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Information for shareholders

Annual General Meeting

UPM-Kymmene Corporation will hold its Annual General Meeting on Tuesday 21 March 2000 beginning at 1.30 pm at Helsinki Fair Centre (main entrance), address Rautatieläisenkatu 3, 00520 Helsinki.

Instructions for participation will be given in the summons to the meeting.

Dividend

The Board of Directors has decided to propose to the Annual General Meeting that a dividend of EUR 1.25 per share be paid in respect of the 1999 financial year.

The record date for dividend payment is 24 March 2000 and dividend will be paid in Finland on 31 March 2000.

Stock exchange listings

UPM-Kymmene's shares are listed on the Helsinki and New York stock exchanges.

HEX Helsinki Stock Exchange

Trading code: UPM1V

New York Stock Exchange

Trading code: UPM

UPM-Kymmene

Investor relations

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Financial information in 2000

During 2000, UPM-Kymmene will publish the following financial information in Finnish, Swedish, English, German and French:

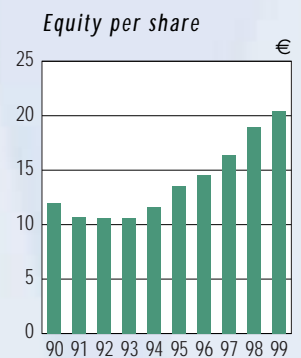
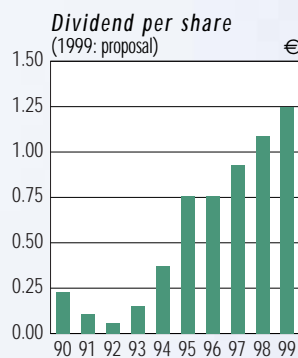
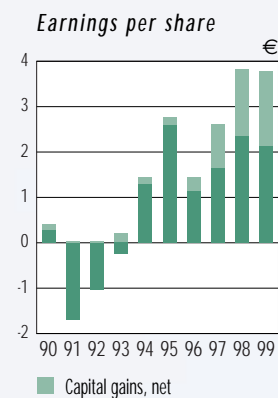
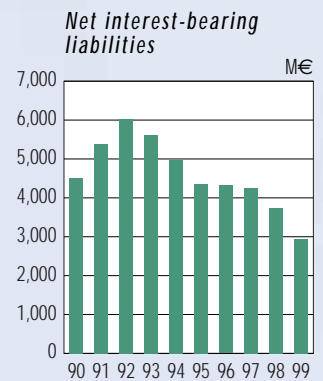
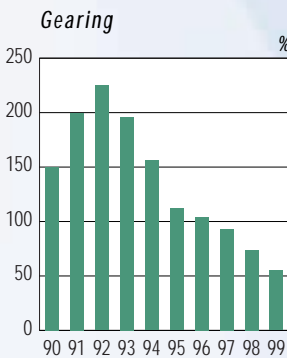
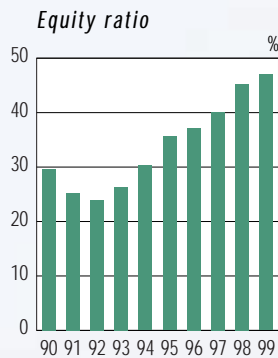
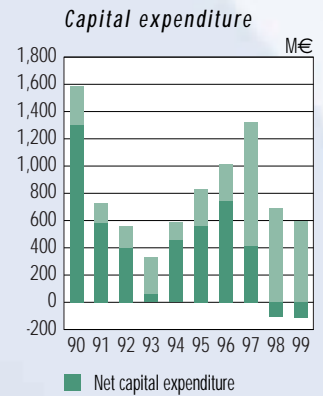
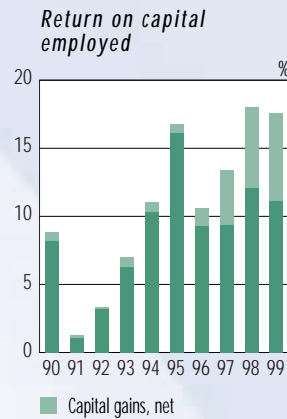
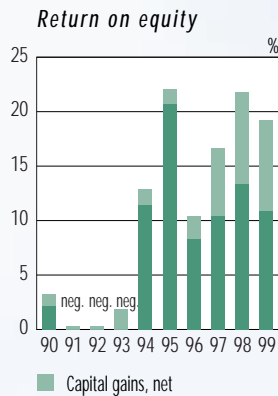
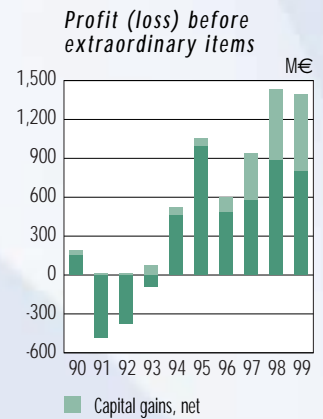
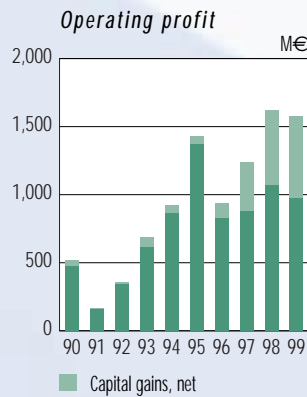
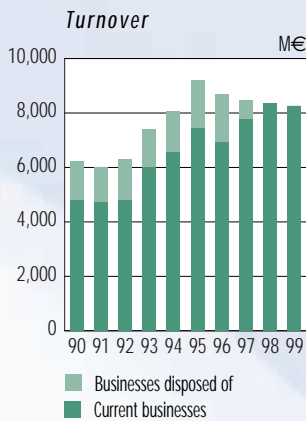
8 February	Financial Review 1999
27 April	Interim Review for January – March
9 August	Interim Review for January – June
24 October	Interim Review for January – September

These publications can be ordered from UPM-Kymmene's Head Office, address P.O. Box 380, 00101 Helsinki, Finland, tel. +358 204 15 0022, Corporate Communications, or fax +358 204 15 110. The same information can also be found on UPM-Kymmene's Internet pages, address <http://www.upm-kymmene.com>

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Key financial information, 1990–1999



The year in brief

	1999 EUR	1998 EUR	1997 EUR
Turnover, million	8,261	8,365	8,478
Operating profit, million	1,573	1,620	1,242
Profit before extraordinary items, million	1,398	1,437	937
Earnings per share	3.77	3.82	2.62
Dividend per share (1999: Board's proposal)	1.25	1.09	0.93
Return on equity, %	19.2	21.8	16.6
Return on capital employed, %	17.6	18.0	13.4
Equity to assets ratio at end of period, %	47.0	45.3	40.1
Gearing ratio at end of period, %	55	74	93
Shareholders' equity per share at end of period	20.46	18.96	16.41
Capital expenditure, million	592	690	1,324

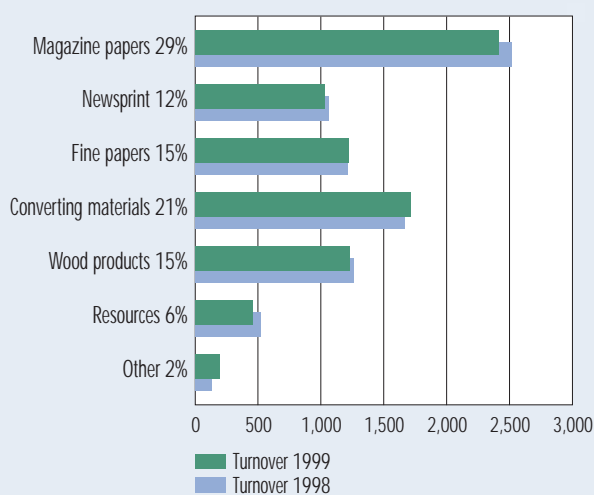
Adjusted figures *

Equity to assets ratio at end of period, %	54.8
Gearing ratio at end of period, %	41
Shareholders' equity per share	27.8

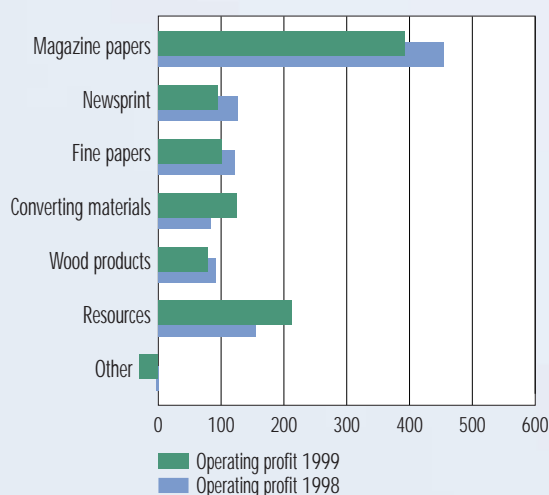
* Adjusted figures calculated using current market values of quoted shares, energy shares and forest and other properties. Formulae for calculation of indicators are shown on page 63.

- ▶ Markets and profitability improved towards the year-end.
- ▶ Disposal of non-core businesses continued.
- ▶ Profit includes net capital gains of EUR 598 million on sale of shares and fixed assets (553 million).
- ▶ Company purchased 7.5 million of its own shares, 2.8% of total shares.
- ▶ EUR 709 million of capital expenditure covered by asset sales.
- ▶ UPM-Kymmene's shares listed on the New York Stock Exchange (NYSE).

Turnover by division, EUR million
(excluding internal sales)



Operating profit by division, EUR million
(excluding net capital gains)



Review by the President



Towards the end of 1998 demand for forest industry products began to slacken, which resulted in lower capacity utilization rates for several product groups. Paper buyers reduced their stock levels considerably during the early months of 1999, and this affected prices. The decline in both sales prices and capacity utilization rates continued until the summer.

However, summer brought a sharp turnaround, with optimism returning to the markets and order stocks for products starting to strengthen. The last few months of the year saw the mills working at full capacity. Printing paper prices stabilized at the end of the year. Prices for papers containing chemical pulp were raised to correspond, at least partly, with the rises in market pulp prices.

Higher capacity utilization at the mills restored profitability to a comparatively good level at the end of the year. The Group's cost-saving programme continued according to plan and the targets set for the year were reached. Investment, which was below depreciation, helped to boost competitiveness and also the growth of the labels business. The financial result for the year as a whole was satisfactory, and, as in previous years, the target set for return on equity was attained. Earnings per share, including capital gains, were EUR 3.77, which is about the same as the year before.

Much of the credit for the results achieved during the past year, and for the successful implementation of the changes introduced in recent years, is due to our employees.

Surveys show that they are keen to take on even greater responsibility – an asset that will help the Group meet the challenges of the future.

With these challenges in mind, UPM-Kymmene has adjusted its strategy and goals in recent years alongside changes in its organization and business practices. The company currently has a clearly defined structure built on three core businesses: printing papers, converting materials and wood products.

In the forest industry's ever-changing business environment, it is part of UPM-Kymmene's growth strategy to participate in the current pronounced trend towards consolidation within the industry.

Asia remains important to the company's strategy. The difficult last few years have shown that China is a strong market even when times are bad. The company has been active in this market, not just through its fine papers business but also by acquiring a self-adhesive laminate plant near Shanghai and by opening a representative office in Peking. The situation in Indonesia prevented implementation of the planned fine paper alliance there.

Business activities in Europe, the company's main market, were developed on a broad front. In North America, we have continued to play an active role as one of the continent's largest suppliers of magazine papers. Blandin Paper's business has been further developed and the company's business concept for the whole of North America refined so as to combine UPM-Kymmene's strengths in Europe with a local presence to the benefit of customers there. The company's position in this market is quite good, though not yet in line with the targets.

The customer focus approach to business employed by the printing paper divisions has been further developed. A new marketing concept based on customer segments has been introduced and the first feedback from customers has been encouraging. The new concept represents a fundamental change in the company's way of thinking and doing business, and we shall continue to press forward with it. UPM-Kymmene and its customers have worked together in a good spirit, for which I would like to thank all concerned.

The company has continued to focus increasingly on its core businesses. Accordingly, non-core assets such as shares in listed companies and energy shares were sold off.

These divestments contributed significantly to profits in 1999.

The company's solidity is good. This has allowed the company to continue its share buy-back programme for the second year running, the only European forest industry company to do so. In 1998, the company purchased 13.5 million of its own shares valued at around EUR 308 million, followed last year by a further 7.5 million valued at EUR 236 million. A total of 12.8 million shares have been declared void.

Another boost to the company's shareholder value was achieved with the listing on the New York Stock Exchange at the end of June. This has stimulated interest in the company among North American investors.

During 1999, forest certification got under way in both Finland and Great Britain, the two countries of key importance for the company's wood procurement. In Finland, certification of virtually all forest will be completed this year, which means that the company's wood raw material will come from sustainably managed forests.

The strong demand that began last summer has continued into this year, and the market is currently unusually buoyant. Economic growth in Western Europe has strengthened. In the United States, the pace of growth has slackened slightly, but nevertheless remains fairly high. Growth in the Asian economies now seems to have a sustainable basis. The strength of these markets is expected to be reflected in good demand for the company's products during the present year.

As this report was going to press, UPM-Kymmene announced its intention to merge with the American company Champion International Corporation. It is planned to submit the merger proposal to an extraordinary meeting of shareholders in May.



UPM - Kymmene

UPM-Kymmene's primary objective is to be one of the world's leading forest industry companies.

UPM-Kymmene's businesses focus on printing papers, speciality papers and converted products based on the Group's own development work, and wood products.

It is UPM-Kymmene's goal to grow faster than the industry average and to achieve top supplier status in selected products and markets. The aim is to satisfy customers' needs so well that the company becomes the supplier of choice for its customers.

To secure good profitability, the company emphasizes the importance of continually improving cost-effectiveness and the use of new technology. UPM-Kymmene also seeks to maintain a strong financial position, allowing it to secure long-term development and to make effective use of capital markets. The financial goal is to increase shareholder value.

The company accepts its own share of responsibility for safeguarding the environment and for complying with ethical business principles of the very highest standard.

For its employees, UPM-Kymmene seeks to create a basis for profitable

activities that encourage enterprise and the desire for self-improvement.

Financial objectives

UPM-Kymmene is determined to be more profitable than its main competitors.

The long-term goal is to achieve a return on equity greater than that for risk-free investments, e.g. at least five percentage points above the yield of the Finnish government's 10-year euro-denominated bonds. At the end of 1999, the target for return on equity, as defined above, was 9.7%.

Internally, the target is a return on capital employed of 15% for the Group as a whole.

The aim is to keep the gearing ratio below 100%, which corresponds to an equity to assets ratio of over 40%.

Dividend policy

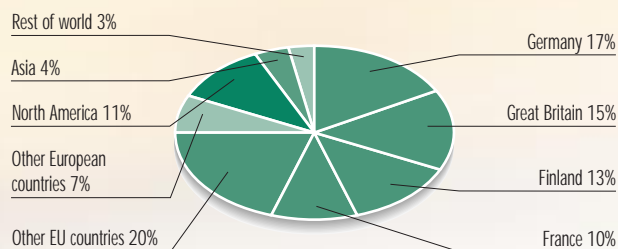
It is UPM-Kymmene's policy to distribute a dividend averaging over one-third of the profit for the period. The aim is to provide shareholders with a steady, growing annual dividend.

Meeting financial targets

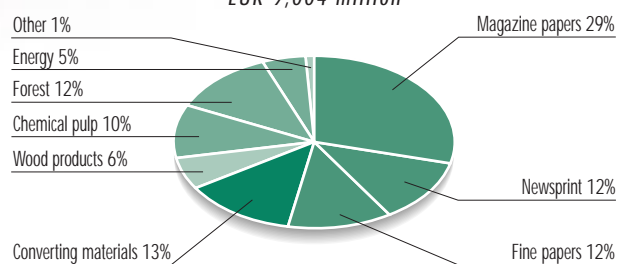
		1999	1998	1997	1996	1995
Return on equity	Target	9.7	9.8	11.0	12.1	13.8
Return on equity	Achieved	19.2	21.8	16.6	10.4	22.0
excluding net capital gains	Achieved	10.9	13.4	10.4	8.3	20.7

	Target	Achieved				
Equity to assets ratio	>40	47.0	45.3	40.1	37.2	35.6
Gearing ratio	<100	55	74	93	104	112

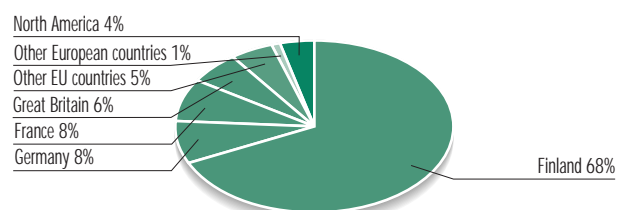
Turnover by market, 1999
EUR 8,261 million



Capital employed by division, 31.12.1999
EUR 9,004 million



Personnel by area, 31.12.1999
30,963



UPM - Kymmene

Printing papers account for over half of the Group's turnover. The main markets are Europe and the United States.

The Group's operations are divided into three business areas: UPM-Kymmene Printing Papers, UPM Converting and UPM-Kymmene Wood Products. Printing papers comprise magazine papers, newsprint and fine papers. UPM Converting produces converting materials, and UPM-Kymmene Wood Products is a producer of sawn timber and plywood. Other operations

consist of chemical pulp, forest and energy (Resources) and logistics and real estate units.

Printing papers account for over half of the Group's EUR 8.3 billion turnover. These papers are used mainly for magazines and newspapers, mail order catalogues, printed advertising material and as copying and non-impact printing papers.

UPM-Kymmene is the world's leading manufacturer of magazine papers and one of Europe's largest producers of newsprint and fine papers. UPM Converting is among Europe's leading suppliers of converting materials: label papers and self-adhesive labelstock, envelope papers and barrier packs. UPM-Kymmene is also Europe's biggest plywood producer and one of the continent's biggest producers of sawn timber.

Protecting the environment is an important part of UPM-Kymmene's activities. The Group's environmental policy statement contains a commitment to the principles of sustainable development as set out by the International Chamber of Commerce. Much work has been done to develop the Group's environmental management systems, which now cover areas such as wood procurement, the use of recycled materials, emissions to air and water, and the use of energy.

At the end of 1999, UPM-Kymmene had 52,000 registered shareholders. Non-Finnish nationals held around 60% of the company's shares. The company's market capitalization at the end of the year was EUR 10.7 billion.

UPM-Kymmene's shares are quoted on the Helsinki and New York stock exchanges.

THE COMPANY'S STRENGTHS

Global activities

UPM-Kymmene has production plants in 15 countries. The most important mills are in Finland, France, Germany, Great Britain and the United States. The company also has an extensive sales network comprising over 170 sales and distribution companies spanning five continents.

Long-term customer relations

The company enjoys close and lasting relations with both local and multinational customers.

Skilled personnel, modern machines

UPM-Kymmene's most significant advantages over its competitors are

the high technical expertise of its employees and the fact that its machines are more modern and efficient than the industry average.

Strong business focus and market shares

UPM-Kymmene has focused its activities by investing in its core businesses and by divesting non-core assets and activities. In all its main products, the Group is among the leading manufacturers in the most important markets.

Strong vertical integration

UPM-Kymmene's activities are based on close integration between raw materials, energy and production.

In Finland, the company is almost self-sufficient in chemical pulp and electrical power. In the production of pulp, paper and wood products, proper and efficient use is made of wood raw material.

UPM-Kymmene's paper converting business is based to a large extent on raw materials supplied by its own paper mills.

UPM-Kymmene is Finland's biggest private forest owner. The company owns around one million hectares of forest in Finland, the United States and Great Britain. These forests provide about 9% of the necessary raw material.

BUSINESS AREAS

PRINTING PAPERS

UPM-Kymmene Magazine (magazine papers)

The main uses for magazine papers are in the production of magazines, newspaper supplements, sales catalogues and direct mail advertising material. UPM-Kymmene's market share in Europe, the main market, is about a quarter. In the United States, which is the main market outside Europe, the share is over 10%.

UPM-Kymmene Newsprint (newsprint)

Newsprint is used to produce not just newspapers but also telephone directories and mail order catalogues. Almost 90% of UPM-Kymmene's newsprint is sold to buyers in Europe.

UPM-Kymmene Fine (fine papers)

Coated and uncoated fine papers are used as copying, telefax and non-impact printing papers, for direct mail advertising, books and special interest magazines. Europe is the most important market.

CONVERTING MATERIALS

UPM Converting

UPM Converting accounts for about a fifth of Group turnover. Its business areas are label and packaging materials and envelope papers.

The labels business consists of face and release papers for self-adhesives, self-adhesive labelstock, and siliconized release materials. Packaging materials comprise sack and kraft papers, and converted paper and plastic products such as composite materials, wrappings, sacks and food packaging films.

The most important market for converting materials is Europe.

SAWN TIMBER AND PLYWOOD

UPM-Kymmene Wood Products

Sawn timber is used in the building, furniture and joinery industries. The division also processes timber into finished and semi-finished building components and interior panels.

The division is also an important producer of special plywoods and veneers. The main customers here are the building and transport vehicle industries. The division's products are sold mainly to countries in Europe.

The division also includes chains of builders' merchants.



Printing gap a

UPM-Kymmene Printing Papers Key figures by division

M€	1999	1998	1997
Magazine			
Turnover	2,411	2,505	1,999
Operating profit	394	455	181
Capital employed	2,609	2,674	2,021
ROCE, %	15.1	17.0	9.0
Capital expenditure	140	171	871
Personnel at 31.12	5,793	5,875	5,992
Production, 1000 t	3,197	3,333	2,934
Capacity utilization rate, %	88	93	95
Newsprint			
Turnover	1,029	1,056	975
Operating profit	96	129	89
Capital employed	1,063	1,026	1,029
ROCE, %	9.0	12.6	8.6
Capital expenditure	149	107	74
Personnel at 31.12	2,957	2,861	2,912
Production, 1000 t	1,906	1,935	1,883
Capacity utilization rate, %	96	98	96
Fine			
Turnover	1,219	1,218	1,220
Operating profit	101	123	81
Capital employed	1,086	1,072	1,139
ROCE, %	9.3	11.5	7.1
Capital expenditure	76	38	34
Personnel at 31.12	3,521	3,771	3,759
Production, 1000 t	1,626	1,558	1,667
MG paper, 1000 t	20	20	21
Capacity utilization rate, %	89	89	96

UPM-Kymmene is the world's biggest producer of magazine papers and one of Europe's largest manufacturers of newsprint and fine papers.

Profitability

The magazine papers business was less profitable than the previous year due to lower sales prices and the smaller volume of deliveries. Profitability improved towards the end of the year as demand picked up.

Turnover fell by 4%. The capacity utilization rate was 88% (93). Capacity utilization was 79% for the first half of the year and 96% for the second, reflecting the sharp upturn in the market after the summer.

Newsprint production was also less profitable, due mainly to the fall in sales prices during the early part of the year. Turnover was 3% down. The capacity utilization rate was 96% (98).

Profitability for fine papers was about the same as the year before. Sales prices fell early in the year but rose again towards the end. On the other hand, delivery volumes, particularly for coated grades, were well up on the year before. Turnover was unchanged on the year before. The average capacity utilization rate was 89% (89).

The market

In Europe, advertising again grew faster than gross national product. Newspapers accounted for over a third of media advertising and magazines for about a fifth, i.e. printed media continued to carry over half of all media advertising. The growth in magazine advertising outstripped that in newspaper advertising due to higher sales of special-interest magazines aimed at specific target groups.

In the United States, magazine advertising grew at the same rate as media advertising in general. New Internet companies stepped up their magazine advertising. The positive economic trend towards the end of the year gave advertisers greater confidence in the market, both in Europe and in the United States.

Demand for magazine papers, notably coated grades, was weak during the first half of 1999 and production had to be curtailed. One reason for the low capacity utilization rates was the arrival on the market of new capacity. The market picked up considerably during the second half of the year.

Demand for coated magazine paper rose by 2% in Europe but was unchanged in the United States. Demand for uncoated grades, on the other hand, rose by 5% in Europe and 6% in the United States.

Averaged over the year, magazine paper prices fell by about 2% in Europe and by 8% in the United States. Prices rallied somewhat during the final quarter, notably in the United States.

The market for newsprint was stable. In Europe, prices fell only slightly despite the increase in



production capacity. Newspaper publishers increased the number of their pages, and newsprint demand in Europe rose by 3%. Prices fell by 1% on average. In the United States, newsprint prices showed a clear decline during the first three quarters but began to recover during the final quarter.

Newsprint specialities and magazine paper are accounting for an increasing proportion of purchases by newspaper publishers as they bring onto the market new special publications and supplements.

Demand for fine paper was boosted by the healthier economies in Southeast Asia, the continued upswing in North America and by the approach of the new millennium. Merchants' stocks were lower than usual throughout the winter and spring. In Europe, demand for fine paper started to rise during the spring, although merchants' stocks continued to grow during the summer months. Because of the strong increase in demand, stocks of coated fine paper fell from September to the end of the year. Uncoated

*UPM-Kymmene Printing Papers
Turnover by market, 1999*

M€	Magazine	Newsprint	Fine
Finland	74	66	60
Other EU countries	1,310	771	949
Other European countries	168	61	114
North America	668	7	3
Rest of world	191	124	93
	2,411	1,029	1,219

*UPM-Kymmene Printing Papers
Turnover by market, 1999*

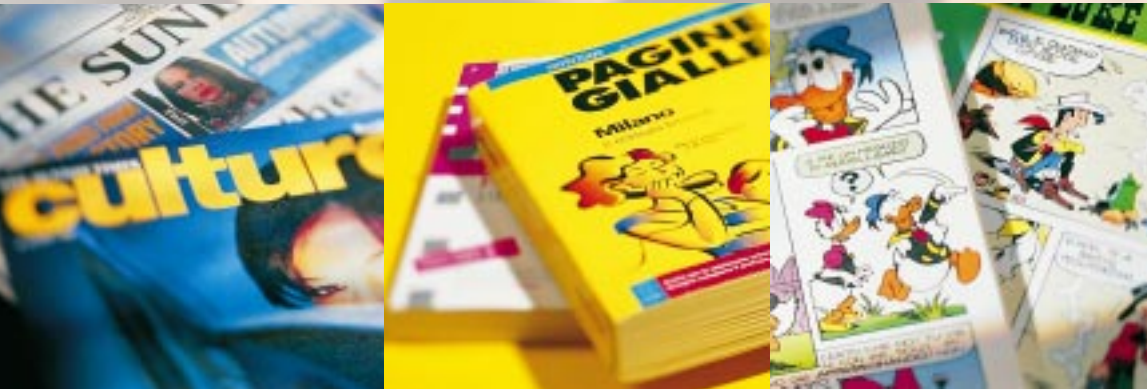
1999	%
Finland	4
Other EU countries	65
Other European countries	7
North America	15
Rest of world	9
	100

*Global demand for printing papers,
1999*

mill. t/a	Magazine	Newsprint	Fine
Western Europe	8.6	9.2	17.4
North America	6.9	13.1	19.8
Rest of world	3.1	14.8	28.2
Total	18.6	37.0	65.4

kg per capita/a	Magazine	Newsprint	Fine
Western Europe	22.2	23.7	44.7
North America	22.8	43.1	65.3
Rest of world	0.6	2.8	5.3
Total	3.1	6.2	10.9

Printing



fine paper stocks remained slightly higher than usual.

Demand for coated fine paper rose by almost 9%. Demand for high-quality printed advertising products and special interest magazines also developed favourably. Demand for uncoated fine paper was 6–7% up on the previous year. However, almost half of this growth was covered by greater imports from third countries.

In Europe, average prices for coated fine paper were down 4% on the previous year and for un-

coated down 5%. However, stronger demand and rising market pulp prices pushed fine paper prices up towards the end of the year. Prices were raised by 5–7% in October.

Also in October, the company announced the termination of its fine paper sales and agency agreement with APRIL.

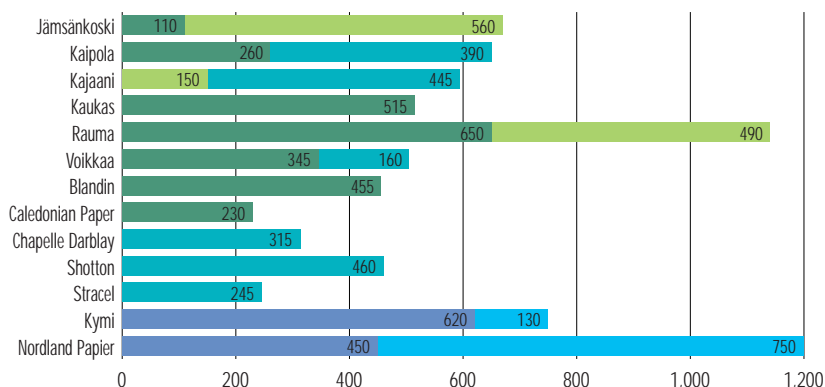
Capital expenditure and restructuring

In magazine papers, the biggest investment completed during the year was a rebuild of the coater on

Voikkaa's LWC machine. At Blandin, work began to rebuild the press section of PM 6 as part of an ongoing development programme. The rebuild will raise the machine's production capacity and improve paper quality.

Expansion of the deinking facilities at Chapelle Darblay's newsprint mill was completed. This will allow the mill to raise the proportion of recycled fibre in its production to 100%. The rebuild of Stracel's PM 1 will be completed on schedule during the first quarter of 2000. The machine

UPM-Kymmene Printing Papers
Production capacities, 1000 t/a



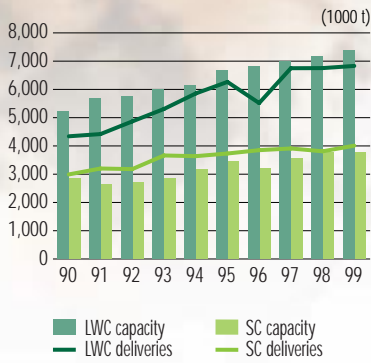
Production capacities, total

Paper grade (no. of paper machines)	1000 t/a
LWC paper (13)	2,565
SC paper (5)	1,200
Newsprint (11)	2,015
Uncoated fine paper (7)	1,070
Coated fine paper	880
Total	7,430

Total no. of paper machines 36

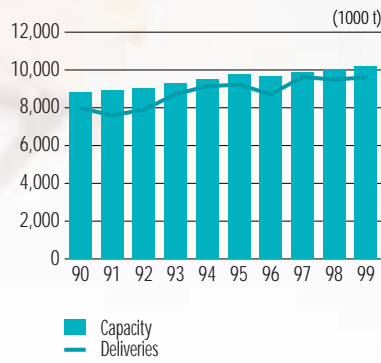
a p e r s

Magazine paper production capacities in Western Europe and total deliveries



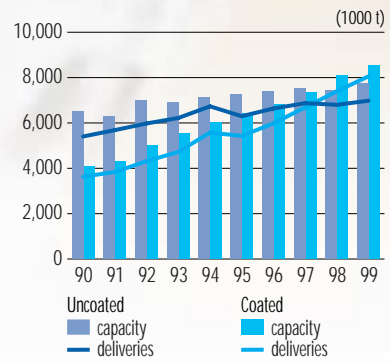
Source: CEPIPRINT

Newsprint production capacities in Western Europe and total deliveries



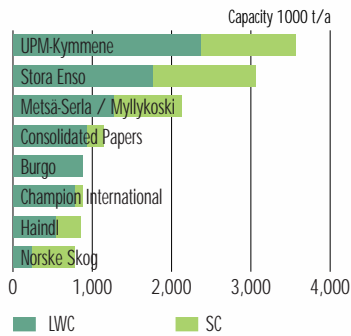
Source: CEPIPRINT

Fine paper production capacities in Western Europe and total deliveries

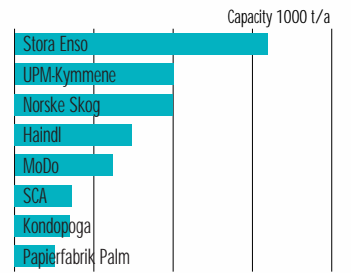


Source: CEPIFINE and UPMKymmene

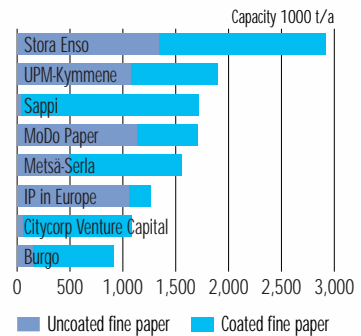
World's biggest magazine paper manufacturers



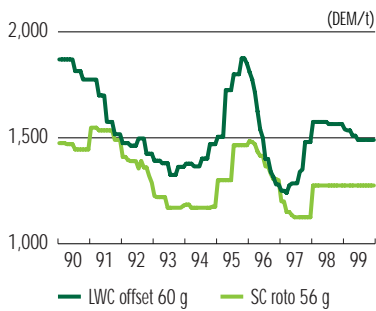
Europe's biggest newsprint manufacturers



Europe's biggest fine paper manufacturers

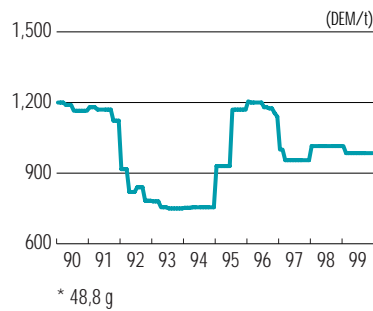


Magazine paper prices in Germany



Source: PPI

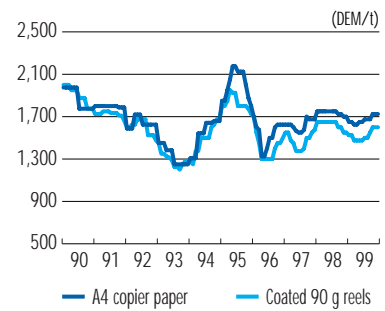
Newsprint* prices in Germany



* 48,8 g

Source: PPI

Fine paper prices in Germany



Source: PPI

Printing paper



will then begin production of a new type of coated newsprint.

In the Fine Paper division, modernization of Nordland Papier's PM 4 was completed, including a rebuild of the entire wet end. A new birch digester plant came on stream at Kymi's pulp mill. The mill is now able to meet the increased demand for short-fibre pulp at Kymi fine paper mill.

In December, a plan was announced to change production on Kymi's PM 8 from uncoated to coated fine paper by autumn 2001.

In September, UPM-Kymmene announced that the planned fine paper alliance with APRIL, including share swaps, would not go ahead.

The associated company AP Suzhou started up its fine paper machine in China in March.

Global customer segments and product groups

During 1999, UPM-Kymmene Printing Papers introduced a new customer-focused business concept based on product groups for its entire printing paper production.

Under the new system, global product groups are responsible for the efficiency of production resources and the competitiveness of products. They are also responsible for the development of new technologies and production processes.

The customer segments defined under the new business concept handle sales and marketing on a global scale. They aim at the successful marketing of production by carefully studying customers' business operations and printing paper needs. The new system caters for the special

requirements of both local and multinational customers. Production and product development can now respond faster to changes in the market and in demand.

Product names revised

A new product nomenclature was introduced for reels and business papers. Based on product names instead of mill names, the new system is more consistent than the old one. Under this brand name approach, all paper supplied in reels now belongs to the UPM-Kymmene Printing Papers family. Business papers are marketed under the product names Yes and Future.

The new nomenclature will make customers' choices easier and give UPM-Kymmene's printing papers a stronger market image.

p e r s

UPM-Kymmene Printing Papers *Customer segments*

Magazine publishers

- major publishers
- use mainly coated and uncoated magazine paper and coated fine paper

Mail order companies and retailers

- mail order companies, special catalogues and retailers, who use printed products for sales promotion
- use coated or uncoated magazine paper

Printers

- independent printers and major international printers producing publications, catalogues and printed advertising products, often for publishers, mail order companies and retailers
- use mainly coated and uncoated magazine paper and fine paper

Newspaper publishers

- local, regional and national newspapers, and international media companies
- use standard and special newsprint, and magazine papers

Specialist publishers

- publishers of telephone directories, books and other specialist publications
- use mainly special newsprint

Merchants

- paper merchants who serve mainly sheet-fed printers, and office equipment manufacturers and office supplies wholesalers
- buy mainly uncoated and coated graphic fine papers (in sheets) and business papers

UPM-Kymmene Printing Papers *Product groups*

Coated magazine papers (LWC, MWC and MFC)

Magazines, catalogues, brochures, direct mail advertising, other advertising material

Uncoated magazine papers (SC)

Magazines, weekend supplements, catalogues, flyers

Newsprint (MF)

Newspapers, inserts and flyers

Special newsprint (MFS)

Newspapers and supplements, inserts and flyers, telephone directories, timetables, pocket books, children's colouring books, comics

Fine papers (WFU, WFC)

Uncoated: writing papers, copier papers, continuous stationery, envelopes, direct mail advertising, books, general printing jobs

Coated: high-quality 4-colour printing, including art books, advertising publications, annual reports, direct mail advertising, high-quality magazines

Converting Ma

UPM Converting

	1999	1998	1997
	M€	M€	M€
Turnover	1,734	1,685	1,566
Operating profit	129	85	108
Capital employed	1,173	1,156	1,037
ROCE, %	11.0	7.3	10.4
Capital expenditure	117	159	96
Personnel at 31.12	7,477	7,902	8,600
Paper production, 1000 t	745	653	631

UPM Converting produces speciality papers and converted products for three end uses: label materials, barrier packagings and envelopes. In most of its product segments it is among Europe's leading manufacturers.

Demand for almost all UPM Converting's products was slacker than normal at the beginning of the year. The flow of orders picked up during the second half of the year and order stocks for many types of product were extremely good in the final quarter.

Profitability was better than the previous year despite the sharp rise during the year in prices for chemical pulp and PE plastics, the division's raw materials. The improvement was largely attributable to higher demand and greater efficiency.

In October 1999, the division discontinued the production of air-laid papers. Walkisoft was sold to the US company Buckeye Technologies Inc.

Label materials

Raflatac, which is Europe's leading producer of self-adhesive labelstock, improved its profit on the year before and increased its turnover by 15%. Growth in demand for self-adhesive labelstock and more efficient use of production capacity were the main reasons behind the improvement in profitability.

Raflatac strengthened its market position in southern Europe through acquisition of the Spanish self-adhesive labelstock manufacturer CYG Products S.A. In the Far East, where self-adhesive labelstock consumption is growing faster than anywhere in the world, Raflatac acquired a laminating company based in Shanghai.

Development work on security labels against shop thefts continued, and radio-frequency identification labels were developed ready for small-scale production.

Output of label papers rose and the financial result was better than the previous year. Production of release paper by Tervasaari's PM 8 rose and the unit strengthened its position as the world's leading release paper machine.

The PM 1 production line at Lohjan Paperi, the market leader in siliconized release papers, was rebuilt in November. As a result, PM 1 is now the world's most efficient producer of siliconized papers.

Packaging materials

The packaging materials business also produced a better financial result than the year before. Investments in machinery raised production.

Wisapaper's PM 1, which was rebuilt in October 1998, exceeded its production target. Tervasaari's

PM 6 quickly reached target production following its rebuild in January 1999.

Walki Wisa, Europe's leading manufacturer of composite materials, increased its sales to markets outside Europe. January 1999 saw the start up at the Pietarsaari mill of the world's widest extrusion coating and laminating line, which is strengthening Walki Wisa's position in the industrial wrappings market.

Growth in production allowed Walki Films to gain a much greater share of the European market for food packaging films. The new joint venture in the Netherlands and the new production line due to start up at Valkeakoski in 2000 will make Walki Films Europe's biggest manufacturer of barrier film materials for the food industry.

Walki Sack's production was rationalized by transferring all sack production in Finland to the Pori plant. Ikaalinen sack plant was closed down, and some of the machinery will be transferred to Rumania, where Walki Sack is to begin sack production in spring 2000.

Envelope papers

The European market for envelope papers grew by 2%. Demand was satisfactory, and paper prices rose by 5-8% during the second half of the year.

White envelope papers were less profitable than the year before due to the higher cost of chemical pulp. The situation for tinted envelope papers was better, as a balance was restored between supply and demand after several competitors discontinued production of brown envelope papers in the spring.

t e r i a l s

UPM Converting Turnover by business area

	1999	1998	1997
	M€	M€	M€
Label materials	924	794	686
Packaging materials	834	850	868
Envelope papers	116	114	69
Others + internal sales	-140	-73	-57
	1,734	1,685	1,566

UPM Converting Turnover by market

1999	M€	%
Finland	144	8
Other EU countries	1,124	65
Other European countries	164	9
North America	193	11
Rest of world	109	7
	1,734	100

UPM Converting Units and products by business area

LABEL MATERIALS

Raflatac	Self-adhesive labelstock for manufacturers of price, product and ADP labels
Tervasaari	Face paper for self-adhesives (PM 5: capacity 65,000 t/a) Release paper (PM 8: 125,000 t/a)
Jämsänkoski	Face paper for self-adhesives (PM 3: 100,000 t/a)
Lohja	Siliconized release materials for hygiene products, labels and industrial applications (PM 1 and 2: 65,000 t/a)

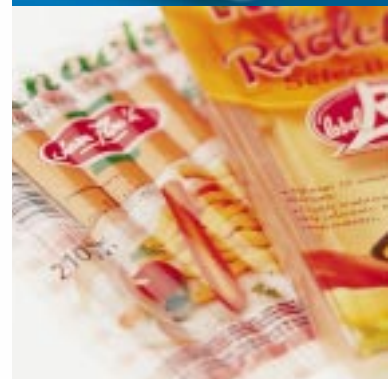
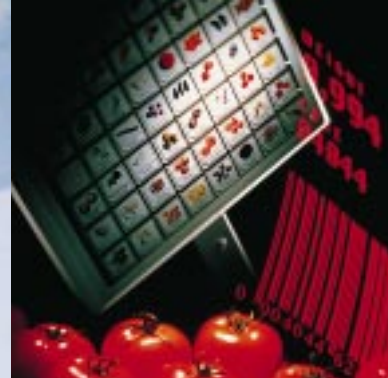
PACKAGING MATERIALS

Wisapaper	White and brown kraft papers (PM 1: 160,000 t/a)
Tervasaari	Brown sack and kraft papers (PM 6: 115,000 t/a)
Walki Wisa	Wrappings for the paper, steel and mechanical wood-processing industries Composite materials for the packaging industry and technical purposes
Walki Sack	Paper sacks
Walki Films	Vacuum and modified atmosphere plastic films for the food industry
Rosenlew	Intermediate bulk containers and plastic sacks Plastic and paper carrier bags, and bags for retailers Plastic films
Walki Can	Aseptic liquid packaging system

ENVELOPE PAPERS

Tervasaari	Tinted envelope papers (PM 7: 90,000 t/a)
Docelles	White envelope paper (PM 1: 110,000 t/a)

Kymi Paper, a member of the Fine Papers division, also produces white envelope paper (c. 50,000 t/a).



Wood products

UPM-Kymmene Wood Products

M€	1999	1998	1997
Turnover	1,301	1,331	1,307
Operating profit	80	92	99
Capital employed	545	568	585
ROCE, %	14.7	16.2	16.9
Capital expenditure	37	48	22
Personnel at 31.12	6,706	7,032	7,258
Production, 1000 m ³			
Sawn timber	1,911	2,104	2,050
Plywood	729	698	710

UPM-Kymmene Wood Products is Europe's biggest plywood manufacturer and one of Europe's largest producers of sawn timber. The division also includes distribution chains specializing in wood-based building supplies in Finland, Denmark and Ireland.

Profitability

The division was less profitable than the year before. This is due primarily to the fall in sawn timber prices and to somewhat inadequate demand for birch plywood. Output of sawn timber and plywood were about the same as the previous year. Good profitability was recorded by the plywood manufacturer Schauman Wood and the wood-based building supplies chains of Puukeskus, Brooks Group and ANCO Træ.

The market

Building activity remained fairly brisk throughout the year in Europe, the division's main market. Whitewood prices began to rise near the end of the year as demand grew and stocks declined. The improvement in the whitewood market was helped by the recovery of the Japanese market. Redwood prices fell up until the summer and were then fairly stable for the rest of the year. Redwood stocks declined during the second half of the year; average stocks for the year were about the same as in 1998.

Business for WISA spruce plywood was brisk all year and prices rose. Demand for processed plywood products was steady. The

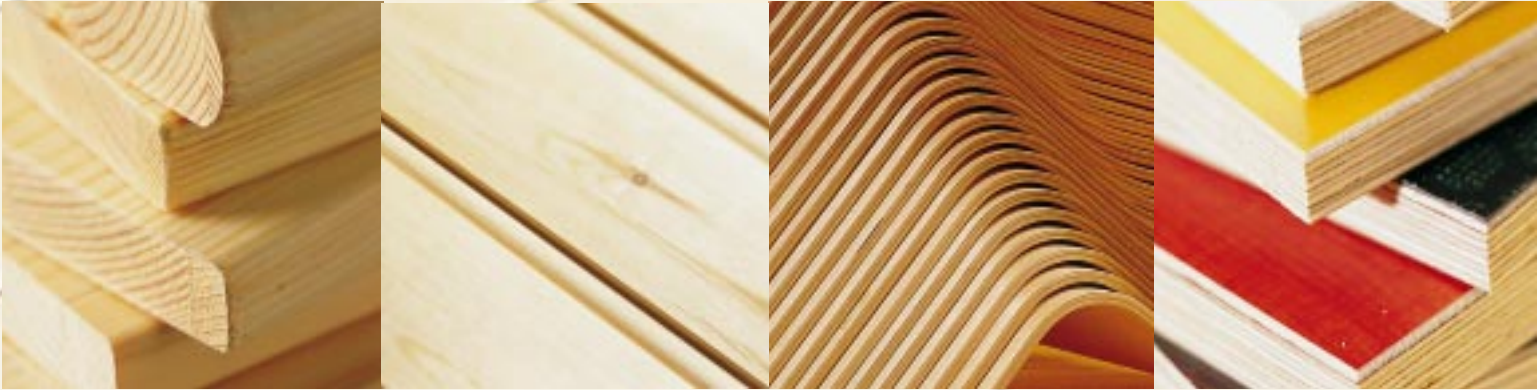
average price for plywood fell by about 5% largely due to the change in the structure of product sales. Plywood imports from Southeast Asia and growing production in Russia and the Baltic countries also forced prices down.

There was strong demand for wood-based building supplies, and profitability was good all year. Ireland continued to enjoy strong economic growth, and this kept building activity brisk. Brooks Group opened a new outlet at Ballina in the west of Ireland. In Finland, demand for Puukeskus's wood-based building supplies remained favourable.

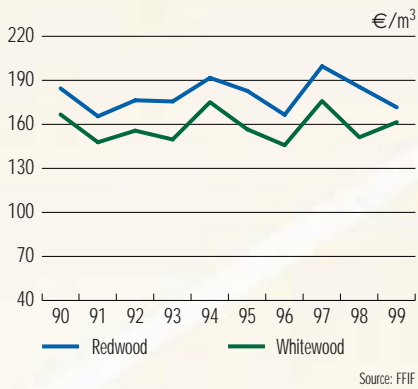
Capital expenditure and restructuring

In June, it was decided to combine the sawmilling and plywood businesses into UPM-Kymmene Wood Products as of January 2000. The purpose is to make the division more competitive and to improve the standard of service.

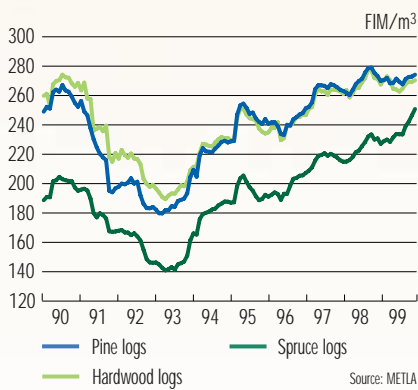
Investment was directed at raising production efficiency and productivity. In sawmilling, the focus of investment was on raising further processing and kilning capacity. The expansion of spruce plywood production at Pello 2 was completed.



Prices of Finnish sawn timber, 1990–1999



Monthly stumpage rates for logs, 1990–1999



UPM-Kymmene Wood Products Units and main products

United Sawmills	Sawn timber and building and joinery components
Parkanon Lista	Strips and mouldings
Schauman Wood	Plywood
– Kalso-Teollisuus	Veneers
– Mahogany	Special plywoods and veneers
– Malvaux, France	Plywood
Puukeskus, Finland	Wood-based building supplies
Brooks Group, Ireland	supplies
Anco Træ, Denmark	

Main uses for timber and plywood

Building industry
Joinery industry
Furniture industry
Building systems
Transport vehicle manufacture
Parquet flooring
Packaging industry

UPM-Kymmene Wood Products Turnover by business area

M€	1999	1998	1997
Sawmilling and joinery	424	456	468
Plywood	453	488	473
Building supplies trade	749	720	694
Internal sales	–325	–333	–328
Total	1,301	1,331	1,307

UPM-Kymmene Wood Products Turnover by market

1999	M€	%
Finland	383	29
Other EU countries	787	61
Other European countries	48	4
North America	10	1
Rest of world	73	5
Total	1,301	100

Chemical pulp



UPM-Kymmene is almost self-sufficient in chemical pulp.

The pulp market suffered from over-supply early in the year. Prices remained at USD 460/t until the summer, when they began to rise, reaching USD 630/t at the beginning of 2000. As demand strengthened, pulp stocks fell to below-normal levels by the end of the year. Some capacity was taken out of production because of poor profitability and tighter environmental restrictions.

UPM-Kymmene's pulp consumption rose 4% in 1999 to over 2.6 million tonnes. The company produced 1.8 million

tonnes, about 85% of which was used at its own mills. UPM-Kymmene owns 47.0% of Oy Metsä-Botnia Ab and 45.6% of Oy Metsä-Rauma Ab. More than 0.6 million tonnes of pulp, corresponding to the entitlement under these shareholdings, was used in 1999.

Stracel's loss-making pulp mill (capacity 140,000 t/a) was closed down in March. Together with profit improvement programmes at the other pulp mills, this has brought a clear improvement in both

efficiency and profitability.

Consumption of waste paper increased considerably following expansions at all those mills where recycled fibre is used.

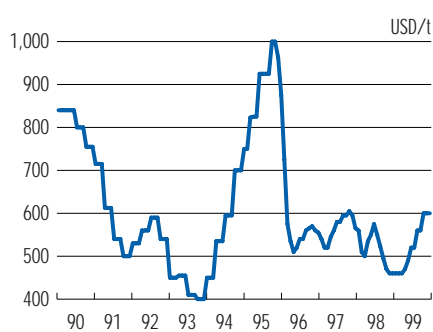
Towards the end of the year Oy Metsä-Botnia Ab decided to build a new fibre line at its Joutseno pulp mill, raising production capacity there by around 200,000 t/a. The additional capacity will be used by Metsä-Botnia's owners. The new line is due to start up in summer 2001.

Chemical pulp*

M€	1999	1998	1997
Turnover	567	526	548
of which internal	400	360	377
Operating profit	95	73	52
of which attributable to associated companies	32	41	34
Capital employed	952	1,040	1,069
ROCE, %	10.0	7.0	4.9
Capital expenditure	24	12	31
Personnel at 31.12	1,379	1,695	1,755

* Kymi pulp mill is part of the Fine Papers division, while Tervasaari pulp mill belongs to the Converting Materials division.

Market pulp* prices, 1990-1999



* Bleached pine pulp

Source: PPI

Pulp production capacity

	1999	1000 t/a
Kaukas		660
Kymi		520
Wisaforest		620
Tervasaari		200
Own production capacity, total		2,000
Shares in associated companies		
Oy Metsä-Botnia Ab		650
Oy Metsä-Rauma Ab		250

Pulp production and consumption

1000 t	1999	1998	1997
Production			
Chemical pulp			
own production	1,846	1,913	1,963
from associated companies	625	655	572
Mechanical pulp	2,670	2,939	2,708
Recycled fibre pulp	598	467	452
Total	5,739	5,974	5,695
Consumption			
Chemical pulp	2,646	2,536	2,478
Mechanical pulp	2,674	2,942	2,719
Recycled fibre pulp	601	471	455
Total	5,921	5,949	5,652

Energy



Electrical power generated in-house and obtained through shares in power companies covers the needs of the company's Finnish mills.

In 1999, UPM-Kymmene procured 19.8 TWh (21.5) of electricity, of which 14.8 TWh (15.7) was consumed by the company's own mills and 5.0 TWh (5.8) was sold. The decrease in sales to outside buyers is due to new arrangements regarding contract sales of electricity, the most notable being with Eastern Group Plc and Teollisuuden Sähkömyynti Oy. UPM-Kymmene sold almost all its contract sales of electricity to these companies, together with around 300 MW of thermal power capacity it owned in

Pohjolan Voima Oy. The price of electricity purchased from outside the Group was somewhat lower than the year before.

The generating capacity available to UPM-Kymmene in Finland through in-house and leased capacity and entitlement through associated companies totalled 2,000 MW. The most important associated companies in terms of energy are Pohjolan Voima Oy, in which the company has a 38.2% holding, and Kemijoki Oy, of whose hydropower shares UPM-Kymmene owns 19.0%.

Heat generated from fuels procured by the Group, plus purchased heat and heat generated by thermomechanical pulping totalled 27.1 TWh (27.7). Biofuels accounted for 63% (62) of fuel procurement. Consumption of natural gas, oil and coal fell by 6%.

UPM-Kymmene has decided, through Pohjolan Voima Oy, to participate in Alholmens Kraft's power plant project, which will supply energy to the Pietarsaari mills. The project will be completed in autumn 2001.

As a signatory to the Ministry of Trade and Industry's energy-saving agreement, UPM-Kymmene continued with energy efficiency audits at its pulp and paper mills and environmental audits at its power plants.

Energy unit

M€	1999	1998	1997
Turnover	391	475	473
of which internal	286	315	290
Operating profit	71	90	84
Capital employed	513	516	488
ROCE, %	13.9	17.4	17.2

The table relates to the Group's electricity and natural gas business in Finland, excluding energy generated at mill power plants.

Electricity procurement and consumption

GWh	1999	1998	1997
Procurement			
Hydropower	2,795	3,317	2,456
Back-pressure power	2,767	3,041	2,768
Nuclear power shares	4,450	4,200	3,895
Thermal energy shares	1,661	1,609	3,004
Purchased electricity	8,122	9,349	8,701
Total	19,795	21,516	20,824
Consumption			
Mills in Finland	10,947	11,481	10,947
Mills abroad	3,843	4,235	3,676
Sales	5,005	5,800	6,201
Total	19,795	21,516	20,824

Sources of thermal energy

GWh	1999	1998	1997
Black liquor	8,540	8,357	8,675
Bark and other biofuels	6,520	6,480	5,722
Heat recovery from			
TMP production	2,212	2,225	2,091
Peat	1,354	1,366	1,893
Purchased heat	1,110	1,444	1,283
Natural gas	5,886	6,307	5,495
Oil	875	870	1,074
Coal	562	635	639
Total	27,059	27,684	26,872

Forest

Wood procurement in Finland

M€	1999	1998	1997
Turnover	1,066	1,090	1,050
of which internal	877	898	867
Operating profit	48	34	31
incl. net stumpage income	39	21	16
Capital employed	1,152	1,163	1,186
ROCE, %	4.2	3.0	2.6
Personnel at 31.12	1,447	1,520	1,584

million m³

Standing reserves in			
own forest	82	80	79
Felling in own forest	1.9	1.1	1.0

Wood raw material consumption, million m³

In Finland	20.7	21.0	21.0
In other countries	2.3	3.7	4.1

Consumption of wood raw material was 23.0 million m³ (24.7 million), of which the Group's mills in Britain, France and the USA accounted for 2.3 million m³ (3.7 million).

Wood procurement in Finland

Wood consumption by the Group's Finnish mills was 20.7 million m³ (21.0 million), including 2.0 million m³ (1.8 million) of sawdust and wood chips as by-products from the Group's own sawmills and plywood mills. Of the total used, 74% came from private forests, 2% from state-owned forests and 9% from the Group's own forests. The remaining 15% was imported, mainly from Russia. Besides supplying its own mills, the forestry department delivered 4.8 million m³ of wood to associated companies and other outside customers.

No understanding was reached between the company and forest owners on future wood raw material prices, and this disrupted

trading early in the year. Stumpage prices and prices paid at the mills were about the same as the year before.

Company forests

In Finland, UPM-Kymmene owns 930,000 hectares of forestry land, of which commercial forests cover 770,000 hectares. The volume of wood in these forests is 82 million m³, the annual growth rate is 3.5 million m³, and 2.1 million m³ can be sustainably felled. In 1999, a total of 1.9 million m³ of wood was harvested from the company's own forests (1.1 million). The forestry department manages 170,000 hectares of private forest.

In Britain, UPM-Kymmene owns 3,000 hectares of forest and manages a further 163,000 hectares of private forest.

In the USA, the Group owns 77,000 hectares of forest.

In Uruguay, UPM-Kymmene holds shares in a company which owns 30,000 hectares of eucalyptus plantations.



Environment



UPM-Kymmene accepts its share of responsibility for safeguarding the environment and for complying with the principles of sustainable development.

Further drop in emissions

The biological oxygen demand of discharges to recipients from the Group's pulp and paper mills was 35% lower than in 1998. Sulphur dioxide emissions to air were down by 16%. The volume of solid waste used for landfill fell by 2%.

Carbon dioxide emissions from the use of fossil fuels and peat in energy generation at UPM-Kymmene's mills in Finland in 1999 totalled 1.3 million tonnes (1.4 million). Purchases of electricity generated from coal will fall significantly in the future now that the company is reducing its supply of electricity to third parties.

In its energy generation and in modernizing its power plants, UPM-Kymmene seeks to limit emissions that contribute to global warming by

focusing on renewable fuels. The co-generation of heat and electricity is widely practised.

Environment-related investment

The most notable investments made to reduce environmental loadings were construction of additional oxygen stages and improved air pollution control at Pietarsaari pulp mill, and more effective waste water and sludge treatment at Chapelle Darblay's mill. Significant new projects started during 1999 concern the reduction of malodorous emissions at Tervasaari pulp mill and improvements to waste water treatment at Kymi paper mill.

Capital expenditure on environmental protection totalled EUR 30 million (15 million) and the necessary operating expenditure was EUR 44 million (38 million). In addition, environment-related and other net energy taxes totalled EUR 46 million (40 million).

Approved environmental management systems

It is the company's aim to have approved environmental management systems in use at all its mills in 2000. During 1999, certificates were awarded to the Nordland Papier, Blandin, Caledonian Paper, Chapelle Darblay and Voikkaa mills,

to all hydropower stations operating in Finland and to United Sawmills Ltd's sawmills. In addition, the Kymi, Pietarsaari and Nordland Papier mills gained EMAS registration. Maintenance of these environmental management systems requires regular environmental audits.

New environmental requirements

Emission levels that can be achieved at pulp and paper mills are specified in an international document dealing with Best Available Technology. Many of the Group's mills already employ technology that meets these requirements.

Progress in forest certification

Finland has introduced a national forest certification system, which has been submitted for approval under the Pan European Forest Certification Scheme (PEFC). In the first stage, forests in eight forestry centre regions received national certification.

The survey to identify valuable natural sites in the company's forests was continued. About two-thirds of these forests have now been surveyed.

UPM-Kymmene will publish a separate environmental report for 1999.

Personnel

UPM-Kymmene aims to encourage work motivation and a high level of expertise among its employees.

In order to reach its targets, UPM-Kymmene needs employees who are well motivated, responsible and keen to learn new things.

A Human Performance study was started within the company. The aim is to develop a model for measuring, monitoring and further developing human performance. The subject is being approached via three fundamental factors: skill, working conditions and motivation.

A survey of the working atmosphere has shown that UPM-Kymmene's employees are proud of their company, value each other's skills, are committed to quality, and want to take their share of responsibility for the environment. There is room for improvement in target setting and the submission of feedback. It is intended to conduct an extensive working atmosphere survey every few years.

Expertise

The general management training programme designed for top management was completed at the end of the year. Almost 400 persons took part. Training in the Group's management principles will continue in programmes planned for middle management and foremen.

The company's growth is also

a challenge to professional training. During 1999, UPM-Kymmene's own professional training colleges began a new internationalization programme in conjunction with the mills outside Finland. At the end of the year, 221 persons were studying at the company's professional training colleges. Courses last either two or three years, depending on the basic training given.

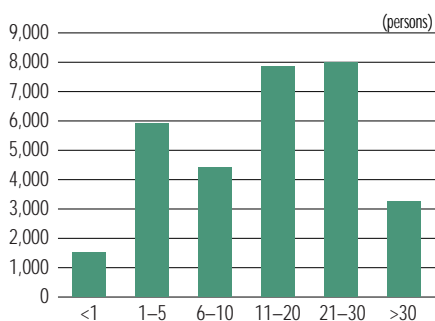
Support for the divisions' development programmes was provided by placing increasing emphasis on customer service. Calculated for the entire personnel, the average number of days spent in training was 2.8. The cost of training was EUR 26 million (29 million).

Development

During the year, a total of around 2,000 persons took part in training designed to develop corporate culture and working conditions. The training seeks to ensure that the company's values – openness, trust and initiative – are put into everyday practice. The discussion of values clearly improved job motivation and satisfaction.

Another area of importance is the maintenance of working capacity, the aim of which is to keep employees in working life until retirement age.

Employees' years of service with UPM-Kymmene





Incentives

A new incentive scheme covering all employees was introduced during the year. The scheme is based on profitability, productivity and personal target-setting.

Group cooperation

UPM-Kymmene's European Forum provided an effective channel for the exchange of information and opinions between management and other employees, besides supporting development work. The European Forum has become UPM-Kymmene's most important organ for cooperation on personnel policy.

Personnel by country at end of year

	1999	1998	1997
Finland	21,066	21,811	23,231
Germany	2,493	2,532	2,477
France	2,419	2,979	3,181
Great Britain	1,738	1,827	1,845
Spain	355	208	203
Ireland	236	220	218
The Netherlands	223	170	169
Sweden	189	204	330
Denmark	129	173	176
Belgium	129	124	117
Norway	106	109	114
Czech Republic	84	82	82
Portugal	68	84	84
Italy	48	50	50
Estonia	22	20	186
Other European countries	115	107	110
USA	1,395	1,543	1,177
Rest of world	148	108	64
Total	30,963	32,351	33,814

Key indicators

	1999	1998	1997
Turnover per person, € (= Turnover/average no. of employees)	256,000	243,000	221,000
Value added per person, € (= Turnover – materials and services / average no. of employees)	118,000	112,000	97,000
Remunerations based on financial performance, M€	21	13	9
Training costs, M€ (= Training costs incl. salaries and indirect employee costs)	26	29	27
Average no. of days spent in training (= No. of days of training/average no. of employees)	2.8	2.8	2.7
Personnel turnover, % (= No. of persons leaving/average no. of employees)	5.7	6.5	4.8
No. of man-days lost through strikes	3,600	700	3,100

Investment



Investment in fixed assets during 1999 totalled EUR 592 million (690 million), 7.2% of turnover. Fixed asset sales totalled EUR 709 million (794 million). Gross investment was financed entirely from the net cash flow.

UPM-Kymmene continued its restructuring by selling off non-core or poorly profitable businesses.

The focus of investment was on core businesses. Besides plant maintenance, investments were made to improve product quality and the cost-competitiveness of the production units.

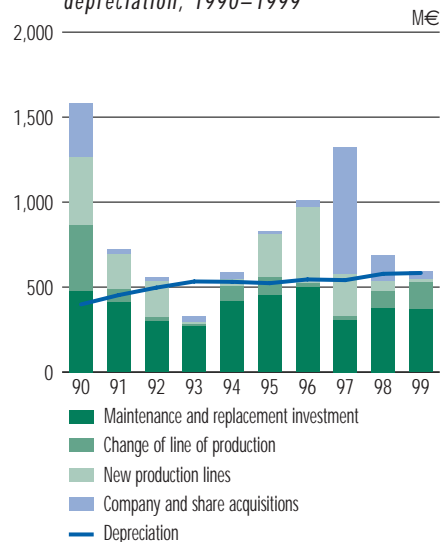
Investments are allocated and targeted so as to improve the return on capital employed and to maintain the condition of production machinery and its technological competitiveness

in the long term. Most of UPM-Kymmene's machines are new and efficient, which allows capital expenditure to be kept below depreciation and permits implementation of strategic investment projects.

Maintenance and replacement investments in existing production machinery totalled EUR 370 million (378 million). In addition to this, EUR 178 million (166 million) was spent on changes in production and on new production units and production lines. Company acquisitions and share purchases cost a total of EUR 44 million (147 million).

In December, the company announced plans to convert Kymi's PM 8 from uncoated to coated fine paper by autumn 2001.

Capital expenditure and depreciation, 1990–1999



Main investments, 1999–2000

	Total cost, M€
Investments completed in 1999	
– Chapelle Darblay, RCF utilization to 100%	80
– Voikkaa PM 18, modernization	50
– Nordland Papier PM 4, modernization	23
– Lohjan Paperi PM 1, rebuild	23
– Kymi's birch digester plant, rebuild	22
– Tervasaari PM 6, modernization	20
Projects in progress	
– Stracel PM 1, rebuild (complete March 2000)	76
– Blandin PM 6, modernization (complete March 2000)	16

R & D

R& D expenditure in 1999 was EUR 41 million (36 million). This does not include development work connected with investment projects.

A considerable amount of R&D work is commissioned from the Finnish Pulp and Paper Research Institute. UPM-Kymmene is also a member of The Institute of Paper Science and Technology in the United States, and of the corresponding joint research institutes in Germany, France and Great Britain. UPM-Kymmene has also participated in international pulp and papermaking technology programmes coordinated by the National Technology Agency of Finland.

Focus on product development

A production line manufacturing a new type of offset newsprint based on the company's own development work will be started up at Stracel paper mill during the first half of 2000. The new product – UPM Pro – is intended for high-quality newspaper supplements and printed advertising products. In developing the paper, special attention was given to print and picture quality, colour retention and opacity.

The most important project concerning magazine papers

has been development of the product UPM Star at the Kaukas mill. The special features of this double-coated paper are its brightness, gloss and smoothness. The paper has become a popular choice for high-quality magazines, catalogues and brochures. Another significant product innovation is a coated paper designed for offset and gravure printing developed at the Blandin mill. Based on aspen pulp, the new paper is a member of the UPM Star product family.

In fine papers, development work focused on improving the quality of existing products. Development work on papers for digital printing continued. Work on fillers has been done in conjunction with the Nordland and Kymi paper mills with the aim of raising cost-effectiveness.

Development work by the Converting Materials division was centred on improving the surface gloss of different papers. Walki Wisa has developed and patented a PE-coated inkjet printing paper capable of producing photograph-quality print. Walki Films has developed multi-layer films and a packaging line suitable for their use. Rosenlew developed an automatic packaging line for flexible intermediate bulk containers.

In the Wood Products division, most of the R&D work on timber products was performed by Finnish Wood Research Ltd. The Timber Components unit updated its product range based on its own development work and market surveys. In the plywood business, Schauman Wood brought onto the market a vehicle flooring panel designed for heavy transport and introduced a more environment-friendly plywood gluing technique.

Research into chemical pulping was mainly concerned with optimization of mill processes. A new birch digester line came on stream at the Kymi mill in Kuusankoski. Development work on strong, long-fibre softwood reinforcement pulp continued. Better ways of using wood from first thinnings were studied and the project has progressed to the pilot plant stage.



Events in 1999

January

- 1 Oy Tilgmann Ab was sold to Edita.
- 15 Walkisoft announced it was transferring all its production to Steinfurt in Germany. The mill at Århus in Denmark was closed down in mid-1999.
- 19 Tervasaari's sack machine started up after a rebuild.
- 19 Decision made to develop a new offset newsprint for Stracel's PM 1.

February

- 15 Maintenance investment decided on for Kajaani's PM 4. The machine was re-started at the end of the year after a rebuild.

March

- 23 The Annual General Meeting approved the Board's proposal to lower the company's share capital by declaring void own shares held by the company, and decided on the purchase of new company shares and their disposal. The same meeting decided to discontinue the use of a nominal value for the company's shares and to convert the share capital into euros. The company commenced buying back its own shares on 31 August.
- 25 UPM-Kymmene announced the transfer of all paper sack production in Finland to the Pori plant. Ikaalinen sack plant was closed in August.
- 30 The company announced that, together with the German publisher Axel Springer Verlag, it had developed a new type of environmental report (Product Related Profile), which will make printing papers easier to compare in terms of their environmental impacts.

April

- 19 Notification was received that, on 1 April, shares and voting rights in the company held by Morgan Stanley Dean Witter & Co. had exceeded the 5% limit, and that on 7 April the holding had fallen to below 5%.
- 19 Notification was received that, on 15 April, the shareholding and voting rights in the company held by investment funds belonging to the Tiger group had fallen below 10%.
- 19 The company announced it was continuing negotiations with the Asian group APRIL, even though the agreement could not be continued in the way previously agreed. The company loaned to APRIL the USD 121 million loan paid back by the fine paper mill in China.

June

- 17 It was decided to combine the sawmilling and plywood businesses into a single division as of January 2000. The name of the new division is UPM-Kymmene Wood Products.
- 24 The company announced its intention to establish a Global Medium Term Note programme allowing it to issue bonds in different currencies up to a maximum of EUR 1 billion.
- 29 The company obtained a listing for its shares on the New York Stock Exchange, and trading in ADS securities representing the company's shares began.

July

- 2 Rosenlew Saint Frères Emballage S.A. announced it had sold its Perenchies plant.
- 15 UPM-Kymmene signed a letter of intent to sell its Walkisoft air-laid paper manufacturing business to Buckeye Technologies Inc. in the USA. The sale became effective on 30 September.
- 26 Decision taken on a wet-end rebuild for Nordland Papier's PM 4. The machine was re-started after the rebuild at the beginning of September.

August

- 6 The shareholding and voting rights in the company held by investment funds belonging to the Tiger group fell below the 5% limit on 5 August.

September

- 8 Raflatac bought the Spanish self-adhesive laminate manufacturer CYG group.
- 16 UPM-Kymmene announced that the original broad-based alliance with APRIL would not be implemented.
- 16 Raflatac bought an 80% stake in VMI Pte Ltd, which operates a laminating plant in China.
- 17 Start-up of Kymi's new continuous birch digester plant.
- 24 The company announced its intention to sell almost all its contract sales of electricity directed at outside consumers to Eastern Group plc.
- 27 Notification was received that shares and voting rights in the company held by investment funds belonging to Capital Group Companies had exceeded 5%.

October

- 1 Notification was received that shares and voting rights in the company held by investment funds belonging to Franklin Resources Inc. had exceeded 5% on 1 April.
- 4 In France, a new deinking line started up at Chapelle Darblay's paper mill, allowing newsprint to be produced from 100% recycled fibre.
- 15 The company announced that the fine paper sales and agency agreement with APRIL would terminate in December.
- 15 Walki Sack decided to build a new sack plant in Rumania, with production to begin in February–March 2000.

November

- 12 The PM 1 production line at Lohjan Paperi Oy was re-started after a rebuild.
- 19 UPM-Kymmene announced a new strategic partnership under the World Association of Newspapers' READY project.
- 23 Decision to invest in quality improvement for Kajaani paper mill's standard and special newsprint. Work to be complete at end of 2000.

December

- 3 Announcement that Kymi's PM 8 will change production from uncoated to coated fine paper.
- 22 The company announced it would sell its 65% share in the Finnish paper merchant Paperi-Dahlberg.
- 31 The company decided not to exercise its option to acquire a 15% share in APRIL's Riau pulp mill.

Report of the Board of Directors

The market

Throughout the early part of the year demand for paper was weaker than the year before. Paper markets picked up quickly in the summer and remained good for the rest of the year.

Demand for printing papers in Western Europe, the company's main market, grew by some 5% and in North America by 3%, according to advance figures.

Newsprint and magazine paper prices fell during the first six months by an average of 2–3%, depending on paper grade. Prices fell most for coated magazine papers and least for uncoated magazine papers. With better demand and higher market pulp prices during the second half of the year, magazine paper prices stabilized and were strengthening by the year-end.

Fine paper prices fell early in the year. The market strengthened considerably in the summer, allowing prices to be raised. At the end of the year, average prices were some 3% higher than at the start of the year.

The over-supply situation on the pulp market was eased as demand for paper grew during the summer. Pulp was in good demand throughout the autumn. The price of bleached long-fibre pulp has risen from USD 460/t in spring to reach USD 630/t by January 2000.

Demand for converting materials was better than the year before, enabling prices to be raised. Prices for label and release papers rose in the wake of good demand in Europe and the USA. The Asian market also recovered.

On sawn timber markets prices fell due to heavy supply, although building work and demand for timber remained brisk in Europe. Whitewood prices strengthened towards the end of the year. Plywood was in good demand, and prices for spruce plywood rose. Supply from low-cost production countries caused sales of birch plywood to fall.

Changes in Group composition

March saw the start-up of the paper machine (AP Suzhou) in China. UPM-Kymmene owns 49% of the company, the other owner being the Singapore-based APRIL and its affiliates. Under the arrangements for financing the mill, UPM-Kymmene was repaid its USD 121 million loan. In April, UPM-Kymmene provided a loan of the same amount to APRIL. As agreed earlier, the loan was exchangeable for an interest of about 15% in Riau pulp mill, which is owned by APRIL. As UPM-Kymmene did not exercise its option by the deadline (the end of the year), the loan has become a 2-year market loan, which is secured by APRIL's 49% share in the fine paper mill in China.

In June, UPM-Kymmene decided to combine its sawmilling and plywood operations into a single division with effect from January 2000. The name of the new division is UPM-Kymmene Wood Products.

In September, UPM-Kymmene sold its air-laid paper manufacturing business Walkisoft to Buckeye Technologies Inc.

Also in September, UPM-Kymmene announced that the

fine paper alliance planned with APRIL, including the share swap, would not be implemented.

In November, UPM-Kymmene sold almost all its contract sales of electrical power directed at outside buyers, together with over 300 MW of the thermal power capacity it owns in Pohjolan Voima Oy to Eastern Group of the UK and to Teollisuuden Sähkömyynti Oy, in which Eastern Group has a controlling interest.

Raflatac purchased the Spanish self-adhesive labelstock manufacturer CYG Group and VMI Pte Ltd's laminating plant in China.

During the year, UPM-Kymmene sold listed shares to a total value of EUR 462 million.

Earnings

Pre-tax profit, excluding net capital gains, was EUR 800 million (884 million). Profit improved towards the end of the year, accounting for 8.4% of turnover (11.3%) for January–June and for 10.8% of turnover (9.8%) for July–December. Earnings per share were EUR 3.77 (3.82), return on equity was 19.2% (21.8) and return on capital employed was 17.6% (18.0). Excluding net capital gains, earnings per share were EUR 2.13 (2.34), return on equity was 10.9% (13.4) and return on capital employed was 11.1% (12.1).

Operating profit was EUR 1,573 million (1,620 million). Operating profit includes net gains from the sale of shares and fixed assets and asset write-downs totalling EUR 598 million (553 million). Gains on the sale of listed shares were EUR 420 million (583 million), with Nokia shares accounting for EUR 377 million (496 million). Other net capital gains were EUR 178 million (loss of 30 million).

Operating profit for the final quarter, excluding net capital gains, was better than the previous quarter and also the last quarter of 1998.

Printing papers produced a smaller operating profit than last year due to lower prices and delivery volumes, particularly early in the year. Operating profit for the Wood Products division was down on the year before due to the weaker profitability of sawmilling. Converting materials, on the other hand, returned a much better operating profit thanks to better demand and to internal measures. Operating profit for the chemical pulp business improved significantly.

Profit before extraordinary items was EUR 1,398 million (1,437 million). Financial expenses, net of income, were EUR 175 million (183 million), including EUR 2 million (25 million) as the Group's share of the profits of associated companies. Taxes were EUR 404 million (407 million) and profit for the financial year was EUR 994 million (1,029 million). A saving of EUR 110 million was achieved under the company's EUR 200 million cost-saving and rationalization programme for 1999–2000.

Production and turnover

UPM-Kymmene's paper production was 7.494 million tonnes (7.499 million). Magazine paper production fell by 4.1% and newsprint production by 1.5%. Fine paper production rose by 4.4% and that of speciality papers by 13.7%. The average capacity utilization rate was 91% (93), and 95% for the last six months of the year.

Sawn timber production was 1.911 million cubic metres (2.104 million), up 1.1% on the previous year (calculated to exclude Ferdinand Braun's sawmill, which was sold at the end of 1998). Plywood production rose 4.4% to 729,000 cubic metres (698,000).

Turnover was EUR 8,261 million (8,365 million). Exports and overseas operations accounted for 87% of turnover (86).

Personnel

The average number of employees in 1999 was 32,269 (34,382) for the Group and 12,556 (12,849) for the parent company. At the end of the year the Group had 30,963 employees (32,351).

Capital expenditure

Gross capital expenditure was EUR 592 million (690 million). Share purchases and company acquisitions accounted for EUR 44 million of this (151 million). The sale of shares and other fixed assets totalled EUR 709 million (794 million), exceeding capital expenditure by EUR 117 million (104 million).

Of the investment projects completed during the year the biggest were the new deinking plant at Chapelle Darblay's newsprint mill and modernization of Voikkaa's LWC paper machine.

The biggest projects still in progress at the turn of the year were modification work on Stracel's newsprint machine and a press section rebuild for Blandin's PM 6. Both projects will be completed in the first quarter of 2000.

It was announced in December that Kymi's PM 8 will be modified to produce coated fine paper instead of uncoated as at present. The work will be complete by autumn 2001.

Research and development

Research and development expenditure was EUR 41 million, 0.5% of turnover (36 million and 0.4%). In printing papers, the most significant product development effort concerned conversion of Stracel's paper machine to produce a new type of newsprint for offset printing. Work on production processes continued to focus on studying environmental impacts and the more efficient use of materials and energy.

The environment

Capital expenditure on environmental protection was EUR 30 million (15 million); the necessary operating expenditure was EUR 44 million (38 million). Many of the paper mills had their environmental management systems approved as complying with ISO standard 14001. A programme aimed at achieving

	Turnover			Operating profit		
	1999	1998	1997	1999	1998	1997
	M€	M€	M€	M€	M€	M€
Magazine papers	2,411	2,505	1,999	394	455	181
Newsprint	1,029	1,056	975	96	129	89
Fine papers	1,219	1,218	1,220	101	123	81
Converting materials	1,734	1,685	1,566	129	85	108
Wood products	1,301	1,331	1,307	80	92	99
Chemical pulp ¹⁾	567	526	548	95	73	52
Forest ¹⁾	1,066	1,090	1,050	48	34	31
Energy ¹⁾	391	475	473	71	90	84
Other	473	509	582	-30	-5	119
Internal sales	-1,930	-2,030	-1,944			
Divisions, total	8,261	8,365	7,776	984	1,076	844
Capital gains, net				589	544	345
Total	8,261	8,365	7,776	1,573	1,620	1,189
Businesses disposed of	-	-	702	-	-	53
Group, total	8,261	8,365	8,478	1,573	1,620	1,242
¹⁾ Internal sales						
Chemical pulp	400	360	377			
Forest	877	898	867			
Energy	286	315	290			

	Capital employed (average) ¹⁾			ROCE		
	1999	1998	1997	1999	1998	1997
	M€	M€	M€	%	%	%
Magazine papers	2,609	2,674	2,021	15.1	17.0	9.0
Newsprint	1,063	1,026	1,029	9.0	12.6	8.6
Fine papers	1,086	1,072	1,139	9.3	11.5	7.1
Converting materials	1,173	1,156	1,037	11.0	7.3	10.4
Wood products	545	568	585	14.7	16.2	16.9
Chemical pulp	952	1,040	1,069	10.0	7.0	4.9
Forest	1,152	1,163	1,186	4.2	3.0	2.6
Energy	513	516	488	13.9	17.4	17.2

¹⁾ For the divisions, capital employed includes non-current assets together with stocks and trade receivables less trade payables (=operating capital).

similar approval for all remaining mills is due for completion in 2000.

Financing

The equity to assets ratio at 31 December 1999 was 47.0% (45.3). The gearing ratio was 55% (74).

Deferred tax liability was separated from the Group's revaluations for the first time on 31 December 1999. This reduced the equity to assets ratio by 1.9 percentage points and increased the gearing ratio by 2.1 percentage points.

The net cash flow from operations was EUR 1,264 million (1,056 million). Interest-bearing net liabilities were EUR 2,940 million (3,739 million), a decrease of EUR 799 million. The

Group's loans carried an average rate of interest of 4.9% (5.6), the average maturity at the year-end being 8.6 years (7.5).

The credit rating agencies Standard & Poor's and Moody's retained their ratings of BBB+ and Baa1 for the company's bond issues.

Shares

The company obtained a listing for its shares on the New York Stock Exchange (NYSE), and trading began on 29 June 1999.

UPM-Kymmene shares worth EUR 4,834 million (3,374 million) were traded on the Helsinki Stock Exchange and, as of the listing date, EUR 36 million on the New York Stock Exchange. The highest quotation was EUR 42.50 in December and the lowest EUR 22.00 in January.

The Annual General Meeting decided to lower the company's share capital by declaring void the 12,762,082 own shares held by the company. This reduced the number of the company's shares from 277,606,069 to 264,843,987. The same meeting decided to convert the company's share capital into euros and to discontinue the use of a nominal value for the shares.

The Annual General Meeting also approved a proposal that the company purchase at least 200 and at most 13,200,000 of its own shares using funds available for distribution of profit. The meeting authorized the Board of Directors to decide on the disposal of shares so purchased.

In accordance with the decision of the Annual General Meeting, the company purchased, between 30 August and 31 December 1999, 7,538,000 of its own shares at an average price of EUR 31.24 per share, i.e. a total outlay of EUR 235.5 million. The company has not purchased any of its own shares since 31 December 1999. Own shares held by the company represent about 2.8% of the total number of shares.

During the year, a total of 1,724,970 shares were subscribed through the conversion of bonds from the 1994 bond issue.

At the end of the year the number of shares in issue was 266,568,957 and the share capital EUR 448,336,801.37. Share subscriptions under convertible bonds and options issued to management could raise the total number of shares to a maximum of 277,271,109.

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.

Company directors

At the Annual General Meeting, the following persons, whose terms of office expired at the meeting, were re-elected members of the Board of Directors: L.J. Jouhki (Managing Partner of Thom Companies), Jouko K. Leskinen (President and Chief Executive Officer of the Sampo Group), Tauno Matomäki, Juha Niemelä (President and Chief Executive Officer of UPM-Kymmene Corporation), Jorma Ollila (President and Chief Executive Officer of Nokia Corporation), Gustaf Serlachius,

Vesa Vainio (Vice Chairman of MeritaNordbanken Plc) and Iiro Viinanen (President of the Pohjola Group). Carl H. Amon III, a partner of the international law firm White & Case, and Antoon Lenstra, Director of Unilever's Home and Personal Care Products Europe business group, were elected new members of the Board. Casimir Ehrnrooth withdrew from the Board. The Board elected Tauno Matomäki as its Chairman and Jouko K. Leskinen and Iiro Viinanen as its Vice Chairmen.

The euro

UPM-Kymmene introduced the euro as its bookkeeping currency on 1 January 1999.

The Year 2000

The company's Year 2000 project ensured a smooth transition to the new millennium for the Group's businesses. The project concerned business-related information systems such as process automation, computer networks, and ensuring that the main outside partners were properly prepared for the year 2000. The cost of the project was approximately EUR 10 million.

Litigation

In March, the European Commission presented UPM-Kymmene with a "Statement of objection" alleging participation by the company's predecessors in a price cartel concerning newsprint during the period 1989–1995. The company's response to the allegation is being considered by the Commission. No provision has been made in this respect.

The company has no other significant matters of litigation.

Outlook for 2000

Economic activity is expected to develop favourably in Europe and Asia. Strong growth in the USA is likely to slow down. Demand for the company's paper products is expected to grow in all markets. Comparatively little new production capacity is due to come onto the market, most of this being for coated magazine paper and uncoated fine paper.

Demand for converting materials and wood-based products is forecast to remain good.

Sales volumes for the early part of the year are expected to be better than a year ago. Average prices are also likely to be slightly higher. A modest rise is anticipated in production costs.

Under the cost-saving programme started last year, a target of EUR 100 million has been set for 2000, in addition to which greater production efficiency can be used to advantage in the prevailing market situation.

Capital expenditure is expected to be about the same as depreciation, i.e. around EUR 600 million.

Board's proposal for the distribution of profits

The consolidated balance sheet shows unrestricted shareholders' equity at 31.12.1999 of EUR 3,884 million, of which distributable funds	EUR	1,963,000,000.00
The parent company balance sheet shows unrestricted shareholders' equity at 31.12.1999 of EUR 2,192 million, of which distributable funds	EUR	1,956,106,617.58
The Board of Directors proposes to the Annual General Meeting		
a dividend of EUR 1.25 (= FIM 7.43) per share on the 259,030,957 outstanding shares	EUR	323,788,696.25
for use by the Board of Directors in the general interest	EUR	250,000.00
and the remainder to be retained.		

Helsinki, 8 February 2000

<i>Tauno Matomäki</i> Chairman	<i>Jouko K. Leskinen</i>	<i>Iiro Viinanen</i>
<i>Carl H. Amon III</i>	<i>L.J. Jouhki</i>	<i>Antoon Lenstra</i>
<i>Juha Niemelä</i>	<i>Jorma Ollila</i>	<i>Gustaf Serlachius</i>
	<i>Vesa Vainio</i>	

Consolidated profit and loss account

MEUR	Note	1999	1998	1997
Turnover	(1)	8,261	8,365	8,478
Other operating income	(2)	622	649	438
Costs and expenses	(3)	-6,710	-6,832	-7,171
Share of results of associated companies	(4)	14	53	44
Depreciation and value adjustments	(5)	-614	-615	-547
<i>Operating profit</i>		1,573	1,620	1,242
Share of results of associated companies	(4)	2	25	17
Financial income and expenses	(6)	-177	-208	-322
<i>Profit before extraordinary items</i>		1,398	1,437	937
Extraordinary items		-	-	-
<i>Profit before taxes</i>		1,398	1,437	937
Income taxes	(7)	-404	-407	-232
Minority interest		0	-1	-2
<i>Profit for the financial period</i>		994	1,029	703

Consolidated balance sheet

MEUR	Note	31.12.1999	31.12.1998
<i>ASSETS</i>			
<i>Non-current assets</i>			
Intangible assets	(8)	93	83
Goodwill on consolidation	(9)	217	218
Tangible assets	(10)	6,564	6,581
Investments held as non-current assets	(11)	1,631	1,631
Own shares	(12)	236	289
		<hr/>	<hr/>
		8,741	8,802
<i>Current assets</i>			
Stocks	(13)	1,008	1,054
Non-current receivables	(14)	11	9
Current receivables	(15)	1,499	1,171
Cash in hand and at bank		321	413
		<hr/>	<hr/>
		2,839	2,647
<i>Total</i>		<hr/>	<hr/>
		11,580	11,449

MEUR	Note	31.12.1999	31.12.1998
<i>EQUITY AND LIABILITIES</i>			
<i>Shareholders' equity</i>			
Share capital	(16)	448	467
Share premium reserve		167	111
Revaluation reserve		364	622
Reserve for own shares		236	289
Legal reserve		673	676
Retained earnings		2,654	2,117
Profit for the financial period		994	1,029
		<hr/>	<hr/>
		5,536	5,311
<i>Minority interest</i>		22	24
<i>Provisions</i>	(17)	115	103
<i>Liabilities</i>			
Deferred tax liability	(18)	827	621
Non-current liabilities	(19)	2,888	3,007
Current liabilities	(20)	2,192	2,383
		<hr/>	<hr/>
		5,907	6,011
<i>Total</i>		<hr/>	<hr/>
		11,580	11,449

Consolidated cash flow statement

MEUR	Additional information	1999	1998	1997
<i>Cash flow from operating activities</i>				
Operating profit		1,573	1,620	1 242
Adjustments to operating profit	a)	41	-31	148
Change in net working capital	b)	1	-16	93
Cash generated from operations		1,615	1,573	1 483
Interest received		6	33	29
Interest paid		-204	-260	-293
Dividends received		11	11	10
Other financial income and expenses		48	-10	-77
Direct taxes paid	c)	-212	-291	-35
<i>Net cash from operating activities</i>		1,264	1,056	1 117
<i>Cash flow from investing activities</i>				
Acquisition of Group companies net of cash acquired	d)	-13	-1	-537
Investments in associated company shares		-14	-118	-81
Investments in other shares		-12	-11	-37
Purchase of tangible and intangible assets		-568	-572	-416
Proceeds from sale of Group companies net of cash disposed		4	-19	154
Proceeds from sale of associated companies		180	3	-7
Proceeds from sale of other shares		240	624	436
Proceeds from sale of tangible and intangible assets		158	94	59
Increase in other long-term investments		-57	-120	-29
Decrease in other long-term investments			14	96
<i>Net cash used in investing activities</i>		-82	-106	-362
<i>Cash flow before financing activities</i>		1,182	950	755
<i>Cash flow from financing activities</i>				
Increase in long-term liabilities		962	630	656
Decrease in long-term liabilities		-1,172	-869	-1,062
Increase (+) or decrease (-) in current interest-bearing liabilities		-543	-238	-115
Increase (-) or decrease (+) in interest-bearing receivables		-12	2	-29
Dividends paid	e)	-290	-249	-202
Purchase of own shares		-236	-309	
Share issue				6
Other items		9	66	-37
<i>Net cash used in financing activities</i>		-1,282	-967	-783
Net increase (+) or decrease (-) in cash and cash equivalents	f)	-92	-22	-24
Cash and cash equivalents at 1 Jan.		413	435	459
Cash and cash equivalents at 31 Dec.		321	413	435

The 1997 and 1998 statements have been reformatted and reported in accordance with the 1999 practice.

Additional information on consolidated cash flow statement

MEUR	1999	1998	1997
<i>a) Adjustments to operating profit</i>			
Depreciation and value adjustments	614	615	547
Gains (–) or losses (+) on sale of fixed assets	–581	–613	–363
Share of results (+/–) of associated companies	–14	–53	–44
Other	22	20	8
Total	41	–31	148
<i>b) Change in net working capital</i>			
Increase (–) or decrease (+) in stocks	79	–30	46
Increase (–) or decrease (+) in non-interest-bearing receivables ...	–258	185	240
Increase (+) or decrease (–) in current non-interest-bearing liabilities	180	–171	–193
Total	1	–16	93
<i>c) Taxes paid</i>			
Taxes paid, total	–367	–391	–66
Allocated to sale of shares	155	98	25
Allocated to sale of other fixed assets		2	6
Total	–212	–291	–35
<i>d) Additional information on acquisition of Group companies</i>			
Effect of acquired companies on consolidated assets and liabilities			
Non-current assets	–29	–11	–689
Current assets	–23	–18	–508
Non-current liabilities	11	14	102
Current liabilities	27	7	450
Other items	–	–11	38
Cash flow	–14	–19	–607
Relinquishment of own shares		19	
Less cash and cash equivalents of acquired companies	1	–1	70
Cash flow on acquisition net of cash acquired	–13	–1	–537
<i>e) Dividends paid</i>			
In 1997, dividend comprised EUR 71 million in cash and Rauma Oyj shares with a market value of EUR 131 million (balance sheet value EUR 48 million).			
<i>f) Effect of exchange rate differences on cash and cash equivalents</i>			
Cash and cash equivalents at 1 Jan.	413	435	459
Effect of exchange rate changes	8	–5	4
	421	430	463
Increase (+) or decrease (–) in cash and cash equivalents	–100	–17	–28
Cash and cash equivalents at 31 Dec.	321	413	435

Notes to the consolidated accounts

Accounting policies

Use of the euro in the accounts

The accounts for 1999 have been prepared in euros. Figures stated in Finnish markka for previous years have been converted into euros using the official conversion rate, 1 euro = 5.94573 markka.

Principles of consolidation

UPM-Kymmene's consolidated financial statements are prepared in accordance with Finnish accounting practice. The figures are stated in euros under the historical cost convention, except for certain balance sheet items that have been revalued.

The consolidated financial statements include all Group companies and associated companies. Subsidiaries acquired during the year are included in the consolidated profit and loss account from the date of their acquisition and subsidiaries sold are included up to their date of sale.

The consolidated financial statements are drawn up using the purchase method and include all companies in which the parent company has a controlling interest as stated in the Accounting Act. The difference between the acquisition cost and the subsidiary's equity at the time of acquisition has been allocated, where applicable, to the underlying assets and depreciated accordingly. The remainder of the difference is shown as goodwill on consolidation and amortized according to plan.

All inter-company transactions, receivables, liabilities and unrealized profits, as well as distribution of profits within the Group, are eliminated in the consolidated financial statements. Minority interests are presented separately in determining the Group's profit for the financial period. They are also shown separately from shareholders' equity and liabilities in the consolidated balance sheet.

Associated companies are accounted for using the equity method. Accordingly, the Group's share of profits and losses of associated companies less amortization of the acquisition cost difference is included in the consolidated profit and loss account. The Group's share of post-acquisition undistributed profits and losses of associated companies and the unamortized portion of the acquisition cost difference is included in the investments in associated companies in the consolidated balance sheet. The acquisition cost difference in respect of power companies is allocated to non-wasting tangible assets.

The shares of results of associated companies connected with the Group's core business operations are included in operating profit and those of other associated companies in financial items.

Foreign currencies

Foreign currency transactions of domestic Group companies are reported according to the exchange rates prevailing on the transaction date. Receivables and liabilities in foreign currencies are converted into euros at the middle rates of exchange quoted on the balance sheet date. Exchange differences arising on translation of trade receivables are entered under turnover, and exchange differences on trade payables under costs and expenses. Exchange rate differences on translation of other receivables and liabilities are entered under financial income and expenses.

The profit and loss accounts of subsidiaries outside the euro-zone are converted into euros using quarterly average rates of exchange, and the balance sheets using the exchange rates quoted by the European Central Bank on the balance sheet date. The difference is entered in the Group's shareholders' equity.

Changes in the values of instruments used to hedge against foreign exchange and interest rate risks are recognized in the profit and loss account. The interest component is accrued as interest income or expenses. Exchange differences on forward contracts relating to the Group's net cash flow are entered under turnover. Other exchange differences arising from hedging instruments are entered under financial income and expenses. Open hedging instruments are valued at the middle rate of exchange prevailing at the balance sheet date and are entered in the profit and loss account. The exception is forward contracts relating to the Group's net cash flow, which are entered in the profit and loss account as the cash flow is credited or debited.

Tangible and intangible assets and depreciation

Tangible and intangible assets are stated at historical cost less planned depreciation. In addition, the balance sheet value includes revaluations for land and investments in shares. Planned depreciation is calculated on a straight-line basis so as to write off the cost of the assets over their expected useful lives:

Goodwill on consolidation and other intangible assets	5–20 years
Buildings and structures	25–40 years
Heavy machinery	15–20 years
Light machinery and equipment	5–15 years
Other tangible assets	5–12 years

Goodwill on consolidation of large companies acquired is amortized over 20 years, which corresponds to the estimated time of influence of the acquisitions.

Depreciation is not made in respect of land or water areas.

Own shares

The company's own shares are entered at cost under non-current assets. For calculation of key indices, own shares are eliminated from shareholders' equity and number of shares.

Stocks

Stocks are valued at cost, which is calculated to include the variable costs of manufacture and an appropriate proportion of the fixed costs of their acquisition and manufacture, however not exceeding the probable net realizable value or replacement value.

Appropriations

In Finland and certain other countries, tax laws allow a portion of the profit before taxation to be transferred to untaxed reserves in the balance sheet. Part of these appropriations are accepted for tax purposes only if they are recorded in the financial statements.

Deferred taxes

Deferred tax liabilities and assets are recorded in the consolidated balance sheet and are calculated from timing differences. Deferred tax liability was calculated on revaluations for the first time on 31 December 1999.

Accumulated depreciation difference and untaxed reserves (appropriations) are divided into shareholders' equity and deferred tax liability in the consolidated balance sheet. Under Finland's Companies Act, those portions of untaxed reserves and accumulated depreciation difference included in shareholders' equity are excluded from distributable funds.

Provisions

Provisions in the balance sheet comprise those expenses to which a commitment has been made but which have not yet been realized. These may include pension liabilities and the costs of business closure and restructuring.

Changes in provisions are shown in the profit and loss account under the appropriate expense item.

Turnover

Turnover is calculated after deduction of sales discounts and indirect sales taxes. Turnover also includes exchange differences arising on translation of trade receivables and on forward contracts relating to the Group's net cash flow.

Research and development

Research and development costs are expensed as incurred.

Pension arrangements

The pensions of employees of Finnish Group companies are arranged partly through Finnish pension insurance companies, partly through the company's own pension funds and partly directly by the company. The pension liability of the company's own pension funds is covered in full. Foreign subsidiaries make their own pension arrangements in accordance with local practice.

Extraordinary income and expenses

Income and expenses from non-recurring but significant transactions arising other than in the course of the company's ordinary activities are recorded as extraordinary income and expenses and are stated in the consolidated accounts after deduction of tax.

Income taxes

The Group's taxes include taxes of Group companies based on taxable profit or proposed dividend for the financial period, together with tax adjustments for previous periods and the change in deferred tax liability. The tax credits arising from the distribution of dividends by subsidiaries are deducted from direct taxes.

1 Turnover by division MEUR	1999	1998	1997
Magazine papers	2,411	2,505	1,999
Newsprint	1,029	1,056	975
Fine papers	1,219	1,218	1,220
Converting materials	1,734	1,685	1,566
Wood products	1,301	1,331	1,307
Chemical pulp	567	526	548
Forest	1,066	1,090	1,050
Energy	391	475	473
Other	473	509	582
Intra-Group sales	-1,930	-2,030	-1,944
Current businesses, total	8,261	8,365	7,776
Businesses disposed of ¹⁾	-	-	702
	8,261	8,365	8,478

Turnover by market MEUR	1999	1998	1997
Germany	1,360	1,253	1,118
Great Britain	1,212	1,207	1,211
Finland	1,102	1,142	1,253
France	823	890	825
Other EU countries	1,687	1,771	1,669
Other European countries	570	559	516
North America	886	854	481
Rest of world	621	689	703
Current businesses, total	8,261	8,365	7,776
Businesses disposed of ¹⁾	-	-	702
	8,261	8,365	8,478

¹⁾ Businesses disposed of include Rauma Corporation and Simpele.

2 Other operating income MEUR	1999	1998	1997
Capital gains on disposal of fixed assets	593	635	385
Income from rents	11	10	16
Other	18	4	37
	622	649	438

3 Costs and expenses MEUR	1999	1998	1997
Change in stocks of finished goods and work in progress	36	-2	44
Production for own use	-15	-13	-20
Materials and services			
Raw materials, consumables and goods			
Purchased during the period	3,758	3,954	4,347
Change in stocks	35	2	66
External services	628	560	664
	4,442	4,501	5,101

Personnel expenses Salaries and fees	1999	1998	1997
Salaries of boards of directors and managing directors	21	22	21
Other salaries	1,067	1,097	1,037
	1,088	1,119	1,058

Indirect employee costs	1999	1998	1997
Pension expenses	122	141	126
Other indirect employee costs	159	147	127
	281	288	253

Other operating costs and expenses	1999	1998	1997
	899	924	759
	6,710	6,832	7,171

The annual salaries, emoluments in kind and fees paid to the Parent Company's Managing Director and Deputy Managing Director in 1999 were EUR 0.431 million and EUR 0.327 million, respectively.

At 31 December 1999, none of the Group's managing directors, deputy managing directors or members of the boards of directors had any loans outstanding from the company or its subsidiaries.

Personnel (average)	1999	1998	1997
Magazine papers	6,099	6,201	5,670
Newsprint	3,047	2,946	2,997
Fine papers	3,677	3,881	3,945
Converting materials	7,764	8,753	8,450
Wood products	6,877	7,398	7,393
Chemical pulp	1,601	1,808	1,988
Forest	1,510	1,564	1,651
Energy	42	43	40
Other	1,652	1,788	1,894
Total	32,269	34,382	34,028
Businesses disposed of	-	-	4,259
	32,269	34,382	38,287

4	<i>Share of results of associated companies</i>			
	MEUR	1999	1998	1997
	Oy Metsä-Botnia Ab	25	33	29
	Oy Metsä-Rauma Ab	7	8	5
	Pohjolan Voima Oy	6	8	4
	Others	-24	4	6
	Total included in operating profit	14	53	44
	Rauma Oyj ¹⁾	1	25	21
	FY-Industries Oy/Finnyards Oy	2	1	-4
	Others	-1	-1	0
	Total included in financial income and expenses	2	25	17

¹⁾ Rauma Oyj and Valmet Oyj merged on 1 July 1999 to form Metso Oyj, in which the Group has a 14.7% interest.

5	<i>Depreciation according to plan and value adjustments</i>			
	MEUR	1999	1998	1997
	<i>Depreciation according to plan</i>			
	Formation expenses	1	2	2
	Intangible rights	3	4	6
	Goodwill	1	1	1
	Goodwill on consolidation	15	18	7
	Other capitalized expenditure	18	14	10
	Buildings	64	65	59
	Machinery and equipment	469	461	439
	Other tangible assets	12	13	11
		583	578	535
	<i>Value adjustments</i>			
	on non-current assets	31	37	12
		614	615	547

6	<i>Financial income and expenses</i>			
	MEUR	1999	1998	1997
	Income from other investments held as non-current assets			
	Dividend income	11	11	10
	Interest received	8	5	4
	Other interest and financial income			
	Other dividend income	13	26	26
	Other financial income	2	3	3
	Exchange differences	2	-4	-65
	Interest expenses and other financial expenses			
	Interest expenses	-201	-241	-279
	Other financial expenses	-12	-8	-21
	Value adjustments of investments held as non-current assets	0	0	0
		-177	-208	-322

7	<i>Income taxes</i>			
	MEUR	1999	1998	1997
	Taxes for the financial period	-428	-377	-172
	Taxes from previous periods	6	-22	16
	Change in deferred taxes ¹⁾	18	-8	-76
		-404	-407	-232
	<i>Change in deferred taxes</i>			
	From timing differences	41	-6	-12
	From consolidation eliminations	3	26	
	From appropriations	-26	-28	-64
		18	-8	-76

8	<i>Intangible assets</i>	1999	1998
	MEUR		
	<i>Formation expenses</i>		
	Acquisition cost at 1 Jan.	17	18
	Increases	0	
	Decreases	0	
	Difference on translation	2	-1
	Acquisition cost at 31 Dec.	19	17
	Accumulated depreciation at 1 Jan.	-16	-15
	Difference on translation	-2	1
	Decreases		
	Depreciation for the period	-1	-2
	Accumulated depreciation at 31 Dec.	-19	-16
	Book value at 31 Dec.	0	1

	MEUR	1999	1998
	<i>Intangible rights</i>		
	Acquisition cost at 1 Jan.	45	81
	Difference on translation	0	-1
	Increases	3	5
	Decreases	-1	-1
	Transfers between balance sheet items	1	-39
	Acquisition cost at 31 Dec.	48	45
	Accumulated depreciation at 1 Jan.	-31	-39
	Accumulated depreciation on decreases and transfers	2	13
	Depreciation for the period	-3	-4
	Value adjustments and their cancellations	-1	-1
	Accumulated depreciation at 31 Dec.	-33	-31
	Book value at 31 Dec.	15	14

	MEUR	1999	1998
	<i>Goodwill</i>		
	Acquisition cost at 1 Jan.	12	16
	Difference on translation	1	0
	Increases	0	0
	Decreases	0	
	Transfers between balance sheet items	0	-4
	Acquisition cost at 31 Dec.	13	12
	Accumulated depreciation at 1 Jan.	-7	-10
	Accumulated depreciation on decreases and transfers	0	4
	Depreciation for the period	-1	-1
	Accumulated depreciation at 31 Dec.	-8	-7
	Book value at 31 Dec.	5	5

	MEUR	1999	1998
	<i>Other capitalized expenditure</i>		
	Acquisition cost at 1 Jan.	159	118
	Increases	14	10
	Decreases	-7	-3
	Transfers between balance sheet items	17	34
	Acquisition cost at 31 Dec.	183	159
	Accumulated depreciation at 1 Jan.	-102	-78
	Accumulated depreciation on decreases and transfers	5	-9
	Depreciation for the period	-18	-14
	Value adjustments and their cancellations	-1	-1
	Accumulated depreciation at 31 Dec.	-116	-102
	Book value at 31 Dec.	67	57

	MEUR	1999	1998
	<i>Advance payments</i>		
	Acquisition cost at 1 Jan.	6	6
	Increases	6	5
	Decreases	-1	0
	Transfers between balance sheet items	-5	-5
	Book value at 31 Dec.	6	6

Depreciation for the financial period differs from depreciation stated on the consolidated profit and loss account because the profit and loss accounts and balance sheets of companies outside the euro-zone have been converted into euros using different rates.

9	<i>Goodwill on consolidation</i>	1999	1998
	MEUR		
	Acquisition cost at 1 Jan.	268	227
	Increases	14	41
	Decreases		
	Transfers between balance sheet items and other changes	-10	0
	Acquisition cost at 31 Dec.	272	268
	Accumulated depreciation at 1 Jan.	-50	-32
	Accumulated depreciation on decreases and transfers	10	
	Depreciation for the period	-15	-18
	Accumulated depreciation at 31 Dec.	-55	-50
	Book value at 31 Dec.	217	218

EUR 76 million in goodwill arising on consolidation has been allocated to land (76 million), EUR 17 million to buildings (17 million), EUR 63 million to machinery and equipment (70 million) and EUR 21 million to shares (21 million).

10	<i>Tangible assets</i>	1999	1998
	MEUR		
	<i>Land and water areas</i>		
	Acquisition cost at 1 Jan.	603	610
	Difference on translation	2	-1
	Increases	4	6
	Decreases	-6	-8
	Transfers between balance sheet items	2	-4
	Acquisition cost at 31 Dec.	605	603
	Accumulated depreciation at 1 Jan.	0	0
	Accumulated depreciation at 31 Dec.	0	0
	Revaluations ¹⁾	567	585
	Book value at 31 Dec.	1,172	1,188

¹⁾ Revaluations		1999	1998
Value at 1 Jan.		585	585
Decreases		-18	0
Transfers between balance sheet items			
Value at 31 Dec.		567	585

MEUR	1999	1998
<i>Buildings</i>		
Acquisition cost at 1 Jan.	1,944	1,906
Difference on translation	34	-15
Increases	40	54
Decreases	-46	-20
Transfers between balance sheet items	33	19
Acquisition cost at 31 Dec.	2,005	1,944
Accumulated depreciation at 1 Jan.	-677	-617
Difference on translation	-9	4
Accumulated depreciation on decreases and transfers	21	7
Depreciation for the period	-64	-65
Value adjustments and their cancellations	-4	-6
Accumulated depreciation at 31 Dec.	-733	-677
Book value at 31 Dec.	1,272	1,267

MEUR	1999	1998
<i>Machinery and equipment</i>		
Acquisition cost at 1 Jan.	8,090	7,746
Difference on translation	170	-68
Increases	336	313
Decreases	-200	-72
Transfers between balance sheet items	100	171
Acquisition cost at 31 Dec.	8,496	8,090
Accumulated depreciation at 1 Jan.	-4,228	-3,930
Difference on translation	-82	33
Accumulated depreciation on decreases and transfers	187	156
Depreciation for the period	-472	-458
Value adjustments and their cancellations	-24	-29
Accumulated depreciation at 31 Dec.	-4,619	-4,228
Book value at 31 Dec.	3,877	3,862

MEUR	1999	1998
<i>Other tangible assets</i>		
Acquisition cost at 1 Jan.	224	205
Difference on translation	3	-1
Increases	11	8
Decreases	-11	-2
Transfers between balance sheet items	4	14
Acquisition cost at 31 Dec.	231	224
Accumulated depreciation at 1 Jan.	-128	-107
Difference on translation	-2	0
Accumulated depreciation on decreases and transfers	7	-9
Depreciation for the period	-12	-12
Accumulated depreciation at 31 Dec.	-135	-128
Book value at 31 Dec.	96	96

MEUR	1999	1998
<i>Advance payments and construction in progress</i>		
Acquisition cost at 1 Jan.	168	331
Difference on translation	5	-2
Increases	169	182
Decreases	-33	-27
Transfers between balance sheet items	-162	-316
Book value at 31 Dec.	147	168

MEUR	1999	1998
<i>Investments held as non-current assets</i>		
<i>Holdings in associated companies</i>		
Acquisition cost at 1 Jan.	928	760
Difference on translation	1	-2
Increases	16	117
Decreases	-51	-2
Transfers between balance sheet items	-177	55
Acquisition cost at 31 Dec.	717	928
Accumulated depreciation at 1 Jan.	0	2
Value adjustments and their cancellations	-4	-2
Accumulated depreciation at 31 Dec.	-4	0
Revaluations	103	127
Book value at 31 Dec.	816	1,055
¹⁾ Revaluations		
Value at 1 Jan.	127	127
Decreases	-24	0
Value at 31 Dec.	103	127

Holdings in associated companies include net unamortized goodwill of EUR 17 million (18 million). Of this amount, EUR 11 million (11 million) relates to Pohjolan Voima Oy's shares.

MEUR	1999	1998
<i>Receivables from associated companies</i>		
Acquisition cost at 1 Jan.	304	190
Increases	6	128
Decreases	-31	-1
Transfers between balance sheet items	-99	-13
Acquisition cost at 31 Dec.	180	304
Accumulated depreciation at 1 Jan.	-52	-44
Value adjustments and their cancellations	-3	-8
Accumulated depreciation at 31 Dec.	-55	-52
Book value at 31 Dec.	125	252

MEUR	1999	1998
<i>Other shares and holdings</i>		
Acquisition cost at 1 Jan.	235	357
Difference on translation	-4	-1
Increases	13	11
Decreases	-18	-116
Transfers between balance sheet items	175	-16
Acquisition cost at 31 Dec.	401	235
Accumulated depreciation at 1 Jan.	-26	-9
Value adjustments and their cancellations	-1	-17
Accumulated depreciation at 31 Dec.	-27	-26
Revaluations ¹⁾	61	61
Book value at 31 Dec.	435	270

¹⁾ Revaluations		
Value at 1 Jan.	61	61
Value at 31 Dec.	61	61

MEUR	1999	1998
<i>Other receivables</i>		
Acquisition cost at 1 Jan.	54	66
Difference on translation	0	-1
Increases	93	1
Decreases	-2	-11
Transfers between balance sheet items	110	-1
Acquisition cost at 31 Dec.	255	54
Accumulated depreciation at 1 Jan.	0	0
Accumulated depreciation at 31 Dec.	0	0
Book value at 31 Dec.	255	54

12 Own shares

MEUR	1999	1998
Acquisition cost at 1 Jan.	289	
Increases	236	309
Own shares declared void	-289	
Other decreases		-20
Book value at 31 Dec.	236	289

At 31 December 1999, the Group (parent company) held 7,538,000 (12,762,082) shares, which represented EUR 13 million (22 million) of the share capital and had a total purchase price of EUR 236 million (289 million).

Market values and basis for valuations

The book value of shares in companies listed on the Helsinki Stock Exchange and entered under fixed assets is EUR 216 million. The market value at 31 December 1999 was EUR 1,857 million. The difference is due mainly to the value of Nokia Corporation shares.

The company's forest in Finland, 925,000 hectares, has a book value of EUR 1,152 per hectare, i.e. a total value of EUR 1,066 million. This includes revaluations of EUR 548 million made in previous years. According to estimates made by the company for each forest holding separately, the average market value is EUR 1,570 per hectare, giving a total value of EUR 1,452 million. The company also estimates that the market value of its shares in energy companies, EUR 1,077 million, exceeds the book value by EUR 539 million. Market value is based on dealings in energy company shares and partly on the net asset value of the shares.

Because of restructuring arrangements, the Group has retained some real estate and housing unrelated to business operations. Their estimated market value, EUR 269 million, exceeds the book value by EUR 145 million. Market value is based on transactions completed.

13 Stocks

MEUR	1999	1998
Raw materials and consumables	352	359
Work in progress	45	37
Finished products and goods	519	506
Other stocks	39	84
Advance payments	53	68
	1,008	1,054

14 Non-current receivables

MEUR	1999	1998
Trade receivables	0	0
Loan receivables	2	2
Other receivables	6	5
Prepayments and accrued income	3	2
	11	9
<i>Receivables from associated companies</i>		
Other receivables	0	0
	0	0

15 Current receivables

MEUR	1999	1998
Trade receivables	1,093	897
Loan receivables	13	13
Other receivables	171	119
Prepayments and accrued income ¹⁾	222	142
	1,499	1,171

Receivables from associated and participating interest companies

Trade receivables	31	31
Loan receivables	12	12
Prepayments and accrued income	29	13
	72	56

¹⁾ Main items included in current prepayments and accrued income

Personnel expenses	16	11
Interest income	19	4
Interest expenses	0	15
Income taxes	28	27
Currency derivatives	76	31
Indirect taxes	21	27
Other	62	27
	222	142

Some Group companies in Great Britain, France, Italy and Germany have made agreements with third parties concerning their trade receivables (asset securitization). The Group companies in question have agreed to sell the ownership right to specified trade receivables on a continuous and irrevocable basis. The value of the receivables sold on the basis of the asset securitization agreement at 31 December 1999 was EUR 115 (206) million, and it is presented on the consolidated balance sheet as a decrease in trade receivables. The security associated with the asset securitization programme is reported on the consolidated balance sheet under other receivables. The expenses incurred in the sales of these receivables are included in financial expenses on the consolidated profit and loss account. Increases and decreases in trade receivables are reported on the consolidated cash flow statement as cash generated from operations.

Interest-bearing receivables	1999	1998
<i>Non-current assets</i>		
Loan receivables	345	71
<i>Current assets</i>		
Loan receivables	2	1
Trade receivables	13	1
Other receivables	60	48
Cash in hand and at bank	321	413
	741	534

16 Shareholders' equity MEUR

	Share capital	Share issue	Share premium reserve	Revaluation reserve	Reserve for own shares	Legal reserve	Retained earnings	Capital loan	Shareholders' equity, total
Share capital at 1 Jan. 1998	455			627		633	2,722	101	4,538
Convertible bond loan 1994	2		21						23
Capital loan 1993	10		90					-101	-1
Cancellation of revaluations				-5					-5
Transferred to reserve for own shares					289		-289		0
Dividends paid							-249		-249
Used in the general interest							0		0
Transferred to legal reserve						41	-41		0
Profit for the period							1,029		1,029
Translation differences and other							-26		-26
Other changes						2			2
Shareholders' equity at 31 Dec. 1998	467	0	111	622	289	676	3,146	0	5,311
Convertible bond loan 1994	3		34						37
Own shares declared void	-22		22		-289				-289
Cancellation of revaluations				-42					-42
Deferred tax liability from revaluations				-216					-216
Transferred to reserve for own shares					236		-236		0
Dividends paid							-289		-289
Used in the general interest							0		0
Profit for the period							994		994
Translation differences and other							30		30
Other changes						-3	3		0
Shareholders' equity at 31 Dec. 1999	448	0	167	364	236	673	3,648	0	5,536

Distributable funds at 31 Dec.

MEUR	1999	1998
Reserve for own shares	236	289
Retained earnings	2,654	2,117
Profit for the period	994	1,029
Portion of accumulated depreciation difference and untaxed reserves transferred to shareholders' equity	-1,685	-1,688
Cost of acquisition of own shares	-236	-289
Distributable funds at 31 Dec.	1,963	1,458

Group

17 Provisions		
MEUR	1999	1998
Pension provisions	68	64
Other	47	39
	115	103

18 Deferred tax liability		
MEUR	1999	1998
<i>Deferred tax liability</i>		
From timing differences	145	68
From consolidation eliminations	12	7
From appropriations	688	663
From revaluations ¹⁾	216	
	1,061	738
<i>Deferred tax receivable</i>		
From timing differences	192	84
From consolidation eliminations	42	33
	234	117
Deferred tax liability net	827	621

¹⁾ The deferred tax liability from revaluations has been deducted from the revaluation reserve in the shareholders' equity.

19 Non-current liabilities		
MEUR	1999	1998
Bond loans	1,210	755
Convertible bond loans	101	138
Loans from financial institutions	614	1,218
Pension loans	711	677
Trade payables	2	1
Other liabilities	250	218
	2,888	3,007

<i>Payables to associated companies</i>		
Other liabilities	31	31
	31	31

<i>Repayment schedule for long-term loans</i>		
	1999	1998
<i>In 2001–2004 / 2000–2003</i>		
Bond loans		104
Convertible bond loans	101	0
Loans from financial institutions	400	656
Pension loans	276	168
Trade payables	2	1
Payables to associated and participating interest companies	31	31
Other liabilities	161	128
	971	1,088

<i>In 2005– / 2004–</i>		
Bond loans	1,210	651
Convertible bond loans		138
Loans from financial institutions	214	562
Pension loans	435	509
Other liabilities	58	59
	1,917	1,919
Total at 31 Dec.	2,888	3,007

Bond loans

	Interest, %	Initial loan	1999	1998
Fixed interest				
1988–2000	4.75	CHF 100	62	62
1995–2005	7.72	USD 155	155	133
1993–2000	9.75	FIM 50	8	8
1993–2008	9.10	FIM 22	4	3
1997–2007	6.875	USD 225	224	193
1997–2027	7.45	USD 375	374	322
1999–2009	6.35	EUR 250	250	
1999–2029	4.46	JPY 11,000	107	
1999–2029	4.55	JPY 10,000	97	
Floating rate of interest				
1993–2003	4.35	FIM 200		34
Bond loans, total			1,281	755
– current portion			–71	–
Bond loans, long-term portion			1,210	755

Convertible bond loans

Subordinated convertible bond loan 1994 ¹⁾				
	Interest, %	Initial loan	1999	1998
	6.50	FIM 960	101	138
– current portion			–	–
Convertible bond loans, long-term portion			101	138

¹⁾ The subordinated convertible bonds may be exchanged for shares between January and October each year. Each FIM 10,000 debenture entitles the holder to 78 shares at a computed price of FIM 128.21 (EUR 21.56) per share. Under the terms of the issue, the company has had the right, from 25 March 1998, to reduce the loan period.

20 Current liabilities

MEUR	1999	1998
Bond loans	71	0
Loans from financial institutions	292	626
Pension loans	68	48
Advances received	18	13
Trade payables	625	492
Bills of exchange payable	188	74
Other liabilities	318	530
Accruals and deferred income ¹⁾	612	600
	2,192	2,383

Payables to associated and participating interest companies

	1999	1998
Advances received	0	0
Trade payables	28	26
Other liabilities	10	30
Accruals and deferred income	7	7
	45	63

¹⁾ Main items included in current accruals and deferred income

Personnel expenses	194	206
Interest income	2	2
Interest expenses	43	61
Income tax	170	94
Currency derivatives	14	6
Indirect taxes	42	49
Others	147	182
	612	600

Net interest-bearing liabilities

	1999	1998
Interest-bearing liabilities		
Non-current liabilities		
Bond loans	1,210	755
Convertible bond loans	101	138
Loans from financial institutions	614	1,218
Pension loans	711	677
Other liabilities	246	213
	2,882	3,001
Current liabilities		
Amortization of long-term loans	431	674
Bills of exchange payable	188	74
Other current liabilities	180	524
	799	1,272
Interest-bearing liabilities, total	3,681	4,273

Interest-bearing receivables

Non-current assets		
Loan receivables	345	71
Current assets		
Loan receivables	2	1
Trade receivables	13	1
Other receivables	60	48
Cash in hand and at bank	321	413
Interest-bearing receivables, total	741	534
Net interest-bearing liabilities	2,940	3,739

21 <i>Contingent liabilities</i>	1999	1998
<i>MEUR</i>		
<i>Mortgages</i> ¹⁾		
As security against own debts	504	706
<i>Guarantees</i>		
Guarantees for loans		
On behalf of associated and participating interest companies ²⁾	80	86
On behalf of others	6	6
Other guarantees		
On own commitments	41	1
On behalf of associated and participating interest companies		6
On behalf of others	2	8
<i>Pension liabilities</i>		
Direct liabilities	4	4
<i>Leasing commitments</i> ³⁾		
Commitments for 2000/1999	15	12
Commitments for subsequent years	57	37
<i>Other commitments</i>	47	33

¹⁾ Mortgages given by the Group and the parent company relate mainly to reborrowing of statutory employment pension contributions. Mortgages have been given either to the lender or the guarantor.

²⁾ UPM-Kymmene has also made a cash deficiency support commitment relating to a USD 250 million loan (plus interest) negotiated in 1998 by the companies that completed the fine paper mill in China.

³⁾ UPM-Kymmene has also leased certain power plants under long-term agreements and uses the electrical power generated by these plants in its production. The company has the right, but not the obligation, to purchase these power plants or shares therein. Leasing commitments are EUR 20 million in 2000 and subsequently EUR 227 million up to 2012. UPM-Kymmene estimates that the market value of these agreements exceeds the above commitments.

Directors' pension commitments

The retirement age for the managing directors and certain other directors of Group companies has been fixed at 60–65 years.

Nominal and market values of the Group's derivative agreements open at 31 December.

<i>Nominal value</i>	Interest rate derivatives		Currency derivatives	
	1999	1998	1999	1998
Forward contracts	2,655	2,967	1,348	3,582
Options				
Purchased	0	22	212	10
Written	0	58	270	25
Swap agreements	3,203	3,059	498	285

<i>Market value</i>	Interest rate derivatives		Currency derivatives	
	1999	1998	1999	1998
Forward contracts	1	-1	-26	21
Options				
Purchased	0	0	3	0
Written	0	0	-3	-1
Swap agreements	-69	32	20	0

Interest rate derivatives are included under interest expenses during the period of validity of the contracts.

Currency derivatives are included in the financial result at market value except for those relating to net currency flows, which are entered in the profit and loss account as the cash flow is credited or debited.

In addition, the Group also has electricity and raw material derivatives. However, the nominal and market values of these contracts are not significant.

Methods used to determine the current values of derivative contracts

Forward currency contracts, currency option contracts and interest rate future contracts are valued at market values prevailing on 31 December. Interest rate swap contracts are valued at the present value of the cash flows arising from the contracts.

Financial risks

The objective of financial risk management is to protect the Group against unfavourable changes in financial markets and thus help to secure profitability. The objectives and principles for financing activities are defined in the Group's Financial Policy approved by the company's Board of Directors.

In its financial risk management, the Group uses various financial instruments within specified limits. Only those instruments whose market value and risk profile can be continuously and reliably monitored are used for this purpose.

Funding and management of the financial risks are the responsibility of the Group Treasury department. Besides effective risk management, the department seeks to save costs and optimize the Group's cash flows.

Foreign currency risk

Management of foreign currency exposure is divided into two parts: that relating to foreign currency flows and that relating to foreign currency denominated balance sheet items. The first concerns the 12-month forecasted commercial foreign currency flows and the related hedging.

In the year 2000, the net foreign currency flow will be around EUR 1.8 billion. Hedging 50% of the net foreign currency flow for the 12 months ahead is considered neutral. The overall hedging rate may vary between 25 and 100%, and the hedging rates for individual currencies between 0 and 100 %.

The table below shows the net foreign currency flows forecasted for the year 2000, the hedging rates and the market value of the related hedging instruments used at 31 December 1999.

Currency	Forecasted 12-month flow MEUR	Hedged %	Market value of instruments MEUR
USD	598	51	-15
GBP	648	50	-15
SEK	157	48	-2
DKK	93	50	0
NOK	86	50	-1
CHF	87	50	0
JPY	77	50	-5
Others	91	49	-3
Total	1,837	50	-41

The Group's financial results and competitiveness are also affected indirectly by the domestic currencies of its main competitors, principally the US dollar, the Canadian dollar and the Swedish krona. Exposure to these currencies is not hedged.

The Group's profit centres and subsidiaries use their own discretion in hedging their net foreign currency exposures, which they do through the Group Treasury department.

The balance sheet position comprises foreign currency denominated debts and receivables. The aim is a fully hedged position; no more than EUR 300 million of the exposure may be left unhedged. At 31 December 1999 the balance sheet position was EUR 4 million.

Interest rate risk

Management of interest rate risks is based on the 12-month average duration of the net debt portfolio as defined in the Group's Financial Policy. This relatively short duration is based on the assumption that, on average, yield curves will be positive. This approach thus reduces interest costs in the long term. The duration may deviate from the 12-month norm by +/- 6 months. At 31 December 1999, the duration of the net debt portfolio was 11,5 months.

The Group's interest-bearing net debt at 31 December 1999 was EUR 2.9 billion, for which the average rate of interest at the same date was 5.0%. The Group's foreign currency loans are mainly denominated in euro, U.S. dollar and sterling. A rise of one percentage point in market rates of interest would increase the Group's net interest expenses by around EUR 15 million over the following 12 months.

Liquidity and refinancing risks

The Group seeks to maintain adequate liquidity under all circumstances. In addition to cash funds of EUR 321 million, at 31 December 1999 the Group had unused committed credit facilities amounting to EUR 1.7 billion. Cash funds are only invested where the credit risk is limited. Moreover, it must be possible to realize investments quickly.

Refinancing risks are minimized by ensuring that the loan portfolio has a balanced maturity schedule and that loans have sufficiently long maturities. The loan maturity schedule at 31 December 1999 was as follows:

Year	Loan repayments MEUR	Use of committed credit facilities MEUR	Committed credit facilities MEUR	Total MEUR
2000 ¹⁾	-799		1,744	945
2001	-191		-384	-575
2002	-295		-322	-617
2003	-207		-591	-798
2004	-256		-447	-703
2005	-304			-304
2006	-119			-119
2007	-333			-333
2008-	-1,177			-1,177
Total	-3,681	0	0	-3,681

¹⁾ It is assumed that all short-term loans raised from uncommitted credit facilities will be repaid.

The average maturity for the Group's loans at 31 December 1999 was 8.6 years.

In addition to commercial paper programmes of EUR 500 million and USD 500 million, the Group also has a EUR 1 billion medium term note programme established in 1999.

Parent company accounts

Profit and loss account

1.1–31.12, MEUR	Note	1999	1998
<i>Turnover</i>	(1)	4,207	4,379
Increase (+) or decrease (–) in finished goods		–31	–6
Production for own use		8	8
Other operating income	(2)	551	635
Raw materials and services			
Raw materials and consumables			
Purchases during the financial period		–2,105	–2,172
Increase (–) or decrease (+) in stocks		1	–10
External services		–273	–292
		–2,377	–2,474
Personnel expenses			
Wages and salaries	(3)	–429	–430
Social security expenses			
Pension expenses		–69	–70
Other social security expenses		–50	–50
		–548	–550
Depreciation and value adjustments	(4)		
Depreciation according to plan		–275	–261
Value adjustments to goods held as non-current assets		–5	–6
		–280	–267
Other costs and expenses		–415	–429
<i>Operating profit</i>		1,115	1,296
Financial income and expenses			
Income from investments held as non-current assets			
Income from Group companies		6	4
Income from participating interest companies		53	22
Income from other shares and holdings		14	13
Interest income from Group companies		50	57
Interest income from other companies		8	5
Other interest and financial income			
Other interest income from Group companies		13	17
Other interest income from other companies		5	18
Other financial income from Group companies		95	2
Other financial income from other companies		1	38
Interest and other financial expenses			
Interest expenses paid to Group companies		–13	–17
Interest expenses paid to other companies		–153	–158
Other financial expenses paid to Group companies			–75
Other financial expenses paid to other companies		–85	–5
		–6	–79
<i>Profit before extraordinary items</i>		1,109	1,217
Extraordinary items	(5)		
Extraordinary income		164	133
Extraordinary expenses		–5	–11
		159	122
<i>Profit before appropriations and taxes</i>		1,268	1,339
Appropriations			
Increase (–) or decrease (+) in accumulated depreciation difference		13	–107
Income taxes	(6)	–362	–361
<i>Profit for the financial period</i>		919	871

Funds statement

MEUR	1999	1998
<i>Business operations</i>		
Operating profit	1,115	1,296
Adjustments to operating profit ^{a)}	–248	–317
Change in net working capital ^{b)}	–148	–44
Interest	–90	–78
Dividends received	52	39
Other financial items	–42	–40
Taxes ^{c)}	–177	–159
Net cash flow from operations	462	697
<i>Investments</i>		
Purchase of shares	–31	–312
Purchase of other fixed assets	–227	–282
Sale of shares	434	543
Sale of other fixed assets	43	53
Increase in other non-current investments	–157	–208
Decrease in other non-current investments	157	62
Total cash used in investments	219	–144
Cash flow before financing	681	553
<i>Financing</i>		
Increase in non-current liabilities	862	676
Decrease in non-current liabilities	–865	–411
Increase (–) or decrease (+) in interest-bearing receivables	72	–172
Increase (+) or decrease (–) in interest-bearing current liabilities	–418	–180
Purchase of own shares	–236	–309
Dividends paid	–289	–249
Increase (+) or decrease (–) in capital loan		–101
Group contributions	114	88
Share issue and share conversions	37	124
Other items	0	–1
Total financing	–723	–535
Increase (+) or decrease (–) in liquid funds	–42	18
Liquid funds at 1 Jan.	310	292
<i>Liquid funds at 31 Dec.</i>	268	310
a) Adjustments to operating profit		
Depreciation	275	261
Gains (+) or losses (–) on sale of fixed assets	–528	–584
Value adjustments on non-current assets	5	6
Total	–248	–317
b) Change in net working capital		
Increase (–) or decrease (+) in stocks	45	21
Increase (–) or decrease (+) in non-interest-bearing receivables	–200	–74
Increase (+) or decrease (–) in non-interest-bearing current liabilities	7	9
Total	–148	–44
c) Taxes due to extraordinary items and the sale of fixed assets are presented on a net basis.		

Balance sheet

MEUR	Note	31.12.99	31.12.98
ASSETS			
<i>Non-current assets</i>			
Intangible assets	(7)		
Intangible rights		2	3
Goodwill		4	5
Other capitalized expenditure		35	35
Advance payments		5	4
		46	47
Tangible assets	(8)		
Land and water areas		1,032	1,049
Buildings		552	561
Machinery and equipment		2,028	2,081
Other tangible assets		50	53
Advance payments and construction in progress		53	76
		3,715	3,820
Investments	(9)		
Holdings in Group companies		1,486	1,485
Receivables from Group companies		773	778
Holdings in participating interest companies		713	875
Receivables from participating interest companies		156	282
Other shares and holdings		352	236
Other receivables		249	43
Own shares		236	289
		3,965	3,988
		7,726	7,855
<i>Current assets</i>			
Stocks			
Raw materials and consumables		144	149
Work in progress		6	7
Finished products and goods		93	117
Advance payments		52	67
		295	340
Receivables			
Current	(10)		
Trade receivables		193	159
Receivables from Group companies		811	799
Receivables from participating interest companies		49	34
Loan receivables		1	0
Other receivables		73	63
Prepayments and accrued income		130	78
		1,257	1,133
Cash in hand and at bank		268	310
		1,820	1,783

Total assets 9,546 9,638

MEUR	Note	31.12.99	31.12.98
LIABILITIES			
<i>Shareholders' equity</i>			
Share capital	(11)	448	467
Share premium reserve		167	111
Revaluation reserve		555	597
Reserve for own shares		236	289
Legal reserve		632	632
Retained earnings		1,038	692
Profit for the financial period		919	871
		3,995	3,659
<i>Appropriations</i>			
Accumulated depreciation difference		1,628	1,641
<i>Provisions</i>			
Provisions for pensions	(12)	18	17
Other provisions		5	3
		23	20
<i>Liabilities</i>			
<i>Non-current</i>			
Bond loans	(13)	1,210	755
Convertible bond loans		101	138
Loans from financial institutions		466	978
Pension loans		638	572
Payables to Group companies		3	3
Payables to participating interest companies		31	31
Other liabilities		1	1
		2,450	2,478
<i>Current</i>			
Bond loans	(14)	71	0
Loans from financial institutions		127	320
Pension loans		61	39
Advances received		17	12
Trade payables		195	176
Bills of exchange payable		188	61
Payables to Group companies		411	509
Payables to participating interest companies		39	54
Other liabilities		80	401
Accruals and deferred income		261	268
		1,450	1,840
		3,900	4,318

Total liabilities 9,546 9,638

Notes to the parent company accounts

1 Turnover

Owing to the corporate structure of the Group, the turnover of the parent company has not been broken down by division and market.

2 Other operating income

MEUR	1999	1998
Capital gains on disposal of fixed assets	542	611
Income from rents	8	11
Other	1	13
	551	635

3 Personnel expenses

MEUR	1999	1998
<i>Salaries and fees</i>		
Salaries of the Managing Director, Deputy Managing Director and members of the Board of Directors ¹⁾	1	1
Other salaries	428	429
	429	430

¹⁾ See Notes to the consolidated accounts, note 3.

Loans to company directors

At 31 December 1999, the company's Managing Director, Deputy Managing Director or members of the Board of Directors had no loans outstanding from the company or its subsidiaries.

4 Depreciation according to plan and value adjustments

MEUR	1999	1998
<i>Depreciation according to plan</i>		
Goodwill	1	1
Other capitalized expenditure	11	10
Buildings	28	28
Machinery and equipment	229	217
Other tangible assets	6	5
	275	261
<i>Value adjustments</i>		
Value adjustments on non-current assets	5	6
	280	267

5 Extraordinary items

MEUR	1999	1998
<i>Extraordinary income</i>		
Group contributions	164	133
	164	133
<i>Extraordinary expenses</i>		
Group contributions	-5	-10
Merger losses		-1
	-5	-11
	159	122

6 Income taxes

MEUR	1999	1998
Taxes for the financial period	311	309
Taxes from previous periods	7	18
Income tax on extraordinary items	44	34
	362	361

Deferred tax liabilities and receivables

Deferred tax liabilities and receivables for the parent company are not recorded in the balance sheet.

Deferred tax liability comprises mainly depreciation differences, for which the deferred tax liability at 31 December 1999 was EUR 472 million (459 million).

Deferred tax liability for revaluations is not stated separately. The potential tax (at a tax rate of 29% / 28%) arising from the sale of the revalued assets amounts to EUR 207 million (211 million).

7 <i>Intangible assets</i>	<i>MEUR</i>	
	1999	1998
<i>Intangible rights</i>		
Acquisition cost at 1 Jan.	6	28
Increases		
Decreases		-1
Transfers between balance sheet items		-21
Acquisition cost at 31 Dec.	6	6
Accumulated depreciation at 1 Jan.	-3	-16
Accumulated depreciation on decreases and transfers		13
Depreciation for the period		
Value adjustments and their cancellations	-1	
Accumulated depreciation at 31 Dec.	-4	-3
Book value at 31 Dec.	2	3
<i>Goodwill</i>		
Acquisition cost at 1 Jan.	9	9
Increases		
Decreases		
Transfers between balance sheet items		
Acquisition cost at 31 Dec.	9	9
Accumulated depreciation at 1 Jan.	-4	-3
Accumulated depreciation on decreases and transfers		
Depreciation for the period	-1	-1
Value adjustments and their cancellations		
Accumulated depreciation at 31 Dec.	-5	-4
Book value at 31 Dec.	4	5
<i>Other capitalized expenditure</i>		
Acquisition cost at 1 Jan.	90	69
Increases	4	7
Decreases		-16
Transfers between balance sheet items	3	30
Acquisition cost at 31 Dec.	97	90
Accumulated depreciation at 1 Jan.	-55	-49
Accumulated depreciation on decreases and transfers	4	4
Depreciation for the period	-11	-10
Value adjustments and their cancellations		
Accumulated depreciation at 31 Dec.	-62	-55
Book value at 31 Dec.	35	35
<i>Advance payments</i>		
Acquisition cost at 1 Jan.	4	6
Increases	6	4
Decreases		
Transfers between balance sheet items	-5	-6
Book value at 31 Dec.	5	4

8 <i>Tangible assets</i>	<i>MEUR</i>	
	1999	1998
<i>Land and water areas</i>		
Acquisition cost at 1 Jan.	483	483
Increases	4	3
Decreases	-3	-4
Transfers between balance sheet items		1
Acquisition cost at 31 Dec.	484	483
Revaluations at 1 Jan.	566	566
Cancellation of revaluations 1 Jan. – 31 Dec.	-18	
Revaluations at 31 Dec.	548	566
Book value at 31 Dec.	1,032	1,049
<i>Buildings</i>		
Acquisition cost at 1 Jan.	845	939
Increases	11	17
Decreases	-1	-153
Transfers between balance sheet items	8	42
Acquisition cost at 31 Dec.	863	845
Accumulated depreciation at 1 Jan.	-284	-301
Accumulated depreciation on decreases and transfers	2	46
Depreciation for the period	-28	-28
Value adjustments and their cancellations	-1	-1
Accumulated depreciation at 31 Dec.	-311	-284
Book value at 31 Dec.	552	561
<i>Machinery and equipment</i>		
Acquisition cost at 1 Jan.	4,104	4,445
Increases	130	169
Decreases	-9	-36
Transfers between balance sheet items	41	-474
Acquisition cost at 31 Dec.	4,266	4,104
Accumulated depreciation at 1 Jan.	-2,023	-2,288
Accumulated depreciation on decreases and transfers	17	487
Depreciation for the period	-229	-217
Value adjustments and their cancellations	-3	-5
Accumulated depreciation at 31 Dec.	-2,238	-2,023
Book value at 31 Dec.	2,028	2,081
<i>Other tangible assets</i>		
Acquisition cost at 1 Jan.	112	139
Increases	2	1
Decreases		-35
Transfers between balance sheet items		7
Acquisition cost at 31 Dec.	114	112
Accumulated depreciation at 1 Jan.	-59	-71
Accumulated depreciation on decreases and transfers	1	17
Depreciation for the period	-6	-5
Value adjustments and their cancellations		
Accumulated depreciation at 31 Dec.	-64	-59
Book value at 31 Dec.	50	53
<i>Advance payments and construction in progress</i>		
Acquisition cost at 1 Jan.	76	269
Increases	68	81
Decreases	-31	-14
Transfers between balance sheet items	-60	-260
Book value at 31 Dec.	53	76

Parent company

9	<i>Investments held as non-current assets</i>		
	MEUR	1999	1998
<i>Holdings in Group companies</i>			
Acquisition cost at 1 Jan.		1,577	1,364
Increases		4	257
Decreases			-36
Transfers between balance sheet items			-8
Acquisition cost at 31 Dec.		1,581	1,577
Accumulated depreciation at 1 Jan.		-94	-94
Accumulated depreciation on decreases and transfers			
Depreciation for the period			
Value adjustments and their cancellations		-3	
Accumulated depreciation at 31 Dec.		-97	-94
Revaluations at 1 Jan.		2	2
Revaluations 1 Jan. – 31 Dec.			
Cancellation of revaluations 1 Jan. – 31 Dec.			
Revaluations at 31 Dec.		2	2
Book value at 31 Dec.		1,486	1,485
<i>Receivables from Group companies</i>			
Acquisition cost at 1 Jan.		778	784
Increases		63	82
Decreases		-138	-88
Transfers between balance sheet items		70	
Acquisition cost at 31 Dec.		773	778
Accumulated depreciation at 1 Jan.			
Accumulated depreciation on decreases and transfers			
Depreciation for the period			
Value adjustments and their cancellations			
Accumulated depreciation at 31 Dec.		0	0
Book value at 31 Dec.		773	778

		1999	1998
		MEUR	MEUR
<i>Holdings in participating interest companies</i>			
Acquisition cost at 1 Jan.		748	626
Increases		13	116
Decreases		-25	-2
Transfers between balance sheet items		-122	8
Acquisition cost at 31 Dec.		614	748
Accumulated depreciation at 1 Jan.			
Accumulated depreciation on decreases and transfers			
Depreciation for the period			
Value adjustments and their cancellations		-4	
Accumulated depreciation at 31 Dec.		-4	0
Revaluations at 1 Jan.		127	127
Revaluations 1 Jan. – 31 Dec.			
Cancellation of revaluations 1 Jan. – 31 Dec.		-24	
Revaluations at 31 Dec.		103	127
Book value at 31 Dec.		713	875
<i>Receivables from participating interest companies</i>			
Acquisition cost at 1 Jan.		307	190
Increases		3	127
Decreases		-30	-10
Transfers between balance sheet items		-99	
Acquisition cost at 31 Dec.		181	307
Accumulated depreciation at 1 Jan.		-25	-23
Accumulated depreciation on decreases and transfers			
Depreciation for the period			
Value adjustments and their cancellations			-2
Accumulated depreciation at 31 Dec.		-25	-25
Book value at 31 Dec.		156	282

MEUR	1999	1998
<i>Other shares and holdings</i>		
Acquisition cost at 1 Jan.	199	308
Increases	13	11
Decreases	-18	-120
Transfers between balance sheet items	122	
Acquisition cost at 31 Dec.	316	199
Accumulated depreciation at 1 Jan.	-24	-7
Accumulated depreciation on decreases and transfers		
Depreciation for the period		
Value adjustments and their cancellations	-1	-17
Accumulated depreciation at 31 Dec.	-25	-24
Revaluations at 1 Jan.	61	61
Revaluations 1 Jan. – 31 Dec.		
Cancellation of revaluations 1 Jan. – 31 Dec.		
Revaluations at 31 Dec.	61	61
Book value at 31 Dec.	352	236
<i>Other receivables</i>		
Acquisition cost at 1 Jan.	43	51
Increases	91	2
Decreases	-2	-10
Transfers between balance sheet items	117	
Acquisition cost at 31 Dec.	249	43
Accumulated depreciation at 1 Jan.		
Accumulated depreciation on decreases and transfers		
Depreciation for the period		
Value adjustments and their cancellations		
Accumulated depreciation at 31 Dec.		
Book value at 31 Dec.	249	43
<i>Own shares</i>		
Acquisition cost at 1 Jan.	289	
Increases	236	309
Own shares declared void	-289	
Other decreases		-20
Book value at 31 Dec.	236	289

At 31 December 1999, the company held 7,538,000 (12,762,082) shares, which represented EUR 13 million (22 million) of the share capital and had a total purchase price of EUR 236 million (289 million).

MEUR	1999	1998
<i>Current receivables</i>		
Trade receivables	468	361
Loan receivables	550	584
Other receivables	74	64
Prepayments and accrued income ¹⁾	165	124
	1 257	1,133
<i>Receivables from Group companies</i>		
Trade receivables	265	193
Loan receivables	538	572
Other receivables	1	1
Prepayments and accrued income	7	33
	811	799
<i>Receivables from participating interest companies</i>		
Trade receivables	10	9
Loan receivables	11	12
Prepayments and accrued income	28	13
	49	34
¹⁾ Main items included in current prepayments and accrued income		
Personnel expenses	9	8
Interest income	25	30
Interest expenses		15
Income taxes	21	11
Currency derivatives	76	31
Indirect taxes		
Others	34	29
	165	124

Parent company

11 Shareholders' equity MEUR

	Share capital	Share issue	Share premium reserve	Revaluation reserve	Reserve for own shares	Legal reserve	Retained earnings	Capital loan	Shareholders' equity, total
Shareholders' equity at 1 Jan. 1998	455			597		632	1,231	101	3,016
Convertible bond loan 1994	2		21						23
Capital loan 1993	10		90					-101	-1
Cancellation of revaluations				0					0
Transferred to reserve for own shares					289		-289		0
Dividends paid							-249		-249
Capital loss on sale of own shares net of taxes							0		0
Used in the general interest							0		0
Other changes							-1		-1
Profit for the period							871		871
Shareholders' equity at 31 Dec. 1998	467	0	111	597	289	632	1,563	0	3,659
Convertible bond loan 1994	3		34						37
Own shares declared void	-22		22		-289				-289
Cancellation of revaluations				-42					-42
Transferred to reserve for own shares					236		-236		0
Dividends paid							-289		-289
Used in the general interest							0		0
Other changes									0
Profit for the period							919		919
Shareholders' equity at 31 Dec. 1999	448	0	167	555	236	632	1,957	0	3,995

Distributable funds at 31 Dec. MEUR

	1999	1998
Reserve for own shares	236	289
Retained earnings	1,038	692
Profit for the period	919	871
Cost of acquisition of own shares	-236	-289
Distributable funds at 31 Dec.	1,957	1,563

12 Provisions MEUR

	1999	1998
Pension provisions	18	17
Tax provisions	1	
Others	4	3
	23	20

13 Non-current liabilities MEUR

	1999	1998
Bond loans	1,210	755
Convertible bond loans	101	138
Loans from financial institutions	466	978
Pension loans	638	572
Other liabilities	35	35
	2,450	2,478

Payables to Group companies

Other liabilities	3	3
	3	3

Payables to participating interest companies

Other liabilities	31	31
	31	31

MEUR	1999	1998
<i>Long-term loans and their repayment schedule</i>		
In 2001–2004 / 2000–2003		
Bond loans		104
Convertible bond loans	101	
Loans from financial institutions	338	502
Pension loans	245	134
Payables to Group companies		3
Payables to participating interest companies	31	31
	715	774
In 2005– / 2004–		
Bond loans	1,210	651
Convertible bond loans		138
Loans from financial institutions	128	476
Pension loans	393	438
Payables to Group companies	3	
Other liabilities	1	1
	1,735	1 704
Total at 31 Dec.	2,450	2 478

14 Current liabilities

MEUR	1999	1998
Bond loans	71	
Loans from financial institutions	127	320
Pension loans	61	39
Advances received	17	12
Trade payables	242	224
Bills of exchange payable	188	61
Other liabilities	475	895
Accruals and deferred income ¹⁾	269	289
	1,450	1,840

Payables to Group companies

Trade payables	25	28
Other liabilities	385	467
Accruals and deferred income	1	14
	411	509

Payables to participating interest companies

Trade payables	22	20
Other liabilities	10	27
Accruals and deferred income	7	7
	39	54

¹⁾ Main items included in current accruals and deferred income

Personnel expenses	86	96
Interest income	41	64
Currency derivatives	14	6
Income tax	112	68
Others	16	55
	269	289

15 Contingent liabilities

MEUR	1999	1998
<i>Mortgages ¹⁾</i>		
As security against own debts	387	543
Against Group company debts		12
<i>Guarantees</i>		
Guarantees for loans		
On behalf of Group companies	329	493
On behalf of associated and participating interest companies ²⁾	80	86
On behalf of others	2	2
Other guarantees		
On behalf of Group companies	52	1
On behalf of associated and participating interest companies		6
On behalf of others	1	8
<i>Leasing commitments ³⁾</i>		
Commitments for 2000/1999	1	1
Commitments for subsequent years	5	6
<i>Other commitments ⁴⁾</i>		

¹⁾ See Group, note 21.

²⁾ See Group, note 21.

³⁾ See Group, note 21.

⁴⁾ See Group, note 21: Nominal and market values of open derivative agreements.

Shares and holdings ¹⁾

	Production Sales and distribution Other	Turnover MEUR	Number of shares	Parent company holding %	Group holding %	Book value MEUR
<i>Group companies</i>						
Nordland Papier AG	■	812	3,499,900	100.00	100.00	177.7
UPM-Kymmene Ltd	▲	608	300,000		100.00	2.4
UPM-Kymmene Sales GmbH	▲	589			100.00	6.1
UPM-Kymmene Inc.	▲	577	241		100.00	20.3
UPM-Kymmene SA	▲	527	467,494		100.00	13.9
Kymi Paper Oy	■	476	2,000,000	100.00	100.00	34.7
United Sawmill Ltd	■	406	22,600	92.92	100.00	62.8
Schauman Wood Oy	■	367	3,000,000	100.00	100.00	50.5
Blandin Paper Company	■	351			100.00	399.5
Puukeskus Oy	▲	246	55,000	100.00	100.00	17.8
Shotton Paper Company Plc	■	233	145,700,100		100.00	235.5
Raflatac Oy	■	194	25,000	100.00	100.00	22.3
Raflatac S.A.	■	193	84,995		99.99	13.0
Caledonian Paper plc	■	171	16,000,000		100.00	154.4
UPM-Kymmene S.A.	▲	169	21,000		100.00	1.0
Raflatac Ltd	■	147	4,000,000		100.00	51.5
UPM-Kymmene Srl.	▲	143	5,000,000	99.98	100.00	3.4
Chapelle Darblay S.A.	■	141	759,994		100.00	424.6
Brooks Group Ltd	▲	140	1,501,100	100.00	100.00	14.1
UPM-Kymmene B.V.	▲	140	250		100.00	0.1
Stracel S.A.	■	132	15,497,171		99.98	245.5
Raflatac GmbH	▲	116			100.00	2.7
Lohjan Paperi Oy	■	104	24,500	100.00	100.00	11.8
UPM-Kymmene Seaways Oy Ltd	▲	103	8,000	100.00	100.00	0.4
UPM-Kymmene S.A.	▲	99	2,500		100.00	0.1
UPM-Kymmene GmbH.	▲	90	1	100.00	100.00	0.1
DCP-Lohja Inc	■	89	100		100.00	0.1
Schauman Wood GmbH	▲	89	1		100.00	0.2
Anco Trae A/S	▲	84	27,375	68.90	100.00	5.9
Unicarta Oy	○	84	2,020	100.00	100.00	3.2
UPM-Kymmene AG	▲	83	1,497	100.00	100.00	0.1
Papeteries de Docelles S.A.	■	79	202,495		100.00	9.1
UPM-Kymmene Pty. Ltd.	▲	75	80,999	100.00	100.00	0.1
Walki Wisa GmbH	■	74			99.96	5.0
UPM-Kymmene A/S	▲	71	6	100.00	100.00	0.3
UPM Raflatac Inc.	▲	62	1,200		100.00	5.1
UPM Pack GmbH	▲	61			100.00	0.1
UPM Speciality Papers Ltd	▲	60	100		100.00	0.1
Schauman B.V.	▲	59	175		100.00	0.0
Rosenlew - St. Frères Emballage S.A.	■	58	682,494		99.99	24.9
Nortrans Speditionsgesellschaft m.b.H.	▲	58			75.00	0.3
UPM Pack S.A.	▲	55	14,994		99.94	0.2
UPM-Kymmene AB	▲	54	4,000		100.00	0.1
UPM-Kymmene Sp. z o.o.	▲	49	2,895	100.00	100.00	0.1
UPM-Kymmene AS	▲	46	2,800	100.00	100.00	0.6
K & K Verpackungen GmbH	▲	42			99.94	2.3
Oy Rauma Stevedoring Ltd	▲	41	8,000	100.00	100.00	1.2
Malvaux S.A.	■	40	4,620		100.00	4.6
UPM-Kymmene Asia Pacific Pte Ltd.	▲	40	250		100.00	0.1
Oy Paperi-Dahlberg Ab	▲	36	39,000	65.00	65.00	2.1
Schauman (UK) Ltd	▲	35	1,000,000		100.00	1.4
Raflatac Iberica S.A.	▲	34	1,359		100.00	15.8
Walki Wisa Ltd	■	32	3,548,004		100.00	8.7
Sterling - Lohja Ltd	■	31	220,000		100.00	3.2
UPM-Kymmene Comercializacao de Papel, Lda	▲	29	3	0.30	100.00	0.2
UPM-Kymmene (Canada) Inc.	▲	27	14		100.00	1.2
UPM-Asunnot Oy	○	26	40,000	79.48	100.00	43.2
UPM-Kymmene Distribution Ltd	▲	26	100		100.00	0.0

¹⁾ A full list of all shares and holdings is kept at UPM-Kymmene Corporation's Head Office.

	Production Sales and distribution Other	Turnover MEUR	Number of shares	Parent company holding %	Group holding %	Book value MEUR
Schauman S.A.	▲	24	114,995	0.87	100.00	3.5
Tilhill Economic Forestry Ltd.....	○	24	5,000,000		100.00	8.3
Mahogany Oy	■	23	5,000	100.00	100.00	1.7
Schauman Wood AB	▲	23	12,000		100.00	0.0
Kalso-Teollisuus Oy	■	23	172		100.00	5.2
Raflatac AB	▲	22	3,775		100.00	0.1
Raflatac Italia Srl	▲	22	60,000		100.00	0.0
UPM Pack Srl	▲	21	100,000	100.00	100.00	0.4
Walki Films Ltd	▲	20	2,510		100.00	0.8
Raflatac Production GmbH	■	19			100.00	2.6
Walki Sack B.V.	■	19	12,000	100.00	100.00	4.0
Rosenlew Emballage AB	■	17	240,000	100.00	100.00	2.2
Raflatac Handels GmbH	▲	16			100.00	1.6
Walki Sack S.A.	■	15	124,244	84.60	100.00	4.8
CYG Products S.A.	■	13	8,604		100.00	13.3
UPM Pack S.A.	▲	13	10,000	100.00	100.00	0.1
Raflatac A/S	▲	13	800		100.00	0.5
Walkisoft USA Inc.	■	12	2,400		100.00	23.9
Forest Union GIE	○	12	300		100.00	0.0
UPM-Kymmene Distribution n.v.	▲	12	6,000	100.00	100.00	0.2
Rosenlew A/S	■	12	12,000	100.00	100.00	3.2
Werla Insurance Company Ltd	○	11	1,000,000	100.00	100.00	0.9
Walki-Neoplastica B.V.	■	10	23,341	50.00	50.00	3.5
Lohja Papierprodukte GmbH	▲	9	100		100.00	0.0
Bonvesta Oy	○	9	198,000	100.00	100.00	74.4
Walki Films S.A.	■	9	64,992		99.99	8.8
Rabopale S.A.	▲	9	9,994		99.94	0.4
UPM Net Services sa / nv	○	8	559	0.89	100.00	0.2
Schauman Iberica S.A.	▲	8	10,000		100.00	0.8
Parkanon Lista Oy	■	8	1,000	100.00	100.00	0.8
United Sawmills Deutschland GmbH	▲	8			100.00	0.0
Raflatac Polska Sp. z o.o.	▲	7	9,786		100.00	0.7
N.V. Rosenlew S.A.	■	7	1,600	98.63	100.00	3.2
Raflatac Singapore Pte Ltd	▲	7	1,100		100.00	0.6
Raflatac (M) SDN BHD	■	7	40,000,000		100.00	8.7
Forexplo S.A.	○	6	64,975		99.96	0.9
Walki Sack s. r.o	■	6		100.00	100.00	5.5
Rosenlew Inc.	■	5	400		100.00	4.0
Rosenlew Portugal Embalagens SA	▲	5	30,000	100.00	100.00	0.2
Varant N.V.	▲	5			61.20	0.0
UPM-Kymmene Seven Seas Oy	▲	5	2,000		100.00	0.3
Oy Alfa-Bag Ab	■	4	1,501	100.00	100.00	3.1
Kokkolan Puutavara Oy-Gamlakarleby Trävaru Ab	▲	4	400		100.00	0.7
Sapro S.A.	○	4	10,475		99.76	0.2
AS Puukeskus	▲	3	100		100.00	0.2
A/O Fin-Stroimaterial	▲	3	100		100.00	0.1
Rosenlew Minibulk Ltd	■	3	1,100	100.00	100.00	0.0
Rosenlew S.A.	■	3	9,994		99.94	0.1
Raflatac CZ s.r.o	▲	2	1		100.00	0.0
UPM-Kymmene Distribution Sp. z o.o.	▲	2	4,000	100.00	100.00	0.1
European Cargo Logistic GmbH	▲	2			51.00	0.0
Norfolk House Management Ltd	○	2	95		95.00	0.3
Walki Flexoprint Oy	■	2	200	100.00	100.00	1.0
Ikapack Oy	■	2	102	100.00	100.00	2.0
Länsi-Suomen Voima Oy	○	2	10,220	51.10	51.10	58.7
UPM-Kymmene Beteiligungs GmbH	○	0		25.00	100.00	13.8
UPM-Kymmene Finance B.V.	○	0	2,000	100.00	100.00	0.1
UPM-Kymmene Groupe S.A.	○	0	16,145,993	98.47	100.00	481.5
UPM-Kymmene Investments, Inc.	○	0	2,925	100.00	100.00	273.7
UPM-Kymmene UK plc	○	0	27,275,000	80.73	100.00	51.8

	Number of shares	Parent company holding %	Group holding %	Book value MEUR
<i>Associated and participating interest companies</i>				
Asia Pacific Forest Products (Suzhou) Pte. Ltd	113,680	49.00	49.00	105.8
AS Forestex	4,046	33.72	33.72	0.3
Cervuctum Oy	250,000	31.25	31.25	0.0
Chudowo-RWS	344		34.40	2.7
Combitrans Oy	117	39.00	39.00	0.2
Compania Forestal Oriental S.A.		38.28	38.28	24.9
Corenso United Oy Ltd	45,240	29.00	29.00	10.0
Oy Finnish Peroxides Ab	12,500	25.00	25.00	14.6
FY-Industries Oy	1,840	47.92	47.92	0.0
Jyvä-Helmi Oy	45,000	45.00	45.00	9.0
Kainuun Voima Oy	40,000	50.00	50.00	7.6
Oy Keskuslaboratorio – Centrallaboratorium Ab	2,075,017	38.46	38.65	0.7
Oy Metsä-Botnia Ab	31,708	47.00	47.00	260.0
Oy Metsä-Rauma Ab	4,376,640	45.59	45.59	36.8
Niedermayr Papierwarenfabrik Ag	32,000	32.00	32.00	5.4
Osakeyhtiö Pientare	3,379	45.66	45.66	7.9
Paperinkeräys Oy	20,682	22.98	22.98	2.0
Petersonwalki Oy	42,000	30.00	30.00	7.1
Pohjolan Voima Oy	13,035,705	38.21	38.21	210.4
Raflatac Oceania Pty Ltd			50.00	2.7
SP Lenraumamebel			43.70	0.0
Sterol Technologies Oy	3,500	35.00	35.00	1.4
Steveco Oy	9,597	31.99	31.99	2.1
Oy Timberpack Ab	300	33.33	33.33	0.3
Oy Transfennica Ab	52,402	49.91	49.91	4.4

Other shares and holdings

Kemijoki Oy	100,797	4.13	4.13	167.0
Metso Oyj	19,922,164	14.67	14.67	122.2
Neptun Maritime Oyj	1,899,423	3.02	3.02	4.1
Nokia Oyj	8,574,736	0.74	0.74	14.3
Pohjola - Yhtymä Vakuutus Oyj, A	479,002	1.18	1.18	16.1
Pohjola - Yhtymä Vakuutus Oyj, B	189,501	0.47	0.47	2.8
Polar Kiinteistöt Oyj	14,836,442	8.24	8.24	4.7

Quarterly figures 1998–1999

MEUR	1999	1998	IV/1999	III/1999	II/1999	I/1999	IV/1998	III/1998	II/1998	I/1998
<i>Turnover by division</i>										
Magazine papers	2,411	2,505	745	615	539	512	643	622	664	576
Newsprint	1,029	1,056	268	242	260	259	273	266	250	267
Fine papers	1,219	1,218	343	297	293	286	283	301	306	328
Converting materials	1,734	1,685	459	435	431	409	386	414	451	434
Wood products	1,301	1,331	347	311	337	306	330	316	355	330
Chemical pulp	567	526	171	142	128	126	111	129	138	148
Forest	1,066	1,090	293	247	238	288	286	254	263	287
Energy	391	475	98	90	90	113	117	105	115	138
Other	473	509	107	139	115	112	128	105	116	160
Internal sales	-1,930	-2,030	-524	-465	-454	-487	-494	-495	-505	-536
Turnover, total	8,261	8,365	2,307	2,053	1,977	1,924	2,063	2,017	2,153	2,132
<i>Operating profit by division</i>										
Magazine papers	394	455	140	111	61	82	113	131	119	92
Newsprint	96	129	22	25	23	26	30	40	28	31
Fine papers	101	123	32	15	21	33	18	30	35	40
Converting materials	129	85	18	41	39	31	11	20	26	28
Wood products	80	92	21	12	27	20	17	14	33	28
Chemical pulp ¹⁾	95	73	59	38	4	-6	-15	31	22	35
Forest	48	34	11	23	5	9	6	13	7	8
Energy	71	90	21	16	14	20	31	19	13	27
Other ²⁾	-30	-5	-24	-16	7	3	-4	-3	-4	6
Total	984	1,076	300	265	201	218	207	295	279	295
% of turnover	11.9	12.9	13.0	12.9	10.2	11.3	10.0	14.6	13.0	13.8
Capital gains, net ³⁾	589	544	386	69	65	69	0	96	359	89
Operating profit, total	1,573	1,620	686	334	266	287	207	391	638	384
% of turnover	19.0	19.4	29.7	16.3	13.5	14.9	10.0	19.4	29.6	18.0
Financial income and expenses	-175	-183	-42	-45	-42	-46	-43	-55	-23	-62
Profit before extraordinary items	1,398	1,437	644	289	224	241	164	336	615	322
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Profit before taxes	1,398	1,437	644	289	224	241	164	336	615	322
Income taxes	-404	-407	-184	-69	-76	-75	-32	-111	-180	-84
Minority interest	0	-1	0	0	0	0	1	-1	-1	0
Profit for the period	994	1,029	460	220	148	166	133	224	434	238
¹⁾ Includes the Group's share of the results of associated companies:	32	41	18	18	-5	1	1	14	12	14
²⁾ Includes profit from internal hedging of the Group's foreign currency exposure (corresponding loss included in divisional operating profits):	33	48	8	12	11	2	-7	4	16	35
³⁾ In addition, net capital gains for the divisions:	9	9	4	1	4	0	7	-1	2	1
<i>Production figures</i>										
Magazine papers	3,197	3,333	891	887	701	718	755	878	836	864
Newsprint	1,906	1,935	461	495	481	469	475	507	468	485
Fine papers	1,626	1,558	441	418	384	383	346	393	392	427
Other papers	765	673	194	202	192	177	157	166	175	175
Total (1,000 t)	7,494	7,499	1,987	2,002	1,758	1,747	1,733	1,944	1,871	1,951
Sawn timber (1,000 m ³)	1,911	2,104	549	419	481	462	587	441	582	494
Plywood (1,000 m ³)	729	698	205	157	184	183	168	148	188	194
Chemical pulp (1,000 t)	1,846	1,913	460	459	444	483	434	510	465	504
<i>Key exchange rates for the euro at end of period</i>										
USD			1.0046	1.0665	1.0328	1.0742	1.1667	1.1662	1.0824	1.0606
JPY			102.73	112.670	124.82	127.81	132.81	158.13	151.29	141.43
GBP			0.62170	0.64750	0.65630	0.66630	0.70547	0.68562	0.65045	0.63246
SEK			8.5625	8.7235	8.7470	8.8870	9.4874	9.1445	8.6270	8.4492

Key figures 1990–1999⁴⁾

<i>Operations (MEUR)</i>	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Turnover, current businesses	8,261	8,365	7,776	6,921	7,452	6,542	6,008	4,809	4,736	4,795
Turnover, businesses disposed of	–	–	702	1,784	1,754	1,525	1,386	1,474	1,271	1,429
Total turnover	8,261	8,365	8,478	8,705	9,206	8,067	7,394	6,283	6,007	6,224
Operating profit, excluding capital gains, net	976	1,067	877	826	1,370	860	613	345	157	474
% of turnover	11.8	12.8	10.3	9.5	14.9	10.7	8.3	5.5	2.6	7.6
Operating profit, total	1,573	1,620	1,242	940	1,430	921	685	358	169	521
% of turnover	19.0	19.4	14.7	10.8	15.5	11.4	9.3	5.7	2.8	8.4
Profit/loss before extraordinary items	1,398	1,437	937	598	1,056	523	–15	–362	–474	193
% of turnover	16.9	17.2	11.1	6.9	11.5	6.5	–0.2	–5.8	–7.9	3.1
Profit/loss before taxes	1,398	1,437	937	597	960	467	–14	–307	–387	226
% of turnover	16.9	17.2	11.1	6.9	10.4	5.8	–0.2	–4.9	–6.4	3.6
Profit/loss for the period	994	1,029	703	386	639	320	–8	–162	–292	135
% of turnover	12.0	12.3	8.3	4.4	6.9	4.0	–0.1	–2.6	–4.9	2.2
Exports and foreign operations	7,165	7,219	6,522	7,361	8,029	7,037	6,401	5,214	5,042	5,069
Exports from Finland	4,873	4,571	4,152	4,209	4,710	4,349	3,805	2,678	2,699	2,818
Fixed assets and other long-term investments	8,741	8,802	8,530	8,124	7,691	7,621	7,890	7,835	7,225	6,818
Stocks	1,008	1,054	1,047	1,368	1,600	1,224	1,141	1,257	1,431	1,493
Other current assets	1,831	1,593	1,827	1,899	1,912	1,905	1,986	2,180	2,213	2,026
Assets	11,580	11,449	11,404	11,391	11,203	10,750	11,017	11,272	10,869	10,337
Shareholders' equity	5,536	5,311	4,538	4,007	3,753	3,177	2,851	2,653	2,673	2,980
Minority interest	22	24	27	149	128	17	18	19	22	31
Provisions	115	103	105	74	36	39	33	0	0	0
Non-current liabilities	3,715	3,628	3,767	3,591	3,871	4,209	4,834	5,201	5,111	4,591
Current liabilities	2,192	2,383	2,967	3,570	3,415	3,308	3,281	3,399	3,063	2,735
Equity and liabilities	11,580	11,449	11,404	11,391	11,203	10,750	11,017	11,272	10,869	10,337
Capital employed	9,004	9,319	9,371	9,147	8,879	8,835	9,373	9,463	8,934	8,365
Return on equity, %	19.2	21.8	16.6	10.4	22.0	12.9	–0.4	–8.3	–13.4	3.3
Return on capital employed, %	17.6	18.0	13.4	10.6	16.8	11.0	7.0	3.3	1.3	8.8
Equity to assets ratio, %	47.0	45.3	40.1	37.2	35.6	30.3	26.4	24.0	25.2	29.7
Gearing ratio, %	55	74	93	104	112	156	196	225	200	150
Net interest-bearing liabilities	2,940	3,739	4,252	4,320	4,358	4,978	5,613	6,023	5,393	4,515
Gross capital expenditure	592	690	1,324	1,015	827	586	328	559	724	1,584
% of turnover	7.2	8.3	15.6	11.7	9.0	7.3	4.4	8.9	12.0	25.4
Net capital expenditure	–117	–104	415	745	558	454	56	400	582	1,303
Personnel at year end, current businesses	30,963	32,351	33,814	32,826	33,308	33,176	32,564	33,688	36,403	38,102
Personnel at year end, businesses disposed of	–	–	–	10,810	11,363	10,812	10,173	10,118	12,668	14,020
Personnel at year end, total	30,963	32,351	33,814	43,636	44,671	43,988	42,737	43,806	49,071	52,122
<i>Share-related indicators</i>										
Earnings per share, EUR (diluted 1999: 3.70)	3.77	3.82	2.62	1.45	2.76	1.45	–0.05	–0.99	–1.66	0.41
Shareholders' equity per share, EUR	20.46	18.96	16.41	14.52	13.56	11.62	10.56	10.63	10.72	11.95
Dividend per share, EUR	1.25 ²⁾	1.09	0.93	0.76	0.76	0.37	0.15	0.06	0.11	0.23
Dividend to earnings ratio, %	33.2	28.6	35.4	52.3	27.4	25.5	neg.	neg.	neg.	55.3
Effective dividend yield, %	3.1	4.6	5.0	4.7	5.5	2.5	1.0	0.8	1.5	2.8
P/E ratio	10.6	6.3	7.0	11.2	5.0	10.2	neg.	neg.	neg.	19.5
Share price at 31 Dec., EUR	40.00	23.88	18.33	16.23	13.80	14.76	14.52	7.43	7.15	8.03
Market capitalization	10,663	6,630	4,957	4,340	3,690	3,948	3,852	1,968	1,894	2,002
Shares traded ³⁾	4,834	3,374	3,125	1,162	–	–	–	–	–	–
Shares traded (1000s)	158,437	147,035	151,054	73,187	–	–	–	–	–	–
Shares traded, % of all shares	59.0	53.4	56.2	41.1	–	–	–	–	–	–
Lowest quotation, EUR	22.00	16.82	15.81	14.38	–	–	–	–	–	–
Highest quotation, EUR	42.50	29.26	25.63	17.66	–	–	–	–	–	–
Average quotation for the period, EUR	30.51	22.95	20.69	15.87	–	–	–	–	–	–
Number of shares, average (1000s)	264,018	269,723	268,888	267,374	265,779	260,081	254,479	249,601	249,387	249,653
Number of shares at end of period (1000s)	259,031	264,844	270,389	267,374	267,377	262,587	258,120	249,601	249,387	249,369
<i>Production figures</i>										
Magazine papers	3,197	3,333	2,934	2,460	2,897	2,643	2,356	2,070	1,965	1,969
Newsprint	1,906	1,935	1,883	1,592	1,845	1,809	1,740	1,623	1,586	1,493
Fine papers	1,626	1,558	1,681	1,429	1,356	1,484	1,292	1,129	1,118	1,066
Other papers	765	673	700	653	635	672	636	629	587	705
Total (1000 t)	7,494	7,499	7,198	6,134	6,733	6,608	6,024	5,451	5,256	5,233
Sawn timber (1000 m ³)	1,911	2,104	2,050	1,857	1,939	2,075	1,957	1,777	1,532	1,934
Plywood (1000 m ³)	729	698	710	617	585	534	442	303	286	389
Chemical pulp (1000 t)	1,846	1,913	1,963	1,874	2,000	2,040	1,972	1,830	1,924	1,956

Calculation of key indicators

Formulae for calculation of financial indicators

Return on equity, %:

$$\frac{\text{Profit (loss) before extraordinary items} - \text{income taxes}}{\text{Shareholders' equity} - \text{capital loan} - \text{own shares} + \text{minority interest (average of year beginning and year end)}} \times 100$$

Return on capital employed, %:

$$\frac{\text{Profit (loss) before extraordinary items} + \text{interest expenses and other financial expenses}}{\text{Balance sheet total} - \text{non-interest-bearing liabilities} - \text{own shares (average of year beginning and year end)}} \times 100$$

Equity to assets ratio, %:

$$\frac{\text{Shareholders' equity}^{1)} + \text{minority interest} - \text{own shares}}{\text{Balance sheet total} - \text{advances received} - \text{own shares}} \times 100$$

Gearing ratio, %:

$$\frac{\text{Interest-bearing net liabilities}}{\text{Shareholders' equity} + \text{minority interest} - \text{own shares}} \times 100$$

Return on capital employed (ROCE) for the divisions (operating capital), %:

$$\frac{\text{Operating profit}}{\text{Non-current assets} + \text{stocks} + \text{trade receivables} - \text{trade payables (average for the year)}} \times 100$$

Formulae for calculation of adjusted share-related indicators

Earnings per share:

$$\frac{\text{Profit (loss) before extraordinary items and taxes} - \text{income taxes} +/- \text{minority interest}}{\text{Adjusted average number of shares during the period excluding own shares}}$$

Shareholders' equity per share:

$$\frac{\text{Shareholders' equity} - \text{capital loan}^{1)} - \text{own shares}}{\text{Adjusted number of shares at end of period} - \text{own shares}}$$

Dividend per share:

$$\frac{\text{Dividend distribution}}{\text{Adjusted number of shares at end of period}}$$

Dividend to earnings ratio, %:

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Effective dividend yield, %:

$$\frac{\text{Adjusted dividend per share}}{\text{Adjusted share price at 31.12}} \times 100$$

P/E ratio:

$$\frac{\text{Adjusted share price at 31.12}}{\text{Earnings per share}}$$

Market capitalization:

$$\text{Total number of shares} \times \text{striking price at end of period}$$

Adjusted share price at end of period:

$$\frac{\text{Share price at end of period}}{\text{Share issue coefficient}}$$

Adjusted average share price:

$$\frac{\text{Total value of shares traded}}{\text{Adjusted number of shares traded during period}}$$

Adjusted indicators 1999

(page 3 of this Annual Report)

The indicators have been calculated using the estimated current market values of the company's forest, energy company shares and listed shares as well as housing and property not connected with business operations. Deferred tax liability has been deducted from the difference between market value and book value/acquisition cost at 31 December 1999. The market values and the basis for valuations are given in the Notes to the consolidated accounts, note 12.

¹⁾ In 1993–1997, shareholders' equity includes a capital loan (1993–1996: EUR 126 million, 1997: EUR 101 million).

Notes to tables on page 62

- ¹⁾ The figures for 1990–1995 are based on the combined consolidated financial statements (FAS) of Kymmene and Repola. Share-related indicators are based on the share exchange ratios for the two companies' shares on amalgamation merger at 30 April 1996.
- ²⁾ Proposal
- ³⁾ Shares traded on the Helsinki Stock Exchange. Own shares bought by the company are included in shares traded. Shares traded and share prices for 1996 are for the period 1 May–31 December.
- ⁴⁾ Figures reported in Finnish markka for the years 1990–1998 have been converted into euros using the official conversion rate, 1 euro = 5.94573 markka.

Information on shares

Share capital

UPM-Kymmene Corporation's Annual General Meeting, held on 23 March 1999, decided that the company's share capital should be converted into euros and that the company's shares should no longer have a nominal value. Under UPM-Kymmene Corporation's Articles of Association, the company's issued share capital may be not less than EUR 250,000,000 and not more than EUR 1,000,000,000. The issued share capital may be increased or reduced between these limits without amendment to the Articles of Association.

The shares are included in the computerized book entry system for securities.

At 31 December 1999, the number of shares in issue was 266,568,957 and the share capital was EUR 448,336,801. If the remainder of the convertible bonds issued by the company in 1994 are fully converted into 4,702,152 shares, and all 6,000,000 shares attached to the share options distributed to the company's directors are also subscribed, the share capital of UPM-Kymmene Corporation will rise to EUR 456,245,459 and the number of shares to 277,271,109, of which the new shares will represent 3.86% (1.70% from the convertible bond loan and 2.16% from the share options).

Own shares

UPM-Kymmene Corporation's Annual General Meeting, held

on 23 March 1999, decided to declare void 12.8 million own shares held by the company. The Annual General Meeting approved a proposal by the Board of Directors that the company buy back at least 200 and at most 13.2 million of its own shares. Between August and December 7,538,000 were acquired in accordance with the trading rules of Helsinki Stock Exchange at a total cost of EUR 235.5 million, an average price of EUR 31.24 per share.

Shares held by the company carry no voting rights nor do they qualify for payment of dividend.

Authorization to increase share capital

The Board of Directors has no current authorization to issue new share capital, convertible bonds, and/or bonds with equity warrants.

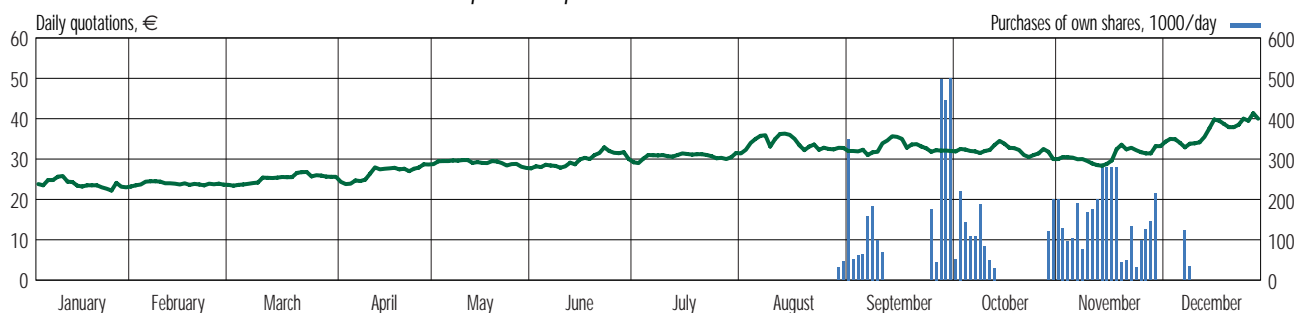
Redemption clause

Under §13 of UPM-Kymmene Corporation's Articles of Association, a shareholder who owns, either singly or jointly with another shareholder, a proportion of the total shares of the company or of the voting rights carried by the shares equal to or in excess of 33 1/3 per cent, or 50 per cent, shall, at the request of other shareholders, be liable to redeem in the manner prescribed in §13, their shares and any securities that, under the Companies Act, carry the right to such shares.

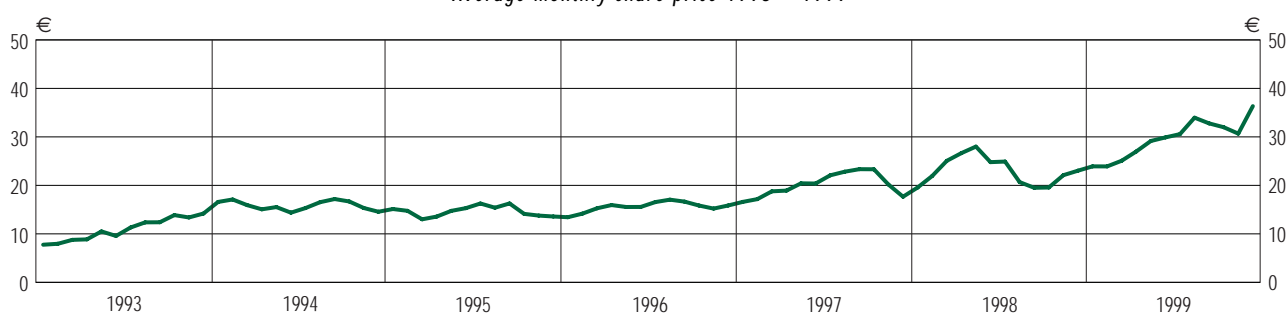
Changes in number of shares and share capital, 30 April 1996 – 31 December 1999

	No. of shares	Share capital FIM	Share capital EUR
Formation of share capital in the merger at 30 April 1996			
81,998,240 Kymmene Corporation shares (exchange ratio 5:7)	114,797,536	1,147,975,360	
152,576,131 Repola Ltd shares (exchange ratio 1:1)	152,576,131	1,525,761,310	
Share capital at 30 April 1996	267,373,667	2,673,736,670	449,690,226
1996 Exchanged under convertible bond issue (1994)	156	1,560	263
Share capital at 31 Dec. 1996	267,373,823	2,673,738,230	449,690,489
1997 Subscribed under warrant bond issue 1991/II	1,500,000	15,000,000	
Exchanged under convertible bond issue (1993)	1,508,230	15,082,300	
Exchanged under convertible bond issue (1994)	6,708	67,080	
Total change	3,014,938	30,149,380	5,070,762
Share capital at 31 Dec. 1997	270,388,761	2,703,887,610	454,761,251
1998 Exchanged under convertible bond issue (1993)	6,165,322	61,653,220	
Exchanged under convertible bond issue (1994)	1,051,986	10,519,860	
Total change	7,217,308	72,173,080	12,138,641
Share capital at 31 Dec. 1998	277,606,069	2,776,060,690	466,899,891
1999 Own shares declared void	-12,762,082		-21,464,281
Exchanged under convertible bond issue (1994)	1,724,970		2,901,191
Total change	-11,037,112		-18,563,090
Share capital at 31 Dec. 1999	266,568,957		448,336,801

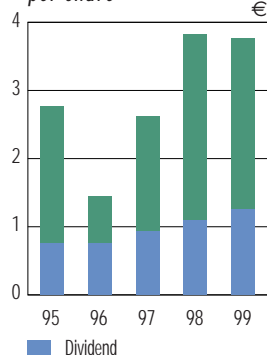
Share price and purchases of own shares in 1999



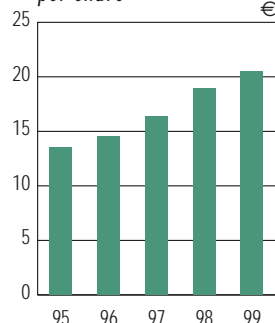
Average monthly share price 1993 – 1999



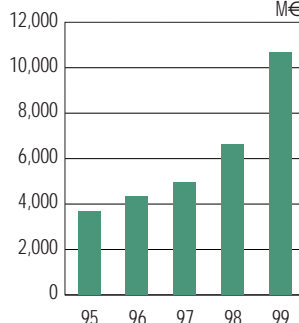
Earnings and dividend per share



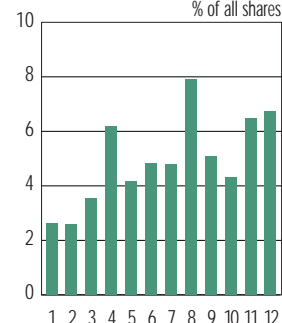
Shareholders' equity per share



Market capitalization



Shares traded 1-12/1999



Distribution of shareholders at 31 December 1999

Size of shareholding	Number of shareholders	% of shareholders	Number of shares, million	% of shares
1 – 100	18,314	35.1	0.9	0.3
101 – 1,000	26,277	50.4	9.4	3.6
1,001 – 10,000	6,880	13.2	18.2	6.8
10,001 – 100,000	577	1.1	14.7	5.5
100,001 – 1,000,000	78	0.2	25.4	9.5
1,000,001 –	14	0.0	39.1	14.7
Total	52,140	100.0	107.7	40.4
Nominee-registered			151.3	56.7
Not registered as book entry units			0.1	0.1
Own shares held by the Company			7.5	2.8
Total			266.6	100.0

Stock exchange trading

The company was listed on the New York Stock Exchange in June. Trading in the company's shares began on 29 June 1999. During the remainder of the year, 1.1 million UPM-Kymmene Corporation shares were traded on the New York Stock Exchange.

In 1999, 158.4 million UPM-Kymmene Corporation shares were traded on the Helsinki Stock Exchange (1998: 147.0 million). This represents 59.0% (53.4%) of the total number of shares. The lowest quotation during this period was EUR 22.00 and the highest EUR 42.50. Total trading in UPM-Kymmene Corporation shares on the Helsinki Stock Exchange in 1999 was EUR 4,834 million (1998: EUR 3,374 million). The company's shares are also traded on SEAQ International in London, and in Germany on the Freie Markt in Frankfurt, Berlin and Munich.

Taxation value of shares in Finland

For Finnish taxation purposes, the company's share was given a value of FIM 170.64 (EUR 28.70) in 1999.

Shareholder agreements

UPM-Kymmene Corporation is not aware of any shareholder agreements concerning either the ownership of the company's shares or the exercise of the associated voting rights.

Directors' interest

At the end of the year, the members of the Board of Directors, the Managing Director and Deputy Managing Director owned a total of 1,290,753 UPM-Kymmene Corporation shares (including those held by under-age children and by organizations or foundations of which the person has control). These represent 0.48% of the share capital and 0.50% of the voting rights. The members of the Board of Directors, the Managing Director and Deputy Managing Director hold convertible bonds issued in 1994 for a total nominal value of FIM 380,000 (EUR 63,911). The Managing Director and Deputy Managing Director have additionally received 250,000 share options. Conversion of these convertible bonds and equity options into shares could raise UPM-Kymmene Corporation's share capital by EUR 425,455, i.e. by 252,964 shares. The shares would have represented 0.09% of the share capital and 0.10% of the voting rights of the company at 31 December 1999.

Biggest shareholders at 31 December 1999

	Shares at 31 Dec. 1999	% of shares	% of votes
Pohjola Group Insurance Corporation	2,436,998	0.91	0.89
Pohjola Non-Life Insurance Company Ltd	6,040,000	2.27	2.33
Suomi Mutual Life Assurance Company Ltd	3,370,000	1.26	1.30
Pohjola Life Assurance Company Ltd	1,410,100	0.53	0.50
	¹⁾ 13,257,098	4.97	5.02
Industrial Insurance Company Ltd	4,134,500	1.55	1.60
Sampo Enterprise Insurance Company Ltd	790,000	0.30	0.30
Sampo Insurance Company plc	2,655,087	0.99	1.03
	7,579,587	2.84	2.93
Ilmarinen Mutual Pension Insurance Company	6,498,500	2.44	2.51
Palkkiyhtymä Oy	3,250,000	1.22	1.25
Oy Premiere Holding Ab	2,103,000	0.79	0.81
	5,353,000	2.01	2.07
Varma-Sampo Mutual Pension Insurance Company	3,183,200	1.19	1.23
Gustaf Serlachius (repr. 5 shareholders)	3,132,175	1.18	1.21
Merita Ltd Pension Fund	392,635	0.15	0.15
Partita Ltd	650,000	0.24	0.25
Merita Ltd Pension Foundation	1,036,585	0.39	0.40
Merita Life Insurance	131,880	0.04	0.05
	2,211,100	0.83	0.85
Sanoma-WSOY plc	1,408,388	0.53	0.35
Sanoma Finance AG	702,880	0.26	0.24
	²⁾ 2,111,268	0.79	0.59
Valfin Oy	1,670,596	0.63	0.64
Svenska litteratursällskapet i Finland	1,466,111	0.55	0.57
Foreign owners	152,960,466	57.38	59.05
Others	59,607,856	22.36	23.32
	259,030,957	97.17	100.00
Shares held by UPM-Kymmene Corporation	7,538,000	2.83	—
Total	266,568,957	100.00	100.00

¹⁾ Includes 246,000 lent shares.

²⁾ Includes 579,800 lent and 195,000 nominee-registered shares. Lent shares have no voting rights.

Shareholder breakdown by sector at 31 December 1999

	%
Companies	8.3%
Financial institutions and insurance companies	9.2%
Public bodies	6.5%
Non-profitmaking organizations	6.1%
Households	12.5%
Non-Finnish nationals	57.4%
Total	100.0%

On 19 April 1999, UPM-Kymmene received notification that on 15 April the shareholdings and voting rights in the company held by investment funds managed by the Tiger group had fallen below the 10% limit and were 7.35% of the share capital. On the same day, UPM-Kymmene received notification that the shareholding and voting rights in the company held by Morgan Stanley Dean Witter & Co had risen to 9.15% on 1 April but had returned to below the 5% limit on 7 April. On 6 August, the Tiger group notified the company that the shareholdings and voting rights in the company held by its investment funds had fallen below the 5% limit and were 3.14%.

On 27 September 1999, UPM-Kymmene received notification that on 21 September the shareholdings and voting rights in the company held by investment funds managed by Capital Group Companies had risen to 7.55% of the share capital.

On 1 October 1999, UPM-Kymmene received notification that funds represented by Franklin Resources Inc. had held 5.34% of the company's share capital on 1 April. According to Franklin Resources Inc's notification of 4 January 2000, the holdings of these funds had fallen to 4.9% on 1 December 1999. Later in January 2000 the company was notified by Franklin Resources Inc that the shareholdings of its investment funds had fallen to 4.3% of the share capital on 18 January. On the same day, Franklin Resources Inc held authorizations to exercise 0.66% of the voting rights in the company, and the total share of the voting rights administered by Franklin Resources Inc had fallen from 5.57% to 4.96%.

CONVERTIBLE BONDS AND DIRECTORS' SHARE OPTIONS

Subordinated convertible bond loan 1994, FIM 960,000,000

The bonds were issued on 25 February 1994 and the subscription period was 11–18 March 1994. Bondholders have the right to convert their bonds during the period 1 April 1994 to 25 March 2004. The bonds have a maturity of 10 years and carry a coupon of 6.5%. The company has the right to terminate the issue from 25 March 1998 onwards and to repay the loan, with interest, in full.

Conversion ratio

Bondholders are entitled to convert their bonds into UPM-Kymmene Corporation shares, each FIM 10,000 bond entitling

the holder to subscribe 78 UPM-Kymmene Corporation shares. The calculated conversion price of the share is FIM 128.21 (EUR 21.56). The maximum increase in the share capital due to conversion of the bonds is EUR 12,593,912, i.e. 7,488,000 shares.

Conversion period

The period during which the bonds can be converted into UPM-Kymmene Corporation shares ends on 25 March 2004. The conversion period is 1 January to 31 October each year. Bondholders also have the right to convert their bonds into shares during a period to be specified by the Board of Directors in the event that UPM-Kymmene Corporation decides to merge with another company. By 31 December 1999, a total of 2,785,848 shares had been subscribed under the issue, 1,724,970 of them during 1999.

Shareholders' rights

Under the terms and conditions of the issue, shares obtained by conversion entitle holders to dividend for the first time in respect of the financial period during which the conversion took place. Other shareholder rights begin once the increase in share capital has been entered in the Trade Register.

Share options to key personnel

The Annual General Meeting of 25 March 1998 authorized the company's Board of Directors to issue a total of 6,000,000 share option warrants to the Group's key personnel and to UPM-Kymmene's wholly-owned subsidiary Unicarta Oy. The warrants are divided into A, B and C warrants, with 2,000,000 of each. The warrants can be exercised to subscribe 6,000,000 shares.

Holders of A warrants have the right to subscribe shares at FIM 184 (EUR 30.95) each from 1 April 2001. From 1 April 2003, holders of B warrants may subscribe shares at FIM 214 (EUR 35.99) each and holders of C warrants at FIM 307 (EUR 51.63) each. Between 1 May 1998 and the date at which the shares are subscribed the final subscription price will be reduced by the dividend paid without corporate tax credit. The subscription period for all warrants ends on 30 April 2005.

C warrants were issued to Unicarta Oy. The company's Board of Directors may decide to pass these on to the Group's directors if the one-week average price quoted for the shares on the Helsinki Stock Exchange exceeds FIM 200 (EUR 33.64).

The subscription price was based on the trade-weighted average price (FIM 153.10, EUR 25.75 per share) quoted on the Helsinki Stock Exchange during the period 18–24 March 1998. The subscription price for holders of A warrants is FIM 30 (EUR 5.05) above the average price, for holders of B warrants FIM 60 (EUR 10.09) above the average price, and for holders of C warrants twice the average price, always rounded up to the next markka.

Report of the Auditors

To the Shareholders of UPM-Kymmene Corporation

We have audited the accounts, the accounting records and the administration of UPM-Kymmene Corporation for the financial year 1999. The accounts prepared by the Board of Directors and the Managing Director include, for both the group and the parent company, a report on operations, an income statement, a balance sheet and notes to the accounts. We provide our opinion on the accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. We have audited the accounting records, and the accounts, the disclosures and the presentation of information, including the accounting policies, to an extent sufficient to give us reasonable assurance that the financial accounts are free of material misstatement. The audit of the administration has included obtaining assurance that the actions of the members of the Board of Directors and the Managing Director have been in conformity with the regulations of the Companies' Act.

In our opinion the accounts have been prepared in accordance with the regulations of the Accounting Act and other legislation and regulations relevant to the preparation of the accounts, and give a true and fair view of the group's and the parent company's results from operations and financial position in accordance with such legislation and regulations. The accounts including the group accounts may be approved, and the members of the Board of Directors and the Managing Director may be discharged from liability for the financial year examined by us. The proposal of the Board of Directors concerning the disposition of the distributable funds is in accordance with the Companies' Act.

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants

Tauno Haataja
Authorised Public Accountant

Lars Blomquist
Authorised Public Accountant

U.S. GAAP

The Group's consolidated financial statements are prepared in accordance with Finnish accounting practice ("Finnish GAAP"), which differs in certain material respects from accounting principles generally accepted in the United States ("U.S. GAAP"). The Group's profit and shareholders' equity in accordance with Finnish GAAP and U.S. GAAP are reconciled in the following tables.

Reconciliation of profit

MEUR	1999	1998
Profit in accordance with Finnish GAAP	994	1,029
Business combinations	-85	-90
Sale-leaseback transactions	2	4
Capitalization of interest	-13	-9
Associated company share exchange	50	-
Employee benefits	-10	-3
Derivative financial instruments	-27	98
Other	-8	2
Deferred taxes	-35	-49
Deferred tax effect of U.S. GAAP adjustments	-2	-24
Net income in accordance with U.S. GAAP	866	958

Reconciliation of shareholders' equity

MEUR	1999	1998
Shareholders' equity in accordance with Finnish GAAP	5,536	5,311
Business combinations	1,135	1,220
Revaluations	-737	-779
Sale-leaseback transactions	-206	-208
Capitalization of interest	134	147
Associated company share exchange	46	-
Other shares and holdings	1,546	583
Employee benefits	-139	-135
Derivative financial instruments	25	52
Treasury shares	-236	-289
Other	7	2
Deferred taxes	-108	-73
Deferred tax effect of U.S. GAAP adjustments	-193	-122
Shareholders' equity in accordance with U.S. GAAP	6,810	5,709

Business combinations

Certain significant business combinations accounted for by the pooling of interests method under Finnish GAAP are required to be accounted for by the purchase method under U.S. GAAP. The more restrictive conditions for pooling of interests accounting under U.S. GAAP which impacted the accounting treatment for such business combinations included post-combination asset disposals, the independence

of the combining companies and pre-combination changes in equity interests.

Revaluations

As permitted under Finnish GAAP, revaluations are possible under certain circumstances. U.S. GAAP generally does not allow such revaluations except in certain respects involving business combinations.

Sale-leaseback transactions

Under Finnish GAAP, certain significant transactions have been accounted for under the sale-leaseback method, whereby a sale is recorded, the asset is removed from the balance sheet, the gain or loss is recognized in the profit and loss account, and the leaseback is accounted for as an operating lease. Due to the Group's continuing involvement with such assets, certain of these sale-leaseback transactions are classified as financing arrangements under U.S. GAAP, whereby the assets continue to be accounted for in accordance with the Group's normal accounting policies and rental payments are applied to the principal of the related liability and interest expense.

Capitalization of interest

Under Finnish GAAP, the Group generally expenses interest costs incurred in connection with the construction of qualifying assets. U.S. GAAP requires that such interest costs be capitalized and amortized over the life of the assets.

Associated company share exchange

During 1999, an associated company of the Group participated in a share exchange with a third party. Under Finnish GAAP, the Group recorded the shares received in this exchange at book value. Under U.S. GAAP, the shares received in this exchange are recorded at fair value.

Other shares and holdings

Under Finnish GAAP, marketable investments are recorded at cost and are classified in investments held as non-current assets and stocks. Unrealized gains are generally not recognized until realized. Under U.S. GAAP, such investments in equity securities with readily determinable market values are classified as available-for-sale securities as a separate balance sheet line item within non-current assets and reported at fair value, with unrealized gains and losses excluded from earnings and reported, net of applicable taxes, in a separate component of shareholders' equity.

Employee benefits

The Group operates a mixture of pension schemes. Both in

Finland and abroad, pensions are arranged in part through pension insurance companies, in part through the Group's own pension funds and partly directly by the Group. For purposes of Finnish GAAP, pension expense is recorded in accordance with local accounting practices in the countries in which employees are provided with such benefits. Under U.S. GAAP, pension expense is recorded on a full accrual basis and reflected in the income statement over the working lives of the employees provided with such benefits.

Derivative financial instruments

Under Finnish GAAP, the Group records currency derivatives relating to net cash flows in the profit and loss account as such cash flows are received or paid. Payments on interest rate derivatives are recorded in the profit and loss account together with interest payments on related debts according to the accrual method. Under U.S. GAAP, except for certain interest rate derivatives, such transactions do not qualify for hedge or accrual accounting treatment, and are accordingly marked to market with the resulting gains and losses recorded currently in the profit and loss account.

Treasury shares

Under Finnish GAAP, the Group records treasury shares as non-current assets. Under U.S. GAAP, those shares are recorded as a reduction from shareholders' equity.

Deferred taxes

Under Finnish GAAP, the Group has adopted a change in accounting policy at 31 December 1999 to record deferred taxes on revaluations, and thereby to substantially record deferred taxes on a full liability basis. Prior years have not been restated to reflect this change in accounting policy. However, under this new accounting policy, deferred taxes have not been provided on unremitted earnings of associated companies and certain purchase accounting differences. Under U.S. GAAP, deferred tax assets and liabilities are recognized for all differences between the accounting and tax basis of assets and liabilities.

Management and auditors

Corporate governance

As recommended by the Helsinki Stock Exchange, UPM-Kymmene follows the guidelines issued by the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers relating to the governance of publicly quoted joint stock companies. The company also complies with the guidelines for insiders published by the above bodies and Helsinki Stock Exchange.

Pursuant to the provisions of Finland's Companies Act and the Articles of Association of the company, the control and management of the company is divided between the shareholders at a general meeting of shareholders, the Board of Directors, and the President and Chief Executive Officer.

The general meeting of shareholders is the company's supreme decision-making body. Under the Companies Act, certain important issues such as amendments to the Articles of Association, the adoption of the accounts, the size of the dividend, election of auditors and members of the Board of Directors, and the fees to be paid to the members of the Board of Directors, may only be decided by a general meeting of shareholders.

The Board of Directors is responsible for the management of the company and for the proper organization of its activities. The Board of Directors establishes the principles of the strategy, organization, accounting and financial control of the company and appoints the President and Chief Executive Officer, who acts in accordance with the orders and instructions of the Board of Directors. The President and Chief Executive Officer, assisted by the Executive Board, is responsible for the day-to-day management of the company's affairs. Measures which are not within the ordinary course of the company's business may be taken by the President and Chief Executive Officer only if approved by the Board of Directors, unless the time required to obtain such approval would cause the company to suffer a substantial disadvantage. In the latter case, the Board of Directors

must be informed as soon as practicable of the measures which have been taken.

The Board of Directors consists of at least five and no more than 12 members. The Board of Directors currently consists of 10 members. Members of the Board of Directors are elected for a term of one year that begins at the end of the general meeting of shareholders at which they are elected and terminates at the end of the next Annual General Meeting. Members of the Board of Directors may be elected, or removed, only by a resolution of shareholders in general meeting.

The Board of Directors elects from among its number a Chairman and Vice Chairman for one year at a time.

The Board of Directors has elected, from among its members, an Audit Committee comprising Gustaf Serlachius (Chairman) and members L.J. Jouhki and Vesa Vainio. The Committee's duties include scrutinizing the contents of the accounts, the company's internal control systems and audit. At its meetings, the Committee discusses matters with the company's auditors, President and Chief Executive Officer, Chief Financial Officer and other directors as required.

Matters pertaining to salaries, fees and other remunerations paid to the company's directors are handled by the Compensation Committee, which comprises Tauno Matomäki (Chairman) and members Jouko K. Leskinen and Iiro Viinanen.

Final decisions on proposals made by these committees are made by the Board of Directors. Meetings of the committees may be attended by all members of the Board of Directors.

The Board of Directors has also elected, from among its members, a Nomination Committee comprising Iiro Viinanen (Chairman) and members Carl H. Amon, Jouko K. Leskinen and Gustaf Serlachius. The Committee's job is to prepare a proposal for members of the Board of Directors for consideration by the general meeting of shareholders.

Pursuant to the Companies Act, the Board of Directors elects the company's President and Chief Executive Officer,

for whom a written contract of employment has been drawn up.

During 1999, the Board of Directors met 14 times.

Board of Directors

Chairman

Tauno Matomäki

Vice Chairmen

Jouko K. Leskinen

Iiro Viinanen

Members

Carl H. Amon III (from 23 March 1999)

L.J. Jouhki

Antoon Lenstra (from 23 March 1999)

Juha Niemelä

Jorma Ollila

Gustaf Serlachius

Vesa Vainio

Casimir Ehrnrooth (to 23 March 1999)

Auditors

SVH Pricewaterhouse Coopers Oy

(Authorised Public Accountants)

Lars Blomquist (APA)

Deputy auditors

Pricewaterhouse Coopers Oy

(Authorised Public Accountants)

Merja Lindh (APA)

Executive Board

Juha Niemelä

Martin Granholm

Jan-Henrik Kulp

Heikki Sara

Kari Toikka

Ismo Lepola

Pentti Arvela

Matti J. Lindahl

Pentti Kallio (from 1 September 1999)

Berndt Brunow (to 31 August 1999)

Jaakko Rislakki

Kari Makkonen

Paavo Ojanpää

Board of Directors



▲
Tauno Matomäki
Chairman

Member of the Board of Directors since 1996,
Chairman since 1998



Gustaf Serlachius
Chairman of the Gösta Serlachius Fine Arts Foundation

Member of the Board of Directors since 1996



▲
Jouko K. Leskinen
President and Chief Executive Officer of the Sampo Group

Member of the Board of Directors since 1996,
Vice Chairman since 1998



▲
Antoon Lenstra
Director of Unilever's Home and Personal Care Products Europe business group

Member of the Board of Directors since 1999



◀
Iiro Viinanen
President of the Pohjola Group
and Chief Executive Officer of
Pohjola Insurance Company Ltd.
(to 1 February 2000)

Member of the Board of
Directors since 1996,
Vice Chairman since 1997



◀
Carl H. Amon III
Partner, White & Case,
international law firm

Member of the Board of
Directors since 1999



◀
Juha Niemelä
President and Chief Executive
Officer of UPM-Kymmene
Corporation

Member of the Board of
Directors since 1998



▲
L.J. Jouhki
Managing Partner of
Thom Companies

Member of the Board of
Directors since 1996



▲
Jorma Ollila
Chairman and Chief Executive
Officer of Nokia Corporation

Member of the Board of
Directors since 1997

▲
Vesa Vainio
Vice Chairman of
MeritaNordbanken Plc

Member of the Board of
Directors since 1996

Executive Board



▲
Juha Niemelä
President and Chief Executive
Officer



▲
Martin Granholm
Executive Vice President



◀
Ismo Lepola
President,
Magazine Papers



▶
Pentti Kallio
President,
Converting Materials



▶
Jaakko Rislakki
President,
Packaging Materials
Retires on 31 August 2000



◀
Jan-Henrik Kulp
Chief Financial Officer



◀
Heikki Sara
Senior Vice President,
Resources



◀
Pentti Arvela
President,
Newsprint



▲
Kari Toikka
Senior Vice President,
Investor Relations and
Administration

◀
Matti J. Lindahl
President,
Fine Papers

▲
Kari Makkonen
President,
Wood Products



▲
Paavo Ojanpää
President,
Plywood
Retires on 1 March 2000



Information on members of the Board of Directors

Tauno Matomäki, born 1937,

has been a member of the Board of Directors since 1996 and Chairman since 1998. He holds a Master of Science degree in engineering and has been awarded an honorary doctorate by Tampere University of Technology. He joined Rauma-Repola in 1967 and held various positions in the company. He was appointed President and CEO of Rauma-Repola in 1987 and President and CEO of Repola Ltd in 1991. He is Chairman of the Boards of Directors of Pohjolan Voima Oy (PVO Group) and Pohjola Group Insurance Corporation. He is also Chairman of the Supervisory Board of Teollisuuden Voima Oy and a member of the Supervisory Boards of Pension Insurance Company Ilmarinen Ltd and Rautaruukki Oyj. He is a member of the Board of Directors of the Foundation for Economic Education. He is Chairman of the Advisory Board of Tampere University of Technology and Chairman of the delegation of Satakunta University Foundation. Owns 8,560 UPM-Kymmene Corporation shares.

Jouko K. Leskinen, born 1943,

has been a member of the company's Board of Directors since 1996 and Vice Chairman since 1998. He is President and Chief Executive Officer of the Sampo Group and a member of the Boards of Directors of Sampo Insurance Company plc, Sampo Life Insurance Company Ltd, and Varma-Sampo Mutual Pension Insurance Company. He holds a Master of Laws degree. He is a member of the boards of Nokia Corporation and Finlines plc. He is also Chairman of the boards of Kaleva Mutual Insurance Company, Industrial Insurance Company Ltd and Sampo Enterprise Insurance Company Ltd. He is Vice Chairman of the Board of the Federation of Finnish Insurance Companies. Owns 6,369 UPM-Kymmene Corporation shares.

Iiro Viinanen, born 1944,

has been a member of the company's Board of Directors since 1996 and Vice Chairman since 1997. President of the Pohjola Group and Chief Executive Officer of Pohjola Insurance Company Ltd (to 1 February 2000). He holds a Master of Science degree in technology. He was Managing Director of Konevalmistamo Oy from 1967 to 1983, Member of the Finnish Parliament from 1983 to 1996, and Chairman of the Parliamentary Group of the National Coalition Party from 1990 to 1991. He was Finland's Minister of Finance from 1991 to 1996. He is Chairman of the boards of Pohjola Life Assurance Company Ltd, Pension Insurance Company Ilmarinen Ltd, Pohjola Group Insurance Corporation, Pohjola Customer Service Ltd, the Federation of Finnish Insurance Companies, Pohjola Non-Life Insurance Ltd, and Eurooppalainen Insurance Company Ltd. He is also a member of the boards of the Centre for Finnish Business and Policy

Studies, Kone Corporation, Nokia Corporation and Oy Lahden Polttimo Ab. He is a member of the Supervisory Boards of Finnair Oyj, the Foundation for Paediatric Research, Orion Corporation and YIT Corporation. He is Vice Chairman of the Finnish Motor Insurers' Centre. Does not own UPM-Kymmene Corporation shares.

Carl H. Amon III, born 1943,

has been a member of the Company's Board of Directors since 1999. He is a partner of White & Case LLP, an international law firm specializing in international commercial and financial transactions. He holds a Juris Doctor degree. He joined White & Case LLP in 1968 and was made partner in 1976. During his more than thirty years at White & Case LLP, Mr. Amon has been based in the New York, London, Brussels, Hong Kong, Jakarta and Prague offices of White & Case LLP. From 1990 to 1995, he was responsible for the development of White & Case LLP's practice in Central and Eastern Europe. Owns 300 UPM-Kymmene Corporation shares.

L.J. Jouhki, born 1944,

has been a member of the company's Board of Directors since 1996. He is a Managing Partner of Thom Companies (Thominvest Oy, Thomproperties Oy and Thomesto Oy). He holds a Master of Science degree in economics. He is a member of the boards of the following companies: Finlines Plc (Chairman), Fortum Corporation, Oyj Hartwall Abp and Sanoma-WSOY Corporation. He is a member of the Supervisory Board of Merita Bank Plc, Chairman of the delegation of the Finnish-Russian Chamber of Commerce, and Chairman of the board of the National Defence Training Association. Nominated for 423,547 UPM-Kymmene Corporation shares.

Antoon Lenstra, b. 1949,

has been a member of the Company's Board of Directors since 1999. He is Executive Vice President of Unilever's Home and Personal Care Products Europe. He holds a Bachelor of Science degree in Social Science and a Master's degree in Business Administration. He worked for Procter & Gamble Benelux N.V. from 1976 to 1984 in various positions. In 1984 he started his own company, which was successfully sold in 1989. He joined Unilever N.V. in 1989 in the capacity of Managing Director of Lever Sunlight B.V., a subsidiary of Unilever N.V. From 1992 to 1997, he managed Unilever's operations in various East Asian countries, including China, Hong Kong and Taiwan. Does not own UPM-Kymmene Corporation shares.

Juha Niemelä, born 1946,

has been President and Chief Executive Officer of UPM-Kymmene Corporation since the company was founded and a member of the Board of Directors since 1998. He holds a Master of Science degree in economics. For most of his

career he worked for United Paper Mills Ltd, most recently as the company's Executive Vice President. He was Chairman of the Board of the Finnish Forest Industries Federation from 1997 to December 1999. He is a member of the boards of MeritaNordbanken Plc, Oy Metsä-Botnia Ab, Oy Metsä-Rauma Ab and the Confederation of Finnish Industry and Employers. He has been appointed Chairman of the Confederation of European Paper Industries (CEPI) as of January 2000. Owns 6,768 UPM-Kymmene Corporation shares, 70,000 series A directors' share options and 70,000 series B options, and FIM 50,000 in bonds from the 1994 convertible bond issue.

Jorma Ollila, born 1950,

has been a member of the company's Board of Directors since 1997. He is Chairman and Chief Executive Officer of Nokia Corporation and Chairman of Nokia's Group Executive Board. He holds a Master of Political Science degree, a Master of Science (Econ.) degree, and a Master of Science (Eng.) degree. He has been awarded honorary doctorates by the Faculty of Political Science of Helsinki University and by Helsinki University of Technology. He is a member of the boards of the Research Institute of the Finnish Economy, the Centre for Finnish Business and Policy Studies, ICL plc and Otava Publishing Company. He is also Deputy Chairman of the Board of the Confederation of Finnish Industry and Employers. He is a member of the supervisory boards of Merita Bank Plc and Sampo Insurance Company plc. His influence extends to the advisory board of Helsinki School of Economics and Business Administration, Savonlinna Opera Festival supporters' association, the Finnish-Swedish Chamber of Commerce, the Finnish Cultural Foundation and its supporters' association, the advisory board of Helsinki University of Technology, and the Finnish State Council for Science and Technology. Owns FIM 330,000 in bonds from the 1994 convertible bond issue.

Gustaf Serlachius, born 1935,

has been a member of the company's Board of Directors since 1996. He holds a Bachelor of Business Administration degree. He is Chairman of the boards of the Gösta Serlachius Fine Arts Foundation and the R. Erik Serlachius Foundation. He has served as a member of the boards of a number of companies and associations, including Metsä-Serla Corporation (Chairman of the Board), Repola Ltd, the Finnish Forest Industries Federation, the Employers' Association of Finnish Forest Industries, and the Finnish Foreign Trade Association. Owns 835,000 UPM-Kymmene Corporation shares.

Vesa Vainio, born 1942,

has been a member of the company's Board of Directors since 1996. He is Vice Chairman of the Board of MeritaNordbanken Plc and President of Merita Plc. He holds a Master's degree in

law. He is a member of the boards of the Centre for Finnish Business and Policy Studies, the Finnish National Committee of the European Cultural Foundation, the Mannerheim Foundation, Nokia Corporation, Nordbanken Holding AB (publ), and the Finnish-American Chamber of Commerce. He is Vice Chairman of the Board of Metro Oyj Abp and Chairman of the Board of the Central Chamber of Commerce. He is also a member of the supervisory boards of Helsinki University Seniors, LTT Research Ltd, the Orthopaedics and Traumatology Research Foundation, the Support and Tradition Foundation of the Disabled War Veterans Association of Finland, the Finnish Medical Society Duodecim and the Finnish Medical Foundation. He is also Chairman of the Supervisory Board of the Foundation for Paediatric Research and acts as deputy auditor for the Foundation of Technology. Owns 14 UPM-Kymmene Corporation shares.

Information on members of the Executive Board

Juha Niemelä, born 1946

President and Chief Executive Officer of UPM-Kymmene Corporation and a member of the Board of Directors.

Martin Granholm, born 1946

Has been Executive Vice President of UPM-Kymmene Corporation since 1996. He holds a Master of Science degree in engineering. He joined Oy Wilh. Schauman Ab in 1970 and held posts in the company's project, production and administrative functions. Following the merger of Oy Wilh. Schauman Ab with Kymmene Corporation, he served first as Managing Director of the subsidiary Wisaforest Oy Ab and was appointed President of Kymmene Corporation in 1992. Owns 10,195 UPM-Kymmene Corporation shares, 55,000 series A directors' share options and 55,000 series B options.

Jan-Henrik Kulp, born 1943

Has been the Group's Chief Financial Officer since 1996. He holds a Bachelor of Science degree in economics. He held several posts in the financial administration of Oy Kaukas Ab starting in 1967, and became the company's Financial Director in 1977. He was appointed Kymmene Corporation's Chief Financial Officer in 1986. He was a member of the Corporate Executive Board of Kymmene Corporation from 1987 to 1995. Owns 1,596 UPM-Kymmene Corporation shares, 35,000 series A directors' share options and 35,000 series B options.

Heikki Sara, born 1946

Has been Senior Vice President, Resources, since 1996. He holds a Doctor of Technology degree in paper science. He joined United Paper Mills Ltd in 1976 and occupied several posts, including Development Manager, Mill Director and Vice President in charge of the Jämsänkoski

business unit. He was appointed a member of United Paper Mills' Executive Board in 1993. Owns 2,000 UPM-Kymmene Corporation shares, 35,000 series A directors' share options and 35,000 series B options.

Kari Toikka, born 1950

Has been Senior Vice President, Investor Relations and Administration since 1998. He holds a Master of Science degree in economics and has qualified as an authorized public accountant. He joined United Paper Mills Ltd in 1976, holding several posts. He was appointed Vice President, Corporate Planning for Repola Ltd in 1990 and a member of the Executive Board in 1994. He was Vice President, Investor Relations for UPM-Kymmene Corporation from 1996 to 1998. Owns 2,450 UPM-Kymmene Corporation shares, 35,000 series A directors' share options and 35,000 series B options.

Pentti Arvela, born 1944

Has been President, Newsprint, since 1996. He holds a Master of Science degree in paper technology. He joined United Paper Mills in 1975, working in several capacities, including Development Manager and Vice President, Sales, at the Jämsänkoski mill, and Vice President, Sales, and General Manager of the Kaipola mill. He became Vice President and General Manager of the Kaipola business unit in 1989. He was a member of the Executive Board of United Paper Mills from 1990 to 1995. Owns 2,120 UPM-Kymmene Corporation shares, 35,000 series A directors' share options and 35,000 series B options.

Pentti Kallio, born 1949

Has been President, Converting Materials, since 1 September 1999. He holds a Master of Science degree in economics. He was Managing Director of the Walkisoft group (1998–99) and head of marketing services for the Paper Divisions (1997–98). He joined the company from the marketing organization Finnppap, where he was member of the Management Board responsible for logistics (1985–87), financing and administration (1987–96) and finally President (1996–97). He joined Finnppap in 1974, occupied several posts with Oy Transfennica Ab in 1976–85, before rejoining Finnppap. Owns 6,273 UPM-Kymmene Corporation shares, 35,000 series A directors' share options and 35,000 series B options.

Ismo Lepola, born 1941

Has been President, Magazine Papers, since 1996. He holds a Master of Science degree in paper technology. In 1967, he joined Oy Kyro Ab, where he held the posts of Laboratory Manager, Technical Director, Deputy Managing Director and Managing Director. He joined United Paper Mills in 1984, and was a member of the company's Executive Board from 1984 to 1995. Owns 2,200 UPM-Kymmene Corporation shares, 35,000 series A directors' share options and 35,000 series B options.

Matti J. Lindahl, born 1946

Has been President of the Group's Fine Papers division since 1997. He holds a Bachelor of Science degree in economics. He is also Chief Executive Officer of Nordland Papier AG. He was President of Finnboard from 1990 to 1992 and President of Wisaforest Oy Ab in Pietarsaari until 1993. Owns 35,000 series A directors' share options and 35,000 series B options.

Kari Makkonen, born 1947

Appointed President of the Wood Products division as of January 2000. Was President, Sawmilling, between 1996 and 1999. He holds a Master of Science degree in economics. He joined Rauma-Repola Oy in 1972 and served in several management positions in production, sales and general administration in the Mechanical Woodworking division. He became a member of the company's Executive Board in 1986. On the merger of Rauma-Repola Oy and United Paper Mills Ltd he was appointed President of United Paper Mills' Mechanical Woodworking division. He became a member of the Executive Board in 1990. Owns 7,000 UPM-Kymmene Corporation shares, 35,000 series A directors' share options and 35,000 series B options, and FIM 80,000 in bonds from the 1994 convertible bond issue.

Paavo Ojanpää, born 1940

Has been President, Plywood, since 1996. He holds a Master of Forestry degree and an MBA degree. Beginning in 1965 he served in export positions in the forest industry in Paris and London. He joined Oy Wilh. Schauman Ab in 1970 and was appointed Vice President, Marketing, for the Wood-Based Panels division in 1978. In 1990 he was appointed Commercial Director of Schauman Wood Oy, and on 1 January 1996 was appointed Managing Director. Owns 739 UPM-Kymmene Corporation shares, 35,000 series A directors' share options and 35,000 series B options.

Jaakko Rislakki, born 1940

Has been President, Packaging Materials, since 1996. He holds a Master of Science degree in engineering. He joined United Paper Mills in 1974, originally in corporate planning at central administration. After serving as Vice President in charge of what is now Walki Wisa's Valkeakoski plant, he was appointed to the Executive Board in 1980, his main responsibility being packaging and related businesses. Owns 5,000 UPM-Kymmene Corporation shares, 35,000 series A directors' share options and 35,000 series B options, and FIM 60,000 in bonds from the 1994 convertible bond issue.

Stated shareholdings also include shares held by under-age children and by organizations or foundations of which the person has control.

Production plants and sales network

Production plants in Europe

PRINTING PAPERS

Finland

Kymi Paper Oy, Kuusankoski
 UPM-Kymmene Jämsänkoski, Jämsänkoski
 UPM-Kymmene Kaipola, Kaipola
 UPM-Kymmene Kajaani, Kajaani
 UPM-Kymmene Kaukas, Lappeenranta
 UPM-Kymmene Rauma, Rauma
 UPM-Kymmene Voikkaa, Voikkaa

France

Chapelle Darblay, Grand-Couronne
 Stracel SA, Strasbourg

Germany

Nordland Papier AG, Dörpen

Great Britain

Caledonian Paper plc, Irvine
 Shotton Paper Company plc, Shotton

UPM CONVERTING

Belgium

NV Rosenlew SA, Izegem

Czech Republic

Walki Sack sro, Uvalno

Finland

Oy Alfa-Bag Ab, Kokkola
 Lohjan Paperi Oy, Lohja
 Raflatac Oy, Jyväskylä
 Raflatac Oy, Tampere
 UPM-Kymmene Jämsänkoski PM3, Jämsänkoski
 UPM-Kymmene Tervasaari, Valkeakoski
 UPM-Kymmene Walki Can, Valkeakoski
 UPM-Kymmene Walki Films, Valkeakoski
 UPM-Kymmene Walki Sack Pori Plant, Pori
 UPM-Kymmene Walki Wisa, Pietarsaari
 UPM-Kymmene Walki Wisa, Valkeakoski
 UPM-Kymmene Wisapaper, Pietarsaari
 UPM-Kymmene W. Rosenlew, Merikarvia
 UPM-Kymmene W. Rosenlew, Pori

France

Papeteries de Docelles, Docelles
 Raflatac SA, Pompey (Nancy)
 Rosenlew-Saint Frères Emballage SA, Beauval
 Rosenlew-Saint Frères Emballage SA, Ville le Marcllet
 Rosenlew SA, Montceau-les-Mines
 Walki Films SA, Epemon

Germany

Raflatac Productions GmbH, Hirschhorn
 Walki Wisa GmbH, Werk Steinfurt, Steinfurt
 Walki Wisa GmbH, Werk Jülich, Jülich

Great Britain

Raflatac Ltd, Scarborough, Yorks
 Sterling-Lohja Ltd, Glossop
 Walki Wisa Ltd, Garstang

The Netherlands

Walki Sack BV, Edam

Norway

Rosenlew AS, Geithus

Portugal

Rosenlew Portugal Embalagens SA, Travasso

Rumania

Walki Sack, Ploiesti

Spain

Raflatac Ibérica Producción SA, Polinya (Barcelona)
 Walki Sack SA, Casetas (Zaragoza)
 Walki Sack SA, Huerca-Overa
 Walki Sack SA, Telde (Gran Canaria)

Sweden

Rosenlew Emballage AB, Norrköping

WOOD PRODUCTS

Finland

Sawmills

Heinola Sawmill, Heinola
 Kajaani Sawmill, Kajaani
 Kaukas Sawmill, Lappeenranta
 Korkeakoski Sawmill, Korkeakoski
 Kuopio Sawmill, Kuopio
 Leivonmäki Sawmill, Leivonmäki
 Parkano Sawmill, Parkano
 Seikku Sawmill, Pori
 Wisatimber, Pietarsaari

Timber Components

Heinola Mill, Heinola
 Kajaani Mill, Kajaani
 Kuusankoski Mill, Kuusankoski
 Lappeenranta Mill, Lappeenranta
 Luumäki Mill, Luumäki

Schauman Wood

Heinola Mills, Heinola
 Joensuu Mill, Joensuu
 Jyväskylä Mill, Jyväskylä
 Kalso-Teollisuus Oy, Vuohijärvi
 Kaukas Mill, Lappeenranta
 Kuopio Mill, Kuopio
 Lahti Mill, Lahti
 Mahogany Oy, Lohja
 Mahogany Oy Keuruu Mill, Keuruu
 Pellos Mills, Pellosniemi
 Savonlinna Mill, Savonlinna
 Viiala Mill, Viiala

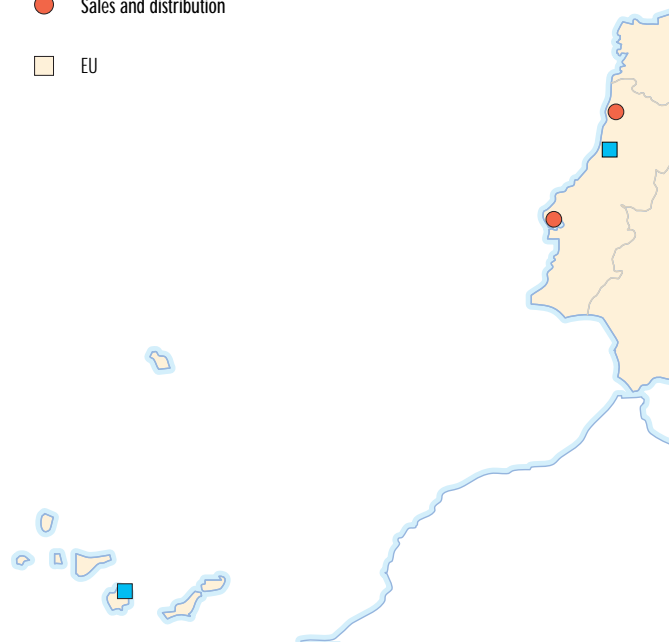
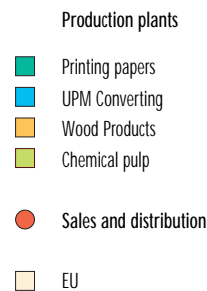
France

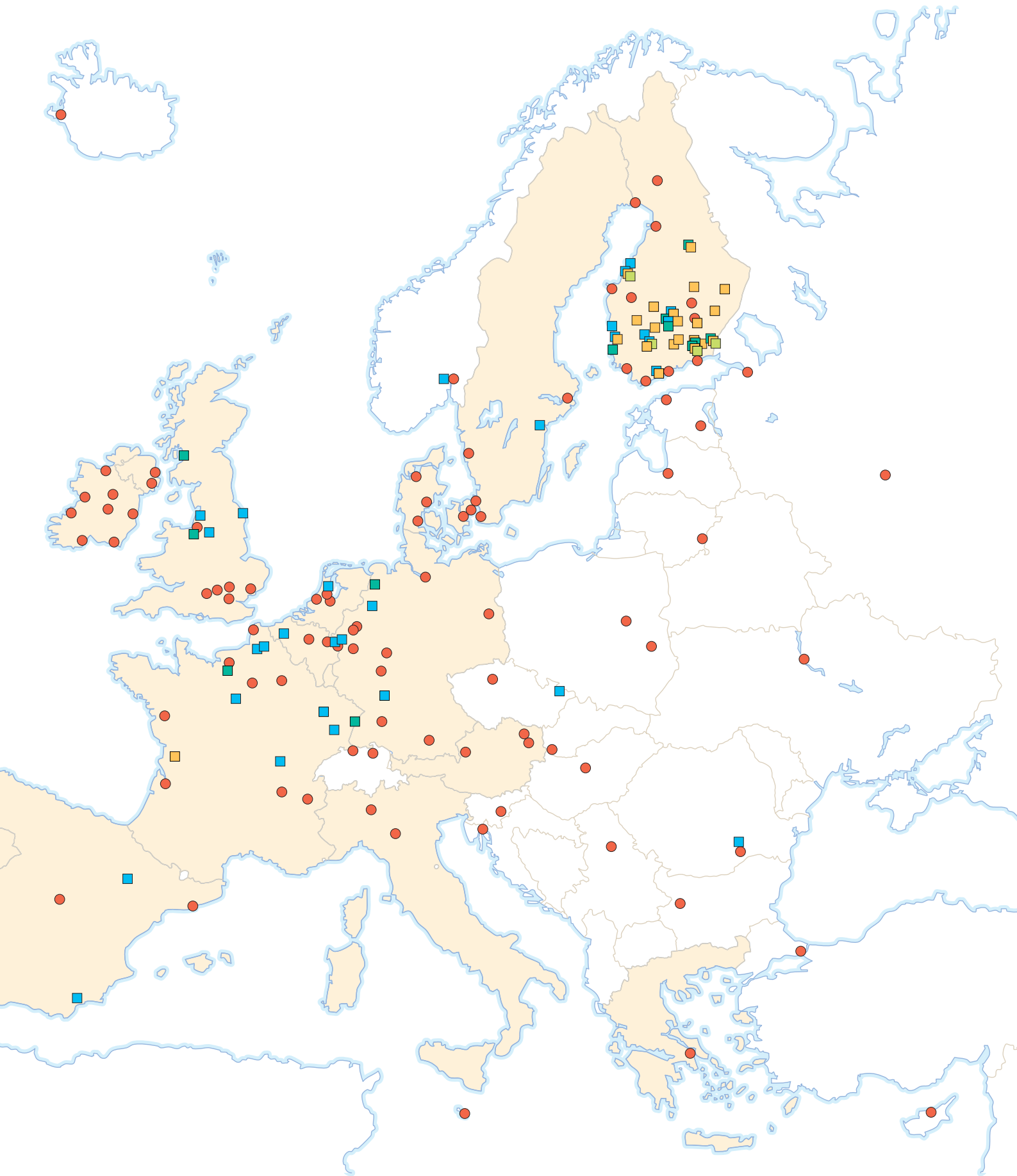
Malvaux SA, Loulay

CHEMICAL PULP

Finland

UPM-Kymmene Kaukas Pulp Mill, Lappeenranta
 UPM-Kymmene Kymi Pulp Mill, Kuusankoski
 UPM-Kymmene Tervasaari Pulp Mill, Valkeakoski
 UPM-Kymmene Wisaforest, Pietarsaari







Production plants outside Europe

PRINTING PAPERS

USA
Blandin Paper Company, Grand Rapids, MN

UPM CONVERTING

China
Rafalac (Shanghai) Co Ltd, Shanghai

Malaysia
Rafalac (M) Sdn Bhd Johor, West Malaysia

USA
DCP-Lohja Inc Cullman, AL
DCP-Lohja Inc Willowbrook, IL
Rosenlew Inc, Houston, TX

Production plants

■ Printing papers
■ UPM Converting

● Sales and distribution

Forecasts and assessments presented in this Annual Report are based on the management's current views on the future trends in the Group's business environment. Such forecasts and assessments may be affected by changes in the forest industry and in the general economic situation.

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