

METSÄ-SERLA Annual Report 1999



Annual Report 1999



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Metsä-Serla is a major European forest industry group that sells its products worldwide. Its core product areas are various grades of coated paper and paperboard.

Metsä-Serla concentrates on Printing and Packaging, focusing especially on end-use applications demanding high quality and printability combined with excellent customer service. Cost-effective pulp production and efficient distribution ensure that the core business areas are competitive. For investors, Metsä-Serla strives for profitability, increased shareholder value and competitiveness.

Metsä-Serla's ownership structure, including a large number of shareholders who tend family-owned forest, ensures an availability of high quality and renewable raw material. Furthermore, internal efficiency throughout the delivery chain, coupled with the Group's financial resources, forms a solid foundation for the company's success.



Delivering Printability

Information for Shareholders

Annual general meeting

The Annual General Meeting of Metsä-Serla Corporation will be held at Marina Congress Center, Katajanokanlaituri 6, Helsinki, on Thursday, 23 March 2000, beginning at 10 a.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 17 March 2000 at the latest and should announce their intention to attend the meeting before 4.30 p.m. Finnish time on 20 March 2000, either by telephoning Ms Eija Niittynen on +358 1046 94530, by sending a telefax to Ms Eija Niittynen on +358 1046 94529 or an e-mail message to eija.niittynen@metsaserla.fi or by writing to Metsä-Serla Corporation, Eija Niittynen, Revontulentie 6, 02100 Espoo, Finland. Any proxies should be submitted at the time such shareholders notify the company of their intention to attend.

The Board of Directors proposes that a dividend of FIM 2.70 for the 1999 financial year be paid on 4 April 2000 to shareholders who are entered by 28 March 2000 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 and German. Copies can be obtained from Metsä-Serla Corporation, Corporate Communications Revontulentie 6, 02100 Espoo, tel. +358 1046 94542 and fax +358 1046 94531.

Metsä-Serla publishes **Insight**, an English-language investor magazine, which comes out four times a year.

On Metsä-Serla's English-language Internet pages, material of most interest to investors can be found in the section on 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 the Group's organization, products, sales network and environmental issues can also be found on the Internet pages. Also, Group publications can be ordered and feedback sent via the Internet.

Shares

The company has a total of 138,999,425 shares. Each share has a nominal value of FIM 10. Information on Metsä-Serla Corporation's shares is given on pages 72-77.

Metsä-Serla's Series A and Series B shares are quoted on the Helsinki Stock Exchange. Within the electronic HEX trading system the codes of the shares are MESAS and MESBS, respectively. Metsä-Serla'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 which holds their book entry account of any changes in name, address or share ownership.

Investor relations

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Publication dates for Metsä-Serla's financial reports in 2000 are the following:

Unaudited figures for 1999	3 February
Annual report for 1999	week beginning 28 February
Interim report for January-March 2000	2 May
Interim report for January-June 2000	3 August
Interim report for January-September 2000	30 October

The Year in Brief and Main Events in 1999

Metsä-Serla Group	1999	1998	Change
Turnover, EUR mill.	4 236	3 523	20%
Operating profit, EUR mill.	394	387	2%
- % of turnover	9.3	11.0	
Profit before extraordinary items, EUR mill.	303	307	-1%
- % of turnover	7.2	8.7	
Return on capital employed, %	10.7	11.0	
Return on equity, %	10.5	11.6	
Interest bearing net liabilities, EUR mill. **)	1 273	1 233	3%
Gearing ratio, % **)	55	56	
Equity ratio, % **)	47.0	45.9	
Earnings per share, EUR	1.35	1.27	6%
Shareholders' equity per share, EUR	12.04	10.91	10%
Dividend per share, FIM *)	2.70	2.60	4%
Market capitalization at 31 December, EUR mill.	1 589	973	63%
Gross capital investments, EUR mill.	422	412	2%
Cash flow from operations EUR mill	408	352	16%
Personnel at 31 December	15 645	15 221	3%

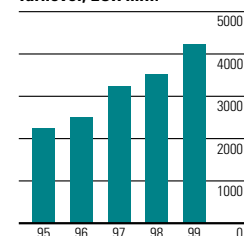
*) Board's proposal for year 1999.

***) For calculation purposes, the convertible subordinated capital note issue has been added to shareholders' equity.

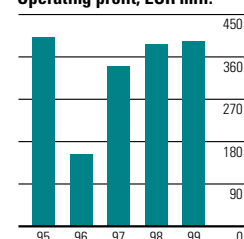
Main events in 1999

- The acquisition of UK Paper was finalized at the beginning of 1999. A programme of capital expenditures aiming at eliminating production bottlenecks and raising the effectiveness ratios of the paper machines will reach completion by the end of the current year.
- In the spring a capital expenditure programme focussing on de-bottlenecking in the paper finishing department and improving customer service was started at the Biberist Paper Mill. The investment includes the building of a new automated warehouse. In October Metsä-Serla reached a final agreement on the purchase price of the mill with the bankruptcy estate of the company that sold the business operations.
- A capital expenditure for the press section of the board machine at the Kemi liner mill was completed in April. The investment raised the machine's capacity and improved product quality.
- Operations of the corrugated board mills in Tampere and Nokia were combined with the aim of boosting production efficiency and improving competitiveness.
- The Greek corrugated board packaging manufacturer Cartonpack S.A. became a wholly-owned subsidiary of Metsä-Serla in June.
- At Metsä-Tissue's Nyboholm mill, a new CCM production line became operational in November.
- Modernization investments for the fibrelines at the Joutseno Pulp Mill were decided on in October. The investment is a continuation of the mill development programme which started with the replacement of the chemicals recovery line and power plant.
- At the Kemi and Äänekoski pulp mills, capital expenditure projects were completed, raising the mills' capacity by a total of 100,000 tonnes.

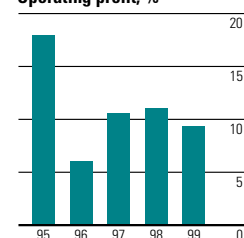
Turnover, EUR mill.



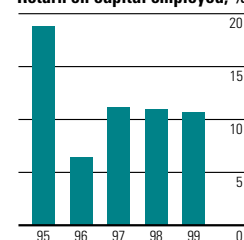
Operating profit, EUR mill.



Operating profit, %



Return on capital employed, %



President's Review

Dear Shareholder,

After a challenging start 1999 ended well for Metsä-Serla. The downturn that set in during the last quarter of 1998 spilled over into the beginning of fiscal 1999, with difficult market conditions generating price erosion in all segments. Metsä-Serla refused low priced orders and cut production in paper, paperboard and pulp in order to counter this trend. Despite these challenging conditions during the first half of the year Metsä-Serla was able to generate a satisfactory financial performance thanks to its new corporate structure and much improved internal efficiency. Metsä-Serla's dependence on pulp profits has declined significantly, while paper was able to exploit low raw material prices and, together with paperboard, compensate for the lack of pulp profits.

A rapid turn-around

As expected, market conditions during the second half of the year improved and even exceeded forecasts. Both paper and later, paperboard, enjoyed higher capacity utilization, ramping all the way up to full speed production later in the fall. This increased activity generated a healthy market for pulp, resulting in a rapid correction in pulp prices and full capacity utilization through the second half of the year. Since the summer of 1996 Metsä-Serla has been striving for improved profitability and higher shareholder value. This effort has now clearly paid off, as Metsä-Serla was able to use its leaner and more responsive structure to rapidly exploit improving business conditions, and during the second half of 1999 the company quickly brought its quarterly profitability up to record levels.

Paper shows the way

The Paper Group, which was thoroughly restructured earlier and still

had two major reorganization programs underway in its UK Paper mills, put in the best performance within Metsä-Serla. Internal efficiency has dramatically improved at each paper mill and the synergy potential between mills has been exploited. Recently acquired paper mills have been swiftly integrated while respecting local cultures.

Good performance despite tough conditions

The Packaging and Consumer Products Group continued its steady earnings contributions in 1999. The Group suffered from deteriorating market conditions and its main markets recovered only during the last quarter. In addition, Metsä-Tissue's acquisitions at the end of 1998 in Germany, Halstrick and Strepp, generated extraordinary restructuring costs during 1999.

Forest House, including Metsä-Serla's paper and paperboard merchanting, trading and sheeting operations, also felt the negative impact of the weaker market situation. The integration of the Guppy paper merchanting business, which was acquired along with UK Paper, caused the merchanting business extra expenses. In trading, the North American organization was restructured for improved efficiency and better customer service. In the Far East, a lack of market pulp hampered trading in the fall.

The Pulp Group maintained its cost leadership position among the Nordic producers but suffered weak market conditions during the first half of 1999. However, as the demand for pulp improved and prices recovered, earnings rebounded quickly.

An alliance that works

Forest Alliance, the Group's network of sales companies, performed well

and provided a vital global customer interface for the products of both Metsä-Serla and its Alliance partner. The alliance between Metsä-Serla and Myllykoski has proven its strength even under this year's tougher market conditions. The partners have learned to partner with increasing efficiency and, now that the restructuring process of MD Papier in Germany has been successfully completed, additional integration of the German paper sales organizations has been agreed. We owe much to the retiring Mr Thomas Nystén, the ex Finnapp Managing Director and perhaps the world's best known paper salesman, for our joint success in Germany. Nystén made a major contribution to our successful restructuring programs as MD Papier CEO and as a member of Metsä-Serla's management group.

A year of integration

For Metsä-Serla 1999 meant consolidating the many acquisitions made in 1998, e.g. UK Paper, Halstrick and Strepp. The only major investment decided upon during the year was to carry on with the second and final rebuilding stage of the Joutseno Pulp mill.

Investing in people

Metsä-Serla has continued to look for new ways to improve the working environment for its personnel. The virtual maintenance company within Metsä-Serla has proven its ability to lower costs and improve personnel motivation as it provides more flexibility in running the maintenance crews of different mills as a single team, while providing a more varied task palette for our personnel. At the same time this helps us to keep know-how within the company. In an effort to ensure that we have a quality work force in the future as well, a new



training center, Metsä Instituutti Silva, was opened. The Finnish Paper Workers' Union has been actively involved in creating this new training center, as well as in supporting other improvements in Metsä-Serla's competitiveness, such as the unique maintenance system described above.

Toward inter-regional consolidation

The consolidation process in the Pulp and Paper Industry is continuing. From the Finnish point of view the 80's were years of domestic consolidation. The same was happening locally in other parts of the world as well. In the 90's the industry has been consolidating regionally, in Europe and in North America. During the first decade of the new millennium it is likely that the first inter-regional mergers and acquisitions will take place. As to seeking returns on inter-regional consolidations, it must be noted that production synergies between regions are rather limited, whereas other regional synergy potential is significant. In the coming years, in conjunction with the consolidation process, it is likely that more focused companies will emerge in the aftermath of the restructuring of large conglomerates. Diversified companies are seeking better profitability through specialization.

Taking the next step

Recognizing that the world around us is constantly changing, Metsä-Serla reviewed its corporate strategy. The revised strategy was published in December. Metsä-Serla will continue to

focus on Paper and Packaging. The core businesses are coated papers and coated boards. Pulp is a resource that the company will produce efficiently as a raw material for its paper and packaging products. The remaining non-core businesses will be individually reviewed and then either developed into one of the core businesses, divested to free up resources for expanding core businesses, or retained temporarily as high-yield investments. The company's round wood raw material strategy involves relying on Finnish sustained yield family forestry and wood deliveries by its largest shareholder, the Finnish forest owners' cooperative, Metsäliitto. Metsä-Serla will seek out growth opportunities and bolster its market position mainly in its own region in Europe, but we will also consider opportunities in North America. The cultural challenges involved in any expansion into Asia might require a strong local partner.

A nice way to start the millennium

Prospects for the year 2000 are looking good. As of the beginning of the year markets for all products seemed to be turning up and the global economic situation holds a promise for more. The healthy market positions in our core businesses, the fact that we have been able to keep our balance sheet strong, competitive earnings, a clear strategy that the personnel can commit to, and the opportunities that lay ahead in the on-going industry consolidation process, all these things provide Metsä-Serla with

an excellent foundation for generating improved shareholder value.

Metsä-Serla's personnel have done well in 1999. The company has shown flexibility and an ability to adapt to constantly shifting business conditions. During the past year taking advantage of change and finding new practices have been key factors in Metsä-Serla's ability to finish the year with good marks. We owe special thanks to the shareholders for trusting and supporting the management team.

Jorma Vaajoki
President and CEO

Metsä-Serla Specializes in Demanding End-use Applications

Metsä-Serla concentrates on Printing and Packaging, focusing especially on end-use applications demanding high quality and printability combined with excellent customer service. Metsä-Serla's goal is to double its present size in these core business areas by the year 2004. Low cost pulp production and efficient distribution ensure that the core business areas are competitive. Metsä-Serla's non-core businesses will undergo an individual strategic review. For investors, Metsä-Serla strives for profitability, increased shareholder value and competitiveness.

Metsä-Serla ranks fourth among European pulp and paper companies. Metsä-Serla's competitiveness has increased dramatically over the past three years. The company has caught up with its main competitors in profitability and it has a healthy balance sheet. Measured by capacity, Metsä-Serla ranks third in the market for coated magazine papers, coated fine papers and coated boards.

Metsä-Serla's products are sold in over 70 markets. Metsä-Serla has its own sales companies in about 30 countries, and the company operates through agents in 40 markets. Production facilities are located in Finland, Germany, Switzerland, Great Britain, Sweden, Denmark, Spain, Greece, Russia, Poland, Lithuania and Estonia. Some 88 per cent of sales come from abroad. Metsä-Serla employs more than 15,000 people, half of them at its units outside Finland. The company's largest shareholder is Metsäliitto Osuuskunta, which is owned by Finnish forest owners.

Investing in core businesses

Metsä-Serla's core product groups are coated papers and coated boards. Within these business areas Met-

sä-Serla is striving for market leadership in selected end-use applications in Europe. Such applications are publication and advertising products demanding high quality and printability as well as consumer packages for strong brand name products. Metsä-Serla's core business areas are Printing and Packaging.

To back up its value chain, Metsä-Serla must have cost-effective Pulp Resources. For this reason Metsä-Serla's pulp resources will be continually under development in order to ensure that the core business areas, Printing and Packaging, are competitive and deliver high-quality products. Metsä-Serla's core businesses and its Pulp Resources together represent 50 per cent of the company's turnover but account for more than 80 per cent of its operating profit.

Good customer service, product development deriving from end-use applications, efficient logistics and distribution and cost efficiency form the basis for Metsä-Serla's competitiveness. To this end, the company will put extra effort into developing its sales network and customer interface know-how in end-use applications along with production specialization. Development of logistics and IT are the keys to utilizing the new potential offered by e-commerce. Metsä-Serla will carry out cost cutting programmes and focus on boosting production efficiency by means of investments with a short payback period.

The merchanting business supports the company's distribution strategy and good customer service. The trading business allows Metsä-Serla to expand customer service to cover products not produced by the company.

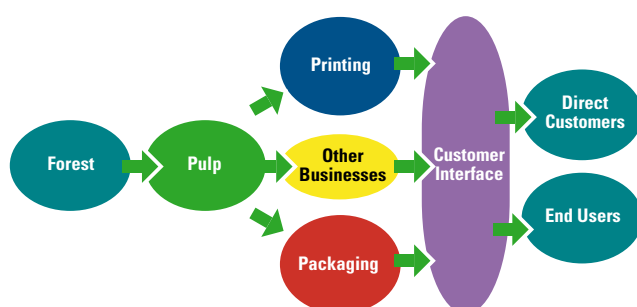
Non-core businesses under special review

Non-core businesses will undergo a special strategic review to analyze whether they have the potential for being developed into core businesses, or whether they should be divested when economically feasible or else kept as profitable investments.

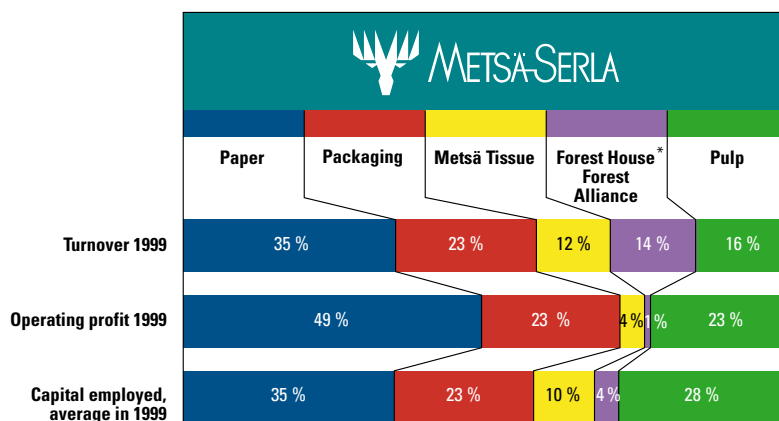
Expanding geographic interest

Metsä-Serla's primary operating base is Europe. Activities in other parts of the world will play an increasingly important role. To support the company's core businesses, Metsä-Serla will review the potential for acquiring production capacity in North America and later also in Asia.

Strategic Business Value Chain



Business areas



*) The figures are for the Merchanting, Trading and Sheeting Services Group.

Alliances contribute to funding growth strategy

Metsä-Serla will aim for a simpler structure. However, in order to participate actively in the consolidation process within the industry, different types of alliances must also be considered. Core businesses are managed as strategic business entities and their contributions to earnings per share will be reported openly.

In its core business areas Metsä-Serla will grow mainly through acquisitions, but new capacity investments will also be reviewed, market conditions allowing. Of course, the existing capacity will be developed further. The planned capital investments to realize the corporate strategy in the years 2000 – 2003 are nearly 2.5 billion euros.

Earnings, business swaps and divestments form the primary funding for Metsä-Serla's growth strategy. As a secondary source of funding, borrowing and raising equity will also be considered. The Group's various financing programmes will make it possible to tap the resources of the money market in a versatile way. Metsä-Serla also has an international credit rating.

Added value for shareholders

Metsä-Serla is profitable and is focusing on creating value for shareholders. The company's minimum ROCE target across the business cycle is 12 per cent on average. In core businesses this means a clearly higher profitability target. In size, clarity of strategy and profitability, Metsä-Serla intends to remain

attractive and interesting to investors.

Metsä-Serla's dividend policy provides continuity and rewards shareholders. The dividend policy calls for paying a minimum of 1/3 of earnings per share or at least 20 per cent of share capital providing that this does not endanger implementation of Metsä-Serla's growth strategy and that it does not undermine the set minimum equity ratio (35 per cent).

Metsä-Serla's financial goals:

- ROCE per cent > 12 per cent
- Equity Ratio ~ 45 per cent
- Gearing Ratio < 80 per cent

The environment and procurement of wood raw material

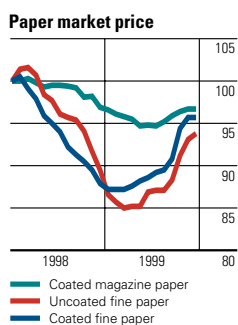
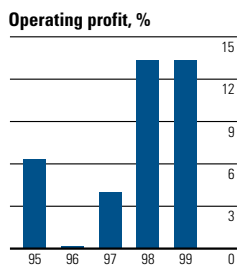
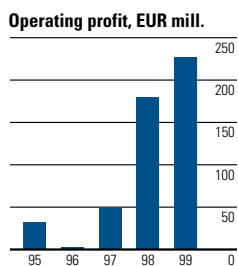
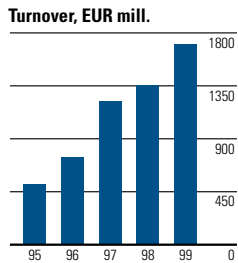
Metsä-Serla procures the wood raw material it requires mainly via Metsäliitto in order to ensure a supply of raw material that fulfils the values of sustainable forestry. The bulk of the wood is used in the manufacture of pulp. For Metsä-Serla it is important that the wood raw material is competitive in both price and quality when delivered to the mill.

Environmental policy is an important part of Metsä-Serla's operating policy. Metsä-Serla endeavours continuously to develop its environmental standards and to maintain its environmental resources. The company publishes environmental reports on its operations at regular intervals.

Paper Group



The acquisition of UK Paper increased the Paper Group's production capacity considerably.



The operations of Metsä-Serla's Paper Group are geared towards coated papers, which accounted for about 80 per cent of the group's turnover in 1999. The Paper Group's main products are coated magazine papers (LWC), coated and uncoated fine papers as well as speciality papers. Typical uses of the products are for magazines, high quality printed products, advertising materials and annual reports.

The Paper Group's main market is Western Europe. Important markets outside Europe are the United States and Australia. The Paper Group's mills are located in Finland, Germany, Switzerland and Great Britain.

The Paper Group's profitability improved significantly in the year under review. Operating profit was up EUR 47 million on the previous year to EUR 227 million. Operating profit rose in both the Magazine Paper Division and the Fine Paper Division. The general lowering in the selling prices of products was offset by the growth in sales volumes, especially of fine papers. The major factors affecting the improvement in the group's profitability were the increased volumes of deliveries by the fine paper mills and the weakening of the euro against important export currencies, namely the United States dollar and the British pound. The positive earnings trend was also supported by the improved efficiency at the mills.

The Paper Group's turnover grew by 26 per cent to EUR 1 705 million (1 356 million in 1998). Delivery volumes were up 29 per cent on the previous year. The growth is attributable largely to the deliveries of UK Paper's mills, which became a part of the Paper Group at the beginning of the year. In comparable terms, the entire group's delivery volumes increased by 7 per cent on the previous year.

For the most part, demand for the Paper Group's main products remained good throughout the year, except for relatively slack demand for magazine papers during the first half of the year. In foreign currency terms, the prices of magazine papers continued the slide that began in the spring of 1998, right up to July 1999, after which it became possible to raise prices somewhat. The fall in the prices of fine papers, which started in March 1998, was brought to a halt at the beginning of the second quarter of

1999, creating the conditions for gradual price increases.

Magazine papers

The Division's mills supported the price level in the industry by refusing to take low-priced orders in the first half of the year. As demand picked up in the second half, the mills raised their rate of capacity utilization, achieving improved profitability compared with the previous year.

Delivery volumes of coated magazine paper in Western Europe grew by two per cent on the previous year. In part the lacklustre growth in demand was a consequence of the shift in consumption towards substitute paper grades. The growth in demand was directed primarily at coated fine papers, whose prices compared with those of coated magazine papers were low, particularly in the first half of the year. Demand for magazine papers became brisker in the second half of the year and the fall in prices was brought to a halt. It was nevertheless not possible to put through significant price increases. Annualized foreign currency-denominated selling prices were on average 3 per cent lower than they had been a year ago.

Metsä-Serla's delivery volumes of coated magazine papers grew by 2 per cent during the report period, but the capacity utilization rate fell to 93 per cent (94% in 1998). Thanks to the favourable trend in foreign exchange rates and increased delivery volumes, the profitability of the Magazine Paper Division improved compared with the previous year and operating profit rose to EUR 126.2 million (109.8 million in 1998).

Fine papers

The strong improvement in Biberist's profitability and the favourable development in the mill's production volume played a central role in boosting the profits of Metsä-Serla's fine paper business.

During the report period delivery volumes of coated fine paper grew by 10 per cent in Western

2000
Cars

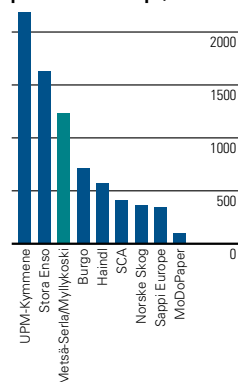
Millennium Cars



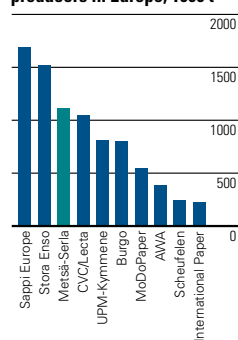


The Paper Group's profitability improved significantly in the year under review.

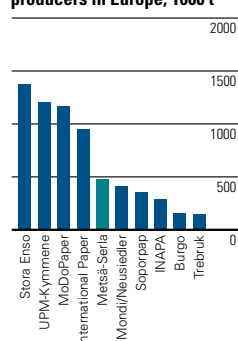
Coated magazine paper producers in Europe, 1000 t



Coated fine paper producers in Europe, 1000 t



Uncoated fine paper producers in Europe, 1000 t



Europe. The capacity utilization rate in the industry improved slightly on the previous year. Despite the fact that the fall in selling prices was brought to a halt in the spring and price increases were put through, particularly in the latter part of the year, prices remained on average 5 per cent below the 1998 level.

Metsä-Serla's deliveries of coated fine papers were up 40 per cent on 1998. The main reason for the growth was the inclusion of UK Paper's Sittingbourne mill in the Paper Group as from the beginning of the year. In comparable terms, the growth in delivery volumes was 15 per cent. Above all, the Biberist and Äänekoski paper mills succeeded in increasing their deliveries. The capacity utilization rate for the product group rose to 92 per cent (88% in 1998).

A major factor responsible for the rise in the operating profit of the product group was the better cost efficiency at Biberist and the mill's good productivity development. Also the further improved productivity at the Kirkniemi and Äänekoski fine paper mills brought a significant improvement in operating profit.

Demand for **uncoated fine paper** in Europe increased by 4 per cent compared with the previous year. Half of the growth was due to an increase in imports from outside Western Europe. The start-up of new fine paper machines in Southeast Asia and increased production in Eastern Europe led to record imports of uncoated fine paper. According to advance estimates, imports exceeded the million tonne mark for the first time. Although prices of uncoated fine papers too began to rise during the second quarter, prices on average were 9 per cent lower than a year earlier.

Metsä-Serla's deliveries of uncoated fine papers grew by 92 per cent thanks to the deliveries of UK Paper's New Thames mill. In comparable terms, the delivery volumes were on a par with the previous year. The product group's capacity utilization rate was 91 per cent (87% in 1998).

Metsä-Serla's delivery volumes of **speciality papers** declined by 9 per cent. This was a result of product rationalization and the fact that the manufacture of speciality papers was discontinued at the Dachau Mill during the report period.

The operating profit reported by Metsä-Serla's Fine Paper Division improved markedly compared

with 1998 to EUR 100.9 million (70.3 million in 1998).

Capital expenditures

The acquisition of UK Paper, agreed towards the end of 1998 was implemented at the beginning of 1999. The deal comprised the New Thames and Sittingbourne fine paper mills, a deinking plant, the Guppy Paper merchanting operations as well as half of the shares in the Grovehurst energy company.

A capital expenditure programme for de-bottlenecking production at UK Paper's mills and raising the efficiency ratings of the paper machines was started in the spring of the report year. The investments aim at raising the mills' production capacity and paper quality, and they have a payback period of less than two years. The capital expenditure programme will be seen to completion during the current year.

The modernization works on both paper machines at the Plattling magazine paper mill reached completion in March 1999. The investment raised the mill's total capacity by 10 per cent and improved the quality of gravure paper. The investment will also improve the mill's cost competitiveness by enabling it to make increased use of deinked pulp in the production process.

At the Biberist mill an investment project was started in the summer, aimed at removing production bottlenecks in the paper finishing department and improving customer service. The project comprises the building of a new automated warehouse. The capital project will be completed in the summer of the current year. With a view to raising the mill's capacity, a decision has been taken to invest in a new slitter-winder and to modernize one sheet-cutting machine.

Near-term outlook

Stable economic growth is forecast to continue in 2000. This points to good growth in paper consumption both in Europe and worldwide. The consolida-



tion process in the paper industry will move ahead, and it is expected that in the fine paper sector, particularly in Europe, the shake-out will continue.

Demand for coated magazine paper in Western Europe is forecast to grow by 4 per cent. The rate of capacity utilization in the industry is nevertheless estimated to fall, because in the latter half of the year capacity will grow faster than demand as three new paper machines come on stream.

The demand for coated fine paper is forecast to grow by 5 per cent during 2000. The product group's capacity utilization rate is expected to remain at the previous year's level or to fall slightly.

Demand for uncoated fine paper in Western Europe is forecast to grow by 3 per cent. The rising price of pulp compared with the possibilities of raising the price of paper constitutes a threat to the profitability of uncoated fine papers.

A central objective of Metsä-Serla's Paper Group during the current year is to complete the efficiency-boosting and cost-cutting programme at UK Paper's mills. Thanks to de-bottlenecking investments, the annual production capacity at Biberist has been raised to 430 000 tonnes, from a starting level of 290 000 tonnes. Raising the capacity at both the Biberist and UK Paper mills will be continued during the current year by removing production bottlenecks. Furthermore, programmes aiming to increase efficiency of operations and raise the efficiency ratings of the paper machines will be continued at the mills during the current year.

The Paper Group's operating profit is forecast to fall short of the previous year's figure as a consequence of higher pulp prices and increasing production capacity in the magazine paper sector.

Paper Group	1999	1998	Change
Magazine paper	552.6	551.3	0%
Fine paper	1 152.0	804.8	43%
Turnover, Paper Group	EUR mill. 1 704.6	1 356.1	26%
./ Internal sales, Group	-152.8	-71.0	
Turnover, external	EUR mill. 1 551.8	1 285.1	21%
Magazine paper	126.2	109.8	15%
Fine paper	100.9	70.3	44%
Operating profit	EUR mill. 227.1	180.1	26%
Magazine paper	22.8	19.9	
Fine paper	8.8	8.7	
Operating profit	% 13.3	13.3	
Magazine paper	4378	433.6	1%
Fine paper	759.2	698.6	9%
Capital employed (average)	EUR mill. 1 197.0	1 132.2	6%
Magazine paper	1.3	1.3	
Fine Paper	1.5	1.2	
Capital turnover rate	1.4	1.2	
Magazine paper	28.6	25.5	
Fine Paper	13.5	10.1	
Return on capital employed	% 19.0	16.0	
Magazine paper	1 317	1 338	-2%
Fine paper	2 792	1 973	42%
Personnel (average)	4 109	3 311	24%
Investment in fixed assets	EUR mill. 61.8	38.2	62%
PRODUCTION, 1 000 t			
Magazine paper	695	699	-1%
Fine paper, coated	1 044	790	32%
Fine paper, uncoated	406	215	89%

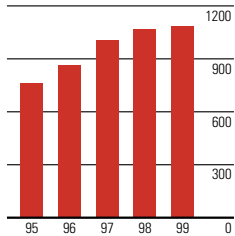
Packaging and Consumer Products Group

Packaging

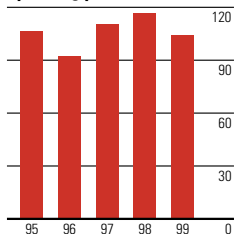


Metsä-Serla supplies wallpaper base materials to the international wallpaper industry.

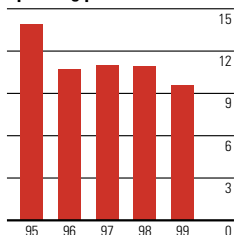
Turnover, EUR mill.



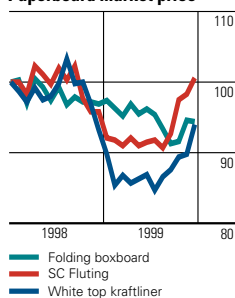
Operating profit, EUR mill.



Operating profit, %



Paperboard market price



The operational emphasis of Metsä-Serla's Packaging Group is on serving the packaging needs of international brand name companies. The group manufactures and markets paperboard for high quality consumer packaging and promotional purposes as well as corrugated raw materials for demanding applications. In addition, the group manufactures consumer and transport packagings from corrugated board and paperboard as well as chemithermomechanical pulp (CTMP) for use in the production of hygiene products. Metsä Tissue Corporation, a manufacturer and marketer of tissue paper products which is listed on Helsinki Exchange, is also part of the Packaging and Consumer Products Group.

Packaging Group

The group comprises three divisions: the Board Division, the Box Division and the Customer Division. The Board Division manufactures packaging raw materials whose end users are the tobacco, cosmetics, food processing, beverage and pharmaceutical industries. In addition to these industries, the consumer and transport packagings manufactured by the Box Division are used by the electronics, plastics, paper, glass and ceramics industries. The Customer Division is responsible for the group's global marketing and the development of customer service. The new divisional structure became effective on 1 May 1999. To retain comparability, the group reviews for the entire report year have been prepared in accordance with the old divisional structure.

The most important market for the Packaging Group is the EU, which accounts for about two thirds of the Group's turnover. The most important markets for packaging board are Great Britain, Germany and France. Apart from Europe, North America and China are important market areas. All paperboard production plants are located in Finland. Packaging manufacture is for the most part a local business. The packaging manufacturing units are located in Denmark, Finland, Greece, Estonia, Russia and Lithuania.

The Packaging Group's profitability was weaker than a year ago. Operating profit was EUR 103.9 million (116.5 million in 1998). The Group's turnover remained at the previous year's level and was EUR 1 082 million (1 064 million in 1998).

Paperboard

After its significant decline towards the end of 1998, demand for folding boxboard headed upward noticeably during the second half of the report year. However, in annual terms demand in Western Europe remained at the previous year's level. Meanwhile, Metsä-Serla's deliveries to Europe grew by 2 per cent. In other markets, the growth in demand was stronger; deliveries to both North America and Asia were up almost 30 per cent. Total folding boxboard deliveries were up 6 per cent. Demand for wallpaper base during the entire year was at a lower level than last year and Metsä-Serla's delivery volumes were down 20 per cent on the previous year.

The decline in demand that began at the end of 1998 also depressed the prices of folding boxboard and the average price level for the entire year fell 2 per cent short of the previous year. The price level began to rise during the last quarter.

Demand for wallpaper base remained weak and this, coupled with a shortfall in orders, caused more production curtailments than expected. On the other hand, several paperboard machines broke production records thanks to the growth in the delivery volumes of folding boxboard.

The Paperboard Division's operating profit was EUR 70.8 million (86.1). Profitability was weakened primarily by a lower price level than a year ago and the higher costs of raw materials.

Corrugated packaging

The trend in the demand for corrugated packaging on the various markets of Europe was inconsistent, while aggregate demand remained virtually unchanged. Growth occurred mainly in Southern Europe, whereas demand declined especially in Great Britain and the Nordic countries. Demand in the Nordic countries declined as a result of the drying up of exports to Russia. On the other hand, domestic demand in Russia grew significantly. Metsä-Serla's total packaging delivery volumes grew by 4 per



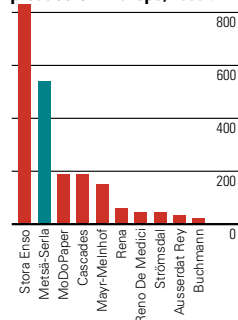
PARFUM



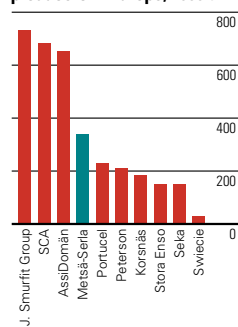


The Packaging Group's most important market area is the EU, which accounts for about two thirds of the Packaging Group's turnover.

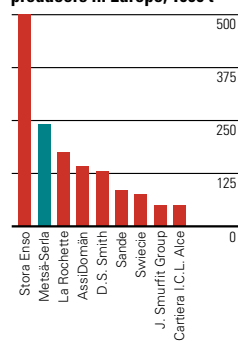
Biggest folding boxboard producers in Europe, 1000 t



Biggest kraftliner producers in Europe, 1000 t



Biggest SC Fluting producers in Europe, 1000 t



cent during the report year and amounted to 212 000 tonnes. Average selling prices in the Nordic countries and Greece were at the same level as last year. Prices have declined in the Baltic countries, while they have risen clearly in Russia because of the devaluation of the rouble in the previous year.

Of the Corrugated Packaging Division's units, the Russian and Greek units were the ones that achieved significant improvements in profitability. The devaluation of the Russian rouble in 1998 put the brakes on foreign imports, thereby increasing local demand and the delivery volumes of Metsä-Serla's units. In Greece, the excess capacity that had long prevailed in the field eased up and Metsä-Serla increased its market share. In spite of the drying up of exports to Russia, the profitability of the Finnish units remained at the previous year's level. The profitability of the units in Denmark and the Baltic countries weakened slightly. The local agreement on terms of employment that was reached in Denmark at year's end lays a good foundation for the future development of operations.

The Corrugated Packaging Division's operating profit rose to EUR 15.7 million (5.6 million in 1998). Operating profit for 1998 was burdened by EUR 5 million in foreign exchange losses.

Packaging raw materials

The trend in demand for packaging raw materials – liner and fluting – went two ways during the report year. Demand was comparatively weak during the first part of the year and the decline in prices that started in 1998 continued. During June and July, demand strengthened very quickly and capacity restricted deliveries during the latter part of the year. Metsä-Serla's liner deliveries grew by 10 per cent compared with the previous year, with growth focusing on North America and Asia. Fluting deliveries grew by 4 per cent. The demand for chemithermo-mechanical pulp (CTMP) was better than previous year, as was its price level. The delivery volume grew by 9 per cent.

During the latter part of the year, the prices of packaging raw materials recovered almost to their pre-slump level. However, the average euro-denominated prices of both liner and fluting remained 4 to 7 per cent lower than a year ago. The profitability of pulp-based liner was also weakened by the dramatic increase in the price of its raw material, especially in the latter part of the year. The profitabil-

ity of CTMP was better in the report year than in the previous year.

The operating profit of the Packaging Raw Materials Division hit only EUR 17.4 million (24.8 million in 1998), mainly due to a lower price level than in the previous year.

Capital expenditures

The press section investment for a liner machine at Kemi mill was completed in April. This investment improved the smoothness of paperboard surfaces and upgraded their printing characteristics. At the same time, the machine's capacity was increased by 25 000 tonnes.

The operations of the corrugated board mills in Tampere and Nokia will be integrated and a new 50 000-tonnes corrugated board unit will be established in Tampere. The integration process and the related investment programme are progressing according to plans. Towards the end of the year, a new corrugated board machine and printing line were installed in Tampere. The automation of the storage system was seen to completion by the beginning of the present year. Following the integration of the mills and the automation of production, the payroll will shrink from 420 employees to 300.

Near-term outlook

In line with the publication of Metsä-Serla's strategy at the end of the report year, the Packaging Group's objectives have been focused more sharply and the group will continue to amplify its operations in its selected area of specialization. The operational emphasis of the Packaging Group is on serving international brand name companies in selected end-user applications: cosmetics, pharmaceuticals, tobacco, beverages, sweets, foodstuffs and consumer electronics. The objectives for the present year concern the implementation and amplification of the selected field of specialization. The strategy also entails upgrading operational efficiency further at all units.



It is anticipated that the market situation will remain favourable and no significant threats are currently in evidence on any of the main markets. The demand situation for all packaging board is good and the selling prices of the products are expected to rise during the first part of the year. However, this does not apply to the situation for wallpaper base. The demand for wallpaper base has been weak for a long time, and this will most likely remain unchanged, at least during the first half of the year. It is expected that further wallpaper base production curtailments will take place during the first half of the year. Demand for consumer and transport packaging is forecast to be stable in Metsä-Serla's business environment in the Nordic countries, Greece, the Baltic countries and Russia. However, the exceptionally good market situation in Russia will most likely level off slightly.

The profitability of the Packaging Group is expected to remain at least at the previous year's level due to the stable market situation and the high capacity utilization rate of the mills.

Packaging Group	1999	1998	Change
Paperboard	570.4	574.8	-1%
Corrugated packaging	224.2	224.5	0%
Packaging raw materials	310.7	297.9	4%
./. Internal sales, Packaging Group	-23.1	-33.2	
Turnover, Packaging Group EUR mill.	1 082.2	1 064.0	2%
./. Internal sales, Group	-25.3	-32.7	
Turnover, external EUR mill.	1 056.9	1 031.3	2%
Paperboard	70.8	86.1	-18%
Corrugated packaging	15.7	5.6	180%
Packaging raw materials	17.4	24.8	-30%
Operating profit EUR mill.	103.9	116.5	-11%
Paperboard	12.4	15.0	
Corrugated packaging	7.0	2.5	
Packaging raw materials	5.6	8.3	
Operating profit %	9.6	10.9	
Paperboard	493.6	518.2	-5%
Corrugated packaging	106.1	98.4	8%
Packaging raw materials	178.8	187.3	-5%
Capital employed, average EUR mill.	778.5	803.9	-3%
Paperboard	1.2	1.1	
Corrugated packaging	2.1	2.3	
Packaging raw materials	1.7	1.6	
Capital turnover rate	1.4	1.3	
Paperboard	14.7	17.0	
Corrugated packaging	15.8	6.6	
Packaging raw materials	10.2	13.5	
Return on capital employed %	13.8	14.9	
Paperboard	1 964	2 014	-2%
Corrugated packaging	2 616	2 691	-3%
Packaging raw materials	634	647	-2%
Personnel (average)	5 214	5 352	-3%
Investment in fixed assets EUR mill.	73.5	40.5	81%
PRODUCTION, 1 000 t			
Paperboard	639	633	1%
Corrugated board	225	222	1%
Fluting	241	238	1%
Liner	290	287	1%
CTMP	108	98	10%

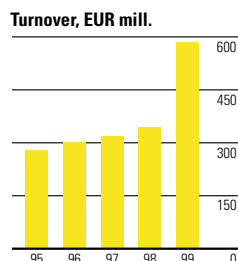
Metsä Tissue Corporation

Packaging and Consumer Products Group;

Tissue Paper



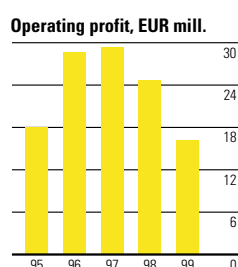
The main products are toilet papers, kitchen towels, paper towels and industrial wipes, table napkins and handkerchiefs.



Metsä Tissue Corporation is the leading manufacturer of tissue paper products in the Nordic countries, with a market share of 45 per cent. Following the acquisitions made at the end of 1998, Metsä Tissue became the second largest tissue paper manufacturer in Germany.

Metsä Tissue's business areas carry the names Consumer, Away-from-Home, and Baking and Cooking. The Table-Top business, which specializes in table napkins, comprises a separate product area within the Consumer and Away-from-Home business areas. The production plants are located in Finland, Sweden, Germany and Poland.

The company's main markets are the Nordic countries, Poland, Germany and the rest of continental Europe. The best known brands are Lambi, Leni, Serla, Katrin, Fasana and Mola. The company's main products are bathroom tissue, kitchen towels, paper towels and industrial wipes, table napkins and handkerchiefs.



Metsä Tissue's operating profit was down on the previous year and totalled EUR 16.2 million (24.7 million in 1998). The fall in operating profit was due mainly to the strong growth in the prices of pulp and other fibre raw materials. Profitability was also weakened by the tight competitive situation, especially in continental Europe.

The company's turnover grew by 70 per cent compared with the previous year and was EUR 586 million (343 million in 1998). The growth in turnover is completely due to the operations of the German mills. In comparable terms, turnover remained at the previous year's level.

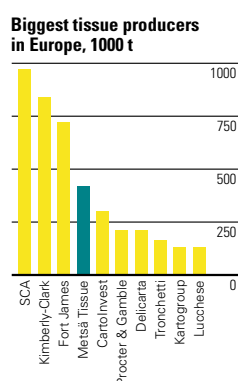
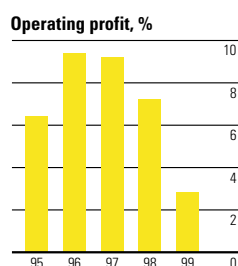
Competition has become tougher due to the centralization of manufacturing operations in the tissue business as well as the structural change in the retail trade, especially in continental Europe. The tightening of competition and the price of pulp, which remained low until the end of spring 1999, led to a decline in price levels in continental Europe.

The German companies focused on reorganizing the structure of their business, causing additional expenses along with delays in the starting up of measures to improve productivity and cost-effectiveness.

In the Consumer business area, the company consolidated the market position of its brands in the Nordic countries. The selling prices of products were stable and the trend in the product range was towards products of a higher quality. The keen competition situation in Germany led to a decline in the price level, weakening profitability in spite of the growth in sales volumes. In Poland, the market situation was weak throughout the year and profitability was poor. During the last months of the year, the market showed signs of evolving towards healthier price levels.

In the Away-from-Home business area, sales in the Nordic countries developed favourably compared with the previous year. Sales of Katrin products and dispensing systems grew. The sales organizations of the companies that were acquired in Germany and Poland were integrated into Metsä Tissue's sales organization during the year.

The Baking & Cooking business area remained stable in spite of tighter competition.



The stock exchange in 1999

The price of Metsä Tissue's share on Helsinki Exchanges varied from a low of EUR 6.46 to a high of EUR 14.50 during the report year. The average share price was EUR 10.94. Share turnover amounted to EUR 116 million, representing 35 per cent of the shares outstanding. Metsä-Serla increased its ownership stake in Metsä Tissue to 65.6 per cent after SCA acquired 19.3 per cent of the company's shares.

Capital expenditures

The largest capital expenditure projects that were put into operation were the CCM production line in Nyboholm, the new paper towel manufacturing line in Mänttä and the consumer products converting line at the Katrinefors mill. CCM (Compact Concept Mill) represents a new breed of production line in which paper manufacture and the production of converted products are carried out in the same line.

It is expected that the CCM line will significantly improve the quality of products and the productivity of capital and labour compared with traditional production methods.

Near-term outlook

Production capacity has grown faster than demand, which has made the market situation tighter. The strong centralization of the daily consumer goods trade, especially in continental Europe, seems to be continuing. It has been forecast that the price of pulp will continue to rise, at least during the first half of the present year.

Price increases, corporate revitalization and efficiency-boosting measures are expected to improve the company's profitability significantly. However, the earnings trend will be affected by the trend in the prices of the main raw materials: pulp and recycled paper. Although Metsä Tissue will record a loss in the first quarter of the year, the company aims to achieve higher full-year earnings than last year.

Metsä Tissue Corporation will publish its own Annual Report for 1999.

Tissue Group		1999	1998	Change
Turnover, Tissue Group		585.7	342.8	71%
./ Internal sales, Group		-2.4	-2.4	
Turnover, external	EUR mill.	583.3	340.4	71%
Operating profit	EUR mill.	16.2	24.7	-34%
Operating profit	%	2.8	7.2	
Capital employed (average)	EUR mill.	356.9	260.0	37%
Capital turnover rate		1.6	1.3	
Return on capital employed	%	4.6	10.0	
Personnel (average)		3 459	2 580	34%
Investment in fixed assets	EUR mill.	32.8	16.3	101%
PRODUCTION, 1 000 t				
Tissue		442	264	67%

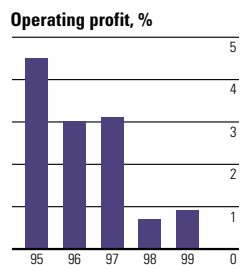
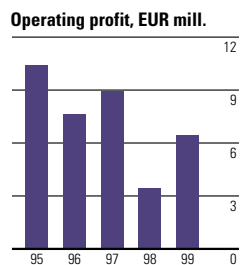
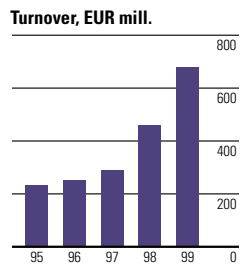


Sales Network, Merchanting, Trading and Sheeting Services Group



Forest Alliance and Forest House operate worldwide through local sales companies and agents.

Merchanting, Trading and Sheeting Services Group



Forest Alliance

Forest Alliance is Metsä-Serla's and Myllykoski's sales network for paper and paperboard products. For the customers of its principals, Forest Alliance offers services worldwide through more than 70 local sales companies or agents. The sales network will enable Metsä-Serla and Myllykoski to implement their strategy and business objectives, with Forest Alliance assuming responsibility for maintaining infrastructure connected with the sales and delivery chain, including personnel, sales companies, payment transfers and information system support. In most of the markets outside Europe, Forest Alliance acts in close cooperation with Metsä-Serla's trading business (Forest House), offering customers the widest possible product range.

During the report year the sales network was expanded by establishing sales companies to handle sales in Latin America, the Middle East and Africa as well as Southeastern Europe. A sales unit was also established in Shanghai together with Forest House. During the past year the sales operations of UK Paper were transferred to Forest Alliance and the company's sales staff entered the employ of Forest Alliance.

Some 3.3 million tonnes of paper and paperboard were sold via Forest Alliance in 1999. Sales totalled EUR 2.5 billion. The most important product groups were magazine paper (42 per cent), fine papers (20 per cent) and packaging board grades (35 per cent).

Forest House (Merchanting, Trading and Sheeting Services Group)

Forest House acts as a worldwide full-service sales and distribution company for paper, paperboard and pulp. The cornerstones of operations are good purchasing and supplier relationships, first-class customer service, progressive marketing and expertise in logistics, all backed up by advanced information systems. The group has three divisions: Forest House Merchants, Forest House Trading and Forest House Paper and Board Sheeting (separated out from the Merchants Division as

from 1 October 1999). The merchanting and sheeting divisions operate in Europe. Trading operates worldwide as a trading house for forest products. Forest House Trading also acts as an agent for Metsä-Serla's products in the markets in the Far East, South America, Middle East and Africa.

Operating profit reported by the Merchanting, Trading and Sheeting Services Group improved somewhat on the previous year and was EUR 6.4 million (3.5 million in 1998). The group's profitability was nevertheless still at an unsatisfactory level.

Turnover grew by nearly 50 per cent and was EUR 679 million (459 million in 1998). The increase in turnover was due mainly to the inclusion of the Guppy Paper merchanting operations in the group at the beginning of the year as well as to the growth in trading operations. Deliveries by Forest House Merchants increased by 46 per cent and were 513 000 tonnes (351 000 tonnes in 1998). The growth in delivery volumes in comparable terms was 9 per cent.

The integration of Guppy Paper – which was bought as part of the UK Paper acquisition – into Metsä-Serla's merchanting division has progressed in line with the objectives that were set. The unification of paper merchants' support functions in the UK brought cost savings already in the year under review.

The trend in trading operations was better than expected in the markets of Asia and South America as well as in the United States during the report year. In Europe, trading operations have not developed according to expectations, and the company is continuing ahead with actions to revitalize and reorganize operations.

Good expectations for economic growth in all the business group's main markets together with actions to improve internal effectiveness will create the conditions to improve profitability this year compared with last year's performance.

Merchanting, Trading and Sheeting Services Group

		1999	1998	Change
Turnover, Merchanting, Trading and Sheeting Services Group		678.7	459.4	48%
./. Internal sales, Group		-8.8	-4.0	
Turnover, external	EUR mill.	669.9	455.4	47%
Operating profit	EUR mill.	6.4	3.5	90%
Operating profit	%	0.9	0.7	
Capital employed (average)	EUR mill.	124.3	79.4	57%
Capital turnover rate		5.5	5.8	
Return on capital employed	%	5.9	4.8	
Personnel (average)		1 077	820	31%
Investment in fixed assets	EUR mill.	7.8	11.8	-34%

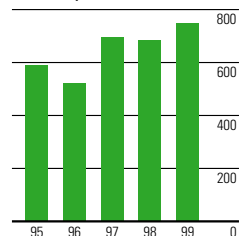


Pulp Group



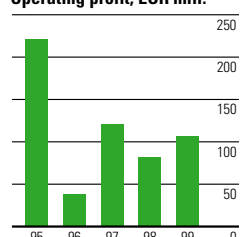
The increase in the Pulp Group's delivery volumes came primarily from the Joutseno Mill, where production capacity grew as a result of the completion of power plant and chemicals recovery system investments in October 1998.

Turnover, EUR mill.



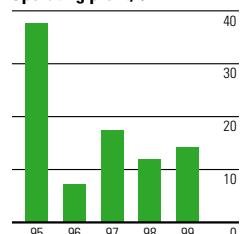
Oy Metsä-Botnia Ab and Oy Metsä-Rauma Ab, an associated company of Metsä-Serla, are strategic resource companies whose main task is to assure a disturbance-free supply of pulp to their owners, Metsä-Serla and UPM-Kymmene, on a competitive basis. Joint ownership allows the owners to handle supplies of raw material with smaller capital outlays and to share the risks associated with major investments.

Operating profit, EUR mill.



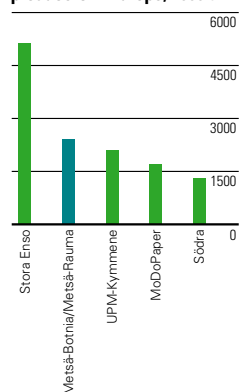
The Pulp Group's production plants are located in Joutseno, Kaskinen, Kemi, Äänekoski and Rauma. About 80 per cent of the group's production capacity of 2.5 million tonnes is delivered to the paper and board mills of the owner companies, while the rest is sold mainly on the European market.

Operating profit, %



The group's production plants specialize in specific types of pulp raw material: the Rauma and Joutseno mills primarily make pulp for wood-containing printing papers, the Kaskinen and Äänekoski mills for fine papers and folding boxboard, and the Kemi mill for tissue and speciality papers and linerboard.

The biggest pulp producers in Europe, 1000 t



The Pulp Group's operating profit grew compared with the previous year and amounted to EUR 106.9 million (82.3 million in 1998). Profitability was improved by larger pulp delivery volumes, the fact that the average price of pulp was slightly higher than in the previous year and improvements in cost-efficiency, especially at the Joutseno Pulp Mill.

The group's delivery volume was up 6 per cent on the previous year. The increase in sales volume was primarily attributable to the Joutseno Pulp Mill, where production capacity has been stepped up by the rebuild of its chemical recovery system and power plant. The Pulp Group's turnover rose by 9 per cent compared with the previous year and was EUR 747 million (686 million in 1998).

Oversupply held sway on the pulp market at the beginning of the year, but demand strengthened significantly during the spring and summer, remaining good throughout the rest of the year. The demand for pulp was increased by the start-up of new paper machines in Asia and the growth in fine paper production in Europe and the United States. At the same time, existing pulp capacity has bowed out of

the market in North America. The product stocks of pulp producers in the Norsean countries have declined steadily since February and amounted to 1.16 million tonnes at the turn of the year.

The price of pulp rose steadily throughout the year. The market price of bleached softwood pulp was USD 460 from January to March and rose to USD 600 at year's end. The price of birch pulp remained in the EUR 360-380 bracket during the first quarter and thereafter began to rise, reaching EUR 580 at the end of the year. In foreign-currency terms, the average market price of softwood pulp was two per cent higher than in the previous year, while that of hardwood pulp was 12 per cent higher.

Capital expenditures

The capital expenditures that were seen to completion in 1999 were the modernization of the lime kiln at the Kemi Pulp Mill and the oxygen bleaching and pulp washing investment at the Äänekoski Mill, which was carried out as part of its Äänekoski 2000 programme, as well as the installation of a shoe press in a drying machine. The project involving fitting of an electrostatic filter for a recovery boiler at the Kaskinen Mill was also completed during the review period.

The Kemi investment raised the mill's production capacity by 40 000 tonnes. The investments made under the Äänekoski 2000 programme have increased the mill's capacity by about 60 000 tonnes.

In the autumn a decision was taken to build a new fibre line at the Joutseno Pulp Mill. The fibre line investment comprises the next step in the development of the Joutseno Pulp Mill. The first phase of this effort – the rebuilding of a recovery boiler and chemicals recovery system – was completed in October 1998. The replacement of the fibre line will cost about EUR 250 million. The objective of this investment is to raise the production capacity of the Joutseno Pulp Mill from its present capacity of 410 000 tonnes to 600 000 tonnes.

Near-term outlook

The Pulp Group's priorities in 2000 are to amplify its marketing strategy, improve cost-effectiveness further and introduce a strategic control model.

The demand for pulp is expected to remain good. Due to the scarcity of pulp supply, there will most likely be fewer production curtailments and it has been assessed that capacity utilization rates will be higher than in 1999.

The Pulp Group's operating profit for the present year is expected to be significantly higher than in 1999. The most significant factors influencing this are the higher price level of pulp and the utilization of the additional capacity brought by the completed development investments.

Pulp Group*		1999	1998	Change
Turnover, Pulp Group	EUR mill.	747.3	685.8	9%
./. Internal sales, Group		-296.0	-269.4	
Turnover, external	EUR mill.	451.3	416.4	8%
Operating profit	EUR mill.	106.9	82.3	30%
Operating profit, %	%	14.3	12.0	
Capital employed (average)	EUR mill.	944.5	981.2	-4%
Capital turnover rate		0.8	0.7	
Return on capital employed	%	11.4	8.0	
Personnel (average)		1 439	1 492	-4%
Investment in fixed assets	EUR mill.	45.4	156.4	-71%
PRODUCTION, 1 000 t				
Pulp		1 742	1 675	4%

* Metsä-Rauma is included only in operating profit as an associated company.



Metsä-Serla's Brands



The corporate brand guarantees an uncompromising level of quality, service and reliability for all products and processes.

During fiscal 1999 the Group adjusted its corporate strategy to reflect changing business conditions. Product visibility and customer focus are the cornerstones of a strategy which will enable the company to thrive in conditions of intense, global competition.

Branding will play a key role in the implementation of Metsä-Serla's corporate strategy. As end-product features and characteristics gradually converge, a strong brand is the best way for the customer to differentiate between suppliers.

A strong brand is a guarantee, not only of high product quality, but of responsive product development, good service, reliable delivery and environmental responsibility. This supports long-term customer relationships, improves profitability and increases Metsä-Serla's value. In the final analysis, this translates into higher shareholder value.

A two-tiered brand strategy

The idea behind Metsä-Serla's two-tiered brand strategy is to support customer loyalty. All product brands are gathered together under the umbrella of a strong corporate brand which is a guarantee of uncompromising quality, service and reliability for all products and processes.

The objectives of Metsä-Serla's corporate brand are:

- to project the image of a major forest products group that has strong backing and financial resources
- to convey the message that the company is a reliable and responsible supplier throughout the entire product and process value chain
- to send the message that Metsä-Serla is both marketing and customer oriented.

Apart from the corporate brand, Metsä-Serla's different business groups have their own independent product brands, which have been designed specifically for individual market and user segments. Each brand tells the customer of the product's competitive advantages and highlights its identity. This helps customers to make a rapid, easy selection, whilst assuring them of high product quality.

The objectives of the product brands are:

- to build up an individual and personal identity that distinguishes the product clearly from competitors
- to make the product more familiar and bring it closer to the end user
- to build up a powerful, sustainable product image that supports strong performance, even under unstable market conditions.

Speaking the same language

Metsä-Serla sees its brands as vital resource. The value of the brands grows when they are groomed and developed carefully. To implement its brand strategy consistently, Metsä-Serla has prepared a Brand Management Guide that precisely defines the values underpinning the corporate brand and the individual product brands, also telling how the brands are interrelated and how they are best suited to different uses (individual guidelines for product brands).

Brands sell better

The trend in the forest industry is clear. The characteristics of competing products are converging. Process quality is improving and it is getting more difficult to distinguish between products. Under these conditions client relationships, image, visibility and effective marketing become critical success factors. Products with a strong positive identity and powerful brand recognition have a clear advantage when customers make their choices.



The Avanta family, a Metsä-Serla brand

The Avanta product family for a complete paperboard range typifies the Metsä-Serla branding philosophy and demonstrates how value-added products with strong brands can support the company's differentiated focus strategy.

The Avanta product family was developed a few years ago after a period of mergers, acquisitions and restructuring had left Metsä-Serla with many products and product names. Metsä-Serla developed and researched a strategy to restructure the portfolio into a smaller number of brands, each focused on a key market sector. A new name was adopted and a new visual identity and sub-branding system and communications tools were developed to create broad appeal around the world and to communicate the forward-looking, customer-focused values of Metsä-Serla to its core business-to-business customers.

The brand identity of Avanta

Brand Promise

- not just one product, but an entire product family with each product individually designed to meet the most demanding customers.

Product characteristics

- the right paperboard for every packaging need
- features for each Avanta product
- superior quality in terms of convertibility and runnability

Personality factors

- Avanta quality embodies a complete commitment to product, service and the entire business as a whole
- easy to select and easy to remember

Product symbols

- own logo (Avanta)
- coordinated profile (Metsä-Serla Brand Management Guide, Avanta Guidelines)



Environment



*Well handled
environmental affairs influence
the sale of products via the effect
they have on public opinion.*

The core idea of Metsä-Serla's environmental policy is to make environmental affairs an integral part of business operations. The environmental aspects which the company has identified as central to its operations are the use of woodlands; natural resources and energy; emissions, effluents, and wastes arising in production; recycling as well as transports and the management of risks.

Environmental affairs have an impact on the company's operations at two different levels: on the one hand, obligations concerning environmental protection lead to costs and investment requirements whilst, on the other hand, public opinion is reflected in the sale of our products. In accordance with its environmental policy, Metsä-Serla seeks to prepare for future challenges in a controlled way and in time.

Preparing to meet future obligations

1999 saw the publication of the second draft of the reference document for the Best Available Techniques (BAT), which is a key concept of the European Union's Directive on Integrated Pollution Prevention and Control (IPPC). A number of the Metsä-Serla Group's pulp and paper mills have served as examples on the basis of which the best available techniques have been described in the reference document. In other respects too, the techniques in use at the Group's production units correspond, to a significant degree, to the best available techniques described in the document.

Metsä-Serla's mills have prepared for a tightening of waste management requirements by reducing solid waste formation and by seeking out applications in which wastes can find new uses. In 1999 the quantity of solid waste that went to landfills was at the level of 1994, although during the same period the company's turnover grew by a factor of about 2.5.

Metsä-Serla has taken part in the development of a compaction material consisting of paper mill fibre sludge and power plant ash. This material is suitable for sealing off landfills. During the past year the material was turned into a product, and a company named Finnao Oy, in which Metsä-Serla is a shareholder, was established to develop and market the concept. The fibre sludges at the Kirkniemi paper mill are at present used in their entirety for sealing off landfills. The sludge arising in the deinking

of reclaimed fibre is also appropriate for this purpose.

A Waste Incineration directive is presently being prepared within the EU. When the directive enters force, certain changes will have to be made to solid fuel boilers that burn wastes. When future projects are under preparation, the new requirements will be taken into account right from the planning stage. The changes that may have to be made to old boilers will be a timely issue in five years from enforcement of the directive - in 2005 at the earliest.

Combatting climate change is a major global challenge in the years immediately ahead. Metsä-Serla has taken steps to meet the requirements of international climate conventions by increasing the share of biofuels in its energy production. We are closely following the course which international climate negotiations are taking, whilst at the same time preparing our own measures.

Market-imposed environmental requirements

Forest certification continues to be of interest to many of Metsä-Serla's customer groups. The certification system that has for years been in preparation in Finland was introduced during the year under review. By the end of the year, seven forest centres whose districts covered more than 13 million hectares (32.5 million acres) of forest lands had received the certificate. Metsäliitto's quality and environmental management systems support the traceability requirement of forest certification. The Finnish certification system has received recognition for its careful preparation and ambitious objectives, even from customers who are strongly committed to the FSC's (Forest Stewardship Council) certification model. Environmental organizations have nevertheless not yet approved Finnish certification as an alternative to the FSC system.

The report year also saw the completion of the European certification framework PEFC (Pan-European Forest Certification). An application for having the Finnish certification system become a part of it

was submitted in November 1999. A decision on approval is expected in the first part of 2000.

To ensure product safety, all Metsä-Serla's production units manufacturing food packagings or raw materials for them have placed in use or are presently introducing self-monitoring systems whose aim is to eliminate process disturbances that jeopardize product safety.

In the Nordic countries environmental labelling is an important part of customer service, especially in the consumer products sector. Metsä-Serla's product range includes environmentally labelled alternatives for all the major tissue products as well as graphic paper and paperboard grades.

Old environmental liabilities

During the report year the research and renovation costs for old environmental liabilities amounted to FIM 0.5 million. These costs have been treated as expenses in the financial statements. Provisions have not been made for the remaining liabilities because they are not estimated to have a material impact on the company's financial position. Metsä-Serla's liabilities for closed operations and sites leased out to other companies are itemized in the company's environmental report.



Human Resources



*Metsä Instituutti
Silva schools skilled
personnel for Metsä-Serla's
future needs.*

The Metsä-Serla Group's human resources administration measures in 1999 were geared towards improving competitiveness and the well-being of our employees. Development work to meet the business needs of an increasingly global group was systematically continued during the year under review. In accordance with the company's established operational practices, the main responsibility for this development work rests with the local units and their entire staff. The progress and results of Group-wide development work is reviewed, for example, at an annual Metsä-Serla Corporate Forum.

The Group has taken up the big challenges posed by the growing proportion of ageing employees and the needs for their vocational development and job satisfaction. Owing to the age distribution of the personnel and rapid technical advances, Metsä Instituutti Silva was established in Tampere to train future skilled employees for our company's needs.

Activities that maintain working ability

At Metsä-Serla, the employees' overall working ability is considered a paramount competitive factor. In line with the concept of multidimensional working ability, the main areas of activities for maintaining working ability are strengthening the administration of work, new vocational quality requirements, promotion of the employees' well-being and health on the job and development of individual working environments and workplace teams. Maintaining working ability requires actions based on the identified needs of the personnel and the company, and are directed at all personnel groups.

Metsä-Serla's personnel by country at 31 December

	1999	1998
Finland	7 268	7 500
Germany	2 300	2 399
Great Britain	1 669	547
Sweden	736	732
Russia	703	644
Switzerland	602	606
Denmark	559	630
Greece	457	464
Poland	440	697
Lithuania	373	458
The Netherlands	107	108
Other countries	431	436
Total	15 645	15 221

With the increasingly rapid changes in working life, joint activities that take into account the challenges of the future have been given wider scope across Metsä-Serla's workplaces. Central functions have been research, related health promotion programmes and training.

Building competitiveness through personnel development

Systematic staff-wide development programmes have been central elements in supporting and promoting the Group's competitiveness. The fast growth in business operations and a widening international presence create an increased need for developing the capabilities of individuals and the organization to cope with changes. The Group's own internal personnel development programmes further these objectives and create a foundation for increased productivity and more contented employees.

During 1999 Metsä-Serla's employees received 1.8 training days/person, and training costs net of salaries and wages during training, including employee social costs, came to approximately EUR 6 million.

The strengthening of vocational training and skills as a competitive factor is gaining in importance in our business operations. Metsä Instituutti Silva, which was opened in Tampere in September 1999, is responsible for the vocational training of young people and future Metsä-Serla team members. Our objective is to train highly skilled new employees for our production plants both by schooling Silva's students in existing skills and by familiarizing them with the latest technical know-how.

Applications came in to Metsä Instituutti Silva from nearly 900 prospective vocational students. After going through a multistage selection process, 28 students were admitted to the first annual class. The aim is to increase the number of students admitted in order to meet the needs of the future. Silva's capacity has been determined to accommodate two annual classes running in parallel, each of which will have a maximum of 50 students.

During 1999 the company undertook planning aimed at expanding Silva's operations to cover Metsä-Serla's foreign units as well. The first international training cycle is scheduled to start during the year 2000.

Management development programmes

The objective of Metsä-Serla's management development programmes is to give all supervisors and management level employees the necessary skills to function as responsible managers of their own group and area of operations. The training programmes build an overall understanding of Metsä-Serla's operations, including the task of seeing to their customers' needs and the supervisors' and managers' responsibility for the activities and well-being of their own unit and staff.

The management training programmes cover all supervisory levels and create a foundation for personal and professional development.



Research and Development



The significance of the company's expertise and capable resources is assuming a prime importance because the market takes product innovations for granted.

Within Metsä-Serla's research and development activities, work went ahead on perfecting a customer-oriented process of continuous renewal. The means employed to achieve these objectives have been the company's internal projects that link together the processing chain, joint projects with research institutes, and development alliances.

Industrial rights are becoming a pivotal corporate competitive advantage in the global business arena, and as the liberalization of trade proceeds ahead, they give an essential competitive advantage. The company's expertise and highly competent human resources are of increased significance because the market takes product innovation for granted. In coming years, the criteria for the performance of development work will be quality, speed and the level of ambition.

Strategic research

A research project funded by the National Technology Agency has augmented the body of basic knowledge in our industry with the aim of boosting the efficiency of chemicals absorption into wood chips. The results will open up new potential for improving pulp quality and simplifying the cooking stage.

The Paper Group has launched projects investigating the structure of coatings, new pigment applications and customer techniques that are under development.

Within the Packaging and Consumer Products Group, several cooperation projects were carried out with the aim of developing increasingly lightweight packagings and creating product safety standards for fibre packagings.

A project exploring the operational dynamics of the stocking and sales chain for paper was started during the year under review. The project will yield knowledge that is of use in finding ways to cope with the present price fluctuations and it will also help the Group to prepare for a situation in which, for example, home printer output will call for sales and distribution solutions extending right up to people's doorstep.

New products and processes

As part of a technology project on mechanical pulp manufacture and product applications, the Metsä-Serla Group has developed different types of short-fibre pulps for paperboard and paper products and refined the process of manufacturing mechanical

pulp with the key objective of achieving a lean material use.

The Board Division of the Packaging and Consumer Products Group completed development work whose results will serve as a basis for going over to a neutral stock preparation system and via it to the use of PCC pigments that improve quality significantly. The development work was carried out at the Äänekoski Board Mill and the results will also be put in to use at Metsä-Serla's other board mills.

Metsä-Serla has purposefully improved its know-how in both coating and filler pigments. The Group's proprietary patented SuperFill® technology which makes possible the manufacture of increasingly lightweight grades of paper and paperboard products has reached the commercialization stage.

1999 saw the completion of a joint project that was carried out with other companies and aimed at developing papers suitable for digital printing. Key questions from the standpoint of print quality are control of surface characteristics and also control of the electrostatic characteristics of paper in electrophotographic printing. The project gave the company new expertise which can be exploited to electrophotographic printing in full extent in both paper and board applications as the digital printing market continues to grow.

Supporting ongoing operations

The most important research and development projects for the Group's pulp industry operations in 1999 were the selection of new fibre technology at the Joutseno Mill with the objective of developing the quality of softwood reinforcement pulp as well as carrying ahead specialization in different grades at the company's pulp mills.

Within the Paper Group's Fine Paper Division in particular, the development projects have enabled product rationalization means to be employed in raising the production volumes of coated paper. At the same time, the product range has been expanded and customer service has improved further.

Food legislation in Finland obligates companies to ensure the suitability of materials that come into contact with foodstuffs. This is ascertained by means of in house control based on HACCP (Hazard Analysis Critical Control Point). Within Metsä-Serla, HACCP systems have been adopted at Metsä Tissue Corporation's high density paper mill, and at the corrugated board mills of Neopac Oy and the Lie-lahti CTMP mill.

Organization and financing

Organization of the R&D functions of the business groups in accordance with operational strategies has progressed well. Group-level research focuses on developing special expertise and on service as well as on obtaining new knowledge and technology for use by the company's business groups.

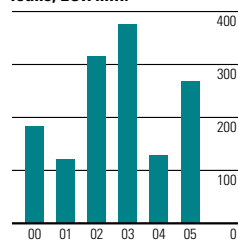
Memberships in international research organizations were kept up. Participation in influencing the division of responsibilities and research orientation of various institutions was active and led to results.

Research resources were beefed up during 1999 within the business groups and at the paper chemistry laboratory in Äänekoski. In 1999 the company invested about EUR 17 million in research and development.

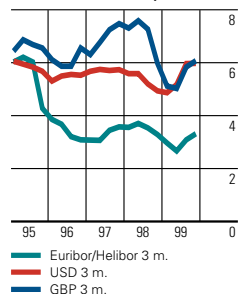


Treasury Management and Management of Financing Risks

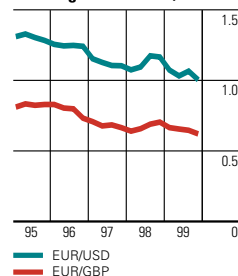
Repayment of long-term loans, EUR mill.



Interest rate trends, 3 m.



Exchange rate trends, EUR



The Group's financial position and financing events are discussed in the Report of the Board of Directors on pages 38-39.

Management of financial risks

The primary objective of the Metsä-Serla Group – apart from profitability – is to maintain a strong balance sheet structure that is in good equilibrium. The average equity ratio target across business cycles has been set at a minimum of 45 per cent and the gearing ratio target is for a maximum level of 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 Metsä-Serla 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.

Most of the Group's costs are generated in the euro zone, but sales income is obtained in foreign currency. This means that due to changes in foreign exchange rates, trade receivables can fluctuate whilst production costs remain unchanged. Similarly, the pricing of products is also done in currencies other than the Finnish markka. This 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 1.1 billion. The main currencies are the United States dollar, USD 490 million, and the British pound, GBP 250 million. A strengthening in the dollar and the pound sterling has a positive effect on the Group's net profit, though there is a lag, and a weakening in these currencies has a negative

effect on profits, also with a lag.

The hedging policy has been to hedge the foreign exchange cash flow for a period of six months on average, but the period can vary from 0 to 12 months from currency to currency. The amount of hedging for specific currencies depends on the exchange rates and expectations prevailing at any given time as well as on the significance for 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 6 months. The degree of hedging during the year varied between 6 and 9 months. For dollar and pound sterling risks, foreign currency exposure averaging between 4 and 11 months was hedged during the year.

In managing its foreign exchange risks the Metsä-Serla Group employs value-at-risk analysis based on probability calculations. The risk figure reflects the largest possible write-down of the foreign currency position based on historical information, using the probability assigned during a given period. The calculations take into account the cash flow exposure and the items hedging it. The calculations employ historical volatilities and correlations for a period of one year and are carried out using Monte Carlo simulation. The risk figure based on the foreign exchange exposure at 31 December 1999 was EUR 3.8 million with a 99 per cent range of confidence during a one week period of analysis, and the risk figure during the year fluctuated in the range of EUR 3.0 and 7.3 million.

In accordance with Metsä-Serla's accounting practice, foreign exchange differences arising from foreign currency derivatives (forward agreements and options) used for hedging the cash flow have been booked as an adjustment to turnover, but foreign exchange differences on loans in foreign currency are stated in the foreign exchange differences for financial items. The foreign exchange differences arising are periodized over the period to be hedged.

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 Group 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 1999 was 80 per cent.

In dealing with the translation risk for shareholders' equity amounts in foreign currency, the exchange differences arising from hedging are allocated to non-restricted shareholders' equity in the consolidated accounts and are entered against the translation adjustment for the foreign currency-denominated shareholders' equity items.

Interest rate risk

The Group is vulnerable to interest rate risk in the form of price and reinvestment risk. 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.

Mestä-Serla aims to hedge the most important interest rate risks. How fast a change in the level of interest rates is reflected in net financial expenses in the profit and loss account depends on the periods during which investments, loans and derivatives are tied to fixed interest rates, i.e. on how long the interest rate of a financial item is fixed. The instruments used to manage interest rate risk are forward rate agreements, futures, interest rate swaps and options.

The duration of the Group's net interest rate position at 31 December 1999 was 16 months and the average interest rate was 5.0 per cent. During the year the duration varied in the range of 15-18 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 2000 is about EUR 6 million based on the exposure at the end of 1999.

Liquidity risks

Liquidity risk means that financial assets and bor-

rowing facilities do not suffice to cover the financing need of operations or that funding becomes immoderately expensive. Within the Group, liquidity risk is monitored by estimating the liquidity need over a period of 12 months and comparing it with the amount of available liquidity.

The amount of the Group's liquid assets and investments at the end of the year was EUR 238 million. In addition to these, at the balance sheet date the Group had available committed credit facility agreements in an amount of about EUR 1.35 billion.

To cover its short-term financing needs, the Group was able to employ domestic and foreign commercial paper programmes and non-binding lines of credit in an amount of about EUR 0.8 billion. At the balance sheet date, the Group's interest-bearing liabilities totalled about EUR 1.6 billion.

In order to increase the efficiency of liquidity management, during the financial year the Group created euro- and pound-denominated cash pools within which liquidity is managed on a centralized basis by the Group's internal bank.

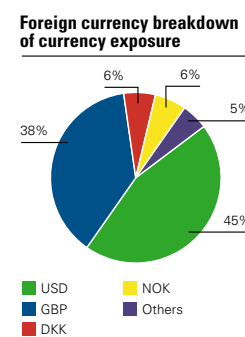
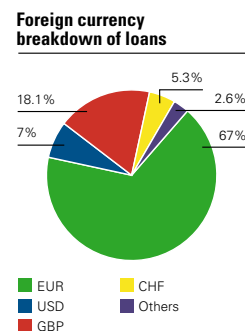
Investment policy and counterparty risk

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 counterparty risk by handling its financial transactions only with the most creditworthy counterparties and within the framework of limits that have been decided in advance. Credit risks for financing did not result in losses during the financial year.

At the end of 1999, EUR 238 million of the total liquidity consisted of liquid assets. The investment of these assets productively and securely has been decided as part of the financing policy, which covers the selection of investment instruments and markets as well as the management of counterparty risk. The instrument and market are chosen in such a way that the investment can be converted to cash quickly and at a small cost. Because only the most creditworthy financial institutions are chosen as counterparties, defaults on payment obligations are not anticipated.

Metsä Finance

Metsä Group Financial Services Oy (Metsä Finance) is the Group's subsidiary which is specialized in fi-



Treasury Management and Management of Financing Risks

nancing and acts as the Group's internal bank. Its task is the management of financing risks, the optimization of financing costs, the maintenance of adequate liquidity as well as negotiations concerning

financing and maintaining relationships with providers or financing. In addition, it produces financing information and training for the Group companies. Metsä Finance had a payroll of 19 employees.

Derivative agreements

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

	Maturity months	Counter-values 31 Dec. 1999 (EUR mill.)
Forward foreign exchange contracts	< 12 months	10.4
Foreign exchange options bought and sold	< 12 months	5.6
Forward interest rate agreements	< 12 months	0.7
Interest rate options bought and sold	< 12 months	0.2
Interest rate swaps	< 10 years	12.1

At Note 21 (Contingent liabilities) a schedule is given of the gross volume and fair values of derivative contracts at 31 December 1999.

The exchange rates of the major currencies against the euro at 31 December

	1999	1998	1997	1996	1995
GBP	0.6217	0.7055	0.6660	0.7333	0.8303
USD	1.0046	1.1667	1.1048	1.2425	1.2841
DEM	1.9558	1.9558	1.9782	1.9311	1.8390
FRF	6.5596	6.5596	6.6206	6.5109	6.2845
SEK	8.5625	9.4874	8.7265	8.5507	8.5503
FIM	5.9457	5.9457	5.9890	5.7700	5.5970

Quarterly Data 1998 - 1999

TURNOVER EUR mill.	1999		1998		1999				1998			
	I-IV	I-IV	IV	III	II	I	IV	III	II	I		
Paper Group	1 704.6	1 356.1	470.9	424.5	407.5	401.7	334.5	326.6	340.1	354.9		
- Magazine paper	552.6	551.3	156.0	138.0	134.1	124.5	140.6	130.5	138.6	141.6		
- Fine paper	1 152.0	804.8	314.9	286.5	273.4	277.2	193.9	196.1	201.5	213.3		
Packaging and Consumer Products Group	1 667.9	1 406.8	442.1	414.2	409.2	402.4	324.3	342.3	370.0	370.2		
Packaging Group	1 082.2	1 064.0	288.9	269.4	267.0	256.9	239.4	259.0	284.9	280.7		
- Paperboard	570.4	574.8	150.0	144.2	141.6	134.6	125.5	142.6	154.7	152.0		
- Corrugated packaging	224.2	224.5	58.5	57.3	55.4	53.0	53.7	56.7	57.9	56.3		
- Packaging raw materials	310.7	297.9	82.5	74.9	77.6	75.7	67.1	70.1	79.4	81.2		
- Internal sales, Packaging Group	-23.1	-33.2	-2.1	-7.0	-7.6	-6.4	-6.9	-10.4	-7.1	-8.8		
Tissue Group	585.7	342.8	153.2	144.8	142.2	145.5	84.9	83.3	85.1	89.5		
Merchanting, Trading and Sheeting Services Group	678.7	459.4	176.8	163.5	170.7	167.7	108.3	103.4	125.1	122.6		
Pulp Group	747.3	685.8	219.1	202.5	167.2	158.5	150.9	166.7	176.8	191.4		
Internal sales and other operations	-562.9	-384.8	-153.4	-152.8	-130.5	-126.2	-73.4	-100.4	-110.8	-100.2		
METSÄ-SERLA GROUP	4 235.6	3 523.3	1 155.5	1 051.9	1 024.1	1 004.1	844.6	838.6	901.2	938.9		

OPERATING PROFIT AND RESULT EUR mill.	1999		1998		1999				1998			
	I-IV	I-IV	IV	III	II	I	IV	III	II	I		
Paper Group	227.1	180.1	68.1	58.0	48.2	52.8	43.2	41.4	44.9	50.6		
- Magazine paper	126.2	109.8	40.1	31.4	28.0	26.7	25.2	25.4	28.8	30.4		
- Fine paper	100.9	70.3	28.0	26.6	20.2	26.1	18.0	16.0	16.1	20.2		
Packaging and Consumer Products Group	120.1	141.2	18.1	34.5	28.1	39.4	21.6	36.7	36.0	46.9		
Packaging Group	103.9	116.5	22.7	27.9	23.2	30.1	17.0	28.0	31.5	40.0		
- Paperboard	70.8	86.1	13.6	19.9	18.0	19.3	12.4	21.4	23.9	28.4		
- Corrugated packaging	15.7	5.6	3.1	6.0	2.7	3.9	1.7	-0.3	2.7	1.5		
- Packaging raw materials	17.4	24.8	6.0	2.0	2.5	6.9	2.9	6.9	4.9	10.1		
Tissue Group	16.2	24.7	-4.6	6.6	4.9	9.3	4.6	8.7	4.5	6.9		
Merchanting, Trading and Sheeting Services Group	6.4	3.5	1.1	1.0	1.1	3.2	-0.5	-0.3	2.4	1.9		
Pulp Group	106.9	82.3	52.2	40.9	10.8	3.0	-4.5	25.2	21.7	39.9		
Other operations	-66.9	-20.5	-11.5	-15.1	-19.5	-20.8	-0.7	4.0	-5.6	-18.2		
Operating profit	393.6	386.6	128.0	119.3	68.7	77.6	59.1	107.0	99.4	121.1		
- % of turnover	9.3	11.0	11.1	11.3	6.7	7.7	7.0	12.8	11.0	12.9		
Net exchange gains/losses	-9.4	8.5	-2.6	-1.6	-5.1	-0.1	7.3	4.2	0.1	-3.1		
Other financial income and expenses	-81.3	-88.3	-21.3	-22.6	-19.5	-17.9	-19.8	-19.5	-23.5	-25.5		
PROFIT BEFORE EXTRAORDINARY ITEMS	302.9	306.8	104.1	95.1	44.1	59.6	46.6	91.7	76.0	92.5		
- % of turnover	7.2	8.7	9.0	9.0	4.3	5.9	5.5	10.9	8.4	9.9		

KEY FIGURES	Turnover EUR mill.		Operating profit EUR mill.		Operating profit %		Capital employed average, EUR mill.		Return on capital employed, %		Personnel average	
	99	98	99	98	99	98	99	98	99	98	99	98
Paper Group	1 704.6	1 356.1	227.1	180.1	13.3	13.3	1 197.0	1 132.2	19.0	16.0	4 109	3 311
- Magazine paper	552.6	551.3	126.2	109.8	22.8	19.9	437.8	433.5	28.6	25.5	1 317	1 338
- Fine paper	1 152.0	804.8	100.9	70.3	8.8	8.7	759.2	698.7	13.5	10.1	2 792	1 973
Packaging and Consumer Products Group	1 667.9	1 406.8	120.1	141.2	7.2	10.0	1 135.4	1 063.9	10.9	13.7	8 673	7 932
Packaging Group	1 082.2	1 064.0	103.9	116.5	9.6	10.9	778.5	803.9	13.8	14.9	5 214	5 352
- Paperboard	570.4	574.8	70.8	86.1	12.4	15.0	493.6	518.2	14.7	17.0	1 964	2 014
- Corrugated packaging	224.2	224.5	15.7	5.6	7.0	2.5	106.1	98.4	15.8	6.6	2 616	2 691
- Packaging raw materials	310.7	297.9	17.4	24.8	5.6	8.3	178.8	187.3	10.2	13.5	634	647
Tissue Group	585.7	342.8	16.2	24.7	2.8	7.2	356.9	260.0	4.6	10.0	3 459	2 580
Merchanting, Trading and Sheeting Services Group	678.7	459.4	6.4	3.5	0.9	0.7	124.3	79.4	5.9	4.8	1 077	820
Pulp Group	747.3	685.8	106.9	82.3	14.3	12.0	944.5	981.2	11.4	8.0	1 439	1 492
Internal sales and other operations	-562.9	-384.8	-66.9	-20.5	0.0	0.0	499.2	631.5	0	0	1 069	1 056
METSÄ-SERLA GROUP	4 235.6	3 523.3	393.6	386.6	9.3	11.0	3 900.4	3 888.2	10.7	11.0	16 367	14 611



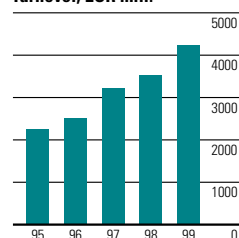
Financial Statements 1999

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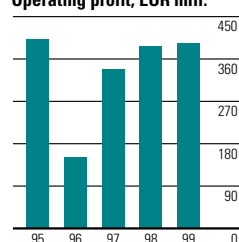
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Report of the Board of Directors

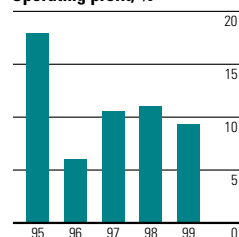
Turnover, EUR mill.



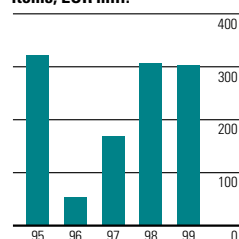
Operating profit, EUR mill.



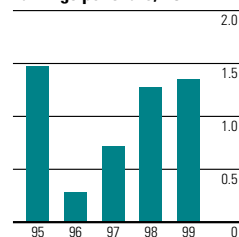
Operating profit, %



Profit before extraordinary items, EUR mill.



Earnings per share, EUR



In December Metsä-Serla made public its strategy according to which the company is focussing on business segments that place a premium on high quality and printability coupled with good service. The key tasks during the year under review were the integration into the Metsä-Serla Group of the paper mills of UK Paper, the Guppy paper merchandising business as well as the Halstrick and Strepp tissue paper mills, which were acquired at the turn of the previous year. Major new changes did not take place in the group structure during the year.

Despite a weak first part of the year, Metsä-Serla's full-year profit before extraordinary items came up to the previous year's level. The rise in profitability in the second half of the year was due above all to the improved demand for the company's main products, paper and paperboard, as well as to the rise in pulp prices. A factor that nevertheless played a part in weakening the result of the Paper Group and the Packaging Group as well as Metsä Tissue was that Metsä-Serla was not able to raise the prices of paper, paperboard and tissue products by as much as the rise in the price of pulp. Profit for the financial year before extraordinary items as a ratio of turnover was weaker than the result a year earlier.

Consolidated operating profit was EUR 394 million (387 million in 1998) and profit before extraordinary items was EUR 303 million (307 million in 1998). Operating profit for the Paper Group and Pulp Group was up, whereas in the Packaging Group and Metsä Tissue operating profit fell. The strong appreciation in the United States dollar and the British pound during the report year did not feed through into sales revenues to the full extent owing to currency hedging. Hedging expenses of EUR 61 million for the hedging of sales revenues by means of foreign currency derivatives have been booked as an adjustment to turnover. This is EUR 66 million more than the figure a year earlier (hedging income of EUR 5 million in 1998).

The Board of Directors will propose to the Annual General Meeting the payment of a dividend of FIM 2.70 (EUR 0.45) per share, which corresponds to 33.6 per cent of the earnings per share. The dividend paid for 1998 was FIM 2.60 per share (EUR 0.44).

The economic environment

Metsä-Serla's most important market area is the European Union (EU). The biggest trading partners are the UK, Germany and France.

1999 saw major changes in the world economy: the downswing that started towards the end of 1998 bottomed out in 1999. The economies of Southeast Asia and South America got past the sizable threats facing them and these economies swung to substantial growth. The economic situation in Japan improved and the previous year's fall in total output was reversed, enabling Japan to reach growth of one per cent in 1999. The slowdown in demand in Europe in the first part of the year ended in a revival in demand in the latter part of the year, though there were large regional differences: the growth in Germany's total output was only slightly more than one per cent, whereas in Finland it was over three per cent and in Ireland nearly nine per cent. On average the growth in total output in the euro-zone was two per cent, with the peripheral areas having a clearly faster rate of growth than the big EU economies. The largest single factor in the revival of the world economy was the continuing strong demand across the United States economy. Total output in the United States grew by more than four per cent last year.

The revival in the world economy translated into a strong rise in raw material prices and share prices. Growth prospects that were clearly better than they had been in the early months of the year prompted the central banks to put the brakes on growth and inflation. The United States Federal Reserve raised official interest rates three times and the Bank of England did so twice. The European Central Bank reversed the half per cent drop in rates it put through in the spring by a corresponding hike in rates late in the autumn.

The new currency, the euro, had a fairly chilly reception in the foreign exchange markets. The euro weakened against the main currencies and was down 14 per cent against the United States dollar and 12 per cent against the pound sterling. Part of the euro's weakness could be explained by factors such as the stronger trend in the United States economy, but most of the euro's weakness was attributable to Europe's structural problems and the lack of political

credibility. From the viewpoint of Metsä-Serla and the Finnish economy, the euro's debut has been very propitious, leading to a weak currency and low interest rates.

The market

Demand for the paper grades produced by Metsä-Serla remained by and large good throughout the year, except for the relatively slack demand for magazine papers during the first half. Demand for fine papers was clearly brisker than it had been a year ago. Deliveries of coated fine papers in Western Europe were up 10 per cent. Major increases in the selling prices of magazine papers were not put through during the year, and average prices in foreign currency fell 3 per cent short of the previous year's figure. Prices of fine papers rose, especially in the second half of the year, but in spite of this, the foreign currency-denominated selling prices of coated fine papers were down on average 5 per cent, and prices of uncoated fine papers were 9 per cent lower than in 1998.

Demand for folding boxboard headed upwards in the second half of the year, but nevertheless full-year demand in Western Europe remained at the previous year's level. In North America and Asia, however, demand grew strongly. Demand for wallpaper base remained weak throughout the year. The average selling prices in both types of board were lower than they had been a year ago. The trend in the demand for corrugated packaging and product prices varied from market to market in Europe. All in all, demand in Western Europe was on a par with the previous year. Demand for packaging raw mate-

rials picked up towards the end of the year after a lacklustre start in the first months of the year, but average selling prices were markedly below the previous year's level.

Demand for tissue paper in the Nordic countries and continental Europe grew only slightly. Increases in production capacity that have outpaced the growth in demand, particularly in continental Europe, have led to tighter price competition.

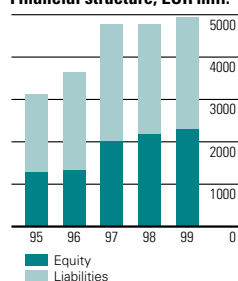
In the first months of the year there was oversupply on the pulp market, but demand picked up during the spring and summer and continued to hold up throughout the remaining part of the year. The price of pulp also notched up at the start of the second quarter. The market price of bleached softwood pulp rose from 460 dollars a tonne at the start of the year to 600 dollars in December.

KEY FIGURES	Turnover EUR million		Operating profit EUR million		Personnel average	
	99	98	99	98	99	98
Paper Group	1 704.6	1 356.1	227.1	180.1	4 109	3 311
Packaging and Consumer Products Group	1 667.9	1 406.8	120.1	141.2	8 673	7 932
Packaging Group	1 082.2	1 064.0	103.9	116.5	5 214	5 352
Tissue Group	585.7	342.8	16.2	24.7	3 459	2 580
Merchanting, Trading and Sheeting Services Group	678.7	459.4	6.4	3.5	1 077	820
Pulp Group	747.3	685.8	106.9	82.3	1 439	1 492
Internal sales and other operations	-562.9	-384.8	-66.9	-20.5	1 069	1 056
Metsä-Serla Group	4 235.6	3 523.3	393.6	386.6	16 367	14 611

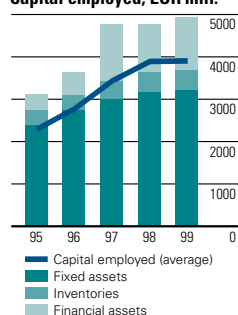
Turnover, EUR mill.



Financial structure, EUR mill.



Capital employed, EUR mill.



Turnover and profit

Consolidated turnover for 1999 was EUR 4 236 million (3 523 in 1998). Of the growth in turnover, 80 per cent came as a result of acquisitions that were made at the turn of the previous year. In comparable terms, the growth in turnover was 4 per cent. Exports and sales by subsidiaries abroad accounted for 88 per cent of turnover (85%). Altogether, 42 per cent (34%) of Metsä-Serla's turnover came from operations outside Finland. Other operating income amounted to EUR 56 million, of which gains on the sale of fixed assets and shares accounted for EUR 24 million.

Turnover by countries

	1999	1998
Great Britain	914.2	596.4
Germany	604.2	469.4
Finland	523.2	513.3
France	292.8	246.4
Denmark	147.1	143.0
Spain	145.9	130.9
USA	142.8	121.3
Sweden	134.3	129.2
Italy	124.8	118.7
Switzerland	120.6	91.7
The Netherlands	106.8	91.8
Poland	80.0	80.1
Belgium	72.3	44.7
Norway	68.0	55.2
Greece	65.1	53.0
Australia	55.8	54.5
China	54.7	35.3
Russia	51.4	64.1
Hong Kong	50.5	45.6
Austria	46.2	34.1
India	33.9	30.9
Canada	32.7	32.5
Baltic countries	32.6	29.8
Ireland	29.8	21.4
Indonesia	23.5	8.5
Singapore	18.6	9.6
Japan	12.8	22.2
Taiwan	11.4	11.8
Malaysia	9.2	6.6
Portugal	8.9	12.8
Other Europe	73.0	75.2
Other Asia	53.6	43.2
Other countries	94.9	100.3
Metsä-Serla	4 235.6	3 523.3

The Group's operating profit improved slightly on the previous year and was EUR 394 million (387 million in 1998), or 9.3 per cent of turnover (11.0%).

The Paper Group's operating profit was up EUR 47 million, to EUR 227 million (180 million in 1998). The Packaging Group, however, reported a fall in operating profit, to EUR 104 million (117 million in 1998). Operating profit posted by the Tissue Paper Group (Metsä Tissue Corporation) also declined and was EUR 16 million (25 million in 1998). The Merchanting, Trading and Sheeting Services Group reported a modest improvement in its operating profit, which came in at EUR 6 million (4 million in 1998). The Pulp Group's operating profit was up on the previous year and was EUR 107 million (82 million in 1998). An increase of EUR 66 million in expenses for hedging sales revenues in foreign currency cut into operating profit for the year under review, as compared with the previous year.

Metsä-Serla's profit before extraordinary items was on a par with the previous year and was EUR 303 million (307 million in 1998). The Group's net financial items grew and totalled EUR 90.7 million (79.8 million in 1998). The growth was due to foreign exchange losses of EUR 9.4 million on loans denominated in foreign currency. This amount was entered in financial items, the corresponding sum a year earlier being a gain of EUR 8.5 million. The Group's net interest expenses and other financial items fell to EUR 81.3 million (88.3 million in 1998).

The Group had extraordinary expenses of EUR 2.5 million. The sum includes a provision which was made by Metsä-Tissue for reorganizing the functions of the mills in Germany. The provision is related to the acquisition of the mills and it is for reorganization costs that will be higher than estimated at the time of acquisition. Extraordinary income amounted to EUR 29.4 million, including the cumulative effect at the beginning of the year of the change in accounting practice for the Group's deferred taxes.

Profit before taxes and minority interest was EUR 330 million (323 million in 1998). The minority interest share of profits was EUR 24 million (39 million in 1998) and direct taxes, including the change in the deferred taxes for the financial year, were EUR 98 million (102 million in 1998).

Earnings per share were EUR 1.35 (1.27 in 1998). The return on capital employed was 10.7 per cent (11.0%).

The principle of recording foreign exchange differences was changed from the beginning of the year

such that the realized foreign exchange differences for both foreign currency derivatives and loans in foreign currency are periodized over the hedging period, whereas previously the realized foreign exchange differences were booked directly as a credit or charge to income and only the unrealized foreign exchange differences were periodized. The change in accounting practice improved the result for the report period by EUR 10 million compared with the previous practice. The figures for the previous year have not been adjusted to correspond to the new practice.

Financial position

Metsä-Serla's financial position and liquidity remained good throughout the year. In accordance with the financing strategy chosen, the amount of liquid funds and investments was kept small and liquidity was maintained by means of binding credit facilities.

The Group's interest-bearing net liabilities at the end of the financial year stood at EUR 1 273 million (1 233 million in 1998). The Group's cash flow from operations was EUR 408 million (352 million in 1998).

The Group's liquid funds and investments totalled EUR 238 million at the end of the year (382 million in 1998). In addition to these funds, at 31 December 1999 the Group had at its disposal binding credit facility agreements amounting to about 1.35 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 0.8 billion.

At the close of the year, 33 per cent of the Group's long-term loans were denominated in foreign currencies. Of these loans, 65 per cent was subject to variable interest rates and the rest to fixed interest rates. The average interest rate for all Metsä-Serla's loans was 5.0 per cent at the end of 1999.

In May, Metsä Tissue Corporation signed a EUR 75 million syndicated loan. The loan is a multicurrency revolving credit facility with a maturity period of 5 years.

In May, Metsä Group Financial Services Oy signed an agreement increasing its domestic commercial paper programme from EUR 165 million to EUR 350 million. At the same time, the programme

became the first Finnish commercial paper programme for which the European Central Bank issued a Tier 1 collateral rating. Accordingly, debt issued within the framework of the programme is acceptable as collateral for central bank credits in all the EMU countries.

In October, Metsä Group Financial Services signed a EUR 150 million Belgian commercial paper programme within the framework of which the company can issue short- and medium-term debt. The programme was targeted mainly at investors in continental Europe.

During 1999 euro- and pound-denominated liquidity management and payment transfer systems were built with the aim of enabling the entire Group's euro and pound liquidity to be handled centrally by the Group's internal bank.

The credit ratings of Metsä-Serla Corporation and Metsä Group Financial Services Oy were announced towards the end of 1998. Changes in the ratings did not take place during the financial year. Standard & Poor's gave Metsä-Serla's long-term loans a BBB rating and Metsä Finance's short-term loans an A2 rating. The corresponding ratings assigned by Moody's Investor Service were Baa2 and P2. The purpose of obtaining the credit ratings is to support the Group's funding in the international markets and to diversify the sources of financing.

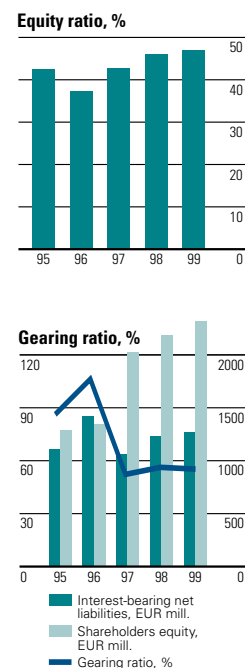
The equity ratio at 31 December was 47.0 per cent (45.9%) and the gearing ratio 55 per cent (56%).

Distributable shareholders' equity in the consolidated balance sheet at 31 December 1999 was EUR 589 million (446 million in 1998).

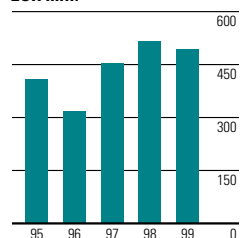
The euro

Metsä-Serla went over to using the euro in its business operations as widely as possible right from the introduction of the new currency on 1 January 1999. Among other functions, the Group's financing and payment transfers went over to a euro basis. Furthermore, the Group's interim reports and other financial information were prepared in euros all last year.

By the beginning of 2000 the Group's accounting systems were made euro-compliant. The currency of account of the companies in the Metsä-Serla Group located in the euro-zone was changed to the euro as from 1 January 2000 with the exception of



Funds from operations,
EUR mill.



Metsä Tissue. The Board of Directors will propose to the Annual General Meeting that Metsä-Serla Corporation's share capital be redenominated in euros. According to the proposal, the change is to be carried out by setting the new nominal value of the company's share at 1.70 euros. Thereby the difference between the present nominal value, 10 Finnish markkaa (about 1.68 euros), and the new nominal value will be covered through a bonus issue.

Year 2000

Metsä-Serla entered the new millennium without major disturbances to its information systems. The small deficiencies that came to light were connected mainly with reporting and they did not affect operations at Group units.

Wide-scale preparations for dealing with the problems associated with the new millennium were nevertheless essential, because nearly all the parts of the information technology system called for updating at some level. The total costs of the Year 2000 project were about EUR 8 million. Whilst the project was being carried out, the information systems were modernized and operational models were enhanced.

Board of Directors and auditors

The Annual General Meeting held on 18 March 1999 re-elected the following persons to seats on Metsä-Serla's Board of Directors for a term extending up to the next Annual General Meeting: Asmo Kalpala, Erkki Karmila, Seppo T. Niemi, Antti Oksanen, Antti Tänskanen and Arimo Uusitalo. The new members elected to the Board were Runar Lil-landt and Matti Niemi, who replaced Eero Oittila and Curt Lindbom.

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.

The Board of Directors currently has no authorizations to carry out a share issue or issue of convertible bonds or bonds with warrants.

Changes in the Group's structure

The acquisition of UK Paper that was agreed towards the end of the previous year was implemented at the start of the report year. The deal included the New Thames and Sittingbourne fine paper mills,

a deinking plant, the Guppy Paper merchandising business as well as half of the shares in the Grovehurst energy company. The purchase price was 94 pounds sterling, or EUR 134 million.

In May, Metsä-Serla purchased the business operations of the Danish packaging company D-Display A/S.

In June, the Greek corrugated packaging manufacturer Cartonpack S.A. became a wholly-owned subsidiary of Metsä-Serla when Metsä-Serla purchased Frenschach AG's 33 per cent minority interest in the company.

In July, Metsä-Botnia redeemed Oyj Kyro Abp's 3 per cent holding in Oy Metsä-Rauma Ab. Concurrently, Metsäliitto Osuuskunta redeemed the interest which Tapiola Mutual Pension Insurance Company held in Metsä-Rauma. The share deals were based on the shareholders' agreement that was concluded in 1994 in connection with the founding of Metsä-Rauma.

In August, Metsä-Serla sold its 10 per cent holding in Finnforest Corporation to Metsäliitto Osuuskunta. The sale price was EUR 13.6 million, which resulted in a capital gain of EUR 8.6 million.

In September, the shareholders of Pohjolan Voima Oy carried out a reorganization affecting the sale of electric power to outside customers. The total value of the sales of shares in Pohjolan Voima Oy in this connection was about EUR 300 million. As part of the arrangement, Metsä-Botnia sold its Pohjolan Voima Oy Series C shares to Teollisuuden Sähkömyynti Oy and its shares in Teollisuuden Sähkömyynti Oy to Eastern Group plc. Metsä-Botnia's slice of the sale amount for the entire arrangement was about 3 per cent, generating a capital gain of EUR 6.9 million for the company.

Metsä-Sellu Oy was merged with the parent company Metsä-Serla Corporation at the end of September. The merger was connected with the sale of the Metsä-Sellu business to Oy Metsä-Botnia Ab in 1997. The merger does not have an effect on the Group's earnings or shareholders' equity.

In October, Metsä-Serla reached an agreement on the purchase price of the Biberist paper mill in negotiations with the bankruptcy estate of the selling company. In order to avoid protracted and expensive litigation, Metsä-Serla agreed to pay an additional purchase price of 6.7 million Swiss francs, whereby the final purchase price of Biberist came to

83.4 million Swiss francs (EUR 52 million).

In December, Metsä-Serla purchased the entire shares outstanding in PVA Papierverarbeitung GmbH, a German company engaged in paper and paperboard sheeting operations.

Capital expenditures

Metsä-Serla's gross capital expenditures during the report year totalled EUR 422 million (412 million in 1998). Business acquisitions and share purchases accounted for EUR 192 million of these expenditures.

The modernization work on both paper machines at the Plattling magazine paper mill was seen to completion in March. The project was carried through at a cost of EUR 15 million and it raised the mill's total capacity by 10 per cent, also improving the quality of gravure paper. The capital project will furthermore improve the mill's cost competitiveness by making possible an increased use of deinked pulp in the production process.

At the UK Paper mills the EUR 20 million investment project aimed at de-bottlenecking at the mills and raising the efficiency ratings of the paper machines was started in spring of the report year. The object of the investments is to raise the mills' production capacity and the quality of the paper they produce. The payback period for the investments is less than two years.

In the summer a EUR 10 million capital expenditure programme focussing on de-bottlenecking in the paper finishing department and improving customer services was started at the Biberist Paper Mill. The investment includes the building of a new automated warehouse. The project will be completed in the summer of the current year. With the aim of raising the mill's capacity, a decision has been taken to invest in a new slitter-winder and to modernize one sheet cutting machine. The investment will have a price tag of about EUR 8 million.

A EUR 20 million project to rebuild the press section of the board machine at the Kemi liner mill was completed in April. The investment brought an improvement in the surface smoothness and printing characteristics of the board. At the same time, the capacity of the machine was raised by 25 000 tonnes.

The operations of the Tampere and Nokia corrugated board mills were combined, bringing the

capacity of the Tampere corrugated board unit up to 50 000 tonnes. The process of melding operations and the related capital expenditure programme are proceeding according to plan. As part of the investment programme, a new corrugated board machine and printing line were installed in Tampere towards the end of the year. Automation of the warehousing system was completed at the beginning of the current year. Combining the mills and automating their production resulted in a decrease in staffing from 420 employees to 300.

At Metsä Tissue's Katrinefors mill a new consumer products converting line went into operation during the spring and at the Mänttä mill a paper towel manufacturing line became operational.

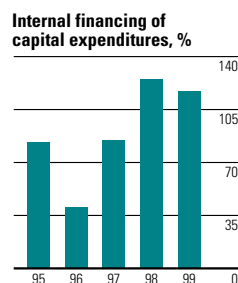
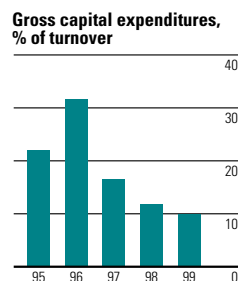
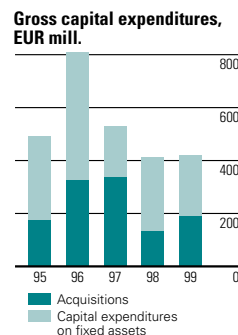
A CCM production line came on stream at Metsä Tissue's Nyboholm mill in November. The CCM (Compact Concept Mill) is a new type of production line in which paper manufacture and converting are integrated into a single process.

The lime kiln investment at the Kemi Pulp Mill was completed in the summer at a cost of EUR 13 million. The capital expenditure enabled the mill to raise its production capacity by 40 000 tonnes.

The investments aimed at boosting the efficiency of oxygen bleaching and pulp washing together with a shoe press investment for the drying machine – all of which are part of the Year 2000 capital expenditure programme at the Äänekoski pulp mill – were completed during the year under review. The investments led to a reduction in waste water discharges and raised the mill's production capacity by 60 000 tonnes. The cost of the investments was EUR 18 million.

A project for fitting a recovery boiler with an electrostatic filter reached completion at the Kaskinen pulp mill in October at a cost of EUR 4 million.

In the autumn a decision was taken to build a new fibreline for the mill. The fibreline investment is a continuation of the development programme at the mill. The first stage of the programme, the rebuild of the recovery boiler and chemicals recovery line, was completed in October 1998. The replacement of the fibreline will have an investment cost of EUR 250 million. Its objective is to raise the production capacity of the Joutseno Pulp Mill from 410 000 to 600 000 tonnes a year.



Wood and energy procurement

Wood procurement for Metsä-Serla is handled by its parent company, Metsäliitto Osuuskunta. At the end of 1999, Metsä-Serla owned about 150 000 hectares (375 000 acres) of woodlands. The responsibility for silviculture rests with Metsäliitto Osuuskunta's subsidiary Metsämannut Oy. The wood resources of the forests are estimated at about 12 million cubic metres. The company's land and forest holdings are currently valued at about EUR 220 million (220 million in 1998). Felling in the company's forests produced a total of about 175 000 cubic metres of wood (200 000 in 1998).

Wood consumption by Metsä-Serla's mills in Finland was 11.0 million cubic metres in 1999 (11.0 million in 1998). The average price of pulp wood at the mills remained at the previous year's level.

Energy consumption by Metsä-Serla's mills was on a par with 1998. The Group's mills in Finland consumed 4 100 GWh of electricity, of which 70 per cent was generated by power plants at the mills. The electric power consumption of Metsä-Serla's wholly or partially owned mills and plants overseas was 1 700 GWh, of which the power plants at the mills produced 42 per cent. The amount of fuel burnt to produce heat for the facilities in Finland was 17 300 GWh, of which the Group's own wood-based process fuels accounted for 67 per cent. The most important source of heat energy for the company's mills abroad was natural gas, which in 1999 represented 70 per cent of the heat production.

The price of oil rose sharply in 1999 and at the end of the year the price of heavy fuel oil was double the figure at the start of the year. The higher expense of oil products will also feed through into the price of natural gas – though with a lag – particularly in continental Europe.

The market price level of electricity in Finland remained at the relatively low level of a year earlier. In Germany in particular, the liberalization of the electricity market has resulted in a dramatic fall in the price of electricity purchased by big industry. The drop in prices in Germany together with Finland's high electricity tax, have wiped out the competitive advantage which Finnish industry has traditionally had over Germany. Changes in energy taxation did not take place in Finland during the year under review. In the European Union, no progress

was made in the harmonization of energy taxation, which has been pending for years.

Of the most important units providing electric power to Metsä-Serla, the availability performance of the Olkiluoto nuclear power plants was excellent. The modernization project carried out towards the end of the 1990s, including power uprating, has proved to be a success, and the power plants have a good outlook for electricity production far into the future.

Research and development

Within Metsä-Serla's research and development activities, work in accordance with the technology strategy went ahead, with the aim of perfecting a customer-oriented process of continuous renewal. The means employed to achieve these objectives have been the company's internal projects that link together the processing chain, joint projects with research institutes, and development alliances.

The development projects at the Paper Group's Fine Paper Division have been especially successful in employing product rationalization means to raise the production volumes of coated paper. At the same time, the product range has expanded and customer service has improved.

The main research and development projects at the pulp mills were the selection of a new fibre line for Joutseno with the objective of developing the quality of softwood reinforcement pulp.

The Board Division of the Packaging and Consumer Products Group completed development work whose results will serve as a basis for going over to a neutral stock preparation system and via it to the use of PCC pigments that improve quality significantly.

The company's research and development expenditures amounted to EUR 17 million (15 million in 1998).

Management of environmental risks

Environmental affairs may have an effect on the company's operations at two different levels: on the one hand, obligations concerning environmental protection result in costs and the need to undertake capital projects, and on the other hand, public opinion has an impact on product sales.

The technology in use at the Group's production plants corresponds, to a significant extent, to the

best available technologies (BAT) from the standpoint of environmental protection, which are described in the EU's preparatory work. Metsä-Serla's mills and plants have taken precautions to cope with a tightening up of waste management requirements by reducing the formation of solid waste and by looking for ways to reclaim wastes. The amount of waste disposed of at landfills in 1999 was at the 1994 level, even though the Group's turnover had grown by more than 2.5 times.

A forest certification system was introduced in Finland during the report year, when a European certification framework known as PEFC (Pan European Forest Certification) was also completed. To ensure product safety at Metsä-Serla's plants that manufacture packaging and consumer products, self-monitoring systems were put into use. Metsä-Serla's product range includes environmentally-labelled alternatives for all the most important grades of graphic paper and paperboard as well as for tissue products.

Metsä-Serla will publish a separate Environmental Report in 2000.

Personnel

In 1999, Metsä-Serla and its subsidiaries employed an average of 16 367 people (14 611 in 1998). The payroll at 31 December was 15 645 employees (15 221), of whom 7 268 worked in Finland (7 500) and 8 367 worked abroad (7 721). The Group's total payroll includes 50 per cent of the MD Papier and Albruck paper mills in Germany. Acquisitions brought an increase of 1 243 in the Group's total number of employees. Excluding these changes, the number of personnel was reduced by 819 employees. The parent company had an average payroll of 4 100 employees, compared with 3 884 employees a year earlier.

Events after the close of the financial period

On 24 January 2000, the decision was taken to close the Simpele Carton Box Plant. Economically viable alternatives were not found for continuing the mill's operations in the market situation following the collapse in exports to Russia. The winding up of operations will be carried out in stages, such that the closure will be accomplished by 30 November 2000.

The Board of Directors of Metsä-Serla Corporation has decided to continue developing the Kangas

Paper Mill in Jyväskylä, Finland, and to change the mill's product orientation. Paper machine 4 will switch over from uncoated products to coated products in 2001. The main elements of the development programme are the purchase of a coating machine and the building of a chemithermal mechanical pulp plant in Joutseno. The plant will have a capacity of about 200 000 tonnes a year and it will be completed towards the end of 2001. The total cost of the investment project is about EUR 200 million (FIM 1.2 billion)

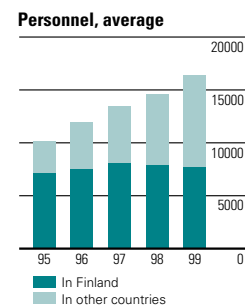
Near-term outlook

Strong economic growth is forecast to continue in the industrial countries in the current year. Within the European Union, growth is even forecast to exceed the level of the past two years.

2000 has got off to a better start for Metsä-Serla than had been forecast as recently as a few months ago. The feared dip in demand for the Group's main products after the turn of the year has not materialized. Providing that the growth forecasts for the economy are realized, growth in the consumption of Metsä-Serla's main products, especially paper, will remain good both in Europe and worldwide.

Despite the good growth in demand, the capacity utilization rates for the coated paper grades produced by Metsä-Serla will probably fall somewhat in Europe as a consequence of increases in capacity. The demand situation for packaging boards is good, and at present in the main markets there are no significant threats on the horizon. As a result of increased fine paper production, the oversupply of pulp has from time to time even turned into a shortfall in supply. Because of this, capacity utilization rates in the pulp industry are estimated to be higher this year than they were a year ago. The average price in foreign currency of all the main products is forecast to rise this year compared with 1999.

For the reasons outlined above, Metsä-Serla Group's result for the current year is forecast to be better than last year's.



Consolidated Profit and Loss Account

	1.1.-31.12.1999	%	1.1.-31.12.1998	%
	EUR million		EUR million	
Turnover (1)	4 235.6	100.0	3 523.3	100.0
Change in stocks of finished goods and in work in progress	-41.4		12.0	
Share of operating profit from associated companies (2)	5.1		5.1	
Other operating income (3)	56.3		32.9	
Materials and services				
Raw materials and consumables	2 129.7		1 795.9	
Costs of external services	129.8		112.5	
Employee costs (4)	683.7		562.2	
Depreciation (5)	286.9		245.5	
Other operating expenses	631.9	3 862.0	470.6	3 186.7
Operating profit	393.6	9.3	386.6	11.0
Financial income and expense (6) (7)				
Interest income from Group companies	0.7		0.8	
Income from other financial investments	2.7		3.2	
Other interest and similar income	21.2		37.4	
Net exchange gains/losses	-9.4		8.5	
Interest expense and similar charges	-105.9	-90.7	-129.7	-79.8
Profit before extraordinary items	302.9	7.2	306.8	8.7
Extraordinary items (8)				
Extraordinary income	29.4		18.4	
Extraordinary expenses	-2.5	26.9	-2.0	16.4
Profit before tax	329.8	7.8	323.2	9.2
Taxation (9)	-98.2		-101.9	
Profit before minority interest	231.6	5.5	221.3	6.3
Minority interest	-23.9		-39.1	
Profit for the financial period	207.7	4.9	182.2	5.2

Consolidated Profit and Loss Account, *Profit analysis*

Turnover

Consolidated turnover was EUR 4 236 million (3 523 million in 1998). Turnover grew by EUR 713 million, or 20.2 per cent on the previous year. Despite the sharp weakening in the euro, the average prices in euros of nearly all products fell markedly short of the figures a year earlier, and this had a negative impact on the trend in turnover. Increased delivery volumes nevertheless exceeded the effect of lower prices, and in comparable terms, turnover grew by 4 per cent. The remaining 16 per cent of the growth in turnover was attributable to the effect of acquisitions of companies.

Operating profit

The Group's operating profit was on a par with the previous year and totalled EUR 394 million (387 million in 1998). As a ratio of turnover, operating profit nevertheless fell from 11.0 per cent a year earlier to 9.3 per cent in the report year. The Group's relative profitability declined due to the weakened operating profit figures posted by the Packaging Group and Metsä Tissue as well as to the costs of hedging sales revenues in foreign currencies.

The Paper Group's operating profit grew substantially owing to the increased delivery volumes of fine paper and to further improvements in cost-effectiveness at the mills. As a ratio of turnover, the Paper Group's operating profit was at the previous year's level because the restructuring measures at UK Paper did not yet have time to contribute to earnings for the financial year. The profitability of the Packaging Group was weakened above all by an average price level that was lower than in 1998 and could only be partially offset through increased delivery volumes. The Pulp Group's operating profit improved markedly thanks to the higher level of selling prices than a year ago and to increased delivery volumes.

Other operating income amounted to EUR 56 million, including EUR 17 million of non-recurring gains on the sale of assets.

Profit before extraordinary items

Profit before extraordinary items was EUR 303 million (307 million in 1998). Net financial expenses, not including foreign exchange differences, totalled EUR 81.3 million (88.3 million in 1998). Financial

expenses were lowered by the slightly lower average level of interest rates than a year earlier as well as by the smaller amount of liquid funds and investments in the balance sheet. Financial items include EUR 9.4 million of net foreign exchange losses on loans denominated in foreign currency; a gain of EUR 8.5 million a year earlier.

Extraordinary items

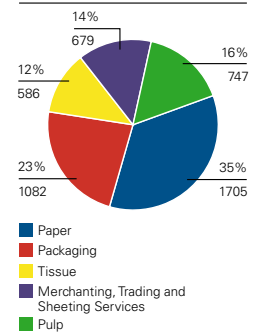
Extraordinary expenses, EUR 2.5 million, include a provision which was made by Metsä Tissue for reorganizing the functions of the mills in Germany. The provision is related to the acquisition of the mills and it is for reorganization costs that will be higher than estimated at the time of acquisition. Extraordinary income, EUR 29.4 million, includes the cumulative effect of the change that was made at the beginning of the year in the principle of calculating the Group's deferred tax liabilities and assets. According to the previous practice, basically only the deferred tax liability relating to the depreciation difference was taken into account. Under the new practice, deferred tax liabilities and tax assets are calculated for all the material earnings-related differences between taxation and the financial statements.

Taxation and minority interest

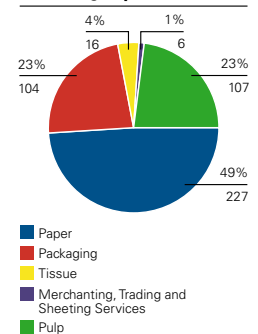
Direct taxes were EUR 98.2 million, of which EUR 88.7 million represented taxes payable for the financial year. Taxes include an increase of EUR 9.1 million in the deferred tax liability.

Minority interest of EUR 23.9 million is due almost entirely to the minority holdings in Oy Metsä-Botnia Ab and Metsä Tissue Corporation. The minority interest in Metsä-Botnia is 47.7 per cent and in Metsä Tissue 34.4 per cent.

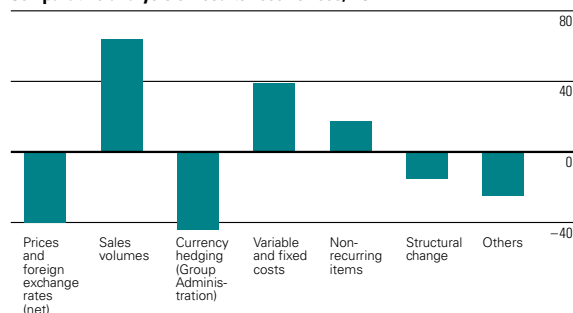
Turnover by business group, %/EUR mill.



Operating profit by business group, %/EUR mill.



Comparative analysis of results 1999 vs 1998, EUR mill.



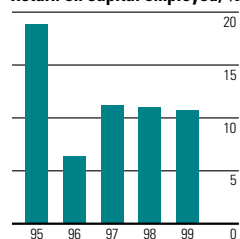
Consolidated Balance Sheet

ASSETS	31.12.1999			31.12.1998		
	EUR million		%	EUR million		%
Fixed assets						
Intangible assets (10)						
Intangible assets	23.0			12.6		
Purchased goodwill	28.3			29.8		
Goodwill arising on consolidation	105.4			96.2		
Other capitalized expenditure	11.8	168.5	3.4	17.2	155.8	3.3
Tangible assets (10) (12)						
Land	268.2			250.7		
Buildings	613.2			604.4		
Plant and equipment	1 816.8			1 823.7		
Other tangible assets	15.7			18.3		
Payments in advance and assets in the course of construction	77.4	2 791.3	56.4	60.2	2 757.3	57.9
Financial investments (11) (12)						
Shares in Group companies	0.7			5.7		
Amounts owed by Group companies	22.5			14.3		
Investments in associated companies	162.4			150.3		
Amounts owed by associated companies	0.1			14.0		
Other investments	63.0			64.4		
Other receivables	13.3	262.0	5.3	11.8	260.5	5.5
Fixed assets total	3 221.8		65.1	3 173.6		66.7
Current assets						
Inventories						
Raw materials and consumables	187.7			152.7		
Finished goods and goods for resale	244.9			260.4		
Advance payments	50.2	482.8	9.8	51.9	465.0	9.8
Receivables (14) (15) (17)						
Accounts receivable	796.8			586.6		
Amounts owed by Group companies	70.7			40.7		
Amounts owed by associated companies	3.7			2.5		
Loan receivables	0.1			0.4		
Other receivables	81.5			85.4		
Prepayments and accrued income (16)	51.8	1 004.6	20.3	25.1	740.7	15.5
Investments						
Current financial assets	64.5		1.3	256.1		5.4
Cash at bank and in hand	173.3		3.5	126.1		2.6
Current assets total	1 725.2		34.9	1 587.9		33.3
ASSETS TOTAL	4 947.0		100.0	4 761.5		100.0

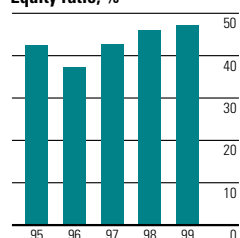
SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.1999			31.12.1998		
	EUR million	%	EUR million	%		
Shareholders' equity (18)						
Share capital	233.8			233.8		
Share premium account	260.4			260.4		
Revaluation reserve	104.7			104.7		
Other reserves	1.6			0.3		
Retained earnings	865.7			734.8		
Profit for the financial period	207.7	1 673.9	33.8	182.2	1 516.2	31.9
Convertible subordinated capital notes		310.4	6.3		310.4	6.5
Shareholders' equity total		1 984.3	40.1		1 826.6	38.4
Minority interest		337.8	6.8		359.3	7.5
Provisions for liabilities and charges (19)		41.3	0.8		56.1	1.2
Liabilities (20) (21)						
Long-term liabilities (23)						
Bonds and debentures	445.2			210.4		
Loans from financial institutions	732.0			959.7		
Pension premium loans	11.0			109.1		
Deferred tax liabilities (22)	241.5			253.9		
Other liabilities	85.9			139.3		
Accruals and prepaid income (25)	1.8	1 517.4	30.7	1.7	1 674.1	35.2
Short-term liabilities (24)						
Bonds and debentures	0.1			13.1		
Loans from financial institutions	236.1			139.6		
Pension premium loans	0.6			98.4		
Advance payments	1.7			0.8		
Accounts payable	287.0			216.1		
Bills of exchange payable	0.2			0.2		
Amounts owed to Group companies	46.8			25.7		
Amounts owed to associated companies	6.8			4.5		
Other liabilities	176.6			98.9		
Accruals and prepaid income (25)	310.3	1 066.2	21.6	248.1	845.4	17.7
Liabilities total		2 583.6	52.3		2 519.5	52.9
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL		4 947.0	100.0		4 761.5	100.0

Consolidated Balance Sheet, *Balance Sheet Analysis*

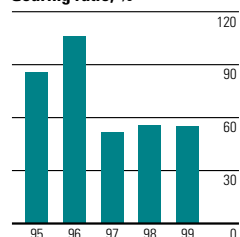
Return on capital employed, %



Equity ratio, %



Gearing ratio, %



Assets and capital employed

The Group's total assets stood at EUR 4 947 million, an increase of EUR 185 million on the previous year. The changes that took place in the Group's balance sheet structure were:

	EUR million
Capital expenditures on fixed assets	230
Fixed assets of acquired companies	74
Depreciation	-287
Inventories	18
Accounts receivable	210
Liquid funds	-144
Other items	84
Changes, total	185

The capital expenditures on fixed assets that were carried out during the year are discussed in the Report of the Board of Directors. The fixed assets of acquired companies include the balance sheet value of UK Paper's fixed assets.

Inventories were increased by the acquisition of UK Paper, but otherwise inventories decreased compared with the situation at the end of the previous year. Accounts receivable were increased by the acquisition of UK Paper as well as by larger delivery volumes towards the end of the year compared with the previous year. The Group's cash funds were fur-

ther reduced according to plan, and the amount of liquid funds at the end of the year was EUR 238 million (382 million in 1998). Capital employed at the end of the year was EUR 3 930 million. The accompanying table shows the breakdown of capital employed by business groups.

Financing

Consolidated shareholders' equity net of minority interest stood at EUR 1 984 million at the end of the year (1 827 million in 1998). No major changes affected shareholders' equity apart from the net profit for the financial year and the dividend payout. Interest-bearing liabilities amounted to EUR 1 608 million, a decrease of EUR 79 million on the previous year.

Interest-bearing net liabilities (= interest-bearing liabilities less liquid funds and other interest-bearing receivables) totalled EUR 1 273 million at the end of the year, up EUR 40 million on the figure a year earlier.

Key ratios

The return on capital employed fell slightly compared with the previous year and was 10.7 per cent (11.0%). The equity ratio improved to 47.0 per cent (45.9%). The gearing ratio remained at the previous year's level and was 55 per cent (56%).

Capital employed 31 December

EUR million	1999	1998	Change
Paper Group	1 250.6	1 143.2	107.4
Packaging Group	765.4	791.7	-26.3
Tissue Group	362.8	350.8	12.0
Merchanting, Trading and Sheeting Services Group	148.5	100.1	48.4
Pulp Group	918.2	970.9	-52.7
Total	3 445.5	3 356.7	88.8
Others	484.8	516.6	-31.8
Metsä-Serla Group, total	3 930.3	3 873.3	57.0

Cash Flow Statements

	Group		Parent company	
	1999 EUR million	1998 EUR million	1999 EUR million	1998 EUR million
Funds from operations				
Operating profit	388.4 *	381.5 *	167.0	173.8
Depreciation according to plan	286.9	245.5	99.5	97.2
Change in provisions for liabilities and charges	-4.4	2.0	-0.7	-1.1
Net financial items	-83.9 *	-75.4 *	-8.8	-28.2
Extraordinary items	-2.6	16.4	7.7	12.5
Taxation	-90.9 *	-55.1 *	-39.8	-25.6
Total	493.5	514.9	224.9	228.6
Change in working capital***				
Inventories (increase -, decrease +)	28.6	-46.7	17.0	-8.4
Current receivables (increase -, decrease +)	-139.8	-124.1	158.7	246.5
Non-interest-bearing current liabilities (increase +, decrease -)	25.2	8.1	-208.1	-66.3
Total	-86.0	-162.7	-32.4	171.8
Cash flow from operations	407.5	352.2	192.5	400.4
Changes in fixed assets				
Gross capital expenditures	-421.8	-412.1	-239.8	-68.5
Disposals and other changes in fixed assets	28.8	2.1	20.8	0.0
Cash flow after capital expenditures	14.5	-57.8	-26.5	331.9
Financing				
Change in interest-bearing liabilities (increase +, decrease -)	-79.1	-253.1 **	-204.3	-141.4
Change in interest-bearing long-term receivables (increase -, decrease +)	-25.9	22.1	110.7	-40.4
Dividend	-63.9	-47.5	-60.8	-42.1
Other items	10.1	-2.9	3.5	-0.1
Change in liquid funds	-144.3	-339.2	-177.4	107.9
GROUP	31.12.1999	Change	31.12.1998	Change
	EUR million	EUR million	EUR million	EUR million
Interest-bearing liabilities	1 608.2	-79.1	1 687.3	-185.7
Interest-bearing receivables	-97.7	-25.9	-71.8	22.1
Liquid funds	-237.9	144.3	-382.2	339.2
Interest-bearing net liabilities	1 272.6	39.3	1 233.3	175.6

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

** The liabilities of the acquired companies have been subtracted from the figure.

*** The working capital of acquired companies has been included in capital expenditures.

Parent Company Profit and Loss Account

	1.1.-31.12.1999		1.1.-31.12.1998	
	EUR million		EUR million	
		%		%
Turnover	1 436.1	100.0	1 424.5	100.0
Change in stocks of finished goods and in work in progress	-14.5		3.2	
Other operating income (3)	31.6		20.6	
Materials and services				
Raw materials and consumables	711.2		711.4	
Costs of external services	84.5		78.9	
Employee costs (4)	180.8		174.2	
Depreciation (5)	99.5		97.2	
Other operating expenses	210.2	1 286.2	212.8	1 274.5
Operating profit	167.0	11.6	173.8	12.2
Financial income and expense (6) (7)				
Interest income from Group companies	52.8		9.5	
Income from other financial investments	18.0		16.1	
Other interest and similar income	8.0		20.2	
Net exchange gains/losses	-24.1		14.5	
Interest expense and similar charges	-63.5	-8.8	-88.5	-28.2
Profit before extraordinary items	158.2	11.0	145.6	10.2
Extraordinary items (8)				
Extraordinary income	9.1		17.1	
Extraordinary expenses	-71.7	-62.6	-4.6	12.5
Profit before appropriations and taxes	95.6	6.7	158.1	11.1
Appropriations				
Change in depreciation differences	-15.0		-66.4	
Taxation (9)			-25.6	
	-39.8			
Profit for the financial period	40.8	2.8	66.1	4.6

Parent Company Balance Sheet

ASSETS	31.12.1999 EUR million			%	31.12.1998 EUR million			%
Fixed assets (10)								
Intangible assets								
Intangible assets	13.7				6.6			
Purchased goodwill	13.2				15.4			
Other capitalized expenditure	9.0	35.9	1.2		14.5	36.5	1.1	
Tangible assets (10) (12)								
Land	183.7				171.5			
Buildings	189.4				192.8			
Plant and equipment	734.1				770.5			
Other tangible assets	6.6				6.3			
Payments in advance and assets in the course of construction	11.8	1 125.6	36.3		18.1	1 159.2	35.5	
Financial investments (11) (12)								
Shares in Group companies	640.5				410.3			
Amounts owed by Group companies	323.5				307.3			
Investments in associated companies	148.5				146.8			
Amounts owed by associated companies	0.1				13.4			
Other investments	52.3				50.0			
Other receivables	5.5	1 170.4	37.8		5.5	933.3	28.5	
Fixed assets total	2 331.9		75.3		2 129.0		65.1	
Current assets								
Inventories								
Raw materials and consumables	30.4				28.5			
Finished goods and goods for resale	87.6				102.1			
Advance payments	10.3	128.3	4.1		14.6	145.1	4.4	
Receivables (14) (15) (17)								
Accounts receivable	20.3				14.8			
Amounts owed by Group companies	282.8				743.2			
Amounts owed by associated companies	269.2				1.4			
Other receivables	25.0				20.9			
Prepayments and accrued income (16)	13.3	610.6	19.7		7.5	787.8	24.1	
Investments								
Current financial assets	0.7	0.0			192.8	5.9		
Cash at bank and in hand	27.8	0.9			13.2	0.4		
Current assets total	767.4		24.7		1 138.9		34.9	
ASSETS TOTAL	3 099.3		100.0		3 267.9		100.0	

Parent Company Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.1999			31.12.1998		
	EUR million		%	EUR million		%
Shareholders' equity (18)						
Share capital	233.8			233.8		
Share premium account	260.4			260.4		
Revaluation reserve	81.7			81.7		
Retained earnings	411.2			406.0		
Profit for the financial period	40.8	1 027.9	33.2	66.1	1 048.0	32.1
Convertible subordinated capital notes		310.4	10.0		310.4	9.5
Shareholders' equity total		1 338.3	43.2		1 358.4	41.6
Provisions for liabilities and charges						
Accumulated depreciation difference		528.6	17.1		504.2	15.4
Obligatory provisions (19)		16.0	0.5		16.5	0.5
Liabilities (20) (21)						
Long-term liabilities (23)						
Bonds and debentures	455.2			210.4		
Loans from financial institutions	465.6			710.8		
Pension premium loans	0.3			55.9		
Amounts owed to Group companies	4.0			3.9		
Other liabilities	3.6	928.7	30.0	2.3	983.3	30.1
Short-term liabilities (24)						
Bonds and debentures	0.1			13.1		
Loans from financial institutions	46.1			37.2		
Pension premium loans	0.0			93.8		
Advance payments	0.4			0.4		
Accounts payable	47.7			31.0		
Amounts owed to Group companies	80.9			118.6		
Amounts owed to associated companies	2.6			2.6		
Other liabilities	10.4			9.2		
Accruals and prepaid income (25)	99.5	287.7	9.2	99.6	405.5	12.4
Liabilities total		1 216.4	39.2		1 388.8	42.5
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL		3 099.3	100.0		3 267.9	100.0

Accounting Principles

The financial statements of Metsä-Serla 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). The main divergences compared with International Accounting Standards, IAS, are that revaluations are not amortized and that deferred taxes are calculated on appropriations as well as on periodized items having an impact on earnings and on measures related to consolidation but not on other temporary differences.

Currency used in the financial statements

The official financial statements of Metsä-Serla Corporation and the Metsä-Serla Group, which have been delivered to the Trade Register, have been prepared in Finnish markka amounts. For the Annual Report, the official financial statements have been translated into euro amounts.

Principles of consolidation

Group companies

Group companies are, in addition to Metsä-Serla Corporation and its subsidiaries, Metsä-Serla Corporation's parent company, Metsäliitto Osuuskunta and its other subsidiaries.

Subsidiaries

The consolidated financial statements include the accounts of Metsä-Serla Corporation and all those subsidiaries in which the parent company controlled, directly or indirectly, over 50% of the voting rights at 31 December 1999.

The financial period of all companies ended on 31 December 1999.

Subsidiaries acquired or established during the financial period have been consolidated from the date of their acquisition or formation. 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.

Certain housing and property subsidiaries have been excluded from the consolidated financial statements; the companies not included in the financial statements do not have a material effect on the result of the Group's operations and its financial position as presented in the financial statements.

The accounts of overseas subsidiaries have been consolidated using uniform accounting principles conforming to Finnish accounting practice and uni-

fied accounting principles applied by the Group.

Intra-Group share ownership has been eliminated using the acquisition method. The acquisition cost of a subsidiary in excess of its shareholders' equity at the time of acquisition is allocated to fixed assets if the book value of fixed assets is lower than the fair market value. Depreciation on the portion allocated to fixed assets has been entered according to the plan for the asset group in question. The unallocated portion is stated as goodwill under Assets in the balance sheet. The goodwill arising from the purchase of production capacity or a significant market share is amortized on a straight-line basis over the estimated economic life not exceeding ten years and other such items over five years.

All intra-Group balances, transactions and unrealized profits have been eliminated.

Minority interest has been disclosed separately from the Group shareholders' equity in the consolidated balance sheet and has been recorded as a separate deduction in arriving at the profit for the period in the consolidated profit and loss account.

Associated companies

Those companies in which Metsä-Serla Corporation controls, either directly or indirectly, 20-50% of the shares and voting rights are dealt with as associated companies. Associated companies are consolidated using the equity method. Metsä-Serla's share of the results of such companies is included in the profit and loss account under "Share of operating profit from associates."

Straight-line amortization of goodwill is charged under "Share of operating profit from associates".

Companies in which the Group has a 50% interest are consolidated using the proportional method. For each such 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% ownership. The method of consolidation does not have an effect on shareholders' equity items.

Goodwill arising on investments in associated companies represents the excess of the cost of investment over the Group's share of the net assets, as at the date when the associated company was first included in the consolidated financial statements using the equity method or at the date of acquisition, where this is later. Goodwill is amortized over five years or a longer estimated period of economic effect not exceeding ten years.

Investments in associated companies which are

not material to consolidated profits or shareholders' equity are included in the consolidated balance sheet at cost. A list of the major associated companies is given under "Shares and investments" on pages 69–71.

Turnover

Turnover is calculated after deduction of indirect sales taxes, trade discounts, refunds and exchange differences on sales. Freight costs and other sales and delivery costs as well as bad debts are dealt with in the profit and loss account as operating expenses.

Transactions and balance sheet items in foreign currency

In translating items denominated in foreign currency into Finnish markka amounts, the European Central Bank middle rate has been applied. Foreign currency-denominated items in the national currencies of states in the euro zone have been translated in accordance with the irrevocable conversion rates quoted by the European Central Bank.

The profit and loss accounts of overseas subsidiaries have been translated into Finnish markka amounts at the middle rate of the financial period and the balance sheets, according to the above mentioned principle, on the balance sheet date rate. Translation differences arising in the elimination of intra-Group shareholdings have been entered in non-restricted shareholders' equity.

Transactions in foreign currencies are recorded at the rates of exchange prevailing at 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 Finnish markka amounts at the exchange rate on the balance sheet date. Exchange rate differences arising in connection with the introduction of the euro were realized in 1998.

The treatment of exchange rate differences related to foreign currency bank accounts has been changed as from the beginning of 1998 such that the exchange rate differences arising from the translation of said accounts into Finnish markka amounts have been entered as an adjustment to turnover whereas previously they were included in net exchange gains or losses under financial income and expenses.

Exchange 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. The unrealized 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 exchange rate differences that have been realized have been entered as credits or charges to income concurrently with the cash flow hedged in accordance with the principles of hedge 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 contributions 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.

Contributions to the funded schemes, which are based on wage and salary costs, are charged in the profit and loss account on an accrual basis. Unfunded pension liabilities are included in the balance sheet under long-term liabilities with a corresponding amount included as an other receivable in the balance sheet. The costs of unfunded pensions liabilities will be charged to income in the year 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 lower of cost or net realizable value at the end of the financial period. Cost is determined on either a FIFO or an average cost basis. Cost is calculated to include the variable cost of manufacture and an appropriate proportion of the fixed costs of acquisition and manufacture.

Tangible fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation according to plan except for certain land, buildings and investments, 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 equipment 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. The capital element of lease payments is then applied to reduce the outstanding liability and the interest element is charged against profits. Payments made under other leases are charged against profits as rental costs. 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, including untaxed reserves

Taxable profit is based on profit before appropriations and taxes as increased or reduced by appropriations to or from untaxed reserves or the accumulated depreciation difference in Finland and some other countries. Certain appropriations are only deductible for tax purposes if they are recorded in the financial statements of the taxable entities.

In the financial statements of the parent company (and other such entities), these appropriations to or from untaxed reserves or the accumulated depreciation difference are recorded as an adjustment to profits before appropriations and taxes in arriving at the profit for the financial period, and accumulated appropriations are shown as a separate reserve in the balance sheet without tax effect. On consolidation, these appropriations are tax effected in the profit and loss account and the accumulated tax effect is recorded as a deferred tax liability in the balance sheet with the after-tax balance of appropriations included as part of non-restricted shareholders' equity.

In the consolidated balance sheet, accumulated

appropriations are divided into deferred tax liabilities and a portion attributed to non-restricted shareholders' equity, and a separate share is allocated to minority interest.

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 are calculated from 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.

Previously, tax liabilities were mainly calculated from appropriations, and deferred tax assets were not taken into account. As from the beginning of 1999, the accounting principles for deferred taxes have been harmonized within the entire Group. The cumulative effect of the change in accounting principles unified at 1 January 1999 have been entered as an extraordinary income item in the 1999 profit and loss account.

The corporate tax credit arising on intra-Group dividends has been eliminated in the consolidated profit and loss account by deducting it from direct taxes for the period.

Notes to the Accounts (Profit and Loss Account)

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 37-38.

2. Share of operating profit from associated companies

	Percentage holding	Share of profit	Goodwill amortization	Share of profits of the companies	Goodwill remaining
Mylykoski Paper Oy	35.0	12.1	8.6	3.5	62.7
Metsä-Rauma Oy	29.3	4.4	0.2	4.2	2.1
Other associated companies		-2.6		-2.6	0.5
		13.9	8.8	5.1	65.3

The unamortized amount of consolidated goodwill for associated companies was EUR 66.6 million at 31 Dec. 1999. (1998: EUR 58.83 million) and the amount of the Group reserve that was not credited to income was EUR 1.3 million (1998: EUR 0.45 million).

The Group's financial income at 31 December 1999 included EUR 1.19 million of interest income from associated companies (1998 EUR 1.19 million).

	Group		Parent company	
	1999	1998	1999	1998
3. Other operating income				
Rental income	4.2	5.8	3.6	4.3
Gains on disposal of fixed assets	23.9	10.5	14.4	7.6
Service revenues	10.3	6.5	10.3	5.4
Other items	17.9	10.1	3.3	3.3
	56.3	32.9	31.6	20.6
4. Employee costs				
Wages for working hours and fees	454.0	357.0	100.0	98.9
Pension expenses	64.5	58.3	26.9	22.8
Other employee expenses	166.9	146.9	54.0	52.5
	685.4	562.2	180.9	174.2
Salaries and emoluments paid to management				
Managing directors and their alternates	8.4	7.2	0.4	0.4
Members of the board and deputies	1.1	0.9	0.2	0.2
	9.5	8.1	0.6	0.6

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 off-balance-sheet pension liabilities on behalf of management.

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 37.

	Group		Parent company	
	1999	1998	1999	1998
5. Depreciation				
Depreciation according to plan				
Intangible rights	6.0	3.4	3.8	1.9
Purchased goodwill	4.3	2.4	2.2	2.2
Consolidation goodwill	16.5	15.3		
Other capitalized expenditure	6.3	6.9	5.8	6.3
Buildings and constructions	33.7	25.4	10.2	9.7
Machinery and equipment	217.8	190.1	77.0	76.6
Other tangible assets	2.3	2.0	0.5	0.5
Total depreciation according to plan	286.9	245.5	99.5	97.2
Depreciation difference			15.0	66.8
Total depreciation			114.6	163.9
6. Financial income and expenses				
Dividend income	1.3	2.1	58.7	13.7
Interest income from non-current investments	2.2	1.9	12.1	11.9
Other interest income	19.7	34.5	7.6	19.9
Other financial income	1.5	2.9	0.4	0.3
Write-downs on non-current investments	1.1			
Interest expenses	99.8	123.1	60.0	86.8
Other financial expenses	5.1	6.6	3.5	1.7
	-81.3	-88.3	15.3	-42.7
Exchange rate differences	-9.4	8.5	-24.1	14.5
Financial income and expenses total	-90.7	-79.8	-8.8	-28.2
7. Exchange gains/losses in the profit and loss account				
Exchange differences on sales				
Exchange differences on derivatives	-61.4	5.6	-36.1	4.8
Other exchange differences	30.1	-14.3	24.3	-10.6
	-31.3	-8.7	-11.8	-5.8
Exchange differences on purchases				
Exchange differences on derivatives		-0.8		0.1
Other exchange differences	0.4	-0.2	-0.4	0.2
	0.4	-1.0	-0.4	0.3
Exchange differences on financing				
Exchange gains				
Realized	1.5	96.8	0.9	5.8
Unrealized	1.2	10.1		11.1
Exchange losses				
Realized	-4.4	-96.2	-3.5	-0.8
Unrealized	-7.7	-2.2	-21.4	-1.6
	-9.4	8.5	-24.1	14.5
Exchange differences total	-40.3	-1.2	-36.3	9.0

Notes to the Accounts (Profit and Loss Account)

	Group		Parent company	
	1999	1998	1999	1998
8. Extraordinary income and expenses				
Extraordinary income				
Profit on sales of shares		10.6		4.7
Change in calculation principles of deferred taxes	29.4			
Group contributions received			9.1	9.3
Other		7.8	0,0	3.1
	29.4	18.4	9.1	17.1
Extraordinary expenses				
Losses on mergers			70.2	
Group contributions granted			1.4	2.7
Others	2.5	2.0		1.9
	2.5	2.0	71.6	4.6
9. Direct taxes				
Income taxes for the financial period	-88.7	-58.0	-39.7	-25.5
Income taxes for previous periods	-0.4	-0.7	-0.1	-0.1
Change in deferred taxes	-9.1	-43.2		
	-98.2	-101.9	-39.8	-25.6
Income taxes on ordinary operations	-97.8	-96.6		-22.0
Income taxes on extraordinary items		-4.6		-3.5
	-97.8	-101.2		-25.6
Change in deferred tax liabilities				
From appropriations and other periodization differences	4.9	44.8		
From consolidation	6.6			
Translation differences	-1.2			
Netting against assets	5.5	-1.6		
	15.8	43.2		
Change in deferred tax assets				
From appropriations and other periodization differences	2.7	1.6		
From consolidation	-1.6			
Netting against liabilities	5.5	-1.6		
	6.6	0.0		

The principles of calculating deferred taxes have been unified within the Group as from the beginning of 1999. The cumulative effect of the change in principles of calculation at 1 January 1999, EUR 29.4 million, has been booked as extraordinary income in the 1999 profit and loss account.

10. Intangible and tangible assets

	Intangible rights	Purchased good-will	Con-solidation goodwill	Other capitalized expenditure	Land	Buildings	Plant and equip-ment	Other tangible assets	Construc-tion in progress
Group									
Acquisition costs, 1 Jan.	31.5	36.0	199.0	43.0	100.7	755.7	3 103.2	35.7	60.2
Increases during the period	18.1	3.0	32.2	1.0	14.2	34.6	179.3	1.1	114.5
Transfers between items				-0.2		8.2	69.3	-0.5	-76.8
Decreases during the period	-3.2	-0.2	-16.7	-0.8	-0.4	-4.3	-86.7	-0.5	-20.5
Acquisition costs, 31 Dec. 1999	46.4	38.8	214.5	43.0	114.5	794.2	3 265.1	35.8	77.4
Accumulated depreciation 1 Jan.	-18.9	-6.2	-102.8	-25.8	-0.5	-188.6	-1 279.4	-17.4	
Accumulated difference on deductions and transfers	1.5		10.2	0.9	0.2	4.0	48.8	-0.4	
Depreciation for the period	-6.0	-4.3	-16.5	-6.3		-33.7	-217.7	-2.3	
Accumulated depreciation 31 Dec. 1999	-23.4	-10.5	-109.1	-31.2	-0.4	-218.2	-1 448.3	-20.1	
Revaluations					154.1	37.3			
Book value, 31 Dec. 1999	23.0	28.3	105.4	11.8	268.2	613.2	1 816.8	15.7	77.4
Book value, 31 Dec. 1998	12.6	29.8	96.2	17.2	250.7	604.4	1 823.7	18.3	60.2

Increases/decreases include fixed assets of subsidiaries acquired/sold.

The "Plant and equipment" account includes EUR 1,768.3 million for production machinery and equipment.

	Intangible rights	Purchased good-will	Other capitalized expenditure	Land	Buildings	Plant and equip-ment	Other tangible assets	Construc-tion in progress
Parent company								
Acquisition costs, 1 Jan.		15.6	20.0	32.1	36.7	244.3	1 102.5	10.9
Increase during the period		10.8		0.4	12.3	6.9	40.0	0.7
Transfers between items		0.1				0.0	1.5	0.1
Degrease during the period		-2.2		-0.8	-0.3	-3.9	-2.5	-0.1
Acquisition costs, 31 Dec. 1999		24.4	20.0	31.7	48.7	247.3	1 141.4	11.6
Accumulated depreciation 1 Jan.		-9.0	-4.5	-17.6	-0.3	-51.5	-332.4	-4.5
Accumulated depreciation on deductions and transfers		2.2		0.7	0.3	3.8	2.0	0.1
Depreciation for the period		-3.8	-2.2	-5.8	-0.1	-10.1	-76.9	-0.5
Accumulated depreciation 31 Dec. 1999		-10.7	-6.7	-22.7	-0.1	-57.8	-407.3	-5.0
Revaluations					135.1			
Book value, 31 Dec. 1999		13.7	13.2	9.0	183.7	189.4	734.1	6.6
Book value, 31 Dec. 1998		6.6	15.4	14.5	171.5	192.8	770.5	6.3

The "Plant and equipment" account includes EUR 688.8 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 and constructions" at 31 Dec. 1999 was EUR 2.1 million (1998: EUR 2.45 million) and under the balance sheet item "Machinery and equipment" it was EUR 8.9 million for the Group (1998: EUR 11 million) and for the parent company it was EUR 7.6 million (1998 EUR 8.68 million).

There were no capitalized interest expenses during the 1999 financial year.

Notes to the Accounts (Profit and Loss Account)

11. Investments

	Shares in Group companies	Shares in associated companies	Other shares and and partici- pations	Receiv- ables from Group companies	Receiv- ables from associated companies	Other current receiv- ables	Total
Group							
Acquisition costs, 1 Jan. 1999	5.7	150.3	57.7	14.3	14.0	11.8	253.8
Increases during the period		13.2	0.4	8.2		2.7	24.5
Decreases during the period	-5.0	-1.1			-13.9		-20.0
Transfers between items						-1.2	-1.2
Acquisition costs, 31 Dec. 1999	0.7	162.4	58.1	22.5	0.1	13.3	257.1
Revaluations			6.7				6.7
Reductions in revaluations			-1.8				-1.8
Book value, 31 Dec. 1999	0.7	162.4	63.0	22.5	0.1	13.3	262.0
Parent company							
Acquisition costs, 1 Jan. 1999	408.6	146.8	50.0	307.3	13.3	5.5	931.5
Increases during the period	381.6	1.7	11.9	157.5	0.1	125.1	678.0
Decreases during the period	-151.2	-0.1	-9.6	-154.7		-125.1	-440.8
Transfers between items	-0.1	-0.1		13.3	-13.3		0
Acquisition costs, 31 Dec. 1999	638.9	148.5	52.3	323.5	0.1	5.5	1 168.7
Revaluations	1.7						1.7
Book value, 31 Dec. 1999	640.6	148.5	52.3	323.5	0.1	5.5	1 170.4

12. Revaluations

	1 Jan.	Increases	Decreases	31 Dec.
Group				
Land	154.1			154.1
Buildings	37.3			37.3
Shares	6.7		-1.8	4.9
	198.1		-1.8	196.3
Parent company				
Land	135.1			135.1
Shares	1.7			1.7
	136.8			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 56.9 million for the Group and EUR 39.7 million for the parent company, when calculated according to a 29% tax base.

13. Loan receivables from management

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

	Group		Parent company	
	1999	1998	1999	1998
14. Current assets / long-term receivables				
Receivables from Group companies	14.2			
Tax assets	6.7			
	20.9			
15. Current assets / short-term receivables				
Amounts owed by Group companies				
Accounts receivable	1.4	1.1	201.3	167.7
Loan receivables	52.6	38.6	2.5	3.7
Other current receivables		0.7	332.6	564.6
Prepayments and accrued income	2.5	0.3	14.8	7.2
Amounts owed by associated companies				
Accounts receivable	1.1	0.5	0.1	0.2
Loan receivables	1.5	0.8		
Other current receivables	0.7	0.0	0.7	
Prepayments and accrued income	0.4	1.2		1.2
Amounts owed by others				
Accounts receivable	796.8	586.6	20.3	14.8
Loan receivables	0.1	0.4		0.0
Other current receivables	74.8	85.4	25.0	20.9
Prepayments and accrued income	51.8	25.1	13.3	7.5
	983.7	740.7	610.6	787.8
16. Prepayments and accrued income				
Interest	11.2	4.4	0.7	2.1
Insurance	3.5	4.6	2.1	1.4
Discounts	6.7	4.0	2.3	0.3
Others	30.4	12.1	8.2	3.7
	51.8	25.1	13.3	7.5
17. Interest-bearing receivables				
Loan receivables and other non-current assets	29.3	194.8	324.3	321.4
Liquid funds and other current assets	306.2	183.6	311.3	509.6
	335.5	378.4	635.6	831.0

Notes to the Accounts (Profit and Loss Account)

18. Shareholders' equity

	Group		Parent company	
	1999	1998	1999	1998
Share capital, 1 Jan.				
Series A shares	61.1	61.1	61.1	61.1
Series B shares	172.7	172.7	172.7	172.7
Share capital, 31 Dec.	233.8	233.8	233.8	233.8
Share premium account, 1 Jan.	260.4	260.4	260.4	260.4
Share premium account, 31 Dec.	260.4	260.4	260.4	260.4
Revaluation reserve, 1 Jan.	104.7	105.5	81.7	81.7
Increases/decreases during the period		-0.8		
Revaluation reserves, 31 Dec.	104.7	104.7	81.7	81.7
Reserve funds and reserves stipulated by the Articles of Association at 1 Jan.	0.3			
Revaluations/Reductions in revaluations	1.3	0.3		
Reserve funds and reserves stipulated by the Articles of Association at 31 Dec.	1.6	0.3		
Retained earnings, 1 Jan.	917.0	786.5	472.0	448.0
Dividends paid	-60.8	-42.1	-60.8	-42.1
Transfers to restricted equity	-1.3	-0.3		
Change in translation differences on consolidation	9.0	-7.6		
Other increase/decrease	1.8	-1.7		
Profit for the financial period	207.7	182.2	40.8	66.1
Retained earnings, 31 Dec.	1 073.4	917.0	452.0	472.0
Convertible subordinated capital notes issued				
Convertible subordinated capital notes, 1 Jan.	310.4	310.4	310.4	310.4
Convertible subordinated capital notes, 31 Dec.	310.4	310.4	310.4	310.4
Shareholders' equity	1 984.3	1 826.6	1 338.3	1 358.3

Convertible subordinated capital notes

The convertible subordinated capital 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 1000.

The notes carry interest at 4.375% and may be used to subscribe for the company's shares at a price of FIM 57.9735 (EUR 9.75) each. In conjunction with such conversion, the USD denominated notes will be converted into Finnish markkaa using the exchange rate USD 1 = FIM 5.2738 (EUR 0.887). Conversion of all notes will lead to a maximum increase in the share capital of FIM 318,393,020 (EUR 53,549,862).

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.

	Group	
	1999	1998
Distributable funds		
Retained earnings	1 073.4	917.0
Untaxed reserves in shareholders' equity	-483.9	-471.2
Distributable funds	589.5	445.8
Untaxed reserves, 31 Dec.		
Accumulated depreciation difference	896.4	872.1
Other reserves	0.7	1.7
	897.1	873.8
Deferred tax liability in untaxed reserves	-284.0	-276.0
	613.1	597.8
Minority interest in untaxed reserves	-69.7	-70.0
	543.4	527.8
Reserves at the date of acquisition	-59.5	-56.6
Untaxed reserves in shareholders' equity, 31 Dec.	483.9	471.2

19. Provision for liabilities and charges

	1 Jan.	Increase	Decrease	31 Dec.
Group				
Pension liability reserve	32.7	4.6	-24.6	12.7
Provision for unemployment pension costs	7.2	3.3	-1.2	9.3
Provision for expenses on closure of businesses	6.3	12.8	-8.4	10.7
Provision for rental costs	4.8		-0.3	4.5
Other provisions	5.1	2.9	-3.9	4.1
	56.1	23.6	-38.4	41.3
Parent company				
Pension liability reserve	5.8		-0.3	5.5
Provision for unemployment pension costs	4.9	1.7	-1.7	5.0
Provision for expenses on closure of businesses	1.0		-0.1	0.9
Provision for rental costs	4.8		-0.2	4.6
	16.5	1.7	-2.3	16.0

Notes to the Accounts (Profit and Loss Account)

20. Liabilities

	Group		Parent company	
	1999	1998	1999	1998
Long-term				
Non-interest bearing	244.7	261.5	1.0	
Interest bearing	1 272.7	1 412.6	927.7	983.3
	1 517.4	1 674.1	928.7	983.3
Short-term				
Non-interest bearing	729.5	570.8	185.7	163.1
Interest bearing	336.6	274.5	102.0	242.4
	1 066.1	845.3	287.7	405.5
Bonds				
	Interest-%			
1993 - 1999	3.77		13.0	13.0
1994 - 2001	4.29	62.2	67.3	67.3
1996 - 2002	7.55	143.0	143.0	143.0
1999 - 2002	3.81	35.0	35.0	
1999 - 2004	3.63	10.0	10.0	
1999 - 2006	4.88	195.0	200.0	
Total		445.2	223.3	455.2
				223.3
Bonds with equity warrants				
1994 - 1999	5.0		0.03	0.03
1997 - 2000 ¹⁾		0.13	0.13	0.13
		445.3	223.5	455.3
				223.5

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 FIM 1,000 (EUR 168.19) each. Each bond carries 200 I equity warrants and 400 II equity warrants. The bonds were repaid in their entirety on the due date, 2 May 1999, and share subscriptions were not made during the subscription period for the I equity warrant.

The II equity warrants entitle their holders to subscribe, during the period from 3 May 1999 to 2 May 2001, five Metsä-Serla Corporation Series B shares with a nominal value of FIM 10 (EUR 1.68) at a price of FIM 56 (EUR 9.42).

- ¹⁾ Bonds with equity warrants (1997-2000) have been issued to the Group's Management. The bonds mature in three years and carry no interest. The issue consists of 750 bonds with a nominal value of FIM 1,000 (EUR 168.19) each. Each bond carries 1,200 Series A equity warrants, 1,200 Series B equity warrants and 1,600 Series C equity warrants.

Each warrant is exercisable into one Metsä-Serla Series B share with a nominal value of FIM 10 (EUR 1.68) at a fixed subscription price of FIM 52 (EUR 8.75).

The share subscription periods begin as follows:

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

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

21. Long-term debts with amortization plan

	Bonds	Bank loans	Pension loans	Other loans	Total
2000	0.1	126.4	0.6	56.4	183.5
2001	62.2	54.3	0.6	0.9	118.0
2002	178.0	137.6	0.6	0.8	317.0
2003		376.5	0.6	1.2	378.3
2004	10.0	119.2	0.5	0.4	130.1
2005-	195.0	59.4	8.7	2.4	265.5
Total, 31 Dec. 1999	445.3	873.4	11.6	62.1	1 392.4

22. Deferred taxes

	Group	
	1999	1998
Deferred tax liability		
For periodization differences	289.2	284.3
For appropriations	6.6	
Netting against assets	-54.3	-59.8
Total	241.5	224.5
Change in accounting policy total		29.4
Total	241.5	253.9
Tax assets		
For periodization differences	23.2	20.4
For appropriations	37.8	39.4
Netting against liabilities	-54.3	-59.8
Total	6.7	0.0

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 54.9 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		Parent company	
	1999	1998	1999	1998
Amounts owed to Group companies				
Other liabilities			4.0	3.9
Amounts owed to others				
Bonds and debentures	445.2	210.4	455.2	210.4
Loans from financial institutions	732.0	959.7	465.6	710.8
Pension premium loans	11.0	109.1	0.3	55.9
Deferred tax liabilities	241.5	253.9		
Other liabilities	85.9	139.3	3.6	2.3
Accruals and deferred income	1.8	1.7		
	1 517.4	1 674.1	928.7	983.3

Notes to the Accounts (Balance Sheet)

24. Short-term liabilities

	Group		Parent company	
	1999	1998	1999	1998
Amounts owed to Group companies				
Accounts payable	15.1	12.7	17.9	14.5
Other liabilities	18.8	4.9	56.1	99.7
Accruals and deferred income	12.9	8.1	6.9	4.4
Amounts owed to associated companies				
Accounts payable	6.8	4.4	2.6	2.5
Accruals and deferred income		0.1		0.1
Amounts owed to others				
Bonds and debentures	0.1	13.1	0.1	13.1
Loans from financial institutions	236.1	139.6	46.1	37.2
Pension premium loans	0.6	98.4		93.8
Advance payments	1.7	0.8	0.4	0.4
Accounts payable	287.0	216.1	47.7	31.0
Bills of exchange, payable	0.2	0.2		
Other liabilities	176.6	98.9	10.4	9.2
Accruals and deferred income	310.3	248.1	99.5	99.6
	1 066.2	845.4	287.7	405.6

25. Accruals and deferred income

Long-term				
Compensation and contribution commitments	1.6	1.6		
Others	0.2	0.1		
	1.8	1.7		
Short-term				
Accruals of wage, salary and staff costs	67.2	61.3	24.9	25.3
Tax periodization	85.5	62.6	15.7	16.0
Interests	30.5	28.1	23.4	24.6
Accruals of purchases	46.6	19.1	5.2	11.0
Freight costs	3.6	16.3	0.7	0.1
Provisions for discounts	23.0	14.2	11.2	13.3
Others	53.8	46.5	18.4	9.2
	310.3	248.1	99.5	99.5

26. Contingent liabilities

	Group		Parent company	
	1999	1998	1999	1998
For own liabilities				
Liabilities secured by pledges				
Loans from financial institutions	0.4	0.3		
Other liabilities	0.7	0.1		
Pledges granted	1.9	0.4		
Liabilities secured by mortgages				
Loans from financial institutions	192.2	334.1	102.5	173.6
Pension loans		32.3		
Real-estate mortgages	234.1	387.5	102.5	173.6
On behalf of Group companies				
Pledges		1.9		
Real-estate mortgages	3.7	3.7	3.7	3.7
Guarantee liabilities	15.7	5.2	956.3	753.1
On behalf of associated companies				
Real-estate mortgages	0.3	0.3	0.3	0.3
Guarantee liabilities	0.8	14.6		13.6
On behalf of others				
Pledges	0.3	0.3		
Real-estate mortgages	0.0	0.1		
Guarantee liabilities	29.1	2.4	25.7	0.6
Other liabilities				
As security for own commitments	0.3	10.5		9.6
Leasing commitments				
Payments due in following year	12.8	10.6	3.5	3.3
Payments due in subsequent years	63.1	41.0	28.3	30.2
Total				
Mortgages	238.1	391.5	106.5	177.5
Pledges	2.2	2.5		
Guarantees	45.6	22.2	982.0	767.3
Promissory notes	1.3	0.2		
Other liabilities	0.3	10.5		9.6
Leasing liabilities*	75.9	51.7	31.5	33.5
	363.3	478.6	1 119.9	987.9

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

Notes to the Accounts

Group		
	Group	
	1999	1998
Financial lease agreements		
Value of assets in the consolidated balance sheet		
Land	0.5	0.5
Plant and equipment	21.9	22.2
Buildings	3.4	3.8
	25.9	26.5
Financial lease liabilities		
Short-term	3.6	2.3
Long-term	38.3	40.2
	42.0	42.5
Future leasing payments		
Year 1999		4.6
Year 2000	4.7	4.6
Year 2001	4.7	4.6
Year 2002	4.7	4.6
Year 2003	4.5	4.6
Year 2004	4.0	4.6
Next years	22.5	22.8
Future leasing payments, total	45.1	50.6

Group				
	1999			1998
	Gross amount,	of which converted contracts	Unrecognized valuation difference	Gross amount
Liabilities due to open derivative contracts				
I Interest rate derivatives				
Forward agreements	2 919.0	2 784.0		4 558.3
Options				
Purchased	1 563.5	1 531.4	0.0	241.7
Sold	1 531.4	1 531.4		699.9
Interest rate swap agreements	577.6	227.3	-14.0	565.9
II Currency derivatives				
Forward agreements	777.4	256.9	-10.2	1 454.7
Options				
Purchased	417.9	140.0	-6.2	1 092.4
Sold	460.9	140.0	-2.1	1 243.8
Foreign currency swaps				
III Equity derivatives				
Equity swap agreements				10.0

Under the terms of the syndicated loan raised by Metsä-Rauma, the shareholders have undertaken to ensure that certain conditions relating to assets and other matters are met, each shareholder's commitment being in proportion to its shareholding, subject to a maximum of FIM 500 million (EUR 84.1 million). Metsä-Serla owns 27.8% of Metsä-Rauma's shares.

In addition, long-term loan receivables include a capital loan of FIM 79.2 million (EUR 13.3 million) to Metsä-Rauma's largest shareholders in proportion to their shareholdings in accordance with Chapter 5 of the Companies Act. The interest on the loan is 9% and it has a maturity of 15 years beginning on 23 October 1995. The loan will be repaid in its entirety in one or more instalments during 1997-2010.

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
Shares and participations owned by the same group								
Biowatti Oy	Finland	6 400	3.00	6.57	FIM	320	EUR	54
Metsäliitto Osuuskunta	Finland	179 171			FIM	3 583	EUR	607
Shares in subsidiaries								
in Finland								
Alakoski Oy	Finland	5 278	52.78	52.78	FIM	5	EUR	27
Amerpap Oy	Finland	5 600	100.00	100.00	FIM	28 000	EUR	4 719
Oy Board International Ab	Finland	796	100.00	100.00	FIM	80	EUR	115
Eastpac Oy	Finland	30	100.00	100.00	FIM	15	EUR	3
Forest Alliance Oy	Finland	10 000	89.97	100.00	FIM	10 000	EUR	3 347
Oy Hangö Stevedoring Ab	Finland	113	75.33	75.33	FIM	565	EUR	2 700
Oy Metsä-Botnia Ab *	Finland	35 286	52.31	52.31	FIM	352 860	EUR	246 888
Metsä Group Financial Services Oy	Finland	25 500	51.00	51.00	FIM	25 500	EUR	5 147
Metsä Tissue Oyj	Finland	19 675 000	65.58	65.58	FIM	196 750	EUR	96 986
Neopac Oy	Finland	22 000	100.00	100.00	FIM	11 000	EUR	5 637
Savon Sellu Oy	Finland	200 010	100.00	100.00	FIM	20 001	EUR	11 773
Takon Kotelotehdas Oy	Finland	330 101	100.00	100.00	FIM	33 010	EUR	6 352
In other countries								
AB Medienos Plausas	Lithuania	2 772 670	98.57	98.57	LTL	27 773	EUR	10 643
A/S Neopac Elkson	Estonia	5 000	100.00	100.00	EEK	5 000	EUR	317
A/S Rõngasill	Estonia	3	100.00	100.00	EEK	10 000	EUR	630
Carl Jonsson Papper A/S	Norway	7 800	100.00	100.00	NOK	1 950	EUR	874
Forest Alliance Scandinavia AS	Norway	50	100.00	100.00	NOK	50	EUR	5
Forest House B.V.	The Netherlands	400	100.00	100.00	NLG	40	EUR	14
Grafiskt Papper Norden AB *	Sweden	11 000	100.00	100.00	SEK	957	EUR	322
Metsä-Serla A.G.	Switzerland	188	100.00	100.00	CHF	94	EUR	24
Metsä-Serla Holding GmbH	Germany		100.00	100.00	DEM	50	EUR	33 125
Metsä-Serla Holdings Plc	Great Britain	114 750 000	100.00	100.00	GBP	114 750	EUR	170 342
Metsä-Serla NL Holding B.V.	The Netherlands	5 350	100.00	100.00	NLG	4 650	EUR	4 266
Neopac A/S	Denmark	189 000	100.00	100.00	DKK	18 900	EUR	11 194
OAo Komsomolets	Russia	290 013	92.24	92.24	MRUR	26 101	EUR	5 604
Price & Pierce Holdings B.V.	The Netherlands	28	70.00	70.00	NLG	28	EUR	3 535
Silva International Paper Holdings B.V.	The Netherlands	1 000	100.00	100.00	NLG	1 000	EUR	13 670
Associated companies								
Kemi Shipping Oy	Finland	140 000	0.00	50.00	FIM	1 400	EUR	81
Metsäliitto-Yhtymän Tehdasmittaus Oy	Finland	100	25.00	25.00	FIM	100	EUR	17
Metsämannut Oy	Finland	40	30.00	35.23	FIM	40	EUR	7
Metsä-Rauma Oy	Finland	2 953 920	27.77	29.34	FIM	147 696	EUR	29 399
Mittaportti Oy	Finland	800	0.00	26.67	FIM	40	EUR	7
MMM Logisware Oy	Finland	1 500	33.33	33.33	FIM	2	EUR	506
Myllykoski Paper Oy	Finland	105 000	35.00	35.00	EUR	21 000	EUR	122 178
Mäntän Energia Oy	Finland	2 000	25.00	41.40	FIM	1 000	EUR	168
Paperinkeräys Oy	Finland	18 186	20.20	20.20	FIM	182	EUR	31
Plastiroll Oy	Finland	39	0.00	39.00	FIM	39	EUR	84
Simon Turvejaloste Oy	Finland	10	0.00	33.33	FIM	100	EUR	17
Oy Transfennica Ab	Finland	43 132	32.73	37.10	FIM	4 313	EUR	3 526
Yhteistoiminta Oy	Finland	50	0.00	50.00	FIM	200	EUR	34
Fin-Trans A/S	Denmark	267	0.00	24.12	DKK	134	EUR	51
Ultimatic Systems GmbH	Switzerland	70	0.00	30.61	CHF	700	EUR	1 908
Varant N.V.	Belgium	8 896	0.00	26.61	BEF	8 896	EUR	615
Varma Services Ltd	Great Britain	2 980	0.00	28.27	GBP	3	EUR	295

* Goodwill is amortized over ten years.

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

Notes to the Accounts

	Country	Number of shares	Parent company's holding, %	Group's holding, %	Currency	Nominal value of shares, thousand	Currency	Book value, thousand
Subgroups in Finland								
Amerpap Oy								
- Amerpap Eesti AS	Estonia	500	100.00	100.00	EEK	500	EUR	701
- Amerpap Latvia SIA	Latvia	4 000	100.00	100.00	LVL	400	EUR	1 083
- Amerpap Poligrafija UAB	Lithuania	20 000	100.00	100.00	LTL	2 000	EUR	1 139
Oy Board International Ab								
- Board AG	Switzerland	500	100.00	100.00	CHF	50	EUR	13
Eastpac Oy								
- ZAO Neopac Kuban	Russia	1 306 810	100.00	100.00	RBL	130 681	EUR	10 679
Oy Metsä-Botnia Ab								
- Botnia Pulps GmbH	Germany	1 000	100.00	100.00			EUR	51
- Botnia Pulps Ltd	Germany	1 000	100.00	100.00			EUR	31
- Oy Botnia Mill Services Ab	Finland	3 600	60.00	60.00	EUR	605	EUR	605
- H&H Automaatio Oy	Finland	100	100.00	100.00	EUR	4	EUR	147
- Kaskisten Lämpö Oy	Finland	350	70.00	70.00	EUR	59	EUR	352
- Oy Silva Shipping Ab	Finland	300 000	100.00	100.00	EUR	336	EUR	882
Metsä Tissue Oyj								
- Metsä Tissue Holding GmbH	Germany		100.00	100.00	DEM	29 150	EUR	14 906
- Metsä Tissue GmbH	Germany		100.00	100.00	DEM	22 560	EUR	17 250
- Metsä Tissue Immobilienverwaltungs GmbH	Germany		100.00	100.00	DEM	50	EUR	9
- Metsä Tissue S.a.r.l.	France	99	99.00	99.00	FRF	50	EUR	82
- Metsä Tissue Ltd	Great Britain	100	100.00	100.00	GBP	0	EUR	72
- Tissu Canarias S.A.	Spain	39 092	63.05	63.05	ESP	19 546	EUR	26
- Metsä Tissue S.A.	Poland	1 000	100.00	100.00	PLN	100	EUR	599
- Warszawskie Zakłady Papiernicze S.A.	Poland	1 280 438	79.28	79.28	PLN	4 179	EUR	11 769
- Metsä Tissue Holding AB	Sweden	100 000	100.00	100.00	SEK	100 000	EUR	52 979
- Metsä Tissue AB	Sweden	2 000 000	100.00	100.00	SEK	200 000	SEK	576 450
- Metsä Tissue A/S	Sweden	1 000	100.00	100.00	DKK	500	SEK	270
- Metsä Tissue AS	Sweden	6 020	100.00	100.00	NOK	602	SEK	482
Forest Alliance Oy								
- Baltic Forest Terminals Ltd	Poland	1 000	96.00	100.00	PLZ	100	EUR	168
- Forest Alliance CZ S.r.o.	Czech Republic		100.00	100.00	CZK	100	EUR	3
- Forest Alliance France S.A.	France	8 211	100.00	100.00	FRF	821	EUR	219
- Forest Alliance Hong Kong Ltd	Hong Kong	100	99.00	100.00	HKD	10	EUR	1
- Forest Alliance Ibérica S.A.	Spain	10 000	100.00	100.00	ESP	10 000	EUR	67
- Forest Alliance Ireland Ltd	Ireland	5 000	100.00	100.00	IEP	5	EUR	6
- Forest Alliance Italia S.r.l.	Italy	100 000	100.00	100.00	ITL	100 000	EUR	51
- Forest-Alliance Kft	Hungary	10	90.00	100.00	HUF	1 000	EUR	14
- Forest Alliance Nederland B.V.	The Netherlands	400	100.00	100.00	NLG	40	EUR	20
- Forest Alliance Polska Ltd	Poland	2 320	100.00	100.00	PLZ	116	EUR	54
- Forest Alliance Portugal Lda	Portugal		95.00	100.00	PTE	400	EUR	2
- Forest Alliance Pte Ltd	Singapore	10 000	100.00	100.00	SGD	10	EUR	4
- Forest Alliance Scandinavia A/S	Norway	1 430	100.00	100.00	DKK	715	EUR	64
- Forest Alliance Scandinavia AB	Sweden	1 000	100.00	100.00	SEK	100	DKK	41
- Forest Alliance Slovakia S.r.o.	Slovak		100.00	100.00	SKK	100	EUR	6
- Forest Alliance UK Ltd	Great Britain	25 000	100.00	100.00	GBP	25	EUR	264
- Forest Alliance USA Corporation	USA	180	100.00	100.00	USD		EUR	4
- Forest Logistics N.V.	Belgium	750	75.00	75.00	BEF	1 875	EUR	47
- Metsä-Serla Direx Oy	Finland	3 000	100.00	100.00	FIM	3 000	EUR	505
- N.V. Forest Alliance Belgium S.A.	Belgium	1 250	99.92	100.00	BEF	1 250	EUR	34

	Country	Number of shares	Parent company's holding, %	Group's holding, %	Currency	Nominal value of shares, thousand	Currency	Book value, thousand
Subgroups in other countries								
Metsä-Serla Holding GmbH								
- Forest Alliance Deutschland GmbH								
	Germany	2	100.00	100.00	DEM	100	DEM	350
- Metsä-Serla Papier GmbH	Germany	1	100.00	100.00	DEM	50	DEM	33 940
- Papierfabrik Albruck GmbH & Co.KG *	Germany		50.00	50.00			DEM	172 332
- MD Papier GmbH & Co.KG *	Germany		50.00	50.00			DEM	213 079
Metsä-Serla NL Holding B.V.								
- Papierfabrik Biberist AG	Switzerland	10 000	100.00	100.00	CHF	10 000	NLG	13 365
- Winpac B.V.	The Netherlands	3 000	100.00	100.00	NLG	3 000	NLG	11 169
Metsä-Serla Holdings Plc								
- Alliance Paper Group Plc *	Great Britain	1 041 334	100.00	100.00	GBP	1 041	GBP	16 830
- Classic Papers Ltd	Great Britain	246 465	100.00	100.00	GBP	246	GBP	6 904
- Cuppy Paper Ltd *	Great Britain	7 000 000	100.00	100.00	GBP	7 000	GBP	14 445
- Hedsor Ltd *	Great Britain	495 000	100.00	100.00	GBP	495	GBP	5 527
- Grovehurst Energy Ltd	Great Britain	50	50.00	50.00	GBP		GBP	400
- New Thames Paper Company Ltd	Great Britain	88 000 000	100.00	100.00	GBP	88 000	GBP	58 206
- UK Paper (Graphic and Business Papers) Ltd	Great Britain	72 800 001	100.00	100.00	GBP	72 800	GBP	14 020
- UK Paper Group Services Ltd	Great Britain	26 314 842	100.00	100.00	GBP	26 315	GBP	5 659
Neopac A/S								
- Søren Berggreen & CO. A/S	Denmark	300	100.00	100.00	DKK	3 000	DKK	50 463
Price & Pierce Holdings B.V.								
- Price & Pierce Inc	USA	375 000	100.00	100.00	USD		NLG	5 940
- 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		NLG	6 600
- Price & Pierce (HK) Ltd	Hong Kong	99 999	100.00	100.00	HKD		NLG	660
Silva International Paper Holdings B.V.								
- Cartonpack S.A.	Greece	618 917	91.80	91.80	GRD	2 030 048	NLG	29 323
		28 998	8.20	8.20	USD	2 900		
- Cretan Paper Mill S.A.	Greece	654 000	100.00	100.00	GRD	654 000	GRD	636 246
Other shareholdings								
Keräyskuitu Oy	Finland	4 378	14.60	14.60	FIM	4 378	EUR	771
Keskuslaboratorio Oy	Finland	1 282 105	18.70	21.41	FIM	1 282	EUR	369
MSC Metsa Speciality Chemicals Oy								
	Finland	600 000	19.24	19.24	FIM	18 000	EUR	10 091
Pohjolan Voima Oy	Finland	1 373 697	2.49	3.30	FIM	13 723	EUR	28 849
Sato-Yhtymä Oy	Finland	32 110			FIM	321	EUR	2 805

* Goodwill is amortized over ten years.

The book value of listed shares was EUR 97.1 million and the market value was EUR 248.2 million.

Shares and Shareholders

Share capital and shares at 31 December 1999

The company's paid-in share capital at 31 December 1999 was FIM 1 389 994 250. The company has a total of 138 999 425 shares, which are divided into 36 340 550 Series A shares and 102 658 875 Series B shares. All shares have a nominal value of FIM 10. Each Series A share entitles its holder to 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 FIM 1 billion and not more than FIM 4 billion. The issued share capital may be increased or decreased within these limits without amendments to the Articles of Association.

Stock exchange listings and shareprices

Metsä-Serla'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, Metsä-Serla's Series B shares are on the Freiverkehr (Brokers') list.

During 1999, a total of 53.0 million Metsä-Serla shares were traded on Helsinki Exchanges (72.9 million) and 56.4 million on the London Stock Exchange (31.3 million). At the end of the year, 36.2 per cent of the company's shares were owned by non-Finnish nationals (37.0 %), of which 99.7% were registered with a nominee. The quotation of Metsä-Serla's Series A shares rose by 57.2 per cent and for the Series B shares it rose by 65.5 per cent during 1999. The highest quotation for Series A shares was EUR 11.40 and for Series B shares the highest quotation was EUR 11.70. The lowest quotations were EUR 5.90 for Series A shares and EUR 5.85 for Series B shares. The average share prices were EUR 8.14 (7.72) and EUR 8.25 (7.76), respectively. At the end of the year the company's market capitalization was EUR 1,589.1 million (EUR 975.5 million).

Bond loans with equity warrants; directors' interest

Bond loan with equity warrants 1997

In 1997 the Group issued FIM 750 000 of bonds with equity warrants targeted at key employees. The bonds mature in three years and carry no interest.

Each bond has a nominal value of FIM 1 000 and carries 1 200 A warrants, 1 200 B warrants and 1 600 C warrants. Each warrant entitles its holder to subscribe for one Metsä-Serla Series B share with a nominal value of FIM 10 at a price of FIM 52.

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 begins 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 2 782 000 and the share capital by FIM 27.8 million. This represents 2.00 per cent of the company's share capital and 0.34 per cent of the total number of votes.

Bond loan with equity warrants 1994

In 1994, the company issued bonds with equity warrants to a total value of FIM 260 000 for subscription by the company's management. The loan period is 2 May 1994 to 2 May 1999 and the interest is 5 per cent. Each FIM 1 000 bond carries 200 I warrants and 400 II warrants.

The subscription period for the I warrants ended on 2 May 1999. No share subscriptions were made. Each II warrant entitles its holder to subscribe for five Metsä-Serla Series B shares with a nominal value of FIM 10 each at a fixed price of FIM 56 during the period 3 May 1999 to 2 May 2001.

If all the warrants of the 1994 issue are exercised, the number of Metsä-Serla's shares outstanding can rise by a maximum of 320 000 Series B shares and the share capital by a maximum of FIM 3.2 million. This represents 0.23 per cent of the company's present share capital and 0.04 per cent of the votes.

Directors' interest

The members of the Board of Directors and the Chief Executive Officer owned a total of 2 240 Metsä-Serla shares at 31 December 1999. This represents 0.00 per cent of the company's shares and 0.00 per cent of the voting rights carried by the shares. President and CEO Vaajoki owns 360 000 warrants attached to the 1997 bonds. The members of the Board of Directors do not hold any share options. Members of management own 500 Metsä Tissue

Corporation shares. Management does not own other shares in any company belonging to the Metsä-Serla 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 the Group'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 57.9735 each. The price was decided on the basis of offers received from the international market.

Holders of the notes have the right to subscribe for Metsä-Serla'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 31 839 202 and the share capital by FIM 318.4 million. This represents 22.9 per cent of the company's present share capital and 3.8 per cent of the voting rights.

Board of directors' authority to issue shares

The Board of Directors currently has no authorizations to carry out a share issue or issue of convertible bonds or bonds with equity warrants.

Shares and Shareholders

Metsä-Serla's main shareholders

Share register at 31 December 1999	Series A	Series B	Total	% of votes	% of shares
1 Metsäliitto Osuuskunta	25 351 535	29 299 000	54 650 535	64.7	39.3
2 Varma-Sampo Mutual Pension Insurance Company	2 802 475	0	2 802 475	6.8	2.0
3 Industrial Insurance Company Ltd	1 624 005	0	1 624 005	3.9	1.2
4 Central Union of Agricultural Producers and Forest Owners	898 249	474 560	1 372 809	2.2	1.0
5 Tapiola General Mutual Insurance Company	576 000	670 000	1 246 000	1.5	0.9
6 Local Government Pensions Institution	1 200 000	0	1 200 000	0.1	0.9
7 Ilmarinen Mutual Pension Insurance Company	1 023 325	0	1 023 325	2.5	0.7
8 Tapiola Mutual Pension Insurance Company	293 000	392 500	685 500	0.8	0.5
9 Tapiola Mutual Life Assurance Company	509 370	160 000	669 370	1.2	0.5
10 Metsäliitto Employees' Pension Foundation	16 070	577 900	593 970	0.1	0.4
11 Polaris Pension Fund	227 770	311 505	539 275	0.6	0.4
12 FIM Forte Investment Fund	0	402 500	402 500	0.1	0.3
13 Elit Capital Oy	86 000	229 795	315 795	0.2	0.2
14 Otso Loss of Profits Insurance Company Ltd	41 950	250 000	291 950	0.1	0.2
15 Gyllenberg Momentum Fund	0	256 000	256 000	0.0	0.2
16 The Valio Finnish Cooperative Dairies' Association	0	250 750	250 750	0.0	0.2
17 Mutual Insurance Company Pension-Fennia	0	245 000	245 000	0.0	0.2
18 Equity Fund Merita Foresta	102 000	138 100	240 100	0.3	0.2
19 Gyllenberg Optimum Fund	0	219 000	219 000	0.0	0.2
20 Evli-Select Finnish Equity Fund	0	215 700	215 700	0.0	

Breakdown of shareholders

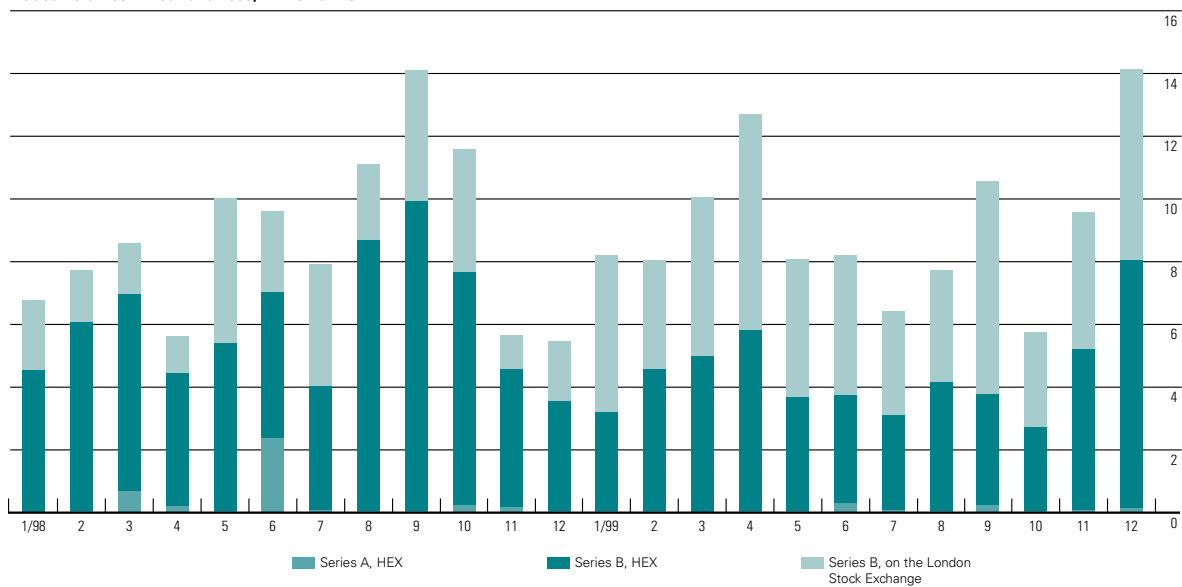
Shares	Number of share- holders	% of share- holders	Total shares	% of shares	Number of votes	% of all votes
Series A						
1 - 20	119	4.92	1 450	0.00	29 000	0.00
21 - 50	161	6.66	6 361	0.02	127 220	0.02
51 - 100	278	11.50	22 844	0.06	456 880	0.06
101 - 500	1 104	45.68	313 326	0.86	6 266 520	0.86
501 - 1 000	345	14.27	274 836	0.76	5 496 720	0.76
1 001 - 5 000	343	14.19	739 174	2.03	14 783 480	2.03
over 5 000	67	2.77	34 967 699	96.22	699 353 980	96.22
On the waiting list			0	0.00	0	0
Grand total account			14 860	0.04	297 200	0.04
Number issued			36 340 550	100.00	726 811 000	100.00
Series B						
1 - 20	6 580	20.23	84 607	0.08	84 607	0.08
21 - 50	6 243	19.19	226 983	0.22	226 983	0.22
51 - 100	6 099	18.75	452 285	0.44	452 285	0.44
101 - 500	9 255	28.45	2 206 461	2.15	2 206 461	2.15
501 - 1 000	2 042	6.28	1 593 296	1.55	1 593 296	1.55
1 001 - 5 000	1 885	5.79	4 052 264	3.95	4 052 264	3.95
over 5 000	428	1.32	93 364 449	90.95	93 364 449	90.95
On the waiting list			0	0	0	0
Grand total account			678 530	0.66	678 530	0.66
Number issued			102 658 875	100.00	102 658 875	100.00

Share issues 1992-1999

Type of issue	Subscription period	Ratio of issue or subscriber	Subscription price, EUR	Number of new shares	Date of payment	Increase in share capital EUR mill.	New share capital EUR mill.
Rights issue	9.12.1991-	1 new for 12 old	A:17.66	559 084	17.1.1992	4.7	171.6
	17.1.1992		B:9.25	1 020 809		8.6	
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

* The change in the nominal value of the company's shares from EUR 8.41 to EUR 1.68 (11 April 1996) has not been taken into account.

Traded volumes in 1997 and 1998, million units



Shares and Shareholders

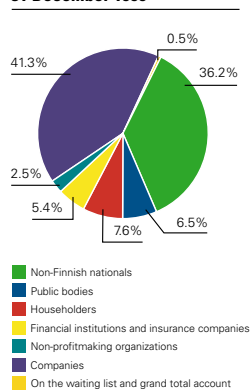
Share performance

	1999	1998	1997	1996	1995	
Adjusted prices, EUR						
Series A	highest	11.40	10.26	8.43	6.14	7.23
	lowest	5.9	5.05	5.38	4.10	4.10
	at year end	11.10	7.06	6.90	5.82	4.54
	average price	8.14	7.72	6.93	5.14	6.07
Series B	highest	11.70	10.60	8.88	6.22	7.27
	lowest	5.85	4.96	5.72	4.14	3.97
	at year end	11.55	6.98	7.15	5.80	4.51
	average price	8.25	7.77	7.32	5.09	5.80
Traded volumes on the Helsinki Exchange, units						
Series A	1 220 478	4 074 089	1 982 720	1 698 835	2 525 125	
% of total no. of Series A	3.4	11.2	5.5	4.7	6.9	
Series B	51 827 710	68 834 117	58 556 696	48 018 128	41 389 460	
% total no. of Series B	50.5	67.1	57.0	46.8	40.3	
Trading in shares						
On the London Exchange	56 445 888	31 303 949	27 376 194	12 891 724	33 781 278	
% of total no. of Series B	55.0	30.5	26.7	12.6	32.9	
Number of shares at end of year						
Series A	36 340 550	36 340 550	36 340 550	36 340 550	36 340 550	
Series B	102 658 875	102 658 875	102 658 875	102 658 875	102 658 875	
Total	138 999 425	138 999 425	138 999 425	138 999 425	138 999 425	
Adjusted number of shares at 31 Dec.	138 999 425	138 999 425	138 999 425	138 999 425	136 499 425	
Market capitalization of shares at 31 Dec., EUR mill.						
	1 589.1	973.3	984.4	807.3	627.7	
Number of shareholders ¹⁾	33 652	35 485	33 598	35 302	35 371	

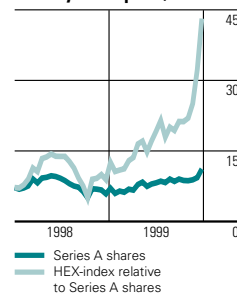
Change in nominal value of shares taken into account.

¹⁾ Shareholders in book-entry system.

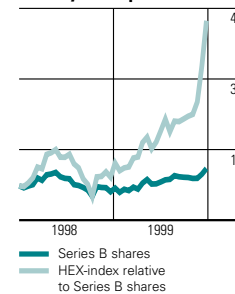
Shareholders as at 31 December 1999



Series A shares, average monthly share price, EUR



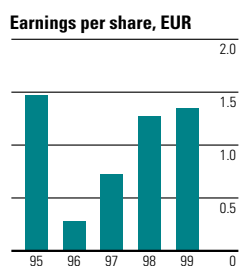
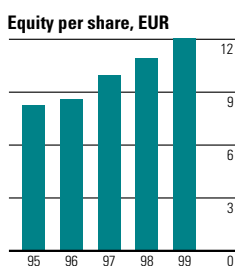
Series B shares, average monthly share price, EUR



Figures per share

	1999	1998	1997	1996	1995
Calculation of earnings per share, EUR million					
Profit before extraordinary items	302.9	306.7	169.5	53.0	321.9
+ reversal of amortization on goodwill attributable to Metsä-Botnia	6.6	6.6	6.6	6.6	6.6
- minority interest	-23.4	-39.1	-24.9	-0.7	-53.5
- taxation	-98.2	-101.9	-94.9	-37.7	-81.8
+ tax adjustment for extraordinary items	0.0	4.6	44.1	17.2	9.2
= Earnings, EUR millions	187.9	176.9	100.6	38.5	202.5
- Adjusted number of shares (average)	138 999 425	138 999 425	138 999 425	138 999 425	137 711 755
= Earnings per share, EUR (Diluted 1999: 1.14)	1.35	1.27	0.72	0.28	1.47
Shareholders' equity per share, EUR	12.04	10.91	9.92	8.59	8.25
Dividend per share, FIM	2.70 ¹⁾	2.60	1.80	1.00	1.40
Dividend per share, EUR	0.45	0.44	0.30	0.17	0.24
Dividend per profit, %	33.6	34.3	41.9	60.6	16.0
Nominal value per share, FIM	10.00	10.00	10.00	10.00	10.00
Nominal value per share, EUR	1.68	1.68	1.68	1.68	1.68
Dividend yield, %					
Series A	4.1	6.2	4.4	2.9	5.2
Series B	3.9	6.3	4.2	2.9	5.2
Price/equity ratio (P/E ratio)					
Series A	8.2	5.5	9.5	21.0	3.1
Series B	8.5	5.5	9.9	21.0	3.1
P/BV, %					
Series A	92.2	64.6	69.5	67.7	55.0
Series B	95.9	63.8	72.0	67.6	54.6

¹⁾ Board's proposal



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 (%)	=	$\frac{\text{Net interest-bearing liabilities}}{\text{Shareholders' equity + minority interest}}$
Earnings per share	=	$\frac{\begin{array}{l} \text{Profit before extraordinary items} \\ - \text{ minority interest} \\ - \text{ direct taxes} \end{array}}{\text{Adjusted number of shares (average)}}$
Shareholders' equity per share	=	$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at 31 December}}$
Dividend per share	=	$\frac{\text{Dividends}}{\text{Adjusted number of shares at 31 December}}$
Dividend per profit (%)	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$
Dividend yield (%)	=	$\frac{\text{Dividend per share}}{\text{Share price at 31 December}}$
Price/equity ratio (P/E ratio)	=	$\frac{\text{Adjusted share price at 31 December}}{\text{Earnings per share}}$
P/BV (%)	=	$\frac{\text{Adjusted share price at 31 December}}{\text{Shareholders' equity per share}}$
Adjusted average share price	=	$\frac{\text{Total traded volume per share (Euro)}}{\text{Total adjusted traded volume of the shares (units)}}$
Market capitalization	=	Number of shares x market price at 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

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Profit and loss account, EUR million										
Turnover	4 236	3 523	3 226	2 511	2 240	1 599	1 542	1 304	1 301	1 469
- change, %	20.2	9.2	28.5	12.1	40.6	3.4	18.3	0.2	-11.4	0.7
Exports from Finland	1 915	1 821	1 729	1 442	1 267	906	883	673	637	760
Exports and foreign subsidiaries	3 712	3 010	2 732	2 128	1 760	1 312	1 298	1 076	1 020	1 039
Operating profit	394	387	339	152	401	156	170	121	66	78
- % of turnover	9.3	11.0	10.5	6.0	17.9	9.8	11.0	9.3	5.1	5.3
Profit before extraordinary items	303	307	169	53	322	132	51	-49	-107	-23
- % of turnover	7.2	8.7	5.3	2.1	14.4	8.3	3.3	-3.7	-8.2	-1.5
Profit before taxes and minority interests	330	323	337	118	322	128	127	15	-94	-7
- % of turnover	7.8	9.2	10.4	4.7	14.4	8.0	8.2	1.2	-7.2	-0.5
Balance sheet, EUR million										
Balance sheet total	4 947	4 761	4 766	3 652	3 123	2 368	2 358	2 217	2 246	2 393
Shareholders' equity	1 984	1 827	1 697	1 194	1 147	967	892	662	666	844
Interest-bearing net liabilities	1 273	1 233	1 058	1 424	1 109	623	713	1 137	1 164	1 123
Dividends and figures per share*										
Dividends, EUR million	63.1 ¹⁾	60.8	42.1	23.4	32.7	23.0	9.2	-	-	11.1
Dividend per share, FIM	2.70 ¹⁾	2.60	1.80	1.00	1.40	1.00	0.40	-	-	0.70
Dividend per share, EUR	0.45 ¹⁾	0.44	0.30	0.17	0.24	0.17	0.07	-	-	0.12
Dividend/profit, %	33.6 ¹⁾	34.3	41.9	60.6	16.0	22.3	54	-	-	-
Earnings per share, EUR (diluted 1998: EUR 1.14)	1.35	1.27	0.72	0.28	1.47	0.76	0.12	-1.17	-2.35	-0.01
Shareholders' equity per share, EUR ³⁾	12.04	10.91	9.92	8.58	8.24	7.10	6.53	6.56	6.90	8.91
Profitability										
Return on capital employed, %	10.7	11.0	11.2	6.4	18.8	10.8	10.1	7.5	4.9	5.9
Return on equity, % ³⁾	10.5	11.6	7.8	2.5	22.0	10.5	5.3	neg	neg	neg.
Financial position										
Equity ratio, % ²⁾	47.0	45.9	42.6	37.2	42.4	41.7	38.2	30.2	29.9	35.5
Equity ratio, % ³⁾	40.7	39.4	36.1							
Gearing ratio, % ²⁾	55	56	57	106	86	64	79	171	174	
Gearing ratio, % ³⁾	79	82	85							
Funds from operations, EUR mill.	494	515	453	318	409	203	212	96	-14	189
Internal financing of capital expenditures, %	117	125	85	40	82	167	189	94	neg.	30
Net interest expenses, EUR mill.	77.8	86.8	99.8	79.2	84.5	58.4	98.4	123.0	110.1	107.2
Interest cover	7.3	6.9	5.5	5.0	5.8	4.5	3.2	1.8	0.9	2.8
Other information										
Gross capital expenditure, EUR mill.	422	412	531	792	492	121	113	101	92	637
- % of turnover	10.0	11.7	16.5	31.6	21.9	7.6	7.3	7.8	7.1	43.4
R&D expenditure, EUR million	17	15	14	15	15	13	13	11	10	9
- % of turnover	0.4	0.4	0.4	0.6	0.7	0.8	0.8	0.8	0.8	0.6
Personnel, average	16 367	14 611	13 458	11 947	10 106	9 061	9 047	9 384	10 522	13 049
- of whom in Finland	7 759	7 949	8 069	7 490	7 162	6 385	6 425	6 674	7 529	9 718

¹⁾ Board's proposal

²⁾ The convertible subordinated capital notes are included in shareholders' equity as from 1997.

³⁾ The convertible subordinated capital notes have been added to liabilities.

* Change in nominal value of shares taken into account

Due to changes in accounting legislation, the figures for 1993 and previous years are not fully comparable. Deferred tax has not been included under provisions since 1993. The calculation of key ratios is presented on page 78.

Board's Proposal for the Distribution of Profits

	FIM	1000 EUR
The Group's distributable funds according to the balance sheet at 31 Dec. 1999	3 504 710 000.00	589 450
Nonrestricted shareholders' equity in the parent company balance sheet at 31 Dec. 1999,		
Retained earnings	2 444 665 016.55	411 163
Net profit for 1999	242 724 001.27	40 823
Total	<u>2 687 389 017.82</u>	<u>451 986</u>

The Board of Directors proposes the following to the Annual General Meeting:

A dividend of FIM 2.70 (EUR 0.45) per share be paid on 138,999,425

Series A and B shares

375 298 447.50 63 120

For use by the Board of Directors for beneficial purposes

600 000.00 101

To be transferred to the Retained earnings account

2 311 490 570.32 388 765

2 687 389 017.82 451 986

Espoo, 3 February 2000

Antti Oksanen

Arimo Uusitalo

Asmo Kalpala

Erkki Karmila

Runar Lillandt

Matti Niemi

Seppo T. Niemi

Antti Tanskanen

Jorma Vaajoki
President and CEO

Auditor's Report

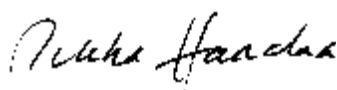
To the shareholders of Metsä-Serla Corporation

We have audited the accounting, the financial statements and the corporate governance of Metsä-Serla Corporation for the period 1.1. - 31.12.1999. 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 from 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 statements presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the President 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 President 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 equity is in compliance with the Companies' Act.

Espoo, 14 February 2000



Ilkka Haarlaa
Authorized Public Accountant

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants



Göran Lindell
Authorized Public Accountant

Corporate Governance



Annual General Meeting

The Annual General Meeting is the company's highest decision-making body. Its duties include confirming the company's annual profit and loss account and balance sheet, deciding on the payment of dividends and electing the members of the Board of Directors. The Annual General Meeting is to be held annually by the end of June. In practice, Annual General Meetings are held in March.

Board of Directors

According to the Articles of Association, the Board of Directors of Metsä-Serla Corporation comprises a minimum of five and a maximum of eight members, who are elected by the Annual General Meeting. The term of office of a member commences from the close of the Annual General Meeting which elected the member and continues up to the end of the next Annual General Meeting. The Board of Directors elect from amongst their number a chairman and a vice chairman.

Under the Companies Act, the task of the Board of Directors is to attend to the Company's administration and the due organization of its operations. The Board of Directors is also responsible for deciding on matters which, taking into account the extent and kind of the Company's operations, are out of the ordinary and of broad import. In order to fulfil these general statutory obligations, the rules of procedure specify that the task of the Company's Board of Directors includes, in addition to the tasks expressly provided for in the Companies Act, approval of officers reporting directly to the President, confirmation of the Company's strategy and budget as well as monitoring of its due implementation, decision on operational arrangements, major capital expenditures, investments and loans, and confirmation of the salaries and other benefits of senior management as well as personnel policy.

As a rule, the Board of Directors meets once a month. In 1999, the Board of Directors had 15 meetings.

The Board of Directors has a Compensation Committee composed of the chairman of the Board and the vice chairman as well as one member whom the Board elects from amongst their number. The chairman of the Compensation Committee has been Antti Oksanen, with Arimo Uusitalo and Asmo Kalpala acting as its members.

The Compensation Committee prepares and presents for decision by the Board of Directors matters connected with the salaries, fringe benefits and other conditions of employment of the President 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 Company's President is elected by the Board of Directors. The task of the President is to attend to the Company's running administration in accordance with the instructions and regulations issued by the Board of Directors. The President since 1996 has been Jorma Vaajoki.

Salaries and remuneration

The remuneration of the members of the Board of Directors is confirmed by the Annual General Meeting each year in advance. Emoluments paid to the Board of Directors in 1999 totalled FIM 1,158,695.66. President and CEO Jorma Vaajoki was paid salary and remuneration in 1999, in-

cluding fringe benefits, in a total amount of FIM 2,716,706, of which the bonus for the 1998 financial year was FIM 475,935.

Operational organization

The Metsä-Serla Group comprises approximately 100 operating subsidiaries in 28 countries. The Group is organized operationally into four business groups: the Paper Group, the Packaging and Consumer Products Group, which also comprises the functions of Metsä Tissue Corporation (listed separately on Helsinki Exchanges), the Pulp Group and Forest House (the Merchancing, Trading and Sheeting Services Group). The marketing of Metsä-Serla's products is handled by a separate sales network, Forest Alliance, which is also responsible for marketing the products of Metsä-Serla's alliance partner, the Myllykoski Group, elsewhere than in the USA.

The Group's operational management is the responsibility of the President. The most important matters are prepared for decision by the President or the Board of Directors in meetings of the Executive Management Board whose members, in addition to President and CEO Jorma Vaajoki, are Aarre Metsävirta (Paper Group), Juhani Saarela (Packaging and Consumer Products Group), Erkki Varis (Pulp Group) and Veli-Matti Mynttinen (Finance and Treasury).

Insiders

In addition to the insider data on statutory insiders subject to the relevant provisions of the Securities Market Act, Metsä-Serla maintains insider data, within the SIRE system of Finnish Central Securities Depository Ltd, on 21 other persons belonging to the group of so-called insiders by definition. Metsä-Serla complies with the requirements of the Guidelines for Insiders, which was published by Helsinki Exchanges on 1 November 1999.

Board of Directors



Members of the Board of Directors: (from left to right)

Antti Tanskanen, Matti Niemi, Karl Runar Lillandt, Antti Oksanen, Arimo Uusitalo, Erkki Karmila, Asmo Kalpala ja Seppo T. Niemi

Antti Oksanen 55

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 and several Metsäliitto Group companies
Member of the Boards of Myllykoski Paper Oy, MD Papier GmbH & Co. KG.

Member of the Board of Pohjolan Voima Oyj (PVO)

Arimo Uusitalo 57

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, Member of the Board of Raisio Group.

Member of the Board of Kantrisalonn Osuuspankki

Asmo Kalpala 49

Member of the Board since 1990

Master of Science in Economics
Vice Chairman of the Board and Executive Committee of the Federation of Finnish Insurance Companies since 1997, member of the Board of the Insurance Employers' Association since 1988

Chairman of the Boards and President of the Tapiola Insurance Group

Chairman of the Supervisory Board of YIT Group Ltd since 1990, Chairman of the Board of LTT Research Ltd since 1998

Erkki Karmila 58

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 1981-82 and Managing Director 1982-83, Vice President of Kansallis-Osake-Pankki, 1983-91, Director of the Invest in Finland Bureau, 1992

Deputy Managing Director of the Nordic Investment Bank

Karl Runar Lillandt 55

Member of the Board since 1999

Agriculture and forestry polytechnic graduate

Farmer

Member of the Supervisory Board of Atria since 1993,
Chairman of the Supervisory Board

of Pohjanmaan Liha since 1994,
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 Supervisory Board of Metsäliitto Osuuskunta since 1999

Chairman of the Coastal Forestry Centre since 1996
Member of the Board of Suupohjan Osuuspankki since 1997

Matti Niemi 52

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, 1996-98
Executive Vice President of Varma-Sampo Mutual Pension Insurance Company, 1998 -

Member of the Board of several different companies

Seppo T. Niemi 62

Member of the Board since 1996

Agricultural engineer

Farmer/forest owner

Member of the Board of Metsäliitto Osuuskunta since 1985
Member of the Board of Metsäliitto Employees' Pension Foundation
Member of the Board of Pellervo Confederation of the Finnish Cooperatives
Member of the Executive Board of Kurikan Osuuspankki

Antti Tanskanen 53

Member of the Board since 1992

Ph.D. in Economics

Professor of Economics at Jyväskylä University 1979-96 and Rector 1988-91,
Chairman and President of the Academy of Finland 1992-96, Chairman of the Supervisory Board of the Central Association of the Finnish Cooperative Banks 1992-96, Chairman of the Executive Board of OKOBANK Osuuspankkien Keskuspankki Oyj 1993-96

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

Chairman of the Supervisory Board of Osuuspankki Realum since 1996, Chairman of the Supervisory Board of OP-Kotipankki since 1997, Member of the Unico Banking Group Steering Committee since 1996, Vice Chairman of the Board of the Finnish Bankers' Association since 1997

SECRETARY

Olli Nuortila, Master of Laws
Secretary to the Board of Directors

AUDITORS

SVH Pricewaterhouse Coopers Oy,
Authorized Public Accountants

Göran Lindell, Authorized Public Accountant

Ilkka Haarlaa, Master of Economics and Business Administration, Authorized Public Accountant.

Executive Management Board



Members of the Executive Management Board: (from left to right)
Erkki Varis, Veli-Matti Mynttinen, Jorma Vaajoki, Aarre Metsävirta and Juhani Saarela

Jorma Vaajoki 50

President and CEO (1996)

Mr Vaajoki began his career in the American automotive industry, serving as a Project Engineer from 1977 to 1981 at Midland-Ross Corporation. From 1981 to 1984 he was Chief Engineer at Allied Signal (Bendix) Corporation. He joined Kone Oy, an elevator and escalator company in 1985 as a Group Director based in Finland. He joined Metsä-Serla in 1989 and became the head of the Panel Products Division before being appointed President and CEO of Finnforest Oy in 1990. He was appointed President and CEO of Metsä-Serla in 1996.

Chairman of the Board of, among others, MD Papier GmbH and Forest Alliance Oy. Member of the Board of Metsä Tissue Corporation, Myllykoski Paper Oy, Oy Metsä Botnia Ab, Oy Metsä-Rauma Ab as well as certain other companies belonging to the Metsä-Serla Group. Member of the Supervisory Board of Varma Sampo Insurance Company and Landesbank Schleswig-Holstein.

Jorma Vaajoki has 360,000 Metsä-Serla Corporation 1997 share options.

Aarre Metsävirta 54

Executive Vice President, Paper Group (1996)

Mr Metsävirta has spent his entire career in the forest industry. From 1972 he worked in various positions at the Varkaus Paper Industry of A. Ahlström Oy, last as Research Director. 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 1988 before becoming President of Tampella Forest Inc. in 1991. He was appointed Chairman of the Board of Veitsiluoto Oy in 1994 and joined Metsä-Serla in 1996, where he was appointed Executive Vice President and Group Executive of the Paper Group.

Aarre Metsävirta has 240,000 Metsä-Serla Corporation 1997 share options.

Veli-Matti Mynttinen 44

Executive Vice President and CFO (1999)

Mr 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 Oy in 1988. In 1990 he was appointed a member of the Executive Board of OKOBANK Osuuspankkien Keskuspankki Oyj 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 February 1999 he was appointed Executive Vice President and CFO of Metsä-Serla Corporation in charge of financial control and financing, investor relations and information technology.

Veli-Matti Mynttinen has 180,000 Metsä-Serla Corporation 1997 share options.

Juhani Saarela 44

Executive Vice President, Packaging and Consumer Products Group (1998)

Mr Saarela began his career at G. A. Serlachius in 1980. He joined Metsä-Serla in 1987 and has occupied senior management positions with Metsä-Serla since 1989. He was Managing Director of Metsä-Serla AB in Sweden from 1994 to 1996. In 1996 he was appointed CEO of Serla Oy, later Metsä Tissue Corporation. In November 1998 he was appointed Executive Vice President and Group Executive of the Packaging and Consumer Products Group.

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

Erkki Varis 51

Senior Vice President, Pulp Group; Managing Director, Metsä-Botnia (1997)

Mr Varis entered the pulp industry in 1975 as a Development Manager at Metsäliiton Teollisuus Oy, continuing in this capacity at Metsä-Botnia's Äänekoski Mill in 1982. He took up the position of Mill Manager at Metsä-Botnia's Kaskinen Mill two years later. In 1990, he was appointed Deputy Managing Director of Metsä-Botnia. In 1994 he was appointed Managing Director of Metsä-Rauma and in 1997 Managing Director of Metsä-Botnia.

Erkki Varis has 180,000 Metsä-Serla Corporation 1997 share options.

Production Capacity (1000 tn)

Paper Group

Mill	Country	Machines	Coated magazine paper	Coated fine paper	Uncoated fine paper	Speciality paper	Total
Kirkniemi	Finland	3	350	350			700
Äänekoski	Finland	1		180			180
Kangas	Finland	2		45	180	20	245
Simpele	Finland	1				50	50
Albbruck *)	Germany	3	265				265
Dachau *)	Germany	2	235				235
Plattling *)	Germany	2	320				320
Biberist	Switzerland	3		370	65		435
Sittingbourne	UK	2		200			200
New Thames	UK	1			230		230
Total		20	1170	1145	475	70	2860

*) Metsä-Serla share is 50% of the capacity.

Packaging Group

Mill	Country	Machines	Folding boxboard	Wall-paper base	Cartons	Kraftliner	SC-Fluting	CTMP	Corrugated packaging	Total
Tampere	Finland	3	225							225
Kyröskoski	Finland	2	125	85						210
Äänekoski	Finland	1	65	50						115
Simpele	Finland	1	155							155
Tampere	Finland				20					20
Kemi	Finland	1				340				340
Kuopio	Finland	1					245			245
Lielähti	Finland							110		110
	Finland								50	50
	Denmark								70	70
	Estonia								10	10
	Lithuania								25	25
	Russia								50	50
	Greece								60	60
Total			570	135	20	340	245	110	265	1685

Metsä Tissue

Mill	Country	Machines	Tissue	HD paper	Total
Mänttä	Finland	5	95	25	120
Katrinefors	Sweden	2	77		77
Pauliström	Sweden	1	22		22
Nyboholm	Sweden	2	23		23
Warsaw	Poland	1	20		20
Hedwigstahl	Germany	2	40		40
Halstrick	Germany	1	20		20
Strepp	Germany	4	123		123
Total		18	420	25	445

Pulp Group

Mill	Country	Pulp	Total
Äänekoski	Finland	480	480
Kemi	Finland	560	560
Kaskinen	Finland	425	425
Joutseno	Finland	410	410
Total		1875	1875

Minority shareholdings

Softwood and hardwood pulp	580	Metsä-Rauma, (interest 29%) Finland
	340	Sunila Oy, (interest 17%) Finland
Coated magazine paper	160	Myllykoski Paper Oyj, (interest 35%) Finland
Uncoated magazine paper	370	Myllykoski Paper Oyj, (interest 35%) Finland

Metsä-Serla Worldwide

Sales network/ World map

Forest Alliance (Sales network, Paper & Board)
Forest House (Merchanting, Trading and Sheeting Services Group)

Production plants/ Map of Europe

● Paper ● Packaging ● Metsä Tissue ○ Pulp

Sales network

- Algeria
- Argentina
- Australia
- Austria
- Belgium
- Brazil
- Bulgaria
- Canada
- Chile
- China
- Colombia
- Costa Rica
- Czech Republic
- Cyprus
- Denmark
- Ecuador
- Egypt
- Estonia
- Finland
- France
- Germany
- Great Britain
- Greece
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Ireland
- Israel
- Italy
- Japan
- Jordan
- Korea
- Kuwait
- Latvia
- Lebanon
- Lithuania
- Malaysia
- Malta
- Mexico
- Morocco
- The Netherlands
- Norway
- Pakistan
- Peru
- Poland
- Portugal
- Russia
- Saudi Arabia
- Singapore
- Slovak Republic
- Slovenia
- South Africa
- Spain
- Sweden
- Switzerland
- Syria
- Taiwan
- Thailand
- Turkey
- Ukraine
- United Arab Emirates
- Uruguay
- USA
- Venezuela



Addresses

METSÄ-SERLA CORPORATION

Corporate Administration

Jorma Vaajoki, President & CEO
Aarre Metsävirta, Executive Vice President,
Group Executive, Paper Group
Veli-Matti Mynttinen, Executive Vice President &
CFO
Juhani Saarela, Executive Vice President, Group
Executive, Packaging and Consumer
Products Group
Erkki Varis, Senior Vice President, Group
Executive, Pulp Group
Managing Director, Oy Metsä-Botnia Ab
Karl-Johan Lindborg, President & CEO, Forest
House B.V.
Hannu Anttila, Chief Executive Officer, Metsä
Tissue Corporation
Claes Ehrnrooth, Managing Director, Forest
Alliance Ltd.
Pekka Korhonen, Vice President, Logistics and
Information Technology
Olli Lehtinen, Senior Vice President, Human
Resources
Matti Mörsky, Senior Vice President, Business
Development
Olli Nuortila, Senior Vice President, Administrati-
on and General Counsel
Tuula Pere, Senior Vice President, Corporate
Communications
Lars Gädda, Vice President, R&D
Touko Antola, Vice President, Corporate
Purchasing
Marja-Liisa Kauppinen, Vice President, Account-
ing and Financial Control
Aarne Luukko, Business Analyst
Reima Nyman, Vice President, Internal Audit
Esko Partio, Vice President, Energy
Armi Temmes, Environmental Manager

METSÄ GROUP FINANCIAL SERVICES OY
Heikki Saarinen, President
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METSÄ-SERLA CORPORATION

Metsä-Serla Corporation

Corporate Administration

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FINLAND

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FINLAND

Metsä-Serla Corporation

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FIN-08701 VIRKKALA Fax +358 1046 42412
FINLAND
Kievarintie 23
FIN-08700 VIRKKALA
FINLAND

Metsä-Serla, Research and Development Laboratory of Paper Chemistry and Physics

PO Box 600 Tel. +358 1046 43999
FIN-44101 ÄÄNEKOSKI Fax +358 1046 43217
FINLAND

PAPER GROUP

Management

Metsä-Serla Corporation

Paper Group

PO Box 20 Tel. +358 1046 11
FIN-02020 METSÄ Fax +358 1046 94393
FINLAND
Revontulentie 6
FIN-02100 ESPOO
FINLAND

Marketing Support

Metsä-Serla Corporation

Paper Group – Marketing Support

PO Box 25 Tel. +358 1046 11
FIN-02020 METSÄ Fax +358 1046 94620
FINLAND
Revontulentie 8 C
FIN-02100 ESPOO
FINLAND

Mills

Metsä-Serla Corporation

Äänekoski Art Paper Mill

PO Box 300 Tel. +358 1046 43999
FIN-44101 ÄÄNEKOSKI Fax +358 1046 43544
FINLAND

Metsä-Serla Corporation

Kangas Paper Mill

PO Box 148 Tel. +358 1046 45999
FIN-40351 JYVÄSKYLÄ Fax +358 1046 45310
FINLAND
Vapaaherrantie 13
FIN-40320 JYVÄSKYLÄ
FINLAND

Metsä-Serla Corporation

Kirkniemi Mills

FIN-08800 KIRKNIEMI Tel. +358 1046 42999
FINLAND Fax +358 1046 42411

Metsä-Serla Corporation

Simpele Paper Mill

FIN-56800 SIMPELE Tel. +358 1046 48299
FINLAND Fax +358 1046 48502

New Thames Paper Company Limited

New Thames Mill

Kemsley Tel. +44 1795 564444
Sittingbourne Fax +44 1795 564555
GB-Kent ME10 2SG
United Kingdom

UK Paper (Graphic & Business Papers) Limited

Sittingbourne Mill Tel. +44 1795 564000
Sittingbourne Fax +44 1795 564001
GB-Kent ME10 3ET
United Kingdom

Papierfabrik Biberist AG

Fabrikstrasse 4
CH-4562 BIBERIST Tel. +41 32 671 3434
SWITZERLAND Fax +41 32 671 3230

The following companies and units are jointly
owned by Metsä-Serla Corporation and Mylly-
koski Corporation:

MD Papier Verwaltungs GmbH (Head Office)

Alte Landstrasse 49 Tel. +49 7753 41 275
D-79774 ALBBRUCK Fax +49 7753 41 279
GERMANY

MD Papier Verwaltungs GmbH (Branch Office)

Ostenstrasse 3 Tel. +49 8131 727 253
D-85221 DACHAU Fax +49 8131 727 255
GERMANY

MD Papierfabrik Albruck GmbH & Co. KG

Alte Landstrasse 49 Tel. +49 7753 410
D-79774 ALBBRUCK Fax +49 7753 41 220
GERMANY

MD Papier GmbH & Co. KG

Werk Dachau

Ostenstrasse 5 Tel. +49 8131 727 0
D-85221 DACHAU Fax +49 8131 727 220
GERMANY

MD Papier GmbH & Co. KG

Werk Plattling

Nicolausstrasse 7 Tel. +49 9931 502 0
D-94447 PLATTLING Fax +49 9931 502 103
GERMANY

PACKAGING AND CONSUMER PRODUCTS GROUP

Management

Metsä-Serla Corporation

Packaging and Consumer Products Group

PO Box 20
FIN-02020 METSÄ
FINLAND
Revontulentie 6 Tel. +358 1046 11
FIN-02100 ESPOO Fax +358 1046 94902
FINLAND

PACKAGING

CUSTOMER DIVISION

Metsä-Serla Corporation Packaging Group Customer Division

PO Box 20
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FINLAND
Revontulentie 6 Tel. +358 1046 11
FIN-02100 ESPOO Fax +358 1046 94905
FINLAND

BOX DIVISION

Metsä-Serla Corporation Packaging Group Box Division

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Mills

FINLAND

Neopac Oy Management

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FIN-33101 TAMPERE Fax +358 1046 32454
FINLAND
Lielähti
FIN-33400 TAMPERE
FINLAND

Neopac Oy Tampere Plant

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FIN-33101 TAMPERE Fax +358 1046 32156
Lielähti
FIN-33400 TAMPERE
FINLAND

Neopac Oy Nummela plant

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Hiidenmäki
FIN-03100 NUMMELA
FINLAND

Neopac Oy Tampere EPS Plant

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FIN-33101 TAMPERE Fax +358 1046 32305
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Tako Carton Plant Ltd Tampere Plant

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FINLAND

Tako Carton Plant Ltd Järvenpää Plant

PO Box 79 Tel. +358 1046 35299
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FINLAND

Tako Carton Plant Ltd Simpele Plant

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DENMARK

Neopac A/S

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DENMARK

Søren Berggreen & Co. A/S

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ESTONIA

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Krasnodar reg.
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GREECE

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KORINTHOS
GREECE

Cretan Papermill S.A.

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KRITI
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BOARD DIVISION

Metsä-Serla Corporation Packaging Group Board Division

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Keskustori 5 C
FIN-33100 TAMPERE
FINLAND

Mills

Metsä-Serla Corporation Packaging Group Äänekoski Board Mill

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FINLAND

Oy Metsä-Botnia Ab

Kemiart Liners (linerboard)

See Oy Metsä-Botnia Ab

Metsä-Serla Corporation Packaging Group Kyro Board Mill

FIN-39200 KYRÖSKOSKI Tel. +358 1046 34999
Fax +358 1046 34190

Metsä-Serla Corporation Packaging Group Lielähti CTMP Mill

PO Box 436 Tel. +358 1046 32199
FIN-33101 TAMPERE Fax +358 1046 32013
Lielahdenkatu
FIN-33400 TAMPERE
FINLAND

Metsä-Serla Corporation Packaging Group Savon Sellu Oy (fluting)

PO Box 57 Tel. +358 1046 46999
FIN-70101 KUOPIO Fax +358 1046 46212
Visiting address: Sorsasalo, Kuopio

Addresses

Metsä-Serla Corporation

Packaging Group

Simpele Board Mill

FIN-56800 SIMPELE Tel. +358 1046 48599
Fax +358 1046 48511

Metsä-Serla Corporation

Packaging Group

Tako Board Mill

PO Box 208 Tel. +358 1046 33999
FIN-33101 TAMPERE Fax +358 1046 33186
FINLAND
Hallituskatu 1
FIN-33200 TAMPERE
FINLAND

METSÄ TISSUE CORPORATION

Management

Metsä Tissue Corporation

Revontulentie 8 C Tel. +358 1046 16
FIN-02100 ESPOO Fax +358 1046 94949
FINLAND

Mills

FINLAND

Metsä Tissue Corporation

Mänttä Mill

PO Box 300
FIN-35801 MÄNTTÄ Tel. +358 1046 47999
FINLAND Fax +358 1046 47990

SWEDEN

Metsä Tissue AB

Katrinefors Mill

Holländaregatan 4 Tel. +46 501 64 000
S-542 88 MARIESTAD Fax +46 501 10 310
SWEDEN

Metsä Tissue AB

Pauliström Mill

S-570 19 PAULISTRÖM Tel. +46 383 734 000
SWEDEN Fax +46 383 730 026

Metsä Tissue AB

Nyboholm Mill

S-570 16 KVILLSFORS Tel. +46 383 734 100
SWEDEN Fax +46 383 461 084

POLAND

Warszawskie Zakłady Papiernicze S.A.

Ul. Mirkowska 45 Tel. +48 22 754 8000
PL-05-520 Konstancin-Jeziorna
POLAND Fax +48 22 754 2800

SPAIN

Tissu Canarias S.A.

C/. Josefina Mayor, 5 Tel. +34 928 700200
Poligono Fax +34 928 700077
Industrial El Goro
E-35.219 - TELDE
LAS PALMAS DE GRAN CANARIA
SPAIN

GERMANY

Hedwigsthal Mill

D-56316 RAUBACH Tel. +49 2684 6090
GERMANY Fax +49 2684 609 400

Halstrick Mill

Adolf-Halstrick-Str. Tel. +49 22 51 8120
D-53881 EUSKIRCHEN-STOTZHEIM
GERMANY Fax +49 22 51 812 209

Bartling Mill

Selm-Bork
Bahnhofstr. 60 Tel. +49 25 92 660
D-59379 SELM Fax +49 25 92 661 92
GERMANY

Strepp Mill

Hochkoppel 2-6 Tel. +49 24 225 60
D-52372 KREUZAU Fax +49 24 224 940
GERMANY

PULP GROUP - OY METSÄ-BOTNIA AB

Management and Marketing

Oy Metsä-Botnia Ab

Revontulentie 6 Tel. +358 1046 12
FIN-02100 ESPOO Fax +358 1046 94405
FINLAND

Mills

Oy Metsä-Botnia Ab

Joutseno Pulp

FIN-54120 PULP Tel. +358 1046 65499
FINLAND Fax +358 1046 65378

Oy Metsä-Botnia Ab

Kaskinen Mill

FIN-64260 KASKINEN Tel. +358 1046 69999
FINLAND Fax +358 1046 69214

Oy Metsä-Botnia Ab

Kemi Pulp Mill

FIN-94200 KEMI Tel. +358 1046 61999
FINLAND Fax +358 1046 61876

Oy Metsä-Botnia Ab

Kemiart Liners

FIN-94200 KEMI Tel. +358 1046 61999
FINLAND Fax +358 1046 61868

Oy Metsä-Botnia Ab

Äänekoski Mill

FIN-44100 ÄÄNEKOSKI Tel. +358 1046 62999
FINLAND Fax +358 1046 62550

FOREST HOUSE

(Merchanting, Trading and Sheeting Services Group)

Forest House B.V.

Revontulentie 8 C Tel. +358 1046 11
FIN-02100 ESPOO Fax +358 1046 94347
FINLAND

Amsterdam office:

Forest House B.V.

De Lairessestraat 180 Tel. +31 20 572 70 60
NL-1075 HM Fax +31 20 572 70 66
Amsterdam
THE NETHERLANDS

FOREST HOUSE MERCHANTS

Management

Revontulentie 8 C Tel. +358 1046 11
FIN-02100 ESPOO Fax +358 1046 94347
FINLAND

FOREST HOUSE TRADING

Price and Pierce (Asia-Pacific) Pte. Ltd.

26 Bukit Pasoh Road Tel. +65 224 9788
SINGAPORE 089840 Fax +65 224 9718

Since 15 March 2000:

5 Shenton Way
35-02 UIC Building
SINGAPORE 068808

Price and Pierce Europe Limited

2nd Floor Tel. +44 171 922 1111
Europoint Centre Fax +44 171 922 1122
5-11 Lavington Street
GB-LONDON SE1 0NZ
UNITED KINGDOM

Since 1 June 2000:

Tolworth Tower
Ewell Road Tel. +44 181 390 3671
Surbiton Fax +44 181 339 7003
GB-SURREY KT6 7EL
UNITED KINGDOM

Price and Pierce International Inc.

301 Tresser Boulevard Tel. +1 203 328 2080
Stamford, CT 06901 Fax +1 203 328 2095
USA

FOREST HOUSE

PAPER AND

BOARD SHEETING SERVICES

Management

Tolworth Tower

Ewell Road Tel. +44 181 390 3671
Surbiton Fax +44 181 339 7967
GB-SURREY KT6 7EL
UNITED KINGDOM

FOREST ALLIANCE (Sales Network)

Forest Alliance Ltd.

De Lairessestraat 180 Tel. +31 20 572 70 70
NL-1075 HM Fax +31 20 572 70 77
Amsterdam
THE NETHERLANDS



Metsä-Serla Corporation

Corporate Administration

Revontulentie 6

FIN-02100 Espoo

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FIN-02020 METSÄ

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