



M-real - CEO's Review

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Contents

1. M-real in brief
2. Successful Structural Change
3. Results 2009 and Outlook
4. New M-real – Focus on Cartonboards
5. Summary

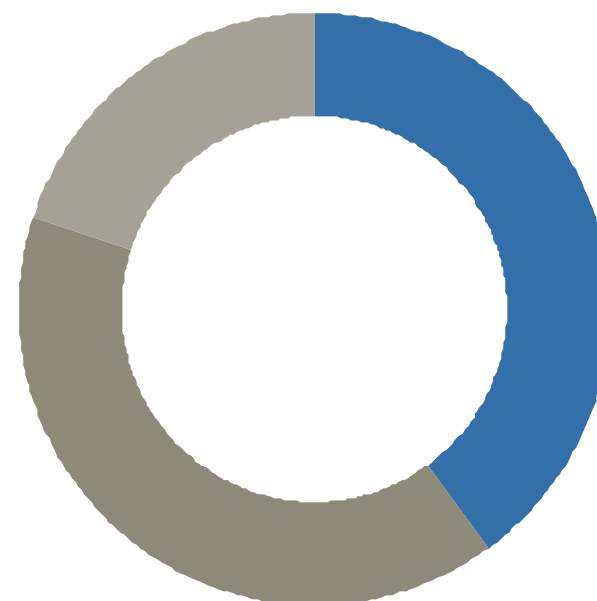


M-real in Brief

M-real in Brief

- Leading European supplier
 - Folding boxboard and linerboard
 - Office and speciality papers
- Annual sales ~EUR 2.4 billion
- Approximately 4,900 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

- 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

- 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

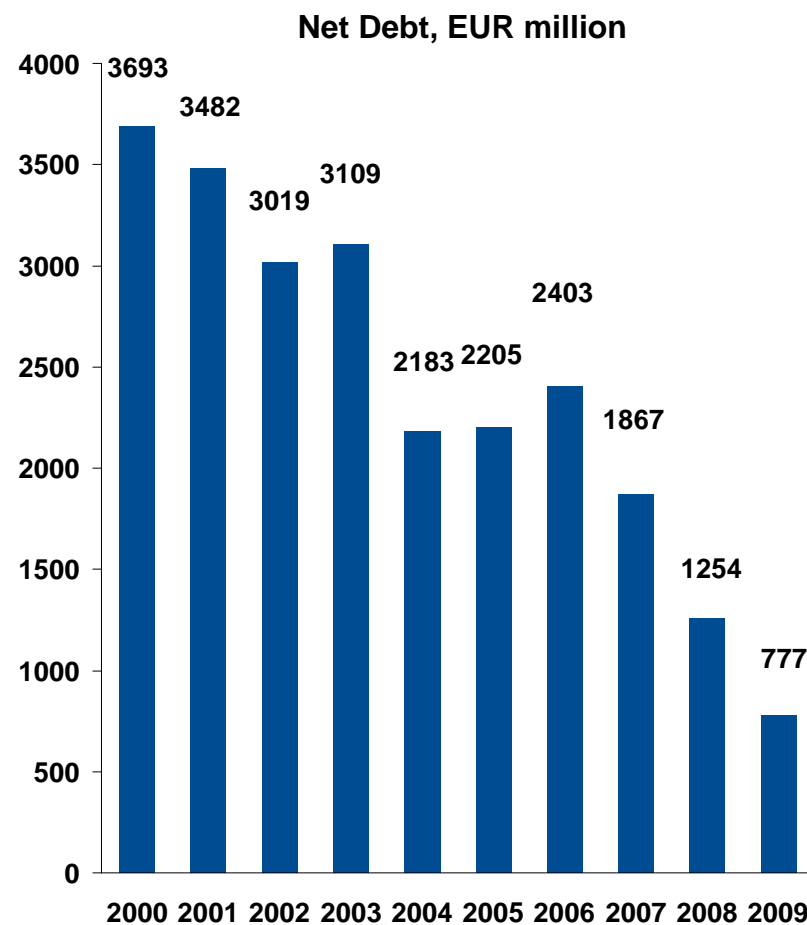
Step 3: Divestment of Map Merchant Group, July 2007

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

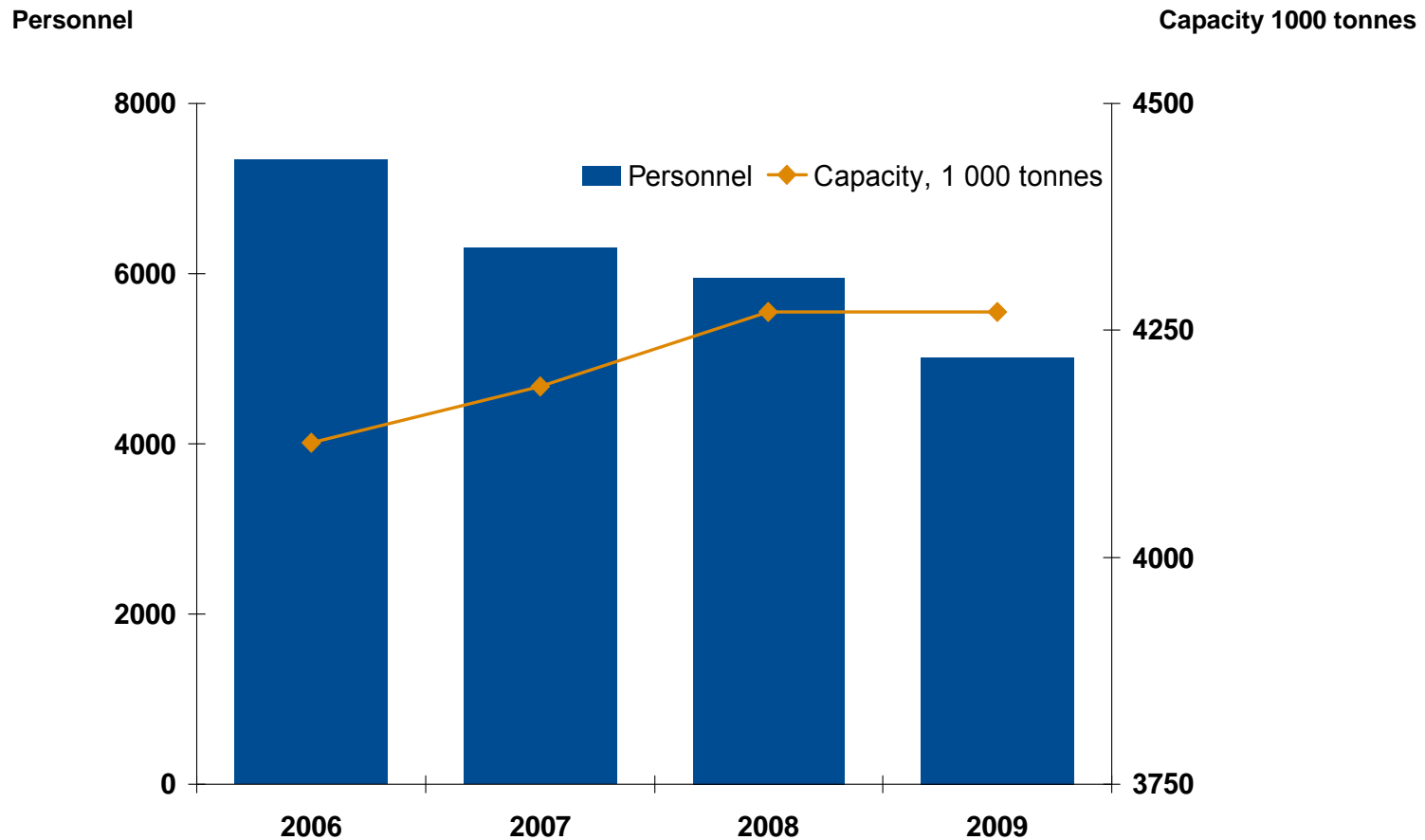
Step 1: Extensive restructuring programme announced in Oct 2006

Restructuring Has Improved Financial Position Significantly

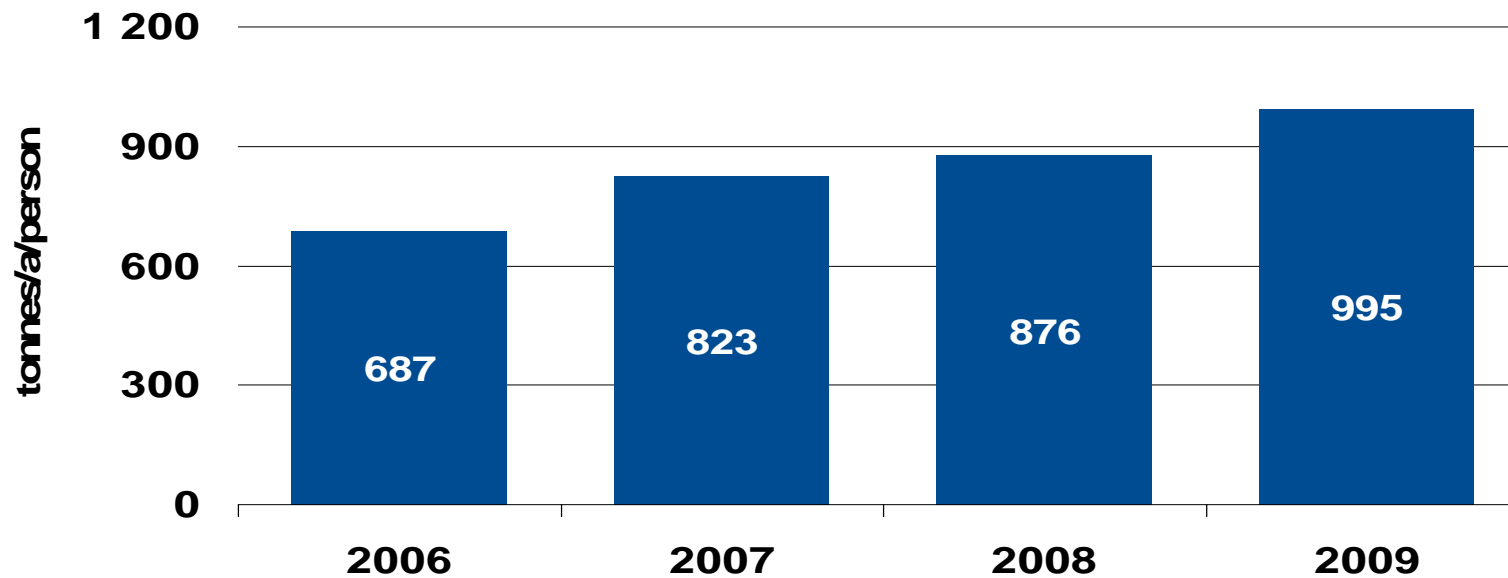
- Divestments worth over 2 bilj. €
- Profit improvements over 400 M€ due to own measures
- ONWC reduction over 300 M€
- Net debt reduced to 777 M€



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



Productivity of Production Units Improved 45%



Capacity per M-real board, paper and pulp employee

Strategic Review of the Paper Business Proceeds

- M-real in strong position in participating restructuring of the European uncoated fine paper business
 - Due to efficiency improvements Husum with own strong brands very competitive
 - Alizay the leading European mill with own brands in fast growing recycled business
- M-real Zanders is the leading European speciality paper producer
 - Change in production lines a challenging task
 - In better position to participate in the European speciality paper consolidation after the internal profit improvement measures

Ongoing Internal Profit Improvement Measures in Paper Business

- Uncoated fine papers
 - EUR 22 million investment at Husum mill to improve its energy efficiency up to 50 per cent
 - Personnel reduction of 200 at Husum
 - Planned closure of the Alizay pulp mill
- Speciality papers
 - Planned closure of two speciality paper machines at Reflex
 - Production of carbonless papers to be transferred to Gohrsmühle mill
 - Renewed organization and operating model

Other Ongoing Internal Profit Improvement Measures

- Rearrangement of IT services
 - Renewed service concept responding to M-real's changed needs
 - Annual cost savings over EUR 30 million from 2010 onwards
 - Part of 2009 profit improvement programme
- New EUR 20 million continuous improvement programme for the year 2010
 - Measures include cost savings from variable and fixed costs
 - Concerning all business areas and supporting functions

Significant Profit Improvement Through Own Measures

- Profit improvement measures impact in 2010 is estimated to be approximately EUR 100 million and in 2011 approximately EUR 60 million
- Profit improvement in 2010 expected to be somewhat emphasised to 2H 2010
- Related cash costs determined later on when negotiations with employee unions finalized

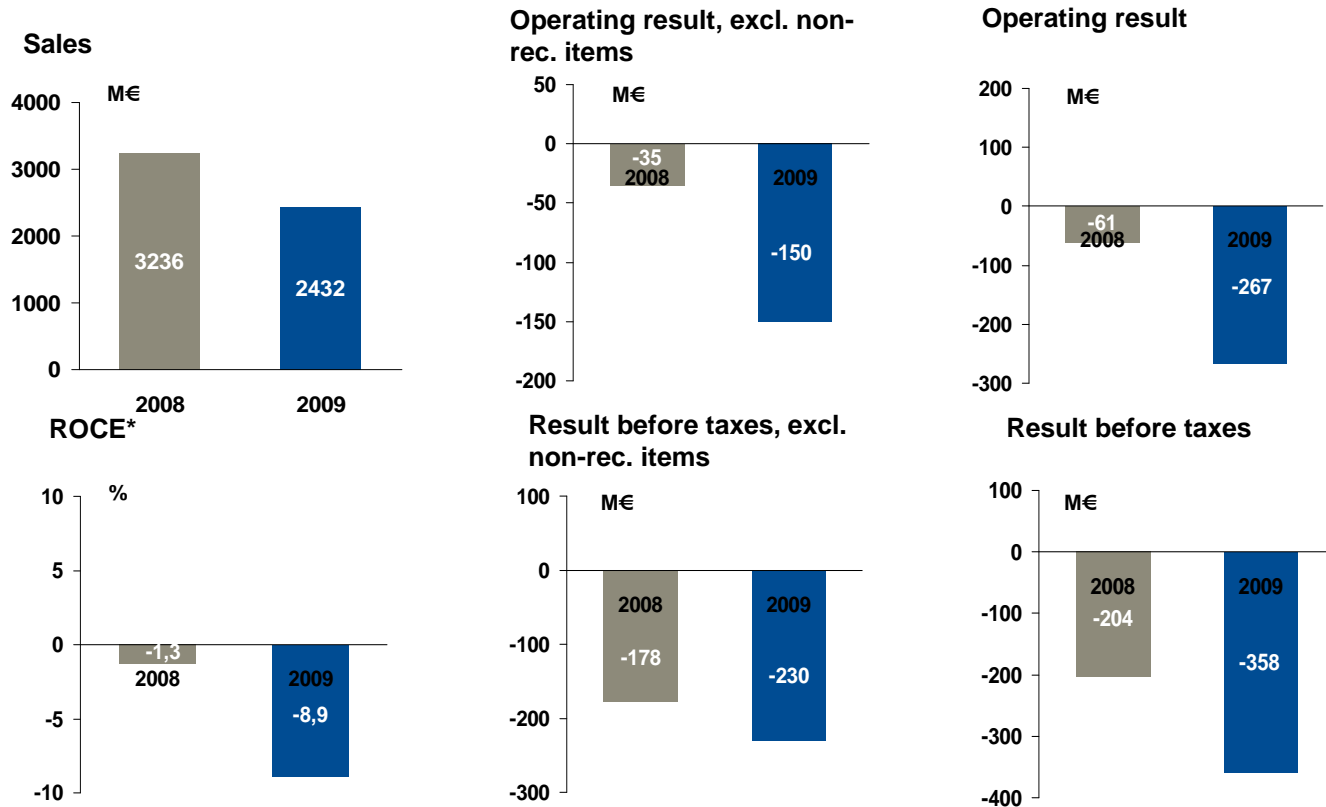


Results 2009 and Outlook

Key Events in 2009

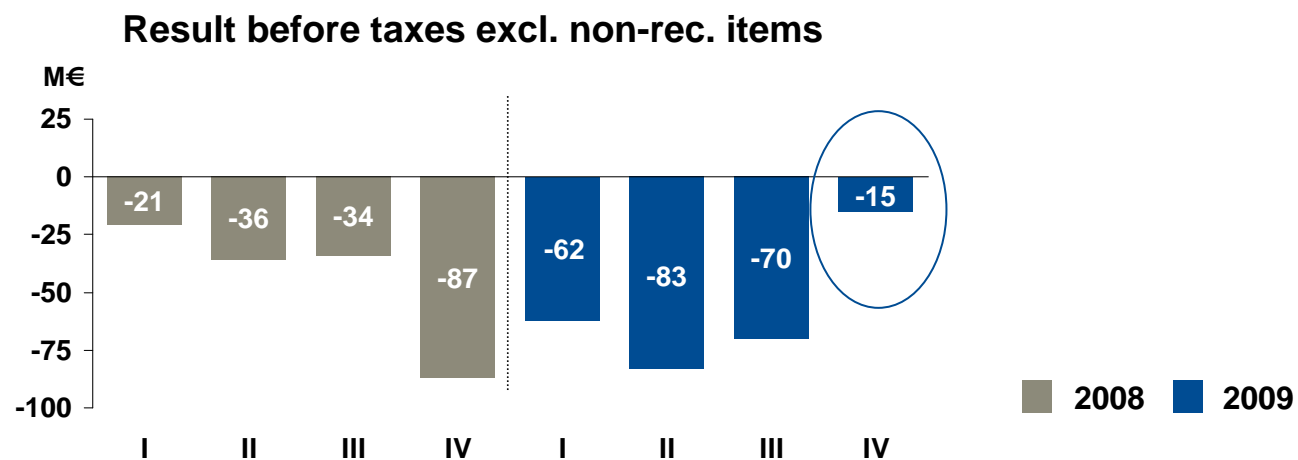
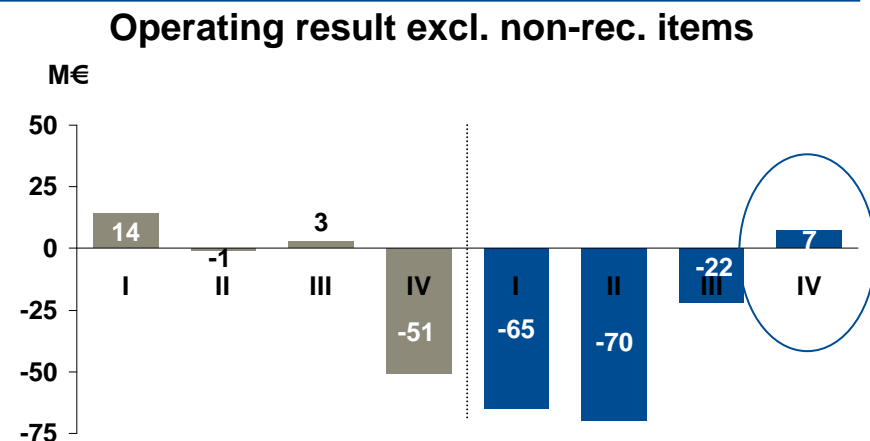
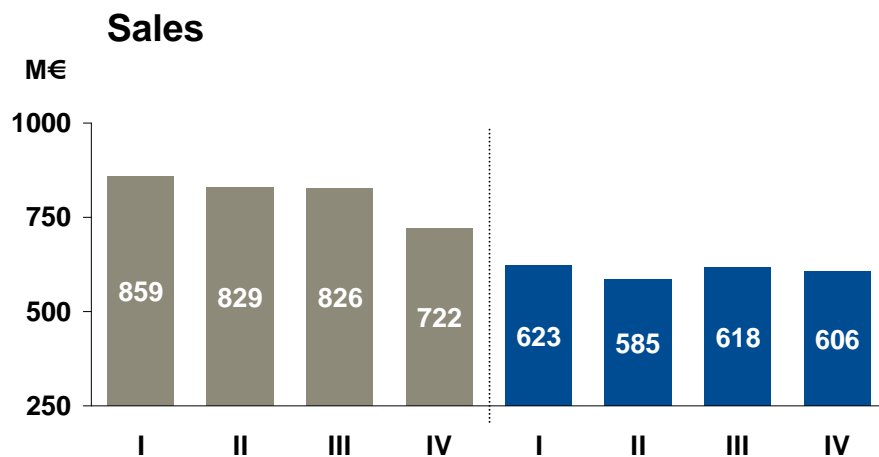
- Heavily in loss in 1H 2009, demand and profitability recovered considerably during 2H 2009
- Operating cash flow 137 M€ in 2009
- Consumer Packaging's EBIT 13% of sales during 2H 2009
- Adaptation of operations to divestment of Graphic Papers and successful profitability measures
- Major rebuild of Husum pulp mill recovery boilers
- Change in Metsä-Botnia's ownership structure

Key Figures – Annual Comparison



*from continuing and discontinued operations

Key Figures – Quarterly



Operating Cash Flow 137 M€ in 2009

	M€
EBITDA*, excluding non-recurring items	+44
Change in ONWC**	+241
Net investments	-73
Net financial costs	-75
Operating cash flow	+137

Big part of ONWC reduction is based on structural improvements

*Includes about EUR 30 million extraordinary operating costs related mainly to production portfolio changes and restructuring

** Inventories, trade accounts receivables and trade accounts payables including implemented restructuring measures

Profitability Outlook

- M-real's 1Q 2010 operating result, excluding non-recurring items expected to improve from 4Q 2009
 - Significant negative impact of the stevedore strike in Finnish harbours were in M-real's case mainly eliminated by special arrangements
- Full year 2010 operating result, excluding non-recurring items, is expected to be positive, if the operating environment does not materially weaken



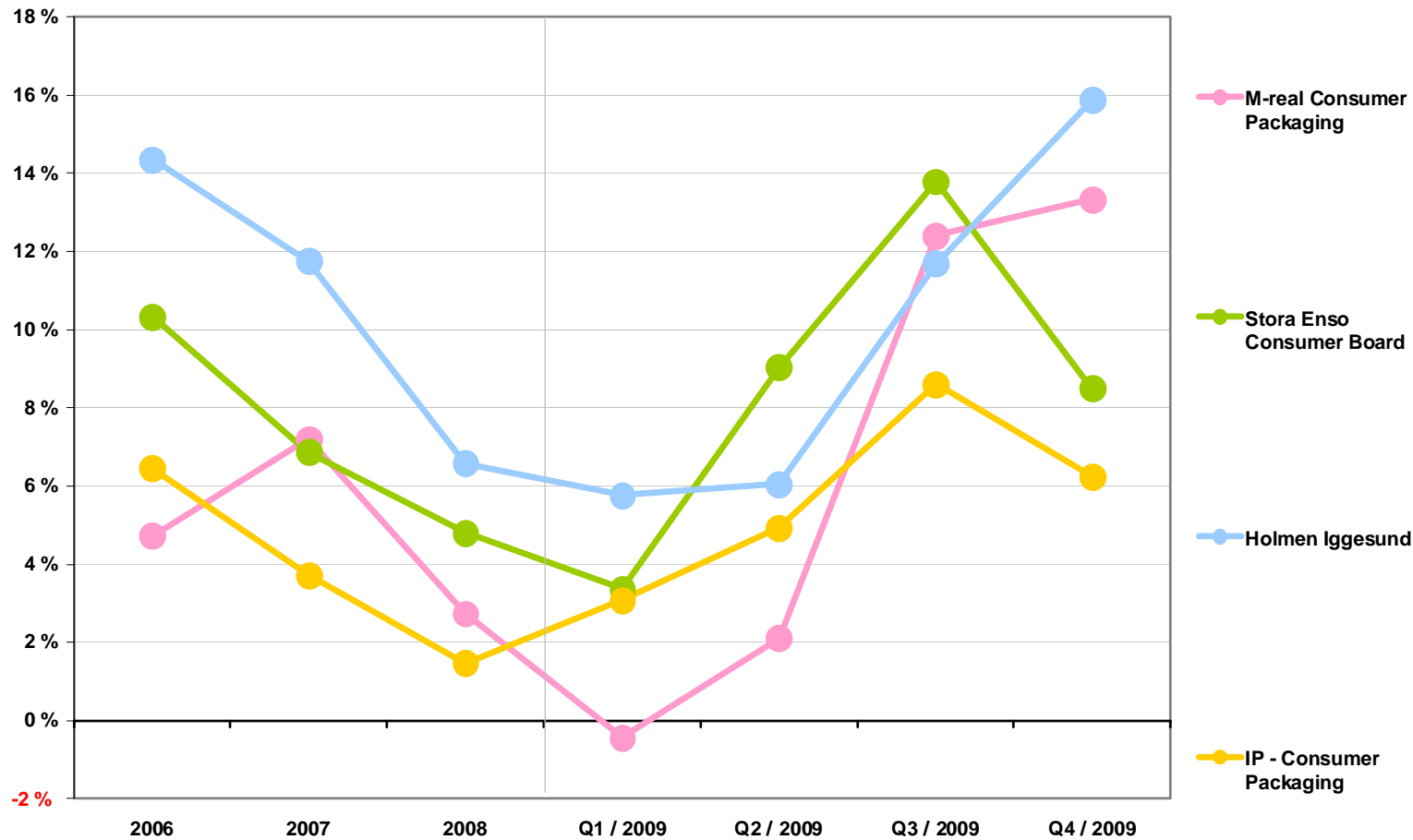
Board and Paper Prices Must be Increases to Cover Higher Fibre Costs

- Availability of pulp has weakened and pulp price seems to be increasing further
 - Earthquake in Chile
 - Wood harvesting problems in different regions globally
 - Strong board demand and improving paper demand
- Pulp availability problems are likely to cause curtailments of board and paper production globally in near-term
- M-real has again showed market leadership by announcing significant price increases in all its main products



New M-real – Focus on Cartonboards

Profitability in Cartonboard Business at the Level of Industry's Best Players



*) Excl. non-recurring items

M-real's Focus on Virgin Fibre Based High Quality Cartonboards

- M-real's virgin fibre based lightweight cartonboards the best packaging solution from environmental viewpoint
- Fibre based products replace non-renewable materials like plastic
- Virgin fibre based cartonboards replace also recycled fibre based packaging materials especially in food packaging
- Estimated demand growth in folding boxboard until 2025 about 2,4 per cent per year



High Quality Nordic Fibre the Basis for M-real's Competitiveness

- Superior fibre knowhow
- High self-sufficiency both in BCTMP and chemical pulp
- Thanks to first-class fibre M-real is the quality leader in high quality cartonboards
- Limited availability of high quality fibre curtail increases of new capacity and hinders new players' access to the market



One of the Most Modern and Efficient Production Machinery

- Production units are modern and in good condition
 - Simpele rebuild in 2006
 - Äänekoski rebuild in 2002
 - Former and coating unit at Kemiart Liners in 2005-2006
 - Kyro and Tako rebuilds in the 1990s and power plant investments in 2007
- The most modern BCTMP production units in the world
 - Kaskinen 2005
 - Joutseno 2001
- Strategic ownership (30%) in Metsä-Botnia
 - Four modern pulp mill: Äänekoski, Joutseno, Kemi and Rauma
 - Total capacity 2.4 million tonnes
- High self-sufficiency in energy including valuable PVO-shareholding

Good Potential for Profitable Growth

- M-real is already now known as a quality leader in high quality cartonboards world wide
- In Europe
 - Market leader position achieved in the beginning of 2009
 - Growth in mature markets as fibre based packaging gains market share
 - Growth potential in Russia alone or together with the best selected local partners
- Outside Europe
 - Fastest growth in demand in Asia and in the other emerging markets
 - Growth potential in the emerging markets alone or together with the best selected local partners



Summary

Positive Development Continues

- M-real's successful structural change at final stages
- 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!