

M-REAL YEAR 2005

Corporate responsibility report



m·real

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Report Content

- In this report, M-real presents its activities and performance during 2005 in terms of economic, environmental and social impacts, both internally and towards the surrounding society. The report has been prepared by applying the Global Reporting Initiative's (GRI) Guidelines 2002.

Introduction ■

Provides basic information about the company, a word from M-real's President and CEO, an assessment of corporate responsibility achievements in 2005 and prospects for 2006. Key performance indicators are also presented.

➔ **Pages 1–3 and inner front cover**

Commitment ■

Presents M-real's approach to corporate responsibility, gives an overview of M-real's policies and describes the views of the stakeholders.

➔ **Pages 4–6**

General Principles ■

Promote sustainable forest management and wood procurement. Case study: Stakeholder cooperation at Lake Jyväsjärvi, Finland. ➔ **Pages 8–12**

Economic Performance and Indicators ■

Describes the company's economic impacts on society, as well as corporate governance, risk management and R&D at M-real. Also covers product and customer issues. Case study: Task Force programme at M-real Zanders' Reflex mill.

➔ **Pages 14–22**

Human Resources and Social Performance and Indicators ■

Reports on personnel statistics, competence development, occupational safety and M-real's European Works Council. Case study: Getting people, no longer fully fit for previous job, back to work at M-real Biberist. ➔ **Pages 24–30**

Environmental Performance and Indicators ■

Outlines environmental performance, mill improvements, energy usage, emissions and materials balance. Also reports on customers' interest in environmental issues and environmental aspects of transports. Case study: New Era Silk coated recycled paper. ➔ **Pages 32–44**

Reporting Principles and Assurance Statement ■

Explains the scope of the report, referring also to GRI's Sustainability Reporting Guidelines 2002. Includes assurance statement and key contact information for corporate responsibility personnel.

➔ **Pages 46–52**

M-real in a Nutshell

■ 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 beauty- and healthcare 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 merchanding arm, Map Merchant Group, with offices in 23 European countries.

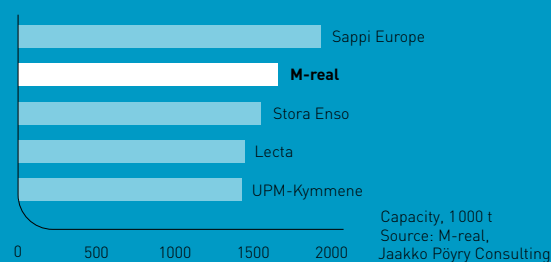
M-real's four technology centres in Finland, Germany and Sweden focus on the development of new products and services to meet customers' needs in specific areas.

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.

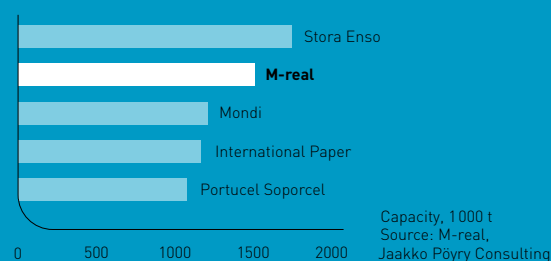
M-real's market positions ■

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 merchanding in Europe.

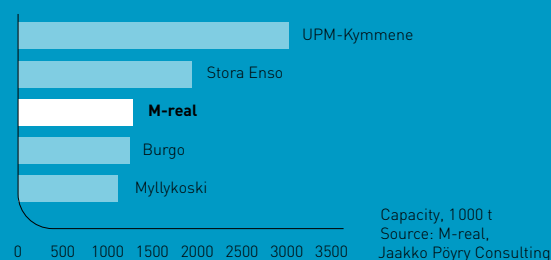
Coated fine paper



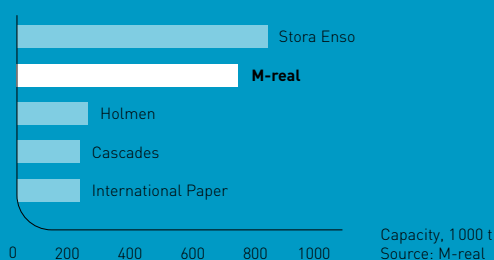
Uncoated fine paper



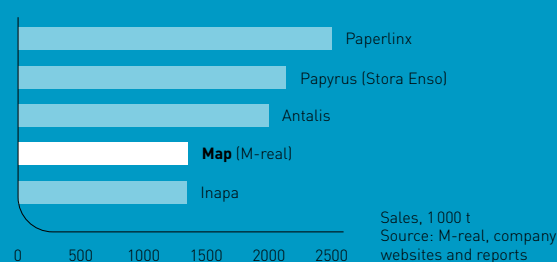
Publishing papers



Folding boxboard



Paper merchants



President's Review



Dear Reader ■

Throughout 2005, we worked hard to meet the objectives that we set for ourselves a year ago. We are definitely on the right track but we still have a lot of work ahead of us. The main task has been to increase the efficiency of our operations, partly by clarifying and streamlining our internal processes.

In the long term, there is simply no alternative to responsible business practices. We recognise that responsibility is fundamental to lasting business relationships. We also recognise that credibility is an essential part of a good company reputation and that it helps us to attract, motivate and retain high quality employees.

Our responsibility is not restricted to our own operations. It spans the entire supply chain from forestry and other raw materials to the use and recycling of our products. Our starting point is very favourable because our main raw material is wood, which is renewable. Managed sustainably, it will last forever.

We work diligently to ensure that our wood raw material comes from legal and sustainable sources and we develop our own operations in ways that will save resources and energy. Safe, streamlined operations contribute to productivity as well as to the well-being of our employees.

In terms of labour relations, 2005 brought major challenges in the form of extended strike actions and a lockout at our Finnish mills. The agreement reached provides a good basis for further developing our work together. I am confident that this can be achieved, based on the constructive dialogue that has evolved both locally and in our European Works Council.

We are continuing our efforts to improve profitability, to serve our customers better and to improve the efficiency of our operations. To succeed, we must all work effectively and together in the true spirit of M-real's company values.

I am totally convinced that we can make it happen!

Hannu Anttila
President and CEO

Opening words

Dear Stakeholder ■

Welcome to M-real's second Corporate Responsibility Report.

Last year's CR report, our first in this format, was rewarded with very favourable response. This was expressed in our everyday dialogue with customers and other interested parties, as well as in more formal evaluations. These included eCom's international evaluation of annual reporting and the Finnish competition for corporate responsibility reports, where M-real was awarded joint second prize.

We recognise the immense scope of the concept of "corporate responsibility" and are pleased that our efforts to put these principles into practice and to communicate our progress have been well received.

M-real is committed to advancing the principles of Global Compact, the UN's voluntary corporate citizenship initiative. The ten principles relate to human rights, labour, environmental issues and anti-corruption.

We are also committed to communicating regularly with our stakeholders on our progress on implementing the Global Compact principles. This is one of the functions of this report. A link to this report is also provided from the Global Compact website.

During 2005, we focused strongly on raw material issues. Inspired by our customers' demand for more raw material information, we provided training on forestry issues to more than 800 M-real employees involved in customer service. We also implemented certified chains-of-custody at our mills to be able to report the share of certified wood in our products and to introduce more labelled products. In addition, we are working on our supplier policies in a wider context.

Within our own operations, one major focus was, and is, on the further development of preventive measures. In the area of environmental management, we have enhanced our reporting of minor incidental discharges. Regarding safety management, the reporting of near-misses has been further improved. Analyses based on near-misses are no longer regarded as a means of finding the "guilty" party, but as a method for identifying potential improvement in our operations.



Important progress was also made on assessing and reducing M-real's environmental liabilities. Several clean-up projects were finalised and a comprehensive survey of the mill sites was carried out. The preliminary results of the survey do not suggest any material increase in the liabilities of M-real.

One of our forthcoming developments is related to our employees. In general, M-real has a very stable workforce, which we appreciate and which is a very positive sign. It also, however, presents an interesting but very welcome challenge for personnel development and everyday management work. Because there is a risk that too much stability can create job stagnation, we have recognised the need to further develop our measures to enhance "renewal", such as job rotation, short-term, further education and training, etc.

In 2006, we will continue our efforts, with the help of feedback from our customers and other stakeholders, to take responsible performance yet another step forward – and to better serve our customers.

Armi Temmes
Senior Vice President, Corporate Public Affairs

Key performance indicators

Financial and economic

			2005	2004
Financial	Sales	euro million	5 241	5 522
	Profit on continuing operations before tax	euro million	-114	-108
	Return on capital employed*	%	1.2	0.9
	Equity ratio**	%	36.6	37.5
	Gross capital expenditure	euro million	452	245
	R&D expenditure	euro million	24	28
Payments to stakeholders	Dividend and interest payments	euro million	174	213
	Wages (including wages and fees, pension expenses and other social expenses)	euro million	856	906
	Purchases from suppliers	euro million	4 624	4 531
	Income taxes	euro million	31	60

* Return on capital employed = $\frac{\text{Profit on continuing operations before tax} + \text{interest expenses, net exchange gains/losses and other financial expenses}}{\text{Total assets} - \text{non-interest-bearing liabilities (average)}}$

** Equity ratio = $\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Total assets} - \text{advance payments received}}$

Human resources

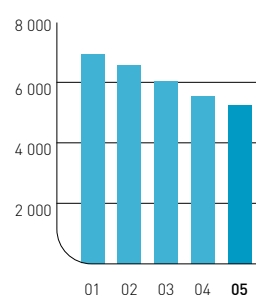
Basic statistics	Personnel (average)		15 578	16 532
	Years of service (average)		15.8	15.7
	Employee turnover rate	%	7.0	4.5
Health and safety	Lost time accident frequency rate	per million worked hours	15.5	19
	Sickness and work injury absenteeism	%	4.6	5
Competence development	Training days	per employee	2.3	2.8

Environmental

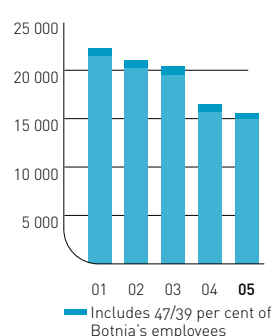
Resources	Wood	1 000 m ³	13 176	14 268
	Purchased fuels	GWh	10 060	10 764
Energy	Total energy consumption	GWh	32 615	35 419
Emissions to air	Greenhouse effect (CO ₂ eqv)	tonnes	2 259 303	2 440 577
	Acidification (SO ₂ eqv)	tonnes	8 679	10 139
Discharges into water	COD	tonnes	40 142	58 545
	Eutrophication (P eqv)	tonnes	247	390
Waste	Landfill waste	tonnes	40 604	82 507

Emission coefficients on page 47

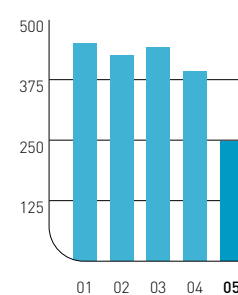
Sales,
euro million



Personnel,
average



Discharges into water,
eutrophication



The 2004 and 2005 figures are calculated according to International Financial Reporting Standards (IFRS) and 2001–2003 according to Finnish Accounting Principle (FAS).

Policies

■ M-real's corporate policies provide tools and guidance for the consistent application of principal values and concepts throughout the company. M-real regularly reviews its policies to ensure that they continue to achieve their objectives. The full text of the policies, summarised below, is available at www.m-real.com.

Corporate governance issues ■ The duties of the various bodies within M-real are determined by the Finnish Companies Act and Finnish Securities Market Act, as well as other relevant laws of Finland. M-real complies with the rules and recommendations of the Helsinki Stock Exchanges, where applicable.

Code of conduct ■ Sets out common values and ethical principles to be applied throughout the M-real Group, emphasising reliability, openness and fairness.

Commitment and principles of

corporate responsibility ■ Combines the company's own intentions – expressed as values – with the expectations of various stakeholders through a set of principles. These principles span economic, social and environmental responsibilities.

Environmental policy ■ Specifies how M-real integrates environmental management as part of all business activities. It ensures that the company's responsibilities, its use of raw materials and energy, product safety, product development and open dialogue are consistent with sound environmental practice.

Occupational safety and well-being policy ■ Defines company-wide standards for responsibilities, transparent reporting, target setting and corrective actions. Individual operational units and business areas are responsible for health and safety matters.

Purchasing policy ■ Establishes principles regarding the purchasing of products and services needed by M-real. The strategy for materials management emphasises the strong link with R&D, production and Business Areas, and the need for effective communication.

Guidelines for M-real's legal affairs ■ Requires the company and its subsidiaries to have a qualified knowledge of legal issues in order to ensure that M-real's operations comply with national legislation and other undertakings.

Competition law policy ■ Provides information on EC Competition rules and competitions law and provides instructions on both horizontal and vertical competition issues. It also specifies practices that would be in breach of the policy and competition legislation e.g. price fixing, sharing of markets, exchange of sensitive information with competitors and use of trade associations for unlawful purposes.

Corporate risk management policy ■ Aims to minimise the company's losses resulting from risks and secure operational continuity and good financial performance. M-real's risk management policy is consistent with, and supports, the company's business strategy.

External codes and charters

■ UN Global compact: M-real is committed to advancing the principles of the Global Compact, the United Nation's voluntary corporate citizenship initiative, within its sphere of influence. The ten principles relate to human rights, labour and environmental issues, and anti-corruption.

M-real is committed, as is expected of the participants of the initiative, to communicate regularly

with its stakeholders on its progress in implementing the Global Compact principles. This is achieved through annual corporate responsibility reporting and other means of corporate communications such as M-real's website. A link to this information is also provided from the Global Compact website.

M-real's approach to corporate responsibility

■ Paper has many diverse uses and because of this, it plays a significant role in nearly everybody's life. Its very abundance creates huge material flows. While the production and supply of paper creates direct and indirect employment for millions, it may also affect surrounding communities in other ways.

As a pan-European paper manufacturer, M-real acknowledges the fact that such a strong impact on society calls for considerable responsibility.

M-real's approach to corporate responsibility is based on the company's values and continuous monitoring of, and responding to, stakeholders' expectations.

Management ■

The M-real Group's main guidelines are the principles of Corporate Governance (see page 15–16) and the Code of Conduct, which describes the fundamental ethical principles that all employees are expected to follow.

Corporate responsibility issues are managed and integrated within the existing unit and departments of the M-real organisation and through efficient internal networking.

M-real's Senior Vice President, Corporate Public Affairs, is responsible for coordinating all work related to corporate responsibility, including the development of and implementation of corporate responsibility policy, development and implementation of regular corporate responsibility reporting, the development and engagement in systematic stakeholder dialogue, as well as support and coordination of the various areas of corporate responsibility.

Corporate departments are responsible for the management, development and implementation of policies and practices within the company, including the corporate organisation, the networks between countries and business areas/units and relevant stakeholder contacts.

The responsibilities include corporate governance (Secretary of the Board of Directors), corporate reputation (Corporate Communications), marketing, sales and customer service (Business Areas), investments (Industrial Development and Resources), suppliers (Corporate Purchasing), personnel (Human Resources), occupational health, safety and well-being (HR, Occupational Safety and Well-being), environmental responsibility



(Environmental Affairs), risk management (Risk Management), competition issues (Legal Affairs), financial information and future outlook (Corporate Finance).

In addition, the following responsibilities for stakeholder contacts have been defined: universities, schools and students (Human resources development); research institutes and universities (Research and Development); and wood supply chain (Resources).

The fact that all M-real units have certified quality and environmental management systems ensures the systematic implementation of the company's principles of corporate responsibility. In many units, the scope of their management systems has also been broadened to include occupational safety and product safety aspects. A summary of all management systems is presented on pages 48–49.

M-real values

- We have no barriers
- We mean what we say, we do what we say
- We encourage people to reach their full potential
- We respect each other

Stakeholders' view



**Juha Hyvämäki, forest owner,
Nurmijärvi, Finland ■**

For us it is of utmost importance that the wood is competitively priced, and that forest management remains a competitive investment option. This is the only way to guarantee the long-term

supply of wood from sustainably managed forests.

As a wood seller, I would like to see investments in forest industry remain in Finland, so there will be a market for my wood also in the future. Sustainably managed forestry has an enormous economic importance in Finland. M-real has been part of ensuring the existence of this industry and I think it has fulfilled its responsibilities well.

Business operations always carry risks. Some of these have unfortunately been realised at M-real. Therefore I wish for more accuracy for future decision-making. M-real's primary targets should relate to better profitability, and this would then ensure the continuity of my profession as well. Management by quarterly financial results does not fit well with forestry and forest management. My trees will grow anyhow and I hope this will be understood at M-real also in the future.



**Eva Edberg, operator,
M-real Husum, Sweden ■**

First and foremost, M-real as an employer must make sure that the workplace is safe and secure. The company has developed very well in this respect and I have seen huge improvements since I started

with the company in 1977.

It is also important to keep the work opportunities at our production units and this is why wise investments in production are needed for the future.

In large international companies such as M-real, the route to decision-making can be complicated and therefore it is important to try to make the decision-making process as short and easy as possible. People on the shop floor can then work

smoothly without having to wait for decisions to be made. Employers should also promote and support gender equality in the workplace and measures in that area have been taken at M-real, but more remains to be done.

**Wolfgang Bahmann,
Managing Director,
Field Rotopack, Germany ■**



Field Rotopack is a successful and innovative German folding carton company, producing packaging for the confectionery, high quality consumer goods and tobacco industries. Our focus is mainly on high quality and advanced packaging and therefore the board that we use must also be of a very high quality. It is of utmost importance to us that M-real is able to supply a sufficiently wide range of products to provide the right solution for every intended application.

We find that the M-real board products Nova X and Gala X meet our requirements especially for the confectionery industry, which requires very good sensory values, excellent whiteness on both sides and outstanding surface smoothness and gloss. These characteristics help to define how well the package is received by the customer.

As a board supplier, M-real must stay close to the market and know the requirements and demands of the branded goods packaging industry. In my opinion, M-real stands out for its innovativeness and its focus on consumer packaging, as well as its commitment to protect the environment.

March 2005, Podporożje, Russia



General Principles

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. Pulps are purchased both internally and externally.

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 so, 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.

Wood procurement reorganised ■

On 1 November 2005, the functions of Metsäliitto's two wood procurement organisations, the parent company Metsäliitto Cooperative and its subsidiary Thomesto Ltd., were merged. Operations have been organised into four geographical areas: Finland, European part of Russia, the Baltic countries and Western Europe.

The goal of the integration was to enhance the financial efficiency of wood procurement and to

simplify operational processes. The merger will also provide an opportunity to harmonise operations in various wood procurement regions.

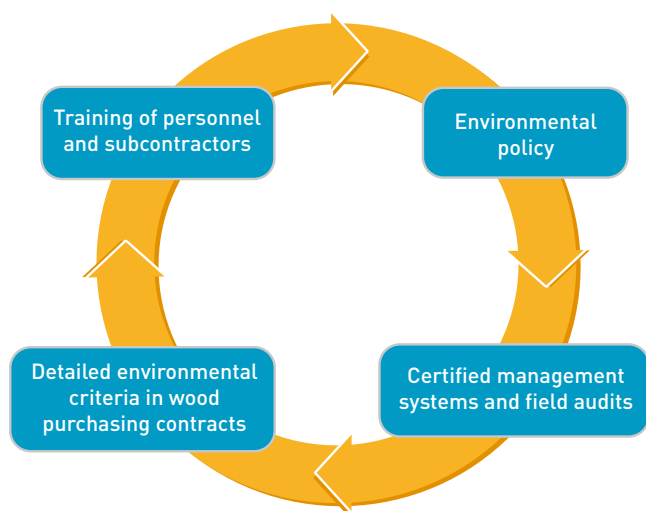
Advancing sustainable forestry ■

Metsäliitto's operations are guided by its environmental policy for wood procurement and forest management as well as by its principles of corporate responsibility. To ensure that wood procurement conforms to these principles, Metsäliitto has implemented quality and environmental management systems, including a wood origin tracking system. These 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. One of the key targets defined for operations in Finland was better protection of waterways. In 2005, performance was good, with 98 per cent of the sites audited by forest authorities being rated as excellent or good, while none of the sites was rated as poor (three per cent in 2004). In Russia, the targets included active participation in the development of a national forest certification standard. For example, one of Metsäliitto's local subsidiaries took part in testing the PEFC chain-of-custody.

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. Metsäliitto also provides its personnel and subcontractors with regular training on environmental issues and safety at work.

Ensuring that wood originates from legal sources is an important issue for Metsäliitto. For example, the company has contributed to the Europe and North Asia Forest Law Enforcement and Governance (ENA FLEG) process. When the CEPI Code of Conduct on legal logging was launched at the ENA FLEG Ministerial Conference in St. Petersburg in November 2005, Metsäliitto's wood origin management system was presented as an example of good voluntary company practices.





Metsäliitto also participates in the work of the World Business Council for Sustainable Development (WBCSD) on forest issues. For example, the company took part in a pilot project conducted by the WBCSD and WWF to develop the best practices for verifying the legal origins of wood raw material in Latvia. The project was completed in February 2005.

We know the origin of our 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. Some 51 per cent of the wood is consumed in Finland, which is also the largest procurement area. In Finland, the wood is mainly supplied by the members of Metsäliitto Cooperative. Comprising some 130 000 private forest owners, the Cooperative has its roots in small-scale family forestry.

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.

For example in Finland, 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 thus be identified when it arrives at the mill. The logging areas are marked on digital GIS (Geographic Information System) maps which are part of Metsäliitto’s information system. These maps, which also include information on protected sites such as key biotopes and historical monuments, are an invaluable tool in wood harvesting.

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 kind of forest information, including protected

Case study on social performance in Russia and the Baltic countries ■

A master’s thesis on the social performance of the operations of Metsäliitto’s subsidiaries and their wood suppliers was completed in winter 2005. The purpose was to find out how the company has taken social responsibility issues into account in its operations in the Baltic countries and in the European part of Russia, and what could be done to enhance the company’s performance in this respect. The study revealed that social responsibility is rather well considered in everyday operations. Most of the improvement proposals were related to the need for creating official CR policies throughout the supply chain.

Wood procurement to M-real mills by country*

	1 000 m ³
Finland	5 607
Sweden	2 214
Russia	1 422
France	1 333
Austria	828
Latvia	655
Germany	600
Estonia	237
Lithuania	192
Uruguay	89
Total	13 176

*Including wood delivered to Botnia mills (47% January–March, 39% April–December, 2005)
In addition, M-real’s share of exchange wood supplied by UPM contains 14 100 m³ of wood sourced from Estonia, Latvia, Lithuania, Sweden and the UK.

areas. They are of great assistance, for example, when planning logging site audits.

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. These requirements include, for example, compliance with local legislation. The validity of logging licenses is verified, while also checking that the subcontractor observes the conditions issued. The audits also focus on the quality of nature management and social issues, such as training of employees and safety at work.

In Russia, Metsäliitto audited suppliers who together delivered 70 per cent of the wood supplied to the Group's mills in Scandinavia. In the Baltic countries, the respective figure was 60 per cent.

When choosing its partners in Russia, Metsäliitto uses a wood supplier classification system which is based on the quality of operations and field audits. Preference is given to long-term partners with long forest leasing contracts, forestry operations of their own and evidence of sustainable forestry practices.

We support forest certification

Forest certification is a good tool for communicating sustainable forest management. Therefore

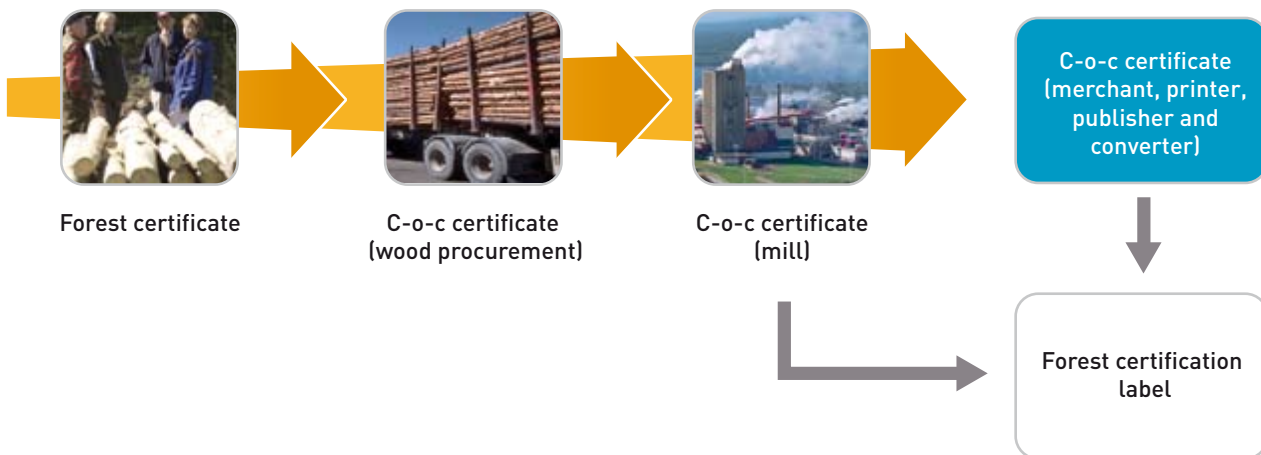
Tracing the origin of wood

Metsäliitto has a wood origin tracking system which is included in the company's certified ISO 9001 quality management and ISO 14001 environmental management systems. In most wood procurement countries, Metsäliitto's local wood procurement organisation has a certified chain-of-custody. This enables the company to indicate the share of certified wood in its deliveries.

Products made from wood originating from certified forests can be branded with a forest certification label, provided that the share of certified wood exceeds a specified percentage. Percentages vary depending on the certification scheme used. For a product label to be granted, three different certificates are required: one for forest certification, another for the wood procurement organisation's chain-of-custody and a third one for the mill's chain-of-custody.

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). The company also aims to introduce more labelled products.

M-real has established certified chains-of-custody (c-o-c) at all paperboard, magazine and fine paper mills



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, M-real continued its work on the introduction of chains-of-custody at the mills (see page 48). Meanwhile, Metsäliitto introduced new PEFC chains-of-custody in Estonia and Lithuania. New FSC chains-of-custody were introduced in Estonia, Lithuania and Sweden.

For more information, see www.metsaliitto.com

Deliveries of certified wood to M-real mills 2005*

Total share of certified wood, 63.4 per cent

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

*Including wood delivered to Botnia mills (47% January–March, 39% April–December, 2005) The figures indicate the share of wood, including imports, supplied with certified chain-of-custody.

Environmental management systems and chains-of-custody in Metsäliitto's wood supply operations

Country of origin	ISO 14001	Chain-of-custody
Austria	–	PEFC (2001)
Estonia	Certified 2005	PEFC (2005) and FSC (2005)
Finland	Certified 1997	FFCS/PEFC (2000)
France	Wood procurement part of M-real Alizay mill management system, certified 1999	PEFC (2003)
Germany	–	PEFC (2001)
Latvia	Covered by Metsäliitto's management system, certified 2003	PEFC (2003) and FSC (2002)
Lithuania	Covered by Metsäliitto's management system, certified 2003	PEFC (2005) and FSC (2005)
Russia	Covered by Metsäliitto's management system, certified 2003	–
Sweden	Certified 2003	PEFC (2003) and FSC (2005)

Integrated water research

■ Since 2001, M-real has been participating in innovative aquatic research in the Jyväskylä area of Finland. The joint venture is unique, bringing together representatives from the University of Jyväskylä, environmental authorities, local industry and municipalities. Instead of each party working on its own individual project, the combined group applies a common, integrated approach and focuses on a specific lake of interest to all parties.

The research centre's first project, in 2001, focused on Lake Jyväsjärvi and was followed by the Lake Päijänne project in 2004. Päijänne is the source of drinking water for Helsinki, Finland's capital city, and is therefore of particular importance.

M-real acts as a representative of local industry at the research centre and is also a co-financer together with other companies and municipalities in the area and the EU. Three of M-real's mills – Kangas and the two Äänekoski mills – are located near Lake Päijänne. M-real recognises the environmental responsibilities of its industrial operations, and cooperation with stakeholders also corresponds with M-real's principles of corporate responsibility.

"The benefits for all parties are obvious," says Ulla-Maija Kovanen, environmental and quality manager of M-real Kangas and Äänekoski and a board member of the project. "When different parties from various disciplines get together like this, it creates an innovative atmosphere and a more long-term approach."

The objectives of the ongoing project include the provision of information for follow-up and research on Lake Päijänne and other water systems; exploiting the large amounts of available environmental information; publishing research results and other information; and sharing new insights with experts and researchers.



Lake Jyväsjärvi, Jyväskylä, Finland

Today, the research centre continues to collect information about the status of Lake Päijänne, which will then form the basis of a lake restoration plan. All parties involved in the centre have access to all collected data and the latest information about the lakes and environmental impacts.

As part of the project, a raft-mounted measuring station on Lake Päijänne continuously monitors temperature, pressure, UV-light, weather parameters, conductivity, pH, turbidity, fluorescence and oxygen. The data is available for the university and other parties and also for the general public. It is published on the internet and updated automatically.

The unique research centre has contributed not only to improvements at Lake Jyväsjärvi but also to the development of new measuring and control systems. It has also increased the environmental consciousness of the public and its awareness of environmental problems.

www.jyu.fi/jyvasjarvi

May 2005, Husum, Sweden



Economic Performance and Indicators

M-real's impact on society

■ M-real's primary aim is to strengthen its position as one of the leading producers and suppliers of paper, board and packaging solutions in Europe. In its core business areas, the company also aims to be the first choice provider of high quality products and solutions. M-real's competitiveness in its core business areas is maintained and enhanced through continuous investments in customer benefits, including product quality, and in efficiency.

In 2005, M-real generated a turnover of 5.2 billion euros and employed nearly 15 200 people. Total production amounted to 4.8 million tonnes of paper and 1.1 million tonnes of paperboard.

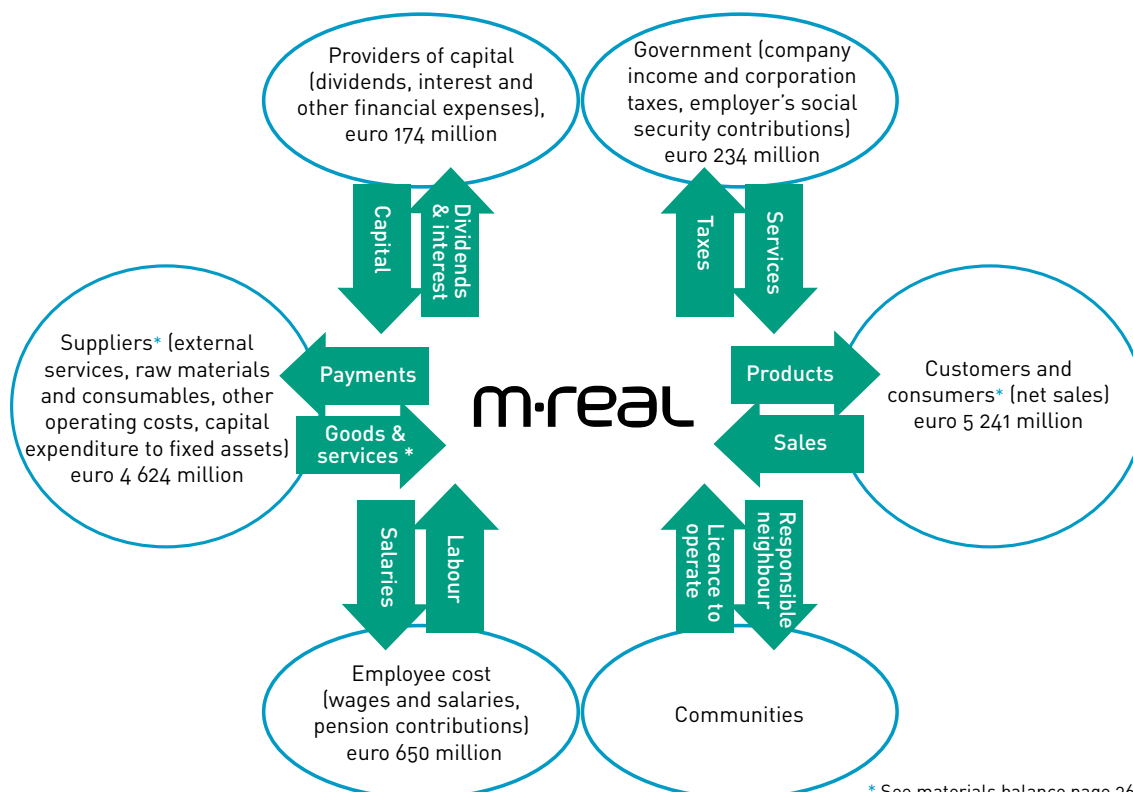
Long-term profitability ■

M-real's first and fundamental principle of economic responsibility is long-term profitability, which is a prerequisite for all of the other principles. Inevitably, a large industrial company such as M-real affects its surrounding society in many ways. The business activates supply chains, provides jobs, generates revenue for governments, and invests in capital projects and in developing

the knowledge and skills of its employees. M-real's raw material – wood – plays a significant role in maintaining the vitality of rural areas. In Finland, for example, one in every five families owns some forest land, often passed on between generations. Loggings are usually planned so as to ensure each generation receives a reasonable share of forest income.

Investments in the company (gross capital expenditure), which are essential to achieve and enhance long-term profitability, amounted to 452 million euros in 2005. Investments made in the important area of Research & Development (R&D) totalled 24 million euros. In 2005, patent applications totalled 19.

M-real's total expenditure also includes payments to employees and, through taxation, etc., to the surrounding society and communities. As indicated in the illustration, M-real impacts financially on many different areas of society. M-real's investments in goods and purchases from suppliers amounted to 4 624 million euros, of which external services accounted for 216 million



* See materials balance page 36



and raw materials and consumables 3 039 million euros. Raw materials include wood, chemical pulp, recovered paper, pigments, binders and purchased fuels and electricity (see materials balance on page 36). Capital expenditure on fixed assets amounted to 452 million euros.

In 2005, payments to M-real's providers of capital, i.e. M-real's shareholders, amounted to 39 million euros, and to financial institutions and other lenders 135 million euros.

Taxes are the most significant way for large companies such as M-real to contribute to the well-being of the societies in which they operate. Payments to government bodies, mainly in Europe, for company income and corporation taxes totalled 31 million euros and employer's social security contributions 206 million euro.

Wages and salaries paid to the company's employees amounted to 577 million euros, with an additional 73 million euros for pension contributions.

Areas of land owned by M-real are mainly industrial sites. In Finland, for example, M-real owns approximately 4 000 hectares of land, including the company's industrial sites, former sites where its operations have now been closed and land leased to other Metsäliitto Group companies.

Open and fair economic information ■

In accordance with its second economic principle, Open and fair economic information, M-real strives to provide regularly updated and easy-to-understand information about the company's business and financial status.

- The Annual Financial Report 2004 was published in English and Finnish, in conjunction with the Annual General Meeting held in March 2005.
- Quarterly financial reports were published on 4 February (fourth quarter 2004), 28 April, 29 July and 28 October 2005.
- Stock exchange announcements, interim reports, Annual Financial Reports, Financial reports, surveys and other relevant information are available in both English and Finnish on M-real's website.
- For more information and/or individual dialogue, contact investor.relations@m-real.com

Refraining from corruption and bribery ■

M-real's third economic principle of Corporate Responsibility, Refraining from corruption and bribery, is a prerequisite for any credible company and is also a fundamental principle in M-real's Code of Conduct. Confirmed by M-real's Corporate Executive Board on 16 August 2005, the Code sets out the company's common values and ethical principles.

For more than 15 years, M-real has continuously conveyed this principle to all employees. No accusations of such issues have been brought forward to M-real during 2005.

Corporate Governance ■

The fourth CR principle is corporate governance, which describes the duties of the various corporate bodies within M-real Corporation. The duties are determined according to the Finnish Companies Act and the Finnish Securities Market Act, as well as other relevant laws of Finland. The company, which is based in Espoo, Finland, also complies with the rules and recommendations of the Helsinki Stock Exchanges. However, the Corporation announces that it deviates from Recommendations clause 17, in which has been stated that the majority of all directors shall be independent.

M-real has been applying International Financial Reporting Standards (IFRS) since the beginning of 2005.

M-real's current organisational 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's business areas are: Consumer Packaging, Publishing, Commercial Printing and Office Papers.

Shareholders' Meeting			Auditors Internal Auditing External Auditing
Board of Directors			
Board Committees			
Financial and Audit Committee	Compensation Committee	Nomination Committee	
CEO			
Deputy CEO	Corporate Executive Board (CEB)		
Insider Guidelines			

of which 4 were telephone conferences. On average, the members of the Board attended 96 per cent of the meetings.

Chief Executive Officer (CEO)

The CEO is in charge of 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.

Roles and responsibilities ■

The decision-making bodies that are responsible for managing the company are the Board of Directors, the CEO and the Deputy CEO. The operations of the company are coordinated through the Corporate Executive Board (CEB).

Day-to-day operational responsibility, however, rests with the business areas' management and operation teams, supported by Corporate Strategy & Sales Services, Industrial Development & Resources and Map Merchant Group. Other supporting corporate-level functions are Finance, Control & Legal Affairs, Human Resources & Communications and Corporate Public Affairs.

Annual General Meeting (AGM).

The company's highest decision-making body is the AGM of the shareholders. The AGM is held before the end of June, on a day determined by the Board.

Board of Directors

The Board supervises the operations and management of M-real and decides on significant matters relating to strategy, investments, organisational structure and financing. The Board is responsible for overseeing management and for the proper organisation of company operations. It is likewise responsible for overseeing the proper supervision of accounting and control of financial matters.

The Board's work is supported through its Audit, Nomination, Compensation and Special committees.

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

Deputy Chief Executive Officer (Deputy CEO)

The Deputy CEO acts as deputy to the CEO. The current Deputy CEO is the head of the Publishing business area as well as Industrial Development & Resources.

Corporate Executive Board (CEB)

In managing M-real, the President and CEO is assisted by the Corporate Executive Board (CEB). The tasks and responsibilities of the CEB include the planning of investment and follow-up, preparation of strategic guidelines, allocation of resources, review of significant day-to-day operations and operational decisions, and preparations for Board meetings.

Auditors

The shareholders elect two auditors and two deputy auditors annually at the AGM, according to M-real's Article of Association. During 2005, the company's Auditors were Göran Lindell, Authorised Public Accountant and PricewaterhouseCoopers Oy.

Internal Auditing

M-real's Internal Auditing monitors the adequacy and efficiency of the company's systems, internal controls and accounting. The Annual plan for Internal Auditing is reviewed by the Audit Committee.

Risk management

- The main aim of the risk management process is to help M-real reach its set goals by regularly and systematically assessing and managing risks and by monitoring changes in the risk environment. Some risks, however, offer earning potential. M-real's aim is to take these risk-related opportunities into account and, when possible, take advantage of them after careful consideration. Risk management at M-real is part of the corporate governance and control system. Enterprise-wide risk management is integrated into the company's planning processes in the various business areas and support functions on a regular basis.

The Risk management department is responsible for developing the risk management process, coordinating the risk management work, conducting risk assessments and reporting on them. The Vice President for risk management reports to the Chief Financial Officer, who is also Chairman of the Risk Management Committee. The committee reports regularly to the Corporate Executive Board, the Audit Committee and the Board of Directors.

The core elements of risk management at M-real are:

- Implementation of the risk management process as a support for business operations
- Protection of property and the continuance of business operations
- Corporate security and its continuous development
- Crisis management and recovery plans.

These elements are interlinked; specialists and support functions work in close cooperation with risk management to manage the overall risk position and to secure business continuance and corporate security. Through corporate security, which includes the management of the various areas of enterprise security, M-real aims to secure the undisturbed continuance of its business by protecting its personnel, customers, property, intellectual property and business environment from harm, abuse and criminal activity.

Global insurance programmes cover the most common non-life risks. No significant losses exceeding current deductibles occurred during 2005.

Extended producer responsibility

- The Extended Producer Responsibility (EPR) approach to reducing waste volumes aims to make manufacturers of goods responsible for
 - reducing environmental impact from both the use and disposal of their products and, in doing so,
 - making use of recycling, recovered resources and reclaimed materials.

Recycling is a natural element in the life cycle of paper and paperboard products, and the market acceptance of recovered paper is well established.

EU systems for collecting and recycling paper ■

EU packaging legislation obliges all companies that use packaging for their products to participate in the establishment of collection systems. In EU-15 countries, the currently applied systems for recycling fibre-based packaging materials

already comply with the EU packaging directive, which was revised in 2004.

M-real participates in the collection and recycling of paper in many countries. In Finland, for example, the industry is required by law to recycle at least 75 per cent of all graphic papers. Paper recycling is carried out by Paperinkeräys Oy, a paper recovery company jointly owned by the major paper companies, including M-real.

During the labour dispute in Finnish paper mills in 2005, recovered paper had to be exported at a significant financial loss to M-real and other producers.

Safe consumer packaging

- M-real provides packaging materials and services for branded products such as food, health and beauty care, cigarettes and consumer durables throughout the world.

The company's product safety policy for boards and packaging papers is to:

- ensure that packaging boards and papers, if used as intended, are safe for people and the environment
- manage any risks related to hygiene and product safety throughout the supply chain, from the development of materials and solutions to manufacturing and distribution
- meet or exceed all legal requirements
- use raw materials of known origin only
- ensure the traceability of raw materials and finished products, especially for end use sectors with strict hygiene standards, such as food.

In line with this policy, the mills have established a hygiene management system, which includes HACCP (Hazard Analysis and Critical Control Points) and GMP (Good Manufacturing Practice). The system is verified through internal and external audits at the mills. To fulfil the requirements of GMP, the management systems applied at all

M-real mills have been certified according to ISO 9000 (quality management) and 14000 (environmental management).

M-real products intended for food packaging comply with the EU Framework Regulation 1935/2004, BfR recommendation XXXVI and FDA regulation 21 CFR, parts 170–189. To fulfil the labelling requirement of the EU regulation, all deliveries of packaging paper and board from M-real include a reference to a separate certificate on suitability for food contact.

Work is continuing at EU level to ensure the further development of safe materials used with food. M-real actively contributes to the preparation of new legislation at both national and EU levels and to related research projects.

Driven by tightening legislation regarding the use of chemicals, M-real has further increased its efforts to assess environmental, health and safety risks potentially related to raw materials. This includes future REACH (Registration, Evaluation and Authorisation of Chemicals) legislation as well as national implementations of the Council of Europe's Resolution for Paper and Board, ResAP(2002)1.

Responsible advertising

- M-real's advertising is conducted in compliance with the ICC (International Chamber of Commerce) International Code of Advertising Practice.

M-real employees in charge of advertising and other forms of marketing communications must ensure that all material and services purchased and implemented comply with the ICC code.

The Chairman of the Marketing Communications Board is responsible for monitoring compliance at Group level.

M-real's Marketing Communications Board makes the ultimate decisions on marketing communications and branding issues. Four regular board meetings were held in 2005.

Consistency builds the M-real brand

- M-real builds its brand through the consistently high quality products and services offered and delivered to its customers. The results are a more sustainable and cost-effective outcome than any effort to build the brand at corporate level.

M-real's business areas use commonly agreed M-real brand guidelines when promoting their branded products and services. Ensuring that brands are printed in a consistent way and that communications include relevant benefits for customers contributes to the desired perception of the company behind the products and services.

During the year, the implementation of M-real's brand strategy succeeded in accordance with the brand consistency action plan.

Benefit-driven messages, reflecting the company's true customer focus, are key to promoting the M-real brand. They are communicated in interesting and consistent, i.e. easily recognisable, ways and show how the products can help customers achieve faster, better and more profitable results.

M-real's messages, actions and visual identity are to be consistently implemented in communications to all interest groups. In 2006, the focus will increasingly be on internal communication. The aim is that all employees recognise the significance of the brand values and are committed to "living" them. This, in turn, creates synergies that are beneficial to M-real's customers and to the brand itself.

The persistent and systematic implementation of the chosen brand strategy will ultimately result in an even stronger corporate brand – a business asset that is essential to build more profitable and sustainable relations with customers as well as other interest groups.



M-real has produced four brochures which introduce its Galerie Paper support services, helping customers achieve high quality printing and converting results – efficiently and consistently.

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, when requested, creatively
- 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.

Commercialised innovative products ■

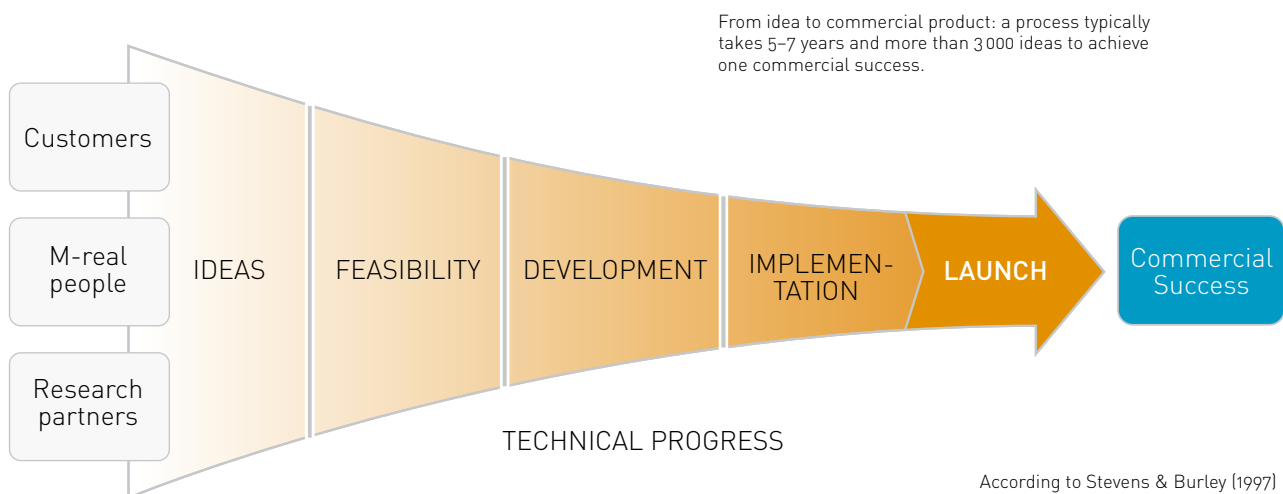
M-real's BCTMP pulps have higher brightness than other mechanical pulps and produce papers and boards with a higher bulk. This means that customers can save costs by using papers and boards in lower grammages without sacrificing printability. Using lighter papers and boards also saves raw materials and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

The world's first mill to be based on this technology was M-real's Joutseno BCTMP mill, which started up in 2001 with an annual capacity of 250 000 tonnes of pulp. Kaskinen and Joutseno mills use proprietary technology, for which the development team won the Finnish Engineering Award 2005.

Kaskinen mill has been the most visible evidence of M-real's BCTMP know-how. Achieving the maximum potential out of the BCTMP pulp in paper and board processes 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. M-real's coated Kemiart linerboard is a forerunner in high quality linerboards.

In total, M-real filed 19 new patent applications during 2005.



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 is colour management to support printers in maximising print quality and stability. To further enhance the development, M-real participated in the national Best Service research programme to exchange best practices in service business development.

Firstly, this mutually rewarding cooperation aims at understanding consumer preferences and thus direct M-real in developing products to precisely 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 for its customers.

Improved efficiency ■

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, fibres, energy and chemicals, and more efficient planning and operations.

For example, computer simulations are being used to estimate the optimal running parameters for the drying cylinders after a web break. Such simulations indicate clearly how much the steam pressure must be reduced to re-establish a stable product quality (moisture level) as fast as possible, once the web is running through the machine again.

A typical and important example of improving quality while reducing costs is the new precipitated



Jan Luiken Hemmes and Ulrich Kürten conducting a visual evaluation of offset print quality at TC Bergisch Gladbach, Germany.

calcium carbonate (PCC) on-site filler and pigment plant in Husum, owned by Imerys. The plant 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 Technology Centre in Örnsköldsvik, and within Imerys.

External networking and cooperation ■

One example of important networks for cooperation are NetCoat, Finland, which focuses on the surface properties of paper and board, and participation in several KCL and STFI (Finnish and Swedish Pulp and Paper Research Institutes) cluster programmes and projects.

M-real's cooperation with universities is also important. A good example of the fruitful link between the university and mill operations is the work on developing refiner segments and machinery for BCTMP processes. The academic work at Tampere University of Technology involved flow simulations and designing of the refiners. As an academic output, one PhD dissertation has been completed. The practical result is in full use at Joutseno and Kaskinen, yielding quality improvements and energy savings.

M-real Zanders' Reflex mill – progressing through cooperation

- M-real Zanders' Reflex produces 80 000 tonnes per year of premium papers and specialities in office and image papers, carbonless copy paper and digital imaging papers. The mill has 500 employees and is located in the town of Düren in Germany.

In 2005, M-real Zanders' Reflex mill returned to positive cash flow as a direct result of the mill's Task Force programme, carried out in cooperation between management and the Workers' Council. Measures were taken to tighten the management and sales structure and organisation, simplify processes, reduce overheads and other controllable costs, and improve production.

Long-term profitability, part of the company's economical responsibility, was the mill's primary purpose for the initiative. As part of the programme to make the mill even more fit for the future, management and the Workers' Council agreed on an action package to reduce the work force by 80 people by end 2005 and extend weekly working hours from 38 to 40 hours. The parties also agreed to postpone salary increases for one year and make it possible to use agency workers and flexible working arrangements. In return, M-real issued a guarantee that the mill would continue to operate for at least four more years if the mill's financial targets are achieved.

Heikki Husso, mill manager, was in charge of the development of the agreement: "Good cooperation with the Workers' Council was a major factor in our returning the Reflex mill to positive cash flow compared to 2004, and I wish to express my thanks."



A product with good potential for the future: digital printing paper from M-real Zanders' Reflex mill. Christoph Konek and Hans-Jürgen Draeger working on the sheeting line.

August 2005, Pont Sainte Maxence, France



Human Resources and Social Performance and Indicators

Human resources

- Skilled personnel that are keen on continuous improvement and innovation is the core success factor as M-real faces the challenges of global competition. 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.

Building a consistent corporate culture

For the past few years, M-real's employees have worked in a merged company environment where many different cultures are represented and a considerable amount of flexibility and adaptability is required. To assist in the integration of these corporate and national cultures, M-real defined a set of shared company values, Visions and Values (ViVa), which was rolled out through local training sessions two years ago. Since then, the local units have continued to adapt and implement more detailed ViVa plans.

Focusing on personal and business performance

Management Continuity Planning (MCP), a tool for the effective management of employees in key positions, was introduced during 2005. This planning tool includes an organisation overview,

identification of key positions, and succession and action plans. The main focus of the year was on senior management, management teams and key sales management.

A Corporate Executive Board (CEB) Talent Day was organised to review the performance and future potential of M-real's senior managers. In order to stimulate effective management and business performance, the annual incentive bonus schemes were modified to be more in line with business challenges and individual driving forces.

Performance review discussions are at the heart of M-real's performance management process. Known as Performance Makes the Difference (PMD), these uniformly formatted discussions are conducted annually with all managers and white collar employees. The process focuses on both individual and business performance and provides the opportunity to set clear and challenging goals, to review and plan personal development and

Personnel indicators 2003–2005

	2005	2004	2003
Turnover/employee (euro)*	336 402	331 129	296 700
Training days/employee	2.3	2.8	2.5
Training costs/employee (euro)**	454	543	476
Employee turnover rate (%)	7.0	4.5	8.3

* Figures include Botnia's personnel and accounts, see reporting principles page 47
 ** Excluding salaries/wages

Personnel country profiles

	Head count 31 Dec. *			Net employment creation 2005	Average age of employees 2005	Permanent employees (%) 2005	Male / female (%) 2005	Male / female (%) in managerial positions 2005
	2005	2004	2003					
Finland	4 488	4 912	5 835	-424	45.8	91	78/22	83/17
Germany	2 667	2 873	4 148	-206	43.8	98	88/12	90/10
United Kingdom	1 771	1 832	1 875	-61	43.3	99	83/17	86/14
Sweden	1 600	1 691	2 334	-91	46.3	96	81/19	86/14
Austria	864	872	871	-8	41.0	97	89/11	100/0
France	796	824	884	-28	42.1	96	83/17	64/36
Switzerland	555	570	577	-15	42.3	100	87/13	100/0
Hungary	522	543	575	-21	39.2	100	65/35	57/43
Belgium	396	392	407	4	39.4	100	75/25	92/8
The Netherlands	327	342	361	-15	43.6	100	72/28	88/12
Poland	180	169	795	11	38.0	93	51/49	63/38
Other Countries	988	940	974	48	39.4	98	54/46	72/28
Total	15 154	15 960	19 636	-806**	43.6	96	80/20	81/19

* Head count includes share of Botnia's employees (39% - 2005, 47% - 2004, 2003)
 ** Influence of acquisitions and divestments in 2005 is -374



to provide coaching. In 2005, the documented frequency of PMD discussions increased marginally to 80.5 per cent, which was 0.6 more than the previous year.

The M-real competency framework implementation was extended from the sales network to also include production. To support this, job requirements were defined for several paper production positions at the mills. Job profiles will be piloted at Äänekoski Paper mill in Finland. In conjunction with the PMD performance review process, the manager and employee will review the job profile, assess current skills and develop an individual training plan. Further evaluation of the concept of a corporate-wide competency and skills framework will be based on the pilot results.

The systematic development of the local HR units continued in 2005. The development is based on best practices and focuses on more effective and consistent HR processes, working procedures and tools.

Corporate level HR indicators were audited by an external auditor, along with data flows and calculation principles. The feedback was positive in terms of reliability and accuracy. Based on the audit results, some changes were made in data content and process instructions.

Supporting HR processes ■

M-real's human resources information management system, HUMA, provides a common tool for HR management and competence development. The data source is also used for HR reporting and storing internal contact information.

The usability, data content and reporting procedures of HUMA were developed further during the year. The system is used mainly by HR profession-

als. As the HR processes continue to be developed to meet business needs, the HUMA system will be extended and adapted. Short-term targets include the development of a tool for competence evaluation and facilitating managers' access to personnel information.

HUMA has already been implemented in several of M-real's production units, the sales network and the Map Merchant Group, as well as the respective Business Area (BA) headquarters and technology centres. The system is not yet introduced in production plants in France, Belgium and Hungary.

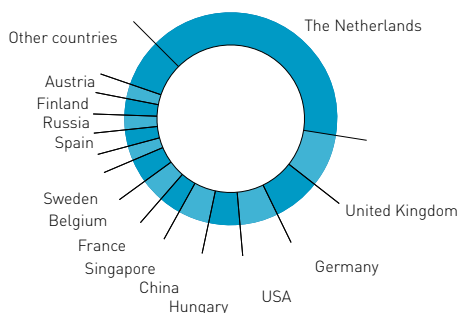
At the end of 2005, the total number of M-real Group employees was 15154, of which blue-collar workers accounted for 59.6 per cent. The overall average age was 43.6 years, ranging from 46.3 in Sweden to 38.0 in Poland. On average, employees have worked for the company for 15.8 years.

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.

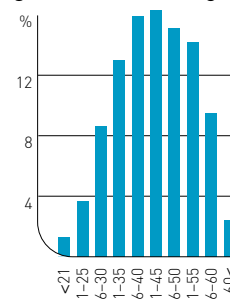
Labour dispute case ■

In the spring of 2005, the pulp and paper industry in Finland faced a seven-week labour dispute. The conflict derived from the employers' intention to enhance the competitiveness of the industry by eliminating certain productivity restrictions in the collective labour agreement.

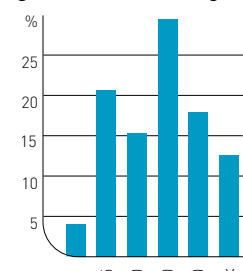
M-real international postings by target country



Age distribution 31 December 2005



Years served 31 December 2005



Developing competencies

- A vital part of M-real's competitive edge has always been innovative and committed people with the right know-how. To manage individual challenges, each employee's training and other development needs are identified and reviewed annually according to a harmonised Performance Makes the Difference (PMD) format.

M-institute Silva, Finland, is the Group's training and recruitment facility. It trains mill personnel for the professional skills that will be required from M-real's mill employees in the future. Aiming at flexible production and maintenance abilities, M-institute Silva's programme includes theoretical modules and practical shop-floor training.

Tools for personal development ■

M-real's corporate training programmes provide a range of tools for personal development. The M-real Learning concept has three main categories: Management Training (M-academy), Business Training and Paper & Board Technology Training.

- M-academy is designed for positions ranging from middle management to senior executives. The programmes are carried out in cooperation with leading management training institutes in Europe.
- M-real Business Training is targeted mainly at sales, marketing and customer service staff. Studies include general business subjects as well as specific courses that provide an in-depth understanding of customers' businesses and processes.
- Paper & Board Technology Training is a joint effort by the Finnish forest cluster, enabling engineering staff to further broaden and deepen their professional skills.

In late 2004 and early 2005, about 60 M-real executives participated in M-real's Executive Development Programme at IMD, one of Europe's leading business schools, and about 150 people from sales and customer service were involved in M-real's Business Training Programmes. The biggest effort in recent Business Training has been to enhance the understanding of how decisions can influence the company's financial results.



Committed personnel is a large asset for M-real, like Seija Ruuska and Helena Jäppinen, working at the M-real Äänekoski Paper mill.

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 also 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. The experiences and opinions of these trainees were reviewed after the 2004 and 2005 summer periods. The response rate was approximately 60 per cent. More than 80 per cent of the respondents reported that the summer job had fulfilled their expectations. Significant improvements were noticed regarding the trainees who had received information about specific assignments before being selected for the job. Conversely, the consequences of the strike and lockout period in the Finnish mills were also reflected in the results.

M-real's European Works Council and corporate responsibility



Stockholm, November 2005. Panel debate between M-real management and employee representatives.

- M-real's European Works Council (EWC) was established in 2000 to improve communications between management and employees throughout the organisation.

General meetings are organised twice a year and provide an active arena for a wide scope of fruitful discussions. The participating representatives, elected by fellow employees at the units, comprise around 25 individuals. They represent ten European countries, weighted according to the total number of employees in the respective country. One recurrent item on the agenda is a panel debate where M-real management responds to direct questions from the employee representatives.

During 2005, such general meetings were held in September and November, in Espoo and Stockholm respectively. A working committee meets four times a year and stays in touch with company management between these meetings.

According to Henry Heiniö, chairman of the EWC, the very existence of an active council is proof that the company takes its responsibility issues seriously. Emphasising that there is plenty of room for improvement, he says that he is still satisfied with the insight demonstrated by M-real's management.

"EWC is a very important forum for discussing a range of issues that are vital to the employees. The meetings and the communications between us get better all the time," he says.

Holiday resort foundation ■

One of the issues decided upon in the EWC is the M-real Holiday Resort Foundation. Originally an all-Swedish affair, it is now equally available to all M-real employees. This means that employees at the production units in Austria, Belgium, Finland, France, Germany, Hungary, Switzerland and the UK and sales personnel worldwide also have access to an attractive choice of holiday facilities in Sweden, either on the coast, at a ski resort in the mountains or in the heart of Stockholm. Employees can rent the facilities at a very favourable rate, and the plan is to extend the offer to include apartments in other European capitals.

The foundation was established more than 40 years ago, providing a widely appreciated benefit for the company's employees in Sweden.

In 2006, a special team will be established to further develop this unique, now company-wide opportunity for M-real's employees to expand their holiday options.

Occupational safety and well-being

■ M-real's corporate policy on occupational safety and well-being was approved by the Corporate Executive Board in December 2004 (see page 4). The primary target of the policy was the recognition of best practices and potential improvements at M-real. Its implementation has resulted in an increased exchange of information between the mills, other units and the corporate headquarters through the country coordinator network (see photo).

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

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

LTA is a reactive indicator that reflects past safety history, whereas near miss incident reports act proactively in finding areas for improvement before any accident happens. At corporate level, LTA per million worked hours for 2005 was 15.5, which was 18 per cent lower than in 2004. Including only production units, a similar 18 per cent reduction in LTAs was achieved (23.1 to 19.0 per million worked hours). These results clearly meet the short-term corporate target, which is to reduce 10 per cent of disabling work accidents annually. The total number of near miss incidents reported in production units was 2335, which was 48 per cent more than in 2004.

In 2005, the total number of days lost as a result of occupational accidents was 6240, which is equivalent to a 0.2 per cent loss in potential total work time. The severity of work accidents is reflected by LD, which at corporate level was 244 days per million worked hours in 2005. This included disabilities lasting for less than one year. In 2004, the corresponding figure was 303 (including also disabilities lasting longer than one year).



The occupational safety and well-being network: Jari Haijanen, Hannu Pursio, Andrew Wooler, Kari-Pekka Martimo, Timo Kurki, Maarten Brakel, Raoul Gessenich, Carina Larsson and Thierry Nail (left to right).

Absence caused by diseases and accidents outside work was 4.4 per cent of potential total work time. The total absence rate due to all accidents and diseases in 2005 was 4.6 per cent, which was 8 per cent less than in 2004. Statistics on occupational safety and health cover 99 per cent of all M-real employees.

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, annual occupational safety and health audits were initiated by the country coordinators at the end of the year. Work accidents that did not cause disability but required medical care or were managed onsite are also recorded and included in internal communications. Accidents are graded according to the duration of disability. Any disability exceeding one month is categorised as severe.

The most severe accidents may lead to permanent disability pension if the company is unable to offer accommodated work i.e. alternative work that makes use of the employee's remaining capabilities. The number of permanent disability pensions is monitored continually as part of our internal safety work.

The overall trend in occupational safety and health was very positive in 2005 but sadly, two very unfortunate fatal accidents occurred during 2005. The first occurred in August at Hangö Stevedoring, a Finnish company owned by M-real. At an aisle crossing inside a paper warehouse, a clamp truck accidentally hit a tally clerk, with fatal consequences. The other fatal accident happened in poor weather conditions in December, when an employee of Map Latvia was involved in a car accident while on a business trip.

The analysis of the circumstances of the accidents and information about the corrective actions were distributed to all mills in order to encourage enhanced risk assessment and internal and external traffic safety. Similar actions were also taken regarding other potentially dangerous situations at M-real's mills.

The implementation of the corporate policy on occupational safety and well-being has clearly promoted and accelerated safety work within M-real. One future challenge is to also manage the issues related to 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.

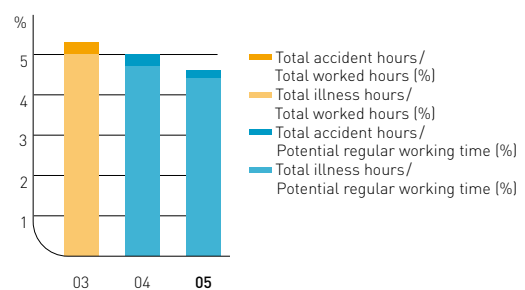


Proper management of work-related hazards, disturbances and non-conformities contributes to better safety, health and well-being at work.

Occupational safety and well-being 2003–2005

	2005	2004	2003
Sickness absenteeism (%)	4.4	4.7	5.0
Work injury absenteeism (%)	0.2	0.3	0.3
Lost time accident frequency rate (per million worked hours)	15.5	18.9	18.7
Lost day frequency rate (per million worked hours)	244	303	323
Reported near misses (per 100 employees, production units only)	20.5	13.0	10.0

Sickness and work injury absenteeism 2003–2005



Alternative Work programme at M-real Biberist

- Disability related to illnesses and accidents causes individual suffering and increased personnel costs. Therefore, efforts to manage disability have been taken at many M-real mills. The main aim of these activities is to reduce sickness absence by adapting work and the work environment to meet individual capabilities. The arrangements can be made on a temporary or permanent basis.

M-real Biberist, which is located in Switzerland and has 600 employees, produces woodfree coated fine papers for the graphics arts industry, as well as woodfree uncoated preprint paper for office,

preprint and offset applications. In December 2001, the mill initiated an Alternative Work programme aiming to reintegrate employees who are not fully fit for their previous work due to illness or accident and, where possible, to reinstate them in their former roles. The mill's programme has helped more than 90 employees return to their previous work. Prior to the return to work, the programme also includes visits to the employee's home and regular updates of the working situation by colleagues, ensuring that the employee is happy and hopeful about returning to work at the mill.

Michael Jasker had worked as a forklift truck driver at M-real Biberist for twelve years. Having suffered a serious accident, he was no longer fit for his current job. Through the programme, he was offered the job of checking that all loads have been secured correctly, prior to departure. Today, Michael Jasker is fully reintegrated into the company with his new job. "I feel great now, and I am grateful that I have been given this opportunity."

As well as helping the employee – and providing the opportunity for the company to fulfil its social responsibilities, the programme has the ability to reduce time off and to stabilise and reduce insurance premiums. People participating in this programme gain a better insight into the activities of other departments and fields and an expanded

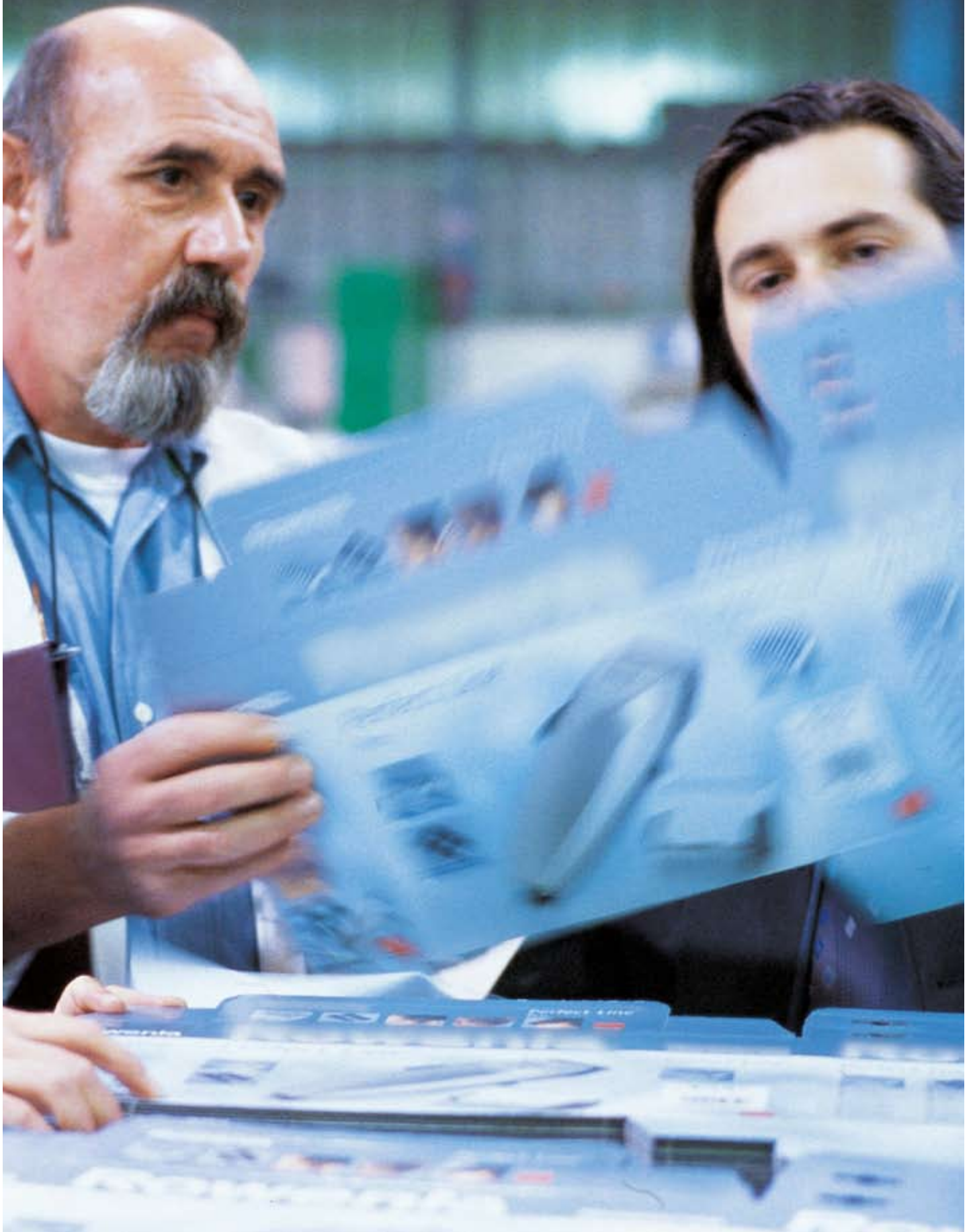


Michael Jasker's new duties involve checking that each driver has correctly secured his load. He uses a specially designed vehicle to help him get to the HGVs in question.

knowledge of the company. Their new work also helps them identify and achieve their potential.

The programme is continuously monitored by medical personnel, and participants receive the active support of their colleagues, which helps to maintain a productive social environment.

September 2005, Petöfi, Hungary



Environmental performance 2005

- M-real's environmental policy is based on company values. It is jointly implemented by the production units and business areas in conjunction with the relevant corporate functions. M-real's environmental performance is continually improved by setting development targets and projects both at corporate level and mill level. Progress is monitored and reported regularly. The mills are responsible for setting their own numerical emission targets, which are dependent on local conditions and requirements. Production units report quarterly on their emissions and discharges to the corporate level. Further relevant environmental incidents and the progress of investments and permit processes are reported monthly.

M-real works continuously on reducing CO₂ emissions by improving process energy efficiency; maximising the use of CO₂-neutral fuels, such as biomass and waste, in on-site energy generation; maximising on-site combined heat and power electricity generation; and purchasing CO₂-neutral heat and electricity. Corporate level energy efficiency improvement targets have been set and mill specific targets will be defined during 2006. 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.

M-real is prepared for the implementation of the new EU chemicals regulation, REACH, which is likely to take place in mid 2007. The company does not produce any of the chemicals specified by REACH but as a user of chemicals, it will need to cooperate actively with its suppliers and train its personnel.

The company has environmental liabilities at former mill sites. The most demanding and expensive remediation project – at Kolho impregnation plant – was completed in 2005. The contaminated soil was removed and isolated in a special landfill area, together with contaminated soil from three sawmills. Most of M-real's production units also completed their ground condition surveys in 2005. Contaminated soil that will need to be managed was found in four mill areas.



Nearly all of M-real's 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.

The environmental technology used at M-real's mills has already reduced emissions to low levels and no major breakthroughs are expected in the near future. To keep emissions at low, stable levels, systematic procedures for controlling and managing incidents and accidental releases are needed. A Best Practice procedure was defined in 2005 and will be implemented at M-real mills in 2006.

All of M-real mills are ISO 14001 certified and some are also EMAS registered. Kaskinen BCTMP mill, which started up in mid 2005, is the second mill to use evaporation technology, developed by M-real, in process water treatment. More information on M-real's mill improvements and emissions and energy efficiency in 2005 can be found on pages 34–35 and 38–41 of this report.

Customer feedback

- 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, with environmental topics varying according to local environmental and political conditions.

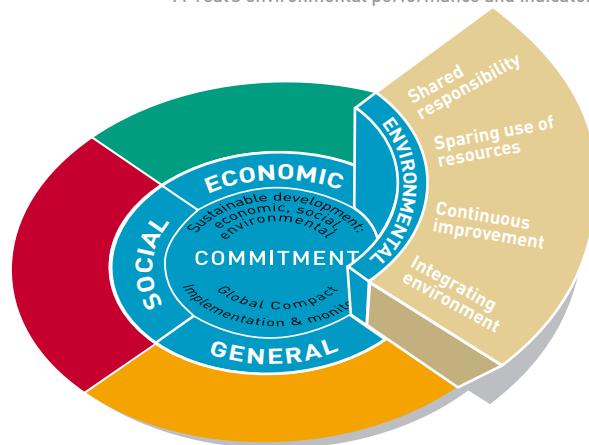
Forest-related matters have been the main topic during the last few years, including 2005. Most customer questions and concerns were related to wood origin and forest certification issues. Public interest in these issues has escalated as a result of increased media attention and campaigns initiated by environmental non-governmental organisations. Furthermore, many EU countries are revising the purchasing policies of their public sector bodies and governmental organisations according to the EU Public Procurement Directives adopted in 2004. Private sector customers e.g. publishers, packaging end users and office products companies have also revised their purchasing policies and now need environmental information on the supply chain of products purchased.

M-real's method of reporting on wood origin has been highly appreciated by customers and their feedback has been encouraging. Since 2004, wood origin information has been available in the supplementary pages of M-real's environmental product declarations, Paper Profiles, on M-real's website. Published data includes the origin of all wood used in a product, the proportion of certified wood and the certification systems applied.

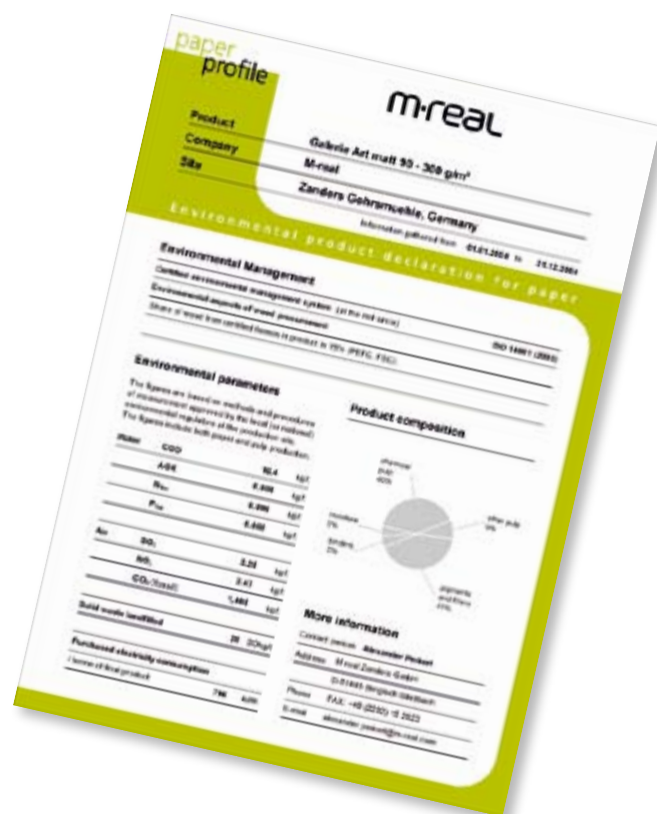
Customers, especially merchants, have certified chains-of-custody and they have started to use forest certification labels on products sold by them. This trend appears to be increasing. In response to customers' labelling requests, M-real has implemented certified chains-of-custody at its mills.

The largest share of certified wood available to M-real is PEFC-certified. The mills' chains-of-custody are therefore mainly based on this scheme. Some of the mills have also an FSC certified chain-of-custody. In the future, some of M-real's products will carry forest certification labels. During the autumn of 2005, to further improve customer service regarding these issues, M-real trained over 800 people in its sales offices and mills.

In recent years, the number of questionnaires received from customers requiring very detailed



environmental information has increased rapidly, and will continue to grow. Many of these are from publishers, office products companies and packaging end-users. These questionnaires always include forest issues. Other topics of interest are environmental management systems, pulp bleaching methods, recycled fibre content of products and product safety issues. Paper Profiles were requested by nearly all customers and most frequently by merchants and publishers. Today, environmental presentations are very often a standard item on the agenda for customer meetings and seminars.



Mill improvements 2005

- Although no major environmental investments were made at M-real's mills during 2005, improvements in efficiency 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 good performance also in 2005.

Energy efficiency ■

Energy efficiency reviews were completed at Tako Board pulp mill and initiated at Alizay and Joutseno BCTMP mills during the year. Feasible improvements were identified and will be implemented in 2006. By the end of 2007, all M-real mills will have conducted energy efficiency reviews in accordance with Metsäliitto's new group-wide Energy Efficiency Optimisation project.

Kemiart Liners mill made modifications to its board machine, enabling it to use low pressure steam in the first part of the drying section. A reduction in high pressure steam usage resulted in significant energy savings. At Tako Board's pulp mill, old vacuum-pumps in the drying machine 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. The recovered heat will be used to heat the mill's process water.

Recovery and recycling of materials ■

Hallein and Gohrsmühle mills installed new reject-processing equipment for more efficient recovery of materials. Hallein's new system is expected to recover about 5 tonnes a day of fibre, fillers and pigments back to paper production. At Gohrsmühle, the recovery rate is about 8 tonnes per day. As a result of several process modifications and installations, Reflex reduced the amount of process water and residual solids from paper machines 3 and 5 by about 30 per cent. Husum was able to



Salla Leskinen, Operation Supervisor of the effluent and water treatment systems at M-real Kirkniemi, is responsible for the control of emissions and odours from the effluent treatment plant.

reduce the amount of coating colour concentrate that had to be landfilled by up to 95 per cent by making adjustments in the coating process.

Waste management, reuse and recycling ■

Petőfi carton plant changed the liquids and cloths used for cleaning its offset printing machines. The new products can be cleaned and reused instead of being discarded. These improvements have considerably reduced the amount of waste from the printing process. Husum has recently found new uses for its production waste. Within the past two years, almost 150 000 tonnes of sludge, ash and lime mud have been removed from the mill's landfill, treated and reused in upgraded products. Fibre sludge and ash are used as soil amendment and lime mud is used in road construction and other industrial processes.

Emissions to air ■

The pulp mill at Alizay has been testing "electronic noses" for measuring pulp production odours. This is the first time that such equipment has been used in industrial conditions in France. Husum installed new scrubbing equipment for chlorine dioxide emissions from the pulp mill. The performance of the new equipment has been excellent, achieving a reduction rate of up to 100 per cent.

Kyro Board improved odour control at the mill's effluent treatment plant. Upgraded sludge handling and covering of discharge channels from the primary clarifier are expected to further reduce occasional smells from the plant. Kirkniemi is participating in a large research project investigating the source, formation and reduction of odours from forest industry effluent treatment systems. The final results are expected by the end of year 2006.

Noise ■

Kyro Board continued its noise reduction programme at the mill's wood conveyor. Installations, some of which have been very challenging, are expected to be completed by the end of 2006. Hallein insulated a noisy 13-bar steam pipeline at its paper mill, built noise barriers around the wood yard and carried out maintenance work on the sound dampers of the paper machine. Kirkniemi completed an extensive noise reduction project which included more than 20 installations.

Managing environmental risks ■

Kangas finalised an extensive risk management programme in 2005, including almost 100 potential risk areas in all parts of the production process. The programme was based on an accidental release risk analysis which was prepared at the mill in 2003 and which was awarded "Best Masters Thesis in environmental sciences" by the University of Jyväskylä.

Kirkniemi installed new flow measurements and sampling systems in the mill's process water channels. The target is to enhance the control of waste water emissions from different mill departments. Stockstadt started regular internal audits of workshops and other areas used by outside contractors working on the mill site.

Distinctions ■

New Thames and Sittingbourne mills received a National European Eco-management and Audit Scheme (EMAS) award for large organisations. The competition was arranged by the European Commission. The key to being awarded this distinction was the product declaration Paper Profile, which is part of the mill's EMAS system. The jury of experts considered Paper Profile to be an innovative tool, giving the customer access to all environmental aspects relating to the products.

Soil surveys ■

During the past two years, all M-real pulp and paper mills have conducted surveys, inspecting their sites for possible soil contamination. The aim was to gain a comprehensive overview of contaminated areas and the risks that any such contaminations might cause to the environment and to human health. The financial consequences of contaminated soil for individual mills and the entire Group were also analysed.

At most sites, the surveys revealed either no or only slight contamination and therefore no health or environmental risks. Some sites would require special attention in the case of new construction. Main causes of contamination were found to be old chemical spills and landfill operations.

Four mills found areas with significant contamination levels requiring further inspections, monitoring or remediation. Action plans have been made for all these sites, including treatment options, cost estimates and time schedule.

Materials balance

■ M-real's materials balance illustrates the material and energy flows to and from the company. Materials balance calculation limits are explained in Reporting principles, pages 46–47.

The main material flow to M-real is wood, as M-real produces a major portion of the pulp used by its own paper and board mills. The share of recovered paper is low, which indicates the quality requirements of the paper grades produced by the company. Pigments such as kaolin and calcium carbonate are used as fillers and coating materials in papermaking. The binders bind the filler and coating particles to the pulp fibres and to each other. They are starches obtained from potato or corn, latexes, resin glues from the chemical pulping process and carboxymethylcellulose made from chemical pulp.

Energy is obtained by burning various fuels at in-house power plants, as well as from purchased

electricity and heat. Major fuels are wood-based fuels and natural gas. The main wood-based fuels are the non-fibre part of the wood, separated as black liquor from fibres in the chemical pulping process, and bark. To avoid double counting in the balance, the fuel figure does not include wood-based fuel originating from wood raw materials. Almost all purchased heat and some of the purchased electricity are produced on-site. Because production is not consolidated, they are regarded as inputs in the balance.

The materials balance only includes the carbon dioxide originating from burning fossil fuels.

Production figures do not include the production of integrated mechanical pulp. This pulp is produced by M-real and is tightly integrated with paper production at the same mill. Unlike chemical pulp and BCTMP production, integrated mechanical pulp is not sold outside the mill.

Emissions into air (t)	
- Particulates	1 148
- Carbon dioxide (CO ₂)	2 259 303
- Sulphur (as SO ₂)	3 923
- Nitrogen oxides (as NO ₂)	6 793



Raw materials	
- Wood (1 000 m ³)	13 176
- Chemical pulp (1 000 t)	846
- Recovered paper (1 000 t)	175
- Pigments (1 000 t)	1 471
- Binders (1 000 t)	241
Energy	
- Fuel, excluding wood-based (GWh)	10 060
- Electricity (GWh)	3 153
- Heat (GWh)	1 180
Process water (1 000 m³)	173 608

Production (1 000 t)	
- Chemical pulp and CTMP	2 523
- Paper	4 069
- Board	964
- Sales by merchants	1 362

Discharges into water (t)	
- Chemical oxygen demand (COD)	40 142
- Biological oxygen demand (BOD)	2 072
- Phosphorus	106
- Nitrogen	678
- Total suspended solids	3 797
Waste (t)	
- Landfill waste	40 604
- Hazardous waste	2 064

Transportation

- Transport is a significant phase in any product's lifecycle, especially when buyers and suppliers are far away from each other.

M-real carries out very little transport work of its own. Transport services are purchased and organised for paper and paperboard deliveries to customers. The transport of raw materials to the mills is provided by the respective suppliers.

M-real's main market is continental Europe. Products are usually shipped from the company's Nordic mills to mainland Europe and the UK by sea to regional entry ports. Approximately one-quarter of the products are exported to overseas markets such as North America, Southeast Asia and Australia.

Modern sea carriers and increasing rail share ■

M-real uses modern ships 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 below 1.5 per cent, which meets the requirements set by the EU for this area.

For land transportation, the aim is to choose rail freight services 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. Due to increasing traffic congestion in continental Europe, M-real is also considering the use of this method for deliveries from mills in Finland and Sweden.

Most of the company's suppliers of logistic services have certified environmental management systems (e.g. ISO 14001) and also Health & Safety programmes.

Cargo lashing and securing ■

Proper lashing and securing of cargo is very important. M-real actively participates in the development and harmonising of a Europe-wide standard for cargo lashing and securing and in the creation of "Best Practice Guidelines" for cargo securing.

Transports 2005

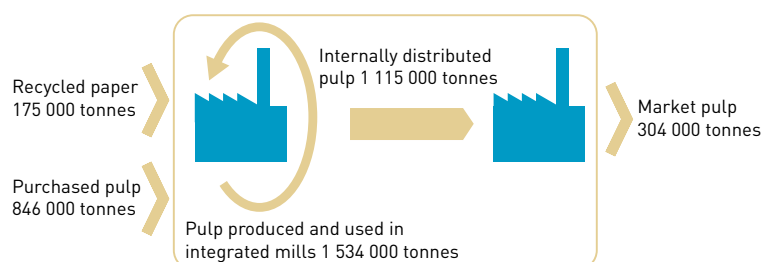
	Average distance km	Volume 1 000 tonne	Transport work Mtkm
Products*	4 200	5 000	21 100
Wood	350	10 800	3 700
Purchased pulp	3 100	1 800	5 600
Pigments	2 200	1 500	3 200
Fuels**	2 000	900	1 800

* Transported internal chemical pulp counted as purchased pulp

** Wood not included

Pulp

- M-real consumes 3.5 million tonnes of various types of pulp per year, with chemical pulp accounting for some 80 per cent of the total. Of M-real's mills that produce pulp, paper or board, 8 are integrated chemical/mechanical pulp and paper mills and 2 produce only pulp. One of M-real's mills produces recycled pulp in its deinking plant.



Botnia, a major supplier of pulp to the company, is 39 per cent owned by M-real (47 per cent from January to April 2005). The mill table on pages 48–49 and the data in the Pulps graph below therefore include an equivalent proportion of Botnia's figures. M-real also purchases pulp from other suppliers.

Pulp suppliers are required to report annually on their environmental performance, including information about wood origin and chain-of-custody management systems.

The bleaching processes used by M-real's pulp mills are elemental chlorine-free (ECF) or totally chlorine-free (TCF). No chlorine gas is used. From an environmental point of view, the differences between these processes are very small.

Energy efficiency

Effective from the beginning of 2005, M-real has made the transition from Finnish Accounting Standards (FAS) to International Financial Reporting Standards (IFRS). This resulted in some changes in the consolidation principles regarding local, externally-owned energy production. Environmental calculation has been curtailed to follow the new consolidation definition.

The change in reporting standards moved some of the local energy production outside the calculation limit. That energy is now regarded as purchased heat and electricity. The alteration decreased the calculated fuel consumption by 5.9 per cent and increased purchased energy by 21 per cent.

In the following, the 2005 results are compared to the figures for 2004, recalculated according to the new consolidation definition and thus directly comparable.

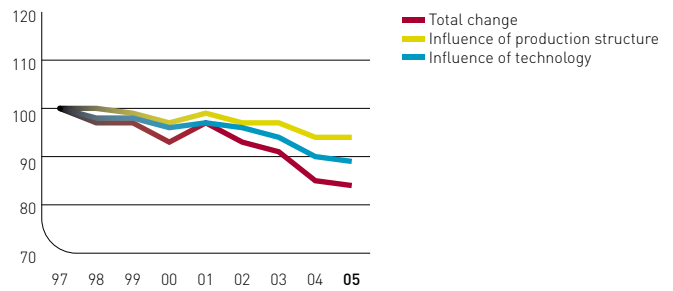
In 2005, M-real's Total Energy usage decreased by 7.9 per cent in comparison with 2004. During the same period, production decreased by 6.3 per cent. The divestment of Savon Sellu decreased the Total Energy usage according to its share of the production (-2.8 per cent) and therefore did not change the energy intensity of the company. The decrease in ownership of Botnia from 47 per cent to 39 per cent in April changed the company's structure, decreasing the company's wood-based fuel use by 2.4 per cent. Its influence on the energy intensity was small (-0.7 per cent).

As a whole, the changes in the company's production structure decreased the use of wood-based fuel by 5.0 per cent and increased purchased energy by 5.6 per cent. These changes are mainly explained by the labour dispute at the mills in Finland during the summer. The dispute reduced production at all Finnish mills but by more than

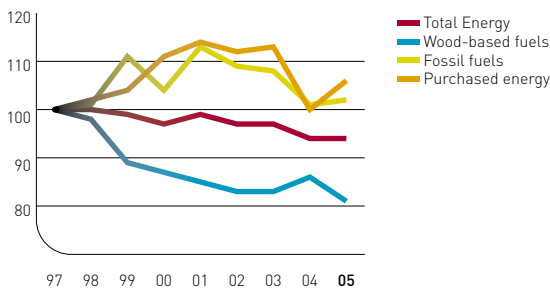
Total Energy, fuel used, 2001–2005

	2005 GWh/a	2005 %	2003 %	2001 %
Wood-based	14 732	45	48	45
Natural gas	7 950	24	22	21
Coal	3 840	12	9	10
Nuclear power	2 688	8	8	9
Hydropower	1 948	6	6	6
Oil	1 077	3	3	5
Peat	379	1	4	3
Total	32 615			

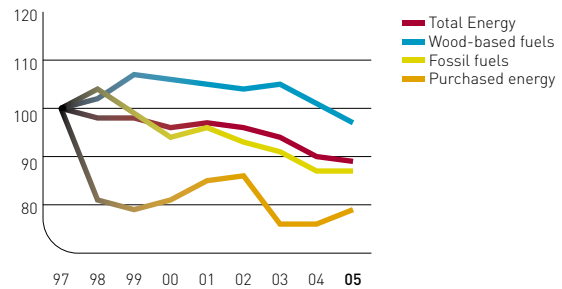
Total Energy per tonne of production 1997–2005



The influence of production structure on Total Energy 1997–2005



The influence of technology on Total Energy 1997–2005



average at the pulp mills, due to the longer time needed to close down and re-start production.

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

Wood-based fuels accounted for 45 per cent of Total Energy (48 per cent in 2004). The share of wood-based fuels decreased to 60 per cent of all fuels used (63 percent in 2004). Natural gas was the most important fossil fuel (26 per cent of all fuels used).

Energy production

Consolidated energy production accounted for 69 per cent of energy consumed (72 per cent in 2004). Energy production efficiency increased to 0.37 (on exergy basis, 0.36 in 2004). Energy production decreased by 9.6 per cent, while the use of fuels decreased by 12 per cent. Better efficiency reduced

the fuel need by 1.6 per cent. Carbon dioxide emissions decreased by 7.4 per cent. The effect of better energy production efficiency was -1.0 per cent, reduced share of wood-based fuels +3.6 per cent and the change of fossil fuel distribution -0.3 per cent.

Energy efficiency of processes

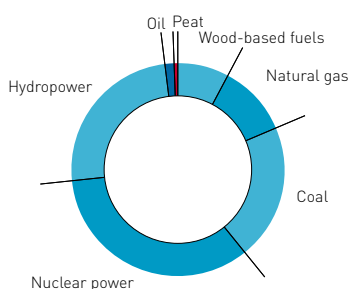
Energy consumption of production processes decreased by 6.6 per cent. This is mainly explained by 6.3 per cent lower production. Better energy efficiency of production processes at mill level reduced energy consumption by 0.2 per cent and carbon dioxide emissions by as much as 1.0 per cent because these efforts to improve energy efficiency were concentrated on mills with higher than average carbon dioxide emissions per tonne of production.

Change in energy usage 2004–2005

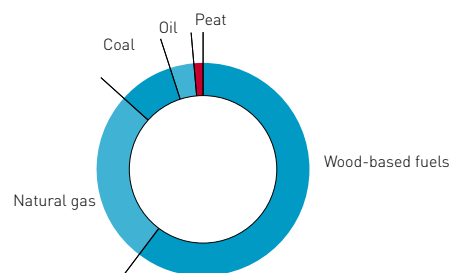
	2005 GWh/a	2005 MWh/t	Total change*	Volume change %	Structural change %	Technology change %	2004 GWh/a	2004 MWh/t
Use of wood-based fuels	14 101	1.9	-15.2	-6.3	-5.0	-3.9	16 637	2.1
Use of fossil fuels	9 244	1.2	-5.7	-6.3	1.0	-0.4	9 800	1.2
Purchased electricity	3 153	0.4	-2.3	-6.3	4.0	0.0	3 227	0.4
Purchased heat	1 180	0.2	51.8	-6.3	19.7	38.4	777	0.1
Total energy	32 615	4.3	-7.9	-6.3	-0.7	-0.9	35 419	4.4

* Total change of energy usage = production volume change + production structure change + technological change

Purchased electricity 2005



On-site fuels used 2005



Emissions

■ Environmental calculations have been revised in line with the new consolidation definition (see Energy efficiency on page 38). This alteration decreased calculated Total Emissions by 3.1 per cent, greenhouse emissions by 9.9 per cent, acidification emissions by 3.5 per cent and emissions causing eutrophication by 1.1 per cent.

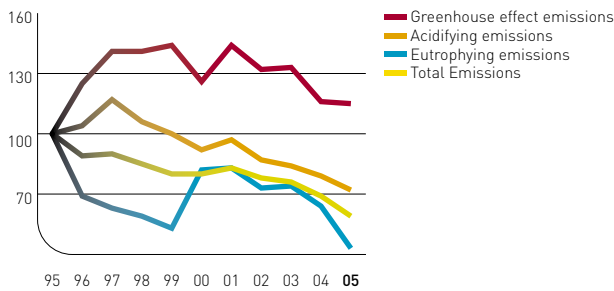
In comparison with the comparable previous year, Total Emissions decreased by 21 per cent while production decreased by 6.3 per cent. The

reduction in Total Emissions was mainly due to reductions in chemical oxygen demand (–6.1 per cent effect on Total emissions), nitrogen oxides (–3.3 per cent) and sulphur (–2.1 per cent).

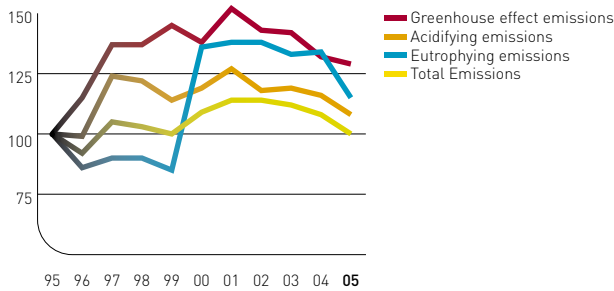
The divestment of Savon Sella in January 2005 decreased Total Emissions by 6.2 per cent, greenhouse effect by 4.5 per cent, acidification by 7.5 per cent, emissions causing eutrophication by 9.2 per cent and waste water nitrogen by as much as 26 per cent. Its effect on production was only –2.8 per cent. M-real's share of Botnia was decreased from 47 per cent to 39 per cent in April 2005. Its effect on Total Emissions was –2.2 per cent and production –1.5 per cent.

In comparison with the comparable 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.

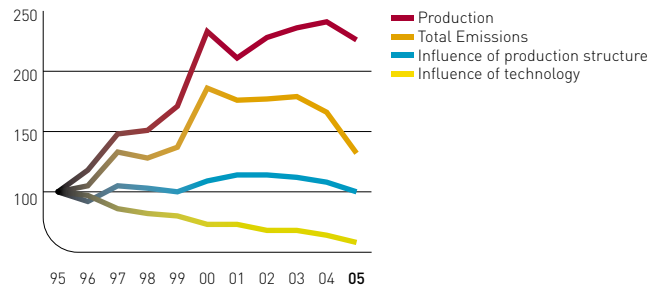
Total Emissions per tonne of production 1995–2005



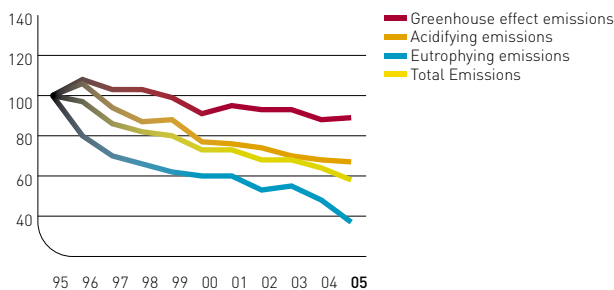
Influence of production structure 1995–2005



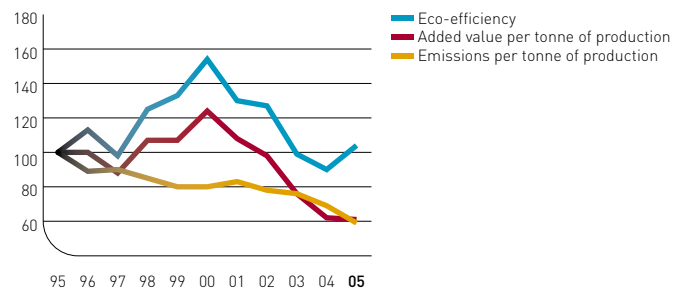
Total Emissions 1995–2005



Influence of technology 1995–2005



Eco-efficiency 1995–2005



Greenhouse effect ■

Carbon dioxide emissions decreased by 7.4 per cent. The reasons for this change include reduced production (–6.3 per cent) and the structural change resulting from the divestment of Savon Sellu (–1.7 per cent). At mill level, carbon dioxide emissions per tonne of production remained about the same as the previous year (+0.7 per cent).

The effect of enhanced energy efficiency in paper production was –1.0 per cent and better efficiency in energy production correspondingly –1.0 per cent. The decreased share of wood-based fuels, however, counterbalanced this development by increasing CO₂ emissions by 3.6 per cent.

Acidification ■

Acidification emissions decreased by 14 per cent. Reduced production (–6.3 per cent) and the change in production structure resulting from Savon Sellu's divestment (–4.7 per cent) are the reasons for the main share of the decrease. Lower emissions per tonne at mill level had a –1.2 per cent effect on the total change.

Eutrophication ■

Emissions causing eutrophication decreased by 37 per cent. The largest contributor was Husum

mill's biological treatment plant, which decreased M-real's emissions by 16 per cent. Including the previous year's –3 per cent effect, the new treatment plant has altogether had a –19 per cent effect on M-real's eutrophication emissions. The corresponding effect on BOD alone was –75 per cent. The average decrease in emissions per tonne of production at mill level was 21 per cent; excluding Husum mill, the decrease was 5.5 per cent.

COD ■

COD emissions decreased by 31 per cent. The effect of Husum's new treatment plant was –23 per cent. The new plant totally explains the improvement in average emissions per tonne of production at mill level in M-real. At other mills, COD emissions per tonne of production increased by 0.6 per cent.

Landfill waste ■

Landfill waste decreased by 51 per cent. The reduction is mainly (–40 per cent) explained by Husum mill, where landfill waste has been recovered for energy production and the net flow to landfill has decreased considerably.

Change in emissions, 2004–2005

	2005 tonnes	Total change* %	Volume change %	Structural change %	Technology change %	2004 tonnes
Total Emissions (SO ₂ eqv.)	36 225	–20.4	–6.3	–5.5	–8.6	45 529
Greenhouse effect (CO ₂ eqv.)	2 259 303	–7.4	–6.3	–1.8	0.7	2 440 577
Acidification (SO ₂ eqv.)	8 679	–14.4	–6.3	–6.9	–1.2	10 139
Eutrophication (P eqv.)	247	–36.6	–6.3	–8.9	–21.3	390
Particulates	1 148	–30.3	–6.3	–23.9	0.0	1 647
Carbon dioxide (CO ₂ eqv.)	2 259 303	–7.4	–6.3	–1.8	0.7	2 440 577
Sulphur (as SO ₂)	3 923	–19.2	–6.3	–7.5	–5.4	4 858
Nitrogen oxides (as NO ₂)	6 793	–10.0	–6.3	–6.3	2.7	7 545
Chemical oxygen demand (COD)	40 142	–31.4	–6.3	–2.8	–22.3	58 545
Biological oxygen demand (BOD)	2 072	–78.4	–6.3	2.5	–74.5	9 599
Phosphorus	106	–19.3	–6.3	2.0	–15.0	132
Nitrogen	678	–33.7	–6.3	–26.4	–1.0	1 022
Total solids	3 797	–7.5	–6.3	–1.9	0.7	4 107
Landfill waste	40 604	–50.8	–6.3	–5.6	–38.9	82 507
Hazardous waste	2 064	–28.9	–6.3	–5.2	–17.4	2 903

* Total change in emission = production volume change + production structure change + technological change

Environmental expenditure

- Environmental expenditure is reported according to the EU Commission's "Recommendation of May 2001 on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies". It comprises the specifiable expenses of environmental protection measures aimed at combating, remedying or alleviating environmental damage.

Compared with the previous year, total net expenses in 2005 decreased by 8 per cent. The sale of Savon Sellu and the change in ownership of Botnia were responsible for 4 per cent of this reduction. The increases of the year were 36 per cent lower compared with 2004, when waste water treatment plants were built at Husum, Hallein and Kyro. The majority of the increases in 2005 came from the new Kaskinen BCTMP mill, which started in the autumn. Because of the low environmental investment level at other mills, the company's book value increased by only 2 per cent. In addition to depreciations, the book value was also affected by the divestment of Savon Sellu and the decrease in ownership of Botnia, which together decreased the value by 4 per cent.

Profit and loss account

euro million	2005	2004
Materials and services	25.8	25.9
Employee costs		
Wages and fees	5.4	6.4
Other social expenses	1.8	1.9
Depreciation	17.1	16.6
Other operating expenses	11.3	16.1
Total	61.4	67.0

Balance sheet

Tangible assets		
Environmental protection equipment		
Acquisition costs, 1 January	488.0	443.3
Increases (+)	37.6	58.7
Decreases (-)	-24.1	-12.0
Accumulated depreciation (-), 31 December	-284.3	-277.2
Book value, 31 December	217.2	212.8

Provisions

Provisions for accidents and environmental liabilities	4.7	6.9
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Note to the accounts

Contingent environmental liabilities	0.0	0.7
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EU Emissions Trading in practice at M-real

- M-real's mills, excluding M-real Biberist, Switzerland, are part of the European emissions trading scheme and almost all received their permits and allowances during 2005. The only exceptions were Kaskinen BCTMP plant and Lielahi power plant, which received their permits but are waiting for their allowance applications to be processed by the authorities, and the Stockstadt mills, whose allowance decisions are still under appeal.

All M-real mills, as well as the outsourced Kirkiemi and Äänevoima power plants, are part of M-real's centralised emissions trading system. Allowances are therefore first balanced internally. If then necessary, external trading is carried by Metsä Group Financial Services Oy. M-real's emissions for 2005 were initially estimated to exceed the granted allowances. However, mainly due to

the labour dispute at the Finnish mills, the actual emissions were less than these allowances. Verification of the CO₂ emissions of 2005 was initiated during the autumn of 2005, and will be finalised at all mills before 31 March 2006.

M-real has relatively limited requirements for external EU allowance trading during 2005-2007 and is therefore not planning to participate in the so-called Joint implementation (JI) or Clean development mechanism (CDM) projects.

Non-compliance and liabilities

Non-compliance ■

Permit levels for effluent discharges were exceeded in 2005 at Hallein, Kirkniemi, Alizay, Tako Board and Tako Board pulp mills. Exceedings were mostly short-term and emissions have returned to normal levels. At Alizay, however, the effluent temperature continues to exceed the permit limit. Studies to solve the problem are ongoing. Permit levels for air emissions were exceeded at Husum and Alizay pulp mills. Corrective actions have been defined in both cases. Permit levels for noise were exceeded at Reflex and PSM.

A fire extinguishing system using banned halon gas was discovered in an M-real owned logistics company GM2 Logistics Ltd, England. The system was replaced immediately.

M-real liabilities at industrial sites ■

Preliminary results of the soil surveys conducted at operational M-real pulp and paper mills do not suggest any material increase in the liabilities of M-real. Financial provisions have been made in cases where M-real's commitment has been defined.

Responsibilities that still belong to M-real after the company closed down operations on the sites are shown in the table below.

	Location, municipality	Cause of contamination	Action taken	Action still needed
Closed-down plants	Böle sawmill, Teuva, Finland	chlorinated phenols and residual dioxin	composted, soil taken to landfill	inspection of residual contamination
	Ukkola sawmill, Eno, Finland	chlorinated phenols and residual dioxin	inspected	property has been sold with all connected liabilities, no further actions
	Kolho sawmill, Vilppula, Finland	chlorinated phenols and residual dioxin	inspected and cleaned up	no further actions
	Riihivuori sawmill, Suolahti, Finland	chlorinated phenols and residual dioxin	composted, soil taken to landfill	inspection of residual contamination
	Toras sawmill, Jyväskylä, Finland	chlorinated phenols and residual dioxin	composted, soil taken to landfill	no further actions
	Vääksy sawmill, Asikkala, Finland	chlorinated phenols and residual dioxin	composted, soil taken to landfill	no further actions
	Ylä-Savo sawmill, Iisalmi, Finland	chlorinated phenols and residual dioxin	composted, soil temporarily stored on landfill site	final deposition of composted soil
	Mänttä pulp mill, Mänttä, Finland	oil, heavy metals, PCB	inspected	further inspections, possible actions in conjunction with building work
Decommissioned landfill sites	Loila landfill site, Vilppula, Finland	mixed waste	inspected and landscaped	follow-up in progress
	Millsite landfill, Mänttä, Finland	bark and paper waste	inspected and landscaped	no further actions
	Svensmåla landfill, Silverdalen, Sweden	fibre sludge	inspected, landscaping planned	landscaping
Leased or sold industrial sites	Kolho impregnation plant, Vilppula, Finland	creosote oil, salt impregnating agent	inspected and cleaned up	on-site water treatment and follow-up in progress
	Kyrö sawmill, Karinainen, Finland	chlorinated phenols and residual dioxin	composted, soil taken to landfill	further inspections, possible actions in conjunction with building work
	Metsä-Saimaa sawmill, Lappeenranta, Finland	chlorinated phenols and residual dioxin	inspected	further inspections, possible actions in conjunction with building work

Product development for a greener market impact

- A high quality coated paper partially made from recycled local waste? Yes, was M-real's answer, Era Silk. And when M-real launched this new product, it had to ensure the credibility of both the claimed benefits and the paper itself.

M-real's customers were asking for papers with good environmental credentials, preferably recycled, for three main applications: photocopying, transactional print (invoices, statements) and marketing. Marketing applications would present the greatest challenges – and the most rewarding business proposal: a high quality coated paper for great marketing impact, with the "greenest footprint" possible!

Admittedly, some coated recycled papers were already available on the UK market. However, making good use of local raw materials effectively reduces the amount of local waste sent to landfill, as well as transport distances for waste raw materials. A responsible move that also provides a unique selling point for the company!

Made from 50 per cent virgin fibre and 50 per cent local waste, the new paper was developed jointly by M-real's Sittingbourne mill, which manufactures high quality coated papers for magazines and brochures, and the nearby New Thames mill which comprises a recycled fibre (RCF) plant and a paper machine manufacturing uncoated papers.

The Sittingbourne and New Thames mills both invest continuously in improved waste treatment and recycling, and their management systems are certified according to ISO 14001 and EMAS. The mills' combined heat and power plant is an industry leader and a full member of the Carbon Trust – an independent company funded by the British Government to help the UK move to a low carbon economy, cutting carbon emissions and promoting a more energy efficient business and society.

The RCF Plant is working towards 'zero waste' and continually looks for new uses for its by-products. Water is clarified and reused. Solid wastes, also referred to as 'sludge', are given to local farmers to be used as soil conditioner or are combusted in the waste-to-energy plant that powers the site, with the ash being used in cement



Era Silk

manufacture. More recent innovative uses for sludge include boards for packaging and office partitioning screens.

The RCF plant can recycle up to 180 000 tonnes of waste paper a year. This is all 'genuine' waste from offices and most of it is collected from within a 100-mile radius of the mill, therefore minimising road transport distances.

WRAP, the government-funded Waste & Resources Action Programme, was enthusiastic when told about the project and endorsed the launch of the new grade. But there was one frequently-asked question: why is there only 50 per cent recycled fibre in Era Silk, when 100 per cent recycled papers can be bought? The answer is that primary fibre maximises the paper's quality, which is designed to compete head on with 100 per cent virgin fibre coated papers.

Widening customers' choice of papers using recycled fibres creates more uses for recycled waste, and in turn reduces pressure on landfill. And as soon as customers are informed that the balance of fibres in Era Silk comes from certified and sustainable sources, any remaining objections usually disappear.

November 2005, New Thames, UK



Reporting Principles

Calculation limits of environmental data ■

When calculating emissions and energy use, the company interface is, in principle, defined in the same way as in the financial balance sheet. For example, 47 per cent (January to March) and 39 per cent (April to December) of the material and energy flows of Oy Metsä-Botnia Ab (Botnia) are included. An exception to this is that the calculation limit is extended to include waste water emissions piped through externally owned treatment plants. Detailed principles of calculation limits are as follows:

A Emissions from the production of resources and raw materials (excluding pulp and paper products) purchased from companies within the Group are allocated to the respective business units that use them. The allocation of emissions is based on the economic value of the resources. The area of application is mainly energy production.

B Wastes discharged into the environment by another business unit or a treatment plant that does not belong to the Group are allocated to the business unit from which they originated. Discharges from a biological treatment plant are divided between the mills discharging the effluents to the treatment plant, based on the volumetric flow. COD is allocated on the basis of the soluble COD load of the untreated effluent.

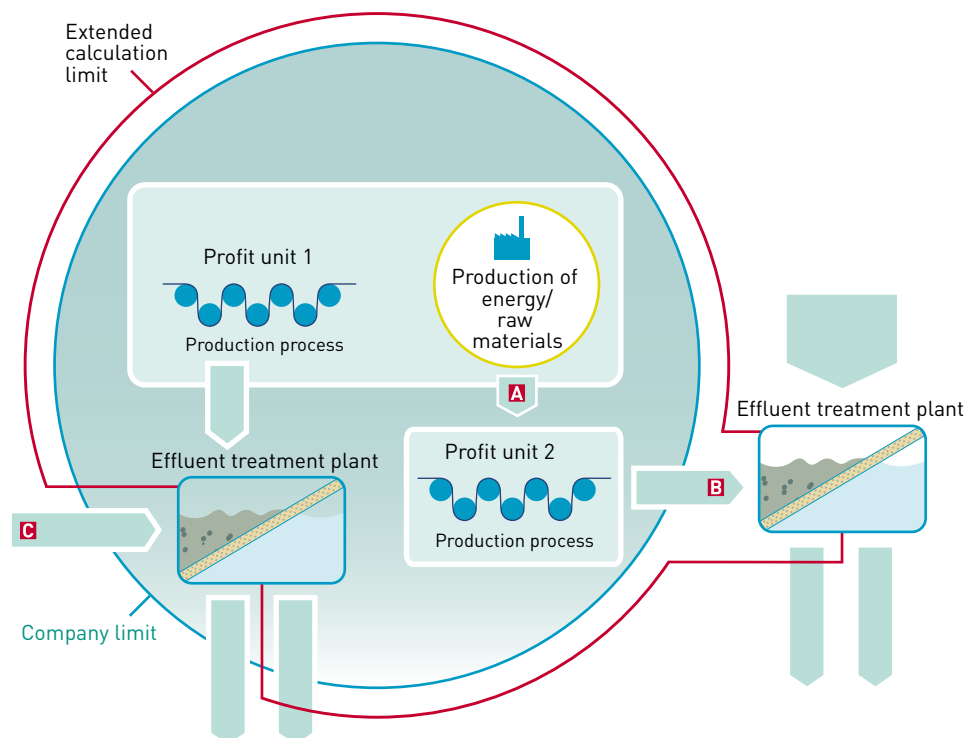
C Wastes coming from outside the Group and discharged into the environment by one of the Group's treatment plants are not allocated to the Group.

Analysis of yearly changes and trends ■

The year on year development of emissions and energy use is analysed according to changes in production volume, changes in production structure, and technological development. It is assumed that the total change is the sum of these three changes. "Structural changes" refers to company acquisitions, divestments, installation of new production lines and changes in distribution of production volume between different product lines. "Technological developments" refers to modifications in the company's processes, internal and external purification systems and production efficiency.

Energy ■

Total Energy is expressed in terms of fuels used to produce the total energy needed. For purchased electricity, we have assumed that it is produced in a condensate power plant with an efficiency of 40 per cent. The distribution of different fuels used to produce purchased electricity is based on national averages.



Emissions ■

Emissions and their environmental impact are expressed and presented in three different ways: as eleven specific emission parameters; as the environmental impact on the greenhouse effect, acidification and eutrophication; and as Total Emissions.

Specific emission parameters and their relation to environmental impact and Total Emissions are shown in the table. There is no commonly agreed way on how to weight individual parameters to produce a Total Emissions index. M-real therefore uses its own defined coefficients, based on how different emissions are assessed in research and political arenas.

Eco-efficiency ■

The eco-efficiency of the company is defined as the value-added generated by the company divided by the environmental impact of the company. The value-added is defined as value added by the company (wages and profits), and the environmental impact is defined as Total Emissions of the company.

Reporting principles used for

Human Resources data ■

In general, the scope of consolidated HR data follows the principles of financial reporting. The consolidated performance data therefore also includes all companies in which M-real holds, directly or indirectly, over 50 per cent of the voting rights, excluding housing and property companies.

Where indicated, the figures include 47 per cent of the accounts and personnel of Botnia and its subsidiaries for 2003, 2004 and for January to March 2005 and 39 per cent for April to December 2005. Data concerning Äänevoima Oy is consolidated in accordance with M-real Group's holding, i.e. 56.25 per cent of the figures for Äänevoima Oy is included in the statistics for 2005.

Emissions coefficients, as defined by M-real

Specific emissions parameters	Environmental impact			Total Emissions
	Greenhouse effect	Acidification	Eutrophication	
Particulates				0.5
Carbon dioxide (CO ₂ eqv.)	1			0.002
Sulphur (as SO ₂)		1		1
Nitrogen oxides (as NO ₂)		0.7	0.041	2
Chemical oxygen demand (COD)				0.15
Biological oxygen demand (BOD)			0.0088	0.1
Phosphorus (P)			1	30
Nitrogen (N)			0.14	2
Suspended solids				0.1
Landfill waste				0.01
Hazardous waste				1

Data on M-real Units

	Personnel		Management system					Chain-of-custody		Production 1 000 t/a	
	31 Dec. 2005	LTA FR ²	DS 3027	OHSAS	ISO 9001	ISO 14001	EMAS	FSC	PEFC	Pulp	Paper/ Board
Total	15 154	16								3 869	5 033
M-real	14 524									2 067	5 033
Äänekoski Board	216	30	x		x	x			x		140
Äänekoski Paper	339	28		x	x	x	x		x		137
Alizay	487	6			x	x			x	281 C	286
Biberist	540	13		x	x	x		x	x		418
Gohrsmühle	1 125	5		x	x	x			x		300
Hallein	763	12			x	x	x		x	153 C	283
Husum	1 137	10			x	x		x	x	683 C	664
Joutseno BCTMP	55	12			x	x			x	222 CTMP	
Kangas	312	27		x	x	x	x		x		235
Kaskinen BCTMP	48	0							x	42 CTMP	
Kemiart Liners	146	21	x		x	x			x		286
Kirkniemi	812	38			x	x			x	190 M	589
Kyro	335	22			x	x		x	x	82 M	185
Meulemans ³	252	26			x	x					
New Thames	295	24			x	x	x	x	x	101 D	180
Petöfi ³	452	13			x	x					
Pont Sainte Maxence	242	18			x	x			x		127
Reflex	493	24		x	x	x					95
Simpele	450	20	x		x	x			x	72 M	180
Sittingbourne	293	19			x	x	x	x	x		162
Stockstadt	828	31			x	x			x	153 C	395
Tako Board	440	38	x	x	x	x			x		212
Tako Board BCTMP	I.A.	I.A.	x	x	x	x			x	89 CTMP	
Tako Carton ³	201	31			x	x					
Wifsta	234	12			x	x		x	x		159
Others ⁴		-									
Sales network	790	2									
Map Merchant Group	2 511	8									
Others ⁵	728	2									
Botnia ⁶	630									901	
Joutseno		-	x	x	x	x			x	209 C	
Kaskinen		-	x	x	x	x			x	138 C	
Kemi		-	x	x	x	x			x	192 C	
Rauma		-	x	x	x	x			x	191 C	
Äänekoski		-	x	x	x	x			x	172 C	

¹ As BOD₅ and BOD₇

² Lost time accident frequency rate (lost time accidents / million worked hours)

³ Total production of carton plants 41 000 t/a

⁴ Including M-real's share of energy from Äänevoima Oy and Grovehurst Energy Ltd sold outside M-real

⁵ Headcount at e.g. HQ, Technology Centres, Hangö Stevedoring and IT Services

⁶ Including 47% of Botnia mills January-March and 39% April-December

I.A. Included above
 C Chemical pulp
 CTMP Chemi-thermomechanical pulp
 D Deinked pulp
 M Mechanical pulp

Emissions to air, t/a				Emissions to water, t/a					Waste, t/a	
Particulates	CO ₂ fossil	Sulphur (as SO ₂)	NO _x (as NO ₂)	COD	BOD ¹	Phosphorus	Nitrogen	Total solids	Landfill waste (as dry)	Hazardous waste
1 148	2 259 303	3 923	6 793	40 142	2 072	106	678	3 797	40 604	2 065
703	2 137 478	3 226	5 149	28 894	1 772	95	553	3 110	26 853	2 038
5.2	3 648	10	75	420	110	0.61	6.8	135	126	15
6.4	4 915	13	88	323	110	0.33	4.7	111	131	20
154	49 258	606	534	4 528	144	27	115	564	1 467	137
0.0	125 350	7.5	69	104	8.7	0.38	1.8	28	0	27
26	366 746	735	526	200	55	3.3	10	74	167	108
15	110 270	80	243	4 653	174	5.8	28	261	180	44
378	116 291	906	1 447	9 106	536	24	159	499	7 767	825
37	31 899	2.9	57	488	7.1	0.14	4.4	7.4	1 672	125
0	12 846	0.0	5.7	179	37	0.82	6.0	42	164	22
11	1 066	2.4	9.2	48	1.9	0.09	0.8	4.7	2 483	9.0
3.3	15 784	26	215	340	21	1.1	10	79	372	5.0
1.7	330 830	2.0	247	1 309	45	2.3	31	528	863	116
0	4 068	0	2.0	295	27	0.51	6.8	77	243	15
0	514	0	0.70	0	0	0	0	0	259	0
0	133 949	0	74	313	23	1.3	6.8	65	1 379	16
0	1 717	0	3.0	0.68	0.20	0.010	0	0.20	1 699	144
0	0	0	0	74	7.8	1.2	22	19	141	4.9
0	81 042	0	117	90	31	1.6	0.0	31	144	113
14	101 502	334	275	342	17	1.4	12	22	6 850	17
0	114 684	0	63	54	19	1.1	5.7	55	221	9.2
52	390 786	500	906	4 439	180	20	95	214	8.0	107
0	83 951	0	153	250	90	0.74	2.1	99	320	68
0	24 099	0	21	1 203	120	1.9	25	175	121	17
0	0	0	0	0	0	0	0	0	30	29
0	0	0	0	137	9.5	0.47	0	21	48	46
0	32 263	0	18	0	0	0	0	0	0	0
445	121 825	697	1 644	11 248	300	11	125	687	13 751	26
56	33 483	38	273	2 403	58	1.2	36	60	2 683	0
111	26 104	207	346	1 717	42	2.0	17	100	3 204	3.0
9.1	23 450	101	421	3 423	91	3.3	31	222	2 090	6.2
215	20 584	167	306	1 531	68	2.5	21	178	4 063	8.2
55	18 204	185	298	2 174	40	2.4	21	128	1 712	8.7

Assurance Statement

To the management of M-real Corporation ■

At the request of the management of M-real Corporation we have performed the procedures agreed with you and enumerated below with respect to the M-real Corporation's Corporate Responsibility Report 2005 (the Report). M-real Corporation's management has prepared the Report and is responsible for the collection and presentation of information within it. This independent assurance report should not be used on its own as a basis for interpreting M-real Corporation's performance in relation to its non-financial policies.

Scope of our work ■

Our engagement was undertaken in the framework of the International Standard on Assurance Engagements 3000 (revised) applicable to assurance engagements other than audits or reviews of historical financial information. The Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 2002 has been used as one source of the criteria for the assurance of responsibility report. The scope of our work was limited to the parts of the Report covering the areas of wood supply, environmental performance and indicators, human resources and occupational safety and well-being.

Summary of the work performed ■

The procedures that we performed are summarised as follows:

- We assessed the data management procedures used to compile and report quantitative information presented in the Report in the areas of human resources, occupational safety and well-being and environment.
- We assessed the completeness, accuracy and comparability of information presented in the Report.

Our work consisted of interviews with responsible persons about the practises and procedures used for data generation on a corporate head office and mill site level. The sites visited are Stockstadt, Petöfi, Kirkniemi and Kemiart Liners together with Metsä-Botnia in Kemi as a pulp supplier. The assessment of the quantitative information was based on the initial numeric data delivered to us from all mill sites, as well as interviews with persons responsible for generating and consolidating such data.

Our conclusions ■

The M-real Corporation's Corporate Responsibility Report 2005 presents, in all material respects, the performance of M-real Corporation in the areas of human resources, occupational safety and well-being and the environment for the year ended 31 December 2005. The areas of the Report covered already in the previous years follow the reporting structure in due form on the areas we reviewed. The information of the Report is prepared in a sufficient and appropriate manner.

Espoo, 21 February 2006

PricewaterhouseCoopers Oy

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M-real's Global Presence

Production units

AUSTRIA
Haltein (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





Paper Information

paper

Product	Galerie Art Matt 250 g/m² (cover) and 115 g/m² (inside pages)
Mill	M-real Zanders Gohrsmühle, Germany

Environmental management

Certified environmental management systems (at the mill since) ISO 14001 (2003)

Certified chain-of-custody (at the mill since)

PEFC/04-4-0003 (2005) based on PEFC

Share of wood from certified forests 15%

Origin of wood

Countries of wood origin	Share of total wood supply (%)	Share of certified wood* (%)	Certification system
Spain	16	7	PEFC
Brazil	13		
Canada	12		
Argentina	11		
Sweden	10	47	40 PEFC, 7 FSC
USA	9		
France	7	40	PEFC
Finland	6	84	PEFC
Chile	6		
Russia, European part	3		
Less than	2		

The figures include all wood used in product.

Baltic countries, Belgium, Germany, Luxemburg, Uruguay, Scotland

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

More information www.m-real.com

finishing

Front and back covers: gloss UV-varnish and matt dispersion varnish

Inside covers: matt dispersion varnish

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Printer

Libris 2006

We welcome all feedback, questions and comments at responsibility@m-real.com



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

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