



Growing Cartonboard Business

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Introduction



Consumer Packaging is M-real's Strategic Focus

- Main products are cartonboards and kraftliners from primary fibre
- End use areas food, beauty and health care, cigarettes, consumer durables
- Brand owners, carton printers, converters and merchants as customers
- Annual sales ~1 200 m€
- About 1 500 employees



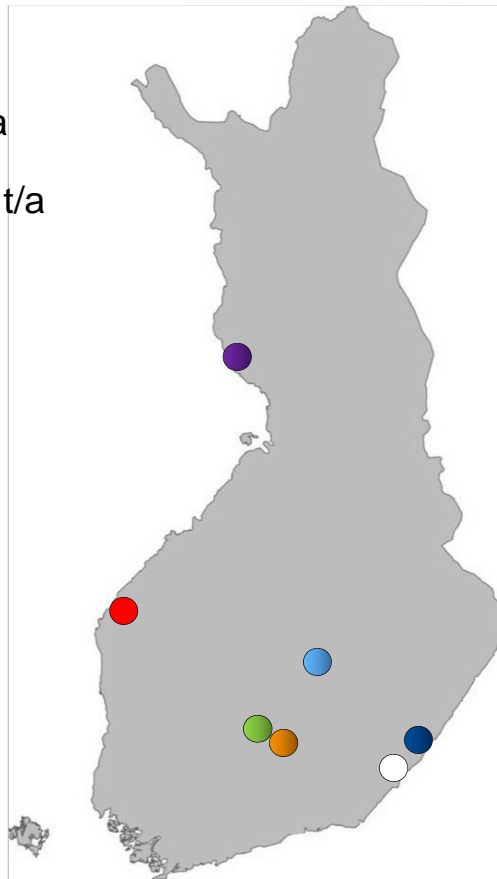
Production in Finland – Sales Globally

- Cartonboards

- M-real Simpele 300 000 t/a
- M-real Äänekoski 210 000 t/a
- M-real Tako 205 000 t/a
- M-real Kyro 150 000 t/a

- Kraftliners

- M-real Kemi 375 000 t/a



- BCTMP

- M-real Joutseno 290 000 t/a
- M-real Kaskinen 300 000 t/a

- Biopower

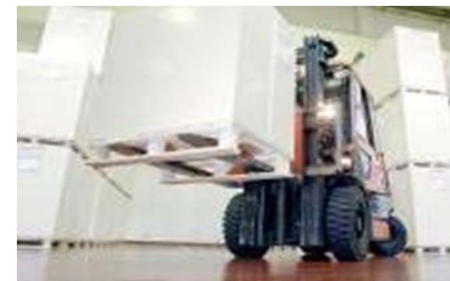
- Biopower plants in Äänekoski and Simpele
- Kyro startup in autumn 2012

- Paper

- M-real Äänekoski 190 000 t/a
- M-real Kyro 105 000 t/a

Modern and Efficient Production Assets

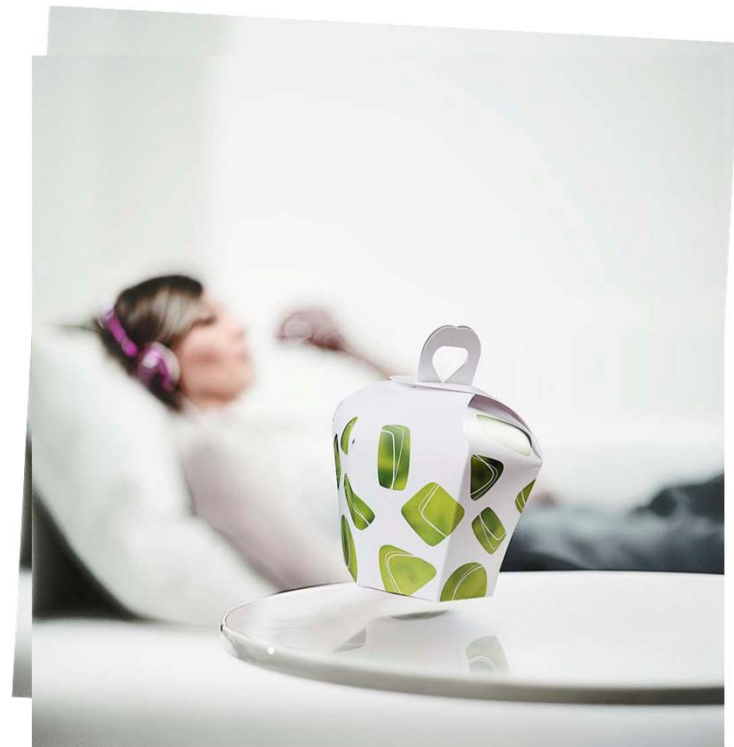
- Best mills in Europe with regards to efficiency and quality
- Capacity expansions with moderate investments
 - No major investment needs otherwise
- Still a lot of productivity improvement potential
- Strong own chemical pulp and BCTMP production units
- High self-sufficiency in energy



Strategy

Strategic Cornerstones for Consumer Packaging

- Primary fibre
- Lightweight boards
- Reduced environmental impact
- Fibre self-sufficiency and know-how
- Profitable growth



Demand Growth for Primary Fibre Cartonboard Accelerating

- Renewable packaging materials are gaining market share from non-renewable materials
- Primary fibre cartonboard is increasing market share especially in food packaging
- M-real's strategic focus is on primary fibre based cartonboard and there is no interest to enter the recycled fibre board business
- In Europe, folding boxboard demand is forecast by Pöyry to grow 2–3%/a



Fiber Availability And Know-How Key Competitive Strengths for M-real

- Chemical pulp from Metsä-Botnia
 - 32% ownership assures dynamic joint R&D
 - Permanent supplier relationship secures equal quality
 - Chemical pulp from Husum in reserve for future growth
- BCTMP produced at M-real Joutseno
 - Forerunner and the most energy efficient BCTMP producer in the world
 - Kaskinen BCTMP in reserve for future growth
- Groundwood pulp produced at own board mills



Bleached
chemical pulp



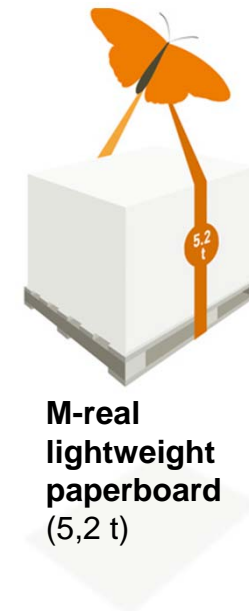
BCTMP



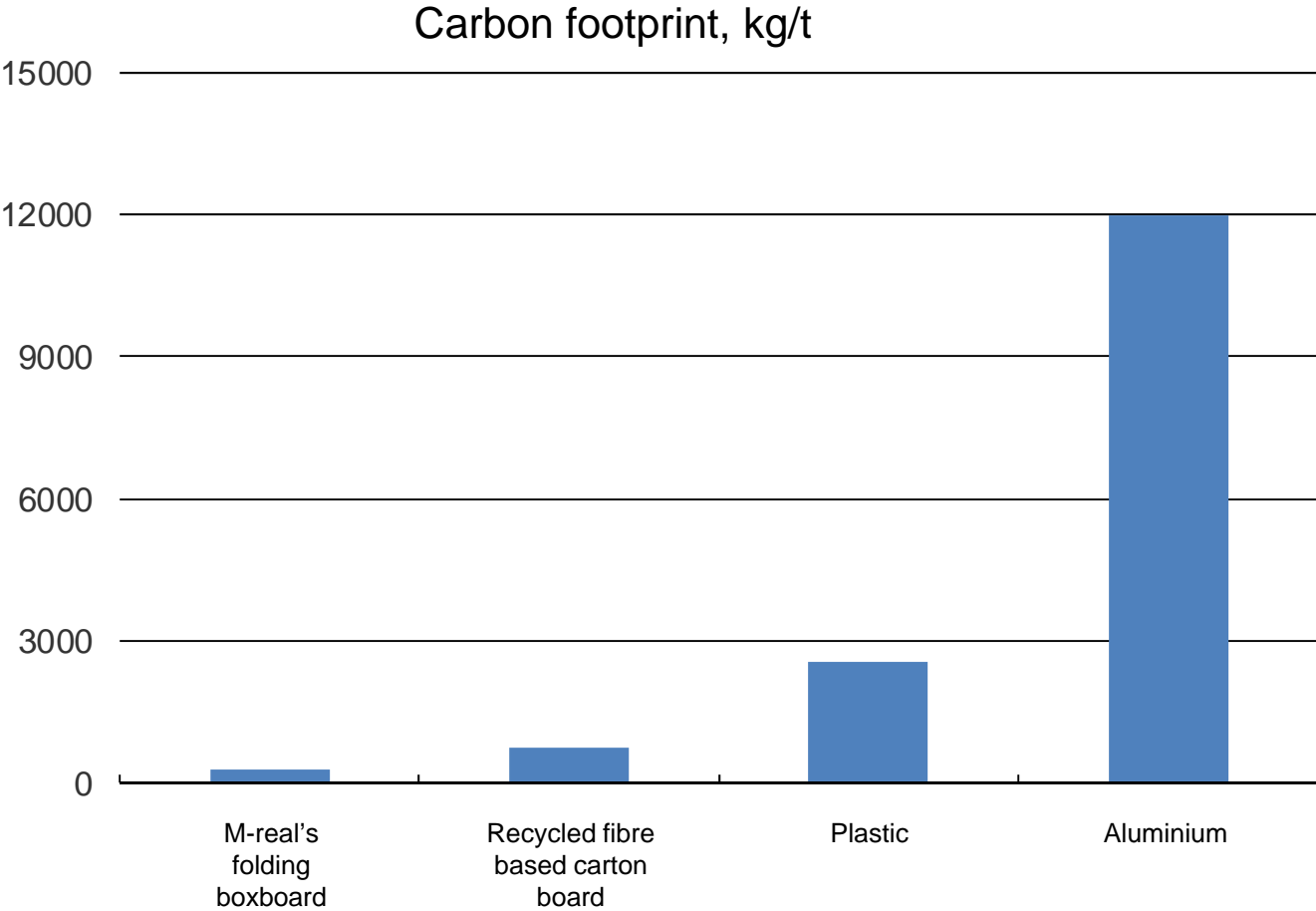
Unbleached
groundwood pulp

Light Weight Helps Reduce Environmental Impact

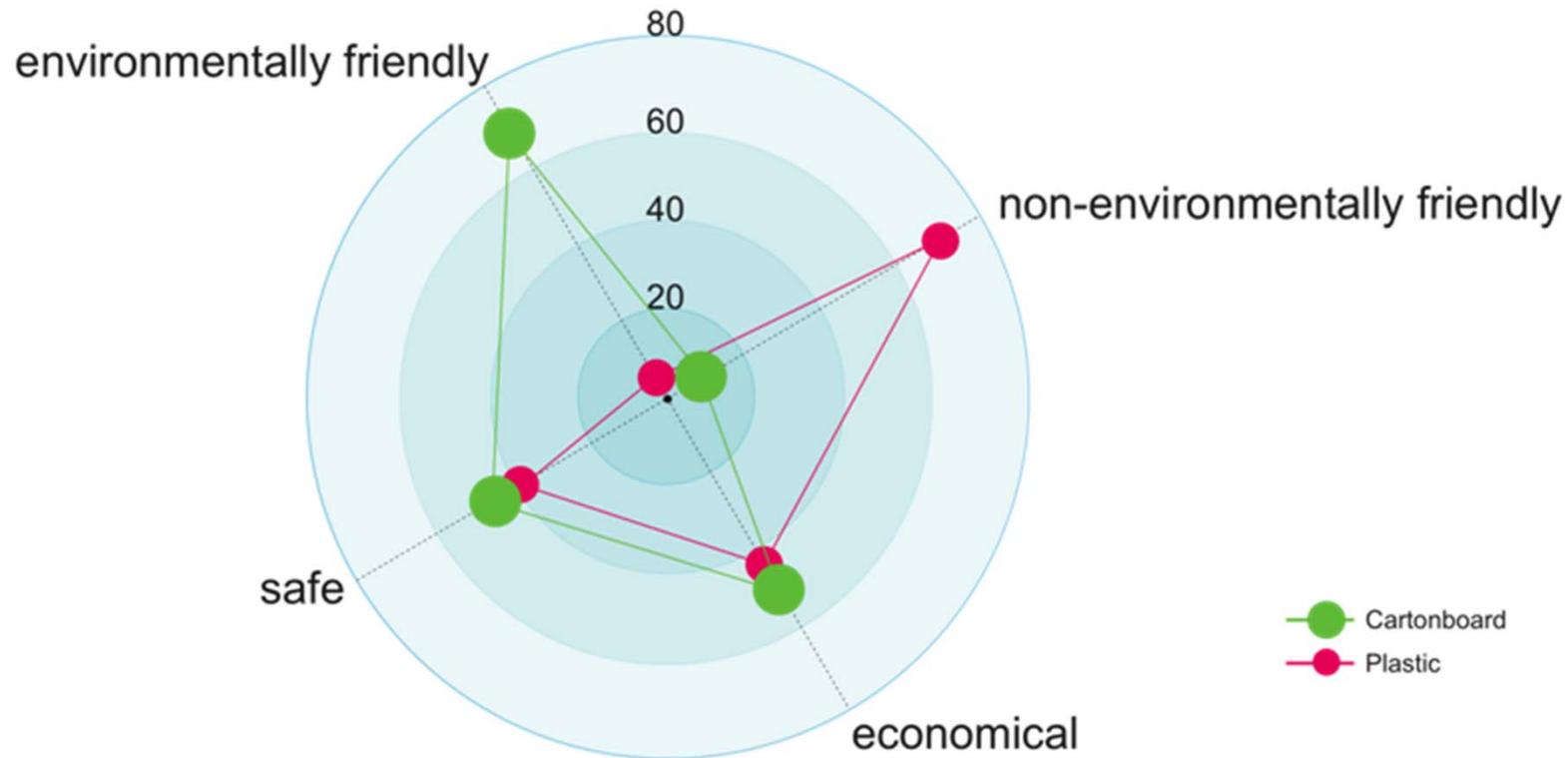
- M-real boards use less energy, water and fibre and cause less CO₂ emissions in the value chain
- Sustainability goes hand in hand with cost savings



Primary Fibre Based Cartonboard Has the Lowest Carbon Footprint

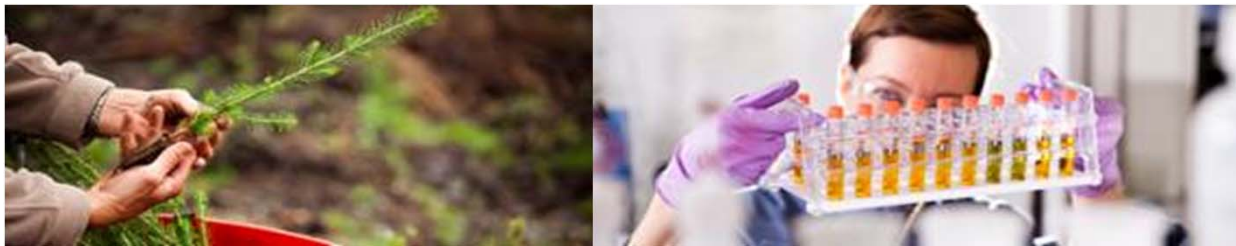


Cartonboard Perceived as the Most Environmentally Friendly Packaging Material



Pure Primary Fibre Supports Safety

- Harmful mineral oil hydrocarbons have been found in recycled fibre based packaging
 - Primary fibre cartonboard is free of mineral oils
- Migration discussion has a positive impact on 2–3 %/a FBB growth scenario in Europe



“Recycled cardboard packaging presents health risk, new research claims”

Print Week 8-3-2011

“Food companies changing packaging on mineral oil migration risk”

Food Production Daily 8-3-2011

“M-real boosts virgin carton output as mineral oil debate rages”

Packaging News 15-4-2011

M-real's Cartonboard Capacity Increasing to 935 000 t/a

● M-real Simpele in June 2011

- Capacity increasing to 300 000 t/a (growth 80 000 t/a)
- Value of investment 26 m€
- Sheeting capacity increasing to 230 000 t/a

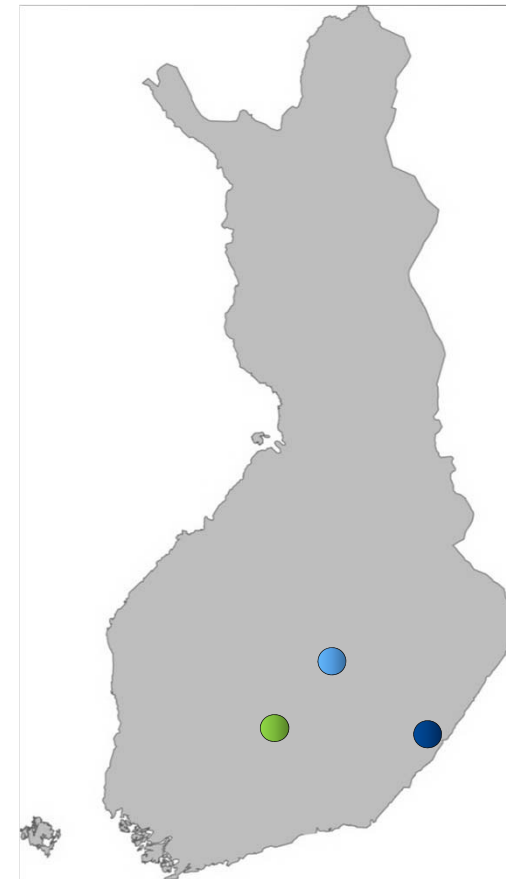
● M-real Kyyro in November 2011

- Capacity increasing to 190 000 t/a (growth 40 000 t/a)
- Value of investment 9 m€

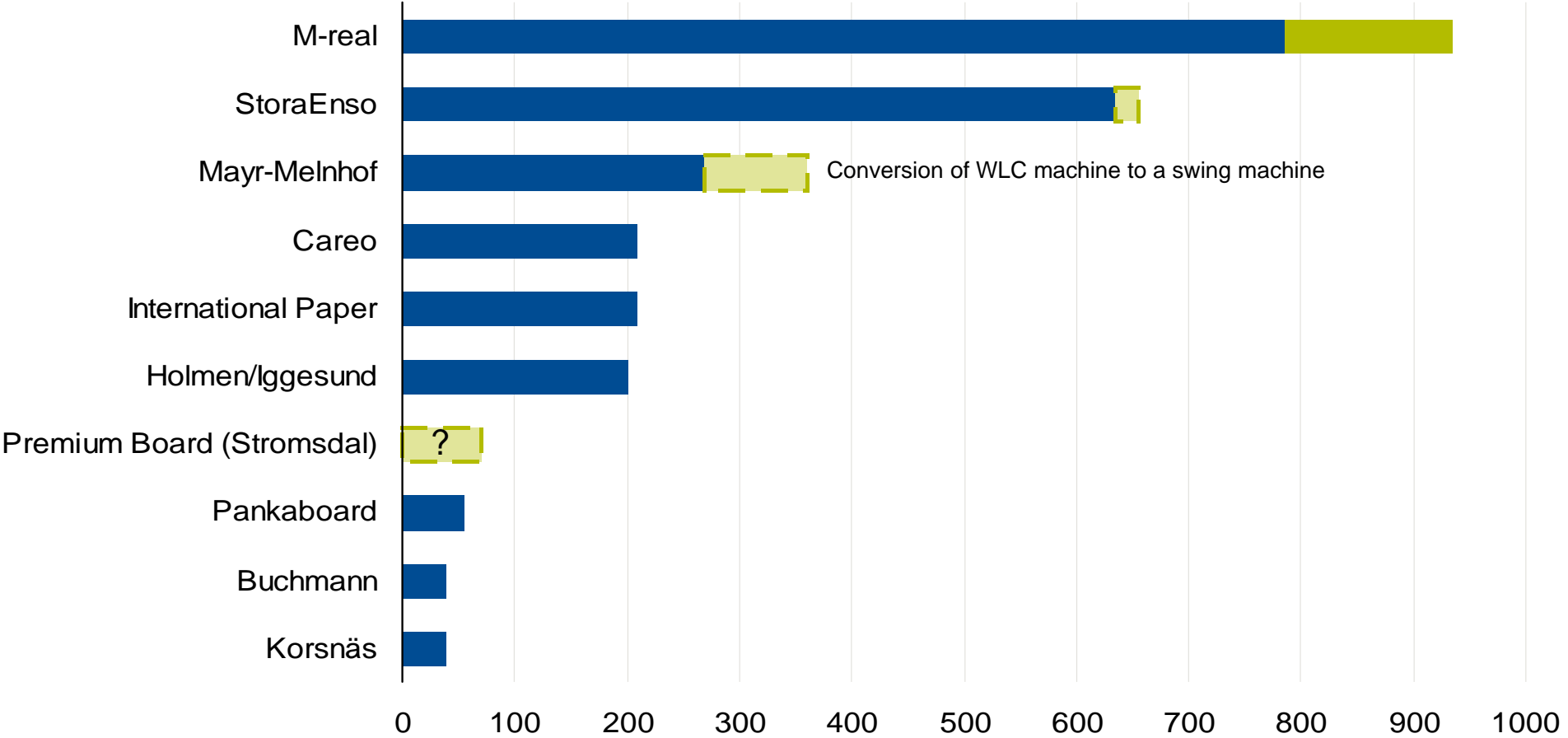
● M-real Äänekoski in April 2012

- Capacity increasing to 240 000 t/a (growth 30 000 t/a)
- Value of investment 21 m€

After above investments there is still potential to increase the capacity of current machines with modest investments



M-real's FBB capacity Share Is Increasing to about 36 % in Europe



Profit Improvement

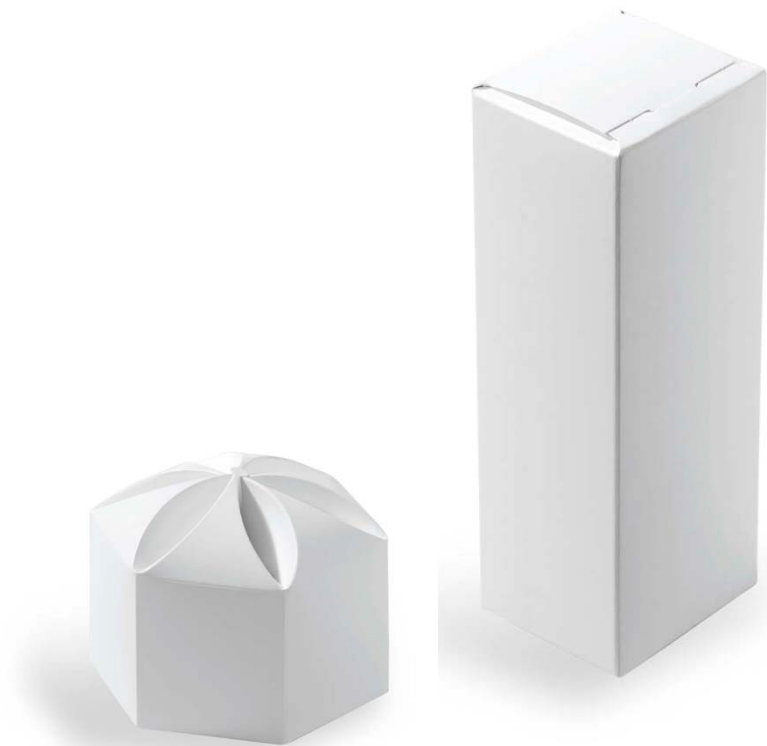
Main Profit Improvement Actions Since 2007

- Product portfolio development
- Operational streamlining
- Headcount reduction
- Supply chain development
- Price increases



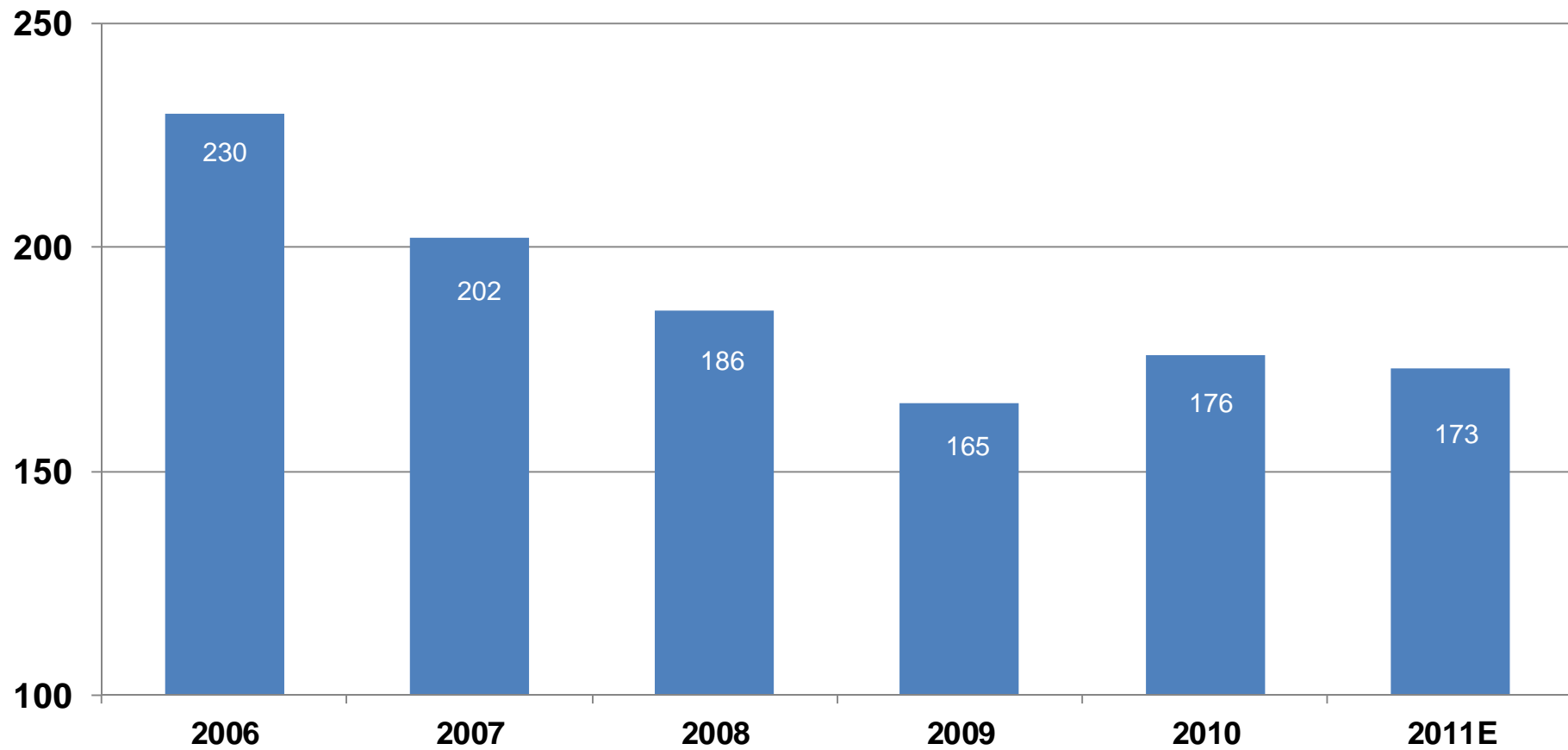
Product Portfolio Streamlined Since 2007

- Cartonboard product amount has been cut to 1/3
 - Avanta Prima, Carta Integra, Carta Elega, Carta Solida, Simcote and Tako
- Efficiency improvement in production, supply chain, sales and marketing
- More consistent product quality
- Improved availability for customers

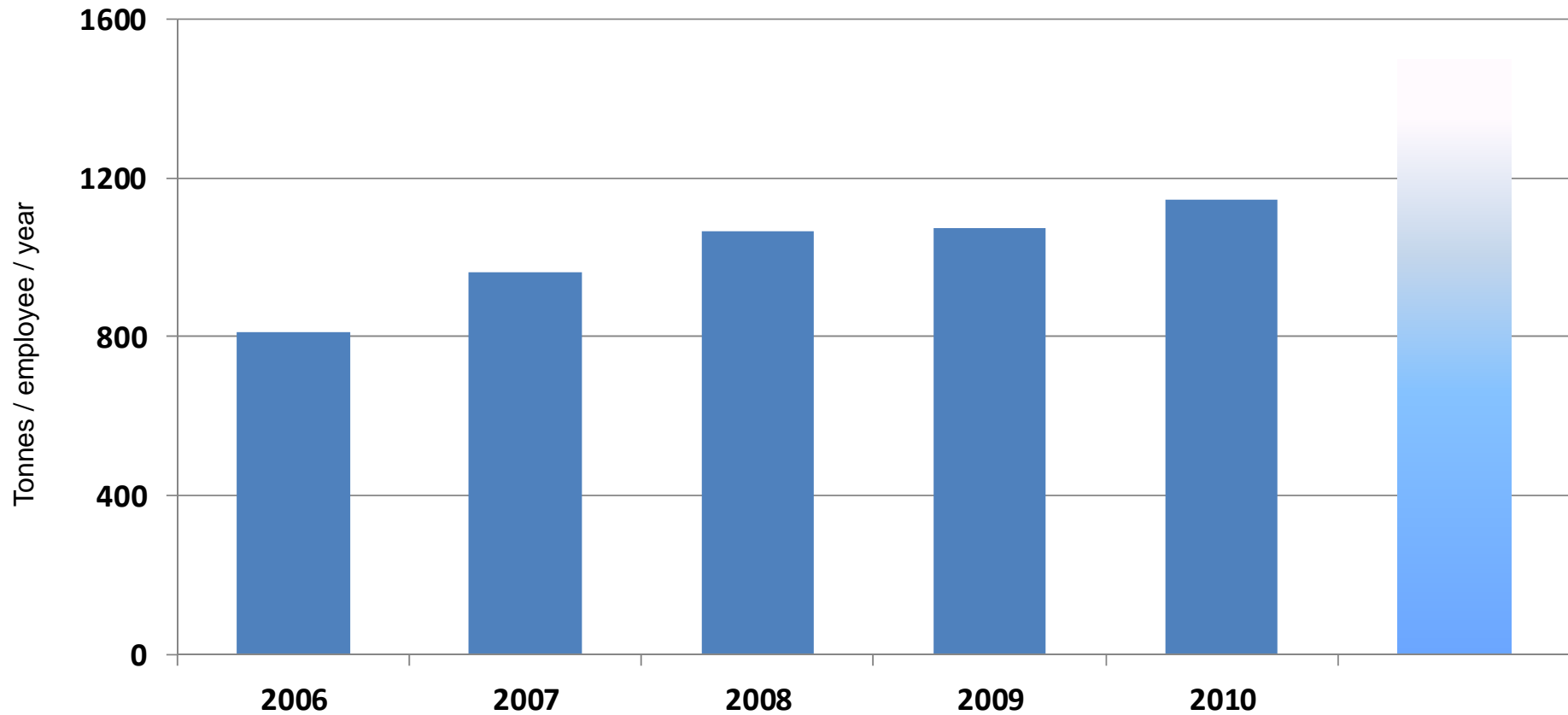


Clear Decrease in Fixed Costs

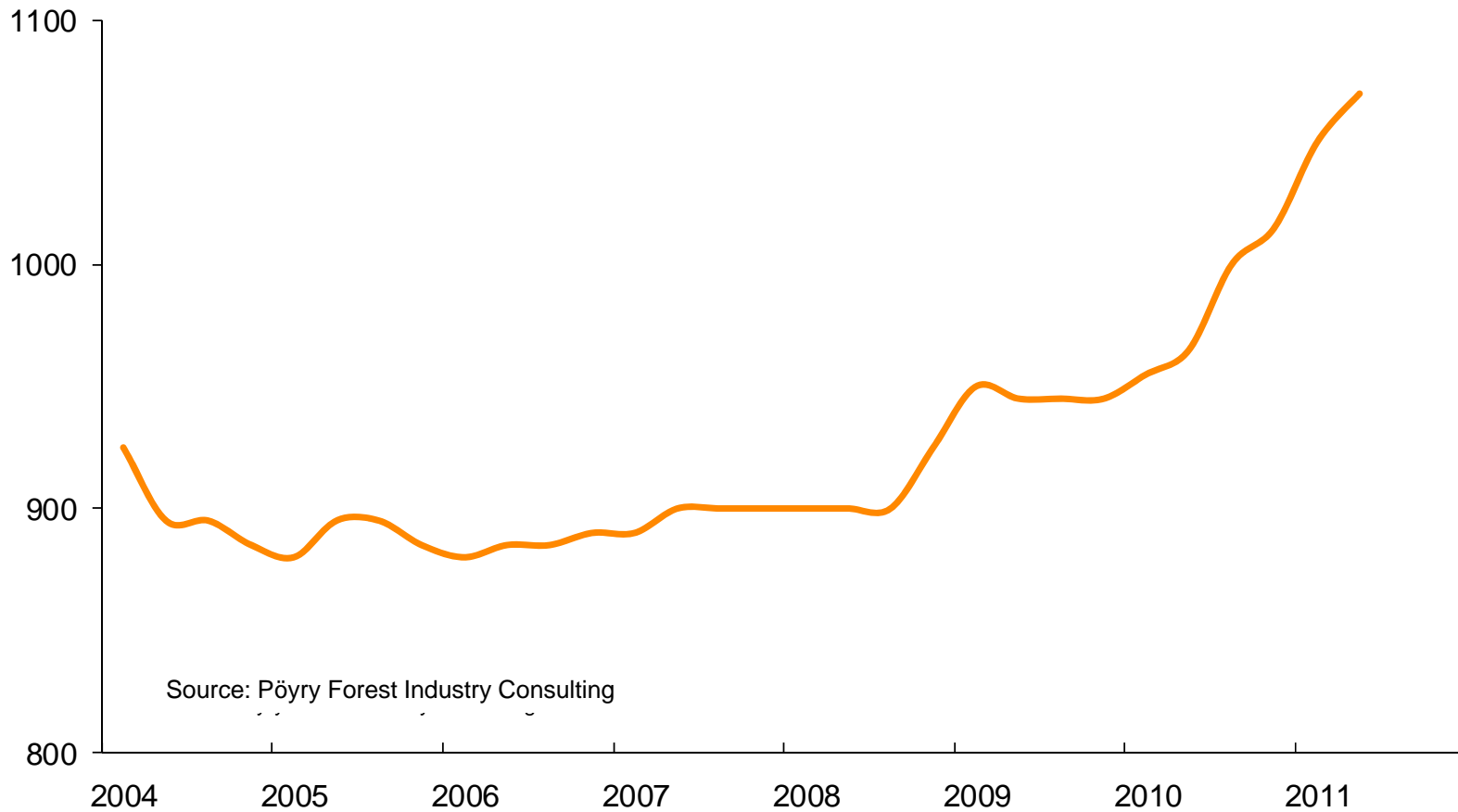
EUR million



Consumer Packaging in Good Speed Towards Super Productivity

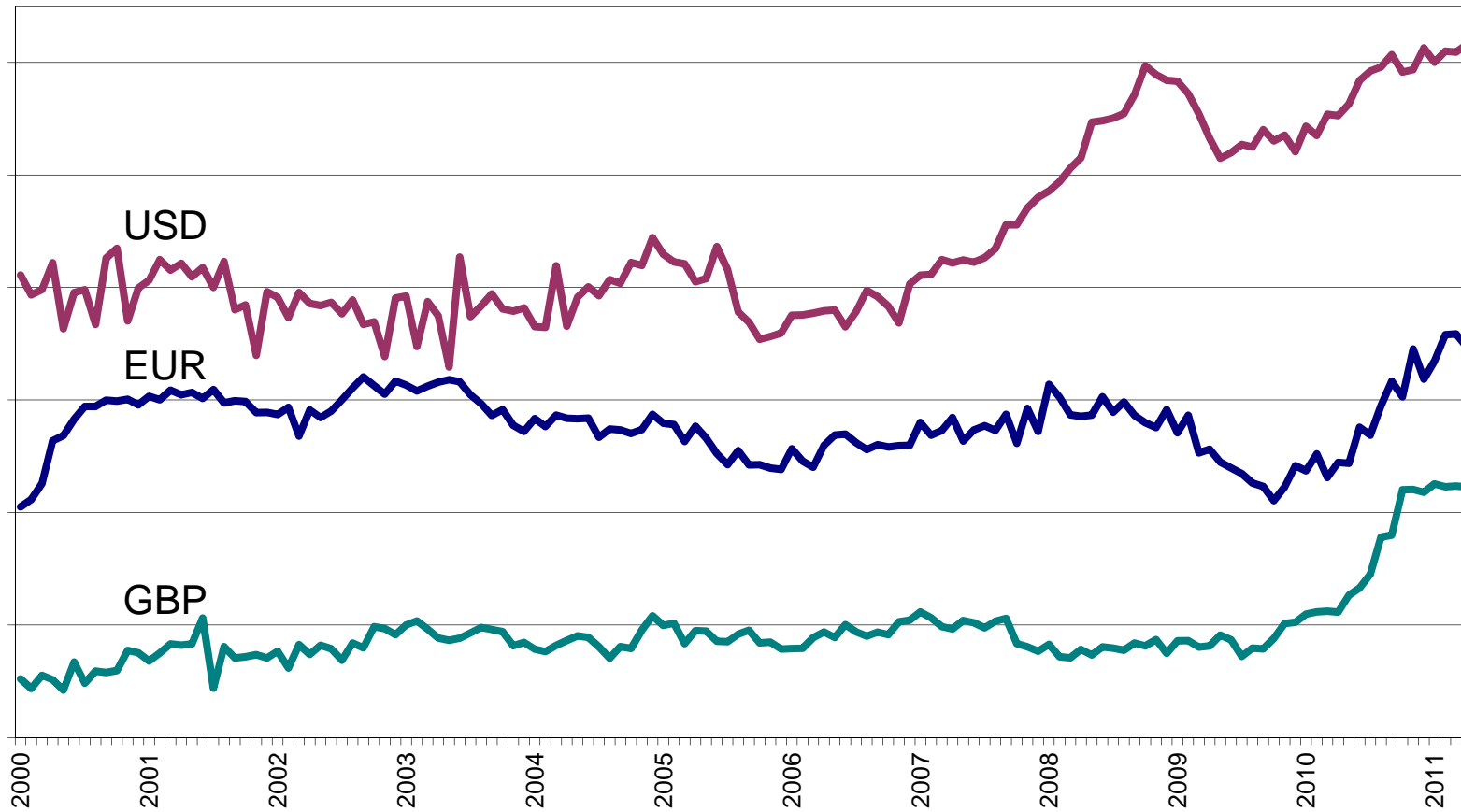


Strong Development in FBB Market Price in Europe

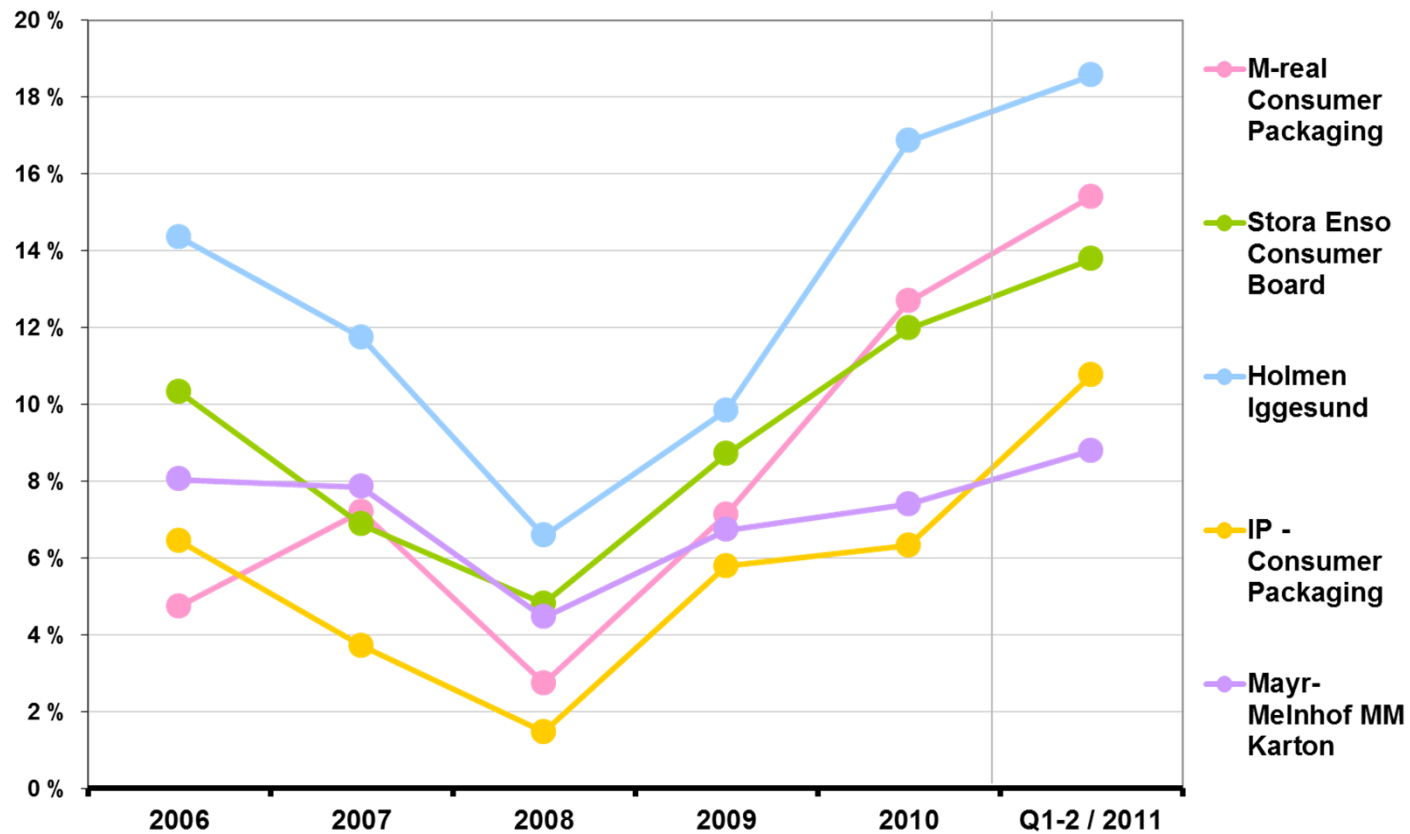


Kemi Kraftliner Turnover Prices at Record Level

Price



Consumer Packaging Operating Result Above 15 % in 1H 2011



Source: company interim reviews.



Focus Areas and Outlook

Management Focus Areas in 2011

- Capacity investments
- Sales growth in Europe in particular
- Cost savings and ONWC management
- Supply chain development
- Evaluations related to potential production in Asia
- Personnel skills and well-being



Outlook Continues Good

- Demand is expected to remain good
 - Order inflow normalised after overheated 2010
 - When European customers are back from holidays visibility improves
- Consumer Packaging's profitability continues strong
 - Simple investment shutdown weakened 2Q result
- There is still room for profitability improvement
 - Growth of the most profitable business
 - Variable cost savings
 - All price increase potential will be utilized



Thank You!

