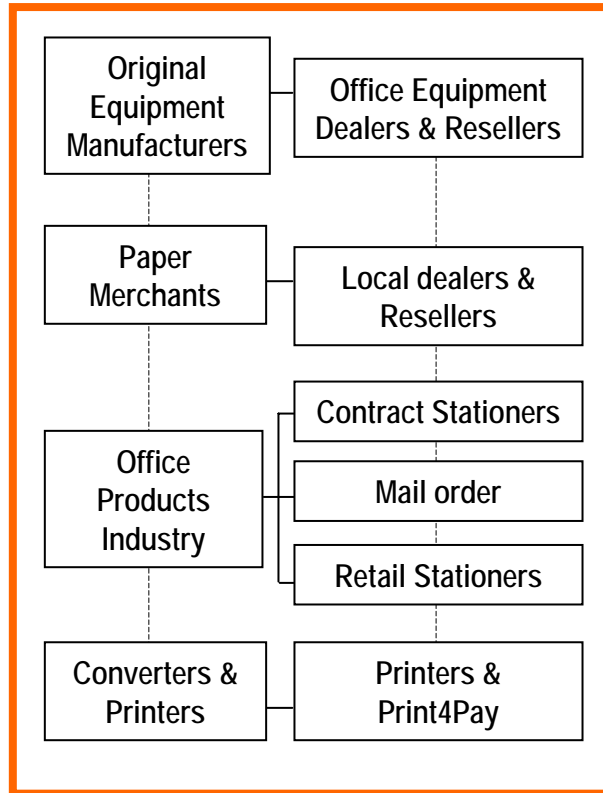
CHANNEL

CUSTOMER & CONSUMER

**OEM & Merchant Channel**

**OPI Reseller Channel**

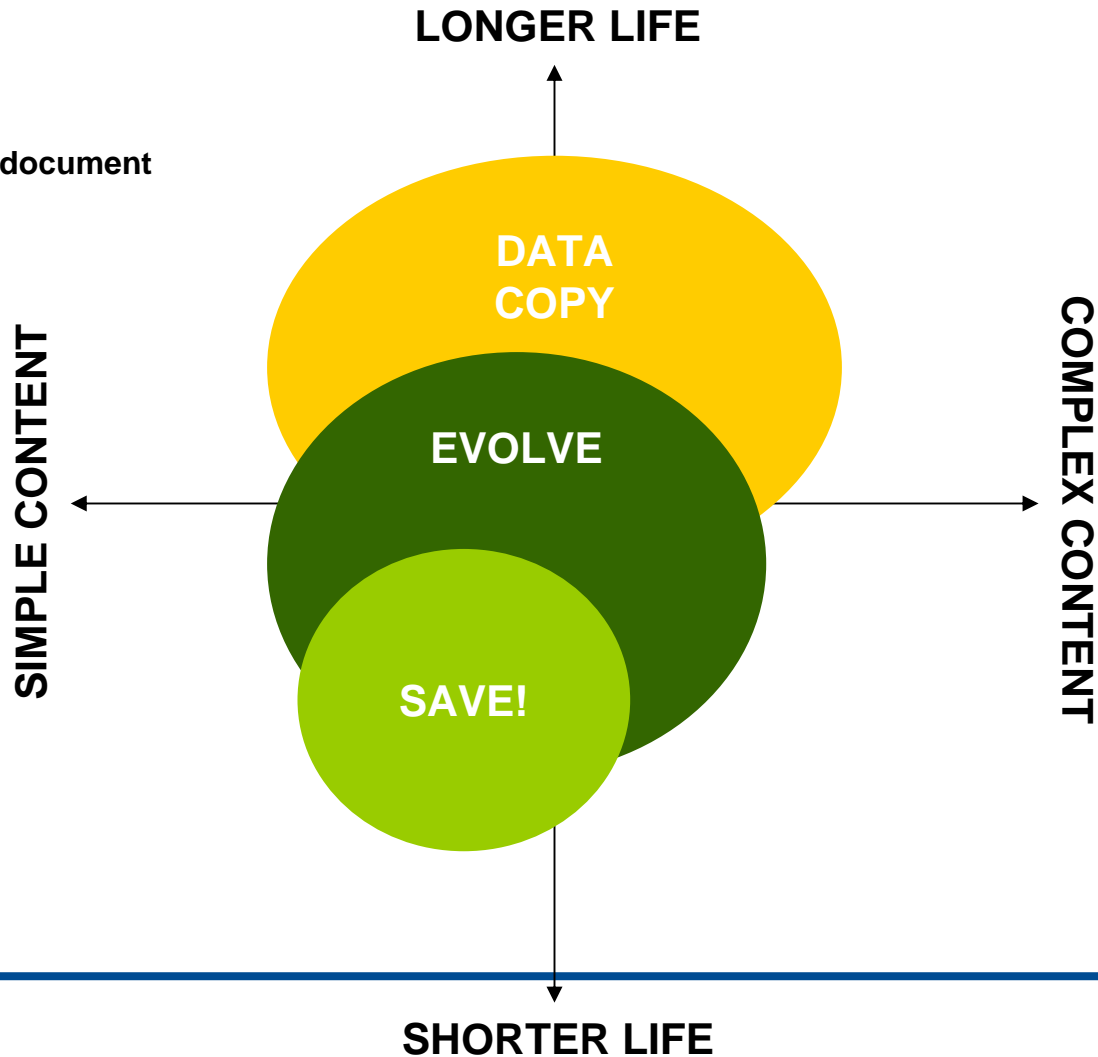
**Business Reels Channel**



# Product Portfolio Meeting Consumers' Needs

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\*Content represents type/characteristics of document





# Re-Engineering

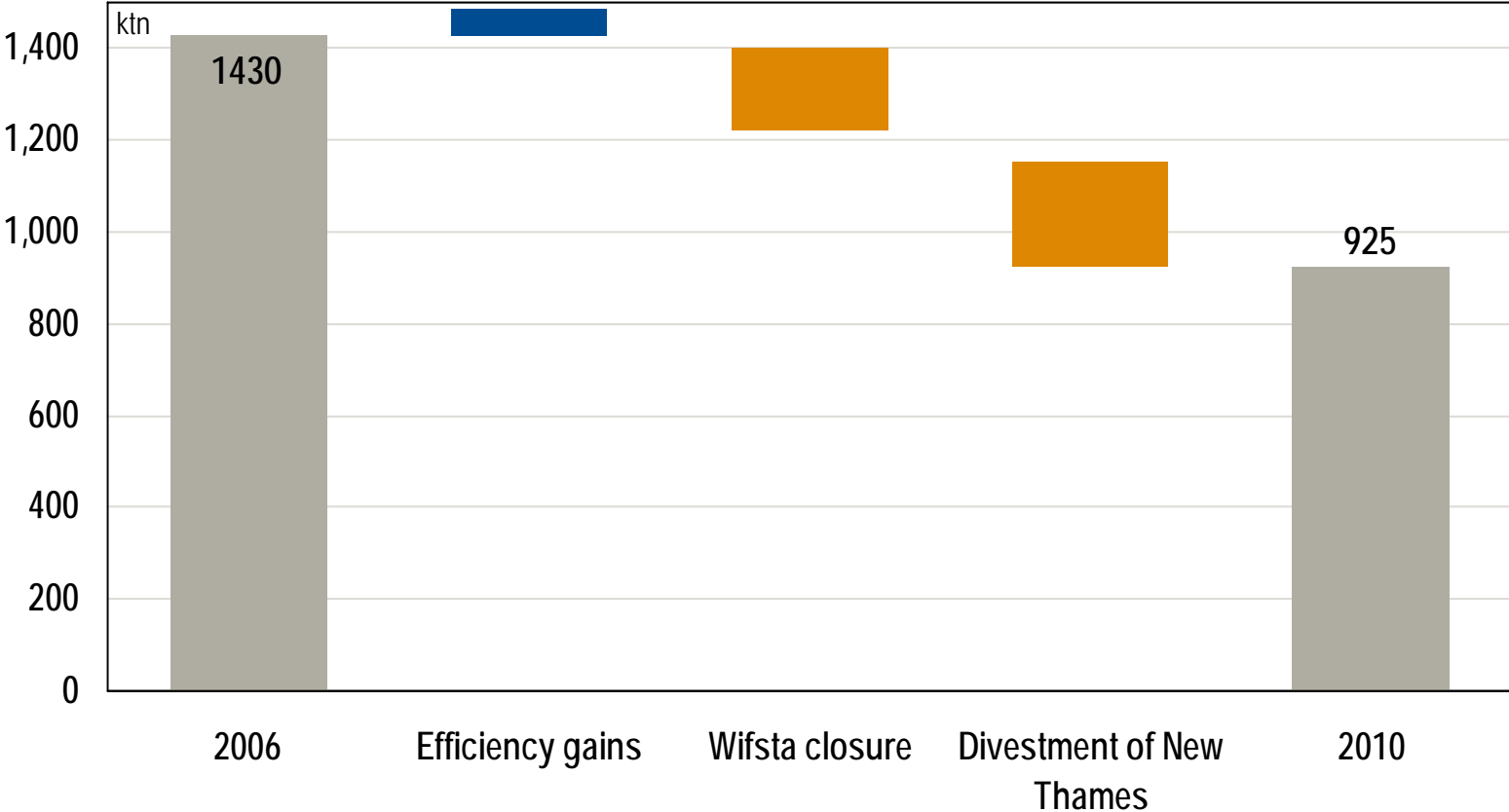
# Main Re-Engineering Actions 2007-2009

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- Wifsta mill closure, 2007
- Divestment of New Thames mill, 2008
- Introduction of RCF-grades in Alizay mill, 2009
- Streamlining of product portfolio, 2009/2010
- Husum restructuring & efficiency improvement 2009/2010

# M-real WFU Capacity Development

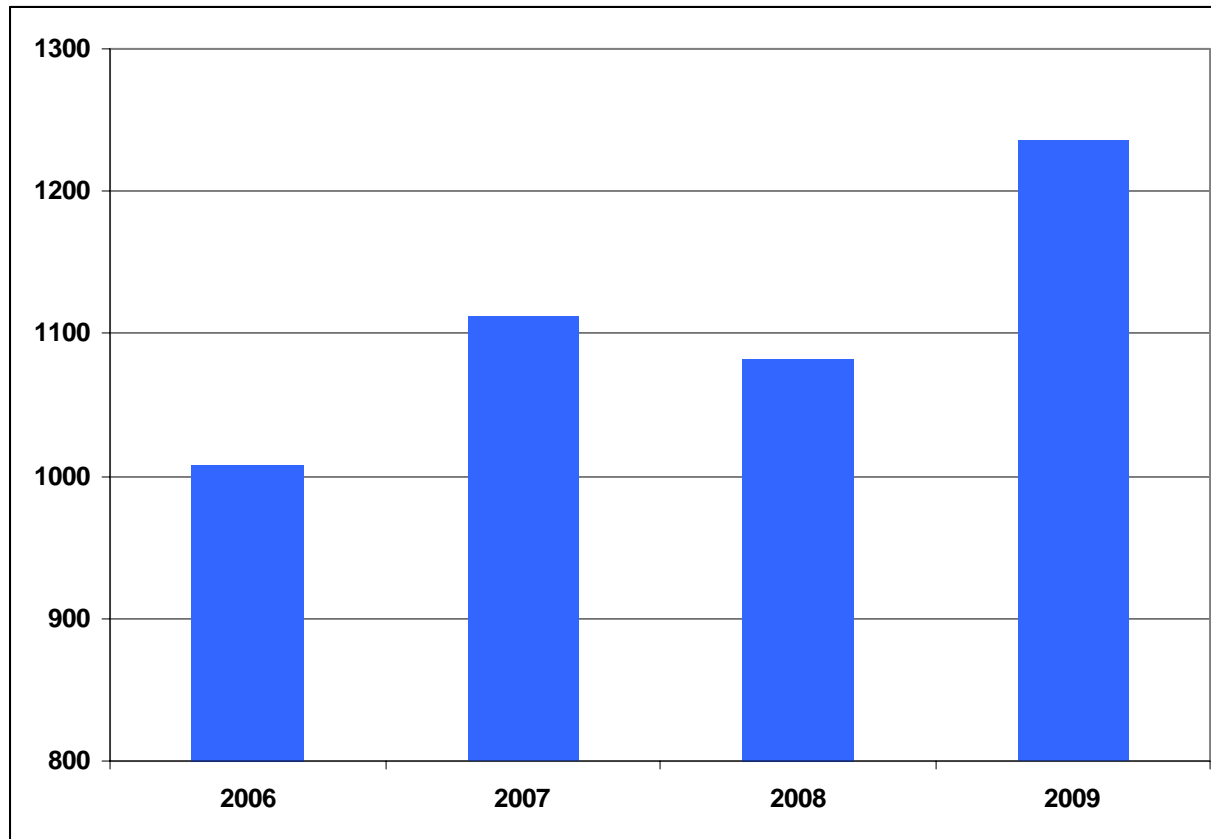
2006-2010



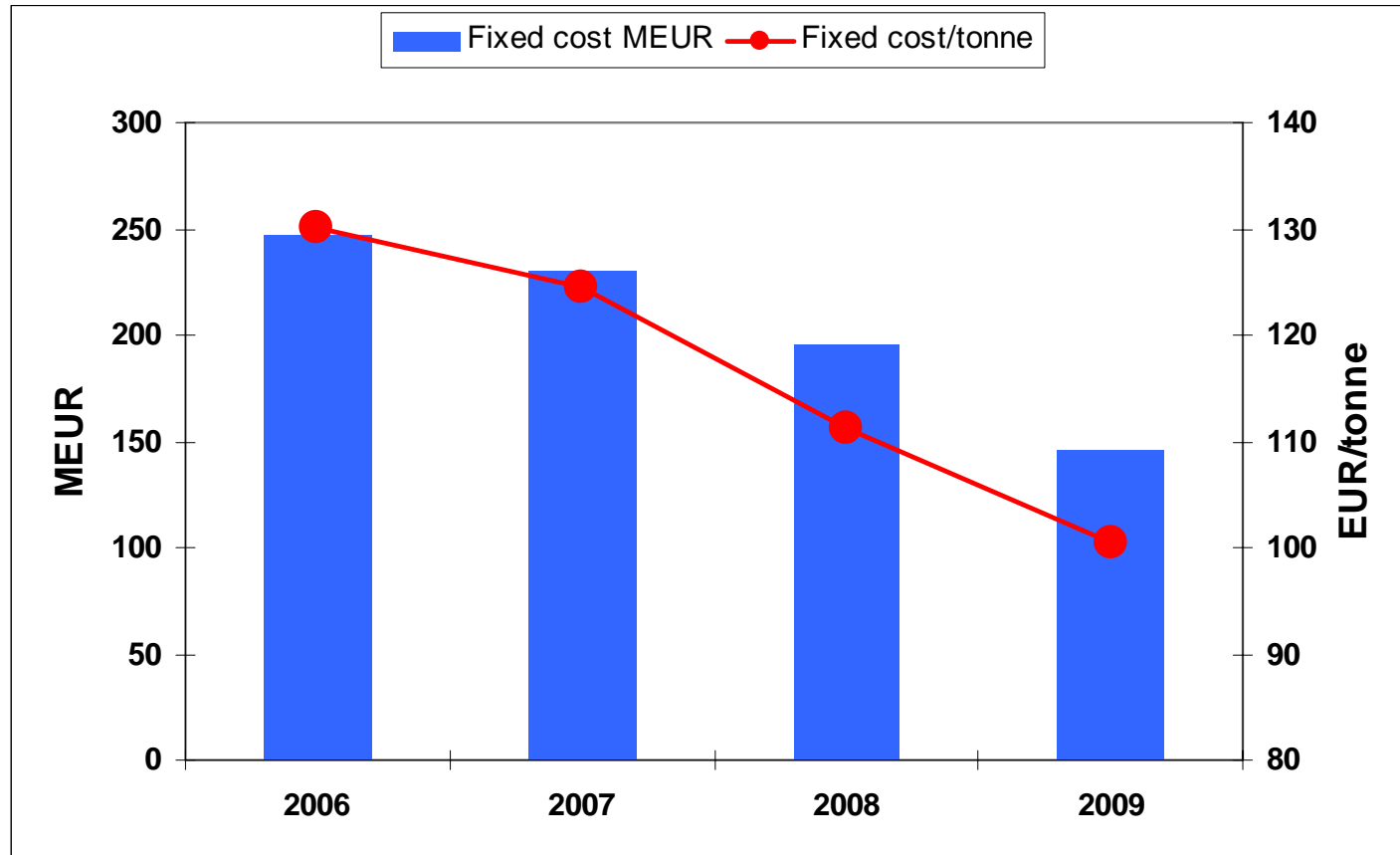
# Productivity Increased by 20%

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Capacity tonnes per heacount



# Fixed Costs Reduced by 100 MEUR



# Complexity Reduction

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- Reduction of cutsize SKUs by 1/3 during the last two years!
- Number of brands
- Number of stock keeping units
- Number of warehouses
- Standardization of service offers



The process continues

# Husum Turn-Around 2009-2010

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- Energy efficiency improvement investments 22 M€
- Completely new organization structure
- Additional headcount reduction by 20%



One of the most competitive mills in Europe!

# Alizay Mill – From Bulk Grade Producer to High Added Value Green Supplier

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- PM rebuild in 2006
- Increased cut size capacity in 2008
- Recycled papers introduced in 2009
- Transfer from c-grades to higher grades



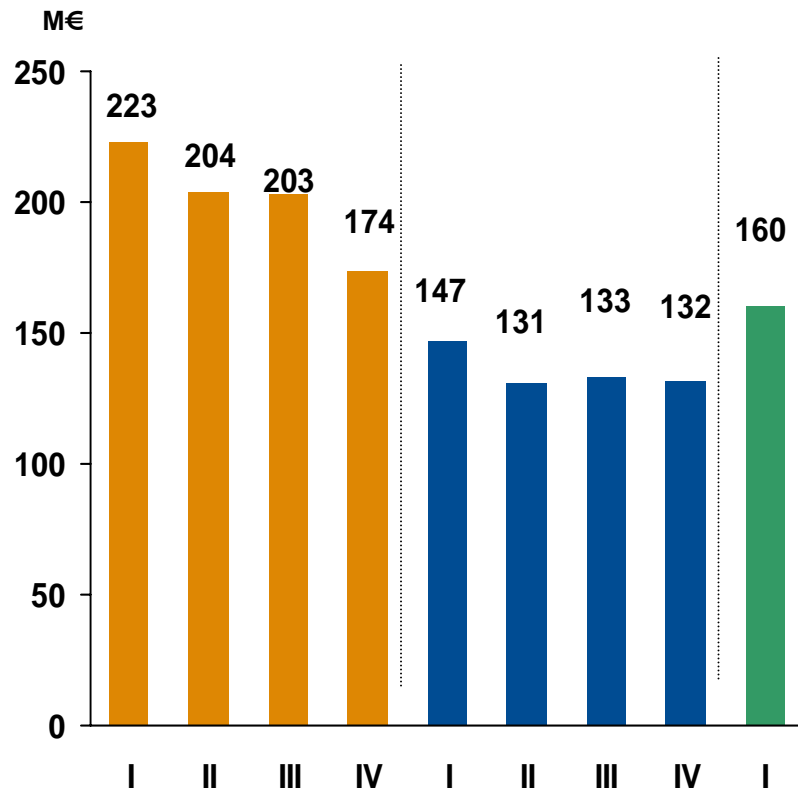
European Market Leader in Premium Recycled Office Paper Grades

Profitability

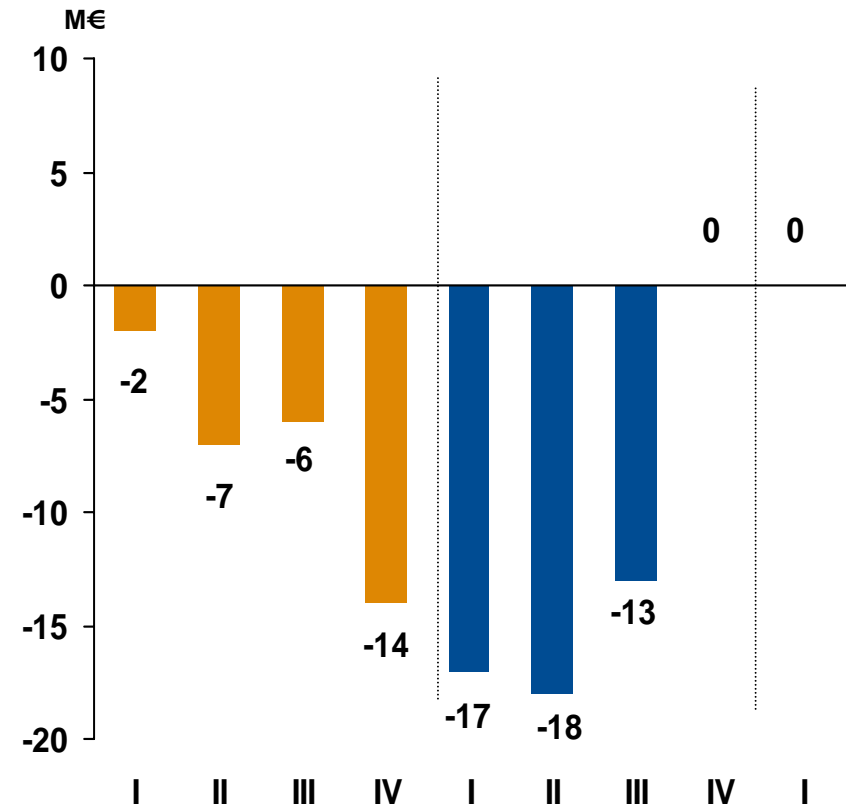


# Sales and Operating Result Development

Sales by Quarter



Operating Result by Quarter\*



\* excl. non-recurring items

■ 2008    ■ 2009    ■ 2010

# Further Profit Improvement Actions in the Pipeline

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- Paper price increases
- Planned closure of Alizay pulp mill in 2010
- 22 M€ turbine investment project in Husum
- Energy efficiency programs in Alizay
- Streamlining of Sales, Marketing and Supply Chain
- Introduction of SAVE!



# Current Focus Areas and Outlook

# Current Focus Areas

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- Implementation of price increases
- Alizay pulp mill closure
- Finalization of other internal profit improvement actions
- Successful implementation of Husum investments
- Successful launch of SAVE!
- Continue complexity reduction

M-real is focusing on value added instead of market share

# Demand Outlook

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- Demand has improved to about the same level as before the financial crisis
- Order books currently very strong
- Visibility to forecast demand development during latter half of 2010 limited, but no material changes in sight currently
- No radical demand change in Europe expected longer-term either. Normal economy related cycles cause fluctuations in deliveries

# 1.2 Million Tons of Production Capacity Has Disappeared 2007-2009

## Closures

<b>Major WFU closures since 2007</b>	<b>ktn</b>
IP Tait	250
Stora Enso Berghuizer	235
M-real New Thames	200
M-real Wifsta	170
Mondi Szolnok	140
Matussiere & Forest	130
PSM	110
Hermes	70
Favini Apeldoorn BV (Apeldoorn Mill)	65
Paperalia Echezarreta	60
Curtis Fine Papers Ltd. (Guardbridge Mill)	28
Stora Enso Imatra PM8	210
<b>Total</b>	<b>1,668</b>
<i>% of WFU Capacity</i>	<i>18%</i>

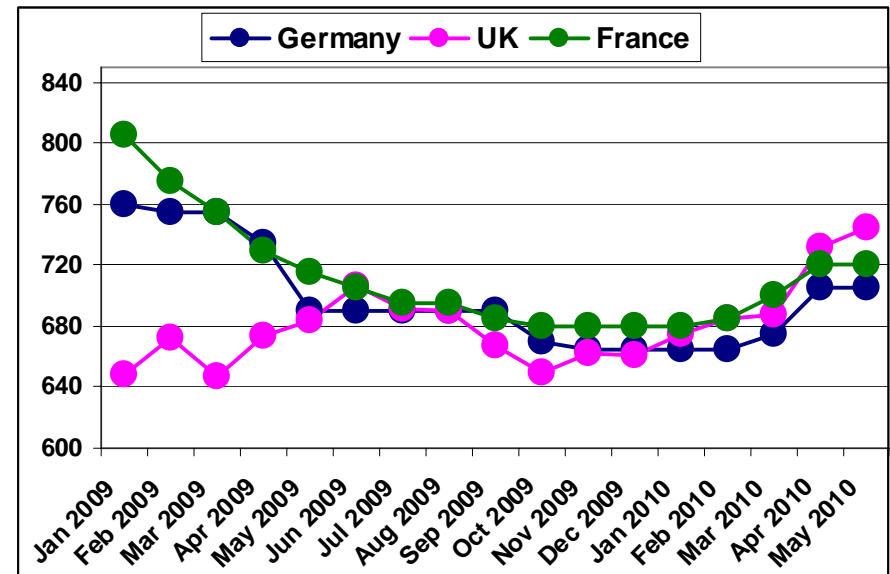
## Investments

<b>Major investments</b>	<b>ktn</b>
Portucel, Setubal	500

# M-real Has Taken the Leadership in Price Increases

- Price increases are currently going through
  - About 10% increase expected end June vs. end March
- Further price increases are needed in order to restore profitability

Price development (EUR) C-grade 80 gsm Europe\*



\*Source: RISI

# Profitability Outlook

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- Sales price increase starting to impact from 2Q 2010 onwards
- Shutdowns in Husum & Alizay will have an impact on 2Q 2010 profitability
- Impact of current profit improvement actions to become more visible from 3Q 2010 onwards
- Further improvement actions needed in
  - Alizay
  - Husum PM8

