

# CEO's Review

AGM 23 March 2011

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CEO

# Contents

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1. Consistent strategy
2. Financial performance
3. Profit improvement actions
4. Growing cartonboard business
5. Summary





Consistent strategy

# Consistent strategic direction from the year 2006

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- Growing cartonboard business
  - In the first phase, increase the capacity of the existing machines
  - During the second phase, the focus will be on expanding production activity to developing markets
- Improving profitability of the paper business
  - By own improvement actions and individual divestments
  - By participating in the Europe-wide restructuring of the paper industry
- High self-sufficiency in pulp and energy are significant competitive advantages for M-real

New profit improvement programme 2011

Profit improvement programme 2010

Divestment of  
Metsä-Botnia's Uruguayan operations 2009

Divestment of Graphic Papers 2008

Self-sufficiency in pulp 2008

New efficiency improvement programme 2007

Divestment of Map Merchant Group 2007

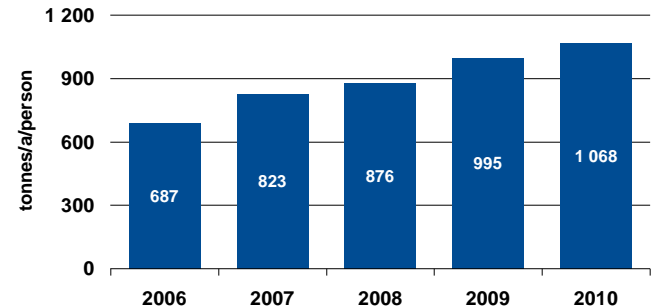
Extension of the restructuring programme 2007

Extensive restructuring programme 2006

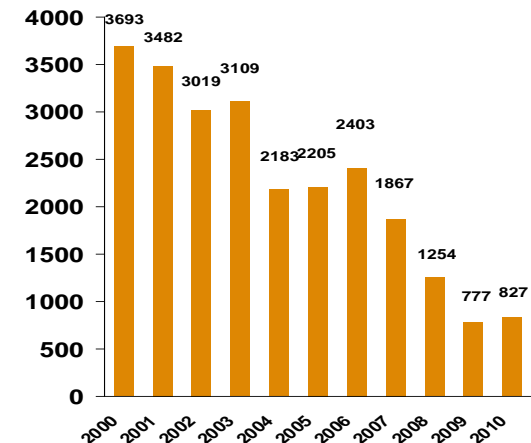
# Successful implementing of strategy has resulted significant achievements

- Productivity of the mills improved by more than half from 2006
- Closures and divestments of low profitability paper capacity
- M-real's net debt reduced to about one third of the 2006 level
- Good progress in cartonboard business
  - Share of sales increased to nearly half
  - Market leadership in Europe
  - Profitability in the top of the industry

Capacity per employee in M-real's pulp, paper and board mills



m€ M-real's net debt development





Financial performance

# Key events in 2010

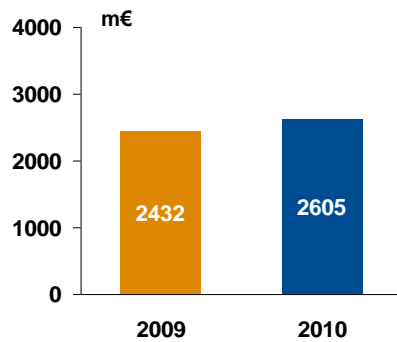
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- Profitability improved more than EUR 300 million
- Strong demand in all main grades
- M-real increased prices of its all main products
- Successful internal profit improvement actions
- Partial divestment of the Reflex mill
- M-real decided to increase its cartonboard capacity

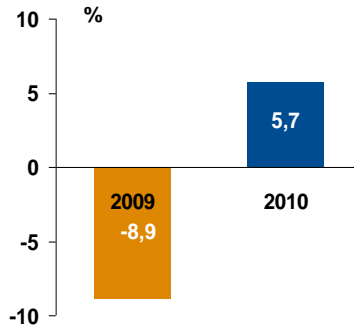


# Key figures 2010

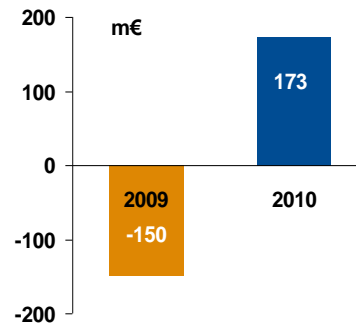
Sales



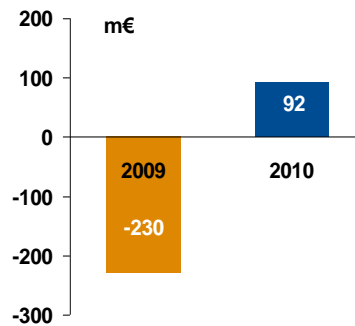
ROCE



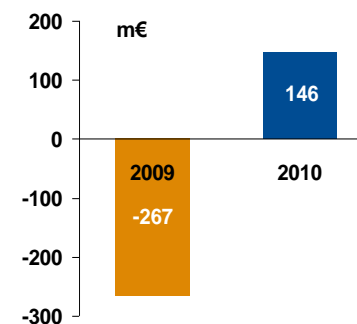
Operating result, excl. non-rec. items



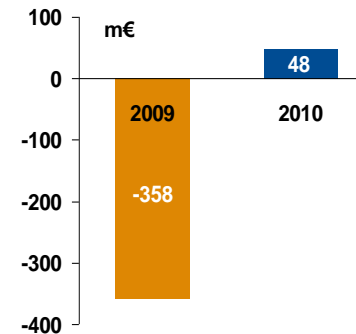
Result before taxes, excl. non-rec. items



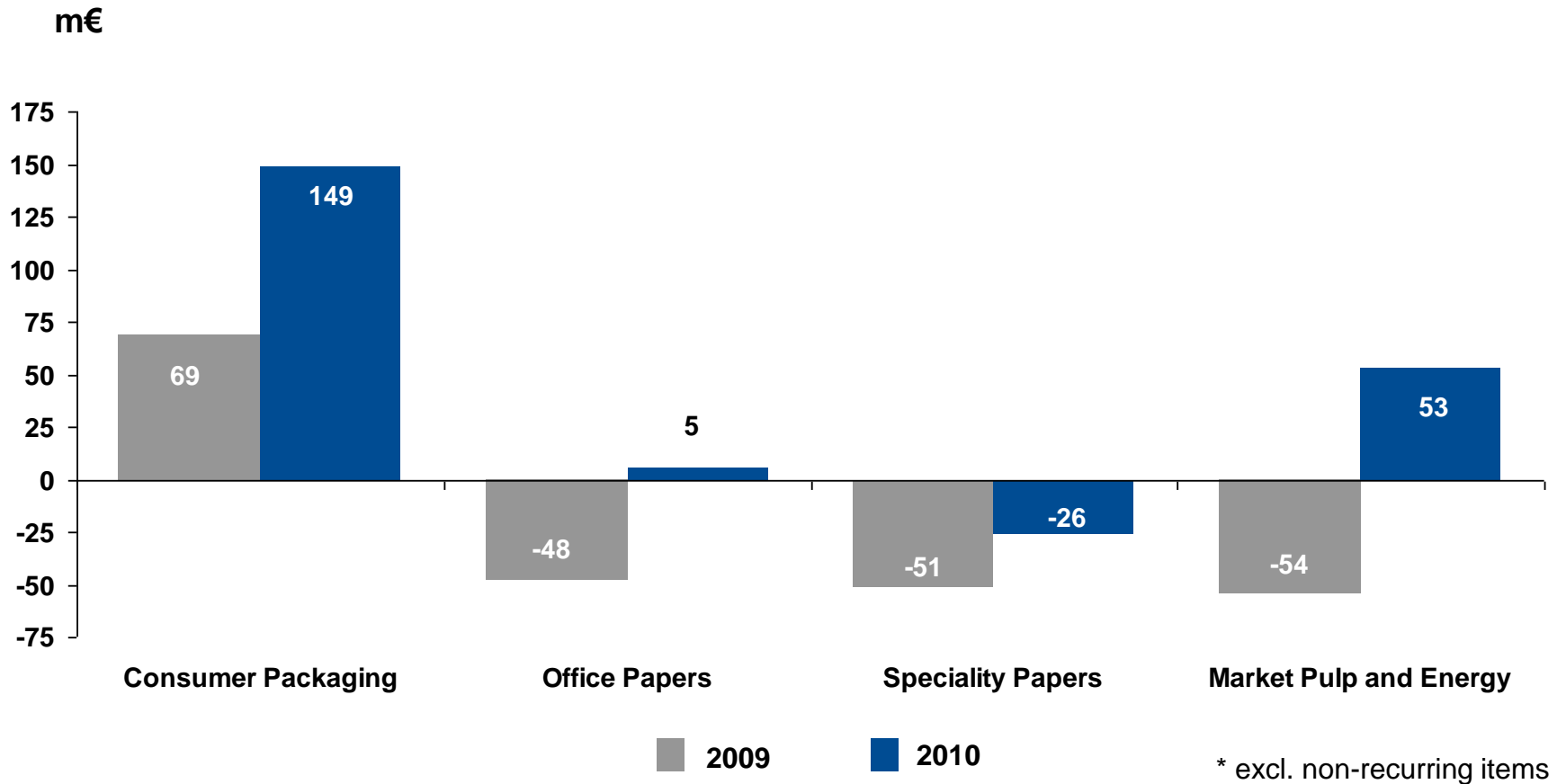
Operating result



Result before taxes



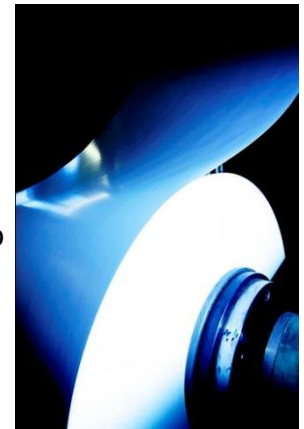
# Profitability improved in all business areas 2010



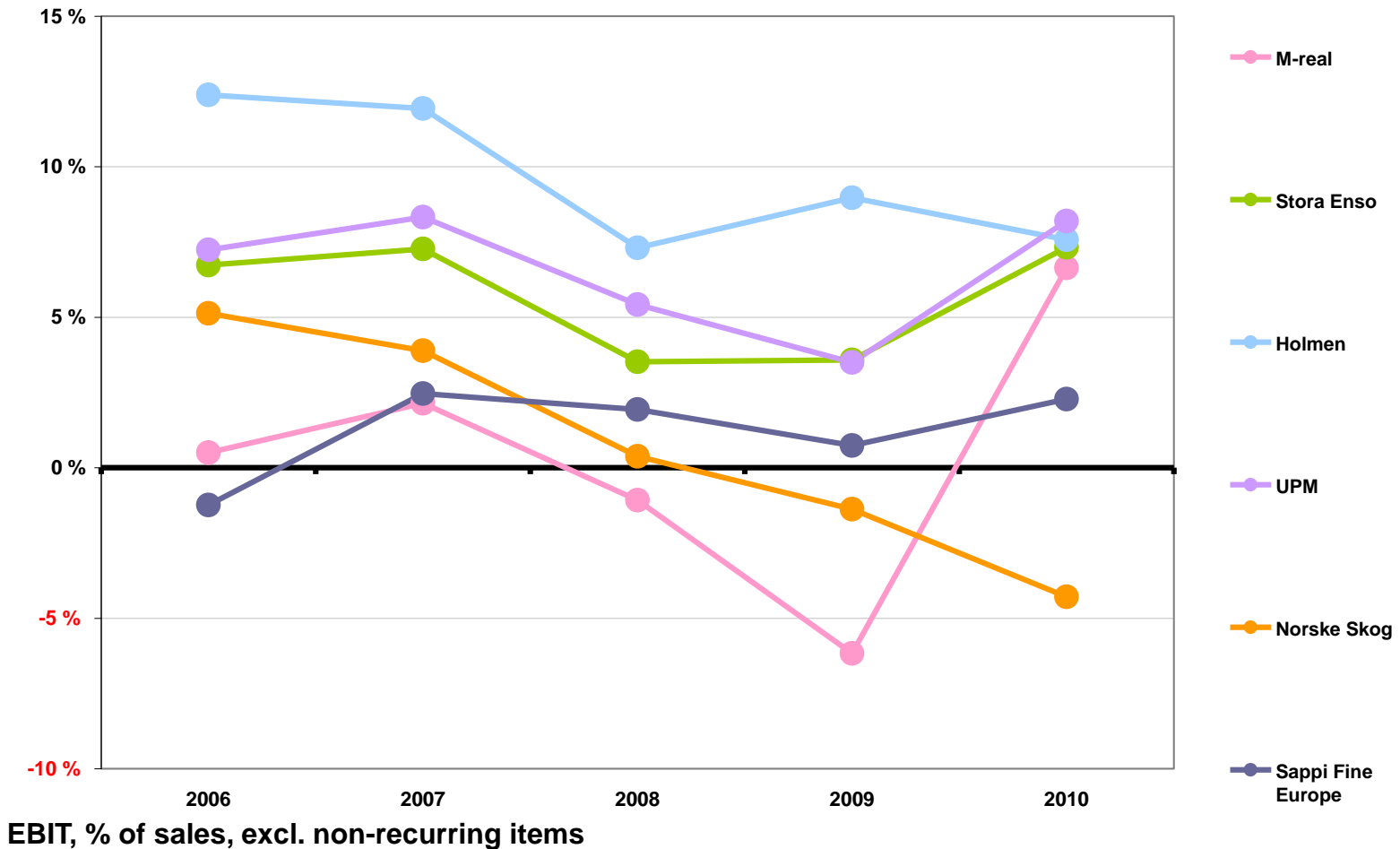
# Significant profit improvement actions implemented in Alizay and speciality papers

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- Profitability of Alizay has been improved by internal actions nearly 30 m€/a
  - Closure of the pulp mill
  - Transfer of recycled fibre based paper production to Alizay
  - A new sheet cutter
  - Improvement of paper production and renewal of product range
- Profitability of speciality papers has been improved approximately 25 m€/a
  - Transfer from standard products to special products in Gohrsmühle and efficiency improvements
  - Partly divestment of the Reflex mill and significant profit improvement actions
  - Due to pulp price increase, significant share of achieved profit improvements has moved to Market Pulp and Energy
  - In addition, price increase of recycled fibre has reduced Alizay's profit improvement advantage



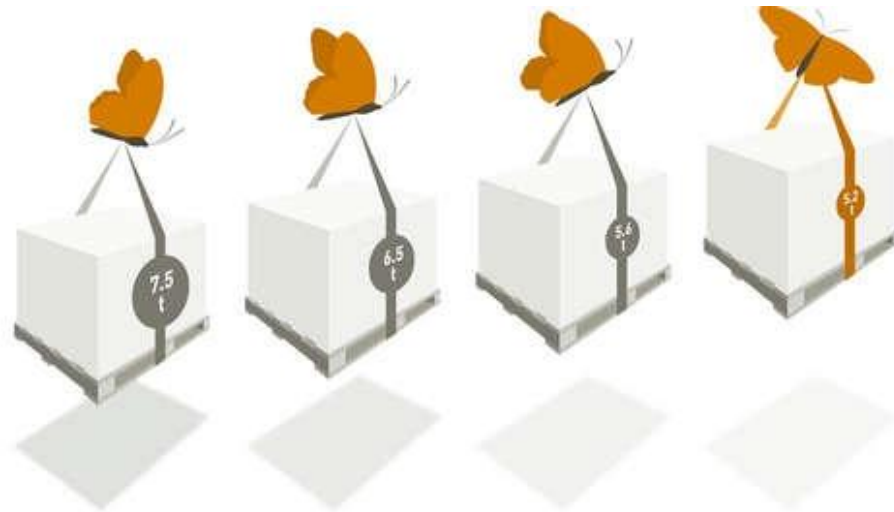
# Profitability in line with main competitors



# 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



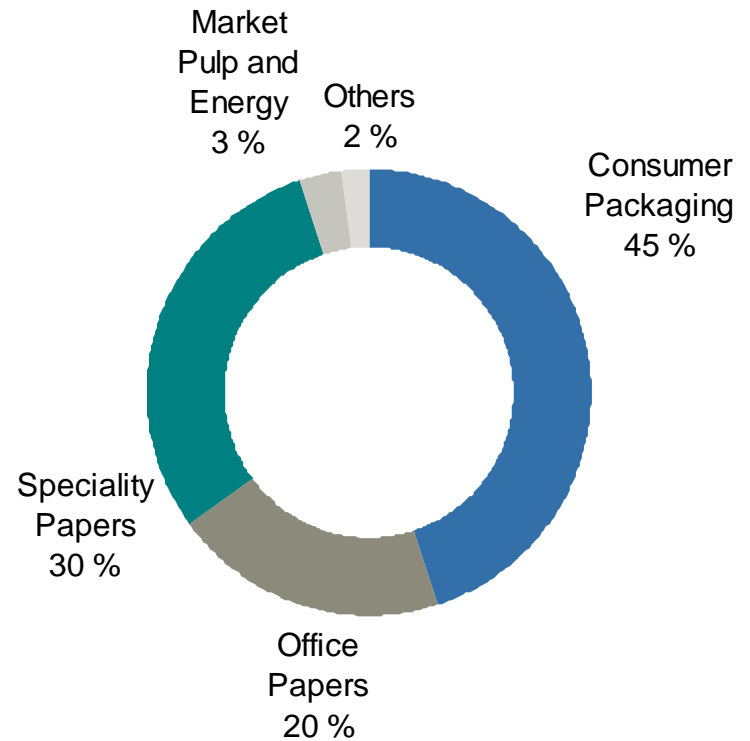
# Profit improvement actions



# Focus from restructuring to continuous development of operations

- A new 70 m€ profit improvement programme was started in January
- Main focus is on profit improvement of paper business
- M-real has further profit improvement potential in addition to the current programme
  - Especially in variable costs

## Profit improvement targets



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

# All possibilities to increase prices will be utilised also in 2011

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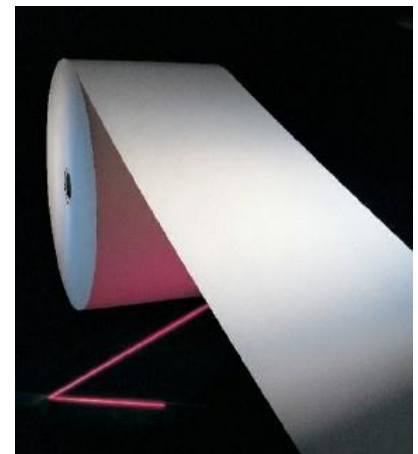
- Price for FBB and liner 10% higher than in the beginning of 2010
  - A new 6-8% price increase in liner effective from April 2011
- WFU price increased over 15% in 2010
  - A new 6-8% price increase effective from March 2011
- Price of speciality papers on average increased more than 5% in 2010
  - A new 6-8% price increase effective from April 2011



# Focus on unprofitable units to eliminate losses

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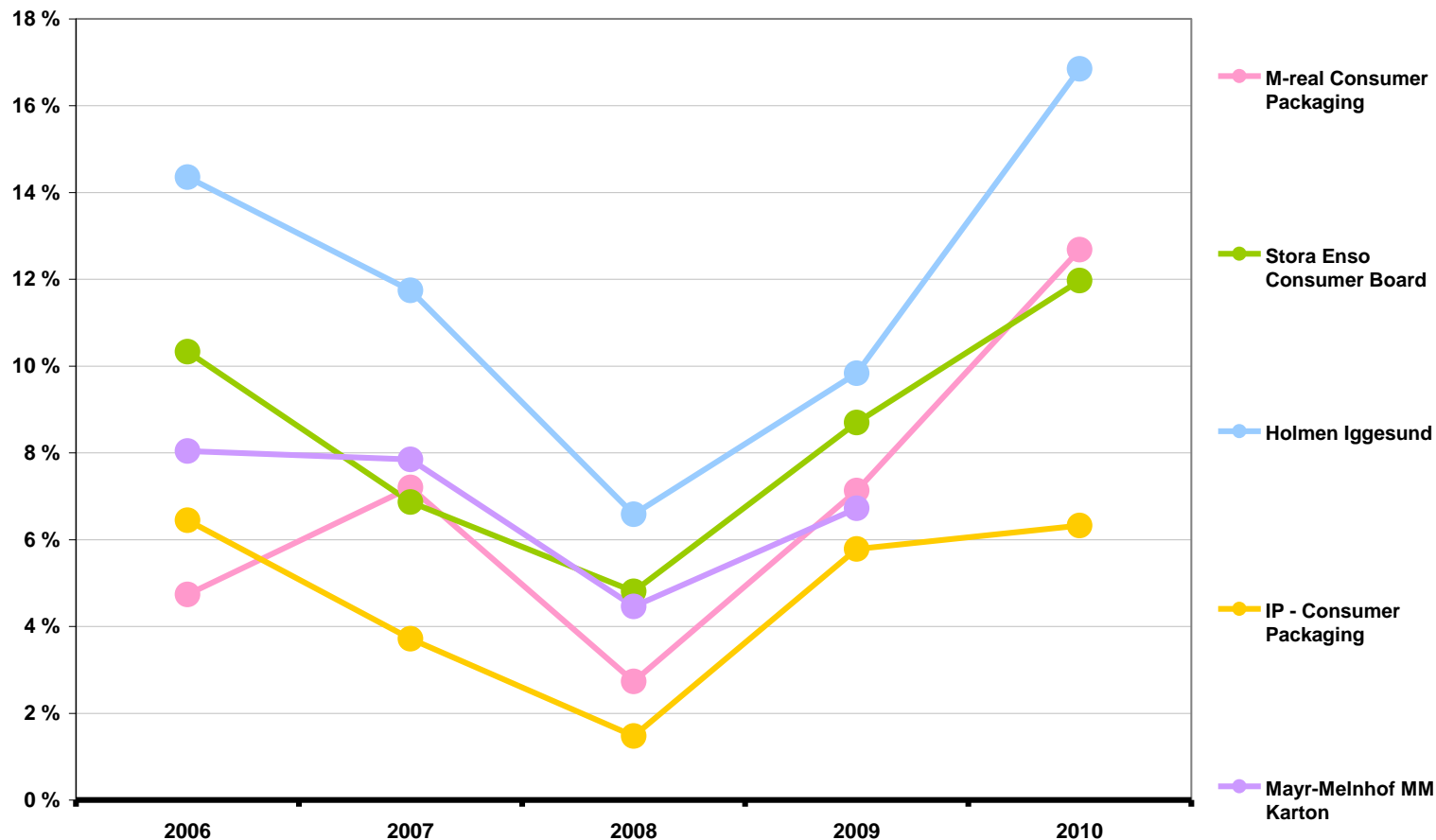
- Target to divest the Hallein pulp mill, the Alizay paper mill and the rest of Reflex business by separate arrangements
- Evaluating possibilities to participate in European-wide restructuring of speciality papers
- Gohrsmühle part of the arrangement and M-real involved in minor share holder
- In addition, possible new internal actions to eliminate losses of unprofitable units





## Growing cartonboard business

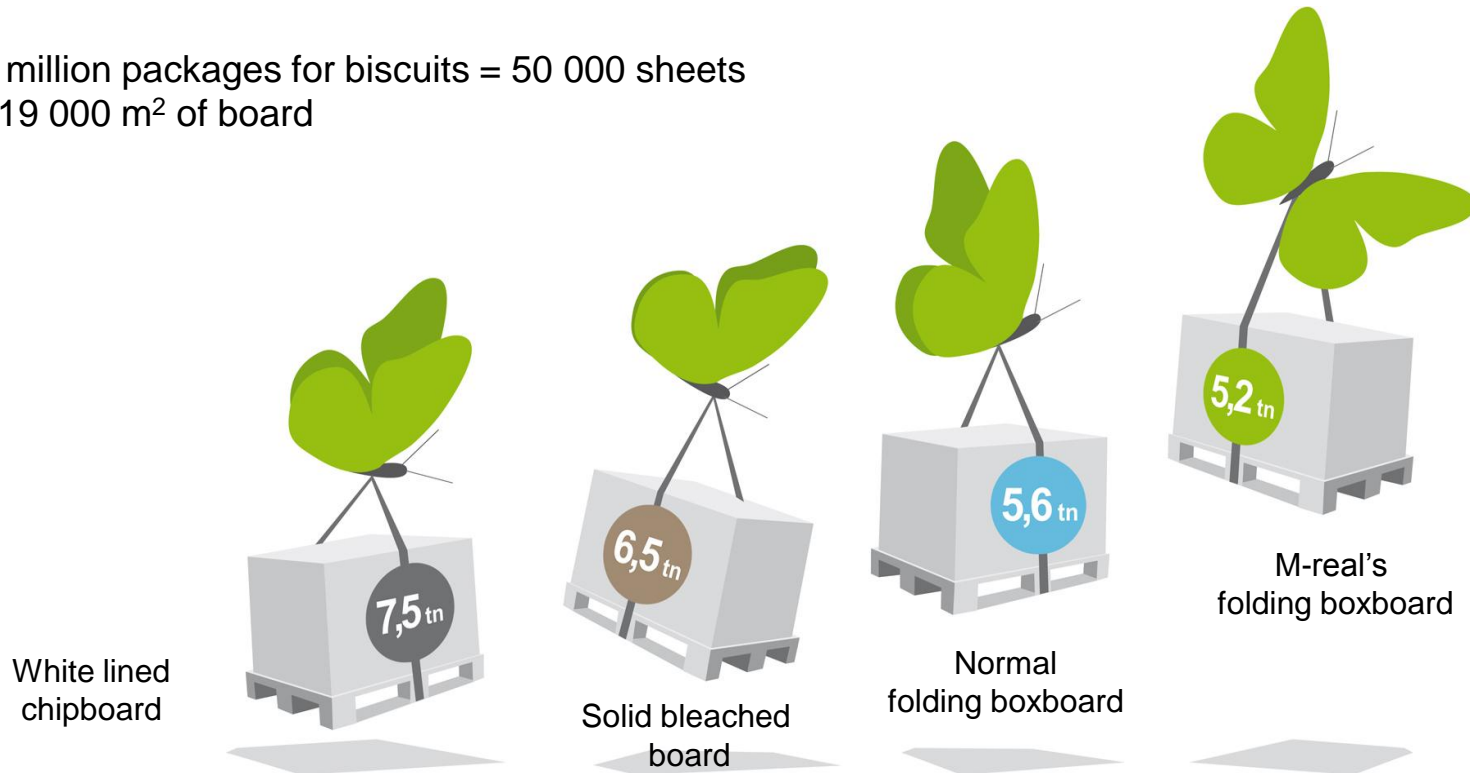
# Profitability of Consumer Packaging among the best of the industry



EBIT, % of sales, excl. non-recurring items

# M-real's success is based on ecological cartonboard that is up to 30% lighter than competitors

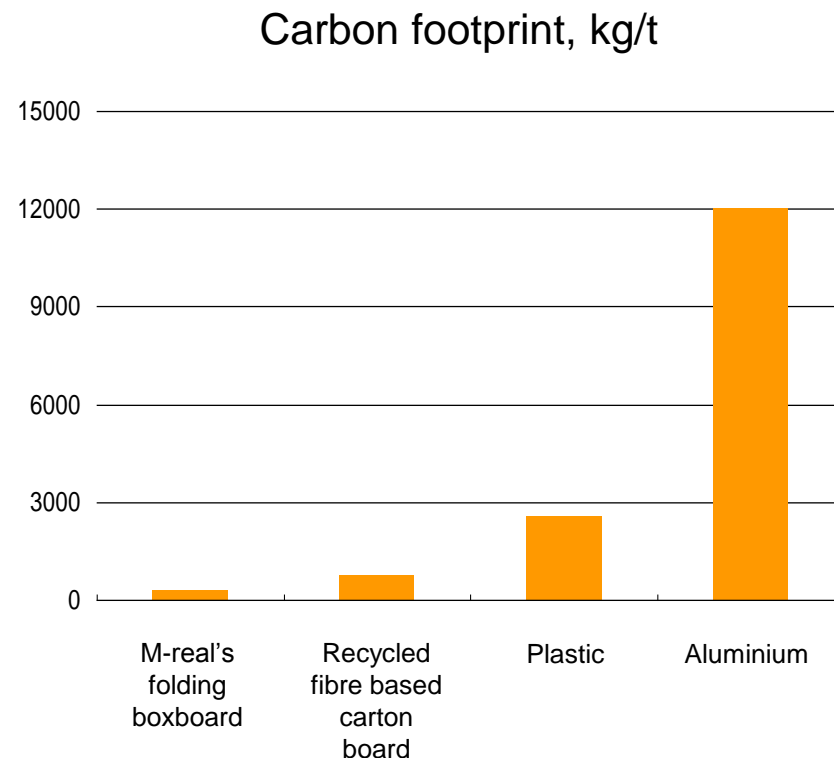
Six million packages for biscuits = 50 000 sheets  
or 19 000 m<sup>2</sup> of board



Lightness, ecology and product safety are very important for global brand owners

# Virgin fibre board is very ecological packaging material – low carbon footprint

- Wood is a renewable and ecological raw material
- Pulp mills producing fibre raw material are also significant bio energy plants
- M-real's lightweight carton board production use less fibre, energy and water
- In addition, lightness reduces energy usage and emissions also in logistic chain



Lähde: M-real ja SPC

# Virgin fibre based carton board is very safety packaging material

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- Increasing concern of health influencies coming from ink and other chemicals including in recycled fibre based carton board especially in Western Europe
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- Virgin fibre based carton board does not include contain mineral oil and chemical residues
- New competitive products and active marketing of virgin fibre based carton board has good potetial to increase its volumes
  - Substitution potential in recycled fibre based carton board is expected to be more than 300.000 tonnes per year



# Demand continuing strong in virgin fibre based consumer packaging boards

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- Market specialists estimate demand increase 2-3%/a in Europe and in developing markets even faster
- Good potential for even faster demand growth:
  - Fibre based packaging materials replace plastic, metal and glass packaging
  - Clean and lightweight virgin fibre based cartonboards also replace recycle fibre based cartonboards



# M-real to grow its cartonboard business

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- 26 M€ investment in 80 kton/a capacity expansion at Simpele
- 16 M€ investment in Kemiart Liners to increase the share of coated products
- M-real invests 30 m€ to expand capacity annually by approximately 70.000 tonnes at Äänekoski and Kyröskoski
  - Potential to further increase capacity of existing mills by some 70.000 t
- Evaluations regarding further development steps in cartonboard business continue



# Summary



# Management focus areas to further improve profitability

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- Utilising all price increase opportunities
- Completion of cartonboard capacity expansion investments
- Implementation of the new 70 m€ profit improvement programme
- Potential divestments of non-profitable assets
  - Or other actions to eliminate losses
- Investigate possibilities to participating in the Europe-wide consolidation of paper industry



Thank you!