Annual Report 1999

Metsä Tissue

Contents

Information to shareholders

WELCOME TO THE ANNUAL GENERAL MEETING

The Annual General Meeting of Metsä Tissue Corporation will be held on Thursday 23 March 2000 beginning at 1.00 pm at Marina Congress Center, Katajanokanlaituri 6, Helsinki, in the 2nd floor Nordia-auditorium.

Shareholders wishing to attend the Annual General Meeting must be registered in the list of shareholders maintained by Finnish Central Securities Depository Ltd no later than 17 March 2000.

Shareholders wishing to attend the Annual General Meeting must inform the company by 4.00 pm on 21 March 2000 at the latest either by writing to Metsä Tissue Corp., Marja Vainio, Revontulentie 8 C, 02100 Espoo, by phoning +358 1046 94926 or by e-mail to marja.vainio@metsatissue.com. Any letters of attorney must be submitted at the same time.

The invitation to the Annual General Meeting was published in Helsingin Sanomat on 9 March 2000.

DIVIDEND

At 31 December 1999 Metsä Tissue Corporation had unrestricted shareholders' equity of EUR 42.3 million of which distributable funds accounted for EUR 6.9 million. The parent company had distributable unrestricted equity of EUR 25.5 million.

The Board of Directors proposes that a dividend of FIM 0.70 (EUR 0.12) per share, i.e. a total of FIM 21,000,000 (EUR 3,531,946) be paid in respect of the 1999 financial year. The record date for dividend purposes is 28 March 2000 and the payment date is 4 April 2000.

INTERIM REPORTS

Metsä Tissue publishes interim reports in Finnish, Swedish, English and German. In 2000, interim reports will be published as follows:

January – March	**27 April**
January – June	**3 August**
January – September	**26 October**

This Annual Report, interim reports and previous annual reports can be ordered from:
Metsä Tissue Corp., Corporate Communications
Revontulentie 8 C, 02100 Espoo, Finland
tel. +358 1046 16
fax +358 1046 94949

e-mail:
info@metsatissue.com
reeta.kaukiainen@metsatissue.com

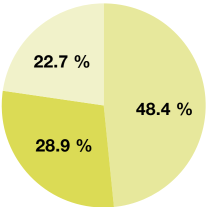
Interim reports and stock exchange notices can be found on the company's home pages on the Internet at: **www.metsatissue.com**.

CHANGES OF NAME OR ADDRESS

We kindly request that shareholders notify their bank or book entry register of any changes of name or address.

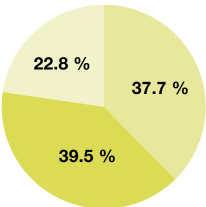
The year in brief

Turnover by business area



Consumer
Away-from-Home
Other operations

Operating profit by business area



Consumer
Away-from-Home
Other operations

- Metsä Tissue's turnover rose 70.9 per cent to EUR 585.7 million (342.7 million in 1998). Profit before extraordinary items was EUR 9.1 million (24.1 million in 1998).
- The volume of sales by the German companies developed according to plan.
- Profit was weakened by sharp rises in the cost of raw materials, particularly chemical pulp. These could not be passed on to sales prices quite so quickly.
- Profit was also affected by the non-recurring costs arising from reorganization of business operations in Germany and by the loss on operations in Poland.
- The napkins business was made into a separate product area under the name Table Top.
- Paperboard production at the mill in Poland was discontinued and the mill now focuses exclusively on tissue production.
- The new CCM (Compact Concept Mill) production line at the Nyboholm mill started up in November, about a month ahead of schedule. The line will increase the mill's total production capacity by some 8,000 t/a to 23,000 t/a and at the same time make Metsä Tissue more competitive in terms of quality and productivity.

KEY FIGURES

	1999	1998
Turnover, MEUR	585.7	342.7
Operating profit, MEUR	16.2	24.8
Profit before extraordinary items, MEUR	9.1	24.1
Profit for the period, MEUR	1.4	17.4
Return on equity (ROE), %	1.8	10.8
Return on capital employed (ROCE), %	4.6	10.0
Interest-bearing net liabilities, MEUR	200.9	183.6
Equity ratio, %	30.5	31.3
Gearing, %	139.1	126.8
Gross capital expenditure, MEUR	32.8	145.2
Cash flow from operations, MEUR	22.7	38.0
Earnings per share, EUR	0.11	0.58
Shareholders' equity per share, EUR	4.74	4.73
Dividend per share, EUR	0.12	0.24
Employees at 31 December	3,355	3,687

CEO's review

The market for the tissue business in those areas where Metsä Tissue operates was variable. The main problem stemmed from the protracted low price of chemical pulp, our main raw material, followed by an extremely sharp rise at the end of the year. Structural changes in the European retail trade also caused some uncertainty. Metsä Tissue's financial result did not come up to expectations, and was weaker than the previous year. Turnover rose by 70.9 per cent to EUR 585.7 million.

In the Nordic countries the good market balance was maintained, and Metsä Tissue increased its market share somewhat, notably through strong branded product marketing. In Denmark, we lost some of our share in the private label market, where competition over prices was intense.

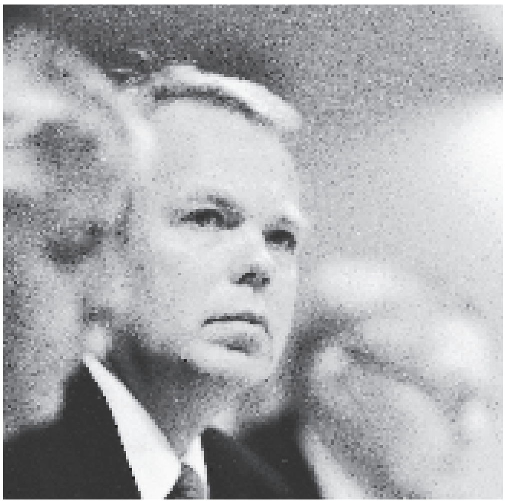
In many respects, 1999 was also a year of significant structural change. The companies acquired in Germany were integrated into the Metsä Tissue Group both legally and operatively. During this process the Table Top product area, which specializes in napkins, was made into a separate business unit, a move that will greatly facilitate its strategic development. Although integration of the German businesses took rather more time than anticipated, looking to the future there is every reason to be satisfied with what has been accomplished.

The German market was difficult during 1999. Company acquisitions and mergers greatly intensified competition in the trade, and this was reflected in tissue prices. Despite this, Metsä Tissue was able to maintain, and in some cases increase, its market share.

In Poland, work continued to make operations more efficient. Measures relating to the mill's production technology were completed and marketing concepts are being put into practice according to plan. As a result, the mill's loss-making is rapidly diminishing.

Metsä Tissue has sought to develop branded products that involve a higher degree of converting. Among the year's biggest projects was development of the Leni product family in Sweden and launching the products in the market's highest quality category at the beginning of 2000. Very much connected with this project is the successful start-up of the CCM (Compact Concept Mill) production line at Nyboholm. The new production line, in which all stages are linked smoothly together, is used to manufacture Leni products. The new concept will greatly improve the mill's efficiency.

Product development and marketing projects gave rise to considerable costs during the year. In addition to these, we set up a product development unit at Hedwigsthal in Germany with the aim of further



Hannu Anttila

developing the quality of our consumer products. A sustained and systematic product development effort will help to strengthen our position in selected markets both now and in the future.

Metsä Tissue's objective is to concentrate on tissue products. In accordance with strategic decisions made earlier, during 1999 we divested some of our non-core business operations. Measures have already been planned with respect to the rest. The changes and additions to the Group's management necessitated by rapid growth have also been made.

Major challenges facing us in year 2000 include continuing the development of our operations in Germany and the realization of synergies there. In the Nordic countries we are further intensifying our marketing of branded products. In Poland the emphasis is on developing the quality and efficiency of operations. In accordance with our strategy, we are seeking a significant strengthening of our market position in Poland.

The financial result for last year was well below target. Improving profitability through cost saving and efficiency programmes is clearly our primary objective. There is every prospect of achieving this in the Nordic countries as well as in Germany and Poland. During 1999, product prices failed to keep pace with rising raw material costs. We shall therefore be raising prices during 2000.

The profound restructuring within the Metsä Tissue Group has demanded a lot of work from our employees, with whose help we have created a new and united business entity. We shall continue our efforts to develop into a more efficient and profitable northern European tissue paper company.

Espoo, February 2000

Hannu Anttila
CEO

Among the year's biggest projects was development of the Leni product family in Sweden and launching the products in the market's highest quality category at the beginning of 2000.

Improving profitability through cost saving and efficiency programmes is clearly our primary objective.

Metsä Tissue Group

Metsä Tissue is the market leader in tissue paper products in the Nordic countries and a major tissue supplier in continental and northern Europe. We are also the European market leader in papers for baking and cooking. Our customers include both households and industrial consumers.

Our strategy is based on growth in markets where we can gain a substantial share. Our goal is to become one of the leading producers of high-quality tissue products in continental and northern Europe.

We accept our share of responsibility for safeguarding the environment and we seek to promote the saving of natural resources at all stages of our products' life cycles. We have a firm basis for achieving this through our skilled and dedicated employees, whose continuous training is the cornerstone for our success in the future.

Our targets will be reached through efficiency and profitability, by means of which we ensure a competitive return on investment for our shareholders.

Metsä Tissue's mills are located in Finland, Germany, Sweden and Poland. The Metsä Tissue Group employs a total of 3,400 people. Metsä Tissue Corporation is quoted on the Helsinki Stock Exchange and is part of both the Metsä-Serla Group and the Metsäliitto Group.

Business areas

Metsä Tissue has three business areas, which are **Consumer**, **Away-from-Home** and **Other operations**, the latter comprising the **Baking and Cooking** product area, tissue base paper and operations outside the first two business areas. The **Table Top** product area, established in 1999, is responsible for the production, development and marketing of napkins. These products are sold through the Consumer and Away-from-Home sales channels.

BUSINESS AREAS

CONSUMER	AWAY-FROM-HOME	OTHER OPERATIONS
Turnover: EUR 283.3 million	**Turnover:** EUR 169.4 million	**Turnover:** EUR 145.9 million
Operating profit: EUR 6.1 million	**Operating profit:** EUR 6.4 million	**Operating profit:** EUR 5.7 million

Table Top

Baking and Cooking

Base paper

CONSUMER

Turnover: EUR 283.3 million

Customers: Private households, wholesalers and retailers
Brands: Lambi, Leni, Serla, Fasana and Mola
Products: Bathroom tissue, kitchen towels, handkerchiefs, facial tissue and napkins
Main markets: Nordic countries, continental Europe (Germany, Poland, Switzerland, France, Benelux countries, Austria), Great Britain and Ireland
Mills: Mänttä (Finland), Katrinefors, Pauliström and Nyboholm (Sweden), Strepp, Hedwigsthal and Stotzheim (Germany), Warsaw (Poland)

Main events:

- The German mills were integrated into the Group. This included devising a strategy and a vision, and the decision to close Bartling's converting unit at Selm-Bork and to transfer its machines to the Stotzheim mill.
- The Nordic environmental label was acquired for Lambi products made in Germany for the Nordic market.
- The napkins business was made into its own product area under the name Table Top.
- The new-look Lambi product range was launched in Finland.
- In Sweden, Leni was re-established as a top-quality brand name.
- The CCM line at the Nyboholm mill started up in November. The line produces Lambi and Leni products.

AWAY-FROM-HOME

Turnover: EUR 169.4 million

Customers: Health care, industry, public services and other services
Brands: Katrin, Saga and Fasana
Products: Bathroom tissue, paper towels, facial tissue, industrial wipes, dispensing systems and napkins
Main markets: Nordic countries and continental Europe (Germany, Poland, Switzerland, France, Benelux countries, Austria), Great Britain and Ireland
Mills: Mänttä (Finland), Katrinefors (Sweden), Strepp and Stotzheim (Germany) and Warsaw (Poland)

Main events:

- Production of Katrin products began at the mills in Poland and Germany.
- Napkins business was made into its own product area under the name Table Top.
- Major drive to develop the Katrin and Saga concepts and products.
- A new paper towel line was started up at Mänttä, and the new One Stop folded towel was launched on the market.

PRODUCT AREAS

Table Top

Customers: Private households and major consumers in the services sector, such as restaurants
Brand: Fasana
Products: Napkins and tablecloths
Main markets: Nordic countries and continental Europe
Mill: Stotzheim (Germany)

Main events:

- Table Top was made into a product area of its own manufacturing and marketing napkins for both the consumer and the away-from-home markets.
- Activities were rationalized and investments were made in new converting machinery.
- Planning and product development carried out aimed at re-launching the Fasana brand name in January 2000.

Baking and Cooking

Customers: Retailers, specialist wholesalers, the food industry and converters
Brands: Serla and Katrin
Products: Greaseproof baking and cooking papers and other greaseproof papers
Main markets: Nordic countries and other European countries
Mill: Mänttä (Finland)

Consumer

The Consumer business area produces and markets kitchen towels, bathroom tissue, handkerchiefs, facial tissue and napkins for household use. The main markets are the Nordic countries and continental Europe. In the Nordic countries, Metsä Tissue has about 45 per cent of the market for tissue products sold to households. In continental Europe, the company's share is around six per cent.

KEY FIGURES, EUR

	1999	1998	Change-%
Turnover	283.3	133.8	111.7
Operating profit	6.1	12.3	-50.4
Operating margin, %	2.2	9.2	-

Share of total turnover

Share of total operating profit

In 1999 Metsä Tissue's own brands accounted for 82 per cent of the business area's sales in the Nordic countries. The company's strategically important brand names (Lambi, Leni and Serla) strengthened their positions in the Nordic countries, where they accounted for approximately 69 per cent of sales. Most of the products sold in Germany are sold under private labels, and this has reduced the proportion of Metsä Tissue's own brands in total sales.

The Consumer business area had a turnover of EUR 283.3 million (EUR 133.8 million) and an operating profit of EUR 6.1 million (EUR 12.3 million). In the Nordic countries the business area met its targets. In other European markets, the financial result was below expectations, although sales volumes grew markedly.

The financial result was weakened by the higher cost of chemical pulp and recycled fibre. Sales prices fell slightly during the first half of the year and then embarked on a slow rise towards the year end. The result was also affected by integration of the German mills into Metsä Tissue's business operations.

BRANDED PRODUCTS STRENGTHEN THEIR POSITION

Metsä Tissue strengthened its leading market position in the Nordic countries by stepping up its marketing and product development. In Finland, Sweden, Norway and Denmark, the company's own brands increased their share of the market.

In Finland, the image of Lambi products was revised and a new product range was brought onto the market. Production of Lambi products for the Nordic market began in Germany. The CCM (Compact Concept Mill) production line that started up in November at the Nyboholm mill produces Lambi and Leni products. Leni was repositioned as a premium brand name, and the new Leni product range will be put on the market in Sweden and Norway in 2000. Sales of no-name products will be brought under the Serla brand name in Sweden and Norway. Acquisition of the German company Halstrick in 1998 added Fasana napkins to the product range. The new Mola 2-ply bathroom tissue, which comes under the Serla concept, was brought onto the Polish market.

Lambi, Leni and Serla strengthened their positions in the Nordic countries, and branded products increased their share of the market in all the Nordic countries. Lambi is the leading brand in the Nordic market for premium tissue products. Lambi accounts for 11 per cent of the total tissue sales in the Nordic countries and over 50 per cent of the total premium segment. The Lambi handkerchiefs and Fasana napkins produced by the company's German mills for the Nordic market were awarded the Nordic Swan environmental label in 1999. This means the Swan label can now be used, together with the Bra Miljöval label, in marketing all the company's branded products in the Nordic countries.

Metsä Tissue's branded products are among the top products in their segments. Economic and ecological reel sizes are a special feature in the Nordic countries, which helps to explain the high market shares. As part of the drive towards higher quality, production of 4-colour printed kitchen towels was started in Germany. A new range of printed napkins was placed on the German market.

ECR (Efficient Consumer Response) cooperation was continued with a larger number of customers. The work concerns mainly supply issues, but also category management.

SEGMENTATION CONTINUES, PROFITABILITY TO BE IMPROVED

The business area continues to strengthen the position of its branded products in both the premium and mainstream segments. In Poland, the aim is to achieve significant growth in the market share of branded products. Efforts will also be made to strengthen market shares in continental Europe. Profitability is expected to improve in all markets compared with the situation at the end of 1999.

Consumer, *Market review*

Nordic tissue market stable, pressure from costs and oversupply intensifying competition elsewhere in Europe.

The tissue market is divided into premium products made from virgin fibre and mainstream products made from recycled fibre. In the Nordic countries premium products account for approximately 20 per cent of the market, and their share continues to grow. Chemical pulp-based and multi-ply tissue products are gaining an increasing share of the market elsewhere in Europe, too.

In Europe, tissue markets differ considerably from one country to another in terms of product ranges, manufacturers' product specifications, prices and raw material markets. The rising cost of chemical pulp and recycled fibre intensified competition for market shares in most markets in 1999. Pressure from the cost of recycled fibre was less in the Nordic countries than in continental Europe.

MAIN MARKETS

In the Nordic countries, the three largest suppliers – Metsä Tissue, SCA and Fort James – have over 80 per cent of the market for tissue products sold to households. Metsä Tissue is the market leader in the Nordic countries with some 45 per cent of the market. The Nordic market was stable during 1999.

Metsä Tissue's main markets outside the Nordic countries are Germany, Poland, the Benelux countries, Switzerland, Austria, France, Great Britain and Ireland. Metsä Tissue's share of these markets is six per cent. The biggest competitors are SCA, Kimberly-Clark, Fort James and Procter & Gamble.

Germany is Europe's biggest market for tissue, annual consumption by households being 0.8 million tonnes. Nordic households consume roughly 0.2 million tonnes of tissue products annually. Products are sold through large retail chains.

Company acquisitions are consolidating the European market. Papierwerke Halstrick GmbH and Strepp GmbH & Co. Papierfabrik Hochkoppelmühle – the two companies acquired in Germany in December 1998 – were integrated into the Metsä Tissue Group during 1999. Also during 1999, SCA bought the British company AM Paper, while Kimberly-Clark acquired the tissue operations of Attisholz in Switzerland, Germany and Austria.

The consolidation of the retail sector continued at an increasing pace. In France, Promodès bought Carrefour. Wal-Mart bought the British chain Asda and chains of retailers in Germany.

GROWING SHARES FOR PREMIUM PRODUCTS

Consumption of tissue by households in Europe is growing at over three per cent annually. In 1999, consumption of bathroom and household tissue in the Nordic countries showed only marginal growth. In these markets growth must be sought in premium products, which increase the value of sales, and from products for which consumption is still only modest. Such products include handkerchiefs, facial tissue and napkins. The growth forecast for the handkerchief market will be basically volume growth.

Branded products continued to increase their share of the Nordic market. Lambi increased its market share in all the Nordic countries. Leni strengthened its position in Sweden, and Serla achieved greater market shares in Finland, Sweden and Norway. In Poland Metsä Tissue stepped up production of 2-ply tissue. The product range was expanded with the introduction of Mola products onto the market.

Products sold under retailers' private labels have strong market positions in many European countries. Improvements in the quality of these products is intensifying competition between them and tissue manufacturers' own branded products.

MARKET OUTLOOK

Raw material costs are expected to continue rising. There will be some delay before the higher costs are passed on to consumer prices. New capacity is coming onto the tissue market as some old capacity disappears. Consolidations among both customers and competitors will continue. Metsä Tissue will compete by developing product quality and its product range. Measures to cut costs and improve efficiency will continue.

Nordic tissue market stable, competition intensified elsewhere in Europe.

Away-from-Home

The Away-from-Home business area sells and markets tissue paper products and their dispensers to customers in health care, industry, the service sector and public services. The main markets are the Nordic countries and continental Europe. During 1999, the Away-from-Home business area concentrated on strengthening its market positions in the Nordic countries and elsewhere in Europe by giving greater attention to the quality of products and product concepts. Particularly in the service and catering segment, the prospects for growth are good.

KEY FIGURES, EUR

	1999	1998	Change-%
Turnover	169.4	126.3	34.1
Operating profit	6.4	9.0	-28.9
Operating margin, %	3.8	7.1	-

Share of total turnover

Share of total operating profit

The business area's turnover for 1999 was EUR 169.4 million (EUR 126.3 million). Operating profit was EUR 6.4 million (EUR 9.0 million). The financial result was affected by the cost of consolidating the German and Polish businesses into Metsä Tissue's business operations. Fiercer competition in the markets of continental Europe also had an adverse impact on the financial result.

Demand for away-from-home products continued to be strong in the Nordic countries, where Metsä Tissue retained its 45 per cent market share. Overall, Metsä Tissue has a share of about nine per cent in its main markets.

Quality development work continued and the Katrin "Less is More" concept and the Katrin Ultimatic system were further developed. Efforts were made to increase the market share of high-quality Katrin products. Katrin products are produced from virgin fibre and recycled office paper to meet the hygiene requirements of the different user groups. Saga products, which are made from recycled newspapers and magazines, are intended for industrial and other use.

The range of products intended for away-from-home use has been supplemented with the products manufactured in Germany and Poland. The biggest investment was the start-up of a special paper towel production line at the Mänttä mill in Finland.

Katrin and Saga, the Away-from-Home business area's own brands, account for about 70 per cent of the business area's turnover. In the Nordic countries the share of own brands is over 80 per cent.

DEVELOPMENT OF GERMAN AND POLISH OPERATIONS IN A KEY POSITION

The manufacture of Katrin products began in Germany and Poland during 1999, and deliveries to customers started in the third quarter. Benefiting from synergies at the German and Polish units was one of the year's most important strategic goals for the business area. During the year special emphasis was put on integration of logistics, the sales organizations and business concepts in different countries.

Collaboration was stepped up with Georgia-Pacific, the US manufacturer of Ultimatic dispensing systems.

AIMING FOR CLOSER COLLABORATION WITH CUSTOMERS

The aim is to further develop the company's already strong market position in the Nordic countries, particularly by stepping up customer collaboration and customer training. Continental Europe is a clear growth area for the Away-from-Home business area. During 2000, the business area will continue the integration of business operations in Germany and Poland, and seek to use the additional capacity offered by the mills there as part of the Away-from-Home business area's product range.

The biggest challenge is to strengthen the business area's position in continental Europe, where competition during 1999 was fierce as a result of increasing company acquisitions, higher chemical pulp prices and over-capacity. The prerequisites are there for good profits. Benefiting from synergies and developing collaboration with customers are the key objectives.

KATRIN® "Less is More"

FASANA PREMIUM

Away-from-Home, *Market review*

The market for tissue products intended for away-from-home users was fairly stable during 1999. Consolidations resulting from acquisitions and mergers led to tight price competition. As a result, the impact of launching the Katrin range in continental Europe was not felt as quickly as had been planned.

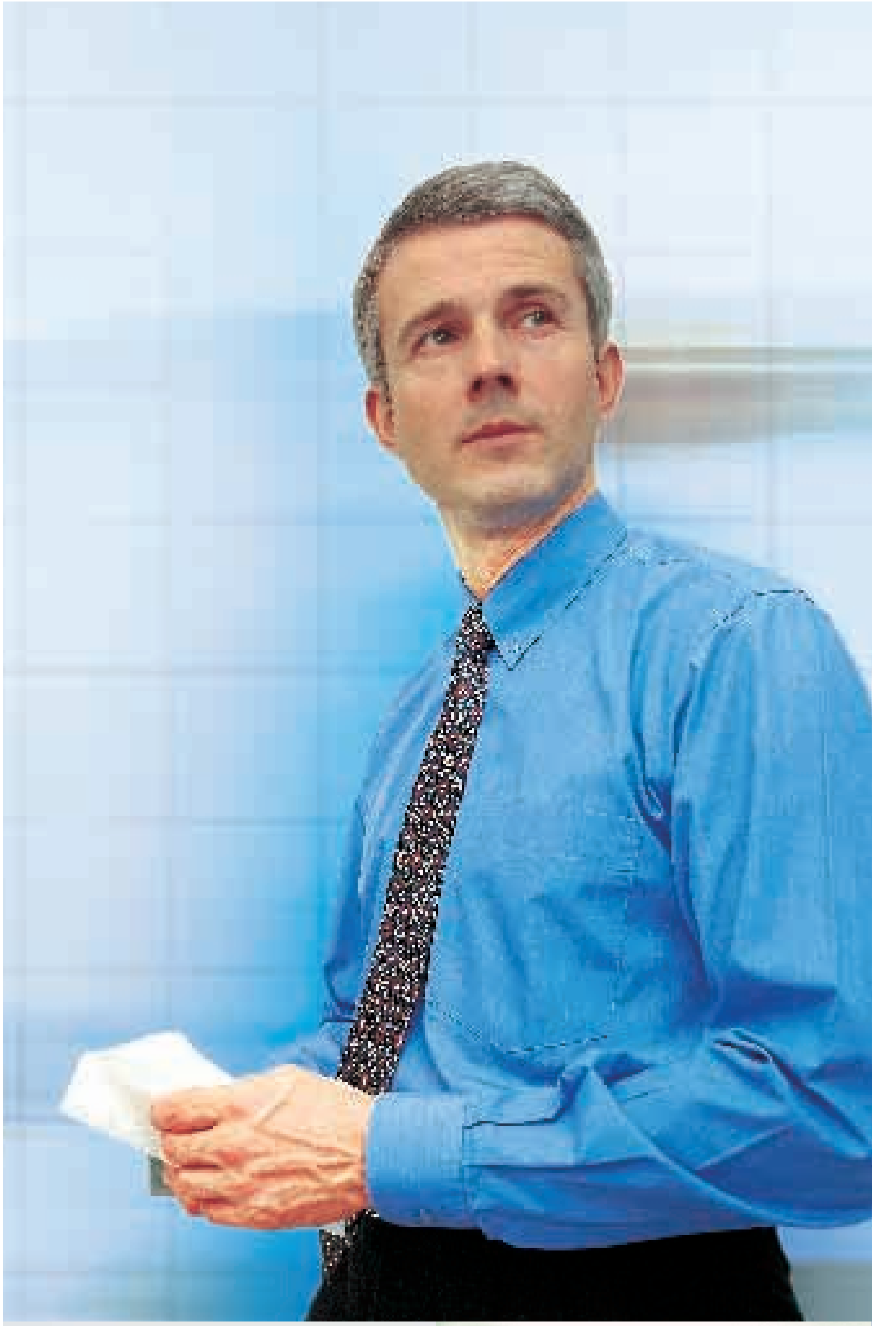
Approximately 1.5 million tonnes of tissue is used annually by the European away-from-home market. The biggest customers are industry, public services and health care. Private sector services, such as hotels and restaurants, are another important group of customers. Products are sold through manufacturers' own sales organizations and through wholesalers.

Consumption of away-from-home tissue products is greater in the Nordic countries and the rest of Western Europe than in East European countries. Consumption is influenced by the level and growth of GDP and by the general economic situation. The diminishing size of households and changing consumer habits are also influencing demand.

In the Nordic countries, demand for away-from home tissue products is growing at roughly one per cent a year. Elsewhere in Europe annual growth is about four per cent. Growth rates vary from one country to another, with the fastest growth in the markets of Eastern and Southern Europe. There is considerable growth potential for all products with the exception of bathroom tissue.

Metsä Tissue's main competitors in the away-from-home market are SCA, Kimberly-Clark and Fort James. These four largest suppliers have over 50 per cent of the European market.

In the Nordic market, products made from high-quality virgin fibre or recycled office paper have a greater share than elsewhere in Europe, where products made from recycled newspapers and magazines are more common. Demand for high-quality products is nevertheless on the increase throughout Europe, and this trend is being reinforced through marketing. Demand is influenced not just by consumer habits in different countries but also by demands for higher hygiene standards by the food and other industries and by health care.



Nordic market stable.

Demand for high-quality products on the increase throughout Europe.

Table Top

In November 1998, Metsä Tissue bought the German tissue company Papierwerke Halstrick GmbH. This made napkins a more integral part of the company's business operations. The Table Top product area is responsible for the production, development and marketing of napkins. The products are sold to consumers and for away-from-home use in the service sector. The main markets are continental Europe and the Nordic countries. In 1999, Metsä Tissue's own brands represented about 30 per cent of the product area's sales and private labels for 70 per cent.

In 1999, the Table Top product area recorded good growth in continental Europe and satisfactory growth in the Nordic countries.

There was a clear increase in sales volumes of consumer products in continental Europe, particularly in Germany. In sales of napkins to private households, Metsä Tissue had a market share of 20 per cent. In the Nordic countries, Metsä Tissue had about seven per cent of the total market for napkins. In the future, continental Europe will become the most important market for the Table Top product area.

HIGH-QUALITY DESIGN IS THE KEY

The consumer market for napkins is divided into three segments. Napkins sold through specialist shops such as flower shops and gift shops represent a relatively large proportion of napkin sales. The biggest segment is sales through supermarkets and hypermarkets, both in continental Europe and the Nordic countries, while volume products are sold mainly in the markets of continental Europe. It is hoped to expand the overall market by investing in the development of a range of top products. In the future, special emphasis will be put on design and marketing, particularly for high-quality table and coffee cup napkins bearing printed designs.

CONSUMPTION EXPECTED TO CONTINUE RISING

The napkins market is expected to show strong growth during 2000. The trend in the market is influenced by socio-economic factors and by changing trends in consumption. Only a slight increase is anticipated in the numbers of small families and small households, so that consumption in this segment will probably not grow as fast as in the away-from-home segment. This segment accounts for some 60 per cent of total sales, with functional types of napkin particularly in demand. In the consumer segment, high-quality napkins with printed designs are expected to increase their share.

Table Top is seeking to increase its present seven per cent share of the Nordic market. The main competitors are Duni, Fort James and SCA. The trend in prices has been steady, although higher chemical pulp prices have affected profitability.

STRONG INVESTMENT DURING 2000

Metsä Tissue's goal is to be one of Europe's top three manufacturers of napkins. To achieve this goal, the company has invested in new converting machines for both the consumer and away-from-home segments. Design and product development will be stepped up, and the Fasana brand name will be re-launched in January 2000.

Baking and Cooking

The Baking and Cooking product area produces and markets baking and cooking papers for households and large-scale consumers, and greaseproof base paper for independent converters. The main markets are the Nordic countries, continental Europe and North America. The product area has one-third of the European market.

1999 was a fairly reasonable year, despite the intense competition. The product area retained its position as one of Europe's four largest manufacturers of baking and cooking papers.

Metsä Tissue has one-third of the European market for baking and cooking papers. In Finland and the Baltic countries, products are marketed to households under the brand name Serla and to large-scale consumers under the Katrin brand name. The most important large-scale customers are bakeries, other sectors of the food industry and converters.

All products are produced at the company's Mänttä mill in Finland, and over 90 per cent of production is exported.

Products of consistently high quality are a key part of both development work and marketing. A process control system is used in production to ensure product safety and traceability and a high standard of hygiene throughout the entire production chain.

Work is constantly being done to secure environmental friendliness from product planning through to product distribution. The Baking and Cooking product area monitors the quality and quantity of the materials used in its own packagings and has set goals for reducing the amount of material. One of the key areas for development is to reduce packaging waste.

GOAL TO SECURE CONTINUED GROWTH

It is the product area's aim to be the European market leader in its own segment and to step up production of converted products and sales of finished products. The biggest manufacturers of greaseproof paper besides Metsä Tissue are Peterson Group, Ahlstrom Sibille and Union. Competition is expected to remain intense. To secure profitability and continued growth, measures to make production more efficient will be continued, in addition to which cost-saving programmes will be implemented during 2000.

The European market for baking and cooking papers is relatively stable. It is anticipated that demand will grow by 2-3 per cent a year. Demand from the consumer sector is to some degree seasonal, with peaks coinciding with major important festivals. Demand is expected to remain good.

SERLA

KATRIN® "Less is More"

Brand strategy

Metsä Tissue's goals are to increase sales and improve profitability by stepping up the development of high-quality branded products and by strengthening their market positions.

Tissue consumption is growing rapidly along with increasing disposable income in those markets where per capita tissue consumption is low. Of the markets served by Metsä Tissue, Poland and the Baltic countries are showing volume growth. On the established markets of Western Europe, consumption of tissue products is steadily rising.

NORDIC MARKET FOR BRANDED PRODUCTS

In the Nordic countries and Western Europe, the value of the market is growing as consumers show an increasing preference for specialities and change from lower-priced mainstream products to more expensive premium branded products. Consumer preferences for tissue products are guided by innovations, new and higher quality products, and marketing.

Metsä Tissue's branded product strategy is based on a comprehensive portfolio of products, with super-soft tissue products made from virgin fibre at the very top of the range. Branded products account for some 75 per cent of the Nordic tissue market.

CONSUMER PRODUCT POSITIONING AND PRODUCT DEVELOPMENT

Metsä Tissue's three strategic consumer brand names are Lambi, Leni and Serla. In the Nordic countries, the targeting of Metsä Tissue's branded products at different groups of users is based on extensive consumer research. Leni and Lambi Satin are premium brands developed on the basis of consumer research and the company's own product development work.

The most important strategic move in 1999 was to re-position the Leni brand. The new Leni will be placed on the market in Sweden and Norway as a premium branded product aimed primarily at the modern, quality-conscious working woman.

In Finland, the new, softer three-ply Lambi is positioned as a product for the whole family, while Lambi Satin is targeted at the quality-conscious Finnish woman. Lambi BIG, a generous centre-pull paper towel, was brought onto the market in Sweden and Norway.

Serla is the leading brand in the middle-price product segment for recycled fibre products in Finland, Sweden and Norway.

MARKETING COLLABORATION

The marketing of branded products is being developed in close collaboration with wholesale and retail chains. This includes aspects such as distribution marketing and campaigns.

KATRIN PRODUCTS AND THE ‘LESS IS MORE’ CONCEPT

In the Away-from-Home business area, the cornerstones of Metsä Tissue’s branded product strategy are the Katrin product range, the Katrin ‘Less is more’ concept, and the Katrin Ultimatic dispensing system.

Katrin “Less is more” concept is based on all-round cost effectiveness. For a particular application, less high-quality tissue paper is needed and less waste results than in the case of short-fibre paper made from ordinary recycled fibre.

The Katrin brand is regarded as a premium brand that is complemented by extremely high-quality dispensing systems. The goal is to raise Katrin’s share of the Away-from-Home business area’s turnover to 80 per cent. In the Nordic countries the business area’s own brands account for about 83 per cent of turnover. Elsewhere in Europe the figure is about 55 per cent.

In the case of away-from-home products the packagings themselves are not as important for product identity as they are in the case of consumer products, as away-from-home users do not receive the products in packs. Dispensers, on the other hand, are an essential part of the overall product. Sales of the Katrin ‘Less is more’ concept are supported by providing wholesalers with both training and marketing material.

TWO DIFFERENT NAPKIN MARKETS

The away-from-home and consumer markets for Table Top products are very different. Different users also make different demands on the properties of the products: restaurant napkins are part of the décor, yet at the same time they must fulfil their traditional functions of wiping and protecting. In the consumer market, the most important considerations are colour and design.

In the Nordic countries, almost all napkins are sold under brand names, and the market is expected to grow. In continental Europe branded products have 60 per cent of the away-from-home market for napkins. In the consumer segment, brand names have about half of the market. Continental Europe is Metsä Tissue’s most important market for napkins.

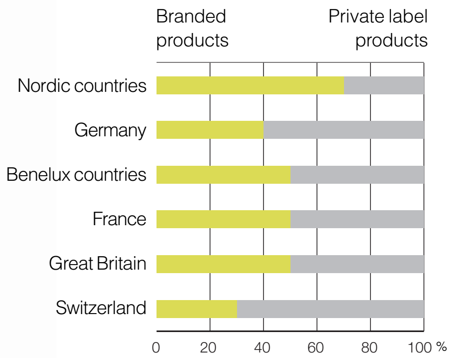
The away-from-home market attaches special importance to the supplier’s image: the reliability of deliveries and the ability to supply products that meet customers’ requirements. Together, Metsä Tissue, Katrin and Fasana are able to meet these challenges.

PRODUCT PLANNING

Good product planning is vital in building up a napkin brand: collections must be both interesting and attractive, and must appeal to consumers who buy branded products. A brand is created through skilful design and successful collections.

Napkins are usually bought on impulse, and their packaging and presentation in the shop are extremely important in influencing the customer’s choice and decision to buy. Building up the Fasana brand is a long-term process, and includes the planning of new collections and packagings. The first premium collection will be complete early in 2000.

Tissue products and their shares in different markets



Production and development

The emphasis in developing production in 1999 was on continuous improvement of productivity and product quality through product development work and technological improvements. Investments in production and quality completed during 1999 met their targets.

The Compact Concept Mill investment at Nyboholm was successfully completed. The new production line, which replaces two old lines, was started up at the beginning of November, four weeks ahead of schedule. The new line raised the mill's overall capacity by 8,000 t/a to 23,000 t/a. The line produces Lambi and Leni products.

A paper towel machine went into production at Mänttä as planned, and the new towel was successfully brought onto the away-from-home market.

In connection with the merger of the German mills into the Metsä Tissue Group, the year's most important goal in terms of production was to improve the quality and efficiency of napkin production.

In Poland, paperboard production was discontinued. The mill is now producing exclusively tissue products.

PRODUCTION

The volume of production by the Nordic mills was in line with the targets. In Germany, the mills operated at practically full capacity. At the Polish mill, capacity utilization was somewhat lower than planned.

Improvements of 10-15 per cent were achieved in productivity and efficiency at the Polish mill. A corresponding improvement of about 10 per cent was achieved at the Nordic mills. A significant increase in productivity will be made at the German mills during 2000.

INVESTMENT IN QUALITY IMPROVEMENT

In Finland, it was decided to increase the Baking and Cooking product area's production capacity at the Mänttä mill during 2000. A new converting line will also be built at the mill to manufacture Katrin industrial wipes and towels and Katrin Ultimatic products.

The new CCM production line at the Nyboholm mill in Sweden has met its production and quality targets. Investments in production at the Pauliström mill were linked with the continuous development of Lambi products. Rationalization of the production lines at the Katrinefors mill was completed as planned in spring 1999. This has raised the mill's productivity and at the same time improved the brightness and quality of Serla products.

In Germany, two new napkin machines went into production at the Stotzheim mill. It was decided to make production more efficient by closing the Selm-Bork converting unit. The unit's machines will be transferred to the Stotzheim mill in spring 2000.

Also in Germany, a 4-colour printing press was introduced for production of kitchen towels at the Strepp mill. Other investments were targeted at overcoming production bottlenecks. The programme to develop production and quality is continuing.

The production process at the Polish mill was improved to allow the start of production compliant with the quality requirements for Mola products. At the same time, production of single-ply products was reduced in favour of more two-ply products based on recycled fibre.

STRATEGIC SUPPORT FROM PRODUCT DEVELOPMENT

The strategic target steering the development of production is to focus on the manufacture of high-quality products. In pursuit of this target, a product development centre for consumer products was established at the Hedwigsthal mill in Germany.

Production development programmes were drawn up for the mills in Germany and Poland.

PRODUCTION CAPACITY AND PRODUCTS BY MILL

Mill	Paper machine	Capacity, t/a		Products	Brands
		Tissue	Other		
Mänttä	PM1	33,000		industrial towels and wipes, afh products	Katrin
	PM9	24,000		bathroom tissue	Lambi
	PM10	38,000		bathroom tissue, handkerchiefs, kitchen towels	Serla
	PM5		9,000	baking and cooking papers	
	PM7		16,000	baking and cooking papers	
Katrinefors	PM35	40,000		bathroom tissue, afh products	Katrin
	PM36	37,000		bathroom tissue, afh products	Serla
Pauliström	PM6	22,000		bathroom tissue, kitchen towels	Lambi
Nyboholm	CCM1	15,000		bathroom tissue, kitchen towels	Leni, Lambi
	PM3	8,500			
Warsaw		20,000		bathroom tissue, kitchen towels	Mola, Prymus, Katrin
Hedwigsthal	PM1	18,000		bathroom tissue	
	PM3	22,000		handkerchiefs	Lambi, Mola
Stotzheim	PM2	20,000		napkins and tablecloths	Fasana
Strepp	PM1	17,000		speciality tissue	
	PM3	22,000		bathroom tissue, speciality tissue	
	PM4	29,000		bathroom tissue, kitchen towels	Katrin
	PM5	55,000		bathroom tissue, kitchen towels, afh	

The environment

During 1999 the Nordic Swan environmental label was acquired for all the products sold by the company in the Nordic countries. Meeting the criteria for the label is an indication of the standard of environmental protection and of the sparing use of resources by the mills. One of the most significant events of the year was the start during the autumn of forest certification in Finland.

Wood raw material from certified forests began to arrive at Metsä Tissue's mills at the turn of the year. Certification of private forests is also going ahead in Sweden, and by the end of 2000 it will be possible to obtain all virgin fibre used in Metsä Tissue's products from certified forests.

The standard of environmental protection at Metsä Tissue's mills is good, and no major environment-related investments are likely to be needed in the near future. The investments that are needed mainly concern reducing landfill waste and water consumption.

Metsä Tissue's Strepp mill in Germany has an ISO 14001 certified environmental management system and an EMAS registration. The environmental management systems at the Nordic mills will be ready for ISO 14001 certification during 2000. In Poland, work has begun to set up an environmental management system.

ENVIRONMENTAL LABELS FOR BRANDED PRODUCTS

In Sweden, an environmental label is a condition for entry into the market. The branded products manufactured at Metsä Tissue's mills in the Nordic countries already have the right to use the Nordic Swan label. During 1999, the German mills obtained the label for their Lambi and Fasana products for sale in the Nordic countries and also for selected private brands. Activities at the Polish mill are being developed so that it too will meet the requirements for obtaining the label.

PROGRESS IN FOREST CERTIFICATION

Metsä Tissue's chemical pulp suppliers will be among the first to be granted the right to use the pan-European PEFC label, which acts as a guarantee that their wood raw material originates from certified forests and that the chain of custody meets the demands for tracing the source of the raw material. Metsä Tissue can obtain PEFC labels for its products by seeking the relevant certificate for the mills' chain of custody.

DEINKING WASTE PUT TO GOOD USE

Current legislation requires those who produce waste to reduce the volumes and step up waste utilization. Implementation of the EU's landfill site regulations at the national level will probably involve a new tax on waste, and this will encourage investments in reducing and utilizing waste.

The Mänttä mill has been actively involved in a study into ways to utilize deinking waste. In May 1999, Metsä-Serla Corporation, UPM-Kymmene Corporation, Helsingin Energia and the Western Uusimaa waste disposal company Rosk'n Roll set up a company under the name Finncao Oy to utilize "fibre clay", i.e. mechanical fibre sludge and deinking waste from the forest industry.

REQUIREMENTS FOR THE SWAN LABEL:

- Waste sorting at source
- Process chemicals suitable for the environment
- Low chemical oxygen demand (COD) and phosphorus loads to recipients
- Low emissions of sulphur and nitrogen oxides to air
- The product may contain no more than 10 per cent of chemical pulp that has been bleached with chlorine chemicals

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Emission figures for the mills are presented in Metsä-Serla's environmental report. Figures for Finnish mills are also reported by the Finnish Forest Industries Federation and those for Swedish mills by Naturvårdsverket.

Fibre clay can be used as capping material for landfill sites and as foundation material for new sites. This new material is particularly suitable for use in Finland, where the small volume of construction means there is insufficient suitable waste material for this purpose. Fibre clay thus replaces imported materials.

Fibre clay is also being tested as a surfacing material for gravel roads affected by severe frost near the Mänttä mill. By utilizing fibre clay the mill can cut its landfill waste, which in turn means lower transport and landfill costs and lower taxes. In the future the material may even be sold commercially.

TOWARDS LOWER WATER CONSUMPTION

The CCM (Compact Concept Mill) investment completed at the Nyboholm mill in November 1999 has significantly reduced the mill's water consumption, partly due to the accompanying closure of two old production lines. The Mänttä mill produced a report for the environmental authorities describing ways to reduce water consumption through greater recycling of process water, and an analysis was made of the cost of making the necessary changes.

Reducing the volume of waste water has many benefits: it reduces resource consumption and the amount of energy needed for heating water. Waste water treatment costs are also lower. At the German mills water consumption was reduced by stepping up the recycling of process water.

At the Polish mill, closure of paperboard production has reduced effluent loads.

GREEN ENERGY

The Katrinefors mill and the city of Mariestad have together studied the construction of an energy plant that would burn waste from deinking and effluent treatment. The project is at the feasibility stage. Implementation would mean that all energy used by the mills in Sweden would be "green" energy, that is produced either from biofuels or hydropower.

Discontinuation of board and speciality paper production at the Polish mill greatly reduced effluent volumes and emissions. The mill has started to use sludge from waste water treatment as fuel in its power plant boiler.

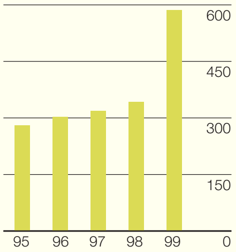
Quarterly development 1998-1999

Turnover,	1999					1998				
MEUR	**1-12**	**10-12**	**7-9**	**4-6**	**1-3**	**1-12**	**10-12**	**7-9**	**4-6**	**1-3**
Consumer	283.3	73.4	72.0	70.2	67.8	133.8	32.1	33.6	33.2	34.9
Away-from-Home	169.4	43.5	42.7	40.3	42.8	126.3	30.7	30.9	31.3	33.5
Other operations	145.9	39.7	33.3	34.6	38.4	87.5	24.0	19.7	21.2	22.6
Internal sales	-12.8	-3.3	-3.2	-2.8	-3.5	-5.0	-2.0	-1.1	-0.6	-1.4
Total	**585.7**	**153.2**	**144.8**	**142.2**	**145.5**	**342.7**	**84.8**	**83.2**	**85.2**	**89.5**

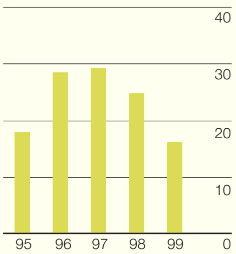
Operating profit,	1999					1998				
MEUR	**1-12**	**10-12**	**7-9**	**4-6**	**1-3**	**1-12**	**10-12**	**7-9**	**4-6**	**1-3**
Consumer	6.1	-2.7	2.5	1.9	4.4	12.3	2.4	4.3	2.3	3.3
Away-from-Home	6.4	-1.4	2.8	1.7	3.3	9.0	1.0	3.5	1.6	2.9
Other operations	5.7	-0.1	1.6	1.8	2.3	5.6	1.8	1.6	0.8	1.3
Internal items	-2.0	-0.4	-0.4	-0.5	-0.7	-2.1	-0.6	-0.7	-0.1	-0.7
Total	**16.2**	**-4.6**	**6.6**	**4.9**	**9.3**	**24.8**	**4.6**	**8.8**	**4.6**	**6.8**
Operating profit/turnover, %	2.8	-3.0	4.5	3.4	6.4	7.2	5.4	10.5	5.4	7.6
Net exchange gains/losses	0.2	0.2	0.0	0.2	-0.2	-0.2	0.0	-0.2	0.1	0.0
Other financial income and expenses	-7.3	-1.8	-1.9	-2.0	-1.6	-0.5	0.0	-0.2	-0.2	-0.1
Profit after financial items	**9.1**	**-6.2**	**4.7**	**3.1**	**7.5**	**24.1**	**4.6**	**8.4**	**4.4**	**6.7**

Report of the Board for the financial period 1 January – 31 December 1999

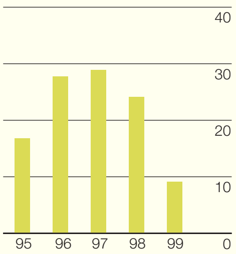
Turnover, MEUR



Operating profit, MEUR



Profit before extra-ordinary items, MEUR



The figures presented in this Annual Report for 1995-1997 have been calculated as if the reorganization of the Group on 30 September 1997 had been in force since 1 January 1995.

GENERAL

Metsä Tissue is the market leader in tissue papers in the Nordic countries, a position that the company is seeking to strengthen further. Through company acquisitions in Poland in 1997 and Germany in 1998, Metsä Tissue has established a sound basis for profitable growth in continental Europe.

In the Nordic countries the market for consumer tissue products is dominated by branded products. Metsä Tissue's Lambi, Leni and Serla are the leading brand names in this market. In continental Europe, retailers' own brands hold a strong position in the market. Most of the tissue paper supplied by Metsä Tissue for the consumer markets in continental Europe carries the trade's own brand names.

For the away-from-home market, Metsä Tissue offers its Katrin product range throughout Europe. Katrin is the leading brand in the Nordic away-from-home market. Metsä Tissue intends to further strengthen the market position of its Katrin range both in the Nordic countries and in continental Europe.

Metsä Tissue is Europe's market leader in greaseproof papers for baking and cooking.

MARKET SITUATION

Tissue sales in Europe are currently around five million tonnes annually. In terms of volumes, the market is growing by about one per cent a year in the Nordic countries, by 3-4 per cent in continental Europe and by 5-7 per cent in Poland. As the standard of living rises, growth is shifting increasingly towards higher quality products, which is why the total value of the market is rising faster than the growth in volume.

Competition has intensified as a result of consolidations among manufacturers and restructuring of the retail trade, particularly in continental Europe. Greater competition and the low price of market pulp, which remained low until the end of spring 1999, led to a fall in product prices in continental Europe during the early part of the year.

Market pulp prices embarked on a sharp rise during the summer and continued to rise for the remainder of the year. The lowest price in spring was around USD 460 a tonne, compared with USD 600 a tonne at the end of the year. This coincided with a rise in recycled paper prices, most notably in continental Europe. There was also a substantial increase in oil prices. The weakening of the euro against the US dollar also contributed to the increase in the cost of raw materials. Tissue prices began to rise during the second half of 1999, though not enough to compensate for the rise in costs.

TURNOVER AND RESULTS

Consolidated turnover was EUR 585.7 million, 70.9 per cent up on the previous year's figure of EUR 342.7 million. Most of the increase is attributable to the companies acquired in Germany in December 1998.

Operating profit was EUR 16.2 million, 2.8 per cent of turnover (EUR 24.8 million and 7.2 per cent in 1998). The main reason for the fall in operating profit was the sharp increase in the cost of raw materials, notably market pulp. It was not possible to make the necessary increases in sales prices in pace with rising raw material prices. In addition, competition in continental Europe between tissue manufacturers on the one hand and retailers on the other was fierce, and some product prices continued to fall even after market pulp prices had started to rise.

Metsä Tissue's German subsidiaries concentrated on restructuring their businesses, which gave rise to extra costs and delayed the start of measures to improve productivity and cost-effectiveness.

Depreciation was EUR 33.5 million (EUR 16.8 million). The increase is due mainly to the companies acquired in Germany at the end of 1998.

Net financial expenses were EUR 7.1 million, 1.2 per cent of turnover (EUR 0.7 million and 0.2 per cent). The increase is attributable partly to new loans raised to finance company acquisitions.

Before extraordinary items there was a profit of EUR 9.1 million, 1.6 per cent of turnover (EUR 24.1 million and 7.0 per cent).

Extraordinary expenses of EUR 2.6 million have been entered in the accounts. The amount includes a greater than original provision concerning reorganization of operations at the German mills acquired in 1998.

Profit after taxes and minority interest was EUR 1.4 million (EUR 17.4 million). Group taxes shown in the 1999 accounts are high, as business in the Nordic countries was again profitable, while that in continental Europe showed a loss. These losses can be set against tax later once the businesses concerned are in profit.

Capital invested in business operations was EUR 362.7 million (EUR 350.9 million) and return on capital invested was 4.6 per cent (10.0). Return on equity was 1.8 per cent (10.8).

Earnings per share for the financial year were EUR 0.11 (EUR 0.58), and after full dilution of options EUR 0.11 (EUR 0.56).

MAIN EVENTS DURING THE FINANCIAL PERIOD

The most notable change in the Group's legal structure was the combination of the business operations of the German subsidiaries Halstrick and Strepp to form Metsä Tissue GmbH. The process was completed by the beginning of the 2000 financial period.

Sales of giftwrap in Germany were discontinued in April, and in September it was decided also to discontinue sales of disposable tableware. In October it was decided to transfer production of napkins from Selm-Bork to the Stotzheim mill. The above arrangements will be completed by the end of May 2000. In October, the Table Top product area was established to specialize in the production and marketing of napkins utilizing the sales networks of the Consumer and Away-from-Home business areas and the Fasana brand name. In Poland board production was discontinued in July.

A product development centre for consumer products was opened at the Hedwigsthal mill.

The Year 2000 project was implemented as planned and the transition to the year 2000 was made without any problems in the Group's activities.

The parent company has decided to adopt the euro as its bookkeeping currency from January 2001.

BUSINESS AREAS

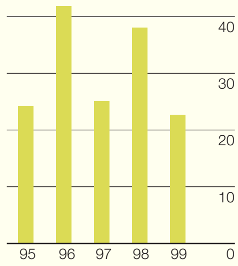
At the end of the financial period, the company's business areas were Consumer, Away-from-Home and Other operations. The last of these includes the Baking and Cooking product area and tissue base paper. The Table Top napkins business is a separate product area within the Consumer and Away-from-Home business areas.

Turnover for the Consumer business area rose 111.7 per cent to EUR 283.3 million (EUR 133.8 million). Operating profit was EUR 6.1 million, 2.2 per cent of turnover (EUR 12.3 million and 9.2 per cent). The company strengthened the position of its brand names on the Nordic market. Sales prices for products were steady and the product range was developed with greater emphasis on higher quality products. Strong competition in Germany caused prices there to fall, and this weakened profitability despite the growth in sales volumes. In Poland, the market was weak throughout the year and profitability was poor. A trend towards healthier prices was visible in the market during the last few months of the year.

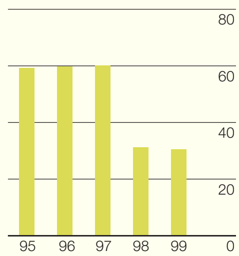
Turnover for the Away-from-Home business area rose by 34.1 per cent to EUR 169.4 million (EUR 126.3 million). Operating profit was EUR 6.4 million, 3.8 per cent of turnover (EUR 9.0 million and 7.1 per cent). Sales in the Nordic countries improved on the previous year. Growth was recorded in sales of Katrin products and dispensing systems. The sales organizations of Metsä Tissue and the companies acquired in Germany were combined during the year. The aim is to increase sales, particularly of Katrin products and Katrin Ultimatic systems, in Germany and elsewhere in continental Europe. The away-from-home business in Poland was also integrated into the Away-from-Home business area.

Turnover for Other operations rose by 66.7 per cent to EUR 145.9 million (EUR 87.5 million). Operating profit was EUR 5.7 million, 3.9 per cent of turnover (EUR 5.6 mil-

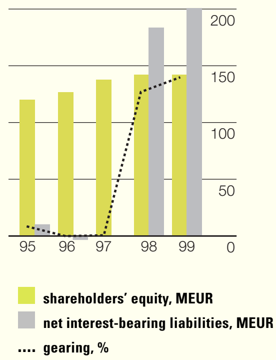
Cash flow from operations, MEUR



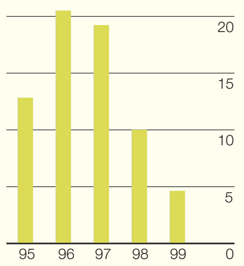
Equity ratio, %



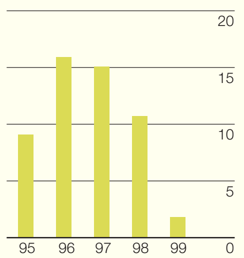
Gearing, %



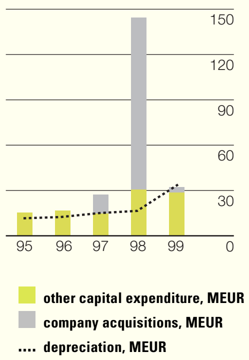
Return on capital employed, %



Return on equity, %



Capital expenditure and depreciation



lion and 6.4 per cent). Business for the Baking and Cooking product area remained stable despite intensified competition. The market for tissue base paper was good. Sales to Metsä Tissue's own converting mills rose in line with the targets.

FINANCING

Metsä Tissue's financial position and liquidity were good throughout the financial period. The cash flow from operations (before investments) was EUR 22.2 million (EUR 38.0 million). The equity ratio was 30.5 per cent (31.3) and the gearing ratio 139.1 per cent (126.8).

The Group's interest-bearing liabilities totalled EUR 218.3 million, compared with EUR 206.1 million the year before. In May, Metsä Tissue signed an agreement for a five-year EUR 75 million loan. This replaces the loan provided by Metsä Group Financial Services Oy for the company acquisitions in Germany. In December, a long-term agreement for a EUR 10 million loan was signed with Nordiska Investeringsbanken to finance the Group's investments in Poland.

Metsä Tissue's liquid funds at 31 December were EUR 17.4 million (EUR 22.5 million). In addition, the Group had EUR 52.2 million (EUR 43.8 million) in unutilized credit facilities, of which EUR 47.5 million was committed and EUR 4.7 million uncommitted.

Of the Group's interest-bearing liabilities, 66 per cent were tied to market interest rates and the rest to fixed interest rates.

The average rate of interest on the Group's interest-bearing liabilities at the end of the financial period was 4.22 per cent (4.02).

BOARD OF DIRECTORS AND AUDITORS

Metsä Tissue Corporation's Annual General Meeting was held on 18 March 1999. The following persons were re-elected as members of the Board of Directors: Ari Heiniö, Curt Lindbom, Jussi Länsiö, Antti Oksanen, Arimo Uusitalo and Jorma Vaajoki. Juhani Saarela was elected a new member of the Board of Directors. The term of office of members of the Board of Directors extends until the end of the Annual General Meeting to be held in 2000. The Board elected Antti Oksanen as its Chairman and Arimo Uusitalo as its Vice Chairman.

Hannu Anttila was CEO of Metsä Tissue.

SVH Pricewaterhouse Coopers Oy, Authorized Public Accountants, were re-elected as the company's auditors, with Göran Lindell, APA, responsible for the audit.

INVESTMENTS

Investment during the financial period totalled EUR 32.8 million (EUR 145.2 million), of which EUR 3.7 million (EUR 128.6 million) was used for company acquisitions and EUR 29.1 million (EUR 16.6 million) for acquisition of fixed assets.

The biggest investment projects to go into production were Nyboholm's CCM production line, Mänttä's new paper towel production line and the toilet tissue and kitchen paper converting line at Katrinefors. The CCM (Compact Concept Mill) line is a new type of production line in which papermaking and converting are integrated into a single entity. The CCM line is expected to greatly improve quality and to raise capital efficiency and work productivity compared with traditional production methods.

A new information management system was introduced at the mills in Poland and Germany, and significant improvements were made to the business information systems employed at the Nordic mills.

PERSONNEL

Metsä Tissue had an average of 3,459 employees (2,580) during the financial period. The number at 31 December was 3,355 (3,687).

Employees by country:	31 Dec. 1998	31 Dec. 1999	Average
Finland	719	738	758
Other Nordic countries	745	712	758
Germany	1,514	1,452	1,461
Poland	668	410	440
Others	41	43	42
Total	3,687	3,355	3,459

EVENTS OCCURRING AFTER THE CLOSING OF ACCOUNTS

The feminine hygie ne products business of the Hedwigsthal mill in Germany was sold in January 2000. Metsä Tissue will honour ongoing yearly sales contracts, and supplies of feminine hygiene products will continue to present customers.

Also in January, it was decided to introduce a package of measures to make operations in Germany more efficient with special emphasis on improving productivity and cutting costs. The measures are expected to give rise to non-recurring costs, provision for which has been made in the accounts.

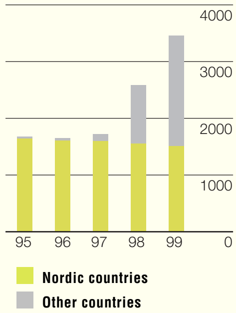
OUTLOOK FOR 2000

Demand for tissue is expected to continue to grow in volume by about one per cent a year in the Nordic countries, by 3-4 per cent in Central Europe and by 5-7 per cent in Poland. The increase in production capacity will exceed the growth in demand, making the market more difficult. It is anticipated that market pulp prices will continue to rise, at least during the first half of 2000.

Metsä Tissue has trimmed its structure by discontinuing products outside its core business. The focus of activities in 2000 will be on introducing measures to improve cost-effectiveness in all areas of business, in particular in Germany, where efforts will continue to derive synergy benefits and make activities more efficient and on raising sales prices to correspond with the rise in raw material costs.

It is anticipated that by increasing product prices and improving cost-effectiveness and efficiency, profitability will improve. However, profit will be affected by the trend in prices for Metsä Tissue's main raw materials – market pulp and recycled paper. Although the first quarter will produce a loss, for the year as a whole the Group is seeking to improve profit after financial items compared with 1999.

Employees



Consolidated profit and loss account

EUR 1 000	1.1.-31.12.1999	1.1.-31.12.1998
Turnover[6]	585 704	342 696
Change in stocks of finished goods and		
work in progress +/-	1 343	-1 451
Interest in associated companies[1]	-194	-112
Other operating income[2]	4 001	2 562
Raw materials and services		
Raw materials and consumables		
Purchased during the financial year	266 026	147 727
Change in stocks	328	1 050
Outside services	8 966	9 529
Staff expenses[3]	133 949	72 725
Depreciation and value adjustments[4]	33 483	16 764
Other operating expenses	131 868	71 144
	574 621	318 938
Operating profit	16 233	24 757
Financial income and expenses[5]		
Income from affiliated and associated companies	69	
Income from other investments held as non-current assets	41	25
Other interest and financial income	112	1 208
Net exchange gains and losses	161	-198
Interest and other financial expenses	7 505	1 717
	-7 122	-682
Profit before extraordinary items	9 111	24 075
Extraordinary items[7]		
Extraordinary income	657	
Extraordinary expenses	2 556	
	-1 899	
Profit before appropriations and taxes	7 212	24 075
Direct taxes[8]	-6 487	-8 490
Profit before minority interest	725	15 585
Minority interest	-660	-1 812
Profit for the period	1 386	17 398

Consolidated balance sheet

EUR 1 000	31.12.1999	31.12.1998
Assets		
Non-current assets		
Intangible assets(9)		
Intangible rights	2 547	2 092
Goodwill	14 089	13 357
Consolidated goodwill	8 159	9 401
Other capitalized long-term expenses	470	373
Advance payments and work in progress	574	280
	25 838	25 502
Tangible assets(9)		
Land and water	8 882	8 277
Buildings	71 942	73 924
Machinery and equipment	173 086	158 435
Other tangible assets	184	2 529
Advance payments and work in progress	5 887	13 917
	259 980	257 082
Investments(10)(23)		
Shares in affiliated companies	8	
Interests in associated companies	4 331	1 970
Other shares and participations	364	1 889
Other receivables	557	77
	5 261	3 935
Current assets		
Inventories		
Raw materials and consumables	29 009	27 046
Work in progress	9 793	6 696
Finished products/goods	28 837	32 833
Advance payments		102
	67 639	66 677
Debtors(11)(12)(13)		
Trade debtors	86 351	75 491
Amounts owed by Group undertakings	3 488	6 401
Amounts owed by associated companies	580	541
Loan receivables	4	12
Other debtors	4 132	2 874
Prepayments and accrued income	3 548	3 175
	98 103	88 493
Cash and equivalents	16 668	20 649
Total assets	473 490	462 339

EUR 1 000	31.12.1999	31.12.1998
Liabilities		
Capital and reserves(14)		
Subscribed capital	50 456	50 456
Share premium account	49 442	49 442
Legal reserve	134	134
Capital in untaxed reserves from previous years	33 087	30 390
Retained earnings	7 814	-5 785
Profit for the period	1 386	17 398
	142 319	142 035
Minority interest	2 119	2 745
Provisions(15)	9 508	8 258
Creditors(16)(18)(19)(20)(21)		
Long-term creditors		
Loans from financial institutions	149 300	81 951
Pension loans	10 684	10 496
Deferred tax liability	19 877	18 439
Other creditors	26 119	30 653
Accruals and deferred income		142
	205 980	141 681
Short-term creditors		
Loans from financial institutions	29 237	7 020
Pension loans	624	651
Advances received	925	
Trade creditors	35 496	28 771
Bills of exchange payable	246	163
Amounts owed to affiliated companies	6 927	78 607
Amounts owed to associated companies	1 545	632
Other creditors	2 740	29 750
Accruals and deferred income	35 823	22 026
	113 564	167 620
Total liabilities	473 490	462 339

Consolidated cash flow statement

EUR 1 000	1999	1998
Funds from operations		
Operating profit	16 233	24 757
Depreciation according to plan	33 483	16 764
Change in provisions for future costs	484	
Net financial items	-7 122	-682
Taxes	-5 347	-7 582
	37 731	33 257
Change in working capital		
Inventories (- = increase, + = decrease)	-962	4 305
Interest-free receivables (- = increase, + = decrease)	-10 699	7 284
Interest-free liabilities (+ = increase, - = decrease)	-3 348	-6 807
	-15 009	4 782
Cash flow from operations	**22 722**	**38 039**
Changes in fixed assets		
Capital expenditure	-32 841	-145 213
Sales and other changes in fixed assets	564	8 626
	-32 277	-136 587
Cash flow after capital expenditure	**-9 555**	**-98 548**
Financing		
Change in interest-bearing liabilities (+ = increase, - = decrease)	12 151	107 780
Change in interest-bearing receivables (- = increase, + = decrease)	1 085	-1 213
Dividend	-7 064	-7 064
Other items, including translation differences	-1 682	-1 838
	4 490	97 665
Change in liquid funds	**-5 065**	**-883**

Parent company profit and loss account

EUR 1 000	1.1.-31.12.1999	1.1.-31.12.1998
Turnover[6]	190 435	184 797
Change in stocks of finished goods and work in progress +/-	-541	-991
Other operating income[2]	3 551	2 588
Raw materials and services		
Raw materials and consumables		
Purchased during the period	96 054	90 642
Change in Stocks	-593	1 197
Outside services	9 879	8 944
Staff expenses[3]	35 964	32 819
Depreciation and value adjustments[4]	8 113	8 275
Other operating expenses	34 532	32 221
	183 950	174 098
Operating profit	9 496	12 297
Financial income and expenses[5]		
Income from affiliated and associated companies	8 966	5 928
Income from other investments held as non-current assets	9	25
Other interest and financial income	3 193	162
Net exchange gains and losses	119	-125
Interest and other financial expenses	-4 901	-1 330
	7 385	4 660
Profit before extraordinary items	16 881	16 957
Profit before appropriations and taxes	16 881	16 957
Change in untaxed reserves	2 849	1 815
Direct taxes[8]	-3 087	3 712
Profit for the period	16 642	15 061

Parent company balance sheet

EUR 1 000	31.12.1999	31.12.1998
Assets		
Non-current assets		
Intangible assets(9)		
Intangible rights	438	675
Other capitalized long-term expenses	164	252
Advance payments and work in progress	573	280
	1 176	1 207
Tangible assets(9)		
Land and water	259	259
Buildings	10 924	11 726
Machinery and equipment	43 845	46 286
Other tangible assets	44	47
Advance payments and work in progress	3 125	3 332
	58 198	61 650
Investments(10)(23)		
Shares in affiliated companies	80 359	80 413
Receivables from affiliated companies	118 364	105 815
Interests in associated companies	4 538	2 001
Other shares and participations	318	316
Other receivables	32	34
	203 611	188 579
Current assets		
Inventories		
Raw materials and consumables	4 424	3 831
Work in progress	13 179	13 720
	17 603	17 551
Debtors(11)(12)(13)		
Trade debtors	26 198	20 489
Amounts owed by Group undertakings	9 275	10 037
Amounts owed by associated companies	25	40
Other debtors	1 927	927
Prepayments and accrued income	1 515	1 486
	38 939	32 978
Cash and equivalents	2 759	1 609
Total assets	322 287	303 575

EUR 1 000	31.12.1999	31.12.1998
Shareholders' equity and liabilities		
Shareholders' equity(14)		
Share capital	50 456	50 456
Share premium account	49 442	49 442
Retained earnings	8 839	847
Profit for the period	16 642	15 061
	125 380	115 806
Untaxed reserves		
Accumulated depreciation difference	33 100	35 948
Provisions for liabilities and charges(15)	2 768	2 924
Liabilities(16)(18)(19)(20)(21)		
Long-term		
Loans from financial institutions	116 189	41 415
Pension premium loans	6 284	6 908
	122 473	48 323
Short-term		
Pension loans	624	651
Loans from financial institutions	9 715	
Advance payments	925	
Accounts payable	8 419	6 168
Liabilities to affiliated companies	8 931	86 056
Liabilities to associated companies	1 545	631
Other liabilities	2 088	1 723
Accruals and deferred income	6 320	5 343
	38 566	100 573
Total liabilities	161 039	148 896
Total shareholders' equity and liabilities	322 287	303 575

Parent comapny cash flow statement

EUR 1 000	1999	1998
Funds from operations		
Operating profit	9 496	12 297
Depreciation according to plan	8 113	8 275
Change in provisions for future costs	425	30
Net financial items	7 385	4 661
Taxes	-3 087	-3 712
	22 333	21 550
Change in working capital		
Inventories (- = increase, + = decrease)	-52	2 188
Interest-free receivables (- = increase, + = decrease)	-7 092	1 189
Interest-free liabilities (+ = increase, - = decrease)	9 356	-5 991
	2 213	-2 614
Cash flow from operations	**24 545**	**18 936**
Changes in fixed assets		
Capital expenditure	-7 765	-22 030
Sales and other changes in fixed assets	69	105
	-7 696	-21 925
Cash flow after capital expenditure	**16 849**	**-2 989**
Financing		
Change in interest-bearing liabilities (+ = increase, - = decrease)	2 782	111 059
Change in interest-bearing receivables (- = increase, + = decrease)	-11 417	-105 164
Dividend	-7 064	-7 064
	-15 699	-1 169
Change in liquid funds	**1 150**	**-4 157**

Accounting principles

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Metsä Tissue Corporation and all those subsidiaries in which the parent company controls, either directly or indirectly, over 50 per cent of the voting rights. The financial period for all such companies is the calendar year.

The accounts of foreign subsidiaries have been consolidated using uniform accounting principles and in accordance with Finnish accounting practice.

The purchase method of consolidation has been used in the elimination of intra-Group shareholdings. Goodwill, consisting of the excess of purchase consideration over the fair value of the net assets of acquired companies, is amortized on a straight-line basis, in most cases over a period of five years. Goodwill in respect of the substantial investments made in Germany is amortized over ten years. All intra-Group balances, transactions and unrealized profits have been eliminated.

Minority interest has been disclosed separately from 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.

Interests in associated companies with a material impact on the Group's profits and shareholders' equity are entered under "Interests in associated companies" in the consolidated income statement. The figures presented also include amortization of goodwill. Associated companies that are not material to the Group's profits and shareholders' equity have not been consolidated.

FOREIGN CURRENCIES

The profit and loss accounts of foreign subsidiaries have been translated into euro at the average of the Bank of Finland's buying and selling rates for the financial period; the balance sheets have been translated using the average of the Bank of Finland's buying and selling rates at 31 December 1999. This does not apply to currencies within the euro area, which are translated into Finnish markka according to the fixed conversion rates announced by the European Central Bank. Translation differences arising on the consolidation are entered under unrestricted equity.

Transactions in foreign currencies are recorded using the exchange rates prevailing at the date of the transaction. For Group companies based in Finland, assets and liabilities in foreign currencies are translated into Finnish markka using the average of the Bank of Finland's buying and selling rates at the balance sheet date. Exchange rate differences arising on such translations are recorded in the profit and loss account either as adjustments to sales or purchases or as net exchange gains/losses under financial income and expenses.

Unrealized exchange differences arising from derivative agreements used to hedge sales in foreign currencies are recorded as adjustments to turnover.

TURNOVER

Turnover is calculated after deduction of indirect sales taxes, trade discounts, bonuses, refunds and exchange differences on sales. Freight costs and other sales and delivery costs are recorded in the profit and loss account under operating expenses.

PENSIONS AND PENSION FUNDING

Statutory pension coverage for employees of the parent company and its subsidiaries in Finland is arranged through pension insurance companies. Foreign subsidiaries make their own pension arrangements in accordance with local practice.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred.

LEASING

Payments made under leasing contracts are charged against profit as rental costs. Major assets held under finance leases are included in fixed assets and the capital element of the leasing commitments is included under liabilities in the balance sheet.

INVENTORIES

Inventories are valued at the lower of cost and net realizable value at the balance sheet date. Cost is determined on a weighted average cost basis. Cost is calculated to include the variable cost of manufacture and an appropriate proportion of the fixed costs of purchase and manufacture.

FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost less accumulated depreciation according to plan. 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 principal annual rates adopted are as follows:

Buildings and constructions	2.5 – 5 %
Machinery and equipment	5 – 33 %
Other items	10 – 20 %
Goodwill on consolidation	10 – 20 %

EXTRAORDINARY INCOME AND EXPENSES

Substantial income or expenses arising from transactions of an abnormal nature is presented in the profit and loss account as extraordinary items. Changes in accounting principles and practices are also included in extraordinary items.

APPROPRIATIONS

In the consolidated financial statements, appropriations to or from untaxed reserves and accumulated depreciation difference are recorded as an adjustment to profit before appropriations and taxes in arriving at 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 unrestricted shareholders' equity.

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 exact amount or date of occurrence is not known.

DIRECT TAXES

The consolidated profit and loss account shows direct taxes for each period calculated according to the accruals convention on the basis of the financial results of Group companies for each such period and in accordance with local tax regulations, together with tax payable or refunded in respect of previous financial periods. Income taxes also include the charge or credit for each period in respect of deferred tax. Deferred tax liabilities are shown as required by the Finnish Accounting Act.

1. Share of profits of associated companies

	Holding %	Share of profit for financial period	Goodwill depreciation	Share of company's profits	Book value
Mäntän Energia Oy	25.0	16		16	
Ultimatic Systems GmbH	46.7	-110	-99	-210	763
		-94	-99	-194	763

2. Other operating income

	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Rental income	235	625	41	58
Gains on disposals of fixed assets		999		6
Service revenues	1 144	528	3 288	2 404
Other items	2 622	411	222	120
	4 001	2 562	3 551	2 588

3. Personnel costs

	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Wages and salaries	92 473	44 987	19 776	18 967
Pension expenses	9 501	7 356	6 312	3 821
Other personnel costs	31 975	20 382	9 877	10 031
	133 949	72 725	35 964	32 819

	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Salaries and fees to members of Board of Directors and managing directors				
Managing director and his deputy	1 093	782	185	207
Members and deputy members of Board of Directors	237	316	130	126
	1 330	1 098	315	333

No pension agreements have been made with the members of the Board of Directors and managing director or their deputies or with other organs of the company.

4. Depreciation

	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Depreciation according to plan				
Intangible rights	582	324	260	321
Goodwill	917	456		
Consolidation goodwill	1 242			
Other capitalized expenditure	134	206	88	200
Buildings and constructions	4 881	2 503	870	886
Machinery and equipment	25 696	13 250	6 892	6 865
Other tangible assets	31	25	3	3
Total	33 483	16 764	8 113	8 275
Depreciation difference			-2 849	-1 815
Depreciation total	33 483	16 764	5 265	6 460

	Parent company 1999	Parent company 1998
Depreciation difference at beginning of period	35 948	37 763
Depreciation difference	-2 849	-1 815
Depreciation difference at period end	33 100	35 948

5. Financial income and expenses

	Group		Parent company	
	1999	**1998**	**1999**	**1998**
Dividends				
From affiliated companies	9		8 944	5 865
From associated companies	60		22	63
Other	41	25	9	25
	110	25	8 975	5 953
Income from non-current financial assets	110	25	8 975	5 953
Other interest and finance income				
Other interest income from affiliated companies	15	74	3 178	116
Other interest income from others	97	1 135	15	46
Other financial income from others	161	1 082	119	779
	274	2 291	3 312	941
Interest income from non-current financial assets and other interest and financial income	384	2 315	12 287	6 894
Interests and other financial expenses				
Interest expenses to the affiliated companies	-1 294	-227	-1 324	-144
Interest expenses to others	-5 823	-1 181	-3 189	-1 186
Other financial expenses to others	-388	-1 589	-388	-904
	-7 505	-2 997	-4 901	-2 234
Financial income and expenses total	-7 122	-682	7 385	4 661

6. Exchange gains and losses in profit and loss account	Group		Parent company	
	1999	1998	1999	1998
Exchange differences on sales				
Exchange differencies on derivatives	-599	472	-741	472
Other exchange differencies	2 175	-774	1 449	-761
	1 576	-302	708	-289
Exchange differences on purchases				
Exchange differencies on derivatives	222	-520	222	-520
Other exchange differencies	1 374	287	9	217
	1 596	-233	231	-303
Exchange differences on financing				
Exchange gains				
Realized	399	1 048	382	745
Unrealized	177	34	136	34
Exchange losses				
Realized	-365	-1 166	-349	-883
Unrealized	-50	-114	-50	-21
	161	-198	119	-125
Exchange gains and losses total	3 333	-733	1 058	-717

7. Extraordinary income and expenses				
Extraordinary income				
Deferred tax receivable from provisions 31.12.1999	657			
Extraordinary expenses				
Increase of restructuring reserve in Germany	2 556			
	-1 899			

8. Direct taxes				
Taxes for the period	-4 889	-7 654	3 079	-3 712
Taxes for previous periods	-457	72	9	
Change in deferred tax				
Change in deferred tax liability	-1 286	-908		
Change in deferred tax receivable	146			
	-6 487	-8 490	3 087	-3 712

In relation to taxation for the companies in Germany and Poland, the deferred tax receivable on tax-deductible losses has not been included in calculating the change in deferred tax receivable.

9. Intangible and tangible assets

	Intangible rights	Goodwill	Consolidated goodwill	Other capitalized expenditure	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Work in progres
Group									
Book value 1.1	3 844	13 357	9 971	1 848	8 277	88 206	206 509	2 708	14 197
Increased	231	1 649		246	607	3 108	25 905	79	5 458
Moved between items	806			-14			14 727	-2 325	-13 194
Decreased					-2	-209	-285	-68	
Book value 31.12.1999	4 881	15 006	9 971	2 079	8 882	91 105	246 856	395	6 461
Accumulated depreciations 1.1	-1 752		-570	-1 475		-19 001	-54 265	-180	
Accumulated depreciations to movements and deductions						4 719	6 191		
Depreciation for the period	-582	-917	-1 242	-134		-4 881	-25 696	-31	
Accumulated depreciations 31.12.1999	-334	-917	-1 812	-1 609		-19,163	-73 770	-211	
Book value 31.12.1999	2 547	14 089	8 159	470	8 882	71 942	173 086	184	6 461

Machinery and equipment account includes EUR 169,479 thousand for production machinery and equipment.

	Intangible rights	Goodwill	Consolidated goodwill	Other capitalized expenditure	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Work in progres
Parent company									
Book value 1.1	2 417			1 722	259	16 238	80 853	69	3 612
Increased						68			4 578
Moved between items							4 468		-4 492
Decreased	24						-16		
Book value 31.12.1999	2 441			1 722	259	16 306	85 305	69	3 699
Accumulated depreciations 1.1	-1 742			-1 469		-4 512	-34 567	-22	
Accumulated depreciations ot movements and deductions									
Depreciation for the period	-260			-88		-870	-6 892	-3	
Accumulated depreciations 31.12.1999	-2 003			-1 557		-5 382	-41 460	-24	
Book value 31.12.1999	438			164	259	10 924	43 845	44	3 699

Machinery and equipment account includes EUR 43,514 thousand for production machinery and equipment.

10. Investments

	Shares in affiliated companies	Shares in associated companies	Other shares and participations	Receivables from affiliated companies	Receivables from associated companies	Other receivables	Total
Group							
Purchase cost 1.1.1999	8	1 970	1 889			77	3 944
Increase		2 420	1 013			937	4 370
Decrease		-2	-2 538			-385	-2 925
Purchase cost 31.12.1999	8	4 388	364			628	5 389
Decrease in value		-57				-71	-128
Book value 31.12.1999	8	4 331	364			557	5 261
Parent company							
Book value 1.1.1999	80 413	2 001	316	105 815		34	188 579
Increase		2 538	2	14 351			16 890
Decrease	-55	-1		-1 801		-2	-1 858
Purchase cost 31.12.1999	80 359	4 538	318	118 364		32	203 611
Book value 31.12.1999	80 359	4 538	318	118 364		32	203 611

11. Receivables from the management

There are no loans receivable from the members of the Board of Directors and the managing director or their deputies or from other organs of the company.

12. Current receivables

	Group		Parent company	
	1999	1998	1999	1998
Receivables from others				
Accounts receivable	86 351	75 491	26 198	20 489
Loans receivable	4	12		
Other receivables	4 132	2 874	1 927	927
Accruals	3 548	3 175	1 515	1 486
Receivables from affiliated companies				
Accounts receivable	3 315	5 097	9 033	8 665
Other receivables	173	1 304	241	1 372
Receivables from associated companies				
Accounts receivable	25	32	25	32
Loans receivable	555	501		
Other receivables		8		8
	98 103	88 493	38 939	32 978

13. Accruals	Group		Parent company	
	1999	1998	1999	1998
Taxes	579		579	
Insurance	76	909	35	842
Leasing	1 054			
VAT		211		
Other	1 840	2 055	902	644
	3 548	3 175	1 515	1 486

14. Shareholders' equity

Share capital 1.1	50 456	50 456	50 456	50 456
Share capital 31.12	50 456	50 456	50 456	50 456
Share premium account 1.1	49 442	49 442	49 442	49 442
Share premium account 31.12	49 442	49 442	49 442	49 442
Legal reserve 1.1	134	134		
Legal reserve 31.12	134	134		
Other reserves and profit funds 1.1	42 002	37 585	15 908	7 906
Dividens	-7 064	-7 064	-7 064	-7 064
Moved to restricted equity		-26		
Change in translation difference	4 543	-5 753		
Other items	1 420	-137	-5	5
Profit for the financial period	1 386	17 398	16 642	15 061
Other reserves and profit funds 31.12	42 286	42 002	25 481	15 908
SHAREHOLDERS' EQUITY TOTAL	142 319	142 035	125 380	115 806
Distributable funds				
Other funds and profit brought forward	42 286	42 002	2 481	15 908
Untaxed reserves in shareholders' equity	35 386	30 806		
Distributable funds	6 900	11 196	25 481	15 908
Untaxed reserves 31.12	72 674	65 853	33 100	35 948
	72 674	65 853		
Deferred tax liability from untaxed reserves	-20 680	-18 439		
	51 994	47 414		
	51 994	47 414		
Reserves at the date of purchase	-16 608	-16 608		
Untaxed reserves in shareholders' equity 31.12	35 386	30 806		

15. Reserves for future costs	**1.1**	Increase	Decrease	**31.12**
Group				
Reserve for unemployment pension insurance	2 191	484		2 675
Reserve for business termination and restructuring	4 346	2 812	-2 382	4 776
Other items	1 720	739	-402	2 057
	8 257	4 035	-2 784	9 508
Parent company				
Reserve for unemployment pension insurance	2 191	484		2 675
Reserve for effluent disposal	151		-59	93
Other items	581		-581	
	2 923	484	-640	2 768

16. Liabilities	**Group**		**Parent company**	
	1999	**1998**	**1999**	**1998**
Long-term				
Non-interest bearing	19 915	23 046		
Interest bearing	186 065	118 635	122 473	48 323
	205 980	141 681	122 473	48 323
Short-term				
Non-interest bearing	81 364	80 140	27 303	18 866
Interest bearing	32 200	87 479	11 263	81 707
	113 564	167 620	38 566	100 573

17. Long-term loans and repayment scheme	**Loans from financial institutions**	**Pension loans**	**Other loans**	**Total**
2000	29 237	624		29 861
2001	7 701	598		8 300
2002	21 092	574		21 666
2003	21 015	552		21 568
2004	92 800	532		93 331
2005-	6 691	8 428		15 119
	178 537	11 308		189 844

18. Deferred tax liability		
From untaxed reserves	20 680	18 439
From provisions	803	
	19 877	18 439

19. Long-term liabilities

	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Liabilities to others				
Pension loans	10 684	10 496	6 284	6 908
Loans from financial institutions	149 300	81 951	116 189	41 415
Deferred tax liability	19 877	18 439		
Other interest-bearing liabilities	26 081	26 187		
Other non-interest bearing liabilities	38	4 466		
Accruals		142		
	205 980	141 681	122 473	48 323

20. Short-term liabilities

	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Liabilities to others				
Loans from financial institutions	29 237	7 020	9 715	
Pension loans	624	651	624	651
Advance payments	925		925	
Accounts payable	35 496	28 771	8 419	6 168
Bills of exchange payable	246	163		
Accruals	35 823	22 026	6 320	5 343
Other short-term interest-bearing liabilities	2 093	2 279		
Other short-term non-interest bearing liabilities	647	27 471	2 088	1 723
Liabilities to affiliated companies				
Accounts payable	3 369		4 607	
Other short-term interest-bearing liabilities		77 366		81 056
Other short-term non-interest bearing liabilities	3 558	1 241	4 324	5 000
Liabilities to associated companies				
Accounts payable	1 545	632	1 545	631
	113 564	167 620	38 566	100 573

21. Accruals

	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Accruals of wage, salary and staff costs	13 259	5 529	5 036	4 742
Interests	587	395	587	395
Accruals of purchases	4 931			
Insurances	2 903	643	214	
Provisions for discounts	3 980	3 060		
Others	10 164	12 399	482	206
	35 823	22 026	6 320	5 343

22. Liability commitments

	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Group				
Liabilities secured by real estate mortgages				
Loans from financial institutions	49 278	43 968		
Pension loans				
Real estate mortgages	52 049	52 049		
Mortgages on movables	2 236	1 914		
On behalf of Group companies				
Guarantee liabilities	971	582		
On behalf of others				
Guarantee liabilities		23		
Other liabilities				
As security for own commitments	112			
Leasing commitments*				
Payments due in next 12 months	5 531	4 079	825	806
Payments due in subsequent years	16 493	16 337	832	894
* Sum does not include the following leasing liabilities capitalized in the balance sheet				
Total				
Real estate mortgages	52 049	52 049		
Mortgages on movables	2 236	1 914		
Pledges				
Guarantees	971	605		
Promissory notes				
Other liabilities	112			
Leasing liabilities	22 024	20 416	1 657	1 700

Group	Gross amount 1999	Market value	Unrecognized valuation difference	Gross amount 1998
Liabilities due to open derivative contracts				
Currency derivatives	13 867	-88	-29	47 109
Forward agreements				
Options				
Purchased	52 000	677	521	
Sold	59 500	-1 123	-1 072	49 615
Commodity derivatives	19 028			

	Group 1999	Group 1998
Financial leasing agreements		
Value of assets in consolidated balance sheet		
Land and water	544	544
Machinery and equipment	4 213	2 704
Buildings	3 386	3 787
	8 143	7 035
Financial lease liabilities		
Short-term	2 093	795
Long-term	6 050	6 240
	8 143	7 035
Future leasing payments		
Year 2000	1 872	1 750
Subsequent years	10 741	13 730
Future leasing payments, total	12 613	15 480

Metsä Tissue Corporation is part of Metsä-Serla Corporation, a member of the Metsäliitto Group. Metsä Tissue Corporation is the parent company of the Metsä Tissue Group. Annual reports for the Metsäliitto Group and Metsä-Serla Corporation can be obtained from the companies' head offices at Revontulentie 6, Espoo, Finland.

23. Companies and associated companies

	Domicile	Holdings %	Number of shares	Currency	Nominal currency value ´000	Book value ´000
Affiliated companies						
Owned by Metsä Tissue Corp.						
Metsä Tissue Holding GmbH	Germany	100.00	100	DEM	29 150	14 906 EUR
Metsä Tissue Ltd	UK	100.00	100 000	GBP		72 EUR
Metsä Tissue Holding Ab	Sweden	100.00	39 092	SEK	10 000	52 979 EUR
Tissu Canarias S.A	Spain	63.05	1 000	ESP	19 546	26 EUR
Metsä Tissue S.A.	Poland	100.00		PLN	100	599 EUR
Warszawskie Zaklady Papiernicze S.A.	Poland	79.28	1 280 438	PLN	5 621	11 769 EUR
Owned by Metsä Tissue Holding AB						
Metsä Tissue AB	Sweden	100.00	2 000 000	SEK	200 000	576 450 SEK
Metsä Tissue A/S	Denmark	100.00	1 000	DKK	500	270 SEK
Metsä Tissue AS	Norway	100.00	6 020	NOK	602	482 SEK
Owned by Metsä Tissue Holding GmbH						
Metsä Tissue GmbH	Germany	100.00		DEM	22 560	52 440 EUR
Metsä Tissue Immobilienverwaltungs GmbH	Germany	100.00		DEM	50	29 EUR
Metsä Tissue S.A.R.L.	France	99.00	99	FRF	50	82 EUR
Associated companies						
Mäntän Energia Oy	Finland	25.00	1 000	FIM	500	84 EUR
Ultimatic Systems GmbH	Switzerland	46.67	70	CHF	70	1 908 EUR
Zaklady Papiernicze w Krapkowicach*	Poland	20.78	386 893	PLN	3 869	2 538 EUR
Owned by Metsä Tissue AB						
Papperåtervinnings AB*	Sweden	33.00	333	SEK	33	75 SEK
Katrinefors Kraftvärme AB*	Sweden	50.00	250	SEK	250	250 SEK
Owned by Metsä Tissue S.A.						
Zaklady Papiernicze w Krapkowicach*	Poland	0.07	1 274	PLN	13	28 PLN
Other shares and holdings						
Owned by Metsä Tissue Oyj						
Housing companies	Finland					316 EUR
Other	Finland					18 EUR
Owned by affiliated companies	Sweden					12 EUR
	Germany					112 EUR

* The companies are not included in the associated company accounts.

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, % = $$\frac{\text{Profit before extraordinary items + interest expense, net exchange gains/losses and other financial expenses}}{\text{Total assets – interest-free liabilities (average)}}$$

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

Gearing ratio, % = $$\frac{\text{Interest-bearing liabilities – liquid assets}}{\text{Shareholders' equity + minority interest}}$$

Earnings per share = $$\frac{\text{Profit before extraordinary items – minority interest - direct taxes}}{\text{Adjusted number of shares (average)}}$$

Shareholders' equity per share $$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at 31.12}}$$

Dividend per share = $$\frac{\text{Dividend}}{\text{Adjusted number of shares at 31.12}}$$

Dividend per profit, % = $$\frac{\text{Dividend per share}}{\text{Earnings per share}}$$

Dividend yield, % = $$\frac{\text{Dividend per share}}{\text{Share price at 31.12}}$$

Price/earnings (P/E) ratio = $$\frac{\text{Adjusted share price at 31.12}}{\text{Earnings per share}}$$

Adjusted average share price = $$\frac{\text{Total traded volume of shares (EUR)}}{\text{Total adjusted traded volume of shares (units)}}$$

Market capitalization = Number of shares x market price at 31.12

Net interest-bearing liabilities/turnover, % = $$\frac{\text{Interest-bearing liabilities – interest-bearing financial assets}}{\text{Turnover}}$$

Funds from operations = Funds from operations in cash flow

Five years in figures

1995 - 1997 pro forma

MEUR, excluding other information and share-related indicators

PROFIT AND LOSS ACCOUNT	1995	1996	1997	1998	1999
Turnover	279.5	302.1	318.4	342.7	585.7
Other operating income	1.1	1.3	1.8	2.6	4.0
Interests in associated companies	0.0	0.0	-0.1	-0.1	-0.2
Operating expenses	250.9	262.0	275.5	303.6	539.8
Depreciation according to plan	11.8	13.0	15.4	16.8	33.5
Operating profit	18.0	28.5	29.3	24.8	16.2
Interest and other financial expenses, net	-1.2	-0.7	-0.4	-0.7	-7.1
Profit before extraordinary items	16.8	27.8	28.9	24.1	9.1
Extraordinary items	-	-	0.0	0.0	-1.9
Profit before taxes and minority interest	16.8	27.8	28.9	24.1	7.2
Direct taxes	-0.6	-8.2	-8.3	-8.5	-6.5
Profit for the period before minority interest	10.9	19.6	20.5	15.6	0.7
Minority interest	-0.1	-0.1	0.0	-1.8	-0.7
Profit for the period	10.9	19.5	20.5	17.4	1.4
BALANCE SHEET					
Total assets	204.9	212.1	242.5	462.3	473.5
Shareholders' equity	120.1	126.5	137.6	142.0	142.3
Minority interest	0.3	0.4	8.3	2.7	2.1
Interest-bearing liabilities, short-term	15.9	3.5	11.6	87.5	32.2
long-term	9.1	12.1	11.2	118.6	186.1
Interest-free liabilities, shor-term	44.7	53.0	62.3	80.1	81.4
long-term	14.8	16.6	11.6	23.0	19.9
Net interest-bearing liabilities					
Interest-bearing liabilities, total	25.0	15.6	22.7	206.1	218.3
Cash and equivalents	6.7	9.2	21.5	20.7	16.7
Other interest-bearing assets	8.3	10.0	0.6	1.8	0.7
Net interest-bearing liabilities, total	10.1	-3.5	0.6	183.6	200.9
Cash flow					
Cash flow from operations	24.2	41.8	25.0	38.0	22.7
Capital expenditures	15.6	17.0	27.3	145.2	32.8
FINANCIAL RATIOS					
Return on equity, %	9.1	15.9	15.1	10.8	1.8
Return on capital employed, %	12.8	20.5	19.2	10.0	4.6
Operating profit/turnover, %	6.4	9.4	9.2	7.2	2.8
Gearing, %	8.4	-2.8	0.4	126.8	139.1
Equity ratio, %	59.3	59.8	60.2	31.3	30.5
Investment, % of turnover	5.6	5.6	8.6	42.4	5.6
OTHER INFORMATION					
Employees, average	1 680	1 688	1 725	2 580	3 459
Employees at 31 Dec.	1 642	1 618	1 591	3 687	3 355
SHARE-RELATED INDICATORS					
Earnings per share	0.36	0.65	0.68	0.58	0.11
Earnings per share with dilution effect of warrants				0.56	0.11
Shareholders' equity per share	4.00	4.22	4.59	4.73	4.74
Adjusted no. of shares, average, 1000	30 000	30 000	30 000	30 000	30 000
Dividend per share, EUR			0.24	0.24	0.12
Dividend/profit, %			34.6	41.4	109.1
Dividend yield, %			2.67	2.98	0.94
Price/earnings (P/E) ratio			12.90	13.62	116.36

The figures for 1995-1997 in this report have been calculated as if the restructuring of the Group on 30 September 1997 had been in force since 1 January 1995.

Board of Directors' proposal for the distribution of profits

The unrestricted shareholders' equity of the Group at 31 December 1999 was FIM 251,423,000.00 (EUR 42,286,313.00), of which distributable funds were FIM 41,027,000.00 (EUR 6,900,246.00). The parent company's distributable unrestricted shareholders' equity was FIM 151,505,156.19 (EUR 24,481,338.07). The Board of Directors proposes to the Annual General Meeting that a dividend of FIM 0.70 (EUR 0.12) per share be paid in respect of the 1999 financial year, i.e. a total of FIM 21,000,000.00 (EUR 3,531,946.46).

Espoo, 2 February 2000

Antti Oksanen

Arimo Uusitalo

Ari Heiniö

Jussi Länsiö

Curt Lindbom

Jorma Vaajoki

Juhani Saarela

Hannu Anttila
CEO

Auditor's report

TO THE SHAREHOLDERS OF METSÄ TISSUE CORPORATION

We have audited the accounting, the financial statements and the corporate governance of Metsä Tissue Corporation for the period 1 January - 31 December 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 Managing Director. 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 Managing Director 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 Managing Director 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, 11 February 2000

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants
Göran Lindell
Authorised Public Accountant

Shares and shareholders

SHARES AND SHARE CAPITAL

At 31 December 1999, Metsä Tissue Corporation's fully paid-in share capital as registered in the Trade Register was FIM 300 million.

The total number of shares is 30,000,000, each with a nominal value of FIM 10. Each share entitles the holder to one vote at a general meeting of shareholders, and all shares carry the same right to receive dividend.

Metsä Tissue Corporation's minimum share capital is FIM 300 million and maximum share capital FIM 1,200 million. The share capital may be increased or decreased between these limits without amendment to the Articles of Association.

SHARE LISTING AND SHARE PERFORMANCE

The company's shares are quoted on HEX Ltd, Helsinki Exchanges under the heading "Other industry". The number of the company's shares traded during 1999 was 10,683,741. The year's highest quotation was EUR 14.50 and the lowest EUR 6.46. The average quotation was EUR 10.94. At the balance sheet date, the shares were quoted at EUR 12.80, giving the company a market capitalization of EUR 384 million.

At the balance sheet date, Metsä Tissue had 1,767 registered shareholders. Metsä-Serla Corporation holds 65.58 per cent of the shares and international investors 26.95 per cent.

MANAGEMENT OPTIONS SCHEME

The Annual General Meeting of 20 March 1998 decided to issue 1,000,000 options to key personnel within Metsä Tissue Corporation. The company will issue the maximum number of 1,000,000 options, of which 300,000 will bear the letter A, 300,000 the letter B and 400,000 the letter C. Each option entitles the holder to subscribe one Metsä Tissue Corporation share, nominal value FIM 10.

The subscription period under A options begins on 1 April 2001, under B options on 1 April 2002, and under C options on 1 April 2003. The subscription period under all options ends on 30 April 2004. The subscription price is FIM 75 per share.

Exercise of all options would increase the share capital by 1,000,000 new shares, i.e. by FIM 10,000,000. The shares offered for subscription under the options scheme represent 3.3 per cent of the company's shares and 3.3 per cent of the votes.

At 31 December 1999 a total of 30 people held directors' share options.

DIRECTORS' SHAREHOLDINGS

The members of the Board of Directors and the CEO do not own Metsä Tissue shares. CEO Hannu Anttila owns 75,000 of the company's 1998 share options. The members of the Board of Directors do not hold options. Metsä Tissue's directors hold a total of 800 of the company's shares.

BOARD'S AUTHORITY TO RAISE THE SHARE CAPITAL

The Board of Directors has no current authorization to raise the company's share capital or to issue convertible bonds or bonds with equity warrants.

VOLUMES TRADED ON HEX LTD, HELSINKI EXCHANGES

	1999	1998
Number of shares	10,638,741	12,192,712
% ot total shares	35.5	40.64
Number of shares at year-end	30,000,000	30,000,000
Market capitalization at year-end, MEUR	384,000	237,145
Number of shareholders	1,767	2,269

BREAKDOWN OF SHAREHOLDINGS AT 31 DECEMBER 1999

Shares	Number of shareholders	% of all shareholders	Number of shares owned	% of all shares and votes
1 – 100	504	28.52	44,810	0.15
101 – 1,000	1,103	62.42	465,764	1.55
1,001 – 10,000	124	7.02	293,420	0.98
10,001 – 100,000	29	1.64	924,420	3.08
Over 100,000	7	0.40	28,271,586	94.24

SHARE PERFORMANCE, EUR

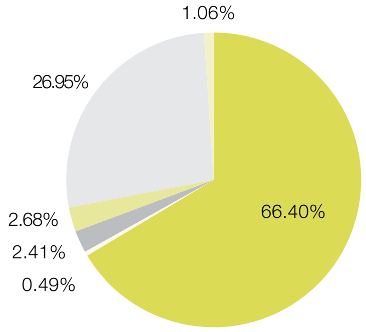
	1999	1998
Highest	14.50	11.27
Lowest	6.46	5.89
At the end of year	12.80	7.90
Average price	10.94	9.49

MAIN SHAREHOLDERS AT 31 DECEMBER 1999

Name	Number of shares	% of shares and votes
1. Metsä-Serla Corp.	19,675,000	65.58
2. SCA Mölnlycke Holding BV	5,781,200	19.27
3. Merita Life Insurance	252,445	0.84
4. MeritaNordbanken Foresta Fund	212,400	0.71
5. Metsäliitto Osuuskunta	161,100	0.54
6. Mutual Pension Insurance Company Ilmarinen	95,000	0.32
7. OKOBANK	72,000	0.24
8. Church Central Fund	67,100	0.22
9. Placeringsfonden Aktia Capital	56,000	0.19
10. Gyllenberg Small Firm Fund	53,300	0.18

At 31 December 1999, foreign investors held 8,085,517 of the company's shares, representing 26.95 per cent of the shares and votes. Of these, 7.62 per cent were registered in a nominee's name.

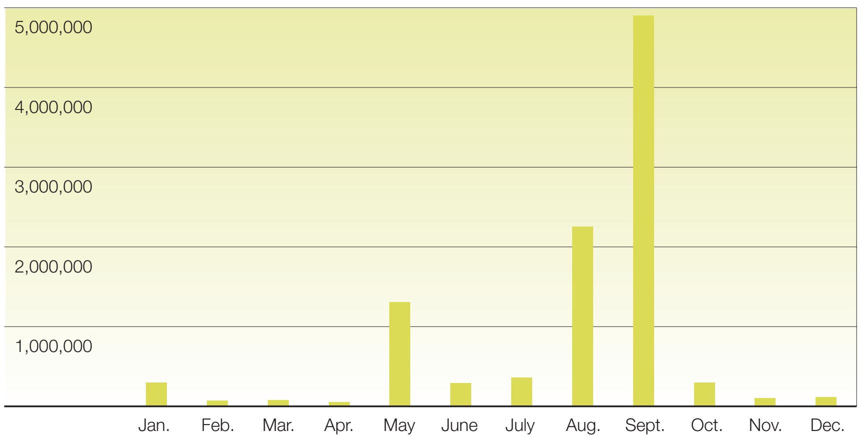
SHAREHOLDER GROUPS AT 31 DECEMBER 1999



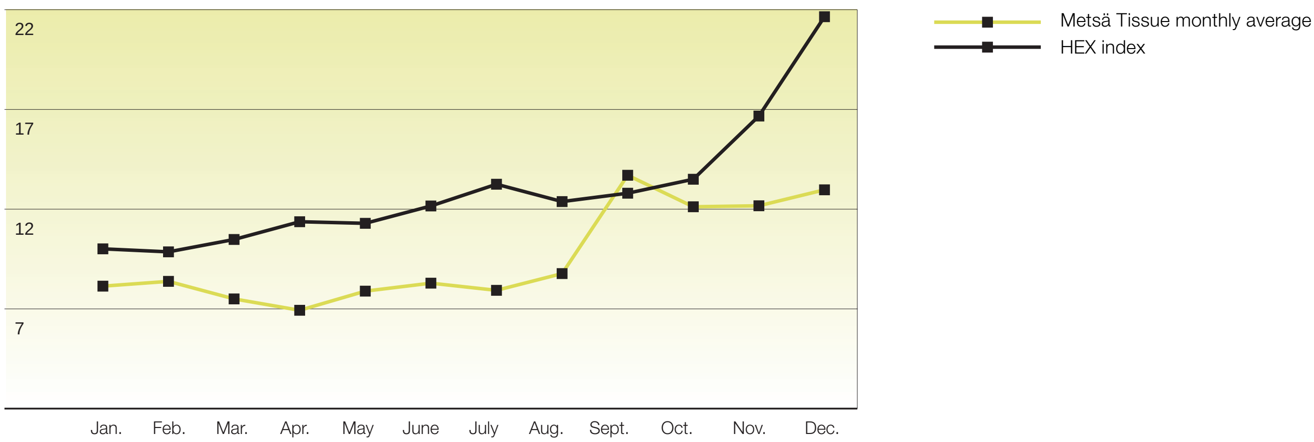
	Number of shares
Companies	19,920,590
Public bodies	148,000
Households	723,664
Financial institutions and insurance companies	805,445
Foreign investors *	8,085,571
Non profit organizations	316,730

* Also includes nominee-registered shares.

VOLUMES TRADED 1 JANUARY - 31 DECEMBER 1999



SHARE PERFORMANCE IN 1999 (EUR)



Corporate Governance

GENERAL MEETING OF SHAREHOLDERS

The general meeting of shareholders is the company's highest decision-making body. Its duties include adopting annually the company's profit and loss account and balance sheet, deciding on the payment of dividend, and electing the members of the Board of Directors. The Annual General Meeting must be held by the end of June each year. In practice, Annual General Meetings have been held in March.

BOARD OF DIRECTORS

Under the Articles of Association, Metsä Tissue Corporation's Board of Directors consists of at least four and at most eight members elected by a general meeting of shareholders. The term of office of a Board member begins at the end of the general meeting of shareholders at which he/she was elected and continues until the end of the next Annual General Meeting. The Board of Directors elects from among its number a Chairman and a Vice Chairman.

In accordance with the Companies Act, it is the duty of the Board of Directors to supervise the company's administration and the proper management of its operations. It is also the duty of the Board to make decisions regarding matters that, in terms of the extent and nature of the company's activities, are of an unusual and far-reaching nature.

The Board of Directors normally meets once a month. In 1999, the Board held 10 meetings.

CHIEF EXECUTIVE OFFICER

The company's CEO is appointed by the Board of Directors. The duty of the CEO is to direct the business operations of the company in accordance with the instructions and directions of the Board of Directors. Hannu Anttila has been CEO since 1 November 1998.

SALARIES AND REMUNERATIONS

The remunerations paid to the Board of Directors are confirmed by the general meeting of shareholders for one year ahead. A total of EUR 129,501 was paid in fees to the Board of Directors in 1999. Hannu Anttila, the company's CEO, received salary, fees and benefits in kind totalling EUR 185,007 in 1999, including a bonus of EUR 23,546 for 1998.

BUSINESS ORGANIZATION

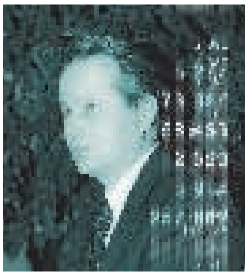
The Metsä Tissue Group comprises the parent company in Finland and subsidiaries operating in the UK, Spain, Norway, Poland, France, Sweden, Germany and Denmark. The Group operates in three business areas: Consumer, Away-from-Home and Other operations.

The Group's bu siness management is the responsibility of the CEO. The most important issues for consideration by the CEO or the Board of Directors are prepared at meetings of the Management Group.

Board of Directors and auditor

Information on members of the Board of Directors

Antti Oksanen, b. 1944
Chairman of the Board
Master of Science in Forestry
President of Metsäliitto Group
President and CEO of Metsäliitto Osuuskunta, Vice Chairman of the Board of Metsäliitto Osuuskunta
Chairman of the Boards of Metsä-Serla Corporation and of several other Metsäliitto Group companies
Member of the Boards of Myllykoski Paper Oy, MD Papier GmbH and Interpan Ltd.



Arimo Uusitalo, b. 1942
Vice Chairman of the Board
Master of Science in Agriculture and Forestry, Farmer
Chairman of the Board of Metsäliitto Osuuskunta
Vice Chairman of the Boards of Finnforest Corporation and Metsä-Serla Corporation
Member of the Boards of Oy Metsä-Botnia Ab and Raisio Group

Ari Heiniö, b. 1945
Member of the Board
Master of Laws
Managing Director of Stockmann Plc
Chairman of the Board of the Commercial Employers' Association, Member of the Boards of Finnair Oyj, Sampo Insurance Company, Palace Hotel Oy Ab and the Employers' Confederation of Service Industries, Member of the Supervisory Boards of Alma Media Oyj, Merita Pankki, Varma-Sampo Mutual Pension Insurance Company and the Finnish Fair Corporation

Jussi Länsiö, b. 1952
Member of the Board
Bachelor of Science in Economics
Managing Director of Hartwall Plc
Member of the Boards of Baltic Beverages Holding AB, AB Pripps Bryggerier and Jokerit HC
Member of the Supervisory Board of Mandatum Pankki Oyj

Curt Lindbom, b. 1942
Member of the Board
Engineer, Diploma in Business Studies
Senior Advisor, CapMan Capital Management Oy
Chairman of the Boards of Cumasa Oy, Finndomo Oy, Lohja Caravans Oy, Hope Smoke Oy, Moilasen Leipomo Oy, Turo Tailor Oy, Tiimari Oy and Royal-Rest Oy
Member of the Board of CapMan Capital Management Oy

Jorma Vaajoki, b. 1949
Member of the Board
Master of Science in Engineering,
Master of Science in Economics and Business Administration
President and CEO of Metsä-Serla Corporation
Chairman of the Board of MD Papier GmbH
Member of the Boards of Myllykoski Paper Oy, Oy Metsä-Rauma Ab and certain other Metsä-Serla subsidiaries
Member of the Supervisory Boards of Varma-Sampo and Landesbank Schleswig-Holstein

Juhani Saarela, b. 1955
Member of the Board
Master of Science in Economics, eMBA
Executive Vice President of Metsä-Serla Corporation
Chairman of the Boards of Metsä Tissue AB, Neopac A/S, Cartonpack S.A.
Member of the Boards of Föreningen Sveriges Skogsindustrier,
Forest Alliance Ltd.

Auditor

SVH Pricewaterhouse Coopers Oy, Authorized Public Accountants; responsible for the audit **Göran Lindell**, APA

Management group

Hannu Anttila, b. 1955
Master of Science in Economics and Business Administration
Chief Executive Officer

Hannu Anttila has 75,000 Metsä Tissue Corporation 1998 share options.

Per Hellström, b. 1950
Director, Logistics and Information Technology
Chief Financial Officer (Metsä Tissue GmbH)

Per Hellström has 50,000 Metsä Tissue Corporation 1998 share options.

Franz Isemann, b. 1947
Master of Science in Engineering
Production Director (Metsä Tissue GmbH)

Franz Isemann has no Metsä Tissue share options.

Mikko Hietanen, b. 1953
Master of Science in Economics
Chief Financial Officer

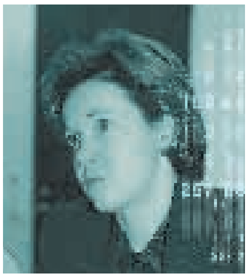
Mikko Hietanen has 50,000 Metsä Tissue Corporation 1998 share options.

Paavo Liestalo, b. 1958
Master of Science in Economics
Director, Consumer business area (Nordic countries and Great Britain)

Paavo Liestalo has 50,000 Metsä Tissue Corporation 1998 share options.

Kari Muttilainen, b. 1955
Master of Science in Economics
Director, Away-from-Home business area

Kari Muttilainen has 50,000 Metsä Tissue Corporation 1998 share options.



Raija Mörö, b. 1958
Master of Science in Forestry
Director, Mänttä mill, Baking and Cooking product area

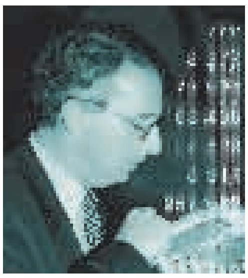
Raija Mörö has 20,000 Metsä Tissue Corporation 1998 share options.

Antti Pokki, b. 1946
Master of Science in Engineering
Director, Business Development, Personnel and Communications

Antti Pokki has 50,000 Metsä Tissue Corporation 1998 share options.

Elina Rehn, b. 1949
Master of Science in Engineering
Director, Table Top product area and Stotzheim mill

Elina Rehn has no Metsä Tissue Corporation share options.



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Ph.D. in Economics
Managing Director (Metsä Tissue GmbH), Consumer business area (continental Europe)

Karl-Theo Strepp has no Metsä Tissue share options.

Lars Warvne, b. 1955
Master of Science in Chemical Engineering
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Lars Warvne has 50,000 Metsä Tissue Corporation 1998 share options.

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