



# M-real

## Results 3Q 2011

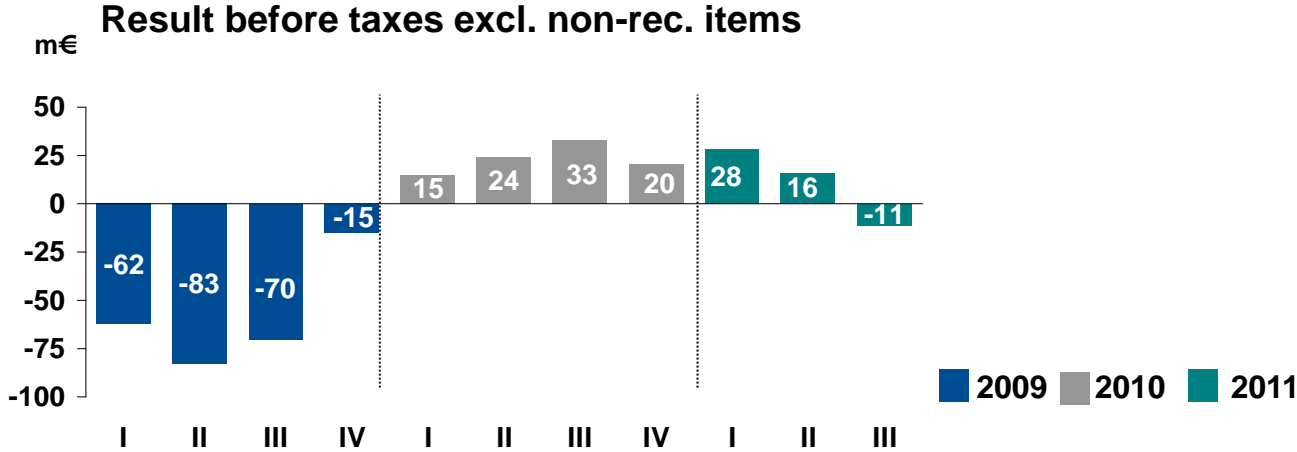
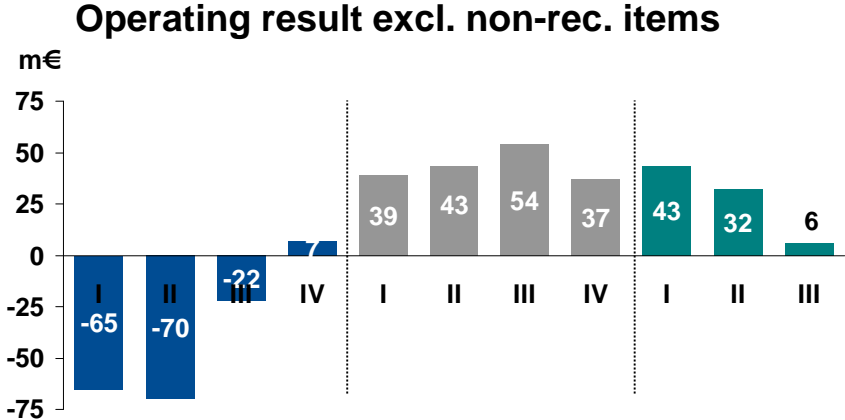
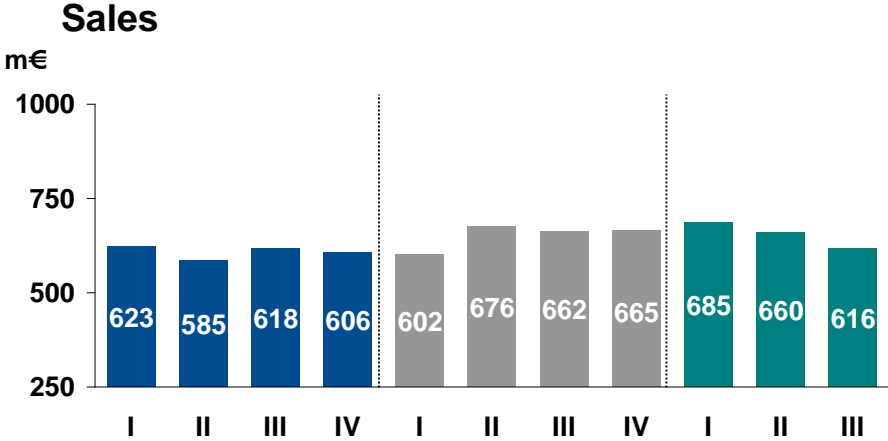
# Key Events in 3Q 2011

---

- Cartonboard profitability continued strong
- Paper and pulp results decreased
- Divestments of Hallein pulp mill to Schweighofer Group and M-real's holding in Myllykoski Paper to UPM
- Modernization of Kemi linerboard mill completed in October
- Processes to close Alizay mill and materially downsize Speciality Papers started in October
- Plans to restructure M-real's coated paper business announced in November

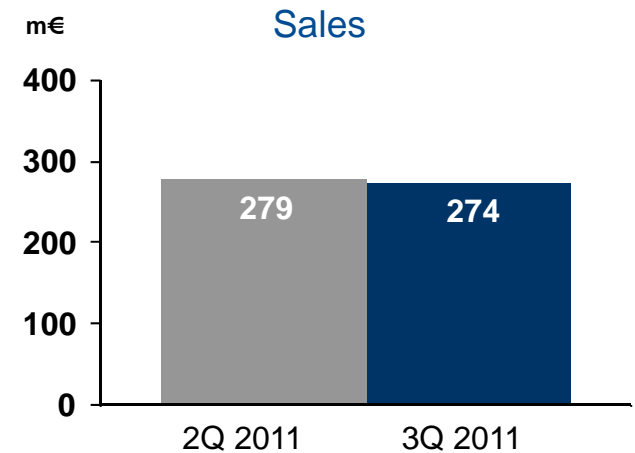


# Key Figures – Quarterly

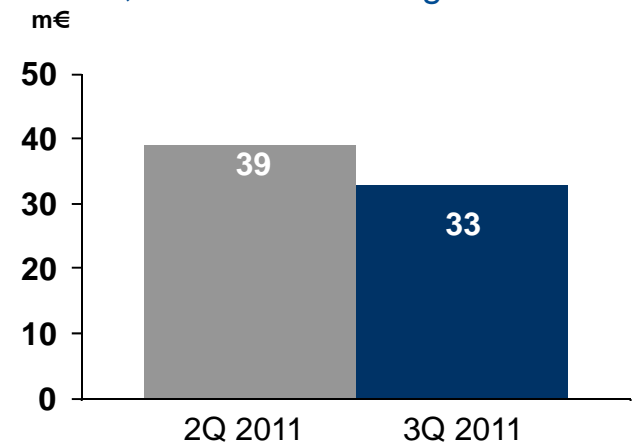


# Consumer Packaging Result Continued Strong

- Investment shutdown in Kemi mill and the maintenance shutdowns at Botnia pulp mills weakened the result from 2Q
- End demand of cartonboard has remained strong, but inventory levels in the supply chain are being reduced
  - Cartonboard order stocks currently below normal levels
- Folding boxboard annual contract negotiations for 2012 have progressed well
- Long-term demand and profitability outlook for cartonboard continues strong and M-real will increase its folding boxboard capacity as planned
- Possible Äänekoski paper machine closure would improve Consumer Packaging 's results from 2012 onwards

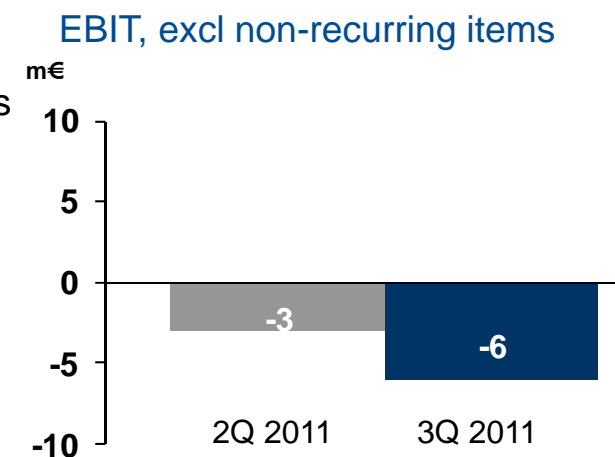
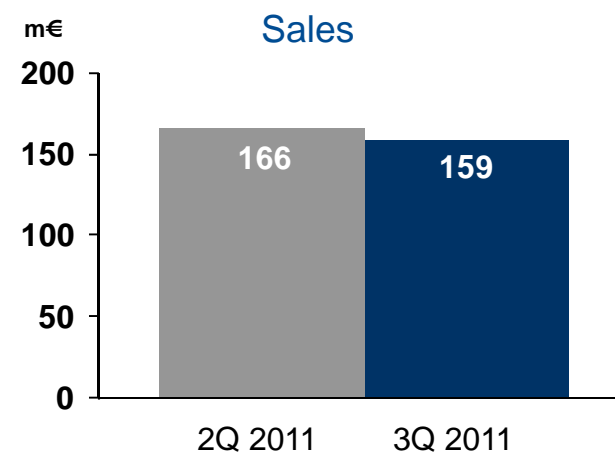


EBIT, excl non-recurring items



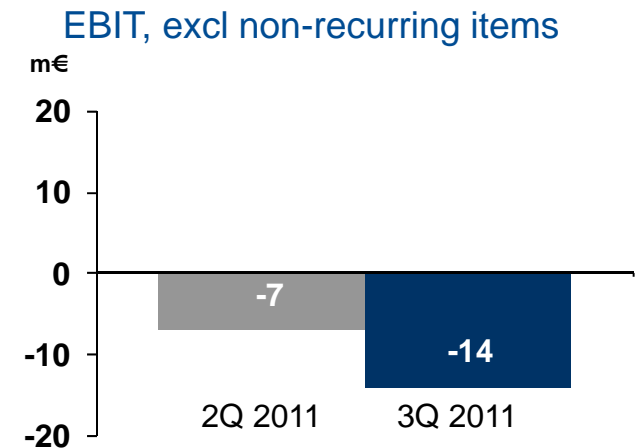
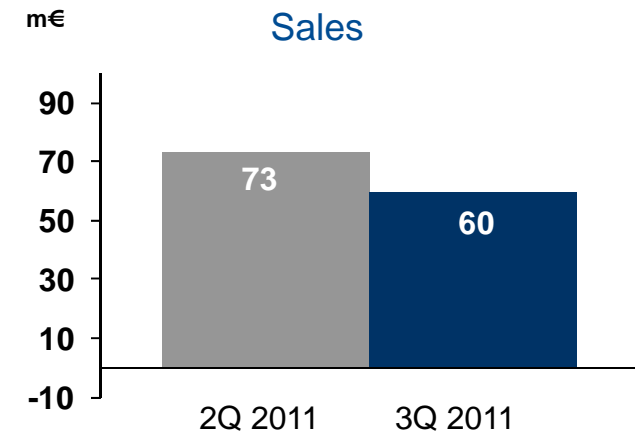
# Major Measures in the Pipeline to Improve Office Papers Result

- Profitability weakened from 2Q due to a seasonal decrease in delivery volumes
- Weak coated magazine paper market situation impacts negatively Office Papers result
- Order stocks currently below normal level. WFU prices expected to somewhat weaken in 4Q
- Annual maintenance shutdown at Husum impacts negatively 4Q results
- Husum mill's profitability has remained strong and potential closure of Alizay mill would improve Office Papers result significantly
- Husum mill's coated paper production to be increased and profitability improved in the case of possible Äänekoski paper machine closure



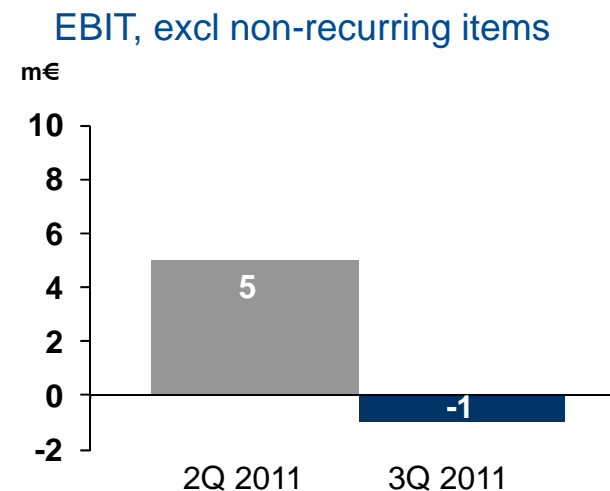
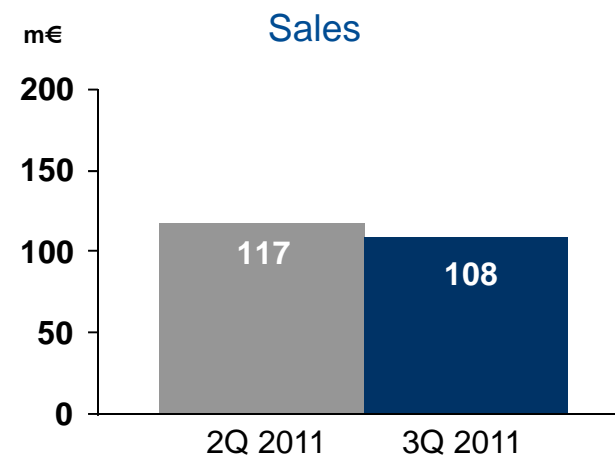
# Speciality Papers Losses to be Eliminated in Coming Months

- Speciality Papers result was weakened from 2Q by a clearly lower operating rates and delivery volumes
  - Certain customers have moved to substitute suppliers
- Gohrsmühle mill's WFU and unprofitable speciality paper production as well as Reflex carbonless converting operations planned to be discontinued
- Chromolux business to be continued in Gohrsmühle and Reflex Premium Papers business potentially divested
- Possible launch of a FBB customer service and logistics centre in Gohrsmühle
- Speciality Papers losses expected to be eliminated to most extent by end 2011 and fully from early 2012



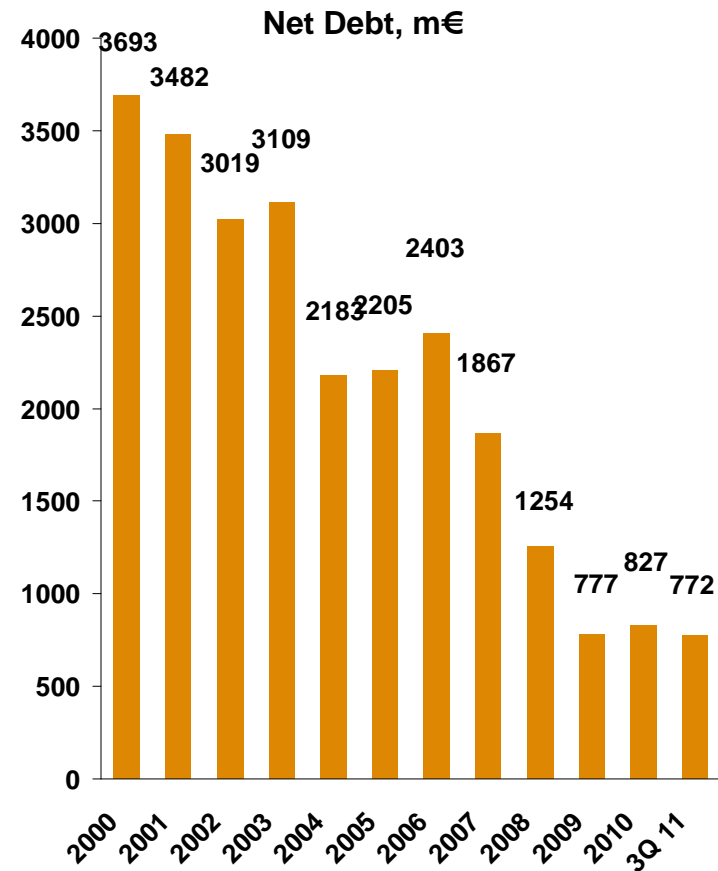
# Market Pulp and Energy's Result Affected by Pulp Price and Volume Declines

- Lower pulp price and delivery volume weakened results from 2Q
- Pulp deliveries are estimated to decline slightly in the coming months mainly due to maintenance shutdown at Husum pulp mill
- Average pulp price in euros estimated to decrease somewhat
- M-real's annual pulp surplus expected to increase from the current about 200 000 tonnes to about 500 000 tonnes after implementation of the planned measures at Alizay, Speciality Papers and coated paper operations



# Financial Situation Stable

- Current net debt 772 m€ and net gearing 83 %
- ONWC was stable in 3Q
- Liquid funds 345 m€ at end 3Q 2011
- Average interest rate 5.6 % at end 3Q
- Refinancing negotiations with the banks started



# Material Profit Improvement Through Restructuring of Coated Paper Operations

---

- Profitability of coated paper production is very weak due to the worsened market situation and the structural overcapacity in Europe
  - Especially Äänekoski paper machine's operating rates have been very low
- Äänekoski paper machine, capacity about 200 000 tonnes/a of WFC, planned to be closed and Husum coated paper capacity to be increased from 285 000 tonnes/a to 340 000 tonnes/a without material investments
  - Äänekoski reel production planned to be transferred to Husum
  - Net coated paper capacity reduction approximately 145 000 tonnes/a
- Äänekoski mill's paper and folding boxboard sheeting operations planned to be combined
- Annual sales would reduce by about 60 m€ and operating result increase by about 20 m€ based on the 1-3Q 2011 actual results
  - Full annual impact from 2012 onwards
  - Consumer Packaging's 4Q 2011 EBIT expected to include about -25 m€ non-recurring items

# Short- Term Profitability Outlook

---

- M-real's operating result, excluding non-recurring items, is in 4Q 2011 expected to be roughly at the same level as in 3Q 2011
  - Profitability of cartonboard production expected to continue strong
  - Measures under implementation in Alizay mill and in Speciality Papers business area will stress the paper business' results operatively also in 4Q 2011
  - Profitability of pulp production is expected to weaken in 4Q 2011



# M-real Is Implementing Major Measures to Reach Best in Class Profitability of Its Field

---

	Annual EBIT improvement vs. 1-3Q 2011 actual run rate, m€
<ul style="list-style-type: none"><li>• Elimination of the operating losses of Alizay and Speciality Papers<ul style="list-style-type: none"><li>- Most of the annual impact seen in 2012 and fully from 2013</li></ul></li></ul>	80
<ul style="list-style-type: none"><li>• Planned restructuring of coated paper operations</li></ul>	20
<ul style="list-style-type: none"><li>• Divestment of Hallein pulp mill finalized in 3Q 2011</li></ul>	7
<b>TOTAL</b>	<hr/> <b>107</b>

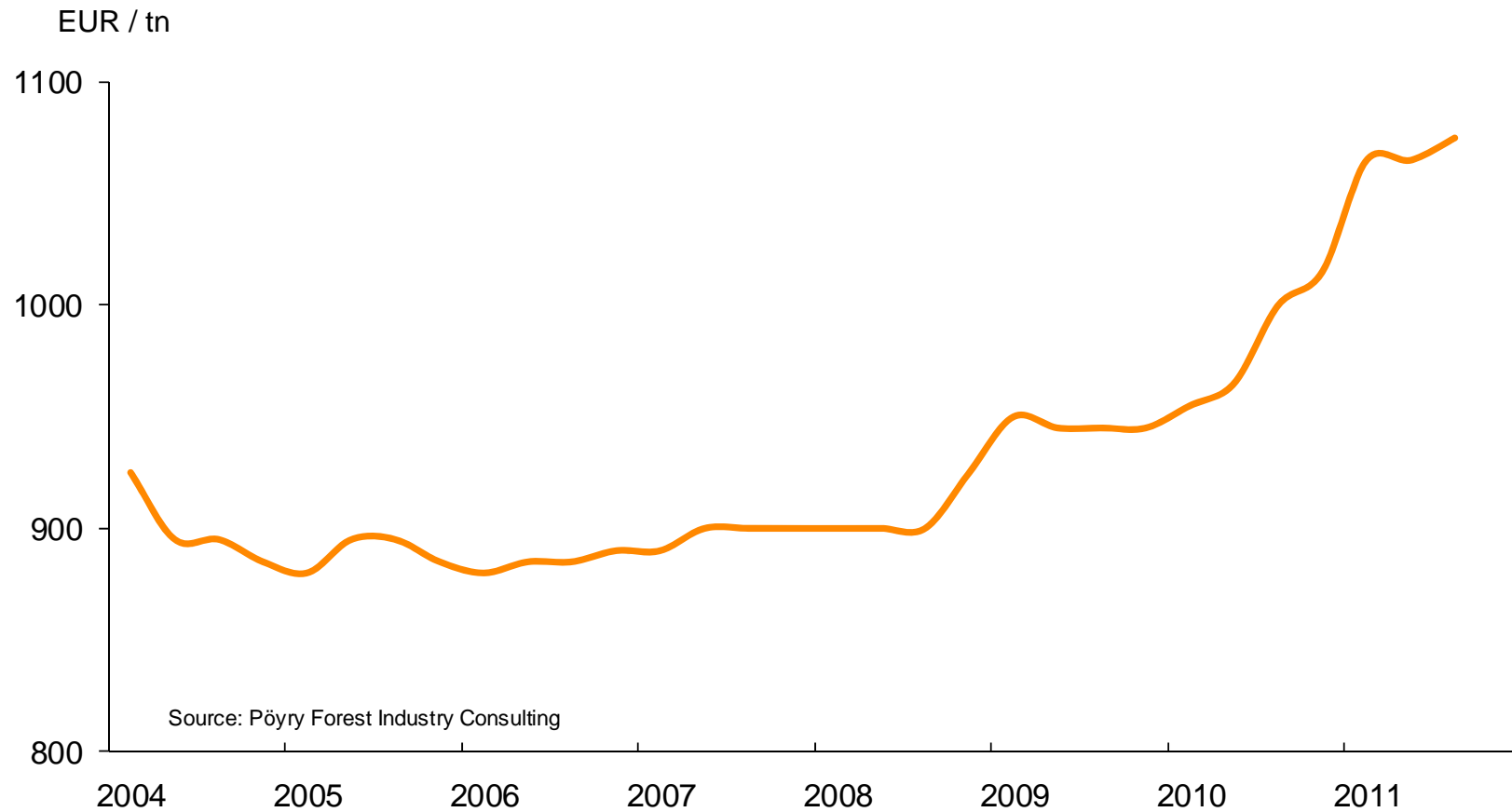
Additionally, increased folding boxboard capacity in Simpele Kyro and Äänekoski in total of 150 000 tonnes, Kemi mill modernization and impacts of internal profit improvement programmes

---

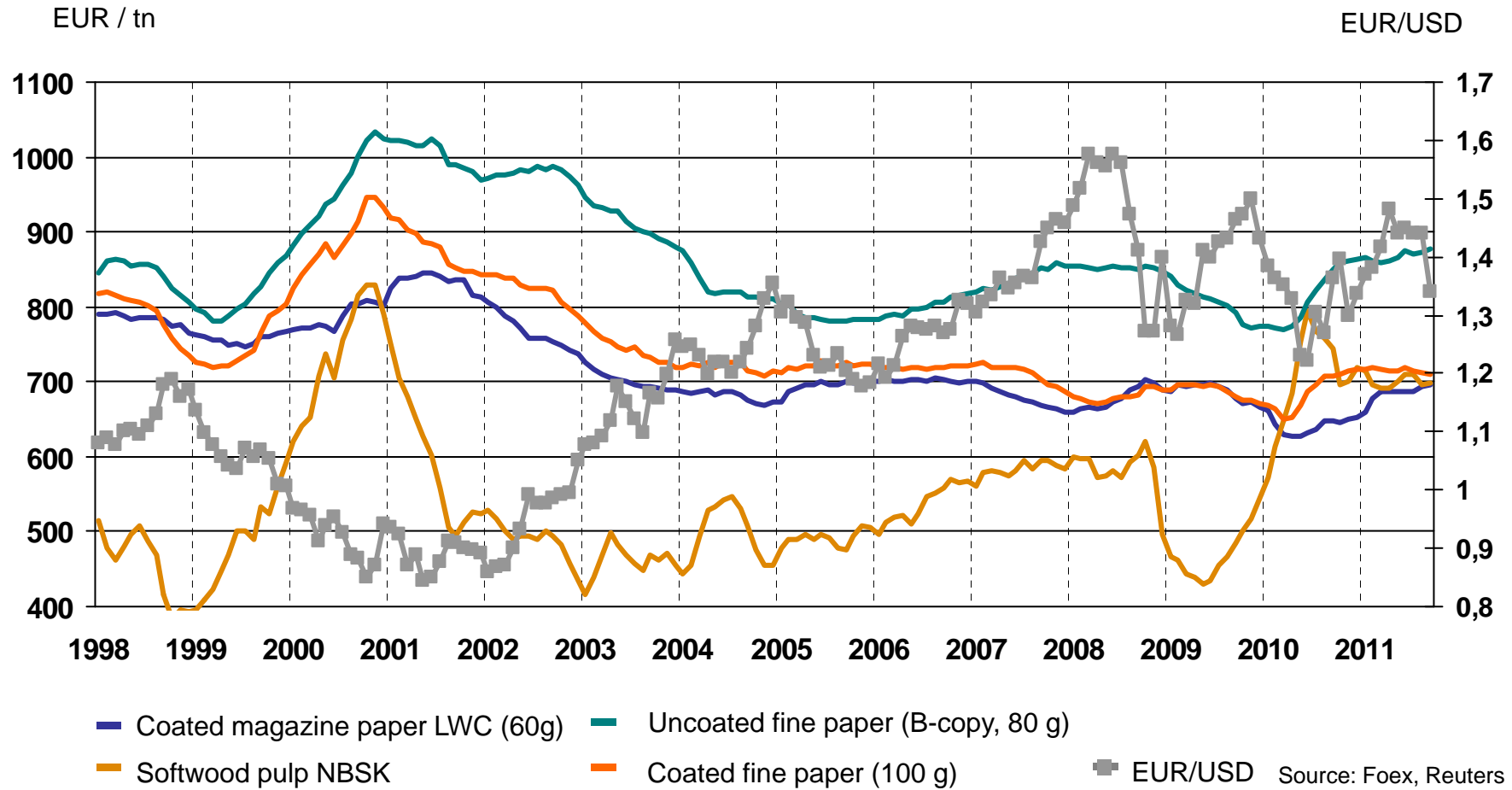
# Appendix

# Folding Boxboard Market Price in Europe 2004 – 3Q 2011

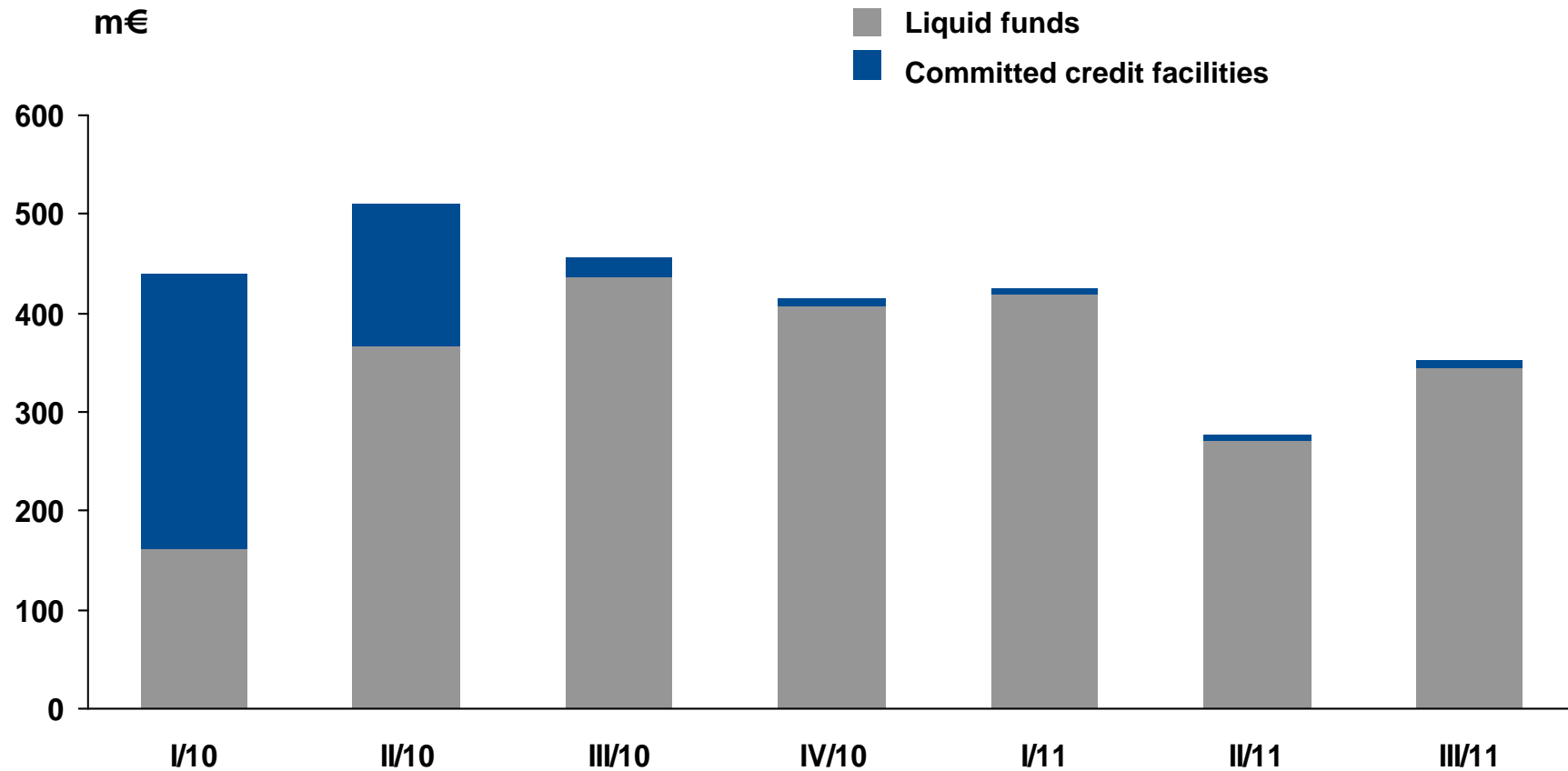
---



# Paper and Pulp Market Price in Europe 1998 – 3Q 2011

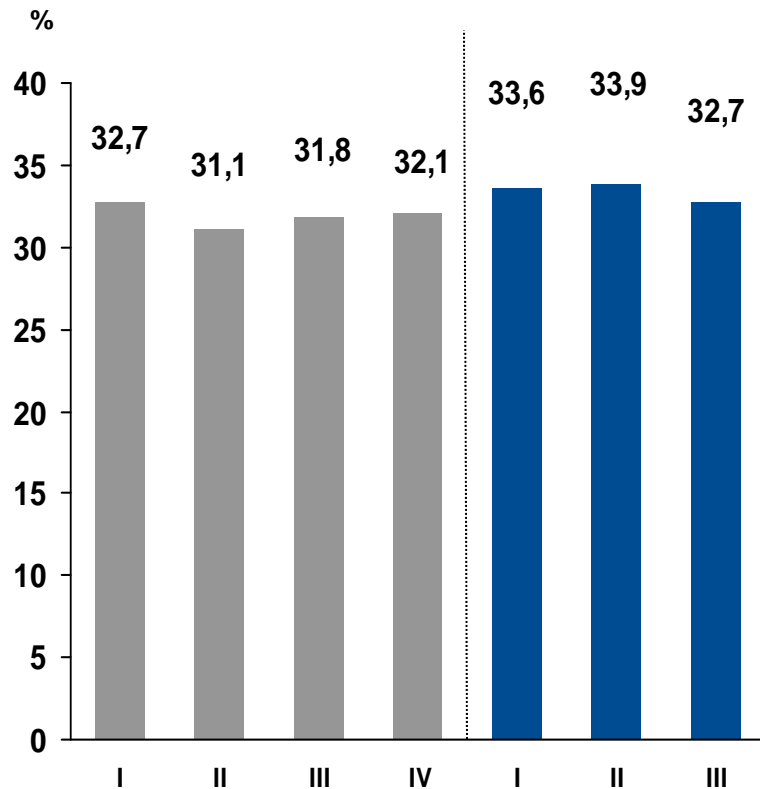


# Liquidity

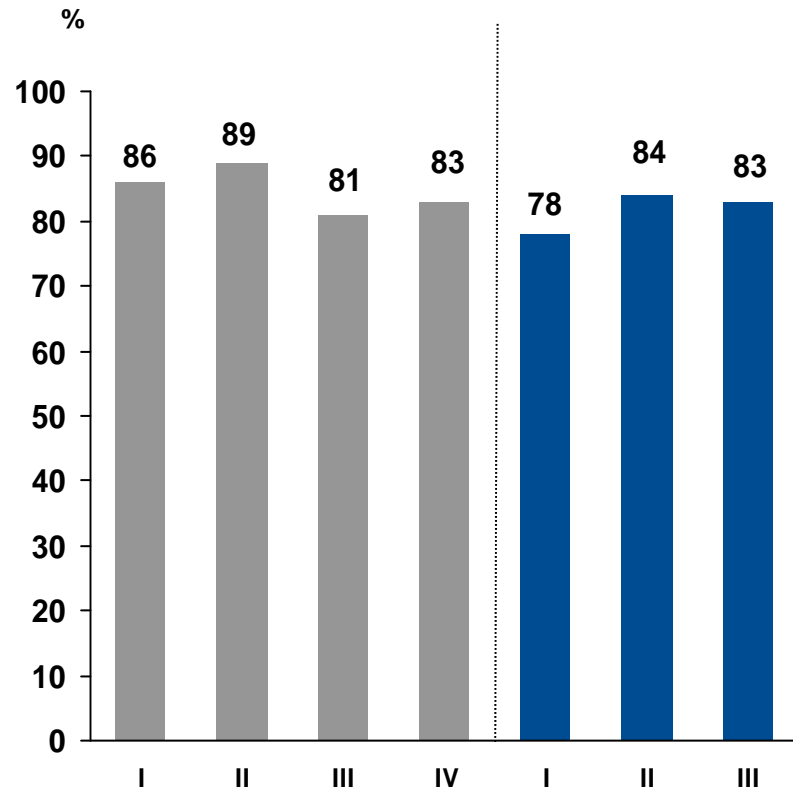


# Balance Sheet Ratios

## Equity Ratio

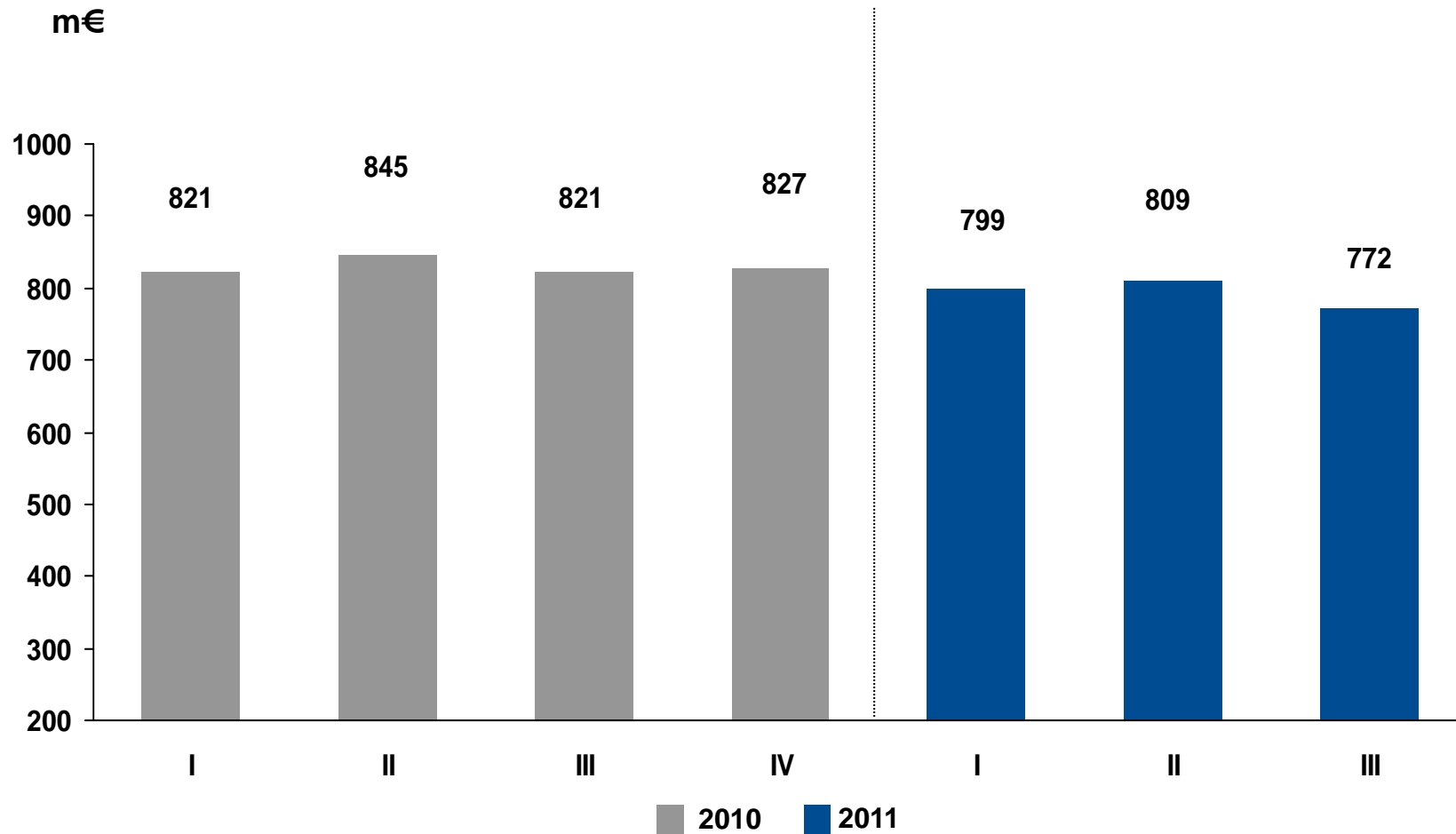


## Net gearing



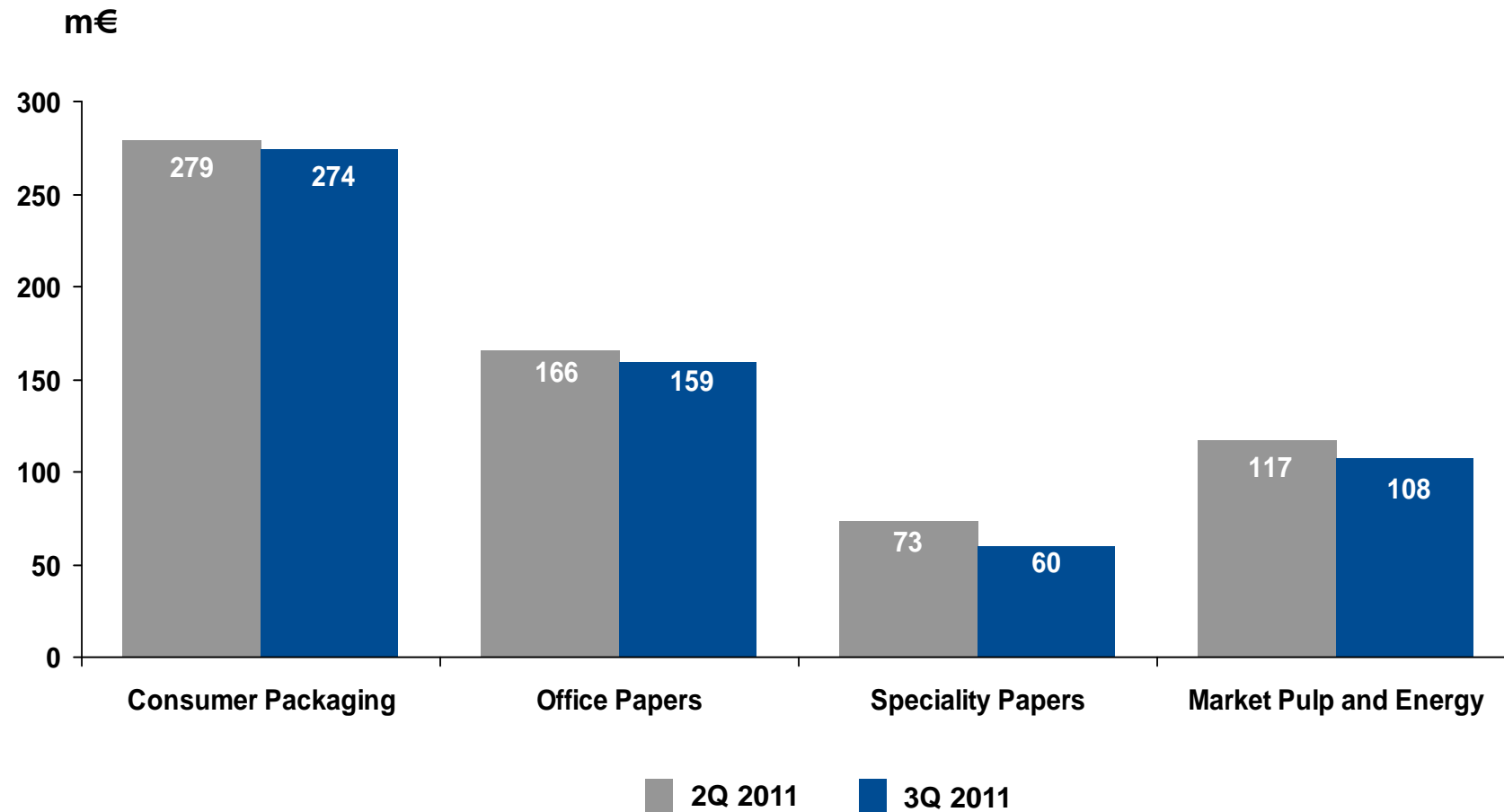
■ 2010 ■ 2011

# Interest-Bearing Net Debt

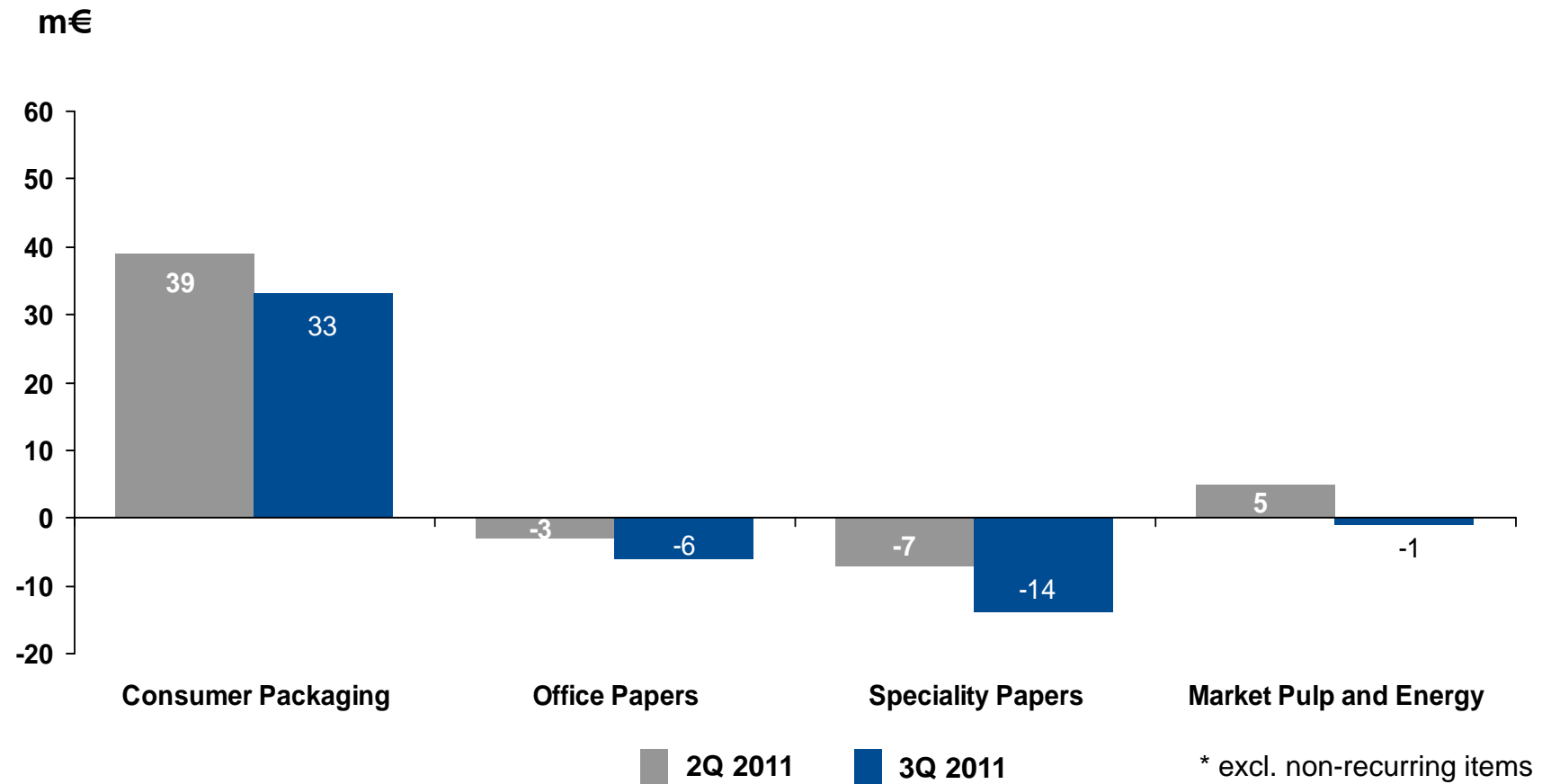


# Sales by Business Area

---

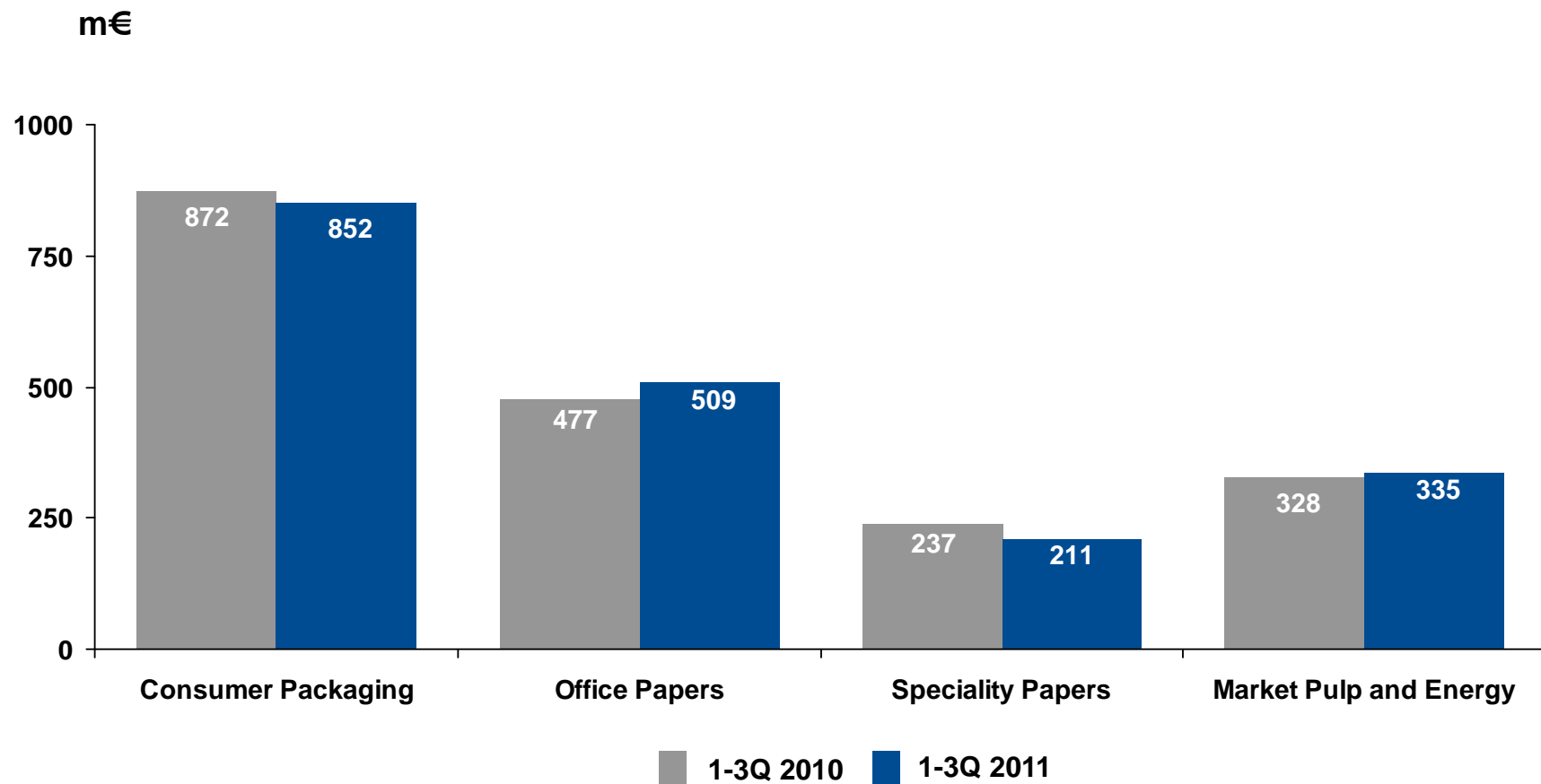


# Operating Result by Business Area\*

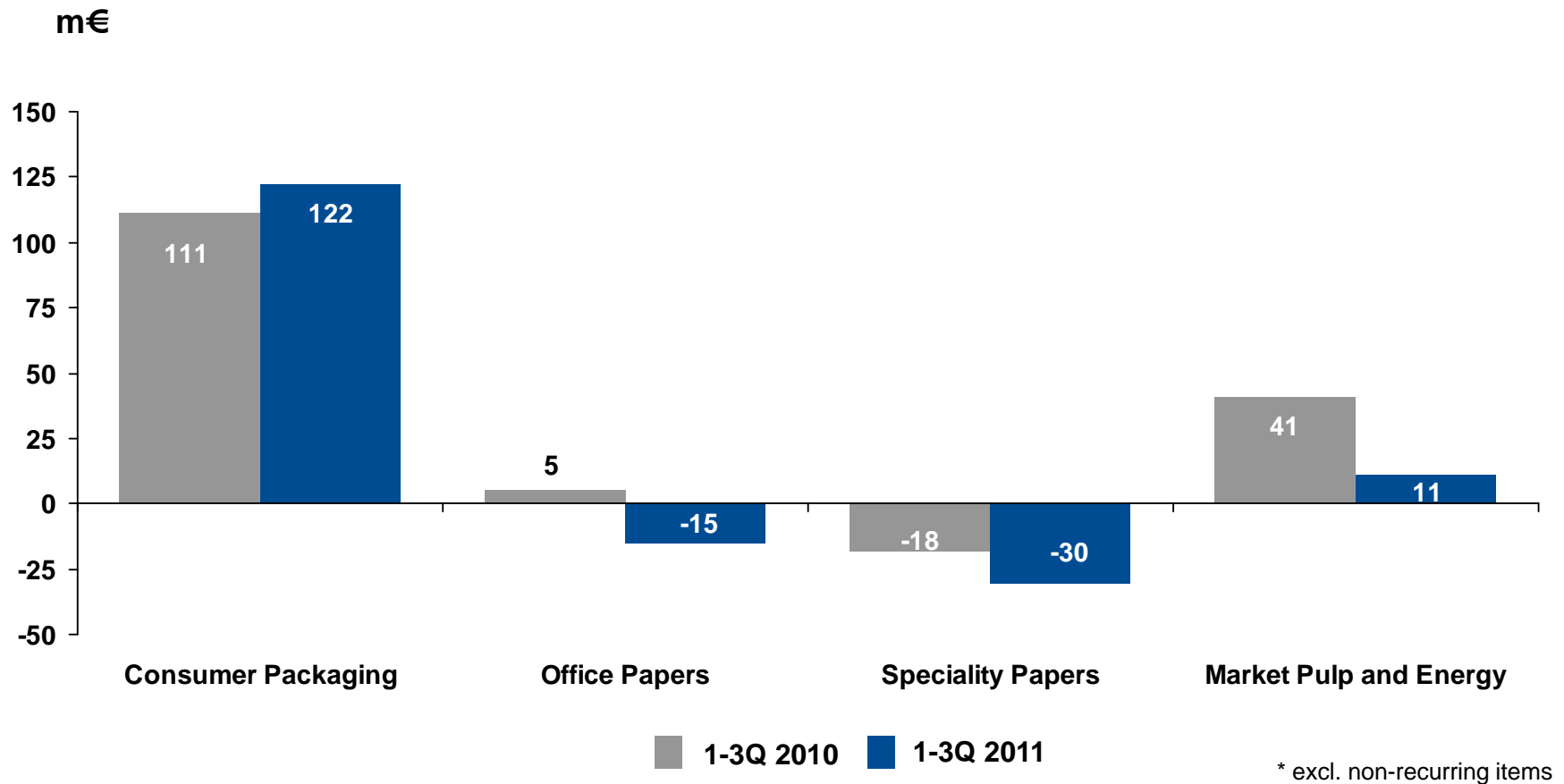


# Sales by Business Area

---

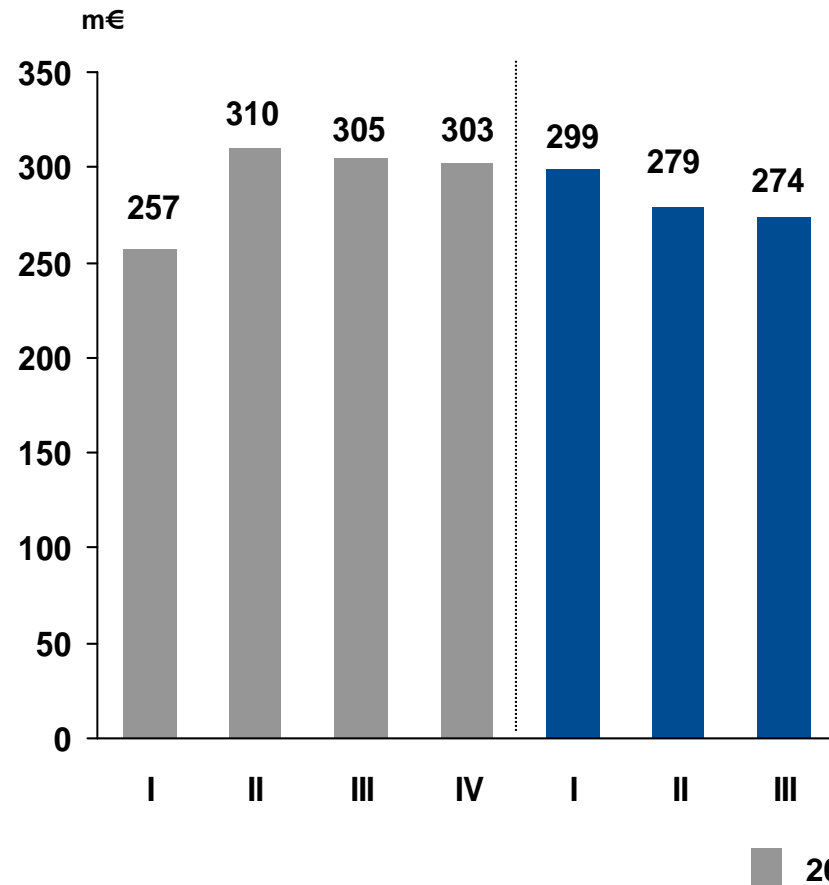


# Operating Result by Business Area\*

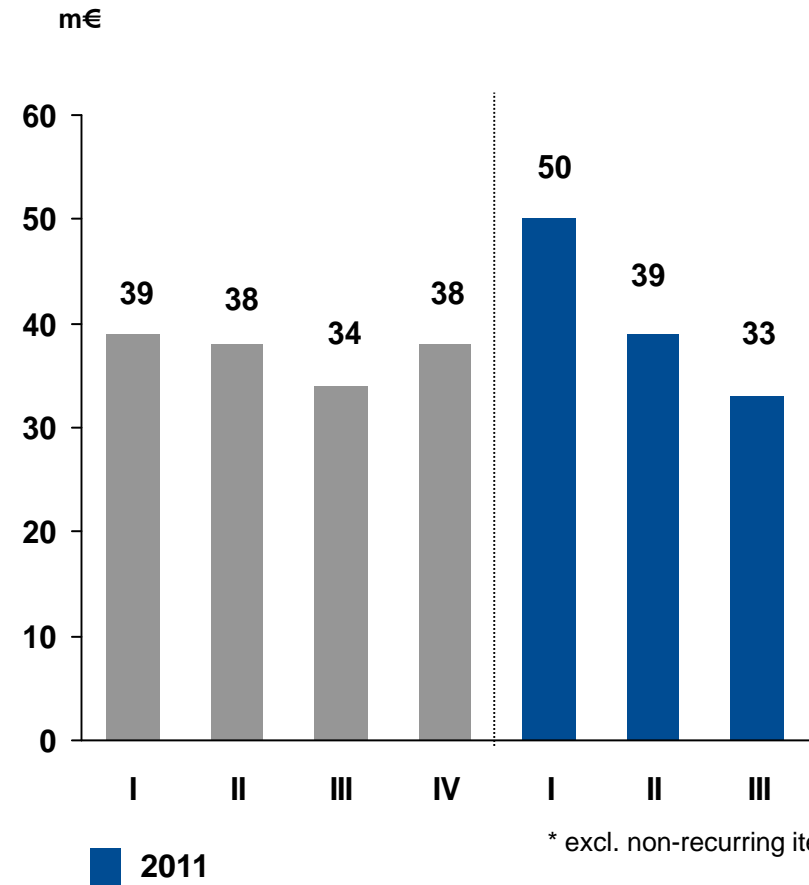


# Consumer Packaging

## Sales by Quarter



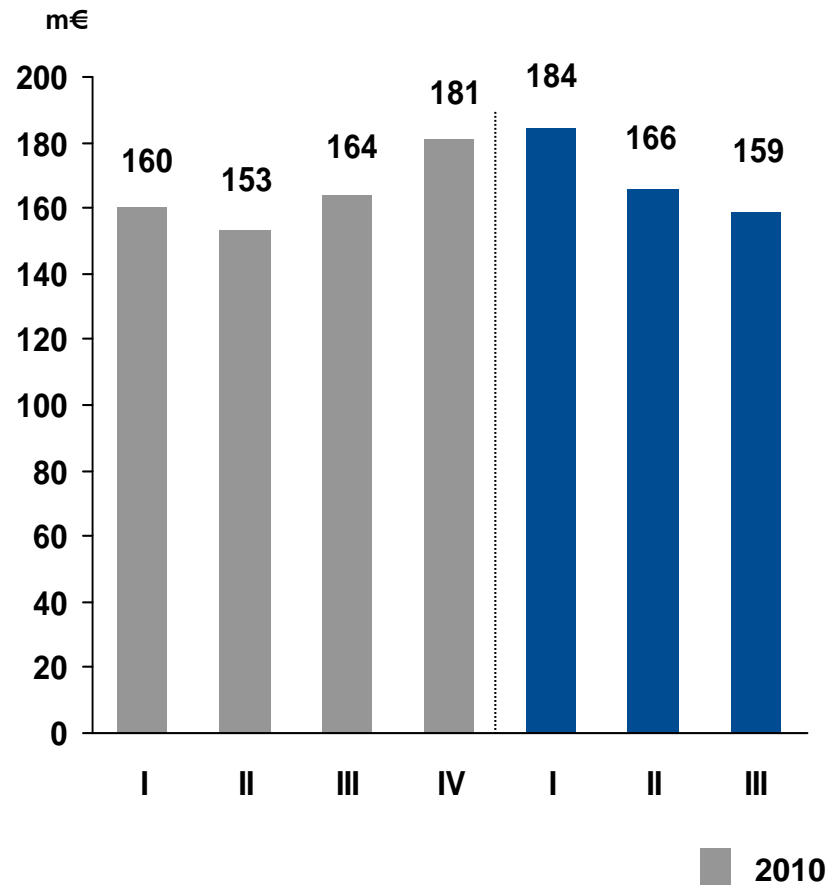
## Operating Result by Quarter\*



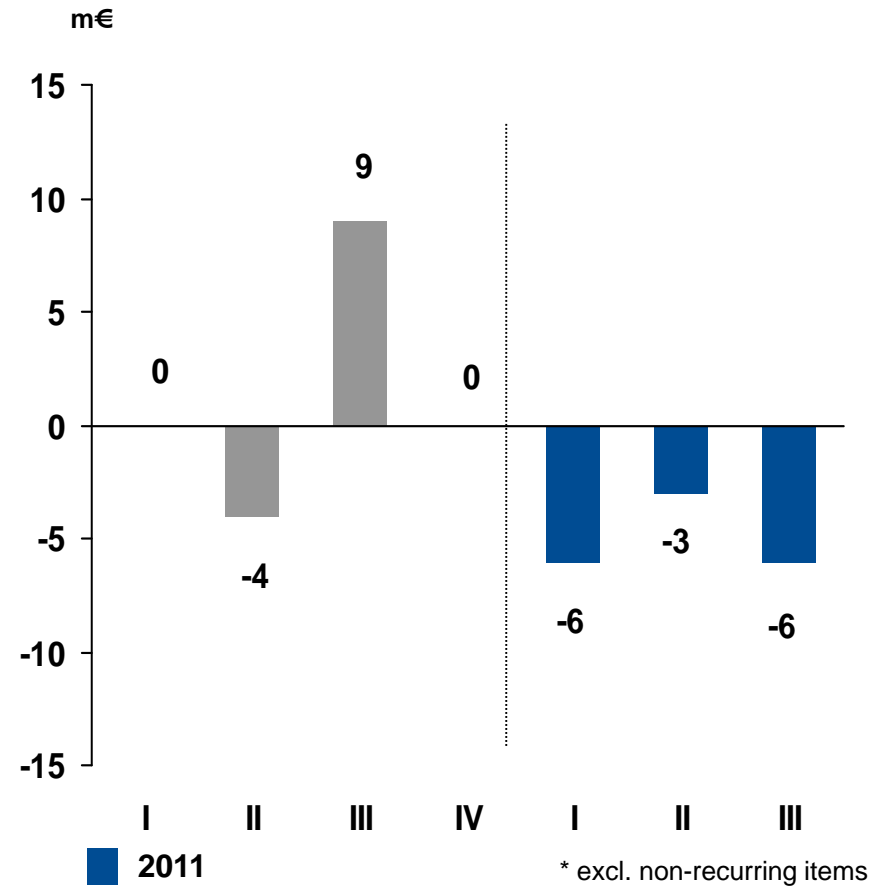
\* excl. non-recurring items

# Office Papers

Sales by Quarter



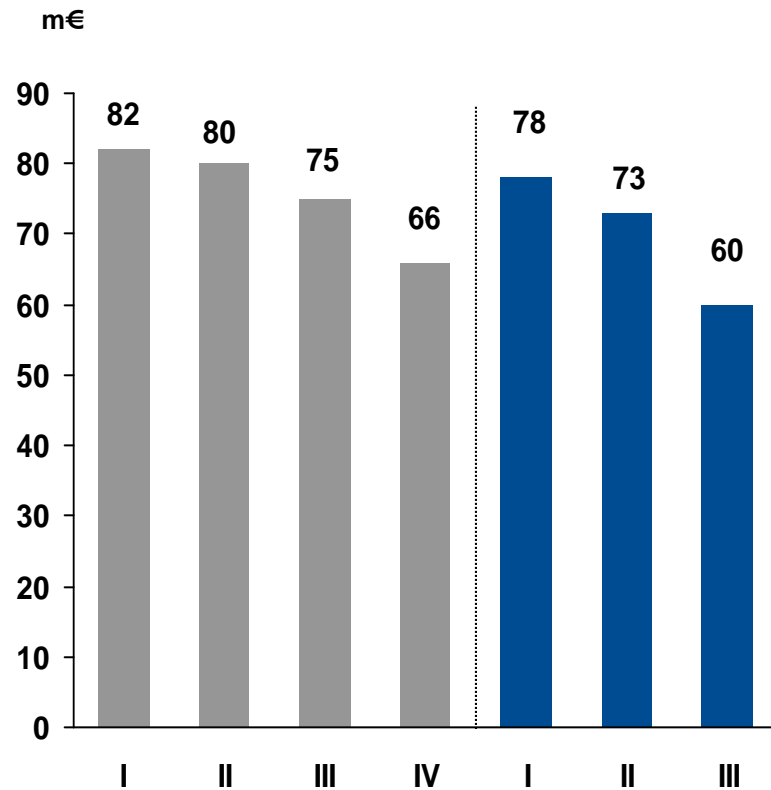
Operating Result by Quarter\*



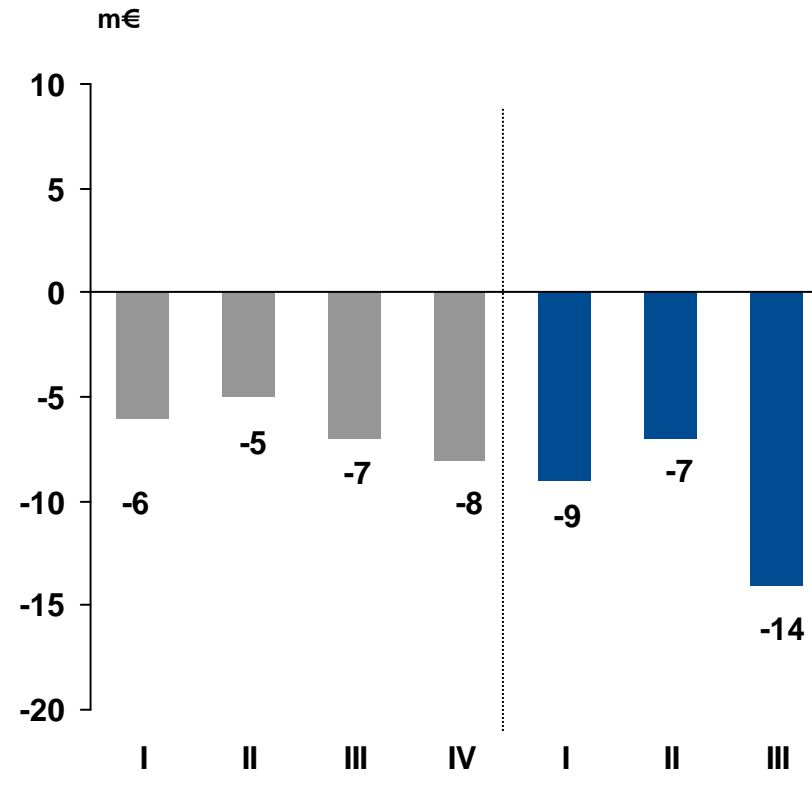
\* excl. non-recurring items

# Speciality Papers

Sales by Quarter



Operating Result by Quarter\*



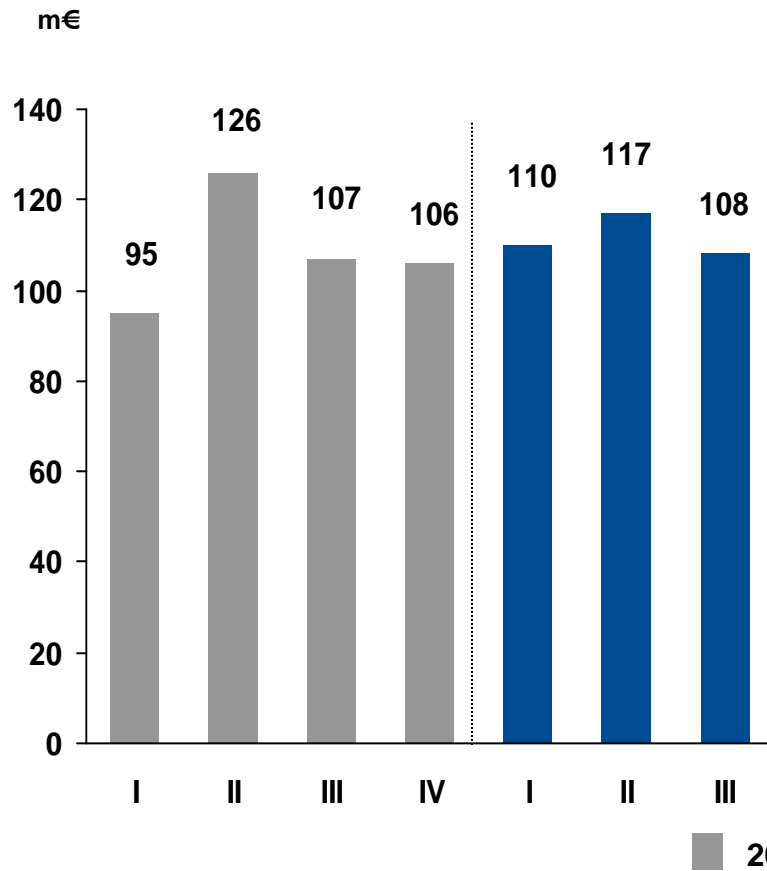
■ 2010

■ 2011

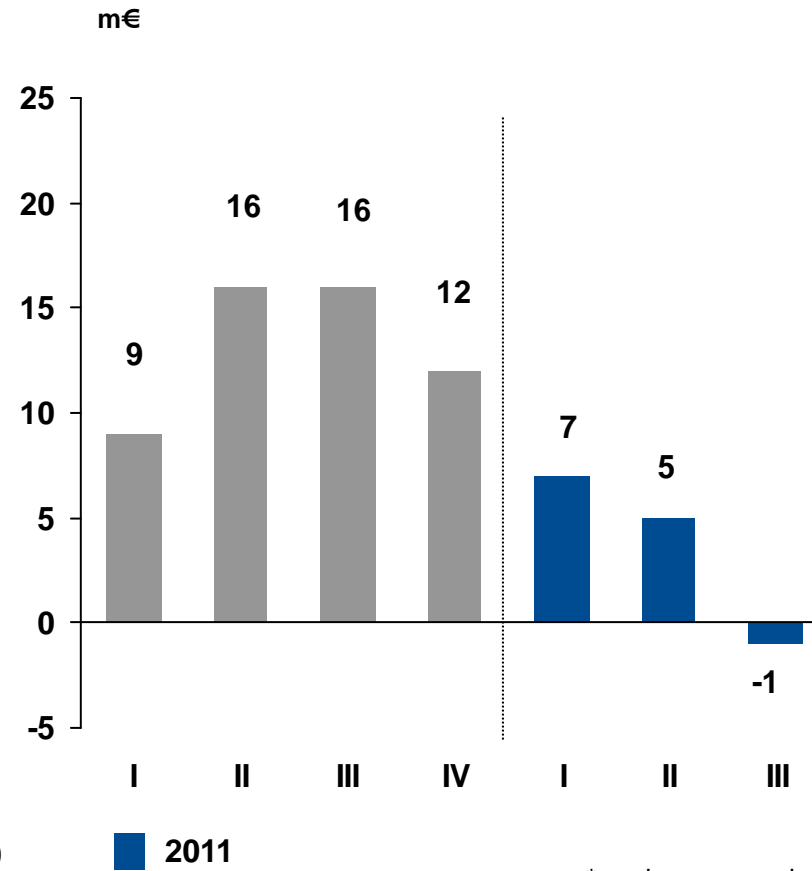
\* excl. non-recurring items

# Market Pulp and Energy

Sales by Quarter

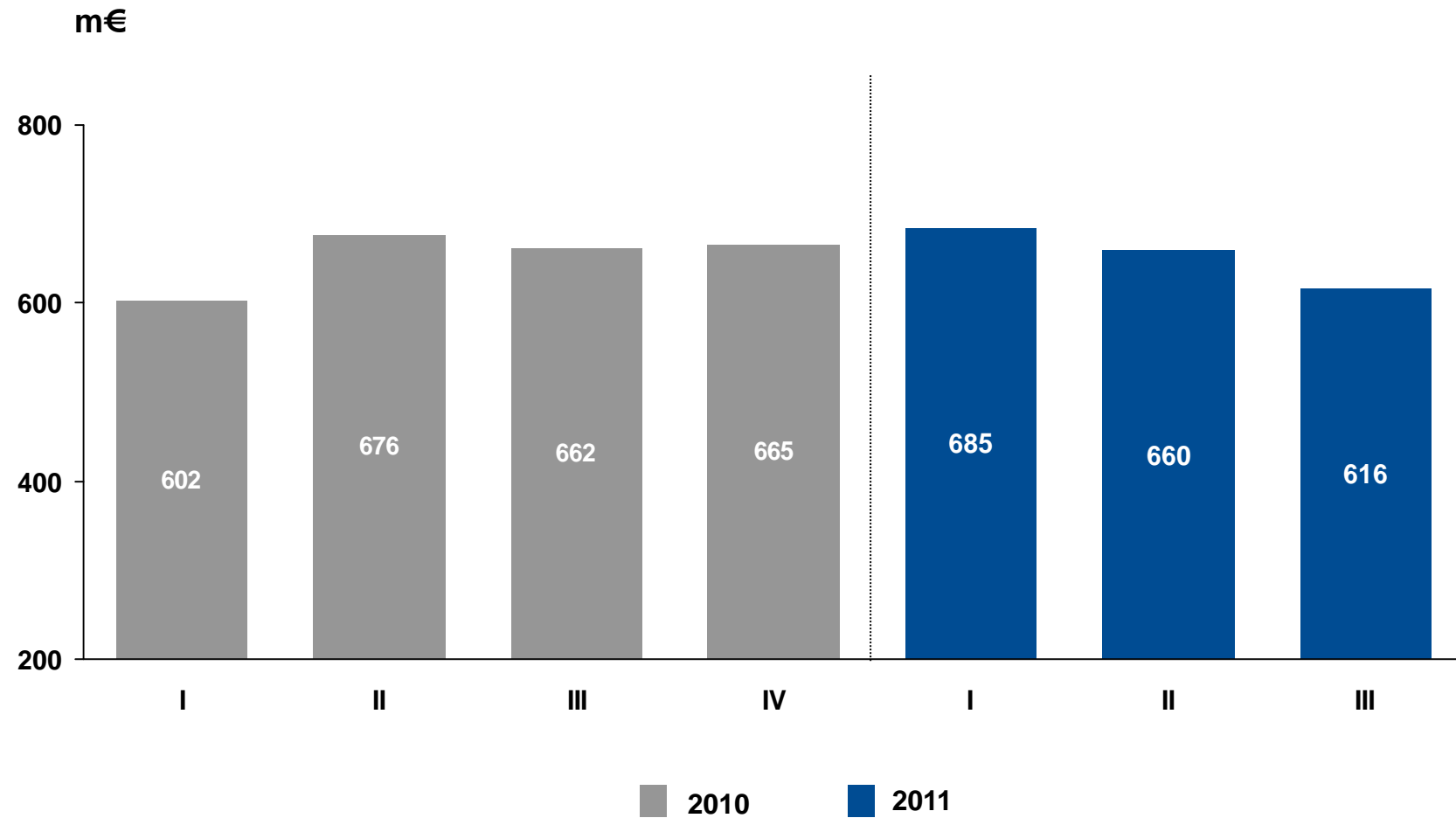


Operating Result by Quarter\*

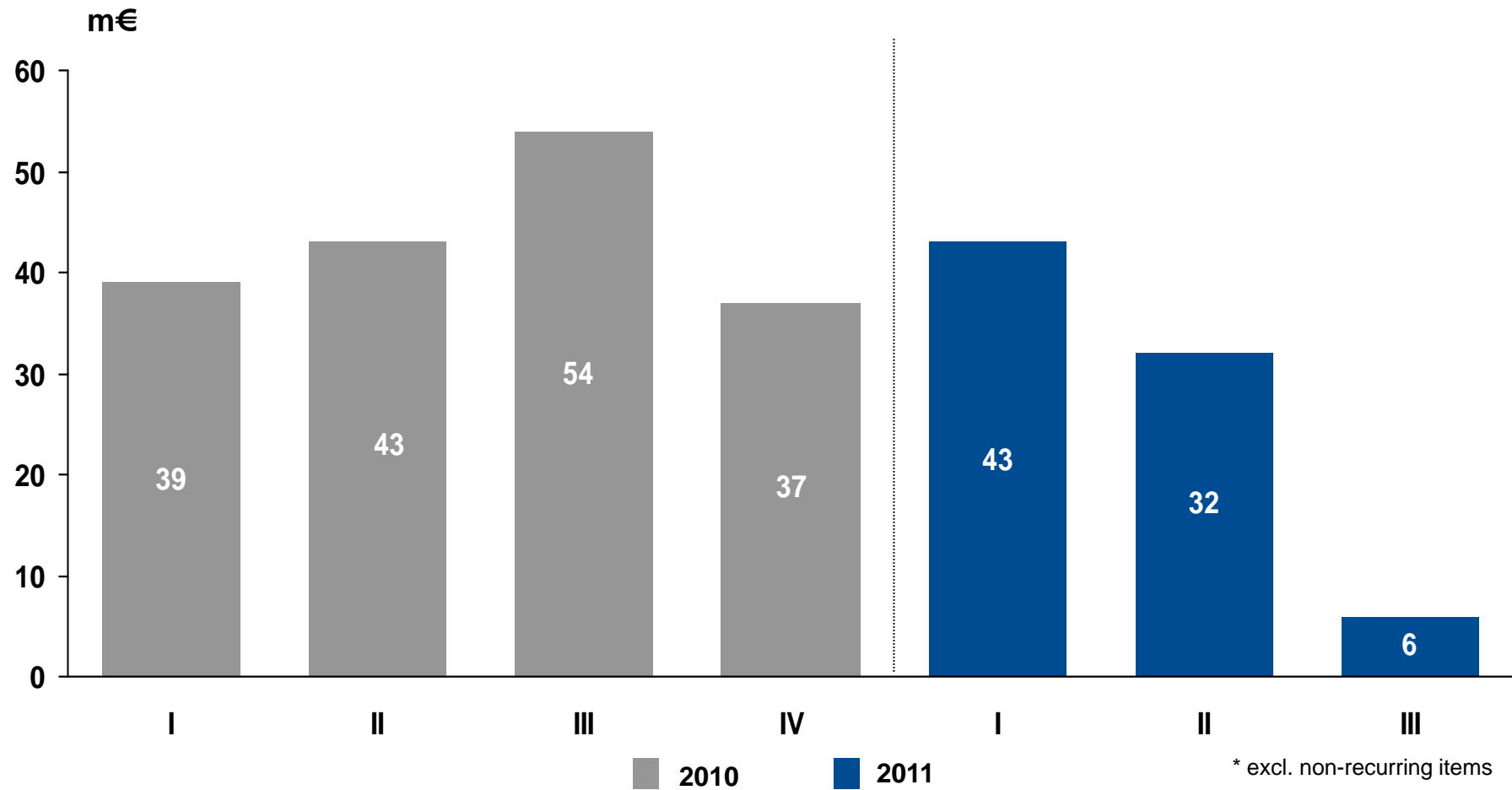


\* excl. non-recurring items

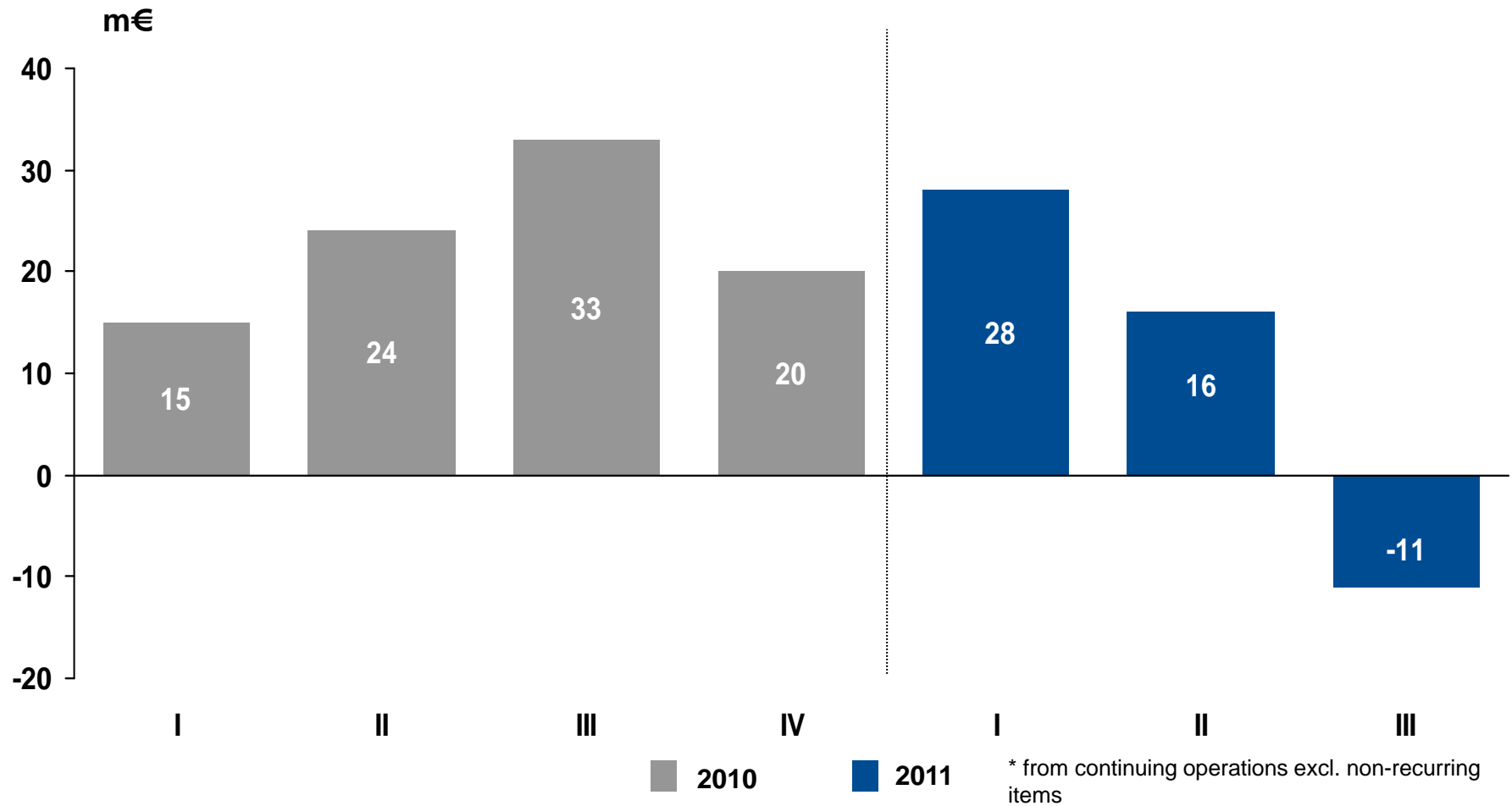
# Quarterly Sales



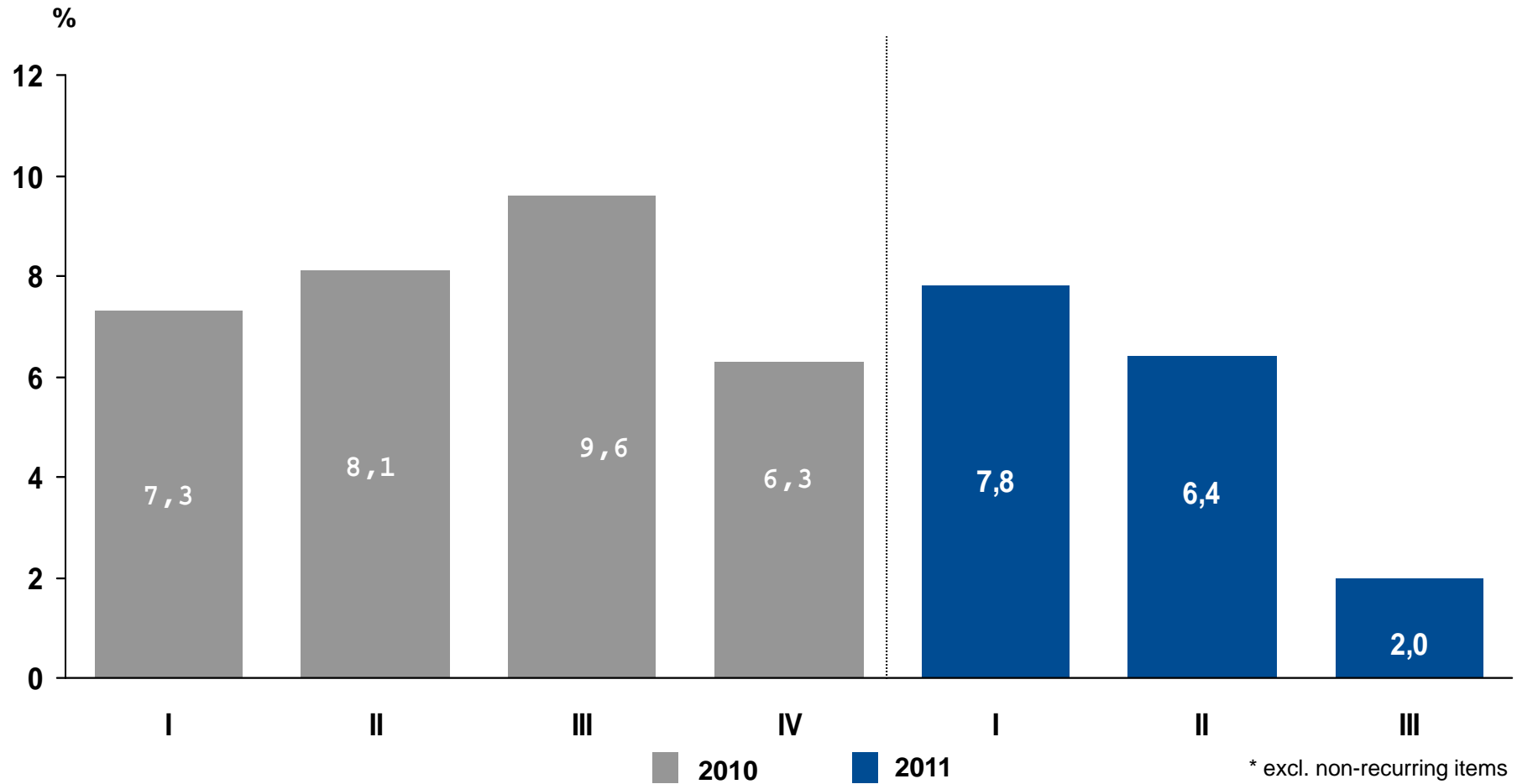
# Quarterly Operating Result\*



# Quarterly Result Before Taxes\*

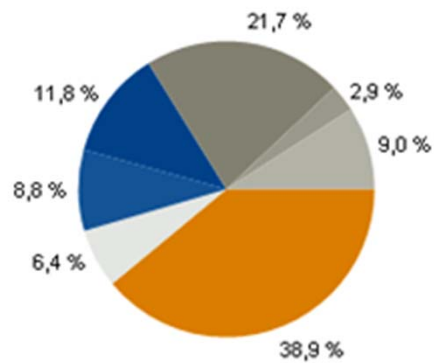


# Quarterly ROCE %\*



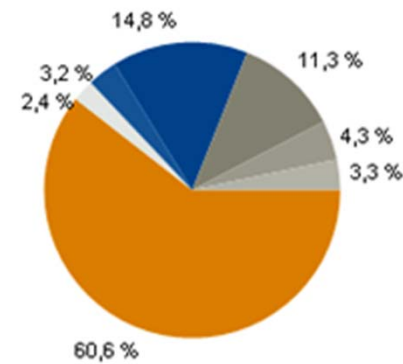
# Ownership Structure 30.9.2011

## Shares



Sector	No. of shares	
	pcs	%
Metsäliitto Cooperative	127,523,295	38.86
Other companies	21,134,195	6.44
Financial and insurance institutions	28,867,282	8.80
Public sector organizations	38,847,372	11.84
Households	71,260,205	21.71
Non-profit organizations	9,613,888	2.93
Foreigners *	29,684,353	9.05
<b>Total</b>	<b>328,165,612</b>	<b>100.00</b>

## Votes



Sector	No. of votes	
	pcs	%
Metsäliitto Cooperative	616,802,460	60.55
Other companies	24,462,387	2.40
Financial and insurance institutions	33,053,533	3.24
Public sector organizations	151,232,638	14.85
Households	115,285,352	11.32
Non-profit organizations	43,989,296	4.32
Foreigners *	33,791,396	3.32
<b>Total</b>	<b>1,018,617,062</b>	<b>100.00</b>