



## **M-REAL PLANS NEW MEASURES TO ELIMINATE FINANCIAL LOSSES OF ITS PAPER BUSINESS**

**M-REAL CORPORATION, PART OF METSÄLIITTO GROUP, PLANS TO DIVEST THE ENTIRE GOHRSMÜHLE MILL IN GERMANY OR ALTERNATIVELY PARTS OF THE MILL SEPARATELY BASED ON A PAPER PARK CONCEPT.**

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In case the divestment would turn out to be unsuccessful M-real commences a process to discontinue the uncoated fine and the unprofitable parts of the speciality paper operations at Gohrsmühle mill. Should the closures materialize Gohrsmühle mill would only produce cast coated label and packaging products (Chromolux). M-real is also planning to discontinue its remaining carbonless paper converting operations at Reflex mill in Germany.

M-real has during recent years had several unsuccessful attempts with a number of candidates to divest the Alizay paper mill in France. M-real continues to search for possibilities to divest the mill.

M-real invites credible candidates to a public process aiming at a divestment of the Alizay paper mill by the end of September 2011 at the latest. Should M-real fail to find a credible buyer for the mill within the given time frame, Alizay paper mill is planned to be closed.

If the measures are implemented as planned M-real's annual sales is expected to reduce by about EUR 390 million and the operating result to increase by about EUR 60 million based on 2010 actual performances. Most of the annual financial impact is expected to be seen in 2012, full impact from 2013 onwards.

As a result from the planned measures M-real's annual paper production capacity would reduce by about 500 000 tonnes of which about 430 000 tonnes would be uncoated fine paper and 70 000 tonnes coated specialty papers. None of these planned measures would be implemented without consulting the employee representatives in line with applicable legal requirements.

Both Gohrsmühle and Reflex mills have been heavily loss-making for a long time. If the divestment turns out to be unsuccessful M-real plans to continue the Chromolux-production at paper machine 2 and to discontinue all other production operations at Gohrsmühle. At the same time, Reflex carbonless paper converting is planned to be discontinued. If the closures would materialize the personnel reduction at Gohrsmühle and Reflex would be in total about 480 people. The planned measures have no impact on the previously announced plan to divest Reflex mill's Premium Papers business. In total there are about 880 employees at Gohrsmühle and Reflex mills excluding the personnel included in the earlier announced Premium Papers divestment plan.

Also Alizay mill has been heavily loss-making for a long time. M-real has during last years implemented significant internal result improvement measures in Alizay, but as the operating environment has become more difficult the mill's financial performance and outlook have remained very poor. Currently there are about 330 employees at Alizay mill.

"M-real has implemented extensive restructuring and development actions at Alizay and Gohrsmühle mills during recent years. Despite these actions M-real is not able to improve the mills' profitability to satisfactory level due to the European overcapacity situation and the increased production costs. M-real has actively tried to divest Alizay and Gohrsmühle mills. In Alizay Mreal will commence a public process lasting until the end of September 2011 to accelerate the divestment. M-real continues to try to find a buyer also for the entire Gohrsmühle mill or alternatively for the different parts of the mill. If the divestments of Alizay and Gohrsmühle are unsuccessful Mreal considers to close Alizay mill and to discontinue the unprofitable businesses in Gohrsmühle. These

planned measures are necessary to raise the company's profitability to the target level," says M-real's CEO Mikko Helander.

Implementations of any measures are subject to the completion of statutory consultation processes with employees based on applicable local legislation. Also other future alternatives than closures will be investigated as part of the consultation processes. The consultations will be started at Gohrsmühle and Reflex as soon as possible. Concerning Alizay the information and consultation process relating to possible closure will be commenced in case the divestment process turns out unsuccessful. M-real will be proactive in the mitigation of the planned measures' social impacts for the employees.

In total the planned measures are preliminarily expected to result in approximately EUR 170 million negative non-recurring result impacts. The estimated net cash costs are approximately EUR 50 million. Based on the planned measures Speciality Papers 2Q 2011 result is expected to include approximately EUR 20 million non-recurring impairments and cost provisions. Above estimates of the non-recurring financial impacts are preliminary and they will be further determined when the final decisions for the planned measures are taken.

"The planned measures are a major step in M-real's transformation to a packaging board focused company. Despite the significant negative nonrecurring result impact the planned measures are well justified from shareholder value point of view," says Chairman of M-real's Board of Directors Kari Jordan.

M-REAL CORPORATION

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