Development Towards a Profitable Speciality Paper Business

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Our Business

M-real Speciality Papers in Brief

- Leading European speciality paper producer with strong focus on packaging applications
- Annual sales about 350 M€
- Personnel about 1 000 by end 2010
- Gohrsmühle mill
  - Two paper machines, in total 300 ktons/a
- Reflex mill
  - Paper park -concept, two paper machines, in total 20 ktons/a

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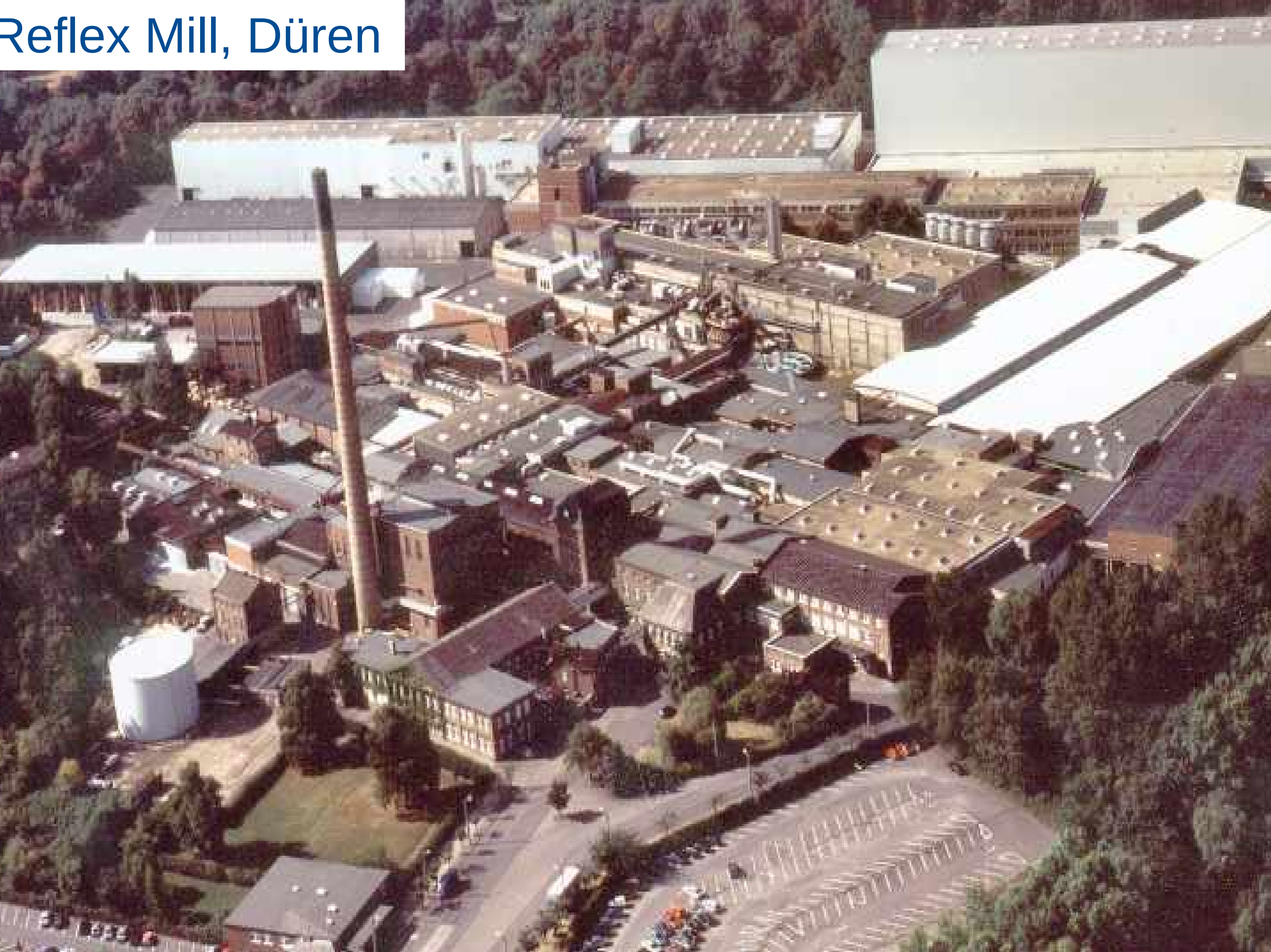
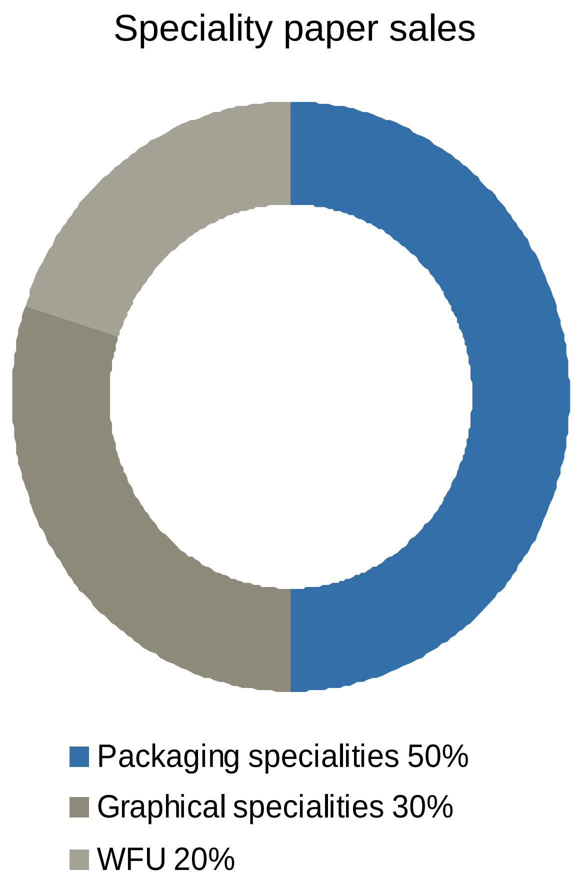
Gohrsmühle Mill, Bergisch Gladbach

Reflex Mill, Düren



M-real Speciality Paper Businesses

- Packaging specialities
  - Flexible packaging
  - Luxury packaging
  - Labels
- Graphical specialities
  - Premium fine papers
  - Carbonless papers
  - Digital imaging papers
- Uncoated fine papers



Packaging Related Speciality Papers

- Flexible packaging
  - Food

- Luxury packaging
  - Cigarettes, perfumes, food

- Labelling
  - Mainly bottles

Graphical Speciality Papers

- Premium fine papers
  - Corporate communications, advertising, text&cover
- Carbonless papers
  - Forms
- Digital Imaging
  - Inkjet, toner

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Uncoated Fine Papers

- Folio sheets
  - Commercial printing
- Reels
  - Catalogues, books and other publishing end uses

Speciality Papers Turnover Price Levels

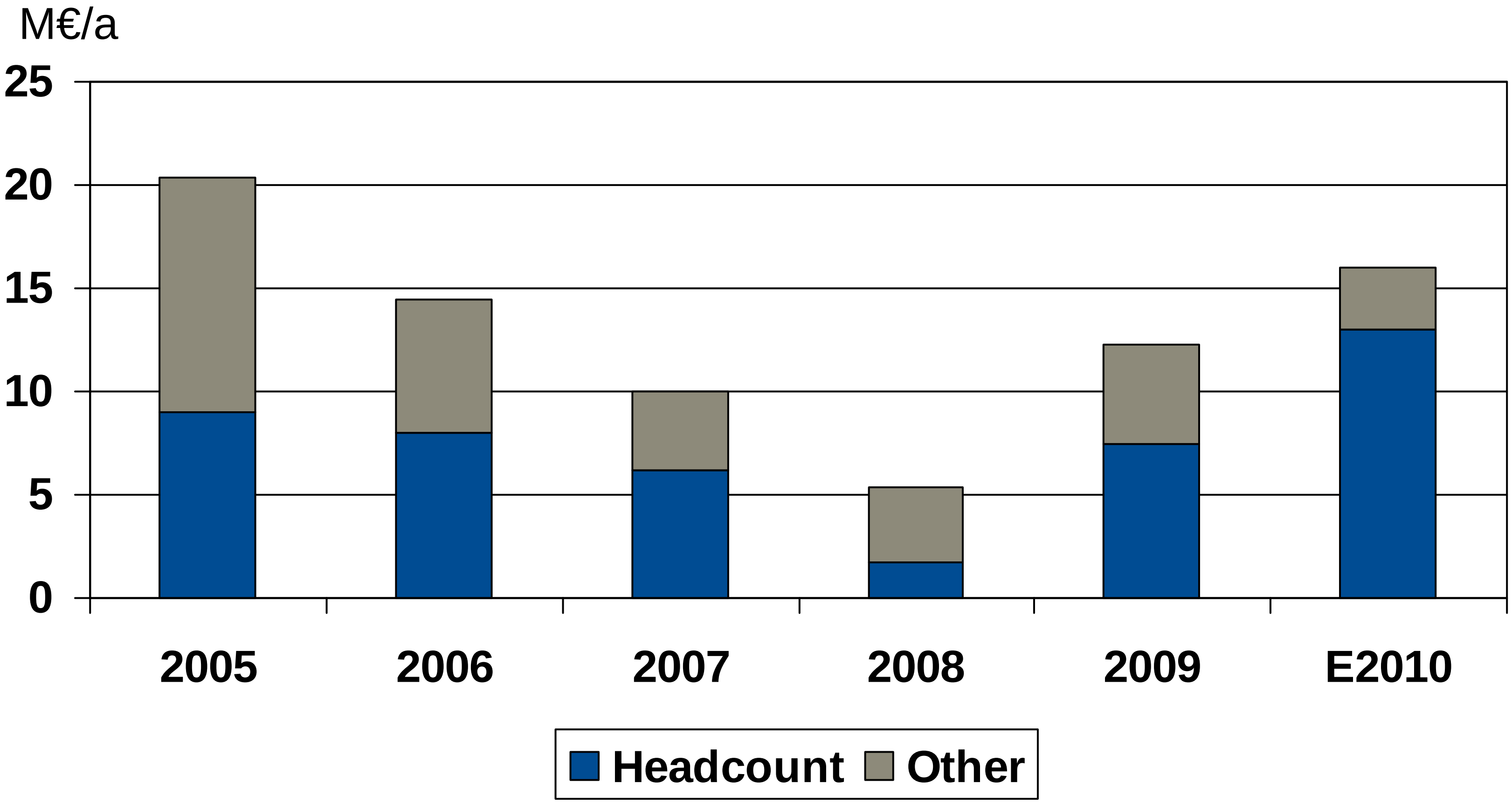
Packaging specialities	
Cast coated CHROMOLUX	~ 2.100 € / to
Coated one side	~ 1.000 € / to
Graphical specialities	
Premium Fine Papers	~ 2.600 € / to
Carbonless	~1.200 € / to
Digital	~ 1.600 € / to
Uncoated fine papers	~ 750 € / to

Re-Engineering

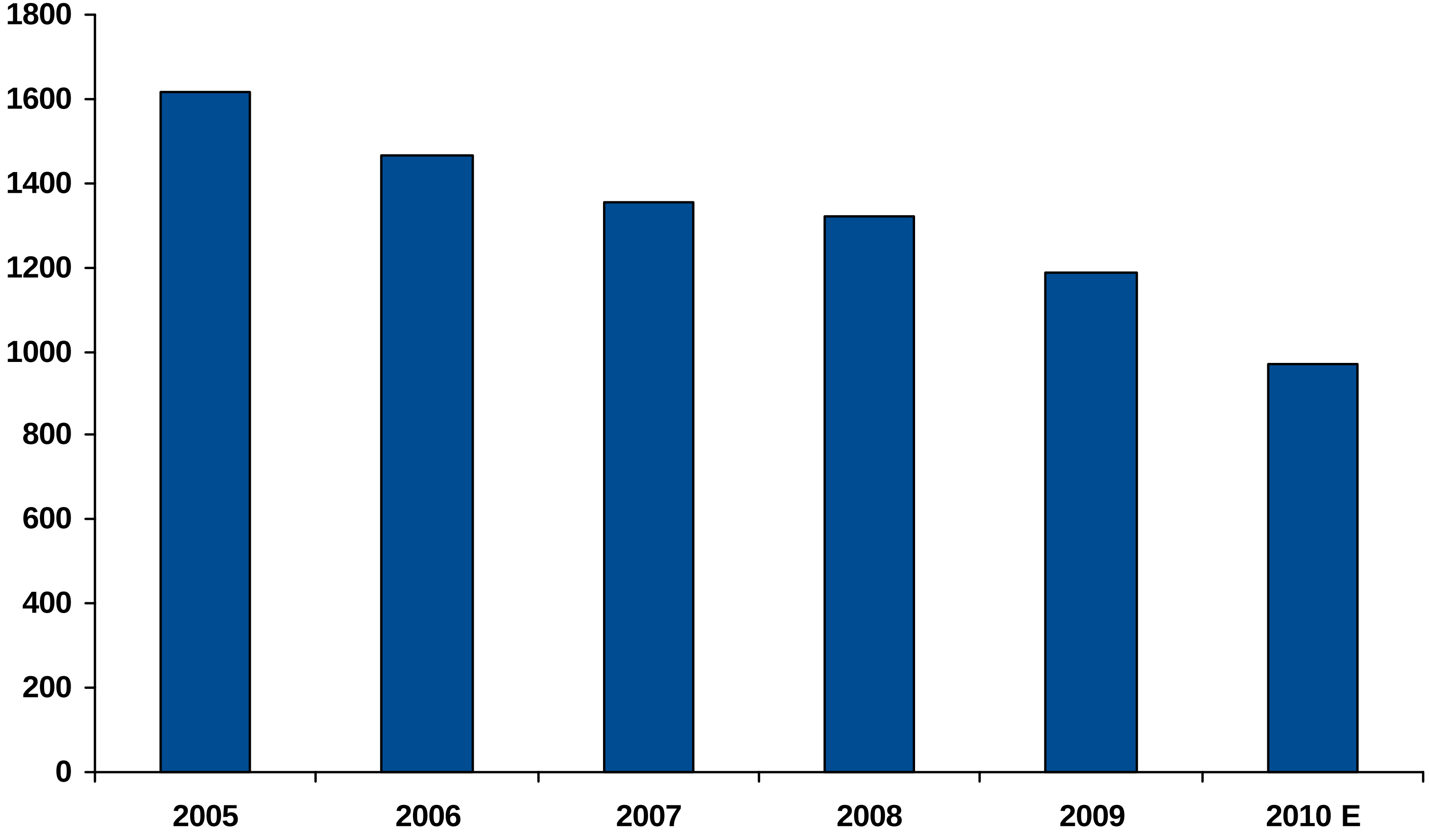
Re-Engineering Highlights 2007 - 2010

- In 2007 closure of PM 6 and PM 7 in Gohrsmühle
- Intensive product development for new products since 2008
- In 2009 the production of loss-making standard WFC in Gohrsmühle mill discontinued
- Hallein paper mill closure in April 2009
- Since summer 2009 launching WFU grades and one-side coated label and packaging papers
- In autumn 2009, merge of packaging and label paper sales organisations of Chromolux and Simpele
- Further restructuring plans announced in December 2009

Total Cost Savings 2005-2010 Worth About 80 m€



Personnel Reduced by 40 %

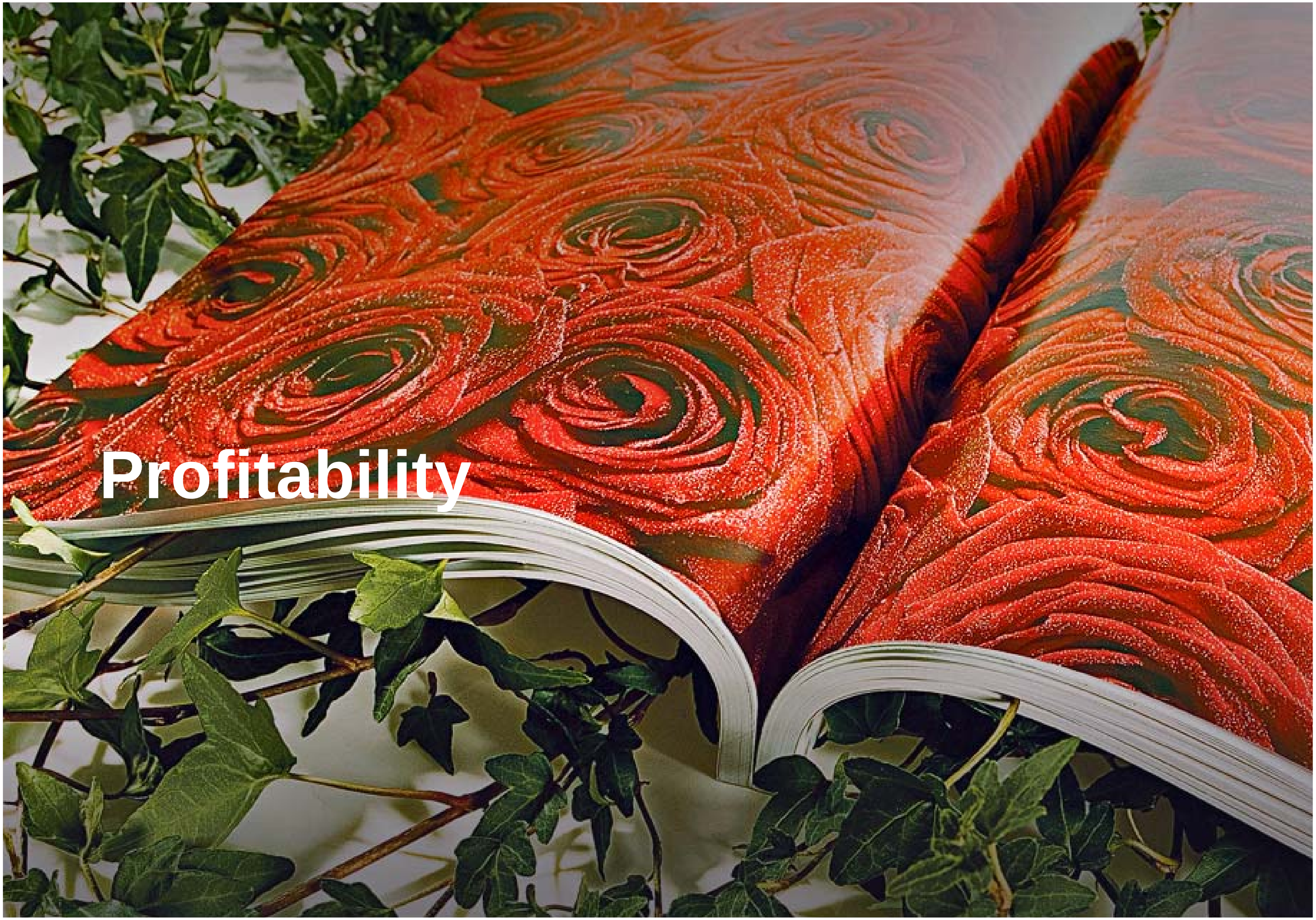


Strategy

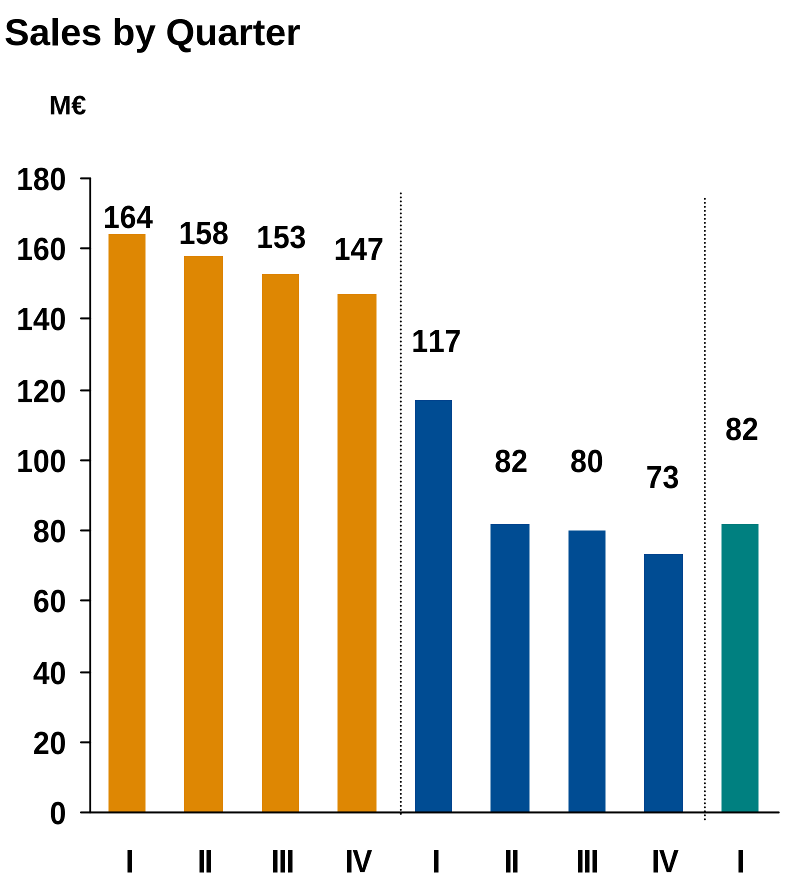
Strategic Cornerstones

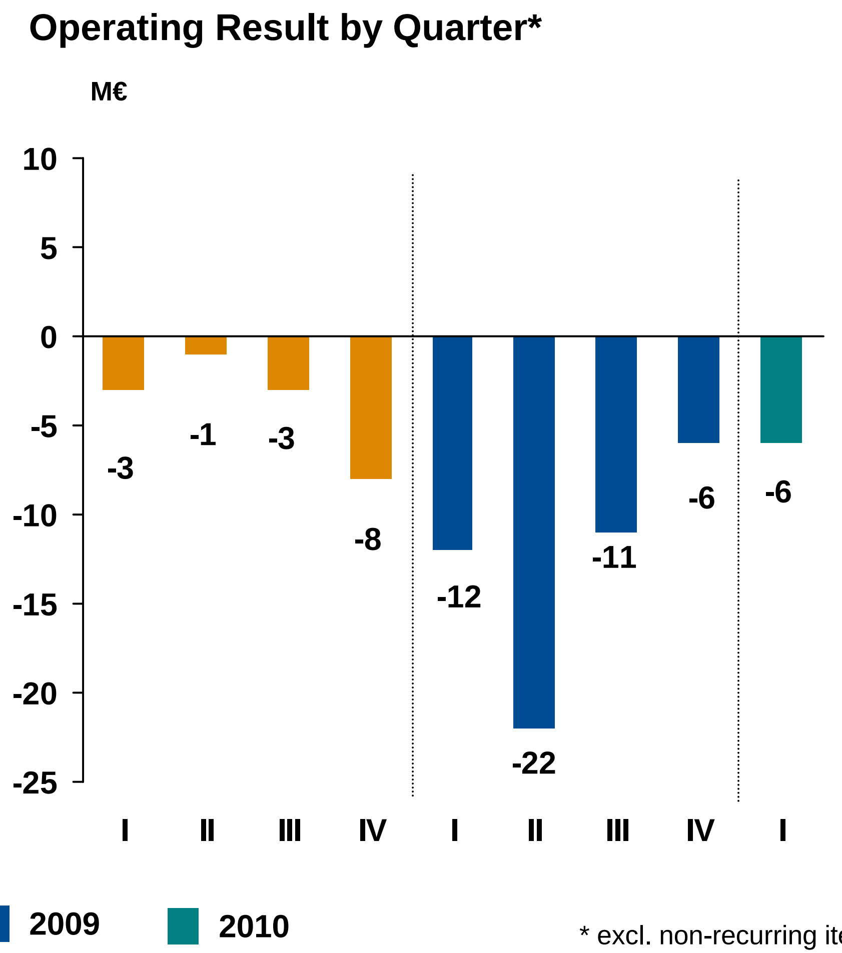
- Business to further focus on Gohrsmühle mill
- Gohrsmühle mill
  - Transformation from commodity grades to speciality grades
  - Further increase of coated packaging and labelling papers
  - Optimizing WFU business
  - Continuing simplifying processes
- Reflex mill – “The Paper Park concept”
  - Cooperation with other producers
  - Having several focussed operators at the mill site

Profitability



Sales and Operating Result





* excl. non-recurring items

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Current Focus Areas and Outlook

Current On-Going Restructuring Measures

- Personnel reduction of 220 jobs, cost reduction target 18 M€
- Capacity closure of 80 ktons in Reflex – total supply capability of M-real Zanders unchanged
- Moving white carbonless base papers from Reflex to Gohrsmühle PM3 – increasing the share of specialities in Gohrsmühle
- Streamlining the organisation

Focus Areas

- Gohrsmühle to further focus on packaging related speciality grades
- Profitability improvement measures of WFU business in Gohrsmühle
- Seeking potential partners in order to further develop Reflex paper park -concept
- Complete ongoing profit improvement measures by end 2010
- Implementation of price increases

Demand and Pricing Outlook

- Packaging related speciality papers
  - Demand growing
  - Demand drivers: economical packaging, sustainability, high end applications
  - Prices increasing from 50 to 100 €/ton

- Graphical speciality papers
  - In most grades demand gradually declining
  - Demand drivers: high end applications, photo printing
  - Prices increasing from up to 80 €/ton

- Uncoated fine papers
  - Demand currently strong
  - Demand drivers: economic situation and employment
  - Prices increasing about 100 €/ton, more in the pipeline

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Improving Profitability Trend

- Demand is gradually picking up – we approach pre-financial crisis level
- Price increases and weaker euro
- Old fashioned non-profitable speciality paper capacity is being closed in Europe
- Recent internal efficiency measures starting to improve profitability from 3Q 2010
- Pulp prices normalizing
- Reflex paper park concept proceeding


Thank You!