

Contents

Investment highlights and update

- 2 Investment Highlights
- 3 Strategy
- 15 Financial Targets
- 17 2Q 2011 Results & Outlook
- 27 Price Development
- 29 Dividend
- 32 Investments

Funding and debt information

- 35 Divestments
- 36 Funding and Debt
- 43 Credit Facilities
- 44 Rating History

General presentation

- 45 General Info
- 52 Business Portfolio
- 61 Operations
- 67 Deliveries
- 69 Sourcing
- 77 Owners
- 80 Market Position

Investment Highlights

- Strong growing core in high-quality cartonboards
 - M-real the European market leader in folding boxboard
 - Good growth potential
- Material profitability turn-around in 2010
- Significant net debt reduction in recent years
- Extensive cost savings programmes
- Plans to eliminate paper business losses announced

Strategy

Consistent Strategic Direction

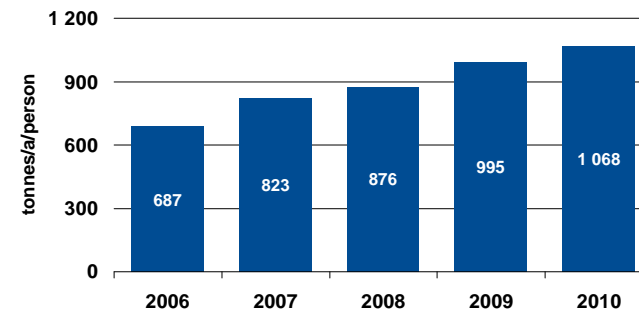
- Growing cartonboard business
 - In first phase, increase the capacity of existing machines
 - During second phase, the focus will be on expanding production activity to developing markets
- Improving profitability of the paper business
 - Own improvement actions and individual divestments
 - Participating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



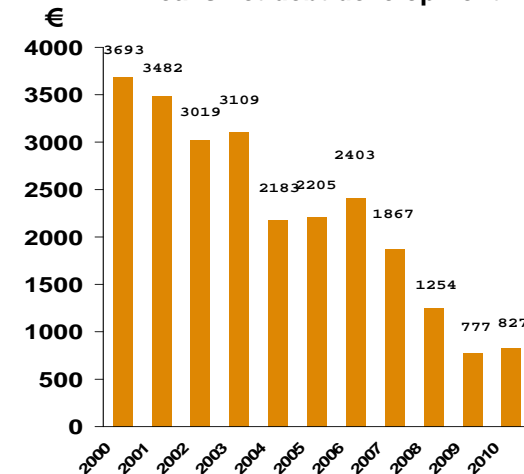
Successful Strategy Implementation Has Resulted in Material Improvements

- Productivity improved by more than half
- Closures and divestments of weak paper capacity
- Material net debt reduction
- Good progress in Consumer Packaging
 - Share of sales increased to nearly half of total M-real
 - Market leadership in Europe
 - Profitability in the top of the industry

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



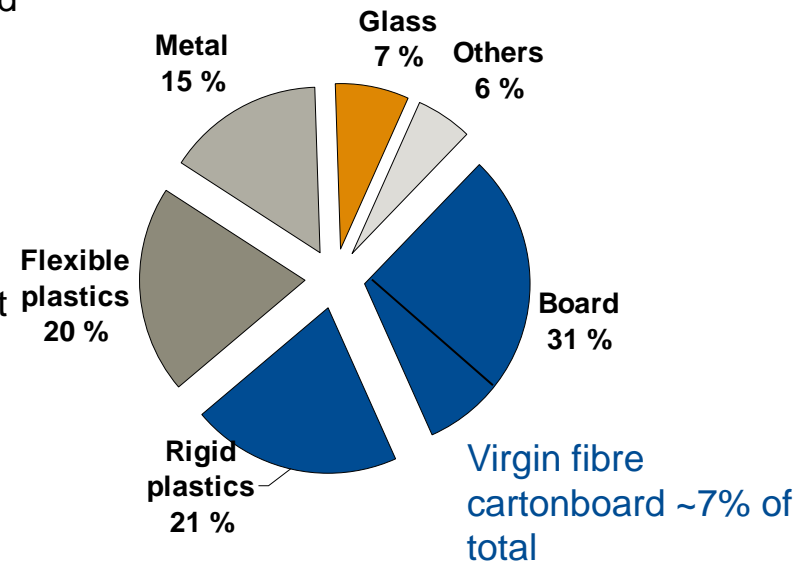
M-real's net debt development



Packaging Is One of the Biggest and Fastest Growing Businesses in the World

- One of the most important well-being drivers in the world
- Product safety issues are crucial
- Branding and information sharing increasingly important
- Criticism against bad packaging increasing

Global Packaging Market (\$634 Billion)



Sources: Pira & M-real

Several Megatrends Supporting Good Packaging

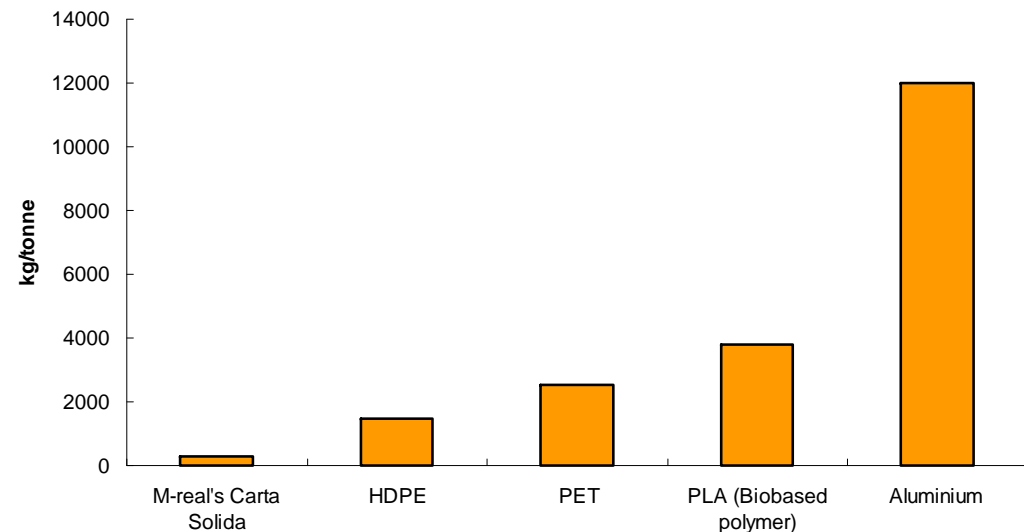
- Demand for good packaging heavily increasing
- Good packaging is environmentally sustainable
 - Made out of renewable raw material and recyclable
 - High energy self-sufficiency in production
 - Low carbon footprint
 - Lightweight
- Good packaging is safe
 - Durable
 - No migration
 - Good printing surface
- Good packaging is economical



Virgin Fibre Board Is the Best Example of Good Packaging – Lowest Carbon Footprint

- Virgin fibre based lightweight cartonboards the most environmentally sound packaging material
- Wood fibre based products replace non-renewable materials like plastic and aluminium
- Virgin fibre board replaces also recycled fibre based packaging materials

Cartonboard has the lowest carbon footprint

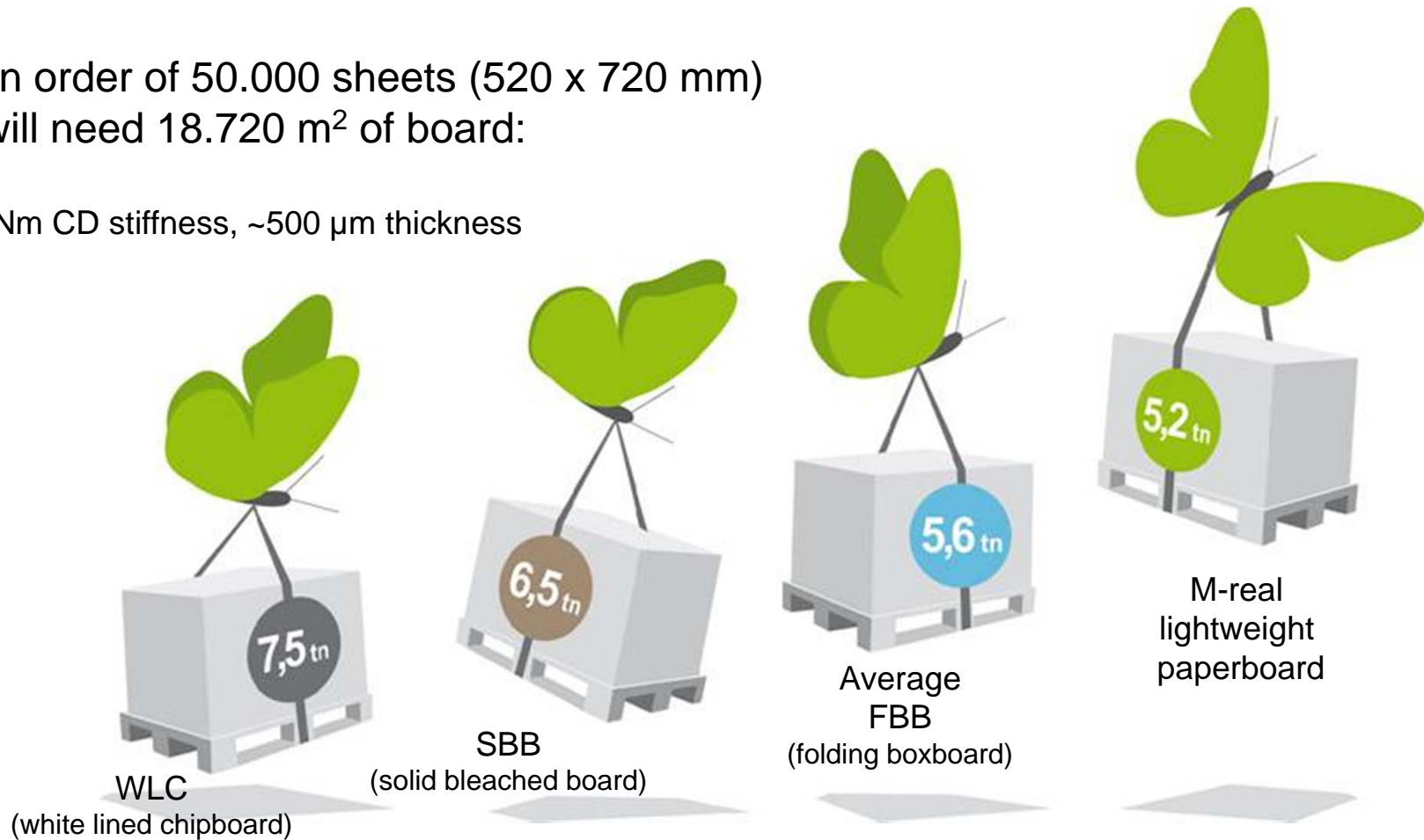


Source: M-real and Sustainable Packaging Coalition - SPC

Watch Your Weight!

For an order of 50.000 sheets (520 x 720 mm)
you will need 18.720 m² of board:

~13 mNm CD stiffness, ~500 µm thickness



M-real Targets Growth in Its Core Business Packaging

- Huge growth potential in wood fibre based packaging applications when replacing non-sustainable packaging materials
- M-real a strong producer of virgin fibre based cartonboard and white top linerboard as well as packaging related speciality papers
- Access to wood raw material, superior fibre knowhow and pulp self-sufficiency M-real's important competitive advantages



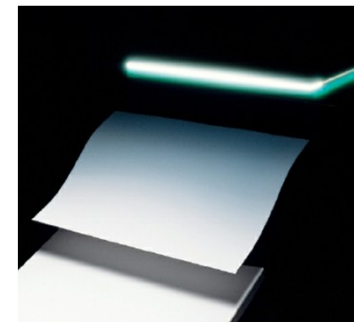
M-real is Investing in Its Cartonboard Business

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



M-real Plans to Eliminate 60 m€/a Losses of Its Paper Business

- Divestment or potential closure of Alizay Paper mill
- Divestment of Gohrsmühle and Reflex mills as a whole or in parts or alternatively planned major downsizing
- Annual sales would reduce by about 390 m€ and the operating result increase by about 60 m€ based on 2010 actual performance
- M-real's annual paper capacity would reduce by about 500 000 t/a
- Preliminarily expected negative non-recurring financial impacts about 170 m€
 - Negative net cash impact about 50 m€



M-real Focuses on Cartonboard and Best Paper Operations Will Remain

- Elimination of losses of Alizay and M-real Zanders the last step of M-real's strategic review started in 2006
- Husum, Äänekoski Paper and Kyröskoski are competitive units in their fields
- Development work regarding the remaining paper operations continue
- M-real is interested to take part in the European wide paper industry consolidation with the remaining paper units



M-real Is a Responsible Company

Completed closures in 2007

– Sittingbourne: <i>coated fine paper</i>	210 ktons/a
– Gohrsmühle PM6 and PM7: <i>coated fine paper</i>	100 ktons/a
– Wifsta: <i>uncoated fine paper</i>	175 ktons/a
– Tako BM2: <i>folding boxboard</i>	70 ktons/a

Closures in 2008

– Kangas PM2: <i>coated magazine paper</i>	100 ktons/a
– Lielähti: <i>BCTMP</i>	105 ktons/a
– New Thames: <i>uncoated fine paper</i> (divestment, grade conversion)	230 ktons/a

Closures in 2009

– Hallein paper mill: <i>coated fine paper</i>	310 ktons/a
– Gohrsmühle: <i>standard coated fine paper</i> *	250 ktons/a

Closures in 2010

– Two machines in Reflex: <i>Speciality paper</i>	80 ktons/a
– Alizay pulp mill: <i>Chemical pulp</i>	310 ktons/a
– Simpele paper mill: <i>Speciality paper</i>	50 ktons/a

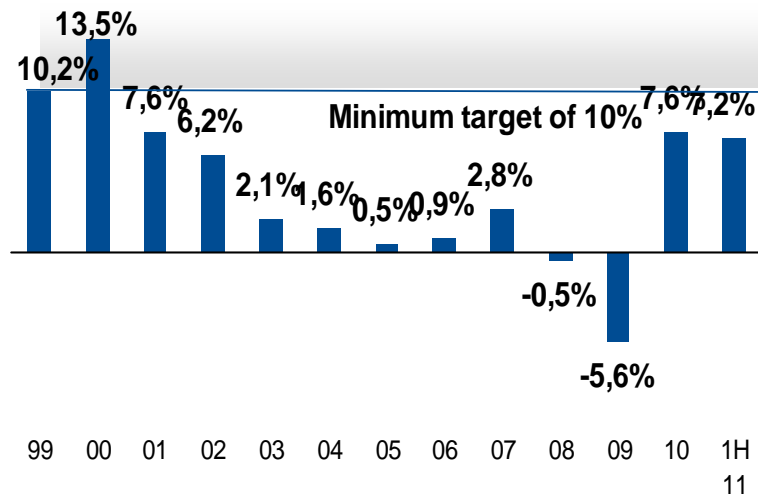
Total paper capacity	1 515 ktons/a
Total board capacity	70 ktons/a
Total pulp (incl. BCTMP) capacity	415 ktons/a

Financial Targets

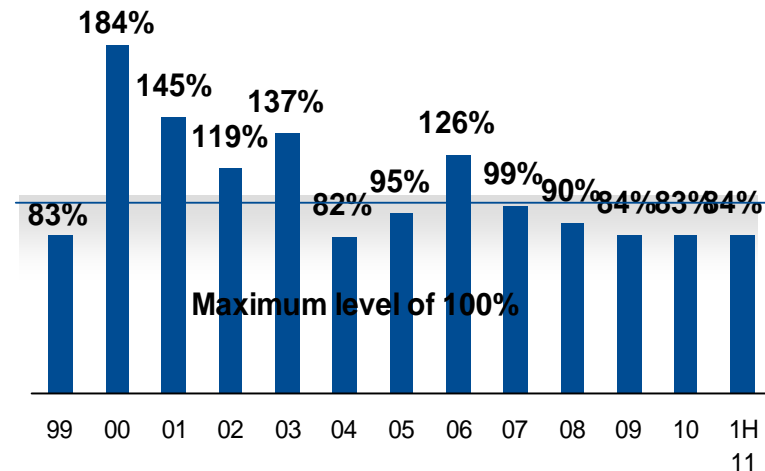
Financial Targets

- ROCE target set at a minimum of 10% on average over the business cycle
- Net gearing not to exceed 100%

Minimum ROCE 10%*



Maximum net gearing 100%



* Excluding non-recurring items

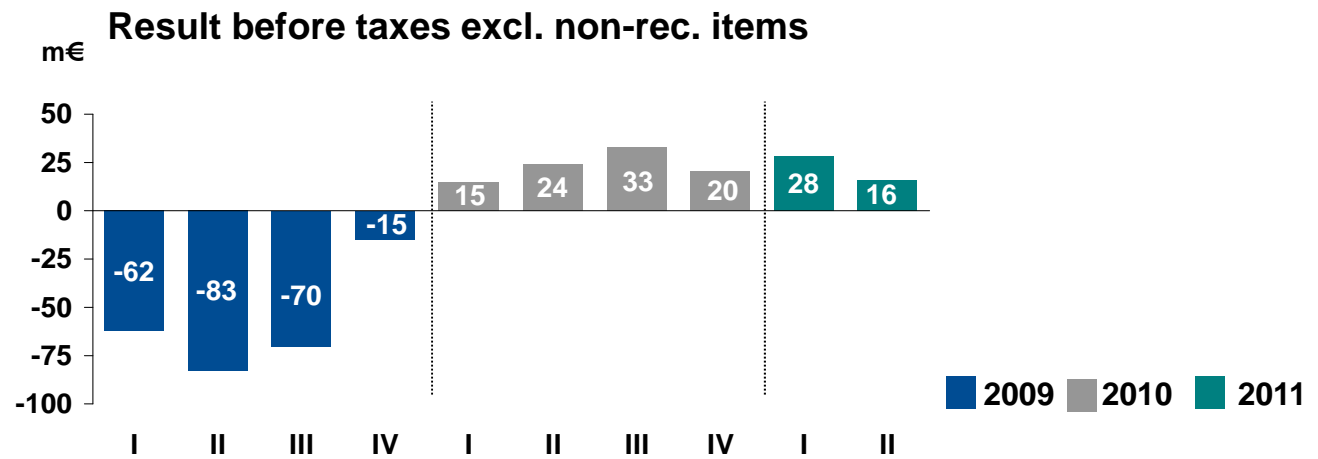
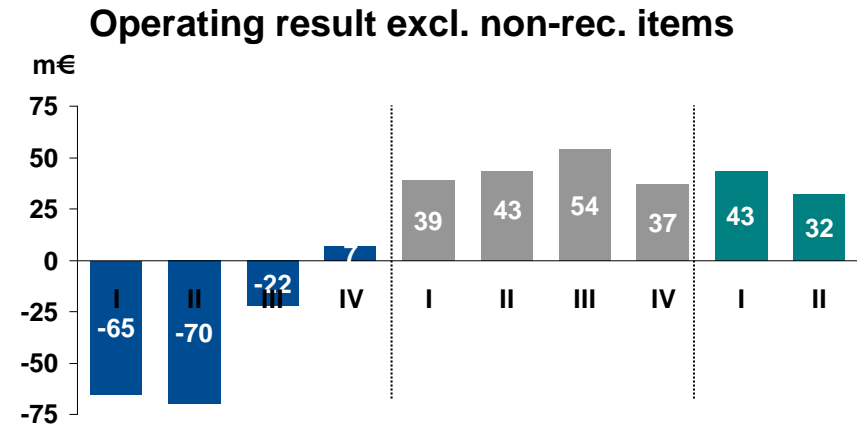
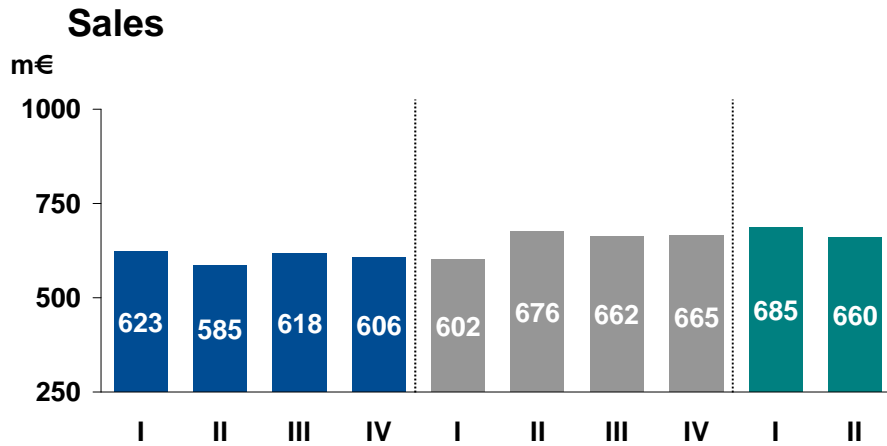
2Q 2011 results and Outlook

Key Events in 2Q 2011

- Profitability decreased from previous quarter as expected
- Simpele mill's folding boxboard capacity increase by 80 000 tons/a implemented as planned
- New measures to eliminate losses of paper business initiated
- Divestment of Hallein pulp mill to Schweighofer Group
- Divestment of M-real's holding in Myllykoski Paper to UPM-Kymmene
- Price increase implemented in liner and announced in folding boxboard and uncoated fine papers

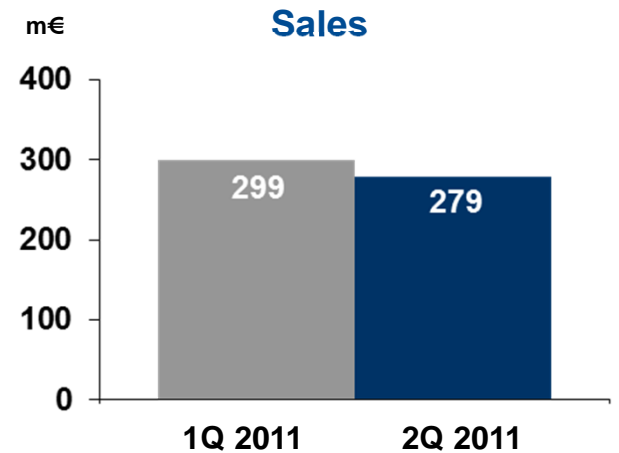


Key Figures – Quarterly

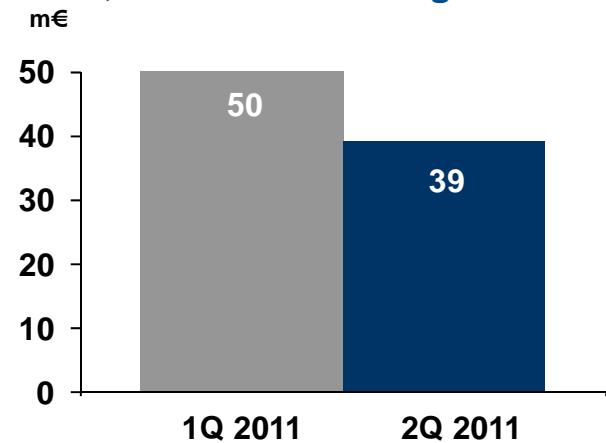


Consumer Packaging Result Continued Strong

- Result weakened from 1Q 2011 due to Simpele investment shutdown, weaker WFC market situation and unfavourable exchange rates
- Due to the uncertainty in European economy board order stocks have decreased from the exceptionally strong levels
- M-real's operating rates are on a good level and demand outlook for virgin fibre board remains good
- Liner prices increased in April, new FBB price increase announced
- Investment shutdowns in Kemi by M-real and Botnia as well as weak WFC market situation to impact negatively Consumer Packaging's result

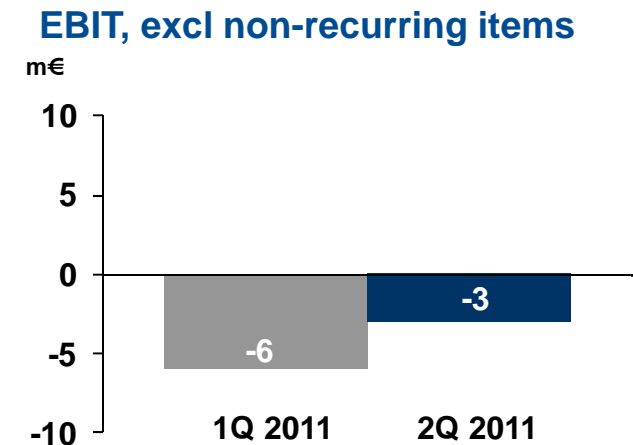
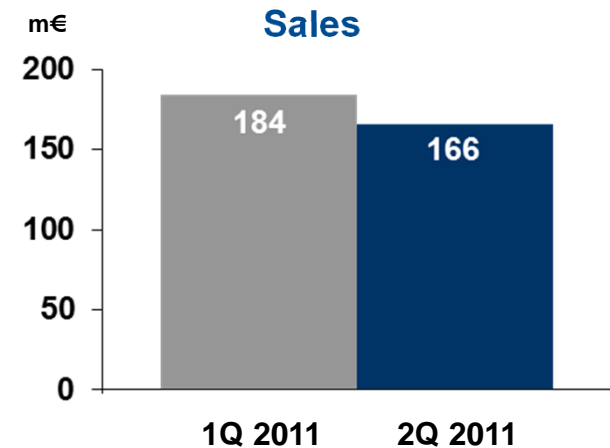


EBIT, excl non-recurring items



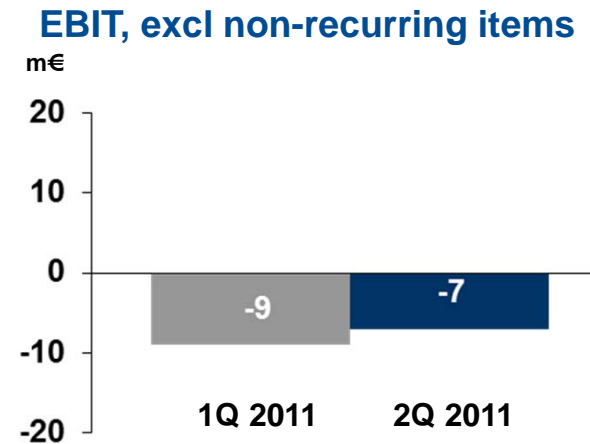
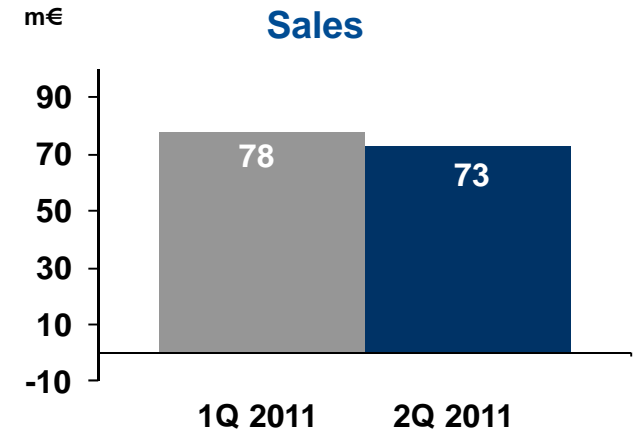
Office Papers Result Improved Due to Lower Costs

- Result was improved from 1Q 2011 by lower fibre and energy costs
- WFU market situation has weakened during recent months that makes the implementation of the announced price increases challenging
- Weak coated magazine paper market situation to impact negatively Office Papers result
- Divestment or potential closure of Alizay mill would improve Office Papers result significantly
 - In short-term Office Papers result negatively impacted by the plans in Alizay



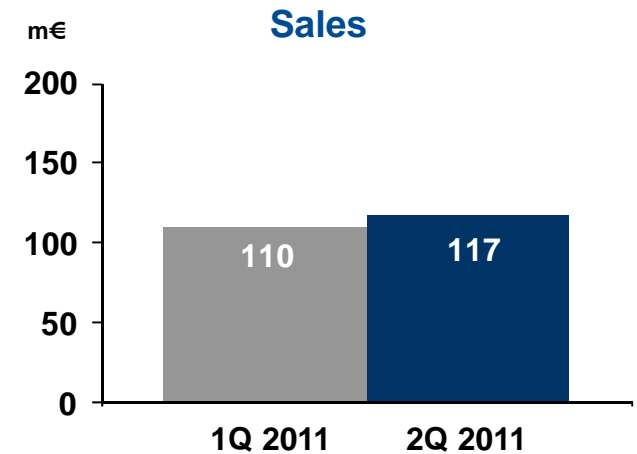
Speciality Papers Operations Planned to Be Mostly Divested or Clearly Downsized

- Result improved slightly from 1Q 2011 due to higher average sales prices related to sales mix
- Result was weakened by lower delivery volumes and higher raw material costs
- Market situation has weakened during recent months
- Work to eliminate losses of Gohrsmühle and Reflex mills by divestments or potential closures proceeds
 - In short-term Speciality Papers result will be negatively impacted

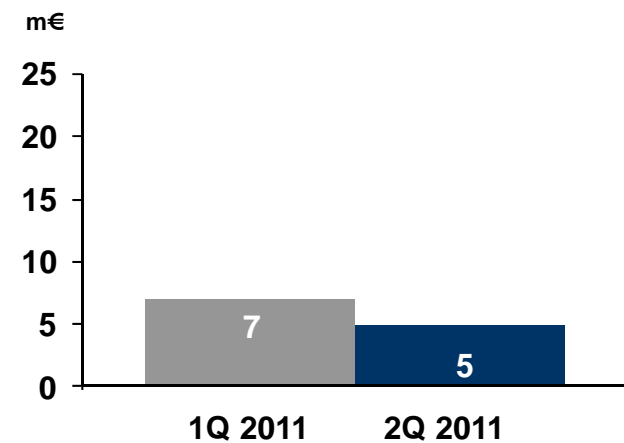


Market Pulp and Energy's Result Affected by Lower Average Pulp Price

- Profitability weakened vs. 1Q 2011 by somewhat lower pulp price mainly due to unfavourable exchange rates
- Result improved by increased deliveries
- Weak paper market situation increases uncertainties in pulp market. Pulp deliveries are expected to decline slightly in 3Q
- Average pulp price expected to somewhat decrease in 3Q 2011
- Divestment of Hallein pulp mill improves Market Pulp and Energy's annual EBIT by 5 m€ based on 2010 actual numbers
 - Closing of the transaction expected during 3Q



EBIT, excl non-recurring items



Major Result Improvements in the Pipeline

- Elimination of 60 m€/a losses of Alizay and Speciality Papers by divestments or potential closures
 - Most of the annual impact seen in 2012 and fully from 2013
 - Negative result impact in 3Q 2011
- Increasing FBB capacity and improving efficiency
 - Full utilization of Simpele capacity
 - Expansion of Kyro mill in November and Äänekoski mill in Spring 2012
- Finalization of Hallein divestment
 - Expected positive result impact from 4Q onwards
- Profit Impact of 2011 cost savings measures emphasized in the 2H 2011
 - All in all M-real's own actions incl. impact of previous years' programmes are expected to mostly cover the about 5 % cost inflation in 2011



Profitability Outlook

M-real's 3Q 2011 operating result, excluding non-recurring items, is expected to weaken clearly from 2Q 2011 due to the worsened paper and pulp market situation, planned measures at Alizay and Speciality Papers as well as investment and maintenance shutdowns at Botnia's pulp mills. Profitability of board production is expected to be good also in 3Q 2011.



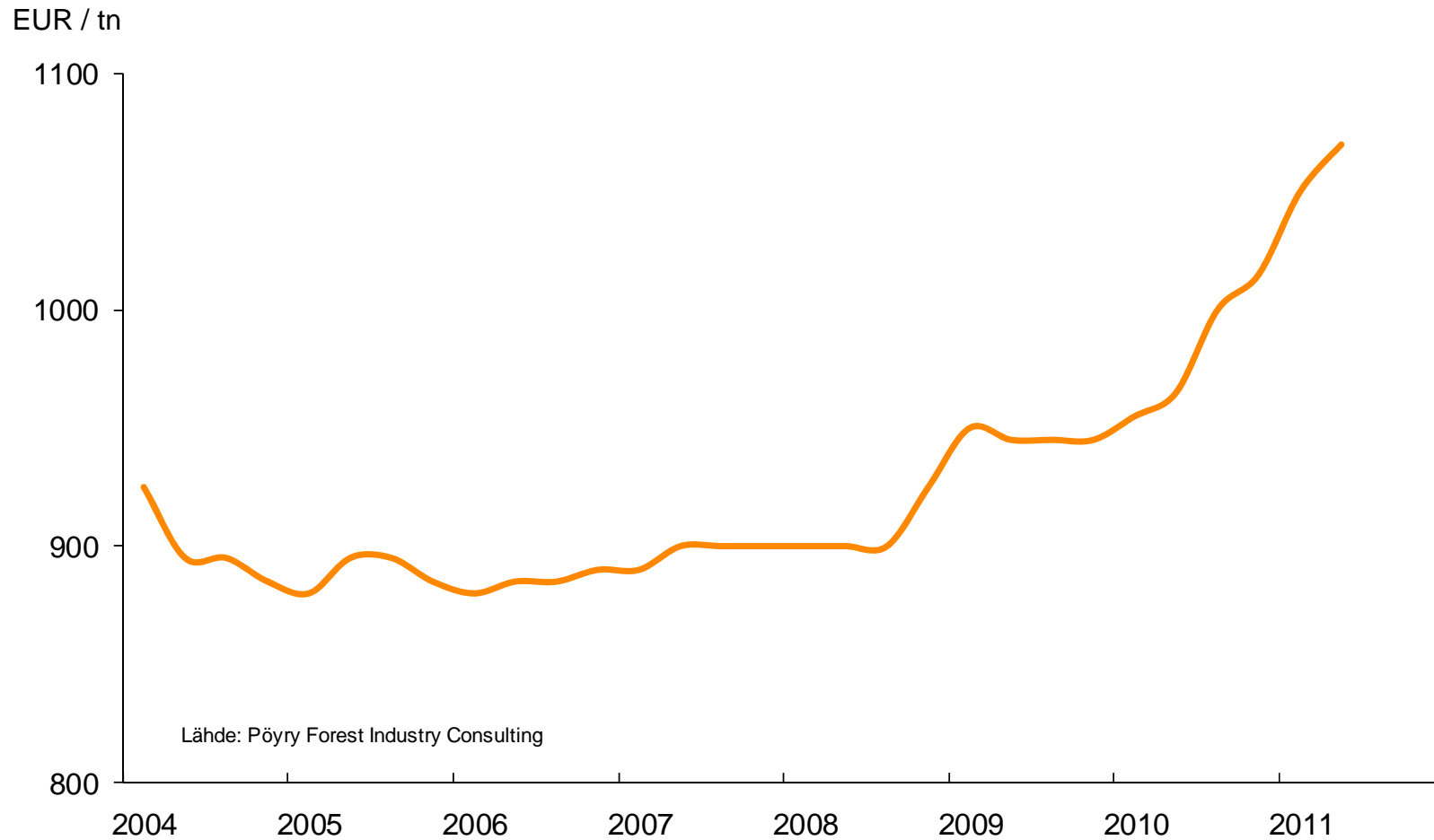
2011 Result Expected to Be Boosted by 90 m€ vs. 2010 Due to Internal Actions

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
Total	130	90	130

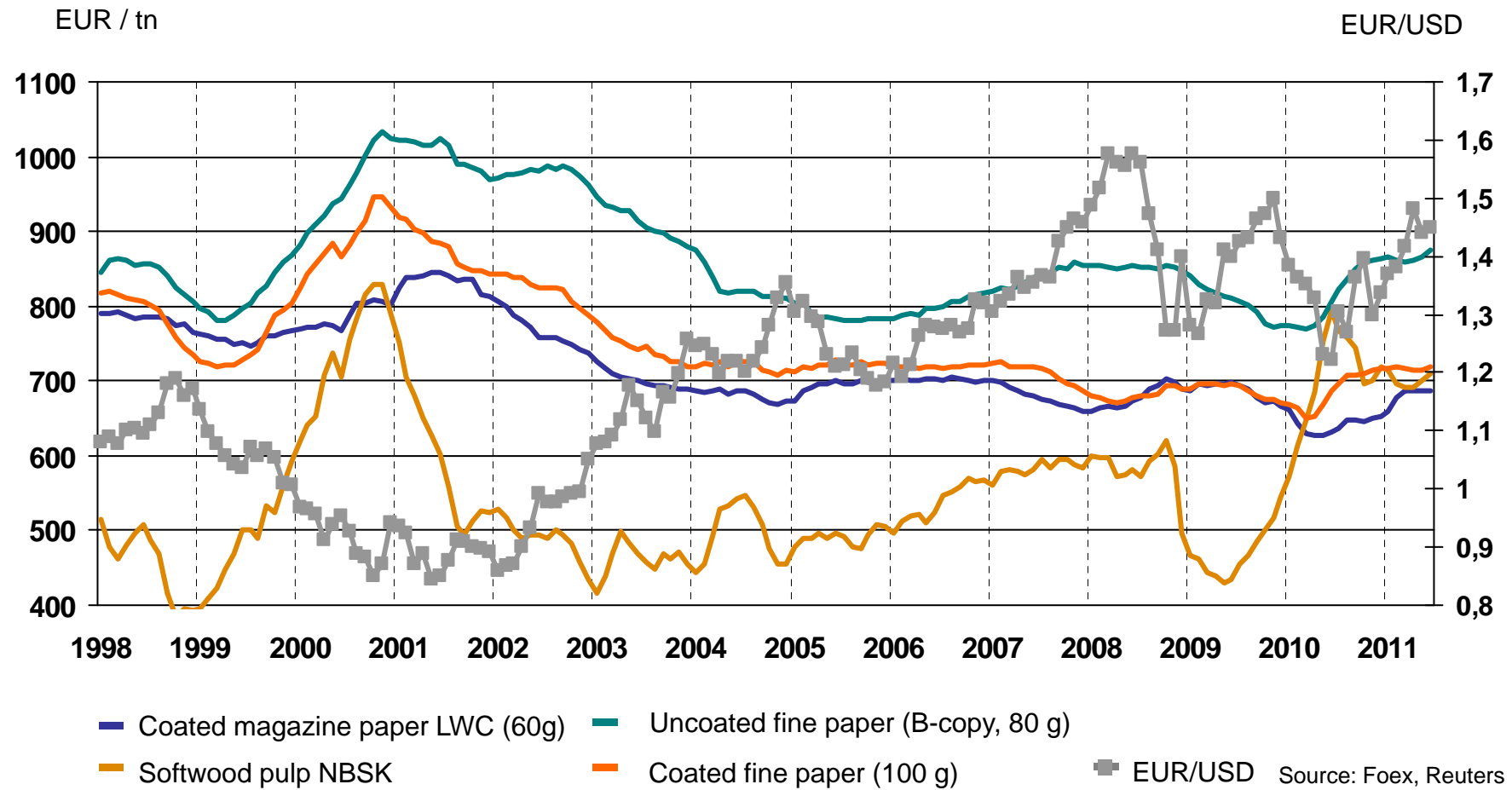
M-real expects to mostly cover the accelerated cost inflation in 2011 by the profit impact of own actions

Cost inflation expected to be about 5 % in 2011

Folding Boxboard Market Price in Europe 2004 – 2Q 2011



Paper and Pulp Market Price in Europe 1998 – 2Q 2011



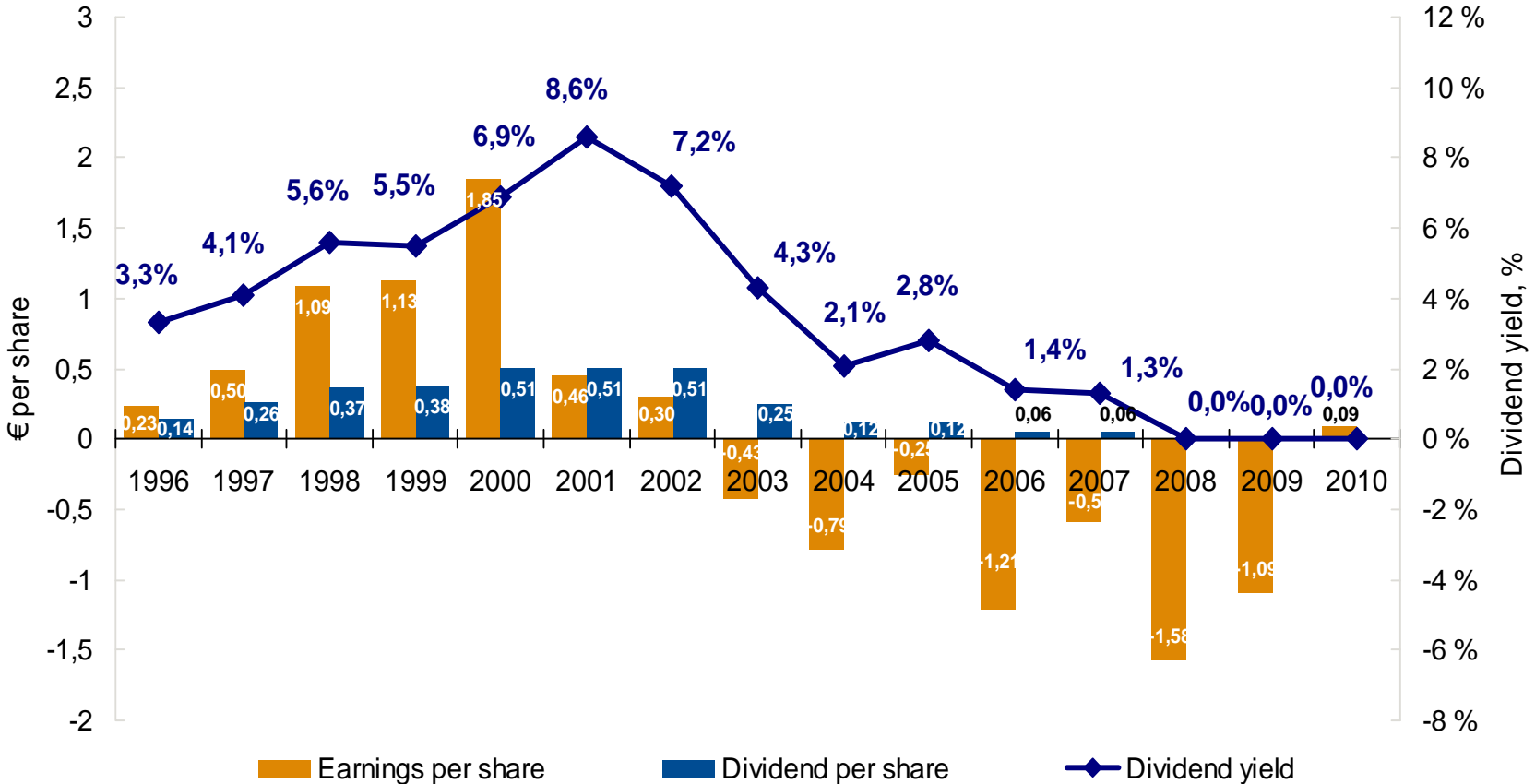
Dividend

Dividend Policy

- Future dividends will take into account the need to achieve and maintain sufficient financial flexibility
- The Company remains committed to an attractive and competitive dividend

M-real's dividend policy is stable and rewarding to shareholders, and aims at paying a dividend of at least 1/3 of the Company's EPS on average over the business cycle, nonetheless taking into account the Company's gearing target

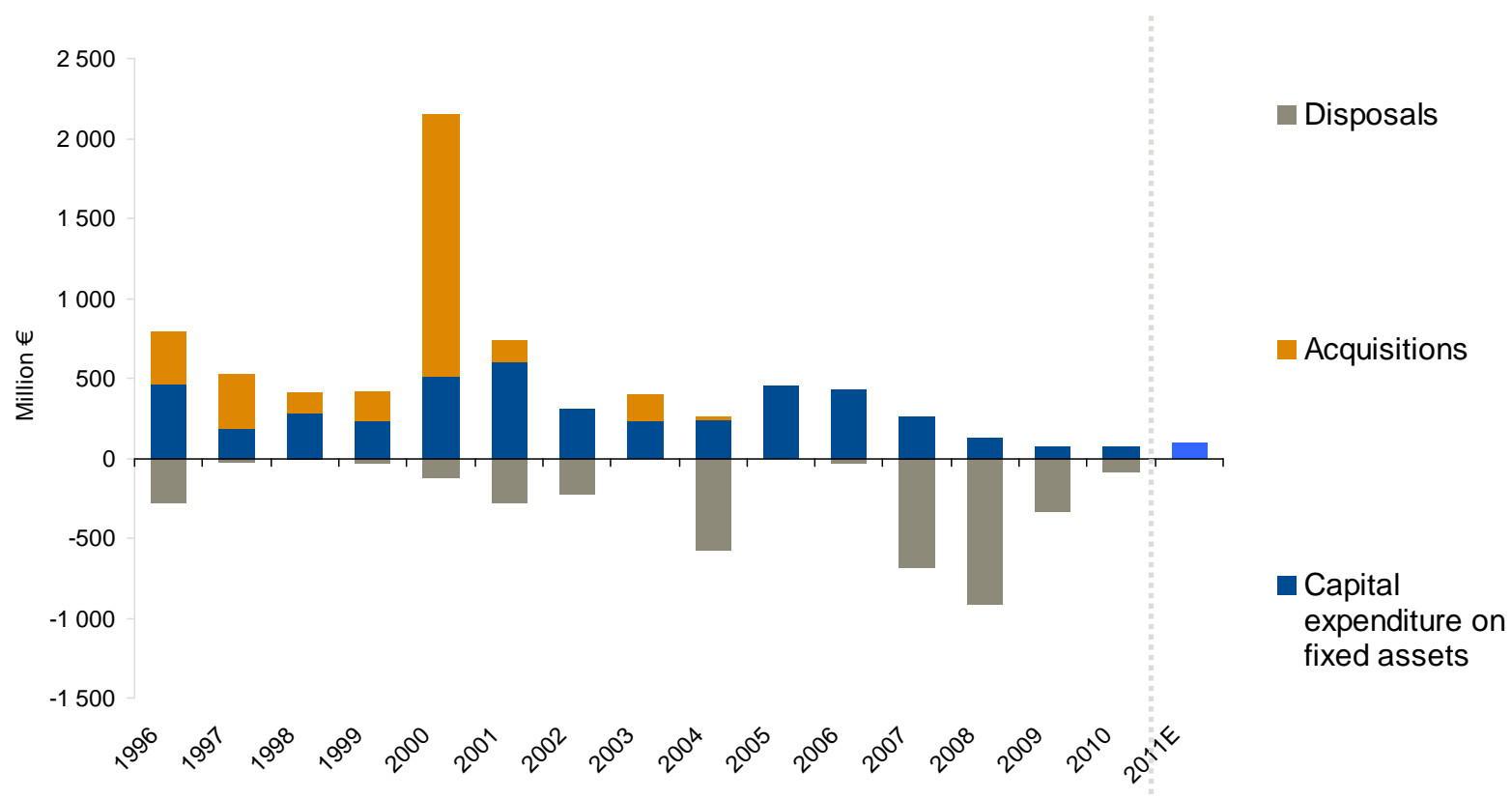
Dividend Yield



Dividend yield calculated from annual average B-share volume weighted price

Investments

Capital Investments about 100 m€ in 2011



*Indicative level for 2011

Funding and debt information

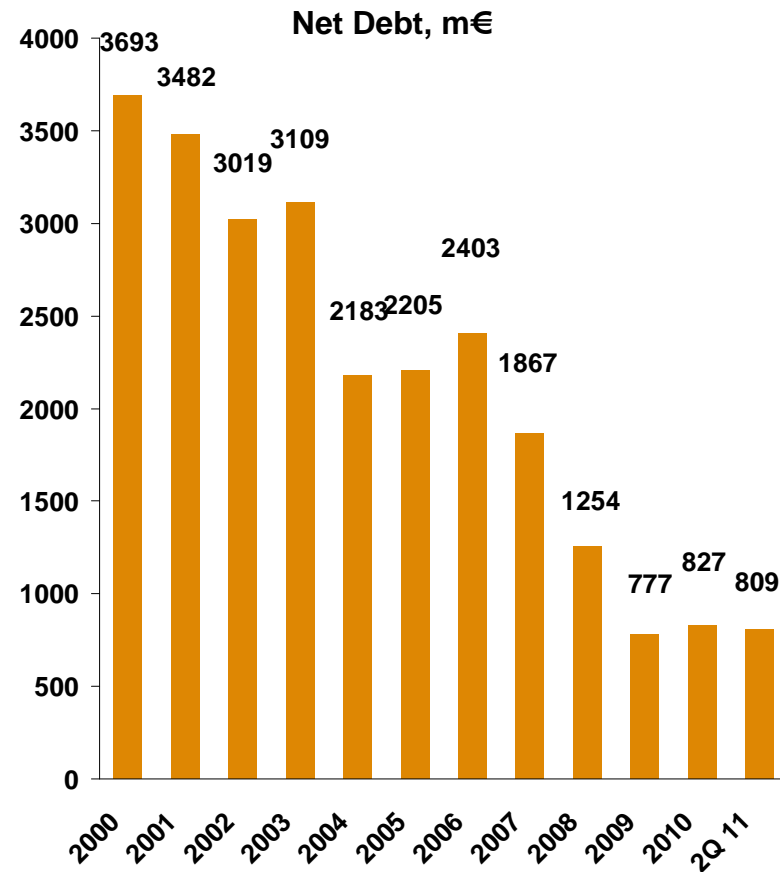
Significant Divestments

- EUR 3.4 billion in assets divested since 2001

	Year	Divestiture	Enterprise Value
	2009	Metsä-Botnia's Uruguayn operations	300*
	2008	Graphic Papers	750
	2008	100 000 B2 shares in PVO	80
	2008	New Thames mill	82**
	2007	Map Merchant Group	382
<i>EUR millions</i>	2007	Folding carton plants	60
	2007	Botnia (9%)	240
	2005	Botnia (8%)	164
	2005	Forestia (95%)	163
	2005	Savon Sellu	20
	2004	Metsä Tissue	570
	2002	Papierfabrik Albbbruck	235
	2001	MD Papier	300
	2001	Noviant (19%)	41
			3,387

Financial Situation Unchanged

- Current net debt 809 m€ and net gearing 84 %
- ONWC decreased by about 40 m€ in 2Q
- Liquid funds 270 m€ at end 2Q 2011
- Average interest rate 5.9% at end 2Q



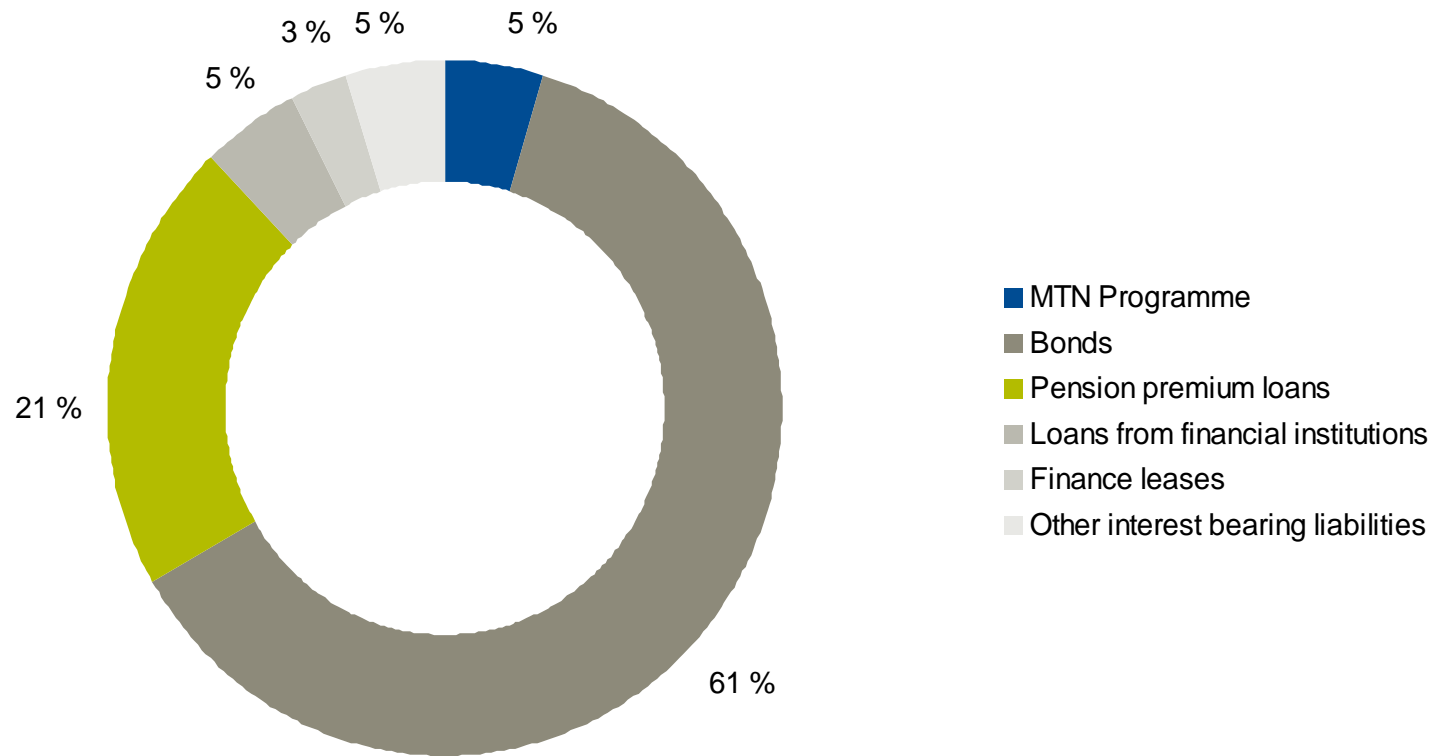
Loans and Interest Rate

At the end of 2Q 2011

- Average maturity of long term loans 2,2 years
- Average interest rate of loans (including derivatives) 5,9 %
- Interest rate maturity of loans (including derivatives) 11,9 months

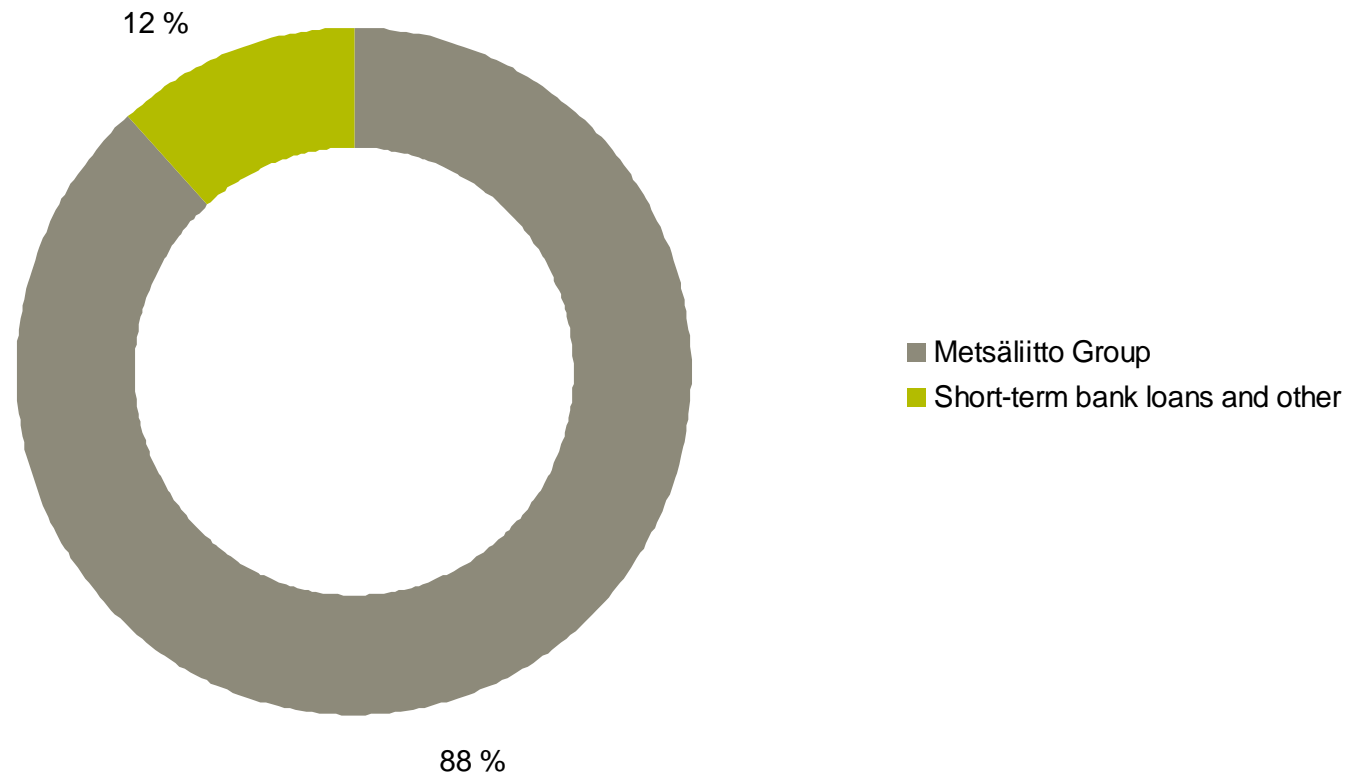
- Of the loans about 77 per cent was subject to variable interest rates and 23 per cent to fixed interest rates

Long-term Interest Bearing Liabilities



Total 1 099 m€ 30.6.2011

Short-term Interest Bearing Liabilities

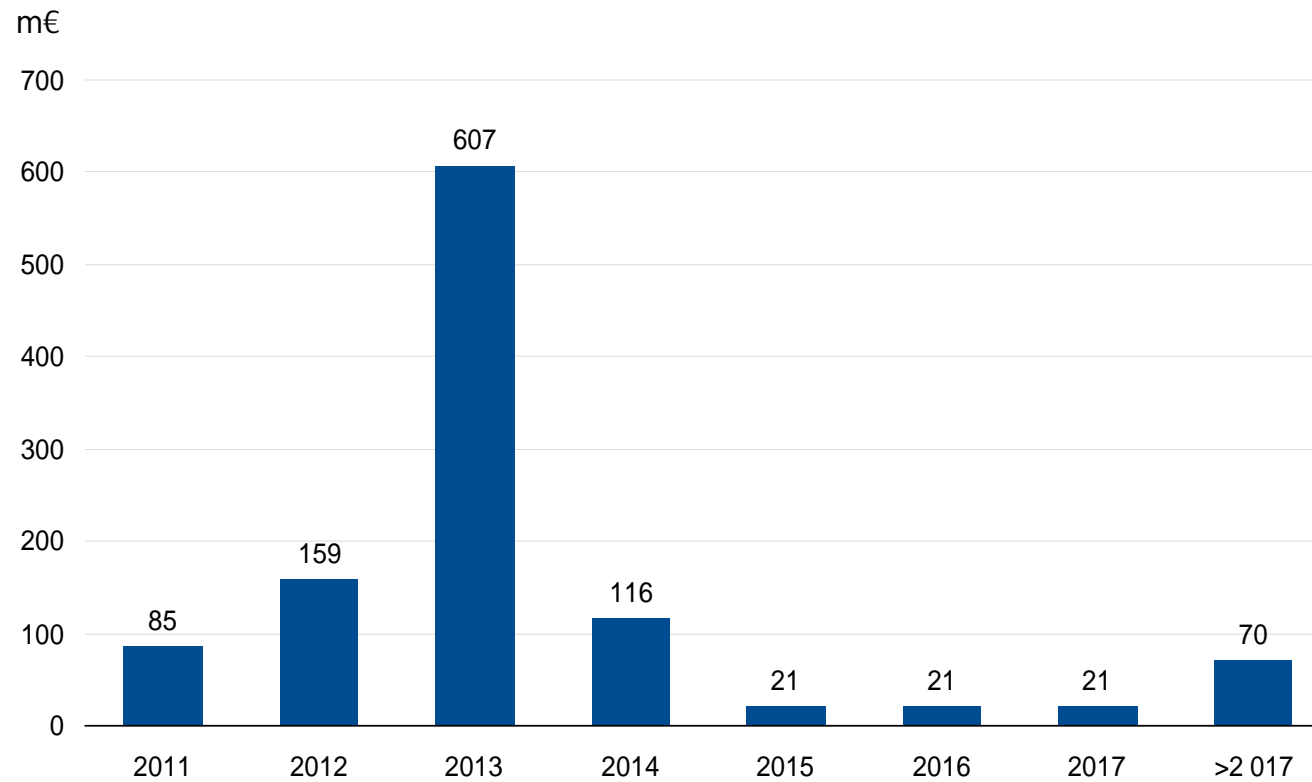


Total 52 m€ 30.6.2011

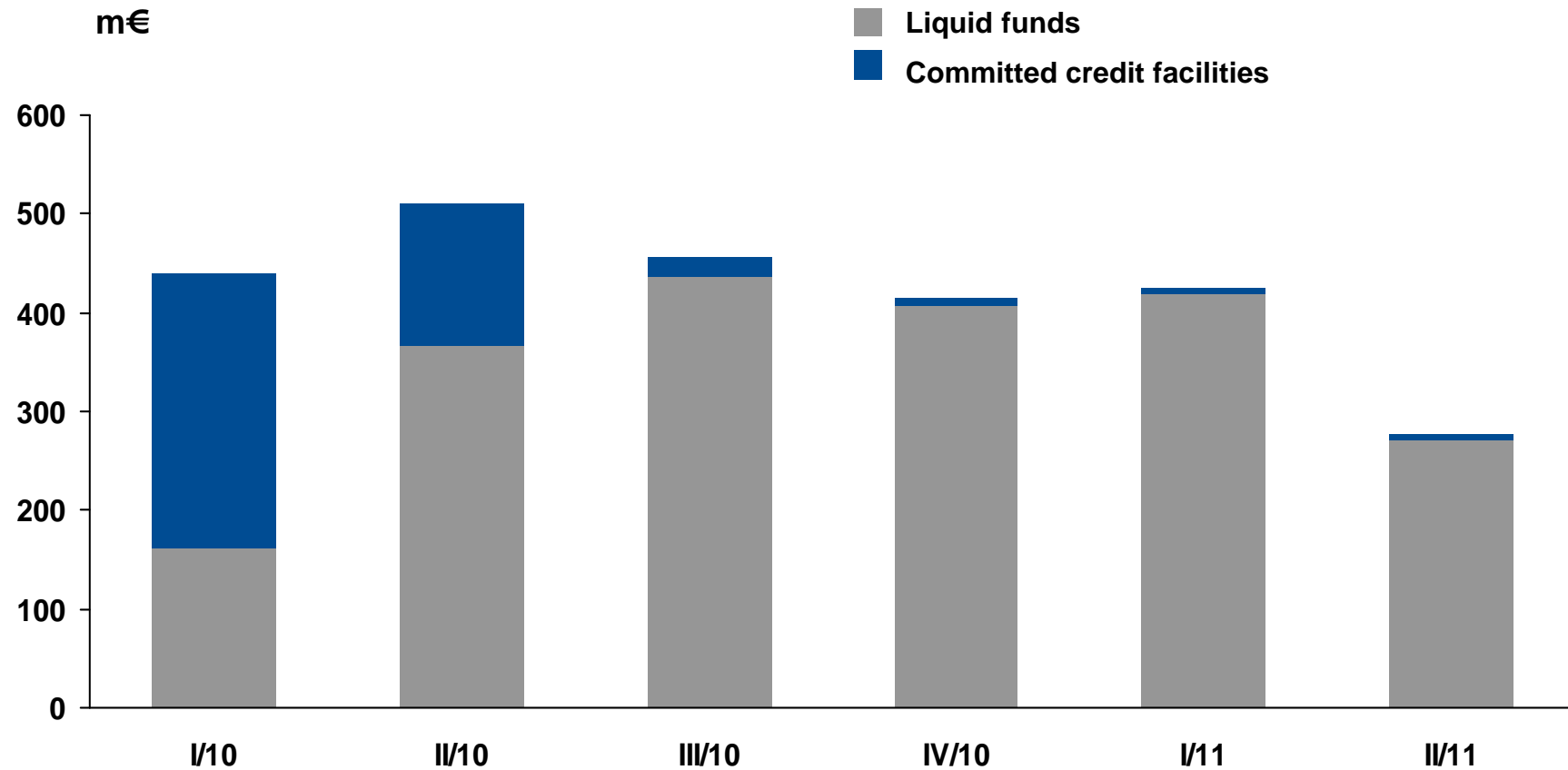
Interest Bearing Net Liabilities 30.6.2011 (m€)

• Long-term	1 099
• Short-term	52
Total interest bearing liabilities	1 151
• Liquidity and other interest bearing receivables	342
• Interest bearing net liabilities	809

Long-term Interest Bearing Liabilities 30.6.2011



Liquidity



Debt Programs

The following table sets forth the significant debt securities issued and outstanding of M-real as at June 30, 2011:

<u>Long-term borrowings</u>	<u>Total amount</u>	<u>Outstanding</u> (currency in millions)	<u>Average</u> <u>Interest Rate</u>	<u>Maturity</u>
USD 350 million Private Note Issue	USD 350	USD 224	6.1% (1)	2012–2014
EUR 500 million Bond Issue	EUR 500	EUR 500	7.0% (1)	2013
Global Medium-Term Note Program	EUR 1 500			
EUR 52 million private placements		EUR 52	3,8 %	2011
EUR 107 million bilateral loans	EUR 107	EUR 107	1,7 %	2011–2013
EUR 28 million finance leases	EUR 28	EUR 28	2,1 %	2011–2020
EUR 239 million pension loans	EUR 239	EUR 232	5.6% (1)	2011–2020
 <u>Short-term funding programmes</u>				
EUR 350 million domestic CP-program	EUR 350	EUR 0	–	–
EUR 150 milj. Belgian CP-program	EUR 150	EUR 0	–	–

Average interest rate of all M-real Group interest bearing liabilities including interest rate derivatives per 30.6.2011 is 5,9 %.

(1) The average interest rates take into account outstanding interest rate swaps and amortised arrangement fees.

Ratings' History

2000

S&P: Short term ratings lowered to A3,
Long term ratings placed to credit watch
negative
Moody's: Long and short term ratings
outlook changed from stable to negative

2001

S&P: Long term ratings lowered to BBB-,
stable outlook
Moody's: Long and short term ratings
lowered to Baa3/P3, negative outlook

2003

S&P: Downgrade to BB+, stable outlook
Moody's: Downgrade to Ba1, negative
outlook

2004

S&P: Outlook changed from stable to
negative, ratings affirmed
Moody's: Downgrade to Ba2, stable outlook

2005

S&P: Downgrade to BB, stable outlook
Moody's: Outlook changed from stable to negative,
ratings affirmed

2006

S&P: Downgrade to BB-, negative outlook
Moody's: Downgrade to Ba3, negative outlook
Moody's: Downgrade to B2, negative outlook
S&P: Downgrade to B+, negative outlook

2007

Moody's: Downgrade to B3, negative outlook
S&P: Downgrade to B, negative outlook
S&P: Downgrade to B-, stable outlook

2008

S&P: Outlook to negative

2009

S&P: Downgrade to CCC+, negative outlook
Moody's: Downgrade to Caa1, outlook negative

2010

S&P: Outlook to stable
Moody's: Outlook to stable
S&P: Upgrade to B-, stable outlook
Moody's: Upgrade to B3, outlook to positive

2011

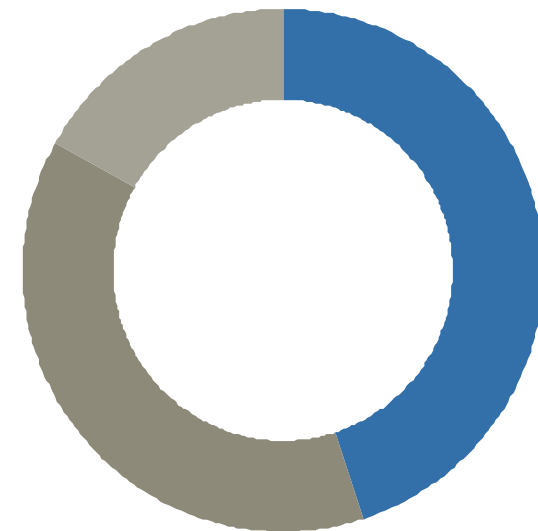
S&P: Outlook to positive

General presentation

M-real in Brief

- Annual sales about EUR 2.6 billion.
- Approximately 4,500 employees.
- Present in over 70 countries.
- 13 production units in 5 European countries.
- Part of Metsäliitto Group and listed on the NASDAQ OMX Helsinki Ltd.
- Metsäliitto Group is one of the largest forest industry groups in the world, owned by a cooperative of 130.000 private Finnish forest owners.

Sales breakdown 2010

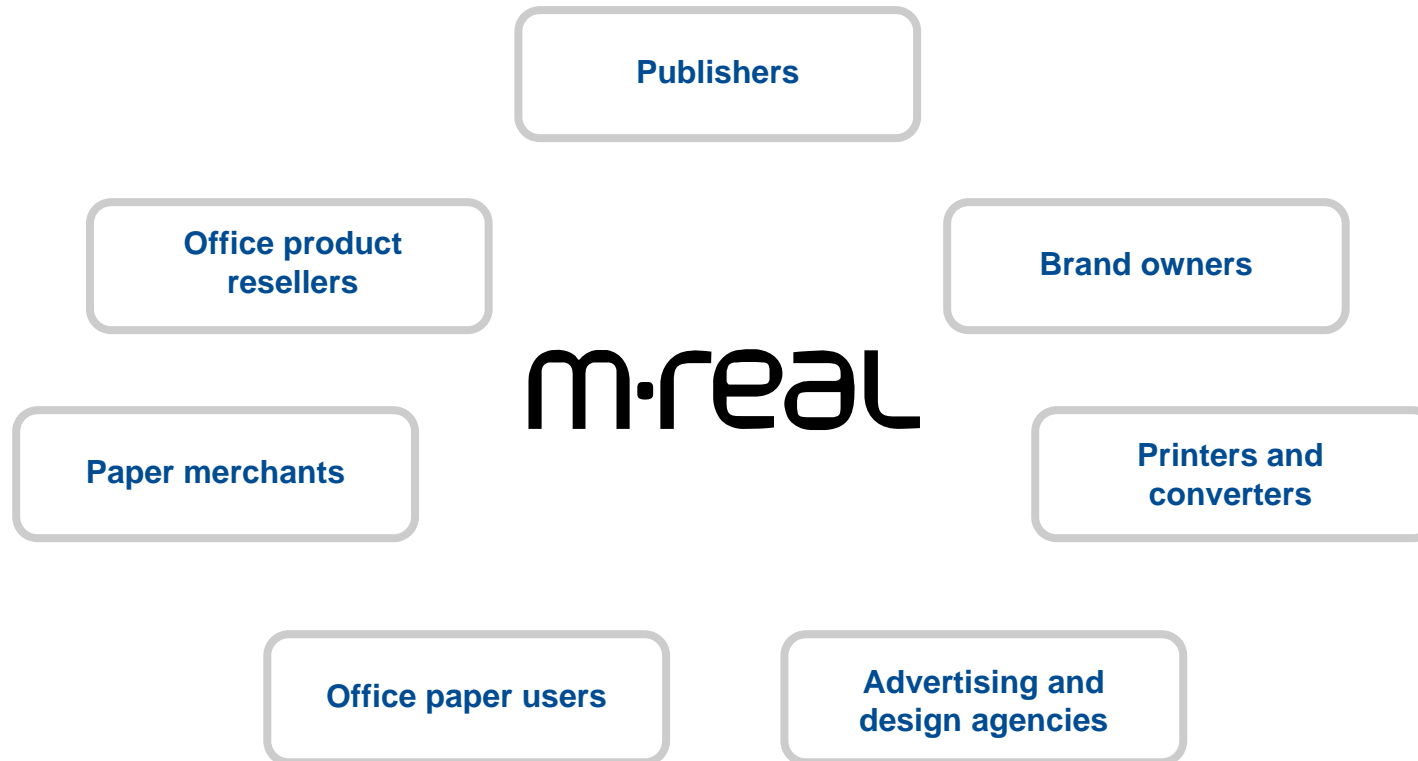


■ Consumer Packaging 45%
■ Paper 38%
■ Market pulp and energy 17%

Offering for Consumer Packaging, Communications and Advertising

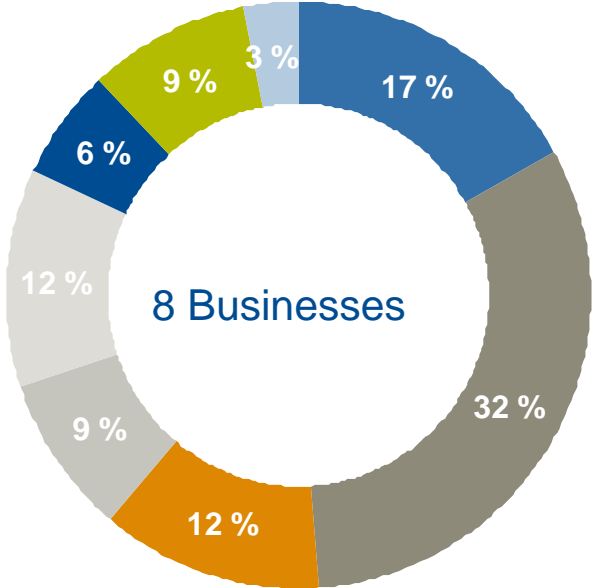
- **Cartonboards and white-top kraftliners** for packaging beautycare, healthcare, cigarettes, food, consumer durables etc.
- **Graphic boards** e.g. for book covers, postcards, greeting cards, CD or DVD covers
- **Office papers** from high-volume copying and printing to high-quality color presentations
- **Speciality papers** for advertising and corporate materials, flexible packaging, creative designs, labeling, self-adhesive laminates and for wallcovering industry

M-real's Customers

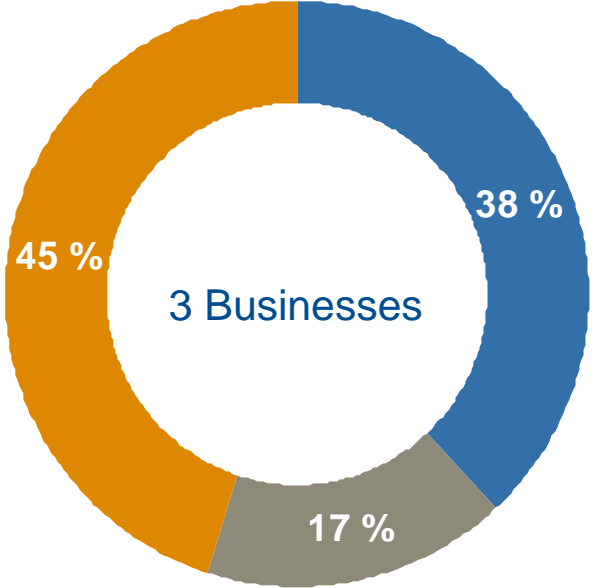


Focus on Core Businesses

1995 Sales
€2.3 billion



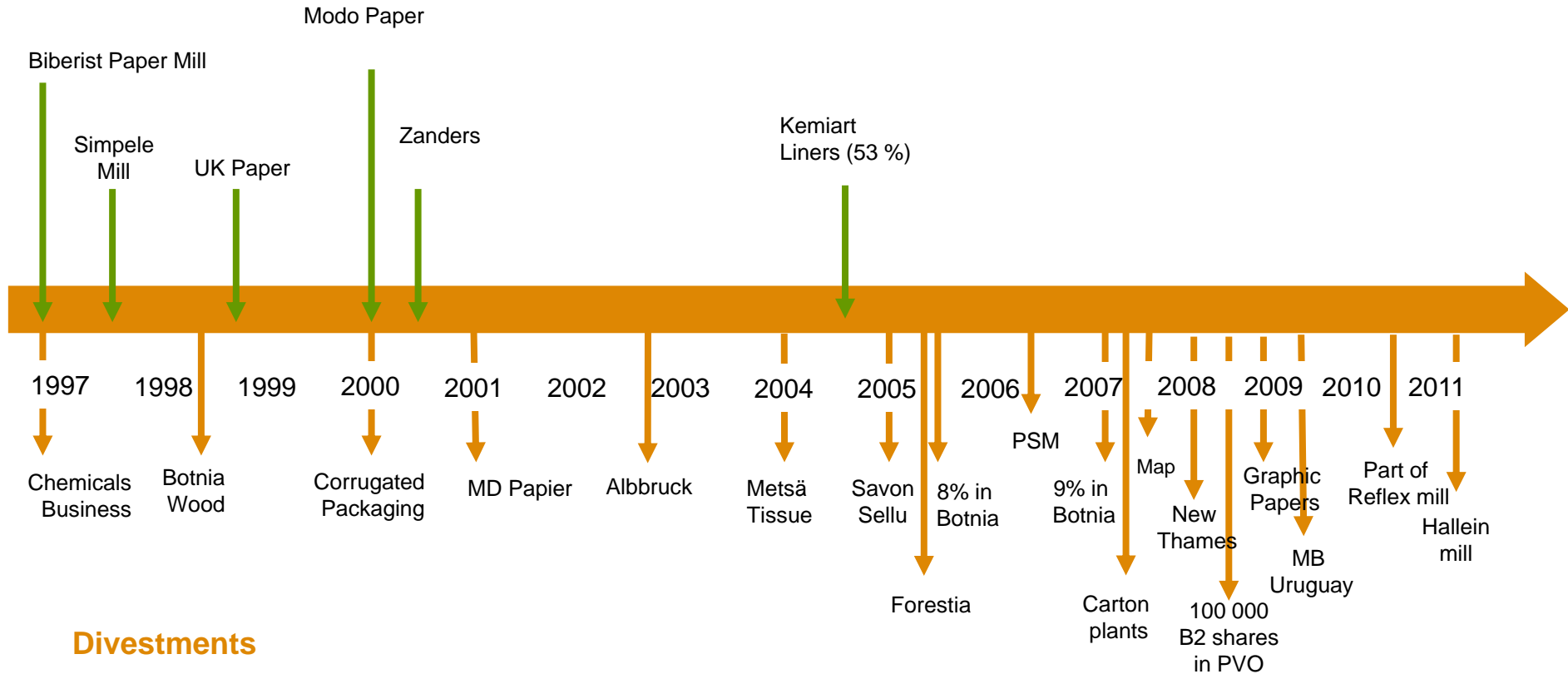
2010 Sales
€2.6 billion



- Paper
- Pulp
- Paperboard
- Packaging
- Tissue
- Mechanical Forest Products
- Merchenting
- Chemicals

M-real Restructuring Story

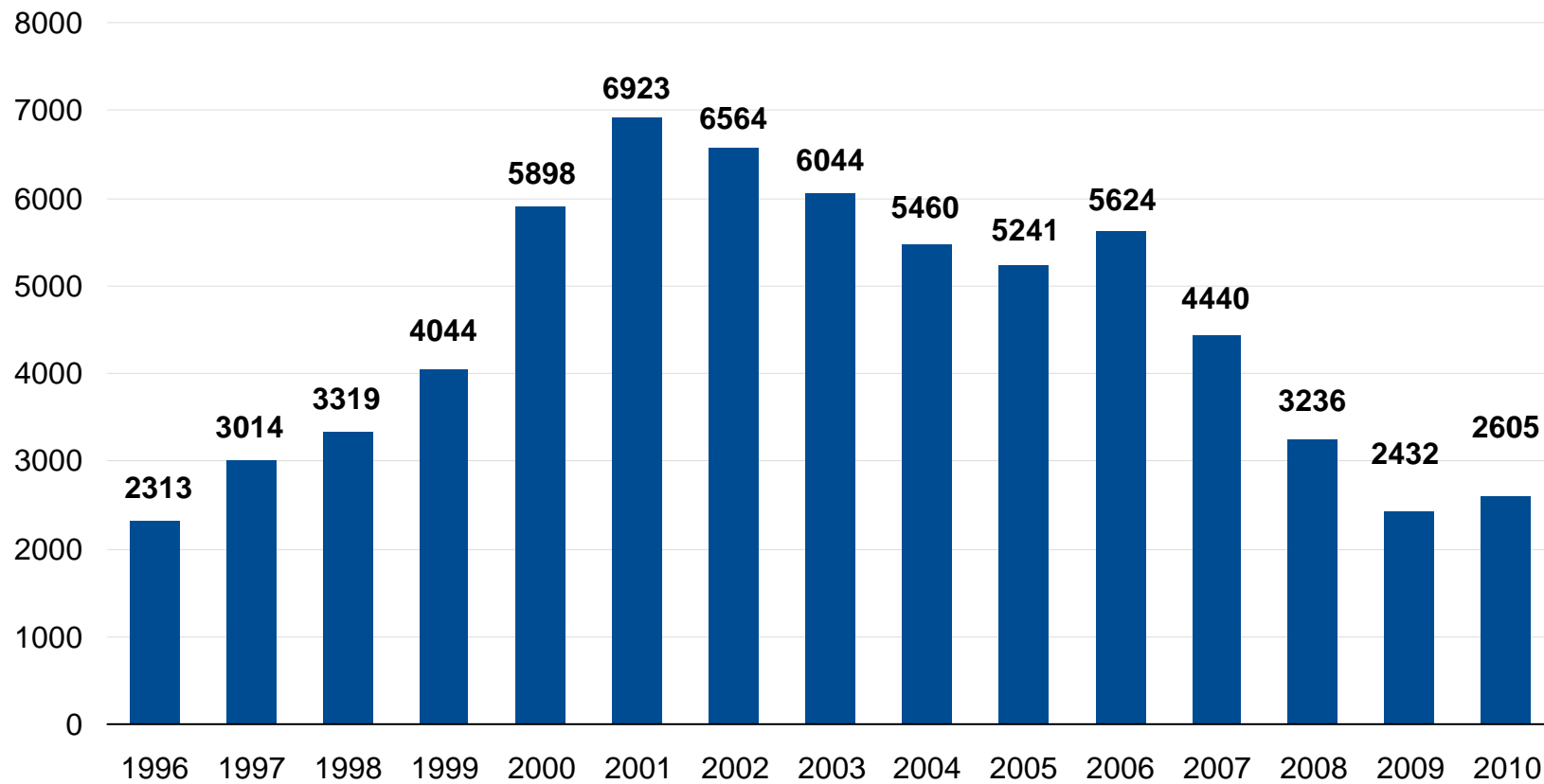
Acquisitions



Divestments

Annual Sales Development

EUR, million



Business Portfolio

Business Portfolio

Consumer Packaging



Office Papers



Speciality Papers



Market Pulp and Energy

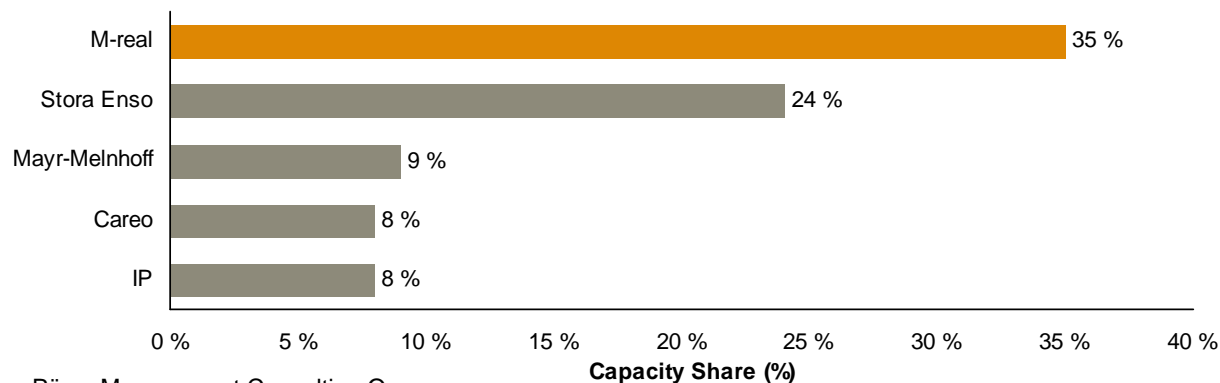


Consumer Packaging

Mainly Folding Boxboard and Linerboard

- Fibre-based high value-added packaging solutions for global brand owners in beautycare, healthcare, cigarette, food and consumer electronics industries as well as for graphical end-uses
- Relatively high earnings stability
- High segment consolidation
- Competitive folding boxboard mills with end use specified production

No. 1 Folding Boxboard Producer in Europe

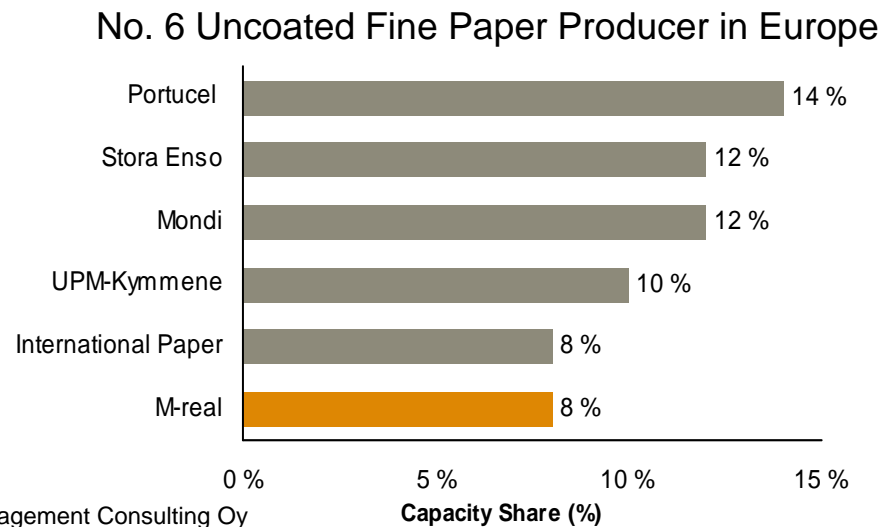


Source: Pöyry Management Consulting Oy

Office Papers

Mainly Uncoated Fine Paper

- High quality uncoated fine papers for printing and photocopying as well as for forms, envelopes, manuals and communication purposes
- Diversified customer base, e.g. merchants, retail chains, office equipment manufacturers and corporations
- Leading European office paper brands like DataCopy, Evolve and SAVE!



Speciality Papers

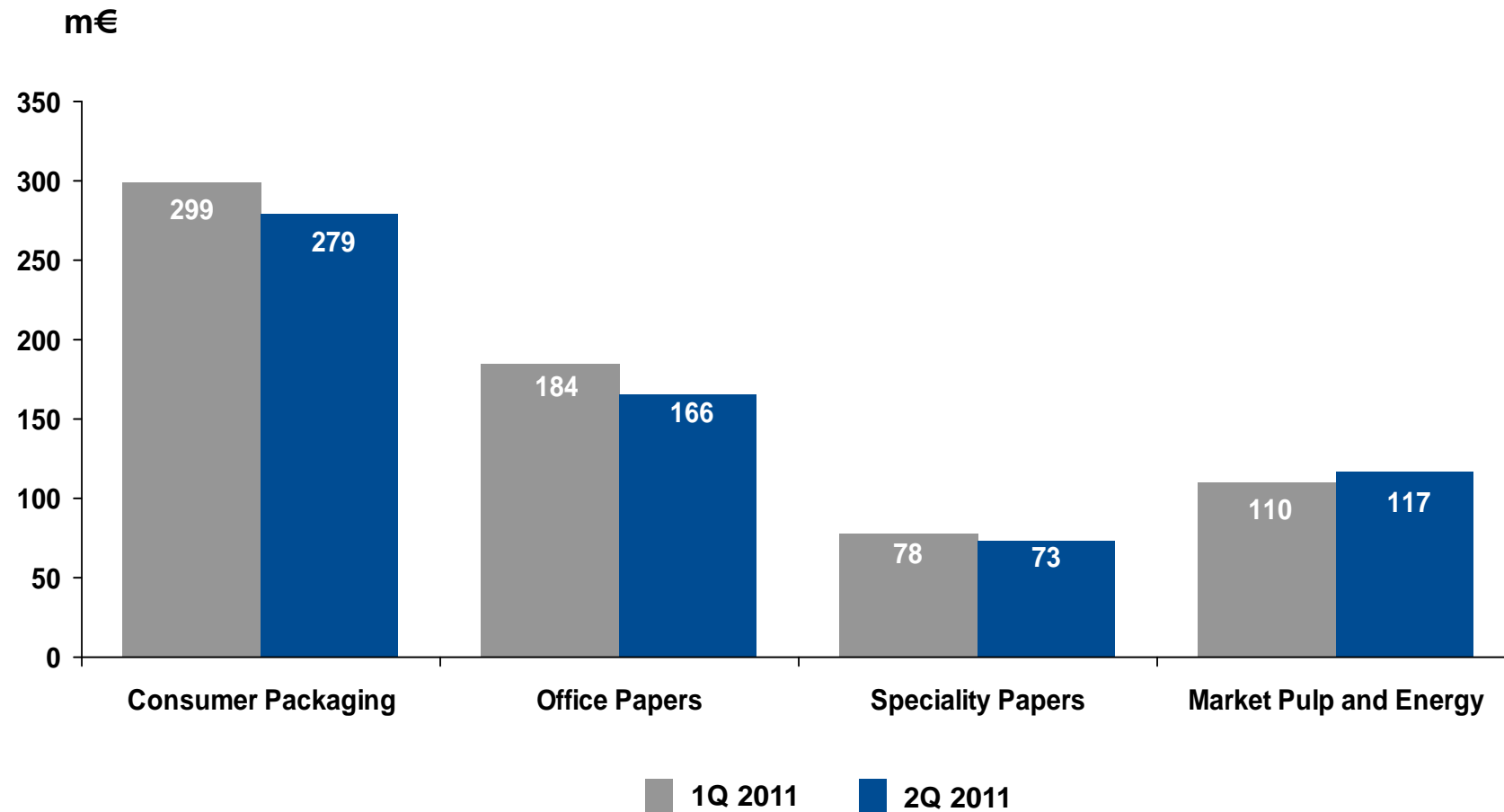
- Leading European speciality paper producer with strong focus on packaging applications
- Packaging specialities
 - Flexible packaging
 - Luxury packaging
 - Labels
- Graphical specialities
 - Premium fine papers
 - Carbonless papers
 - Digital imaging papers
- Uncoated fine papers

Speciality paper sales

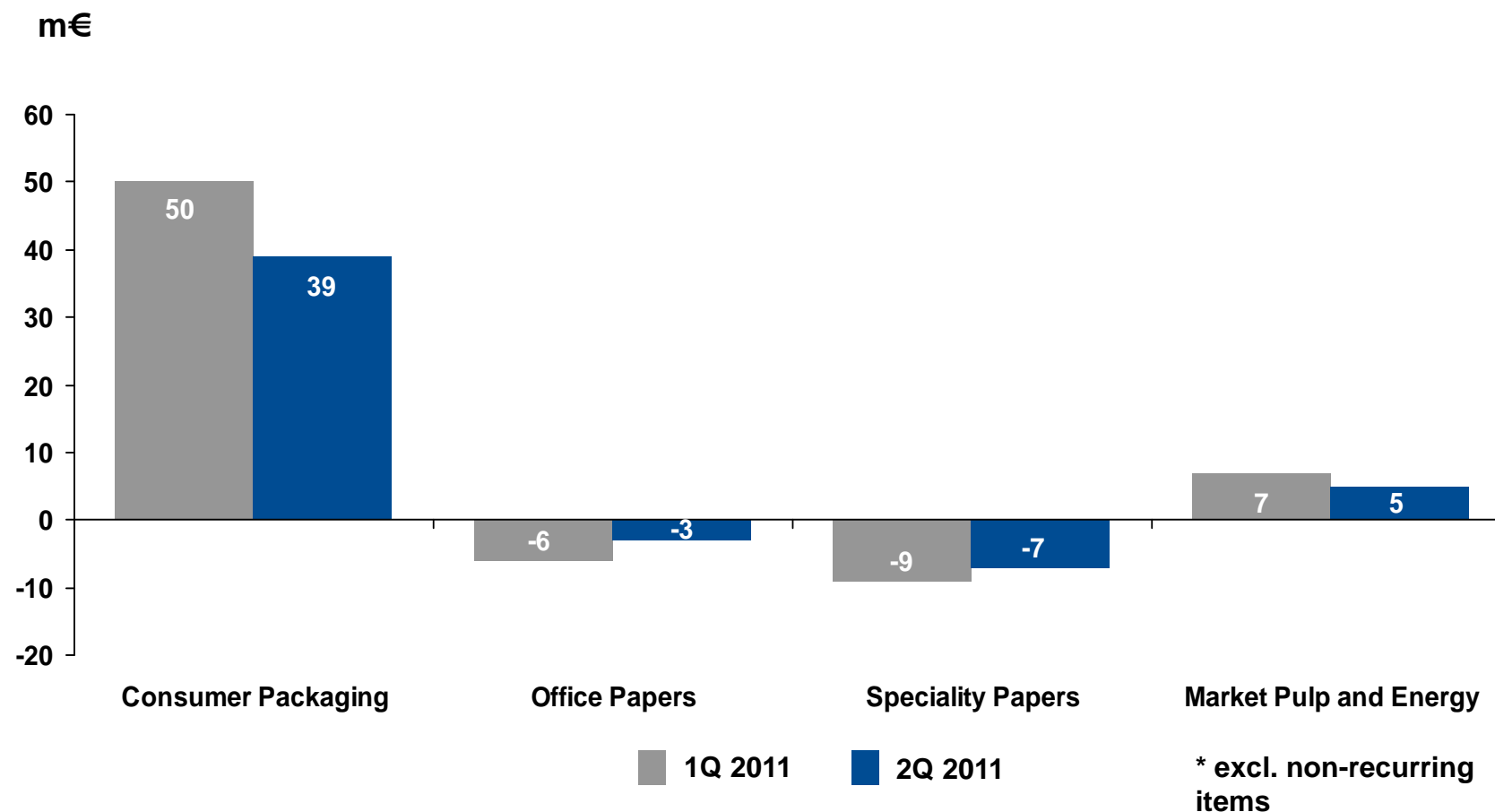


- Packaging specialities 50%
- Graphical specialities 30%
- WFU 20%

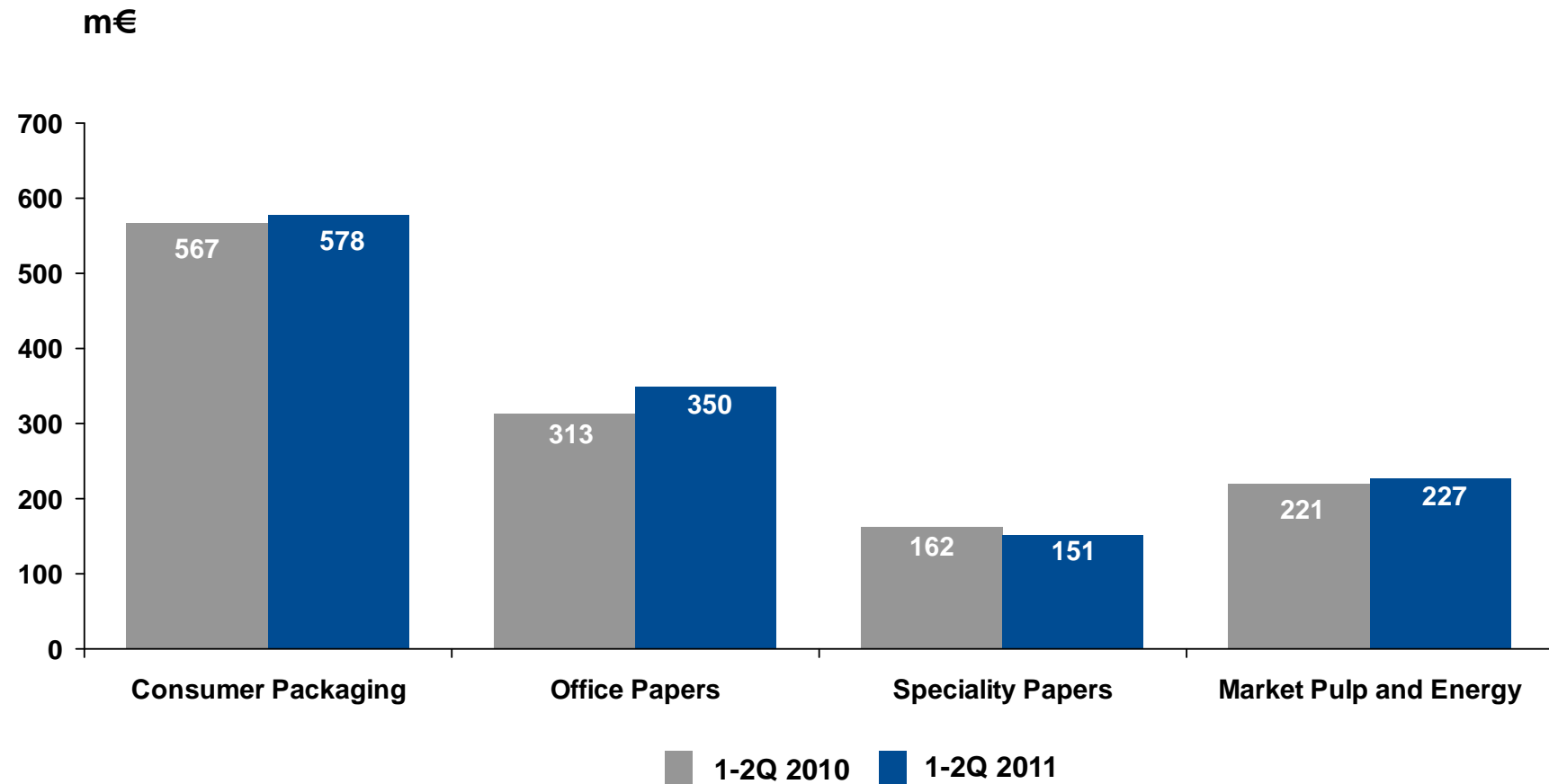
Sales by Business Area



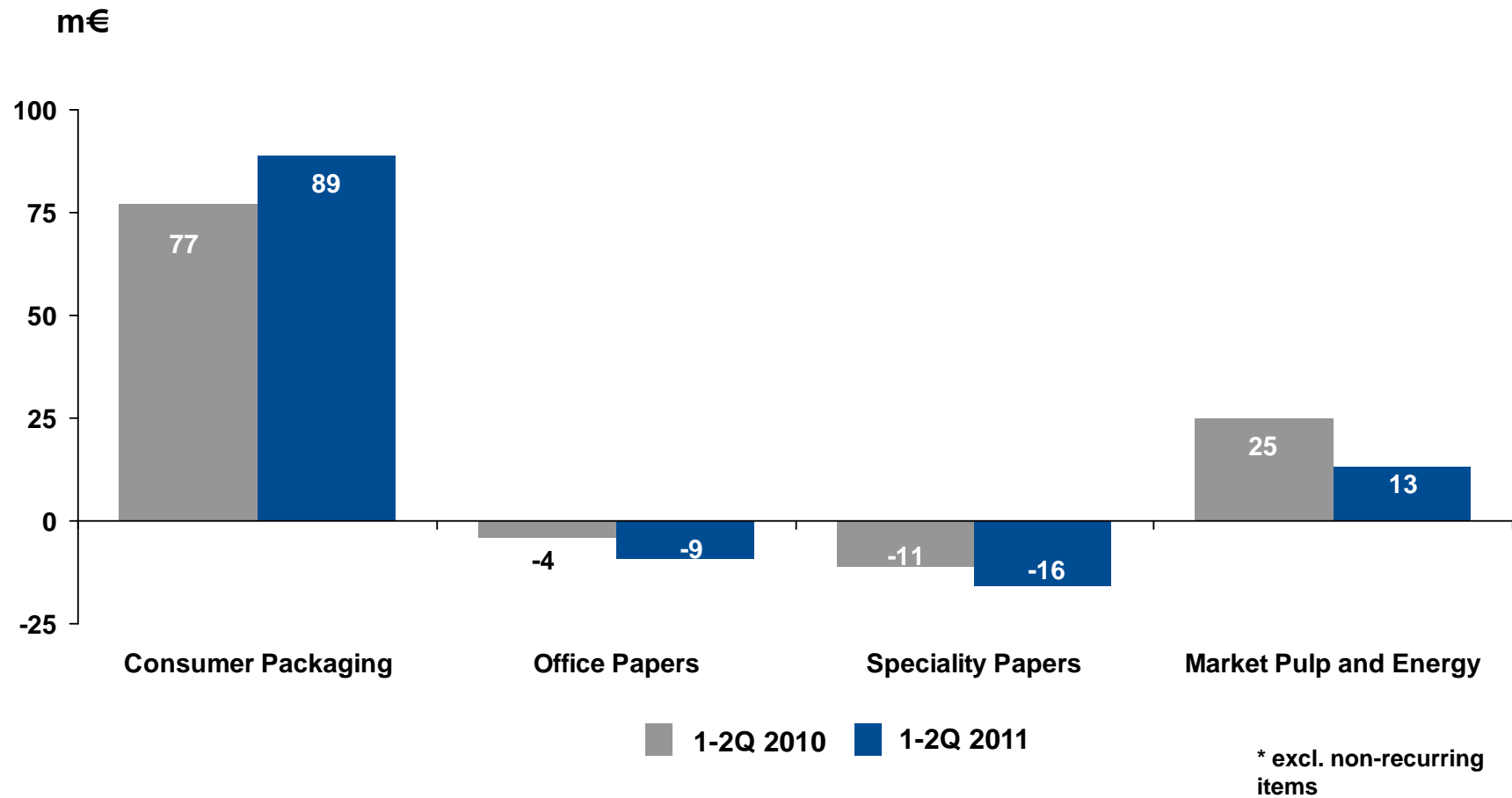
Operating Result by Business Area*



Sales by Business Area

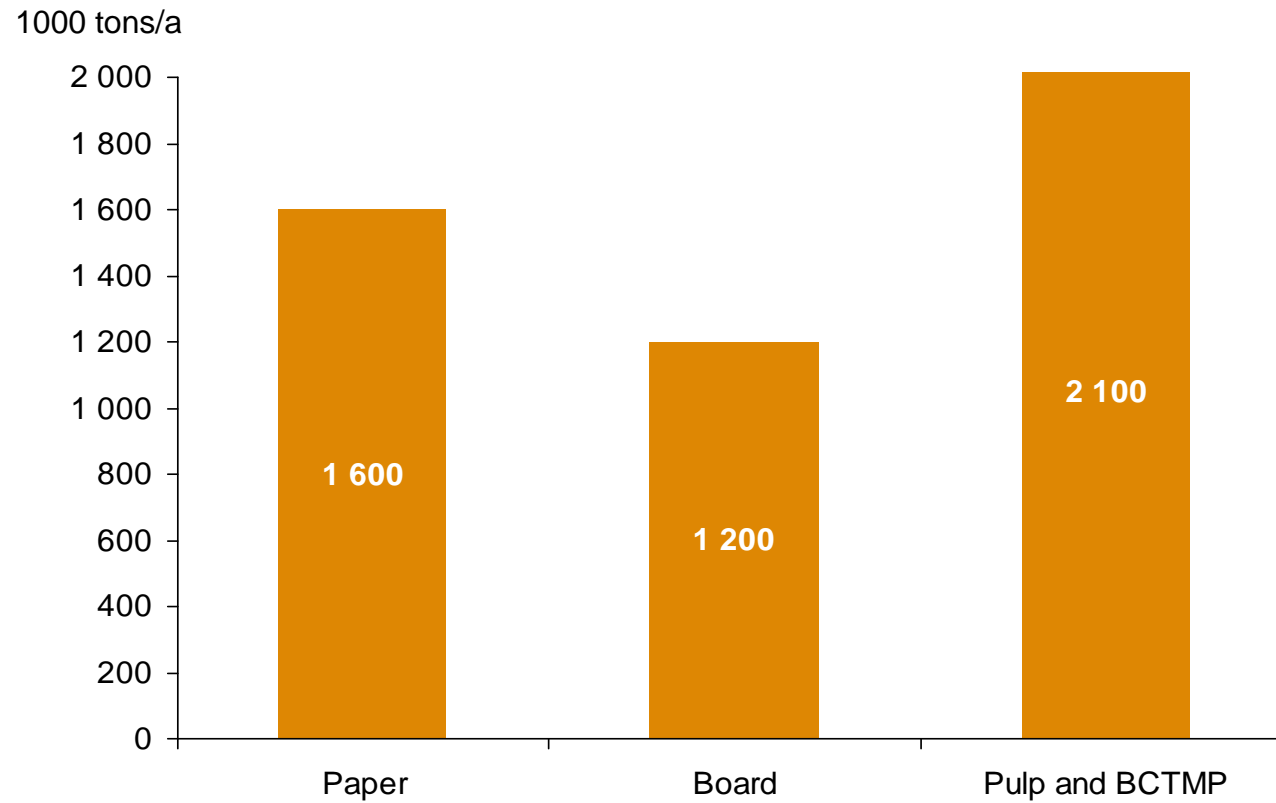


Operating Result by Business Area*



Operations

Production Capacity



M-real Production Locations

Consumer Packaging:

- Simpele
- Äänekoski board and paper
- Kyro
- Tako
- Kemi
- Joutseno

Office Papers:

- Alizay
- Husum paper and pulp

Speciality Papers:

- Gohrsmühle
- Reflex

Market Pulp and Energy:

- Kaskinen
- Hallein



Paper and Board Capacity by Grade

(1000 t/a)

BOARD MILLS							
Board Mill	Country	Machines	Folding			Total	
			Boxboard	Liner			
Tampere	Finland	2		205		205	
Kyröskoski	Finland	1		150		150	
Äänekoski	Finland	1		210		210	
Simpele	Finland	1		300		300	
Kemi	Finland	1			375	375	
Total		6		865	375	1240	

PAPER MILLS							
Paper Mill	Country	Machines	Coated	Coated	Uncoated	Specialty	Total
			Magazine Paper	Fine Paper	Fine Paper		
Äänekoski	Finland	1		190			190
Kyröskoski	Finland	1				105	105
Bergisch Gladbach	Germany	2			120	120	240
Düren	Germany	2				20	20
Husum	Sweden	3	275		435		710
Alizay	France	1			310		310
Total		10	275	190	865	245	1575

Pulp Capacity

(1000 t/a)

PULP MILLS

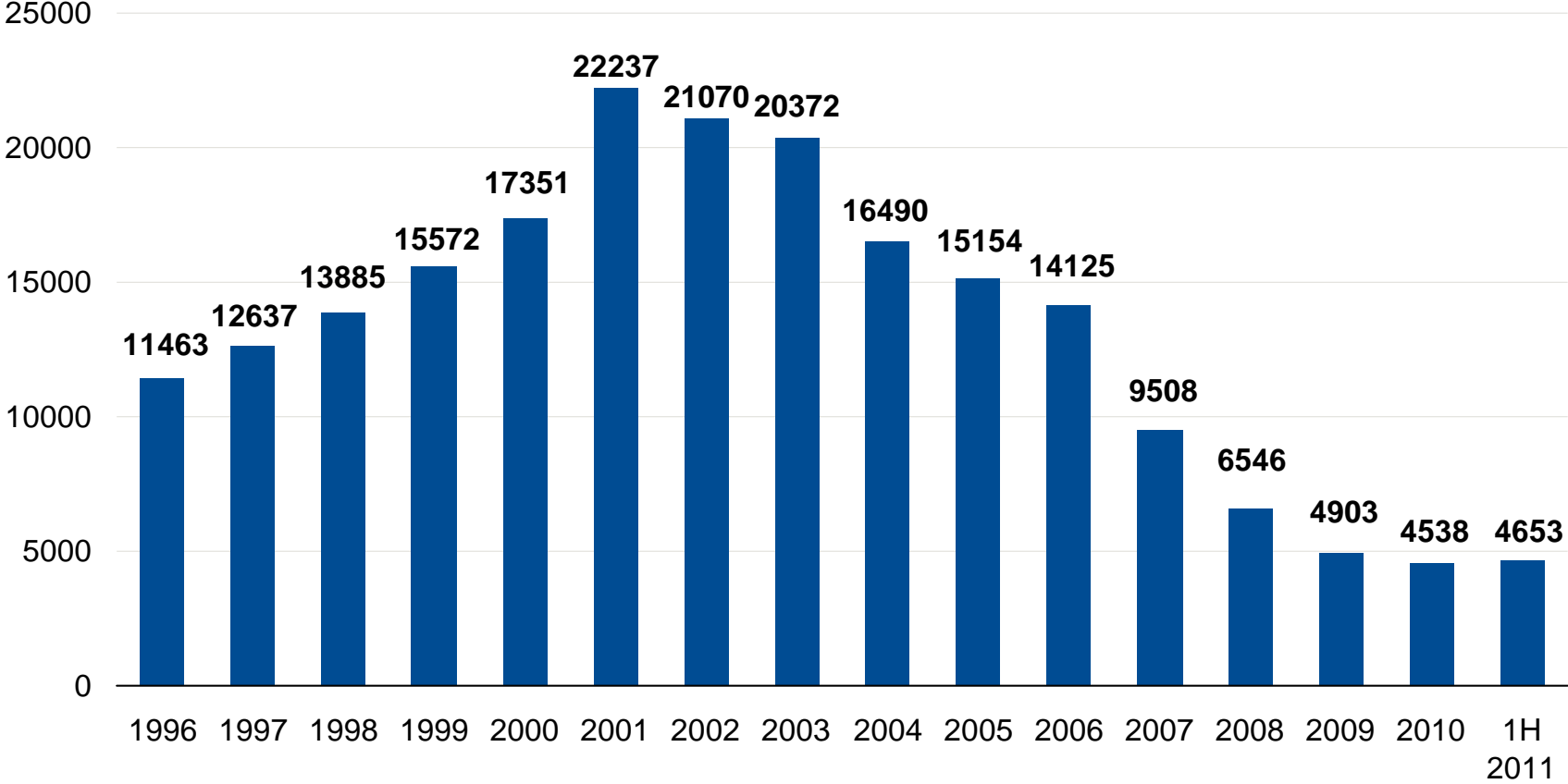
Pulp Mill	Country	Chemical		Total
		Pulp	BCTMP	
Husum	Sweden	690		690
Hallein	Austria	160		160
Joutseno	Finland		280	280
Kaskinen	Finland		300	300
Total		850	580	1430

BOTNIA *

Mill	Country	Chemical		Total
		Pulp		
Äänekoski	Finland		500	500
Kemi	Finland		590	590
Rauma	Finland		630	630
Joutseno	Finland		650	650
Total			2370	2370

* M-real share is 30% of the capacity

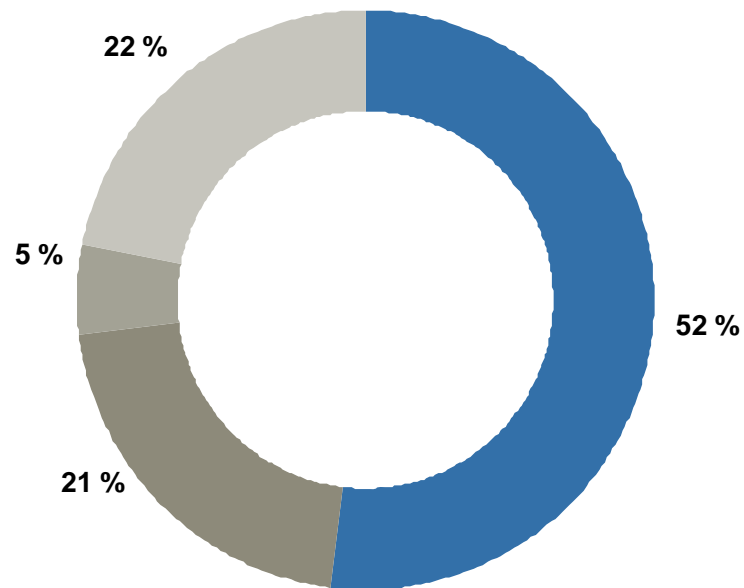
Personnel Development



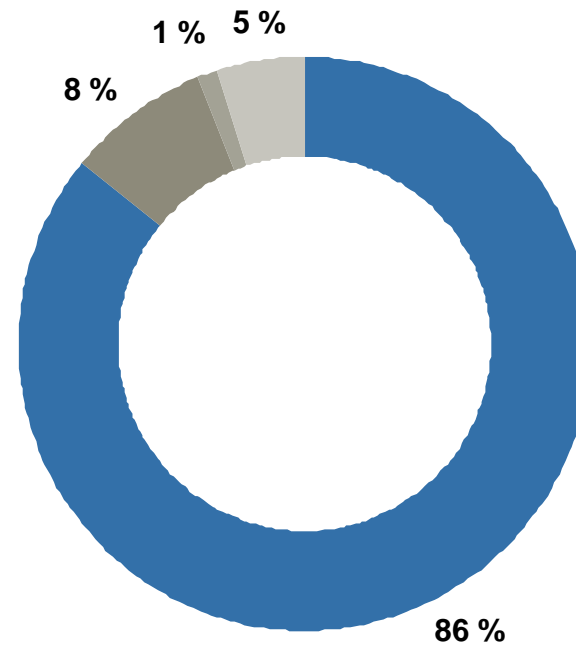
Deliveries

Annual Deliveries*

Cartonboard



Uncoated fine paper



■ Western- Europe ■ Eastern- Europe ■ Americas ■ Asia & Pacific

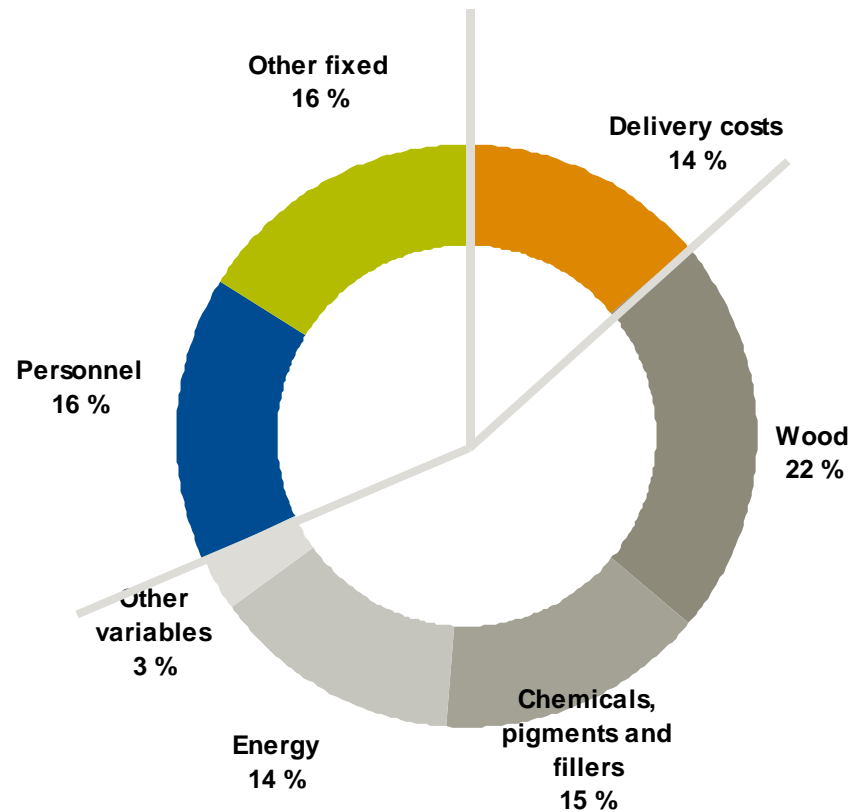
* Indicative numbers

Sourcing

M-real Cost Structure 2010*

(total annual costs in industrial operations ~ EUR 2 Billion)

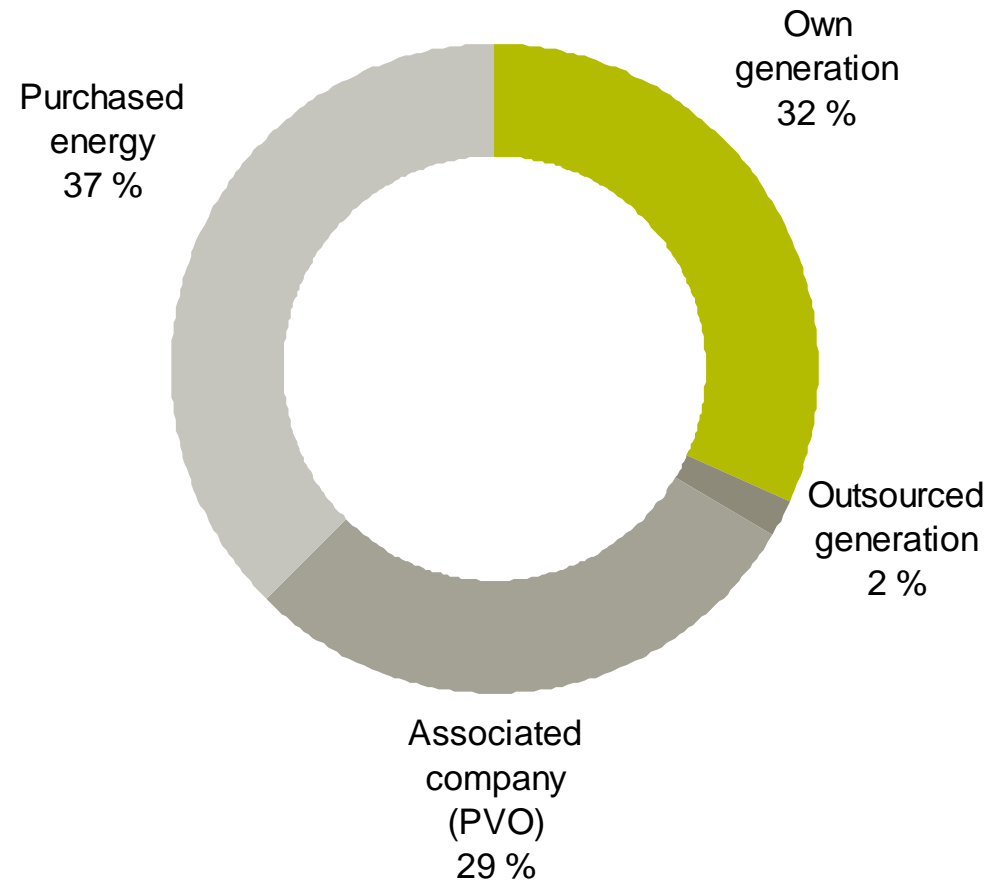
Fixed costs



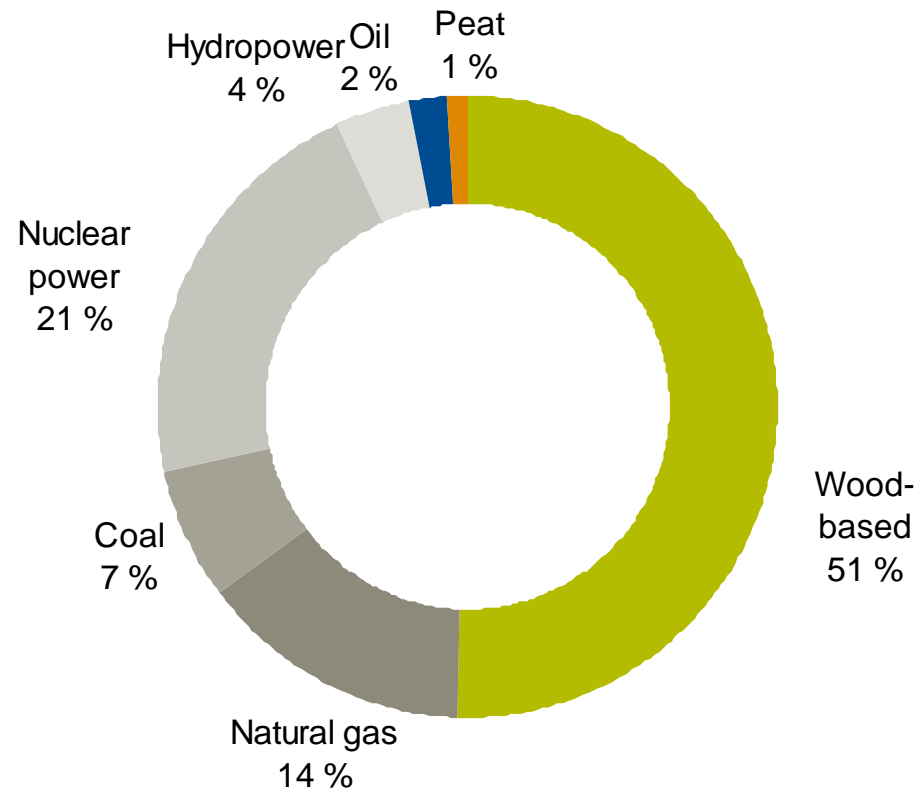
Variable costs

* Percentage of annual costs in industrial operations

Electricity Sourcing 2010 (total 3 500 GWh)



Fuels Used 2010 (total 16,3 TWh)

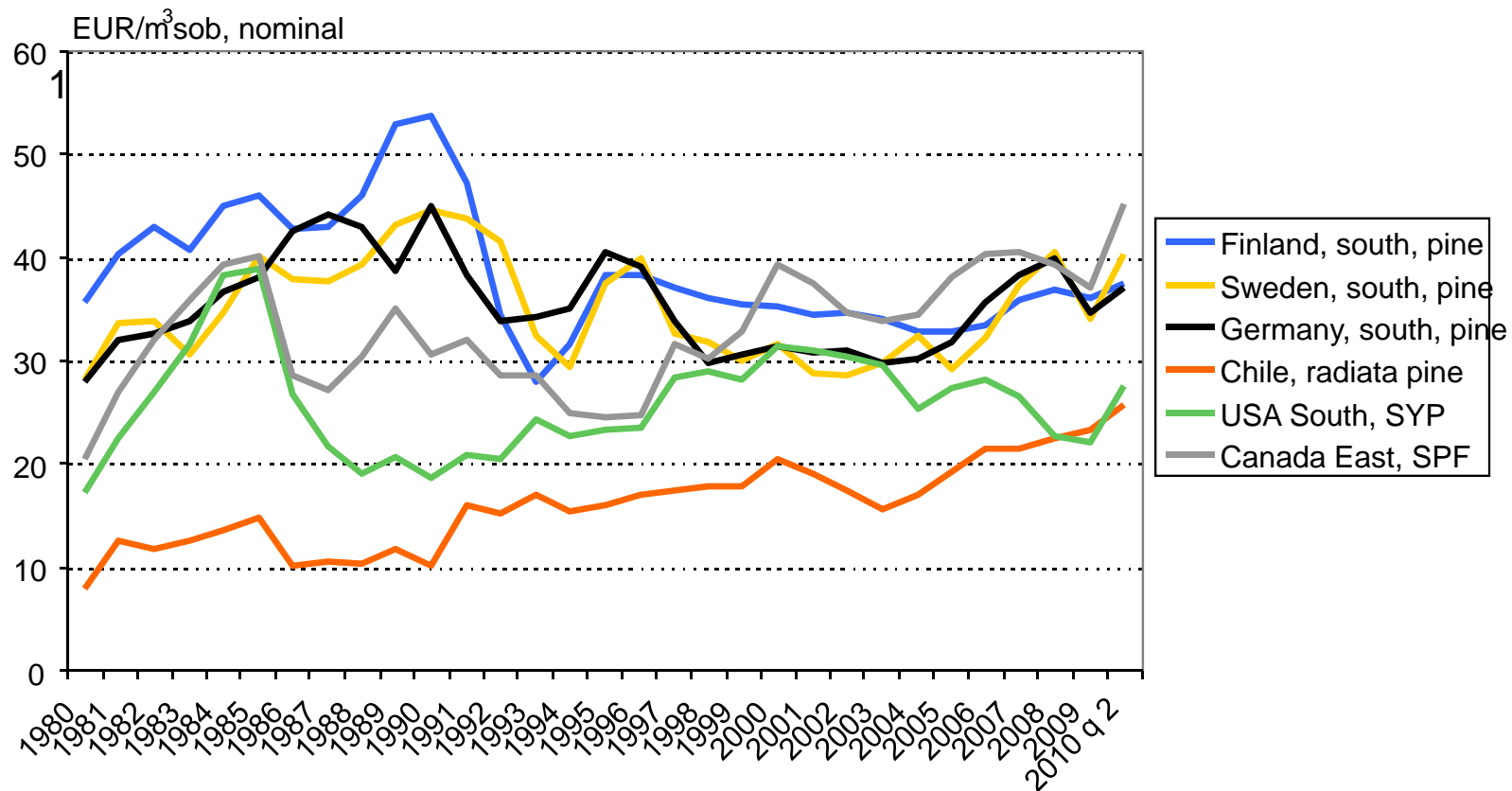


Wood Sourcing by Country

1 000 m³	2010
Sweden	2210
Finland	1243
Austria	792
Russia	573
Latvia	443
Estonia	236
Lithuania	109
Others	113
Total	5719

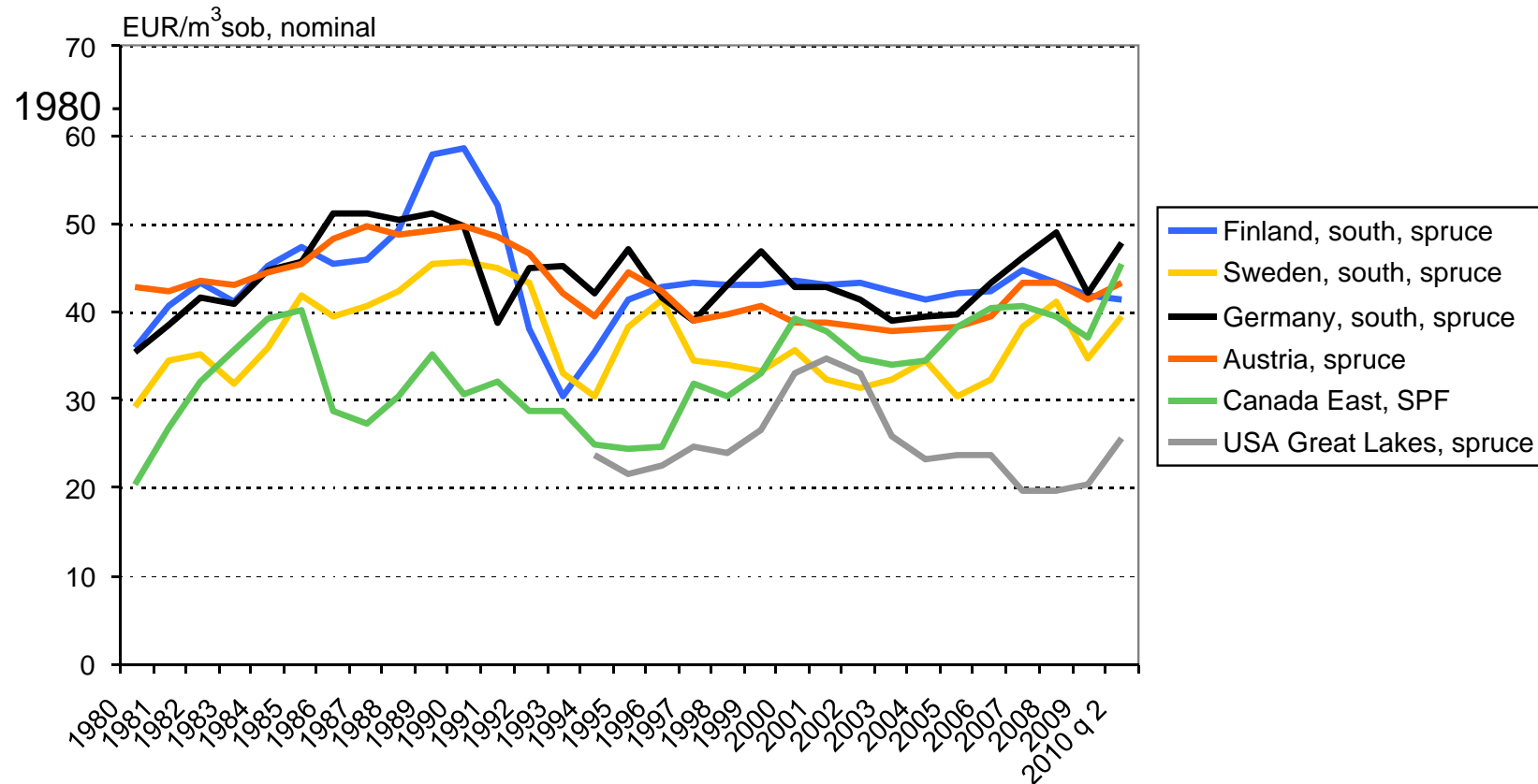
Development of Softwood Pulpwood

Cost at Mill, Wood for Chemical Pulping



Source: Pöyry Management Consulting Oy

Development of Softwood Pulpwood Cost at Mill, Wood for Mechanical Pulping

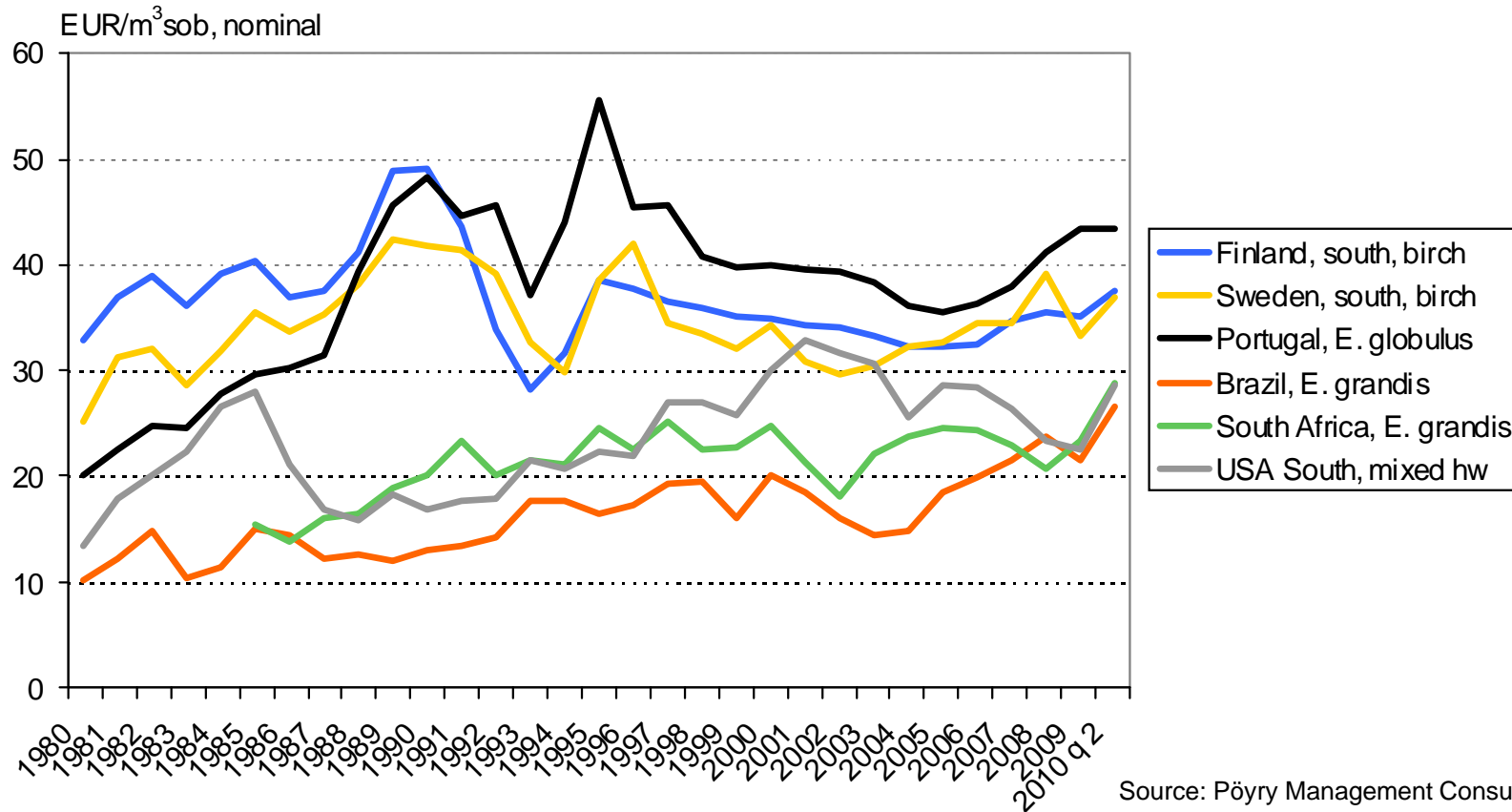


Source: Pöyry Management Consulting Oy

Development of Hardwood Pulpwood

Cost at Mill, Wood for Chemical Pulping

1980 – 2Q 2010

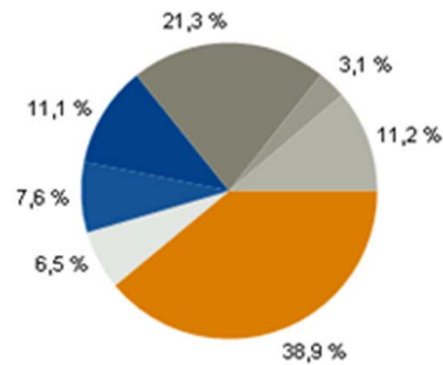


Source: Pöyry Management Consulting Oy

Owners

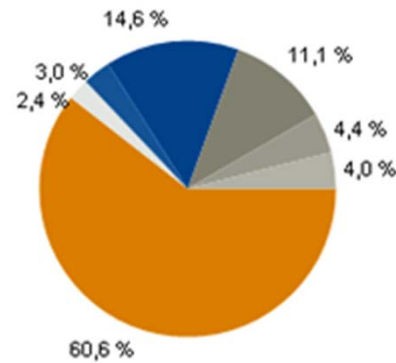
Ownership Structure 30.6.2011

Shares



Sector	No. of shares	
	pcs	%
Metsäliitto Cooperative	127,523,295	38.86
Other companies	21,174,404	6.45
Financial and insurance institutions	25,079,688	7.64
Public sector organizations	36,341,797	11.07
Households	70,016,826	21.34
Non-profit organizations	10,269,406	3.13
Foreigners *	36,661,624	11.17
Total	328,165,612	100.00

Votes

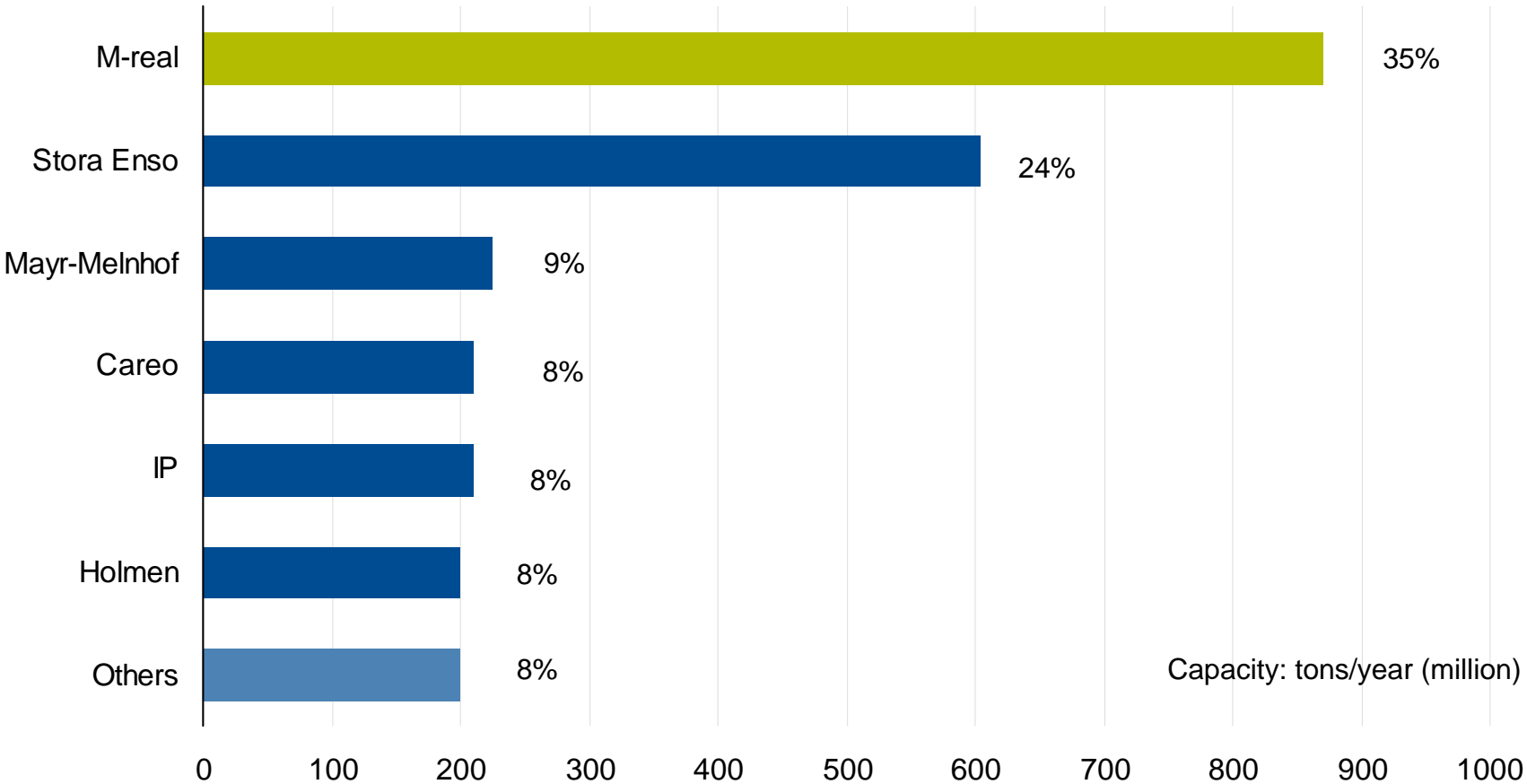


Sector	No. of votes	
	pcs	%
Metsäliitto Cooperative	616,802,460	60.55
Other companies	24,260,194	2.38
Financial and insurance institutions	30,754,494	3.02
Public sector organizations	148,727,063	14.60
Households	112,934,482	11.09
Non-profit organizations	44,644,852	4.38
Foreigners *	40,493,517	3.98
Total	1,018,617,062	100.00

Market Position

Folding Boxboard Capacities in Europe

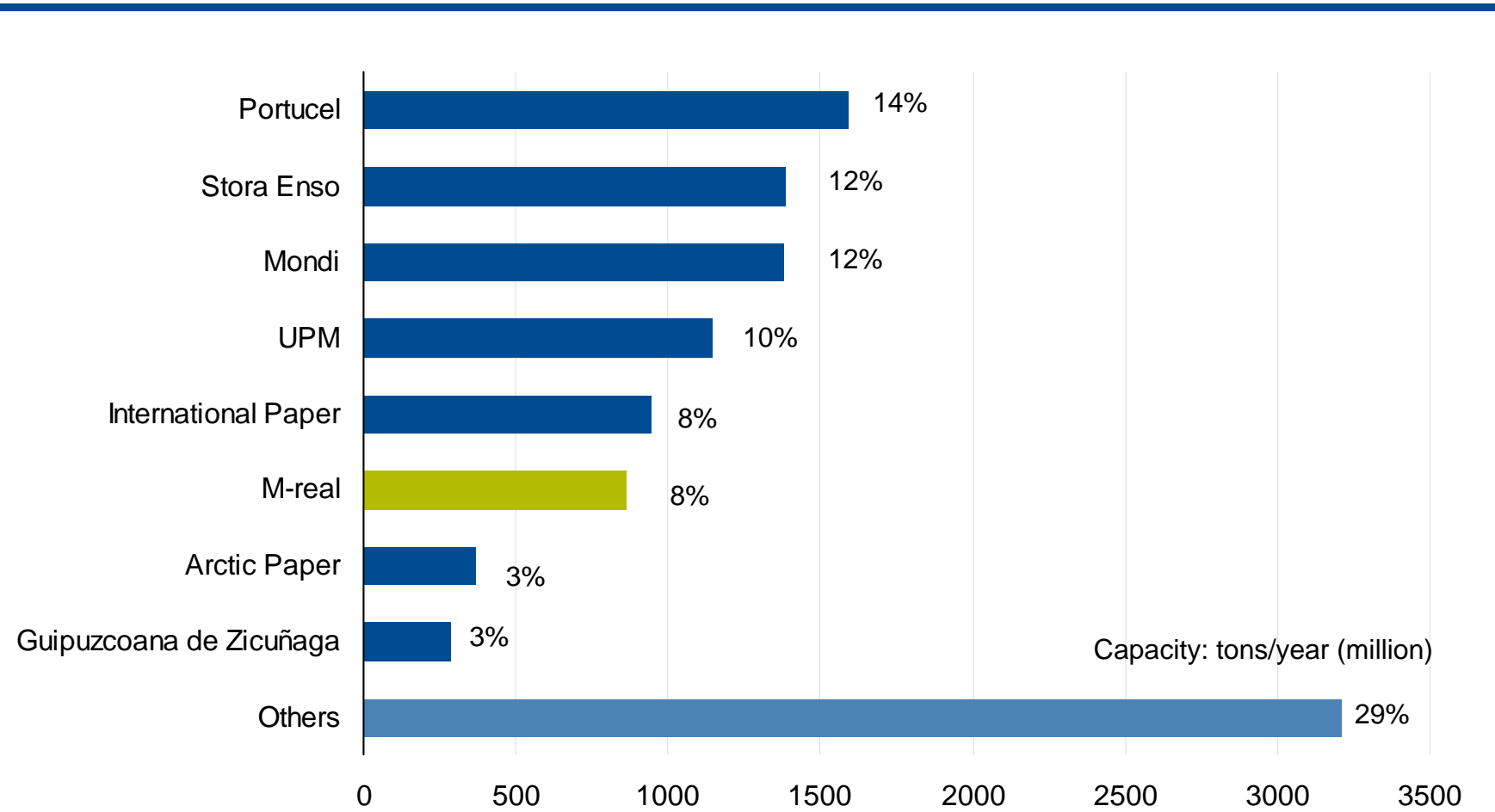
BIG-5 = 84% of total



Source: Pöyry Management Consulting Oy

Uncoated Fine Paper Capacities in Europe

BIG-5 = 56% of total



Source: Pöyry Management Consulting Oy

Thank you
www.m-real.com