

# Annual report 2001



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# Information for shareholders

## Annual General Meeting

The Annual General Meeting of M-real Corporation will be held at the company's Head Office, Revontulentie 6, 02100 Espoo, on Wednesday, 13 March 2002, beginning at 2 p.m. Finnish time. Shareholders wishing to take part in the Annual General Meeting and to exercise their right to vote must be registered in the list of shareholders kept by Finnish Central Securities Depository Ltd by 1 March 2002 at the latest and should announce their intention to attend the meeting before 4 p.m. Finnish time on 11 March 2002, either by telephoning Ms Pauliina Nousu on +358 10 469 4371, by sending a telefax to Ms Pauliina Nousu on +358 10 469 4503 or an e-mail message to pauliina.nousu@m-real.com or by writing to M-real Corporation, Pauliina Nousu, Revontulentie 6, FIN-02100 Espoo, Finland. Proxies should be submitted at the same time shareholders notify the company of their intention to attend.

The Board of Directors proposes that a dividend of EUR 0.60 for the 2001 financial year will be paid on 25 March 2002 to shareholders who are entered by 18 March 2002 at the latest in the list of shareholders kept by Finnish Central Securities Depository Ltd.

## Financial information

The financial reports are published in Finnish, Swedish, English, German, and French. Copies can be obtained from M-real Corporation, Corporate communications, Revontulentie 6, FIN-02100 Espoo, Finland, tel. +358 10 469 4542 and fax +358 10 469 4531 or by e-mail at corporate.communications@m-real.com

M-real publishes Insight, an English-language investor magazine, four times a year.

On M-real's English-language Internet pages, material interest for investors can be found in the section on our Investor Relations service. Stock exchange announcements, interim reports and financial information on these pages are updated in real time. The pages give a company presentation that is regularly updated when financial reports are published. Information on subjects such as the Group's organization, products, sales network and environmental issues can also be found

on the Internet pages. In addition, Group publications can be ordered and feedback sent via the Internet.

The address of M-real's website is [www.m-real.com](http://www.m-real.com) and its general e-mail address is [corporate.communications@m-real.com](mailto:corporate.communications@m-real.com)

## Shares

The company has a total of 178,999,425 shares. All shares have a nominal value of EUR 1.70. Information on M-real Corporation's shares is given on pages 70–75.

M-real's Series A and Series B shares are quoted on Helsinki Exchanges. Within the electronic HETI trading system the codes of the shares are MRLAV and MRLBV, respectively. M-real's Series B shares are also quoted on the London Stock Exchange and on the Bavarian Stock Exchange.

## Share register

Shareholders are requested to inform the book entry register that holds their book entry account of any changes in name, address or share ownership.

## M-real Corporation will publish the following financial reports in 2002:

on Wednesday, 6 February  
Financial Results for year 2001

on Monday, 29 April  
Interim Report January–March

on Wednesday, 31 July  
Interim Report January–June

on Wednesday, 30 October  
Interim Report January–September

M-real will publish its Annual Report in week 9, 2002.

## M-real Corporation's Investor Relations:

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INFORMATION  
FOR  
SHAREHOLDERS



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# Main events in 2001

- At the beginning of January, M-real acquired a 72 per cent holding in Zanders Feinpapiere AG. At present, M-real owns 99.2 per cent of the company.
- The investment projects for changing production over to coated paper grades were completed for PM 4 at the Kangas paper mill in March and for PM 8 at the Husum mill in May.
- The new fibreline at Metsä-Botnia's Joutseno pulp mill started up in May.
- In June, M-real sold its 50 per cent holding in MD Papier GmbH to Myllykoski Oyj.
- In July, the company bought two Belgian carton mills, S.A. Meulemans N.V. and S.A. Meulemans Luxembourg N.V.
- In July, the company sold its minority interest in Noviant Oy.
- The chemithermal mechanical pulp (CMTP) plant which the company built in Joutseno started up in August.
- At the beginning of October, M-real reviewed its operational organization.
- In November, a decision was taken to wind up the Silverdalen paper mill.

## Key figures 2001

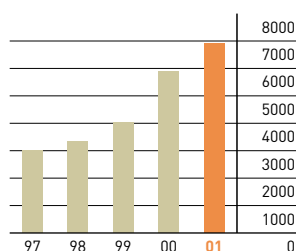
M-real Group	2001	2000	Change
Turnover, EUR million	6 923	5 898	17%
Operating profit, EUR million	389	604	-36%
- % of turnover	5.6	10.2	
Profit before extraordinary items, EUR million	154	459	-66%
- % of turnover	2.2	7.8	
Return on capital employed, %	7.0	13.5	
Return on equity, %	4.7	15.5	
Interest-bearing net liabilities, EUR million *)	3 305	3 693	-11%
Gearing ratio, % *)	138	184	
Equity ratio, % *)	30.7	25.7	
Earnings per share, EUR	0.55	2.20	-75%
Equity per share, EUR	13.08	14.05	-7%
Dividend per share, EUR **)	0.60	0.60	
Market capitalization, 31 Dec., EUR million	1 243	1 167	7%
Gross capital expenditure, EUR million ***)	740	2 150	-66%
Cash flow from operations	873	522	67%
Personnel at 31 December	21 515	19 532	10%

\*) the convertible subordinated capital notes are included in net liabilities

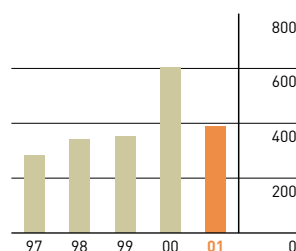
\*\*) Board of Directors' proposal for 2001

\*\*\*) includes the purchase price of shares in acquired companies but not debt

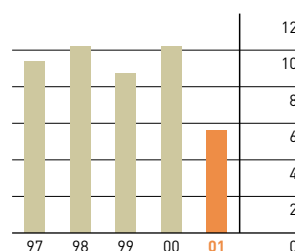
Turnover, EUR million



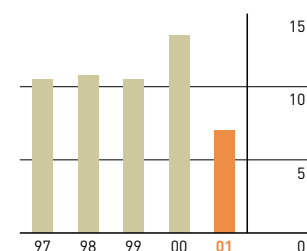
Operating profit, EUR million



Operating profit, %



Return on capital employed, %



# President's Review

## Dear shareholder

For M-real, 2001 was the new company's first year of operations. The company was renamed M-real Oyj (M-real Corporation) in accordance with a resolution passed by the shareholders. The slogan "Make it real!" depicts the company's objective of giving customers the best service and best products in the industry. The name also reflects the company's endeavour to build a strong corporate culture that is made up of a number of national cultures.

M-real was reorganized to achieve two primary objectives. These are customer-driven operations and strong, continually developing internal efficiency. The company was organized into five business areas with profit accountability: Commercial printing, Home & Office, Publishing, Consumer packaging and Map Merchant Group. These business areas are supported by the Operations & Sourcing, Strategic Marketing and other support functions. The M-real alliance sales network is in charge of selling the products of all the Group's paper and packaging businesses and of our partner Myllykoski. The new structure creates the potential for enhancing marketing and customer service at the same time as we develop production competitiveness and new, innovative products and service packages.

In unison with the above-described changes, the company carried out major production investments that will improve M-real's future competitiveness. These were the machine rebuilds and the construction

of a new coater at Husum and Kangas, the building of a new chemithermal mechanical pulp (CTMP) plant at Joutseno and starting the rebuilds of the Kyro and Äänekoski board machines.

In the summer, the world economy went into decline and demand for paper and board fell. The capacity utilization rate at the mills fell markedly short of last year's rates. In the difficult market situation, M-real did not accept low-price orders, and the Group was able to maintain the average prices of its main products at a reasonable level.

The results of development measures, particularly those directed at the units acquired in 2000-2001, showed up in the cost level for 2001 to only a minor extent. The impact on earnings will grow over the next years. These development programmes will be seen to completion by the end of 2003.

M-real has uncoupled paper pricing from pulp pricing, and this has clearly reduced the fluctuations in paper prices. The current more stable trend in the sector as a whole is in the long-term best interests of customers, paper and board manufacturers and suppliers to the industry.

M-real's most pressing objectives over the near term are improving the equity ratio, cost-effectiveness and profitability, the full-scale utilization of the acquisitions and capital expenditures that have already been made and the development of a customer-driven way of working. The company is banking on new customer service solutions and the development of its brands, and it is proceeding to step up the efficiency of its priority areas. Over the next few years, M-real will be well poised to achieve its strategic and financial objectives.

The outlook for the paper and board industry in 2002 is still uncertain. The demand for products will depend on the trend in the world economy. M-real's action plan for 2002 is based on the assumption that the recession will continue and that industrial demand will not revive until next year. Further sizeable production curtailments will be needed in order to bring supply and demand into balance.

Jouko M. Jaakkola  
President & CEO



# M-real's business strategy

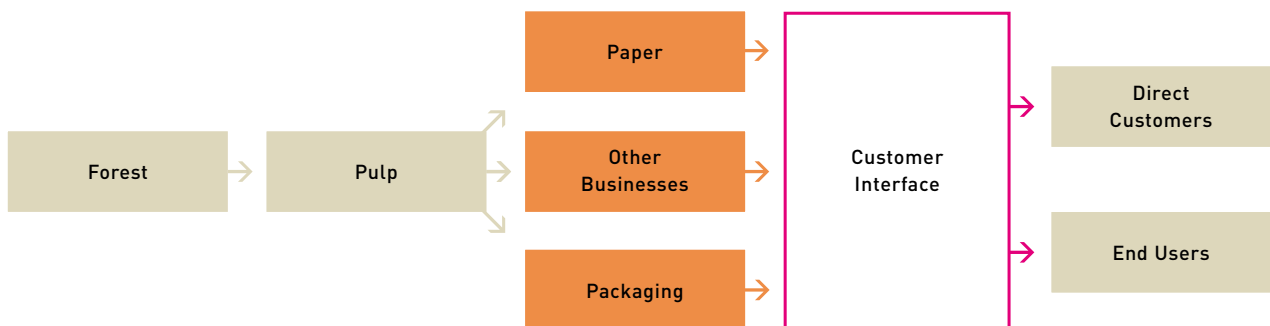
M-real's operations have grown strongly, as a result of the investments and acquisitions carried out in 1995–2001. In Europe, the company has risen to become the market leader in both coated and uncoated fine papers, and at the same time, one of Europe's largest paper merchants. After an intense period of growth and bolstering of its market position, the company is evaluating its business strategy over the next few years.

M-real wants to be a customer-focused European paper and packaging company that concentrates on a few select segments. In addition to high-quality products, M-real offers service solutions that increase its customers' competitiveness. The company focuses on the cost-effective manufacture of fine and magazine papers and packaging board grades and on marketing these products.

The company's main customers are European paper merchants, publishers, printers and well-known manufacturers of branded products. M-real creates added value for its customers through its expertise, knowledge of the end-uses of paper and board, cost-effective operations as well as innovative products and services. The company's home market area is Europe, but it sells its products worldwide through the M-real alliance sales network. Sales cooperation with the Myllykoski Group strengthens the range of products.

M-real is an international company, most of whose personnel work in different parts of Europe. The company's objective is to be an interesting and reliable employer that continually develops its people's competence. M-real shoulders its responsibility for the environment, and its operations are guided by the principle of sustainable development.

M-real's goal is to produce added value for its shareholders by achieving a good earnings trend and growth. The company's financial targets over the business cycles are a return on capital employed of at least 12 per cent, an equity ratio of about 45 per cent and under 80 per cent gearing ratio.



# M-real's business environment

The world's forest products industry is a highly diversified sector that produces hundreds of products needed in daily life: newspapers, corrugated board packaging, a wide spectrum of building supplies, hygiene products, writing papers, labels and food packaging, to name a few. The world's paper and board output in 2000 amounted to approximately 310 million tonnes, about 95 million tonnes of which was produced in Europe.

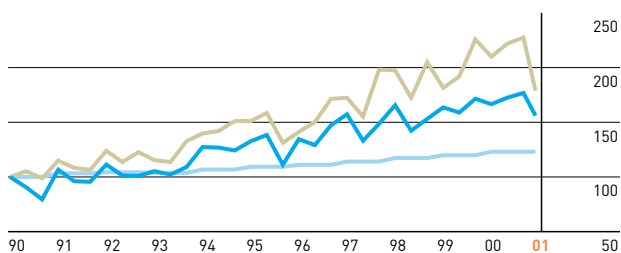
The industry has a very low degree of consolidation. The five largest paper manufacturers account for about five per cent of the world market, whereas in many other fields the corresponding figure is 20–30 per cent.

M-real has chosen a high-focus strategy, in line with the structure and operating environment of the forest industry. The company has concentrated on the paper and packaging industry and primarily on products with a high value-added component. The demand for these products outpaces the eurozone rate of GDP growth and they have positive future prospects.

The prevailing view is that the process of consolidation within the European fine paper sector will continue ahead. This is likely to have a favourable impact on the industry's development outlook through more efficient production and logistics.

The main factors in the operating environment in the packaging sector are the spread of brand marketing and the ageing of the population in Europe. Among the impacts of these trends is a probable increase in the demand for various luxury goods such as cosmetics and healthcare products. M-real's packaging business has concentrated precisely on such areas.

**Indexed deliveries of fine paper and GDP in Western Europe**

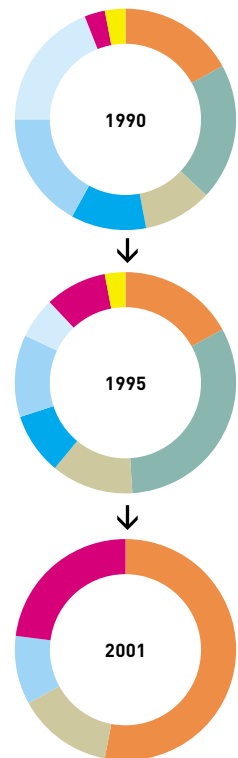


- Uncoated fine paper cut-size 1) 2)
- Coated fine paper 2)
- Gross Domestic Product (EU15)

1) including imports to Western Europe, 2) 12 month moving averages

**Focus on core businesses, % of turnover**

- Paper
- Pulp
- Paperboard
- Corrugated Board
- Tissue
- Sawn Goods
- Merchants
- Chemicals



# M-real's business areas

## Commercial printing

The Commercial printing business area focuses on coated fine papers. Among the most important end-use applications are printed art books, annual reports, brochures and advertising materials.

The main market area is Western Europe. 65 per cent of the products are sold to paper merchants. M-real is Europe's largest producer of coated fine paper. Its annual capacity of 2.6 million tonnes represents a 24 per cent market share in Europe.

The business area's eight paper mills are located in Finland (Kangas, Äänekoski and Simpele), Great Britain (Sittingbourne), Austria (Hallein), Switzerland (Biberist), Germany (Stockstadt) and France (Pont Sainte Maxence). Both Stockstadt and Hallein also have an integrated pulp mill.

The business area had turnover of EUR 1 400 million in 2001, representing 20 per cent of the Group turnover. The payroll at the end of 2001 was 4 000 employees.

## Home & Office

The Home & Office business area produces uncoated fine paper, which is used mainly as a copier and office paper. In Europe, M-real is also the largest producer of uncoated fine paper, with an annual capacity of 1.5 million tonnes, corresponding to a 16 per cent slice of the European market.

The paper mills are located in Sweden (Husum and Wifsta), Great Britain (New Thames) and France (Alizay). Husum and Alizay each have an integrated pulp mill.

Western Europe is Home & Office's main market area.

The Home & Office business area's turnover was EUR 875 million in 2001, representing 13 per cent of the Group turnover. The payroll at the end of 2001 was 2 160 employees.

## Publishing

The Publishing business area focuses on coated magazine papers, which are used as a material for periodicals, various weekly magazines and high-quality advertising catalogues.

The main market area is Western Europe. Other important markets are the United States and Australia. The business area's main customers are printing houses and publishers.

Together with Myllykoski, its partner in cooperation, M-real is Europe's third largest supplier of magazine papers. M-real's share of the production capacity for coated magazine papers is about five per cent, or 0.5 million tonnes a year, and together both companies account for 15 per cent, or 1.3 million tonnes a year.

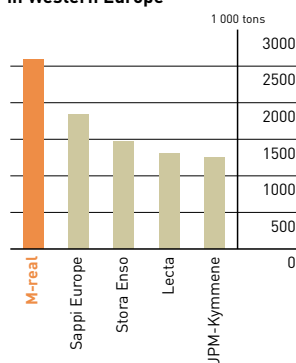
The business area includes the Kirkiniemi paper mill in Finland and Paper Machine 8 at the Husum paper mill in Sweden. In addition, M-real owns 50 per cent of the Albruck paper mill in Germany and 35 per cent of Myllykoski Paper Oy in Finland.

The business area had turnover of EUR 814 million in 2001, or 12 per cent of the Group turnover. The payroll at the end of 2001 was 1 550 employees.

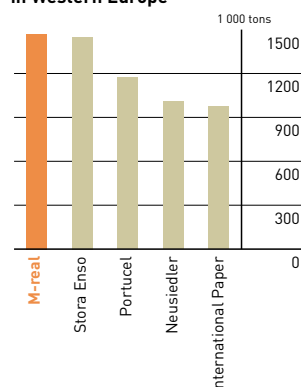
## Consumer packaging

The Consumer packaging business area centres mainly on paperboard grades used in commercial packaging. These include, for example,

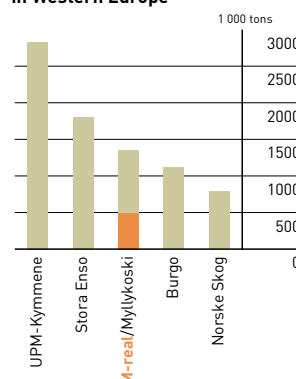
**Biggest coated fine paper producers in Western Europe**



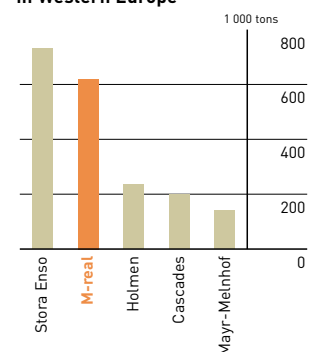
**Biggest uncoated fine paper producers in Western Europe**



**Biggest coated magazine paper producers in Western Europe**



**Biggest folding boxboard producers in Western Europe**





packaging for cosmetics, pharmaceuticals, cigarettes and foods. M-real has a strong market position within packaging for internationally recognized brand products.

M-real's four folding boxboard mills (Kyröskoski, Simpele, Tampere and Äänekoski) as well as its liner and fluting mills (Kemi and Kuopio) are located in Finland, in addition, the company has a total of four carton mills located in Finland (Tampere), Hungary (Petöfi) and Belgium (Brussels and Arlon).

About two thirds of the paperboard grades for consumer packaging is sold in Western Europe. Outside Europe, China is one of the most important markets.

The business area's turnover was EUR 951 million in 2001, or 14 per cent of the Group turnover. The payroll at the end of 2001 was 3 050 employees.

#### Map Merchant Group

The M-real's paper merchant Map covers 23 countries in Europe and serves some 50 000 customers, including printing houses,

publishers, advertising agencies, banks and retail chains. The paper merchants offer their customers both M-real's own products and those of other manufacturers. Of the leading European paper and board manufacturers, M-real is the only one with a significant share of the paper merchanting trade. Paper merchanting is strategically important for M-real because a substantial part of fine paper sales is made via paper merchants.

The business area had a turnover of EUR 1 636 million in 2001, representing 24 per cent of the Group turnover. The payroll at the end of 2001 was 2 800 employees.

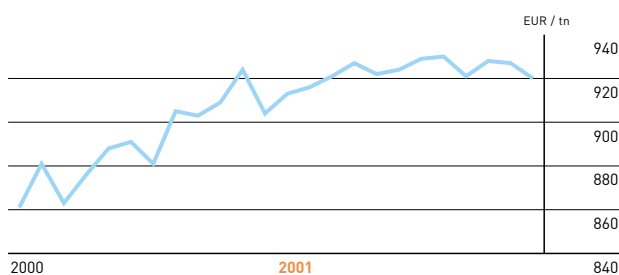
#### Zanders

Zanders Feinpapiere AG specializes in high-quality coated fine papers which are used, among other things, in annual reports, brochures, advertising material and printed art books. Zanders' best-known products are Chromolux and Ikono.

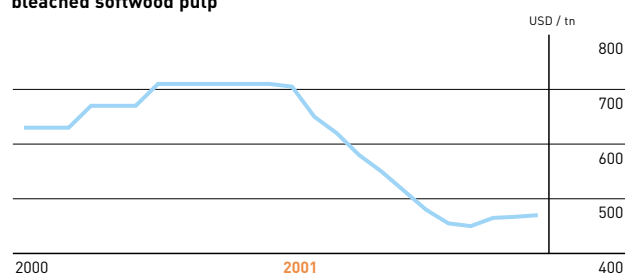
Zanders' two mills are located in Germany – the Gohrsmühlen mill in Bergisch Gladbach and the Reflex mill in Düren. Gohrsmühlen has an annual production capacity of 330 000 tonnes of coated fine paper and Reflex produces 100 000 tonnes of speciality paper a year.

Zanders had a turnover of EUR 513 million in 2001, representing 8 per cent of consolidated turnover. At the end of the year the company had a payroll of 2 600 employees.

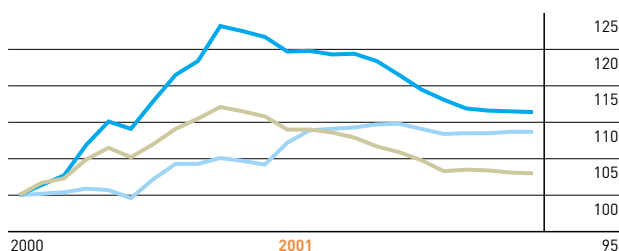
Folding boxboard market price



NBSK market price bleached softwood pulp



Indexed paper market price (1/2000 = 100)



— Uncoated fine paper  
— Coated fine paper  
— Coated magazine paper

# M-real's competitive edge

The main success factors for implementing M-real's business strategy are close cooperation with customers, efficiency in internal operations, supply chain management, an active innovation pipeline and highly skilled multinational personnel. In recent years, the company has purposefully developed these sub-areas.

Another important factor for M-real's success is the support of owners who have invested in the company. Owners who are used to looking beyond the next few quarters promote the long-term development of M-real's operations. Similarly, the company endeavours to ensure that its shareholders reap an adequate return and that M-real's shareholder value shows positive development over the long-term.

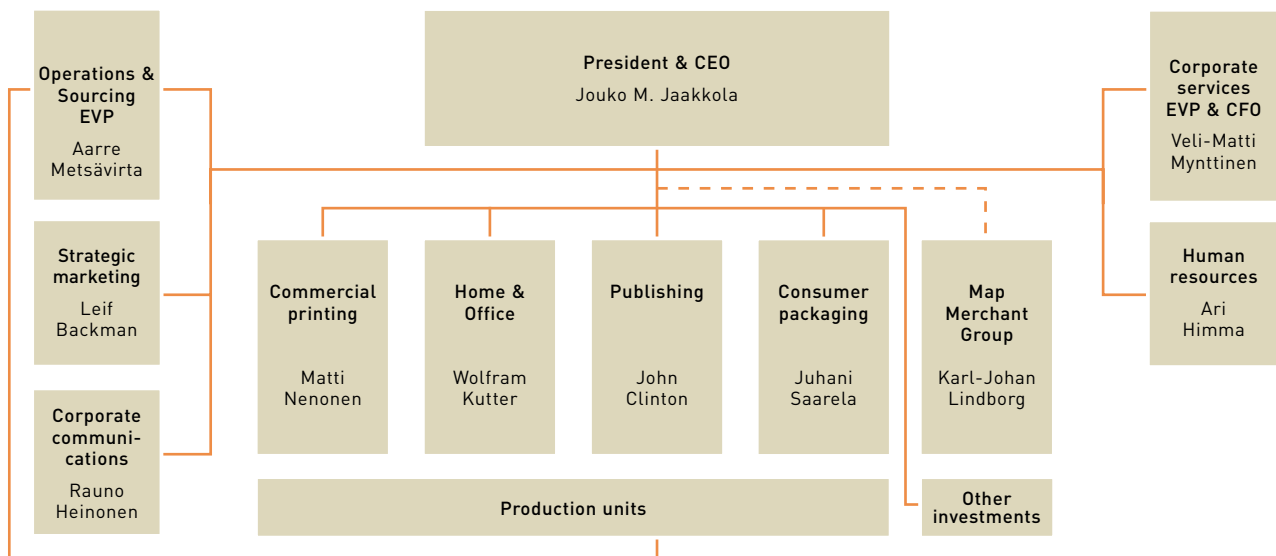
## Close customer relationships

A customer focus is the cornerstone of M-real's strategy. The company has carried out a number of concrete initiatives to enhance its customer focus.

The recent major acquisitions spawned the idea of creating for the company a completely new name. M-real reflects the company's strategy emphasizing the end-use of paper, and the closely related slogan "Make it real!" embodies the company's credo of producing solutions that support the customer's business. The development of a brand strategy has been launched and will be implemented during 2002 and 2003.

M-real's organization was overhauled with the aim of bolstering the customer-oriented operational focus. Operations have been grouped into five different business areas: Commercial printing, Home & Office, Publishing, Consumer packaging and Map Merchant Group. The central objective of each business area is the end use-driven and efficient control of the value chain.

Apart from carrying out structural changes, the company also continued to develop its worldwide sales network. The product palette offered to customers has also undergone scrutiny. The company's paper merchandising business - Map - continued the process of integrating Modo Paper's and Metsä-Serla's paper merchants. Synergies are being sought in areas such as logistics and the coordination of purchasing.



### Internal efficiency

The development of M-real's internal efficiency is based on the strict management of fixed costs, continuous development of production efficiency and the correct allotment of products amongst the company's paper and board machines. At the acquired companies, concerted efforts have been directed towards developing the mills' restructuring processes and production efficiency.

A centralized Operations & Sourcing function was created for the company when carrying out the organizational revamp in September 2001. The Operations & Sourcing function is responsible for developing production efficiency, purchasing, energy procurement and environmental affairs.

### Supply chain management

Customer service and supply chain management occupy a central position within M-real's strategy. For the customer, short delivery times and reliability are just as important as product quality. Deliveries are expedited in cooperation with chosen logistics companies. The objective is highly cost-effective operations and service that is precisely tailored to the customer.

M-real is undertaking a remake of the company's supply chain management system, which is an important part in creating an integrated infrastructure for e-business. The company has launched a number of projects to develop e-business. Notable among these is the Espresso project, which makes possible the automation of order

transactions and is being carried out in cooperation with the leading European paper merchants and paper manufacturers, the Papinet project connected with the standardization of e-commerce as well as the development of electronic sales systems in the merchanting business.

M-real's objective is to be one of Europe's leading paper and packaging companies in exploiting the potential of e-business.

### Innovation pipeline

In the paper and packaging industry and amongst its customers, M-real is known as an innovative company. M-real's innovation strategy is based on the needs of end-users, continuous monitoring of the operating environment, active utilization of joint research in the industry and product development work together with manufacturers of equipment and chemicals.

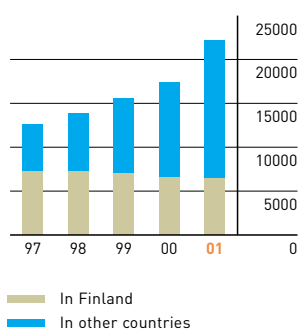
### Skilled personnel

M-real's human resources strategy stresses the demands of international operations in its human resources management. The company is seeking to create a cohesive corporate culture. Developing a shared way of working was started by way of a programme in which discussions were held in small groups in numerous different units with the aim of defining the company's shared values.

Development of the staff's competence is important in maintaining competitiveness. M-academy offers a number of training programmes for management. Increased efficiency is being injected into the training offered to sales and customer service personnel as well as technical experts by dividing the training programmes into commercial and technical areas. At the M-institute Silva in Finland, M-real furthermore trains technical staff for its mills.

The systematic development of competence across the company's units is based on development discussions as well as a joint employee information system. A new development discussion system will go into use within the company after the training period. The new employee information system has already gone into use at the units in Finland and it will be extended to the units abroad in 2002.

Personnel, average



# Resourcing

## Wood procurement

The company's total wood consumption in 2001 was 12.5 million cubic metres (including the share of Metsä-Botnia). The mill price of timber is based on the market price and in recent years it has remained stable.

## Pulp supply

M-real's pulp supply is based on its own production (the integrated mills at Husum, Alizay, Stockstadt and Hallein), purchases from the associated company Metsä-Botnia as well as the procurement of market pulp from selected suppliers. The company's pulp procurement for its paper and board production is guided by product development, logistics and cost-effectiveness.

M-real is a major net purchaser of pulp.

## Pulp consumption in 2001:

Own pulp production	1 070 000 tonnes
Sales to external users	-140 000 tonnes
Purchases from Metsä-Botnia	900 000 tonnes
Purchases from external suppliers	750 000 tonnes

**Pulp consumption 2 580 000 tonnes**

## Energy supply

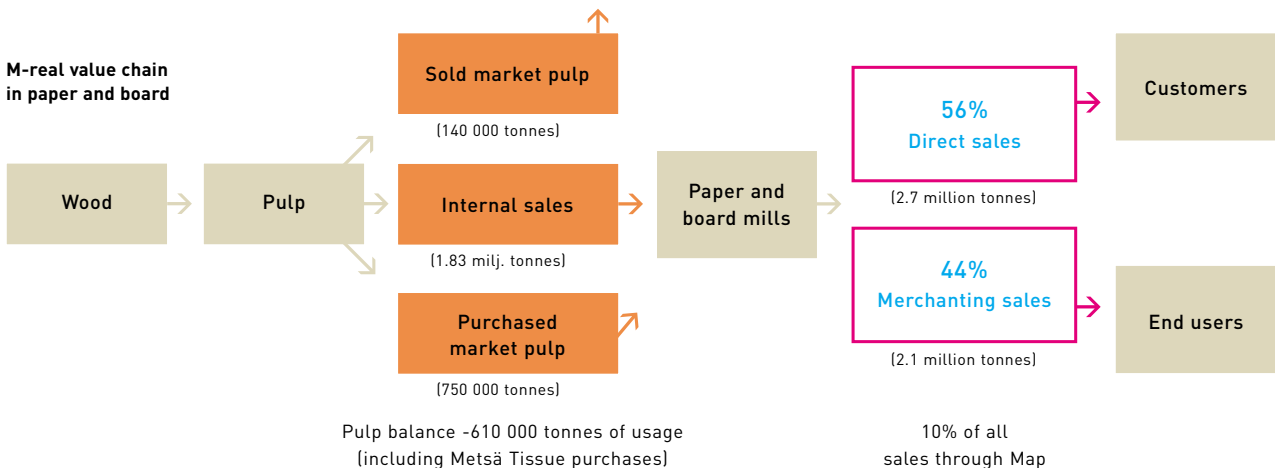
Over the past years, sweeping structural changes have taken place in the energy sector and deregulation of the energy market has moved ahead in Europe. M-real's power plants are being modernized to reduce carbon dioxide emissions and provide for an increased share of bioenergy.



M-real's total energy consumption in 2001 diminished markedly owing to the weakened capacity utilization at the mills compared with the previous year. In 2001, the breakdown of energy use was as follows:

	Electricity consumption GWh/a	Change %	Self-sufficiency in electricity %	Use of fuels GWh/a	Change %	Change share of biofuels %
Finland	3 400	-3	58	12 000	-5	61
Other countries	3 600	-11	40	14 600	-4	58
Total	7 000	-7	48	26 600	-4	60

## M-real value chain in paper and board



### Sustainable development

Major factors contributing to sustainable development are economic, social and ecological sustainability. The balanced development of these factors is vital for prosperous business operations. In line with M-real's environmental policy, sustainable development is an integral part of all the company's business operations.

At M-real, sustainable development is examined across the entire life cycle of products, all the way from raw wood procurement to the processing of products after they have been used. Attention is directed at managing the Chain of Custody, the development and use of reliable forest certification as well as improving the efficiency of energy production and use. Important targets within production are the reduction of emissions and wastes as well as the development of products that conserve raw materials.

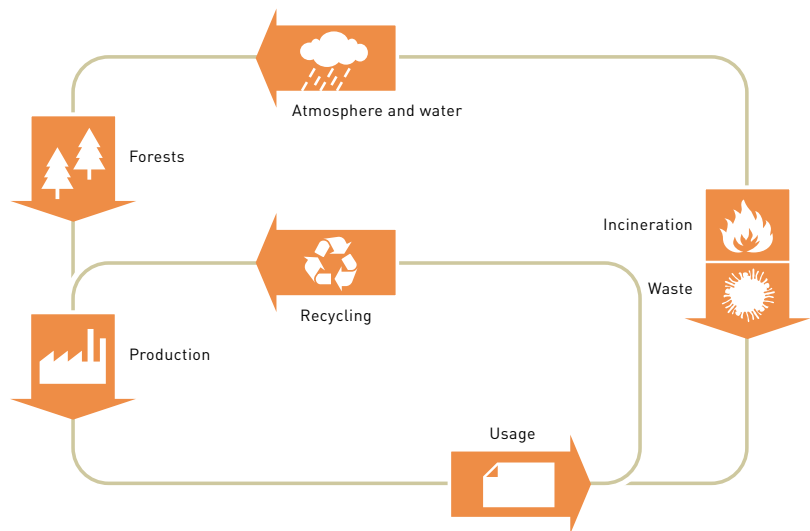
In addition, M-real furnishes information on the safety and environmental characteristics of its products. The company also participates in ensuring the efficient Europe-wide recycling of paper and packaging.

As part of the integrated services it offers customers, in 2001 M-real introduced Paper Profile, an environmental product declaration for paper.

Environmental protection investments also contribute to the company's internal efficiency. A key aspect in implementing them is that when building new facilities, M-real selects technology that will be in compliance with environment protection requirements for years ahead.

80 per cent of M-real's production units employ an environmental system that has been certified.

M-real will publish a separate environmental report.



# Near-term strategic development

## Structural change and growth

By means of acquisitions and capital expenditures, M-real has more than tripled its turnover from 1995 to 2001. At the same time, the company has focused its operations on the paper and board industry by selling off its sawmill and building materials operations, its chemicals production as well as its transport packaging business.

The Group has evolved from being a small, diversified company into Europe's market leader within fine paper. The Modo Paper acquisition meant that the company also strengthened its position significantly within the paper merchanting business. During this period, the Group's core production operations have moved largely from Finland to different parts of Europe – close to customers. In 2001, 28 per cent of the Group's employees worked in Finland, whereas in 1995, Finns accounted for a sizeable 71 per cent of the personnel.

## Near-term development of the operating environment

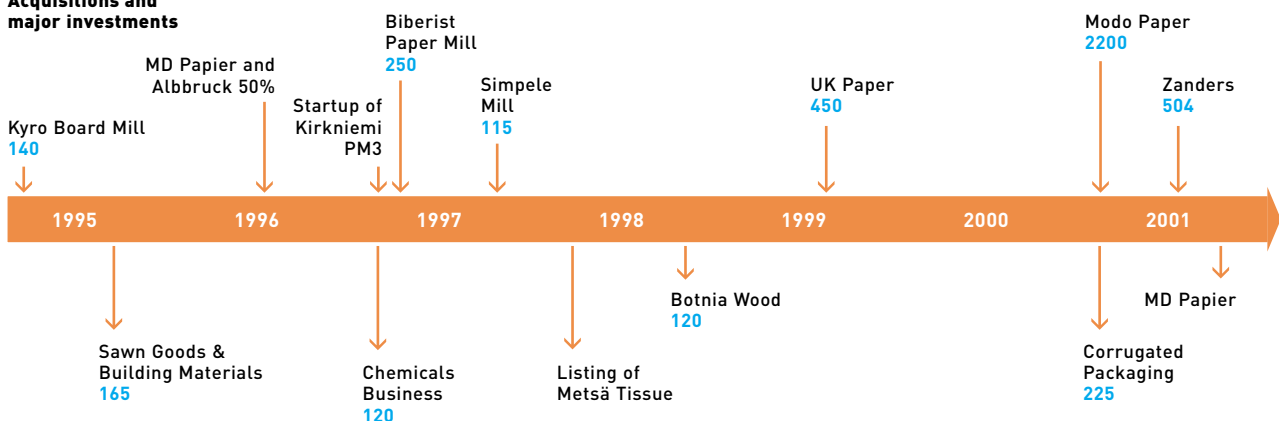
The present imbalance in supply and demand will begin to even out in 2004–2005. The situation is the most difficult within coated fine papers, an area where the company is preparing for low capacity utilization rates through 2002 and into 2003. On the other hand, the market situation within uncoated fine papers – especially office papers – may improve earlier on. The market situation for packaging board grades is expected to hold up reasonably well. All in all, supply and demand can be expected to improve during 2003.

For the company, major changes will take place in the external operating environment. Consolidation within the forest industry is set to continue. The general view is that consolidation will move ahead, above all within fine papers, and as this translates into more efficient production and logistics, it will lead to an improvement in the industry's profitability.

M-real still has room to grow in Europe, for example in the Publishing and Consumer packaging business areas. To an increasing extent, however, the possibilities in Asia and North America must also be assessed. The company's high gearing ratio at the present time nevertheless does not make possible major acquisitions in the short term.

## M-real restructuring story

### Acquisitions and major investments



### Divestments

Approximate annual turnover at the time of acquisition/divestment, EUR million

Over the next few years, e-business will also gain ground. It is estimated that in 2005, already nearly 30 per cent of Europe's companies in the graphics industry will utilize e-business systems. M-real's objective is to be one of the forerunners in driving this trend.

One of the consequences of globalisation, is the growing importance of brands. M-real must be able to serve the business of international brand goods manufacturers, and this poses new challenges for the company. By the same token, the company must clarify its own brand map and capitalize on the potential of the M-real concept in its marketing and communications.

**Main near-term objectives**

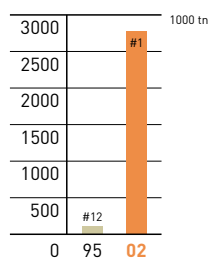
Over the next few years, M-real will concentrate on getting the most out of its strong



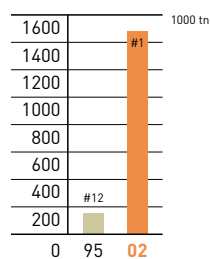
**The development of the market leader**

Business focus and market scale are critical to successful financial performance in the paper industry.

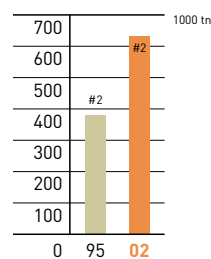
**Coated fine paper**



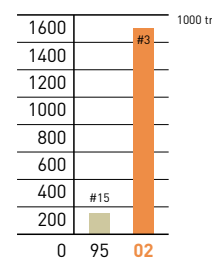
**Uncoated fine paper**



**Folding boxboard**



**Merchanting**



market position in its core business areas and in tapping the results of its structural change. In marketing, production, purchasing and logistics it will seek to make effective use of the synergies from the acquisitions that have been carried out.

A further objective is to fully exploit the capital expenditures made in 2001 (Husum, Kangas and Joutseno). Thanks to these investments, the company's cost competitiveness will improve and the value-added component of the product palette will increase.

The company's central objective is to improve its profitability and equity ratio. To this end, in the years ahead the company must trim costs and working capital further and keep its investments at a minimum. This means concentrating on selected priority areas and peeling off unprofitable businesses.

M-real is well placed to achieve its financial objectives and to carry out its strategy. The company has strong know-how in the core business areas it has chosen, its production machinery is for the most part competitive and located at good sites. M-real manufactures high-quality products, the company has a strong market position and its product palette is more focused than the industry average.



# Risk Management

To ensure a uniform operational model and principles, M-real has formulated Group-wide risk management strategy, policy and manual as well as an insurance handbook.

The management of the Group's financial risks is the responsibility of Metsä Group Financial Services Oy (Metsä Finance), which is M-real's subsidiary that is specialized in financing. Apart from managing financial risks, its task is to optimize financing costs and to maintain adequate liquidity, whilst handling negotiations concerning financing and maintaining relationships with lenders. Metsä Finance's activities are carried out in line with the decisions of M-real's Board of Directors and line management.

## **Property and loss-of-profits risks**

M-real's property and loss-of-profit risks are insured as part of the Metsäliitto Group's international insurance programme. The former MODO Paper's mills were insured up to the end of the year via M-real Re AG (captive), M-real's own reinsurance company that is registered in Switzerland. The total insurance coverage is more than EUR 13 billion.

For all the major sites, technical analyses, engineer reports and surveys of the general level of risk management have been carried out.

A renewed and extensive property and loss-of-profits insurance programme came into effect on 1 January 2002.

## **Liability risks**

The liability risks related to the company's operations, products as well as management and administrative bodies have been insured through international insurance programmes covering the entire Group. The insurance programme has been overhauled and it came into effect on 1 January 2002.

## **Transport risks**

The company's transport risks have been insured as from 1 January 2002, through a uniform international insurance programme covering the entire company. The insurance covers all the company's export, import and supply transports as well as intermediate stocking and cargo average worldwide.

## **Accident risks**

For years now, the units in Finland have carried out an active training and development programme to improve occupational safety. There are uniform reporting and monitoring procedures for industrial accidents and absences due to sickness. The objective is to develop during 2002, a Group-wide monitoring programme that will support work aiming at preventing risks of accident.

## **Data security risks**

M-real has continued work on the systematic identification and analysis of data security risks. The company's data security strategy and policy have been updated. Guidelines have furthermore been prepared concerning the operational principles of data security on the basis of an international standard.

## **Business risks**

In 2001, the Risk Management Department continued the work of identifying and analyzing the company's business risks. The company's top management has taken an active role in studying these issues. On the basis of the resulting survey of risks, decisions will be taken on follow-up measures and the extent of them.

# Managing financial risks

The Group's financial position is discussed in the report of the Board of Directors.

The primary objective of the M-real Group – apart from profitability – is to maintain a strong balance sheet structure that is in good equilibrium. The average equity ratio target over the business cycles has been set at 45 per cent and the gearing ratio target is less than 80 per cent. Financing risks involved in business operations are managed in accordance with the financing policy confirmed by the Company's Board of Directors and management. This policy defines detailed operating instructions for the management of factors such as foreign exchange, interest rate, liquidity and counterparty risk as well as for the use of derivative instruments. The aim is to hedge against significant financing risks, to balance the cash flow and to give the business units time to adjust their operations to changed conditions.

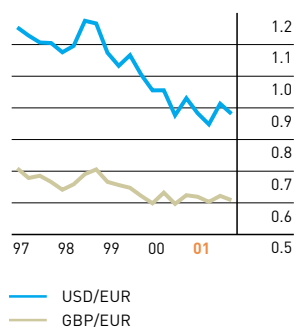
## Foreign exchange risks

The M-real Group's foreign exchange risk consists of the risk connected with foreign currency flows and the risk of converting foreign currency-denominated shareholders' equity amounts.

### Exchange rates against euro at 31.12.

	2001	2000	1999	1998	1997
GBP	0.6085	0.6241	0.6217	0.7055	0.6660
USD	0.8813	0.9305	1.0046	1.1667	1.1048
SEK	9.3012	8.8313	8.5625	9.4874	8.7265
NOK	7.9515	8.2335	8.0765	8.8716	8.0998
DKK	7.4365	7.4631	7.4433	7.4489	7.5352

### Exchange rate trends



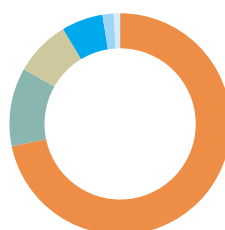
Most of the Group's costs are generated in the eurozone, but a large part of the sales income is obtained in other than domestic currency. This means that due to changes in foreign exchange rates, trade receivables can fluctuate whilst production costs remain unchanged. Similarly, products are often priced in a non-domestic currency. This so-called foreign currency exposure includes foreign currency-denominated accounts receivable, accounts payable, orders booked as well as a certain part of the budgeted net foreign currency cash flow. The main instruments used for hedging are loans taken out in foreign currency, forward rate agreements and options. The Group's annual foreign currency exposure is about EUR 1.9 billion. The main currencies are the United States dollar (an annual currency flow of USD 385 million), the British pound (360 million pounds) and the Swedish krona (4.6 billion kronor). The appreciation in the dollar and pound has a positive effect on the Group's earnings and, correspondingly, their weakening has a negative impact. A depreciating Swedish krona has a positive effect on the Group's earnings.

The policy is to hedge on average a three-month foreign exchange flow, but the hedging can vary currency by currency from 0 to 12 months. The amount of hedging for specific currencies can vary depending on the exchange rates and expectations prevailing at any given time, on interest differences among the currencies as well as on the impact on the Group's earnings of a change in foreign exchange rates.

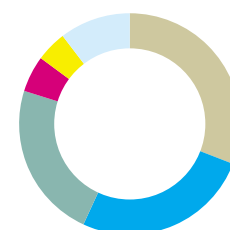
At the end of the year, the foreign currency exposure was hedged on average for 2.4 months. The degree of hedging during the year varied between 2 and 6 months. During the year, dollar, pound and krona exposures were hedged on average for five (dollar), four (pound) and four (krona) month currency flows, whereas at the end of the year they were hedged for one (dollar), one (pound) and five (krona) months.

The risk in translating foreign currency-denominated shareholders' equity arises when the shareholders' equity amounts of overseas subsidiaries and associated companies are consolidated and translated into euros in the annual accounts. The company hedges the foreign currency-denominated shareholders' equity items of international subsidiaries by means of loans taken out in foreign currency and through foreign currency derivatives. A minimum of 50 per cent of the equity exposure subject to risk must be hedged if the hedging can in practice be carried out. The degree of hedging at 31 December 2001 was 53 per cent.

### Currency breakdown of loans



### Foreign currency breakdown of currency exposure



### Interest rate risk

The Group is vulnerable to price and reinvestment risks. Price risk refers to a change in the value of balance sheet items, and reinvestment risk to future changes in interest rates in respect of receivables and payables. Interest rate risk primarily pertains to interest-bearing receivables and liabilities in the balance sheet. The main foreign currencies involved in the management of interest rate risks are the euro, the United States dollar and the British pound.

M-real aims to hedge the most important interest rate risks. The speed of change in the interest rate level shows up in net financing expenses in the profit and loss account depends on the interest rate maturities of investments, loans and derivatives, i.e. on how long the interest rate on the financial item remains fixed. The instruments used to manage interest rate risk are forward rate agreements, futures, interest rate swaps and options.

The interest rate maturity of the Group's net interest rate exposure at 31 December 2001, was 10 months and the average interest rate of the derivatives hedging loans and their interest rate risk was 4.6 per cent. During the year, the interest rate maturities varied from 4 to 11 months.

The Group's interest rate sensitivity, i.e. an estimate of the effect of an interest rate change of one per cent in one direction on net interest costs in 2002 is about EUR 12 million based on the exposure at the end of 2001.

### Liquidity risks

Liquidity risk means that financial assets and borrowing facilities do not suffice to cover the financing need of operations or that funding becomes immoderately expensive. The risk is tracked by estimating the 12-month liquidity requirement and comparing it with the available amount of liquidity.

### Counterparty risks

Financial instruments involve a risk that the Group will sustain losses because the counterparty is either totally or partially unable to meet its commitments. The Group manages this risk by entering into financial transactions only with the most creditworthy counterparties and within predetermined limits. Credit risks for financing did not result in losses during the financial year.

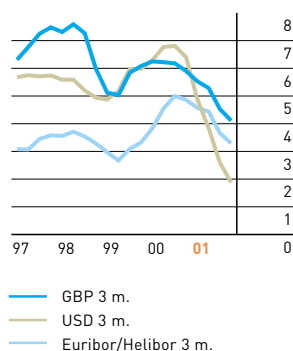
### Derivative Agreements

On the balance sheet date, the Group had following open derivative contracts hedging the financial risks.

	Maturity months	Counter-values 31.12.2001 (EUR mill.)
Forward foreign exchange contracts	< 12 months	11.4
Foreign exchange options bought and sold	< 12 months	4.4
Forward interest rate agreements	< 12 months	0.0
Interest rate options bought and sold	< 3 years	15.0
Interest rate swaps	< 8 years	7.1
Currency swaps	< 30 years	0.2

At Note 26 (Contingent liabilities) a schedule is given of the gross amount and fair values of derivative contracts on 31 December 2001.

Interest rate trends, 3 m.



# Corporate Governance

The company's highest decision-making body is the general meeting of shareholders. Each year, the Annual General Meeting approves the company's profit and loss account and balance sheet, and decides on the dividend and on the election of the members of the Board of Directors as well as the auditors.

## **Board of Directors**

Under M-real's Articles of Association, the Board of Directors has a minimum of five and a maximum of eight members, whose term of office lasts up to the end of the Annual General Meeting following the close of the Annual General Meeting at which they were elected. The Board of Directors elects from amongst its number, a chairman and a vice chairman. The present Board of Directors has eight members.

The task of the Board of Directors is to attend to the due organization of the company's administration and operations as well as to decide on matters which, taking into account the extent and kind of the company's operations, are uncommon and of

far-reaching import. In addition, the standing rules of the Board of Directors specify that the Board's tasks are, among other things, to take decisions on the company's strategy and merger and acquisition arrangements, to confirm and oversee the budget, to decide on major capital expenditures and important financial matters, to elect the president and to approve the appointments of the president's immediate subordinates, to decide on the salaries and other benefits of the president and other top management and to confirm the company's personnel policy.

As a rule, the Board of Directors meets once a month. In 2001, the Board met 20 times, an exception which was due to factors such as the share issue that was carried out and the change in the company's name.

The Board of Directors has appointed, from its members a Compensation Committee comprising the chairman and vice chairman of the Board of Directors as well as one member of the Board. The Compensation Committee prepares and presents for decision, by the Board of Directors, matters connected with the president's salary, fringe benefits and other conditions of employment as well as decides on the salaries, fringe benefits and other conditions of employment of officers who report directly to the president. It is also the task of the Board's Compensation Committee generally to keep abreast of issues connected with the compensation, fringe benefits and other conditions of employment of management and persons working in key expert positions as well as to issue the related regulations, instructions and recommendations in order to ensure the company's continuing competitiveness.

**President**

The task of the president is, in accordance with the instructions and regulations issued by the Board of Directors, to attend to the Company's running administration. In 2001, the president & CEO was Jorma Vaajoki up to 30 November 2001, and Jouko M. Jaakkola as from 1 December 2001. Jouko M. Jaakkola served as the president's deputy up to 30 November 2001.

**Salaries and remuneration**

The Annual General Meeting confirms the emoluments of the members of the Board of Directors for the following year. Emoluments paid to the Board of Directors in 2001 totalled EUR 353 952. Salaries and emoluments paid to the president and the president's deputy were, totalling EUR 941 206 with fringe benefits.

**Operational organization**

M-real Group has five business areas: Commercial printing, Home & Office, Publishing, Consumer packaging and Map Merchant Group. The M-real alliance sales network is responsible for selling M-real's and the Myllykoski Group's products. M-real owns a 65.6 per cent stake in Metsä Tissue. In addition, M-real owns 47 per cent of Oy Metsä-Botnia Ab.

The president is responsible for managing the Group. The most important matters are dealt with in meetings of the Corporate Executive Board, whose members are the President & CEO Jouko M. Jaakkola as well as Executive Vice President Aarre Metsävirta (Operations & Sourcing), Executive Vice President Veli-Matti Mynttinen (Corporate services), Leif Backman (Strategic marketing), Ari Himma (Human resources), Matti Nenonen (Commercial printing), Wolfram Kutter (Home & Office), John Clinton (Publishing), Juhani Saarela (Consumer packaging) and Karl-Johan Lindborg (Map). Josef Wanzenböck participates in meetings of the Corporate Executive Board as an expert member.

**Insiders**

Under the Securities Market Act, M-real maintains insider register information on 32 insiders within the SIRE system operated by Finnish Central Securities Depository Ltd.

# Commercial printing

M-real's business areas

The mills of the Commercial printing business area suffered from weak demand throughout the year, and capacity utilization rates were very low. Despite downward pressure on prices due to weak demand, the fall in prices remained fairly minor.

The profitability of the business area weakened substantially during the report period compared with the previous year. Operating profit was EUR 40.2 million (158.8). As a ratio of turnover, operating profit fell from 12 per cent a year earlier to 3 per cent. Operating profit was weakened above all by lower demand and the resultant major production curtailments. The most important single factor that lowered earnings in the report period was the investment shutdown at the Kangas paper mill and the costs of starting up the new production line. Thanks to the Modö Paper units, turnover grew by 9 per cent and was EUR 1 400 million (1 285).

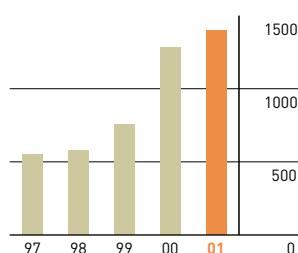
Mill deliveries of coated fine paper in western Europe fell by 7 per cent during the report period compared with the previous year. M-real's delivery volumes were up

10 per cent, but comparable delivery volumes declined by 16 per cent. The main factors behind this were the weaker demand and the investment shutdown at Kangas. The average running time of the business area's paper machines was 6 weeks shorter than a year ago, and the capacity utilization rate fell to 80 per cent (92). Selling prices fell slightly throughout the year but nevertheless stabilized towards the end of the year. Selling prices in euros were on average one per cent lower than they were a year earlier.

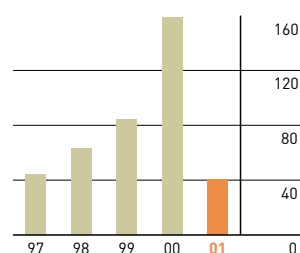
In the last quarter of the year, the delivery volume grew by 5 per cent on the third quarter and profitability improved markedly.

Commercial printing		2001	2000	Change
Turnover, Commercial printing	EUR million	1 400.1	1 285.3	9%
Internal sales, Group		-285.9	-252.4	
Turnover, external		1 114.2	1 032.9	8%
Operating profit	EUR million	40.2	158.8	-75%
Operating profit	%	2.9	12.4	
Capital employed (average)	EUR million	1 386.6	982.3	41%
Capital turnover rate		1.0	1.3	
Return on capital employed	%	3.0	16.9	
Personnel (average)		4 101	3 017	36%
Investment in fixed assets	EUR million	130.7	115.4	13%
Production, 1 000 t		1 521	1 382	10%

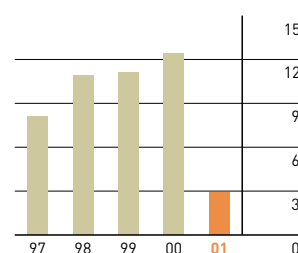
Turnover, EUR million



Operating profit, EUR million



Operating profit, % of turnover



# Home & Office

M-real's business areas

In the Home & Office business area demand began to weaken during the second quarter, sliding sharply in the third quarter. Demand picked up slightly towards the end of the year.

The business area's turnover during the report period was EUR 84.7 million (66.9). The increase in operating profit came from the Modo Paper units and stronger selling prices for office papers. As a ratio of turnover, operating profit remained at the previous year's level of 10 per cent. Thanks to Modo Paper, turnover grew by 30 per cent and was EUR 875 million (667).

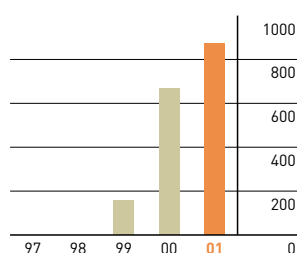
Demand for uncoated fine paper in western Europe weakened and deliveries by European producers declined by 8 per cent compared with the previous year. M-real's delivery volume grew by 40 per cent owing to the acquisition of Modo Paper, but in comparative terms the delivery volume declined by 22 per cent. The fall in the delivery volume was largely attributable to the change in the production orientation of PM 8 at Husum, which went over to manu-

facturing coated grades. The average running time of the paper machines was 5 weeks shorter than in 2000 and the capacity utilization rate fell to 86 per cent (96). Selling prices declined slightly all through the report year, but the slide in prices slowed down towards the end of the year. Euro-denominated selling prices were on average 3 per cent higher than they were in 2000.

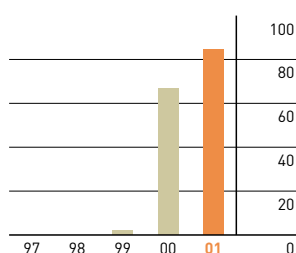
In the last quarter, the delivery volume increased by 13 per cent on the previous quarter and profitability improved somewhat.

Home & Office		2001	2000	Change
Turnover, Home & Office	EUR million	875.1	666.8	31%
Internal sales, Group		-263.1	-175.4	
Turnover, external		612.0	491.4	25%
Operating profit	EUR million	84.7	66.9	27%
Operating profit	%	9.7	10.0	
Capital employed (average)	EUR million	1 296.4	788.0	65%
Capital turnover rate		0.7	0.9	
Return on capital employed	%	6.8	9.3	
Personnel (average)		2 197	1 414	55%
Investment in fixed assets	EUR million	58.5	59.7	-2%
Production, 1 000 t		873	650	34%

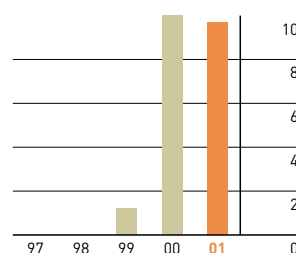
Turnover, EUR million



Operating profit, EUR million



Operating profit, % of turnover



# Publishing

M-real's business areas

The report year for the Publishing business area was impacted strongly by the deterioration in demand, Husum's PM 8 capital expenditure and the divestment of the Plattling and Dachau mills.

The business area had turnover during the report period of EUR 114.1 million (221.6). The weakening in operating profit was due to the fall in demand for magazine papers, the divestment of MD Papier GmbH (the Plattling and Dachau mills) in mid-year as well as the production losses and non-recurring expenses resulting from the investment shutdown of Husum's PM 8. As a ratio of turnover, operating profit during the report period fell from the previous year's 25 per cent to 14 per cent. Turnover was down 9 per cent to EUR 814 million (897).

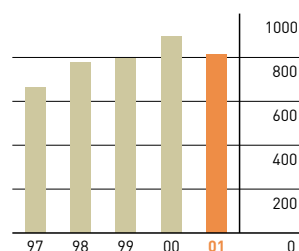
Mill deliveries of coated magazine paper (LWC) in western Europe fell by 6 per cent during the report period compared with the previous year. M-real's delivery volumes declined by 13 per cent and the capacity utilization rate weakened

markedly. The fall in the comparative delivery volume was 11 per cent. The running time of the paper machines, not counting Husum's PM 8, was on average three weeks shorter than last year and corresponded to an 87 per cent capacity utilization rate (93). Selling prices remained fairly stable during the year and were on average 6 per cent higher than they were a year ago.

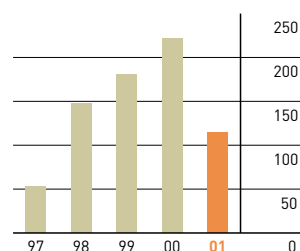
Fourth-quarter deliveries were up about 6 per cent and profitability improved somewhat compared with the third quarter.

Publishing		2001	2000	Change
Turnover, Publishing	EUR million	813.7	896.7	-9%
Internal sales, Group		-0.3	-1.9	
Turnover, external		813.4	894.8	-9%
Operating profit	EUR million	114.1	221.6	-49%
Operating profit	%	14.0	24.7	
Capital employed (average)	EUR million	1 011.5	993.8	2%
Capital turnover rate		0.8	0.9	
Return on capital employed	%	11.3	22.4	
Personnel (average)		1 854	1 710	8%
Investment in fixed assets	EUR million	128.9	128.1	1%
Production, 1 000 t		930	1 078	-14%

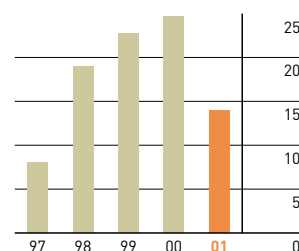
Turnover, EUR million



Operating profit, EUR million



Operating profit, % of turnover





# Consumer packaging

M-real's business areas

Demand for folding boxboard in the Consumer packaging business area held steady throughout the report year. Deliveries of liner and corrugated board grades, however, fell markedly short of last year's volumes.

The business area posted operating profit of EUR 130.0 million (179.3). The weakening in profitability was attributable to higher costs than a year ago as well as to the lower delivery volumes of corrugated board and linerboard. Turnover totalled EUR 951 million (900). Operating profit was 13.7 per cent of turnover (19.9).

Despite the general weakening in demand in the industry, M-real's deliveries of folding boxboard increased by 6 per cent in western Europe, but deliveries to the United States and Asia were lower than they were a year earlier. The growth in the aggregate delivery volume was 4 per cent. Average selling prices were about 2 per cent higher than they were a year earlier.

Demand for wallpaper base remained weak and the delivery volume was 8 per cent lower than the figure a year earlier. Selling prices remained at the previous year's level.

Linerboard demand was lower than a year ago and production in the field has been adjusted to the level of demand. The

Group's delivery volume was 4 per cent lower than a year earlier, but selling prices were on average 3 per cent higher than in 2000.

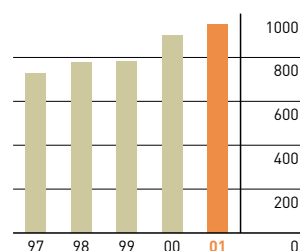
Demand for fluting was markedly weaker than it was a year ago. M-real's delivery volume fell 7 per cent. Selling prices fell somewhat during the year, but average selling prices were about 2 per cent higher than a year ago.

Fourth-quarter profitability was at the level of the third quarter. Major changes did not take place in the volumes of folding boxboard delivered, but deliveries of liner and corrugated board increased markedly compared with the previous quarter. Selling prices within all product groups remained at the level of the third quarter.

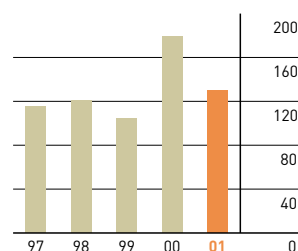
Consumer packaging		2001	2000	Change
<b>Turnover, Consumer packaging</b>	EUR million	951.3	899.5	6%
Internal sales, Group		-13.2	-18.0	
<b>Turnover, external</b>		938.1	881.5	6%
<b>Operating profit</b>	EUR million	130.0	179.3	-27%
<b>Operating profit</b>	%	13.7	19.9	
<b>Capital employed (average)</b>	EUR million	880.6	829.2	6%
<b>Capital turnover rate</b>		1.1	1.1	
<b>Return on capital employed</b>	%	15.0	22.2	
<b>Personnel (average)</b>		3 089	2 588	19%
<b>Investment in fixed assets</b>	EUR million	57.4	46.0	25%
<b>Production, 1 000 t</b>				
Paperboard		665	672	-1%
Fluting		228	244	-7%
Liner *)		132	152	-13%
CTMP		106	106	0%

\*) M-real's holding is 47 %.

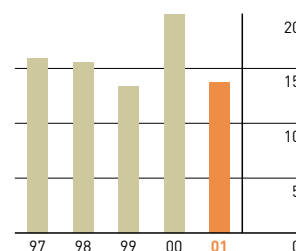
Turnover, EUR million



Operating profit, EUR million



Operating profit, % of turnover



# Map Merchant Group

M-real's business areas

The reporting year of the Map business area was tinged by a tough market situation as well as the difficulties of integrating and reorganizing functions.

Map reported an operating loss of EUR 3.6 million (operating profit of 20.4 million in 2000). Turnover was EUR 1 636 million (1 148). The growth in turnover was due entirely to the acquisition of Modö Paper's merchanting operations in mid-2000.

The profitability of merchanting operations was weakened by lower delivery volumes and sales margins due to weakened demand. In addition, the generally tighter economic situation brought an increase in credit losses. In the last quarter, non-recurring cost provisions were made as part of the reorganization of operations, and a total of EUR 20 million of write-downs was made on asset items. Thanks to the rationalization and reorganization measures that have already been carried out, operating costs diminished compared with the previous year. The cost

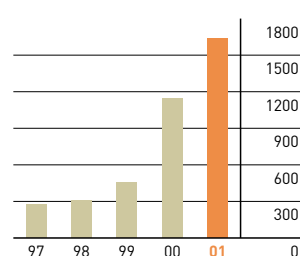
savings from these measures will increase during 2002 and 2003.

Delivery volumes during the report year totalled 1 345 000 tonnes, down 7 per cent on the comparable delivery volumes in 2000. In the fourth quarter, delivery volumes nevertheless increased somewhat compared with the third quarter. Towards the end of the year, price increases were also put through in some countries.

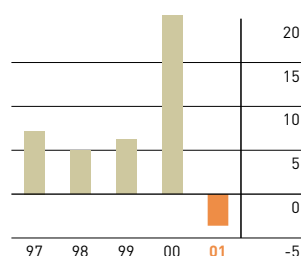
M-real's paper merchanting division took the name Map Merchant Group at the beginning of June.

Map Merchant Group		2001	2000	Change
Turnover, Map Merchant Group	EUR million	1 635.6	1 148.0	42%
Internal sales, Group		-1.3	-1.7	
Turnover, external		1 634.3	1 146.3	43%
Operating profit	EUR million	-3.6	20.4	
Operating profit	%	-0.2	1.8	
Capital employed (average)	EUR million	490.7	290.6	69%
Capital turnover rate		3.3	4.0	
Return on capital employed	%	-0.8	7.4	
Personnel (average)		2 855	1 830	56%
Investment in fixed assets	EUR million	6.1	7.0	-13%

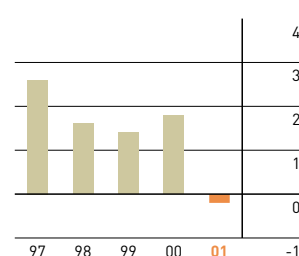
Turnover, EUR million



Operating profit, EUR million



Operating profit, % of turnover



# Zanders

## M-real's business areas

**Zanders' first year of operation as part of M-real unfolded against the backdrop of a weak market situation and reorganization measures. Zanders' integration into M-real has progressed according to plans. The benefits of the integration will begin to be realized during the current year.**

Zanders reported operating profit of EUR 0.2 million. Turnover was EUR 513 million and the delivery volume was 360 000 tonnes. Deliveries declined by 16 per cent on 2000 as a consequence of weak demand and the very low capacity utilization rate, 78 per cent. In 2000, Zanders' capacity was nearly in full use.

Zanders' reorganization and measures aimed at boosting operational efficiency continued throughout the report period. The number of products has been trimmed a good deal and operational structures have been simplified. The company launched an operational development and cost-cutting programme with the aim of reducing staff

levels by nearly 800 employees by the end of 2003. The development programme also includes EUR 65 million of capital expenditures for improving the cost-effectiveness of the mills.

Demand and profitability remained evenly weak all through the year, and the last quarter did not bring an improvement in the situation, either. Deliveries fell by nearly 4 per cent on the third quarter.

<b>Zanders</b>		<b>2001</b>
<b>Turnover, Zanders</b>	EUR million	512.9
Internal sales, Group		-4.6
<b>Turnover, external</b>		508.3
<b>Operating profit</b>	EUR million	0.2
<b>Operating profit</b>	%	0.0
<b>Capital employed (average)</b>	EUR million	357.5
<b>Capital turnover rate</b>		1.4
<b>Return on capital employed</b>	%	0.3
<b>Personnel (average)</b>		2 724
<b>Investment in fixed assets</b>	EUR million	15.5
<b>Production, 1000 t</b>		357

**Metsä Tissue's profitability improved substantially thanks to the efficiency boosting and price increases that were carried out in the report year.**

Metsä Tissue reported operating profit of EUR 36.5 million (an operating loss of EUR 11.9 million in 2000). Profitability was improved by boosting operational efficiency and through increases in selling prices. The fall in the prices of the main raw materials –pulp and recycled fibre – has also improved profitability. The downward trend in the prices of raw materials came to a halt in the last quarter and began to rise slightly.

Operating profit was burdened by an EUR 6.1 million cost provision for the reorganization of operations that is to be carried out in 2002 and 2003. EUR 2.1 million of the provision was booked in the last quarter and EUR 4.0 million in the third quarter.

Turnover was up 7 per cent to EUR 650 million (609). Of the growth in turnover, 2 per cent came from increased sales volumes and 5 per cent from higher selling prices.

Tissue products have continued to enjoy good demand. The growth in the sector's markets in Metsä Tissue's market areas is nevertheless very subdued. Metsä Tissue achieved a stronger position for its own

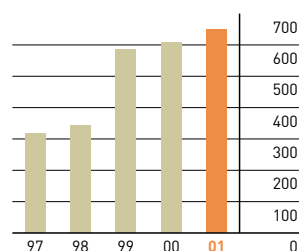
trademarks within both consumer and Away-from-Home products during the report year.

In the last quarter, Metsä Tissue's profitability, taking into account non-recurring provisions for costs, was at the level of the third quarter. Delivery volumes and selling prices also remained at the same level.

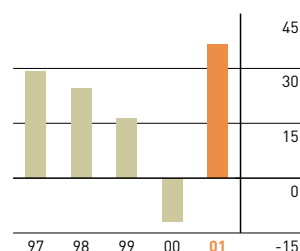
During the report year, Metsä Tissue Corporation's share price on Helsinki Exchanges registered a high of EUR 12.00 and a low of EUR 6.70. The average share price was EUR 8.38. The share price at the end of the report period was EUR 8.77. Turnover of Metsä Tissue shares in January – December was EUR 14.1 million, representing 5.6 of the total number of shares outstanding. The company's market capitalization at the end of the report period was EUR 263 million. M-real Corporation owns 65.6 per cent of Metsä Tissue's shares. Foreigners held 22.9 per cent of the shares at the end of the report period.

Tissue Group		2001	2000	Change
Turnover, Tissue Group	EUR million	649.6	609.2	7%
Internal sales, Group		-3.7	-3.4	
Turnover, external		645.9	605.8	7%
Operating profit	EUR million	36.5	-11.9	
Operating profit	%	5.6	-1.9	
Capital employed (average)	EUR million	360.6	370.8	-3%
Capital turnover rate		1.8	1.6	
Return on capital employed	%	10.3	-3.1	
Personnel (average)		3 000	3 206	-6%
Investment in fixed assets	EUR million	16.0	22.7	-30%
Production, 1 000 t		408	402	1%

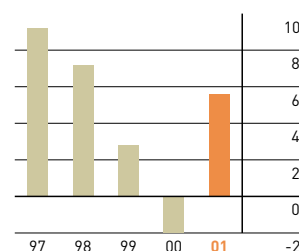
Turnover, EUR million



Operating profit, EUR million



Operating profit, % of turnover



Turnover EUR million	2001 I-IV	2000 I-IV	Quarterly							
			2001 IV 01	III 01	II 01	I 01	IV 00	III 00	II 00	2000 I 00
Commercial printing	1 400.1	1 285.3	354.1	333.0	329.9	383.1	416.8	432.6	221.1	214.8
Home & Office	875.1	666.8	223.7	185.6	220.7	245.1	282.4	298.8	43.8	41.7
Publishing	813.7	896.7	181.6	168.7	218.9	244.5	245.4	228.6	213.4	209.3
Consumer packaging	951.3	899.5	242.7	231.0	236.2	241.4	239.4	233.3	212.0	214.8
Map Merchant Group	1 635.6	1 148.0	389.3	387.0	416.9	442.4	469.7	433.8	118.0	126.5
Zanders	512.9		120.1	126.0	128.8	138.0				
Metsä Tissue	649.6	609.2	163.2	161.1	163.0	162.3	160.4	156.5	144.8	147.5
Internal sales and other operations	85.0	392.3	27.0	8.6	41.2	8.2	12.3	55.7	169.8	154.6
<b>M-real Group</b>	<b>6 923.3</b>	<b>5 897.8</b>	<b>1 701.7</b>	<b>1 601.0</b>	<b>1 755.6</b>	<b>1 865.0</b>	<b>1 826.4</b>	<b>1 839.3</b>	<b>1 122.9</b>	<b>1 109.2</b>

Operating profit and result EUR million	2001 I-IV	2000 I-IV	Quarterly							
			2001 IV 01	III 01	II 01	I 01	IV 00	III 00	II 00	2000 I 00
Commercial printing	40.2	158.8	22.5	9.5	-7.1	15.3	36.4	60.1	29.4	32.9
Home & Office	84.7	66.9	10.3	4.3	22.4	47.7	25.4	41.1	1.3	-0.9
Publishing	114.1	221.6	19.9	16.4	31.7	46.1	59.0	67.5	43.7	51.4
Consumer packaging	130.0	179.3	28.0	29.3	26.4	46.3	45.6	59.8	30.3	43.5
Map Merchant Group	-3.6	20.4	-14.4	-3.6	4.8	9.6	8.5	8.2	1.5	2.2
Zanders	0.2		-2.0	4.1	-3.6	1.7				
Metsä Tissue	36.5	-11.9	13.8	11.2	7.1	4.4	0.3	0.9	-9.8	-3.3
Other operations	-12.9	-31.0	-5.8	22.6	-33.9	4.2	-9.5	3.8	-14.3	-11.0
<b>Operating profit</b>	<b>389.2</b>	<b>604.0</b>	<b>72.3</b>	<b>93.8</b>	<b>47.8</b>	<b>175.3</b>	<b>165.7</b>	<b>241.5</b>	<b>82.0</b>	<b>114.8</b>
% of turnover	5.6	10.2	4.3	5.9	2.7	9.4	9.1	13.1	7.3	10.3
Net exchange gains/losses	-22.7	-8.0	-19.9	-3.0	0.1	0.1	-6.5	6.3	-4.3	-3.5
Other financial income and expenses	-212.5	-137.5	-46.8	-47.4	-62.1	-56.2	-41.0	-56.9	-18.9	-20.7
<b>Profit before extraordinary items</b>	<b>154.0</b>	<b>458.5</b>	<b>5.6</b>	<b>43.4</b>	<b>-14.2</b>	<b>119.2</b>	<b>118.2</b>	<b>190.9</b>	<b>58.8</b>	<b>90.6</b>
% of turnover	2.2	7.8	0.3	2.7	-0.8	6.4	6.5	10.4	5.2	8.2

Operating profit, %	2001 I-IV	2000 I-IV	Quarterly							
			2001 IV 01	III 01	II 01	I 01	IV 00	III 00	II 00	2000 I 00
Commercial printing	2.9	12.4	6.4	2.9	-2.1	4.0	8.7	13.9	13.3	15.3
Home & Office	9.7	10.0	4.6	2.3	10.2	19.4	9.0	13.8	3.0	-2.2
Publishing	14.0	24.7	11.0	9.7	14.5	18.9	24.0	29.5	20.5	24.6
Consumer packaging	13.7	19.9	11.5	12.7	11.2	19.2	19.1	25.6	14.3	20.3
Map Merchant Group	-0.2	1.8	-3.7	-0.9	1.2	2.2	1.8	1.9	1.2	1.7
Zanders	0.0		-1.7	3.3	-2.8	1.2				
Metsä Tissue	5.6	-1.9	8.5	7.0	4.4	2.7	0.2	0.6	-6.8	-2.2
<b>M-real Group</b>	<b>5.6</b>	<b>10.2</b>	<b>4.3</b>	<b>5.9</b>	<b>2.7</b>	<b>9.4</b>	<b>9.1</b>	<b>13.1</b>	<b>7.3</b>	<b>10.3</b>

Production, 1 000 tons	2001 I-IV	2000 I-IV	Quarterly							
			2001 IV 01	III 01	II 01	I 01	IV 00	III 00	II 00	2000 I 00
Commercial printing	1 521	1 382	387	373	362	399	421	458	249	254
Home & Office	873	650	207	199	221	246	272	282	47	49
Publishing *)	930	1 078	203	205	235	287	294	268	247	269
Zanders	357		85	91	88	93				
Paperboard	665	672	152	170	161	182	174	179	149	170
Fluting	228	244	60	57	54	57	60	67	53	64
Liner *)	132	152	36	35	31	30	37	41	33	41
CTMP	136	106	49	34	25	28	26	29	23	28
Tissue	408	402	97	108	98	105	93	102	99	108
Metsä-Botnia's pulp *)	946	1 078	234	258	209	245	263	290	239	285
<b>M-real's pulp</b>	<b>1 074</b>	<b>603</b>	<b>264</b>	<b>251</b>	<b>261</b>	<b>298</b>	<b>297</b>	<b>306</b>		

\*) equals to M-real's ownership in Metsä-Botnia and MD Papier.

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# Financial Statements, contents

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# Report of the Board of Directors

## The market

In M-real's core business areas, the market situation for different paper grades was difficult in 2001. Demand for fine papers was markedly weaker than it was a year ago. Demand for coated magazine paper did not go into decline until the second quarter of the report year. Deliveries of liner and corrugated board grades were also lower than in the previous year. Folding boxboard sales, however, held up well throughout the year. Demand for tissue products also remained stable.

Deliveries of coated magazine paper, by the mills in Western Europe, declined by 6 per cent on the previous year. Average selling prices, however, were 6 per cent higher than a year ago thanks to price increases put through at the end of 2000.

Deliveries of coated fine paper, by the mills in Western Europe, fell by 7 per cent, with uncoated fine paper down 8 per cent. Despite the downward pressure on prices due to weak demand, the price level remained relatively stable. The average prices of coat-

ed fine paper were 1 per cent lower than they were a year ago, with uncoated fine paper 3 per cent lower than in the previous year.

In Western Europe, demand for folding boxboard weakened somewhat compared with 2000, but M-real's deliveries were up 6 per cent. The price level remained stable and was, on average, 2 per cent higher than a year earlier. The average prices of liner and corrugated board too were 2-3 per cent higher than they were a year ago.

In the latter months of the year, demand for paper products grew somewhat on a seasonal basis and deliveries of both fine paper and magazine paper increased in the last quarter of the year compared with the third quarter.

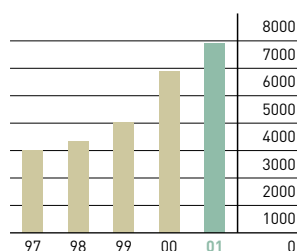
## Turnover and earnings

M-real's consolidated turnover in 2001 was EUR 6 923 million (5 898 million in 2000). Acquisitions increased turnover by EUR 1 750 million. In comparable terms, turnover fell by 9 per cent. Exports and sales by subsidiaries abroad accounted for 93 per cent of turnover (91%). M-real's deliveries of paper and board totalled 4.7 million tonnes (4.1 million). As a consequence of weakened demand, major production curtailments had to be carried out at the Group's mills. Comparable delivery volumes dropped by 400 000 tonnes, or 14 per cent.

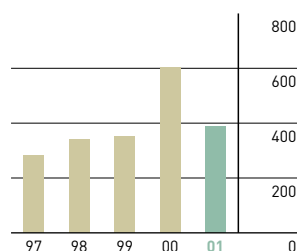
The Group's operating profit was EUR 389 million (604), or 5.6 per cent of turnover (10.2). Profitability declined in all M-real's business areas with the exception of Metsä Tissue. In addition to lower demand, the investment

Key figures	Turnover, EUR million		Operating profit, EUR million		Operating profit, %		Capital employed average, EUR million		Return on capital employed, %		Personnel average	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Commercial printing	1 400.1	1 285.3	40.2	158.8	2.9	12.4	1 386.6	982.3	3.0	16.9	4 101	3 017
Home & Office	875.1	666.8	84.7	66.9	9.7	10.0	1 296.4	788.0	6.8	9.3	2 197	1 414
Publishing	813.7	896.7	114.1	221.6	14.0	24.7	1 011.5	993.8	11.3	22.4	1 854	1 710
Consumer packaging	951.3	899.5	130.0	179.3	13.7	19.9	880.6	829.2	15.0	22.2	3 089	2 588
Map Merchant Group	1 635.6	1 148.0	-3.6	20.4	-0.2	1.8	490.7	290.6	-0.8	7.4	2 855	1 830
Zanders	512.9		0.2		0.0		357.5		0.3		2 724	
Metsä Tissue	649.6	609.2	36.5	-11.9	5.6	-1.9	360.6	370.8	10.3	-3.1	3 000	3 206
Internal sales and others	85.0	392.3	-12.9	-31.0			320.2	615.3			2 417	3 586
<b>Total</b>	<b>6 923.3</b>	<b>5 897.8</b>	<b>389.2</b>	<b>604.0</b>	<b>5.6</b>	<b>10.2</b>	<b>6 104.1</b>	<b>4 870.0</b>	<b>7.0</b>	<b>13.5</b>	<b>22 237</b>	<b>17 351</b>

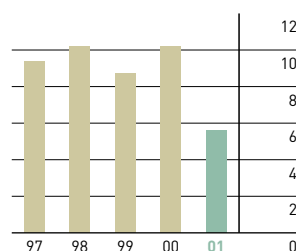
Turnover, EUR million



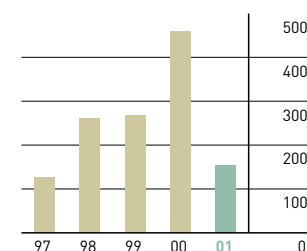
Operating profit, EUR million



Operating profit, %



Profit before extraordinary items, EUR million



shutdowns at Kangas and Husum and the start-up costs after completion of the investments cut into profitability. In addition, operating profit was burdened by about EUR 40 million of non-recurring provisions for costs and write-downs on asset items. About EUR 35 million of this amount is allocated to the last quarter of the year.

Turnover by countries	2001	2000
Great Britain	1 344.3	1 199.8
Germany	1 322.7	872.3
Finland	485.6	521.8
France	457.0	462.4
Sweden	317.3	235.9
The Netherlands	286.6	195.0
USA	263.5	184.8
Italy	237.6	205.4
Spain	216.6	237.8
Belgium	182.2	125.8
Switzerland	164.8	146.1
Poland	155.4	129.8
Denmark	151.4	144.6
Austria	130.8	92.5
Norway	114.3	92.0
Australia	84.9	78.2
Russia	74.7	65.4
China	71.1	56.9
Ireland	58.8	45.5
Canada	56.8	49.6
Baltic countries	45.2	44.7
India	41.8	43.6
Hong Kong	37.1	70.7
Greece	27.7	51.0
Japan	27.2	22.5
Portugal	14.0	11.3
Other Europe	18.2	6.6
Other Asia	138.9	181.2
Other countries	396.9	324.6
	6 923.3	5 897.8

The price of pulp fell sharply during the year, but the price drop came to a halt and began to rise during the late months of the year. The price of pulp was on average 16 per cent lower than it was a year ago.

M-real's profit before extraordinary items was EUR 154 million (459).

The Group's net financial expenses were EUR 235.2 million (145.5). A major factor that added to financial expenses is the interest costs of financing acquisitions. Second-quarter financial expenses include a non-recurring item of EUR 10 million for share issue expenses. The company decided to provide for the repayment of the five-year converted subordinated capital notes issued in October 1997 to a total amount of USD 350 million by periodizing the exchange rate difference calculated at the rate on the balance sheet date, EUR 87 million, over the last year of the loan period (1 October 2001–1 October 2002). Accordingly, the financial expenses for the fourth quarter include EUR 21.7 million of the exchange rate difference on the capital notes.

Hedging income of EUR 9 million, has been booked on foreign currency derivatives hedging sales (EUR 24 million of hedging expenses in 2000). The United States dollar strengthened by 5 per cent, and the British pound by 2.5 per cent, compared with the previous turn of the year. The average exchange rate of the dollar was 3 per cent higher than in 2000, whereas the pound was 2 per cent lower.

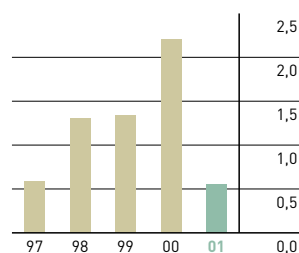
A second-quarter capital gain of EUR 152 million on the sale of MD Papier and a third-quarter capital gain of EUR 31 million on the sale of shares in Noviant were booked to extraordinary income.

Net profit for the financial year was EUR 212.2 million (339.7). Taxes, including the change in the deferred tax liability and taxes on extraordinary income, were EUR 115.0 million (183.0).

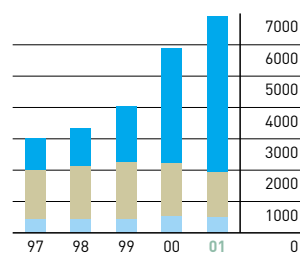
Earnings per share were EUR 0.55 (2.20). The return on capital employed was 7.0 per cent (13.5).

The expenses of winding up the Silverdalen paper mill, about EUR 20 million, will be covered through an expense provision that was made in connection with the acquisition of Modö Paper. The restructuring charge for Zanders, about EUR 23 million, and an EUR 20 million additional provision made to cover the competition infringement fine which the EU

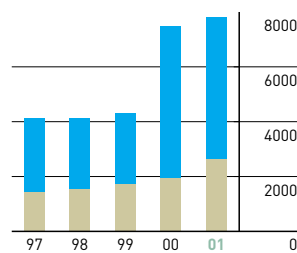
Earnings per share, EUR million



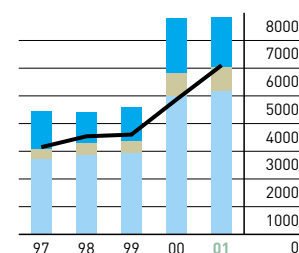
Turnover, EUR million



Financial structure, EUR million



Capital employed



Commission imposed on Zanders, are included in the purchase cost calculation. The provisions will be expensed as amortization of goodwill to the extent that the purchase cost exceeds the company's shareholders' equity.

### Financing

Consolidated interest-bearing net liabilities at the end of the financial year stood at EUR 3 305 million (3 693 million at 31 December 2000). The Group's cash flow from operations was EUR 873 million (522).

The equity ratio at the end of the year was 30.7 per cent (25.7) and the gearing ratio was 138 per cent (184). As a departure from previous practice, the convertible subordinated capital notes are included in interest-bearing liabilities in calculating key ratios.

The Group's liquid funds and investments totalled EUR 273 million at the end of the year (289). In addition to these, at the balance sheet date the Group had available committed credit facility agreements, in an amount of about EUR 1.4 billion. To cover its short-term financing needs, the Group was able to make use of domestic and international non-binding commercial paper programmes and credit facilities to a total value of about EUR 0.9 billion.

At the close of the year, 28 per cent of the Group's long-term loans were denominated in foreign currencies. Of these loans, 75 per cent was subject to variable interest rates and the rest to fixed interest rates. The average interest rate on the loans was 4.6 per cent at the end of 2001 and their average maturity was 5.7 years.

In April, the company's share capital was raised through a rights issue by issuing 40 million Series B shares. The proceeds of the share issue went towards repaying the debt assumed in making the Modö Paper acquisition.

At the end of June, an agreement was signed whereby M-real and certain of its subsidiaries agreed to sell their trade receivables to a third party under the terms of a continuing and irrevocable transaction (securitization). In December, the agreement was expanded. The net effect of the sale of receivables was a reduction of EUR 177 million in total assets at the end of December.

During the first half of the year, both Standard & Poor's and Moody's Investor Service lowered the company's credit rating. Standard and Poor's rating for M-real's long-term loans is BBB- (BBB) and for short-term loans A3, with a neutral outlook. Moody's rating for long-term loans is Baa3 (Baa2) and for short term loans P3 (P2), with a negative outlook.

### Board of Directors and Auditors

The Annual General Meeting held on 2 April 2001, re-elected the following persons to seats on M-real's Board of Directors for a term extending up to the next Annual General Meeting: Timo Haapanen, Asmo Kalpala, Erkki Karmila, Runar Lillandt, Matti Niemi, Antti Oksanen, Antti Tanskanen and Arimo Uusitalo.

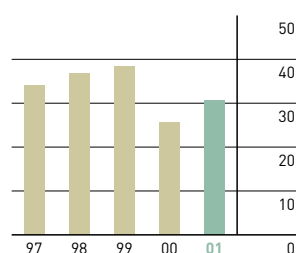
The firm of public accountants SVH Pricewaterhouse Coopers Oy and Ilkka Haarlaa, M.Sc.(Econ.), Authorized Public Accountant, were elected as the company's auditors.

### Shares

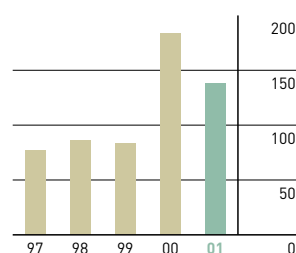
Turnover of M-real Series B shares on Helsinki Exchanges was EUR 484 million, or 52.5 per cent of the average shares outstanding during the report period. The market capitalization of the Series A and B shares at 31 December 2001, totalled EUR 1 243 million.

At 31 December 2001, Metsäliitto Osuuskunta owned 38.3 per cent of M-real Corporation's shares and 63.3 per cent of the voting rights conferred by these shares. International investors owned 36.7 per cent of the shares.

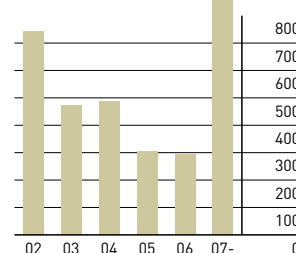
Equity ratio, %



Gearing ratio, %



Repayment of long-term loans, EUR million



The Annual General Meeting resolved on 2 April 2001, to increase the share capital through a rights issue by a maximum of EUR 59 500 000 by issuing a maximum of 35 000 000 new Series B shares with a nominal value of EUR 1.70. The subscription price of the offer shares was set at EUR 7.00. In addition, the Annual General Meeting passed a resolution to grant the Board of Directors a share issue authorization to issue a maximum of 5 000 000 Series B shares. On the basis of the authorization, the share capital could be increased by a maximum of EUR 8 500 000.

All 35 000 000 Series B shares were subscribed for in the offering. The increase in the share capital was entered in the Trade Register on 5 April 2001. The Board of Directors exercised its share issue authorization and issued a further 5 000 000 Series B shares, all of which were subscribed for at a price of EUR 7.00. The increase in the share capital was entered in the Trade Register on 10 April 2001.

The increase in shareholders' equity from the proceeds of the share issue was EUR 280.0 million. The share capital rose by EUR 68.0 million to EUR 304.3 million. At the end of the year there were 142 658 875 Series B shares and 36 340 550 Series A shares, or a total of 178 999 425 shares.

The Board of Directors does not have valid authorizations to issue shares, convertible bonds or bonds with warrants.

### Capital expenditures

M-real's total capital expenditures during the report period amounted to EUR 605 million.

In addition, the purchase price of the shares in Zanders and the other acquired companies includes a payment of EUR 135 million.

The investment projects at the Kangas and Husum paper mills, where the production of one machine at both mills was converted to coated paper, was seen to completion during the first half of the year. Joutseno's new chemithermomechanical pulp (CTMP) mill with an annual capacity of over 200 000 tonnes came on stream in August. The total price tag of the investments at Kangas and Joutseno was EUR 230 million and the outlay on Husum was EUR 290 million.

The new fibreline at Metsä-Botnia's Joutseno pulp mill started up in May. The investment had a total cost of EUR 200 million.

The investment projects for rebuilding the board machines that were launched at the Kyro and Äänekoski board mills in the first part of the year are moving ahead according to plan. M-real does not have other major investments that were in progress.

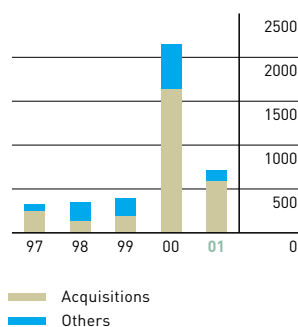
Metsä-Botnia decided in December on modernizing the evaporation plant of the Kemi pulp mill at an investment cost of about EUR 40 million. The project will be completed in spring 2003. During 2001, decisions have not been taken on other major new capital expenditure projects.

### Acquisitions and divestments

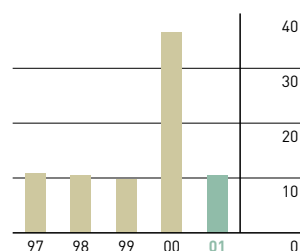
The transaction between M-real and International Paper concerning about 72 per cent of the shares in Zanders Feinpapiere AG received approval by the EU Commission on 18 December 2000 and came into force on 3 January 2001. On 9 March 2001, M-real announced that it was making a mandatory offer to the remaining shareholders of Zanders in accordance with the provisions of the German Takeover Code. The mandatory offer was in effect from 14 March to 11 May 2001. As a consequence of purchases in the equity markets and the mandatory offer, M-real's holding in Zanders was 99.3 per cent at 31 December 2001. During the report period, purchases of Zanders shares have amounted to a total of EUR 112 million. M-real intends to redeem the remainder of the Zanders shares during 2002 by virtue of the rights conferred by German corporate legislation.

On 31 January 2001, the EU Commission handed down its final decision blocking the sale to SCA of the Metsä Tissue shares owned by M-real.

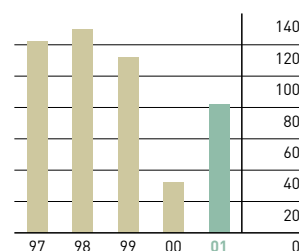
Gross capital expenditures, EUR million



Gross capital expenditures, % of turnover



Internal financing of capital expenditures, %



The transaction announced by M-real on 4 May 2001, whereby the company agreed to purchase S.A. Meulemans N.V. and S.A. Meulemans Luxembourg N.V. entered into force on 1 July 2001, after receiving approval from the competition authorities. The debt-free purchase price of the acquired companies was EUR 38 million.

At the end of June, M-real sold its 50 per cent holding in MD Papier GmbH (Plattling and Dachau mills) to Myllykoski Oyj. The purchase price of the shares was EUR 300 million, resulting in an after-tax gain on the transaction of EUR 98 million.

The sale of a minority holding in Noviant Oy to the American company J.M. Huber Corp for a price of EUR 41 million was carried out on 4 July 2001, when the competition authorities approved the transaction. M-real realized an after-tax capital gain of EUR 22 million on the deal.

#### **Other structural arrangements**

Towards the end of the year, M-real founded the subsidiary M-real Forestia Oy. Forests and land areas totalling about 112 500 hectares (277 000 acres) owned by M-real were transferred to the company, with the exception of plant sites. Later on, forests that are owned or managed by Metsäliitto Group are to be transferred to the company. The objective of M-real and Metsäliitto is to develop the new company into an investment alternative for both forest-owning companies, institutions and retail investors.

In November, it was decided to close the Silverdalen paper mill in Sweden owing to the prolonged unprofitability of its opera-

tions. The mill's operations will be wound up by the end of March 2002. The Silverdalen mill's annual capacity is about 120 000 tonnes of coated fine paper, and the mill employs about 200 people. The costs of closing the Silverdalen mill are about EUR 20 million.

As part of Zanders' development programme, M-real ended production at one paper machine at Zanders' Gohrsmühlen mill in Bergisch Gladbach, Germany. The machine had an annual capacity of 25 000 tonnes.

#### **Research and development**

During the year, M-real's research activities have been centralized within four technology centres located in Kirkniemi and Äänekoski, Finland, Örnsköldsvik, Sweden and Bergisch Gladbach, Germany.

Research efficiency has been stepped up by carrying out numerous synergy projects connected with the processes involved in integrating acquisitions. A number of R&D-supported product development programmes have also been carried out during the year.

Among the most important results of the development activities, were the products and process-related chemistry of Joutseno's CTMP mill that went into operation in August. Among the development programmes for coated paper completed during the year were the Galerie One concept at Kangas and the change in the production orientation of Husum's PM 8 from uncoated fine paper to coated Galerie Fine paper.

Development work aimed at assisting the packaging board mills in specializing in selected end-user segments moved ahead. In the manufacture of packaging, the focus was on carrying out a consumer packaging strategy.

Co-operation with research institutes and universities supports the company's own research activities. A five-year research co-operation agreement was concluded with the Helsinki University of Technology with the aim of surveying basic questions connected with the manufacture of paper and board.

#### **Environment**

For M-real, responsible management of environmental affairs is an essential part of business operations. It increases the company's

attractiveness as an employer and a partner in co-operation.

Joutseno's new CTMP mill as well as the capital expenditures on the modernized paper machines at Husum and Kangas were carried out using the best available technology (BAT), which makes possible good environmental performance for years ahead. In addition, the modernized waste

water treatment plant at the Hallein mill became operational. The environmental investments for these projects came to a total of about EUR 46 million.

To improve the environmental information given on products, M-real introduced the Paper Profile environmental product declaration. In 2002 M-real will publish a separate environmental report.

#### **The company's new name and organization**

At the Annual General Meeting held on 2 April 2001, members passed a resolution that the company's business name is M-real Oyj, and M-real Corporation in English.

#### **M-real's personnel by country on 31 December**

	2001	2000
Finland	6 091	6 068
Germany	5 403	3 174
Sweden	2 752	3 003
Great Britain	2 246	2 347
France	966	961
Austria	908	916
Switzerland	587	594
Hungary	566	599
The Netherlands	464	405
Belgium	416	141
Poland	410	499
Other countries	707	825
<b>Total</b>	<b>21 515</b>	<b>19 532</b>

M-real overhauled its organization by strengthening its marketing and sales resources as well as operational control. The purpose of the change is to give operations a stronger customer and end-use focus. In line with the basic policy of this strategy, M-real's business areas are Commercial printing, Home & Office, Publishing, Consumer packaging and the Map Merchant Group. These business areas will be assisted by centralized operational support functions. The new organization came into force on 1 October 2001.

M-real's Board of Directors appointed Jouko M. Jaakkola as the company's new President & CEO. The appointment became effective 1 December 2001. Jouko M. Jaakkola served as the CEO's substitute up to 30 November 2001. The company's executive vice presidents are Aarre Metsävirta and Veli-Matti Mynttinen.

### **Personnel**

In 2001, the M-real Group employed an average of 22 237 people (17 351). The payroll at the end of the year was 21 515 employees (19 532), of whom 6 091 worked in Finland (6 068) and 15 424 worked outside Finland (13 464).

The net increase in personnel, due to acquisitions and divestments, was 2 437 employees compared with the figure at the end of the previous year. As a result of efficiency-boosting measures, the number of personnel was reduced by 454 employees.

The Group's payroll includes 50 per cent of the personnel at the Albruck mill and 47 per cent of Metsä-Botnia's personnel.

### **Litigation**

Following the entry into force of the purchase of a majority holding in Zanders Feinpapiere AG, it was revealed that a salaried employee of the company had misappropriated the company's funds by overstepping his authorization as well as made speculative foreign exchange derivative agreements by, among other things, investing EUR 16 million of the company's funds in pension insurance policies on behalf of unknown private individuals. A special audit has been carried out at Zanders and it is being supplemented at the present time. Zanders has undertaken civil and criminal legal measures to secure the return of the funds, and M-real has presented the seller of the shares, International Paper Company, with a request to take the loss resulting from the misappropriation into account in the final purchase price of the shares on the basis of the purchase agreement.

The EU Commission announced on 20 December 2001, that it had issued its decision in the so-called cartel case relating to self-copying paper grades and imposed a fine of EUR 29.76 million on Zanders for infringement of EU competition laws during 1992–1995. M-real will decide whether it will appeal the decision when the grounds for the decision are made available to the company.

### **Events after the close of the financial period**

On 23 January 2002, M-real, UPM-Kymmene, Metsäliitto Osuuskunta and Metsä-Botnia have entered into a Letter of Intent on the spinning out of the Metsä-Botnia's Kemiart Liner business, which is located in Kemi, Finland, into a company that will be independent of Metsä-Botnia and have the same shareholding structure as Metsä-Botnia.

M-real, UPM-Kymmene and Metsäliitto Osuuskunta have also agreed that should no other solution be reached during Kemiart Liner's strategy study, M-real will have a purchase option on the Kemiart Liner shares which are owned by UPM-Kymmene and Metsäliitto Osuuskunta, and UPM-Kymmene and Metsäliitto Osuuskunta will similarly have an option to sell their stakes to M-real. The options period will expire by the end of 2004.

### **Outlook for the current year**

During the report year, economic growth slowed down markedly, first in North America and then in Europe. In Asia economic growth continued at the previous year's level.

At present, the economic outlook is very uncertain, and there are no signs of a rapid turn for the better. The general forecast is that economic growth in the current year will be even lower than last year's.

Demand for M-real's main products is forecast to remain on average at last year's level. The prevailing overcapacity in the European paper market compared with present demand will force the company to undertake substantial production curtailments this year too. Accordingly, it is estimated that the capacity utilization rate will be low, as it was in 2001.

The cost savings that will be obtained from the rationalization measures that have been carried out and are in progress within the Group will begin to show up more strongly in the consolidated result in the second half of the year.

# Consolidated profit and loss account

	1.1.-31.12.2001		1.1.-31.12.2000	
	EUR million	%	EUR million	%
<b>Turnover (1)</b>	6 923,3	100,0	5 897,8	100,0
<b>Change in stocks of finished goods and in work in progress</b>	-25.4		94.5	
<b>Share of profit from associated companies (2)</b>	4.5		10.1	
<b>Other operating income (3)</b>	71.2		62.7	
Materials and services				
Raw materials and consumables	3 813.1		3 399.3	
Costs of external services	139.9		109.3	
Employee costs (4)	1 084.4		817.0	
Depreciation (5)	478.4		355.5	
Other operating expenses	1 068.6	6 584.4	780.0	5 461.1
<b>Operating profit</b>	389.2	5.6	604.0	10.2
<b>Financial income and expense (6) (7)</b>				
Interest income from Group companies	0.1		0.1	
Income from other financial investments	4.0		11.1	
Other interest and similar income	32.4		40.8	
Net exchange gains/losses	-22.7		-8.0	
Interest expense and similar charges	-249.0	-235.2	-189.5	-145.5
<b>Profit before extraordinary items</b>	154.0	2.2	458.5	7.8
<b>Extraordinary items (8)</b>				
Extraordinary income	183.3		63.0	
Extraordinary expenses	0.0	183.3	-5.5	57.5
<b>Profit before tax</b>	337.3	4.9	516.0	8.7
<b>Taxation (9)</b>	-115.0		-183.0	
<b>Profit before minority interest</b>	222.3	3.2	333.0	5.6
<b>Minority interest</b>	-10.1		6.7	
<b>Profit for the financial period</b>	212.2	3.1	339.7	5.8



# Consolidated profit and loss account Profit analysis

## Turnover

M-real's consolidated turnover was EUR 6 923 million (5 898 million in 2000). Turnover grew by EUR 1 025 million, or 17.4 per cent, on the previous year. Acquisitions boosted turnover by EUR 1 750 million. Divestments in turn lowered turnover by EUR 250 million. Comparable turnover thus fell by nearly EUR 500 million, mainly as a consequence of the lower volume of deliveries.

## Operating profit

The Group's consolidated operating profit was down EUR 215 million to EUR 389 million. Operating profit was burdened not only by the non-recurring expenses caused by investment shutdowns but also by about EUR 40 million of one-off expense provisions and write-downs on assets.

The biggest drop in turnover was in the Commercial printing (coated fine papers) and Publishing (coated magazine papers) business areas. The profitability of the Commercial printing business area was weakened by substantially lower demand than a year ago as well as by the investment shutdown at the Kangas paper mill and the start-up costs of the modernized production line. Operating profit of the Publishing business area was lowered by the investment shutdown at Husum's PM 8 and the divestment on MD Papier at the end of June. The Consumer packaging business area and paper merchandising business also reported lower operating profit. The profitability of the Consumer packaging business area suffered from by lower

demand for linerboard and fluting than in the previous year. The profitability of the Map paper merchandising business was weakened by lower delivery volumes and sales margins as well as by non-recurring expense entries for the reorganization of operations.

The operating profit reported by the Home & Office (uncoated fine papers) business area grew thanks to Modo Paper, and profitability remained at the previous year's level. Metsä Tissue's profitability improved as a result of higher selling prices and lower raw material prices as well as efficiency-boosting measures. Other operating expenses diminished from EUR 31.0 million to EUR 12.9 million, mainly due to hedging income on sales not allocated to the business areas.

## Profit before extraordinary items

Profit before extraordinary items was EUR 154 million (459 million in 2000). Net financial expenses, not including foreign exchange differences, totalled EUR 212.5 million (137.5 million in 2000). The growth in financial expenses was due to the interest expenses of financing for acquisitions. The average interest rate was slightly lower than it was in 2000. Financial income and expense includes EUR 22.7 million of foreign exchange losses on loans denominated in foreign currency (8.0). EUR 21.7 million of the amount is attributable to the five-year convertible subordinated capital notes that were issued to an amount of EUR 350 million in 1997.

## Extraordinary items

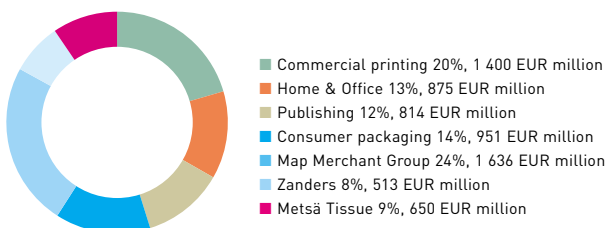
Extraordinary income includes a capital of gain of EUR 152.3 million on the sale of MD Papier GmbH and an EUR 31.0 million capital gain on the disposal of the minority holding in Noviant Oy.

## Taxation and minority interest

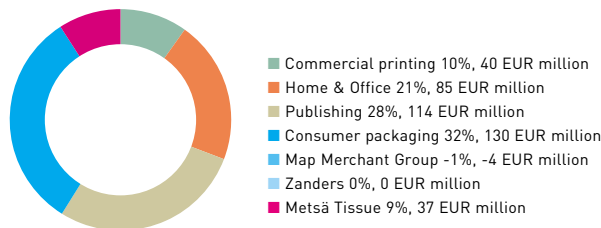
The Group's direct taxes totalled EUR 115.0 million (183.0), of which EUR 110.2 million represented taxes payable for the financial year. Taxes payable for the financial year include taxes of EUR 63.5 million on capital gains booked to extraordinary income.

The minority interest share of the net profit was EUR 10.1 million (a loss of EUR 6.7 million in 2000) and it consisted nearly entirely of the minority interest in Metsä Tissue Corporation.

**Turnover by business area, % / EUR million**



**Operating profit by business area, % / EUR million**



# Consolidated balance sheet

Assets	31.12.2001 EUR million		%	31.12.2000 EUR million		%
<b>Fixed assets</b>						
<b>Intangible assets (10)</b>						
Intangible assets	31.5			21.1		
Purchased goodwill	22.2			24.1		
Goodwill arising on consolidation	751.5			771.0		
Other capitalized expenditure	39.8	845.0	10.8	16.8	833.0	10.7
<b>Other capitalized expenditure (10) (12)</b>						
Land	351.9			361.6		
Buildings	865.9			780.0		
Plant and equipment	2 709.3			2 361.0		
Other tangible assets	63.8			23.4		
Payments in advance and assets in the course of construction	99.1	4 090.0	52.3	326.3	3 852.3	49.4
<b>Financial investments (11) (12)</b>						
Shares in Group companies	0.7			29.7		
Amounts owed by Group companies	24.6			19.7		
Investments in associated companies	121.1			128.5		
Amounts owed by associated companies	17.7			42.7		
Other investments	53.4			57.9		
Other receivables	11.9	229.4	2.9	13.8	292.3	3.7
<b>Fixed assets total</b>		<b>5 164.4</b>	<b>66.0</b>		<b>4 977.6</b>	<b>63.8</b>
<b>Current assets</b>						
<b>Inventories</b>						
Raw materials and consumables	283.1			261.4		
Finished goods and goods for resale	555.7			547.6		
Advance payments	38.7	877.5	11.2	35.8	844.8	10.8
<b>Receivables (14) (15) (17)</b>						
Accounts receivable	1 064.6			1 396.3		
Amounts owed by Group companies	58.3			39.6		
Amounts owed by associated companies	41.4			14.7		
Loan receivables	0.5			0.5		
Other receivables	281.6			168.1		
Prepayments and accrued income (16)	65.6	1 512.0	19.3	67.3	1 686.5	21.6
<b>Investments (Securities held as financial assets)</b>						
Current financial assets (Other securities)		36.0	0.5		51.4	0.7
<b>Cash at bank and in hand</b>		<b>237.4</b>	<b>3.0</b>		<b>237.5</b>	<b>3.1</b>
<b>Current assets total</b>		<b>2 662.9</b>	<b>34.0</b>		<b>2 820.2</b>	<b>36.2</b>
<b>Assets total</b>		<b>7 827.3</b>	<b>100.0</b>		<b>7 797.8</b>	<b>100.0</b>

# Consolidated balance sheet

Shareholders' equity and liabilities	31.12.2001 EUR million		%	31.12.2000 EUR million		%
<b>Shareholders' equity (18)</b>						
Share capital	304.3			236.3		
Share premium account	469.9			257.9		
Revaluation reserve	104.7			104.7		
Other reserves	1.7			1.7		
Retained earnings	1 248.0			1 012.2		
Profit for the financial period	212.2	2 340.8	29.9	339.7	1 952.5	25.0
<b>Convertible subordinated capital notes</b>		310.4	4.0		310.4	4.0
<b>Shareholders' equity total</b>		2 651.2	33.9		2 262.9	29.0
<b>Minority interest</b>		59.6	0.8		52.4	0.7
<b>Provisions for liabilities and charges (19)</b>		113.9	1.4		72.8	0.9
<b>Liabilities (20) (21)</b>						
<b>Long-term liabilities (23)</b>						
Bonds and debentures	621.6			477.1		
Loans from financial institutions	1 446.4			1 784.6		
Pension premium loans	156.3			146.4		
Deferred tax liabilities (22)	432.2			433.5		
Other liabilities	233.9			132.6		
Accruals and prepaid income (25)	29.2	2 919.6	37.3	4.4	2 978.6	38.2
<b>Short-term liabilities (24)</b>						
Bonds and debentures	178.0			114.8		
Loans from financial institutions	328.4			634.7		
Pension premium loans	1.8			0.6		
Advance payments	1.6			3.4		
Accounts payable	463.3			464.7		
Bills of exchange payable	11.6			17.1		
Amounts owed to Group companies	211.8			190.9		
Amounts owed to associated companies	62.5			129.1		
Other liabilities	354.8			448.3		
Accruals and prepaid income (25)	469.2	2 083.0	26.6	427.5	2 431.1	31.2
<b>Liabilities total</b>		5 002.6	63.9		5 409.7	69.4
<b>Shareholders' equity and liabilities total</b>		7 827.3	100.0		7 797.8	100.0

# Consolidated balance sheet

Balance sheet analysis

## Assets and capital employed

The Group's total assets stood at EUR 7,827 million, which was nearly the same figure as at the end of the previous year. The changes that took place in the Group's balance sheet structure were:

	EUR million
Capital expenditures on fixed assets	605
Fixed assets of acquired companies	299
Fixed assets of divested companies	-142
Depreciation	-478
Inventories 1)	33
Accounts receivable 1) 2)	-331
Liquid funds	-16
Other items 1) 2)	59
<b>Changes, total</b>	<b>29</b>

1) includes the effects of acquired and divested companies

2) because accounts receivable were securitized, they diminished by EUR 252 million, but other receivables increased by EUR 75 million (net effect EUR 177 million negative)

Total assets were increased by capital expenditures on fixed assets as well as the acquisition of Zanders and Meulemans. By contrast, total assets were reduced by the divestment of MD Papier and the securitization of accounts receivable. Accounts receivable were also reduced owing to lower sales than at the previous turn of the year. The Group's liquid funds amounted to EUR 273 million (289). Capital expenditures during the financial year are discussed in the Report of the Board of Directors. At the

end of the year, capital employed totalled EUR 6 116 million. Its breakdown by business area is shown in the table below.

Capital employed 31 December	2001	2000	Change
Commercial printing	1 359.8	1 413.4	-53.6
Home & Office	1 110.7	1 482.0	-371.3
Publishing	1 011.1	1 011.9	-0.8
Consumer packaging	904.6	856.5	48.1
Map Merchant Group	484.8	496.7	-11.9
Zanders	323.9		323.9
Metsä Tissue	342.3	378.9	-36.6
Others	579.2	452.4	126.8
<b>Group total</b>	<b>6 116.4</b>	<b>6 091.8</b>	<b>24.6</b>

## Financing

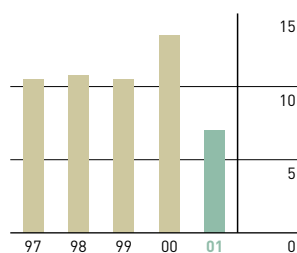
Consolidated shareholders' equity net of minority interests and the convertible subordinated capital notes was EUR 2 341 million at the end of the year (1 953). In addition to the net profit for the financial year, shareholders' equity has been increased by the EUR 280 million rights issue carried out in April. Interest-bearing liabilities, including the convertible subordinated capital notes, totalled EUR 3 716 million, a decrease of EUR 370 million on the figure a year earlier.

Interest-bearing net liabilities (= interest-bearing liabilities less liquid funds and other interest-bearing receivables) amounted to EUR 3 305 million at the end of the financial year. Debts have been paid down with the proceeds from the rights issue as well as from cash flow from operations.

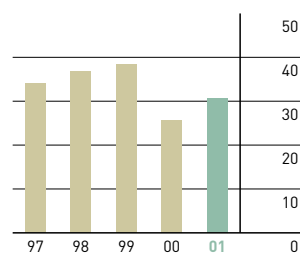
## Key ratios

The return on capital employed fell as a consequence of weakened profitability and was 7.0 per cent (13.5). The equity ratio was 30.7 per cent (25.7) and the gearing ratio was 138 per cent (184). In calculating the key ratios, the convertible subordinated capital notes have been included in liabilities.

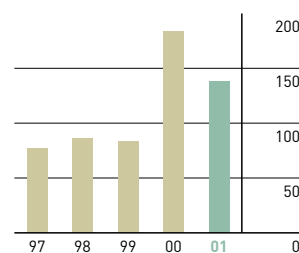
Return on capital employed, %



Equity ratio, %



Gearing ratio, %



# Cash flow statements

	Group		Parent company	
	2001 EUR million	2000 EUR million	2001 EUR million	2000 EUR million
<b>Funds from operations</b>				
Operating profit	384.6 *)	593.8 *)	93.1	142.3
Depreciation according to plan	478.4	355.6	110.0	102.2
Change in provisions for liabilities and charges	12.8	35.1	-1.7	-1.5
Net financial items	-222.8 *)	-132.6 *)	13.6	-25.2
Extraordinary items	0.0	-5.5		
Taxation	-45.2 *)	-154.6 *)	-30.3	-51.6
<b>Total</b>	<b>607.8</b>	<b>691.8</b>	<b>184.7</b>	<b>166.2</b>
<b>Change in working capital</b>				
Inventories (increase -, decrease +)	81.7	-98.0	6.5	-41.2
Current receivables (increase -, decrease +)	331.8	-183.4	55.3	-35.5
Non-interest-bearing current liabilities (increase +, decrease -)	-148.1	111.6	139.6	68.1
<b>Total</b>	<b>265.4</b>	<b>-169.8</b>	<b>201.4</b>	<b>-8.6</b>
<b>Cash flow from operations</b>	<b>873.2</b>	<b>522.0</b>	<b>386.1</b>	<b>157.6</b>
<b>Changes in fixed assets</b>				
Gross capital expenditures	-740.0	-2 150.0	-225.8	-1 812.0
Disposals and other changes in fixed assets	277.9	105.9	661.7	146.6
<b>Cash flow after capital expenditures</b>	<b>411.1</b>	<b>-1 522.1</b>	<b>822.0</b>	<b>-1 507.8</b>
<b>Financing</b>				
Increase in shareholders' equity	280.0		280.0	
Change in interest-bearing liabilities (increase +, decrease -)	-370.8	2 206.8	-510.5	1 967.9
Interest-bearing net debt of companies acquired and divested	-219.2	-635.8		
Change in interest-bearing long-term receivables (increase -, decrease +)	-33.2	53.8	-568.7	-379.6
Dividend	-83.4	-64.4	-83.4	-63.1
Group contributions			17.8	24.4
Other changes			-0.3	
<b>Change in liquid funds</b>	<b>-15.5</b>	<b>38.3</b>	<b>-43.1</b>	<b>41.8</b>
<b>Group</b>	<b>31 Dec. 2001 EUR million</b>	<b>Change EUR million</b>	<b>31 Dec. 2000 EUR million</b>	<b>Change EUR million</b>
<b>Interest-bearing liabilities</b>	3 716.0	-370.8	4 086.8	2 206.8
<b>Interest-bearing receivables</b>	-137.9	-33.2	-104.7	53.8
<b>Liquid funds</b>	-273.4	15.5	-288.9	-38.3
<b>Interest-bearing net liabilities</b>	3 304.7	-388.5	3 693.2	2 222.3

\*) Stated after elimination of the effect of associated company accounting.

# Consolidated cash flow statement

Cash flow analysis

## Cash flow from operations

Cash flow from operations, net of the effect of acquisitions and divestments, improved substantially and was EUR 873 million (522). Despite weakened profitability and increased financing expenses, the Group's funds from operations fell only 12 per cent short of the previous year's figure and was EUR 608 million (692). This was due mainly to the fact that operating profit (adjusted for the associated company results) plus depreciation fell by only EUR 86 million from the previous year. Taxes diminished by EUR 109 million.

The reduction in working capital, excluding the effect of acquisitions and divestments, freed up EUR 265 million of cash flow. Inventories were scaled down by lowering inventory volumes, but the value of product stocks also declined as a consequence of the lower price of pulp. Accounts receivable and other current receivables diminished by EUR 332 million, of which EUR 177 million is attributable to the securitization of accounts receivable.

## Capital expenditures and other changes in fixed assets

The Group's gross capital expenditures amounted to EUR 740 million, of which

EUR 605 million went for fixed assets and EUR 135 million represented the purchase price of shares in acquired companies. EUR 277 million of cash flow after taxes was obtained from the disposal of the MD Papier and Noviant shares.

## Capital financing

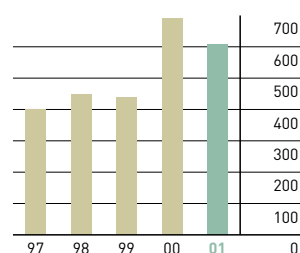
The rights issue carried out in April yielded proceeds of EUR 280 million. The company paid a dividend of EUR 0.60 per share, or EUR 83.4 million.

## Interest-bearing net liabilities

Thanks to good cash flow from operations as well as the rights issue, the Group's interest-bearing net liabilities diminished - despite acquisitions and capital expenditures - by EUR 388 million and totalled EUR 3,305 million at the end of the financial year. Acquisitions increased the Group's net liabilities by EUR 219 million in addition to the purchase price paid for the shares.

	EUR millions
Cash flow from operations	873
Rights issue	280
Divestments	277
	1430
Capital expenditures on fixed assets	-605
Acquisitions	-354
Dividend	-83
<b>Decrease in interest-bearing net liabilities</b>	<b>388</b>

Funds from operation,  
EUR million



# Parent company profit and loss account

	1.1.–31.12.2001		1.1.–31.12.2000	
	EUR million	%	EUR million	%
<b>Turnover</b>	1 532.5	100.0	1 601.5	100.0
<b>Change in stocks of finished goods and work in progress</b>	-10.2		33.8	
<b>Other operating income (3)</b>	38.1		33.0	
<b>Materials and services</b>				
Raw materials and consumables	792.7		894.1	
Costs of external services	87.0		96.6	
Employee costs (4)	201.3		187.0	
Depreciation (5)	110.0		102.2	
Other operating expenses	276.3	1 467.3	246.1	1 526.0
<b>Operating profit</b>	93.1	6.1	142.3	8.9
<b>Financial income and expense (6) (7)</b>				
Interest income from Group companies	23.7		48.1	
Income from other financial investments	197.8		37.0	
Other interest and similar income	33.9		32.9	
Net exchange gains/losses	-36.4		-2.0	
Interest expense and similar charges	-205.4	13.6	-141.2	-25.2
<b>Profit before extraordinary items</b>	106.7	7.0	117.1	7.3
<b>Extraordinary items (8)</b>				
Extraordinary income	49.1		101.8	
Extraordinary expenses	49.1		-6.2	95.6
<b>Profit before appropriations and taxes</b>	155.8	10.2	212.7	13.3
<b>Appropriations</b>				
Change in depreciation differences	-17.9		3.6	
<b>Taxation (9)</b>	-30.3		-51.6	
<b>Profit for the financial period</b>	107.6	7.0	164.7	10.3

# Parent company balance sheet

Assets	31.12.2001 EUR million		%	31.12.2000 EUR million		%
<b>Fixed assets</b>						
<b>Intangible assets (10)</b>						
Intangible assets	21.4			11.7		
Purchased goodwill	9.5			11.2		
Other capitalized expenditure	4.5	35.4	0.7	5.8	28.7	0.6
<b>Tangible assets (10) (12)</b>						
Land	22.9			183.4		
Buildings	220.6			180.3		
Plant and equipment	787.2			682.3		
Other tangible assets	6.0			6.2		
Payments in advance and assets in the course of construction	51.4	1 088.1	21.0	88.3	1 140.5	21.8
<b>Financial investments (11) (12)</b>						
Shares in Group companies	1 549.6			2 017.3		
Amounts owed by Group companies	723.9			382.3		
Investments in associated companies	410.4			403.0		
Amounts owed by associated companies	5.6			2.1		
Other investments	43.8			52.4		
Other receivables	0.4	2 733.7	52.7	0.7	2 857.8	54.6
<b>Fixed Assets total</b>		<b>3 857.2</b>	<b>74.4</b>		<b>4 027.0</b>	<b>77.0</b>
<b>Current assets</b>						
<b>Inventories</b>						
Raw materials and consumables	40.6			40.8		
Finished goods and goods for resale	111.2			121.4		
Advance payments	11.1	162.9	3.2	7.2	169.4	3.2
<b>Receivables (14) (15) (17)</b>						
Accounts receivable	18.1			25.9		
Amounts owed by Group companies	1 084.6			885.4		
Amounts owed by associated companies	0.9			4.0		
Other receivables	19.2			34.0		
Prepayments and accrued income (16)	11.0	1 133.8	21.9	15.6	964.9	18.4
<b>Investments (Securitized held as financial assets)</b>						
Current financial assets (Other securities)		0.8	0.0		3.4	0.1
<b>Cash at bank and in hand</b>		<b>26.4</b>	<b>0.5</b>		<b>66.9</b>	<b>1.3</b>
<b>Current assets total</b>		<b>1 323.9</b>	<b>25.6</b>		<b>1 204.6</b>	<b>23.0</b>
<b>Assets total</b>		<b>5 181.1</b>	<b>100.0</b>		<b>5 231.6</b>	<b>100.0</b>



# Parent company balance sheet

	31.12.2001		31.12.2000	
	EUR million	%	EUR million	%
<b>Shareholders equity and liabilities</b>				
<b>Shareholders' equity (18)</b>				
Share capital	304.3		236.3	
Share premium account	469.9		257.9	
Revaluation reserve	81.7		81.7	
Retained earnings	470.2		388.9	
Profit for the financial period	107.6	1 433.7	164.7	1 129.5
		27.7		21.6
<b>Convertible subordinated capital notes</b>	310.4	6.0	310.4	5.9
<b>Shareholders' equity total</b>	1 744.1	33.7	1 439.9	27.5
<b>Provisions for liabilities and charges</b>				
Accumulated depreciation difference	542.8	10.5	525.0	10.0
<b>Obligatory provisions (19)</b>	12.7	0.2	14.4	0.3
<b>Liabilities (20) (21)</b>				
<b>Long-term liabilities (23)</b>				
Bonds and debentures	621.6		491.0	
Loans from financial institutions	1 105.6		1 495.9	
Pension premium loans	144.8		134.8	
Amounts owed to Group companies	4.4		4.2	
Other liabilities	58.0	1 934.4	2.1	2 128.0
		37.3		40.7
<b>Short-term liabilities (24)</b>				
Bonds and debentures	178.0		67.3	
Loans from financial institutions	133.6		473.6	
Pension premium loans	1.2			
Advance payments	0.1		0.5	
Accounts payable	48.9		62.3	
Amounts owed to Group companies	448.3		387.5	
Amounts owed to associated companies	1.4		2.5	
Other liabilities	8.6		15.2	
Accruals and prepaid income (25)	127.0	947.1	115.4	1 124.3
		18.3		21.5
<b>Liabilities total</b>	2 881.5	55.6	3 252.3	62.2
<b>Shareholders' equity and liabilities total</b>	5 181.1	100.0	5 231.6	100.0

# Accounting principles

The financial statements of M-real Corporation and the Group, as well as of companies belonging to the Group, have been prepared in accordance with uniform accounting principles based on Finland's reformed accounting legislation (31 December 1997).

## Currency used in the financial statements

The official financial statements of M-real Corporation and the M-real Group, which have been delivered to the Trade Register, have been prepared in euros.

## Principles of consolidation

### Companies belonging to the same group

The companies within the same group are, in addition to M-real Corporation and its subsidiaries, M-real Corporation's parent company, Metsäliitto Osuuskunta and its other subsidiaries.

### Subsidiaries

The consolidated financial statements include the accounts of M-real Corporation and all those subsidiaries in which the parent company controlled, directly or indirectly, over 50 per cent of the voting rights on 31 December 2001, with the exception of housing and property companies. These companies do not have a material effect on the Group's result of operations and financial position as set forth by the financial statements.

The financial period of all companies ended on 31 December 2001.

Subsidiaries acquired or established during the financial period have been consolidated from the date of their acquisition. Companies in which a controlling interest has been given up during the financial year are included in the consolidated financial statements up to the time of relinquishing control. MD Papier GmbH&Co. KG, which was divested during the financial year, is included in the consolidated financial statements up to 30 June 2001.

The accounts of overseas subsidiaries have been consolidated using uniform accounting principles conforming to Finnish accounting practice and the unified accounting principles applied by the Group.

The purchase method of consolidation has been adopted. Goodwill, being the excess of purchase consideration over the fair value of the net assets of acquired companies, is amortized on a straight-line basis. The unallocated portion is stated as goodwill on the assets side of the balance sheet. The goodwill arising from the purchase of production capacity or a significant market share is amortised on a straight-line basis over the estimated economic life not exceeding 10 years, and other such items over 5 years, and in special situations, over a maximum of 20 years.

All intra-Group transactions, unrecognised margins on internal deliveries, internal receivables and liabilities as well as internal distribution of profits have been eliminated.

Minority interests have been disclosed separately from the Group's profit and shareholders' equity and stated as a separate item.

### Resource companies

The profit and loss account and balance sheet items of the resource company Oy Metsä-Botnia Ab and its subsidiaries, as well as the notes to their financial statements, have been consolidated in accordance with the M-real Group's holding.

### Associated companies

The main associated companies, in which M-real Corporation's holding and number of votes either directly or indirectly is 20–50 per cent, are consolidated according to the equity method. M-real's share of the results of associated companies is stated in the profit and loss account on the line "Share of Profits from Associated Companies".

Goodwill arising on investments in associated companies is amortized over five years or a longer estimated period of economic effect not exceeding ten years. Straight-line depreciation of goodwill is stated in the profit and loss account on the line "Share of Profits from Associated Companies."

Companies in which the Group has a 50 per cent interest are consolidated using the proportional method. For each company, the appropriate lines in the profit and loss account, balance sheet and notes to the accounts have been entered in the consolidated financial statements to reflect the 50 per cent ownership.

The method of consolidation does not have an effect on shareholders' equity items.

A list of major associated companies is given under "Shares and investments" on pages 65.

### Turnover

Turnover is calculated after deduction of indirect sales taxes, trade discounts, refunds and exchange differences on sales.

### Transactions and balance sheet items in foreign currency

In translating items denominated in foreign currency, the European Central Bank middle rate has been applied.

The profit and loss accounts of Group companies outside the eurozone have been translated into Euro amounts at the middle rate during the financial year and the balance sheets at the rate on the closing date, according to the above-mentioned principle. Translation differences arising on the elimination of intra-Group shareholdings have been entered in shareholders' equity. The Group partially hedges the foreign currency-denominated shareholders' equity amounts of its subsidiaries outside the eurozone by means of loans taken out in foreign currency and forex derivatives.

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the date of the transaction. For Group companies based in Finland, receivables and liabilities denominated in foreign currency have been translated, in accordance with the above principle, into Euro amounts at the exchange rate on the balance sheet date.

Exchange rate differences arising from derivative contracts used to hedge sales or purchases have been entered as an adjustment to the corresponding item in the profit and loss account. Foreign exchange gains and losses on loans taken out in foreign currencies have been booked to net exchange gains/losses under financial income and expense. The net exchange gains and losses arising thereby are periodized over the period hedged. The unrealised exchange rate differences of derivative contracts, as well as loans that are classified as instruments hedging future cash flows and from the beginning of 1999, also realized exchange rate differences, have been entered as credits or charges to income concurrently with the cash flow hedged in accordance with the principles of hedged accounting.

### **Pensions and pension funding**

Statutory pension cover for employees of the parent company and its subsidiaries in Finland is provided by payments to insurance companies. In addition, some salaried employees have supplementary pension arrangements, which are either funded (by contributors to insured schemes or to the Metsäliitto Employees' Pension Foundation) or unfunded.

The Metsäliitto Employees' Pension Foundation is fully funded based on the current value of its assets.

Pension insurance premiums have been periodized to correspond to the accrual-based wages and salaries given in the financial statements. The uncovered pension liability, which is the employee's own responsibility has been stated before 2000 in non-current assets in the balance sheet and the pension liability under long-term liabilities. It has been booked as an expense in 2000.

Overseas subsidiaries make pension arrangements in accordance with local practice.

### **Establishment costs, research and development**

Establishment costs as well as research and development costs are expensed as incurred.

### **Inventories**

Inventories are valued at the acquisition cost, including for variable expenditures a

capitalized portion for the procurement of goods and fixed costs of manufacture. The upper limit of the valuation of goods held in inventories is the probable acquisition cost or the net realizable value at the close of the financial year.

### **Tangible fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation according to plan, except for certain land, shares and buildings, which are stated at revalued amounts.

Depreciation charged in the profit and loss account is calculated on a straight-line basis so as to write off the cost of fixed assets over their expected useful lives. The useful lives of fixed assets, broken down by the type of asset, are:

Buildings and constructions	20-40 years
Heavy machinery of power plants	20-40 years
Other heavy machinery	20 years
Light machinery and equipmen	5-15 years
Other items	5-10 years

Depreciation is not recorded on the purchase cost of land and water areas and on revaluations.

### **Leasing**

As a rule, leasing payments are treated as rental expenses. Major assets held under financing leases are included in fixed assets and the capital element of the leasing commitments is included under liabilities. Material capital gains arising in sale and leaseback situations and the deferred tax receivable from them are periodized over the duration of the agreement.

### **Extraordinary income and expenses**

Substantial income and expenses arising on transactions of an abnormal nature, such as the divestment of businesses, are presented in the profit and loss account as extraordinary items.

Credits or charges to income arising from changes in accounting principles and current practices are also entered in extraordinary items.

**Appropriations**

In Finland and certain other countries, deductions that are taken into account in taxation can be applied to the result for the financial year, generally providing that the corresponding items have also been stated in the accounting records. These items are presented in the appropriations in the profit and loss account.

The voluntary provisions and changes in the depreciation difference, which are included in the appropriations in the financial statements of Group companies, are divided in the consolidated financial statements between the change in the deferred tax liability, according to the tax base in force in the country in question, and the profit for the financial year.

Accumulated appropriations in the consolidated balance sheet have been divided between deferred tax liabilities and shareholders' equity and the portion belonging to minority interest has been separated out.

**Future costs and losses**

Future costs and losses, to which the Group is committed and which are likely to be realized, are included in the profit and loss account under the appropriate expense heading and in the balance sheet under provisions for future costs whenever the precise amount and the time of occurrence is not known and in other cases they are included in accrued liabilities.

**Taxation**

The consolidated profit and loss account includes taxation for the period calculated according to the accruals convention on the basis of the financial results of Group companies for the period and in accordance with local tax regulations, together with tax payable or refunded in respect of previous financial years. Income taxes also include the charge or credit for the period in respect of deferred tax.

The requirements of the Finnish Accounting Act have been observed in stating deferred taxes. Deferred tax liabilities and assets have been calculated since 1 January 1999 on all the material periodization differences and consolidation measures which reflect a difference between taxation and the financial statements and have an impact on earnings as well as from appropriations, applying the tax base for subsequent years, which has been confirmed at the time of closing the books. The balance sheet includes deferred taxes in their entirety and deferred tax assets in the estimated probable amount of the tax benefit.

# Notes to the Accounts

Profit and Loss Account, EUR million

## 1. Breakdown of turnover

The breakdown of turnover by operating group and geographical market areas is presented in the Report of the Board of Directors on pages 31–32.

## 2. Share of profit from associated companies

	Percentage holding %	Share of profit	Goodwill amortization	Share of profits of the companies	Goodwill remaining
Myllykoski Paper Oy	35.0	12.2	-8.6	3.6	45.4
Other associated companies		1.3	-0.4	0.9	0.9
		13.5	-9.0	4.5	46.3

The unamortized amount of consolidated goodwill for associated companies at 31 Dec. 2001 was EUR 46.3 million (2000: EUR 55.1 million); none of the Group reserve was left uncredited to income (2000: EUR 0.0 million).

	Group		Parent company	
	2001	2000	2001	2000
<b>3. Other operating income</b>				
Rental income	5.0	4.4	3.3	3.7
Gains on disposal of fixed assets	11.3	11.8	2.5	10.0
Service revenues	19.1	14.2	18.7	12.3
Other items	35.8	32.3	13.6	7.0
	71.2	62.7	38.1	33.0

## 4. Employee costs

Wages and fees	745.6	554.7	113.8	106.7
Pension expenses	89.7	77.9	29.0	25.5
Other social expenses	249.1	184.4	58.5	54.8
	1 084.4	817.0	201.3	187.0

## Salaries and emoluments paid to management

Managing directors and their alternates	13.4	12.1	0.9	0.5
Members of the Board and deputies	1.5	1.2	0.4	0.2
	14.9	13.3	1.3	0.7

## Pension commitments to management

Management pension commitments exist only for the Group's German companies, for which the items have been charged to earnings and entered as a liability in the balance sheet. The Group has no outside pension liabilities on behalf of management which it carries in the balance sheet.

The President of the parent company as well as certain other members of the Group's management have the right to retire on a pension at the age of 62 years. The parent company has no commitments on behalf of persons belonging to the above-mentioned bodies or who have previously belonged to them.

The average number of employees by operating group is presented in the Report of the Board of Directors on page 31.

# Notes to the Accounts

## Profit and Loss Account

5. Depreciation	Group		Parent company	
	2001	2000	2001	2000
Depreciation according to plan				
Intangible rights	8.4	7.2	4.4	4.0
Purchased goodwill	4.4	3.9	1.8	2.0
Consolidation goodwill	61.9	41.4		
Other capitalized expenditure	5.1	4.8	3.5	4.4
Buildings and constructions	50.3	39.6	11.7	10.8
Machinery and equipment	341.2	256.0	88.0	80.4
Other tangible assets	7.1	2.6	0.6	0.6
Total depreciation according to plan	478.4	355.5	110.0	102.2
Depreciation difference			17.8	-4.2
Total depreciation			127.8	98.0
<b>6. Financial income and expenses</b>				
Dividend income	1.0	1.8	164.5	61.5
Interest income from non-current investments	3.1	9.4	57.0	23.6
Other interest income	31.7	39.7	33.8	32.9
Other financial income	0.6	1.1	0.1	
Write-downs on non-current investments			0.5	
Interest expenses	229.1	180.7	186.5	130.6
Other financial expenses	9.5	8.8	8.1	10.6
Share issue expenses	10.3		10.3	
Exchange rate differences	-212.5	-137.5	50.0	-23.2
	-22.7	-8.0	-36.4	-2.0
<b>Financial income and expenses, total</b>	<b>-235.2</b>	<b>-145.5</b>	<b>13.6</b>	<b>-25.2</b>
<b>7. Exchange gains / losses in the profit and loss account</b>				
Exchange differences on sales				
Exchange differences on derivatives	9.4	-22.2	22.5	-13.0
Other exchange differences	10.2	-4.5	-1.4	-4.4
	19.6	-26.7	21.1	-17.4
Exchange differences on purchases				
Exchange differences on derivatives	-0.1	-2.0		
Other exchange differences	-0.9	-4.6		-0.4
	-1.0	-6.6		-0.4
Exchange differences on financing				
Exchange gains				
Realized	33.7	31.1	29.1	28.2
Unrealized	1.7	0.4		0.2
Exchange losses				
Realized	-46.7	-28.5	-45.2	-23.6
Unrealized	-11.4	-11.0	-20.3	-6.8
	-22.7	-8.0	-36.4	-2.0
<b>Exchange differences, total</b>	<b>-4.1</b>	<b>-41.3</b>	<b>-15.3</b>	<b>-19.8</b>

# Notes to the Accounts

## Profit and Loss Account

8. Extraordinary income and expenses	Group		Parent company	
	2001	2000	2001	2000
Extraordinary income				
Capital gain on the divestment of MD Papier	152.1			
Capital gains on the sale of shares	31.2		31.2	
Disposal of corrugated board business		63.0		75.9
Group contributions received			17.9	25.9
	183.3	63.0	49.1	101.8
Extraordinary expenses				
Group contributions granted				1.5
Other		5.5		4.7
		5.5		6.2
<b>9. Direct taxes</b>				
Income taxes for the financial period	-110.2	-174.3	-34.0	-51.2
Income taxes for previous periods	1.5	8.4	3.7	-0.4
Change in deferred taxes	-6.3	-17.1		
	-115.0	-183.0	-30.3	-51.6
Income taxes on ordinary operations	-53.0	-175.0	-19.8	-27.4
Income taxes on extraordinary items	-63.5	-16.4	-14.2	-23.8
	-116.5	-191.4	-34.0	-51.2
Change in deferred tax liabilities				
From appropriations and other periodization differences	26.9	21.5		
From consolidation				
Netting against assets	-12.0	-5.2		
	14.9	16.3		
Change in deferred tax assets				
From appropriations and other periodization differences	-20.5	-2.0		
From consolidation	-0.1	6.4		
Netting against liabilities	12.0	-5.2		
	-8.6	-0.8		



# Notes to the Accounts

## Balance Sheet

### 10. Intangible and tangible assets

	Intangible rights	Purchased goodwill	Con-solidation goodwill	Other capitalized expenditure	Land	Buildings	Plant and equipment	Other tangible assets	Construc-tion in progress
Group									
Acquisition costs, 1 Jan.	54.0	37.0	912.3	48.7	213.5	1 202.2	4 719.8	43.1	326.3
Increases during the period	10.9	2.5	53.4	22.8	44.5	218.9	1 080.2	51.6	210.6
Transfers between items	12.1			5.9	-0.1	51.2	310.8	-2.7	-377.2
Decreases during the period	-3.5		-26.0	-0.5	-56.9	-90.8	-385.1	-2.1	-60.6
Acquisition costs, 31 Dec. 2001	73.5	39.5	939.7	76.9	201.0	1 381.5	5 725.7	89.9	99.1
Accumulated depreciation, 1 Jan.	-37.0	-12.9	-141.3	-31.9	-1.3	-582.9	-3 017.1	-19.7	
Accumulated depreciation on deductions and transfers	3.4		15.1		-0.2	79.4	368.9	0.7	
Depreciation for the period	-8.4	-4.4	-61.9	-5.1	-0.1	-50.2	-341.2	-7.1	
Accumulated depreciation, 31 Dec. 2001	-42.0	-17.3	-188.1	-37.0	-1.6	-553.7	-2 989.4	-26.1	
Revaluations					152.5	38.1			
Book value, 31 Dec. 2001	31.5	22.2	751.5	39.8	351.9	865.9	2 709.3	63.8	99.1
Book value, 31 Dec. 2000	21.1	24.1	771.0	16.8	361.6	780.0	2 361.0	23.4	326.3

Increases/decreases include fixed assets of subsidiaries acquired/sold. Accumulated depreciation includes the accumulated depreciation of acquired subsidiaries. The "Plant and equipment" account includes EUR 2 630 million for production machinery and equipment.

	Intangible rights	Purchased goodwill	Other capitalized expenditure	Land	Buildings	Plant and equipment	Other tangible assets	Construc-tion in progress
Parent company								
Acquisition costs, 1 Jan.		26.4	20.0	48.4	248.4	1 160.4	11.7	88.3
Increase during the period		2.1		2.5	2.3	18.3	0.1	207.3
Transfers between items		12.0			51.5	176.5	0.8	-243.1
Decrease during the period		-0.2		-28.0	-3.2	-10.7	-1.0	-1.1
Acquisition costs, 31 Dec. 2001		40.3	20.0	22.9	299.0	1 344.5	11.6	51.4
Accumulated depreciation, 1 Jan.		-14.7	-8.7	-0.1	-68.1	-478.1	-5.5	
Accumulated depreciation on deductions and transfers		0.2		0.1	1.4	8.8	0.5	
Depreciation for the period		-4.4	-1.8		-11.7	-88.0	-0.6	
Accumulated depreciation, 31 Dec. 2001		-18.9	-10.5		-78.4	-557.3	-5.6	
Revaluations, 1 Jan.				135.1				
Reductions in revaluations				-135.1				
Book value, 31 Dec. 2001		21.4	9.5	22.9	220.6	787.2	6.0	51.4
Book value, 31 Dec. 2000		11.7	11.2	183.4	180.3	682.3	6.2	88.3

The "Plant and equipment" account includes EUR 675.3 million for production machinery and equipment.

The undepreciated portion of capitalized interest expenses for the Group and the parent company under the balance sheet item "Buildings" at 31 Dec. 2001 was EUR 1.5 million (2000: EUR 1.8 million) and under the balance sheet item "Plant and equipment" it was EUR 9.1 million for the Group (2000: EUR 11.0 million), and EUR 5.4 million for the parent company (2000: EUR 6.5 million). In the 2001 financial year, interest expenses were not capitalized (2000: EUR 0.0 million).

# Notes to the Accounts

## Balance Sheet

11. Investments	Shares in Group companies	Shares in associated companies	Other shares and participations	Receivables from Group companies	Receivables from associated companies	Other non-current receivables	Total
<b>Group</b>							
Acquisition costs, 1 Jan. 2001	29.7	128.5	55.6	19.7	42.7	13.8	290.0
Increases during the period		1.5	6.3	4.9		1.7	14.4
Decreases during the period	-29.0	-8.9	-10.7		-25.0	-3.6	-77.2
Acquisition costs, 31 Dec. 2001	0.7	121.1	51.2	24.6	17.7	11.9	227.2
Revaluations			2.3				2.3
Reductions in revaluations			-0.1				-0.1
Book value, 31 Dec. 2001	0.7	121.1	53.4	24.6	17.7	11.9	229.4
	Shares in Group companies	Shares in associated companies	Other shares and participations	Receivables from Group companies	Receivables from associated companies	Other non-current receivables	Total
<b>Parent company</b>							
Acquisition costs, 1 Jan. 2001	2 017.3	401.3	52.4	382.3	2.1	0.7	2 856.1
Increases during the period	189.5	1.5	1.6	2 192.2	0.3	0.1	2 385.2
Decreases during the period	-786.4	-0.1	-10.2	-1 290.3		-0.4	-2 087.4
Transfers between items	-5.9	6.0		-560.3	3.2		-557.0
Acquisition costs, 31 Dec. 2001	1 414.5	408.7	43.8	723.9	5.6	0.4	2 596.9
Revaluations	135.1	1.7					136.8
Book value, 31 Dec. 2001	1 549.6	410.4	43.8	723.9	5.6	0.4	2 733.7
<b>12. Revaluations</b>				<b>Jan.</b>	<b>Increases</b>	<b>Decreases</b>	<b>31 Dec.</b>
<b>Group</b>							
Land				152.0	0.1		152.5
Buildings				38.5		-0.4	38.1
Shares				2.3		-0.1	2.2
				193.2	0.1	-0.5	192.8
<b>Parent company</b>							
Land and water areas				135.1		-135.1	
Shares				1.7	135.1		136.8
				136.8	135.1	-135.1	136.8

Revaluations are based on estimates by independent valuers of the current value of assets at the dates of valuation. The deferred tax liability for revaluations was EUR 55.9 million for the Group and EUR 39.7 million for the parent company, when calculated according to a 29% tax base.

# Notes to the Accounts

## Balance Sheet

### 13. Loan receivables from management

There are no loan receivables from the managing directors of Group companies, member of the Board of Directors and their deputies as well as persons belonging to similar bodies.

### 14. Current assets / Long-term receivables

	Group		Parent company	
	2001	2000	2001	2000
Receivables from Group companies				
Amounts owed by others				
Accounts receivable		0.3		
Loan receivables		0.1		
Other current receivables	0.1	0.3		
Tax assets	12.9	4.3		
	13.0	5.0		

### 15. Current assets / Short-term receivables

Amounts owed by Group companies				
Accounts receivable	1.1	2.5	210.4	213.0
Loan receivables	55.4	26.4		262.2
Other current receivables	0.4	8.2	847.6	376.0
Prepayments and accrued income	1.4	2.5	26.6	34.2
Amounts owed by associated companies				
Accounts receivable	4.9	5.2	0.1	0.1
Loan receivables	35.0	3.7	0.8	
Other current receivables	1.5	3.6		3.6
Prepayments and accrued income		2.2		0.2
Amounts owed by others				
Accounts receivable 1)	1 064.6	1 396.3	18.1	25.9
Loan receivables	0.5	0.5		
Other current receivables 1)	268.6	163.1	19.2	34.0
Prepayments and accrued income	65.6	67.3	11.0	15.6
	1 499.0	1 681.5	1 133.8	964.8

### 16. Prepayments and accrued income

Interest	14.3	13.3		0.9
Insurance	2.9	4.5	1.1	1.3
Taxes	12.5	15.3	7.5	
Discounts	2.0	3.8	0.7	2.2
Others	33.9	30.4	1.7	11.2
	65.6	67.3	11.0	15.6

### 17. Interest-bearing receivables

Loan receivables and other non-current assets	137.9	104.7	729.7	385.1
Liquid funds and other current assets	273.4	288.9	853.0	671.9
	411.3	393.6	1 582.7	1 057.0

1) The securitization of accounts receivable in 2001 reduced accounts receivable by EUR 252.4 million and the cash portion increased liquid funds by EUR 177.3 million. The difference of these amounts, a reserve [EUR 75.1 million], is collateral for the securitization and is booked in other receivables.

# Notes to the Accounts

## Balance Sheet

18. Shareholders' equity	Group		Parent company	
	2001	2000	2001	2000
Share capital, 1 Jan.				
Series A shares	61.8	61.1	61.8	61.1
Series B shares	174.5	172.7	174.5	172.7
<b>Total</b>	<b>236.3</b>	<b>233.8</b>	<b>236.3</b>	<b>233.8</b>
Increase in share capital				
Series B shares	68.0		68.0	
<b>Total</b>	<b>68.0</b>		<b>68.0</b>	
Change in nominal value				
Series A shares		0.7		0.7
Series B shares		1.8		1.8
<b>Total</b>		<b>2.5</b>		<b>2.5</b>
Share capital, 31 Dec.				
Series A shares	61.8	61.8	61.8	61.8
Series B shares	242.5	174.5	242.5	174.5
<b>Total</b>	<b>304.3</b>	<b>236.3</b>	<b>304.3</b>	<b>236.3</b>
Share premium account, 1 Jan.	257.9	260.4	257.9	260.4
Increase in share capital	212.0		212.0	
Change in nominal value		-2.5		-2.5
<b>Share premium account, 31 Dec.</b>	<b>469.9</b>	<b>257.9</b>	<b>469.9</b>	<b>257.9</b>
Revaluation reserve, 1 Jan.	104.7	104.7	81.7	81.7
Increases/decreases during the period				
<b>Revaluation reserves, 31 Dec.</b>	<b>104.7</b>	<b>104.7</b>	<b>81.7</b>	<b>81.7</b>
Reserve funds and reserves stipulated by the Articles of Association at 1 Jan.	1.7	1.5		
Increase/decrease		0.2		
<b>Reserve funds and reserves stipulated by the Articles of Association at 31 Dec.</b>	<b>1.7</b>	<b>1.7</b>		
Retained earnings, 1 Jan.	1 351.9	1 110.9	553.6	452.0
Dividends paid	-83.4	-63.1	-83.4	-63.1
Transfers to restricted equity		-0.2		
Change in translation differences on consolidation	-19.9	-35.0		
Other increase/decrease	-0.6	-0.4		
Profit for the financial period	212.2	339.7	107.6	164.7
<b>Other reserves and retained earnings, 31 Dec.</b>	<b>1 460.2</b>	<b>1 351.9</b>	<b>577.8</b>	<b>553.6</b>
Convertible subordinated capital notes issued				
Convertible subordinated capital notes, 1 Jan.	310.4	310.4	310.4	310.4
<b>Convertible subordinated capital notes, 31 Dec.</b>	<b>310.4</b>	<b>310.4</b>	<b>310.4</b>	<b>310.4</b>
<b>Shareholder's equity</b>	<b>2 651.2</b>	<b>2 262.9</b>	<b>1 744.1</b>	<b>1 439.9</b>

# Notes to the Accounts

## Balance Sheet

### Convertible subordinated capital notes

The convertible subordinated notes are provided for under Section 5 of the Companies Act. The notes have a total value of USD 350 million, comprising 350,000 convertible notes, each with a nominal value of USD 1,000. The notes carry interest at 4.375% and may be used to subscribe for the company's shares at a price of EUR 9.75 each. In conjunction with such conversion, the USD denominated notes will be converted into euros using the exchange rate USD 1 = EUR 0.887. Conversion of all notes will lead to a maximum increase in the share capital of EUR 54 126 643. Holders of the convertible subordinated capital notes have the right to subscribe for the company's Series B shares during the period 15 January 1998 to 1 October 2002. The company has the right to redeem the notes, should the conditions specified in the agreement be fulfilled, from 15 October 2000. USD 250 million of the issue was subscribed for by Finnish and foreign investors and USD 100 million by Metsäliitto Osuuskunta. The notes have been booked at the exchange rate USD 1.1274/euro. The exchange rate of the United States dollar at 31 December, 2001 was 0.881300 per euro, whereby the exchange rate difference of the issue was EUR 86.7 million. The company has provided for repayment of the notes by periodizing the net exchange gains/losses for the period 1 October 2001 - 30 September 2002.

	Group			
	2001	2000		
Distributable funds				
Retained earnings	1 460.2	1 351.9		
Untaxed reserves in shareholders' equity	-562.8	-537.5		
Other non-distributable items	-23.2	-23.2		
Distributable funds	874.2	791.2		
Untaxed reserves, 31 Dec.				
Accumulated depreciation difference	1 023.9	1 021.8		
Other reserves	3.6	3.0		
	1 027.5	1 024.8		
Deferred tax liability in untaxed reserves	-309.9	-312.5		
	717.6	712.3		
Minority interest in untaxed reserves	-12.2	-12.7		
	705.4	699.6		
Reserves at the date of acquisition	-142.6	-162.1		
Untaxed reserves in shareholders' equity, 31 Dec.	562.8	537.5		
<b>19. Provision for liabilities and charges</b>	<b>1 Jan.</b>	<b>Increase</b>	<b>Decrease</b>	<b>31 Dec.</b>
<b>Group</b>				
Pension liability reserve	10.2	5.0	-0.8	14.4
Provision for unemployment pension costs	5.6	5.0	-1.8	8.8
Provision for expenses on closure of businesses	42.1	51.9	-50.3	43.7
Provision for rental costs	5.0		-2.4	2.6
Other payments	9.9	37.4	-2.9	44.4
	72.8	99.3	-58.2	113.9
<b>Parent company</b>				
Pension liability reserve	5.2		-0.1	5.1
Provision for unemployment pension costs	4.1	2.0	-1.8	4.3
Provision for expenses on closure of businesses	0.8			0.8
Provision for rental costs	4.3		-1.8	2.5
	14.4	2.0	-3.7	12.7

# Notes to the Accounts

## Balance Sheet

20. Liabilities	Group		Parent company	
	2001	2000	2001	2000
Long-term				
Non-interest bearing	577.9	515.5		
Interest bearing	2 455.6	2 535.9	1 934.4	2 128.0
	3 033.5	3 051.4	1 934.4	2 128.0
Short-term				
Non-interest bearing	1 132.9	1 190.6	394.3	254.7
Interest bearing	950.1	1 240.5	552.8	869.7
	2 083.0	2 431.1	947.1	1 124.4
Bonds				
	Interest %			
1994-2001	5.97	67.3		67.3
1996-2002	7.55	143.0	143.0	143.0
1999-2002	3.84	35.0	35.0	35.0
1999-2004	4.74	10.0	10.0	10.0
1999-2006	4.88	199.7	199.7	200.0
2000-2001	3.76		47.5	
2000-2005	3.84	34.9	35.0	35.0
2000-2005	4.07	5.0	5.0	5.0
2000-2005	4.17	10.0	10.0	10.0
2000-2007	4.23	34.8	35.0	35.0
2000-2008	4.51	17.8	18.0	18.0
2001-2006	3.57	5.8		5.8
2001-2006	3.55	11.3		11.3
2001-2006	4.23	11.3		11.3
2001-2006	4.63	10.0		10.0
2001-2006	5.05	15.0		15.0
2001-2031	5.69	256.0		256.0
<b>Total</b>		799.6	591.9	799.6
				558.3
Bonds with equity warrants 1997-2000 1)				
		799.6	591.9	799.6
				558.3

Bonds with equity warrants (1994-1999) had been issued to the Group's management. The issue consisted of 260 bonds with a nominal value of EUR 168.19 (FIM 1 000) each. Each bond carried 200 I equity warrants and 400 II equity warrants. The bonds were repaid in their entirety on the maturity date, 2 May 1999, and share subscriptions were not made during the subscription period for the I equity warrant.

The II equity warrant entitled its holders to subscribe for five M-real Corporation Series B shares from 3 May 1999 to 2 May 2001 at a price of EUR 9.42 per share. Share subscriptions were not made during the subscription period for the II equity warrant.

1) Bonds with equity warrants (1997-2000) have been issued to the Group's management. The maturity is 3 years and the bonds pay no interest. The issue consists of 750 bonds with a nominal value of EUR 168.19 (FIM 1 000). Each bond carries 1 200 A warrants, 1 200 B warrants and 1 600 C warrants. The bonds were repaid in their entirety at the end of 2000.

Each warrant entitles its holder to subscribe for one M-real Corporation series B share with a nominal value of EUR 1.68. The subscription price of the share is EUR 8.75.

The share subscription periods began as follows:

- A warrants, 1 Dec. 1998
- B warrants, 1 Dec. 1999
- C warrants, 1 Dec. 2000.

Subscription period in respect of all warrants end on 31 October 2003.

# Notes to the Accounts

## Balance Sheet

### 21. Long-term debts with amortization plan

	Capital loans	Bonds	Loans from Financial Institutions	Pension loans	Other loans	Total
2002	310.4	178.0	246.2	1.8	8.0	744.4
2003			444.2	16.4	10.8	471.4
2004		9.6	457.3	16.4	4.8	488.1
2005		49.6	234.9	16.4	4.5	305.4
2006		253.4	17.2	16.3	5.9	292.8
2007–		309.0	252.7	90.7	204.9	857.3
<b>Total, 31 Dec. 2001</b>	310.4	799.6	1 652.5	158.0	238.9	3 159.4

### 22. Deferred taxes

	2001	Group 2000
Deferred tax liability		
For periodization differences and appropriations	468.6	482.0
For consolidation entries		
Netting against assets	-36.4	-48.5
<b>Total</b>	432.2	433.5
Tax assets		
For periodization differences and appropriations	47.1	42.3
For consolidation entries	2.2	10.5
Netting against liabilities	-36.4	-48.5
<b>Total</b>	12.9	4.3

Untaxed reserves consist mainly of the accumulated difference between total depreciation made and depreciation according to plan for the Group's domestic subsidiaries. Deferred tax on untaxed reserves is calculated in accordance with the rate of taxation in the country concerned (Finland 29%). Deferred taxes resulting from other periodization differences primarily comprise provisions for future costs.

Deferred tax assets totalling EUR 59.7 million have not been recorded in the balance sheet because there is uncertainty regarding the extent to which they can be used.

23. Long-term liabilities	Group 2001	Group 2000	Parent company 2001	Parent company 2000
Amounts owed to Group companies				
Other liabilities	0.1		4.4	4.2
Amounts owed to associated companies				
Other liabilities		1.1		
Amounts owed to others				
Bonds and debentures	621.6	477.1	621.6	491.0
Loans from financial institutions	1 446.4	1 784.6	1 105.6	1 495.9
Pension premium loans	156.2	146.4	144.8	134.8
Deferred tax liabilities	432.2	433.5		
Accounts payable	1.1			
Other liabilities	232.7	131.5	58.0	2.1
Accruals and deferred income	29.2	4.4		
	2 919.5	2 978.6	1 934.4	2 128.0

# Notes to the Accounts

## Balance Sheet

24. Short-term liabilities	Group		Parent company	
	2001	2000	2001	2000
Amounts owed to Group companies				
Accounts payable	9.7	8.9	15.6	23.5
Other liabilities	192.7	170.0	393.2	327.3
Accruals and deferred income	9.4	12.0	39.5	36.7
Amounts owed to associated companies				
Accounts payable	22.1	46.0	1.4	2.5
Other liabilities	40.4	83.1		
Amounts owed to others				
Bonds and debentures	178.0	114.8	178.0	67.3
Loans from financial institutions	328.4	634.7	133.6	473.6
Pension premium loans	1.8	0.6	1.2	
Advance payments	1.6	3.4	0.1	0.5
Accounts payable	463.3	464.7	48.9	62.3
Bills of exchange, payable	11.6	17.1		
Other liabilities	354.8	448.3	8.6	15.2
Accruals and deferred income	469.2	427.5	127.0	115.4
	2 083.0	2 431.1	947.1	1 124.3
<b>25. Accruals and deferred income</b>				
Long-term				
Periodizations of personnel expenses	3.1			
Periodizations of waste paper payments	7.0			
Tax periodizations	12.2			
Compensation and contribution commitments	4.0	1.7		
Others	2.9	2.7		
	29.2	4.4		
Short-term				
Periodizations of insurance premiums	2.3	0.6	0.4	
Unrealized foreign exchange difference on the convertible subordinated capital notes	21.7		21.7	
Other unrealized foreign exchange differences	3.1	1.7	2.7	0.2
Accruals of wage, salary and staff costs	115.0	87.2	27.1	26.3
Tax periodization	67.1	72.4	0.1	14.2
Interests	41.5	54.3	31.3	38.7
Accruals of purchases	113.0	108.9	8.8	14.0
Freight costs	11.0	8.6	1.9	1.1
Provisions for discounts	27.5	34.8	10.9	11.5
Others	67.0	59.1	22.1	9.4
	469.2	427.5	127.0	115.4



# Notes to the Accounts

## Balance Sheet

26. Contingent liabilities	Group		Parent company	
	2001	2000	2001	2000
For own liabilities				
Liabilities secured by pledges				
Loans from financial institutions	1.8			
Other liabilities	1.0	0.8		
Pledges granted	2.8	13.6		
Liabilities secured by real-estate mortgages				
Loans from financial institutions	237.1	200.2	102.6	102.6
Real-estate mortgages	243.6	242.3	102.6	102.6
Liabilities secured by mortgages on movable property				
Other liabilities	1.2			
Mortgages on movable property	2.4	10.0		
On behalf of Group companies				
Pledges				
Real-estate mortgages	3.7	3.7	3.7	3.7
Guarantee liabilities	1.3	1.8	1 796.9	1 681.1
On behalf of associated companies				
Pledges	0.3			
Real-estate mortgages	0.3	0.3	0.3	0.3
Guarantee liabilities		0.0		
On behalf of others				
Pledges		0.0		
Guarantee liabilities	30.9	193.9	1.6	160.5
Other liabilities				
As security for own commitments	4.6	3.2		
Leasing commitments				
Payments due in following year	19.7	13.7	7.4	6.8
Payments due in subsequent years	55.9	51.1	30.0	37.9
Total				
Real-estate mortgages	247.6	246.3	106.6	106.6
Mortgages on movable property	2.4	10.0		
Pledges	3.2	13.6		
Guarantees	32.2	195.7	1 798.5	1 841.6
Promissory notes	0.3	0.5		
Other liabilities	4.6	3.2		
Leasing liabilities *)	75.6	64.8	37.4	44.7
	365.9	534.1	1 942.5	1 992.9

\*) Leasing liabilities do not include the financial lease liabilities itemized below.

# Notes to the Accounts

## Balance Sheet

<b>Financial lease agreements</b>	<b>2001</b>	<b>Group</b>	<b>2000</b>
Value of assets in the consolidated balance sheet			
Land	0.8		1.1
Buildings	6.1		68.7
Plant and equipment	6.6		5.8
	13.5		75.6
Financial lease liabilities			
Short-term	10.1		19.9
Long-term	5.4		33.9
	15.5		53.8
Future leasing payments			
Year 2001			19.5
Year 2002	4.1		8.5
Year 2003	3.9		7.4
Year 2004	2.3		6.4
Year 2005	1.6		5.7
Year 2006	1.1		5.7
Next years	5.5		8.6
Future leasing payments, total	18.5		61.8

<b>Group</b>	<b>2001</b>	<b>Going</b>	<b>Gross</b>	<b>2000</b>
<b>Liabilities due to open derivative contracts</b>	<b>Gross</b>	<b>value</b>	<b>amount</b>	<b>Going</b>
	<b>amount</b>	<b>value</b>	<b>amount</b>	<b>value</b>
I Interest rate derivatives				
Forward agreements	6 538.0	0.4	100.0	-0.1
Options				
Purchased	1 777.8	5.9	483.2	-0.8
Sold	1 777.8	-1.0	483.2	-1.3
Interest rate swap agreements	722.3	-5.3	644.1	-9.9
II Currency derivatives				
Forward agreements	1 317.7	2.3	1 369.2	15.7
Options				
Purchased	636.7	-1.6	507.0	6.6
Sold	1 096.6	-2.6	497.3	1.9
Currency swap agreements	316.6	0.4		
<b>Derivative contracts, total</b>	<b>14 183.4</b>	<b>-1.6</b>	<b>4 083.9</b>	<b>12.1</b>

Also includes closed contracts totalling EUR 8 757.3 million.

## 27. Major group companies and other shareholdings 1)

	Country	Number of shares	Parent company's holding, %	Group's holding, %	Currency	Nominal value of shares, thousand	Currency	Book value thousand
<b>Shares and participations owned by the same group</b>								
Biowatti Oy	Finland	5 114	5.00	6.39	EUR	43	EUR	43
Metsäliitto Osuuskunta	Finland	179 171			EUR	603	EUR	607
<b>Shares in subsidiaries</b>								
In Finland								
Alakoski Oy	Finland	5 278	52.78	52.78	EUR	1	EUR	27
Oy Board International Ab	Finland	796	100.00	100.00	EUR	13	EUR	115
Oy Hangö Stevedoring Ab	Finland	113	75.33	75.33	EUR	95	EUR	2 700
M-real alliance Oy	Finland	10 000	89.97	100.00	EUR	168	EUR	3 347
M-real Forestia Oy	Finland	1 500 000	100.00	100.00	EUR	15 000	EUR	164 740
Metsä Group Financial Services Oy	Finland	25 500	51.00	51.00	EUR	4 289	EUR	5 147
Metsä Tissue Corporation	Finland	19 675 000	65.58	65.58	EUR	33 091	EUR	96 986
Savon Sellu Oy	Finland	200 010	100.00	100.00	EUR	3 364	EUR	11 773
Tako Carton Plant Ltd	Finland	330 001	100.00	100.00	EUR	5 550	EUR	6 352
In other countries								
M-real alliance Scandinavia A/S	Norway	50	100.00	100.00	NOK	50	EUR	5
M-real Deutsche holding GmbH	Germany		100.00	100.00	EUR	26	EUR	207 201
M-real Fine B.V.	The Netherlands	1 000	100.00	100.00	EUR	454	EUR	3 047
M-real Holding Belgium S.A	Belgium	1 000	99.90	100.00	EUR	3 000	EUR	3 685
M-real NL Holding B.V.	The Netherlands	15 350	100.00	100.00	EUR	6 054	EUR	4 493
M-real Petöfi Ltd	Hungary	1	100.00	100.00	HUF	1 707 142	EUR	47 253
M-real Schweiz AG	Switzerland	188	100.00	100.00	CHF	94	EUR	24
M-real Sverige Ab *)	Sweden	63 470 200	49.50	100.00	SEK	1 269 404	EUR	1 116 773
M-real UK Holdings PLC	Great Britain	146 750 000	100.00	100.00	GBP	146 750	EUR	210 308
Map Merchant Holdings BV	The Netherlands	6 000	100.00	100.00	EUR	4 727	EUR	4 733
Price & Pierce Holdings B.V.	The Netherlands	30	75.00	75.00	EUR	14	EUR	3 865
<b>Associated companies</b>								
Finncao Oy	Finland	798	38.00	38.00	EUR	16	EUR	0
Grovehurst Energy Ltd	Great Britain	50	0.00	50.00	GBP	50	GBP	400
Kemi Shipping Oy	Finland	65 800	0.00	23.50	EUR	110	EUR	409
Kirkniemen Kartano Oy	Finland	27 408	48.00	48.00	EUR	27 408	EUR	2 754
Oy Metsä-Botnia Ab **)	Finland	42 222	47.00	47.00	EUR	84 442	EUR	277 135
Metsäliitto-Yhtymän Tehdasmittaus Oy	Finland	132	33.00	33.00	EUR	22	EUR	25
Metsämannut Oy	Finland	35	30.00	34.70	EUR	6	EUR	214
Mittaportti Oy	Finland	470	0.00	15.68	EUR	4	EUR	29
MMM Logisware Oy	Finland	1 500	33.33	33.33	EUR	252	EUR	390
Mylykoski Paper Oy	Finland	105 000	35.00	35.00	EUR	2 100	EUR	99 924
Mäntän Energia Oy	Finland	1 656	25.00	41.40	EUR	139	EUR	277
Paperinkeräys Oy	Finland	18 186	20.20	20.20	EUR	31	EUR	2 835
Plastiroll Oy	Finland	39	39.00	39.00	EUR	7	EUR	3 302
Simon Turvejaloste Oy	Finland	5	0.00	15.67	EUR	8	EUR	20
Oy Transfennica Ab	Finland	38 486	32.73	36.65	EUR	647	EUR	-230
Varma Services Ltd	Great Britain	2 809	0.00	28.10	GBP	3	EUR	10
Yhteistoiminta Oy	Finland	24	0.00	23.50	EUR	16	EUR	16
Ultimatic Systems GmbH	Switzerland	70	0.00	46.67	CHF	70	EUR	1 908
Zakłady Papiernicze w Krapkowicach S.A	Poland	461 506	24.79	16.26	PLN	4 616	EUR	1 981
Äänevoima Oy	Finland	1 875	45.00	45.00	EUR	1 875	EUR	1 875

\*) Goodwill is amortized over twenty years.

\*\*) Goodwill is amortized over ten years.

1) A list of all the shares and participations is kept at the headquarters of M-real Corporation.

	Country	Number of shares	Parent company's holding, %	Group's holding, %	Currency	Nominal value of shares, thousand	Currency	Book value thousand
<b>Subgroups in Finland</b>								
Metsä Tissue Corporation								
- Metsä Tissue Holding GmbH	Germany		100.00	100.00	EUR	63 832	EUR	64 906
- Metsä Tissue GmbH	Germany		100.00	100.00	EUR	11 514	EUR	52 440
- Halstrick Polska Sp.z.o.o.	Poland		100.00	100.00	PLN	1 460	EUR	326
- Halstrick Transportgesellschaft mbH+Co.KG	Germany		100.00	100.00	EUR	97	EUR	153
- Strepp France S.A.R.L.	France		100.00	100.00	EUR	8	EUR	20
- Metsä Tissue Immobilienverwaltungs GmbH	Germany		100.00	100.00	EUR	26	EUR	29
- Metsä Tissue S.A.R.L.	France	3 099	99.97	99.97	EUR	236	EUR	315
- Metsä Tissue Ltd	Great Britain	100	100.00	100.00	GBP	0	EUR	72
- Metsä Tissue Sales S.A.	Poland	1 000	100.00	100.00	PLN	100	EUR	26
- Tissu Canarias S.A.	Spain	39 092	63.05	63.05	EUR	117	EUR	599
- Metsä Tissue S.A.	Poland	1 610 438	99.72	99.72	PLN	7 070	EUR	16 831
- Metsä Tissue Holding AB	Sweden	100 000	100.00	100.00	SEK	10 000	EUR	52 979
- Metsä Tissue AB	Sweden	2 000 000	100.00	100.00	SEK	200 000	SEK	576 450
- Metsä Tissue A/S	Denmark	1 000	100.00	100.00	DKK	500	SEK	270
- Metsä Tissue AS	Norway	6 020	100.00	100.00	NOK	602	SEK	482
M-real alliance Oy								
- BFT-Baltic Forest Terminals Ltd	Poland	1 000	96.00	100.00	PLZ	100	EUR	168
- BoMo Paper Ltd	Cyprus	2	50.00	100.00	CYP	10 000	EUR	74
- M-real alliance Belgium n.v./s.a	Belgium	1 250	99.92	100.00	EUR	31	EUR	95
- M-real alliance CZ s.r.o.	Czech Republic		100.00	100.00	CZK	100	EUR	3
- M-real alliance France S.A.	France	8 211	100.00	100.00	EUR	125	EUR	219
- M-real alliance Hong Kong Ltd	Hong Kong	100	99.00	100.00	HKD	10	EUR	1
- M-real alliance Hungary Kft	Hungary	10	100.00	100.00	HUF	1 000	EUR	14
- M-real alliance Ibérica S.A.	Spain	10 000	100.00	100.00	EUR	60	EUR	67
- M-real alliance Ireland Ltd	Ireland	5 000	100.00	100.00	EUR	6	EUR	6
- M-real alliance Italia s.r.l.	Italy	100 000	100.00	100.00	EUR	52	EUR	51
- M-real alliance Nederland B.V.	The Netherlands	400	100.00	100.00	EUR	18	EUR	20
- M-real alliance Polska Sp. Z o.o.	Poland	2 320	100.00	100.00	PLZ	116	EUR	55
- M-real alliance Portugal Lda	Portugal		95.00	100.00	EUR	3	EUR	2
- M-real alliance Scandinavia A/S	Denmark	1 430	100.00	100.00	DKK	715	EUR	64
- M-real alliance Scandinavia AB	Sweden	100	100.00	100.00	SEK	100	DKK	41
- M-real alliance Singapore Pte Ltd	Singapore	10 000	100.00	100.00	SGD	10	EUR	4
- M-real alliance Slovakia S.r.o.	Slovakia		100.00	100.00	SKK	100	EUR	6
- M-real alliance UK Ltd	Great Britain	25 000	100.00	100.00	GBP	25	EUR	264
- M-real alliance USA Corporation	USA	180	100.00	100.00	USD	0.18	EUR	4
- Metsä-Serla Direx Oy	Finland	3 000	100.00	100.00	EUR	505	EUR	505
- Metsä-Serla Service GbmH	Germany		75.00	75.00	EUR	20	EUR	19

	Country	Number of shares	Parent company's holding, %	Group's holding, %	Currency	Nominal value of shares, thousand	Currency	Book value thousand
<b>Subgroups in other countries</b>								
M-REAL SVERIGE AB								
Örnsköldsviks Stuveri AB	Sweden	5 400	100.00	100.00	SEK	540	SEK	5 185
Modo Paper Italia Srl	Italy	20 000	100.00	100.00	EUR	41	SEK	99
Modo Pulp Ltd	Great Britain	1 000	100.00	100.00	GBP	1	SEK	1 482
Modo Pulp Srl	Italy	20 000	100.00	100.00	EUR	10	SEK	109
Moper Paper AG	Switzerland	100	100.00	100.00	CHF	50	SEK	422
M-real logistics GmbH	Germany		100.00	100.00	EUR	26	SEK	249
M-real Reinsurance	Switzerland	19 995	100.00	100.00	SEK	11 596	SEK	11 546
M-real France SAS	France	12 786 663	100.00	100.00	EUR	194 931	SEK	1 681 327
- M-real Alizay SA	France	3 005 590	59.92	100.00	EUR	48 089	EUR	100 482
- M-real Alizay SNC	France	39 999 999	99.99	100.00	EUR	40 000	EUR	60 980
- M-real Coupe Service SA	France	1	0.01	0.01	EUR	0	EUR	0
- M-real PSM SA	France	1 502 494	99.99	100.00	EUR	22 537	EUR	30 490
- M-real Coupe Service SA	France	2 494	99.76	100.00	EUR	40	EUR	624
- M-real Logistics SA	France	1	0.00	0.00	EUR	0	EUR	0
- Fimacel SA	France	102 260	34.08	100.00	EUR	1 534	EUR	22 399
- M-real Alizay SA	France	2 002 385	39.92	100.00	EUR	32 038	EUR	6 105
- M-real Alizay SNC	France	1	0.01	0.01	EUR	0	EUR	0
- M-real Logistics SA	France	4 994	99.88	100.00	EUR	80	EUR	40 807
- Fimacel SA	France	197 735	65.91	100.00	EUR	2 966	EUR	39 272
- M-real Alizay SA	France	6 345	0.13	0.13	EUR	102	EUR	24
- M-real PSM SA	France	1	0.01	0.01	EUR	38	EUR	1 054
Modo Merchants Benelux BV	The Netherlands	4 831	100.00	100.00	EUR	2 192	SEK	9 592
- Modo van Gelder BV	The Netherlands	40	100.00	100.00	EUR	18	EUR	18
- Modo Papier Belgium NV	Belgium	8 225	100.00	100.00	EUR	397	EUR	397
- Modo Paper Benelux BV	The Netherlands	175	100.00	100.00	EUR	79	EUR	79
Modo Merchants AB	Sweden	1 000	100.00	100.00	SEK	100	SEK	10 120
- Modo Paper East AB	Sweden	12 000	100.00	100.00	SEK	12 000	SEK	10 000
- ZAO Modo Paper Moscow	Russia	500	100.00	100.00	RUR	256	SEK	0
- Map Eesti AS	Estonia		100.00	100.00	EEK		SEK	5 003
- Map Latvia AS	Latvia	2 101 605	100.00	100.00	LVL	3 418	SEK	25 582
- M.P. Lietuva	Lithuania	36 980	100.00	100.00			SEK	2 602
- Oy Map Merchant Ab	Finland	500	100.00	100.00	EUR	50	SEK	455
- UAB Map Lietuva	Lithuania	20 000	100.00	100.00	LTL	3 257	SEK	0
Modo Holdings Ltd	Great Britain	300 000	100.00	100.00	GBP	300	SEK	91 748
M-real Stockstadt GmbH	Germany	5	100.00	100.00	EUR	20 503	SEK	2 607 068
- Chemische Werke Zell-Wildshausen GmbH	Germany		100.00	100.00	EUR	562	EUR	557
- M-real Hallein AG	Austria		100.00	100.00	EUR	70	EUR	0
- Modo Paper Ltd.	Great Britain		100.00	100.00	GBP	10	EUR	0
- Modo Paper Benelux SA/NV	Belgium		100.00	100.00	EUR	43	EUR	0
- Modo Paper B.V.	The Netherlands		100.00	100.00	EUR	45	EUR	0
- Modo Paper s.r.l.	Italy		95.00	95.00	EUR	41	EUR	0

	Country	Number of shares	Parent company's holding, %	Group's holding, %	Currency	Nominal value of shares, thousand	Currency	Book value thousand
- Map Merchant Holdings GmbH	Germany		100.00	100.00	EUR	16 873	EUR	0
- PVW Deutschland GmbH	Germany	17 500	100.00	100.00	EUR	895	EUR	3 876
- IT-Papier GmbH, Austria	Austria	22 081	74.50	74.50	EUR	1 195	EUR	1 205
- ECCO-Papier Sp.z.o.o.	Poland	31 861	100.00	100.00	PLN	43 715	EUR	13 666
- Modo Paper Distribució SA	Espanja		4.02	100.00	EUR	57	EUR	0
- Schramm-Papirgros A/S, Denmark	Denmark	48 000	69.27	69.27	DKK	3 325	EUR	2 532
- ECCO Hungaria Kft.	Hungary		100.00	100.00	HUF	187 500	EUR	1 279
- SCA Paper Trade s.r.l.	Romania	1 800	100.00	100.00	ROL	345 600	EUR	752
- Interpapir d.o.o.	Slovenia		100.00	100.00	SIT	167 545	EUR	678
- ECCO Paper CZ s.r.o.	Czech Republic		100.00	100.00	CZK	73 813	EUR	2 300
- ECCO Paper YU Trade d.o.o.	Yugoslavia		100.00	100.00	EUR	17	EUR	0
- ECCO Paper SK s.r.o.								
Ruzomberok / Slowakei	Slovakia		100.00	100.00	SKK	48 780	EUR	1 156
- MODO PAPER d.o.o.	Croatia		100.00	100.00	KUNA	500	EUR	70
- Ekova AS, Turkey	Turkey		50	100.00	TRL	295 000 000	EUR	0
BOMO Paper Ltd.	Cyprus		50	100.00	CYP	10	ATS	5
SCA Holz GmbH	Germany		33	33	EUR	256	EUR	85
More Pulp Tech 2274 AB	Sweden	24 000	40	40			SEK	2 360
<b>M-real Deutsche Holding GmbH</b>								
- M-real alliance Deutschland GmbH	Germany	2	100.00	100.00	EUR	51	EUR	179
- M-real Papier GmbH	Germany	1	100.00	100.00	EUR	26	EUR	17 353
- Papierfabrik Albruck GmbH & Co.KG *)	Germany		50.00	50.00			EUR	88 112
- M-real svenskt holding Ab **)	Sweden	100	100.00	100.00	SEK	100	EUR	442 928
- M-real Sverige Ab	Sweden	32 052 451	50.50	100.00	SEK	641 049	SEK	2 865 000
- Zanders Feinpapiere AG **)	Germany	2 779 491	0.00	99.27	EUR	71 072	EUR	138 129
- Zanders USA Inc	USA		100.00	100.00	USD	5 311	EUR	0
- Zanders Italia S.r.l	Italy		100.00	100.00	EUR	207	EUR	188
- Zanders Fine Papers Ltd	Great Britain		100.00	100.00	GBP	50	EUR	57
- Zanders France S.A.	France		100.00	100.00	EUR	305	EUR	0
- Zanders Iberia S.L.	Spain		100.00	100.00	EUR	6	EUR	6
- Zanders Benelux BVBA	Belgium		100.00	100.00	EUR	19	EUR	23
- Zanders Finance B.V	The Netherlands		100.00	100.00	EUR	18	EUR	18
- Winpac PVA GmbH	Germany	3	100.00	100.00	EUR	153	EUR	1 389
<b>Map Merchant Holdings BV</b>								
- Map Merchant Netherlands BV	The Netherlands		100.00	100.00	EUR	25 019	EUR	25 019
- Amerpap Oy	Finland	5 600	100.00	100.00	EUR	4 709	EUR	4 719
- Buhomij B.V.	The Netherlands	570	100.00	100.00	EUR	129	EUR	27 718
- Grafisch Papier Nijmegen B.V.	The Netherlands	190	100.00	100.00	EUR	43		
- GP Mullaart B.V.	The Netherlands	42	100.00	100.00	EUR	10		
- GPG N.V.	Belgium	80 000	100.00	100.00	EUR	1 983	EUR	1 416
- Printec B.V.	The Netherlands	80	100.00	100.00	EUR	18		
- Papier Service B.V.	The Netherlands	20	100.00	100.00	EUR	5		
- Paper One B.V.	The Netherlands	50	100.00	100.00	EUR	11		
- Uniepapier Flevoland B.V.	The Netherlands	400	51.00	51.00	EUR	18		
- Uniepapier Zwolle B.V.	The Netherlands	400	51.00	51.00	EUR	18		
- Uniepapier Haarlem B.V.	The Netherlands	400	100.00	100.00	EUR	18		
- Uniepapier Lelystad B.V.	The Netherlands	400	100.00	100.00	EUR	18		
- Uniepapier Tilburg B.V.	The Netherlands	400	51.00	51.00	EUR	18		
- Uniepapier Randstad B.V.	The Netherlands	400	51.00	51.00	EUR	18		
- Uniepapier Groningen B.V.	The Netherlands	400	51.00	51.00	EUR	18		

\*) Goodwill is amortized over ten years.

\*\*) Goodwill is amortized over twenty years.

	Country	Number of shares	Parent company's holding, %	Group's holding, %	Currency	Nominal value of shares, thousand	Currency	Book value thousand
- GPG Papier N.V.	Belgium	300 000	100.00	100.00	EUR	7 437	EUR	2 447
- Map Merchant Group Ltd.	Great Britain		100.00	100.00	GBP	40 600	EUR	60 908
- Hedsor Ltd. *)	Great Britain	495 000	100.00	100.00	GBP	495	GBP	5 527
- James McNaughton Paper Group Ltd.	Great Britain	9 392 507	93.93	93.93	GBP	9 393	GBP	52 528
- James McNaughton Paper Merchants Ltd.	Great Britain	75 000	100.00	100.00	GBP	75	GBP	67
- James McNaughton Agencies Ltd.	Great Britain	40 000	100.00	100.00	GBP	10	GBP	10
- McNaughton Publishing Papers Ltd.	Great Britain	100	100.00	100.00	GBP	0	GBP	0
- McNaughton Paper Ireland Ltd.	Ireland	157 135	93.20	93.20	GBP	157	GBP	622
- McNaughton Paper Ireland Manufacturing Ltd.	Ireland	1 000	100.00	100.00	GBP	1	GBP	0
- Printall Display Ltd.	Great Britain	50 000	100.00	100.00	GBP	50	GBP	489
- County Paper Company Ltd.	Great Britain	182	100.00	100.00	GBP	0	GBP	857
- Carefree Paper Company Ltd.	Great Britain	100	100.00	100.00	GBP	0	GBP	29
- Brian J . Small ( Paper) Ltd.	Great Britain	52 185	100.00	100.00	GBP	52	GBP	0
- GM2 Logistics Ltd.	Great Britain	125 000	50.00	100.00	GBP	125	GBP	125
- Ingram Group Ltd.	Great Britain	50 000	100.00	100.00	GBP	50	GBP	0
- Paper Management Services Ltd	Great Britain	2	100.00	100.00	GBP	0	GBP	855
- Modo Merchants Ltd	Great Britain	400 000	100.00	100.00	GBP	400	GBP	800
- GM2 Logistics Ltd.	Great Britain	125 000	50.00	100.00	GBP	125	GBP	125
- Premier Paper Group Ltd.	Great Britain	10 000 001	100.00	100.00	GBP	10 000	GBP	38 198
- Map Merchant Sweden Ab	Sweden	19 000	100.00	100.00	SEK	19 000	EUR	1 918
- Svenskt Papper AB	Sweden	400 000	100.00	100.00	SEK	40 000	SEK	474 000
- Basberg Papir A/S	Norway	10 000	100.00	100.00	NOK	1 000	SEK	870
- Modo Paper Distribucion S.A.	Spain	234 541	95.80	100.00	EUR	1 410	EUR	1 900
M-real Holding Belgium SA								
- S.A Meulemans N.V.	Belgium	1 000	0.00	100.00	EUR	1 240	EUR	21 108
- S.A Meulemans Luxemburg N.V.	Belgium	1 000	0.00	100.00	EUR	248	EUR	1 392
M-real NL Holding B.V								
- IBP Ltd	China						EUR	227
- M-real Biberist	Switzerland	10 000	100.00	100.00	CHF	10 000	EUR	6 065
- Winpac B.V.	The Netherlands	3 000	100.00	100.00	EUR	1 361	EUR	1 953
M-real Schweiz AG								
- M-real alliance Schwizterland AG	Switzerland	100	100.00	100.00	CHF	1	CHF	100
M-real UK Holdings PLC								
- M-real New Thames Ltd	Great Britain	88 000 000	100.00	100.00	GBP	88 000	GBP	58 239
- M-real Sittingbourne Ltd	Great Britain	72 800 001	100.00	100.00	GBP	72 800	GBP	14 028
- M-real UK Group Services Ltd	Great Britain	26 314 842	100.00	100.00	GBP	26 315	GBP	5 662
Price & Pierce Holdings B.V.								
- Price & Pierce Inc	USA	375 000	100.00	100.00	USD		EUR	2 695
- Price & Pierce Europe Ltd	Great Britain		100.00	100.00	GBP		USD	336
- Price & Pierce (Asia Pacific) Pte Ltd	Singapore	500 000	100.00	100.00	SGD		EUR	2 995
- Price & Pierce (HK) Ltd	Hong Kong	99 999	100.00	100.00	HKD		EUR	299
<b>Other shareholdings</b>								
Gasum Oy	Finland	1 060	2.00	2.00	EUR	3 566	EUR	11 774
Keräyskuitu Oy	Finland	4 378	14.60	14.60	EUR	736	EUR	771
Keskuslaboratorio Oy	Finland	1 134 776	18.70	21.13	EUR	191	EUR	326
Pohjolan Voima Oy	Finland	1 093 983	2.49	3.29	EUR	1 841	EUR	26 169
Sato-Yhtymä Oy	Finland	32 110			EUR	54	EUR	2 805

\*) Goodwill is amortized over ten years.

The book value of listed shares was EUR 97.0 million and the market value was EUR 172.8 million.

# Shares and shareholders

## **Share capital and shares on 31 December 2001**

The company's paid-in share capital on the balance sheet date was EUR 304 299 022.50.

The company has a total of 178 999 425 shares, which are divided into 36 340 550 Series A shares and 142 658 875 Series B shares.

All shares have a nominal value of EUR 1.70. Each Series A Share entitles its holder to twenty (20) votes at a General Meeting of Shareholders, and each Series B Share entitles the holder to one (1) vote.

All shares carry the same right to receive a dividend.

The company's issued share capital may not be less than EUR 168 188 000.00 and not more than EUR 672 752 000.00. The issued share capital may be increased or decreased within these limits without amendments to the Articles of Association.

On 2 April 2001, the members at the Annual General Meeting resolved to increase the share capital through a rights issue by a maximum of EUR 59 500 000 by issuing a maximum of 35 000 000 new Series B shares with a nominal value of EUR 1.70. The subscription price of the offer shares was set at EUR 7.00. In addition, the Annual General Meeting members passed a resolution to grant the Board of Directors a share issue authorization to issue a maximum of 5 000 000 Series B shares. On the basis of the authorization, the share capital can be increased by a maximum of EUR 8 500 000.

All 35 000 000 Series B shares were subscribed for in the offering. The increase in the share capital was entered in the Trade Register on 5 April 2001. The Board of Directors exercised its share issue authorization and issued a further 5,000,000 Series B shares, all of which were subscribed for at a price of EUR 7.00. The increase in the share capital was entered in the Trade Register on 10 April 2001.

The increase in shareholders' equity from the proceeds of the share issue was EUR 280.0 million. The share capital rose by EUR 68.0 million to EUR 304.3 million.

## **Stock exchange listings and share prices**

M-real Corporation's Series A and Series B shares are listed on Helsinki Exchanges. Series B shares are also traded on the London Stock Exchange as well as on the Bavarian Stock Exchange in Munich. On the Bavarian Stock Exchange, M-real's Series B shares are on the Freiverkehr (Brokers') list.

During 2001, a total of 70.8 million M-real shares were traded on Helsinki Exchanges (51.9 million) and 64.2 million on the London Stock Exchange (61.9 million). At the end of the financial year, 36.7 per cent of the company's shares were owned by non-Finnish nationals (30.9%), of which 99.7 per cent were registered with a nominee. The price of M-real's Series A shares fell by 14.2 per cent and for the Series B shares it fell by 18.4 per cent during 2001. The high for Series A shares was EUR 8.85 and for Series B shares, the high was EUR 9.13. The lowest quotations were EUR 4.91 for Series A shares, and EUR 4.85 for Series B shares. The average share prices in euros were EUR 7.16 (8.11) and EUR 6.96 (8.65), respectively. At the end of 2001, the company's market capitalization was EUR 1 242.6 million (EUR 1 167.0 million).

## **Bond loans with equity warrants; directors' interest**

### **Bond loan with equity warrants 1997**

Bonds with equity warrants to a total value of FIM 750 000 were offered for subscription by the Group's key personnel in 1997. The loan was paid back in its entirety at the end of year 2000. The bonds matured in three years and carried no interest. Each bond had a nominal value of FIM 1 000 (EUR 168.19) and carries 1 200 A warrants, 1 200 B warrants and 1 600 C warrants. Each warrant entitles its holder to subscribe for one M-real Series B share at a price of EUR 8.75.



# Shares and shareholders

The share subscription periods for the 1997 bonds with warrants began for A warrants on 1 December 1998 and for B warrants, on 1 December 1999. The subscription period for C warrants began on 1 December 2000. The subscription periods in respect of all warrants end on 31 October 2003.

Exercise of all warrants would increase the number of Series B shares by a maximum of 2 782 000 and the share capital by a maximum of EUR 4.73 million. This represents 1.55 per cent of the company's share capital and 0.32 per cent of the total number of votes.

## Directors' interest

The members of the Board of Directors and the Chief Executive Officer owned a total of 9 225 M-real shares at 31 December 2001. This represents 0.005 per cent of the company's shares and 0.001 per cent of the voting rights carried by the shares. President & CEO Jouko M. Jaakkola does not own equity warrants 1997. The members of the Board of Directors do not hold any share options. The members of M-real's Board of Directors and the President & CEO own a total of 1 000 Metsä Tissue Corporation shares. Management does not own shares in any company belonging to the M-real Group.

## Convertible subordinated capital notes

An extraordinary general meeting of shareholders on 29 September 1997 authorized the company's Board of Directors to decide on the issue of convertible subordinated capital notes to a value of USD 250 million on the Finnish and foreign capital markets. The purpose of the loan is to improve M-real's equity ratio and financial position. To ensure that the issue was well subscribed, the notes were offered preferentially to Finnish and foreign institutional investors in disapplication of existing shareholders' rights.

The reasons for disapplying shareholders' rights were the exceptionally large size of the loan, the currency (US dollars) and the complicated terms and conditions. Also, offering the issue to the general public would have been more expensive.

Another extraordinary general meeting of shareholders, on 23 October 1997, decided to offer a further USD 100 million in convertible subordinated capital notes for subscription by Metsäliitto Osuuskunta.

The notes carry interest at 4.375 per cent and the subscription price is FIM 9.75 each. The price was decided on the basis of offers received from the international market.

Holders of the notes have the right to subscribe to M-real's Series B shares from 15 January 1998 to 1 October 2002. Exercise of all conversion rights would raise the total number of Series B shares by a maximum of 31 839 202 and the share capital by a maximum of EUR 54.1 million. This represents 17.8 per cent of the company's present share capital and 3.7 per cent of the voting rights.

## Board of Directors' authority to issue shares

The Board of Directors does not have a valid authority to carry out a share issue or issue of convertible bonds or bonds with equity warrants.

## M-real's main shareholders

Share register 28 December 2001	Series A	Series B	Total	% of votes	% of shares
1 Metsäliitto Osuuskunta	25 351 535	43 153 900	68 505 435	63.3%	38.3%
2 Varma-Sampo Mutual Pension Insurance Company	2 403 544	2 633	2 406 177	5.5%	1.3%
3 Central Union of Agricultural Producers and Forest Owners	904 249	881 560	1 785 809	2.2%	1.0%
4 Tapiola General Mutual Insurance Company	576 000	947 500	1 523 500	1.4%	0.9%
5 Sampo Insurance Company	1 030 139		1 030 139	2.4%	0.6%
6 Ilmarinen Mutual Pension Insurance Company	1 023 325		1 023 325	2.4%	0.6%
7 Tapiola Mutual Life Assurance Company	509 370	267 500	776 870	1.2%	0.4%
8 OP-Delta Investment Fund		741 000	741 000	0.1%	0.4%
9 Investment Fund Gyllenberg Optimum		610 000	610 000	0.1%	0.3%
10 Metsäliitto Employees' Pension Foundation	16 070	577 900	593 970	0.1%	0.3%
11 Sampo Industrial Insurance	533 866		533 866	1.3%	0.3%
12 Polaris Pension Fund	227 770	311 505	539 275	0.6%	0.3%
13 Nordea Securities	447 600	90 900	538 500	1.0%	0.3%
14 Tapiola Mutual Pension Insurance Company	293 000	236 500	529 500	0.7%	0.3%
15 OP-Pirkka Fund		431 500	431 500	0.0%	0.2%
16 Equity Fund Aktia Secura		401 000	401 000	0.0%	0.2%
17 OP-Tuotto Investment Fund		332 500	332 500	0.0%	0.2%
18 Investment Fund Alfred Berg Portfolio		330 500	330 500	0.0%	0.2%
19 Vahinkorahasto City of Turku	133 000	195 000	328 000	0.3%	0.2%
20 LEL Employment Pension Fund	117 500	200 900	318 400	0.3%	0.2%

# Shares and shareholders

## Breakdown of Shareholders

Book-entry type ISIN Date  
**M-real A** FI0009000640 28 Dec. 2001

Number of shares	Number of shareholders	%	Total number of shares	%	Number of votes	%
1 - 10	77	2.85	555	0	11 100	0
11 - 50	235	8.7	7 983	0.02	159 660	0.02
51 - 100	318	11.77	26 755	0.07	535 100	0.07
101 - 500	1 239	45.85	370 235	1.02	7 404 700	1.02
501 - 1 000	389	14.4	319 046	0.88	6 380 920	0.88
1 001 - 5 000	372	13.77	827 264	2.28	16 545 280	2.28
5 001 - 10 000	35	1.3	264 845	0.73	5 296 900	0.73
10 001 - 50 000	20	0.74	470 300	1.29	9 406 000	1.29
50 001 - 100 000	2	0.07	151 500	0.42	3 030 000	0.42
100 001 - 500 000	7	0.26	1 550 039	4.27	31 000 780	4.27
500 001 - 1 000 000	4	0.15	2 543 485	7	50 869 700	7
1 000 001 -	4	0.15	29 808 543	82.03	596 170 860	82.03
<b>Total number</b>	<b>2 702</b>	<b>100</b>	<b>36 340 550</b>	<b>100</b>	<b>726 811 000</b>	<b>100</b>
<b>On the waiting list, total</b>						
<b>Grand total account</b>						
<b>Number issued</b>			<b>36 340 550</b>	<b>100</b>	<b>726 811 000</b>	<b>100</b>

## Breakdown of Shareholders

Book-entry type ISIN Date  
**M-real B** FI0009000665 28 Dec. 2001

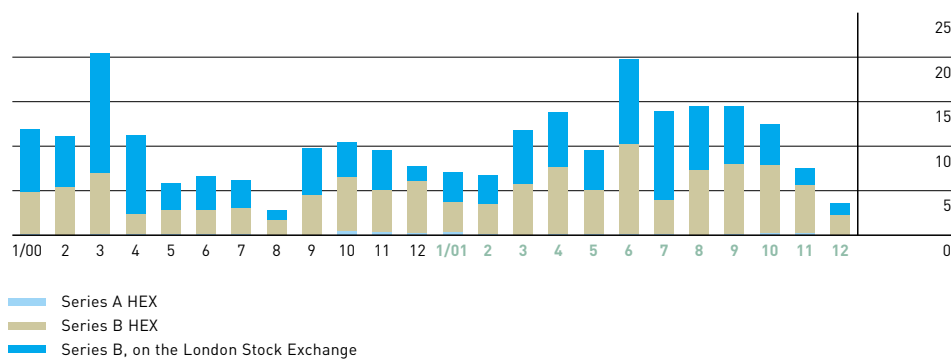
Number of shares	Number of shareholders	%	Total number of shares	%	Number of votes	%
1 - 10	4 476	11,46	37 729	0,03	37 729	0,03
11 - 50	10 166	26,03	305 909	0,21	305 909	0,21
51 - 100	6 376	16,33	479 175	0,34	479 175	0,34
101 - 500	11 488	29,42	3 080 340	2,16	3 080 340	2,16
501 - 1 000	3 004	7,69	2 430 393	1,7	2 430 393	1,7
1 001 - 5 000	2 882	7,38	6 297 393	4,41	6 297 393	4,41
5 001 - 10 000	355	0,91	2 590 508	1,82	2 590 508	1,82
10 001 - 50 000	216	0,55	4 311 960	3,02	4 311 960	3,02
50 001 - 100 000	36	0,09	2 495 583	1,75	2 495 583	1,75
100 001 - 500 000	44	0,11	9 213 094	6,46	9 213 094	6,46
500 001 - 1 000 000	5	0,01	3 757 960	2,63	3 757 960	2,63
1 000 001 -	3	0,01	107 658 831	75,47	107 658 831	75,47
<b>Total number</b>	<b>39 051</b>	<b>100</b>	<b>142 658 875</b>	<b>100</b>	<b>142 658 875</b>	<b>100</b>
<b>On the waiting list, total</b>						
<b>Grand total account</b>						
<b>Number issued</b>			<b>142 658 875</b>	<b>100</b>	<b>142 658 875</b>	<b>100</b>

### Share issues 1992–2001

Type of issue	Subscription period	Ratio of issue or subscriber	Subscription, price, EUR	New share	Date of payment	New share capital, EUR million	New share capital, EUR million
Rights issue	9.12.1991–17.1.1992	1 new for 12 old	A:17.66 B:9.25	559 084 1 020 809	17.1.1992	4.7 8.6	171.6
Directed issue	29.6.1993		B:28.09	3 460 000	29.6.1993	29.1	200.7
Subscription through warrants (B)	1988		25.12	148		0.0	
	1989		25.12	1 272		0.0	
			24.05	1 844		0.0	
	1990		24.05	80		0.0	
	1991		24.05	-		0.0	
	1992		24.05	-		0.0	
	1993		24.05	3 185 492		26.8	
				3 188 836		26.8	227.5
Placement	18.11.1993		B:37.84	250 000	18.11.1993	2.1	229.6
Placement	30.6.1995	Oy Kyro Ab	B:35.34	500 000	30.6.1995	4.2	233.8
Change in nominal value, 5 May 2000, from share issue premium funds						2.5	236.3
Rights issue	15.3.–2.4.2001		B:7.00	35 000 000	5.4.2001	59.5	295.8
Rights issue	15.3.–2.4.2001		B:7.00	5 000 000	10.4.2001	8.5	304.3

The split of one share with a nominal value of 8.41 euros into five shares with a nominal value of 1.68 euros (11 April 1996) has not been taken into account in the table.

### Traded volumes in 2000 and 2001, million units



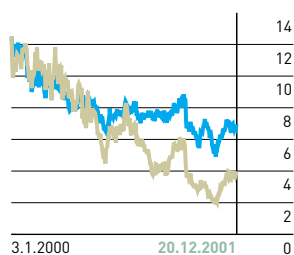
# Shares and shareholders

Share performance	2001	2000	1999	1998	1997	
Adjusted prices, EUR						
<b>Series A</b>	highest	8.85	12.70	11.40	10.26	8.43
	lowest	4.91	6.53	5.90	5.05	5.38
	at year end	6.95	8.10	11.10	7.06	6.90
	average price	7.16	8.11	8.14	7.72	6.93
<b>Series B</b>	highest	9.13	12.90	11.70	10.60	8.88
	lowest	4.85	6.32	5.85	4.96	5.72
	at year end	6.94	8.50	11.55	6.98	7.15
	average price	6.96	8.65	8.25	7.77	7.32
<b>Trading in shares, units on Helsinki Exchanges</b>						
Series A	1 321 616	1 381 515	1 220 478	4 074 089	1 982 720	
% of total no. of Series A	3.6	3.8	3.4	11.2	5.5	
Series B	69 504 014	50 478 814	51 827 710	68 834 117	58 556 696	
% of total no. of Series B	52.5	49.2	50.5	67.1	57.0	
<b>On the London Stock Exchange</b>						
Units	64 207 590	61 931 494	56 445 888	31 303 949	27 376 194	
% of total no. of Series B	48.5	60.3	55.0	30.5	26.7	
<b>Number of shares at the end of year</b>						
Series A	36 340 550	36 340 550	36 340 550	36 340 550	36 340 550	
Series B	142 658 875	102 658 875	102 658 875	102 658 875	102 658 875	
Total	178 999 425	138 999 425	138 999 425	138 999 425	138 999 425	
Adjusted number of shares at 31 Dec.	178 999 425	138 999 425	138 999 425	138 999 425	138 999 425	
Market capitalization of shares at 31 Dec., EUR million	1 242.6	1 167.0	1 589.1	973.3	984.4	
Number of shareholders *)	40 384	38 149	33 652	33 598	33 598	

The change in the nominal value of the M-real share has been taken into account.

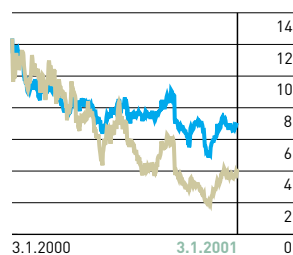
\*) Shareholders in book-entry system.

**Series A shares, average monthly share price, EUR**



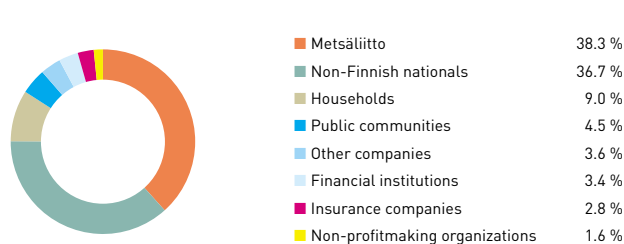
— Series A shares  
— Hex-index relative to Series A shares

**Series B shares, average monthly share price, EUR**



— Series B shares  
— Hex-index relative to Series B shares

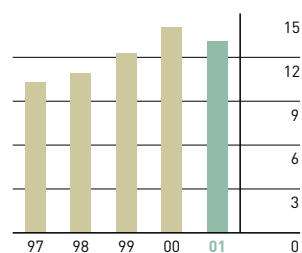
**M-real shareholders**



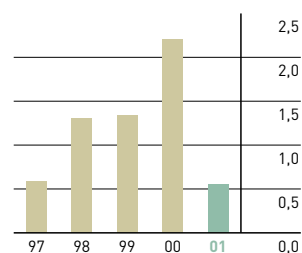
Figures per share	2001	2000	1999	1998	1997
Calculation of earnings per share, EUR million					
Profit before extraordinary items	154.0	458.5	268.1	261.7	128.4
- minority interest	-10.1	6.7	-0.3	-3.8	4.2
- taxation	-115.1	-183.0	-88.4	-88.8	-101.3
+ tax adjustment for extraordinary items	63.6	16.4	0	4.6	44.1
+ other adjustments		6.6	6.6	6.6	6.6
= Earnings, EUR million	92.4	305.2	186.0	180.3	82.0
- Adjusted number of shares (average)	168 629 562	138 999 425	138 999 425	138 999 425	138 999 425
= Earnings per share, EUR (Diluted 2001: EUR 0.53)	0.55	2.20	1.34	1.30	0.59
Shareholders' equity per share, EUR					
Shareholders' equity per share, EUR	13.08	14.05	12.28	10.93	10.26
Dividend per share, EUR	0.60 1)	0.60	0.45	0.44	0.30
Dividend per profit, %	109.5 1)	27.3	33.6	33.7	41.9
Nominal value per share, EUR	1.70	1.70	1.68	1.68	1.68
Dividend yield, %					
Series A	8.6	7.4	4.1	6.2	4.4
Series B	8.6	7.1	3.9	6.3	4.2
Price/equity ratio (P/E ratio)					
Series A	12.7	3.7	8.3	5.4	9.5
Series B	12.7	3.9	8.6	5.4	9.9
P/BV, %					
Series A	53.1	57.7	90.4	64.6	69.5
Series B	53.1	60.5	94.1	63.8	72.0

1) Board's proposal

Shareholders' equity per share, EUR



Calculation of earnings per share, EUR million



# Calculation of Key Ratios

Return on equity (%)	=	$\frac{\text{Profit before extraordinary items - direct taxes}}{\text{Shareholders' equity + minority interest (average)}}$
Return on capital employed (%)	=	$\frac{\text{Profit before extraordinary items + interest expense, net exchange gains/losses and other financial expenses}}{\text{Total assets - non-interest-bearing liabilities (average)}}$
Equity ratio (%)	=	$\frac{\text{Shareholders' equity + minority interest}}{\text{Total assets - advance payments received}}$
Gearing ratio (%)	=	$\frac{\text{Interest-bearing liabilities - liquid funds - interest-bearing receivables}}{\text{Shareholders' equity + minority interest}}$
Earnings per share	=	$\frac{\text{Profit before extraordinary items - minority interest - direct taxes}}{\text{Adjusted number of shares (average)}}$
Shareholders' equity per share	=	$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares on 31 December}}$
Dividend per share	=	$\frac{\text{Dividends}}{\text{Adjusted number of shares on 31 December}}$
Dividend per profit (%)	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$
Dividend yield (%)	=	$\frac{\text{Dividend per share}}{\text{Share price on 31 December}}$
Price/equity ratio (P/E ratio)	=	$\frac{\text{Adjusted share price on 31 December}}{\text{Earnings per share}}$
P/BV (%)	=	$\frac{\text{Adjusted share price on 31 December}}{\text{Shareholders' equity per share}}$
Adjusted average share price	=	$\frac{\text{Total traded volume per share (FIM)}}{\text{Total adjusted traded volume of the shares (unit)}}$
Market capitalization	=	Number of shares x market price on 31 December
Internal financing of capital expenditure (%)	=	$\frac{\text{Funds from operations}}{\text{Gross capital expenditure}}$
Interest cover	=	$\frac{\text{Funds from operations + net interest expenses}}{\text{Net interest expenses}}$
Funds from operations	=	Funds from operations in the cash flow

# Ten Years in Figures

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
<b>Profit and loss account, EUR million</b>										
Turnover	6 923	5 898	4 044	3 320	3 014	2 313	2 240	1 599	1 542	1 304
- change %	14.8	45.9	21.8	10.1	30.3	3.2	40.6	3.4	18.3	0.2
Exports from Finland	1 743	1 719	1 805	1 704	1 595	1 326	1 267	906	883	673
Exports and foreign subsidiaries	6 438	5 376	3 603	2 893	2 598	2 012	1 760	1 312	1 298	1 076
Operating profit	389	604	352	340	283	143	401	156	170	121
- % of turnover	5.6	10.2	8.7	10.2	9.4	6.2	17.9	9.8	11.0	9.3
Profit before extraordinary items	154	459	268	262	128	55	322	132	51	-49
- % of turnover	2.2	7.8	6.6	7.9	4.3	2.4	14.4	8.3	3.3	-3.7
Profit before taxes and minority interests	337	516	295	273	358	120	322	128	127	15
- % of turnover	4.9	8.7	7.3	8.2	11.9	10.4	14.4	8.0	8.2	1.2
<b>Balance sheet, EUR million</b>										
Balance sheet total	7 827	7 798	4 608	4 419	4 423	3 474	3 123	2 368	2 358	2 217
Shareholders' equity	2 341	1 953	1 711	1 555	1 427	1 195	1 147	967	892	662
Interest-bearing net liabilities	3 305	3 693	1 471	1 397	1 154	1 361	1 109	623	713	1 137
<b>Dividends and figures per share *)</b>										
Dividends, EUR million	107.4 1)	83.4	63.1	60.8	42.1	23.4	32.7	23.0	9.2	-
Dividend per share, EUR	0.60 1)	0.60	0.45	0.44	0.30	0.17	0.24	0.17	0.07	-
Dividend/profit, %	109.1 1)	27.3	34.0	33.7	51.3	61.3	16.0	22.3	54.0	-
Earnings per share, EUR (diluted 2001: EUR 0.53)	0.55	2.20	1.34	1.30	0.59	0.27	1.47	0.76	0.12	-1.17
Shareholders' equity per share, EUR 2)	13.08	14.05	12.28	10.93	10.26	8.59	8.24	7.10	6.53	6.56
<b>Profitability</b>										
Return on capital employed, %	7.0	13.5	10.5	10.8	10.5	6.8	18.8	10.8	10.1	7.5
Return on equity, % 2)	4.7	15.5	10.6	11.3	5.3	2.9	22.0	10.5	5.3	neg
<b>Financial position</b>										
Equity ratio, % 2)	30.7	25.7	38.4	36.9	34.1	35	42.4	41.7	38.2	30.2
Gearing ratio, % 2)	138	184	83	86	77	113	86	64	79	171
Funds from operations, EUR million	608	692	440	449	401	303	409	203	212	96
Internal financing of capital expenditures, %	82	32	112	130	122	38	82	167	189	94
Net interest expenses, EUR million	194.3	131.7	73.8	83.8	70.9	70.4	84.5	58.4	98.4	123.0
Interest cover	4.1	6.3	7.0	6.4	6.7	5.3	5.8	4.5	3.2	1.8
<b>Other information</b>										
Gross capital expenditure, EUR million	740	2 150	394	344	329	787	492	121	113	101
- % of turnover	10.7	36.5	9.7	10.4	10.9	34.0	21.9	7.6	7.3	7.8
R&D expenditure, EUR million	27	25	17	15	14	15	15	13	13	11
- % of turnover	0.4	0.4	0.4	0.5	0.4	0.7	0.7	0.8	0.8	0.8
Personnel, average	22 237	17 351	15 572	13 885	12 637	11 463	10 106	9 061	9 047	9 384
- of whom in Finland	6 406	6 584	6 966	7 208	7 248	7 006	7 162	6 385	6 425	6 674

1) Board's proposal

2) The convertible subordinated capital notes are included in liabilities.

\*) The change in the nominal value of the M-real share, made on 11 April 1996, has been taken into account.

The 1992–1995 figures for the resource companies Metsä Botnia and Metsä Rauma have not been adjusted for comparability according to the new consolidation policy.

Deferred tax has not been included under provisions since 1993. The calculation of key ratios is presented on page 76.

# Board's proposal for the Distribution of Profits

	<b>EUR</b>
The Group's distributable funds according to the balance sheet at 31 Dec. 2001	874 162 000.00
Non-restricted shareholders' equity in the parent company balance sheet at 31 Dec. 2001	
Retained earnings	470 211 953.73
Net profit for 2001	107 553 709.99
<b>Total</b>	<b>577 765 663.72</b>
The Board of Directors proposes the following to the Annual General Meeting	
A dividend of EUR 0.60 per share be paid on 178,999,425 Series A and B shares	107 399 655.00
For use by the Board of Directors for beneficial purposes	100 000.00
To be transferred to the Retained earnings account	470 266 008.72
	<b>577 765 663.72</b>

Espoo, 6 February 2002

Antti Oksanen		Arimo Uusitalo
Timo Haapanen	Asmo Kalpala	Erkki Karmila
Runar Lillandt	Matti Niemi	Antti Tanskanen
	Jouko M. Jaakkola President & CEO	



# Auditor's Report

## **To the shareholders of M-real Corporation**

We have audited the accounting, the financial statements and the corporate governance of M-real Corporation for the period 1.1. - 31.12.2001. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in

the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Presidents have legally complied with the rules of the Companies' Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Presidents of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable assets is in compliance with the Companies' Act.

Espoo, 14 February 2002

**SVH Pricewaterhouse Coopers Oy**  
Authorised Public Accountants

Ilkka Haarlaa  
Authorised Public Accountant

Göran Lindell  
Authorised Public Accountant



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# Board of Directors



**Antti Oksanen, (57)**

Chairman of the Board since 1995

Member of the Board since 1993

Master of Science in Forestry  
Titular Mining  
Counsellor

Member of the Board and Executive Committee of the Finnish Forest Industries Federation since 1995, Member of the Board of the Confederation of Finnish Industry and Employers since 1995 and a Member of the Council since 1997.

President of Metsäliitto Group,  
President & CEO of Metsäliitto Osuuskunta.

Vice Chairman of the Board of Metsäliitto Osuuskunta, Chairman of the Boards of Metsä Tissue Corporation, Finnforest Corporation and several other Metsäliitto Group companies.

Member of the Board of Directors of Myllykoski Paper Oy, MD Papier GmbH & Co KG, Pohjolan Voima Oyj (PVO).

Vice Chairman of the Supervisory Board of the Tapiola Mutual Life Assurance Company.



**Arimo Uusitalo, (59)**

Vice Chairman of the Board since 1994

Member of the Board since 1994

Master of Science in Agriculture and Forestry  
Titular Farming  
Counsellor  
Farmer

Chairman of the Board of Metsäliitto Osuuskunta, Vice Chairman of the Board of Finnforest Corporation, Vice Chairman of the Board of Metsä Tissue Corporation, Member of the Board of Oy Metsä-Botnia Ab, Chairman of the Board of Raisio Group since 2001, Chairman of the Executive Board of Osuuspankki Kantrisalola.



**Timo Haapanen, (62)**

Member of the Board since 2000

Master of Science in Agriculture and Forestry  
Titular Farming  
Counsellor  
Farmer

Member of the Board of Metsäliitto Osuuskunta since 1995, Member of the Board of Tapio Pension Fund, Member of the Executive Board of Tampereen Seudun Osuuspankki Cooperative Bank, Chairman of the Board of Private Forestry Employers' Federation.



**Asmo Kalpala, (51)**

Member of the Board since 1990

Master of Science in Economics

Chairman of the Board and Executive Committee of the Federation of Finnish Insurance Companies since 2000, Member of the Board of the Insurance Employers' Association since 1988

Chairman of the Boards and President of the Tapiola Insurance Group.

Vice Chairman of the Board of YIT Corporation since 2000, Member of the Board of LTT Research Ltd since 1998.

# Board of Directors



**Erkki Karmila, (60)**

Member of the Board since 1992

Master of Law (trained on the bench)  
Master of Laws 1968, Harvard University

Deputy Managing Director, Finnish Export Credit 1981-1982 and Managing Director 1982-1983, Vice President of Kansallis-Osake-Pankki, 1983-1991, Director of the Invest in Finland Bureau, 1992

Deputy Managing Director of the Nordic Investment Bank.



**Runar Lillandt, (57)**

Member of the Board since 1999

Agriculture and forestry polytechnic graduate  
Farmer

Chairman of the Supervisory Board of Metsäliitto Osuuskunta since 1999, Member of the Board of SLC since 1988, Chairman of the Supervisory Board of Pohjanmaan Liha since 1994 and Chairman of the Board in 2002, Member of the Board of A-tuottajat 2001, Member of the Executive Board of Suupohjan Osuuspankki since 1997, Member of the Forestry Board of MTK (The Central Union of Agricultural Producers and Forest Owners) since 1996, Member of the Supervisory Board of Pellervo Confederation of Finnish Cooperatives since 1999, Chairman of the Coastal Forestry Centre since 1996.



**Matti Niemi, (54)**

Member of the Board since 1999

Master of Science in Economics

Various management positions at Postipankki Oy, 1974-1995, Executive Vice President of Pension Varma Mutual Insurance company, 1996-1998.

Executive Vice President of Varma-Sampo Mutual Pension Insurance Company, 1998-

Member of the Board of Uponor Oyj (formerly Asko Oyj) since 1994, Member of the Board of ICL Invia Oyj since 2000, Member of the Board of Sampo Life Assurance Company since 1997.



**Antti Tanskanen, (55)**

Member of the Board since 1992

Ph.D. in Economics

Professor of Economics at Jyväskylä University 1979-1996 and Rector 1988-1991, Chairman and President of the Academy of Finland 1992-1996.

Chairman and CEO, OKO Bank Group, Chairman of the Executive Boards of OKO Bank Group Central Cooperative and OKO Bank Osuuspankkien Keskuspankki Oyj since 1997.

Member of the Unico Banking Steering Committee since 1996, Chairman of the Board of the Finnish Bankers' Association since 2000, Chairman of the Board of YIT Corporation since 2000.

# Corporate Executive Board



**Jouko M. Jaakkola**  
President & CEO (58)

Jouko M. Jaakkola began his career at Rauma-Repola Ltd in 1968, working first as an MBA accountant and later as Chief Accountant all the way up to 1978, when he moved to Rauma-Repola's Mechanical Engineering Group, where he was CFO. In 1982, Mr Jaakkola was appointed Senior Vice President, Administration, with Sunila Oy, becoming its President in 1984. Mr Jaakkola was appointed President of Tampella Papertech Oy in 1989 and Executive Vice President of Tampella Corporation in 1990. From 1993 to 1996 Mr Jaakkola was President of Myllykoski Paper Oy and in 1996, he was asked to take over as President and CEO of Tampella Corporation. The company's name was changed to Tamrock Corporation in 1997. When Sandvik AB acquired Tamrock, Mr Jaakkola also became head of Sandvik's Mining and Construction division. Mr Jaakkola joined Metsäliitto Group as its Senior Vice President, Strategic Development, in 1999. In autumn 2000, he was appointed Metsä-Serla's Senior Executive Vice President & Chief Operating Officer. Jouko M. Jaakkola was appointed President & CEO of M-real on 1 December 2001.



**Aarre Metsävirta**  
Executive Vice President (57) Operations & Sourcing

Aarre Metsävirta has spent his entire business career in the forest industry. From 1972 on he held various positions at the pulp and paper divisions of A. Ahlström Oy, his final position being Director of Research of the pulp and paper units. In 1983, he joined Rauma-Repola Oy, where he was Technical Director and later Senior Vice President of the Paper Division. He left to become Executive Vice President of Tampella Ltd in 1998, before becoming President of Tampella Forest Inc. in 1991. Mr Metsävirta was appointed Chairman of the Board of Veitsiluoto Oy in 1994 and in 1996, he became Executive Vice President of Metsä-Serla Corporation and head of its Paper Group. As part of the organizational change carried out at the end of 2001, Executive Vice President Metsävirta was appointed Executive Vice President for M-real's Operations & Sourcing, with responsibility for the production of the paper and board mills and the company's energy, materials management, research and development as well as environmental functions.

Aarre Metsävirta has 240 000 M-real Corporation 1997 share options.



**Veli-Matti Mynttinen**  
Executive Vice President (46) Corporate services

Veli-Matti Mynttinen began his career as a controller at Wärtsilä Helsinki Shipyard from 1979 to 1981. He worked at the Outokumpu Head Office from 1981 to 1983 as Budgeting Manager. In 1983, he joined Rauma-Repola Oy as Group Controller in charge of financial planning and control. From 1986 to 1988, he was Chief Controller of the Engineering Division. He left to become Group Controller of Metsä-Serla Corporation in 1988. In 1990, he was appointed a member of the Executive Board of OKO Bank Osuuspankkien Keskuspankki Oy in charge of financial control, asset and liability management, real-estate and information technology. In 1996, he returned to Metsäliitto Group to set up the centralized financing function and he was appointed Managing Director of Metsä Group Financial Services Ltd. In 1999, Mr Mynttinen was appointed M-real's Executive Vice President, Finance, Treasury, Investor Relations, Information Technology, Risk Management, Business Development and Legal Affairs.

Veli-Matti Mynttinen has 180 000 M-real Corporation 1997 share options.



**Matti Nenonen**  
Senior Vice President, General Manager (44) Commercial printing

Matti Nenonen served as Vice President, Production, of Veitsiluoto Oy's Kemi Paper Mill from 1985 to 1986. He joined Metsä-Serla in 1987 and worked for a number of years in management positions in the Paper Group. He was appointed Director of the Kirkniemi mill in 1995 and Senior Vice President of the Publishing division in 2001. Since January 2002, Matti Nenonen has been Vice President of the Commercial printing division.



**John Clinton**  
Senior Vice President, General Manager (43) Publishing

From 1981 to 1996, John Clinton has worked in a number of positions at Finnapp's locations in Ireland and Finland. In 1988, he transferred to London as Director of Finnapp's Magazine Papers division. He was appointed Managing Director of Metsä-Serla's sales company in Great Britain in 1996 and became a member of UK Paper's Management Board in 1999. Since 2002 John Clinton has been Vice President of M-real's Publishing division.

# Corporate Executive Board



**Wolfram D. Kutter**  
Senior Vice President,  
General Manager (61)  
Home & Office

Wolfram D. Kutter has spent his entire career in different positions in the paper industry. Mr Kutter served as Managing Director of the Schneider & Söhne branch in Ettlingen, Marketing and Sales Director of Papierfabrik Scheufelen in Oberlenningen and in PWA's Graphics Papers group. After joining M-real Corporation, Mr Kutter has been head of the Paper Group. From the beginning of 2002, Wolfram D. Kutter has been head of the Home & Office division.



**Juhani Saarela**  
Senior Vice President,  
General Manager (47)  
Consumer packaging

Juhani Saarela has been with Metsä-Serla since 1987, where he has occupied management positions since 1989. He was Managing Director of Metsä-Serla AB in Sweden from 1994 to 1996. In 1996, he was appointed CEO of Metsä Tissue Corporation. Since November 1998, Juhani Saarela has been head of the Consumer packaging division.

Juhani Saarela has 148 000 M-real Corporation 1997 share options and 50 000 Metsä Tissue Corporation 1998 share options.



**Karl-Johan Lindborg**  
President & CEO (55)  
Map Merchant Group

Karl-Johan Lindborg has worked in Finncell's sales organization from 1972 to 1985. In 1985, he was appointed Vice President of Rauma-Repola Corporation's pulp division. Subsequently, he transferred to Tampella Forest as head of the Paper Division. In 1999, he was appointed to the management of Forest House and he became Managing Director of Map Merchant Group in 2000.



**Ari Himma**  
Senior Vice president,  
Corporate Human  
Resources (43)

Ari Himma worked as a recruitment consultant for Mercuri Urval Oy from 1986 to 1987 and as Human Resources Development Manager of Kone Corporation from 1987 to 1994. In 1994, he transferred to MacGregor Oy as Vice President, Human Resources. From 1995 to 1999, he worked as Vice President, Human Resources, at Neles Controls Group, where he was a member of the Executive Board. In 1999, Mr Himma became Vice President, Human Resources, for Metso Automation Ltd. In spring 2001, Ari Himma was appointed Vice President, Human Resources for the M-real Group.

Ari Himma has 25 000 M-real 1997 share options.



**Leif Backman**  
Senior Vice President,  
Strategic Marketing (43)

Leif Backman began his career at Finnpap's sales office in Paris, where he was later appointed head of the Speciality Paper Department. In 1994, he became Managing Director of Finnpap sales office in Buenos Aires, after which he returned to Europe as Director of UPM-Kymmene's newspaper publishing department in Madrid. In 1998, Mr Backman joined M-real, where he was named Managing Director of the Paris sales office. From the beginning of 2002, Leif Backman has been M-real's Senior Vice President, Strategic Marketing.

# Production Capacities

## Paper Mills

Mill	Country	Machines	Coated magazine paper	Coated fine paper	Uncoated fine paper	Specialty paper	Total
Kirkniemi	Finland	3	360	350			710
Äänekoski	Finland	1		180			180
Kangas	Finland	2		340			340
Simpele	Finland	1				50	50
Albbruck *)	Germany	3	270				270
Stockstadt	Germany	2		195	205		400
Bergisch Gladbach	Germany	4		330			330
Düren	Germany	4				100	100
Husum	Sweden	3		300	380		680
Wifsta	Sweden	1			155		155
Alizay	France	1			300		300
Pont Sainte Maxence	France	2			130		130
Biberist	Switzerland	3		380	70		450
Sittingbourne	UK	2		200			200
New Thames	UK	1			230		230
Hallein	Austria	2		315			315
<b>Total</b>			<b>630</b>	<b>2 590</b>	<b>1470</b>	<b>150</b>	<b>4 840</b>

\*) M-real share is 50% of the capacity.

## Pulp Mills

Mill	Country	Chemical Pulp	BCTMP	Total
Stockstadt	Germany	170		170
Husum	Sweden	690		690
Alizay	France	310		310
Hallein	Austria	150		150
Joutseno	Finland		210	210
<b>Total</b>		<b>1 320</b>	<b>210</b>	<b>1 530</b>

## Consumer Packaging Mills

Mill	Country	Machines	Folding Boxboard	Wallpaper base	Cartons	Kraftliner	SC-fluting	CTMP	Total
Tampere	Finland	3	240						240
Kyröskoski	Finland	2	130	85					215
Äänekoski	Finland	1	85	30					115
Simpele	Finland	1	165						165
Tampere	Finland				20				20
Petőfi	Hungary				30				30
Meulemans	Belgium				20				20
Kemi *)	Finland	1				340			340
Kuopio	Finland	1					245		245
Lielähti	Finland							110	110
<b>Total</b>			<b>620</b>	<b>115</b>	<b>70</b>	<b>340</b>	<b>245</b>	<b>110</b>	<b>1 500</b>

\*) M-real share is 47% of the capacity.



**Metsä Tissue**

Mill	Country	Machines	Tissue	HD Paper	Total
Mänttä	Finland	5	100	25	125
Katrinefors	Sweden	2	77		77
Pauliström	Sweden	1	22		22
Nyboholm	Sweden	2	23		23
Warsaw	Poland	1	20		20
Raubach	Germany	2	40		40
Halstrick	Germany	1	20		20
Kreuzau	Germany	4	123		123
<b>Total</b>			<b>425</b>	<b>25</b>	<b>450</b>

**Metsä-Botnia \*)**

Mill	Country	Chemical Pulp	Total
Äänekoski	Finland	485	485
Kemi	Finland	560	560
Kaskinen	Finland	425	425
Rauma	Finland	570	570
Joutseno	Finland	600	600
<b>Total</b>		<b>2 640</b>	

\*) M-real share is 47% of the capacity.

**Associated companies**

Softwood and hardwood pulp	340	Sunila Oy, (interest 17.5%), Finland
Coated magazine paper	160	Myllykoski Paper Oyj, (interest 35%), Finland
Uncoated magazine paper	370	Myllykoski Paper Oyj, (interest 35%), Finland

# M-real Corporation

## **M-real Corporation**

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@m-real.com

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## **Map Merchant Group**

www.mapmerchant.com

## **Map Merchant Group**

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## **Sales Network**

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## **M-real alliance**

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## **Metsä Tissue Group**

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## **Corporate office**

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## **Oy Metsä-Botnia Ab**

www.metsabotnia.com

## **Management and Marketing**

### **Oy Metsä-Botnia Ab**

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## M-real global presence

- |                |                      |
|----------------|----------------------|
| Algeria        | Korea                |
| Argentina      | Latvia               |
| Australia      | Lebanon              |
| Austria        | Lithuania            |
| Bangladesh     | Malaysia             |
| Belgium        | Mexico               |
| Bolivia        | Netherlands          |
| Canada         | New Zealand          |
| Chile          | Norway               |
| China          | Pakistan             |
| Colombia       | Paraguay             |
| Costa Rica     | Peru                 |
| Croatia        | Poland               |
| Cyprus         | Portugal             |
| Czech Republic | Romania              |
| Denmark        | Russia               |
| Ecuador        | Singapore            |
| Estonia        | Slovakia             |
| Finland        | Slovenia             |
| France         | South Africa         |
| Germany        | Spain                |
| Great Britain  | Sri Lanka            |
| Greece         | Sweden               |
| Hong Kong      | Switzerland          |
| Hungary        | Syria                |
| Iceland        | Taiwan               |
| India          | Thailand             |
| Indonesia      | Turkey               |
| Ireland        | United Arab Emirates |
| Israel         | Uruguay              |
| Italy          | Ukraine              |
| Japan          | USA                  |
| Jordan         | Venezuela            |



### M-real Corporation Corporate Administration

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