

# M-REAL YEAR 2005

Annual review



m·real

# Table of contents

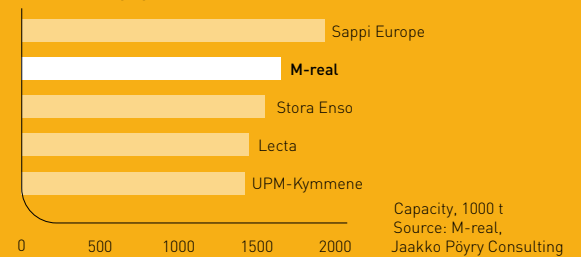
<b>iii</b>	<b>M-real in brief</b>
<b>2</b>	<b>President's review</b>
<b>3</b>	<b>M-real strategy</b>
<b>4</b>	<b>M-real in a nutshell</b>
<b>6</b>	<b>M-real 2005</b>
<b>8</b>	<b>Financial result 2005</b>
<b>11</b>	<b>Sales &amp; customer service</b>
<b>12</b>	<b>Consumer Packaging</b>
<b>14</b>	<b>Publishing</b>
<b>16</b>	<b>Commercial Printing</b>
<b>18</b>	<b>Office Papers</b>
<b>20</b>	<b>Map Merchant Group</b>
<b>22</b>	<b>Sustainability</b>
<b>22</b>	<b>Wood supply</b>
<b>24</b>	<b>Raw material</b>
<b>25</b>	<b>Research and development</b>
<b>27</b>	<b>Environment</b>
<b>29</b>	<b>Human resources</b>
<b>32</b>	<b>Corporate governance</b>
<b>32</b>	<b>Board of Directors</b>
<b>33</b>	<b>Corporate governance</b>
<b>34</b>	<b>Corporate Executive Board</b>
<b>35</b>	<b>Shareholders</b>
<b>36</b>	<b>Contact information</b>
<b>v</b>	<b>M-real's global presence</b>
<b>vii</b>	<b>Paper information</b>

# M-real in brief

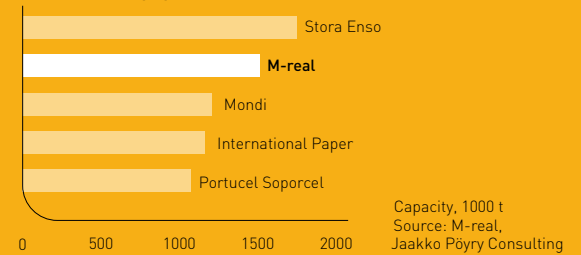
## Market positions in Europe

- M-real concentrates its resources and activities on market sectors where it has the right prerequisites to maintain and further develop strong positions. M-real is a key player in fine paper, paperboard and paper merchandising in Europe.

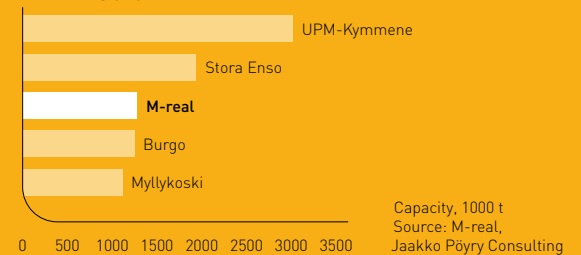
### Coated fine papers



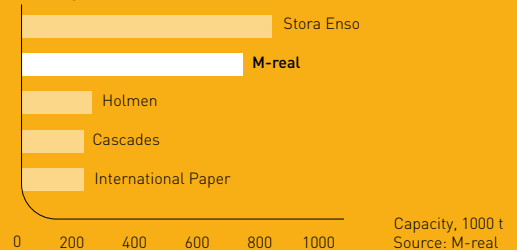
### Uncoated fine papers



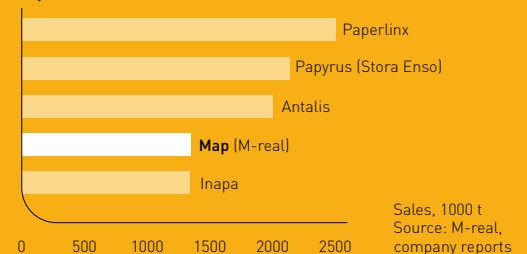
### Publishing papers



### Folding boxboard



### Paper merchants



- M-real is one of the leading producers of fine paper and paperboard in Europe. The company focuses on four core businesses: Consumer Packaging, Publishing, Commercial Printing and Office Papers. The company's global customers include publishers, printers, carton printers, paper merchants, office suppliers and well-known consumer brand manufacturers.

M-real aims at enhancing its customers' businesses by providing high quality papers and paperboards for consumer packaging, communications and advertising purposes. Together with its customers and partners, M-real develops products and services for demanding applications, such as magazines, art books, brochures, direct mail and office papers. Packaging applications include cartons for health and beauty care products, cigarettes, branded food and consumer durables. M-real's brands include Galerie, EuroArt, Data Copy and Logic fine papers, and Carta and Avanta paperboards.

M-real has 26 production units in nine European countries: Austria, Belgium, Finland, France, Germany, Hungary, Sweden, Switzerland and the UK. Total annual production capacity amounts to approximately 4.8 million tonnes of paper and 1.1 million tonnes of paperboard.

M-real has an extensive sales network with offices and representatives in more than 70 countries and a merchanting arm, Map Merchant Group, with offices in 23 European countries.

M-real's four technology centres in Finland, Germany and Sweden focus on the development of new products and services to meet customers' needs in specific areas.

M-real Corporation generated a turnover of 5.2 billion euros in 2005 and employs nearly 15 200 people. M-real, which is part of the Metsäliitto Group, is listed on the OMX Helsinki Stock Exchange.

## M-real summary 2005

### Financial facts

	2005	2004
Sales, euro million	5 241	5 522
Operating result, euro million *	4	61
Result before taxes, euro million *	-142	-75
Earnings per share, euro *	-0.35	0.28
Return on capital employed, % *	0.5	-1.6
Equity ratio, %	36.6	37.5
Gearing ratio, %	95	89

\* excluding non-recurring items

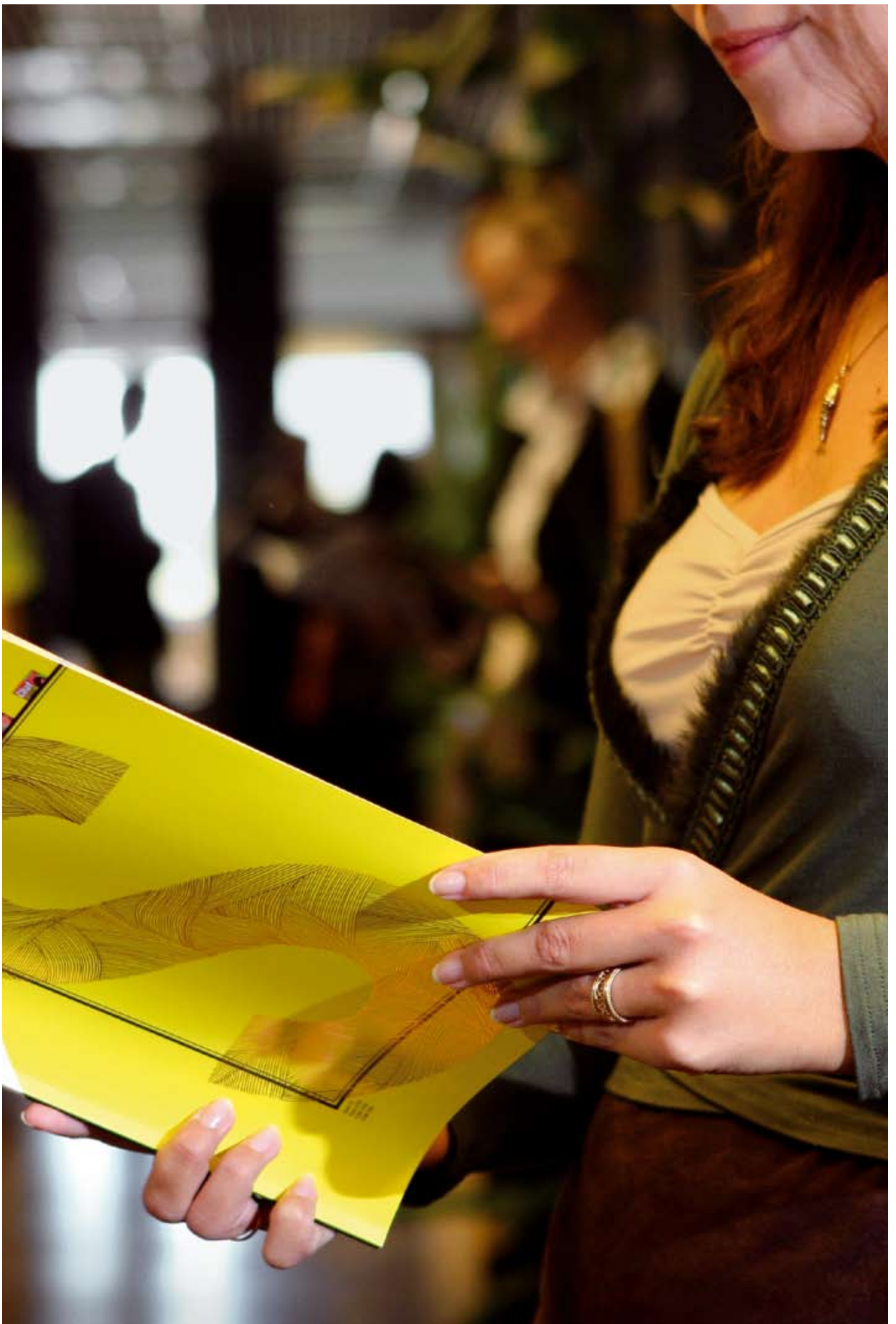
### Significant events ■

M-real's largest investment during 2005 was the construction of the Kaskinen BCTMP mill, which was inaugurated by Finland's President Tarja Halonen on 20 October. M-real Corporation is the first producer in the world to implement modern bleached chemi-thermomechanical (BCTMP) manufacturing methods on a production scale. Today, the company is the world's largest manufacturer of high quality BCTMP grades of pulp. The pulps from Kaskinen are used mainly by M-real paper mills outside Finland.

Organisational streamlining continued during 2005. Each business area is now fully responsible for its entire business process, from production to sales and marketing.

The labour dispute in the Finnish pulp and paper industry closed the mills for 6 weeks during May and June. The dispute disrupted supplies of paper and paperboard to customers and weakened M-real's operating result by 85–90 million euros.

An increasing number of customers express interest in forest certification and the origin of wood. Metsäliitto Group's procurement policy states that the wood comes from legal sources and is fully traceable. It also states that the proportion of certified wood in all M-real paper and board products is known. This information is freely available to all buyers and consumers through the respective Paper Profiles.



# President's review



## Dear Reader ■

In 2004, we announced an action plan in which we set the objectives of streamlining our operational model, increasing our financial flexibility and improving our cost-effectiveness. The streamlining of the operational model started immediately, and involved changes in the management team and organisational structure and

a redefinition of our core businesses. We adopted a clear-cut line organisation in which the responsibilities of the business areas are defined in terms of customer relationships. The clarification of areas of responsibility improved our customer focus, operational efficiency and operating result.

We made – and are still making – major investments to improve our fibre supply. The new BCTMP mill in Kaskinen, with its annual production capacity of 300 000 tonnes, came on-stream in September 2005. The new pulp will be used mainly at our fine paper mills in continental Europe.

When our Joutseno mill started up in 2001, we were the first in the world to introduce a new breed of BCTMP manufacturing methods on a production scale. With the completion of the Kaskinen mill, our ability to improve our cost competitiveness and develop the quality of our products will increase even further. Our new coated fine paper products, based on BCTMP pulp, will be launched during 2006 and will bring significant additional benefits to our customers.

Our other major investment in securing a competitive fibre supply is Botnia's Uruguay-based pulp mill, which uses eucalyptus wood as raw material. M-real owns a 32 per cent stake in the mill. The million-tonne capacity mill, which is scheduled for completion in Autumn 2007, will be one of the world's most cost-effective pulp mills. Changing to our own eucalyptus pulp will be a big step towards improving the competitiveness of our fine paper mills.

Apart from boosting cost-effectiveness, our development investments are aimed at improving the quality of our products and our service level. At the end of 2005, we modernised the coating unit at Kemiart Liners board mill in order to offer products of consistent quality that also provide enhanced printing charac-

teristics. The investment reinforced Kemiart's leading position as a supplier of coated linerboard grades.

The most important project of 2006 will be the rebuild of the Simpele paperboard machine, which will also encompass an increase in sheeting capacity. Production capacity will grow by 45 000 tonnes a year, lifting total capacity to 215 000 tonnes annually. The upgraded products will offer customers a better printing surface and more uniform quality. In Spring 2006, the Alizay paper machine will be rebuilt to provide enhanced product quality. At the Kirkniemi mill, a number of measures will be introduced to improve the quality of magazine paper products, including refinements in the manufacture of mechanical pulp and improvements in the consistency of base paper quality.

Our main market area is Western Europe. We also have a strong presence in Eastern Europe, where our paper merchant, Map Merchant Group, is a major player. Eastern Europe will gain steadily in importance in line with the robust growth in demand for paper and paperboard products.

The labour dispute at Finnish paper mills in 2005 had a major impact on the supply of paper and paperboard products in Europe. Nearly half of Europe's folding boxboard capacity and about a third of the coated magazine paper capacity was shut down for a total of about seven weeks. Under the terms of the agreement that was reached, Finnish mills will no longer have compulsory production shutdowns over the Christmas and Midsummer holidays, and they also secured greater scope for outsourcing functions.

For M-real, the packaging business area suffered most from the labour dispute because all our board mills are located in Finland. Getting our board mills back to their previous level has taken longer than expected. All in all, the labour dispute cut nearly a hundred million euros off M-real's earnings in 2005.

To a large extent, 2005 was a period devoted to improving our operating fundamentals. Now we will concentrate on the effective execution of the development programmes that have been launched and on making the most of the competitive advantages that we have put in place. Our most important target for the current year is to achieve a clear turn in profitability and a positive pre tax result excluding non-recurring items.

**Hannu Anttila**  
President and CEO

# M-real strategy

- M-real's objective is to strengthen its position as one of the leading producers and suppliers of paper and paperboard in Europe. In its core business areas, M-real aims at being its customers' primary choice as a provider of high quality products and solutions. Through its ongoing business development, cost saving and efficiency improvement programmes, M-real's target is to reach the average profitability level of its peers from the beginning of 2007 onwards.

## Focus on core business areas ■

M-real's core business areas are Consumer Packaging, Publishing, Commercial Printing and Office Papers. The group's most important growth areas are high quality packaging and graphic products, into which M-real intends to prioritise its most substantial development investments. Enhancement of the Office Papers business area will take place on the basis of its present operational framework. M-real is also active in paper and paperboard merchandising through its fully owned subsidiary, Map Merchant Group. It is strategically important to maintain and develop good relationships with paper merchants because a substantial part of all fine paper sales in Europe is conducted through them.

## Directing investments into potential growth areas ■

The competitiveness of M-real's existing business operations is maintained and improved through investments which aim to enhance product quality, production efficiency and cost competitiveness in the core business areas. In the near term, M-real intends to direct its development investments into Consumer Packaging and Publishing. The focus will be on investments that retain and improve the competitiveness of M-real's assets, as well as bring customer benefits, and for which the expected payback time is short. M-real is not planning to carry out any major corporate acquisitions in the near future. The market shares of the business areas and other basic prerequisites for operations provide a good basis for reaching the targeted profitability levels.

## Pulp self-sufficiency and structural changes in pulp production ■

M-real's pulp requirements are met through the company's own production, as well as through purchases from Botnia and procurement of market pulp from selected suppliers. M-real is nevertheless in practice self-sufficient in pulp, as the pulp resources it is able to deploy largely meet its pulp requirement. At Kaskinen and Joutseno BCTMP mills, M-real uses one of the most modern pulp manufacturing methods, and these pulps improve the paper properties and lower paper production costs. After the completion of Botnia's Uruguay eucalyptus pulp mill in Autumn 2007, M-real will utilise pulp from one of the world's most cost-efficient chemical pulp mills.

## Cost savings and efficiency improvement ■

In early 2004, M-real published a programme which aims at approximately 230 million euros annual cost savings and production efficiency related profit improvement. The programme is proceeding according to plan and will be finalised by the end of 2006. The impact of the programme on cash flow will be realised fully from early 2007.

## Financial targets ■

- With regard to financial objectives,
- Group's minimum ROCE target through the business cycle is minimum 10 per cent on average while
  - keeping the corporate net gearing below 100 per cent.



# M-real in a nutshell

■ M-real is one of Europe's leading producers of fine paper and paperboard. M-real focuses on four core businesses: Consumer Packaging, Publishing, Commercial Printing and Office Papers. The company's global clientele includes publishers, printers, carton printers, paper merchants, offices and well-known consumer brand manufacturers.

M-real has a long history of technical and service innovations, all designed to provide additional business benefits for customers. One recent example is the development of the bleached chemi-thermo-mechanical pulp (BCTMP) process. These pulps make it possible to produce papers and boards with higher bulk than competing materials. This, in turn, enables customers to produce printed materials with a more solid look and feel and to make substantial savings in distribution. The four technology centres are making major efforts to ensure that this development will continue.

Environmental care has been a key part of M-real's production strategy for several decades, resulting in, for example, very low emissions from the company's paper and board mills. Over the years, production processes and effluent treatments have been developed to minimise negative environmental impacts. As a result, the environmental situation around the mills has improved significantly. All the mills' environmental management systems are certified according to ISO 14001.

M-real has 26 production units in nine European countries: Austria, Belgium, Finland, France, Germany, Hungary, Sweden, Switzerland and the UK. The total annual production capacity amounts to approximately 4.8 million tonnes of paper and 1.1 million tonnes of paperboard.

## Consumer Packaging



The Consumer Packaging business area offers high performance paperboards, packaging solutions and related services to carton printers, converters, brand owners and merchants for end-uses such as

health and beauty care, food, cigarettes and consumer durables. The product range also includes high quality graphic boards, wallpaper base and papers for flexible packaging, labelling and self-adhesive laminates.

### Products ■

Cartonboards  
Boards and papers for graphic applications  
White top kraftliner for retail packaging  
Papers for flexible packaging and labels  
Wallpaper base  
Brand protection solutions

### Brands ■

Avanta, Carta, Cresta, Gala X, Galerie, Kemiart, Nova X, Simcastor, Simcote, Simwhite and Tako

### Markets ■

Consumer Packaging's main market is Europe, although considerable volumes are also delivered to Asia and the USA. M-real is the second largest producer of folding boxboard in Europe. The Carta product range enables the company to offer the whitest folding boxboards on the market.

### Production units ■

**Mills:** Äänekoski Board, Kemiart Liners, Kyro, Simpele and Tako Board

**Carton plants:** Meulemans, Petöfi and Tako Carton

## Publishing



The Publishing business area provides a range of coated Galerie Papers for demanding applications such as magazines, product catalogues, direct mail and sales promotion materials. Galerie Papers offer an excellent reproduction quality, even in very low grammages. Customers include leading publishers, printers and brand owners around the world.

### Products ■

Coated magazine and fine papers

### Brands ■

Galerie Art, Galerie Fine, Galerie One, Galerie Brite and Galerie Lite



**Markets** ■

Publishing's main market is Europe but considerable volumes are also delivered to the USA and Australia. M-real is the fourth largest producer of coated magazine paper in Europe. M-real's Publishing business area is widely regarded as a key supplier of paper to publishers of high quality magazines, mainly due to many product innovations. It is also known for its pioneering Reader Perception Research and colour management development work.

**Production units** ■

Husum PM 8, Kangas and Kirkniemi

## Commercial Printing



The Commercial Printing business area produces fine papers with added value for promotional and corporate communications. Products typically produced from Commercial Printing grades include art books, brochures, annual reports, direct mailings, flyers, inserts and leaflets. Customers are primarily merchants, printers, brand owners and publishers.

**Products** ■

Coated and uncoated fine papers  
Speciality white and tinted papers

**Brands** ■

Galerie Art, EuroArt, Nimrod, ikono and Chromolux

**Markets** ■

Commercial Printing's main market is Europe. M-real is the second largest European producer of both coated and uncoated fine papers and a major supplier of graphic papers to most merchants.

**Production units** ■

Äänekoski Paper, Biberist, Hallein, Pont St Maxence, Sittingbourne, Stockstadt, Zanders Gohrsmühle and Zanders Reflex

## Office Papers



The Office Papers business area focuses on high quality office papers used in the business environment. The product portfolio meets the needs of all types of users, from the smallest home offices through to large corporations and government institutions. The products are designed to provide the highest performance in various printing technology applications.

**Products** ■

Office papers in cut sizes and reels

**Brands** ■

Data Copy, Logic, Evolve and Modo Papers

**Markets** ■

Office Papers aims at meeting the growing need for paper used for communication, mainly in European offices and homes. M-real is a major supplier of office papers to merchants, office product suppliers and equipment manufacturers (OEMs), and to paper converters.

**Production units** ■

Alizay, Husum PM 6 and 7, New Thames and Wifsta

## Map Merchant Group



Map Merchant Group, the fourth largest merchant group in Europe, comprises 25 individual merchant companies active in 23 countries. The group serves some 50 000 customers throughout Europe, principally printers, publishers, advertising agencies, banks and retail chains. Map supplies M-real's own product brands as well as paper grades manufactured by other companies.

Map's own label products include tom&otto, Symbio and Dito.

## Q1

**January** ■ M-real sold its forestland to Forestia Holding Oy as part of the action plan to divest its non-core assets.

M-real launched its new website with the aim of providing its customers and other stakeholders with better online access to information and services.

**February** ■ M-real initiated a programme to enhance productivity and profitability at Husum and Wifsta mills in Sweden. The target is to reduce costs by at least 22 million euros and to increase productivity by end 2006. The programme will also integrate Wifsta into the Husum organisation.



**March** ■ The decision was made to invest 60 million euros at Simpele board mill. In addition to making improvements in the board machine, the project also includes a new winder, rewinder, reel wrapping machine, sheet cutter and sheet packaging line. These investments will be completed in the Spring of 2006 and will significantly increase production and sheeting capacities. They will also result in quality improvements in Simwhite and Simcote boards and a better delivery service.

M-real decided to participate in Botnia's pulp mill investment in Uruguay. M-real sold an 8 per cent holding in Botnia to Metsäliitto, making the shareholdings in Botnia: M-real 39 per cent, Metsäliitto 14 per cent and UPM-Kymmene 47 per cent. M-real's holding in the Uruguay pulp investment is 32 per cent. The volume of eucalyptus pulp that M-real will use at its own paper mills will correspond to its entire stake in the investment.

## Q2

**May** ■ M-real Magazine, M-real's new quarterly magazine for customers, owners, investors and other key stakeholders, was launched in May. In addition to company news and developments, the publication highlights market trends and innovations and includes other stories of interest to its target groups.

A lockout declared by the Finnish Forest Industries Federation started on 18 May in, amongst others, all M-real mills in Finland. After having reached an agreement, the lockout ended on 1 July. During the lockout, all of M-real's board production and about 35 per cent of its paper production were shut down.

The Finnish Engineering Award 2005 was awarded to the M-real team responsible for the development of the bleached chemi-thermo-mechanical pulp (BCTMP) process. The BCTMP process is a more environmentally sound and cost-effective alternative to traditional chemical pulp processes. M-real Joutseno mill, which came on stream in 2001, was the first production plant in the world to be based on this particular technology. Today, the method is also used at M-real Kaskinen mill.



## Q3

**September** ■ M-real decided to invest 8 million euros in rebuilding the forming section of the paper machine at Alizay mill, France. Most of the work will be carried out during Spring 2006.

To strengthen its market positions, Map Merchants initiated the process of renaming its merchants "Map", starting in Norway, Sweden and Finland. This process will continue in 2006.

## Q4

**October** ■ Map Merchant Group acquired a majority shareholding in Concord, the third largest paper merchant in Bulgaria. Concord, which has a turnover of 7 million euros and currently sells 8 000 tonnes of paper a year, has a 15 per cent share of the Bulgarian market. The agreement is awaiting final approval by the Bulgarian Monopolies Commission.

M-real's new BCTMP mill at Kaskinen was inaugurated by Finland's President Tarja Halonen. The mill has an annual capacity of 300 000 tonnes of pulp, which is delivered to M-real mills outside Finland.

Kemiart Liners' linerboard machine came on stream, following the rebuilding of the coating unit and coating colour circulation. The investment has resulted in improved printability and more uniform quality. A new product, Kemiart Ultra, developed for flexo in-line machines, was launched successfully.



## Financial result 2005

Condensed consolidated income statement		euro million	2005	2004
<b>Sales</b>			<b>5 241</b>	5 522
	Other operating income		206	86
	Operating expenses		-5 008	-5 188
	Depreciation and impairment losses		-403	-392
<b>Operating profit</b>			<b>36</b>	28
	Share of results in associated companies		-2	0
	Net exchange gains and losses		-33	4
	Other financial income and expenses, net		-115	-140
<b>Profit on continuing operations before tax</b>			<b>-114</b>	-108
	Income taxes		34	-17
<b>Profit on continuing operations</b>			<b>-80</b>	-125
	Profit on discontinued operations		0	173
<b>Profit for the period</b>			<b>-80</b>	48
	Minority interests		-1	-3
<b>Profit/loss attributable to shareholders of parent company</b>			<b>-81</b>	45
Condensed consolidated balance sheet		euro million	31 Dec 2005	31 Dec 2004
<b>ASSETS</b>				
<b>Non-current assets</b>			<b>4 084</b>	4 147
<b>Current assets</b>				
	Inventories		749	726
<b>Receivables</b>			<b>1 382</b>	1 205
	Cash and cash equivalents		112	242
	Assets classified as held for sale			166
<b>Total assets</b>			<b>6 327</b>	6 486
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>				
<b>Shareholder's equity</b>			<b>2 316</b>	2 430
<b>Non-current liabilities</b>			<b>2 546</b>	2 292
<b>Current liabilities</b>			<b>1 465</b>	1 727
	Liabilities classified as held for sale			37
<b>Total shareholder's equity and liabilities</b>			<b>6 327</b>	6 486

In 2005, M-real's consolidated result before taxes, excluding non-recurring items, fell to a loss of 142 million euros from a loss of 75 million euros in 2004. The operating result excluding non-recurring items fell to 4 million euros (61). The operating result was weakened above all by the losses caused by the labour dispute in the Finnish paper industry. Other factors that cut into profitability were the fall in the price of uncoated fine paper and the higher costs of oil-based raw materials, transport and energy. By contrast, profitability was improved by the effects of savings measures and higher prices for coated magazine paper.

The operating result for 2005 includes 32 million euros of non-recurring income (33 net costs in 2004), the major items of which were a capital gain of 81 million euros on the sale of an 8 per

cent stake in Metsä-Botnia; 20 million euros of impairment charges at the Pont Sainte Maxence fine paper mill in France; and a total of 19 million euros of expense provisions for efficiency-boosting programmes in Sweden and France.

The dispute in the Finnish paper industry cut a total of about 85–90 million euros off the operating result. The operating result was 36 million euros (28).

In 2005, the result before taxes was improved by a valuation gain of 4 million euros on interest rate derivatives. On the other hand, earnings were burdened by 33 million euros of foreign exchange net losses on trade receivables, trade payables, financial income and expenses and the measurement of currency hedges (4). Net interest and other financial expenses, excluding non-recurring items

■ Condensed consolidated cash flow statement	euro million	2005	2004
<b>Cash flow from operating activities</b>			
Profit/loss for the period		-80	48
Adjustments to the profit, total		480	313
Change in working capital		-82	52
<b>Cash flow arising from operations</b>		<b>318</b>	413
Finance costs, net		-136	-162
Income taxes paid		-46	-34
<b>Net cash flow arising from operating activities</b>		<b>136</b>	217
Investments in intangible and tangible assets		-452	-245
Asset sales and other investing cash flow		312	462
<b>Net cash flow arising from investing activities</b>		<b>-140</b>	217
Share issue			448
Minority's share in share issue		12	
Changes in loans and in other financial items		-100	-771
Dividends paid		-39	-54
<b>Net cash flow arising from financing activities</b>		<b>-127</b>	-377
<b>Changes in cash and cash equivalents</b>		<b>-131</b>	57
Cash and cash equivalents at beginning of period		242	185
Translation adjustments		1	0
Changes in cash and cash equivalents		-131	57
<b>Cash and cash equivalents at end of period</b>		<b>112</b>	242
<b>Key ratios</b>			
Earnings per share, euro		-0.25	-0.19
excl. non-recurring items, euro		-0.35	0.28
Return on equity, %		-3.4	-5.7
excl. non-recurring items, %		-4.8	-4.6
Return on capital employed, %		1.2	0.9
excl. non-recurring items, %		0.5	1.6
Gross capital expenditures, euro million		452	245
		<b>31 Dec 2005</b>	<b>31 Dec 2004</b>
Equity ratio, %		36.6	37.5
Gearing ratio, %		95	89
Interest-bearing net liabilities, euro million		2 205	2 183
Personnel at the end of the period		15 154	15 960

and a measurement gain on interest rate derivatives, fell to 115 million euros (-140) thanks to lower net interest-bearing liabilities.

President & CEO Hannu Anttila comments:

"The final year of the action plan launched in Autumn 2004 has started, and the majority of these measures have now been carried out. We have streamlined our operational models, clarified profit accountability and paid down debt substantially. More than half of the measures that will make 200 million euros of annual cost savings possible have been put into effect. In addition, higher production efficiency will make an earnings improvement of at

least 30 million euros possible. The action plan will be completed this year.

"Demand for our main products will improve during the first quarter of 2006 and we are optimistic about price increases, particularly for uncoated fine paper. The price of magazine paper is also likely to rise somewhat. Because of the sharp rise in production costs, there is a considerable need to implement price increases for coated fine paper and paperboard products.

"Our key objective for 2006 is to achieve a clear turnaround in our earnings and to post a profit before taxes and non-recurring items."



# Sales & customer service

- M-real is organised into four core business areas, Consumer Packaging, Publishing, Commercial Printing and Office Papers. They are responsible for their entire value chains, from development and production through to delivery and service packages. Each business area therefore has clear responsibilities and is totally focused on its own customer needs. Because different customer groups often have different needs, this way of organising the company is truly beneficial to customers.

M-real is also active in paper and paperboard merchandising through its fully owned subsidiary, Map Merchant Group.

M-real is represented in more than 70 countries worldwide. Its paper and board mills are located in seven European countries. Through its global sales network, customers also receive support and useful information from the company's business areas, mills, headquarters and technology centres. Sales and customer service personnel ensure that the various business areas have an in-depth knowledge of the needs of different customers and customer segments.

Maintaining a close relationship with the customers and equipment manufacturers, especially those at the forefront of development, is a key factor to success. Active participation in associations such as Print City, ProCarton and FIPP is also an important part of networking, enabling all parties, including M-real, to benefit from and to share new information, knowledge and expertise.

Paper and board sales used to be just an exchange of products and money. Today, M-real

also offers an array of service activities to support the development of customers' businesses, which, in turn, will benefit the company itself. Technical and environmental information on paper, board and printing is shared with customers through training, study visits and seminars, as well as customer-specific development projects.

To avoid the need for large inventories or resorting to long lead times, M-real is focusing on efficient distribution systems all the way from the mills to the customers. This includes moving stock closer to customers. Standard sheet and reel stocks and customer call-off stocks have resulted in faster availability and improved delivery service.

M-real's enhanced customer focus permeates its day-to-day activities and contributes to strong and lasting customer relations. In 2005, M-real Publishing was delighted to be awarded "Best supplier of the year 2005" in the UK.



# Consumer Packaging



■ M-real Consumer Packaging is an innovative supplier of high performance paperboards, packaging solutions and related services. It serves carton printers, converters, brand owners and merchants for end-uses such as beauty care, cigarettes, consumer durables, food, health care and graphics.

The business area strategy was revised during 2005 to further strengthen the focus on the customer and the supply chain. Major projects were initiated to improve the availability of M-real's products and services in this area. A new sales steering model was also implemented, based on global accounts and product lines.

M-real Consumer Packaging's product portfolio includes cartonboards for packaging and graphics applications, white top and coated white top kraftliners for corrugated packaging applications, ready-made cartons, wallpaper base, and speciality papers for flexible packaging, labelling and self-adhesive laminates.

The total offering also includes services such as sheeting, supply chain competence, technical customer support, seminars and training, design, packaging procurement and print management.

In recent years, M-real has developed new and advanced technologies to increase the level of security of carton packaging for branded goods. During 2005, the company launched a new series

of brand protection solutions. The series offers a broad range of protection features such as UV-fluorescent chemicals, holograms and printed memories (radio frequency identification systems).

Cooperating with the University of Helsinki since 1998, M-real pioneers consumer preference research. Studies of consumers' perceptions and preferences initially focused on paper and its role as part of the magazines. This research has now been extended to include packaging.

## Outlook ■

M-real Consumer Packaging is still recovering from the Finnish labour dispute in Spring 2005. Nevertheless, the business area has managed to make some fundamental profitability improvements with a clear recovery in earnings and return on capital employed.

M-real Consumer Packaging's main markets are Europe, North America and Asia. It is the second largest producer of folding boxboard both in Europe and globally, and the global leader in coated white top kraftliner and wallpaper base.

The global demand for cartonboards is expected to grow at an annual rate of around 2 per cent over the next 15 years, and faster in Eastern Europe, Asia and Latin America. The estimated market growth derives from trends such as ageing populations, longer life expectancies, increasing beauty and health consciousness and improved standards of living.

The demand for white top liners is expected to grow at an annual rate of 3-5 per cent in Europe and the USA but is still moderate in Asia. The demand for wallpaper base is generally declining due to competition from the paint industry, while in Eastern Europe and Asia, it is increasing. Market growth in paper for flexible packaging is limited.

## Developments in 2005 ■

- The labour dispute had a major impact on Consumer Packaging's priorities during the spring. M-real invested major efforts to resolve the situation and was able to maintain a high standard of service to customers.
- In the winter, M-real decided to invest 60 million euros in Simpele mill's board production, including board machine improvements, new winder, rewinder, reel packaging, sheet cutter and sheet



packaging line. The investment will improve the quality of Simwhite and Simcote boards, resulting in better yield through light-weighting and enhancements to their visual appearance, smoothness and consistency. It will significantly increase both board production capacity and sheeting capacity and will enable the mill to offer an Express Board sheeting service. The investment will be completed in the spring of 2006.

- In September and October, the Kemiart Liners mill underwent a major upgrading as the coating unit and coating colour circulation were rebuilt. The total investment cost amounted to 6.5 million euros, including the first phase completed in December 2004.
- A new grade from M-real Kyro, Carta Book, was launched at the end of the year. This reader-friendly, wood-containing book paper is a good complement to the graphic boards used for paperback book covers.
- At the end of the year, M-real launched a new series of brand protection solutions.

M-real Consumer Packaging focuses on further enhancing the availability of its products and services in the short- and medium-term. Express Board sheeting services are now available from the Netherlands and Poland as well as through sheeting merchant partners. In 2006, Express Board sheeting services will be available also from e.g. the UK and Finland. Further decisions will be made in 2006.



#### Products and services ■

##### Cartonboards

Carta Integra  
Carta Solida  
Gala X  
Nova X  
Tako  
Avanta  
Simcote  
Simwhite

##### White top and coated white top kraftliners

Kemiart

##### Papers for flexible packaging and labels

Simcastor Plus  
Simkraft Special

##### Wallpaper base

Cresta

##### Boards and papers for graphic applications

Carta Integra  
Carta Solida  
Galerie  
Simwhite  
Carta Book

##### Brand Protection products and services

Origo  
Decolux  
Consulting

#### Kemiart Ultra ■

In early Autumn 2005, M-real Consumer Packaging launched a new grade from Kemiart Liners, Kemiart Ultra, which has been developed for flexo in-line machines. It tolerates considerably higher ink volumes and higher printing speeds, as the unique coated surface provides significantly faster ink drying than conventional coated products.

Kemiart Ultra offers the printers in the corrugated packaging business a combination of high print quality, productivity and ease of use that is not achievable with other coated linerboards. The printer can process coated liner in one pass in flexo postprint, even on conventional in-line flexo presses, without compromising on productivity.

The introduction of Kemiart Ultra also meets the higher demands on packaging in the retail business. As supermarkets become bigger and have fewer employees to offer personal service, it is more important

than ever for packaging to attract the attention of customers and to encourage them to select the right product from the shelf. The printing properties of the board used for packaging are therefore essential.

What is also important in retail business is to minimise distribution costs, hence the need for less and lighter packaging materials. At the same time, long transport distances require strong and protective packaging.

Major growth areas in corrugated packaging are shelf-ready packaging (SRP) and eye-catching display solutions. The packaging provides transit protection and can then be placed directly on the shelf. Products are displayed with greater diversity and outer packaging is reduced. Furthermore, it promotes efficient shelf stacking and helps to minimise out-of-stock situations.

Displays should reflect the quality of the product and the brand. M-real offers expertise in shelf-ready packaging design as well as the right liner products for the purpose.



with the University of Helsinki. The company receives valuable feedback on readers' actual perceptions of paper and print quality and the results help M-real and its customers to optimise print quality and colour management procedures.

## Outlook ■

M-real is the fourth largest European producer of coated publishing papers and the fifth largest in the world. M-real Publishing has three mills, located in Finland and Sweden, and delivers paper to nearly 70 countries worldwide. Europe is considered the home market, with sales going mainly to the UK, Germany, France, Spain,

- M-real Publishing supplies high quality papers for heatset web offset printing to customers in the publishing, printing and retail industries. It continuously enhances its services through the further development of its paper and printing expertise.

M-real Publishing's customers include magazine publishers, heatset web offset printers, mail order companies, retailers and advertisers. Its publishing papers offer comprehensive solutions for magazines, catalogues, direct marketing, advertising materials, brochures, leaflets, inserts and magazine covers.

M-real Publishing specialises in the high quality segment of the graphic paper market with its Galerie Papers range of coated magazine and fine papers. The development philosophy behind Galerie Papers is to combine high smoothness and brightness with higher than average bulk and opacity. The result is high quality image reproduction even in low grammages. The high yield properties of the papers offer potential cost savings to customers in production, postage and logistics. Galerie Papers range from ultra lightweight coated paper to art paper. Complementary products include Nimrod, Allegro, EuroArt, Furioso and Tauro.

The ongoing development of Galerie Papers focuses on further improvement of printability and surface characteristics. As a pioneer in the field of consumer perception studies, M-real cooperates

Italy, Finland and Poland. Galerie Papers are also highly regarded outside Europe. Galerie, for example, is the leading paper brand in Australia.

The market for publishing papers grew slightly in 2005. Emerging markets such as Eastern Europe and Asia experienced a higher growth rate than Western Europe. No major changes are expected in growth rates in 2006.

There are two distinct market trends: the consolidation of major publishers that focus on large, international magazines and an increase in the number of small, specialised magazines aiming at niche groups.

## Developments in 2005 ■

- The labour dispute in the Finnish paper industry also affected the Publishing business area, as most of its production is located in Finland. However, M-real Publishing was able to secure deliveries to its customers through smooth internal cooperation. Paper stock was used effectively and substitute products were supplied from M-real mills in Sweden, Switzerland, the UK, Germany and Austria. M-real's efforts during the labour dispute were also recognised by customers. In the UK, M-real was nominated Magazine Supplier of the Year.
- In October 2005, M-real's common SAP-based ERP system rolled out smoothly at Kirkiemi

- mill. Today, all of the Publishing business area's mills use the system except Husum, where it will be implemented during 2006.
- The quality of Galerie Lite and Galerie Brite was fine-tuned in 2005, resulting in a cleaner and more even appearance. The papers now appear whiter and brighter. This has improved the reproduction of images, particularly of light objects and metal. Other properties, such as high opacity and bulk, remain unchanged.
  - An important project was initiated to further improve quality consistency and the reliability of deliveries. As part of this, an extensive training programme was carried out at the mills to help employees continuously improve product quality and service performance.
  - In cooperation with its publisher and printer customers, M-real Publishing carried out a number of development projects in the fields of colour management, production efficiency and reader perception research.
  - M-real, a strategic sponsor of the International Federation of the Periodical Press (FIPP) since 2001, participated in the annual FIPP world con-

gress in New York in May 2005. FIPP represents publishers and associated members in over 50 countries. The global nature of the publishing industry was emphasised at the congress.

- The services of the centralised Sample Centre were in great demand by M-real's customers around the world and nearly 40 000 printed samples and dummies were delivered during 2005. By providing a fast service and a wide range of unprinted and printed samples, the Sample Centre has helped customers make their paper decisions.

#### Products ■

##### Galerie Papers

Galerie Lite  
Galerie Brite  
Galerie One  
Galerie Fine  
Galerie Art

#### Colour management ■

To help customers get the best results from using Galerie Papers, M-real Publishing continually broadens and deepens its expert know-how on colour management and printing.

The increasing need for precise colour reproduction has meant that ISO standards for offset printing and ICC profiles are gaining more and more acceptance in the offset printing world, both for sheet-fed and heatset web offset printers. The categorisation of papers according to the ISO standard, however, is a demanding task. M-real is therefore pioneering the publication of paper guidelines for colour management by classifying Galerie Papers according to ISO 12647-2 and ISO standard ICC profiles. Additionally, M-real provides help in adjusting existing ICC profiles for the best match with Galerie Papers.

Galerie Papers' guidelines are based on extensive testing of surface properties that impact on dot gain and utilise research results regarding the effect of paper shade and brightness on the print result.



# Commercial Printing



steering as there are few potential synergies with other product lines.

## Outlook ■

M-real is the second largest producer of wood-free coated and uncoated sheets in Europe. The company has particularly strong market positions in Central and Eastern Europe, in the Nordic countries and in the UK. Eight mills in six countries provide the basis for excellent geographic coverage and delivery service. M-real Commercial Printing's

- Through the Commercial Printing business area, M-real provides paper to the communications and sales promotion industry for advertising and marketing materials. The core business is coated graphic fine papers. For M-real, this business area is mainly characterised by cost efficient delivery of customised and innovative paper products.

Commercial Printing's sheet deliveries are distributed through merchants, while reels are mainly delivered directly to printers. The end-users are primarily professionals working in marketing and corporate communications. Typical uses are annual reports, brochures, folders, inserts, flyers, leaflets, direct mail, catalogues, magazines and posters.

M-real offers both coated and uncoated fine papers as well as speciality papers. The range offers excellent surface properties and runnability and meets the most challenging demands of graphic applications. The product range includes several well-established and strong brands. M-real Commercial Printing also offers technical support and arranges training and seminars for its customers.

During 2005, M-real Commercial Printing streamlined its organisation and defined a new "stand alone" strategy for speciality papers, where the operations are based on individual product lines. This gives each product line more responsibility and flexibility and enables more precise

home market is Europe and it also has a few important markets overseas.

The market situation for commercial printing papers has been gloomy for the past few years. Currently, consumption in Western Europe and the USA is stagnant, while in Eastern Europe it is growing by 7 to 10 per cent annually. This growth is expected to continue. Asia is also a growing market.

The generally difficult situation in the fine paper market results in increasingly narrow margins. Permanent overcapacity and increased prices for energy and chemicals, combined with low paper prices, add up to a major challenge in terms of financial performance.

One clear trend in the commercial printing industry is towards increasingly short lead times. Further consolidation in production and distribution is expected. Other trends are that merchants increasingly establish their own brands, that customers show an increased interest in environmentally sound products and that direct mail is a growing area.

## Developments in 2005 ■

- In early 2005, a new matt calender came on stream at the Biberist mill in Switzerland to further improve product quality.
- Extensive product development at the Gohrsmühle mill in Germany gave Zanders Mega

a more uniform quality, combined with a better shade and improved printability.

- A new grade of Chromolux with blue-dyed base paper and a unique cast coated surface was developed – Chromolux True. It gives the best optical appearance for packaging designed with vivid colours and no white corners in the final packaging.
- M-real added a new matt finish to its Galerie Art range. Galerie Art Matt is double coated and offers outstanding image reproduction as well as high whiteness. With very low reflection, it eases reading of text while at the same time giving strong colour and detail reproduction of pictures.
- In September, a new ream wrapper was installed at the Äänekoski Paper mill in Finland, resulting in improved delivery capacity of Galerie Art.
- The opacity of Tauro and EuroBulk was significantly improved, along with other properties.
- Zanders Reflex mill in Germany developed a new uncoated paper – Zanders Trevi.

#### Era Silk ■

During 2005, M-real introduced a new coated paper based on recycled fibres – Era Silk. In July, following intensive development work, M-real launched the new product on the UK market, where it is already a major success. Using collected paper exclusively from local sources, Era Silk is as white and performs as well as non-recycled papers.

Demand for recycled content papers is growing rapidly. Era Silk provides significant environmental benefits. By recycling waste paper collected mostly from within a 150-kilometre radius of the mill, road transport distances are minimised. The use of waste paper also helps to reduce the pressure on UK landfill sites.

Through a nationwide programme for waste and resources actions (WRAP), businesses in the UK are advised to specify coated papers with a minimum of 50 per cent recycled content. Era Silk meets this requirement while at the same time matching virgin paper appearance and performance.

Era Silk is produced at M-real Sittingbourne, using waste pulp from the recycled fibre plant at M-real New Thames. It is available through UK paper merchants Antalis and McNaughton.

#### Products ■

##### Coated papers

Galerie Art  
EuroArt  
Zanders Mega  
Zanders Ikono  
Allegro  
Furioso  
EuroBulk  
Nimrod  
Era Silk **NEW**

##### Uncoated papers

Tauro  
Orsay Plus  
Senlis  
Crossbow  
Diamant

##### Speciality papers

Chromolux  
Silverpapers  
Zanders Autocopy  
Zanders Trevi **NEW**  
Zanders Zeta  
Zanders Gohrsmühle  
Zanders Classic  
Zanders Bankpost  
Zanders Reflex special  
Zanders T 2000  
Zanders Spectral  
Zanders Medley  
Zanders Elefantenhaut  
Zanders EfaIn  
Zanders Estralin



# Office Papers



Evolve papers, which are based on 100 per cent recycled fibre, are produced in response to the demand for high quality recycled paper. Business papers supplied as reels under the Modo Papers brand include highly specialised papers for laser, preprint, inkjet, optical character recognition (OCR) and envelope converting.

In the area of research and development, M-real Office Papers focuses on understanding customer behaviour and perception and works in close cooperation with office equipment manufacturers. Research findings are implemented, for example, in packaging design and functionality. There is also a strong focus on improved

process control, quality assurance, paper surface structure and properties, and efficient utilisation of raw materials.

■ M-real's Office Papers business area produces, markets and sells a range of high quality uncoated fine papers to meet the continuing growth in paper usage in offices and homes. This includes papers for printing and copying, as well as for forms, envelopes, manuals and business communication purposes.

Cut size paper users range from home offices to large corporations and institutions. They purchase through various channels, mainly paper merchants, office equipment manufacturers and office products companies. For office products companies, including contract stationers, mail order companies and office supplies stores, paper is just one, yet an important, part of the product range. The distribution of business reels is less complex than the one for cut size paper, and they are normally delivered directly to converters and printers.

M-real Office Papers is developing its commercial activities through all channels but has decided to focus on exploring potential business opportunities with large direct customers in the office products industry. This strategic shift of focus has been successfully implemented.

M-real's office papers range from specially engineered papers for colourful prints to cost-effective papers for large volume applications. The product portfolio includes the well-established brands Data Copy, Logic, Evolve and Modo Papers. The

## Outlook ■

M-real Office Papers is a leading supplier in Europe, both in terms of production volume and sales, and has a favourable brand position. The company is a major supplier of cut size papers in the European market and it has also built a strong position in reels over the years, resulting in market-wide recognition and high customer loyalty in relevant business segments. The company's market position is further enhanced by its unique recycled products.

M-real's position on the market is strengthened by the convenient location of its production units in Sweden, the UK and France, combined with efficient logistics.

Despite advances in electronic media and changes in information handling, which are often seen as a threat to paper, the European consumption of cut size paper is steadily increasing. This growth is expected to continue due to an increasing demand for hard copies of documents, e-mails and internet web pages. The performance of the business reels sector is less favourable, mainly because of growing competition from cut size applications.

### Developments in 2005 ■

- In February, the Office Papers business area announced its intention to integrate M-real Wifsta with M-real Husum, Sweden, to reduce production costs. The new M-real Husum-Wifsta organisation was effective from June 2005.
- In September, M-real decided to invest 8 million euros in Alizay mill, situated north-west of Paris. The investment, which includes rebuilding the forming section of the paper machine, aims to significantly improve product quality to meet market demands. The investment also enables M-real to make more efficient use of Alizay's production capacity and its convenient location near key customers. The rebuilding will be carried out during Spring 2006.

### Products ■

Data Copy range  
 Evolve range  
 Logic range  
 Modo Papers range

More information is available on [www.m-real.com](http://www.m-real.com) or from the product web sites:  
[www.datacopy.com](http://www.datacopy.com)  
[www.logic-papers.com](http://www.logic-papers.com)  
[www.evolve-papers.com](http://www.evolve-papers.com)



### Data Copy ■

Data Copy, the number one pan-European office paper in terms of manufacturer brand equity, will undergo a complete pro-active makeover during 2006, in view of anticipated changes in the office paper market.

The new concept builds on the main strengths of the existing brand identity. Aiming to simplify routines and reduce the stress of handling office paper and its packaging, new Data Copy deals with a majority of the office paper "touch points".

In line with the new concept, Data Copy introduces a simplified range of paper qualities, including a new paper grade which responds to the need for superior quality colour printing applications and to satisfy the demands of the majority of office paper buyers.

The significance of the new Data Copy will be emphasised by the introduction of a new and distinctive visual identity.

# Map Merchant Group

■ Map Merchant Group, the merchandising arm of M-real, is made up of 25 individual paper merchants in 23 European countries. Merchants fill the gap between producers and end-users in the fine paper value chain and supply a wide range of products.

In terms of volume, Map is currently the fourth largest merchant group in Europe. Major contributions to growth have come from Map's expanding operations in Eastern Europe and from restructuring activities in the UK.

Map's more than 50 000 customers include printers, publishers, advertising agencies, converters, retailers, large corporations and public sector bodies.

## Product portfolio ■

The group's product portfolio consists mainly of coated and uncoated woodfree sheets for commercial printing applications. Office papers in cut sizes account for 24 per cent of sales. The balance includes coated and uncoated reels, digital papers, carbonless papers, graphic boards and other specialities.

Map has about 100 suppliers, with five strategic suppliers representing 60 per cent of total sales volume. M-real provides approximately 35 per cent of this volume. Map's strategy is to concentrate its supplier base, achieving savings and a more unified product portfolio.

## Developments in 2005 ■

Map's profitability increased in 2005, particularly in the Central East region of Europe and in the UK. Two of Map's three UK merchants – James McNaughton and MoDo – were successfully reorganised in late 2004, resulting in operational efficiencies during 2005.

Expansion in Eastern Europe continued through organic growth and the acquisition of Concord, the third largest paper merchant in Bulgaria. In Moscow, Map Russia opened a major new 5700 m<sup>2</sup> warehouse.

All merchants in the Nordic region, including Norway, Sweden, Finland and Denmark, changed their trading names to Map. The rest of the group, apart from those in the UK and Netherlands, will follow suit in 2006.



Map's portfolio of own brands grew with the launch of Dito, a versatile new offset paper that offers excellent consistency and reliability and is readily available in a wide range of grammages and sizes.

## Outlook ■

Map's target is to become the leading and most efficient pan-European paper merchandising group. It is moving towards a new operating model that combines operational efficiency at group level with differentiation of its value added services at customer level.

Map believes that the increased digitalisation of information offers new business opportunities. Facilitating the production of print on demand, in faster and shorter print runs, will be a favourable trend to be exploited by its paper merchants

## Map Merchant Group

### – countries and operating companies: ■

Austria	IT-Papier
Belgium	GPG Papier
Bulgaria	Concord
Czech Republic	Ecco Paper
Denmark	Map Danmark
Estonia	Map Eesti
Finland	Map Suomi
Germany	PW Deutschland
Hungary	Ecco Hungaria
Ireland	McNaughton Paper Ireland
Latvia	Map Latvia
Lithuania	Map Lietuva
Netherlands	Grafisch Papier ModoVanGelder
Norway	Map Norge
Poland	Ecco Papier
Romania	Map Merchant Romania
Russia	ZA0 Map Russia
Slovakia	Ecco Paper
Slovenia	Interpapier
Spain	MoDo Paper Distribution
Sweden	Map Sverige
Ukraine	Map Ukraine
United Kingdom	James McNaughton Group Premier Paper Group





- Sustainable development is about meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. To achieve this, we have to balance economic, social and environmental responsibility.

In order for M-real to survive and succeed as a company and as a reliable paper supplier, we need to ensure long-term profitability as well as environmental and social responsibility throughout the value chain. Our responsibility therefore goes beyond our own operations and extends from our raw materials and forestry right through to the final disposal and recycling of the used products.

Our main raw material, wood, is renewable and our products are recyclable, which gives us a very favourable starting point. Nevertheless there is always some room for improvement. In the following pages, you will find some practical examples of how M-real works continually towards sustainable development.

In the long term, research and development are keys to our economic success and improving our environmental and social performance. We actively develop our processes, our raw material fibre and the composition of other paper constituents to save resources and energy.

It is important for us to ensure that our wood raw material originates from legal and sustainable sources.

All this can be accomplished only by competent and committed people. The development of safety at work and the well-being of our employees are an essential part of our operations.



## Advancing sustainable forestry ■

Metsäliitto's wood procurement operations are guided by its environmental policy for wood procurement and forest management as well as by the principles of corporate responsibility. The certified quality and environmental management systems, which include a wood origin tracking system, facilitate the successful implementation of these principles. The systems are certified by independent third parties and reviewed annually.

In wood procurement, all three aspects of corporate responsibility – economic, ecological and social – are considered in everyday operations. The company's environmental programme includes measurable improvement targets that are reviewed annually.

Wood purchasing contracts include detailed criteria on environmental issues, such as legal requirements and good forest management practices. To monitor compliance, Metsäliitto performs regular inspections on its own and its subcontractors' logging sites.

## Wood supply

- M-real is committed to responsible sourcing of wood and fibre raw materials. The company expects its raw material suppliers to conform with local legislation in their operations. All wood used at M-real mills is procured by Metsäliitto, the company's main owner.

M-real aims to increase the share of certified wood in its products and to introduce more forest certification labelled products. To be able to do this, the company has established certified chains-of-custody at all paperboard, magazine and fine paper mills and requires its raw material suppliers to provide information on the origin of the wood.



#### M-real knows the origin of the wood raw material ■

Metsäliitto procures some 13.2 million cubic metres of wood annually for M-real's mills\*. This wood originates from Europe, where forest growth exceeds loggings and the total wood volume is showing a steady increase.

Wood origin data is required from all suppliers. Thanks to its wood origin management system, Metsäliitto knows the origin of the wood it procures whether it originates from a certified forest or not.

In Finland, the majority of wood is procured from private forests. Wood origin tracking is based on contract numbers. Each contract is given a unique number which is entered into Metsäliitto's information system. In the information system, the number given to a batch of wood accompanies it from the forest stand to the mill gate. The origin of the batch can therefore be identified when it arrives at the mill. The logging areas are marked on digital GIS (Geographic Information System) maps connected to Metsäliitto's information system. These maps also include information on protected sites such as key biotopes and historical monuments.

In Russia, Metsäliitto operates through its network of subsidiary companies and external wood suppliers. The purchase contracts include an environmental clause stipulating that the wood supplier must procure wood only from legal sources and provide information on the exact location of the cutting site. This data is entered into Metsäliitto's information system and visualised on a digital map. These interactive maps include various types of forest information, including protected areas. They are of great assistance, for example when planning logging site audits.

\* including wood delivered to Botnia mills (47% January–March, 39% April–December 2005)

Audits at logging sites are carried out regularly to ensure that the information given by the subcontractor is correct and that harvesting is being carried out in accordance with Metsäliitto's requirements, including compliance with local legislation.

#### M-real supports forest certification ■

Forest certification is a good tool for communicating sustainable forest management. Therefore M-real supports forest certification based on independent third-party verification, and reports the share of certified wood in its products in Paper Profile environmental product declaration sheets (see [www.m-real.com](http://www.m-real.com)). The company also aims to introduce more labelled products.

In 2005, 63.4 per cent of wood consumed by M-real mills originated from certified forests. The forest certification systems applied in Metsäliitto's wood procurement areas are PEFC (Programme for the Endorsement of Forest Certification schemes) and FSC (Forest Stewardship Council). In some of the procurement countries both systems are used. The majority of the certified wood used by M-real is certified according to PEFC, which is the predominant system for small, privately-owned forests.

During 2005, Metsäliitto introduced new chains-of-custody in Estonia, Lithuania and Sweden. Metsäliitto also took part in setting up the PEFC system in Russia by testing the chain-of-custody in one of its Russian subsidiaries.

#### Deliveries of certified wood to M-real mills

	Certified PEFC (%)	Certified FSC (%)
Finland	72	0
Sweden	21	28
Germany	71	5
Austria	70	0
France	43	0

The figures indicate the share of wood, including imports, supplied with certified chain-of-custody.

## Raw material

- Pulp is by far the most important raw material for paper and boardmaking. Other important raw materials include calcium carbonates, clay, latex, starch, water and various additives. To achieve the properties required by customers and end-users, each product is produced from a specific mixture of these raw materials.

Each year, M-real uses more than 3 million tonnes of pulp, corresponding to two to three large shiploads every day. Nearly half of this is produced at M-real's own mills; the rest is purchased from external suppliers, mainly Botnia – a company jointly owned by M-real, UPM and Metsäliitto.

The pulp used to produce the various types of paper and board ranges from chemical hardwood and softwood to bleached chemi-thermomechanical pulp (BCTMP) and recycled pulp. More than 80 per cent is bleached chemical pulp. Additionally M-real produces mechanical pulp, groundwood and PMP (pressurized mechanical pulp) for its own use.

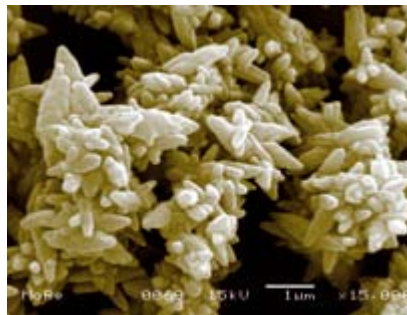
Meticulous long-term planning is essential to ensure that all of M-real's paper and board mills receive sufficient supplies of pulp and on time. Most of the pulp produced by M-real is used on-site at integrated paper and pulp mills but substantial quantities are also shipped to other M-real mills. Some of the pulp mills supply as many as 10 different paper mills – and some of the paper mills use pulp from more than 10 different suppliers, including external suppliers.

For many years, M-real has pioneered new magazine papers and carton and graphic boards, always

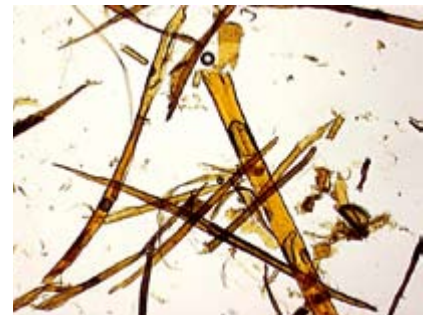


aiming at the right combination of improved printability and increased bulk. For customers, this means enhanced print quality and lower weights and distribution costs for magazines, and lighter packaging.

One key element in this evolution is the development of BCTMP. M-real built the first BCTMP mill, Joutseno, which came on stream in 2001, producing approximately 270 000 tonnes of aspen and spruce pulps for board and magazine papers. The next



By modifying the process, different types of PCC pigment can be manufactured. The photo shows PCC particles magnified 15 000 times.



BCTMP fibres contribute to high bulk in paper and board. The photo shows BCTMP fibres magnified 50 times.

step was the integration of Lielähti BCTMP mill with the nearby Tako Board mill in 2004. The pulp produced at the integrated mill replaced ground-wood pulp, resulting in higher quality boards.

In 2003, M-real decided to invest 180 million euros in a new BCTMP plant in Kaskinen, close to Botnia chemical pulp mill. Finnish President Tarja Halonen inaugurated the Kaskinen BCTMP mill on 20 October 2005.

M-real Kaskinen BCTMP, which is located on the west coast of Finland, has an annual capacity of 300 000 tonnes and supplies pulp to M-real paper mills outside Finland. Altogether, M-real is now the world's largest producer of BCTMP pulp.

M-real's development of the BCTMP process has resulted in an energy-efficient and environmentally-sound pulp manufacturing process. These pulps have enabled the mills to produce papers and boards with new combinations of improved properties, bringing further advantages to customers and end-users. For its development of the BCTMP

process, M-real received the Finnish Engineering Award for "exceptional merit in the field of technological development".

The second largest category of raw materials used by M-real is pigments for fillers and coatings. In recent years, M-real has increased its usage of precipitated calcium carbonate (PCC) as a filler and coating pigment. PCC is produced on-site by slaking quicklime and carbonating it with the carbon dioxide from the lime kiln or the recovery boiler used in the pulpmaking process.

The PCC manufacturing process can be modified to adapt and optimise the properties of the pigment for the paper or board product. In addition, the PCC process turns considerable amounts of carbon dioxide from the pulp process into useful filler for paper and board production, thus reducing CO<sub>2</sub> emissions. M-real has on-site PCC plants in Husum, Äänekoski and Alizay.

## Research and development

- M-real's technology strategy, which was approved in 2005, directs all of the company's research and development activities. The aim is to further improve M-real's position as one of the most innovative companies supplying papers and boards for printed media, including publications, advertising, packaging materials and office products.

The company will implement its technology strategy by:

- Maintaining and further developing relationships with its customers, including being receptive to their ideas and responding creatively, when requested
- Developing new products and services jointly with customers
- Protecting and measuring key technologies through patents and trademarks
- Making effective use of new information and developments and sharing this knowledge with customers

- Measuring the company's R&D performance in terms of
  - the number of new products
  - the proportion of customer-generated ideas in our pipeline
  - customer feedback
  - ultimately: increased profitability.

### Product innovations ■

M-real's BCTMP pulps have higher brightness than other mechanical pulps and produce papers and boards with a higher bulk. This means that customers can save costs by using papers and boards in lower grammages without sacrificing printability. Using lighter papers and boards also saves raw materials and can reduce transport emissions.

The new Kaskinen pulp mill has provided the most visible evidence of M-real's BCTMP know-how. Achieving the maximum potential out of BCTMP pulp in paper and board processes, however, has



been equally important and has required intensive development work at the company's mills in Austria, Finland, Germany, Sweden and the UK.

During the year, M-real also invested in rebuilding the coating unit at Kemiart Liners mill to further improve printability. Coated Kemiart linerboard is a forerunner in high quality linerboards.

**Customer cooperation** ■

The company continuously looks for opportunities to expand its technical expertise and contribute to customer projects. For example, M-real has an ongoing research programme into reader experience and response to magazines and advertisements. Another important area of cooperation is colour management, which supports printers in maximising print quality and stability. To further enhance this development, M-real participated in the national Best Service research programme to exchange best practices in service business development.

Most importantly, this mutually-rewarding cooperation aims at understanding consumer

preferences and directing M-real in the development of products that will meet consumers' needs. Secondly, it will gradually build the competence required to further improve the competitiveness of M-real's fibre-based products.

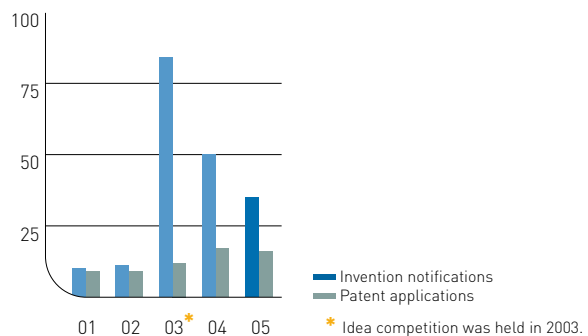
For our customers in the consumer packaging business, brand protection is becoming an increasingly important topic. M-real is active in developing and applying brand protection technologies with individual security solutions for its customers.

**Efficiency improvements** ■

In 2005, M-real's main R&D activities focused on improving mill efficiency and quality. Substantial results were achieved at nearly all mills. These improvements included more efficient use of raw materials, fibre, energy and chemicals, and more efficient planning and operations.

A typical and important example of improving quality while reducing costs is the new precipitated calcium carbonate (PCC) on-site filler and pigment plant in Husum. The plant, which is owned by Imerys, was built during 2004, and the new PCC grades went on-stream at Husum and Wifsta paper mills in 2005. The development work involved many competencies in Husum, at the Örnsköldsvik Technology Centre, and within Imerys.

**Invention notifications and patent applications 2001–2005**



# Environment



- The focus of interest in environmental affairs of M-real's mainly business-to-business customers varies according to their own customers and consumers. In addition, every market seems to have features of its own.

Forest-related matters were the main topic of interest in 2005, as in the past few years. Most of the customers' questions and concerns related to wood origin and forest certification issues, in which public interest has also escalated. Many EU countries are revising the purchasing policies of their public sector bodies and governmental organisations. Private sector customers have also revised their purchasing policies and now need environmental information on the supply chain of products purchased.

## Environmental performance ■

M-real continually improves its environmental performance by setting development targets and projects at corporate and mill level. Progress is monitored and reported regularly. The mills are responsible for setting their own emission targets, which are dependent on local conditions and requirements. All M-real mills are ISO 14001 certified and some are also EMAS registered.

In comparison with the previous year, total emissions per tonne of production decreased by

15 per cent. Reduced emissions per tonne of production at mill level explain the major part (–8.4 per cent) of this change. The rest is covered by the lightened, less emission-intensive, production structure of the company.

Better energy efficiency at mill level decreased total energy usage by 0.9 per cent. This is mainly explained by more efficient energy production.

All M-real mills in the EU countries have carbon dioxide emission permits in accordance with the EU emission trading scheme started up in 2005. Carbon dioxide emissions continue to be reduced by, for example, improving process energy efficiency; maximising the use of CO<sub>2</sub>-neutral fuels, such as biomass and waste, in on-site energy generation; maximising on-site combined heat and power electricity generation; and purchasing CO<sub>2</sub>-neutral heat and electricity.

Nearly all of M-real's paper and board mills are now chain-of-custody certified. The origin of the wood raw material and the share of certified wood in M-real's products have been verified by a third party.

## Transportation ■

M-real uses modern seagoing vessels equipped with water injection techniques to minimise nitrogen oxide emissions. Sulphur emissions are reduced by using low sulphur fuel. The average sulphur content of fuel used in the Baltic Sea is less than 1.5 per cent, which meets the requirements set by the EU for this area.

For land transportation, the aim is to maximise the use of railroads over road haulage. Goods delivered from the Finnish mills to the loading ports are usually transported by rail. The mills in continental Europe and the UK deliver products by unitised cargo direct to customers' warehouses, thus minimising handling in ports, terminals and warehouses.

## Mill improvements 2005 ■

No major environmental investments were made at M-real's mills during 2005. Improvements in efficiency, however, were made in energy and material consumption, waste management and the prevention of environmental risks. Reductions in noise, odours and emissions to air were also achieved.

Earlier investments in effluent treatment at Kyro, Husum and Stockstadt mills resulted in a good level of performance during 2005.

#### Energy efficiency ■

M-real mills continued to conduct energy efficiency reviews during 2005, with all mills expecting to complete their reviews by end 2007.

Kemiart Liners mill made modifications to its board machine, resulting in significant energy savings. At Tako Board pulp mill, vacuum-pumps were replaced with a turbo-blower, saving over 2400 MWh of electricity annually. Tako Board also invested in a new heat-recovery system for the yankee cylinder of the board machine.

#### Recovery and recycling of materials ■

Hallein and Gohrsmühle installed new reject-processing equipment for more efficient recovery of materials. Total material recovery per day is expected to be about 13 tonnes of fibre, fillers and pigments back to paper production. Reflex achieved around 30 per cent reduction in the amount of waste water and residual solids from two paper machines. By making adjustments in the coating process at Husum, the mill was able to reduce the amount of coating colour concentrate sent to landfill by almost 95 per cent.

Within the past two years, Husum has removed almost 150 000 tonnes of sludge, ash and lime mud from the mill's landfill. Fibre sludge and ash are used as soil enrichment, and lime mud is used in road construction and other industrial processes.

#### Emissions to air ■

Kyro Board enhanced odour control at the mill's effluent treatment plant. Kirkiniemi is participating in a large research project investigating the source, formation and reduction methods of odours from forest industry effluent treatment systems.

The pulp mill at Alizay has been testing "electronic noses" for measuring pulp production odours. Husum installed new scrubbing equipment which reduced the pulp mill's chlorine dioxide emissions to air by up to 100 per cent.

#### Noise ■

Kyro Board and Hallein continued to make improvements to reduce noise from the mills. Kirkiniemi's extensive noise reduction project, now completed, included more than 20 installations.

#### Environmental indicators

Resources	Wood	1000 m <sup>3</sup>	12 540
	Purchased fuels	GWh	10 060
Energy	Total Energy consumption	GWh	32 615
Emissions to air	Greenhouse effect (CO <sub>2</sub> eqv)	tonnes	2 259 303
	Acidification (SO <sub>2</sub> eqv)	tonnes	8 679
Discharges into water	COD	tonnes	40 142
	Eutrophication (P eqv)	tonnes	247
Waste	Landfill waste	tonnes	40 604



## Human resources

- Facing the challenges of global competition, M-real considers its core success factor to be skilled personnel who are keen on continuous improvement and innovation. During 2005, M-real's human resources strategy focused mainly on developing core competencies and management resources and enhancing the management system. Several restructuring programmes were introduced for effective implementation of the strategy.

At the end of 2005, the total number of M-real Group employees was 15 154. The overall average age was 43.6 years. On average, employees have worked with the company for 15.8 years, which means that M-real has a very stable workforce. One important advantage is that knowledge in all aspects are kept, developed and used for the benefits of customers and partners.

### Competence development ■

A vital part of M-real's competitive edge has always been innovative and committed people with the right know-how. This is why competence development plays such a significant role in the management of the company's human resources. To manage individual challenges, each employee's training and other development needs are identified and reviewed annually according to a harmonised performance review, called Performance Makes the Difference (PMD).

Since 1999, M-institute Silva, M-real's training institute in Finland, has been training mill personnel the professional skills that will be required in the future. Aiming at flexible production and maintenance abilities, M-institute Silva's programme includes theoretical modules and practical shop-floor training.

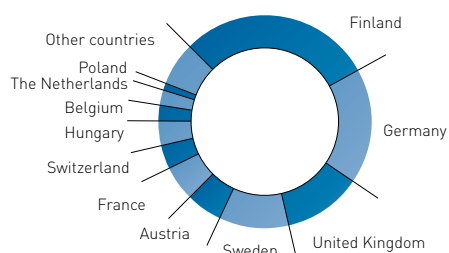


During 2005, the management of competencies and skills in M-real took a leap forward. A project to define employees' requirement profiles regarding skills and competencies was launched at one of the Finnish mills. The pilot results are currently being analysed and will be presented in 2006. Further evaluation of the concept of a corporate-wide competency and skills framework will be based on these results.

New production technologies and changing consumer demands and behaviours are just a few factors that influence customers' situations. At the same time new production technologies and raw materials, etc., enable M-real to enhance customers' businesses. The sales force therefore plays an important role in conveying the benefits to customers while also bringing market information back to M-real's production and development. M-real Business Training acquaints the sales staff with the customers' processes and paper and board properties. The annual offering of the Business Training modules is defined together with the business areas.

An important way of sharing best practices and knowledge within the organisation is through international assignments. During the year, some 85 employees, representing 11 nationalities, participated in international assignments in M-real units in 20 different countries.

### Personnel by country 31 December 2005 \*



\* Head count includes 39 per cent of Botnia's employees.

### Ensuring the future ■

To build a sustainable business, M-real needs to continuously attract, recruit and retain well-educated, capable and internationally-orientated people for multiple roles in the company. The company therefore aims at maintaining and developing its reputation as an attractive employer.

M-real cooperates with local schools to raise young people's interest in science in general, and pulp and paper production technology in particular. At a higher level, the company also cooperates with university faculties relevant to its recruitment needs. Every year, more than 600 students work as summer trainees at M-real mills.



### Occupational safety and well-being ■

The primary target of the occupational safety and well-being policy is the recognition of best practices and potential improvements in M-real mills and units. Its implementation has resulted in an increased exchange of information between the mills/units and the corporate headquarters.

Based on the M-real management model for occupational safety and well-being, the indicators focus on

- 'lost time' accidents (LTA)
- lost day (LD) frequency rate
- reported near-miss incidents
- sickness absence.

A more comprehensive set of indicators is used internally to monitor all safety-related incidents. To further prevent circumstances that might cause injury or illness, the country coordinators initiated annual occupational safety and health audits at the end of the year. Work accidents that did not cause disability but either required medical care or were

managed onsite are also recorded and included in internal communications.

The implementation of the corporate policy on occupational safety and well-being has clearly promoted and speeded up safety work within M-real. One future challenge is to also manage the challenges related to the employees' well-being at work. To a great extent, this relates to their perceiving the content of their work as meaningful – which is also a prerequisite in terms of long-term work performance and productivity.

### Human resources indicators

Basic statistics	Personnel (average)		15 578
	Years of service (average)		15.8
	Employee turnover rate	%	7.0
Health and safety	Lost time accident	per million	
	frequency rate	worked hours	15.5
	Sickness and		
	work injury absenteeism	%	4.6
Competence development	Training days	per employee	2.3



# Corporate governance

## Board of Directors



→ Kari Jordan, Asmo Kalpala, Arimo Uusitalo → Runar Lillandt, Antti Tanskanen → Kim Gran, Heikki Asunmaa, Erkki Karmila

### **Kari Jordan** ■

Chairman of the Board and  
member of the Board since 2005  
Bachelor of Science in Economics

### **Arimo Uusitalo** ■

Vice Chairman of the Board and  
member of the Board since 1994  
Master of Science in Agriculture  
Counsellor of Agriculture

### **Heikki Asunmaa** ■

Member of the Board since 2005  
Counsellor of Forest Economy

### **Kim Gran** ■

Member of the Board since 2004  
Bachelor of Science in Economics

### **Asmo Kalpala** ■

Member of the Board since 1990  
Master of Science in Economics

### **Erkki Karmila** ■

Member of the Board since 1992  
Master of Laws (trained on the bench)  
Master of Laws 1968, Harvard University

### **Runar Lillandt** ■

Member of the Board since 1999  
Agricultural school graduate  
Counsellor of Agriculture

### **Antti Tanskanen** ■

Member of the Board since 1992  
Ph.D. in Economics

## Corporate governance

- The duties of the various corporate bodies within M-real Corporation, based in Espoo, Finland, are determined by the Finnish Companies Act and the Finnish Securities Market Act, as well as other relevant laws of Finland. The company applies the rules and recommendations of the Helsinki Stock Exchanges. The corporate governance policy is decided by the Board of Directors (Board).

M-real has started to apply International Financial Reporting Standards (IFRS) from the beginning of the year 2005. These Audit reports are published in Finnish and English.

### Corporate bodies and the organisation ■

The company's highest decision-making body is the Annual General Meeting of the shareholders, which is held each year before the end of June on a day determined by the Board of Directors. In addition to the Board, the decision-making bodies with responsibility for managing the company are the CEO and Deputy CEO.

The Board meets regularly during the year. In 2005, the Board held 20 meetings.

The CEO is in charge of the day-to-day management of the company in accordance with instructions and orders issued by the Board. It is the duty of the CEO to ensure that the company's accounting methods comply with the law and that financial matters are handled in a reliable and professional manner. In managing M-real, the President and CEO is assisted by the Corporate Executive Board (CEB).

M-real's current organisation structure, effective from 1 September 2004, defined the functions and responsibilities of each business area more clearly and made each area responsible for its sales as well as production. M-real has the following business areas: Consumer Packaging, Publishing, Commercial Printing and Office Papers. Day-to-day operational responsibility rests with the business areas' management and operation teams supported by Corporate Strategy & Sales Services, Industrial Development & Resources and Map Merchant Group. Other supporting functions at corporate level are Finance, Control & Legal Affairs, Human Resources & Communications and Corporate Public Affairs.

During 2005, the company's Auditors were Göran Lindell, Authorised Public Accountant and PricewaterhouseCoopers Oy.

More information on M-real's Corporate Governance issues is available in the Annual Financial Report 2005 and on M-real's website ([www.m-real.com](http://www.m-real.com)).

### The Board of M-real ■

According to the company's Articles of Association, the Board consists of 5 to 8 ordinary members appointed by the shareholders at the Annual General Meeting (AGM) for a one year period. Currently, the Board has eight ordinary members.

The Board's work is supported through its Audit, Nomination and Compensation committees. The Board appoints each committee's chairman and members annually.

The Audit Committee was formed by the Board to support it in maintaining the integrity of the company's financial reporting and the Board's control functions. The Audit Committee meets regularly, at least four times a year. The committee can also hold meetings with the company's auditors, without management being present, to ensure that internal controls are functioning and risks are being managed.

The Nomination Committee is responsible for providing recommendations to the shareholders on the composition of the Board of Directors and the remuneration of Board members.

The Compensation Committee is responsible for evaluating corporate performance and approving remuneration for executives, including the CEO.

The Special Committee is responsible for evaluating competition law matters within the company.

## Corporate Executive Board



→ Hannu Anttila, Seppo Puotinen, Ari Himma → Hannu Kottonen, Aarre Metsävirta, Juhani Pöhö → Karl-Johan Lindborg and Jarmo Salonen

- The day-to-day management of the M-real Group is handled by the Corporate Executive Board, headed by the President and CEO.

Members of the Corporate Executive Board are:

**Hannu Anttila** ■

President and CEO

**Aarre Metsävirta** ■

SEVP, Deputy CEO, Industrial Development & Resources and Publishing

**Ari Himma** ■

Executive Vice President, Human Resources & Communications

**Hannu Kottonen** ■

Executive Vice President, Consumer Packaging

**Karl-Johan Lindborg** ■

President and CEO, Map Merchant Group

**Seppo Puotinen** ■

Executive Vice President, Office Papers and Corporate Strategy & Sales Services

**Juhani Pöhö** ■

Executive Vice President and CFO, Finance, Control & Legal Affairs

**Jarmo Salonen** ■

Executive Vice President, Commercial Printing

# Shareholders

## Shares and shareholders ■

M-real has two series of shares, A and B, both of which are listed on the Helsinki Stock Exchange. All shares have a nominal value of 1.70 euros and the same dividend rights. At Annual General Meetings, each Series A share entitles the holder to twenty votes and each Series B share, to one vote.

During the 2005 financial year, the highest price achieved by M-real's Series B shares on the Helsinki Stock Exchange was 4.93 euros. The lowest price was 3.82 euros. The volume weighted average share price was 4.36 euros.

At 31 December 2005, Metsäliitto Cooperative owned 38.6 per cent of M-real Corporation's shares and 60.5 per cent of the voting rights conferred by these shares. There were no significant changes in the ownership structure during the year.

## Metsäliitto ■

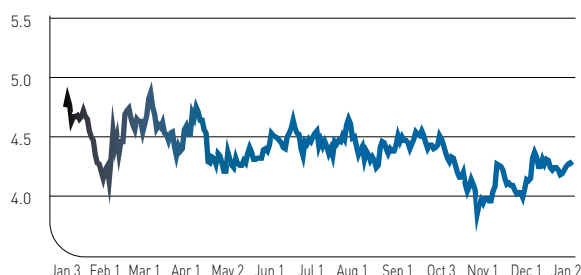
The largest shareholder in M-real, which is part of the Metsäliitto Group, is Metsäliitto Cooperative. Metsäliitto membership is open to all private individuals and corporations owning at least three hectares of productive forest in Finland. The cooperative has some 130 000 members.

The Metsäliitto Group is engaged in the full range of forest products industries. In its industrial investments, Metsäliitto aims at products that require a high degree of processing, including innovative products and processes, and strong market shares in relation to either products or geographical areas.

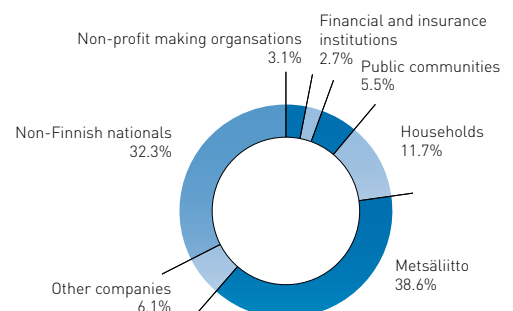
Metsäliitto's mission is to control all aspects of the wood-processing chain: procurement, transportation, processing and marketing. Wood for the Group's Finnish mills is procured by Metsäliitto.

In Finland, Metsäliitto is the biggest player in the wood market, procuring some 17 million cubic metres of wood, mainly from its members' forests. Internationally and domestically, Metsäliitto procured approximately 30 million cubic metres of wood during 2005 for the Group's mills in Finland and other European countries.

M-real B-share price development during 2005, euro



M-real shareholders 30 December 2005



# Contact information

## HEADQUARTERS

P.O. Box 20  
FI-02020 METSÄ  
Finland  
  
Revontulentie 6  
FI-02100 ESPOO  
Finland  
Tel. +358 1046 11  
Fax +358 1046 94355  
www.m-real.com

## BUSINESS AREAS

### Consumer Packaging

Revontulentie 8 C  
FI-02100 ESPOO  
Finland  
Tel. +358 1046 11  
Fax +358 1046 94902

#### Mills:

Äänekoski Board  
Kemiart Liners  
Kyro  
Simpele  
Tako Board

#### Carton plants:

Meulemans  
Petöfi  
Tako Carton

### Publishing

Revontulentie 8 C  
FI-02100 ESPOO  
Finland  
Tel. +358 1046 11  
Fax +358 1046 95178  
  
Van Boshuizenstraat 12  
NL-1083 BA AMSTERDAM  
The Netherlands  
Tel. +31 20 572 7500  
Fax +31 20 572 7503

#### Mills:

Husum-Wifsta PM8  
Kangas  
Kirkniemi

## Commercial Printing

Revontulentie 6  
FI-02100 ESPOO  
Finland  
Tel. +358 1046 11  
Fax +358 1046 94617  
  
Van Boshuizenstraat 12  
NL-1083 BA AMSTERDAM  
The Netherlands  
Tel. +31 20 572 7500  
Fax +31 20 572 7570

#### Mills:

Äänekoski Paper  
Biberist  
Hallein, incl. pulp  
Pont Sainte Maxence  
Sittingbourne  
Stockstadt, incl. pulp  
Zanders Gohrsmühle  
Zanders Reflex

## Office Papers

Van Boshuizenstraat 12  
NL-1083 BA AMSTERDAM  
The Netherlands  
Tel. +31 20 572 7500  
Fax +31 20 572 7570

#### Mills:

Alizay, incl pulp  
Husum-Wifsta PM1, PM6, PM7, incl. pulp  
New Thames

## Map Merchant Group Ltd.

Tolworth Tower  
Ewell Road  
Surbiton  
SURREY KT6 7EL  
United Kingdom  
Tel. +44 20 8437 8470  
Fax +44 20 8437 8482  
www.mapmerchant.com

To locate your local sales contact,  
please visit [www.m-real.com](http://www.m-real.com)



# M-real's global presence

## ■ Production units

AUSTRIA  
Hallein (Salzburg)

BELGIUM  
Meulemans (Arlon)  
Meulemans (Brussels)

FINLAND  
Joutseno BCTMP  
Kangas (Jyväskylä)  
Kaskinen BCTMP  
Kemiart Liners (Kemi)  
Kirkiemi  
Kyro (Kyröskoski)  
Simpele  
Tako Board (Tampere)  
Tako Carton (Järvenpää)  
Tako Carton (Tampere)  
Äänekoski Board  
Äänekoski Paper

FRANCE  
Alizay  
Pont Sainte Maxence

GERMANY  
Stockstadt  
Zanders Gohrsmühle  
(Bergisch Gladbach)  
Zanders Reflex (Düren)

HUNGARY  
Petöfi (Kecskemét)

SWEDEN  
Husum  
Wifsta (Sundsvall)

SWITZERLAND  
Biberist

UNITED KINGDOM  
New Thames (Sittingbourne)  
Sittingbourne

## ■ Sales offices and agents

ARGENTINA and URUGUAY  
Buenos Aires

AUSTRALIA  
Melbourne  
Sydney

AUSTRIA  
Vienna

BELGIUM  
Brussels

BRAZIL  
Sao Paulo

BULGARIA  
Sofia

CANADA  
Aurora  
Montreal

CHILE  
Santiago

CHINA  
Beijing  
Hong Kong  
Shanghai

CYPRUS  
Paphos

COLOMBIA  
Bogotá

COSTA RICA  
San José

CZECH REPUBLIC  
Prague

DENMARK  
Glostrup

FINLAND  
Espoo

FRANCE  
Paris

GERMANY  
Bergisch Gladbach  
Frankfurt am Main  
Hamburg  
Raubling

GREECE  
Athens

HUNGARY  
Budapest

ICELAND  
Reykjavik

INDIA  
Mumbai

IRELAND  
Dublin

ISRAEL  
Tel-Aviv

ITALY  
Milan

JAPAN  
Tokyo

JORDAN  
Amman

LEBANON  
Beirut

MEXICO  
Mexico City

NETHERLANDS  
Amsterdam

NORWAY  
Årnes

PERU  
Lima

POLAND  
Warsaw

PORTUGAL  
Lisbon

RUSSIA  
Moscow

SINGAPORE  
Singapore

SLOVAKIA  
Bratislava

SLOVENIA  
Ljubljana

SOUTH AFRICA  
Cape Town  
Durban

SPAIN  
Barcelona  
Madrid

SWEDEN  
Upplands-Väsby

SWITZERLAND  
Baar

SYRIA  
Damascus

TURKEY  
Istanbul

UKRAINE  
Kiev

UNITED KINGDOM  
Kemsley  
London  
Maidenhead  
Sale

USA  
Norwalk, CT

## ■ Map merchants

AUSTRIA  
Vienna

BELGIUM  
Kortenberg

BULGARIA  
Sofia

CZECH REPUBLIC  
Prague

DENMARK  
Copenhagen

ESTONIA  
Tallinn

FINLAND  
Helsinki

GERMANY  
Hockenheim

HUNGARY  
Szolnok

IRELAND  
Dublin

LATVIA  
Riga

LITHUANIA  
Vilnius

NETHERLANDS  
Amsterdam  
Andelst

NORWAY  
Oslo

POLAND  
Warsaw

ROMANIA  
Bucharest

RUSSIA  
Moscow

SLOVAKIA  
Bratislava

SLOVENIA  
Ljubljana

SPAIN  
Madrid

SWEDEN  
Stockholm

UKRAINE  
Kiev

UNITED KINGDOM  
Birmingham  
London

## ■ Distribution ports

BELGIUM  
Antwerp

ESTONIA  
Paldiski

GERMANY  
Lübeck

POLAND  
Gdynia

SPAIN  
Bilbao

UNITED KINGDOM  
Hull  
Tilbury

USA  
Baltimore, MD

## ■ Technology centres

FINLAND  
Äänekoski  
Kirkiemi

GERMANY  
Bergisch Gladbach

SWEDEN  
Örnsköldsvik

## ■ Administration

FINLAND  
Espoo

NETHERLANDS  
Amsterdam





- Production units
- Sales offices and agents
- Map merchants
- Distribution ports
- Technology centres
- Administration

# Paper information

## paper



Product	<b>Galerie Art Gloss 250 g/m<sup>2</sup> (cover) and 170g/m<sup>2</sup> (inside pages)</b>
Mill	<b>M-real Äänekoski Paper, Finland</b>

### Environmental management

Certified environmental management systems (at the mill since)  
ISO 14001 (1998) EMAS (2002)  
Certified chain-of-custody (at the mill since)  
SMS 1003-1 (2003) based on PEFC  
Share of wood from certified forests 89%

### Origin of wood

The figures include all wood used in product

Countries of wood origin	Share of total wood supply (%)	Share of certified wood* (%)	Certification system
Finland	97	92	PEFC
Russia, European part	1		
Estonia	1		
Latvia	1		
Lithuania	< 1		

\* The figures indicate the average share of certified wood supplied with certified chain-of-custody.

**More information** [www.m-real.com](http://www.m-real.com)

## finishing

Front and back covers: drip off varnish  
Inside covers: dispersion varnish

### Project group

Jyrki Antikainen  
Sören Back  
Anna-Karin Byström  
Clare Cook  
Hannu Ikävalko  
Maria Isaksson  
Merja Kekkonen  
Timo Nore  
Ingrid Sundgren  
Armi Temmes  
Mikko Tuomarila  
Sonja Varpasuo (Kreab)

### Graphic design and layout

Kreab Oy  
Perttu Eskelinen, responsible designer

### Printer

Libris 2006



The complete M-real annual reporting 2005 consists of three parts:



**Annual review** ■ available in English, Finnish, French, German and Swedish



**Corporate responsibility report** ■ available in English and Finnish



**Annual financial report** ■ available in English and Finnish

Additional copies are available from:

M-real Corporation  
Corporate Communications  
P.O. Box 20  
FI-02020 METSÄ  
Finland  
Tel. +358 1046 94552  
Fax +358 1046 94531  
E-mail: [corporate.communications@m-real.com](mailto:corporate.communications@m-real.com)

The publications are also available as pdf files on the website  
[www.m-real.com](http://www.m-real.com)

Make it real.

**m·real**