

# M-real

## Results 2010



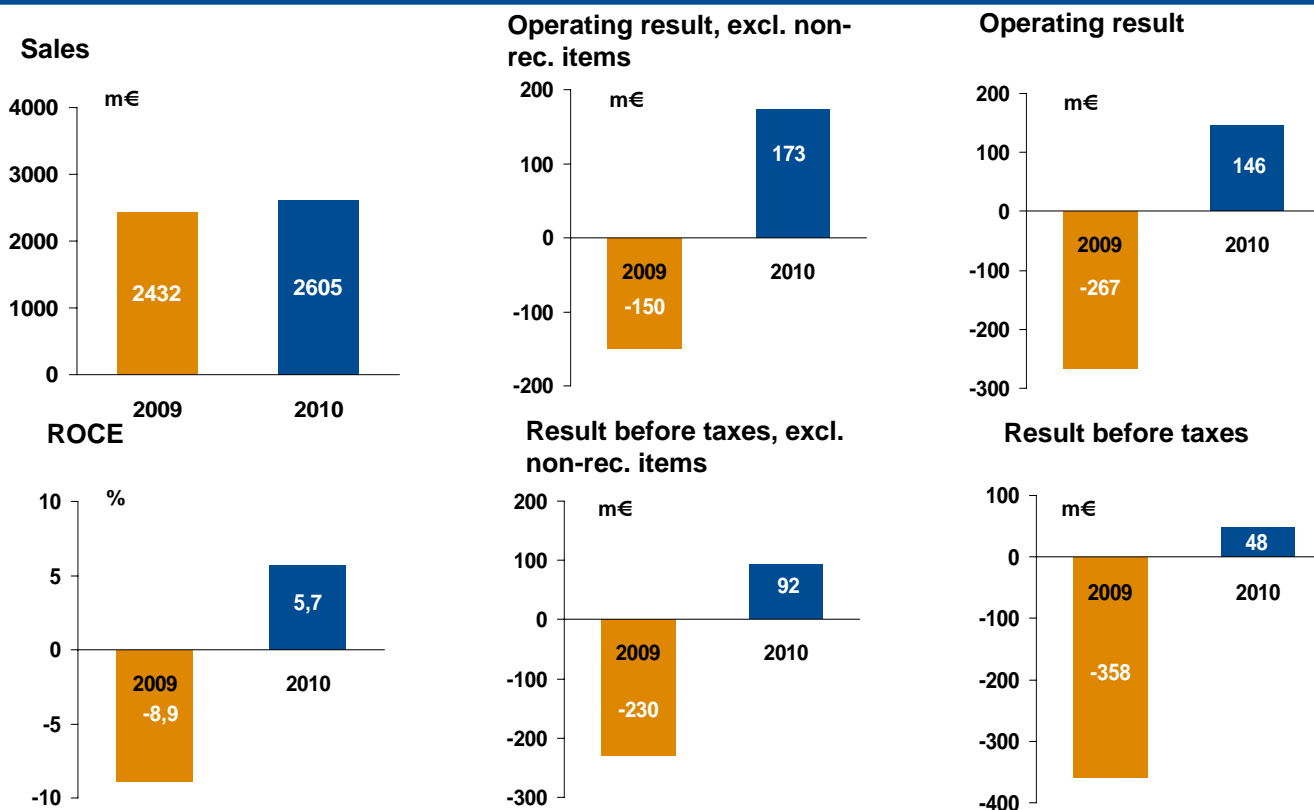
# Key Events in 2010

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- Significant profitability turnaround
- Strong demand in all main grades
  - Production and delivery records at all board mills
- M-real increased prices of all main products
- Successful internal profit improvement actions
  - Closures of Alizay pulp mill and Simpele speciality paper machine
- Partial divestment of Reflex mill
- M-real decided to increase cartonboard capacity

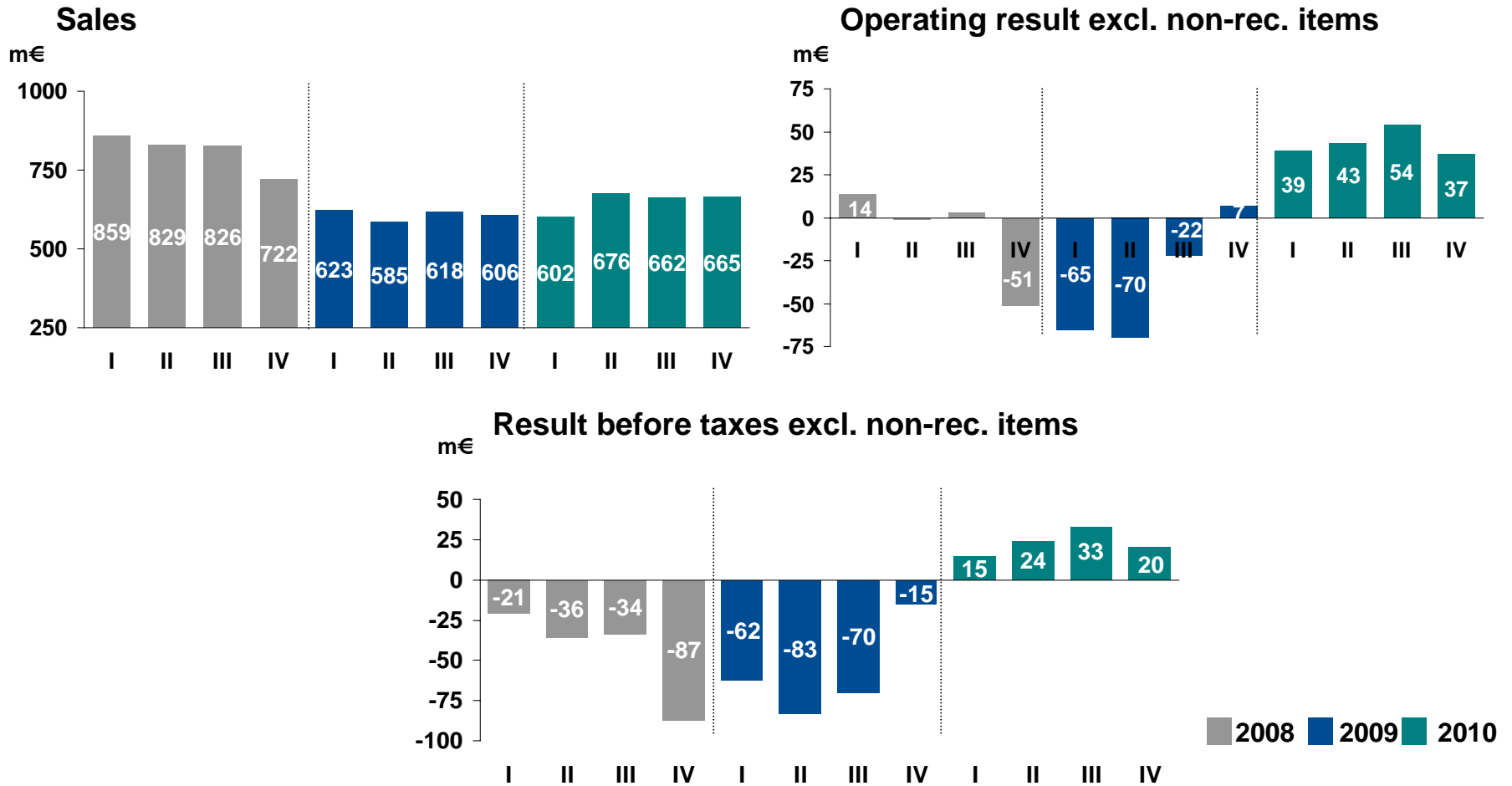


# Key Figures – Annual Comparison



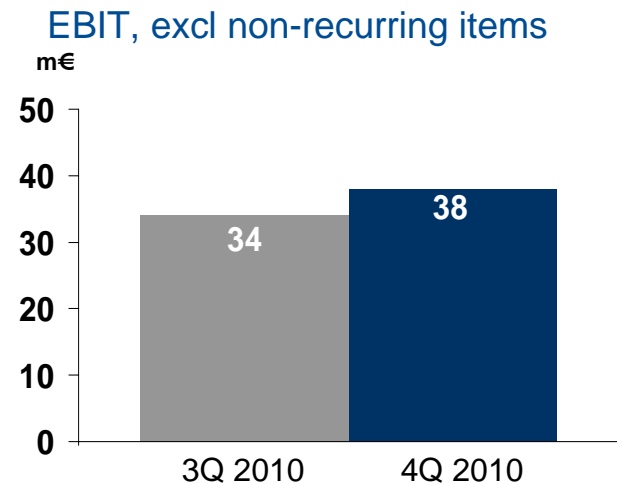
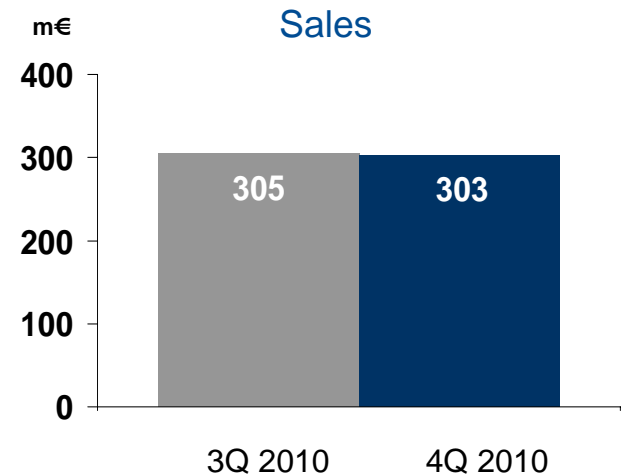
**Board of Directors is proposing to the AGM that dividend will not be paid for the financial year 2010**

# Key Figures – Quarterly



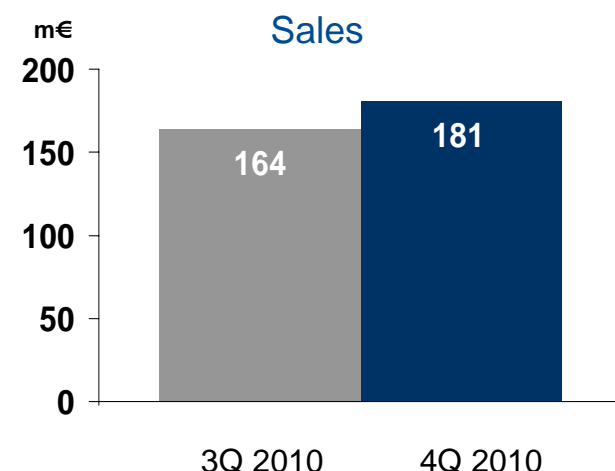
# Strong Performance of Consumer Packaging Continues

- Profitability improved from 3Q by implemented price increases
- Weakened USD vs. euro has negative result impact
- Demand continues strong
- Higher average prices improve results from 1Q 2011
- M-real is growing the Consumer Packaging business
  - Production capacity to be increased in Simpele, Äänekoski and Kyröskoski

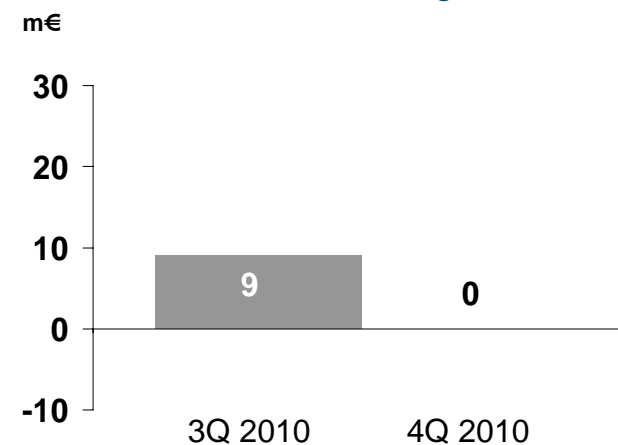


# Office Papers Has Announced a New Price Increase

- Result was weakened from 3Q by higher wood costs, weaker sales mix resulting in lower average paper price as well as unfavourable currency rates
- Demand expected to continue stable
- M-real has announced an uncoated fine paper price increase of 6-8 % effective of 14 March
- New measures planned to eliminate Alizay's losses

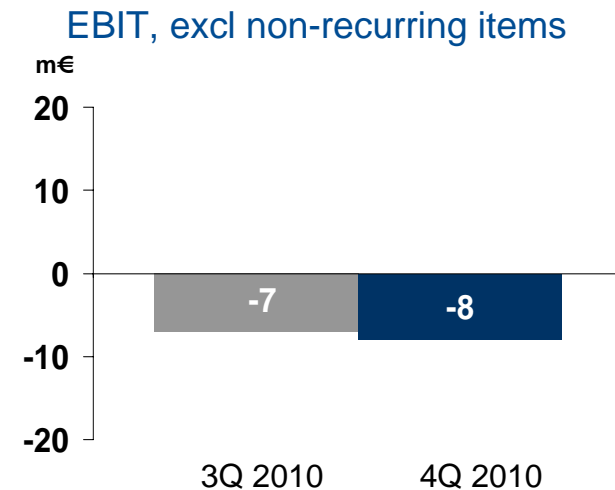
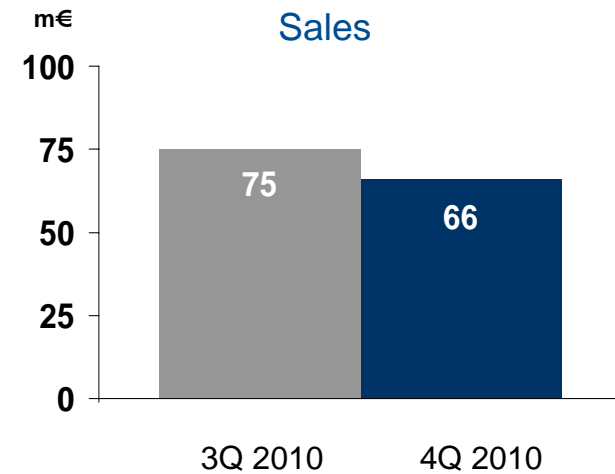


EBIT, excl non-recurring items



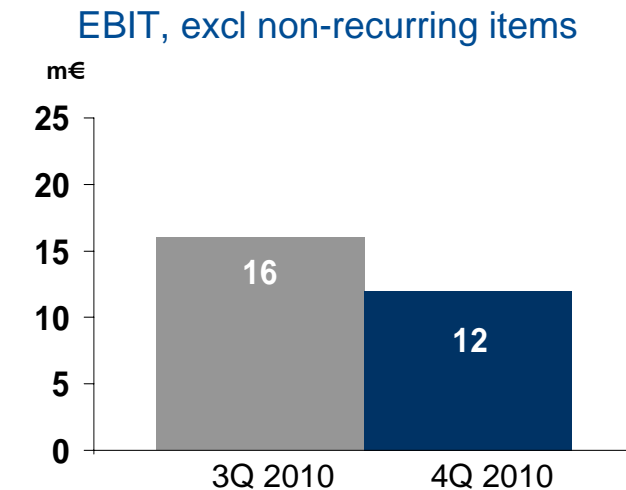
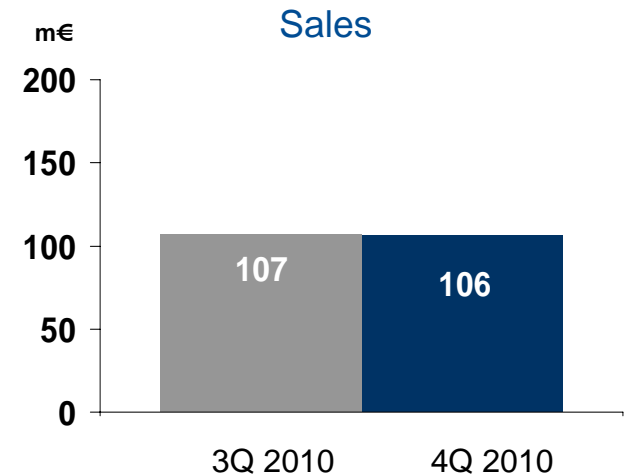
# Share of Coated Speciality Grades Increasing in Speciality Papers

- Result was weakened from 3Q by seasonally lower delivery volumes and higher production costs
- Result was improved by higher paper prices
- Demand expected to remain stable. No material near-term changes in price level in sight
- Share of coated speciality grades increased in Gohrsmühle
  - Actions to find more volumes continue
- Intensive actions ongoing to eliminate losses coming from Speciality Papers



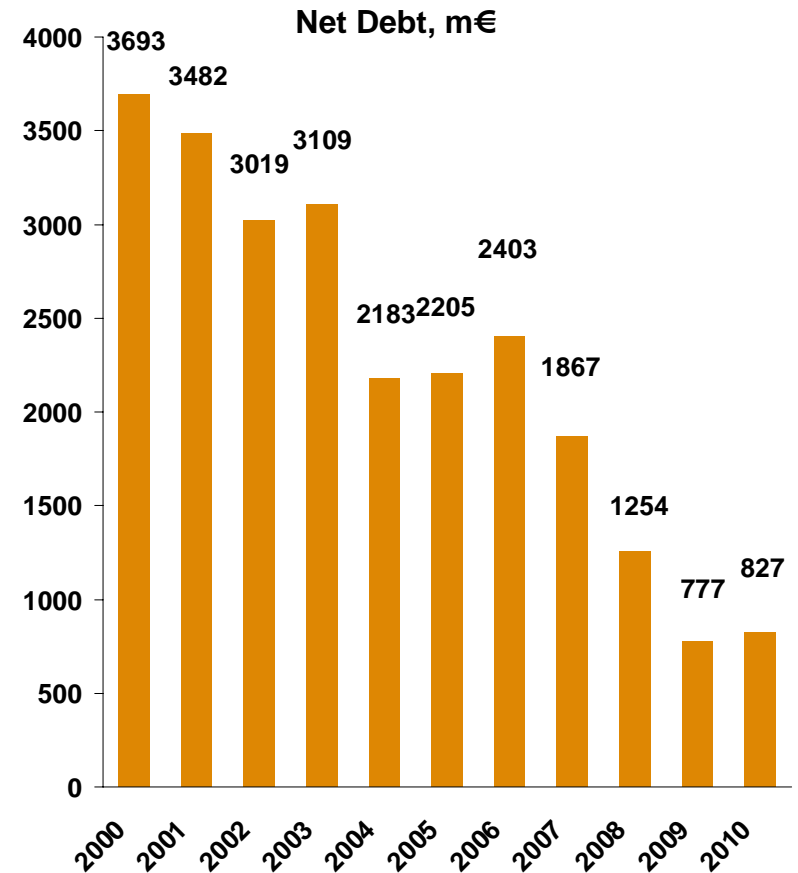
# Lower Pulp Price Weakened Market Pulp and Energy's Profitability

- Profitability weakened from 3Q by lower pulp price partly as a result of stronger euro and higher wood costs in Sweden
- Pulp demand expected to continue strong
- No material pulp price changes in sight
  - 1Q 2011 average price slightly lower than in 4Q 2010
- Wood cost inflation a challenge in Sweden and Austria



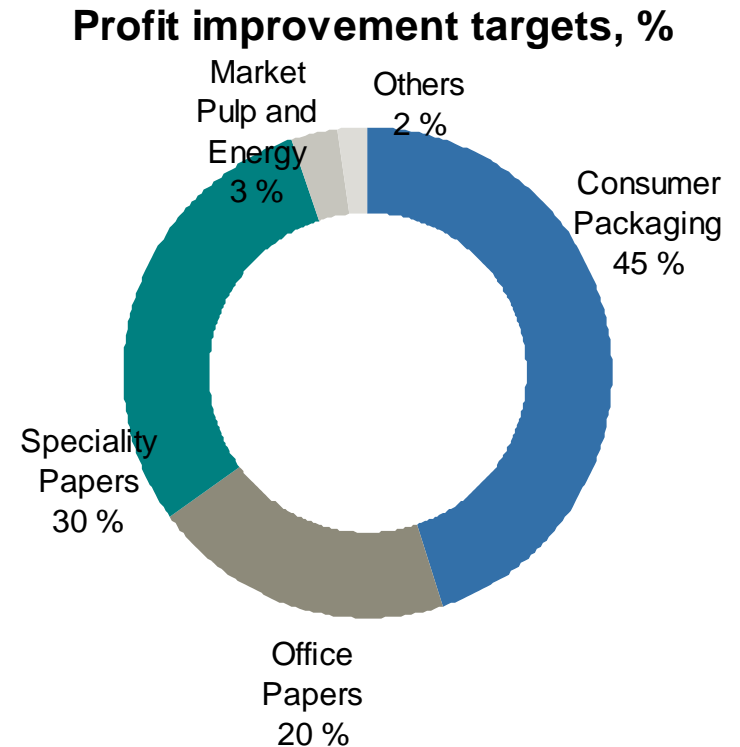
# Strong Financing Situation Continues

- Current net debt 827 m€ and net gearing 83 %
- ONWC level was unchanged in 4Q but increased in excess of 100 m€ in 2010
  - ONWC turnover days stable in 2010
- Liquid funds 408 m€ at end 2010
- Average interest rate 5.1% at end 2010



# New 70 m€ Profit Improvement Programme Started

- Includes all business areas and support functions
- Main focus is on improving paper business profitability
- Profit impact of Simpele and Kemi investments included
- Additionally, big profit improvement potential especially from variable cost savings in coming years



# 2011 Result Expected to Be Boosted by 90 m€ vs. 2010 Due to Internal Actions

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Profit impact vs. 2010, m€	total target	Cumulative	
		2011	2012
1 Profit improvement programme 2011	70	30	70
2 Rollover impact of 2010 profit improvement programme	40	40	40
3 Rollover impact of older programmes	20	20	20
<b>Total</b>	<b>130</b>	<b>90</b>	<b>130</b>

M-real expects to mostly cover the accelerated cost inflation in 2011 by the profit impact of own actions

# Demand Growth for M-real's Ecological and Safe Virgin Fibre Board in Food Packaging Faster than Expected

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- Simple 80 kt/a capacity increase not enough to satisfy the customers' growing demand
  - Transfer from recycled fibre board to virgin grades larger than estimated
- M-real plans to invests 30 m€ to expand capacity at Äänekoski and Kyröskoski
  - Increase would in total be 70 kt/a, completed 4Q 2011-2Q 2012
- M-real has still potential to further increase the cartonboard capacity at the existing mills



# M-real Board Proposes to the AGM a Transfer of Share Premium Reserve to Distributable Profits

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- Share premium reserves in parent company were accumulated during last decades from share issues with subscription value exceeding the nominal value of the share
- Law changed in 2006 allowing the transfer of the share premium reserve subject to AGM decision and that creditors refrain objecting
  - Many Finnish companies have completed similar transfers in recent years
- If proposal is approved it will positively impact on the capability of the parent company to distribute dividends in the future



# Management Focus Areas in 2011

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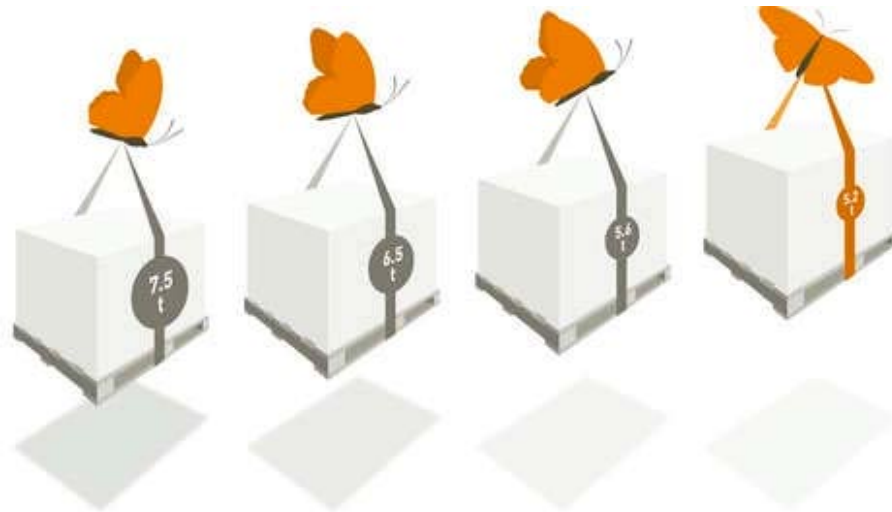
- Utilise all opportunities for new price increases
- Completion of cartonboard capacity expansion investments
- Implementation of the new 70 m€ profit improvement programme
- Potential divestments of non-profitable assets
- Renewed systematic approach to save variable costs in all businesses
- Identify new ways to continue the paper business strategic review



# Profitability Outlook

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In the first quarter of 2011 M-real's operating result, excluding non-recurring items, is expected to improve from the fourth quarter of 2010



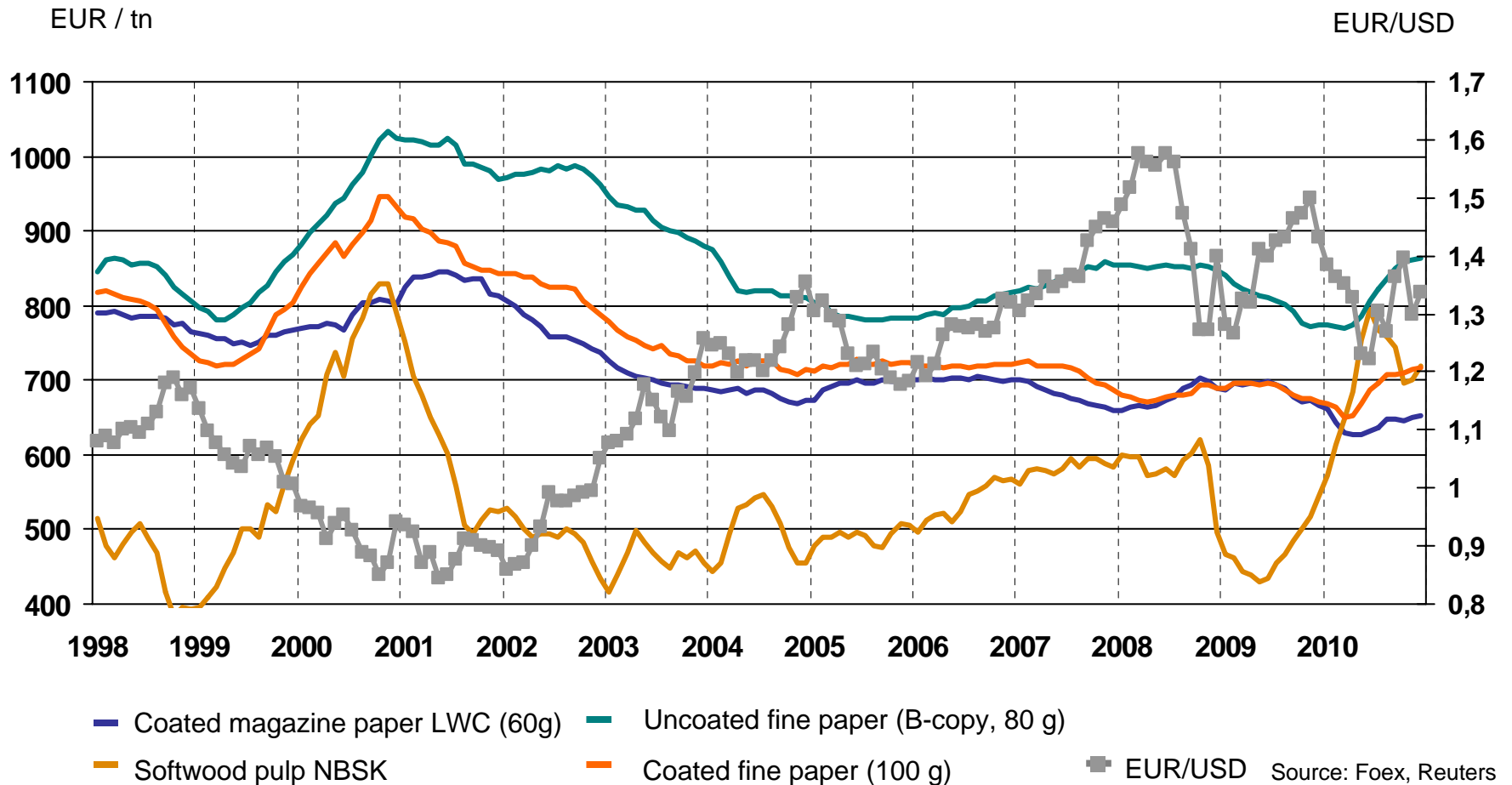
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# Appendix

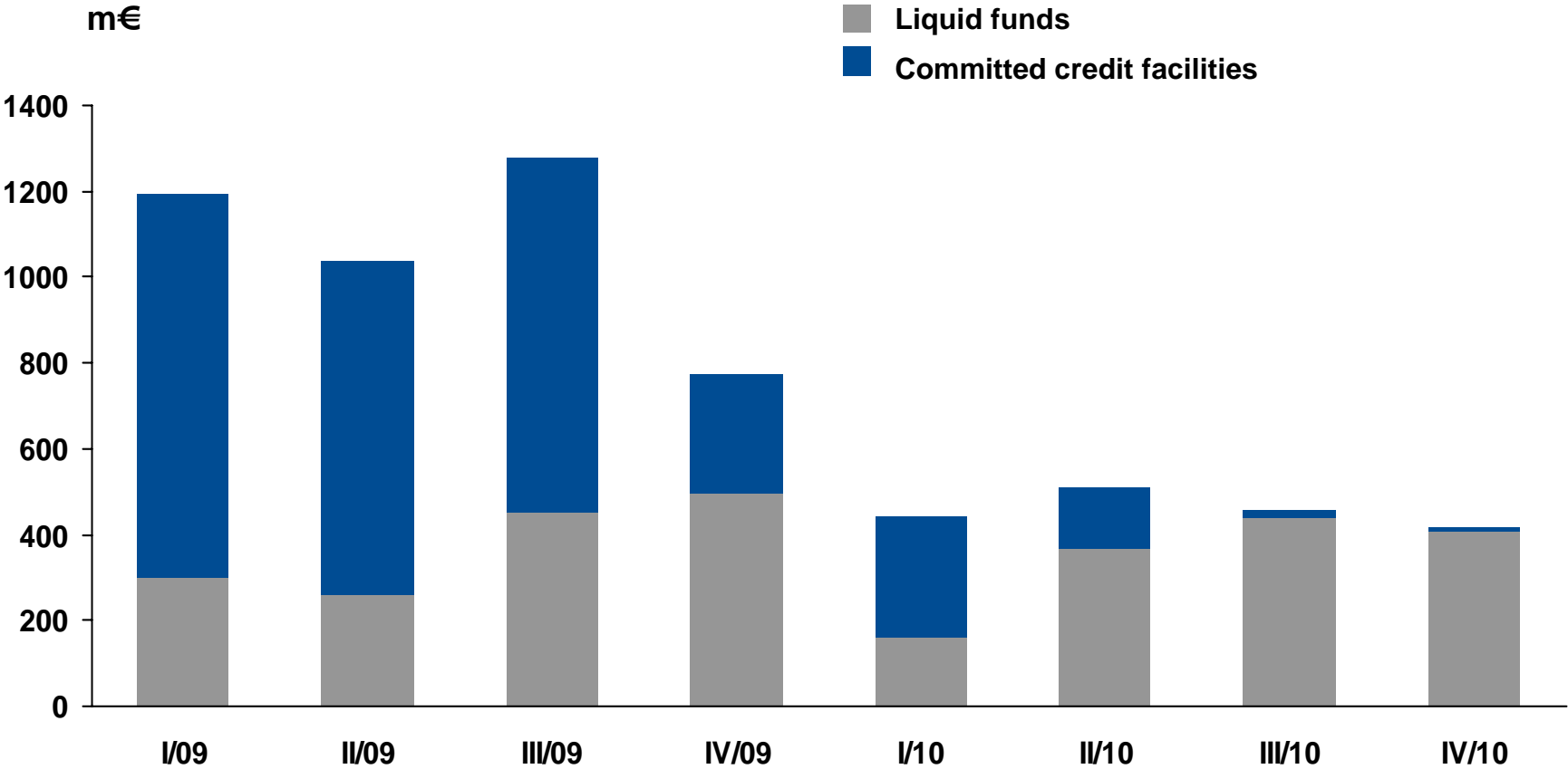
# Folding Boxboard Market Price in Europe 2004 – 2010



# Paper and Pulp Market Price in Europe 1998 – 2010

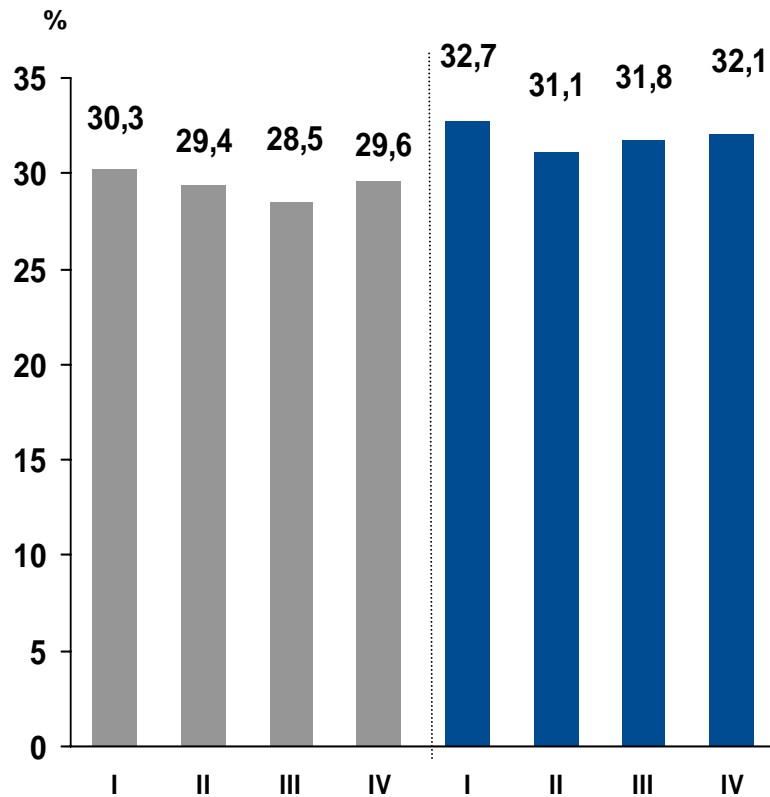


# Liquidity

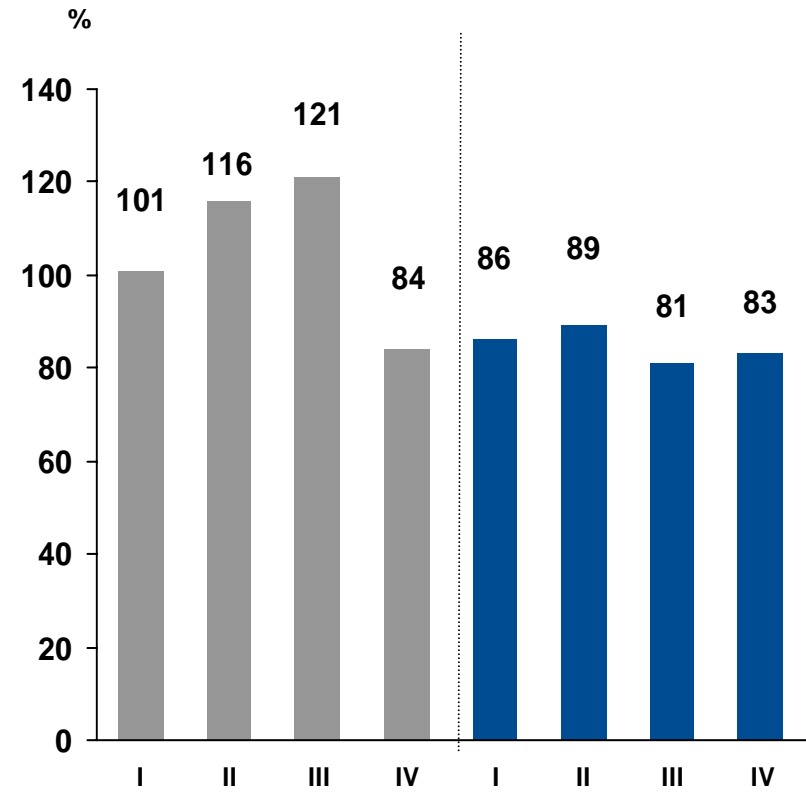


# Balance Sheet Ratios

## Equity Ratio

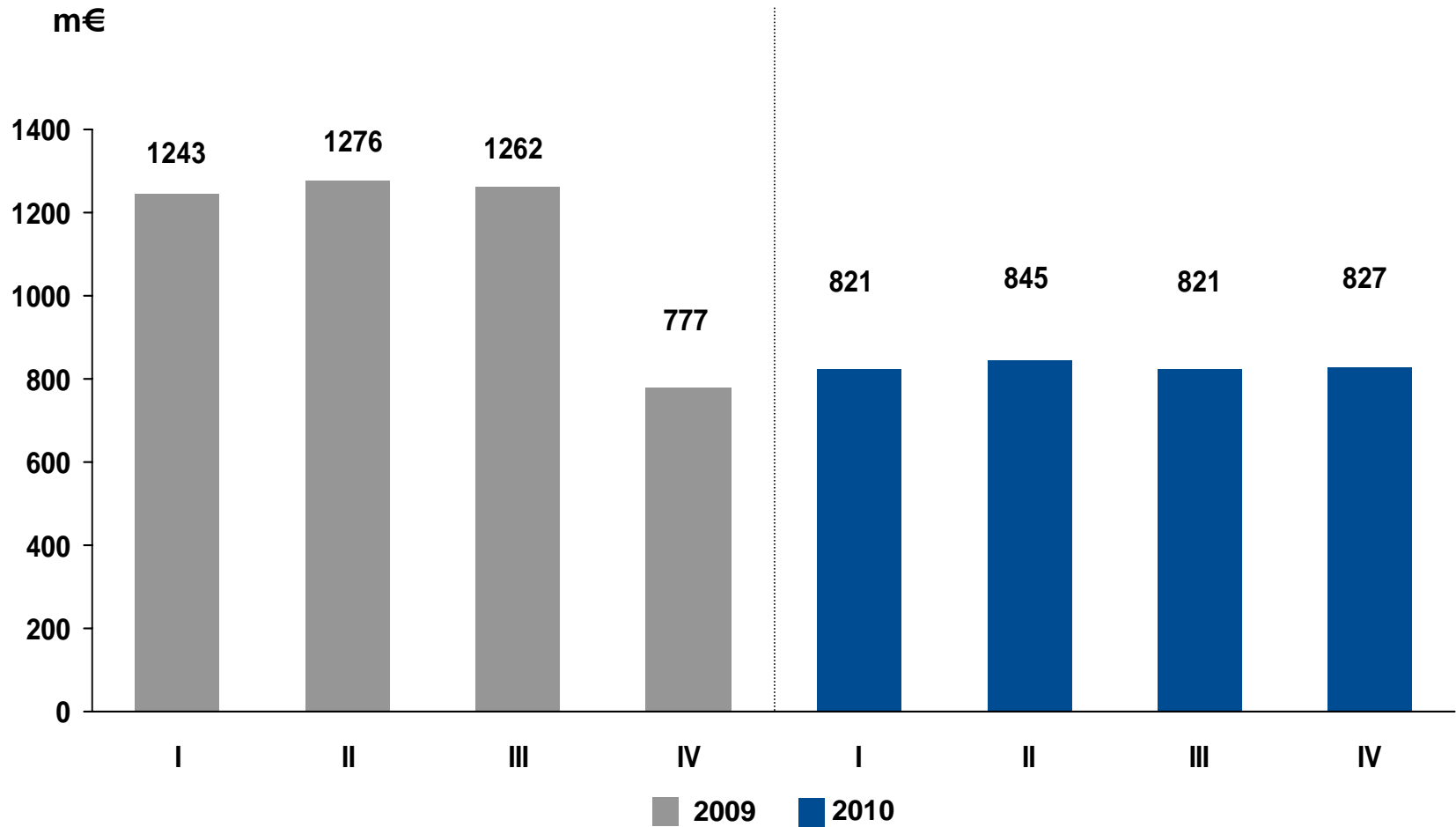


## Net gearing

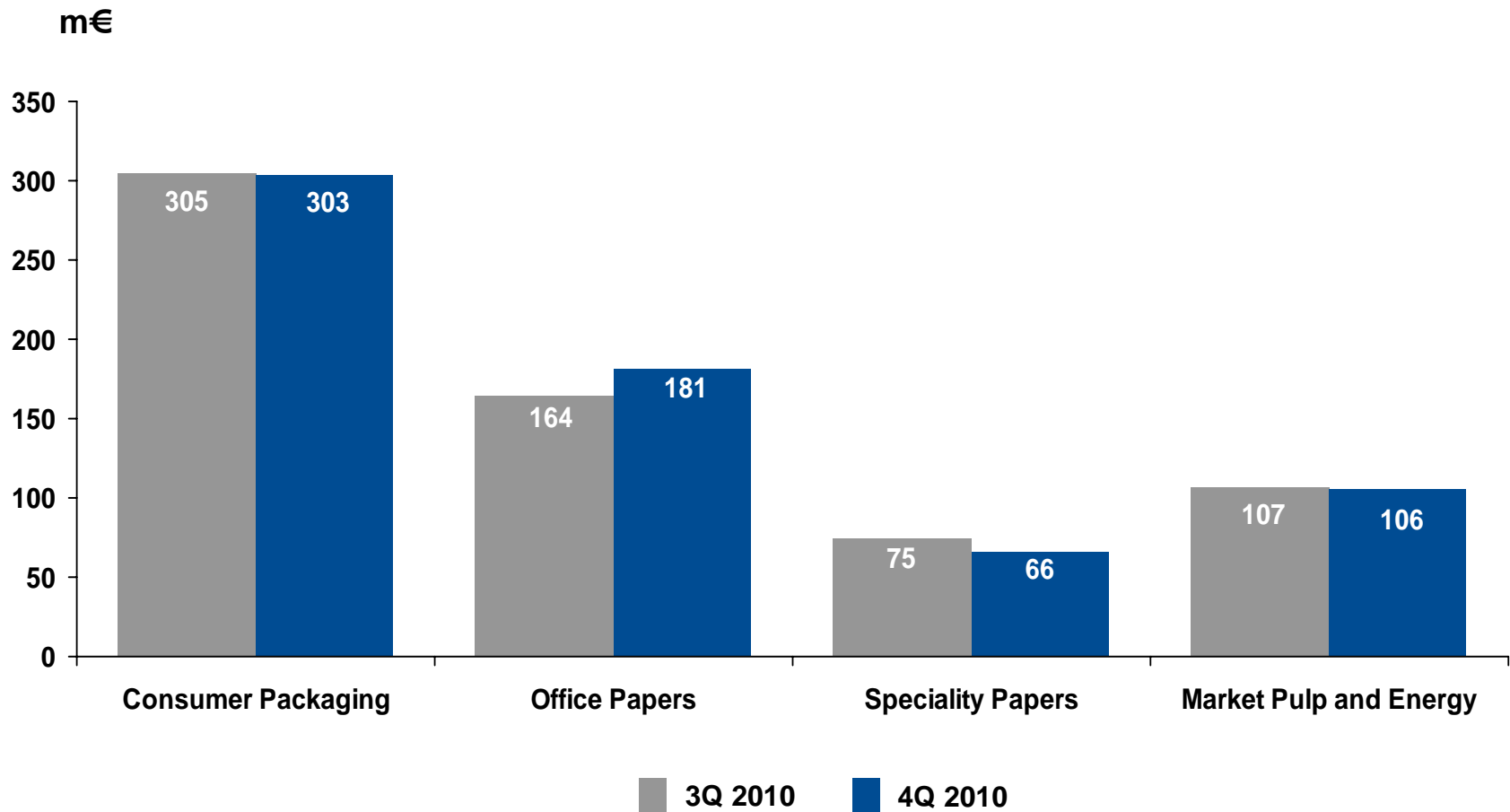


■ 2009 ■ 2010

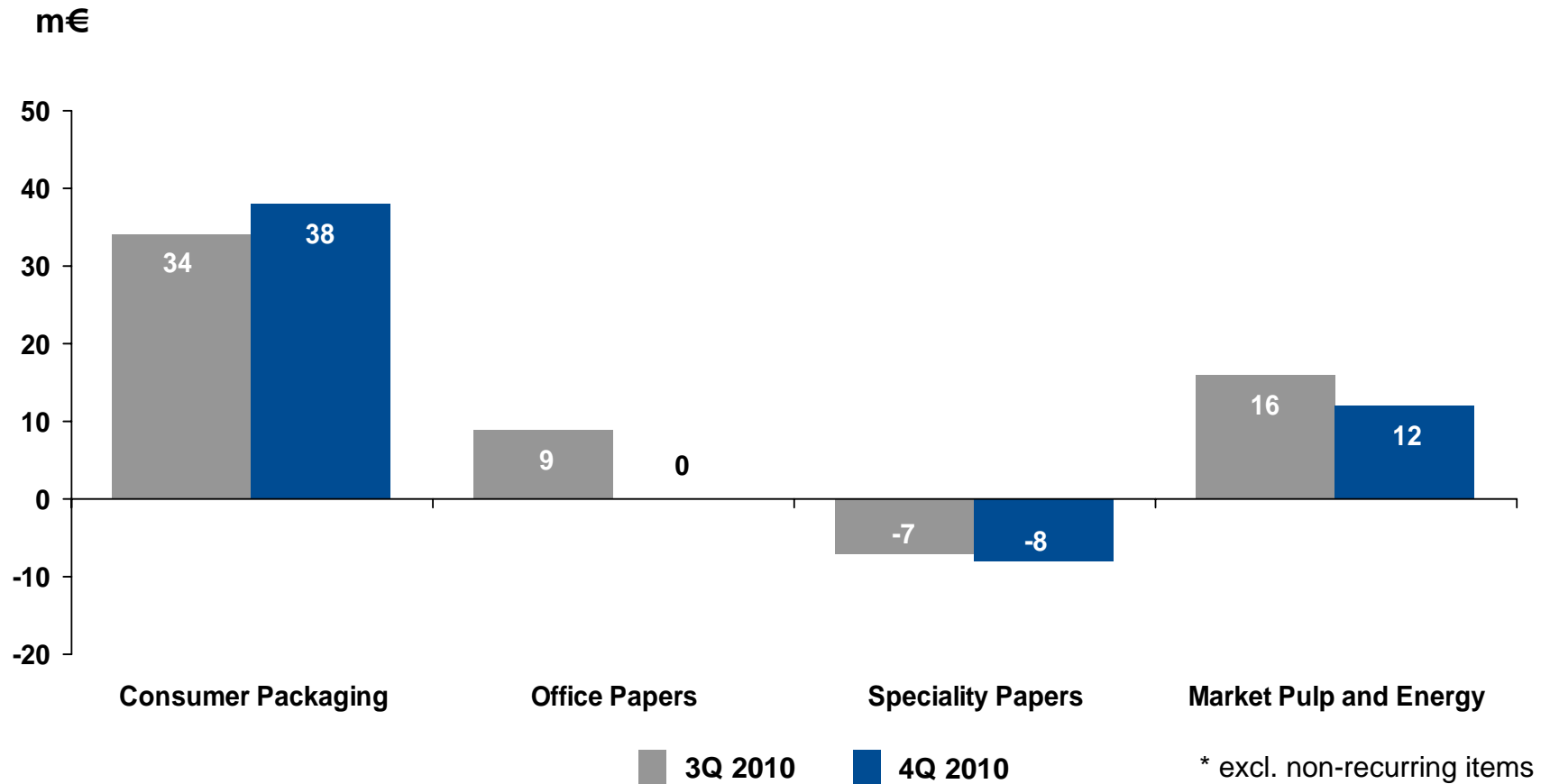
# Interest-Bearing Net Debt



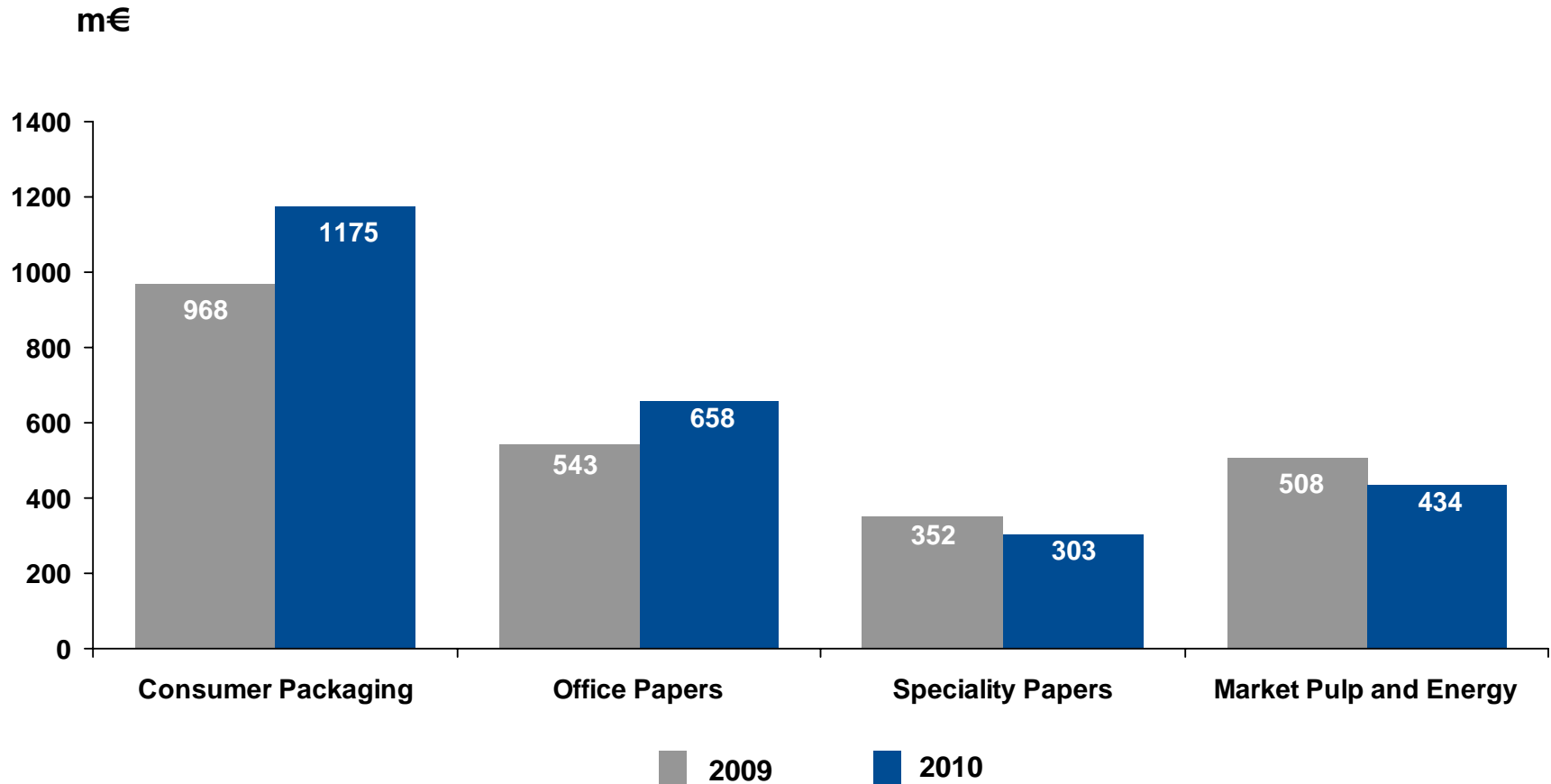
# Sales by Business Area



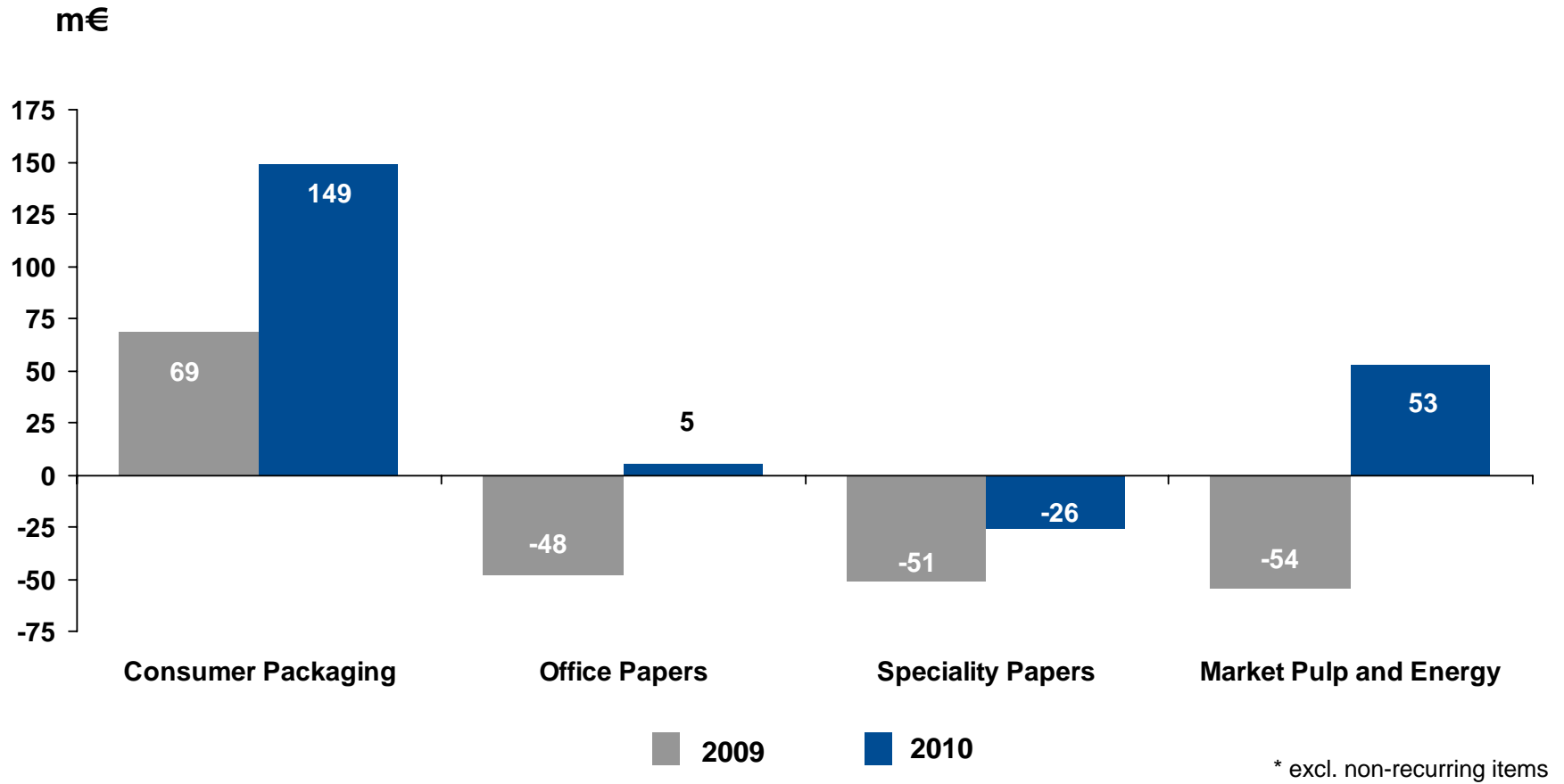
# Operating Result by Business Area\*



# Sales by Business Area

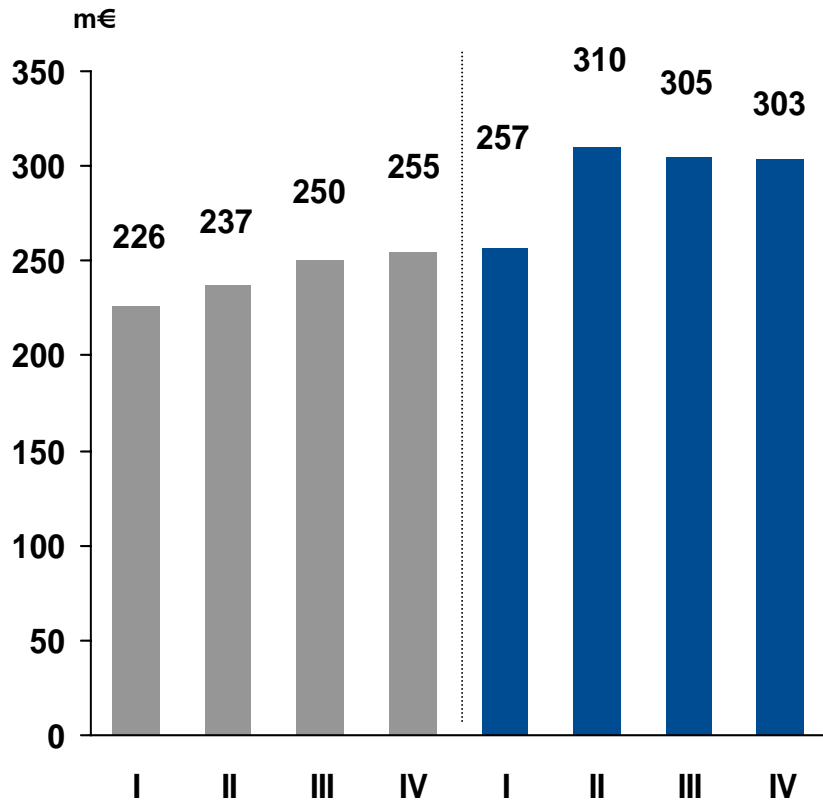


# Operating Result by Business Area\*



# Consumer Packaging

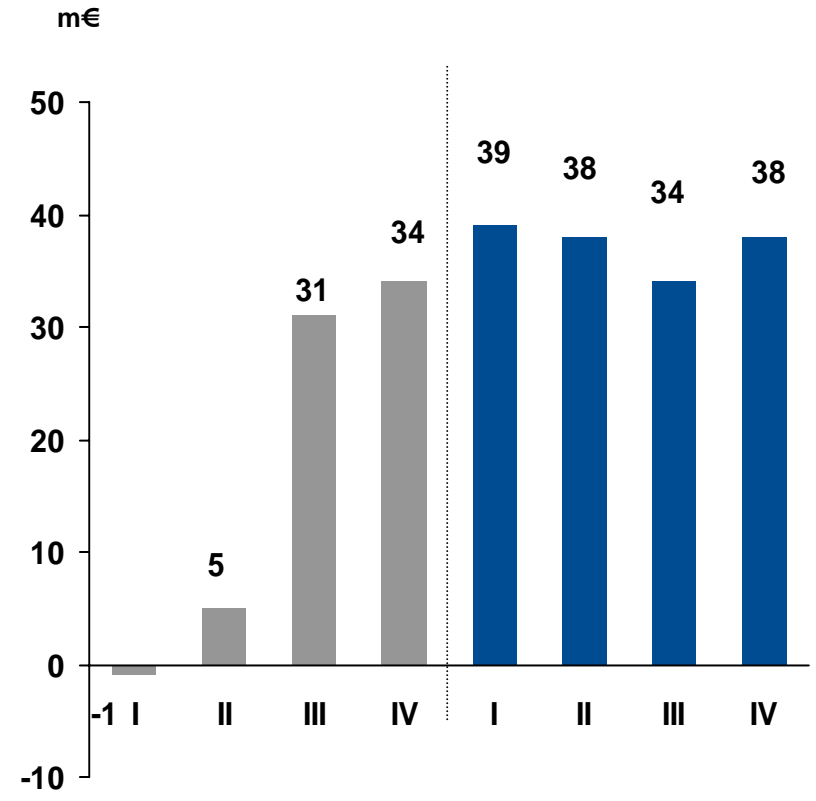
## Sales by Quarter



■ 2009

■ 2010

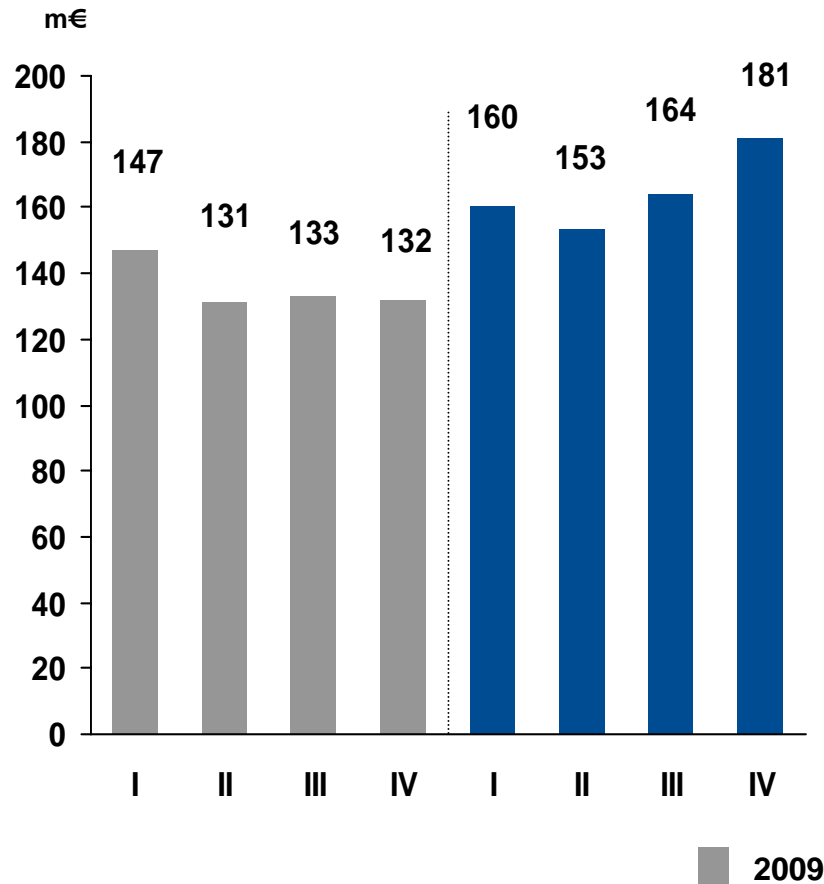
## Operating Result by Quarter\*



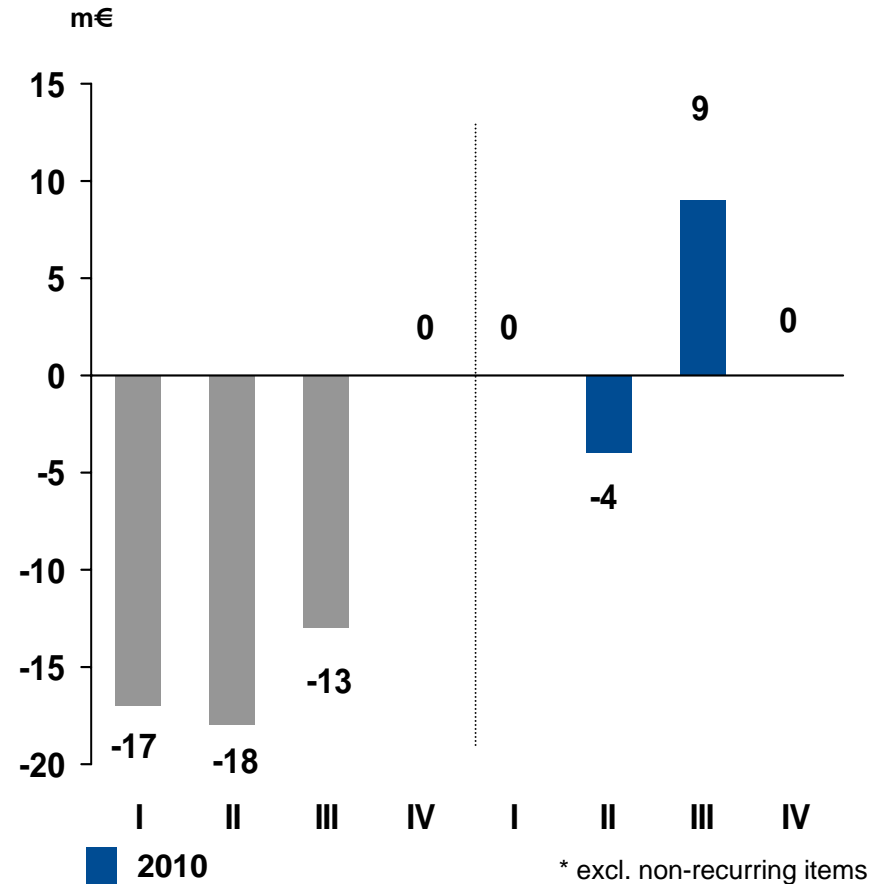
\* excl. non-recurring items

# Office Papers

## Sales by Quarter



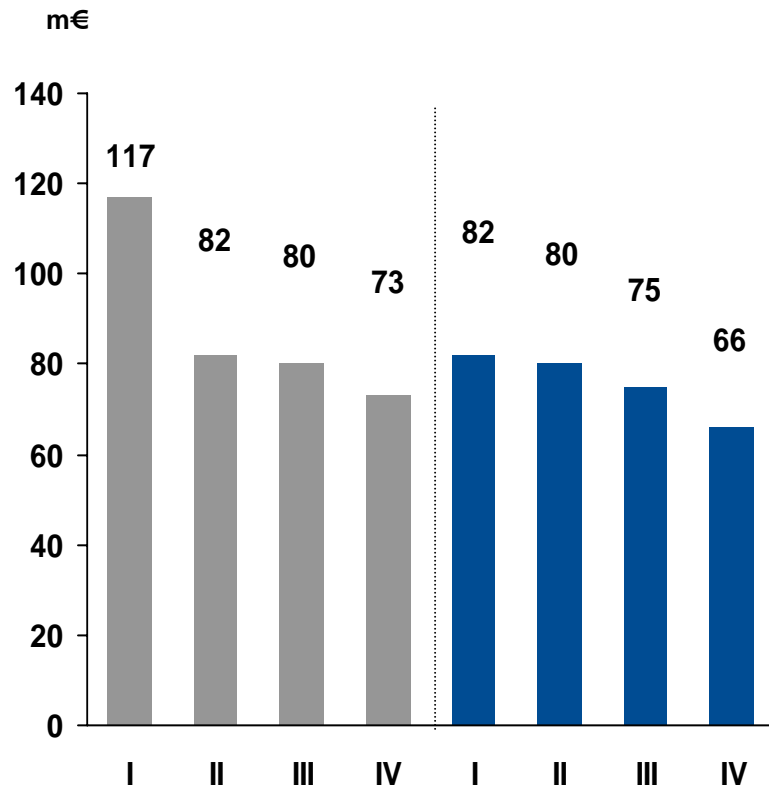
## Operating Result by Quarter\*



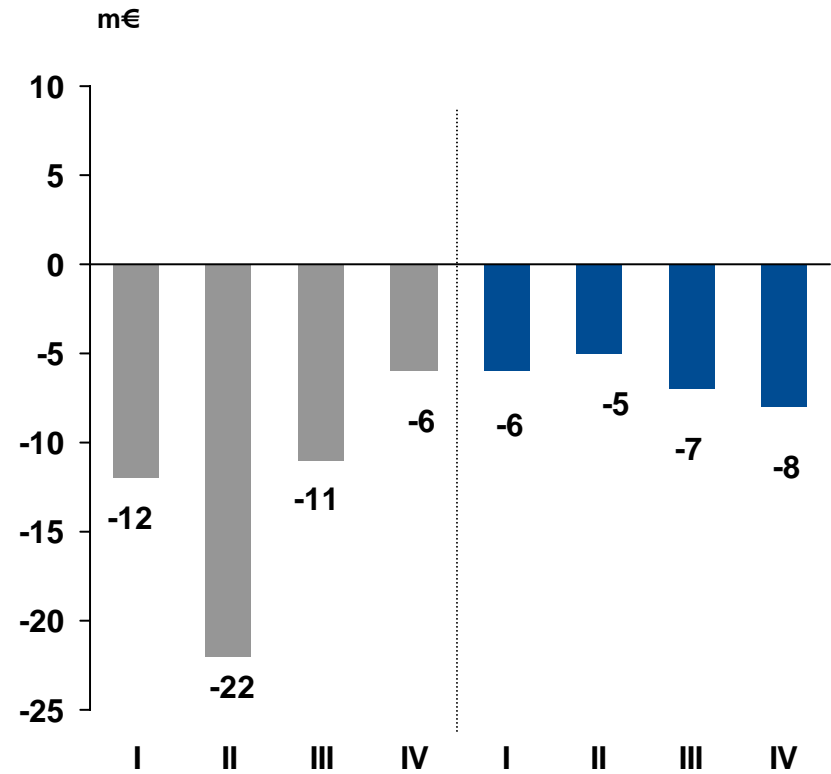
\* excl. non-recurring items

# Speciality Papers

## Sales by Quarter



## Operating Result by Quarter\*



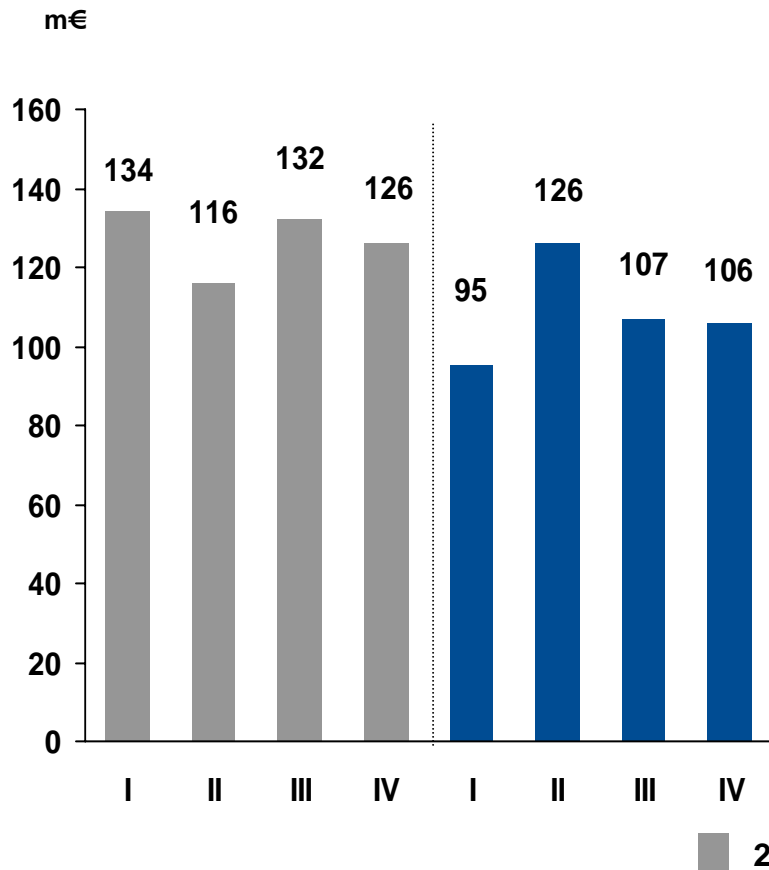
■ 2009

■ 2010

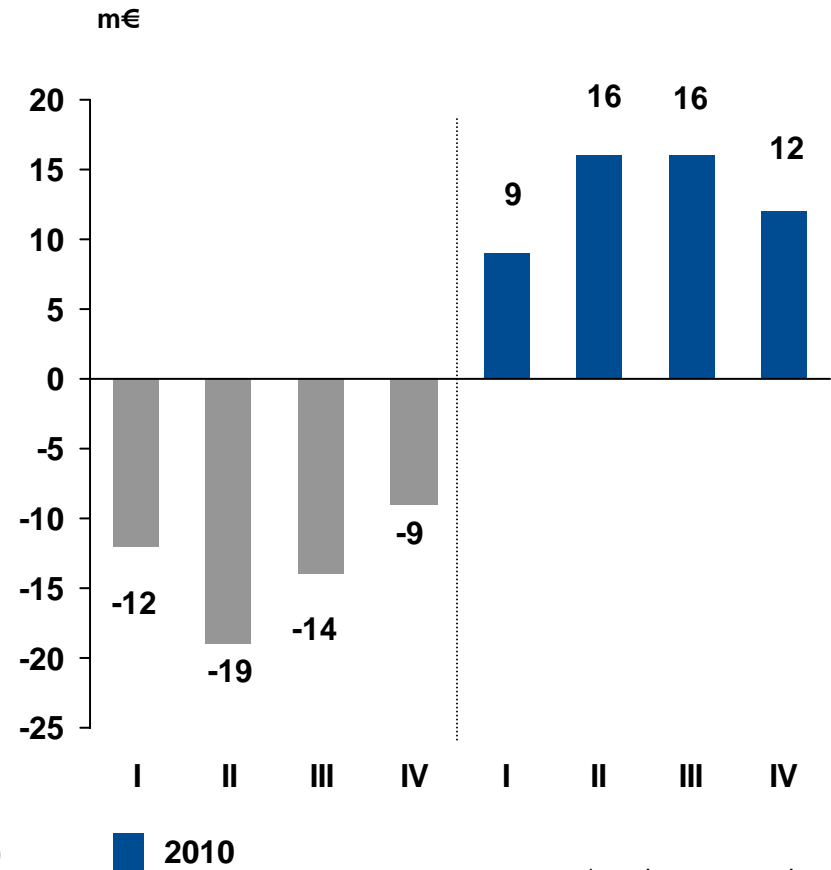
\* excl. non-recurring items

# Market Pulp and Energy

## Sales by Quarter

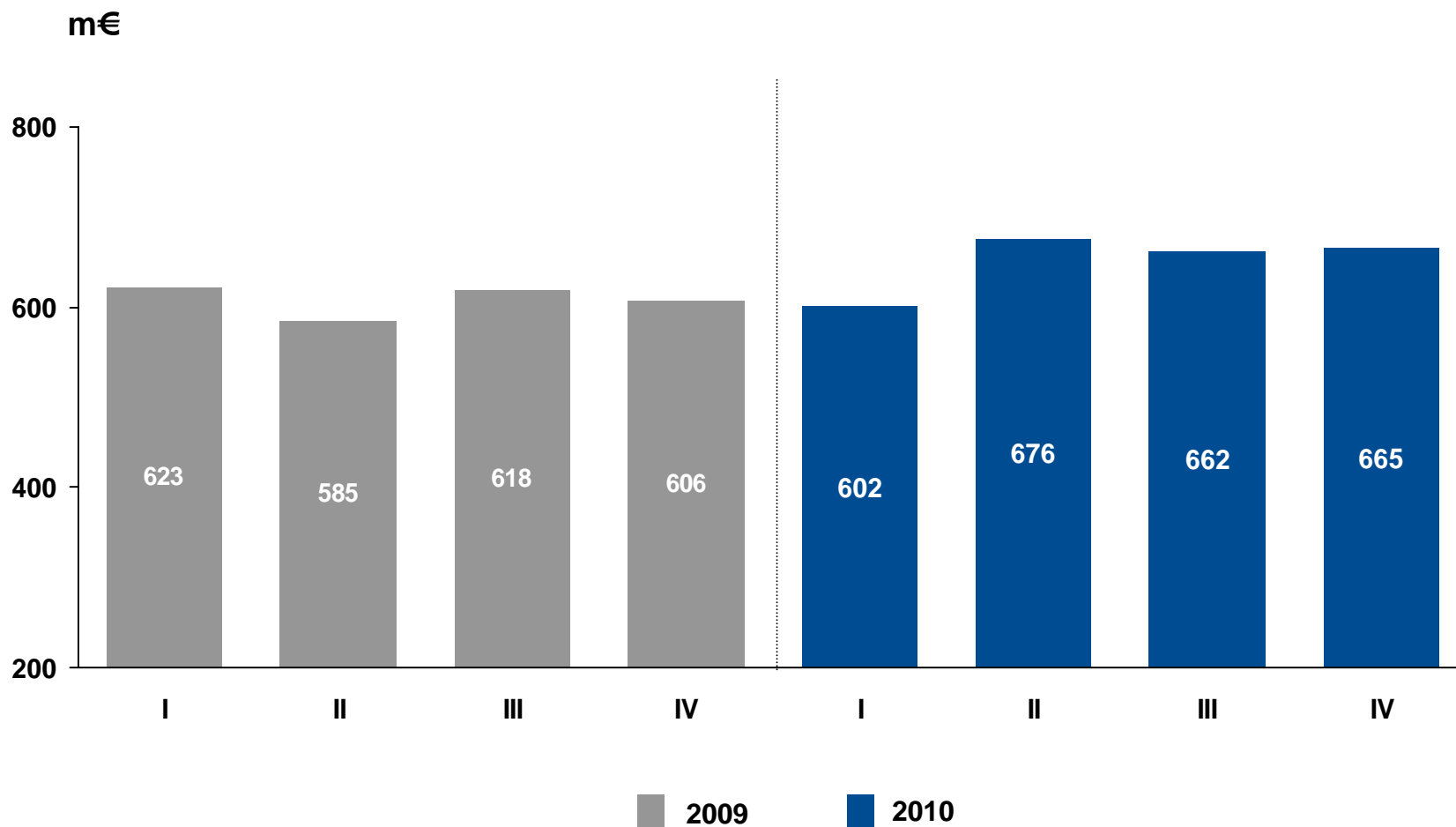


## Operating Result by Quarter\*

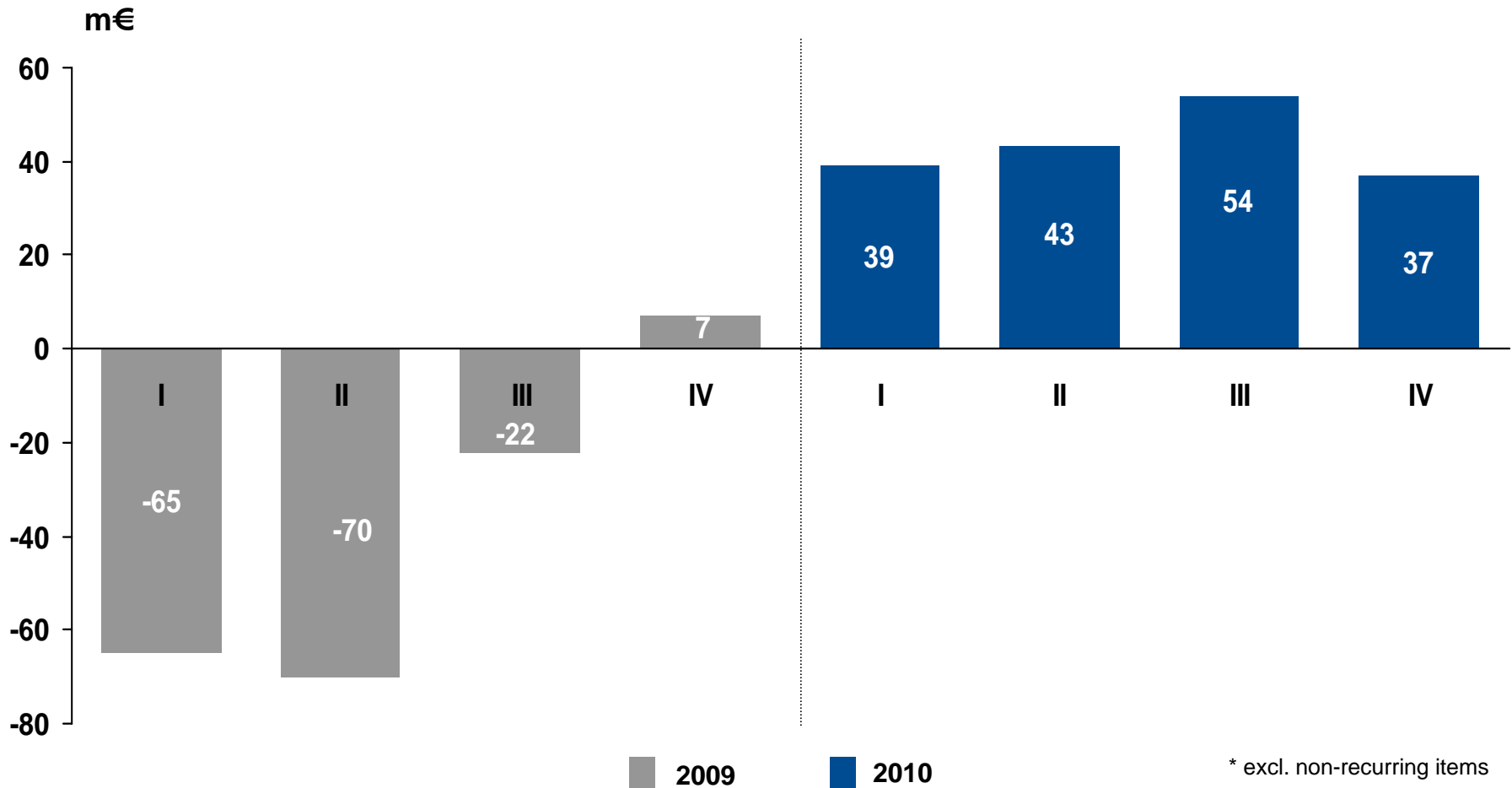


\* excl. non-recurring items

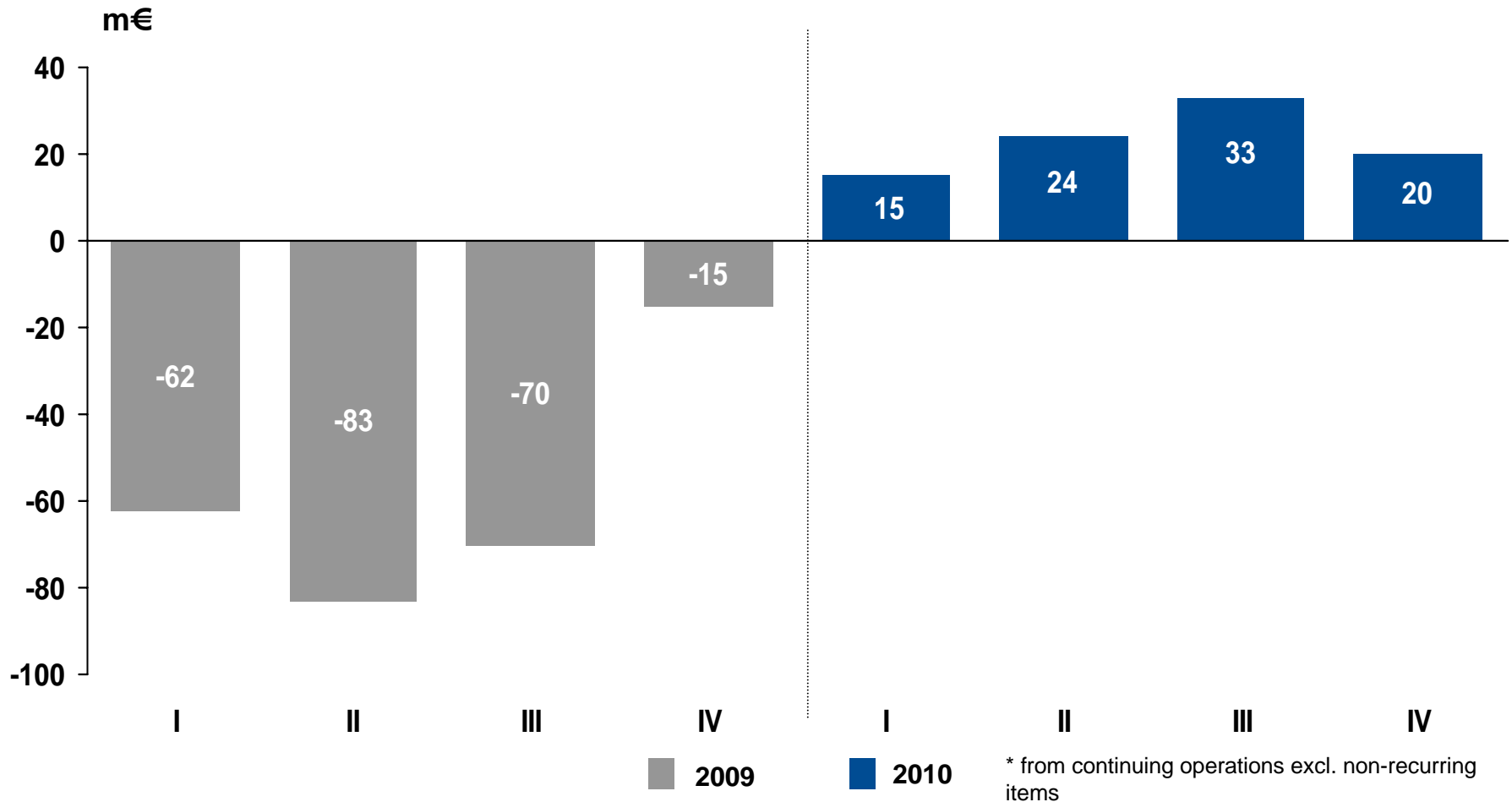
# Quarterly Sales



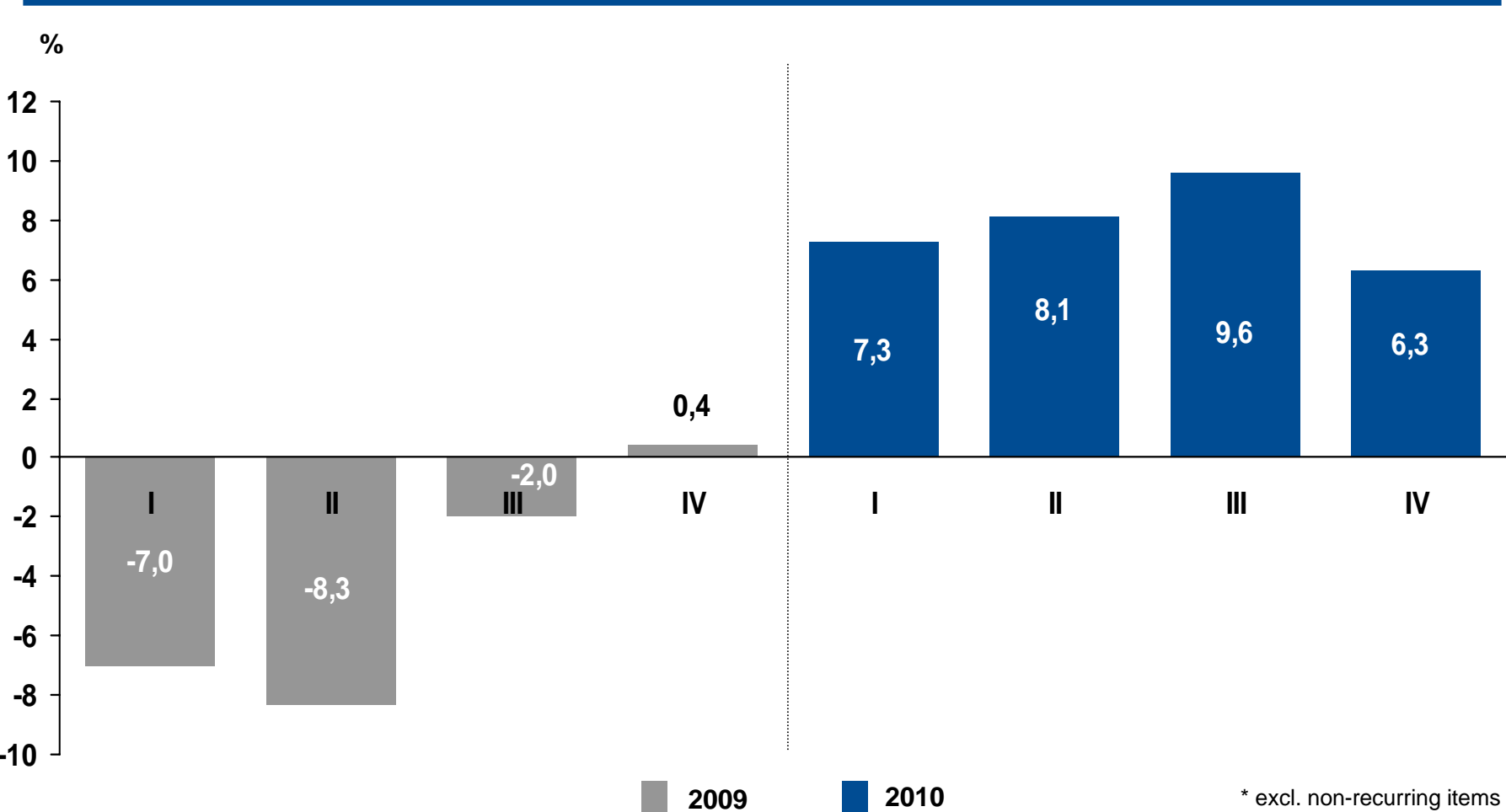
# Quarterly Operating Result\*



# Quarterly Result Before Taxes\*

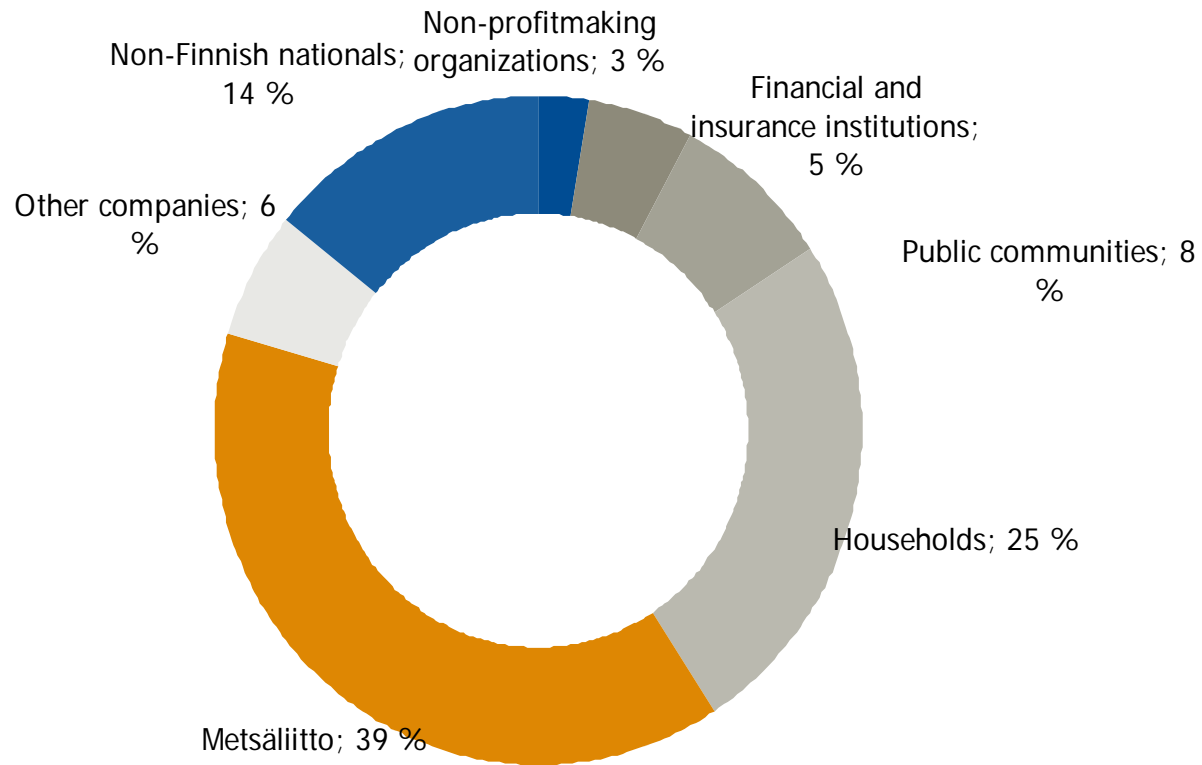


# Quarterly ROCE %\*



# M-real Shareholders 31.12.2010

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# M-real Voting Rights 31.12.2010

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