

# M-real

## Turn-Around and Future Direction

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# M-real in Brief



# M-real in Brief

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- Leading European supplier
  - Folding boxboard and linerboard
  - Office and speciality papers
- Fully self-sufficient in pulp and over 60 % self-sufficient in energy
- Annual sales ~EUR 2.5 billion
- Approximately 4,800 employees
- Important ownerships in Metsä-Botnia, PVO and Sappi
- Listed on NASDAQ OMX Helsinki

Sales breakdown 2009



■ Consumer Packaging 40%  
■ Paper 40%  
■ Market Pulp and Energy 20%

# Successful Structural Change



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

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

# Consistent Strategic Direction Since 2006

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- Cartonboards for consumer packaging the strategic core business
- Divestment of underperforming paper businesses
- Major cost savings through complexity reduction
- 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

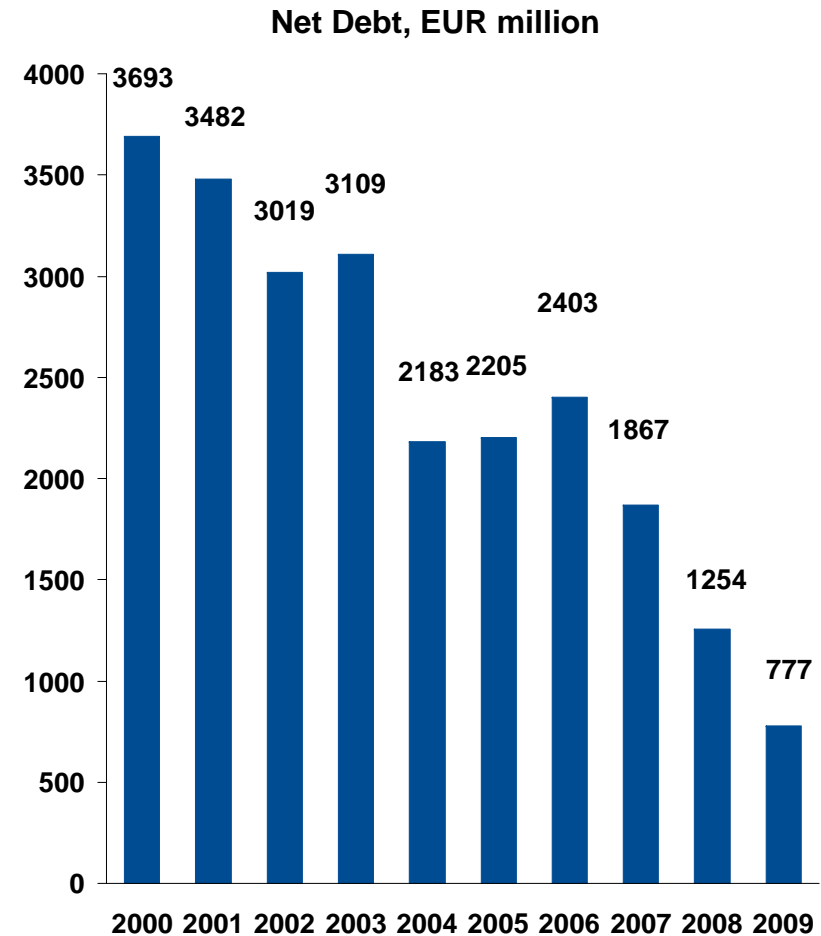
Step 3: Divestment of Map Merchant Group, July 2007

Step 2: Extension of the October programme through Finnish restructuring, Feb 2007

Step 1: Extensive restructuring programme announced in Oct 2006

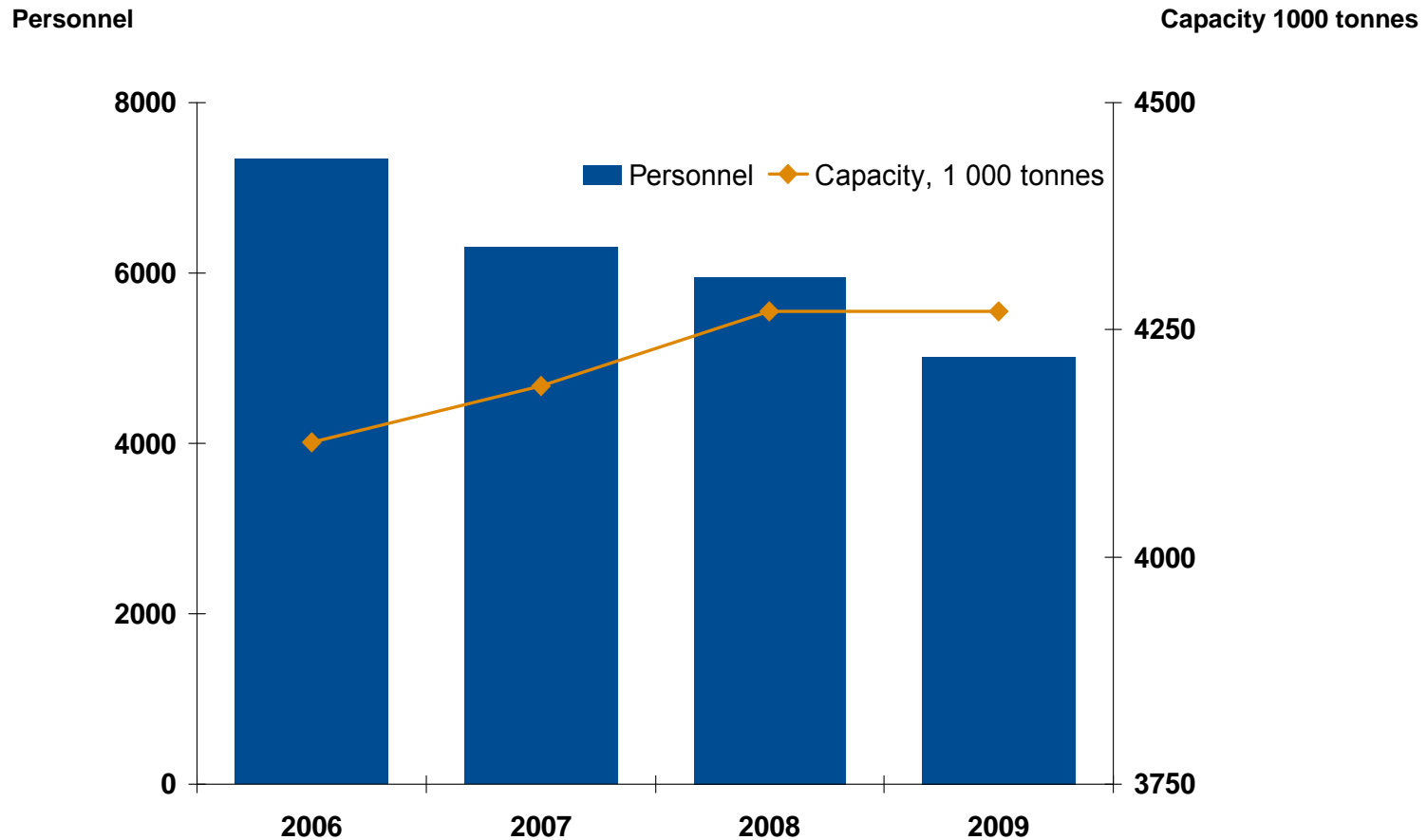
# Significant Results from the Restructuring

- Divestments of worth over 2 bilj. €
  - Reduction of non-profitable paper capacity from 4.4 million to 1.7 million tonnes/a
- Profit improvements over 400 M€ due to own measures
- ONWC reduction about 300 M€
- Net debt reduced to about 800 M€



# Personnel of Continuous Operations Decreased 30%, Production Capacity Increased 4%

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# In 2010 Profit Improvement Programmes' Impact to Be 100 M€ and Additional 60 M€ in 2011

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- Uncoated fine papers
  - 22 M€ energy efficiency investment and personnel reduction of 200 at Husum
  - Planned closure of the Alizay pulp mill
  - Profit improvement over 30 M€ fully from 2011
- Speciality papers
  - Closure of two speciality paper machines at Reflex
  - Personnel reduction of 220 in M-real Zanders
  - Product offering and business volume unchanged
  - Profit improvement of 18 M€ fully from 2011
- Rearrangement of IT services give 30 M€ savings from 2010
- 20 M€ continuous improvement programme concerning all BAs and support functions



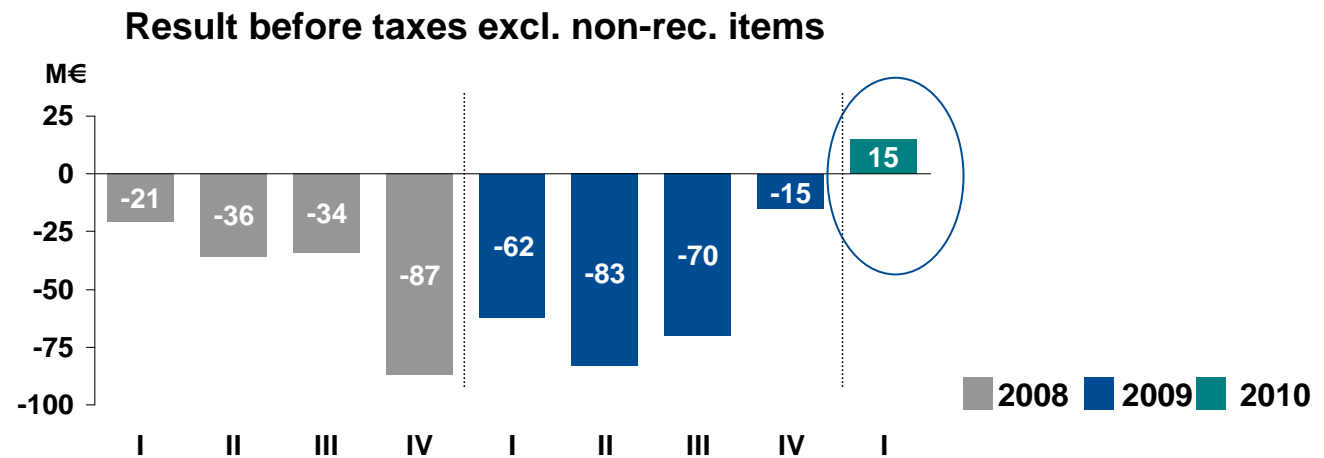
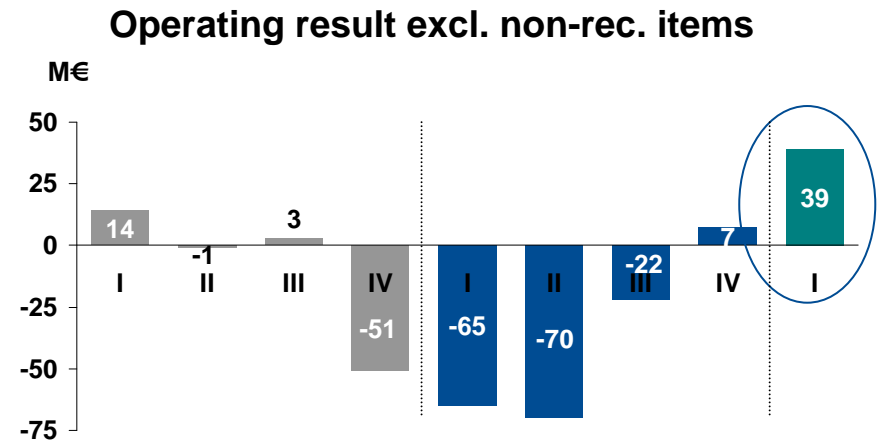
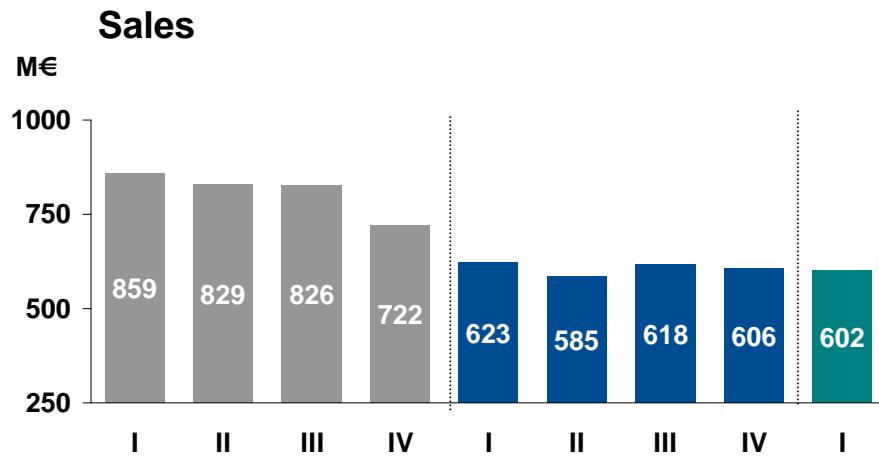
# 1Q 2010 and Outlook

## Key Events in 1Q 2010

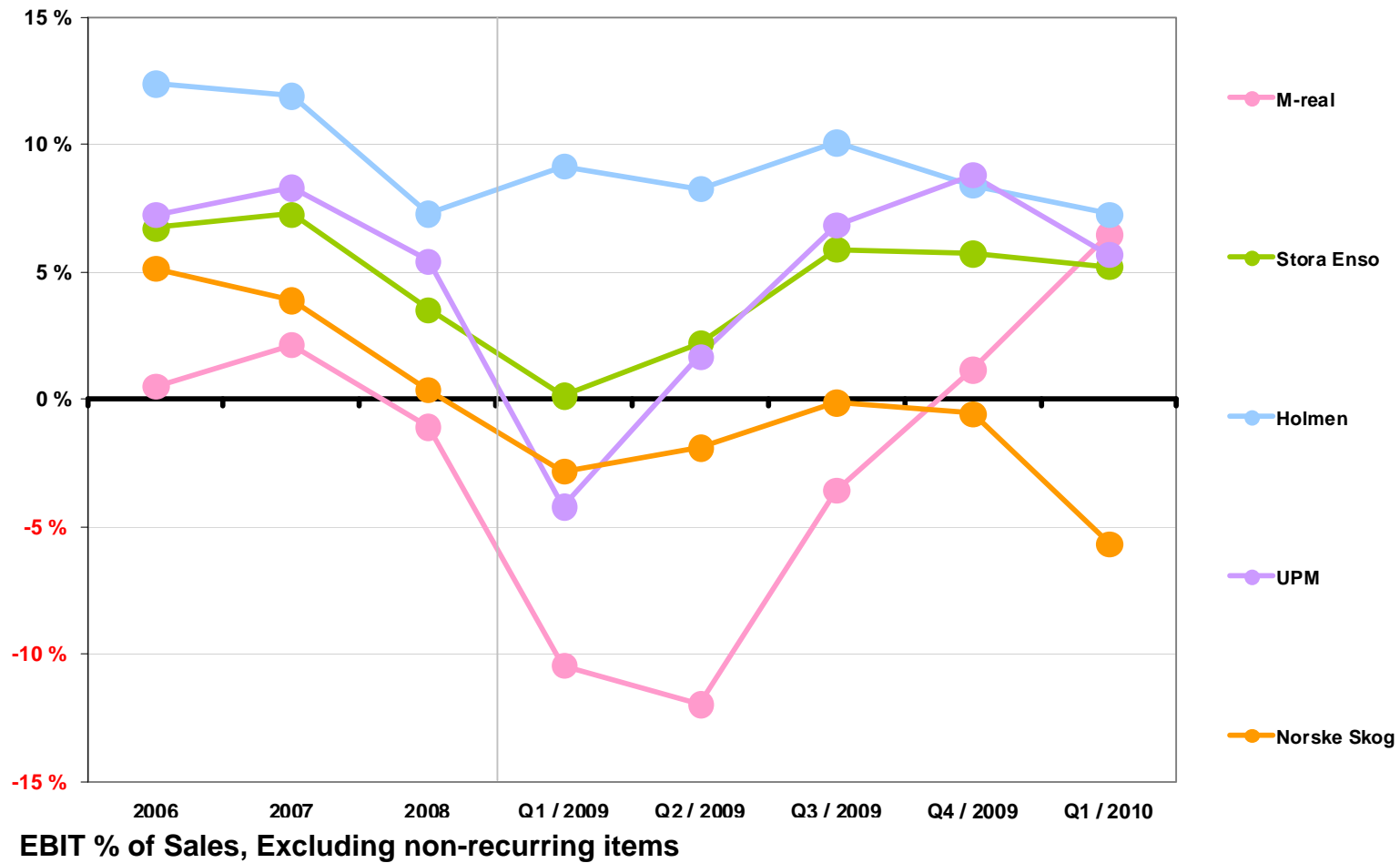
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- Good profitability trend continued
- Consumer Packaging's EBIT improved further to about 15% of sales
  - Customer service and mills operating normally despite Stevedore strike in Finland
- Demand improved in all main grades
- Pulp price increased further
- Significant IT cost savings materialized
- M-real redeemed own eurobond from the market worth 250 M€

# Positive Profitability Trend Continued in 1Q 2010



# M-real's Profitability in Line With Main Competitors



# M-real Shows Market Leadership in Price Increases

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- Price increases of about 10% in FBB and linerboard in process
  - Slight improvement in average price expected by end 2Q
  - Prices for customers with long-term contracts increased at around year end
- WFU price increase of about 8% implemented in March
  - Additional 15% from May in negotiations
  - In total about 10% improvement in average price expected by end 2Q
- Price increases in speciality papers up to 10% in process
  - At least 3% improvement in average price expected by end 2Q

Increase estimates based on current sales mix and exchange rates

# Profitability Outlook

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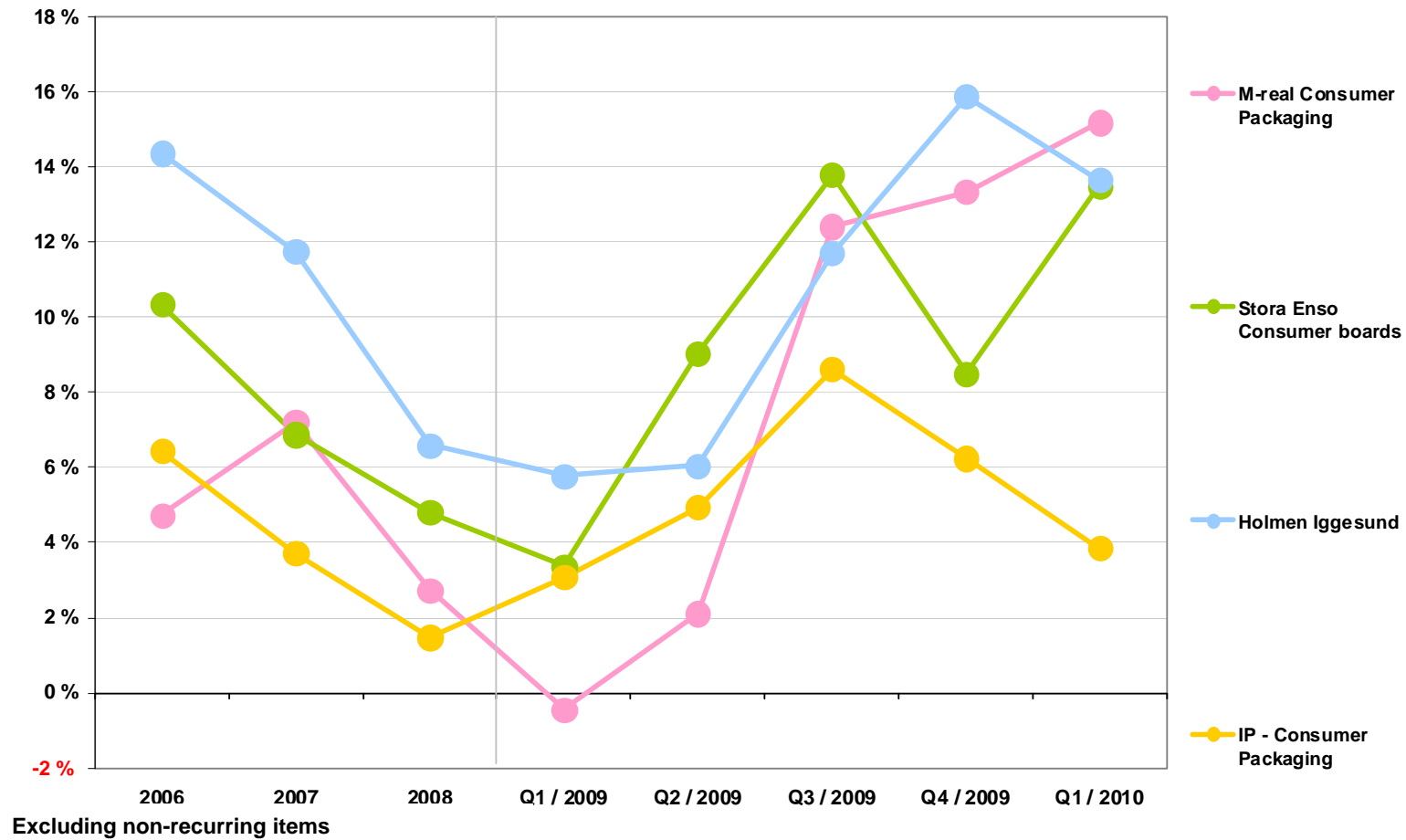
- M-real's 2Q 2010 operating result excluding non-recurring items expected to remain about at the same level than in the 1Q 2010
- As earlier estimated, M-real's full year 2010 operating result excluding non-recurring items is expected to be positive



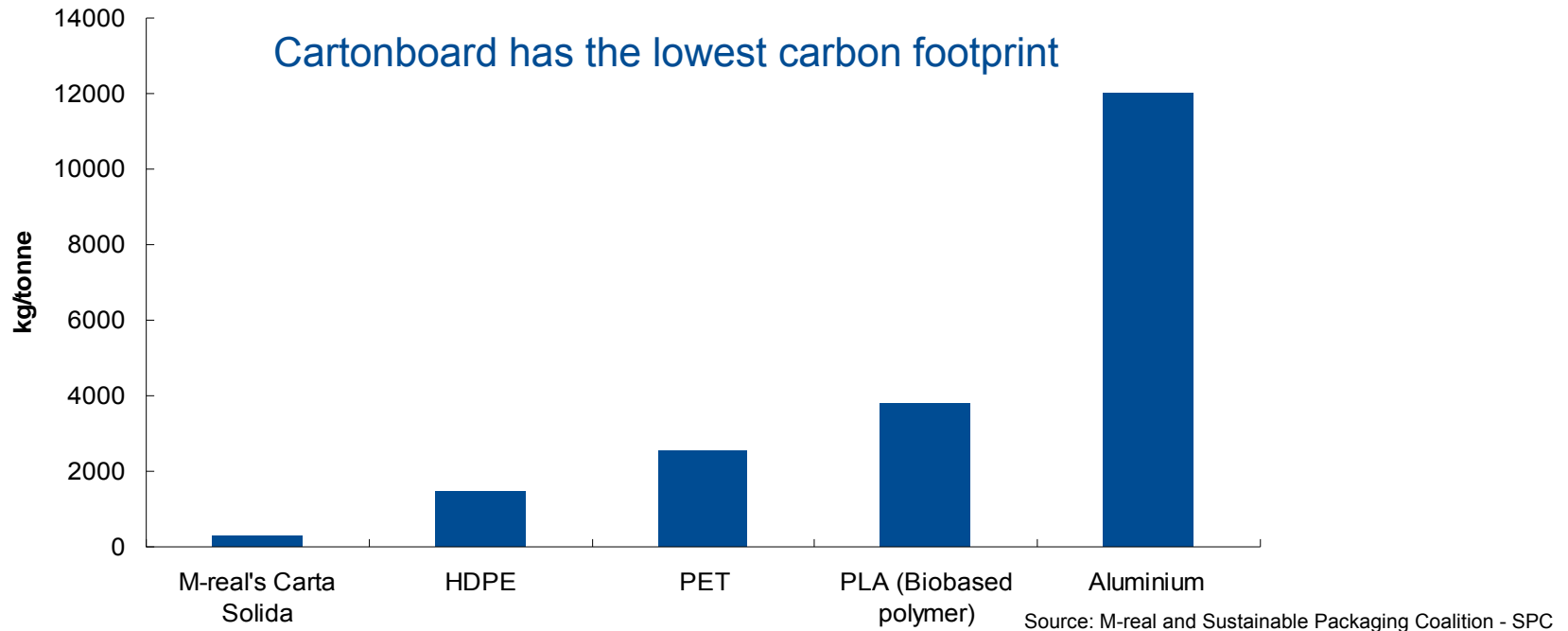


# Focus on Virgin Fibre Based High Quality Cartonboards

# Profitability of Consumer Packaging the Best in its Field



# Virgin Fibre Based Lightweight Cartonboards the Most Environmentally Sound Packaging Solution

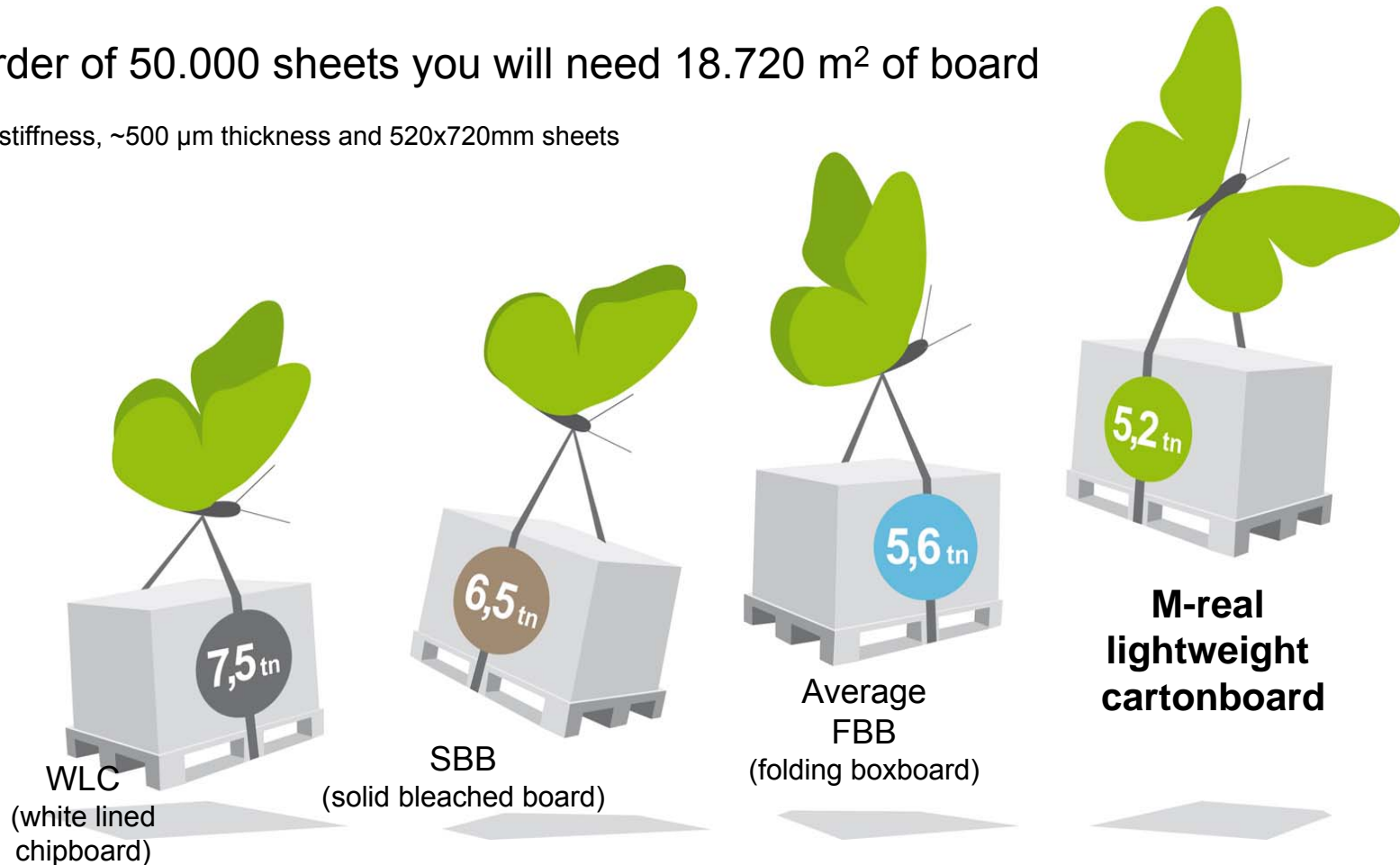


- Fibre based products replace non-renewable materials
- Virgin fibre cartonboards replace also recycled fibre packaging materials
- Estimated growth of virgin fibre cartonboard about 2.5 %/a until 2025

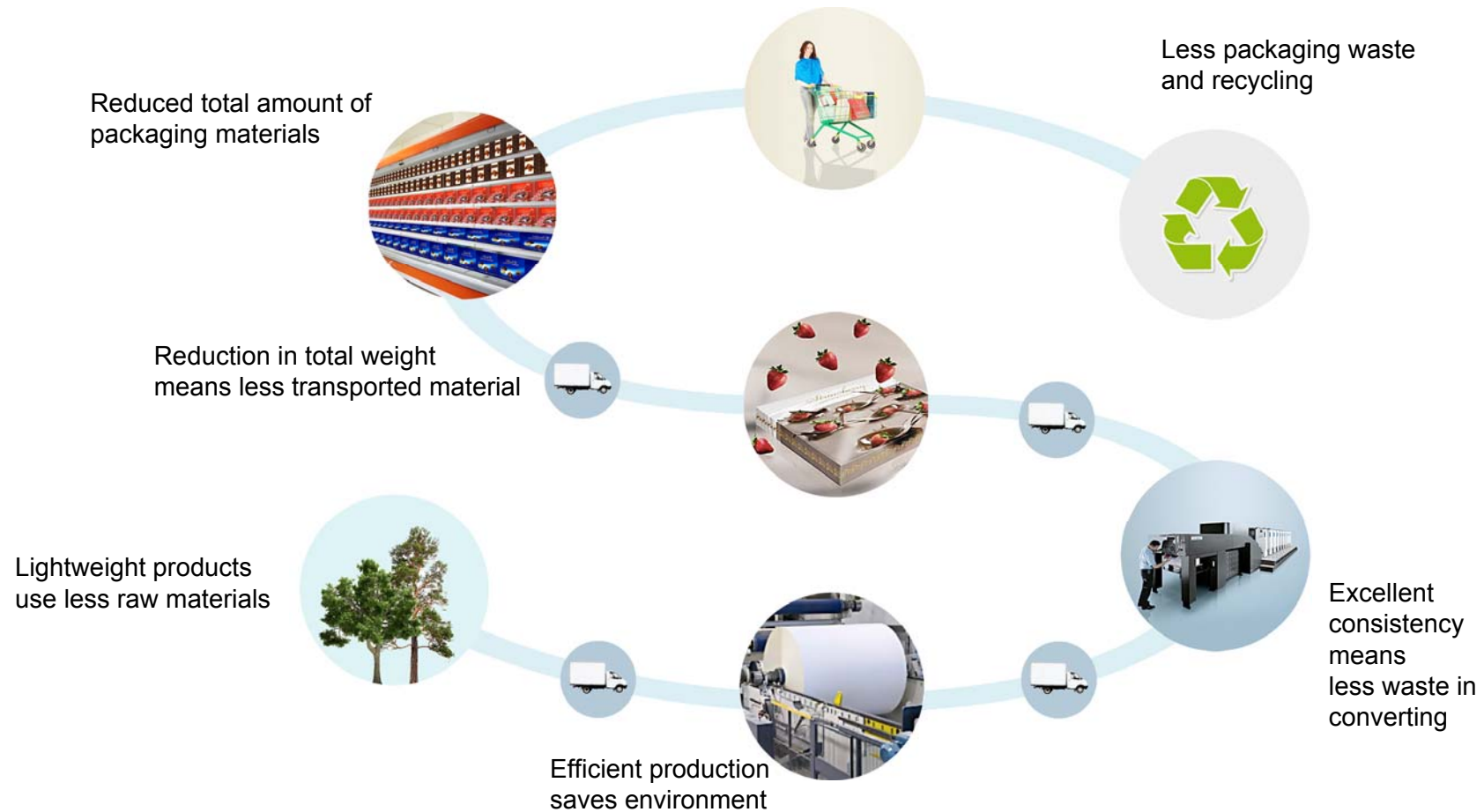
# M-real Sustainable Lightweight Cartonboard Means Less Fibre, Energy and Water

For an order of 50.000 sheets you will need 18.720 m<sup>2</sup> of board

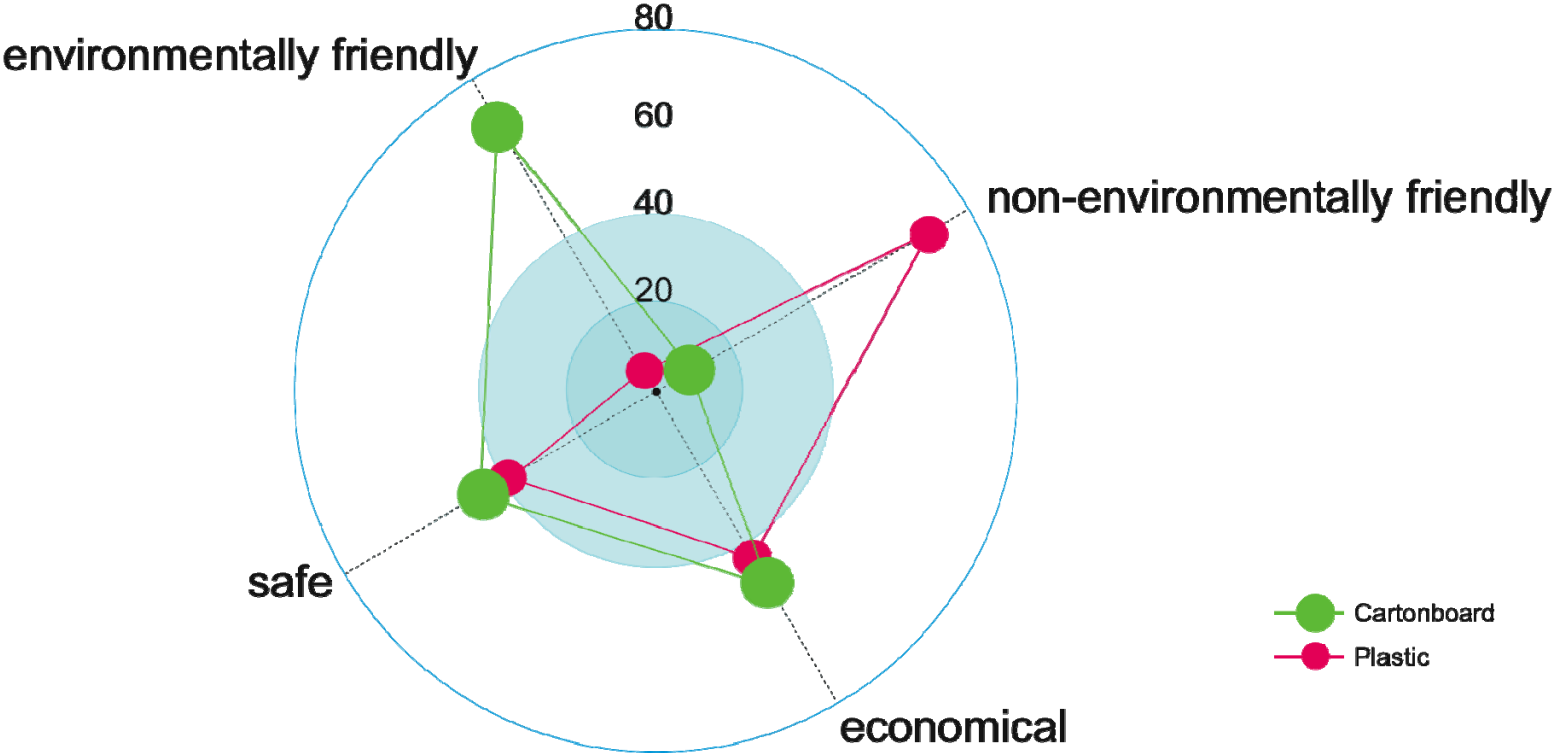
~13 mNm CD stiffness, ~500 µm thickness and 520x720mm sheets



# Lightweighting Improves Sustainability throughout the Whole Chain



# Consumers Consider Cartonboard as the Most Environmentally Friendly Packaging Material



Source: Korhonen Virpi, 2009. Survey on consumers' attitudes, preferences and choices concerning packaging 1998-2009.

# Limited Availability of High Quality Fibre Hinders New Players' Access to the Market

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- Limited availability of high-quality Nordic wood raw material
- Strong fibre know-how to develop and produce high-quality packaging
- BCTMP and chemical pulp capacities are to most extent owned by the current main cartonboard producers
- Building new capacity requires extensive amounts of capital and a large-scale access to wood sources



# M-real Controls One of the Most Modern and Efficient Production Systems

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- Production units are modern and in good condition
  - Simpele and Äänekoski major rebuilds in last decade
  - Former and coating unit at Kemiart Liners in 2005-2006
  - Kyro and Tako rebuilds and power plant investments in 2007
- The most modern BCTMP production units in the world
- Strategic ownership (30%) in Metsä-Botnia
  - Total capacity 2.4 million tonnes
- High self-sufficiency in energy including valuable PVO-shareholding

# Good Potential for Profitable Growth

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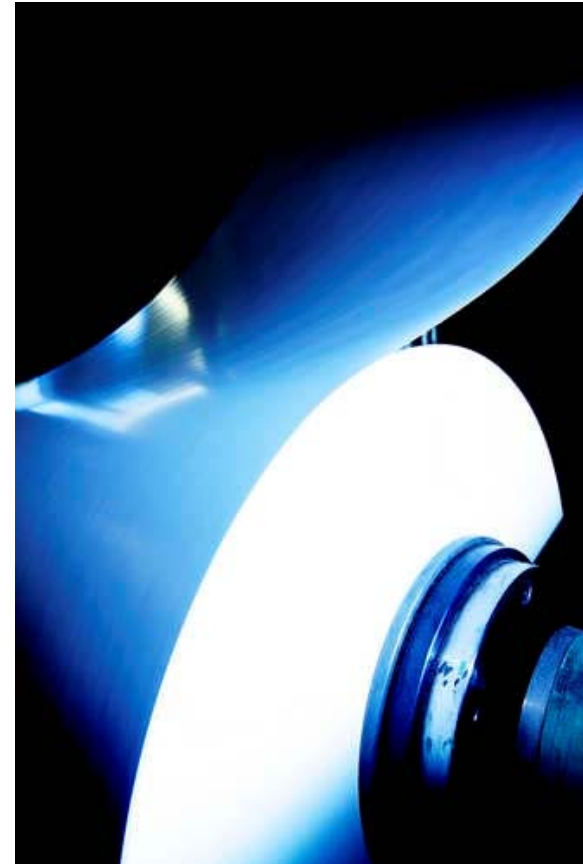
- M-real is known as a quality leader in high quality cartonboards world wide
- In Europe market leader position achieved in the beginning of 2009
  - Demand still growing as fibre based packaging gains market share
  - Growth potential in Russia and Eastern Europe alone and together with the best selected local partners
- Outside Europe Asia is the fastest growing market
  - Growth potential in the emerging markets alone and together with the best selected local partners



# Profit Improvement Focus on the Last Non-Profitable Units

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- Alizay Pulp and Paper
- M-real Zanders mills  
Gohrsmühle and Reflex
- Hallein Pulp



# Positive Development Continues

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- Despite the successful structural change we have still a lot of profit improvement potential
- Profit improvement programmes and strategic review in paper business to continue
- Positive result development from summer 2009 expected to continue
- Along with improved financial situation of M-real faster profitable growth in cartonboard business is expected
- Actions ongoing to increase pulp, paper and cartonboard prices



**Thank you!**