



# Transformation into a Cartonboard Company

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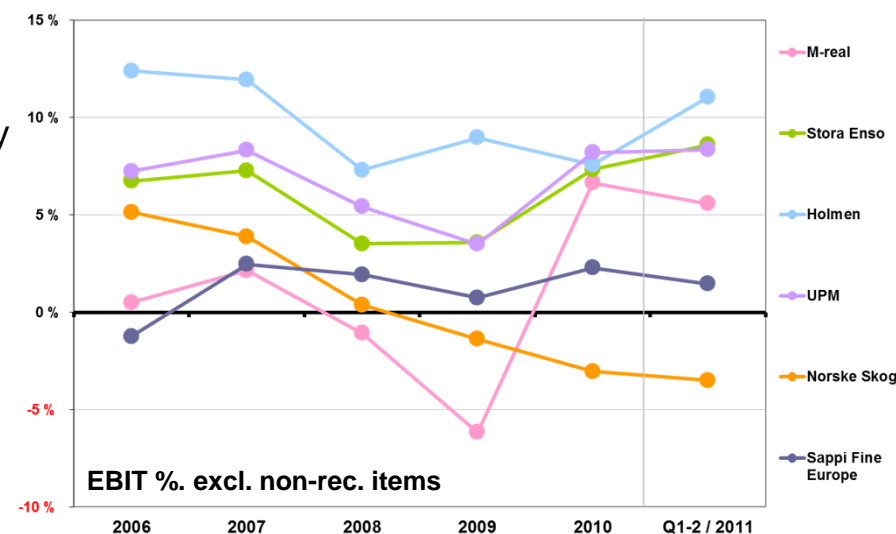
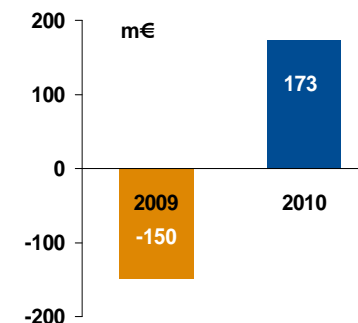
A woman in a white bathrobe is relaxing in a bathtub, her head tilted back and eyes closed. In the foreground, a white paper lantern with green leaf patterns sits on a white tray. The scene is brightly lit, suggesting a spa or wellness environment.

# Strategic Direction

# Strategy Has Been Successful - Material Profitability Turn-Around Achieved

- Operating result improved in excess of 300 m€ in 2010
- M-real reached the profitability level of main competitors' in 2010 after many years of underperformance
- Excellent potential to reach a best in class profitability in European paper and board industry

EBIT, excl. non-rec. items



# Consistent Strategic Direction

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- Cartonboard is the core business
  - Growth through maximizing capacity of existing mills
  - Lot of growth potential also in the developing markets
- Smaller but healthier paper business
  - Heavy re-engineering and successful divestments
- High fibre know-how and self-sufficiency
- Working towards Super Productivity





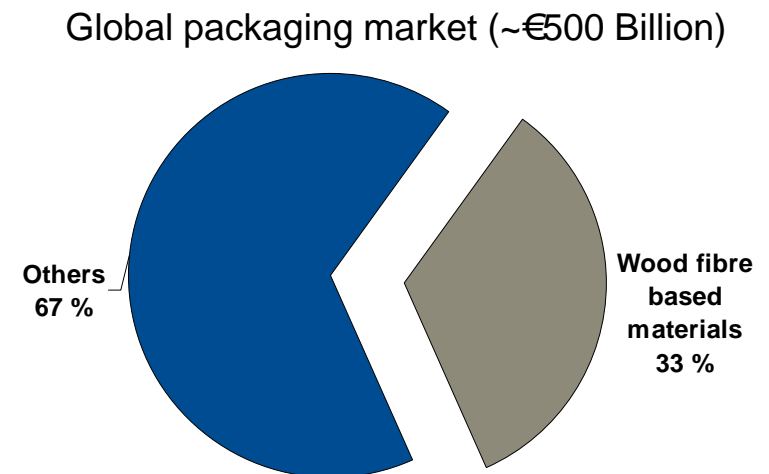
Cartonboard Is the Core Business

# Packaging Material Business Is One of the Biggest Businesses in the World

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- Demand for Good packaging is heavily increasing
- Good packaging is
  - Ecological
  - Safe
  - Efficient marketing and communication tool
  - Economical

*Wood fibre the best raw material for Good packaging*

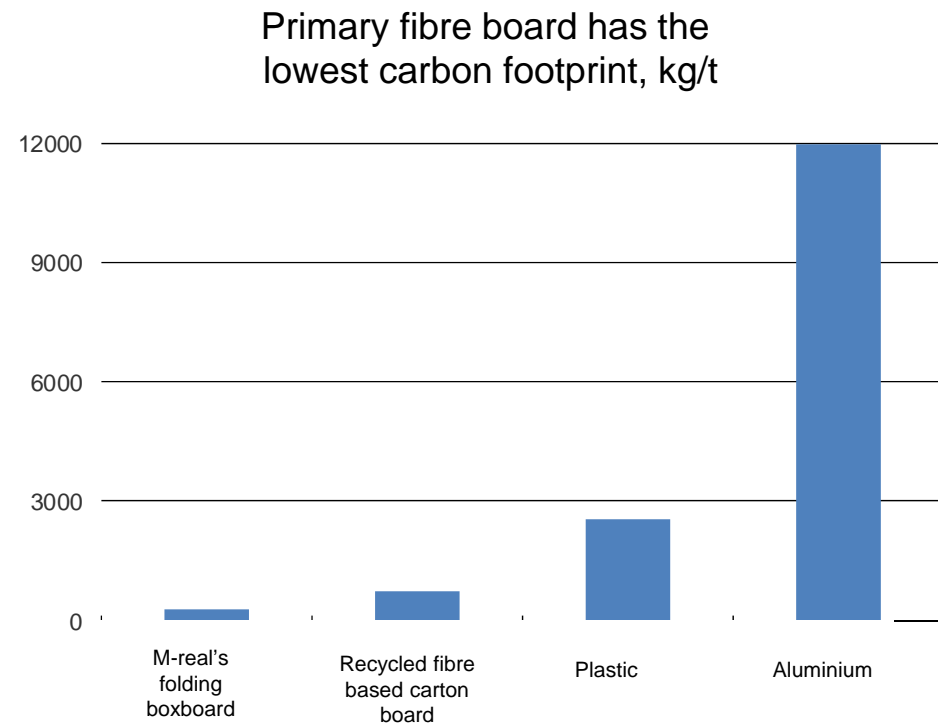


Sources: Pira & M-real

# M-real Focuses on Good Packaging - Primary Fibre Cartonboard Business

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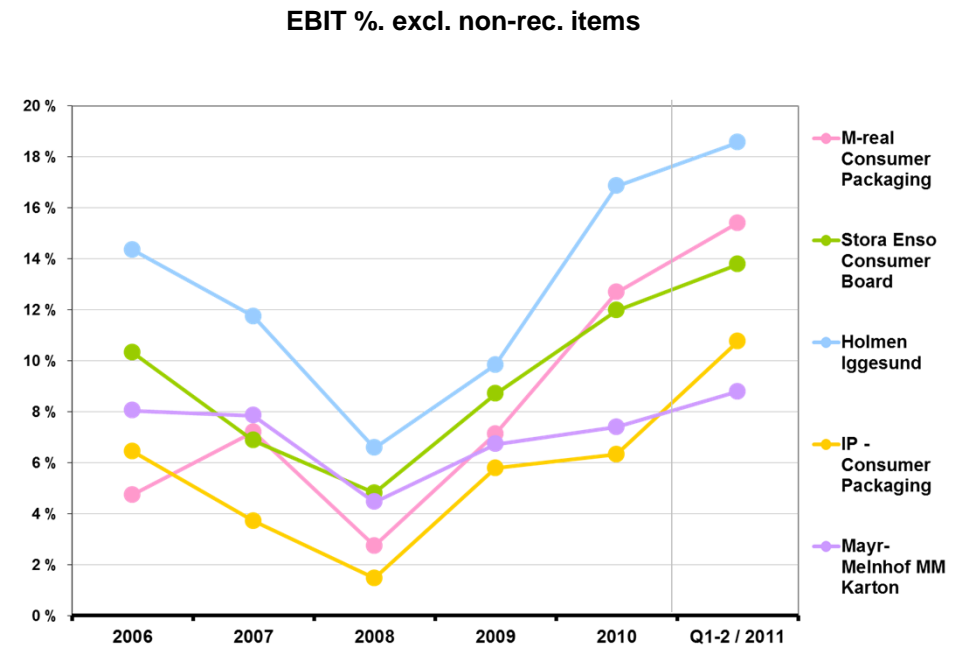
- Primary fibre board the most environmentally sound packaging material
- Wood fibre based products replace non-renewable materials like plastic and aluminium
- In the food segment primary fibre board replaces also recycled fibre based packaging materials



Source: M-real and Sustainable Packaging Coalition - SPC

# Chosen Strategy Has Led to Good Results

- Material improvement in profitability
- Intensive development lead to an increase of European market share from 23 to 28 %
- European market leader in FBB since 2009
- Top class profitability in its field, cartonboard EBIT, of sales getting close to 20 %





# Future For Paper Business

# Large Pulp and Paper Integrated Sites in Favourable Locations Are the Winners

- European coated paper industry still suffering from huge overcapacity
  - Slowly declining demand in traditional markets
  - Export opportunities reducing especially in WFC
- Overcapacity in uncoated fine papers not as severe as in coated papers
  - Demand outlook more positive than in coated grades
  - Uncoated fine paper business more local
- Capacity closures are still needed both in coated and uncoated papers

Company	Location	Pulp and Paper Kt/a	Paper Kt/a	Pulp Kt/a
<b>M-real</b>	<b>Husum</b>	<b>1440</b>	<b>710</b>	<b>730</b>
Stora Enso	Oulu	1440	1100	340
UPM-Kymmene	Kuusankoski	1400	850	350
Soporcel	Figueira da Foz	1340	800	540
Soporcel	Setubal	1300	790	510
Sappi	Gratkorn	1200	950	250

Largest fine paper and pulp integrates, source: RISI

# M-real Is Divesting or Potentially Closing Its Small Inefficient Paper Mills

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- No possibilities for profitable future for small non-integrated paper mills
- Negotiations to divest Alizay mill ongoing
  - M-real approached over 80 potential buyers of which a couple still in process
  - If divestment does not materialize M-real plans to start a closure process in October
- Difficult to find an industrial buyer for the entire Gohrsmühle mill. Negotiations to discontinue the unprofitable operations and implement a paper park concept started
  - Profitable Chromolux business will be continued
- Negotiations to discontinue M-real's remaining operations at Reflex mill started
  - Some potential to find a buyer for Premium Papers business



# M-real Will Have a Profitable Paper Business by Exploiting the Full Potential of Husum Site

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- Modern paper machines integrated to one of Europe's largest pulp mills and an own harbour
- Extensive re-engineering implemented in Husum
  - Headcount from 1200 to 800
- Development work to further improve Husum's uncoated fine and coated paper profitability ongoing
- M-real continues to be interested to take part in the European wide paper industry consolidation



A woman in a white bathrobe is lying down, wearing large purple headphones and listening to music. In the foreground, a white paper container with a handle and green abstract patterns sits on a white saucer. The background is a bright, out-of-focus room.

# Fibre Know-How and Self-Sufficiency

# Fibre Know-How and Strong Pulp Assets Important Key Success Factors for M-real

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- Integration of M-real's board and paper making to pulp production enables high energy efficiency and a low carbon footprint
- Thanks to superior fibre knowhow, pulp self-sufficiency and high quality Nordic fibre M-real is the global quality leader in cartonboard
- M-real has about 2,3 million annual tons of pulp production capacity
  - Husum soft- and hardwood chemical pulp mill 750 kt/a
  - Joutseno BCTMP mill 280 kt/a
  - Kaskinen BCTMP mill 300 kt/a
  - Botnia (four mills total capacity 2 400 kt/a) ownership 32 % 760 kt/a
  - Mechanical pulp at Simpele and Kyro board mills 170 kt/a

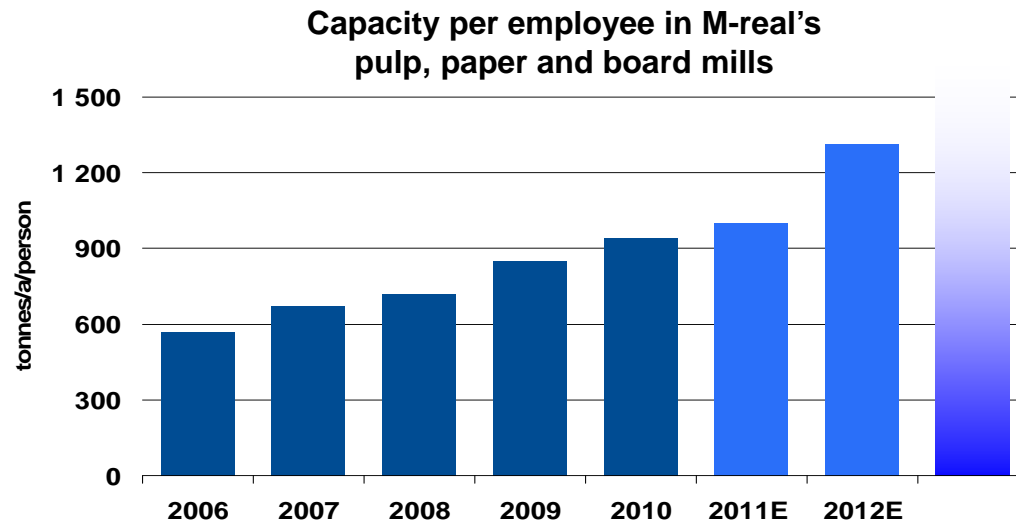




# Super Productivity

# M-real Is Working Towards "Super Productivity"

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- Productivity almost doubled 2006-2011 thanks to re-engineering, continuing operations' fixed costs reduced by 160 m€/a
- Measures under implementation improving productivity materially in 2012, lot of further improvement potential identified
- M-real in good speed towards Super Productivity

A woman in a white dress is lying down, wearing large purple headphones and listening to music. In the foreground, a white paper lantern with green leaf patterns sits on a white saucer. The text "Profit Improvements in Process" is overlaid in the center.

# Profit Improvements in Process

# Major Result Improvements in the Pipeline

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- Profitable growth by increasing annual FBB capacity by 150 000 t
- Divestment or potential closures of Alizay mill and Speciality Papers improving results by 60 m€ vs. 2010 run rate and even more vs. 2011 run rate
- Hallein divestment improves results by 5 m€ vs. 2010
- New measures to improve coated paper results under investigation
- Further productivity improvement and variable cost savings
  - Fixed costs per tonne to be further reduced
  - Optimization of recipes and raw material purchases





Thank You!